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NEWS RELEASE

July Construction Jumps 8 Percent

New York, N.Y. – August 18, 2009 – The value of new construction starts climbed 8% in July to a seasonally adjusted annual rate of \$420.3 billion, it was reported by McGraw-Hill Construction, a division of The McGraw-Hill Companies. Nonresidential building strengthened after a very weak June, while residential building continued to edge upward from its depressed performance at the outset of 2009. The nonbuilding construction sector, comprised of public works and electric utilities, was essentially flat in July with the previous month.

The July statistics lifted the Dodge Index to 89 (2000=100), up from 82 in June. “Since March there’s been an up-and-down pattern for construction starts, supporting the belief that a leveling-off process is now underway,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. “This follows the steep decline during the latter half of 2008 that carried over into early 2009. Single family housing, while still at an extremely low volume, has now shown improvement in five out of the past six months. Public works construction is beginning to reveal a faster pace for transportation-related projects, helped by the federal stimulus funding. For nonresidential building, the broad downward trend is still in progress, but occasionally there are upticks, such as the strengthening that occurred in July following the dismal activity in June.”

Nonresidential building in July climbed 13% to \$170.5 billion (annual rate), putting on temporary hold the descent that brought contracting down 26% from the end of last year through June. The nonresidential total received much of its lift in July from the institutional structure types. In particular, healthcare facilities soared 172%, reflecting the July groundbreaking of seven massive hospital and medical center projects. Two were located in California (\$590 million and \$425 million), two were located in Texas (\$335 million and \$100 million), and the remaining three were located in Alabama (\$300 million), Oregon (\$220 million), and Idaho (\$150 million). Murray noted, “July’s large hospital projects were reminiscent of 2008 when the healthcare facilities category reached a record high. At the same time, healthcare-related building has pulled back substantially in 2009, with this year’s January-July period down 32% compared to 2008. Given the tough financial climate for healthcare firms, combined with the uncertainty

related to the debate over healthcare reform, it's not expected that July's brisk activity will be maintained as 2009 progresses." Large increases in July were also reported for transportation terminal work (up 57%) and churches (up 27%), both relative to very weak June levels. Amusement-related projects in July climbed 26%, helped by \$525 million related to the start of the Florida Marlins baseball stadium in Miami FL. The public buildings category settled back 2% from June, although July did include groundbreaking for two large courthouse projects, located in Illinois (\$153 million) and Iowa (\$76 million). The educational buildings category, down 14% in July, ran counter to the elevated activity shown by the other institutional categories.

The commercial categories in July registered a mixed performance. Gains from a weak June were reported for stores (up 2%), warehouses (up 18%), and hotels (up 46%), while office buildings retreated an additional 16%. The manufacturing plant category had an especially weak July, falling 71% from the previous month.

Residential building, at \$127.4 billion (annual rate), advanced 10% in July. Single family housing grew 5%, although July's pace was still 13% below last year's monthly average. By geography, single family housing revealed July gains in the Northeast (up 9%), the South Atlantic (up 8%), the West (up 7%), and the Midwest (up 6%), while the South Central showed a slight decline (down 1%). Multifamily housing in July jumped 45%, but despite the large percentage gain contracting was still down 47% from last year's monthly average. July's multifamily amount was aided by the start of a \$300 million condominium tower in Chicago IL, plus the start of a \$102 million military family housing project at Whiteman Air Force Base in Missouri. Even with these two large projects, the number of large multifamily projects is down substantially this year – during the first seven months of 2009 there were a total of four multifamily projects valued at \$100 million or greater that reached groundbreaking, compared to 21 such projects in the same period a year ago.

Nonbuilding construction in July grew a slight 1% to \$122.5 billion (annual rate). On the positive side, the "miscellaneous" public works category (which includes mass transit and site work) advanced 50%, helped by the start of a \$111 million light rail project in Utah. River/harbor development climbed 24%, with the boost coming from the \$97 million Olmsted Dam project in Kentucky. Water supply construction increased 16%, helped by large water treatment plant projects in South Dakota (\$64 million) and Texas (\$46 million). In contrast, highways and bridges in July retreated 9% and 5% respectively,

settling back after the improvement that was shown by both project types in May and June. Sewer construction in July dropped 14% from the strong rate of activity experienced during June. For the January-July period of 2009 compared to a year ago, highways (unchanged) and bridges (up 8%) have fared relatively well, along with river/harbor development (up 5%). Running behind last year through the first seven months were miscellaneous public works (down 12%), sewers (down 33%) and water supply systems (down 36%). The electric utilities category in July fell 22% from June, although July did include the start of a \$110 million wind farm in North Dakota.

