

Construction Industry Snapshot

Issued: November 2016
(based on October Starts Stats)

A Surprisingly Nice Surge in ConstructConnect's October Starts

ConstructConnect's October level of U.S. construction starts, excluding residential work, was **\$29.5 billion**, a surprisingly nice surge of **+15.1%** versus the level in the period before.

Usually between September and October there is a -4.0% drop due to seasonality.

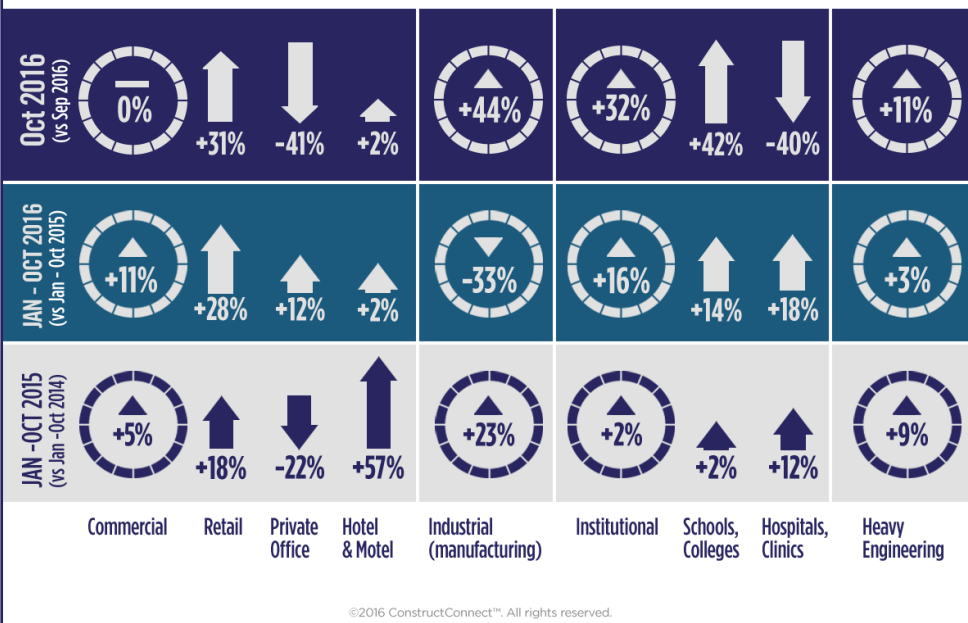


Contents

- Commentary and latest starts statistics.. 2
- INSIGHT** view of starts statistics 3
- “Top Ten” featured construction projects.. 4
- Trend graphs for 12 key categories..... 5
- Regional starts table 6
- Detailed national table 7

October's Notable Points

- October 2016's +11.0% performance relative to October 2015 was thanks to a huge percentage uptick in industrial work (+477.2%), plus a good increase in institutional (+31.1%) and a gentle step forward by engineering (+10.7%). Commercial starts, though, disappointed (-15.3%).
- With respect to year-to-date starts in 2016 (+8.8%), the institutional type-of-structure category (+15.7%) has led the way, followed by commercial (+11.3%) and heavy engineering/civil (+3.0%). The less prominent category of industrial has fallen off by about one-third (-32.8%).



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A Surprisingly Nice Surge in ConstructConnect's October Starts

ConstructConnect™ announced today that October's level of U.S. construction starts, excluding residential work, was \$29.5 billion, a surprisingly nice surge of +15.1% versus the level in the period before. Usually between September and October there is a -4.0% drop due to seasonality.

During the 12 months of the year, the month-to-month tendency, due to seasonality (i.e., weather patterns), is positive in March through July, then negative in August through February.

October of this year compared with October of last year was +11.0%. The volume of year-to-date starts in 2016 versus the same January through October time frame of 2015 has been +8.8%.

The starts figures throughout this report are not seasonally adjusted (NSA). Nor are they altered for inflation. They are expressed in what are termed 'current' as opposed to 'constant' dollars.

'Non-residential building' plus 'engineering/civil' work accounts for a considerably larger share of total construction than residential activity. The former's combined proportion of total put-in-place construction in the Census Bureau's September report was 60%; the latter's was 40%.

ConstructConnect's construction starts are leading indicators for the Census Bureau's capital investment or put-in-place series. Also, the reporting period for starts (i.e., October 2016) is one month ahead of the reporting period for the investment series (i.e., September 2016.)

