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NEWS RELEASE

October Construction Jumps 12 Percent

New York, N.Y. – November 20, 2009 – The value of new construction starts climbed 12% in October to a seasonally adjusted annual rate of \$447.6 billion, it was reported by McGraw-Hill Construction, a division of The McGraw-Hill Companies. The upward push came from double-digit gains for nonresidential building and nonbuilding construction (public works and electric utilities). At the same time, residential building in October was unchanged from its September pace. Through the first ten months of 2009, total construction on an unadjusted basis came in at \$350.1 billion, down 29% from the same period a year ago.

The October statistics lifted the Dodge Index to 95 (2000=100), up from 84 in September, and the highest level so far in 2009. The Dodge Index had fallen to 80 in February 2009, and since then has registered improvement, although the October reading was still 19% below the full year 2008 average for the Index at 117. “After bottoming out in early 2009, there’s been an up-and-down pattern for construction starts, with a gradual upward trend beginning to emerge,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. “Single family housing is no longer pulling down the overall level of construction activity, and transportation-related public works has strengthened, helped by the federal stimulus funding. For nonresidential building, much of 2009 has been characterized by a steep loss of momentum, so October’s gain represents a departure from recent experience. It suggests that nonresidential building is beginning to make the transition from steady decline to a more varied pattern, which signifies the trend is shifting to a slower rate of descent going into 2010. On a cautionary note, the nonresidential building market is still looking at several major constraints going forward – rising vacancies, tight bank lending standards, and the weakened fiscal health of state and local governments.”

Nonresidential building in October climbed 19% to \$177.9 billion (annual rate), with stronger rates of contracting being reported for many structure types following a weak September. On the institutional side, the educational building category grew 5%, helped by groundbreaking for two large high schools located in Ohio (\$104 million) and Massachusetts (\$98 million), as well as a large university biotech research building in Colorado (\$98 million). Healthcare facilities also showed moderate growth from the

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Page 2

prior month, rising 6%, lifted by the start of a \$300 million hospital tower in Orange County CA. For the smaller institutional categories, amusement-related projects soared 93% in October, reflecting the \$458 million expansion and renovation of the Javits Convention Center in New York NY. The public buildings category advanced 56%, due largely to the start of the \$325 million U.S. courthouse in San Diego CA, a project funded by the federal stimulus bill. Dormitory construction increased 53%, helped by the start of a \$93 million military housing complex in Fort Lee VA and a \$75 million college dormitory project in Binghamton NY. Transportation terminal work rose 7%, with much of the boost coming from the start of a \$90 million project to upgrade five subway stations in the Bronx NY. Of the institutional categories, only church construction posted a decline in October, sliding 9%.

For commercial building in October, office construction climbed 24% after a very weak September, as several large office projects reached groundbreaking. These included a \$367 million corporate headquarters in Oklahoma City OK, a \$252 million data center and office complex in Olympia WA, and the \$123 million renovation to the Eisenhower Executive Office Building in Washington DC. Hotel construction jumped 101% in October, led by the start of the \$303 million Dallas Convention Center Hotel in Dallas TX. Store construction edged up 4% in October, but warehouses showed further weakness, dropping 19%. The manufacturing buildings category in October improved 5% on top of its elevated September amount, with the lift provided by a \$1.1 billion oil refinery expansion in Illinois.

Nonbuilding construction, at \$141.9 billion (annual rate), increased 16% in October. Highway construction regained upward momentum, rising 12% after a pause in September, although bridge-related projects retreated 12%. Through the first ten months of 2009, highways and bridges were one of the few major construction categories able to register year-to-date gains, rising 6% and 7% respectively. Murray noted, "Highway and bridge construction began to show the benefits from the federal stimulus funding in late spring, while the benefits to other construction project types are only now beginning to emerge." On the environmental side, both sewer and water supply construction strengthened in October following lackluster contracting in recent months. Sewer construction, which includes hazardous waste work, grew 9% with help from a \$99 million landfill remediation project in Staten Island NY. Water supply construction in October climbed 19%, with the push coming from a \$166 million water treatment plant and water line project in Stockton CA. However, river/harbor development in October fell 53% from a very strong September amount. For "miscellaneous" public works, which includes such diverse project

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Page 3

types as site work and rail projects, October witnessed a 33% increase, aided by the start of a \$203 million rail project in Joliet IL. October also included strength for electric utilities, which surged 341% from a depressed September. Large electric utility projects included as October starts were the following – the \$450 million Trans Bay Cable Project in San Francisco CA, a \$400 million natural gas-fired power plant in North Carolina, a \$300 million wind farm in Missouri, and a \$170 million biomass cogenerating facility in South Carolina.

