

# Construction Industry Snapshot

Prepared by Reed Construction Data

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## CONSTRUCTION STARTS WEAKEN FURTHER IN JANUARY

Reed Construction Data announced today that the value of construction starts in January 2008, excluding residential contracts, totaled \$21.347 billion, down 13.1% from January 2007 and 8.0% below December. Monthly starts totals have been ebbing since October of last year, although starts increased 10.6% in full-year 2007 versus full-year 2006.

Reed Construction Data expects starts to be slightly lower into the summer and then recover to keep the 2008 total close to the 2007 total. Commercial building starts will be the most impacted by the abrupt slowdown in Gross Domestic Product (GDP) in the first half of 2008.

The starts estimates are a summary from Reed Construction Data's project database. Unreported contract values were estimated using RSMeans' building cost models.

The only significant increases in January were for military facilities, parking garages and hotels. These are not expected to be persistent trends. Monthly starts are quite volatile in these three small markets. The surge in hotel starts follows three weak monthly starts totals which are more indicative of 2008 trends. Both leisure and business travel are extremely sensitive to income and are expected to weaken more than the balance of the economy in the coming months.

Commercial starts decreased 15% versus December, offsetting a large gain the previous month. January starts were marginally below the October-January average. However, office starts fell 34% from December to the lowest total in nearly two years. Developers have become nervous about 2008 space demand. The financial industry, entirely office-based, has shed 100,000 jobs since employment peaked in December 2006.

Institutional building starts dropped 3% month to month in January, but remained 8% above last January. However, the year to year change is 6%, ignoring the volatile military facilities market. The large education and health care sectors are both weakening. Starts of public safety buildings and cultural/religious facilities have not declined.

Construction starts for heavy/engineering projects declined 13% from last January, including the 2% decline from December. An \$800 million decline in miscellaneous projects was offset by a similar rise in new highway projects. ♦

*Jim Haughey*

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.

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

	January 2008 (\$ millions)	% Change (January 08 vs January 07)
Hotel/Motel	\$1,265	5.4%
Retail	\$2,564	-12.3%
Parking Garage	\$326	174.8%
Amusement	\$320	-34.2%
Private Office	\$1,371	-58.8%
Government Office	\$221	-37.6%
Laboratory	\$432	71.8%
Warehouse	\$186	-43.3%
Miscellaneous Commercial	\$387	-34.9%
<b>COMMERCIAL</b>	<b>\$7,072</b>	<b>-26.2%</b>
<b>INDUSTRIAL (Manufacturing)</b>	<b>\$378</b>	<b>-56.8%</b>
Religious	\$252	49.0%
Hospital/Clinic	\$1,424	-3.6%
Nursing/Assisted Living	\$244	-29.1%
Library/Museum	\$287	12.2%
Police/Courthouse/Prison	\$580	86.4%
Military	\$1,198	481.5%
School/College	\$3,741	-13.3%
Miscellaneous Government	\$287	-15.6%
<b>INSTITUTIONAL</b>	<b>\$8,013</b>	<b>8.0%</b>
Miscellaneous Non-residential	\$181	31.6%
<b>NON-RESIDENTIAL BUILDING</b>	<b>\$15,644</b>	<b>-13.2%</b>
Airport	\$18	-48.0%
Road/Highway	\$2,481	-5.9%
Bridge	\$545	-50.1%
Dam/Marine	\$63	-22.9%
Water/Sewage	\$1,931	16.2%
Miscellaneous Civil	\$665	-36.2%
<b>HEAVY ENGINEERING</b>	<b>\$5,703</b>	<b>-12.9%</b>
<b>TOTAL NON-RESIDENTIAL</b>	<b>\$21,347</b>	<b>-13.1%</b>

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