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NEWS RELEASE

December Construction Unchanged from Prior Month; Annual Construction Start Total for 2007 Slides 11 Percent

New York, N.Y. – January 18, 2008 – At a seasonally adjusted annual rate of $518.4 billion, new construction starts in December were essentially unchanged from November, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Modest declines were reported for nonresidential building and nonbuilding construction (public works and electric utilities), which were offset by a small increase for residential building. For the full year 2007, total construction came in at $611.2 billion, down 11% from 2006 and marking the first annual decline for the construction start series since 1991. The weakness reflected the steep correction for housing over the course of 2007 – excluding residential building, new construction starts for the full year 2007 advanced 3%.

The December statistics produced a reading of 110 for the Dodge Index (2000=100), the same as the revised level for November. The Dodge Index began the year at 137, and then trended downward through 2007 as the steady decline for single family housing was joined by a pullback for multifamily housing. For most of 2007, nonresidential building and public works were able to stay close to the elevated pace achieved during 2006. However, during the final two months of the year, both nonresidential building and public works lost momentum, pulling the Dodge Index down even more. At 110, the November and December readings for the Dodge Index were well below the full year 2007 average for the Index at 129.

“Like 2006, the pattern for total construction in 2007 was shaped by the single family correction, which grew even more pronounced with the turmoil in the financial markets caused by the subprime mortgage meltdown,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. “The weakness spread over to multifamily housing in 2007, but for much of last year the commercial and institutional structure types held up fairly well, as did public works. The picture began to change for commercial building towards the end of 2007, however, given the slowing economy and tighter lending standards. The continued presence of these factors will contribute to an expected decline for commercial building in 2008. Institutional building may also see some dampening this year, as state fiscal conditions erode. On the plus side, public works should be helped by greater federal funding for transportation projects, as well as the renewed emphasis on infrastructure maintenance."

Nonresidential building in December slipped 1% to $187.7 billion (annual rate). For the commercial structure types, weaker activity was reported for stores and warehouses, each down 5%; and hotels, down 18%. Office construction grew 5% from a weak November, helped by the start of a $136 million office project in Nashville TN. December's pace for office construction was still 22% below what was reported during the first ten months of the year. Manufacturing plant construction registered a strong 52% gain in December, boosted by groundbreaking for a $110 million medical equipment plant in New York, an $85 million ethanol plant in Minnesota, and an $80 million automotive plant in Georgia. For the institutional structure types, December showed growth for schools, up 3%; transportation terminals, up 5%; and churches, up 24%. Declines were reported for public buildings, down 12%; healthcare facilities, down 15%; and amusement-related projects, down 32%.

For 2007 as a whole, nonresidential building climbed 3% to $221.0 billion, which followed an 18% increase in 2006. Store construction continued to be very strong, rising 11% in dollar volume, due to the ongoing expansion efforts of major retailers. Murray noted, "To this point store construction has withstood any downward pull from the weaker housing market, but that's expected to change in 2008." Warehouse construction also increased in 2007, rising 6%. Office construction, while down a slight 1%, essentially maintained the improved pace established in 2006 when contracting jumped 44%. The top five markets for office construction starts during 2007, in dollar terms, were: New York NY, Washington DC, Atlanta GA, Chicago IL, and Charlotte NC. Like offices, the hotel category reported a modest decline for construction starts, down 7%, although this followed a 92% surge in 2006. Las Vegas NV maintained its top ranking in 2007 as the leading metropolitan area for hotel construction starts, while down from its exceptional 2006 amount. Other markets in the top five for hotel construction in 2007 were Los Angeles CA, Chicago IL, Orlando FL, and Washington DC. The manufacturing plant category in 2007 grew 15%, as the elevated rate of ethanol plant construction continued.

The institutional structure types showed mixed behavior in 2007. School construction moved up an additional 4%, with college and university construction in particular showing strength. The public buildings category climbed 36%, lifted by gains for detention facilities, courthouses, and military buildings. After achieving a record high in 2006, healthcare facilities settled back 5%. Declines for the full year 2007 were also reported for amusement-related projects, down 9%; transportation terminals, down 10%; and churches, down 12%.

Residential building in December edged up 3% to $221.6 billion (annual rate), as a multifamily upturn outweighed a further reduction for single family housing. Climbing 24% relative to a very weak November, multifamily housing was supported by the start of a $196 million condominium tower in Lahaina HI. December's level for multifamily housing was still 16% below the average of the first ten months of the year, supporting the belief that the broad downward trend for multifamily housing is still in progress. Single family housing in December fell 2%, continuing the steady slide for this structure type which has now shown decreased activity in eleven out of the twelve months of 2007.

