The McGraw-Hill Companies

McGraw_Hill CONSTRUCTION

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

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NEWS RELEASE

April Construction Falls 9 Percent

New York, N.Y. – May 20, 2010 – New construction starts in April dropped 9% to a seasonally adjusted annual rate of $397.6 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Much of the decline was due to a pullback for nonresidential building, which in recent months had appeared to be stabilizing after the steep downturn experienced in 2009. The housing sector also lost momentum in April, slipping back after recent gains. Running counter in April was nonbuilding construction, which registered moderate growth as the result of heightened activity for environmental public works and electric utilities. During the first four months of 2010, total construction on an unadjusted basis came in at $125.8 billion, essentially the same amount as reported a year ago.

The April data lowered the Dodge Index to 84 (2000=100), down from a reading of 92 in March. The Dodge Index had reached its most recent low in February 2009 at 82, and since then it has hovered in the range of 84 to 95. “The April decline indicates that the construction start statistics remain in an up-and-down pattern, in contrast to what appeared earlier to be evidence that a modest upward trend was taking hold,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. “The commercial building market is still beset by rising vacancies, and it will take some time before the improving employment picture helps vacancies to recede. Tight state and local fiscal conditions are having a dampening impact on the institutional building market. The housing upturn is still in its early stages, subject to the occasional setback. The public works sector is the one bright spot for construction, helped by the broadening expansion across project types that’s taking place this year.”

Nonresidential building in April plunged 23% to $120.1 billion (annual rate). A number of categories had been lifted in March by support coming from large projects, and the absence of such support in April contributed to steep declines. The amusement-related category plummeted 72% in April, after its elevated March pace that reflected the start of an $800 million basketball arena in Brooklyn NY. Office construction in April dropped 48%, compared to March that was lifted by groundbreaking for the $369 million U.S. Coast Guard headquarters in Washington DC. The largest office project reported as an April start was a $40 million corporate headquarters in Cambridge MA. Healthcare facilities in April decreased 40%, following a March that was buoyed by the start of nine large hospitals valued at $50 million or greater. April did include the start of four large hospitals, located in Illinois ($140 million), Georgia ($115 million), Florida ($100 million), and Arizona ($65 million). The manufacturing building category in April fell 33%, sliding from its March amount that included a $225 million upgrade to a packaging plant in Georgia.

Also retreating in April was the educational building category, down 10%; and warehouses, down 13%. Helping to cushion the educational building decline was the start of a $104 million medical research building in California and an $83 million high school in Texas. On the plus side, a few nonresidential categories in April were able to post gains. These included stores and shopping centers, up 6%; and hotels, up 35%; both relative to very low amounts in March. The transportation terminal category in April soared 90%, reflecting the start of a $107 million rail and bus terminal in Denver CO and a $75 million addition to an airport terminal in Portland ME. The public buildings category (which includes military facilities and courthouses) grew 14% in April, while church construction was unchanged.

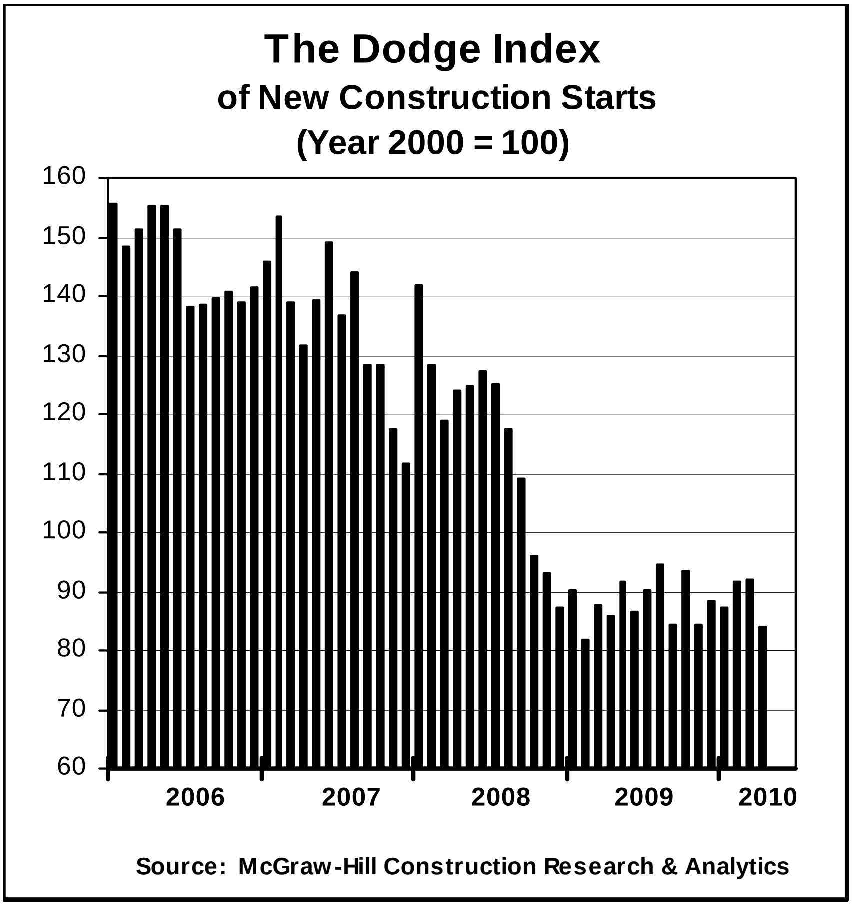
Residential building, at $136.8 billion (annual rate), decreased 7% in April. Single family housing dropped 8%, in a departure from the steady improvement that had been shown after this category hit bottom in January 2009. By region, single family housing in April revealed the largest decline in the South Atlantic, down 13%; followed by the South Central, down 12%; the Midwest, down 3%; and the West and Northeast, each down 2%. Multifamily housing in April eased back 1%, receding after the increases reported during the prior two months. The multifamily projects that are reaching the construction start stage continue to be smaller-scale than several years ago – in April the largest multifamily project was an $82 million senior living facility in Scottsdale AZ and a $48 million apartment building in Loveland CO. During the first four months of 2010, there were five multifamily projects valued in excess of $75 million that reached groundbreaking, up slightly from the two such projects in the same period of 2009, but down substantially from the 28 such projects in the same period of 2006 at the peak of the condo boom.

