

SEASONALLY ADJUSTED CONSTRUCTION STARTS NEARLY STEADY IN SEPTEMBER



Louis Centorcelli, M.S., Director, Business Development, Market Analytics, Reed Construction Data ■

What a difference a year makes! Last October saw an unrelenting assault on American wealth, housing prices and global financial markets. Although we are clearly not out of the woods yet, some stability has returned to the global economy. Economists generally believe that we are at the end of the “official recession” as GDP growth is expected to turn positive in the most recently ended quarter (Q3). Some of the wealth lost by households during the past year has been recovered. Housing prices have stabilized according to the Case-Shiller Index although problems remain in many local markets. Global financial markets have steadied and credit is slowly easing. The biggest uncertainty, and subsequent drag on the recovery, is the outlook for the jobs market. Most believe the jobs recovery will be slow. It could be well into 2011 before employment reaches a healthy level again. Happy Halloween!♦



Jim Haughey, Ph.D., Director, Research and Analytics and Chief Economist, Reed Construction Data ■

Construction starts fell only 1.5% in September from August after adjusting for the large seasonal decline typical at the end of the summer. This is consistent with the Reed Construction Data forecast that starts will slip very slowly lower into the winter and that construction spending will dip slightly more by year-end.

After seasonal adjustment, non-residential building starts fell 1% in September from August, heavy project starts fell 17% and residential starts rose 22%. The residential gain was mostly for single-family construction. The housing

recovery will continue at a more modest pace for the rest of the year. The large drop in the heavy market was largely sharp cutbacks after an August surge in the stimulus funded highway and water markets. Stimulus funded starts are expected to peak soon. But expect a rebound in the relatively low September starts totals before the peak is reached.

September non-residential results are the closest to the expected trend in late 2010. The decline was held to 1% by a 16% seasonally adjusted surge in retail starts which is likely to be reversed in the coming months. However, retail will be the first commercial market to recover because the recession began early in this market.

The economic environment is clearly improving for residential construction with massive federal pump priming, most of it directed to housing or consumer income support. It is not yet known if Congress will continue these subsidies into 2010 in the face of a \$1.4 trillion budget deficit. If not, the economic environment for housing will worsen sharply. But the environment continues to worsen in non-residential markets.

The environment will be approximately steady in public non-residential markets with the spending of delayed building stimulus funds offset by cutbacks in state and local government capital spending forced by under-budget tax collections. The environment will continue to decline in private non-residential markets due to large and still rising space surpluses in commercial markets and near record high overcapacity in facility markets, especially in the energy field.♦

Jan-Sept 2009 vs Jan-Sept 2008 Construction Starts		
Residential	-39.2%	↓
Non-residential Building	-21.9%	↓
Heavy Engineering	+9.1%	↑
Total	-21.6%	↓

The charts, tables and commentary in Executive Insights are just a taste of the much broader range of material available at Reed Construction Data’s analytical, statistical and forecasting website, www.reedconstructiondata.com/market-insights.

