

# CONSTRUCTION UPDATE

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**From the Month of October 2011**

**November 2011**

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## OVERVIEW & MONTHLY STOCK MARKETS

The total value of construction starts increased in September and construction spending rose for the month. Third quarter GDP beat expectations. Builder confidence improved, and wholesale prices were steady. Consumer spending ticked up, as did consumer prices. Housing starts and new home sales rose, but existing home sales fell. Consumer confidence declined further. The unemployment rate fell and 80,000 new jobs were created. Wall Street finished out its best month in 20 years, with all the major indexes finishing with double digit gains. For the month of October, the DOW rose 1,042 points to close at 11,955, the NASDAQ rose 269 points to close at 2,684 and the S&P, the index most closely watched by professionals, gained 122 points to end the month at 1,253.

## CONSTRUCTION SPENDING AT A GLANCE

	<b>September 2011</b>	<b>% Change</b>
	In Millions of U.S. Dollars	from September '10
<b>Total Starts</b>	<b>\$33,255</b>	<b>40.5%</b>
<b>Residential</b>	<b>\$8,902</b>	<b>22.3%</b>
Single-family	\$7,254	18.0%
Apartment/condo	\$1,647	46.0%
<b>Commercial</b>	<b>\$4,107</b>	<b>34.2%</b>
<b>Industrial/Mfg.</b>	<b>\$272</b>	<b>8.5%</b>
<b>Institutional</b>	<b>\$9,928</b>	<b>58.0%</b>
<b>Non-Residential Building</b>	<b>\$14,478</b>	<b>49.3%</b>
<b>Heavy Construction</b>	<b>\$9,875</b>	<b>47.6%</b>

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## U.S. ECONOMY

### CONSTRUCTION SPENDING RISES

**Construction spending increased 0.2% in September after jumping an upwardly revised 1.6% in August.** The increase was slightly below economists' expectations. Spending on multifamily housing is helping to lift activity from decade lows because more families are opting to rent instead of buying a new home. Private construction spending climbed 0.6% in September. Homebuilding outlays rose 0.9%, the largest increase since May. Nonresidential projects climbed 0.3%, to the highest level since December 2009. Health care facilities and transportation networks led the gain in nonresidential work. Spending on public construction fell 0.6%, and federal construction spending dropped 6.8%. Economists say it could take four years for the construction industry to fully recover from the housing bust and the subsequent deep and prolonged recession.

### CONSTRUCTION FORECAST

**McGraw Hill sees no upswing in construction volume in 2012,** and reports that 2011 will go into the record books as the fifth straight year of decline. McGraw Hill estimates that this year will close out with a 4% drop in total construction starts to \$410 billion, and activity in 2012 will be essentially flat. Economist Robert Murray says that an overall recovery may not come until 2013 or 2014. Murray credited much of the decline to decreased activity in the single-family housing, public works and institutional building sectors. The single-family market is expected to be up 10% next year, and multifamily housing continues to improve. Multifamily starts are expected to rise 13% this year and 18% next year. Commercial building is also bouncing back and is expected to rise 6% this year and 8% next year. Health care starts could drop 4% this year. The forecast for next year is uncertain because of potential new federal healthcare legislation and potential budget trimming.

### CONSTRUCTION EMPLOYMENT

**A new report from Associated General Contractors of America shows that Texas gained the most construction jobs**

during the past year (35,400) and Georgia lost the most (13,900). The same report cautions that job gains could be negated by a new federal 3% withholding rule that becomes effective in 2013 that requires all large municipalities and school districts and all states and federal agencies to withhold 4% of every payment to every contractor until those contractors have finalized their tax returns for the year. The House has already voted overwhelmingly to repeal the rule, but the fate of the measure in the Senate is less certain. Industry groups are lobbying heavily for repeal.

### TRANSPORTATION INDEX STEADY

**The Department of Transportation's (DOT) Freight Services Index rose 0.4% in August after remaining steady in July.** Freight shipments were at their highest level since July 2008. Freight shipments have risen 2.9% in the last three months. Year-to-date stats for the first eight months of 2011 show freight shipments measured by the index were up 1.6%. The Freight TSI measures changes in freight shipments in ton-miles, which are then combined into one index.

