

Construction Industry Snapshot

Prepared by Reed Construction Data

©2008 Reed Construction Data.
All rights reserved.

December 10, 2008
Page 1 of 1

November Construction Starts Rebound from Initial Credit Freeze Shock

Reed Construction Data (RCD) announced today that the year-to-date value of construction starts through November 2008, excluding residential contracts, totaled \$270.0 billion, a 0.2% drop versus the same time frame in 2007. Starts in the individual month of November jumped 19% from October, much more than offsetting the usual seasonal decline. The latest monthly starts were 30% higher than last November and matched this year's June-September average.

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 RSMeans' building cost models.

This is the second post-credit-freeze starts report. It is a misleading measure of construction market prospects. The initial shock of the credit freeze cut starts in October – primarily private commercial starts – as projects were held up to redo financing or get a better read on the economic outlook.

Some originally intended October starts appear to have "come off hold" in November. Retail, hotel, and warehouse starts rebounded in November, although private office starts continued to decline. November starts were boosted by two large projects: a \$750 million BMW factory expansion and a \$650 million new stadium for the Dallas Cowboys football team.

Nonetheless, the starts trend is still down. The slow decline that began about a year ago will accelerate and continue well into next year. Initially, the decline will be mostly for those private commercial projects that are closely tied to credit conditions and the economic outlook. Many real estate investors are now scrambling to maintain their loans on existing buildings as financial de-leveraging continues. New project loans are now not available to many developers.

By next winter the decline in starts will appear primarily in the public and institutional project categories. For those projects, expected funding is no longer available as public budget and investment fund balances are far below expected levels. Federal economic stimulus aid for civil projects is likely coming, but those projects will not start until later in 2009.

Jim Haughey

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

	Jan-Nov 2008 (\$ millions)	% Change (Jan-Nov 08 vs Jan-Nov 07)
Hotel/Motel	\$10,843	-11.4%
Retail	\$23,603	-18.9%
Parking Garage	\$2,376	16.8%
Amusement	\$6,026	20.3%
Private Office	\$17,999	-16.2%
Government Office	\$5,301	64.8%
Laboratory	\$3,547	25.9%
Warehouse	\$2,540	-30.9%
Miscellaneous Commercial	\$4,580	21.2%
COMMERCIAL	\$76,815	-7.8%
INDUSTRIAL (Manufacturing)	\$4,970	-41.3%
Religious	\$2,987	-6.0%
Hospital/Clinic	\$21,261	27.5%
Nursing/Assisted Living	\$3,843	-19.0%
Library/Museum	\$2,858	24.5%
Police/Courthouse/Prison	\$7,155	7.6%
Military	\$5,492	10.4%
School/College	\$53,559	3.2%
Miscellaneous Government	\$6,009	31.8%
INSTITUTIONAL	\$103,164	8.6%
Miscellaneous Non-residential	\$2,095	-5.9%
NON-RESIDENTIAL BUILDING	\$187,044	-1.1%
Airport	\$1,822	1.4%
Road/Highway	\$32,982	5.9%
Bridge	\$8,529	-13.8%
Dam/Marine	\$2,821	119.5%
Water/Sewage	\$22,617	-7.7%
Miscellaneous Civil	\$14,207	10.5%
HEAVY ENGINEERING	\$82,978	1.8%
TOTAL NON-RESIDENTIAL	\$270,022	-0.2%

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.