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## NEWS RELEASE

### September Construction Slides 7 Percent

New York, N.Y. – October 22, 2009 – New construction starts in September fell 7% to a seasonally adjusted annual rate of \$399.1 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Nonresidential building continued to weaken after its brief upturn in July, and residential building also settled back after recent gains. Meanwhile, nonbuilding construction (comprised of public works and electric utilities) retreated after its August surge, maintaining the up-and-down pattern that's been present for much of 2009.

The September statistics lowered the Dodge Index to 84 (2000=100), down from 91 in August. The Dodge Index had bottomed out at 80 in February, after a steady decline over the past year, and since then has shown slight yet hesitant improvement. “The September decline for construction starts is one more reminder that the very modest upward trend that seemed to take hold during the spring will be uneven and at times halting,” stated Robert A. Murray vice president of economic affairs for McGraw-Hill Construction. “More of this uneven performance can be expected in coming months, given the divergent behavior from construction’s main sectors. On the plus side, the steep decline for single family housing has reached its end, and funding from the stimulus act is beginning to have a broader impact beyond highways and bridges, encompassing more government buildings and more environmental public works. On the negative side, further employment declines and tight bank lending will drag down commercial building well into next year.”

**Nonresidential building** in September dropped 7% to \$150.0 billion (annual rate). The major commercial categories showed more weakness in September, including stores, down 14%; hotels, down 19%; and offices, down 33%. The decline for offices was relative to an August which included the start of four projects valued each in excess of \$100 million. September did include groundbreaking for several large office projects, including a \$150 million data center in Lockport NY, an \$82 million U.S. Army headquarters complex in South Carolina, and a \$57 million modernization of the Internal Revenue Service Center in Andover MA. While office construction remains at a very low volume, this year has seen groundbreaking for a number of substantial government service and military projects, as well as several large data centers. Warehouse

construction, which has been extremely depressed during 2009, edged up 3% in September. The manufacturing plant category has also been depressed for much of 2009, but it had a brisk September, climbing 61%. Large manufacturing projects that reached groundbreaking in September included a \$600 million upgrade to a semiconductor plant in Arizona, a \$367 million photovoltaic panel manufacturing plant in California, and a \$182 million nuclear reactor manufacturing facility in Virginia. Related to the widening impact of the stimulus act, the photovoltaic panel manufacturing plant was financed largely from a loan from the U.S. Department of Energy, under a program established by the stimulus act.

The institutional structure types had a mixed September. The educational category dropped 6%, resuming its downward trend after a brief upturn in August. Amusement-related projects in September fell 10%, while transportation terminals plunged 72% from an August that was boosted by foundation work for a transit center in New York NY. Showing growth in September were healthcare facilities, rising 16% from a weak August with the help of a \$208 million hospital replacement in Castro Valley CA and a \$160 million addition to a specialty hospital in Buffalo NY. The public buildings category in September advanced 21%, lifted by groundbreaking for a \$107 million U.S. courthouse in Austin TX, which had been designated to receive stimulus funding in the list of projects issued by the General Services Administration in late March. The religious building category also posted growth in September, rising 7%.

**Residential building**, at \$127.2 billion (annual rate), eased back 1% in September. The residential decline reflected diminished activity for multifamily housing, which fell 18% from the previous month. There were a couple of large multifamily projects that reached groundbreaking in September, including a \$106 million condominium tower in Chicago IL and a \$61 million apartment complex in New York NY, but in general the number of large multifamily projects continues to be down considerably from prior years. Single family housing in September edged up 2%, and has now seen dollar value gains in seven out of the past eight months. September's pace for single family housing remained 9% below the average monthly rate for this structure type during 2008. By region, the pattern for single family housing in September was the following: the West, up 7%; the Northeast, up 6%; the Midwest, up 2%; the South Atlantic, up 1%; and the South Central, down 2%.