In October, the total number of jobs in the U.S. construction sector rose by a modest +11,000, according to the latest *Employment Situation Report* from the Bureau of Labor Statistics (BLS). The average monthly climb so far this year has been only +8,000, which compares unfavorably with the +18,000 advance per month during the first ten months of 2015. But the year-over-year jump in employment in construction, at +3.0%, has been considerably faster than for grand total jobs, +1.7%, and has beaten all other major industrial sub-categories. Second place has been a tie between 'professional and business services' and 'education and health services', both at +2.7%.

There are two other data series with close ties to 'hard hat' activity that appear in Table B-1 of the monthly *Employment Situation Report*. As a 'leading' indicator, — i.e., before there can be field activity, projects must be rendered into working drawings by design professionals — the total number of jobs in architectural and engineering services in October was +1.7% year over year (i.e., the same as for grand total jobs). And as a 'coincident' indicator, the total number of positions at retail outlets specializing in selling building materials and supplies was +4.0%.

Construction's October unemployment rate this year was 5.7%, down from 6.2% 12 months ago.

The +15.1% month-to-month increase in total non-residential starts in October resulted from a big gain in the institutional type-of-structure category (+31.5%) and a decent bump in heavy engineering/civil work (+11.3%). Industrial contributed a large percentage burst (+43.6%), but it's a smaller volume category and often displays wide swings in any given month depending on whether or not there have been groundbreaking efforts on a mega project or two. The important type-of-structure sub-category of commercial work was flat (0.0%) month to month in October.

October 2016's +11.0% performance relative to October 2015 was thanks to a huge percentage uptick in industrial work (+477.2%), plus a good increase in institutional (+31.1%) and a gentle step forward by engineering (+10.7%). Commercial starts, though, disappointed (-15.3%).

With respect to year-to-date starts in 2016 (+8.8%), the institutional type-of-structure category (+15.7%) has led the way, followed by commercial (+11.3%) and heavy engineering/civil (+3.0%). The less prominent category of industrial has fallen off by about one-third (-32.8%).

Delving deeper into the year-to-date statistics, 'school/college' starts account for the largest slice (a 59% share) of institutional work. October was a good month for educational facility starts: +42.0% month over month (m/m); +35.9% year over year (y/y); and +13.9% year to date (ytd).

The next biggest contributor within the institutional category is 'hospital/clinic' starts (a 15% share). In October, they wandered away from what had been a strong path earlier in 2016 and were -40.3% m/m; -32.9% y/y; but still +17.6% ytd. Thankfully, 'nursing/assisted living' starts sprang forward with exceptional vitality: +92.9% m/m; +89.6% y/y; and +42.4% ytd.

'Retail/shopping' starts (a 27% share) take pride of place in commercial work and in the latest month, they were an impressive +30.9% m/m; +5.2% y/y; and +27.9% ytd. 'Private office' starts (a 16% share) faltered in October (-41.3% m/m; -37.3% y/y; +11.8% ytd), but 'government office starts' (an 11% share) came to the rescue (+21.2% m/m; +21.3% y/y; and +16.1% ytd). Hotel/motel starts (a 13% share) were so-so: +2.1% m/m; +58.3% y/y; and +2.2% ytd.

'Road/highway' starts are dominant (a 43% share) in the heavy engineering type-of-structure category. In the latest month, they perked up a bit: +12.3% m/m; +32.5% y/y; and +4.0%

TABLE 1: VALUE OF UNITED STATES CONSTRUCTION STARTS — OCTOBER 2016 YEAR TO DATE (ConstructConnect™)

