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NEWS RELEASE

February Construction Rises 5 Percent

New York, N.Y. – March 18, 2010 – At a seasonally adjusted annual rate of \$440.9 billion, new construction starts in February climbed 5% from the previous month, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Much of the lift was provided by the public works sector, reflecting strength for both transportation and environmental projects. Residential building also showed improvement in February, but nonresidential building slipped back after January's gain. For the first two months of 2010, total construction on an unadjusted basis came in at \$57.2 billion, essentially the same amount as reported during the first two months of 2009.

The February statistics produced a reading of 93 for the Dodge Index (2000=100), up from 89 in January. "The pattern shown during February is what's expected for 2010 as a whole – more public works construction, improved activity for residential building, but further weakness for nonresidential building," stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. "The public works sector in 2009 showed growth for highway and bridge construction, helped by the federal stimulus funding, and more broad-based expansion is expected this year. The positives for housing include low mortgage rates and a shrinking inventory of unsold homes. For nonresidential building, however, the tough environment for project financing remains a substantial constraint."

Nonbuilding construction in February jumped 19% to \$152.3 billion (annual rate). Highway and bridge construction soared 37%, lifted by the start of two massive projects. The first was \$917 million for the DFW Connector project in the vicinity of the Dallas-Ft. Worth International Airport in Texas, with about one-fourth of the financing coming from federal stimulus funds. The second was \$702 million for the I-595 Corridor Improvement project in the Ft. Lauderdale FL area, financed through a public-private partnership. Murray noted, "The construction start statistics show that highway and bridge construction climbed 7% during 2009, and the early months of 2010 indicate that contracting is on track for an even larger gain this year." The sewer and water supply categories in February rose sharply, climbing 15% and 39% respectively, picking up momentum after the diminished contracting reported over the past year. Two public works categories registered declines in February – river/harbor development slipped 8% while

miscellaneous public works (site work and mass transit) fell 21%. Groundbreaking for electric utilities increased 44% in February, led by a \$400 million wind power project in Wyoming.

Residential building, at \$141.3 billion (annual rate), rose 5% in February. Single family housing grew 3%, continuing the gradual upward movement that began last spring. By region, gains for single family housing were reported in the West (up 1%), the South Central (up 2%), the Northeast (up 3%), and the Midwest (up 14%), but the South Atlantic retreated (down 2%). Multifamily housing, while still at a very weak level, increased 23% in February. Support came from groundbreaking for two large high-rise apartment projects in New York NY, valued at \$122 million and \$100 million. Over the past two years, the number of large multifamily projects has fallen substantially, so the February start of these two apartment buildings represents a departure from recent experience.

Nonresidential building in February dropped 7% to \$147.3 billion (annual rate), after posting a 12% gain in January. The increase in January was supported by the start of a massive transit complex in lower Manhattan NY, valued at \$3.0 billion. February included the start of another huge transportation-related project, in this case \$1.1 billion for terminal construction at Los Angeles International Airport. Both projects indicate that transportation terminal work is getting off to a strong start in 2010, although the difference in size between the two projects meant that the transportation terminal category in February dropped 57% from an exceptional January. Healthcare facilities also retreated from a strong January, falling 34%. While slipping back, the healthcare facilities category in February did see groundbreaking for two large projects – a \$214 million hospital in Baton Rouge LA and a \$195 million medical center in Clovis CA. February declines were also registered by manufacturing plants, down 24%; and churches, down 28%.

On the plus side, the nonresidential total in February featured a 25% increase for educational buildings. Boosting the educational category was the start of a \$650 million biomedical research building in New York NY and a \$99 million university science building in Washington DC. Also contributing was the start of several large high schools, such as an \$86 million facility in Ft. Worth TX and a \$75 million facility in Washington DC. The public buildings category in February grew 9%, helped by the start of a \$75 million historic renovation project for City Hall in New York NY. Other institutional categories with February gains were dormitories, up 19%; and amusement-related projects, up 9%.

The commercial structure types in February registered strong percentage increases, relative to an extremely low January, but the overall level of activity for commercial building continues to be very weak. The office category in February climbed 45%, helped by the start of two large data centers located in Prineville OR (\$180 million) and Phoenix AZ (\$62 million). Also contributing to February's office total was a \$56 million renovation of a federal office building in Jackson MS and the start of a \$50 million Veterans Administration office building in Cleveland OH. Hotel construction in February advanced 98% from a depressed January, boosted by a \$95 million hotel renovation project in Baltimore MD. Store construction improved 6% in February, while warehouses advanced 117%, both from very weak activity in January.

