

Construction Industry Snapshot

Prepared by Reed Construction Data

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December Construction Starts Rebound Again from Initial Credit Freeze Shock

Reed Construction Data announced today that the 2008 value of construction starts, excluding residential contracts, totaled \$295.9 billion, a gain of only 0.9% over 2007. Total December starts increased 8.7% from November, continuing the bounce-back from the steep drop in October caused by the sudden freeze in credit markets. Also, December starts in 2008 were 9.3% higher than in December 2007. Most, but not all, of this gain was due to higher project costs.

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.

However, the starts trend will continue to weaken from the peak level reached last summer through most of 2009. Our monthly updates on projects in the pre-start pipeline suggest that a growing number of projects originally scheduled for a 2009 start have been cancelled, deferred or scaled back due to lower projected building operating profits or the loss of previously expected construction funding from borrowing, tax receipts or investment earnings.

Commercial projects were hit earliest and hardest by the credit freeze and the deeper recession it set off. The value of commercial starts has not fully recovered from the nearly 50% drop in October. Starts in the last quarter of 2008 were 10% below a year earlier. By contrast, starts for heavy projects finished the year 41% above a year earlier (December over December) and expanded 15% from the 3rd to the 4th quarter. Institutional building starts finished the year 48% above a year earlier but slipped 9% from the 3rd to the 4th quarter.

Only three office buildings and a shopping center were among the twenty largest projects to get underway in December. But there were three stadium or arena projects and five hospital projects. Starts for institutional buildings and sports centers will begin to slow by spring when all of the projects funded at the beginning of the credit freeze have started.

Jim Haughey

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

	Jan-Dec 2008 (\$ millions)	% Change (Jan-Dec 08 vs Jan-Dec 07)
Hotel/Motel	\$11,413	-12.9%
Retail	\$25,072	-22.3%
Parking Garage	\$2,715	23.4%
Amusement	\$8,075	42.8%
Private Office	\$19,582	-16.5%
Government Office	\$5,779	63.4%
Laboratory	\$3,821	17.5%
Warehouse	\$2,830	-29.9%
Miscellaneous Commercial	\$4,734	13.3%
COMMERCIAL	\$84,021	-8.4%
INDUSTRIAL (Manufacturing)	\$5,318	-39.9%
Religious	\$3,272	-4.7%
Hospital/Clinic	\$24,371	29.5%
Nursing/Assisted Living	\$4,109	-20.7%
Library/Museum	\$3,154	22.8%
Police/Courthouse/Prison	\$8,156	12.4%
Military	\$6,133	17.5%
School/College	\$58,401	4.7%
Miscellaneous Government	\$6,905	41.5%
INSTITUTIONAL	\$114,501	11.0%
Miscellaneous Non-residential	\$2,387	-1.2%
NON-RESIDENTIAL BUILDING	\$206,227	0.1%
Airport	\$1,926	1.5%
Road/Highway	\$35,491	8.0%
Bridge	\$9,230	-11.3%
Dam/Marine	\$3,026	107.7%
Water/Sewage	\$25,071	-4.6%
Miscellaneous Civil	\$14,891	4.1%
HEAVY ENGINEERING	\$89,635	2.8%
TOTAL NON-RESIDENTIAL	\$295,862	0.9%

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.