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NEWS RELEASE

June Construction Retreats 7 Percent

New York, N.Y. – July 21, 2009 – New construction starts in June dropped 7% to a seasonally adjusted annual rate of \$385.4 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Nonresidential building weakened further, and public works construction fell back after its elevated May pace. In contrast, residential building showed improvement in June, continuing to edge upward after the very depressed activity reported at the outset of 2009.

The June statistics lowered the Dodge Index to 82 (2000=100), down from May's 87, and essentially returning the Index to April's level of 81. "The construction start figures appear to be moving more towards an up-and-down pattern," stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. "The bad news is that the overall volume of activity remains very weak; the good news is that if an up-and-down pattern is in fact being established, it marks a shift from the steady decline witnessed during the second half of 2008 and into early 2009. Just how this pattern for total construction evolves during the second half of 2009 will depend on what's likely to be a varied performance by major construction sector. Nonresidential building, hampered by the weak economy and tight bank lending, should see further erosion. On the plus side, the boost to public works from the federal stimulus funding has only begun to emerge, with more gains to come. And, single family housing has seen modest strengthening during the spring, suggesting that the bottom for this structure type was reached earlier in 2009."

Nonresidential building in June slipped 4% to \$151.6 billion (annual rate). The commercial categories experienced a further loss of momentum, with warehouses down 4%, office buildings down 7%, stores down 12%, and hotels down 25%. The public buildings category, which had been lifted in May by the start of two large courthouse projects and two large detention facilities, fell 47% in June. Reduced contracting was also reported in June for churches, down 14%; and transportation terminals, down 38%.

The nonresidential downturn in June was cushioned by a 17% rebound for the educational building category. June featured the start of several large medical research facilities, including a \$225 million project in New

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York NY and a \$111 million project in Salt Lake City UT. In addition, several large high school projects reached groundbreaking in June, including two located in Illinois – an \$89 million high school in DeKalb and an \$88 million high school addition in Naperville. The amusement and recreational category in June jumped 75% after a weak May, lifted by the start of a \$270 million performing arts facility in Las Vegas NV. Healthcare facilities in June improved 4%, helped by a \$220 million hospital expansion in Ft. Worth TX. The manufacturing plant category also registered growth in June, climbing 55%, with the support coming from the start of a \$676 million semiconductor plant in upstate New York.

Nonbuilding construction, at \$120.8 billion (annual rate), dropped 20% in June. The prior month had included \$2.5 billion related to segments of the Keystone oil pipeline in the Midwest; if this project is excluded from the May statistics nonbuilding construction in June would be up 1%. Highway construction in June advanced 13%, rising for the fourth straight month. June included the start of the \$613 million I-405 Sepulveda Pass widening project in California, and federal stimulus funds are now contributing in general to a pickup in highway construction. Bridge construction in June did settle back 15%, although the comparison is to an especially strong May that included the start of a large bridge renovation project in New York NY. For the environmental public works categories, sewer construction grew 14% in June, river/harbor development held steady, and water supply projects dropped 20%. The electric utility category in June rose 15%, helped by the start of a \$619 million power plant in Virginia.

Residential building in June advanced 8% to \$112.9 billion (annual rate). Single family housing climbed 9%, continuing to move upward after the very depressed activity reported back in January. The single family pace in June was still 20% below the monthly average for 2008. By region, single family housing showed June gains in the South Central, up 18%; the South Atlantic, up 8%; the West, up 6%; and the Midwest, up 5%; while the Northeast settled back 1%. Multifamily housing in June was unchanged from May, holding at a very weak volume that was 63% below the monthly average for 2008. The number of large multifamily projects has fallen sharply – during the first six months of 2009, there were a total of two multifamily projects valued at \$100 million or greater that reached groundbreaking. By comparison, during the first six months of 2008 there were 18 such projects that reached groundbreaking, and the first six months of 2007 saw 21 such projects reach groundbreaking.