UNITED STATES: CONSTRUCTION STARTS (MILLIONS OF CURRENT \$S US) – SEPTEMBER 2009

	Previous annual		Latest month		This year to date	
	2008	% change (08 vs 07)	Sep 2009	% change (Sep 09 vs Sep 08)	Jan-Sep 09	% change (Jan-Sep 09 vs Jan-Sep 08)
Single-family*	97,131	-40.2%	7,594	0.0%	56,266	-31.0%
Apartment/Condominium*	28,888	-24.3%	845	-61.8%	8,061	-66.8%
RESIDENTIAL*	126,019	-37.2%	8,439	-14.0%	64,327	-39.2%
Hotel/Motel	10,904	-16.6%	237	-72.2%	3,808	-56.7%
Retail	24,491	-23.8%	1,410	-42.1%	11,622	-40.7%
Parking garage	2,685	22.0%	87	-83.9%	930	-55.0%
Amusement	7,917	40.6%	467	-20.2%	4,222	-0.4%
Private office	19,143	-16.9%	750	-63.7%	8,880	-42.6%
Government office	5,598	58.9%	439	45.8%	2,781	-39.4%
Laboratory	3,713	20.0%	318	33.7%	2,517	-15.7%
Warehouse	2,810	-30.4%	159	-51.6%	1,750	-16.2%
Misc. commercial	4,372	-0.9%	544	-13.9%	5,211	42.6%
COMMERCIAL	81,632	-10.4%	4,412	-44.7%	41,721	-34.3%
INDUSTRIAL (manufacturing)	4,737	-46.5%	1,152	73.3%	3,241	1.3%
Religious	3,234	-5.7%	284	-56.1%	1,798	-27.1%
Hospital/Clinic	22,693	20.8%	2,326	48.2%	15,075	-4.6%
Nursing/Assisted Living	3,616	-29.0%	499	-11.5%	2,497	-1.0%
Library/Museum	3,153	22.7%	148	1.7%	2,230	-8.0%
Police/Courthouse/Prison	7,920	9.3%	555	-37.6%	4,086	-25.8%
Military	6,095	16.7%	442	5.9%	2,285	-49.0%
School/College	57,365	3.3%	5,070	15.6%	38,171	-13.7%
Misc. Government	6,782	39.5%	702	-4.6%	4,256	-2.0%
INSTITUTIONAL	110,859	7.9%	10,025	7.2%	70,398	-13.9%
Misc. non-residential	2,355	-2.4%	188	8.6%	1,772	17.0%
NON-RES. BUILDING	199,583	-2.7%	15,777	-13.2%	117,132	-21.9%
Airport	1,918	1.4%	251	148.6%	2,410	48.6%
Road/Highway	35,289	7.4%	3,539	23.1%	27,282	4.7%
Bridge	9,181	-10.2%	842	33.6%	8,770	40.1%
Dam/Marine	2,079	42.7%	307	47.0%	1,961	42.6%
Water/Sewage	23,976	-8.5%	2,541	3.3%	15,767	-6.5%
Misc. Civil	14,796	3.6%	1,520	30.6%	11,331	17.1%
HEAVY ENGINEERING	87,238	0.4%	9,001	21.0%	67,521	9.1%
TOTAL	412,841	-16.2%	33,217	-6.2%	248,980	-21.6%

*Current month residential figures are estimates based on the average of the preceding three months.

Data source: Reed Construction Data/Table: Reed Construction Data – CanaData.

Starts Methodology – Reed Construction Data dedicates significant resources to collecting information about construction projects during the planning, bidding and post-bid stages of a project. At the approximated start stage of construction, this information is imported into the Reed Construction Starts database, where both square footage and value are aggregated by geography and project type.

CANADA: CONSTRUCTION STARTS STATISTICS – SEPTEMBER 2009

	Square footage (millions)			Current Canadian dollars (millions)		
	Jan-Sep 2008	Jan-Sep 2009	% Change	Jan-Sep 2008	Jan-Sep 2009	% Change
Atlantic	7.755	5.798	-25.2%	3,301.1	1,495.6	-54.7%
Québec	30.950	20.065	-35.2%	6,155.7	7,122.0	15.7%
Ontario	83.983	44.727	-46.7%	15,553.7	10,225.7	-34.3%
Man+ Sask	11.538	6.588	-42.9%	2,624.8	2,315.7	-11.8%
Alberta	31.335	14.654	-53.2%	8,417.5	3,954.1	-53.0%
B.C.	34.115	15.290	-55.2%	6,969.3	4,508.1	-35.3%
CANADA	199.676	107.122	-46.4%	43,022.1	29,621.2	-31.1%

British Columbia (B.C.) figures include the Yukon, Northwest Territories and Nunavut. The total for each region is comprised of residential, non-residential buildings and engineering construction.

Data source and table: Reed Construction Data – CanaData.

