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NEWS RELEASE

January Construction Jumps 8 Percent

New York, N.Y. – February 19, 2008 – New construction starts increased 8% in January to a seasonally adjusted annual rate of \$551.3 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. After a weak December, substantial gains were reported for nonresidential building and nonbuilding construction (public works and electric utilities), as both of these major sectors were lifted by the start of several very large projects. In contrast, residential building witnessed further erosion in January, continuing the steady downward trend that has been present over the past two years.

The latest month's data produced a reading of 117 for the Dodge Index (2000=100), up from a revised 108 for December, though still below the full year 2007 average for the Index at 130. "January's pattern was an accentuated version of what took place during 2006 and 2007 – more nonresidential building and public works, but less housing," stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. "Nonresidential building has been boosted in recent years by heightened contracting for offices, hotels, and schools, and each of these structure types had a strong January. On a cautionary note, the commercial categories are expected to see weaker construction as 2008 proceeds, given tighter lending standards for commercial real estate loans. Public works construction this year should continue to benefit from federal support for transportation projects. As for housing, January's depressed activity shows that the lengthy correction is still very much in progress."

Nonresidential building in January climbed 20% to \$221.4 billion (annual rate). A major push came from office construction, up 123%, boosted by the start of two massive projects at the World Trade Center site in lower Manhattan – the \$1.4 billion, 71-story World Trade Center Tower 3; and the \$1.1 billion, 61-story World Trade Center Tower 4. Aside from these two projects, January also included groundbreaking for large office buildings in Richardson TX (\$195 million), Silver Spring MD (\$103 million), Owings Mills MD (\$83 million), and Providence RI (\$79 million). Hotel construction in January soared 126%, reflecting the start of the \$1.0 billion Caesars Palace New Octavius Tower in Las Vegas NV plus a \$100

million renovation project at the Pierre Hotel in New York NY. Rounding out the commercial categories, store construction in January advanced 4%, helped by the start of a \$75 million shopping center in Winder GA, but warehouses moved in the opposite direction with a 29% decline.

On the institutional side of the nonresidential market, the educational building category climbed 15% in January. Large projects that reached groundbreaking included a \$313 million science building for Harvard University in Allston MA, plus a \$292 million learning center for the Los Angeles CA Unified School District. Healthcare facilities improved 7% in January, aided by large hospital projects in Oklahoma City OK (\$120 million) and Hartford CT (\$100 million). Amusement-related work had a strong January, climbing 41% with the push coming from the start of a \$100 million casino in Shelbyville IN. The other institutional categories showed declines in January – transportation terminals, down 30%; churches, down 41%; and public buildings (courthouses, detention facilities, military buildings), down 50%. The manufacturing plant category fell 28% in January, although the month did include the start of a \$100 million ethanol plant in Indiana.

Nonbuilding construction, at \$137.2 billion (annual rate), surged 27% in January. The often volatile electric utility category shot up 533% after a very weak December, reflecting the January start of a \$1.3 billion coal-based generating facility in Wyoming. The public works categories in January also showed upward movement, rising 13% as a group. Bridge construction climbed 38%, supported by the start of a \$453 million bridge project in Louisiana. The “miscellaneous nonbuilding” category, which includes mass transit work, advanced 31% in January. The two largest mass transit projects reported as January starts were the \$1.1 billion extension to the No. 7 subway line in New York NY and a \$216 million upgrade to a subway signal system in the Bronx NY. The environmental categories in January strengthened, with growth reported for sewers, up 14%; river/harbor development, up 16%; and water supply systems, up 21%. Of the major public works categories, only highway construction lost momentum in January, sliding 10%.