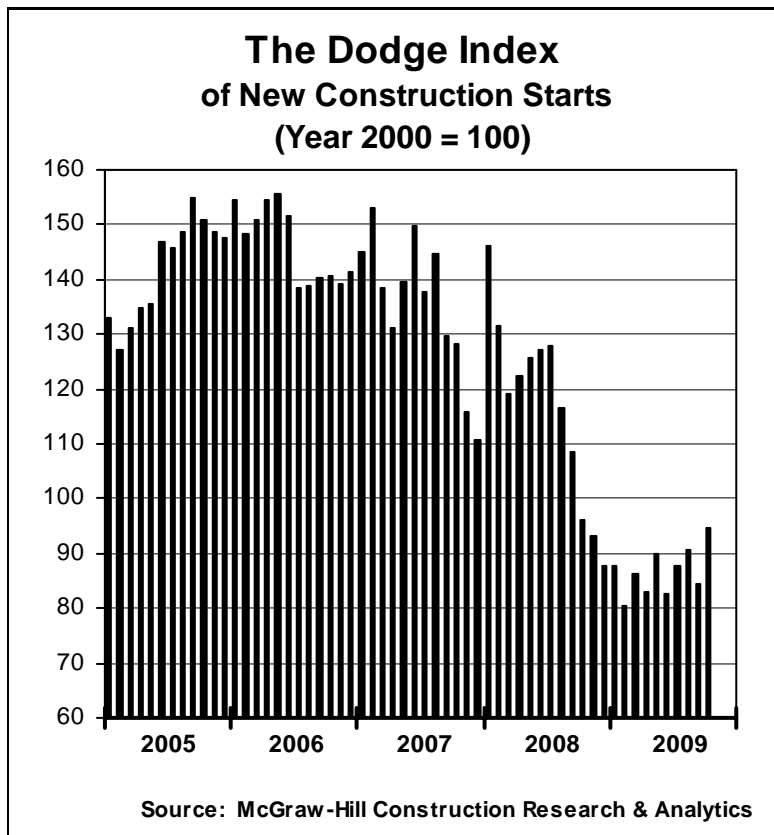
Residential building, at \$127.8 billion (annual rate) in October, was essentially unchanged from the prior month. Single family housing slipped back 2%, marking the first decline after six straight months of gains. By region, single family housing showed diminished activity in the South Atlantic (down 7%), the Northeast (down 2%), and the South Central (down 1%), while the Midwest and West were unchanged. October's pace for single family housing, while 49% above the extremely depressed amount reported at the start of 2009, was still 11% below the monthly average for full year 2008. Multifamily housing in October advanced 20% from a very weak September, with October boosted by such projects as an \$80 million senior housing development in Chicago IL, a \$63 million apartment building in New York NY, and a \$59 million retirement community in Ft. Worth TX.

During the first ten months of 2009, the 29% drop for total construction compared to last year was due to weaker activity for all three major construction sectors. Residential building continued to show the largest year-to-date decline, falling 36%, with single family down 28% while multifamily plunged 60%. Nonresidential building was not far behind with a 34% reduction, as the result of this year-to-date performance by segment – commercial, down 50%; manufacturing, down 67%; and institutional, down 16%. Nonbuilding construction in the first ten months of 2009 retreated 14%, with public works slipping 4% while electric utilities plummeted 51%. By geography, total construction in the first ten months of 2009 showed similar weakness across the five major regions – the Midwest and West, each down 28%; the South Central, down 29%; and the South Atlantic and Northeast, each down 31%.

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October 2009 Construction Starts



OCTOBER 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>October 2009</u>	<u>September 2009</u>	<u>% Change</u>
Nonresidential Building	\$177,899	\$149,775	+19
Residential Building	127,842	127,228	-0-
Nonbuilding Construction	<u>141,876</u>	<u>121,861</u>	<u>+16</u>
TOTAL Construction	\$447,617	\$398,864	+12

THE DODGE INDEX

(Year 2000=100, Seasonally Adjusted)

October 200995

September 2009.....84

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, In Millions of Dollars

	<u>10 Mos. 2009</u>	<u>10 Mos. 2008</u>	<u>% Change</u>
Nonresidential Building	\$140,653	\$213,906	-34
Residential Building	93,936	146,417	-36
Nonbuilding Construction	<u>115,557</u>	<u>134,407</u>	<u>-14</u>
TOTAL Construction	\$350,146	\$494,730	-29

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