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DAILY ROUNDUP

Construction Prices Expected To Stay Elevated, Job Openings Edge Higher, Mortgage Applications Decline

What You Need To Know To Start Your Day

Construction material costs are expected to remain high by historical standards in the next two years and beyond, even as pandemic supply chain disruptions ease, according to Oxford Economics. (Getty Images)

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Construction Prices Expected To Stay Elevated

Builders and developers must brace for a “new normal” in which construction material prices have shifted perhaps permanently to high levels created by pandemic supply chain shocks of the past two years, according to a report this week from research firm Oxford Economics.

Material costs should fall somewhat in 2023 and 2024, but researchers said construction project managers and investors should anticipate costs being at least 15% to 20% higher in 2024 and beyond compared with levels seen in 2021. Still, supply chain relief is expected to be on the way.

“Costs of key input commodities are falling, while weaker economic conditions will slow demand for the construction sector, further easing supply chain blockages which have caused shortages in recent years,” researchers said in Oxford’s report issued Wednesday.

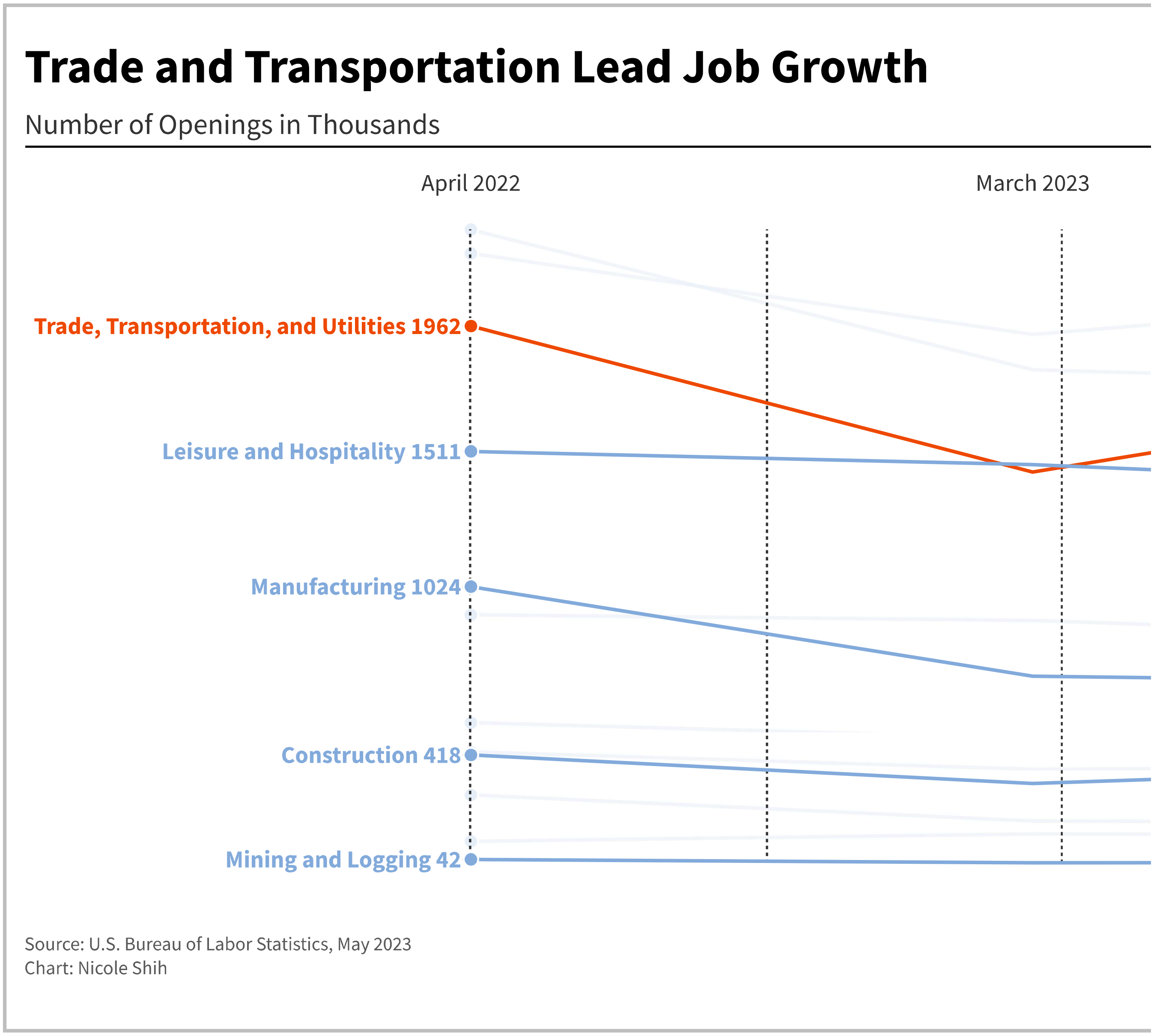
Prices this year have been easing for materials including steel and cement, along with the electricity needed to produce them. But the report warns that beyond the next two years, there could be new upward pressures on material prices stemming from the costs of transition to clean-energy systems and scarcity of labor as the workforce ages.

Researchers said the long-term new normal for material pricing “is likely to be much higher than clients have been used to for the past decade or two.” That’s even as global supply chains are steadily freeing up after three years of pandemic-fueled blockages at factories and shipping ports, particularly in Asian regions hit hardest by COVID-19.

Job Openings Edge Higher

U.S. job openings totaled 10.1 million at the end of April, marking a slight rise from the prior month’s 9.7 million but falling short of the 11.8 million openings in April 2022, the Labor Department reported Wednesday. Analysts have noted the relatively steady numbers underscore a tight job market with unemployment staying low at 3.4% as of April.