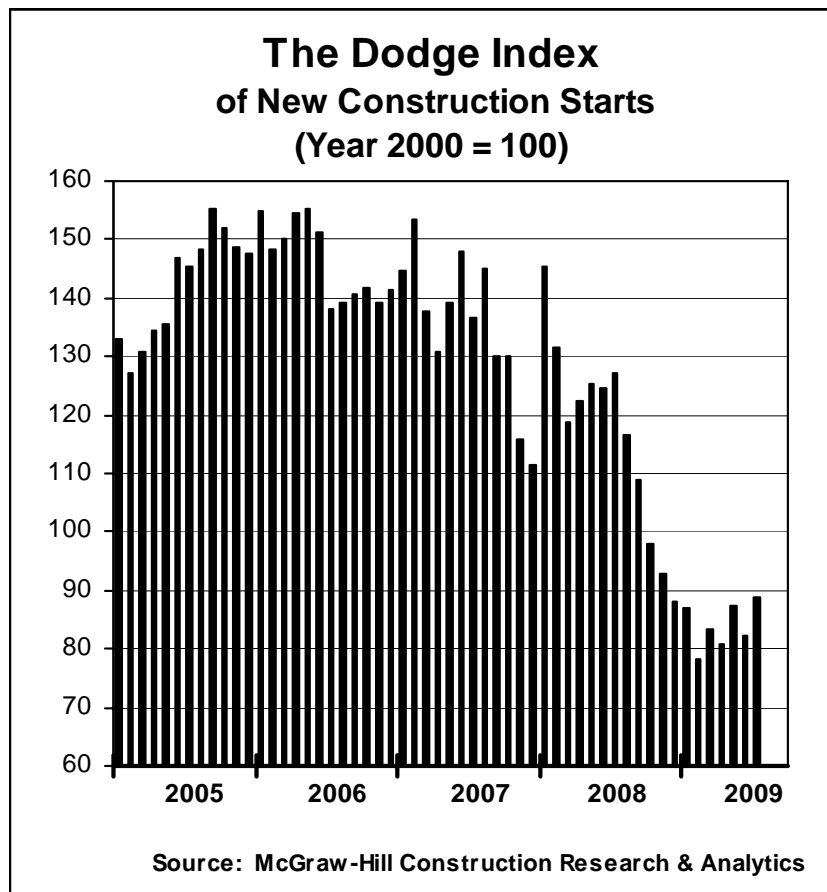
On an unadjusted basis, total construction during the first seven months of 2009 was reported at \$236.0 billion, down 35% from a year ago. The year-to-date declines have become slightly smaller in recent months, and this trend should continue as the comparison is made against the sharp slide in activity that occurred during the fall of 2008. By major sector, residential building fell 43% in the January-July period of 2009. Nonresidential building retreated 38%, due to this behavior by segment – commercial, down 55%; manufacturing, down 75%; and institutional, down 18%. Nonbuilding construction in the January-July period of 2009 dropped 20%, with public works slipping 10% while electric utilities tumbled 57%. By geography, total construction witnessed this year-to-date performance – the Northeast, down 41%; the South Atlantic, down 36%; the West, down 34%; the South Central, down 33%; and the Midwest, down 31%.

Additional perspective is made possible by looking at twelve-month moving totals, in this case the twelve months ending July 2009 compared to the twelve months ending July 2008. On this basis, total construction registers a 29% decline, as the result of this pattern – residential building, down 43%; nonresidential building, down 27%; and nonbuilding construction, down 14%. By geography, the twelve months ending July 2009 showed the following for total construction compared to the previous twelve months – the South Atlantic, down 34%; the Northeast, down 32%; the West, down 30%; the South Central, down 25%; and the Midwest, down 24%.

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July 2009 Construction Starts



JULY 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>July 2009</u>	<u>June 2009</u>	<u>% Change</u>
Nonresidential Building	\$170,486	\$150,884	+13
Residential Building	127,368	115,930	+10
Nonbuilding Construction	<u>122,454</u>	<u>121,331</u>	<u>+1</u>
TOTAL Construction	\$420,308	\$388,145	+8

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(Year 2000=100, Seasonally Adjusted)

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

	<u>7 Mos. 2009</u>	<u>7 Mos. 2008</u>	<u>% Change</u>
Nonresidential Building	\$95,461	\$154,293	-38
Residential Building	62,384	109,309	-43
Nonbuilding Construction	<u>78,112</u>	<u>98,234</u>	<u>-20</u>
TOTAL Construction	\$235,957	\$361,836	-35

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