

Construction Industry Snapshot

Prepared by Reed Construction Data

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Construction Starts Rise 16% in May

Reed Construction Data (RCD) announced today that the year-to-date value of construction starts through May 2009, excluding residential contracts, totaled \$97.3 billion, 6.2% less than in the same period in 2008. Individual-month-of-May starts increased 16% from April, significantly more than the usual seasonal increase. However, May starts were 20% below last December. The volume decline is greater than 20% because bid prices have inched lower and May is typically a seasonally stronger month than December.

The May starts increase partly offsets an unusually weak April and does not signal that starts have moved to a rising trend. That is still many months away, near yearend. Expect a mix of monthly gains and losses for the balance of the year, with the average level of starts not significantly different from May. Credit problems promise more delays and cancellations for commercial buildings and strained budget balances promise cutbacks in public building construction later this year. Highway, bridge and water/sewer starts will be boosted as more stimulus contract work begins.

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.

The economic stimulus plan has directly funded a little more than 1% of the estimated \$275 billion spent on construction, excluding housing, in 2009 through May. This includes: (1) the \$1.5 billion reimbursed to states through early June for highway projects; (2) smaller federal reimbursements for other construction work; and (3) an allowance for construction work completed that has not yet been reimbursed.

Two months ahead, stimulus-funded construction spending, whether reimbursed yet or not, will likely be at most one-third of the promised 2009 total and will account for about 2% of year-to-date construction spending, excluding housing. August 15th is the mid-point of the third quarter when the economic consensus now expects the economy to begin expanding. Spending on shovel-ready construction projects will clearly play a trivial role in turning the economy from recession to expansion. ♦

Jim Haughey

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

| | Jan-May 2009 (\$ millions) | % Change (Jan-May 09 vs Jan-May 08) |
|-----------------------------------|-------------------------------|---|
| Hotel/Motel | \$2,258 | -55.7% |
| Retail | \$7,259 | -29.3% |
| Parking Garage | \$558 | -50.7% |
| Amusement | \$1,810 | 0.5% |
| Private Office | \$5,830 | -35.1% |
| Government Office | \$1,503 | -34.4% |
| Laboratory | \$1,463 | -21.3% |
| Warehouse | \$1,146 | 32.2% |
| Miscellaneous Commercial | \$3,302 | 112.0% |
| COMMERCIAL | \$25,129 | -25.8% |
| INDUSTRIAL (Manufacturing) | \$1,511 | 0.4% |
| Religious | \$960 | -13.1% |
| Hospital/Clinic | \$8,100 | 12.7% |
| Nursing/Assisted Living | \$1,435 | 32.5% |
| Library/Museum | \$1,411 | -0.2% |
| Police/Courthouse/Prison | \$2,288 | -12.8% |
| Military | \$1,307 | -37.9% |
| School/College | \$18,257 | -11.4% |
| Miscellaneous Government | \$2,255 | 29.2% |
| INSTITUTIONAL | \$36,013 | -4.9% |
| Miscellaneous Non-residential | \$958 | 23.2% |
| NON-RESIDENTIAL BUILDING | \$63,611 | -14.0% |
| Airport | \$1,279 | 207.1% |
| Road/Highway | \$13,109 | -1.3% |
| Bridge | \$4,451 | 28.0% |
| Dam/Marine | \$650 | 55.9% |
| Water/Sewage | \$7,939 | 2.1% |
| Miscellaneous Civil | \$6,249 | 45.1% |
| HEAVY ENGINEERING | \$33,677 | 13.5% |
| TOTAL NON-RESIDENTIAL | \$97,288 | -6.2% |

Source: Reed Construction Data (RCD) and Property & Portfolio Research (PPR) (www.ppr.info).
Table: Reed Research Group and 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.