	Jan-Oct 16 (\$ billions)	% Change Jan-Oct 16 vs Jan-Oct 15	% Change Oct 16 vs Oct 15	% Change Oct 16 vs Sep 16
Hotel/Motel	12.391	2.2%	58.3%	2.1%
Retail/Shopping	25.721	27.9%	5.2%	30.9%
Parking Garage	3.865	35.6%	62.3%	0.3%
Amusement	5.304	1.1%	-7.9%	15.2%
Private Office	15.262	11.8%	-37.3%	-41.3%
Government Office	10.477	16.1%	21.3%	21.2%
Laboratory	1.938	-4.2%	32.7%	-68.9%
Warehouse	9.826	8.5%	-39.0%	19.7%
Miscellaneous Commercial *	10.379	-9.1%	-54.9%	-13.6%
COMMERCIAL (big subset)	95.162	11.3%	-15.3%	0.0%
INDUSTRIAL (Manufacturing)	7.404	-32.8%	477.2%	43.6%
Religious	1.261	-8.4%	-5.0%	0.5%
Hospital/Clinic	14.811	17.6%	-32.9%	-40.3%
Nursing/Assisted Living	6.125	42.4%	89.6%	92.9%
Library/Museum	2.235	1.6%	57.5%	17.7%
Fire/Police/Courthouse/Prison	5.114	1.9%	71.1%	86.1%
Military	5.363	11.8%	15.6%	57.5%
School/College	57.190	13.9%	35.9%	42.0%
Miscellaneous Medical	4.159	53.3%	361.8%	74.2%
INSTITUTIONAL	96.256	15.7%	31.1%	31.5%
Miscellaneous Non-residential	6.988	76.8%	48.6%	33.7%
NON-RESIDENTIAL BUILDING	205.810	12.0%	11.2%	17.6%
Airport	6.621	59.1%	79.6%	165.8%
Road/Highway	46.146	4.0%	32.5%	12.3%
Bridge	12.295	23.1%	38.6%	-26.0%
Dam/Marine	3.195	-36.6%	-38.8%	197.9%
Water/Sewage	26.812	9.8%	-5.8%	-22.4%
Miscellaneous Civil (power, etc.)	13.261	-22.7%	-31.4%	74.2%
HEAVY ENGINEERING (Civil)	108.330	3.0%	10.7%	11.3%
TOTAL NON-RESIDENTIAL	314.140	8.8%	11.0%	15.1%

* Includes transportation terminals and sports arenas.

Source: ConstructConnect Research Group/Table: ConstructConnect.

ytd. While 'bridge' starts (an 11% share) showed mainly consistent improvement during the earlier periods of this year, in October they were -26.0% m/m; but +38.6% y/y; and +23.1% ytd. 'Water/sewage' starts (a 25% share) were -22.4% m/m; -5.8% y/y; but +9.8% ytd.

Table 2 on page three re-orders and provides more detail on some of the type-of-structure categories in Table 1. The reasons for this 'second view' are set out in the footnote.

Among the 12-month moving average trend graphs on page 5, 'schools/colleges' and 'bridges' have been most clearly moving higher of late, while 'roads/highways' and 'water/sewage' are trying to attain some lift. 'Retail' was skyrocketing, but has more recently suffered a setback. 'Private office buildings' and 'miscellaneous power' have taken turns for the worse.

Construction's sharp compensation increases of +5.0% and more year over year in September's *Employment Situation Report* all but disappeared in October's update. Including supervisory personnel, average hourly earnings for all jobs was +2.8% y/y. Construction did somewhat better at +3.2%. With respect to average weekly earnings, however, construction fell behind at +2.4% versus +2.5%. Omitting bosses, average hourly earnings throughout the economy were +2.4%, whereas they were +3.3% for the 'hard hat' contingent. But with respect to average weekly earnings, once again construction lost ground, only +1.1% compared with +2.1%.

The value of construction starts each month is summarized from ConstructConnect's database of all active construction projects in the U.S. Missing project values are estimated with the help of RSMeans' building cost models.

ConstructConnect's non-residential construction starts series, because it is comprised of total-value estimates for individual projects, some of which are ultra-large, has a history of being more volatile than many other leading indicators for the economy. ♦

Alex Carrick

A "start" is determined by taking the announced bid date and adding a short time lag (30 to 60 days). ConstructConnect continues to follow the project via its network of researchers. If it is abandoned or re-bid, the start date is updated to reflect the new information.

Alex Carrick is Chief Economist for ConstructConnect. He has delivered presentations throughout North America on the U.S., Canadian and world construction outlooks. Mr. Carrick has been with the company since 1985. Links to his numerous articles are featured on Twitter @ConstructConnx, which has 40,000 followers.

