



Visit us at: www.construction.com

Two Penn Plaza, 9th Floor
New York, NY 10121-2298

NEWS RELEASE

July Construction Rebounds 7 Percent

New York, N.Y. – August 20, 2010 – The value of new construction starts in July advanced 7% to a seasonally adjusted annual rate of \$411.2 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Nonresidential building continued to see improvement after extremely depressed activity earlier in the year, and nonbuilding construction bounced back following its June slide. Both sectors in July were lifted by the start of several massive projects. Meanwhile, residential building lost momentum in July, as the housing recovery paused for an additional month. For the January-July period of 2010, total construction starts on an unadjusted basis came in at \$238.0 billion, down 4% compared to a year ago.

The July statistics produced a reading of 87 for the Dodge Index (2000=100), up from a revised 81 for June. “The pace of contracting over the past year has essentially stabilized at a low level, and July showed activity moving back up towards the middle of its recent range, following June’s weak performance,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction.

“Nonresidential building seems to be leveling off after the substantial declines witnessed over the past year, and in a few cases projects that were deferred are now reaching groundbreaking. Still, given the negatives of tight bank lending, sluggish employment, and the diminished fiscal position of states and localities, a sustained recovery for nonresidential building remains several quarters away, at least. The public works sector continues to show generally healthy activity, supported by financing from ongoing federal programs as well as stimulus funds. The housing sector right now is in the midst of a pause from the earlier improvement shown during the latter half of 2009 through the first quarter of 2010. In effect, the volume of total construction starts appears to be in the process of ‘turning the corner,’ after the steep decline reported in 2009, but the turn is assuming an extended U-shaped pattern.”

Nonresidential building in July increased 3% to \$160.0 billion (annual rate), moving up for the third straight month after very weak activity in April. July’s pace for nonresidential building was still quite low by recent standards – down 4% from the monthly average for 2009, as well as down 33% from the monthly average for the peak year 2008. Most of the lift to July’s nonresidential total came from the

office category, which soared 130% as the result of \$1.3 billion related to the resumption of work on World Trade Center Tower 3 in lower Manhattan NY. This project had been originally entered as a construction start back in January 2008, but was subsequently put on hold and removed from the construction start statistics (except for \$115 million estimated for site work). The month of July also included \$110 million estimated for work on World Trade Center Tower 2, related to bringing this structure from foundation up to grade level. The entire Tower 2 was originally entered as a construction start back in February 2008 (valued at \$1.4 billion), before delays caused this project to be removed from the construction start statistics. Aside from these two World Trade Center projects, July's office construction included groundbreaking for a \$150 million data center in Santa Clara CA, continuing the strong showing for data center projects over the past year. Support for nonresidential building in July also came from a 3% gain for healthcare facilities. This reflected the start of four large hospital projects, located in Indiana (\$546 million and \$135 million), Kentucky (\$275 million), and Virginia (\$128 million).

Most of the other nonresidential structure types showed flat-to-declining activity in July. On the commercial side, July reductions were registered by stores, down 6%; warehouses, down 13%; and hotels, down 38%. On the institutional side, the educational building category was able to hold steady in July, helped by groundbreaking for such projects as a \$188 million high school in New York NY and a \$100 million renovation to a university building in Seattle WA. The public buildings category in July slipped 6%, while steeper declines were reported for transportation terminals, down 19%; and amusement-related work, down 52%. The manufacturing plant category in July retreated a moderate 7% after a substantial 57% increase in June. Several large projects in July cushioned the manufacturing pullback, including \$418 million for a plant in Kansas City MO owned by the National Nuclear Security Administration and the U.S. General Services Administration that would assemble non-nuclear components for nuclear weapons. Another large project entered as a July start was a \$110 million expansion to a plant in Smyrna TN that produces batteries for electric cars.

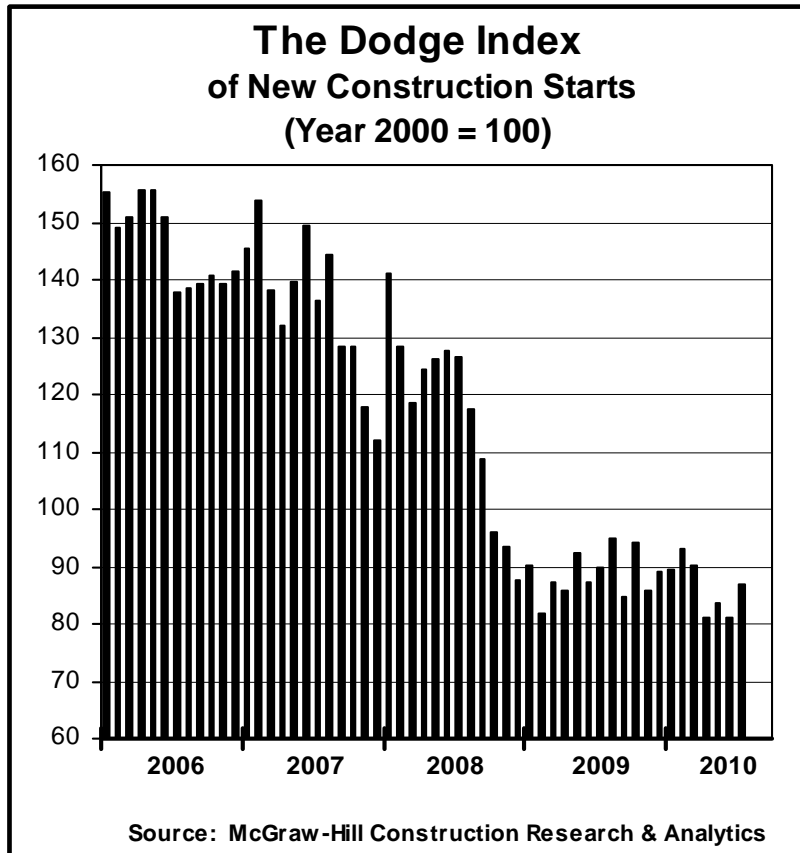
Nonbuilding construction, at \$138.3 billion (annual rate), jumped 25% in July after falling 14% in June. The volume of new bridge projects that reached the construction start stage was particularly strong in July, soaring 89%. Helping to boost the bridge total in July were several large renovation projects, including \$508 million for reconstruction of the approaches, spans, and ramps of the Brooklyn Bridge in New York NY; \$149 million for deck rehabilitation for the Tappan Zee Bridge in Westchester and Rockland Counties, NY; and \$93 million for reconstruction of the Newark Bay Bridge in Newark NJ. Highway

