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NEWS RELEASE

June Construction Slips 3 Percent

New York, N.Y. – July 22, 2010 – New construction starts in June dropped 3% to a seasonally adjusted annual rate of \$385.7 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Declines were reported for two of construction's three main sectors – housing and nonbuilding construction. Meanwhile, nonresidential building advanced in June, continuing to show some improvement after extremely weak activity earlier in the year. During the first six months of 2010, total construction starts on an unadjusted basis came in at \$199.6 billion, down 4% from the same period a year ago.

The June data lowered the Dodge Index to 82 (2000=100), compared to a revised 84 for May. The Dodge Index had witnessed an extended decline from mid-2006 through early 2009, and since then it has hovered in the range of 82 to 95. “The pattern of construction starts can still be viewed as showing low-level stability, although barely, as June came in at the bottom of the recent range of activity,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. “The improvement shown by single family housing over the past year has stalled, at least for the present. With regard to nonbuilding construction, the dollar amount of new electric utility projects has retreated, and it appears that the lift provided to transportation public works from the stimulus funding is leveling off. For nonresidential building, the recent pickup in May and now June suggests that the worst of this sector's decline may be over. However, renewed expansion for nonresidential building on a sustained basis is not likely in the near term, given such ongoing constraints as tight bank lending, eroding state and local budgets, and sluggish employment growth.”

Residential building in June fell 5% to \$118.9 billion (annual rate), with single family housing receding 1% while multifamily housing dropped 24%. From the spring of 2009 through the first quarter of this year, single family housing had shown steady improvement, but during the second quarter activity retreated. Murray noted, “Some of the improvement for single family housing may have been accelerated with the homebuyer tax credits, and their expiration has led to a near-term pause in what is still believed to be an

upward trend for homebuilding.” The decline for multifamily housing in June followed four straight months of gains after very depressed contracting at the outset of 2010. The largest multifamily project reported as a June start was the \$60 million apartment portion of a \$90 million mixed-use building in Washington DC. For the first six months of 2010, residential building was up 23% in dollar terms relative to 2009, with single family housing climbing 27% while multifamily housing edged up 2%. The year-to-date increase for multifamily housing was due mostly to a greater volume of renovation work.

Nonbuilding construction, at \$110.5 billion (annual rate), decreased 13% in June. Much of June’s decline reflected a sharply lower amount of electric utility construction, which fell 64% relative to a strong May. While June did include the start of a \$367 million wind farm in Wisconsin and a \$200 million gas-fired power plant in Texas, the boost arising from large projects was down substantially from May. For the public works categories, reduced activity in June was shown by river/harbor development, down 27%; and miscellaneous public works, down 11%. The miscellaneous public works category, which covers such diverse project types as site work and pipelines, did include the June start of a \$1.1 billion natural gas pipeline in Louisiana and Texas. On the plus side in June, highway and bridge construction advanced 3%, while larger gains were reported for sewers, up 18%; and water supply systems, up 34%. Through the first six months of 2010, nonbuilding construction was down 10% from the prior year, with electric utilities sliding 35% while the public works categories registered a smaller 5% decline.

Nonresidential building in June grew 9% to \$156.3 billion (annual rate). On the institutional side of the nonresidential market, healthcare facilities jumped 59%, boosted by the June start of five projects valued each in excess of \$100 million, located in Kansas (\$324 million), California (\$200 million), Texas (\$176 million), Kentucky (\$121 million), and New Jersey (\$120 million). Murray indicated, “After the steep 33% correction in 2009, the healthcare facilities category is strengthening once again in 2010, helped by healthcare chains bringing deferred projects to groundbreaking, as well as the start of more government-owned hospitals.” The amusement-related category also had a strong June, surging 85%, with the boost coming from the start of a \$500 million renovation project at Madison Square Garden in New York NY. The educational building category in June lost momentum, falling 7%, with the decline cushioned by the start of such large projects as a \$177 million medical research laboratory in Worcester MA and a \$125 million high school addition and renovation in Mastic Beach NY. Also slipping back in June were transportation terminals, down 5%; and the public buildings category, down 12%.

