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## NEWS RELEASE

### January Construction Recedes 2 Percent

New York, N.Y. – February 21, 2012 – The value of new construction starts dropped 2% in January to a seasonally adjusted annual rate of \$402.2 billion, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Both nonresidential building and housing settled back from December, while the nonbuilding construction sector managed to register a modest gain with the help of a rebound for new electric utility starts. On an unadjusted basis, total construction starts in January were reported at \$27.0 billion, down 14% from the same month a year ago. For the twelve months ending January 2012 versus the twelve months ending January 2011, which lessens the volatility present in one-month comparisons, total construction starts were down 3%.

The January statistics lowered the Dodge Index to 85 (2000=100), compared to December's reading of 87. Over the course of 2011, the Dodge Index moved within the range of 81 to 101, with the average for last year coming in at 90. "For construction starts, the year 2012 got off slowly, with activity retreating further into the lower half of its recent range," stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. "This is consistent with the view that construction is still struggling to achieve upward momentum, even with the recent improvement shown by the U.S. economy. There were some positive signs for construction during 2011, such as a stronger volume for multifamily housing, a record high for new electric utility starts, and even gains for a few commercial structure types (hotels and warehouses). However, these positives were offset by declines for single family housing, public works, and institutional building. For 2012, both public works and institutional building will continue to be affected by diminished federal funding, as well as by tight state and local budgets. Single family housing may draw some benefit from the recent federal-state agreement with major banks to rework troubled mortgages, but homebuyer demand will still be restrained by more stringent bank lending standards, which limits any construction upturn. While multifamily housing appears on the upswing and commercial building seems to be turning the corner, both will require more available bank financing. There were some signs that this was taking place during the first half of 2011, before concerns about the debt crisis in Europe during the second half of 2011 caused banks to adopt a more wait-and see approach."

**Nonresidential building** in January slipped 1% to \$139.9 billion (annual rate). On the institutional side, weaker activity was reported for most of the structure types. The educational building category, which

fell 12% during 2011, dropped 3% in January relative to the previous month. There were several noteworthy education-related projects that reached groundbreaking in January, including three research and laboratory facilities in these locations – Baltimore MD (\$144 million), Boston MA (\$93 million), and Berkeley CA (\$86 million), but they were not enough to offset the downward trend for this category. In similar fashion, the public buildings category in January included the start of a large courthouse in San Bernardino CA (\$272 million) and a large detention facility in Detroit MI (\$220 million), but for the month contracting was still down 23%. Amusement-related projects and churches in January were each down 6%, while transportation terminal work dropped 36%. The one institutional structure type that registered a January gain was healthcare facilities, which soared 105% due to the start of a \$583 million replacement hospital in Denver CO.

On the commercial side, the recent upward trend for hotels and warehouses paused in January, with hotels down 16% and warehouses down 11%. The decline for hotels came despite the start of a \$180 million resort hotel in Lake Buena Vista FL and an \$87 million addition to a convention center hotel in Chicago IL. Store construction in January was able to move up 12% from its depressed December amount, and office construction advanced 20% with support coming from the January start of a \$113 million office building in Cambridge MA and an \$85 million data center in West Des Moines IA. The manufacturing plant category in January plunged 39%, sliding back from the improved activity that was reported during the fourth quarter of last year.

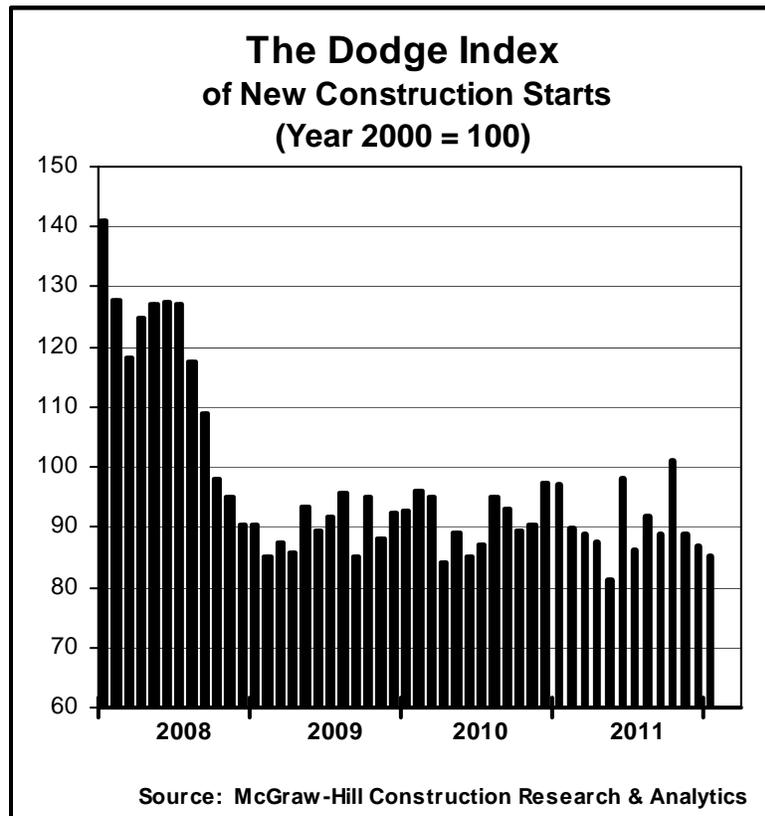
**Residential building**, at \$134.5 billion (annual rate), dropped 8% in January. Multifamily housing fell 26%, retreating from the elevated volume reported in December. January's amount for multifamily housing was still 5% above the average monthly pace for 2011 as a whole, a year in which the annual total for multifamily housing climbed 23%. The largest multifamily projects reported as January starts were the following – a \$90 million apartment village in San Jose CA, a \$78 million apartment building in Los Angeles CA, and a \$73 million university-related apartment complex in Washington DC. Single family housing in January settled back 1%, as the result of this regional pattern – the Midwest, down 4%; the South Atlantic, down 3%; the Northeast, down 2%; the West, up 1%; and the South Central, up 2%. Single family housing was able to show some gains during the latter months of 2011, with the average pace in last year's second half up 7% relative to the very weak first half, but Murray noted that "January's essentially flat activity indicates that single family housing has yet to move from what is still a very depressed level to even a modest recovery."

