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NEWS RELEASE

January Construction Holds Steady

New York, N.Y. – February 28, 2006 – The value of new construction starts in January, at a seasonally adjusted annual rate of \$658.3 billion, was unchanged from December, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. The pattern of activity by major sector was varied – nonresidential building retreated, residential building stayed even with its December pace, and nonbuilding construction registered moderate growth. On an unadjusted basis, total construction in January was reported at \$46.0 billion, up 8% compared to the same month a year ago.

January's statistics produced a reading of 139 for the Dodge Index (2000=100), the same as the revised level for December. With the January release, the base year for the Dodge Index has been changed from 1996 to 2000. For all of 2005, the Dodge Index averaged 138 with the new 2000 base year.

“January's activity came in slightly above the average for 2005, which was a very healthy year for the construction industry,” stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. “The current year should see construction stay close to its 2005 volume, although the mix by major sector is expected to be somewhat different, as nonresidential building and public works pick up the slack from a slowing housing market. January showed a few, but not all, elements of this pattern that's expected to emerge as the current year proceeds.”

Nonresidential building in January decreased 3% to \$172.9 billion (annual rate). After showing a strengthening trend during the closing months of 2005, several of the institutional structure types retreated in January, with school construction down 16% and healthcare facilities down 43% from a very strong December. Even with the decline, the healthcare facilities category in January continued to see groundbreaking take place for major hospital projects, including a \$134 million project in Orlando FL and a \$90 million project in Mesa AZ. Murray noted, “Especially during the winter, the construction start statistics can be volatile on a month-by-month basis, and it's expected that school and healthcare facilities will soon regain the elevated pace witnessed towards the end of last year.” Other

institutional categories with January declines were public buildings, down 15%; and amusement-related work, down 22%, although the amusement category did include the start of the \$100 million Nokia Theater as part of the LA Live development in downtown Los Angeles. As for the commercial structure types, January showed reduced contracting for warehouses, down 10%; and hotels, down 50% from an exceptionally strong December.

On the plus side, nonresidential building in January featured a 105% jump for office construction. Boosting the January office total was groundbreaking for the massive Goldman Sachs headquarters in New York City, at an estimated construction cost of \$1.8 billion. Excluding the Goldman Sachs headquarters, office construction in January would still be able to hold steady with its moderately improved pace in December, as January also included the start of large office projects in Houston TX (\$90 million), Silver Spring MD (\$55 million), and Irvine CA (\$50 million). Other nonresidential categories posting January gains were transportation terminals, up 23%; churches, up 20%; manufacturing buildings, up 5%; and stores and shopping centers, up 1%.

Residential building in January, at \$373.7 billion (annual rate), was essentially the same as December. Single family housing edged up 1%, helped by warm winter weather in parts of the nation. Murray indicated, "While construction of single family homes picked up in January, much of the increase was weather-related, and weaker home sales in January supports the belief that homebuilding will gradually settle back over the course of 2006." Multifamily housing in January slipped 5%, marking the fourth decline in a row after this category reached a peak back in September. Despite recent declines, multifamily housing continues to be supported by high-rise condominiums, as January included the start of seven such projects valued each in excess of \$50 million. On a regional basis, residential building in January showed this performance relative to December – the Midwest, up 9%; the South Atlantic, unchanged; the South Central, down 2%; the West, down 3%; and the Northeast, down 5%.