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On the commercial side of the nonresidential market, office construction in June dropped a modest 4%. Large office projects that reached groundbreaking in June included a \$70 million data center in Cheyenne WY for the National Center for Atmospheric Research, a \$62 million data center in Lakewood CO for the U.S. General Services Administration, and a \$54 million upgrade to a federal office building in Chicago IL. More substantial declines in June were reported for stores and shopping centers, down 19%; and warehouses, down 26%. The depressed hotel category was able to report a 61% increase in June, coming as the result of a \$172 million post-flood restoration project at the Opryland Resort Hotel in Nashville TN. Also reporting a gain in June was the manufacturing plant category, climbing 55% with the lift coming from the start of a \$150 million sugar refinery in Louisiana.

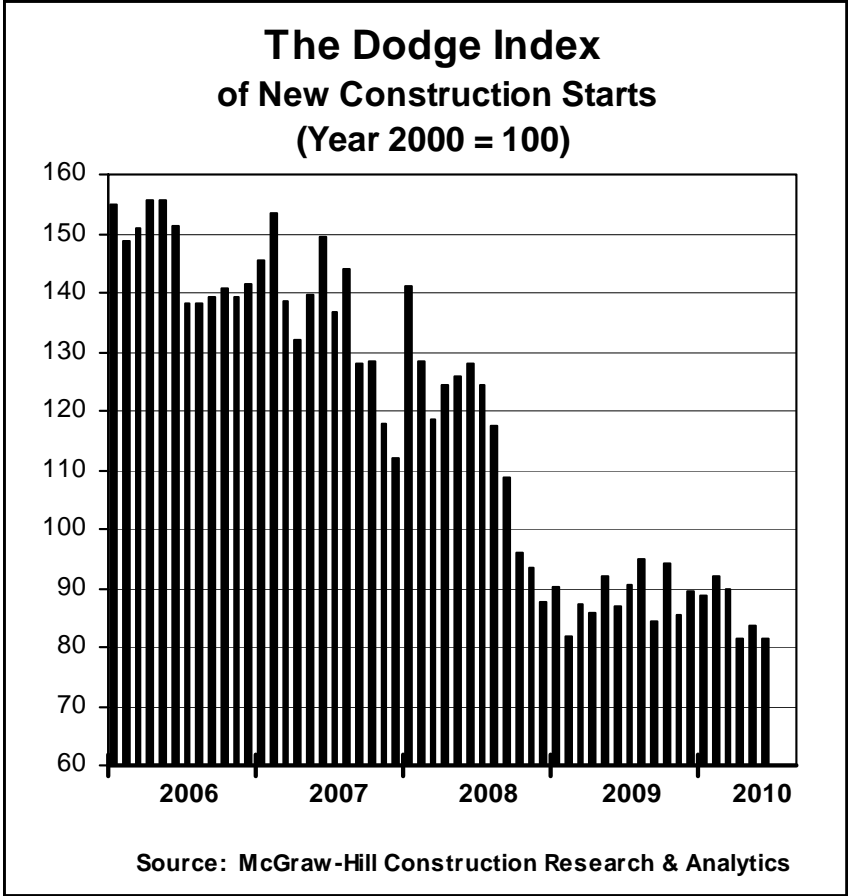
During the first six months of 2010, nonresidential building was down 15% from the same period a year ago. By major segment, the institutional categories fell a comparatively modest 5%, while more sizeable declines were reported for commercial buildings, down 29%; and manufacturing buildings, down 54%.

The 4% shortfall for total construction starts at the U.S. level during the first six months of 2010 compared to last year reflected a varied performance by region. Greater year-to-date activity was reported in the Northeast, up 5%; and the South Central, up 2%. Diminished year-to-date activity was reported in the South Atlantic, down 6%; and the West and Midwest, each down 8%.

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June 2010 Construction Starts



JUNE 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>June 2010</u>	<u>May 2010</u>	<u>% Change</u>
Nonresidential Building	\$156,288	\$143,749	+9
Residential Building	118,851	125,067	-5
Nonbuilding Construction	<u>110,549</u>	<u>127,029</u>	<u>-13</u>
TOTAL Construction	\$385,688	\$395,845	-3

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(Year 2000=100, Seasonally Adjusted)

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

	<u>6 Mos. 2010</u>	<u>6 Mos. 2009</u>	<u>% Change</u>
Nonresidential Building	\$72,408	\$84,996	-15
Residential Building	63,374	51,585	+23
Nonbuilding Construction	<u>63,831</u>	<u>70,586</u>	<u>-10</u>
TOTAL Construction	\$199,613	\$207,167	-4

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