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NEWS RELEASE

March Construction Improves 5 Percent

New York, N.Y. – April 17, 2009 – New construction starts increased 5% in March to a seasonally adjusted annual rate of \$393.2 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. The improved level of contracting relative to February was due to a strong increase for public works construction, helped by two large pipeline projects and a large rail project. At the same time, nonresidential building showed a further loss of momentum, and residential building slipped back after its brief upturn in February.

The March data produced a reading of 83 for the Dodge Index (2000=100), up from 80 in February. The level of contracting as depicted by the Dodge Index has trended downward from the start of 2007 through early 2009, with the rate of descent becoming particularly steep from mid-2008 through February. “The pickup for public works in March is in line with what’s anticipated for 2009 as a whole, that being public works will help to cushion the weakness that’s still expected for overall construction activity,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. “The public works sector in March was supported by several large projects, and in a few months the upward push will become more broad-based as funding from the federal stimulus package begins to have an impact at the construction site, especially as it relates to transportation public works. The prospects for nonresidential building in 2009 are less hopeful, given the persistently tight lending environment and further erosion on the employment front. As for housing, while the declines are likely to be less severe as 2009 proceeds, to this point the housing sector is still in the process of reaching bottom.”

Nonbuilding construction in March jumped 27% to \$143.4 billion (annual rate), reflecting a 47% surge for public works construction while electric utilities fell back 52%. The “miscellaneous” public works category, which includes such diverse project types as pipelines, rail work, and site development, advanced 300% from the previous month. Leading the way in March was the inclusion of a \$2.2 billion segment of the Rockies Express natural gas pipeline, with this portion located in the states of Ohio and Indiana. The second large pipeline project included as a March start was a \$442 million segment of the

Midcontinent Express natural gas pipeline, with this portion located in the states of Louisiana and Mississippi. The large rail project included as a March start was \$1.6 billion for Phase 1 of the Dulles Corridor MetroRail project, located in northern Virginia. Highway construction in March increased 5% after a lackluster February, with more growth expected in coming months as states are quickly designating projects for construction following the apportionment of stimulus funds by the U.S. Department of Transportation. Also showing growth in March was the water supply category, up 12% after a very weak February. On the negative side for public works, March declines were reported for bridges, down 15%; sewers, down 15%; and river/harbor development, down 41%. The 52% drop for electric utilities in March followed a very strong level of construction starts for this category in February.

Nonresidential building, at \$153.8 billion (annual rate), retreated 3% in March. The commercial sector included a 48% plunge for office construction, which had been lifted in February by the start of a \$922 million headquarters for the U.S. Army in Alexandria VA. Although not as large as February's entry, March also included a large government office project – \$260 million related to renovation work at the Pentagon in Arlington VA. Murray noted, "While 2009 is shaping up as a tough year for private sector office construction, government-related office projects are seeing relatively strong activity, which should be enhanced over the coming year given the stimulus funding directed at energy-efficiency upgrades to federal buildings." Warehouse construction in March was also down sharply, falling 24%. Both stores and hotels witnessed gains in March, up 9% and 27% respectively, but this was relative to very weak activity in February. In similar fashion, manufacturing plant construction improved 36% in March compared to a weak February.

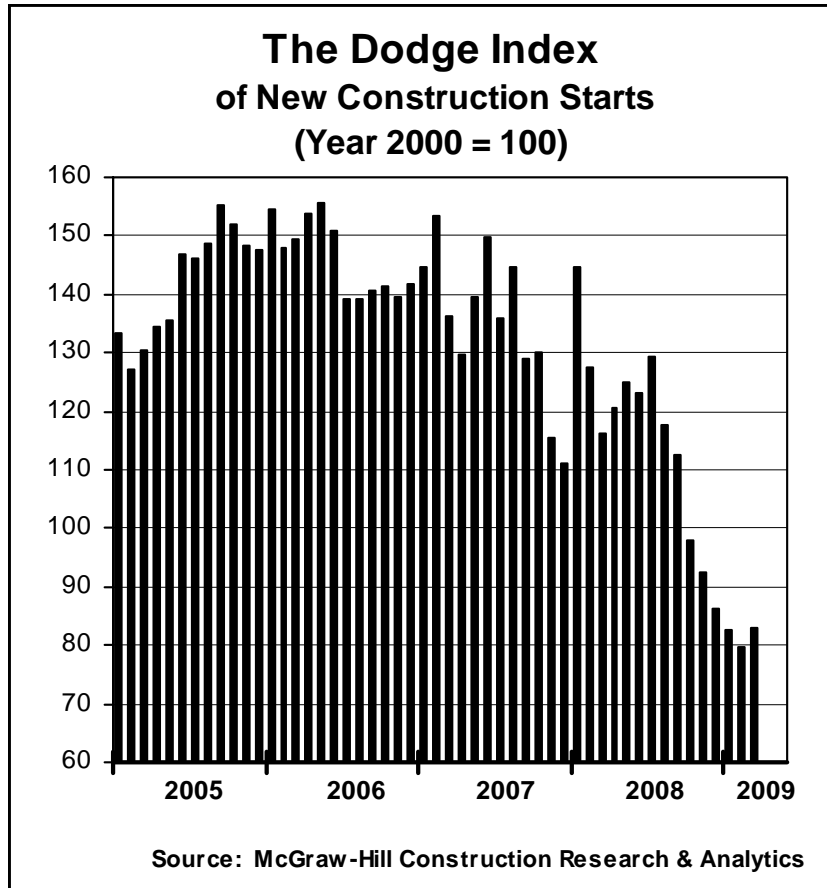
On the institutional side of the nonresidential market, school construction in March increased 3%, helped a \$237 million university building in Palo Alto CA, as well as a number of large high school construction projects in such states as Texas, Washington, Missouri, and New York. The public buildings category, which includes military-related facilities and courthouses, grew 29% in March with the help of such projects as a \$99 million Special Forces complex at Eglin Air Force Base in Florida and a \$56 million federal courthouse in Jefferson City MO. Transportation terminal work in March jumped 227%, lifted by the start of a \$250 million terminal renovation project at San Francisco International Airport. Amusement-related construction also posted a strong gain in March, rising 37%, but this was compared to a very weak February. Showing a loss of momentum in March were healthcare facilities, down 4% as this category's retreat from a record 2008 continues; and churches, down 26%.

