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NEWS RELEASE

New Construction Starts in December Decline 3 Percent; Annual Total for 2011 Slips 2 Percent to \$421 Billion

New York, N.Y. – January 23, 2012 – New construction starts in December fell 3% to a seasonally adjusted annual rate of \$410.0 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Nonresidential building in December held steady with the prior month, and residential building was able to show modest improvement. However, the nonbuilding construction sector lost momentum in December, as electric utilities retreated from the record pace witnessed earlier in the year. For all of 2011, total construction starts slipped 2% to \$421.4 billion, following the slight 1% gain reported for 2010. After the steep declines reported during the 2007-2009 period, when activity dropped a combined 38%, the overall volume of new construction starts has essentially stabilized at a low level during the past two years.

The December statistics produced a reading of 87 for the Dodge Index (2000=100), down from November's revised 89. For all of 2011, the Dodge Index averaged 89. "The pace of new construction starts continues to fluctuate within a set range, showing stability in a broad sense but not yet making the transition to renewed expansion," stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. "Gains for a few project types are being offset by continued weakness for other project types, with the result that total construction is experiencing an extended bottom. During 2011, stronger activity was reported for multifamily housing, manufacturing plants, electric utilities, and even some commercial property types (hotels and warehouses). These gains were countered by further declines for the publicly-financed parts of the construction industry, institutional building and public works, as well as by more weakness for single family housing. For 2012, it's expected that there will also be a mixed pattern by project type. The pluses may be able to outweigh the minuses, should the recent pickup in employment growth be accompanied by greater real estate lending by the banking industry, but this year will also see the constraint of diminished federal and state funding support for construction programs."

Nonresidential building in December, at \$142.6 billion (annual rate), was essentially unchanged from November. The institutional categories featured a 9% gain for education-related construction, helped by the December start of a \$140 million medical research facility in Houston TX and an \$83 million high school in Washington DC. The depressed public buildings category showed a brief upturn in December, climbing 118% due to groundbreaking for a \$512 million detention facility complex in Stockton CA. Transportation terminal work in December jumped 98%, reflecting the start of a \$125 million airport terminal renovation project at Dallas-Ft.Worth International Airport. Moving in the opposite direction for December were healthcare facilities, down 55%; and recreation-related projects, down 12%. Church construction in December was unchanged from the previous month. The commercial categories in December were led by a large gain for hotels, up 65%, with the lift coming from the start of a \$70 million hotel in Chicago IL and a \$45 million hotel renovation in Boston MA. Greater activity was also reported for warehouses, up 42%; and stores, up 4%; but office construction retreated 26%. The manufacturing plant category in December did include the start of several large projects, such as a \$388 million oil refinery in Washington state, but for the month this category was still down 3%.

For 2011 as a whole, nonresidential building dropped 4% to \$154.8 billion, the same as the 4% retreat for 2010 but less severe than the 30% plunge back in 2009. Most of the downward pull in 2011 came from the institutional sector, which fell 14%. The two largest institutional categories, educational buildings and healthcare facilities, registered moderate declines of 12% and 9%, respectively. More substantial declines were posted by the smaller institutional categories – public buildings, down 14%; churches, down 15%; recreation-related projects, down 18%; and transportation terminals, down 29%. The commercial sector in 2011 registered a 6% gain in dollar terms, a noteworthy change following the declines of 12% in 2010 and 42% in 2009. The upward push for the commercial sector in 2011 came from hotels, up 51%; and warehouses, up 18%; with both showing improvement from extremely depressed activity in 2010. While stores and offices continued to lose momentum in 2011, with respective shortfalls of 1% and 6%, the declines were considerably more gradual than what occurred during the previous three years. Manufacturing plant construction in 2011 surged 61%, reflecting both a broad-based upturn for this category as well as the boost coming from several massive projects, which included a \$3.0 billion coal-to-gasoline plant and two large semiconductor plants.

Residential building in December edged up 2% to \$144.4 billion (annual rate), the result of a 2% gain for single family housing while multifamily housing held steady with its heightened amount of the previous month. After weakening during the first half of 2011, single family housing during the second half of the year showed

modest gains, such that the rate in December was 9% above the average monthly pace for the prior year. Multifamily housing in December was helped by the start of several large projects, including \$144 million for the multifamily portion of a mixed-use project in Washington DC and \$129 million for the multifamily portion of a mixed-use project in Boston MA.

The 2011 amount for residential building came in at \$123.4 billion, up 2% from the previous year, and barely maintaining the upward momentum that began in 2010 with an 8% increase. Single family housing in 2011 retreated 2% in dollar terms, following the 6% gain during 2010 that reflected the lift to housing demand coming from the homebuyer tax credits that year. The regional pattern for single family housing in 2011 showed declines in four of the five major regions – the Northeast, down 15%; the Midwest, down 5%; the West, down 2%; and the South Central, down 1%. The South Atlantic was the one region able to post a 2011 increase for single family housing, rising 2% in dollar terms. Multifamily housing in 2011 jumped 22%, continuing the upward trend that began in 2010 with an 18% increase. The regional pattern for multifamily housing in 2011 showed growth for all five major regions – the Midwest, up 5%; the South Central, up 14%; the Northeast, up 20%; the West, up 35%; and the South Atlantic, up 36%. Murray noted, “The emerging if hesitant upturn for residential building is being led by multifamily housing this time, in contrast to previous cyclical upturns when single family housing led the way. The momentum shown by multifamily housing in 2011 should continue during 2012, due to its favored status by the real estate finance community. Given the slight improvement over the course of 2011, single family housing might also be able to see growth during 2012, although the level of activity will still remain quite weak compared to what was being reported for much of the previous decade.”