**TABLE 2: VALUE OF UNITED STATES CONSTRUCTION STARTS —
ConstructConnect™ INSIGHT VERSION — OCTOBER 2016
ARRANGED TO MATCH THE ALPHABETICAL CATEGORY DROP-DOWN MENUS IN INSIGHT**

	Jan-Oct 16 (\$ billions)	% Change Jan-Oct 16 vs Jan-Oct 15	% Change Oct 16 vs Oct 15	% Change Oct 16 vs Sep 16
Summary				
CIVIL	108.330	3.0%	10.7%	11.3%
NON-RESIDENTIAL BUILDING	205.810	12.0%	11.2%	17.6%
RESIDENTIAL	201.301	5.5%	8.8%	2.9%
GRAND TOTAL	515.441	7.5%	10.1%	9.9%
Verticals				
Airport	6.621	59.1%	79.6%	165.8%
All Other Civil	12.468	-21.0%	-40.8%	56.2%
Bridges	12.295	23.1%	38.6%	-26.0%
Dams / Canals / Marine Work	3.195	-36.6%	-38.8%	197.9%
Power Infrastructure	0.793	-42.6%	292.1%	342.4%
Roads	46.146	4.0%	32.5%	12.3%
Water and Sewage Treatment	26.812	9.8%	-5.8%	-22.4%
CIVIL	108.330	3.0%	10.7%	11.3%
Offices (private)	15.262	11.8%	-37.3%	-41.3%
Parking Garages	3.865	35.6%	62.3%	0.3%
Transportation Terminals	3.283	-41.6%	-70.0%	198.9%
Commercial (small subset)	22.410	1.3%	-46.2%	-20.7%
Amusement	5.304	1.1%	-7.9%	15.2%
Libraries / Museums	2.235	1.6%	57.5%	17.7%
Religious	1.261	-8.4%	-5.0%	0.5%
Sports Arenas / Convention Centers	7.096	22.4%	50.5%	-56.4%
Community	15.895	8.7%	13.1%	-19.7%
College / University	19.432	15.5%	136.5%	103.0%
Elementary / Pre School	17.606	7.1%	-24.0%	10.1%
Jr / Sr High School	18.892	19.6%	20.4%	10.4%
Special / Vocational	1.260	7.6%	-17.2%	0.0%
Educational	57.190	13.9%	35.9%	42.0%
Courthouses	1.092	11.6%	1.4%	-30.9%
Fire and Police Stations	2.390	56.4%	127.0%	119.7%
Government Offices	10.477	16.1%	21.3%	21.2%
Prisons	1.632	-35.0%	13.9%	112.3%
Government	15.591	11.0%	38.2%	42.0%
Industrial Labs / Labs / School Labs	1.938	-4.2%	32.7%	-68.9%
Manufacturing	7.404	-32.8%	477.2%	43.6%
Warehouses	9.826	8.5%	-39.0%	19.7%
Industrial	19.167	-13.2%	-4.0%	17.8%
Hospitals / Clinics	14.811	17.6%	-32.9%	-40.3%
Medical Misc.	4.159	53.3%	361.8%	74.2%
Nursing Homes	6.125	42.4%	89.6%	92.9%
Medical	25.095	28.0%	24.4%	3.0%
Military	5.363	11.8%	15.6%	57.5%
Hotels	12.391	2.2%	58.3%	2.1%
Retail Misc.	6.988	76.8%	48.6%	33.7%
Shopping	25.721	27.9%	5.2%	30.9%
Retail	45.100	24.6%	23.1%	22.5%
NON-RESIDENTIAL BUILDING	205.810	12.0%	11.2%	17.6%
Multi-Family	45.398	4.0%	17.8%	27.8%
Single-Family	155.903	6.0%	6.2%	-3.1%
RESIDENTIAL	201.301	5.5%	8.8%	2.9%
NON-RESIDENTIAL	314.140	8.8%	11.0%	15.1%
GRAND TOTAL	515.441	7.5%	10.1%	9.9%

Table 1 conforms to the type-of-structure ordering adopted by many firms and organizations in the industry. Specifically, it breaks non-residential building into ICI work (i.e., industrial, commercial and institutional), since each has its own set of economic and demographic drivers. Table 2 presents an alternative, perhaps more user-friendly and intuitive type-of-structure ordering that matches how the data appears in ConstructConnect's on-line product 'Insight'.

Source: ConstructConnect/Table: ConstructConnect.