April's gains in job openings were led by industries including retail trade, which added 209,000 from the prior month. Healthcare and social assistance added 185,000 openings, and the category that includes transportation, warehousing and utilities added 154,000.



Hirings in all categories totaled 6.1 million, on par with the prior month, and job separations, including layoffs and resignations, declined slightly to 5.7 million in April. Hirings declined most significantly, down 37,000 for the month, in information technology, which has seen a high number of layoffs so far in 2023.

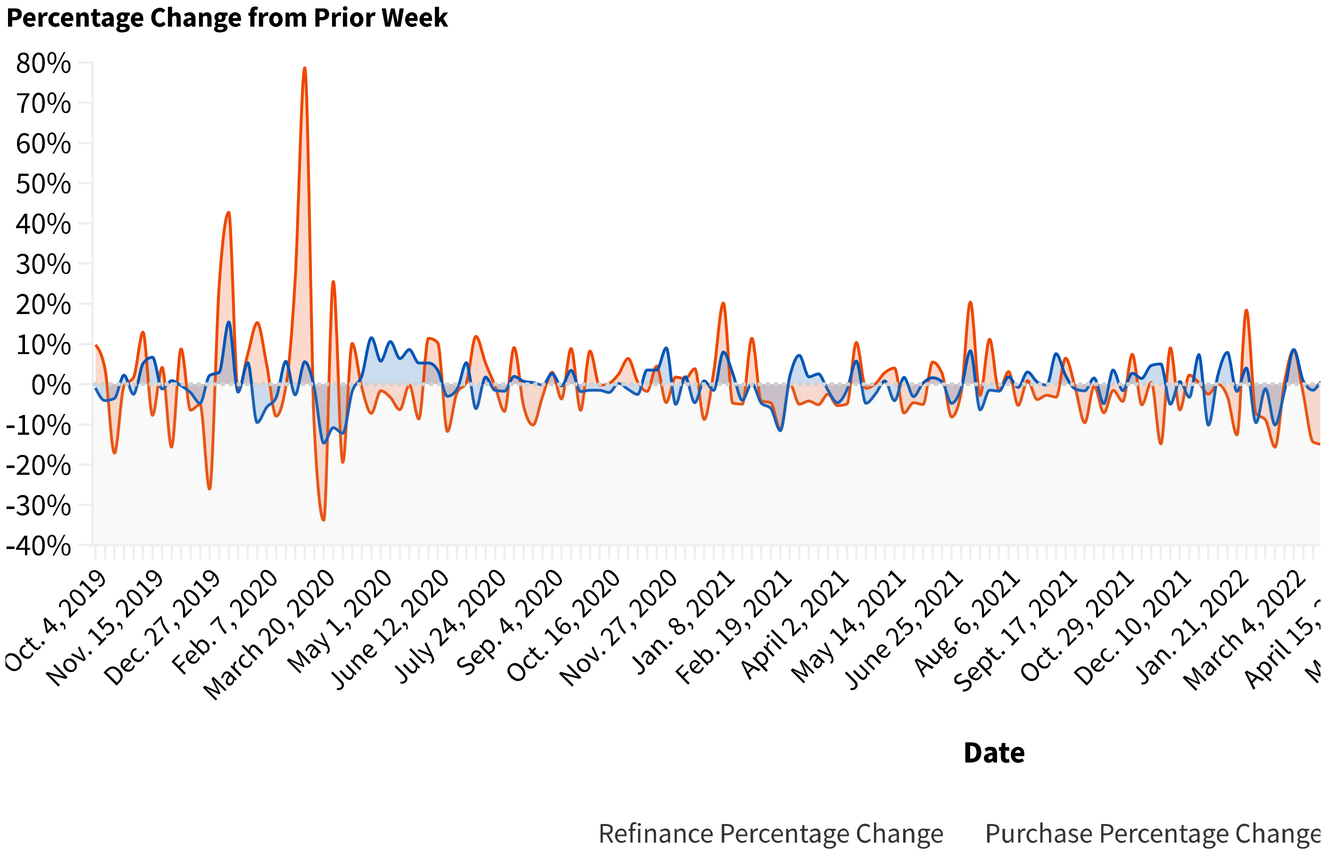
Citing Labor Department numbers, the Associated General Contractors of America trade group reported Wednesday that April's construction employment posted increases from a year earlier in 231 of the nation’s 358 metropolitan regions. Employment was fueled by demand for several types of public and private building projects.

“But with the construction unemployment rate setting an all-time low for April of 4.1%, contractors in many areas weren’t able to find enough qualified workers,” Ken Simonson, the trade group’s chief economist, said in a statement.

Mortgage Applications Decline

Persistent inflation and high mortgage rates continued to discourage new purchases and more refinancing, as mortgage application volume for the week ended May 26 declined 3.7% from the prior week, the Mortgage Bankers Association reported Wednesday.

Mortgage Applications Decrease



Source: Mortgage Bankers Association, May 2023
Note: The seasonally adjusted figures indicate the weekly percentage change of the mortgage applications from the previous week.
Chart: Nicole Shih

"Inflation is still running too high, and recent economic data is beginning to convince investors that the Federal Reserve will not be cutting rates anytime soon," MBA Chief Economist Mike Fratantoni said in a statement. He noted that 30-year, fixed-rate loans were being offered last week at rates above 7% by some lenders, and the weekly average of 6.9% was the highest since November 2022.

Other analysts have said mortgage rates remain well above year-ago levels, keeping prospective homebuyers including renters on the sidelines and helping to maintain high demand for apartments in many regions.

The latest tracking by the banker group showed the volume of purchase applications declining 3% from the prior week and dropping 31% from the comparable week of 2022. Refinance applications were down 7% from the previous week and fell 45% from a year earlier.