



Visit us at: www.construction.com

Two Penn Plaza, 9th Floor
New York, NY 10121-2298

NEWS RELEASE

January Construction Retreats One Percent

New York, N.Y. – February 19, 2010 – The value of new construction starts slipped 1% in January to a seasonally adjusted annual rate of \$419.3 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. The slight loss of momentum was due to a pullback for nonbuilding construction (public works and electric utilities), after this sector's elevated performance in December. Meanwhile, residential building in January held steady, and nonresidential building was able to register growth as the result of gains for a few structure types.

The latest month's data produced a reading of 89 for the Dodge Index (2000=100), compared to 90 in December. For all of 2009, the Dodge Index averaged 87. "While down slightly from the previous month, January's activity is consistent with the sense that construction starts have at least stabilized at a low level," stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. "Relative to the extended decline that took place from 2006 through early 2009, that's good news. The cautionary note is that it's still too early to say that renewed expansion for overall construction activity has taken hold. On the plus side, the public works sector is seeing strength for transportation-related projects, supported by the federal stimulus funding. Single family housing reached bottom in early 2009 and has since shown modest improvement. Nonresidential building has seen a pickup for such publicly-funded structure types as transportation terminals and courthouses. However, the commercial categories remain extremely depressed, and given tight bank lending and weak employment are likely to stay that way throughout 2010."

Nonbuilding construction in January dropped 15% to \$126.8 billion (annual rate), following a 16% jump in December. New electric utility projects plunged 55%, compared to a December that included four power-related projects valued each at \$150 million or greater. The January electric utility total did include the start of two large projects – a \$440 million hydroelectric plant in Pennsylvania and a \$100 million biomass energy plant in Texas. For public works, bridge construction included the start of a \$266 million project in Florida, but overall the bridge category in January was down 33% from its elevated December pace. Other public works categories with January declines were sewers, down 26%; and water supply

systems, down 24%. The “miscellaneous” public works category, which includes mass transit and site work, was steady in January, helped by the start of two large vehicle and rail tunnel projects in Seattle WA with a combined value of \$463 million. River/harbor development work in January advanced 17%, while highway construction (the largest public works category) grew 6%. Murray added, “Highway construction in 2009 was supported by the federal stimulus funding, enabling the amount of construction starts to rise 5% as opposed to a decline of at least 15%, and that support for highway work continues in 2010.”

Residential building, at \$132.7 billion (annual rate), was essentially unchanged in January relative to December. Single family housing edged up 1%, maintaining the gradual upward movement that began during the spring of 2009. By region, single family housing in January showed gains for the South Central (up 5%), the South Atlantic (up 2%), the Midwest and West (each up 1%), while the Northeast declined (down 10%). Murray stated, “Single family housing is expected to see improved construction in 2010 compared to its extremely depressed 2009 amount, helped by the continuation of low mortgage rates and homebuyer tax credits, and assuming that the steps taken to limit foreclosures have a broader impact this year.” Multifamily housing lost further momentum in January, sliding 4%. The largest multifamily project reported as a January start was a \$45 million senior living apartment facility in Apex NC, continuing the trend towards smaller-scale projects compared to the \$100 million plus high-rise projects that were being reported as construction starts as recently as two years ago.

Nonresidential building in January climbed 11% to \$159.9 billion (annual rate), lifted mostly by large gains for three structure types – transportation terminals, healthcare facilities, and public buildings. The relatively small transportation terminal category soared 818% in January, boosted by a massive transit complex in Lower Manhattan NY (the subway and PATH train regional transportation hub), with a construction start cost estimated at \$3.0 billion. If this massive project is excluded from the January statistics, nonresidential building would have fallen 14% while total construction would have dropped 10%. The transportation terminal category in January also included the \$53 million modernization of Terminal B at Newark Airport NJ. Healthcare facilities in January climbed 39%, getting 2010 going on a strong note after the diminished contracting witnessed throughout much of 2009. Large healthcare projects that reached groundbreaking in January included a \$500 million hospital in Orlando FL and a \$154 million hospital expansion and renovation in Wilmington DE. The public buildings category in

McGraw-Hill Construction

Page 3

January jumped 52%, aided by the start of a \$52 million police station house in Staten Island, NY.

Modest January gains were registered by churches and dormitories, each up 3%.

The other nonresidential building categories showed substantial weakness in January compared to December. For the commercial categories, these declines were reported – stores and hotels, each down 24%; offices, down 38%; and warehouses, down 42%. On the institutional side, the educational building category (the largest nonresidential structure type) fell 22% in January, while amusement-related projects plunged 47%.