TABLE 3: ConstructConnect's TOP 10 FEATURED PROJECTS FOR OCTOBER 2016*

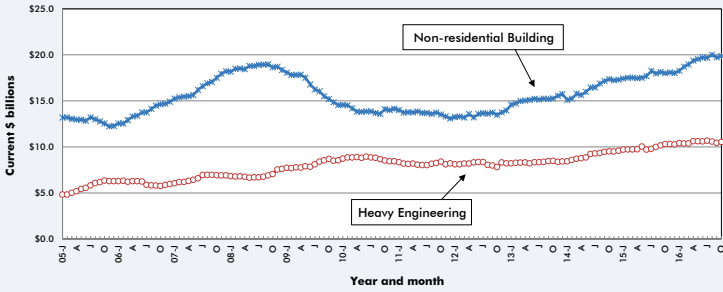
REGION (EAST TO WEST)	TYPE OF CONSTRUCTION	DESCRIPTION	SQUARE FEET 000S	DOLLARS 000,000S
New York White Plains	Engineering/Civil	Million Air Terminal and Hangar (1 structure; 1 story) 126 Tower Rd Million Air White Plains	70	\$88
Maryland Columbia	Residential	Downtown Columbia Parcel C2 (1 structure; 437 units; 6 stories) Twin Rivers Rd The Howard Hughes Corp	417	\$53
Virginia Norfolk	Engineering/Civil	Rte 264 - Interchange Improvements - 64 WB Ramp to 264 EB Rte 264 Virginia Department of Transportation - Procurement	*	\$107
Georgia Oakwood	Institutional	New Hall County Campus, Lanier Technical College (1 structure) 2990 Landrum Education Dr Georgia State Financing and Investment Commission	320	\$75
Florida Cape Coral	Residential	Sandoval Apartments (1 structure; 186 units; 3 stories) 3309 Sandoval Pkwy Pheonix Bay Ventures	257	\$70
Texas Arlington	Institutional	UTA Science and Engineering Innovation and Research Building - Bid Package 1 (1 structure; 4 stories) 701 S Nedderman Dr University of Texas at Arlington	230	\$125
Colorado Brighton	Residential	Elements at Prairie Center (1 structure; 288 units; 3 stories) 30th and Eagle Blvd Berkeley Homes	322	\$88
Colorado Springs	Residential	The Copper Range Apartments (1 structure; 240 units; 4 stories) Black Forest Rd and Woodmen Rd Inland Construction	325	\$70
California Merced	Institutional	UC Merced 2020 Project (3 structures) 5200 Lake Rd Plenary Group USA - Los Angeles Office	1,200	\$1,300
Los Angeles	Residential	The Alexan South Echo (3 structures; 200 units; 5 stories) 1910 W Temple St Trammel Crow Residential	410	\$75
TOTALS:			3,551	\$2,051

*A square footage measure does not apply for alteration and engineering/civil work.

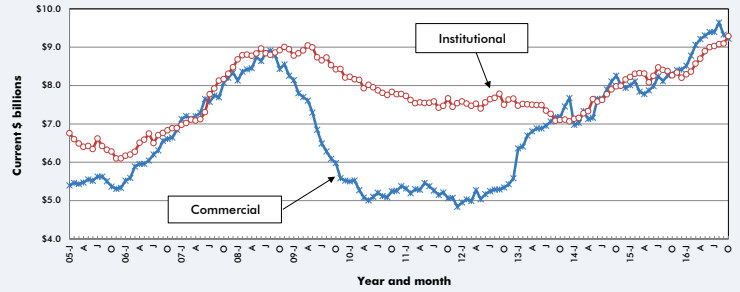
*ConstructConnect™ merges four legacy companies. As part of the data integration process, ConstructConnect™ is moving from an estimated start date (i.e., 30-60 days after bid date) for each project to an assigned start date. The transition will be complete by the end of 2016. Until then, Table 3 will highlight featured projects rather than Top 10 starts.

Source: ConstructConnect/Table: ConstructConnect.

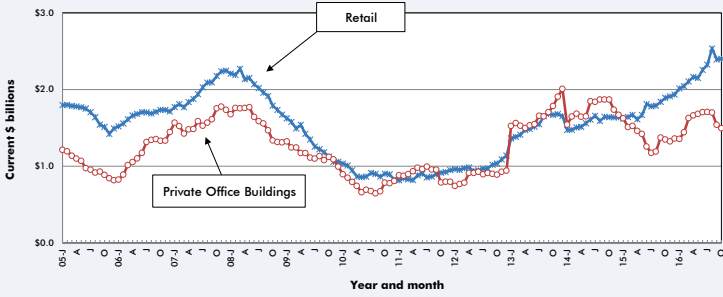
GRAPH 1: U.S. NON-RESIDENTIAL CONSTRUCTION STARTS — ConstructConnect™ (12-MONTH MOVING AVERAGES)