Nonbuilding construction in January grew 7% to \$111.7 billion (annual rate). Of the public works categories, sewer construction showed the largest gain, rising 17%. Large sewer projects reaching the construction start stage were located in California (\$190 million), Arizona (\$105 million), Washington

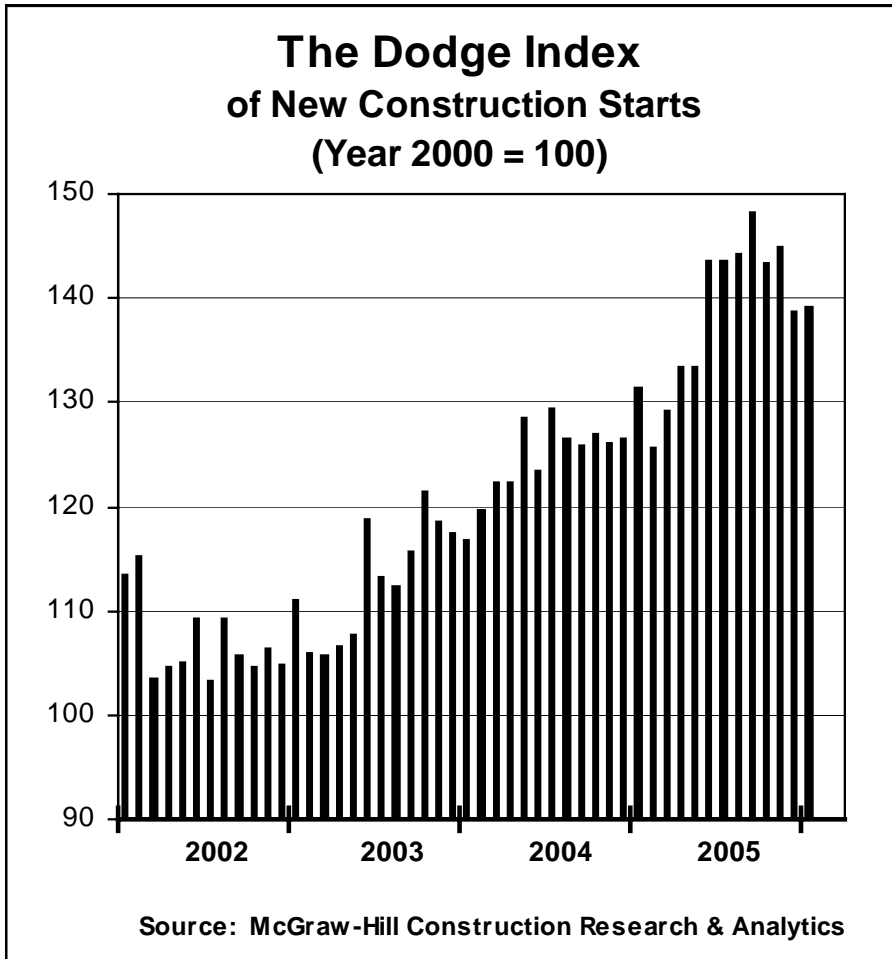
State (\$57 million), and Florida (\$47 million). Growth was also reported for mass transit and site work, up 13%; and water supply systems, up 12%. Rounding out the public works sector was river/harbor development, down 1%; highways, down 9%; and bridges, down 16%. The nonbuilding total in January also received a substantial boost from electric utilities, which soared 169%. The huge jump for electric utilities reflected the start of a \$900 million coal-fired power plant in Wisconsin.

The 8% gain reported for total construction on an unadjusted basis, for January 2006 relative to January 2005, was due to this pattern by major sector – nonbuilding construction, up 18%; residential building, up 7%; and nonresidential building, up 6%.

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January 2006 Construction Starts



JANUARY 2006 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 2006</u>	<u>December 2005</u>	<u>% Change</u>
Nonresidential Building	\$172,928	\$178,329	-3
Residential Building	373,685	373,561	--
Nonbuilding Construction	<u>111,687</u>	<u>104,060</u>	<u>+7</u>
TOTAL Construction	\$658,300	\$655,950	--

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(Year 2000=100, Seasonally Adjusted)

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

	<u>1 Mo. 2006</u>	<u>1 Mo. 2005</u>	<u>% Change</u>
Nonresidential Building	\$12,528	\$11,804	+6
Residential Building	25,845	24,206	+7
Nonbuilding Construction	<u>7,598</u>	<u>6,452</u>	<u>+18</u>
TOTAL Construction	\$45,971	\$42,462	+8

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