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## NEWS RELEASE

### October Construction Unchanged from Prior Month

New York, N.Y. – November 21, 2007 – At a seasonally adjusted annual rate of \$570.4 billion, new construction starts in October stayed essentially the same as September, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. While total construction was unchanged, there was a varied performance by construction's main sectors. Nonresidential building showed renewed growth after retreating in September, but a loss of momentum was reported for residential building and public works. During the first ten months of 2007, total construction on an unadjusted basis came in at \$530.0 billion, down 10% from the same period of 2006. Excluding residential building, new construction starts in the first ten months of 2007 advanced 4% compared to last year.

The October data kept the Dodge Index at 121 (2000=100), the same reading as September.

“Homebuilding has weakened steadily over the course of 2007, but nonresidential building through October has held up fairly well,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. “For 2007 as a whole, nonresidential building should be able to register its fifth straight year of expansion, when viewed in current dollar terms. Tighter lending conditions and slower employment growth have not yet had much of a negative impact on nonresidential building, although some dampening is likely to become more discernible in the coming year.”

**Nonresidential building** in October jumped 9% to \$221.8 billion (annual rate), helped by strong gains for several institutional structure types. Healthcare facilities surged 47%, boosted by groundbreaking for three very large hospital projects located in Kentucky (\$400 million), Wisconsin (\$161 million), and Arizona (\$160 million). The public buildings category (courthouses and detention facilities) climbed 41%, regaining the heightened activity reported earlier, with October including such projects as a \$71 million federal courthouse in Buffalo NY. Transportation terminal work rebounded 88% from a weak September, helped by a \$190 million addition for a baggage screening facility at Los Angeles International Airport. While the educational building category settled back 4% in October, this structure type showed several large projects reach groundbreaking – a \$300 million addition to a research center in

New York NY, plus three new university buildings located in Princeton NJ (\$150 million), Cambridge MA (\$140 million), and Ithaca NY (\$108 million). Amusement-related work in October slipped 1%, while church construction declined 6%.

On the commercial side, hotel construction had a strong October, rising 13%. The largest hotel project included as an October start was \$550 million for the hotel portion of the massive Cosmopolitan Resort and Casino in Las Vegas NV, with an estimated construction cost of \$1.4 billion. Warehouse construction also posted a substantial gain, rebounding 30% after a sluggish September. The office category improved 7% in October, aided by groundbreaking for large projects in Washington DC (\$160 million), Northlake IL (\$90 million), Seattle WA (\$84 million), and two in Denver CO (\$78 million and \$76 million). Store construction in October retreated 8% from the elevated pace reported in September, although October did include two large retail projects located in Las Vegas – the \$171 million retail portion of the Cosmopolitan Resort and Casino and \$120 million for a retail addition to the huge Project City Center. Murray added, “On a year-to-date basis, store construction for the nation has proven to be resilient, advancing 13% in the January-October period.” Manufacturing plant construction had a subdued October, falling 25% from the previous month.

**Residential building**, at \$239.1 billion (annual rate), dropped 4% in October. Single family housing slipped 2% in dollar terms, and has shown declines in nine out of the first ten months of 2007. For the January-October period, single family construction came in 25% below a year ago, as the result of this pattern by region – the South Atlantic, down 32%; the West, down 27%; the Midwest, down 24%; the Northeast, down 18%; and the South Central, down 17%. “Given the substantial backlog of unsold homes, combined with diminished homebuyer demand due to stricter lending conditions, single family housing is expected to weaken further through the end of 2007 and into 2008,” Murray stated. Multifamily housing in October dropped 8%, as its declining trend resumed after a brief upturn in September. The multifamily category in October included a few noteworthy projects, such as \$585 million for the condo portion of the Cosmopolitan Resort and Casino in Las Vegas and \$129 million for the condo portion of a \$140 million high-rise in Chicago IL, but in general the number of major condominium projects that have reached groundbreaking in 2007 is down considerably from last year. For the January-October period, multifamily housing has fallen 16% in dollar terms from 2006, reflecting

this behavior by region – the Northeast, down 29%; the South Atlantic, down 28%; the South Central, down 10%; the Midwest, down 6%; and the West, down 2%.