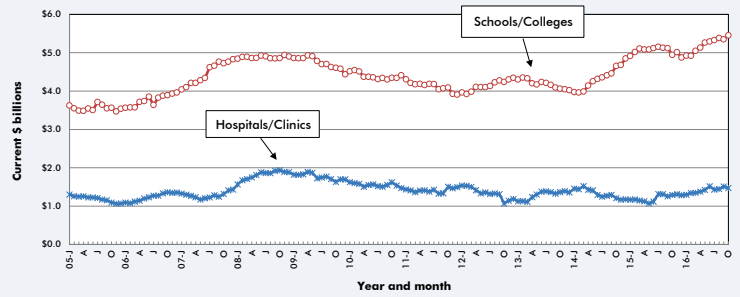
GRAPH 2: U.S. COMMERCIAL AND INSTITUTIONAL CONSTRUCTION STARTS — ConstructConnect™ (12-MONTH MOVING AVERAGES)



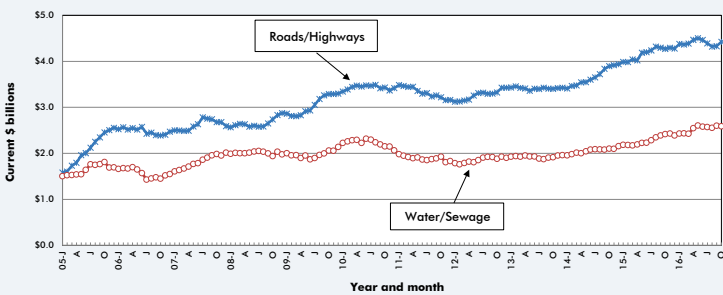
GRAPH 3: U.S. RETAIL AND PRIVATE OFFICE BUILDING CONSTRUCTION STARTS — ConstructConnect™ (12-MONTH MOVING AVERAGES)



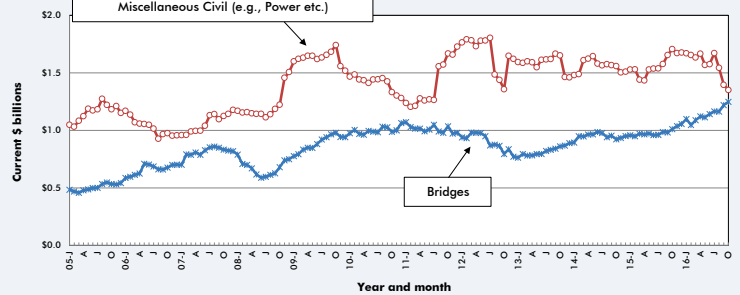
GRAPH 4: U.S. HOSPITAL/CLINIC AND SCHOOL/COLLEGE CONSTRUCTION STARTS — ConstructConnect™ (12-MONTH MOVING AVERAGES)



GRAPH 5: U.S. ROAD/HIGHWAY AND WATER/SEWAGE CONSTRUCTION STARTS — ConstructConnect™ (12-MONTH MOVING AVERAGES)



GRAPH 6: U.S. BRIDGES AND MISCELLANEOUS CIVIL CONSTRUCTION STARTS — ConstructConnect™ (12-MONTH MOVING AVERAGES)



Source: ConstructConnect/Charts: ConstructConnect.

