

NEWS RELEASE

February Construction Falls 8 Percent

New York, N.Y. – March 16, 2009 – At a seasonally adjusted annual rate of \$376.2 billion, new construction starts in February dropped 8% from the previous month, it was reported by McGraw-Hill Construction, a division of The McGraw-Hill Companies. Nonresidential building continued the downward slide that's been underway over the past year, and public works slipped back once again after rebounding in January. Meanwhile, residential building in February posted a rare gain, showing some improvement after its very weak January performance.

The February statistics lowered the Dodge Index to 80 (2000=100), compared to a revised 86 for January. For all of 2008, the Dodge Index averaged 116. “The extended decline for construction starts has now continued through the first two months of 2009,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. “The housing correction has been joined by mounting weakness for nonresidential building, as well as some loss of momentum for public works. The early 2009 erosion for public works should be reversed later this spring by the boost coming from the federal stimulus bill, especially for transportation work. The near term prospects for nonresidential building are not as hopeful – the stimulus bill does not provide as much funding for buildings as it does for infrastructure, and it will take more time for funding directed at buildings to have a positive impact at the construction site. In addition, the deepening recession and tight lending conditions will further depress overall levels of nonresidential building this year.”

Nonresidential building in February dropped 13% to \$158.0 billion (annual rate). Manufacturing plant construction plunged 65%, a decline reflecting both weak activity in February and the comparison to a January that included the start of a \$500 million steel plant upgrade in Pennsylvania. Healthcare facilities in February fell 31%, as this structure type now appears to be in retreat after the record high achieved in 2008. February did include the start of a \$100 million ambulatory care center in Boston MA, but so far in early 2009 the number of large-scale healthcare facilities that are reaching groundbreaking is down from last year. The public buildings category in February settled back 10%, and large declines were reported for amusement-related work, down 38%; and transportation terminal work, down 89%. The transportation

terminal category reflected the comparison to an exceptional January that included the start of large airport terminal projects in Las Vegas NV (\$1.2 billion) and Sacramento CA (\$316 million). The educational building category in February proved to be relatively resilient, slipping just 1%. Large educational building projects that reached groundbreaking in February included a \$97 million research facility in San Antonio TX, an \$81 million biochemistry laboratory in Madison WI, and a \$71 million high school in Nokesville VA. Church construction in February grew 21%, up from a very weak January.

On the commercial side, hotel construction in February dropped 27%, as the rate of its correction accelerated after the more moderate slowdown experienced during 2008. Store construction in February held steady with January's very depressed level. Warehouse construction in February jumped 54%, but this was compared to an extremely weak January, and activity during the first two months of 2009 remains well below last year's pace. Office construction in February surged 70%, making a brief departure from its broader downward trend. Lifting the office category in February was groundbreaking for two large federal government-related projects – a \$922 million headquarters for the U.S. Army in Alexandria VA and a \$315 million military-related office building in Quantico VA. February also included the start of two large corporate headquarters buildings, located in Cranberry Township PA (\$105 million) and Omaha NE (\$92 million).

