

Construction Industry Snapshot

Prepared by Reed Construction Data

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Construction Starts Drop 4% in March

Reed Construction Data (RCD) announced today that the year-to-date value of construction starts through March 2009, excluding residential contracts, totaled \$60.4 billion, 1.4% more than in the same period in 2008. Starts fell 4% from February and were 31% below last December. Normal seasonal decline and lower bid prices accounted for at least 5 percentage points of the 31 percentage point drop. Most of the steep decline was due to the recession arriving in public non-residential construction markets.

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

Institutional building (-42%) and heavy project (-27%) starts plunged in the last three months from record high levels while commercial building starts fell only a further 19% on top of ongoing declines since earlier in 2008. Normally, institutional and heavy construction would face many more months of continuing steep declines in starts, but the economic stimulus plan will cushion much of the usual late-cycle recession impact in both of these markets.

The slowdown in starts has not yet appeared in the Census Bureau's monthly (through February) estimates of job-site construction spending for institutional and heavy construction. Construction spending has not declined from a year ago but it will during the spring, before the full impact of stimulus spending hits. Construction spending for commercial buildings is now 13% below a year ago. RCD expects the peak-to-trough decline in construction spending to be 20% for commercial buildings, 12% for heavy construction and 8% for institutional buildings.

The starts data through March now includes: (1) the impact of the September 2008 credit freeze; (2) most, but not all, of the impact of the deeper recession that it set off; and (3) little, if any, of the impact of the \$787 billion additional federal spending approved in mid-February. ♦

Jim Haughey

VALUE OF UNITED STATES CONSTRUCTION STARTS – MARCH 2009 (REED CONSTRUCTION DATA)

	Jan-Mar 2009 (\$ millions)	% Change (Jan-Mar 09 vs Jan-Mar 08)
Hotel/Motel	\$1,426	-61.6%
Retail	\$4,846	-15.7%
Parking Garage	\$353	-50.8%
Amusement	\$995	-21.8%
Private Office	\$4,223	-25.3%
Government Office	\$982	-23.3%
Laboratory	\$921	-22.3%
Warehouse	\$809	61.9%
Miscellaneous Commercial	\$2,483	237.8%
COMMERCIAL	\$17,038	-18.1%
INDUSTRIAL (Manufacturing)	\$1,022	14.5%
Religious	\$667	-3.8%
Hospital/Clinic	\$4,417	-1.3%
Nursing/Assisted Living	\$936	43.7%
Library/Museum	\$1,010	14.5%
Police/Courthouse/Prison	\$1,300	-4.0%
Military	\$764	-51.6%
School/College	\$11,292	-0.2%
Miscellaneous Government	\$1,374	46.3%
INSTITUTIONAL	\$21,760	-0.6%
Miscellaneous Non-residential	\$648	49.7%
NON-RESIDENTIAL BUILDING	\$40,468	-8.1%
Airport	\$207	112.8%
Road/Highway	\$7,327	1.8%
Bridge	\$2,910	89.2%
Dam/Marine	\$406	145.0%
Water/Sewage	\$4,904	11.3%
Miscellaneous Civil	\$4,147	96.4%
HEAVY ENGINEERING	\$19,901	28.3%
TOTAL NON-RESIDENTIAL	\$60,369	1.4%

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