**TABLE 4: U.S. YEAR-TO-DATE REGIONAL STARTS
NON-RESIDENTIAL CONSTRUCTION* — ConstructConnect™**

	Jan-Oct 2015	Jan-Oct 2016	% Change
Connecticut	\$2,713,302,509	\$2,795,629,238	3.0%
Maine	\$836,574,050	\$768,977,429	-8.1%
Massachusetts	\$6,994,747,412	\$8,318,593,753	18.9%
New Hampshire	\$873,821,835	\$1,157,211,369	32.4%
Rhode Island	\$792,642,893	\$587,256,719	-25.9%
Vermont	\$619,379,128	\$448,334,583	-27.6%
Total New England	\$12,830,467,827	\$14,076,003,091	9.7%
New Jersey	\$5,917,198,227	\$5,260,239,789	-11.1%
New York	\$22,757,289,897	\$18,686,579,050	-17.9%
Pennsylvania	\$9,769,878,777	\$10,606,759,674	8.6%
Total Middle Atlantic	\$38,444,366,901	\$34,553,578,513	-10.1%
TOTAL NORTHEAST	\$51,274,834,728	\$48,629,581,604	-5.2%
Illinois	\$11,133,641,660	\$9,070,777,193	-18.5%
Indiana	\$3,585,384,821	\$5,008,877,319	39.7%
Michigan	\$6,761,210,125	\$7,176,352,080	6.1%
Ohio	\$8,661,571,043	\$10,394,756,870	20.0%
Wisconsin	\$5,054,526,599	\$6,076,562,356	20.2%
Total East North Central	\$35,196,334,248	\$37,727,325,818	7.2%
Iowa	\$4,287,810,178	\$3,831,237,125	-10.6%
Kansas	\$3,478,728,161	\$3,074,410,297	-11.6%
Minnesota	\$5,255,906,985	\$6,250,661,438	18.9%
Missouri	\$4,699,673,222	\$5,492,325,382	16.9%
Nebraska	\$1,898,680,524	\$2,485,800,513	30.9%
North Dakota	\$3,455,991,790	\$2,005,805,412	-42.0%
South Dakota	\$1,782,068,901	\$1,239,902,279	-30.4%
Total West North Central	\$24,858,859,761	\$24,380,142,446	-1.9%
TOTAL MIDWEST	\$60,055,194,009	\$62,107,468,264	3.4%
Delaware	\$489,368,612	\$740,116,320	51.2%
District of Columbia	\$1,290,809,777	\$2,363,078,480	83.1%
Florida	\$14,788,550,419	\$20,143,949,773	36.2%
Georgia	\$6,788,879,976	\$10,835,851,315	59.6%
Maryland	\$4,366,833,422	\$8,854,881,896	102.8%
North Carolina	\$8,279,435,435	\$8,748,918,866	5.7%
South Carolina	\$3,674,696,424	\$5,043,367,662	37.2%
Virginia	\$6,378,919,623	\$9,007,576,638	41.2%
West Virginia	\$1,562,252,928	\$1,693,278,393	8.4%
Total South Atlantic	\$47,619,746,616	\$67,431,019,343	41.6%
Alabama	\$3,356,482,288	\$5,084,852,719	51.5%
Kentucky	\$3,855,158,047	\$4,359,921,751	13.1%
Mississippi	\$2,739,594,467	\$2,108,832,397	-23.0%
Tennessee	\$5,240,577,964	\$5,175,715,262	-1.2%
Total East South Central	\$15,191,812,766	\$16,729,322,129	10.1%
Arkansas	\$2,292,879,252	\$2,385,567,868	4.0%
Louisiana	\$9,210,946,428	\$2,986,725,274	-67.6%
Oklahoma	\$4,258,106,041	\$5,400,356,846	26.8%
Texas	\$32,887,699,607	\$39,924,489,321	21.4%
Total West South Central	\$48,649,631,328	\$50,697,139,309	4.2%
TOTAL SOUTH	\$111,461,190,710	\$134,857,480,781	21.0%
Arizona	\$2,547,786,291	\$5,485,342,043	115.3%
Colorado	\$6,134,241,136	\$4,703,520,632	-23.3%
Idaho	\$1,344,172,758	\$1,091,405,858	-18.8%
Montana	\$1,031,292,109	\$976,475,475	-5.3%
Nevada	\$6,686,397,094	\$2,994,156,436	-55.2%
New Mexico	\$1,556,353,946	\$1,515,169,764	-2.6%
Utah	\$3,235,178,537	\$4,016,194,895	24.1%
Wyoming	\$1,915,148,614	\$1,091,410,687	-43.0%
Total Mountain	\$24,450,570,485	\$21,873,675,790	-10.5%
Alaska	\$1,598,716,122	\$1,271,981,607	-20.4%
California	\$27,237,987,863	\$30,262,010,005	11.1%
Hawaii	\$2,435,203,462	\$2,521,741,039	3.6%
Oregon	\$3,551,348,919	\$4,443,085,199	25.1%
Washington	\$6,789,732,947	\$8,172,611,704	20.4%
Total Pacific	\$41,612,989,313	\$46,671,429,554	12.2%
TOTAL WEST	\$66,063,559,798	\$68,545,105,344	3.8%
TOTAL U.S.	\$288,854,779,245	\$314,139,635,993	8.8%

*Figures above are comprised of non-res building and engineering (i.e., residential is omitted).

Source: ConstructConnect/Table: ConstructConnect.

