

Construction Industry Snapshot

Prepared by Reed Construction Data

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CONSTRUCTION STARTS INCREASE IN MAY

Reed Construction Data (RCD) announced today that the year-to-date value of construction starts through May 2008, excluding residential contracts, totaled \$110.4 billion, 5.9% less than in the same period last year. Commercial starts are down 8% year to date compared to the same period last year, heavy engineering starts are down 7% and institutional starts are 1% higher. As for the individual month of May, total non-residential starts are 27% higher than in April and 9% above last May.

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 with RSMears' building cost models.

The May versus April surge in starts was for education, retail, highway and water/sewer projects. While each of these sectors is expected to shrink on an inflation-adjusted basis this year, each was randomly higher in May. The most significant decline was in manufacturing, but this was only back to trend after an unusually strong April.

The starts trend has clearly changed in the last few months. Starts were down 6.2% from a year ago from September to February, but have been even with year-ago totals over the last three months. Reed Construction Data interprets the recent pickup as the end of the financial constraint on new commercial projects that spilled over from the residential market. Ahead, starts in June to August, while not slipping, are likely to appear weak compared to the exaggerated peak in starts last summer.

The May surge in starts is consistent with an earlier report from the U.S. Labor Department that contractors laid off 34,000 workers in May, the smallest job cut in many months.

2008 starts reports need to be interpreted with caution because they incorporate the recent spike in construction materials prices, up at a 15% annual pace in the first part of the year. The increase in construction material prices is likely to continue at a double-digit pace at least into the summer. But unlike the last cost surge in 2004, this time wage rate gains and contractor margins are ebbing as total construction activity continues to decline.♦

Jim Haughey

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

	Jan-May 2008 (\$ millions)	% Change (Jan-May 08 vs Jan-May 07)
Hotel/Motel	\$5,519	-14.8%
Retail	\$11,000	-13.9%
Parking Garage	\$1,391	63.2%
Amusement	\$2,048	-5.6%
Private Office	\$9,153	-14.0%
Government Office	\$2,317	100.6%
Laboratory	\$1,860	29.0%
Warehouse	\$981	-41.1%
Miscellaneous Commercial	\$1,910	-9.3%
COMMERCIAL	\$36,179	-7.9%
INDUSTRIAL (Manufacturing)	\$2,177	-45.4%
Religious	\$1,174	-7.6%
Hospital/Clinic	\$7,797	-2.1%
Nursing/Assisted Living	\$1,217	-37.8%
Library/Museum	\$1,432	27.4%
Police/Courthouse/Prison	\$2,677	29.7%
Military	\$2,104	116.4%
School/College	\$21,244	-1.9%
Miscellaneous Government	\$1,839	-8.5%
INSTITUTIONAL	\$39,484	1.2%
Miscellaneous Non-residential	\$779	17.5%
NON-RESIDENTIAL BUILDING	\$78,619	-5.2%
Airport	\$421	-26.0%
Road/Highway	\$13,333	0.1%
Bridge	\$3,510	-28.7%
Dam/Marine	\$418	-14.1%
Water/Sewage	\$9,554	4.1%
Miscellaneous Civil	\$4,590	-21.9%
HEAVY ENGINEERING	\$31,826	-7.4%
TOTAL NON-RESIDENTIAL	\$110,445	-5.9%

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.