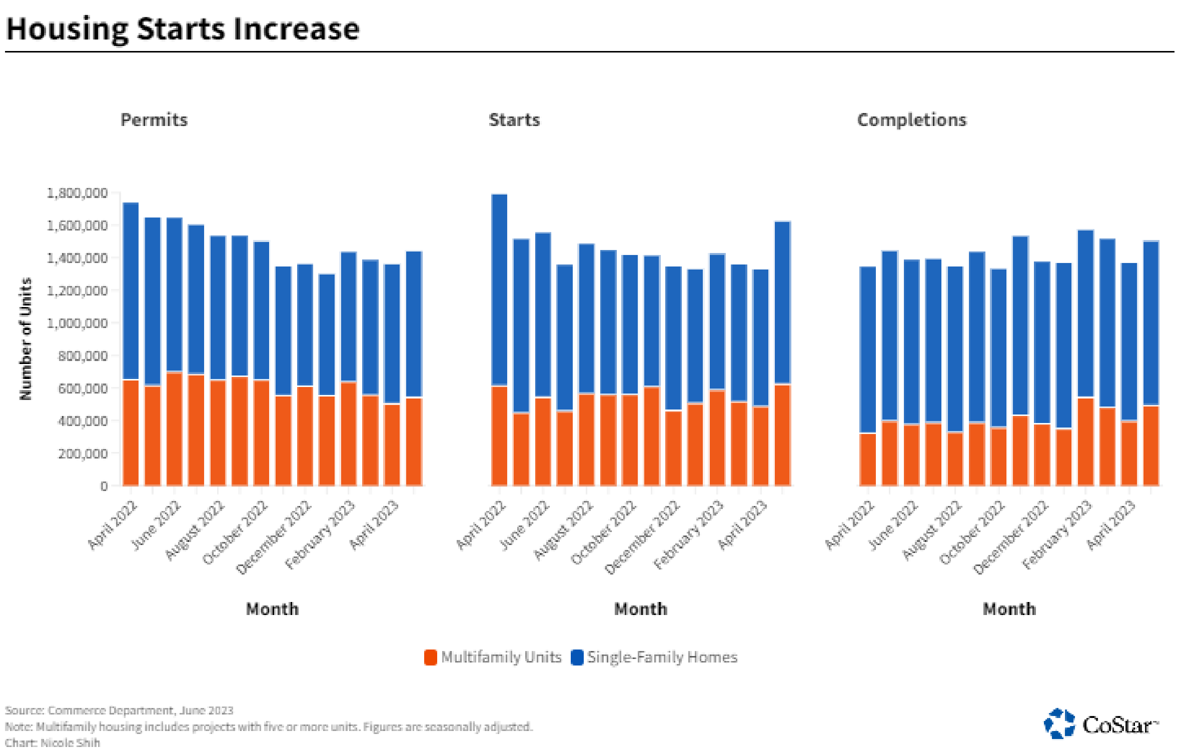
Housing Construction Starts Rise, Logistics Costs Surge, Office Attendance Edges Lower

By Lou Hirsh

Housing Construction Starts Rise

Single-family housing construction starts hit their highest level in 11 months in May despite elevated interest rates, as multifamily construction posted larger gains on a percentage basis, according to new numbers from the Commerce Department and Department of Housing and Urban Development.

The government Tuesday said May's single-family housing starts totaled 997,000 units, up 18.5% from the prior month but down 6.6% from a year earlier. Multifamily construction starts, which include apartment and condo projects with five or more units, were up 28.1% for the month and 39.6% for the year at 624,000 units.



Robert Dietz, chief economist for the National Association of Home Builders trade group, said the housing construction data combined with recent gains in builder confidence "point to a bottom forming" for single-family home construction, which has been lagging for the past several months amid declining sales.

“There have been some improvements to the supply chain, although challenges persist for items like electrical transformers and lot availability,” Dietz said in a Tuesday statement on the government numbers. “However, due to weakness at the start of the year, single-family housing starts are still down 24% on a year-to-date basis.”

With multifamily and single-family construction combined, overall starts for privately owned housing totaled about 1.6 million units in May, rising 21.7% for the month and increasing 5.7% from May 2022. Private housing completions totaled about 1.5 million units, up 9.5% for the month and rising 5% for the year.

Logistics Costs Surge

U.S. costs for transportation, warehousing and other business logistics operations rose nearly 20% in 2022 from the prior year amid inflation, high interest rates and other lingering disruptions from the pandemic, according to a new report from the Council of Supply Chain Management Professionals.

The record $2.3 trillion spent by U.S. companies for storage, distribution and related functions represented 9.1% of national gross domestic product, according to a report issued Tuesday and prepared for the industry research group by management consulting firm Kearney. Supply chain conditions, which often affect real estate demand, have nonetheless been improving in the early months of 2023 after significant 2022 hikes in areas such as rail, trucking, maritime and parcel service costs.

“While the pandemic is still not fully behind us — and may be with us in some form or another for several years to come — it is no longer closing shops or congesting seaports,” the consulting firm said in an executive summary of its findings. E-commerce demand remains strong but has shown signs of decelerating, which is giving shippers and carriers some breathing room for long-term planning instead of reacting to periodic logjams and shortages of materials or personnel.

Overall supply chain demand “is likely to remain stagnant or even diminish” over the remainder of 2023, though third-party freight processing and last-mile services deployed by e-commerce companies are expected to remain in high demand over the next several years, consultants said.

Kearney analysts said demand for U.S. warehouse space waned in late 2022, even as vacancy rates hit lows on average of 2.9%, down from 4.9% in 2021, and as rents rose accordingly for the full year. But pricing and space availability are expected to become more favorable for shippers and other logistics tenants in 2023.

Office Attendance Edges Lower

Big-city office use averaged 49.7% of pre-pandemic levels in the week that ended June 14, down from 50.3% in the prior week, as eight of 10 regions in Kastle Systems’ “Back to Work Barometer” registered slight declines from the prior week.

The two exceptions were Chicago and Dallas, with Chicago posting its own pandemic high of 54.7% after staying consistently around 50% since the week that ended Jan. 18. The security technology firm’s latest numbers also showed Chicago nudging Dallas, at 54.5%, from its usual spot at No. 3 among barometer cities.

Based on anonymous keycard data from clients’ office properties, the numbers found Houston topping the cities as it has during much of 2023 at 60.6%, followed by Austin, Texas, at 58.3%

After Dallas, Los Angeles was fifth for the week at 49.6%, followed by New York at 48.1%. New York slipped from its prior week’s reading of 50.5%, which marked its first above 50% since the start of the pandemic, and Los Angeles dipped from a 50.1% figure that was just its second above 50%.

The 10-city weekly average for Kastle’s barometer cities has yet to top 50.4% since the start of the pandemic, and that level was reached in late January. Traffic analytics firm Placer.ai reported that its monthly tracking has shown large-city office attendance hovering on average around 60% since the second half of 2022.