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NEWS RELEASE

April Construction Slips One Percent

New York, N.Y. – May 19, 2009 – The value of new construction starts fell 1% in April to a seasonally adjusted annual rate of \$386.6 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. The loss of momentum was due to a slower pace for public works construction, which had been lifted in March by the start of several large pipeline and rail projects. At the same time, nonresidential building in April picked up the pace after the very weak activity reported during the prior two months, and residential building was helped by improvement for single family housing.

April's data lowered the Dodge Index to 82 (2000=100), after the March reading of 83. The level of contracting as shown by the Dodge Index witnessed a steady retreat from mid-2008 through February, to be followed by a gain in March and then April's slight setback. "The pattern of construction starts over the past two months suggests a transition from extended declines to more of an up-and-down pattern, which generally takes place when a bottom gets established," stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. "This process of establishing a bottom is still in its early stages, and will be affected by how different construction sectors perform in coming months. The impact from the stimulus bill on public works construction is just beginning to emerge, with this sector expected to see more strength as 2009 proceeds. Single family housing remains at a very low volume, but the worst of its correction appears to have passed. For nonresidential building, there's been the occasional display of resilience by such institutional structure types as healthcare facilities and public buildings, but the downward trend for the commercial structure types is still very much underway."

Nonbuilding construction in April dropped 19% to \$114.7 billion (annual rate), following a 28% jump in March. The "miscellaneous" public works category in March had soared 318%, reflecting the start of two large natural gas pipeline segments valued at a combined \$2.6 billion as well as the start of a \$1.6 billion rail project. While April also included major pipeline projects, such as a \$485 million segment of a petroleum pipeline in South Dakota, the comparison to an exceptional March produced a 60% decline for the "miscellaneous" public works category. In contrast, most of the other public works categories showed

stronger activity in April. River/harbor development advanced 101%, lifted by the start of a \$342 million seepage barrier in Kentucky. Water supply construction climbed 14%, helped by the start of a \$90 million water treatment facility in California. Highways and bridges, the two categories expected to see the most immediate benefit from the federal stimulus bill, increased a respective 10% and 6% in April. Large highway projects valued in excess of \$50 million were started in Tennessee and California, and a \$178 million viaduct rehabilitation project was started in New York. Having little effect on the nonbuilding total in April was the electric utility category, down just 1% from March. Large electric power projects in April included a \$300 million gas-fired power plant in Florida and a \$170 million wind farm in West Virginia.

Nonresidential building, at \$166.4 billion (annual rate), grew 9% in April. The manufacturing building category provided much of the upward push, surging 222%, due to the start of a \$1 billion upgrade to a centrifuge plant (for uranium enrichment) in Ohio. Excluding this large project, the manufacturing building category in April would be down 7% while the increase for nonresidential building would be lowered to 1%. There was still support to the nonresidential total in April coming from the institutional categories. Most noteworthy was a 49% increase for healthcare facilities, pushed upward by four large hospital projects located in Indiana (\$350 million), Illinois (\$129 million), Texas (\$125 million), and Louisiana (\$121 million). Murray noted, "After reaching an all-time high in 2008, the healthcare facilities category in early 2009 appeared to be in sharp retreat; April's rebound suggests that the correction may turn out to be more moderate." The public building category in April advanced 19%, aided by the start of a \$289 million military headquarters facility in North Carolina and a \$259 million courthouse tower in Arizona. Amusement-related work in April edged up 3%, but diminished activity was reported for churches, down 1%; and educational buildings, down 5%. A more substantial 35% decline was reported for transportation terminals in April.

The commercial structure types generally showed weakness in April. The depressed retail industry continues to have an adverse impact on construction, with April seeing declines for stores, down 10%; and warehouses, down 34%. Office construction was also considerably weaker in April, falling 22%. Running counter to the downward trend for commercial building in April was the hotel category, up 8%, although April still came in 68% below the average monthly pace for this category in 2008.

Residential building in April climbed 8% to \$105.5 billion (annual rate). The improvement was the result of a 13% gain for single family housing, which posted its second increase out of the past three months. This follows an extended period of decline from the start of 2006 through the start of 2009, when decreased

activity was reported in 31 out of 36 months. The single family pattern in April showed strengthening in all five major regions – the West, up 23%; the Midwest, up 20%; the South Atlantic and Northeast, each up 9%; and the South Central, up 8%. While the extended slide for single family housing may now be coming to a close, the correction for multifamily housing was still present in April, as contracting dropped an additional 11%. By region, the April weakness for multifamily housing was located in the South Atlantic, down 27%; the Northeast, down 18%; and the South Central, down 10%; while some improvement was shown in the West and Midwest, up 3% and 12%, respectively.