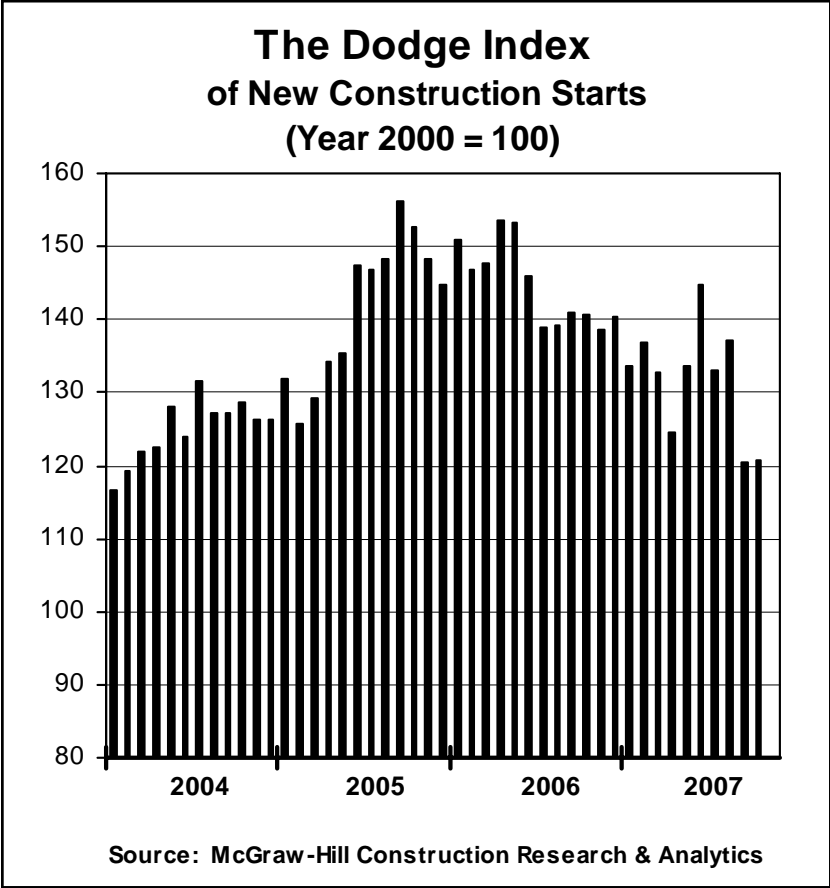
**Nonbuilding construction** in October retreated 7% to \$109.5 billion (annual rate), as declines were reported for most of the public works categories. Highway and bridge construction fell 16% in October, slipping from the strong contracting witnessed earlier in the year. “Congress was not able to finalize fiscal 2008 appropriations by the start of the new federal fiscal year on October 1, and this may have played some role in October’s decreased amount of highway and bridge starts,” indicated Murray. “On a positive note, it’s expected that the 2008 transportation appropriations bill when enacted will include a moderate increase for highways and bridges, including more spending directed at bridge maintenance.” For the environmental categories, reduced activity in October was reported for river/harbor development, down 4%; and water supply systems, down 34%. Sewer construction was down a relatively small 2%, as its decline was cushioned by a \$211 million expansion for a waste water treatment plant in California. The “miscellaneous” public works category, which includes a diverse set of project types, did rise 13% in October, aided by the start of two large projects – \$407 million related to excavation for a rail tunnel in New York NY and \$190 million related to improvements at Kauffman Stadium in Kansas City MO. Also providing some support to the nonbuilding total was a 136% increase for electric utility construction from a very weak September. The largest electric utility project entered as a start for October was a \$178 million wind farm in Wisconsin.

The 10% reduction for total construction during the first ten months of 2007 relative to last year was due to this performance by major sector – residential building, down 24%; nonbuilding construction, up 3%; and nonresidential building, up 4%. By geography, total construction in the January-October period showed the following behavior – the South Atlantic, down 12%; the West, down 11%; the South Central, down 10%; the Midwest, down 8%; and the Northeast, down 7%.

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October 2007 Construction Starts



**OCTOBER 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

	<u>October 2007</u>	<u>September 2007</u>	<u>% Change</u>
<b>Nonresidential Building</b>	\$221,843	\$203,217	+9
<b>Residential Building</b>	239,062	248,715	-4
<b>Nonbuilding Construction</b>	<u>109,472</u>	<u>117,831</u>	<u>-7</u>
<b>TOTAL Construction</b>	\$570,377	\$569,763	-0-

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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>10 Mos. 2007</u>	<u>10 Mos. 2006</u>	<u>% Change</u>
<b>Nonresidential Building</b>	\$189,502	\$181,367	+4
<b>Residential Building</b>	228,248	298,752	-24
<b>Nonbuilding Construction</b>	<u>112,276</u>	<u>108,630</u>	<u>+3</u>
<b>TOTAL Construction</b>	\$530,026	\$588,749	-10

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