construction also showed greater activity in July, rising 12%. Through the first seven months of 2010, highways and bridges combined were up 5% compared to last year. The miscellaneous public works category, comprised of such diverse project types as site work, mass transit, and pipelines, climbed 71% in July, with July's boost coming from \$2.4 billion related to the expansion of the Gulf Coast oil pipeline in Florida and Alabama. Water supply construction also had a strong July, increasing 47%, reflecting the start of a \$270 million water desalination plant in California. In contrast, sewer systems and river/harbor development retreated in July from recent strength, posting respective declines of 21% and 37%. The electric utility category in July grew 6%, helped by the start of a \$247 million wind farm in New Hampshire and a \$139 million solar power plant in Colorado.

Residential building in July dropped 3% to \$112.9 billion (annual rate), settling back for the fourth month in a row. This sector had shown steady improvement from April 2009 through March 2010, but since then it has fallen 20%. Single family housing in July slipped 2%, a smaller decline than reported in the previous three months. Murray noted, "The recent loss of momentum for single family housing may be nearing its end. While homebuilding is still being adversely affected by the expiration of the homebuyer tax credits, combined with homebuyer uncertainty as the result of the fragile economy, very low mortgage rates should soon lead to a pickup in homebuyer demand." During the first seven months of 2010, single family housing in dollar terms maintained a 19% lead over 2009, as the result of this behavior by major region – the South Atlantic, up 24%; the Northeast, up 23%; the Midwest, up 21%; the West, up 19%; and the South Central, up 13%. Multifamily housing in July dropped 8%, continuing to slip back after the improvement shown earlier in 2010. The largest multifamily project reported as a July start was relatively small in scope – a \$40 million graduate student housing facility in Baltimore MD.

The 4% decline for total construction starts on an unadjusted basis during the first seven months of 2010 was due to a mixed performance by sector. Nonresidential building fell 14% year-to-date, as the result of this pattern by segment – commercial building, down 23%; manufacturing building, down 43%; and institutional building, down 8%. Nonbuilding construction decreased 7% year-to-date; with public works slipping 2% while electric utilities plunged 35%. Residential building was the one major sector able to show year-to-date growth, rising 15%. By geography, total construction starts during the first seven months of 2010 compared to last year were reported as follows – the Northeast, up 8%; the South Central, down 1%; the Midwest, down 5%; the South Atlantic, down 6%; and the West, down 13%.

July 2010 Construction Starts



About McGraw-Hill Construction

McGraw-Hill Construction connects people, projects, and products across the design and construction industry. From project and product information to industry news, trends and forecasts, the company provides industry players the tools, resources, and applications that help them save time, money, and energy. Backed by the power of Dodge, Sweets, Architectural Record, Engineering News-Record (ENR), and its Regional Publications, McGraw-Hill Construction serves more than one million customers within the \$5.6 trillion global construction community. For more information, visit www.construction.com.

JULY 2010 CONSTRUCTION STARTS

MONTHLY SUMMARY OF CONSTRUCTION STARTS

Prepared by McGraw-Hill Construction Research & Analytics

MONTHLY CONSTRUCTION STARTS
Seasonally Adjusted Annual Rates, In Millions of Dollars

	<u>July 2010</u>	<u>June 2010</u>	<u>% Change</u>
Nonresidential Building	\$159,994	\$156,067	+3
Residential Building	112,897	116,466	-3
Nonbuilding Construction	<u>138,282</u>	<u>110,235</u>	<u>+25</u>
TOTAL Construction	\$411,173	\$382,768	+7

THE DODGE INDEX

(Year 2000=100, Seasonally Adjusted)

July 2010.....87

June 2010.....81

YEAR-TO-DATE CONSTRUCTION STARTS
Unadjusted Totals, In Millions of Dollars

	<u>7 Mos. 2010</u>	<u>7 Mos. 2009</u>	<u>% Change</u>
Nonresidential Building	\$87,192	\$101,529	-14
Residential Building	72,985	63,331	+15
Nonbuilding Construction	<u>77,777</u>	<u>83,456</u>	<u>-7</u>
TOTAL Construction	\$237,954	\$248,316	-4

###