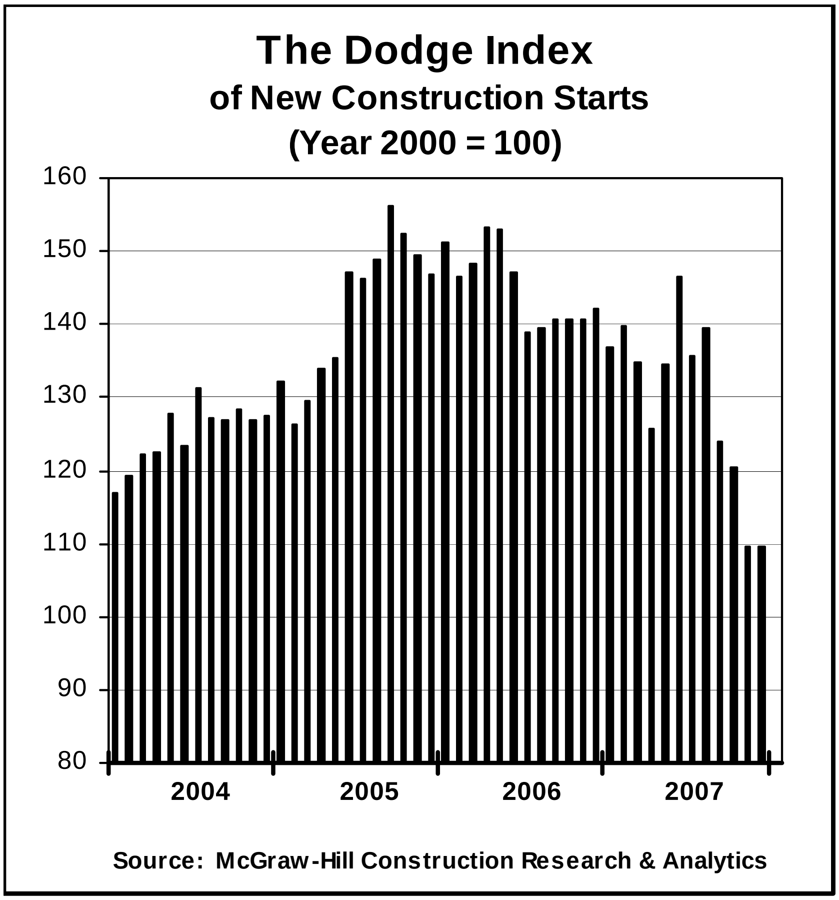
The 2007 annual total for residential building was $260.2 billion, down 24% from 2006. Single family housing plunged 26% in dollar volume and 30% in dwelling units. The regional pattern for single family housing showed the steepest dollar decline in the South Atlantic, down 32%, as this region was weakened especially be a substantial 49% drop in Florida. The next largest regional decline for single family housing was the West, down 28%; followed by the Midwest, down 24%; the South Central, down 19%; and the Northeast, down 17%. Murray indicated, "In 2006 single family housing was hit hard by the loss of investor-led demand, and in 2007 the negative factors broadened to include sharply diminished mortgage availability and the precarious financial position of housing developers. With the inventory of unsold homes at high levels, further reductions for single family housing lie ahead." Multifamily housing for all of 2007 was down 16% in dollar volume and 20% in dwelling units. The top five markets for multifamily housing in 2007, in dollar terms, included three with large declines relative to the prior year – New York NY, down 31%; Los Angeles CA, down 27%; and Miami FL, down 57%. At the same time, two of the top five showed gains relative to 2006 – Chicago IL, up 7%; and Las Vegas NV, up 60%.

Nonbuilding construction in December fell 4% to $109.0 billion (annual rate). Slipping back from earlier strength were sewers, down 6%; and water supply systems, down 18%. River/harbor development was also down 18% in December, and a larger 36% drop was reported for bridge construction. In November, the bridge category had soared 72%, boosted by the start of a $612 million bridge replacement project in New York NY and $234 million related to the reconstruction of the I-35W Bridge in Minneapolis MN. Highway construction in December increased 19%, lifted by the start of a $343 million road building project in Maryland. The "other public works" category in December climbed 10%, with support coming from $730 million related to work on a liquefied natural gas facility in Georgia. The amount of new electric utility starts for December was weak, falling 39% from the previous month.

For the full year 2007, nonbuilding construction increased 2% to $130.0 billion, which followed a 23% advance in 2006. Large gains were reported for sewers, up 9%; and water supply systems, up 25%; with the water supply category pushed upward in 2007 by the start of numerous water treatment plants. The other environmental project type, river/harbor development, fell 12% in 2007 after the 17% gain in 2006 that reflected reconstruction work in the Gulf of Mexico region. Highways and bridges continued to show expansion in 2007, climbing 3% and 8% respectively. Murray added, "With the federal-aid highway program getting a 5% hike for fiscal 2008, one of the safer bets for more growth in 2008 would be highway and bridge construction." The "other public works" category in 2007 rose 2%, with more work for such diverse project types as natural gas facilities, rail and mass transit lines, and outdoor sports stadiums. The electric utility category settled back 19% in 2007, following the 89% surge in the dollar volume of new starts that took place in 2006.

The weaker construction activity at the national level during 2007 was also present at the five region level. The largest declines for total construction for full year 2007 were reported in the West and South Atlantic, each down 13%; followed by the South Central, down 10%; the Midwest, down 8%; and the Northeast, down 6%.

December 2007 Construction Starts



DECEMBER 2007 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

	December 2007	November 2007	% Change
Nonresidential Building	$187,716	$189,923	-1
Residential Building	221,629	215,304	+3
Nonbuilding Construction	109,039	113,349	-4
TOTAL Construction	$518,384	$518,576	-0-

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

December 2007 110
November 2007.. 110

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

	12 Mos. 2007	12 Mos. 2006	% Change
Nonresidential Building	$221,033	$215,235	+3
Residential Building	260,188	342,343	-24
Nonbuilding Construction	130,002	127,149	+2
TOTAL Construction	$611,223	$684,727	-11

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