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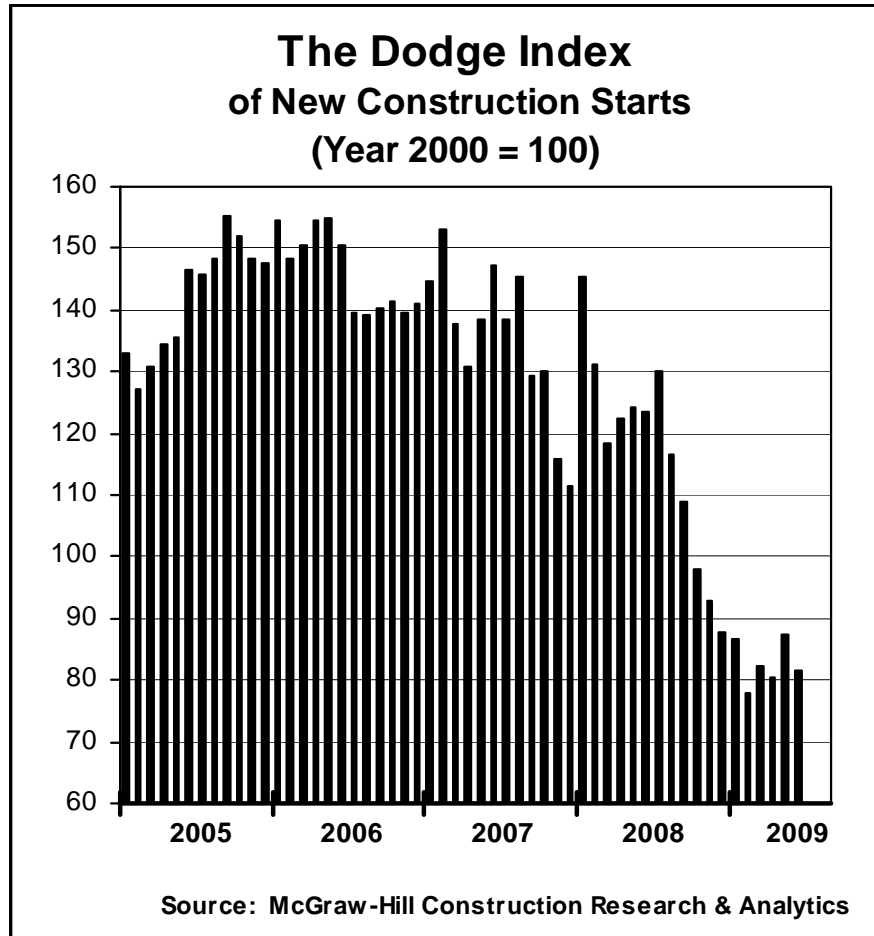
On an unadjusted basis, total construction during the first six months of 2009 came in at \$195.4 billion, down 36% from the same period a year ago. The year-to-date comparisons are likely to remain sharply negative over the next two months, and then become less severe as the comparison is made against the steep decline in construction activity that took place during the fall of 2008. By major sector, residential building continued to show the largest year-to-date slide, falling 46%. Nonresidential building was not far behind, dropping 41%, as the result of this year-to-date performance – commercial, down 55%; manufacturing, down 76%; and institutional, down 21%. Nonbuilding construction in the first six month of 2009 was down 16% from a year ago, with public works slipping 6% while electric utilities plunged 49%. By region, total construction during the first six months of 2009 showed this behavior – the Northeast, down 43%; the West and South Atlantic, each down 37%; the South Central, down 34%; and the Midwest, down 31%.

Added perspective is provided by looking at twelve-month moving totals, in this case the twelve months ending June 2009 versus the twelve months ending June 2008. On this basis, total construction is down 27%, reflecting this performance – residential building, down 43%; nonresidential building, down 25%; and nonbuilding construction, down 6%. By region, the twelve months ending June 2009 revealed this pattern for total construction compared to the previous twelve months – the South Atlantic, down 33%; the West and Northeast, each down 30%; and the South Central and Midwest, each down 20%.

About McGraw-Hill Construction

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June 2009 Construction Starts



JUNE 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>June 2009</u>	<u>May 2009</u>	<u>% Change</u>
Nonresidential Building	\$151,602	\$157,727	-4
Residential Building	112,918	104,758	+8
Nonbuilding Construction	<u>120,835</u>	<u>150,300</u>	<u>-20</u>
TOTAL Construction	\$385,355	\$412,785	-7

THE DODGE INDEX

(Year 2000=100, Seasonally Adjusted)

June 200982

May 200987

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

	<u>6 Mos. 2009</u>	<u>6 Mos. 2008</u>	<u>% Change</u>
Nonresidential Building	\$79,135	\$134,130	-41
Residential Building	50,516	93,468	-46
Nonbuilding Construction	<u>65,792</u>	<u>78,012</u>	<u>-16</u>
TOTAL Construction	\$195,443	\$305,610	-36

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