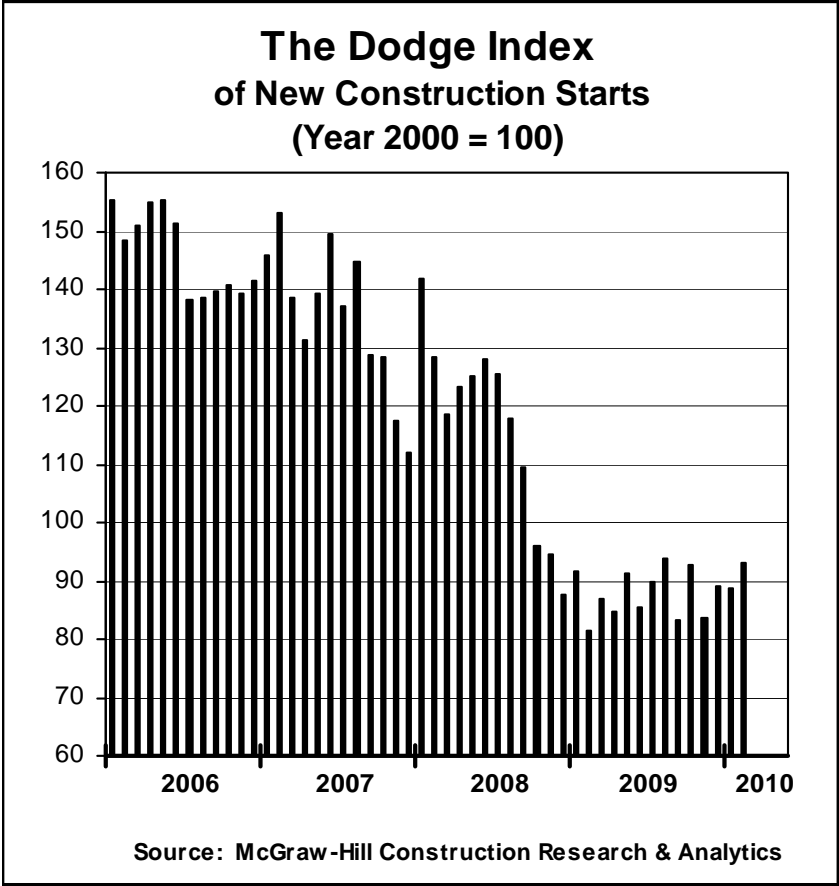
The "no change" registered by total construction on an unadjusted basis for the first two months of 2010 compared to 2009 was the result of a varied performance by major sector. Residential building was up 27%, with the comparison to the early months of 2009 when single family housing hit bottom. Also showing a year-to-date gain was nonbuilding construction, climbing 4%. Nonresidential building during the first two months of 2010 fell 17%, due to this pattern by major segment – commercial building, down 48%; manufacturing building, down 87%; and institutional building, up 7%. By geography, total construction in the first two months of 2010 showed this behavior – the Northeast, up 31%; the Midwest, up 2%; the South Atlantic, down 1%; the West, down 6%; and the South Central, down 11%.

Additional perspective is obtained by looking at twelve-month moving totals, in this case the twelve months ending February 2010 compared to the twelve months ending February 2009. On this basis, total construction is down 20%, reflecting this pattern by sector – residential building, down 21%; nonbuilding construction, down 6%; and nonresidential building, down 28%. By region, the twelve months ending February 2010 showed this behavior for total construction compared to the prior twelve months – the Northeast, down 11%; the South Central, down 18%; the South Atlantic, down 20%; the West, down 22%; and the Midwest, down 23%.

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February 2010 Construction Starts



FEBRUARY 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>February 2010</u>	<u>January 2010</u>	<u>% Change</u>
Nonresidential Building	\$147,260	\$158,322	-7
Residential Building	141,282	134,007	+5
Nonbuilding Construction	<u>152,317</u>	<u>127,655</u>	<u>+19</u>
TOTAL Construction	\$440,859	\$419,984	+5

THE DODGE INDEX

(Year 2000=100, Seasonally Adjusted)

February 2010.....93

January 2010.....89

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

	<u>2 Mos. 2010</u>	<u>2 Mos. 2009</u>	<u>% Change</u>
Nonresidential Building	\$21,125	\$25,453	-17
Residential Building	17,274	13,588	+27
Nonbuilding Construction	<u>18,833</u>	<u>18,093</u>	<u>+4</u>
TOTAL Construction	\$57,232	\$57,134	-0-

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