**Nonbuilding construction** in September dropped 13% to \$122.0 billion (annual rate), following the 13% increase reported for August. On the public works side, highway construction retreated 18% in September, slipping back after its elevated August pace, while water supply construction fell 17%. Despite the decline, the water supply category in September included \$176 million related to work on the third water tunnel

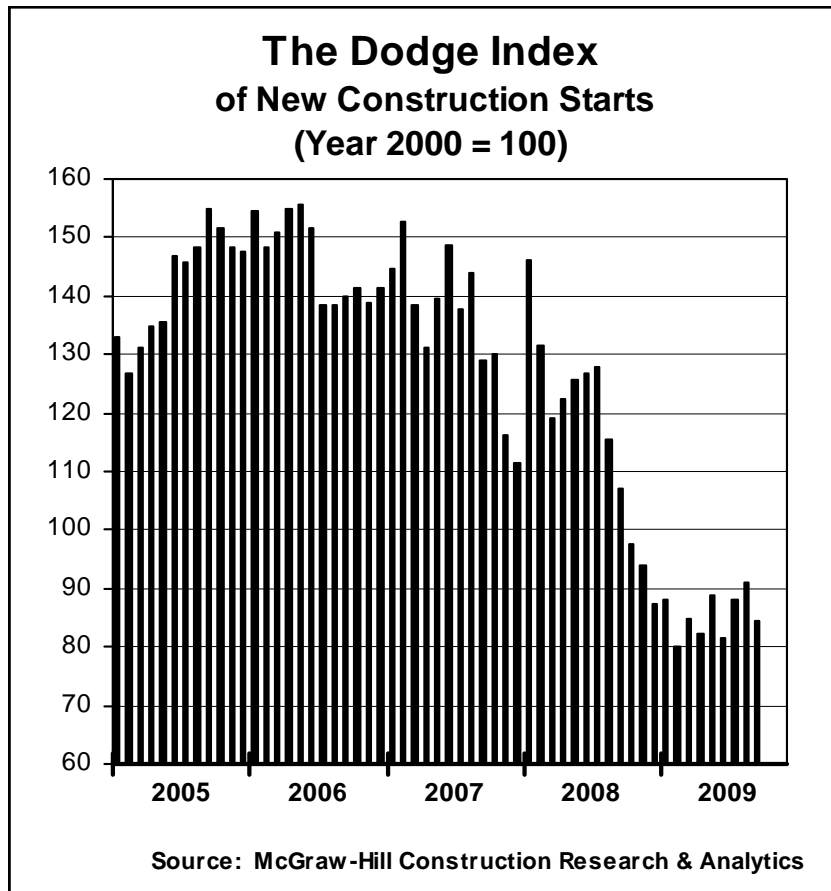
currently under construction in New York NY. Mass transit and site work dropped 9% in September; yet even with the shortfall the latest month included \$137 million for a rail project in Fremont CA. Sewer construction in September edged up 1%, helped by a \$140 million water reclamation facility in Utah, and bridge construction improved 3%. A large September gain was reported for the river/harbor development category, reflecting two very large levee reconstruction projects in the New Orleans area – the \$639 million Chalmette Loop Levee and the \$301 million East Bank Levee. The electric utility category in September included several moderate size projects, such as an \$80 million wind farm in Pennsylvania, but overall electric utilities were down substantially from August, falling 75%.

On an unadjusted basis, total construction during the first nine months of 2009 was \$310.4 billion, down 32% from the corresponding period last year. The year-to-date declines have become smaller in recent months, and this trend should continue as the comparison is made against the steep slide in activity that occurred during the fourth quarter of 2008. By major sector, the largest reduction was still shown by residential building, down 38% year-to-date. Nonresidential building was close behind with a 37% reduction in the January-September period, due to this performance by segment – commercial, down 51%; manufacturing, down 71%; and institutional, down 18%. Nonbuilding construction in the first nine months of 2009 dropped 17%, with public works retreating 6% while electric utilities plummeted 56%. By geography, total construction in the first nine months of 2009 was the following – the Northeast, down 34%; the South Atlantic and South Central, each down 32%; the Midwest, down 31%; and the West, down 29%.

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## September 2009 Construction Starts



**SEPTEMBER 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>September 2009</u>	<u>August 2009</u>	<u>% Change</u>
<b>Nonresidential Building</b>	\$149,953	\$162,036	-7
<b>Residential Building</b>	127,203	128,357	-1
<b>Nonbuilding Construction</b>	<u>121,977</u>	<u>139,413</u>	<u>-13</u>
<b>TOTAL Construction</b>	\$399,133	\$429,806	-7

**THE DODGE INDEX**

(Year 2000=100, Seasonally Adjusted)

September 2009 ..84

August 2009..... 91

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

	<u>9 Mos. 2009</u>	<u>9 Mos. 2008</u>	<u>% Change</u>
<b>Nonresidential Building</b>	\$124,115	\$195,928	-37
<b>Residential Building</b>	83,380	134,685	-38
<b>Nonbuilding Construction</b>	<u>102,915</u>	<u>123,677</u>	<u>-17</u>
<b>TOTAL Construction</b>	\$310,410	\$454,290	-32

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