### TRUCKING COST PER MILE DROPS

**The U.S. cost-per-mile index for heavy trucks fell to \$2.38 per mile in October from \$2.43 per mile in September.** Fuel accounted for 31.17% of total costs in October, down from 32.52% of total costs in September. Wages were up slightly, accounting for 28.98% of the total. Equipment costs were also up slightly, accounting for 23.74% of the total.

### SPOT FREIGHT INDEX UP

**TransCore's North American Freight Index was up 45% in September** compared to September 2010. September's increase was the highest same-month increase since the aftermath of Hurricane Katrina in 2005. Rates rose modestly in September for all equipment types. National average rates rose 2.3% for dry vans compared to August and 3.9% compared to September 2010. Flatbed rates were stable month-over-month with a 0.6% increase compared to August, but the flatbed segment was up 10.2% year over year due to high demand. TransCore's monthly North American Freight Index reflects spot market freight availability in the U.S. and Canada.

## TRUCK TONNAGE INDEX RISES

**The American Trucking Associations' (ATA) advance seasonally adjusted For-Hire Truck Tonnage Index increased 1.6% in September** after falling 0.5% in August. The ATA continues to believe that the economy will avoid another recession because truck tonnage is suggesting that the country is in a weak growth period, but not a recession. Third quarter average tonnage was up 0.4% from the second quarter. Prior to the two previous recessions, truck tonnage was plummeting. Trucking serves as a barometer of the economy because 67.2% of tonnage is carried by trucks.

## FUEL SURCHARGE RATES

**The current national fuel surcharge rate is based on \$3.801 per gallon for diesel fuel**, according to the Energy Information Administration national U.S. average. Legally each freight carrier is free to set their own fuel surcharge rate, but most carriers choose to base the surcharge on the current U.S. National Average Diesel Fuel Index price combined with their own methods of computing freight costs. The long haul truck load diesel fuel surcharge rate is strictly based on miles of service. LTL (less than truck load) and small package carriers charge freight fees based on weight of goods, distance traveled and other factors, and typically reset surcharge rates each week.

## AGC OFFERS NEW FALL PROTECTION SAFETY TRAINING

**The Associated General Contractors of America (AGC) will launch a new fall protection safety training program** next year. Fall-related fatalities remain the single largest cause of construction deaths, accounting for 260 of the 751 construction fatalities reported in 2010. Other leading causes of fatalities include electrocution, being crushed or caught between objects and being struck by moving machinery or objects. OSHA now requires a module on the four hazards to be used in 10-and 30-hour construction outreach courses.

## CONSUMER CONFIDENCE DROPS

**The New York-based Consumer Conference Board's Consumer Confidence Index dropped to 39.8 in October**, its lowest level since April 2009, from an upwardly revised 46.4

in September. The Expectations Index dropped to 48.7 from an upwardly revised 55.1 in September. The Expectations Index stood at 74.9 in July. The Present Situation Index fell to 26.3 in October from an upwardly revised 33.3. The Conference Board said that consumer confidence fell back to levels last seen during the 2008-2009 recession, as pessimism about both the present and the future continued to grow. During the reporting period consumers were overwhelmed by a steady stream of bad economic news, a falling stock market, and a bickering and divided government. Economists say a reading above 90 means the economy is on solid footing and a reading above 100 signals growth.

## CONSUMER SPENDING RISES

**Consumer spending increased 0.6% in September** after rising 0.2% in August. Consumer incomes edged up 0.1% in September after falling 0.1% in August. The savings rate fell to 3.6%, the lowest since December 2007. For the third quarter as a whole consumer incomes fell at an annual rate of 1.7%, the first quarterly decline since the fourth quarter of 2009. Consumer spending accounts for 70% of U.S. economic activity.

## CONSUMER PRICES RISE

**Consumer prices rose 0.3% in September** after rising 0.4% in August. Core inflation, which excludes the volatile food and energy categories, grew 0.1% in September after rising 0.2% in August. It was the smallest increase in the core Consumer Price Index (C.P.I.) since March and below economists' expectations. The overall C.P.I. was boosted by a 2.9% increase in the price of gasoline and a 0.4% rise in food prices. Some commodity prices are expected to moderate in the months ahead as lower energy costs start to filter through the pipeline. In the 12 months through September the core CPI was up 2%. According to minutes from the Fed's meeting in late September, inflation is expected to decline moderately over time.