DOLLAR-PER-SQUARE-FOOT CONSTRUCTION COSTS IN SELECT U.S. METROPOLITAN AREAS – SEPTEMBER 2009

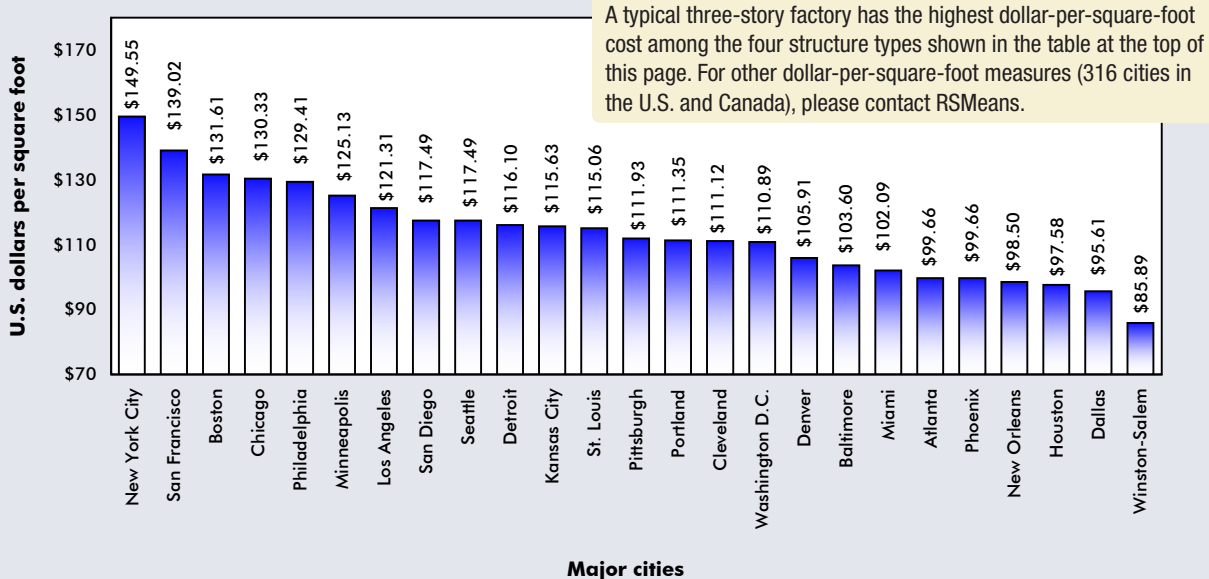
	Factory (3 stories)	Auto sales garage	Warehouse	Aircraft hangar
(\$s / square foot)				
1 Atlanta	99.66	96.65	76.97	90.84
2 Baltimore	103.60	100.46	80.01	94.42
3 Boston	131.61	127.63	101.65	119.95
4 Chicago	130.33	126.39	100.66	118.79
5 Cleveland	111.12	107.76	85.82	101.28
6 Dallas	95.61	92.72	73.84	87.14
7 Denver	105.91	102.71	81.80	96.53
8 Detroit	116.10	112.59	89.67	105.82
9 Houston	97.58	94.63	75.36	88.94
10 Kansas City	115.63	112.14	89.31	105.39
11 Los Angeles	121.31	117.64	93.69	110.56
12 Miami	102.09	99.00	78.85	93.05
13 Minneapolis	125.13	121.34	96.64	114.05
14 New Orleans	98.50	95.52	76.08	89.78
15 New York City	149.55	145.03	115.50	136.31
16 Philadelphia	129.41	125.50	99.95	117.95
17 Phoenix	99.66	96.65	76.97	90.84
18 Pittsburgh	111.93	108.55	86.45	102.02
19 Portland	111.35	107.98	86.00	101.49
20 St. Louis	115.06	111.58	88.86	104.87
21 San Diego	117.49	113.93	90.74	107.08
22 San Francisco	139.02	134.81	107.37	126.71
23 Seattle	117.49	113.93	90.74	107.08
24 Washington, D.C.	110.89	107.54	85.65	101.07
25 Winston-Salem	85.89	83.29	66.33	78.28

Note: Costs as shown are for the basic building and do not include: (1) site work (site clearing and grading, utilities, paving, landscaping, site improvements); (2) land costs; (3) development costs; (4) specialty finishes or equipment; and (5) selected architectural fees. Costs vary significantly from project to project due to quality, complexity and economic climate. For a detailed list of building components included in these figures, order the *RSMMeans Square Foot Cost Guide* available at RSMMeans (800) 448-8182 or www.rsmeans.com.

Market Insights has previously shown year-over-year percentage changes in costs. However, recent adjustments to specifications have made such comparisons invalid. Data source: RSMMeans (www.rsmeans.com).

