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NEWS RELEASE

September Construction Drops 5 Percent

New York, N.Y. – October 20, 2008 – New construction starts fell 5% in September to a seasonally adjusted annual rate of \$529.9 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Decreased activity was reported for both nonresidential building and nonbuilding construction, while residential building managed a slight gain from a very low amount. Through the first nine months of 2008, total construction on an unadjusted basis came in at \$433.8 billion, down 14% from a year ago. If residential building is excluded, new construction starts during the January-September period of 2008 would be up 3% relative to last year.

The September statistics lowered the Dodge Index to 112 (2000=100), compared to 118 for August. “The September declines for nonresidential building and nonbuilding construction are consistent with the broad trends expected through the end of 2008 and into 2009,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. “The construction industry has been defined by the steep correction for homebuilding, and on a year-to-date basis nonresidential building and nonbuilding construction have held up reasonably well so far in 2008. However, the commercial structure types have shown a loss of momentum as 2008 has progressed. In addition, the turmoil in the financial markets is affecting not just commercial development, but it’s also contributing to erosion in the fiscal position of states, which will dampen activity for the institutional and public works sectors going forward.”

Nonresidential building in September fell 8% to \$240.8 billion (annual rate). The previous month had included the start of a massive steel plant and a large hotel project, lifting the manufacturing and hotel structure types. Both categories did not receive the same support in September, contributing to these steep declines – manufacturing buildings, down 56%; and hotels, down 41%. September’s manufacturing total did include the start of a \$1.6 billion addition to an oil refinery in Port Arthur TX, but this was smaller in scope than the \$3.5 billion steel plant reported as an August start. September also showed reduced contracting for warehouses, down 8%.

A number of nonresidential categories were able to show steady contracting or growth in September. Office construction jumped 37%, reflecting the start of a \$500 million data center in West Des Moines IA and a \$250 million office building in Houston TX. Store construction was unchanged, stabilizing for the moment while its general direction remains downward. School construction edged up 2%, including groundbreaking for ten high schools valued each at \$50 million or more. Healthcare facilities also improved 2%, with the start of a \$225 million hospital project in New Hyde Park NY. The smaller institutional categories registered September gains – public buildings, up 2%; transportation terminals, up 9%; churches, up 20%; and amusement-related projects, up 48%. The amusement category reflected the start of a \$287 million events center in Orlando FL, plus two indoor sports arenas located in Louisville KY (\$228 million) and Pittsburgh PA (\$225 million).

For the first nine months of 2008, nonresidential building was up 3% relative to last year. The start of four massive oil refinery additions which totaled a combined \$14.3 billion helped to lift this year's nonresidential total; if these projects are excluded nonresidential building year-to-date would be down 4%. The largest declines in the January-September period were registered by warehouses, down 31%; and stores, down 26%. Office construction during this time slipped a modest 2%, while hotel construction still showed expansion, rising 17%. For the institutional categories, the January-September period included gains for healthcare facilities, up 12%; public buildings, up 9%; and schools, up 7%; while amusement-related projects were unchanged. Losing momentum relative to last year were transportation terminals, down 12%; and churches, down 17%.

Nonbuilding construction, at \$129.0 billion (annual rate), dropped 9% in September. After a robust August, electric utility construction fell back 31%. September's pace for electric utilities was still strong by recent standards, up 52% compared to this project type's monthly average for 2007. Large electric utility projects that were entered as September starts included a \$1.0 billion power plant in Texas, a \$500 million power plant in California, and a \$310 million wind power facility in Maine. With regard to the public works categories, weaker contracting in September was reported for site work, down 9%; sewers, down 10%; water supply systems, down 17%; and river/harbor development, down 18%. Gains were reported for highways, up 11%; and bridges, up 6%; with the bridge category including the start of a \$97 million renovation project on the Throgs Neck Bridge in New York NY.

During the first nine months of 2008, nonbuilding construction maintained a 2% lead over last year. Much of the increase was due to the strength shown by electric utilities, up 46%. At the same time, only

one public works category registered a year-to-date gain – river/harbor development, up 20%. Losing momentum during the January-September period were highways and bridges, with respective declines of 2% and 10%, dampened by the tighter fiscal climate and the diminished balance in the Highway Trust Fund. Also showing year-to-date declines were water supply systems, down 1%; sewers, down 9%; and site work, down 10%.

Residential building in September grew 2% to \$160.1 billion (annual rate). The push came from a 25% increase for multifamily housing, which included the start of a \$132 million apartment tower in Chicago IL and a \$99 million retirement community in Exton PA. Murray noted, “Multifamily housing has trended downward during 2008, although the descent has been uneven on occasion, as a few large projects are still reaching groundbreaking.” At the same time, single family housing continued its extended slide, falling 4% in September, as eight out of the first nine months of 2008 have seen declines.

