MARKETING
INSIDER BRIEFS

Architectural billings drop for 12 consecutive months
DODGE REPORT

Along with the DMI, the Architectural Billings Index, a leading indicator for construction work nine to 12 months out, remained sluggish to start 2024, according to the most recent data from the American Institute of Architects. Billings at architectural firms, which start their work in advance of actual construction, have now declined for 12 straight months. That marks the lengthiest period of declining billings since 2010 to 2011, although the pace of this decline is slower, according to ABI. Nevertheless, inquiries into new projects continue to grow. While not a sign of immediate growth, that indicates clients remain interested in new projects, but are not yet prepared to commit to them, according the report. That upbeat but noncommittal stance was reiterated in comments from one design firm in the South that specializes in commercial and industrial planning, which said its work was steady, but that markets were in flux due to a high cost of capital — another indication that owners may be waiting for anticipated interest rate cuts before pulling the trigger on jobs.

AUTOMOTIVE NEWS AN

UAW commits $40 million to organizing U.S. auto, battery workers
AUTOMOTIVE NEWS

The UAW said it was committing $40 million to organizing non-union auto and battery workers in the United States over the next two years. The UAW International Executive Board voted on Tuesday to commit funds in response to increased organizing activity among auto and battery workers who are not members of unions. In the next few years, the electric-vehicle battery industry is slated to add tens of thousands of jobs across the country, the UAW said in a statement. “Through a massive new organizing effort, workers will fight to maintain and raise the standard in the emerging battery industry,” the union said.

Toyota may slow production after sprinting to records in latest quarter
AUTOMOTIVE NEWS

After sprinting to record sales and output, Toyota says it is time to take a breather. The world’s biggest carmaker wants to shift to marathon mode by re-examining its production cadence and resetting its “cruising speed” in the coming fiscal year, executives in Japan say. The course correction comes after Toyota Motor Corp. reported record sales and production in 2023 as it ramped up factories to feed pent-up demand. Since last summer when the semiconductor shortage eased, Toyota has been cranking out the cars. But running red hot has risks. Employees are overworked, suppliers are overstretched and affiliated companies in Japan are grappling with various quality challenges. Toyota produced a record 11.51 million vehicles in calendar year 2023, including output from its Daihatsu Mini vehicle subsidiary and Hino truck-making unit. That total was up 8.6 percent from the previous calendar year. For the Toyota and Lexus brands alone, output also reached an all-time high of 10.03 million vehicles. The combined output soared 11.1 percent over the year before. “We look back on the year as if we were sprint runners,” CFO Yoichi Miyazaki said, while announcing a 76 percent surge in operating profit in the company’s fiscal third quarter. “We need initiatives that will allow us to run a marathon,” he said.

Suppliers, competing with UAW raises, expect higher labor costs in 2024
AUTOMOTIVE NEWS

Publicly traded suppliers say higher labor costs will be a significant financial headwind this year. Suppliers are under pressure to raise wages to become more competitive with jobs at automakers. Suppliers have seen inflation moderate on key material prices during the past several months, providing welcome relief as they try to get back on track financially following years of high prices, parts shortages and uneven vehicle assembly schedules. But during quarterly earnings calls with analysts and investors in February, suppliers frequently highlighted one area in which they expect cost increases to persist during the next few months: labor. Publicly traded suppliers identified elevated labor costs as a potential profit headwind. Suppliers will feel higher labor costs moving forward, analysts say, especially following last year’s UAW negotiations with the Detroit 3. Union workers at General Motors, Ford and Stellantis will see general wage growth of 25 percent over the course of their new contracts, as well as other gains, including the return of cost-of-living adjustments and improvements in retirement plans. Those gains triggered wage increases for workers at nonunion auto plants, including Toyota, Honda and Nissan, which doled out pay raises of their own to compete. The effects of the UAW gains are likely to also ripple throughout the supply chain as parts makers seek to remain competitive for recruiting and retaining workers.

The headwinds facing healthcare real estate require a nimble, innovative response
REAL ESTATE JOURNAL

