

November 23, 2016

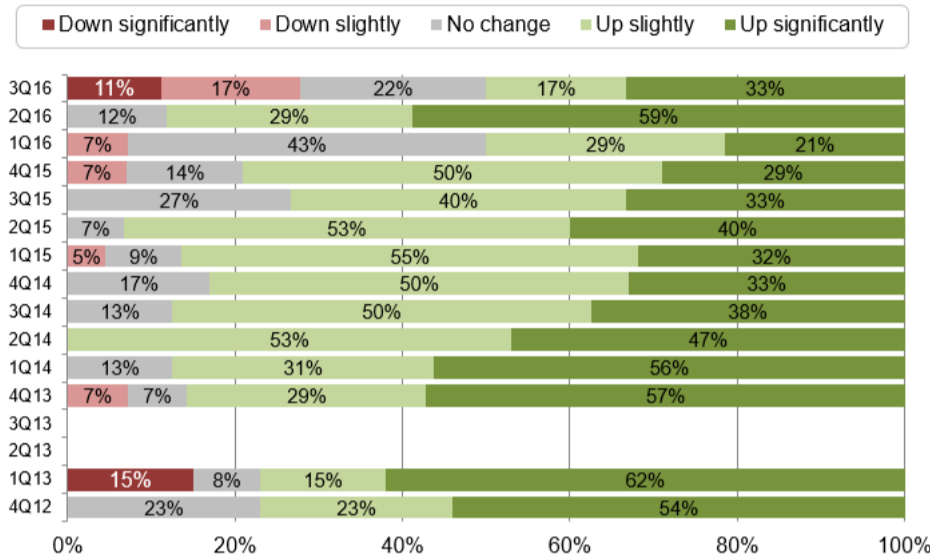
### Commercial Construction Update: Third-Quarter 2016

The Atlanta Fed's Center for Real Estate Analytics conducts a quarterly commercial construction poll to keep a finger on the pulse of the industry as it relates to the performance of the economy. In this post, we will discuss a few of the more interesting results from our third-quarter poll. To view all of the results, please visit the Construction and Real Estate Survey [web page](#).

#### Pace of multifamily construction appears to be slowing

After several years with most incoming reports indicating that the pace of multifamily construction activity had increased from the year-earlier level, it seemed noteworthy that indications from contacts were much more mixed in the third-quarter report. Half of respondents noted that activity had increased from the year-ago level, but the rest indicated that activity was flat to down.

#### Pace of Multifamily Construction Activity (units) vs. Year-Ago



Source: Atlanta Fed business contact poll

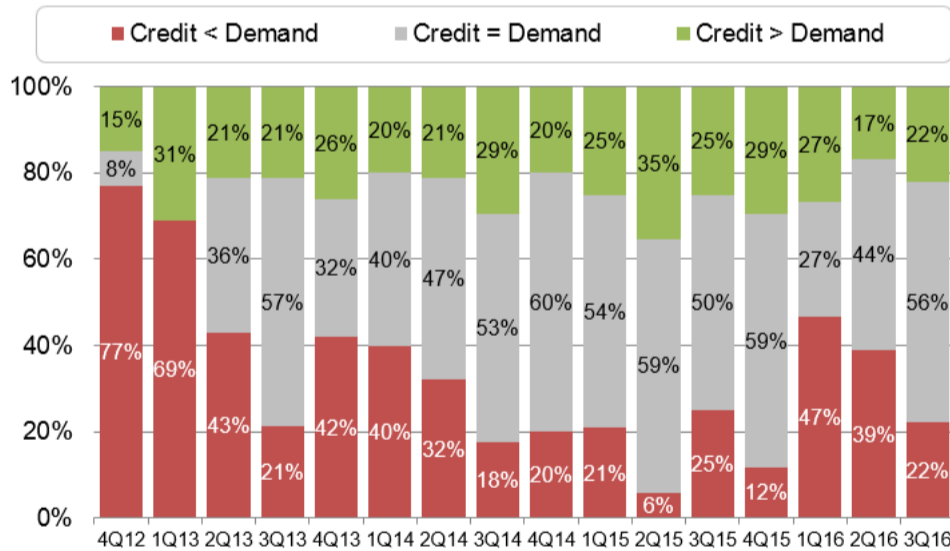
Note: This question was not posed in 2Q13 or 3Q13.

These reports seem to align with the incoming Census Bureau data on multifamily starts through November 17, which, when aggregated to a quarterly frequency, reveal a slight decline (-6.2 percent) from the year-earlier level.

#### Available finance perceived to be sufficient to meet demand

Since about the second quarter of 2013, the majority of our commercial construction contacts have indicated that the amount of available commercial construction finance has been sufficient to meet demand. Interestingly, the share reporting that credit was insufficient to meet demand spiked in the first quarter of 2016 and remained high into the second quarter. The reports from our commercial construction contacts seemed to align closely with the results of the April and July [Federal Reserve Board's Senior Loan Officer Opinion Survey](#) (SLOOS) on the lending environment in the first and second quarters. The survey suggested that banks had tightened their standards for commercial real estate loans.

