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NEWS RELEASE

May Construction Grows 3 Percent

New York, N.Y. – June 22, 2010 – At a seasonally adjusted annual rate of \$406.3 billion, new construction starts in May climbed 3% from the previous month, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Nonresidential building showed improvement after weak activity in April, and residential building edged upward. However, nonbuilding construction retreated in May, following April's elevated amount of new public works and electric utility projects. For the first five months of 2010, total construction starts on an unadjusted basis came in at \$162.0 billion, down 2% from the same period a year ago.

The May statistics lifted the Dodge Index to 86 (2000=100), up from a revised 83 for April. The Dodge Index reached its most recent low at 82 back in February 2009, and since then it has hovered in the range of 83 to 94. "The recent pattern of construction starts indicates that activity has stabilized at a low level, with ups-and-downs on a monthly basis, but the transition to sustained expansion has yet to occur," stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. "The good news with the May statistics is that nonresidential building rebounded after a very depressed April. However, the volume of nonresidential building remains quite low, and is likely to stay that way through 2010. Much of this year's upward movement is expected to come from public works construction, which lost momentum in May after earlier gains."

Nonresidential building in May jumped 19% to \$145.6 billion (annual rate), following a 21% decline in April. The May pace for nonresidential building can still be characterized as weak by recent standards – 12% below the monthly average for 2009 and a full 39% below the monthly average for the peak year of 2007. On the institutional side of the nonresidential market, educational facilities advanced 31% in May. Large education-related buildings that reached groundbreaking in May included a \$229 million medical research building for the U.S. Army in Maryland, a \$122 million university laboratory and science building in Massachusetts, and a \$100 million university performing arts center in Chicago IL. Healthcare facilities

continued to strengthen, advancing 2% in May with the boost coming from a \$159 million medical center expansion in California. Amusement-related work soared 62% in May, aided by the \$80 million renovation and expansion of the Pauley Pavilion in Los Angeles CA and \$75 million for the Fantasyland expansion at Disney World in Orlando FL. As for the other institutional categories in May, church construction increased 11%, but reduced contracting was reported for public buildings (courthouses and detention facilities), down 3%; and transportation terminals, down 30%.

Several commercial categories in May registered large percentage gains, relative to very low levels in April. Office construction in May surged 44%, helped by the start of a \$200 million renovation project at the United Nations Conference Building in New York NY. Stores and warehouses in May posted gains of 26% and 28%, respectively. However, hotels showed further weakness in May, dropping 11%. The manufacturing plant category in May advanced 33%, reflecting the lift coming from \$96 million for a semiconductor solar technology plant in Tennessee and \$95 million for a lithium battery manufacturing plant in Florida.

Residential building, at \$133.0 billion (annual rate), increased 1% in May. The multifamily side of the housing market grew 9%, as this structure type has now shown improved contracting for four straight months. The largest multifamily projects reported as May starts were the apartment portions of two mixed-use projects in St. Louis MO, with the apartment portions valued at \$90 million and \$81 million, respectively. Other large multifamily projects that reached groundbreaking in May included a \$70 million apartment building in the Bronx NY, the \$64 million apartment portion of a mixed-use building in Honolulu HI, and a \$58 million senior living facility in Elmhurst IL. Single family housing in May slipped 1%, losing momentum for the second straight month after trending upward from early 2009 through March of this year. By geography, single family housing in May showed declines in the Midwest (down 13%) and the Northeast (down 3%), while the West was steady and modest gains were reported in the South Atlantic and South Central regions (each up 3%). Murray noted, “The upward trend for single family housing at the national level seems to have paused for now, but it’s likely to resume later in 2010, helped by what’s expected to be the continuation of very low mortgage rates into the second half of this year.”

Nonbuilding construction in May dropped 8% to \$127.7 billion (annual rate). Highway and bridge construction retreated from strength earlier in the year, sliding 22% in May, but on a year-to-date basis it was still able to maintain a 15% gain for the first five months of 2010 relative to last year. After very

strong activity in April, two of the environmental public works categories fell back in May, with sewers sliding 13% while water supply systems plunged 51%. River/harbor development was the one environmental public works category able to register growth in May, rising 29% with the support of several hurricane-reconstruction projects in the New Orleans LA area, including \$238 million for the Chalmette Loop Levee. The “other” public works category (including such diverse project types as site work, pipelines, and mass transit) also showed growth in May, jumping 64% with the lift coming from \$1.1 billion related to work on the Kansas and Oklahoma portions of the Keystone oil pipeline project. Electric utility construction in May retreated 14% from its heightened April volume, although the pace in May was still high by recent standards – up 22% compared to the monthly average for this category in 2009. Large electric utility projects that reached the construction start stage in May included the following – an \$820 million gas-fired power plant in Tennessee, a \$360 million wind farm in Illinois, and a \$195 million wind farm in Oklahoma.