Table: RSMMeans and Reed Construction Data – CanaData.

FACTORY (3-STORIES) CONSTRUCTION COST: SEPTEMBER 2009 RANKING OF MAJOR U.S. CITIES



Data source: Reed Construction Data – RSMMeans (www.rsmeans.com)/Chart: Reed Construction Data – CanaData.

REED CONSTRUCTION DATA STOCK MONITOR – SEPTEMBER 30, 2009

Company name and ticker symbol (alphabetical)	Latest month: 9 8 3 NC			Percent change, Sept 09 closing versus:		Latest monthly trend
	Month-end adjusted* closing price			Year ago	Month ago	
	Sep 08	Aug 09	Sep 09			
Armstrong World Industries Inc. - AWI	28.90	33.41	34.46	19.2%	3.1%	
Caterpillar Inc. - CAT	56.92	45.31	51.33	-9.8%	13.3%	
Cooper Industries Ltd. - CBE	38.49	32.25	37.57	-2.4%	16.5%	
DR Horton Inc. - DHI	12.80	13.41	11.41	-10.9%	-14.9%	
Fluor Corp. - FLR	55.04	52.77	50.85	-7.6%	-3.6%	
Foster Wheeler Limited - FWLT	36.11	28.95	31.91	-11.6%	10.2%	
Home Depot Inc. - HD	24.86	27.07	26.64	7.2%	-1.6%	
Ingersoll Rand - IR	30.15	30.89	30.67	1.7%	-0.7%	NC
Lennar Corp. - LEN	14.93	15.15	14.25	-4.6%	-5.9%	
Lennox International Inc. - LII	32.66	35.74	35.98	10.2%	0.7%	NC
Louisiana-Pacific Corp. - LPX	9.30	7.53	6.67	-28.3%	-11.4%	
Lowe's Companies Inc. - LOW	23.28	21.50	20.94	-10.1%	-2.6%	
Martin Marietta Materials Inc. - MLM	109.80	87.58	92.07	-16.1%	5.1%	
Masco Corp. - MAS	17.01	14.48	12.92	-24.0%	-10.8%	
Pulte Homes Inc. - PHM	13.92	12.78	10.99	-21.0%	-14.0%	
Sherwin-Williams Co. - SHW	55.66	60.20	60.16	8.1%	-0.1%	NC
Texas Industries Inc. - TXI	40.48	39.76	41.99	3.7%	5.6%	
United Rentals Inc. - URI	15.24	9.19	10.30	-32.4%	12.1%	
USG Corp. - USG	25.60	14.86	17.18	-32.9%	15.6%	
Vulcan Materials Co. - VMC	71.54	50.04	54.07	-24.4%	8.1%	

*Adjusted closing prices take into account stock splits and recent dividend payments.

Data source: Reuters/Chart: Reed Construction Data – CanaData.

STOCK EXCHANGES – PERFORMANCES OF KEY INDICES – SEPTEMBER 30, 2009

INDEX	52-week low	52-week high	Year ago (Sep 30, 2008)	Month ago (Aug 31, 2009)	Latest month-end closing prices (Sep 30, 2009)	Percent change, latest versus:			
						52-week low	52-week high	Year ago	Month ago
Dow Jones Industrials NYSE (^dji)	6,440	11,022	10,851	9,496	9,712	50.8%	-11.9%	-10.5%	2.3%
S & P 500 NYSE (^gspc)	667	1,167	1,166	1,021	1,057	58.5%	-9.4%	-9.3%	3.5%
NASDAQ (^ixic)	1,266	2,168	2,092	2,009	2,122	67.6%	-2.1%	1.4%	5.6%
S & P/TSX Composite TSE (^gsptse)	7,480	11,776	11,753	10,868	11,395	52.3%	-3.2%	-3.0%	4.8%

Sources: New York Stock Exchange (NYSE), Standard and Poor's (S & P), National Association of Securities Dealers Automated Quotations (NASDAQ), Toronto Stock Exchange (TSE) and Reuters/Table: Reed Construction Data – CanaData.