At the intersection of healthcare and real estate, the landscape appears both promising and challenging for stakeholders in the industry. While the demand for healthcare services continues to rise, hospital systems face the financial strain of escalating labor and material costs, which have surged by 35% to 40% over an unprecedentedly short amount of time, along with additional increased operational expenses. Traditionally, hospitals have relied on internal funding mechanisms. However, many hospital systems are now exploring alternative avenues, such as partnerships and collaborations with nonprofit entities and universities. Ambulatory care centers, outpatient facilities and specialty centers of excellence (cancer, orthopedics, women’s health) are also gaining traction. During the COVID-19 pandemic, we saw hospital overcrowding which resulted too often in patients being turned away. The modern healthcare hubs now being created offer a blend of inpatient and outpatient care that enhances patient accessibility. For real estate developers, this trend underscores the need to be flexible and adaptive when designing for healthcare systems with strategies that may deviate from traditional models. A relationship-oriented approach to healthcare real estate may be more important than ever as we examine these evolving industry trends. In fact, smaller boutique teams have a significant advantage in today’s marketplace; we can be nimble and adapt to changes quickly whereas individuals in larger corporate settings may find themselves constrained by bureaucratic red tape. The headwinds facing the healthcare real estate industry mirror those in various sectors – dynamic interest rates, escalating costs and rapid technological advancements. Teams should anticipate navigating these shifts by embracing a flexible, relationship-oriented and innovative approach tailored to the needs of each healthcare provider.

Dodge Momentum Index Recedes 1% in February
DODGE CONSTRUCTION NETWORK

The Dodge Momentum Index (DMI), issued by Dodge Construction Network, fell 1.4% in February to 180.5 (2000=100) from the revised January reading of 183.0. Over the month, commercial planning fell 2.3% and institutional planning ticked up 0.1%. “Weaker office and healthcare planning constrained nonresidential planning in February,” stated Sarah Martin, associate director of forecasting for Dodge. “However, the Index remains 25% higher than where it was just two years ago. Most other categories showed growth over the month and Dodge remains optimistic that nonresidential planning will stay elevated throughout 2024 alongside rising confidence in 2025 market conditions.” Slower growth in office planning pulled down the commercial portion of the Index this month. On the institutional side, slower healthcare and amusement planning was offset by stronger education planning, keeping this portion of the DMI flat in February. Year over year, the DMI was 1% higher than in February 2023. The commercial segment was down 10% from year-ago levels, while the institutional segment was up 27% over the same period.

Creating Trust
FAST COMPANY

If you wish for a loyal customer base and employees, trust is your superpower. But trust in the workplace is a two-way street. It should be embedded in effective leadership to drive organizational growth. Trust is a firm belief that is built from the inside out. If you do what you say you’re going to do and deliver on this promise, over time, it’s what potential customers can count on to choose you again and again. In business, trust is your currency. It builds teams and clientele and determines business success. Like any currency, you must constantly nurture its growth, monitor its worth, be careful where you spend it, and not overspend it. Your “trust budget” can open the door to identifying outdated processes, challenging the status quo, and driving human experiences.

How can you create a culture of trust?

1. Check your assumptions, say what you mean respectfully and directly, and communicate in a way your audience can understand. Meet them where they are.
2. Set intentions instead of expectations. This leaves room for disagreements within a shared alignment and generates more possibilities to move toward what you intend.
3. Appreciate and value your workforce and customers openly. Understand what motivates them by asking them. Money may be the motivator for many, but not for all. Understanding motivation is a key to building trust and teams that thrive.
4. Be committed to clear principles and follow them with action to maintain integrity and foster trust.
5. Don’t fear autonomy and independence, but couple them with accountability, both for reward and consequences.
6. Model processes and workflows around leadership principles instead of systems to “control” people. Ask yourself “Why are we doing this?” and “What are our intended outcomes?”
7. Work to develop your team’s strengths, facilitating increased employee engagement and productivity. Supercharged employees help drive innovation and create strong relationships with customers.
8. Show your people you are worth committing their time to. Time is our most valuable asset and deciding where we choose to spend it is a worthy and essential choice.

Trust isn’t something that happens overnight. It can be earned over time by consistently following your words with actions, and it starts with you as a leader. Begin with knowing your own needs, values, and beliefs; trust yourself; and then model the behavior you want to see in others. Step by committed step, you can get there.

Construction starts flatline even as manufacturing accelerates
CONSTRUCTION DIVE

Richard Branch, Dodge Construction Network’s chief economist, foresees interest rate cuts in the latter half of 2024 driving increased construction starts later in the year. While January saw a slight 1% uptick in total construction starts to $1.16 trillion annually adjusted, the overall activity remains stagnant compared to the previous year, hovering around 1% lower than January 2023. Branch attributes this slow progress to higher interest rates and strict credit standards hindering project initiation. He anticipates that anticipated rate cuts will eventually propel projects forward, boosting construction activity as the year unfolds. However, until these cuts take effect, construction activity may continue to face challenges. Kermit Baker, AIA chief, notes the American Institute of Architects’ Architecture Billings Index signals ongoing softness, reflecting declining business conditions in the construction sector.

Smart thinking for
INNOVATIVE solutions