

The Data DIGest

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Home sales stay high; steel prices sink; BEA maps construction share of state income

Housing sales stayed at near-record levels in May, with higher median prices (price above which half the sales occurred) and continuing low inventories of unsold houses, a combination that implies further construction in the near term. Today, the government reported that sales of new single-family homes were at a SAAR of 1,298,000, 2% higher than the rate in April and less than 1% below the record set last October. Year-to-date sales were 4% higher than in the first five months of 2004. Yesterday, the National Assn. of Realtors reported that May sales of existing homes, including condos and co-ops, also were within 1% of the previous record, set in April. The median selling price in May 2005 was up 2.5% over the May 2004 median for new houses and 12.5% for existing houses. The number of unsold new houses at month's end equaled 4.2 times the number sold, the same ratio as in April and March. For existing houses, the ratio rose slightly to a still-low 4.3.

Condos and co-ops have performed best of all, with sales at a record SAAR, up 11% from May 2004, and prices up 15%. *On Wednesday, the Journal reported that shopping malls have become a "hot commodity" for building condos and apartments, citing plans by General Growth Properties to build residences on malls in Hawaii, a Boston suburb, and Alexandria, Virginia, and by Simon Property Group to include them in Florida, Atlanta, and Boston.* But another story in Wednesday's *Journal* said, "The air appears to be seeping out of Chicago's bubbly condo markets. In recent months, several luxury condominium projects have suffered slower-than-expected sales."

Engineering News-Record (ENR, online at www.enr.com), reports in its June 27 issue, "Steel prices fell 1.4% this month, according to ENR's average price for channel, wide-flange and I-beams. The decline pulled annual escalation back to 9%, way down from the 31% rate registered at the end of last year. Reinforcing bar prices have eased steadily from last September's peak when they posted a year-to-year increase of 41%. This month's 1.4% decline helped to pull annual escalation rate for rebar back to 2%. Steel plate prices are up 4% for the year compared to a 46% rate of increase recorded last December." The *Journal* reported on Monday and Tuesday that "The price of hot-rolled steel coil...has fallen for eight consecutive months to about \$500 a ton in June on the spot market, down from a peak of more than \$750 a ton in September" and "The price of scrap steel has fallen to about \$150 a ton from peaks of more than \$300 a ton last year."**State personal income growth** slowed in all states except Rhode Island, from a seasonally adjusted annual rate (SAAR) of 3.3% in the fourth quarter of 2004 to 0.7% in the first quarter of 2005, the Bureau of Economic Analysis (BEA) reported on Wednesday. *BEA commented, "A robust construction industry was the driving force behind the four states with the fastest personal income growth in the first quarter (Utah, Wyoming, Nevada, and West Virginia). Construction provided roughly one half of a percentage point to the percentage change in earnings in these states. [In contrast, construction in] Maryland, New Jersey, New York, Pennsylvania, and the District of Columbia) contributed almost nothing to earnings growth in the first quarter."*

State economies grew in all 50 states and the District of Columbia in 2004, as measured by **real** (net of inflation) **gross state product (GSP)**, BEA reported yesterday. "Growth in real U.S. GSP accelerated from 2.8% in 2003 to 4.2% in 2004; all but seven states shared in that acceleration," BEA said. BEA also reported on the **2002-2003 contribution by industry to real GSP change**. *Nationally, construction made zero net contribution to the 2.8% real growth in 2003. The industry added the most to growth in Nevada, Montana, Rhode Island, and Alaska. But in half the states, construction declined in 2003 in real terms, while the overall state economy grew.* BEA introduced an interactive map (www.bea.gov/bea/regional/gspmap/mappage.asp) that can display industry GSP by state and each state's **industry specialization index**—an industry's contribution to GSP in that state compared to its national share. *In 2004, construction accounted for the highest share of GSP in Nevada (more than two times the national average), followed by Idaho (1.4 times), Rhode Island, Colorado, and Arizona (1.3). The industry accounted for the smallest shares in DC (0.2), Delaware, Connecticut, and New York (all 0.7).*

State tax revenue [from sales and personal and corporate income taxes] in the January-March 2005 quarter grew 11.7% compared to the same period in 2004,...the strongest first-quarter growth since at least 1991," the Rockefeller Institute reported last week (<http://ifs.rockinst.org>). Last Friday, *USA Today* reported that Virginia's finance secretary said state revenue collections from July through May were up 15%, and "A University of Tennessee report said the state's economy will continue to strengthen through 2006, benefiting from the first modest manufacturing increase since 1998." And on June 14, the *Wall Street Journal* reported higher-than-projected revenues in Arizona, Florida, Ohio, California, and New York City. *These trends should enable more legislatures to boost state spending on construction by next year.*

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