## UNEMPLOYMENT DROPS

**The unemployment rate fell to 9% in October and the economy added 80,000 new jobs.** Job gains for the previous two

months were revised up to show that the economy added a total of 102,000 more jobs in August and September than first thought. The private sector added 104,000 jobs for the month, but the government continued to cut jobs. Construction shed 20,000 jobs. The economy needs to add 125,000 jobs each month in order to keep up with population, and about 300,000 a month or more in order to bring down the unemployment rate. Private payrolls account for about 70% of the workforce. Economists say payrolls need to grow by 300,000 a month or more in order to make any progress in shrinking the pool of 13.9 million unemployed Americans.

### DURABLE GOODS ORDERS MIXED

**Demand for durable goods overall dropped 0.8% in September** after slipping 0.1% in August. However, a closer examination of data shows that transportation was the only major category to post a decline. Excluding transportation, orders rebounded 1.7% after falling 0.4% in August. Outside of transportation, durables orders are showing broad-based strength, according to economists. Non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending, grew 2.4% in September after rising 1.1% in August. The major weakness in September was primarily in aircraft. Primary metals were up 2.6%.

### CHICAGO PMI SLIPS

**The Chicago PMI, the bellwether manufacturing index, fell back to 58.4 in October** after rising to 60.4 in September. The decline was slightly more than economists were expecting. Prices Paid, considered a forward indicator of inflation, rose to 66.0 in October from 62.3 in September. New Orders dropped to 61.3 in October after rising to 65.3 in September. A reading over 50 signals expansion. The PMI has now been over 50 for 25 months. The Chicago report is considered an indicator of nationwide activity ahead.

### WHOLESALE PRICES STEADY

**The Producer Price Index, which measures cost pressures before they reach the consumer, climbed 0.3% in September** after being virtually unchanged in August. Core producer prices were up 0.2% after rising 0.1% in August. Both in-

creases were ahead of economists' expectations. Core wholesale prices have risen 2.5% over the past 12 months. The PPI for inputs to construction was flat for the month, but is up 8.1% year over year.

### GDP IMPROVES

**The economy grew at an annual rate of 2.5% in the third quarter**, the fastest pace in a year. The increase was a big improvement from the 1.3% growth rate in the second quarter. Even though part of the increase in output came from the reversal of temporary factors that had restrained growth, the news alleviated fears that the economy might be slipping back into recession. Earlier in the year a jump in gasoline prices weighed on consumer spending and supply chain disruptions from the tsunami and earthquake in Japan caused a big slowdown in motor vehicle production. Production has surged as supply constraints have eased, and consumer spending has picked up. Business investment spending was the fastest in more than a year, rising 16.3% as companies spent on equipment and software, and invested in nonresidential structures. Consumer spending grew 2.4% for the quarter after slowing to a 0.7% pace in the second quarter. Inventories rose only \$5.4 billion, the smallest gain since the fourth quarter of 2009. Spending on residential construction rose at 2.4%, a decline from the 4.2% growth rate in the second quarter, and government spending was flat. The GDP report also showed moderating inflation pressures with the personal consumption price index rising at 2.4%, and the core index rising 2.1%.

### FED CITES RESTRAINED OPTIMISM

**"We think the sun is set to come up," according to a senior economist and research advisor at the Federal Reserve Bank of Richmond.** Ray Owens echoed general predictions of modest economic growth this year and a gradual strengthening in 2012, as the effects of several negative, unanticipated shocks, such as the earthquake in Japan, fade. One positive note, according to Owens, is that the savings rate has not ramped up, indicating that there is underlying optimism among consumers, and also that business orders are picking up.

