

Construction Industry Snapshot

Prepared by Reed Construction Data

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CONSTRUCTION STARTS RECOVER IN AUGUST

Reed Construction Data (RCD) announced today that the year-to-date value of construction starts through August 2008, excluding residential contracts, totaled \$194.4 billion, a 4.2% drop versus the same period last year. The individual month of August was 40% above the depressed July total. Averaged together, the July-August level was only 1% above the June total. Starts remain consistent with RCD's outlook for little change in nominal values, but continued erosion through early next year on an after-inflation basis at about a 3% to 5% annual pace.

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 weakest markets year to date are manufacturing, nursing homes, bridges, retail and private offices. Religious, hotel, highway, warehouse and water/sewer starts are also down in the first eight months of this year compared with the same time frame last year. Among larger markets, starts are higher year to date for public offices, laboratories, amusement and recreation and libraries/museums.

Starts remain high and continue to rise in institutional markets where they depend on accumulated funds on hand from the strong economy in 2004 through 2007. But starts have declined and continue to weaken in commercial markets that are dependent on access to credit and prospective investment returns. Profit prospects for commercial projects are expected to weaken further into early next year as GDP growth dips further from the recent 2% to an expected 1% annual rate.

The current dollar value of August starts in both commercial and institutional markets reached a record high level due to the rapid rise in construction materials prices so far this year.

Heavy project starts in August improved modestly from the May-July level but are essentially unchanged from last summer in spite of the nearly 20% rise in construction materials costs for heavy projects over the last year. Not yet in the data, highway construction starts are set to be severely restrained beginning in September when the cash-short Federal Highway Fund begins to ration payouts in line with current fuel tax receipts. ♦

Jim Haughey

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

	Jan-Aug 2008 (\$ millions)	% Change (Jan-Aug 08 vs Jan-Aug 07)
Hotel/Motel	\$8,428	-8.0%
Retail	\$17,635	-21.5%
Parking Garage	\$1,591	7.2%
Amusement	\$4,479	13.1%
Private Office	\$13,774	-14.4%
Government Office	\$4,412	103.9%
Laboratory	\$2,865	22.5%
Warehouse	\$1,806	-25.4%
Miscellaneous Commercial	\$3,389	9.8%
COMMERCIAL	\$58,379	-7.6%
INDUSTRIAL (Manufacturing)	\$3,410	-47.8%
Religious	\$1,891	-15.4%
Hospital/Clinic	\$14,695	9.3%
Nursing/Assisted Living	\$2,359	-32.0%
Library/Museum	\$2,306	35.2%
Police/Courthouse/Prison	\$4,670	9.4%
Military	\$4,112	15.5%
School/College	\$40,698	1.6%
Miscellaneous Government	\$3,678	16.7%
INSTITUTIONAL	\$74,409	3.5%
Miscellaneous Non-residential	\$1,387	-20.5%
NON-RESIDENTIAL BUILDING	\$137,585	-4.0%
Airport	\$1,541	34.8%
Road/Highway	\$23,402	-4.8%
Bridge	\$5,650	-30.9%
Dam/Marine	\$1,331	64.3%
Water/Sewage	\$14,969	-2.2%
Miscellaneous Civil	\$9,896	4.6%
HEAVY ENGINEERING	\$56,789	-4.5%
TOTAL NON-RESIDENTIAL	\$194,374	-4.2%

Source: Reed Construction Data (RCD) and Property & Portfolio Research (PPR) (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.