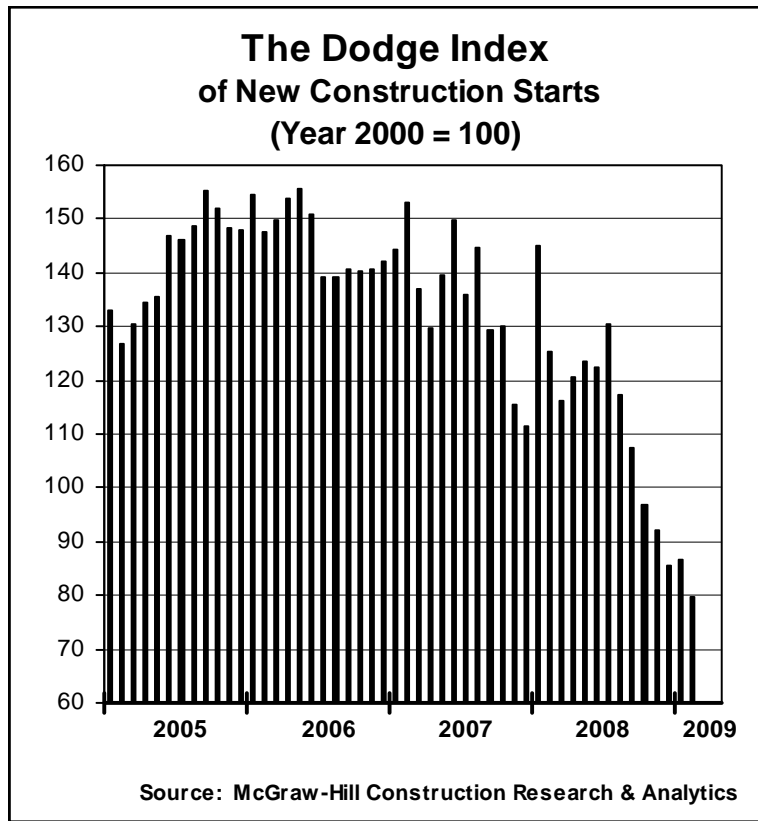
Nonbuilding construction, at \$113.5 billion (annual rate), was down 13% in February. Most of the public works categories showed weaker activity, reflecting dampening from tight fiscal conditions at various levels of government. Highway construction in February dropped 18%, and it was joined by a 5% pullback for bridges. Murray stated, "Both of these project types are expected to see a quick lift from the federal stimulus bill, given the requirement that states designate 50% of their highway/bridge stimulus funding to specific projects by early July." Sewer construction in February retreated 4%, and more severe declines were reported for miscellaneous public works (including site work), down 34%; and water supply systems, down 40%. River/harbor development ran counter to February's downward trend, jumping 61% with the boost coming from a \$147 million conduit rehabilitation project in Chicago IL and a \$125 million marina project in San Pedro CA. Electric utility construction in February receded a slight 1%, holding close to this project type's strong January volume. Large electric utility projects included as February construction starts were a \$500 million scrubber facility in New Hampshire, a \$476 million solar generating facility in Florida, a \$440 million wind turbine plant in Iowa, and a \$300 million wind farm in Texas.

Residential building in February advanced 9% to \$104.8 billion (annual rate). Single family housing increased 7%, marking the first gain after nine straight months of declines. The regional pattern for single family housing in February showed growth in the South Atlantic (up 15%), the South Central (up 12%), and the Midwest (up 8%), but reduced activity in the Northeast (down 1%) and the West (down 4%). Murray indicated, "As single family housing comes closer to reaching bottom, there will be more of an up-and-down pattern by month, as opposed to the steady declines witnessed from 2006 through 2008. The February gain is just one month, so it's still too early to say if single family housing is in fact close to bottom." Multifamily housing in February grew 16% after a depressed January, helped by groundbreaking for a \$199 million residential project in Jersey City NJ.

On an unadjusted basis, total construction for the first two months of 2009 was reported at \$52.7 billion, down 45% from a year ago. The year-to-date comparisons are based on just two months, and are subject to the volatility that can be shown by the construction start statistics for short time periods. By major sector, nonresidential building was down 51% from the January-February period of 2008, that included as construction starts 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 unusually large projects are excluded from the January-February 2008 statistics, nonresidential building for the first two months of 2009 would be down 35% from a year ago, while total construction would be down 37%. For the other two sectors, the first two months of 2009 revealed these declines versus last year – residential building, down 55%, and nonbuilding construction, down 13%. The year-to-date comparisons showed this regional behavior for total construction – the Northeast, down 60%; the South Atlantic, down 46%; the South Central, down 43%; the West, down 37%; and the Midwest, down 35%.

Additional perspective is obtained by looking at twelve-month moving totals, in this case the twelve months ending February 2009 compared to the twelve months ending February 2008. On this basis, total construction is down 20%, as the result of this pattern by sector – nonresidential building, down 14%; residential building, down 41%; and nonbuilding construction, up 5%. By region, the twelve months ending February 2009 showed the following behavior for total construction compared to the prior twelve months – the South Atlantic, down 29%; the West, down 28%; the Northeast, down 16%; the South Central, down 13%; and the Midwest, down 9%.

February 2009 Construction Starts



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FEBRUARY 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>February 2009</u>	<u>January 2009</u>	<u>% Change</u>
Nonresidential Building	\$157,999	\$181,923	-13
Residential Building	104,769	96,209	+9
Nonbuilding Construction	<u>113,469</u>	<u>130,687</u>	<u>-13</u>
TOTAL Construction	\$376,237	\$408,819	-8

THE DODGE INDEX
(Year 2000=100, Seasonally Adjusted)

February 200980
January 200986

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

	<u>2 Mos. 2009</u>	<u>2 Mos. 2008</u>	<u>% Change</u>
Nonresidential Building	\$23,152	\$47,582	-51
Residential Building	12,950	28,485	-55
Nonbuilding Construction	<u>16,598</u>	<u>19,133</u>	<u>-13</u>
TOTAL Construction	\$52,700	\$95,200	-45

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