## CHINA CURRENCY BILL

**U.S. lawmakers are considering a bill designed to pressure Beijing into letting its currency rise more rapidly.** China has acknowledged that a gradual appreciation in the yuan is in its best interest, and has allowed the currency to rise by about 6.5% since June 2010. The disagreement lies in how far and how fast the yuan should appreciate. Proponents of the bill argue that a 20% rise in the yuan would reduce the U.S. current account deficit between \$50 and \$100. The U.S. gains about 6,000 jobs for every \$1 billion improvement in the trade balance. For China, a stronger yuan would help tamp down inflation and boost household buying power. China reacted to the proposal by warning the U.S. that a trade war could drag the global economy back into a deep recession.

## BUY AMERICAN BILL OPPOSED

**The Associated General Contractors joined many retailers and industry and trade groups in the business community calling on Congress to oppose the expansion of Buy American provisions** in the current jobs bill, known as the American Jobs Act of 2011. The provisions are similar to those in the Recovery Act passed in 2009, but expanded to cover programs that have never been covered before. Those opposed say the expansion of regulations will unleash a backlash from trading partners including China, Canada, Brazil and Indonesia and add significant costs to projects. The letter sent to Congress also detailed how the Recovery Act negatively impacted the supply chain by preventing American projects from using Canadian goods and services.

## REAL INCOMES STILL DROPPING

**Incomes of U.S. workers, adjusted for inflation, have fallen even more rapidly since the rebound** began in the summer of 2009 than they did during the recession itself, according to a new study by two former Census Bureau economists. The study, conducted by Gordon Green and John Coer and published by Sentier Research, found median annual incomes adjusted for inflation dropped 6.7% between June 2009 and June 2011, more than double the 3.2% drop experienced during the recession. That left real median annual household income at \$49,909 in June 2011, down from \$55,309 in December 2007, when the recession officially began.

## NONRESIDENTIAL CONSTRUCTION

### ARCHITECTURE BILLINGS INDEX DROPS

**The Architecture Billings Index (ABI) fell to 46.9 in September** from 51.4 in August. The new project inquiry index fell to 54.3 in September from 56.9 in August. By region, the Midwest and the Northeast remained above 50, while the West and South fell below. By sector, demand was strongest in commercial/industrial and mixed practice, which both recorded readings over 50. Demand in multi-family residential was weakest, at 46.4. Widely considered a leading economic indicator of construction activity, the ABI is tracked by economists because it reflects the approximate 9- to 12-month lag time between architecture billings and construction spending. Inquiries are historically higher than billings because multiple firms compete for projects.

### SKYSCRAPERS RISING

**There are currently 86 high rise buildings under construction in New York City, 17 in Chicago and 16 going up in Miami,** making those cities numbers three, four and five on the North American High Rise construction list compiled by German research company Emporis. Toronto leads the pack with 132 high rise buildings under construction, and Mexico City is number two, with 88.

### BREWERIES GROWING

**Anheuser-Bush InBev N.V. plans to invest more than \$1 billion in its U.S. breweries** and other facilities through 2014 to spur growth in its largest market. The brewer of Bud and Bud Light plans to further modernize brewing processes, upgrade systems to reduce greenhouse-gas emissions and install equipment for new products and innovations. AB also plans to invest in its agricultural operations.

### LONG BEACH PROJECT GETS GREEN LIGHT

**A controversial high-rise project in Long Beach, California, has been given the go-ahead by the city's Planning Commission.** The development includes a 12-story condominium and a pair of four-to six-story buildings. The estimated cost of the project, which is expected to include a hotel, a coastal science center and a 99-seat community theater, has been

estimated at \$360 million. The project is expected to create at least 1,300 construction jobs. Years of debate over the project have centered around increased congestion in the area and potential harm to the nearby Los Cerritos Wetlands.

### **BUILDING CHEAPER THAN BUYING IN NYC**

**Building a hotel in New York City is becoming more affordable than buying** as demand from publicly traded investors is driving a surge in property prices. Developers plan the opening of about 50 new hotels from this year through 2013 in New York, more than triple the number in Washington, the next-busiest U.S. city for hotel construction, according to hotel consulting firm Lodging Econometrics. Sixty-eight more hotels are planned for completion in 2014 and after. Many hotel developers stopped building in New York when financing dried up during the recession, but are now returning following a gain in commercial property prices, now at their highest since the record reached in 2006.