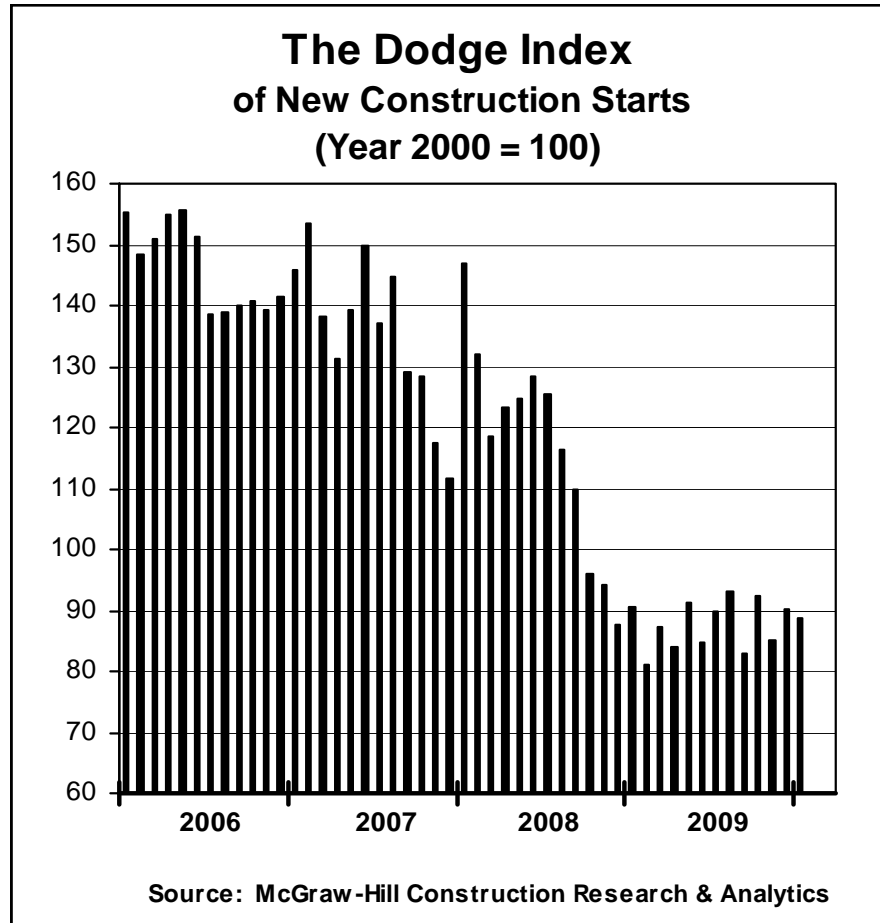
On an unadjusted basis, total construction in January 2010 came in at \$27.8 billion, down 8% from the same month a year ago. By major sector, nonbuilding construction showed an 8% shortfall, while nonresidential building registered a steeper 21% decline. In contrast, residential building in January 2010 was up 18% versus a year ago. By region, total construction for January 2010 compared to January 2009 revealed decreased activity in the South Central, down 22%; and the West, down 39%. Total construction gains on a year-over-year basis were reported for the Midwest, up 3%; the South Atlantic, up 16%; and the Northeast, up 38%.

Additional perspective is obtained by looking at twelve-month moving totals, in this case the twelve months ending January 2010 compared to the twelve months ending January 2009. On this basis, total construction posts a 23% decline, as the result of this pattern by sector – nonresidential building, down 30%; residential building, down 27%; and nonbuilding construction, down 9%. By region, the twelve months ending January 2010 showed this behavior for total construction – the West, down 28%; the Midwest, down 24%; the South Atlantic, down 23%; the South Central, down 21%; and the Northeast, down 18%.

About McGraw-Hill Construction

McGraw-Hill Construction connects people, projects, and products across the design and construction industry. From project and product information to industry news, trends and forecasts, the company provides industry players the tools, resources, and applications that help them save time, money, and energy. Backed by the power of Dodge, Sweets, Architectural Record, Engineering News-Record (ENR), and its Regional Publications, McGraw-Hill Construction serves more than one million customers within the \$4.6 trillion global construction community. For more information, visit www.construction.com.

January 2010 Construction Starts



JANUARY 2010 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>January 2010</u>	<u>December 2009</u>	<u>% Change</u>
Nonresidential Building	\$159,880	\$143,877	+11
Residential Building	132,654	132,139	-0-
Nonbuilding Construction	<u>126,781</u>	<u>149,518</u>	<u>-15</u>
TOTAL Construction	\$419,315	\$425,534	-1

THE DODGE INDEX

(Year 2000=100, Seasonally Adjusted)

January 201089

December 2009.....90

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

	<u>1 Mo. 2010</u>	<u>1 Mo. 2009</u>	<u>% Change</u>
Nonresidential Building	\$11,156	\$14,211	-21
Residential Building	8,000	6,774	+18
Nonbuilding Construction	<u>8,645</u>	<u>9,351</u>	<u>-8</u>
TOTAL Construction	\$27,801	\$30,336	-8

###