Residential building in January dropped 11% to \$192.8 billion (annual rate). Single family housing fell an additional 9%, and has now registered declines in 21 out of the past 24 months. The January weakness for single family housing was widespread on a regional basis – the largest decline was reported in the West, down 16%; followed by the Midwest, down 11%; the Northeast, down 7%; the South Atlantic,

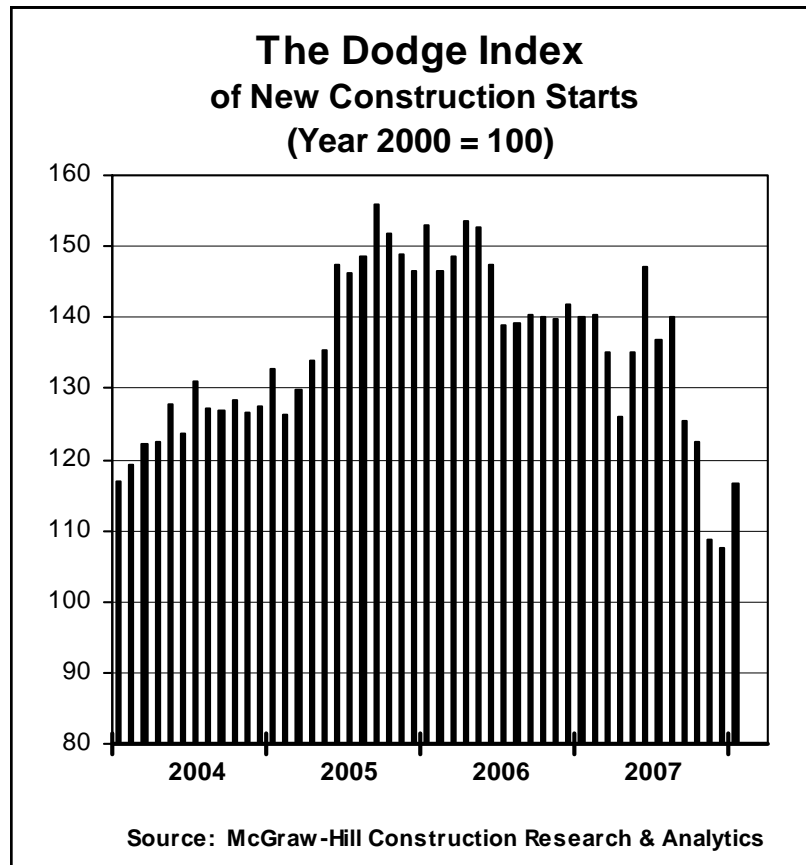
down 6%; and the South Central, down 4%. Murray noted, “The correction for single family housing became even deeper and more extended in January. At some point the bottom will be reached, but it keeps getting pushed farther out into the future, as falling home prices, rising foreclosures, and the glut of unsold homes continue to depress the housing sector.” Multifamily housing in January retreated 18%, following a brief upturn in December. The multifamily amount in January included a few large condominium projects, such as one in Chicago IL (\$105 million), but compared to 2006 the amount of condominium work is down considerably. January did include several large apartment projects, such as one in San Francisco (\$91 million), and apartments now comprise a growing share of the multifamily total.

On an unadjusted basis, total construction in January 2008 was reported at \$39.1 billion, down 19% from January 2007. Nonresidential building was the one major sector able to register a year-over-year gain, advancing 4%. Nonbuilding construction in January was down a moderate 6%, while residential building came in a substantial 41% below its year ago amount. By region, total construction in January 2008 showed this pattern relative to January 2007 – the Northeast, up 5%; the West, down 12%; the South Central, down 17%; the Midwest, down 25%; and the South Atlantic, down 37%.

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January 2008 Construction Starts



JANUARY 2008 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 2008</u>	<u>December 2007</u>	<u>% Change</u>
Nonresidential Building	\$221,354	\$184,096	+20
Residential Building	192,771	216,850	-11
Nonbuilding Construction	<u>137,214</u>	<u>108,118</u>	<u>+27</u>
TOTAL Construction	\$551,339	\$509,064	+8

THE DODGE INDEX

(Year 2000=100, Seasonally Adjusted)

January 2008	117
December 2007	108

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

	<u>1 Mo. 2008</u>	<u>1 Mo. 2007</u>	<u>% Change</u>
Nonresidential Building	\$16,488	\$15,878	+4
Residential Building	12,876	21,932	-41
Nonbuilding Construction	<u>9,758</u>	<u>10,393</u>	<u>-6</u>
TOTAL Construction	\$39,122	\$48,203	-19

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