Nonbuilding construction in December dropped 10% to \$122.9 billion (annual rate), continuing to slide back after the robust contracting reported during September and October. Electric utility construction in December plunged 50%, even with the start of several noteworthy projects – a \$450 million power line project in Minnesota, a \$232 million wind farm in Michigan, a \$210 million wind farm in Washington state, and a \$182 million gas-fired cogeneration plant in Michigan. The pace for new electric utility starts in December was the slowest for 2011, providing some indication that this category is now beginning to settle back after the exceptional activity reported for most of the year. The public works categories in December generally showed some strengthening, with highway and bridge construction up 4%, water supply systems up 5%, sewers up 8%, and “miscellaneous public works” (which includes mass transit and site work) up 10%. The miscellaneous public works category in December was supported by \$514 million for work on the Number 7 Line subway

extension project in New York NY. River/harbor development was the one public works category which retreated in December, slipping 2%.

For the full year 2011, nonbuilding construction decreased 3% to \$143.2 billion. The public works sector overall was down 15%, with declines across most categories. Highway and bridge construction dropped 6%, reflecting waning support from the federal stimulus act. The previous two years had seen expansion for highway and bridge construction, with 2009 up 8% and 2010 up 3%, as the result of the lift coming from the stimulus funds. Sewer construction in 2011 retreated 3%, while water supply projects fell a more substantial 17%, due to diminished federal and state financing. The miscellaneous public works category in 2011 plummeted 44%, as the result of a sharply reduced amount of new pipeline starts. At the same time, river/harbor development projects in 2011 were able to hold steady with the previous year. Running counter to the mostly weaker activity for public works in 2011 was a 46% surge for electric utility construction, which achieved a new annual high in current dollar terms. In particular, sharp expansion was reported for solar and wind power facilities, boosted by federal tax incentives which expired at the end of 2011.

The 2% decline for total construction starts at the national level during 2011 was the result of mixed behavior at the five region level. Decreased activity for total construction was shown by three regions – the South Central, down 4%; the Midwest, down 9%; and the Northeast, down 12%. Increased activity for total construction was reported for two regions – the South Atlantic and the West, each up 6%, with substantial gains for new electric utility starts helping the total construction amount for each region.

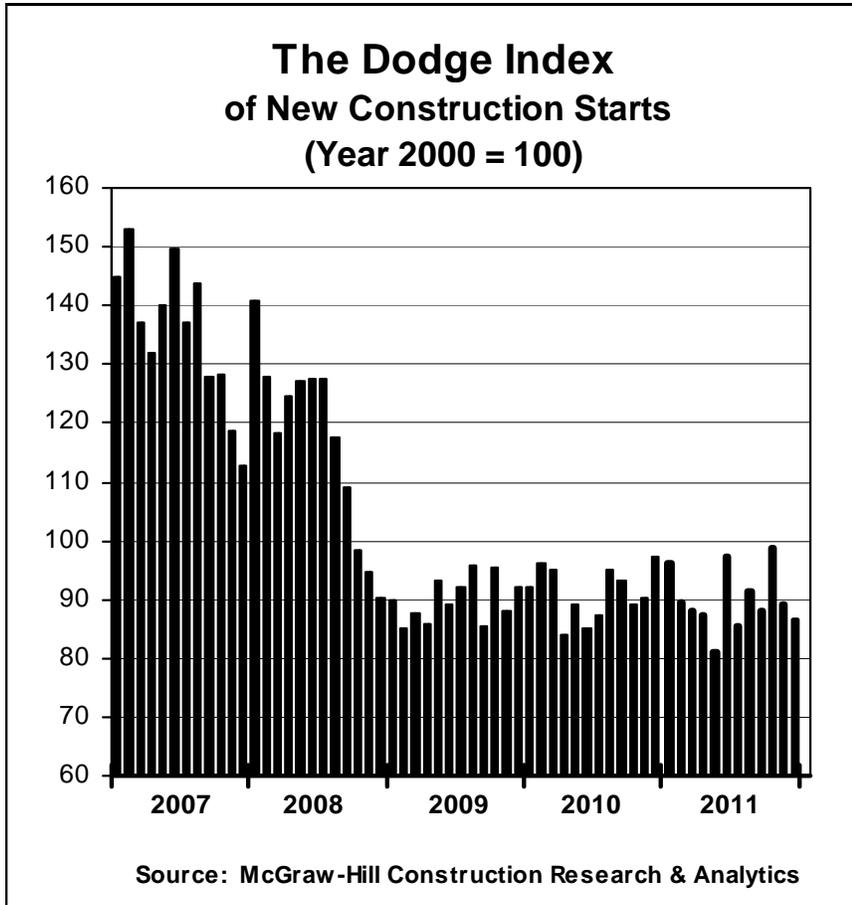
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December 2011 Construction Starts



DECEMBER 2011 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>December 2011</u>	<u>November 2011</u>	<u>% Change</u>
Nonresidential Building	\$142,646	\$142,421	-0-
Residential Building	144,417	141,871	+2
Nonbuilding Construction	<u>122,917</u>	<u>136,850</u>	<u>-10</u>
TOTAL Construction	\$409,980	\$421,142	-3

THE DODGE INDEX

(Year 2000=100, Seasonally Adjusted)

December 2011.....87

November 2011.....89

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

	<u>12 Mos. 2011</u>	<u>12 Mos. 2010</u>	<u>% Change</u>
Nonresidential Building	\$154,782	\$161,994	-4
Residential Building	123,444	121,155	+2
Nonbuilding Construction	<u>143,195</u>	<u>148,088</u>	<u>-3</u>
TOTAL Construction	\$421,421	\$431,237	-2

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