

Construction Industry Snapshot

Prepared by Reed Construction Data

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Construction Starts Drop 6% in February

Reed Construction Data (RCD) announced today that the year-to-date value of construction starts through February 2009, excluding residential contracts, totaled \$41.7 billion, 12.6% more than in the first two months of 2008. Starts in the individual month of February fell 6% from January following a 23% drop in January versus December.

About half of January's huge decline was reversed in February, allowing for the typically steep seasonal decline at this time of year. February starts, allowing for seasonality, were about 12% below November. However, note that project costs declined over this period, mostly for road and heavy projects.

The starts data through February includes: (1) the impact of the September 2008 credit freeze; (2) much, but not most, of the impact of the deeper recession that it set off; and (3) little, if any, of the impact of the \$800 billion additional federal spending approved in mid-February.

Another 1% or larger drop in job-site construction spending is expected in February as contractors slow or suspend work on projects already started. This is assured by the 104,000 construction workers laid-off last month.

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 RSMean's building cost models.

The Northeast has a 26% year-to-date gain in project starts, followed by the South (19%), the Midwest (11%) and the West (-4%).

Heavy project starts rose 10% in February, primarily for power plants and bridges. Seasonality typically drops heavy starts more than 20% in February. Non-residential building project starts fell 13% to the lowest level since early 2004.

Starts of commercial buildings were approximately unchanged in February while institutional starts fell 21%, with an increase only for hospital projects. Strong February commercial starts were due entirely to a recovery in retail projects from an unusually low January. Nonetheless, commercial construction is expected to decline faster than institutional construction at least into the spring.

Jim Haughey

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

	Jan-Feb 2009 (\$ millions)	% Change (Jan-Feb 09 vs Jan-Feb 08)
Hotel/Motel	\$1,022	-45.9%
Retail	\$3,133	-13.2%
Parking Garage	\$230	-43.3%
Amusement	\$613	-34.0%
Private Office	\$2,892	9.7%
Government Office	\$714	66.1%
Laboratory	\$215	-58.5%
Warehouse	\$669	107.1%
Miscellaneous Commercial	\$1,810	240.9%
COMMERCIAL	\$11,298	0.2%
INDUSTRIAL (Manufacturing)	\$534	-23.9%
Religious	\$481	1.9%
Hospital/Clinic	\$3,359	22.9%
Nursing/Assisted Living	\$600	62.7%
Library/Museum	\$788	66.7%
Police/Courthouse/Prison	\$663	-34.7%
Military	\$508	-65.8%
School/College	\$7,795	10.7%
Miscellaneous Government	\$905	41.8%
INSTITUTIONAL	\$15,099	6.1%
Miscellaneous Non-residential	\$512	50.8%
NON-RESIDENTIAL BUILDING	\$27,443	3.4%
Airport	\$127	285.6%
Road/Highway	\$5,238	6.2%
Bridge	\$1,796	93.9%
Dam/Marine	\$271	141.0%
Water/Sewage	\$3,711	17.9%
Miscellaneous Civil	\$3,118	131.8%
HEAVY ENGINEERING	\$14,261	35.8%
TOTAL NON-RESIDENTIAL	\$41,704	12.6%

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.