INFLATION AND JOBLESS CLAIMS ADD TO TRICKLE OF GOOD NEWS FLOWING THROUGH ECONOMIC PIPELINE

The Dow Jones industrial average climbed above 10,000 for the first time in a year on Oct. 14. What is causing the mood of investors to become more optimistic? It's the trickle of good news on the economy that is starting to flow through the pipeline. The hope is that this will turn into a steady stream and eventually a river, but that is getting a little ahead of ourselves.

This recovery is a slow process. Take the latest inflation figures. They are only mildly better in September than in August. An improvement in this case means less of a decline. Deflation, which has been predominating since the beginning of the year, is not good for the economy.

Cont'd on page 5

Cont'd from page 4

The all-items inflation rate in September was -1.3%. In August, it had been -1.5% and in July, -2.1%. July's figure was the steepest decline in the recession. It came about because the price of oil hit its peak in July, 2008. The inflation rate is gradually creeping back up to 0%.

The core inflation rate (which omits food and energy prices) was +1.5% in this latest September. Long term, the desirable rate of inflation is about 2.0%. This greases the wheels of industry. It makes it easier to pay back nominal loans. It causes peoples' assets to increase in value.

The energy sub-index of the CPI has moved to -21.6%. At its most extreme, it was -28.1% in July. However, some prices have been moving upward. On a year-over-year basis, medical care commodities are +4.1%

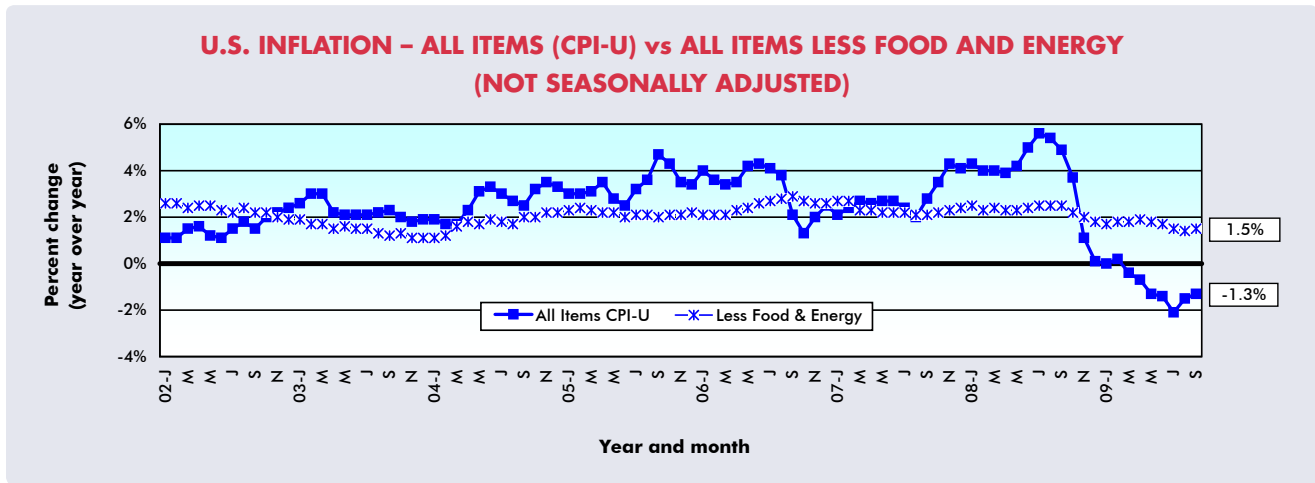
and medical care services are +3.3%.

The food price index is basically flat versus last year. Gasoline prices are -29.7% year over year.

In other good news, the latest weekly report on initial jobless claims is down by another 10,000. The level now stands at 514,000, which is a significant improvement from 660,000 in mid-Q1 09. Continuing claims dropped back by 75,000 to stand below six million again after being much higher.

