

# Construction Industry Snapshot

Prepared by Reed Construction Data

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## CONSTRUCTION STARTS CONTINUE TO DECLINE

Reed Construction Data (RCD) announced today that the year-to-date value of construction starts through April 2008, excluding residential contracts, totaled \$83.5 billion, down 9.3% from the same period in 2007. Starts decreased 5.7% in April from a very strong March total. Allowing for seasonality, the trend has been clearly and slowly downward since last fall. RCD expects the current trend to continue for at least several more months even though rapidly rising construction inflation is boosting project costs.

The starts estimates are a summary from the Reed Construction Data project database. Unreported contract values were estimated using RSMeans' building cost models.

The largest declines in starts early in 2008 are for manufacturing, warehouses, nursing homes, bridges and miscellaneous heavy engineering projects. Starts of commercial construction projects are down 12% through April compared to the same period last year. Starts of all other non-residential projects are only 2% below a year ago through the first four months of 2008.

These declines have been partly offset by 35% or higher growth in starts for public offices, parking garages, laboratories and libraries and museums. Financing for each of these expanding markets was largely isolated from the recent credit access and cost problems. Each of these projects is being paid for with 2007 taxes collected on 2006 incomes. The recession in these spending areas has not hit yet, but will later this year.

Heavy construction starts are down 11.2% year to date. The key restraints on spending are: surging project costs, especially for energy-based products and metals; eroding public budget reserves as tax collections weaken; and, declining receipts in highway trust funds that rely primarily on flat rate fuel taxes. While the expected faster economic growth later this year will quickly boost commercial construction starts, it will not quickly provide additional funds for heavy construction projects.

If the current recession is as brief and mild as now expected, construction starts will be rising by year end and rising enough to cover construction inflation by next spring. ♦

*Jim Haughey*

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

	Jan-Apr 2008 (\$ millions)	% Change (Jan-Apr 08 vs Jan-Apr 07)
Hotel/Motel	\$4,701	-9.3%
Retail	\$8,150	-19.4%
Parking Garage	\$1,203	77.7%
Amusement	\$1,645	2.7%
Private Office	\$7,267	-19.8%
Government Office	\$1,661	100.1%
Laboratory	\$1,427	65.1%
Warehouse	\$696	-53.0%
Miscellaneous Commercial	\$1,152	-38.2%
<b>COMMERCIAL</b>	<b>\$27,902</b>	<b>-11.9%</b>
<b>INDUSTRIAL (Manufacturing)</b>	<b>\$1,739</b>	<b>-47.2%</b>
Religious	\$967	-1.8%
Hospital/Clinic	\$6,494	3.3%
Nursing/Assisted Living	\$930	-41.0%
Library/Museum	\$1,170	36.0%
Police/Courthouse/Prison	\$1,994	22.5%
Military	\$1,764	116.3%
School/College	\$15,742	-7.3%
Miscellaneous Government	\$1,167	-20.9%
<b>INSTITUTIONAL</b>	<b>\$30,228</b>	<b>-1.2%</b>
Miscellaneous Non-residential	\$556	0.5%
<b>NON-RESIDENTIAL BUILDING</b>	<b>\$60,425</b>	<b>-8.6%</b>
Airport	\$170	-54.1%
Road/Highway	\$9,880	2.1%
Bridge	\$2,296	-34.1%
Dam/Marine	\$313	-13.4%
Water/Sewage	\$7,255	-0.3%
Miscellaneous Civil	\$3,129	-34.4%
<b>HEAVY ENGINEERING</b>	<b>\$23,043</b>	<b>-11.2%</b>
<b>TOTAL NON-RESIDENTIAL</b>	<b>\$83,468</b>	<b>-9.3%</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.