Residential building in March dropped 8% to \$96.0 billion (annual rate), with decreased activity for both sides of the housing market. Single family housing in March fell 7%, slipping back after its brief upturn in February. Since the start of 2006, single family housing has seen dollar volume declines in 33 out of 39 months. The regional pattern for single family housing in March showed reductions in all five regions – the West, down 2%; the Northeast, down 4%; the South Central, down 7%; the South Atlantic, down 8%; and the Midwest, down 11%. Multifamily housing in March dropped 14%, as this category continues to show a much smaller amount of large multifamily projects that are reaching groundbreaking compared to two years ago. In March, the largest multifamily project reported as a construction start was a \$60 million retirement community in Fort Worth TX.

On an unadjusted basis, total construction during the January-March period of 2009 was reported at \$83.2 billion, down 40% from the same period a year ago. By major sector, large declines were registered by nonresidential building, down 47%; and residential building, down 52%; while a more moderate shortfall was shown by nonbuilding construction, down 11%. The nonresidential sector during the first three months of 2008 had been lifted by the start of five exceptionally large projects – the \$7.0 billion Motiva refinery expansion in Port Arthur TX, three towers at the World Trade Center site in lower Manhattan with a combined construction start cost of \$3.9 billion, and the \$1.1 billion Revel Resort and Casino in Atlantic City NJ. If these five large projects are excluded from the January-March 2008 statistics, nonresidential building for the first three months of 2009 would be down 35% from a year ago, and total construction would also be down 35%. For the five major regions, total construction during the first three months of 2009 showed this pattern – the Midwest, down 25%; the West, down 37%; the South Central, down 39%; the South Atlantic, down 42%; and the Northeast, down 56%.

Additional perspective is obtained by looking at twelve-month moving totals, in this case the twelve months ending March 2009 compared to the twelve months ending March 2008. On this basis, total construction is down 21%, as the result of this pattern by sector – nonresidential building, down 14%; residential building, down 41%; and nonbuilding construction, up 4%. By region, the twelve months ending March 2009 showed the following performance for total construction compared to the previous twelve months – the Midwest, down 6%; the South Central, down 12%; the Northeast, down 19%; the West, down 28%; and the South Atlantic, down 31%.

March 2009 Construction Starts



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MARCH 2009 CONSTRUCTION STARTS

MONTHLY SUMMARY OF CONSTRUCTION STARTS

Prepared by McGraw-Hill Construction Research & Analytics

MONTHLY CONSTRUCTION STARTS
Seasonally Adjusted Annual Rates, In Millions of Dollars

	<u>March 2009</u>	<u>February 2009</u>	<u>% Change</u>
Nonresidential Building	\$153,808	\$158,457	-3
Residential Building	95,989	104,700	-8
Nonbuilding Construction	<u>143,401</u>	<u>113,052</u>	<u>+27</u>
TOTAL Construction	\$393,198	\$376,209	+5

THE DODGE INDEX

(Year 2000=100, Seasonally Adjusted)

March 200983

February 200980

YEAR-TO-DATE CONSTRUCTION STARTS
Unadjusted Totals, In Millions of Dollars

	<u>3 Mos. 2009</u>	<u>3 Mos. 2008</u>	<u>% Change</u>
Nonresidential Building	\$34,143	\$64,454	-47
Residential Building	20,717	43,319	-52
Nonbuilding Construction	<u>28,302</u>	<u>31,791</u>	<u>-11</u>
TOTAL Construction	\$83,162	\$139,564	-40