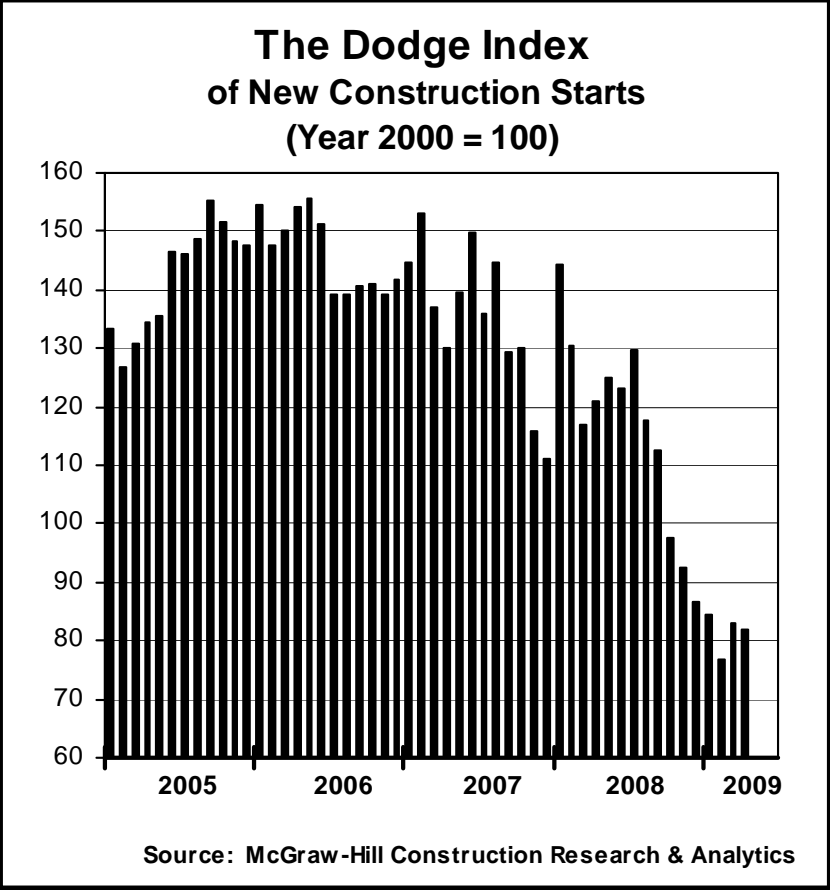
On an unadjusted basis, total construction during the January-April period of 2009 was \$117.2 billion, down 39% from the same period a year ago. This was the result of the following year-to-date performance by sector – nonresidential building, down 42%; residential building, down 50%; and nonbuilding construction, down 20%. By geography, total construction during the first four months of 2009 showed the steepest drop in the Northeast, down 55%; followed by the South Atlantic, down 43%; the West, down 37%; the South Central, down 34%; and the Midwest, down 26%.

Additional perspective comes from looking at twelve-month moving totals, in this case the twelve months ending April 2009 versus the twelve months ending April 2008. On this basis, total construction is down 23%, as the result of this pattern by sector – nonresidential building, down 16%; residential building, down 42%; and nonbuilding construction, down 4%. By region, the twelve months ending April 2009 showed the following behavior for total construction relative to the previous twelve months – the South Atlantic, down 34%; the West, down 30%; the Northeast, down 26%; the South Central, down 13%; and the Midwest, down 10%.

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April 2009 Construction Starts



APRIL 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>April 2009</u> | <u>March 2009</u> | <u>% Change</u> |
|---------------------------------|-------------------|-------------------|-----------------|
| Nonresidential Building | \$166,411 | \$152,427 | +9 |
| Residential Building | 105,476 | 97,365 | +8 |
| Nonbuilding Construction | <u>114,746</u> | <u>141,806</u> | <u>-19</u> |
| TOTAL Construction | \$386,633 | \$391,598 | -1 |

THE DODGE INDEX

(Year 2000=100, Seasonally Adjusted)

April 200982

March 200983

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, In Millions of Dollars

| | <u>4 Mos. 2009</u> | <u>4 Mos. 2008</u> | <u>% Change</u> |
|---------------------------------|--------------------|--------------------|-----------------|
| Nonresidential Building | \$48,524 | \$84,331 | -42 |
| Residential Building | 30,344 | 60,373 | -50 |
| Nonbuilding Construction | <u>38,339</u> | <u>47,955</u> | <u>-20</u> |
| TOTAL Construction | \$117,207 | \$192,659 | -39 |

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