

# Construction Industry Snapshot

Prepared by Reed Construction Data

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## CONSTRUCTION STARTS RISE IN JUNE

Reed Construction Data (RCD) announced today that the year-to-date value of construction starts through June 2008, excluding residential contracts, totaled \$139.4 billion, a 4.8% drop versus the first half of last year. However, the starts level in the individual month of June was 10.9% higher than in May. Starts for offices, both public and private, as well as for educational and hospital facilities each increased by more than \$1 billion from May to June. The only significant month-to-month decline was for bridges, but this was a return to trend after an unusually high starts total in May.

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.

The office market remains relatively strong because the recession has just reached office rental and space demand. Hospital construction continues to be boosted by the surge in health insurance premiums over the previous few years, although this source of construction funding will be slowing as sub-par economic growth continues. Education projects are being funded from the 2004 to 2007 surge in tax receipts and investment earnings. Both have now turned negative.

The starts trend has clearly changed in the last few months. Starts were down 6.2% from a year ago from September to February, but have been even with year-ago totals over the last three months. Reed Construction Data interprets the recent pickup as the end of the financial constraint on new commercial projects that spilled over from the residential market. Ahead, starts in June to August, while not slipping, are likely to appear weak compared to the exaggerated peak in starts last summer.

June's \$21.1 billion in non-residential building starts sets a new record for this sector, although the nearly 20% year-to-date pace of construction materials inflation means that inflation-adjusted starts have declined from the year ago peak. Ahead, the expected small pullback in commodity prices will bias the starts total down next winter. ♦

*Jim Haughey*

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

	Jan-Jun 2008 (\$ millions)	% Change (Jan-Jun 08 vs Jan-Jun 07)
Hotel/Motel	\$6,327	-18.9%
Retail	\$13,118	-22.6%
Parking Garage	\$1,509	45.3%
Amusement	\$2,428	-2.1%
Private Office	\$11,235	-12.8%
Government Office	\$3,757	174.9%
Laboratory	\$2,033	1.5%
Warehouse	\$1,169	-38.9%
Miscellaneous Commercial	\$2,694	16.3%
<b>COMMERCIAL</b>	<b>\$44,270</b>	<b>-9.2%</b>
<b>INDUSTRIAL (Manufacturing)</b>	<b>\$2,586</b>	<b>-47.4%</b>
Religious	\$1,461	-13.3%
Hospital/Clinic	\$10,324	3.0%
Nursing/Assisted Living	\$1,472	-35.8%
Library/Museum	\$1,854	36.0%
Police/Courthouse/Prison	\$3,191	25.4%
Military	\$2,527	55.8%
School/College	\$27,864	2.9%
Miscellaneous Government	\$2,297	-2.0%
<b>INSTITUTIONAL</b>	<b>\$50,990</b>	<b>4.1%</b>
Miscellaneous Non-residential	\$951	-28.3%
<b>NON-RESIDENTIAL BUILDING</b>	<b>\$98,797</b>	<b>-5.0%</b>
Airport	\$762	-4.7%
Road/Highway	\$16,754	-3.1%
Bridge	\$4,147	-29.0%
Dam/Marine	\$593	7.9%
Water/Sewage	\$11,979	8.1%
Miscellaneous Civil	\$6,362	-7.1%
<b>HEAVY ENGINEERING</b>	<b>\$40,597</b>	<b>-4.3%</b>
<b>TOTAL NON-RESIDENTIAL</b>	<b>\$139,394</b>	<b>-4.8%</b>

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