Construction Industry Snapshot

Prepared by Reed Construction Data

CONSTRUCTION STARTS INCREASE IN MARCH

Reed Construction Data (RCD) announced today that the year-to-date value of construction starts through March 2008, excluding residential contracts, totaled $62.370 billion, 6.6% less than in the same period last year, but 36% higher than the February total. The March gain was entirely for non-residential buildings. Commercial starts doubled and institutional starts rose 19%.

Averaged together, the February-March starts changes are on track with the continuing gradual decline in new project starts since the peak was achieved last summer. Reed Construction Data still expects starts to decline modestly for several more months, but to be rising again by year-end and through 2009.

The value of construction starts each month is summarized from RCD's database of all active construction projects in the U.S., excluding single-family homes. Missing project values are estimated with RSMeans' building cost models.

The March surge in starts was led by the office, hotel and retail categories, which each increased by more than $1 billion from February. Starts increased by more than $0.5 billion for education buildings, parking garages and laboratories. Activity remains weak for manufacturing, warehouse and public safety buildings.

Commercial developers remain cautious in a recession economy, but no sustained decline in commercial starts is expected. Projects started in the spring will not be completed until the economy is again expanding. Also, delays in project starts due to the turmoil in financial markets are becoming less significant.

Facility managers for institutional buildings and heavy projects so far have reduced project starts less than commercial developers. They have been largely insulated both from the financing difficulties and the concern about weakening rent increases and falling occupancy rates in the commercial market. However, the rapid slowing in the growth of tax receipts and the accompanying drop in budget reserves will increasingly be a restraint on institutional and heavy project starts well into next year.

Highway and bridge starts are down 9% year to date from the same period in 2007. The highway construction market will remain depressed well into the year, perhaps into next year. Many state highway trust funds can no longer provide the matching amounts needed to use money available to them in the federal highway trust fund. Fuel tax receipts have not kept up with the rise in prices for highway construction materials, especially steel, asphalt and aggregates.

Education construction starts increased 23% in March, but are down 3% year to date from the first quarter of last year. K-12 education funding is being restrained by weaker property tax receipts. This includes failure to pay tax bills, revenue losses from falling property values and the usual recession-era voter defeats of local tax or bonding proposals. These restraints will become more significant and will persist for several quarters beyond the end of the recession.♦

Jim Haughey

VALUE OF UNITED STATES CONSTRUCTION STARTS – MARCH 2008 (REED CONSTRUCTION DATA)

	Jan-Mar 2008 ($ millions)	% Change (Jan-Mar 08 vs Jan-Mar 07)
Hotel/Motel	$3,759	25.2%
Retail	$6,253	-13.6%
Parking Garage	$936	153.2%
Amusement	$1,252	-2.7%
Private Office	$5,422	-23.9%
Government Office	$1,290	96.4%
Laboratory	$1,193	157.4%
Warehouse	$509	-54.3%
Miscellaneous Commercial	$787	-52.4%
COMMERCIAL	$21,401	-6.6%
INDUSTRIAL (Manufacturing)	$836	-67.5%
Religious	$699	5.5%
Hospital/Clinic	$5,022	1.6%
Nursing/Assisted Living	$747	-37.1%
Library/Museum	$906	75.9%
Police/Courthouse/Prison	$1,408	18.0%
Military	$1,584	239.3%
School/College	$11,694	-3.1%
Miscellaneous Government	$945	-16.4%
INSTITUTIONAL	$23,005	3.8%
Miscellaneous Non-residential	$433	5.0%
NON-RESIDENTIAL BUILDING	$45,675	-5.0%
Airport	$101	-51.7%
Road/Highway	$7,192	1.3%
Bridge	$1,566	-37.6%
Dam/Marine	$166	-18.1%
Water/Sewage	$5,336	10.9%
Miscellaneous Civil	$2,334	-40.1%
HEAVY ENGINEERING	$16,695	-10.9%
TOTAL NON-RESIDENTIAL	$62,370	-6.6%

Source: Reed Construction Data (RCD) and Property & Portfolio Research (PPR) (www.ppr.info).
Table: Reed Construction Data – CanaData.

James Haughey, PhD, is Director, Research and Analytics and Chief Economist for Reed Construction Data. With 30 years experience in corporate, government, academic and consulting roles, Dr. Haughey is one of North America's foremost experts on the construction industry. His reports appear regularly in print, Web and newsletter publications.