

Construction Industry Snapshot

Prepared by Reed Construction Data

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Construction Starts Drop 23% in January

Reed Construction Data (RCD) announced today that the January 2009 value of construction starts, excluding residential contracts, totaled \$21.590 billion, 5.3% more than in January 2008. However, starts fell 23% from December, which was a decrease of almost 20% after allowing for the usual small seasonal decline in the first month of the year. This is an unusually large cutback. The only similar drop in recent years was in September 2005 and that was reversed the following month.

The large January decline is likely partly random and partly due to plunging project costs, but much of it will persist because it reflects the deepening of the recession a few months ago. Construction materials prices fell 8% in the last three months with contractor margins also being reduced.

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.

Heavy project starts fell 13% in January (month over month), although starts increased slightly for highways as public works managers took advantage of suddenly more competitive bidding and plunging asphalt prices. Commercial starts declined 23%. No large stadium or arena projects started in January but more are in the planning stage. Institutional starts declined 28%. However the institutional decline was from an exceptionally high December total. The commercial market is still significantly weaker than the institutional market.

Congress appears likely to appropriate approximately \$150 billion for infrastructure construction, mostly civil projects plus renovations of public and education buildings. This will cushion the slide in starts and construction spending later this year and strengthen an upturn in construction activity next year and for several years beyond. RCD expects that the money will be spent slower than the promises now being made in Washington. The gift from Washington will cause some governments and institutions to transfer money from capital to operating budgets so that the net addition will be less than the gross appropriation by Congress.

Jim Haughey

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

	January 2009 (\$ millions)	% Change (Jan 09 vs Jan 08)
Hotel/Motel	\$479	-62.6%
Retail	\$1,171	-51.4%
Parking Garage	\$122	-60.2%
Amusement	\$362	2.8%
Private Office	\$1,452	6.2%
Government Office	\$371	79.1%
Laboratory	\$171	-50.3%
Warehouse	\$385	121.6%
Miscellaneous Commercial	\$1,217	255.2%
COMMERCIAL	\$5,730	-15.5%
INDUSTRIAL (Manufacturing)	\$268	-32.8%
Religious	\$267	12.8%
Hospital/Clinic	\$1,610	14.3%
Nursing/Assisted Living	\$439	80.0%
Library/Museum	\$601	110.2%
Police/Courthouse/Prison	\$348	-34.7%
Military	\$447	-62.5%
School/College	\$4,212	18.4%
Miscellaneous Government	\$523	86.7%
INSTITUTIONAL	\$8,447	9.1%
Miscellaneous Non-residential	\$215	19.7%
NON-RESIDENTIAL BUILDING	\$14,660	-2.9%
Airport	\$66	366.8%
Road/Highway	\$2,737	10.3%
Bridge	\$686	26.1%
Dam/Marine	\$151	140.8%
Water/Sewage	\$1,966	20.8%
Miscellaneous Civil	\$1,324	97.5%
HEAVY ENGINEERING	\$6,930	28.4%
TOTAL NON-RESIDENTIAL	\$21,590	5.3%

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.