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Starts climb in March, Dodge says; ABI sinks again; Beige Book finds rising prices, mixed activity

Total **construction starts** rose 3% from February to March at a seasonally adjusted annual rate, Dodge Construction Network reported on Monday. **Nonresidential building starts** grew 6%, **residential starts** declined 5%, and **nonbuilding starts** increased 9%. On a year-to-date basis through March, total starts were down 1% from the first three months of 2024. Nonresidential starts were down 9%, residential starts were down 5%, and nonbuilding starts were up by 16%.

The **Architecture Billings** Index (ABI) hit a 10-month low of 44.1, seasonally adjusted, in March, down from 45.5 in February, the American Institute of Architects posted on Wednesday. The index is "a leading economic indicator of construction activity, providing an approximately 9- to 12-month glimpse into the future of nonresidential construction spending activity." The ABI is derived from the share of responding architecture firms that report a gain in billings compared to the previous month less the share reporting a decline in billings, presented on a 0-to-100 scale, with. Any score below 50.0 indicates decreasing business conditions. Since September 2022, "billings have declined 27 of the last 30 months. For two consecutive months, inquiries into new projects have dropped, and newly signed design contracts have seen a decline for an unprecedented 13 months straight."

"**Economic activity** was little changed since the previous report, but uncertainty around international trade policy was pervasive across reports," the Fed reported on Wednesday in its latest Beige Book, which "characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from" sources in 12 districts between late February and April 14. The districts are referred to by their headquarters cities. "Prices increased across Districts, with six characterizing price growth as modest and six characterizing it as moderate, similar to the previous report. Most Districts noted that firms expected elevated input cost growth resulting from tariffs. Many firms have already received notices from suppliers that costs would be increasing. Firms reported adding tariff surcharges or shortening pricing horizons to account for uncertain trade policy." Districts' construction-related comments include: "Nonresidential construction was up a little, though contacts expressed concern that tariff-induced price increases on items such as large appliances, glass, and windows would slow activity." (Chicago) "Contacts in manufacturing and construction reported that they saw raw materials prices increase in anticipation of tariffs, particularly for steel and aluminum products….Construction fell since the last report. While some firms reported that activity was picking up with spring, a larger share reported a decline in activity, most often citing economic uncertainty." (Minneapolis) "Multifamily construction continued where projects had already started but few new projects were being green lit. [Nonresidential] Construction continued to slow, in conjunction with fears that public sector projects will not have federal funds as expected." (Richmond) "Supply chain disruptions are impacting the lead times for materials, which have pushed project timelines and increased construction costs. While some construction companies have diversified their supplier network and begun pre-ordering materials, other businesses halted projects due to substantial increases in costs due to tariffs." (St. Louis) **Readers are invited to send information about project timing, materials price changes, and supply chains** to ken.simonson@agc.org.

Data center construction may be slowing. Amazon "has paused some data center lease talks for its cloud division, particularly in overseas markets, suggesting a short-term slowdown in leasing for large-scale facilities, Wells Fargo analysts said on Monday," Reuters reported on Monday. "Rival Microsoft abandoned data center projects set to use 2 gigawatts of electricity in the U.S. and Europe in the last six months due to an oversupply relative to its current demand forecast, TD Cowen analysts had said in March."

Data center owners are looking to a variety of power sources, including new natural gas-fired plants. But "various bottlenecks are slowing the **construction of gas-fired power plants**," the New York Times reported on April 9. Turning "natural gas into electricity requires giant metal turbines that are increasingly difficult to secure. Companies that haven't already reserved this equipment, which can weigh as much as a large airplane and cost hundreds of millions of dollars, are facing waits of three or four years, about twice as long as just a year earlier. The cost of building gas power plants has also soared — so much so that in some parts of the country, solar panels and batteries are likely to be cheaper, energy executives and consultants said. By some estimates, it now costs two or three times as much to build a gas-fired power plant as it did a few years ago."