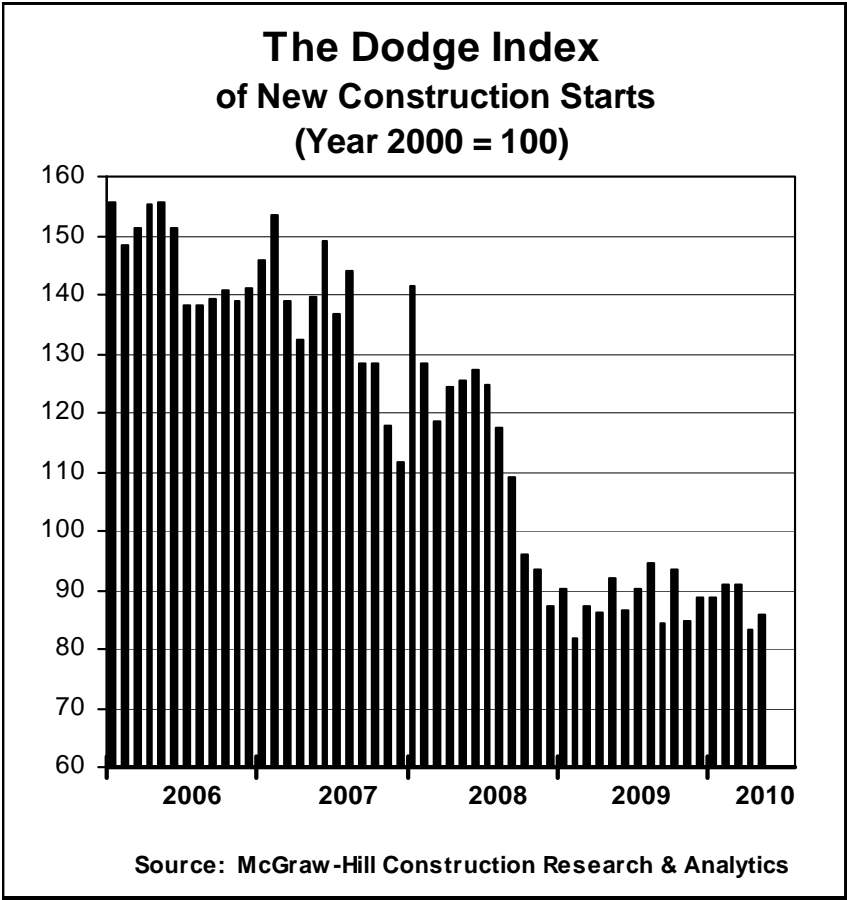
The 2% decline for total construction starts on an unadjusted basis during the first five months of 2010 was the result of varied behavior by sector. Residential building climbed 30%, with the comparison to the early months of 2009 when the improvement for single family housing was just beginning to take hold.

Nonbuilding construction year-to-date decreased 8%, with public works down 4% while electric utilities fell 28%. Nonresidential building year-to-date dropped 16%, due to this performance by major segment – commercial building, down 32%; manufacturing building, down 63%; and institutional building, down 4%. By geography, total construction in the first five months of 2010 showed this pattern relative to last year – the Northeast, up 8%; the South Central, no change; the West, down 1%; the South Atlantic, down 2%; and the Midwest, down 12%.

About McGraw-Hill Construction

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May 2010 Construction Starts



MAY 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>May 2010</u> | <u>April 2010</u> | <u>% Change</u> |
|---------------------------------|-----------------|-------------------|-----------------|
| Nonresidential Building | \$145,629 | \$122,037 | +19 |
| Residential Building | 132,966 | 132,015 | +1 |
| Nonbuilding Construction | <u>127,720</u> | <u>138,936</u> | <u>-8</u> |
| TOTAL Construction | \$406,315 | \$392,988 | +3 |

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

May 2010.....86
April 2010.....83

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

| | <u>5 Mos. 2010</u> | <u>5 Mos. 2009</u> | <u>% Change</u> |
|---------------------------------|--------------------|--------------------|-----------------|
| Nonresidential Building | \$56,650 | \$67,500 | -16 |
| Residential Building | 52,698 | 40,437 | +30 |
| Nonbuilding Construction | <u>52,685</u> | <u>57,147</u> | <u>-8</u> |
| TOTAL Construction | \$162,033 | \$165,084 | -2 |

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