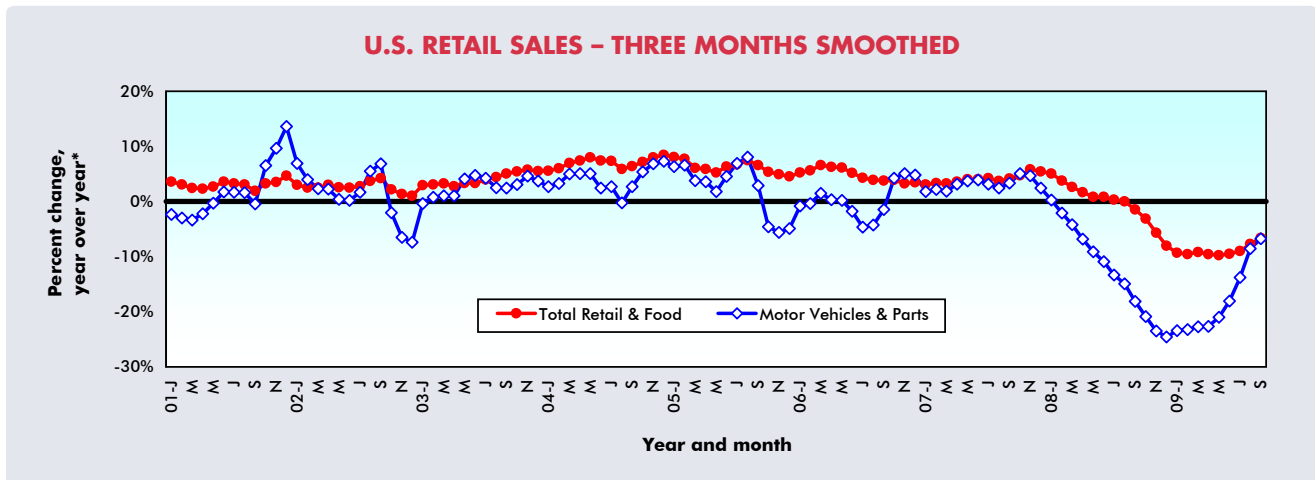
All of these little gains are starting to add up and the stock markets are responding with enthusiasm. ♦

Alex Carrick



The U.S. figure (CPI-U) is the All Items Consumer Price Index for All Urban Consumers.

Data source: U.S. Bureau of Labor Statistics (Department of Labor)/Chart: Reed Construction Data – CanaData.



Data source: U.S. Census Bureau (Department of Commerce)/Chart: Reed Construction Data – CanaData.

U.S. RETAIL SALES IN SEPTEMBER ARE A PLEASANT SURPRISE

There was a collective sigh of relief from economists and other analysts over the October 14th release of U.S. retail sales figures for September. There was concern that the end of the “cash for clunkers” program in the motor vehicle sector would decimate the overall retail sales results, leading to an erosion of confidence and consumer buying intentions. Instead, the numbers were not that bad.

It's true that month-over-month auto and parts sales were -10.4% and that this was a resounding decline after August's +7.8%

performance. However, smoothed (i.e. three-month moving average) auto and parts sales were -6.7% year over year. This was considerably better than the -24.6% figure that was recorded in December 2008 when industry sales were at their worst.

There are three sub-categories that have close ties to construction, mainly on the residential side. In two of those categories – “furniture and home furnishings” and “electronics and appliances” – the year-over-year sales declines have become less negative over

Cont'd on page 6

Cont'd from page 5

the past three months. In the third sub-category, building materials and supplies, the slide in year-over-year sales is flattening out.

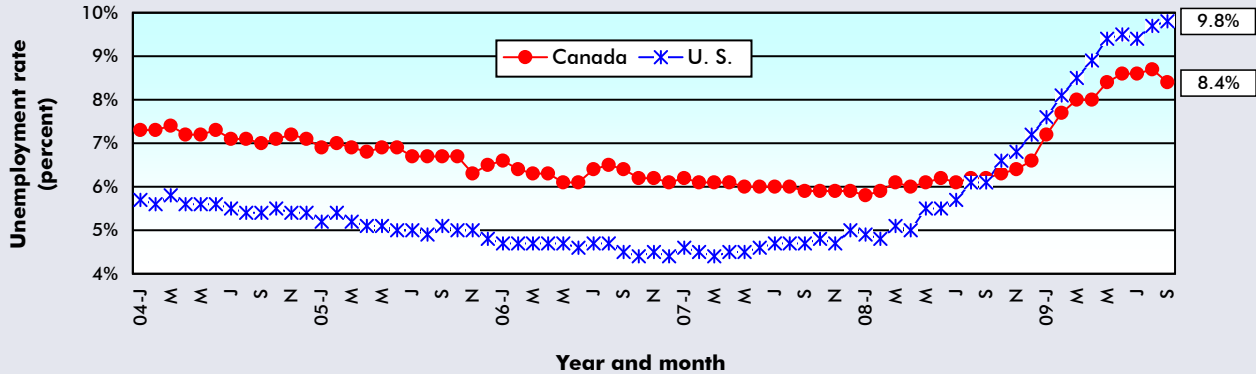
Total smoothed retail and food services sales are now -6.6% year over year. This important yardstick of consumer spending is on a gradual mend from its low point of -9.8% four months ago in May. Some areas of the economy have even maintained a nominal level of growth in this time of recession. Food and beverage store sales are +0.4% year over year; health and personal care store sales are +3.5%; and sporting goods,