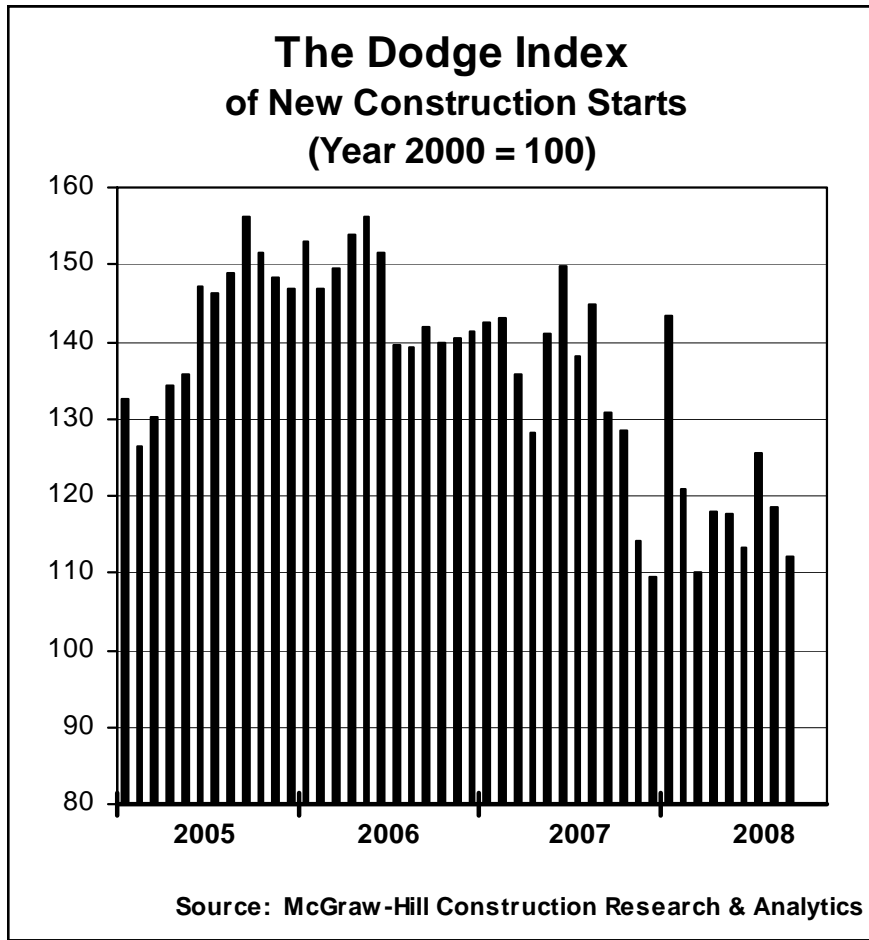
For the first nine months of 2008, residential building fell 38% from a year ago. Single family housing was down 38% in dollar terms, with year-to-date retrenchment across the five major regions – the West, down 47%; the South Atlantic, down 39%; the Midwest, down 37%; the South Central, down 30%; and the Northeast, down 25%. Multifamily family housing showed a similar slide in the January-September period, dropping 40%. The regional pattern for multifamily housing showed the largest retreat in the Midwest, down 56% from a 2007 that included the start of the huge Chicago Spire project. Substantial reductions were also reported in the West, down 44%; the South Atlantic, down 41%; the Northeast, down 29%; and the South Central, down 25%.

The 14% shortfall for U.S. total construction during the first nine months of 2008 was the result of large declines for the West, down 27%; and the South Atlantic, down 26%; while smaller declines were registered by the Midwest, down 9%; and the Northeast, down 1%. The South Central posted a 2% gain for total construction during the January-September period.

About McGraw-Hill Construction

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September 2008 Construction Starts



SEPTEMBER 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>September 2008</u>	<u>August 2008</u>	<u>% Change</u>
Nonresidential Building	\$240,816	\$261,062	-8
Residential Building	160,069	157,186	+2
Nonbuilding Construction	<u>129,003</u>	<u>141,759</u>	<u>-9</u>
TOTAL Construction	\$529,888	\$560,007	-5

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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>9 Mos. 2008</u>	<u>9 Mos. 2007</u>	<u>% Change</u>
Nonresidential Building	\$187,622	\$181,282	+3
Residential Building	132,650	214,558	-38
Nonbuilding Construction	<u>113,522</u>	<u>111,074</u>	<u>+2</u>
TOTAL Construction	\$433,794	\$506,914	-14

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