Recap of the Dodge Data & Analytics Construction Starts Outlook for 2021 Q3

Let me start with what Richard Branch, Chief Economist for Dodge Data & Analytics ended with in the construction starts update, "*there are brighter days ahead*" with much growth in 2022 through 2026 coming from the $550 billion infrastructure bill being passed by the House and to be signed by the President by the end of September 2021. Overall, construction starts outlook is positive.

Highlights for the Q3 update were provided for both the residential and non-residential sectors. The big takeaways for me were:

Non-residential

Strong in the non-residential commercial sector, **Warehousing**. Record level billion-dollar growth, hello Amazon $9.7 billion, to an increase of the square footage, 280 million square feet have broken ground in the first 7 months of 2021. The regions that are experiencing growth are the southeast, mid Atlantic, and Pacific southwest. Richard said he sees a decrease in planning and the pace pulling back a bit yet still strong through 2023.

Retail saw a slight growth, yet not the level of normal activity when comparing historical numbers. The slight increase was driven by Walmart construction, $900 million across the US and multiple DIY stores.

New construction of **office buildings** is weak; however, renovation is picking up.

Institutional building (public) is mixed. The outlook for hotels and education construction is weak and is expected to decline over the next year. Both sectors are being driven by the uncertainty of how the Delta variant will play out. Early stages for planning are a year or so away. There was a positive uptick in institutional building construction in labs, special schools, and training centers.

Healthcare is poised for growth with a shift in construction from clinics and nursing/convalescent homes to in-patient facilities.

Also expecting growth is the **transportation** sectors, specifically in the ***airport market*** – an estimated $25 billion anticipated in the infrastructure package.

Speaking of the infrastructure package, the **power** and **electric** infrastructure will receive a boost from the package, including transmission lines, solar, and gas.

Residential

The **single-family** forecast is that units will be up, the highest since 2006. Demand is solid, interest/mortgage rates are good. However, the demand for materials, the demand for homes, and the "red-hot" housing market continue to be drivers. Good news: prices will be coming back to earth from 2020 market.

The **multi-family construction** forecast is showing an increase, especially in projects in the 4- to 10- unit range. Also, rental vacancy rates continue to increase.

The migration continues to trend from urban to suburban, but it is slowing. There is growth in residential construction in "micropolitan" areas, which are the larger fringe metros (at the county level outside the large metropolitan areas.)

Forecast Drivers

What is driving and affecting the forecast? **The biggest risks to the economy are labor shortages, material costs, inflation, and low demand for office space, educational facilities, and hotels**. The Covid Delta variant was mentioned frequently as a big driver in the low demand for office space, educational facilities, and hotel rooms. Reopening schools and reliable daycare will ultimately influence labor availability.

What's Next?

If you want to translate what this means for your company and how to prepare for a bright 2022, please give us a call, reach out to us on LinkedIn, or email us.

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