#### How available do you perceive commercial construction finance to be in your market?



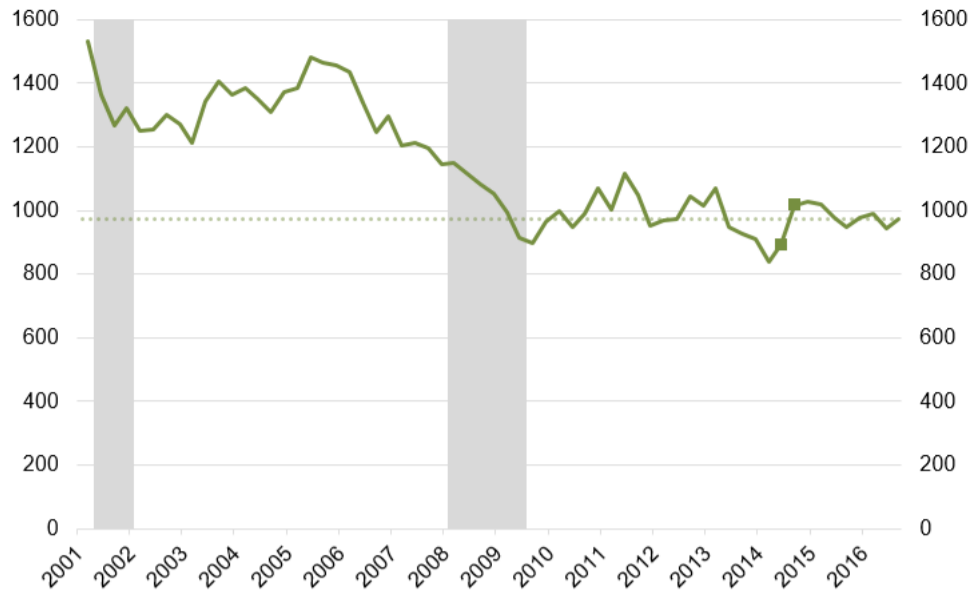
Source: Atlanta Fed business contact poll

Interestingly, the most recent survey results deviated from the SLOOS. The share of contacts in our commercial construction poll that indicated credit was insufficient to meet demand continued to drop in the third quarter despite the fact that results from the October 2016 SLOOS indicated that banks continued to tighten their standards for commercial real estate loans. Granted, our commercial construction poll and the SLOOS pose slightly different questions to different types of respondents, but the divergence in results that have typically trended in a similar fashion seems notable nonetheless.

#### More hiring on the horizon?

Each quarter, we poll our contacts about their hiring plans. The majority (74 percent) in the third quarter indicated that their fourth-quarter hiring plans entail increasing head count by a modest to significant amount. This increase is more or less consistent with the entire history of responses; most respondents have always indicated their hiring plans were flat to up.

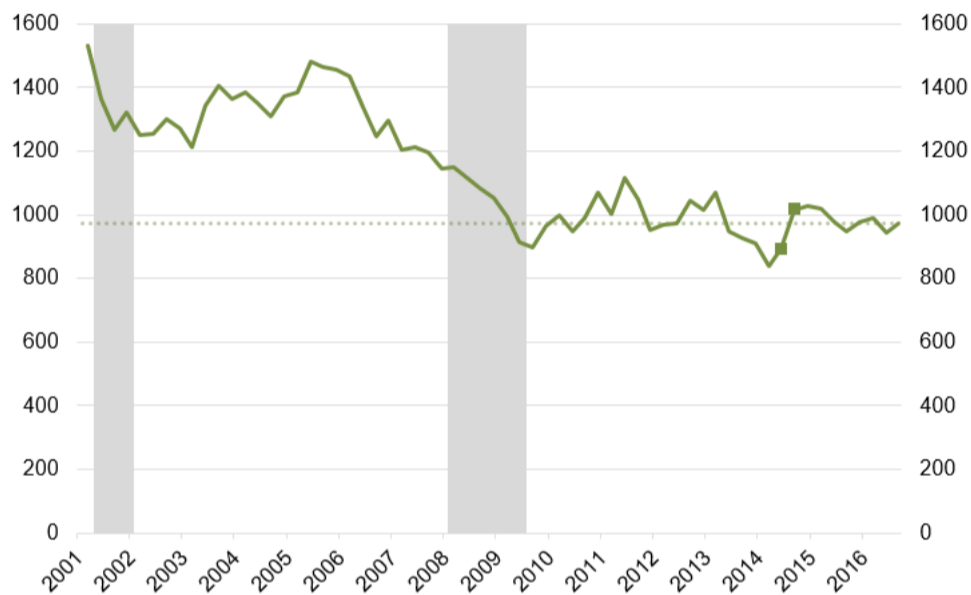
### JOLTS Hires: Construction



Source: BLS Job Openings and Labor Turnover Survey through September 2016

The last time such a large fraction of respondents indicated they had plans to increase their head count was more than two years ago, back in the second quarter of 2014. Since a large share of respondents answered the same way, can this be taken as a signal that hiring will indeed increase in the coming quarter? To investigate, we charted quarterly figures for construction new hires using the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey to get a sense for what happened the last time contacts overwhelmingly indicated they had plans to increase hiring and used markers to call attention to second- and third-quarter figures of 2014.

### JOLTS Hires: Construction



Source: BLS Job Openings and Labor Turnover Survey through September 2016

It appears the number of construction hires did in fact increase between the second and third quarters that year, so perhaps this most recent result will serve as a leading indicator. We will keep an eye on this series to see if there is an increase in the number of construction hires in the fourth quarter of 2016.

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