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Employment rises in 64% of metros; spending drops in June but grows year-to-date

***Construction employment**, not seasonally adjusted, increased from June 2015 to June 2016 **in** 228 (64%) of the 358 **metro areas** (including divisions of larger metros) for which the Bureau of Labor Statistics (BLS) provides construction employment data, decreased in 82 (23%) and was stagnant in 48, according to an AGC release and map on Tuesday. (BLS combines mining and logging with construction in most metros.) The Anaheim-Santa Ana-Irvine, Calif. division again added the most jobs during the past year (12,500 construction jobs, 14%), followed by Denver-Aurora-Lakewood (10,700 construction jobs, 11%) and Phoenix-Mesa-Scottsdale (9,900 construction jobs, 10%). The largest percentage gains occurred in Kokomo, Ind. (20%, 200 combined jobs), followed by Boise, Idaho (19%, 3,600 combined jobs), the Brockton-Bridgewater-Easton, Mass. division (17%, 800 combined jobs) and Danville, Ill. (17%, 100 combined jobs). The largest job losses occurred in Houston-The Woodlands-Sugar Land (-3,300 construction jobs, -2%), Midland, Texas (-1,400 combined jobs, -5%); and Odessa, Texas (-1,300 combined jobs, -8%). The largest percentage declines again were in Bloomington, Ill. (-19%, -600 combined jobs), followed by Rocky Mount, N.C. (-300 combined jobs, -13%); Anniston-Oxford-Jacksonville, Ala. (-11%, -100 combined jobs) and Grants Pass, Ore. (-11%, -100 construction jobs). Construction employment tied or set a new high for June in 32 areas and a new low in 18 areas, based on data back to 2000. (Not-seasonally-adjusted data should not be compared to other months.)*

***Construction spending** decreased in June for the third consecutive month, totaling $1.134 trillion at a seasonally adjusted annual rate, which was down 0.6% from May but up 0.3% year-over-year, the Census Bureau reported on Monday. Combined January-June year-to-date (YTD) spending was 6.2% higher than in the same months of 2015. **Public construction** dropped 0.6% for the month but climbed 1.5% YTD. The largest public component, highway and street construction, declined 1.4% for the month but increased 3.9% YTD. The other major public segment, educational construction, slipped 0.5% for the month but rose 5.9% YTD. **Private residential spending** was flat for the second-straight month in June but increased 7.7% YTD. New multifamily construction slumped 1.5% for the month but gained 22% YTD; new single-family construction fell 0.4% from May but increased 11% YTD; and residential improvements rose 0.2% for the month but slipped 1.1% YTD. **Private nonresidential spending** decreased 1.3% for the month but increased 7.9% YTD. By subsegment, in descending order of June size, power (electric power plus oil and gas pipelines and field structures) declined 0.7% for the month but increased 8.2% YTD; manufacturing, -4.5% and -2.7%, respectively; commercial (retail, warehouse and farm), -1.6% and 8.1%; office, 0.6% and 25%; and health care, -2.0% and 2.9%. Census also posted annual estimates by state for 2015 for private nonresidential spending (excluding power, communication and railroad construction). From 2014 to 2015, total spending in these categories increased by 18%, with increases in 35 states and the District of Columbia and decreases in 15 states. The largest increases were in Wyoming, 104%; Arkansas, 63%; Rhode Island, 58%; and Alaska, 56%. The largest declines were in Oregon, -35%; Vermont, -29%; Utah, -29%; and New Mexico, -29%.*

*"**Multifamily construction** starts [in units] wavered slightly in the first six months of 2016 but remained elevated, with an annualized rate of 367,000 units compared to 384,000 in 2015," FreddieMac reported on Tuesday in its Multifamily Mid-Year Outlook 2016. "However, the number of construction permits has started to abate. In 2015, 450,000 multifamily permits were issued; so far in 2016, the annualized total dropped by 16% to 376,000 units. But considering construction time, the bulk of new completions will come onto the market at the end of this year and in 2017. As of June, the annualized rate of completions is 309,000—equal to the level delivered in 2015. Completions slowed in the spring of this year but as of June have started to ramp up. Expectations are for completions to continue to increase throughout the rest of the year and end the year higher than in 2015….Barring any major disruption, we expect multifamily construction to remain slightly above the pre-recession average for our extended period. Rather than a sign of the industry overproducing, the elevated construction level is a response to the changing demand for multifamily units [as] the number of 25-34 year-olds (millennials) continues to climb."*

*Reinforcing urban multifamily demand, **office jobs** continue to migrate from suburbs and smaller towns to central cities. In a report released on Monday on "Commercial Real Estate in the Carolinas," Wells Fargo Economics wrote, "Rapidly growing payments software developer AvidXchange recently topped out its six-story 200,000 square foot headquarters being built in the AvidXchange Music Factory on the northern edge of downtown. Cousins Properties is set to break ground on a new 229,000 square foot regional headquarters building for Dimensional Fund Advisors this fall in South End. In addition, Corning* Optical Fibers recently announced they would relocate their headquarters from Hickory, bringing 650 jobs. [In the Raleigh area,] An increasing proportion of growth is occurring in downtown Raleigh, which marks a shift from previous cycles where most of the growth was in Research Triangle Park (RTP) or nearby surrounding areas. The move back to the city center kicked into higher gear when Red Hat announced they would move their headquarters from RTP to downtown Raleigh, leasing 380,000-square feet formerly occupied by Progress Energy. Red Hat's move was quickly followed by Citrix, which moved much of its Triangle operations to a new renovated 186,000-square foot building in downtown Raleigh's warehouse district. The rapidly growing software firm announced an expansion earlier this year and employs around 700 workers in downtown Raleigh."