hobby, book and music store sales are +2.0%.

Each new statistical release from one government agency or another is a nail-biter. Will it confirm recovery or will it cast further doubt on future economic prospects? Slowly, in fits and starts, the news is starting to emerge that improvement in the overall economic climate is, indeed, underway. ♦

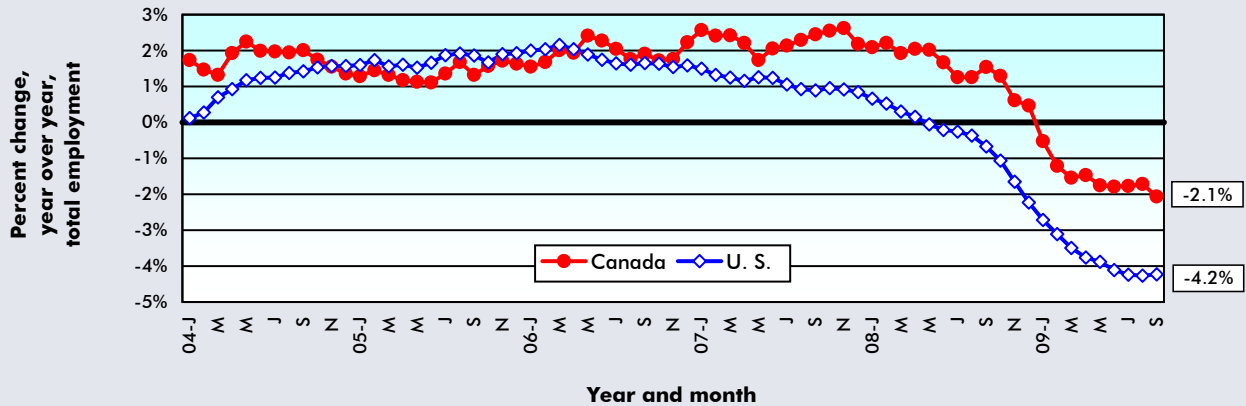
Alex Carrick

U.S. vs CANADA MONTHLY UNEMPLOYMENT RATE (SEASONALLY ADJUSTED DATA)



Data sources: U.S. Bureau of Labor Statistics (Department of Labor) and Statistics Canada.
Chart: Reed Construction Data – CanaData.

CHANGE IN TOTAL EMPLOYMENT – U.S. vs CANADA



“Year over year” is the monthly figure versus the same month of the previous year.

Data sources (seasonally adjusted): U.S. Bureau of Labor Statistics (Department of Labor) and Statistics Canada.
Chart: Reed Construction Data – CanaData.

Executive Insights, Volume 4, Issue 10. October 2009.

Executive Insights is a publication of Reed Construction Data, 30 Technology Parkway South, Suite 100, Norcross, GA. 30092

©2009 Reed Construction Data, a division of Reed Elsevier Inc. All rights reserved.

Let us know what you think: Please e-mail any comments, suggestions or requests for reprints to reedforecast@reedbusiness.com.

Reed Construction Data Contributors: **Louis Centorcelli**, M.S., Director, Business Development, Market Analytics; **Jim Haughey**, Ph.D., Director, Research and Analytics and Chief Economist (U.S.); **Alex Carrick**, Chief Economist (Canada) and Editor of Executive Insights; **Donna Cahan**, Web Manager.