**Nonbuilding construction** in January increased 3% to \$127.9 billion (annual rate). Much of the upward lift came from electric utilities, which jumped 36% relative to a lackluster December. The electric utility category for 2011 as a whole surged 46%, reaching a new high in current dollar terms, although activity did slide back during the final two months of last year. Large electric utility projects that boosted contracting in January were a \$1.1 billion solar energy facility in California, a \$680 transmission line project in California, and a \$150 million wind farm in Indiana. The public works categories in January showed varied behavior. Highway and bridge construction dropped 9%, continuing to see the reduced activity that was present for much of 2011, in which the annual amount dropped 5% after stimulus-supported gains in the prior two years. Water supply construction in January was down 5%, while river/harbor development fell a more substantial 26%. January gains were posted by sewer construction, up 5%; and miscellaneous public works, up 18%. The miscellaneous public works category includes a diverse set of project types, such as site work and mass transit, and the January increase reflected these large projects – \$406 million for site work at a mining development in Michigan, \$234 million for a light rail project in California, and \$157 million for work on a commuter rail corridor in Florida.

The 14% decline for total construction on an unadjusted basis in January 2012 relative to January 2011 was due to this performance by major sector – nonresidential building, down 16%; residential building, up 17%; and nonbuilding construction, down 30%. Last year's January amount for nonbuilding construction featured several massive projects, including a \$2.5 billion solar power facility in California and \$2.1 billion for work on the LBJ Freeway in Dallas TX; the comparison to these projects contributed to the 30% year-over-year drop for nonbuilding construction. By region, total construction for January 2012 compared to January 2011 revealed decreased activity in the South Central, down 32%; the Northeast, down 28%; and the West, down 11%; while gains were reported for the South Atlantic, up 1%; and the Midwest, up 16%.

The 3% decline for total construction on a twelve-month moving total basis, meaning the twelve months ending January 2012 versus the twelve months ending January 2011, was due to this pattern by major sector – nonresidential building, down 4%; residential building, up 4%; and nonbuilding construction, down 8%. By region, the twelve months ending January 2012 showed the following behavior for total construction compared to the previous twelve months – the Northeast and Midwest, each down 9%; the South Central, down 8%; the West, up 2%; and the South Atlantic, up 9%.

## January 2012 Construction Starts



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**JANUARY 2012 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>January 2012</u>	<u>December 2011</u>	<u>% Change</u>
<b>Nonresidential Building</b>	\$139,854	\$140,868	-1
<b>Residential Building</b>	134,465	145,368	-8
<b>Nonbuilding Construction</b>	<u>127,879</u>	<u>124,256</u>	<u>+3</u>
<b>TOTAL Construction</b>	\$402,198	\$410,492	-2

**THE DODGE INDEX**

(Year 2000=100, Seasonally Adjusted)

January 2012.....85

December 2011.....87

**YEAR-TO-DATE CONSTRUCTION STARTS**

Unadjusted Totals, In Millions of Dollars

	<u>1 Mo. 2012</u>	<u>1 Mo. 2011</u>	<u>% Change</u>
<b>Nonresidential Building</b>	\$9,330	\$11,094	-16
<b>Residential Building</b>	8,747	7,475	+17
<b>Nonbuilding Construction</b>	<u>8,929</u>	<u>12,725</u>	<u>-30</u>
<b>TOTAL Construction</b>	\$27,006	\$31,294	-14

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