Nonbuilding construction in April advanced 6% to $140.8 billion (annual rate), with strong growth reported for environmental public works. The river/harbor development category jumped 28%, aided by the start of several projects connected with the ongoing hurricane reconstruction efforts in the New Orleans LA area. Sewer construction increased 23%, with the boost coming from the April start of a $162 million water reclamation plant in Illinois. The water supply category climbed 13%, led by the April start of a $215 million water tunnel in California's San Francisco Bay area. On the transportation side of the public works sector, bridge construction in April held steady, while highway construction retreated 19% from its elevated March pace. The "miscellaneous" public works category, which includes such diverse project types as pipelines and mass transit, dropped 43% from March. April did include a $143 million hydrogen pipeline in Texas, but this was much smaller than the $1.3 billion for work on a natural gas pipeline in Arkansas and Mississippi that was reported as a March start. The electric utility category in April was particularly strong, soaring 566%. The electric utility volume included the April start of a $530 million natural gas power plant in California, plus the start of six large wind farms located in the following states – Oregon ($395 million), Indiana ($300 million), Illinois ($297 million), Oklahoma ($230 million), Washington state ($216 million), and Maryland ($95 million).

The "no change" shown by total construction on an unadjusted basis for the first four months of 2010 was due to a mixed pattern by sector. Residential building was up 34%, with the comparison to the early months of 2009 when single family housing was especially weak. Nonbuilding construction year-to-date slipped 2%, as a 7% gain for public works was offset by a 41% reduction for electric utilities. Nonresidential building year-to-date fell 18%, due to this pattern by major segment – commercial building, down 38%; manufacturing building, down 71%; and institutional building, down 5%. By region, total construction in the first four months of 2010 revealed this performance – the Northeast, up 23%; the West and South Central, each with "no change"; the South Atlantic, down 3%; and the Midwest, down 13%.

Additional perspective comes from looking at twelve-month moving totals, in this case the twelve months ending April 2010 versus the twelve months ending April 2009. On this basis, total construction is down 14%, as the result of this pattern by sector – nonresidential building, down 26%; residential building, down 7%; and nonbuilding construction, down 4%. By region, the twelve months ending April 2010 showed the following behavior for total construction relative to the previous twelve months – the Northeast, up 1%; the South Atlantic and South Central, each down 14%; the West, down 16%; and the Midwest, down 24%.

April 2010 Construction Starts



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APRIL 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

	April 2010	March 2010	% Change
Nonresidential Building	$120,078	$155,992	-23
Residential Building	136,816	146,510	-7
Nonbuilding Construction	140,754	132,880	+6
TOTAL Construction	$397,648	$435,382	-9

THE DODGE INDEX
(Year 2000=100, Seasonally Adjusted)

April 2010……..……84
March 2010…..……..92

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

	4 Mos. 2010	4 Mos. 2009	% Change
Nonresidential Building	$43,068	$52,809	-18
Residential Building	41,548	30,950	+34
Nonbuilding Construction	41,210	41,896	-2
TOTAL Construction	$125,826	$125,655	-0-

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