

Construction Industry Snapshot

Prepared by Reed Construction Data

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September construction starts decline seasonally

Reed Construction Data (RCD) announced today that the year-to-date value of construction starts through September 2009, excluding residential contracts, totaled \$184.7 billion, 12.8% less than in the same period in 2008. Individual month of September starts were 20.1% lower than in August so the September decline was about 7% after seasonal adjustment. Nonetheless, the starts trend has recently improved after the plunge in June. Starts averaged 5% higher in July-September than in the same period last year. Including the depressed June starts, the seasonally adjusted starts trend is approximately stable so far this year.

This is the net of rising starts for heavy projects and declining starts for non-residential building projects, especially developer-financed projects. The current trend is consistent with the RCD forecast which expects construction spending to dip slightly more into the winter and then recover slowly. The RCD starts forecast expects little change well into next year with a turn to expansion later in 2010.

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 only significant gains in September from August were for nursing homes (+112%), hospitals (+42%) and retail (+26%). The nursing home surge appears to be seasonal and the hospital and retail gains are rebounds from an unusually weak August. These September jumps do not change the expected near-term trend in these markets.

The three key targeted markets under the Stimulus Plan all declined sharply in September. Bridge starts were down 63% from August. Highway starts fell 30% and water/sewer starts dropped 23%. But these dips are the usual seasonal decline at the end of the summer and do not suggest that stimulus funding for heavy projects has peaked, although a peak is expected later this year.

Both manufacturing and miscellaneous civil starts remained very high again in September due to energy-related projects including power generation and distribution, oil and gas field facilities and refinery retrofitting to produce cleaner fuels. Manufacturing starts tripled from August to the largest total in more than two years. ♦

Jim Haughey

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

	Jan-Sept 2009 (\$ millions)	% change (Jan-Sept 09 vs Jan-Sept 08)
Hotel/motel	\$3,808	-56.7%
Retail	\$11,622	-40.7%
Parking garage	\$930	-55.0%
Amusement	\$4,222	-0.4%
Private office	\$8,880	-42.6%
Government office	\$2,781	-39.4%
Laboratory	\$2,517	-15.7%
Warehouse	\$1,750	-16.2%
Miscellaneous commercial	\$5,211	42.6%
COMMERCIAL	\$41,721	-34.3%
INDUSTRIAL (manufacturing)	\$3,241	1.3%
Religious	\$1,798	-27.1%
Hospital/clinic	\$15,075	-4.6%
Nursing/assisted living	\$2,497	-1.0%
Library/museum	\$2,230	-8.0%
Police/courthouse/prison	\$4,086	-25.8%
Military	\$2,285	-49.0%
School/college	\$38,171	-13.7%
Miscellaneous government	\$4,256	-2.0%
INSTITUTIONAL	\$70,398	-13.9%
Miscellaneous non-residential	\$1,772	17.0%
NON-RESIDENTIAL BUILDING	\$117,132	-21.9%
Airport	\$2,410	48.6%
Road/highway	\$27,282	4.7%
Bridge	\$8,770	40.1%
Dam/marine	\$1,961	42.6%
Water/sewage	\$15,767	-6.5%
Miscellaneous civil	\$11,331	17.1%
HEAVY ENGINEERING	\$67,521	9.1%
TOTAL NON-RESIDENTIAL	\$184,653	-12.8%

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.