### **NEW YORK SLUMP FORECAST**

**The anticipated completion of several huge projects in New York City is behind an expected decline in construction spending by 2013.** The projects include the bulk of the work at the World Trade Center, the rehab of Madison Square Garden and the construction of Barclays Arena in Brooklyn. A new forecast from the New York Building Congress says that spending will fall to \$23 billion in 2013, 15.7% below anticipated levels of 2012 and 26% below the peak in 2007. This year construction spending in NYC will reach \$27.7 billion, down 1% from 2010.

### **MASSIVE MASSACHUSETTS PROJECT TO RELAUNCH**

**The \$2 billion mini-city of NorthPoint between Cambridge and Boston is set to resume construction** thanks to a new team of investors. The 44-acre project, stalled since 2007 because of legal and financial issues, is one of the biggest in the state. The first phase will consist of 350 apartments and 2 million square feet of office and retail space. Phase one could begin next summer and create 250 construction jobs. The mixed-use project will bring thousands of new homes, a shopping complex and offices to a former railyard.

### **LAS VEGAS INTERESTED IN MIAMI**

**The Las Vegas Sands casino operators are trying to muscle out arch-rival Genting Group** and build a Las Vegas-style casino resort on the site of the *Miami Herald*. Caesars Entertainment is also said to be in negotiations with Gulfstream Park to build a gaming resort.

### **NEVADA STADIUM MOVING FORWARD**

**A plan to build a more than \$1 billion sports complex in Henderson, Nevada, cleared its first hurdle** when the City Council amended Henderson's zoning, land use and streets and highways master plans to facilitate infrastructure for the project. Phase one calls for a 17,500-seat arena for a National Basketball Association franchise and other events. Plans also call for bars, restaurants and 11,000 parking spaces.

### **"HARD HAT TO HOLLYWOOD" CONSTRUCTION JOBS FAIR**

**Smoot Construction Company and other contractors at Penn National Gaming's Columbus, Ohio, casino held a job fair in mid-October** in hopes of hiring pipe fitters, electricians, sheet metal workers, carpenters and general tradesmen for the \$400 million project. They hope to have the roof in place by the end of November, which will enable a big pick-up in construction activity.

### **TORNADO BUILDING BOOM**

**Tornadoes in Western and Central Massachusetts in early June** damaged homes, businesses and government buildings along a 39-mile stretch going through Wilbraham, Monson and Springfield. In Springfield, permits have been taken out for more than \$13 million worth of work since the tornado, and the city has 42 major projects that are being worked on in collaboration with FEMA. They've hired consulting firm Concordia LLC to develop a master plan for rebuilding.

### **STANFORD UNIVERSITY LOOKS EAST**

**Stanford University is submitting an application to build a second campus in New York City** that by 2045 could be home to 2,000 graduate students and 350 professors. Three decades of construction have an estimated price tag of \$1 to

\$2 billion. Stanford is one of 27 campuses competing for the space, with New York's own Cornell University considered one of the front runners.

### **ORLANDO PLANS \$200 MILLION COMPLEX**

**Orlando plans to build a \$200 million mixed-use project** that would tie into SunRail's main station in downtown Orlando. A hotel and midrise apartment building, ground-floor shops and restaurants would be included in the first phase of the project. The second phase would feature office space. The developer is Rida, the same company that built Champions Gate and Hilton Orlando.

### **COMMERCIAL CONSTRUCTION PROJECTS**

**The owners of 280 Park Avenue in New York intend to transform the 1.2 million square foot office towers** to make them competitive with brand new buildings. Sources say that owners Vornado-SL Green are working on plans for a \$60 to \$100 million redesign. Capital improvements will be overseen by architects KPF and will involve façade modifications and a complete remake of the towers' base and dated-looking lobby and plaza, as well as total upgrades of operating systems.

**MGM Resorts International bought into a joint venture with Las Vegas-based Creative Casinos to develop and operate a project in Lake Charles, Louisiana.** Analysts say the company actually has its eye on nearby Houston, Texas, and other Texas communities. Deutsche Bank gaming analyst Andrew Zarnett estimates that 50% of visitors from Southern states to Las Vegas come from Texas. The companies hope to break ground on the Mojito Pointe project by the end of the year and open the casino by the middle of 2013. The casino development will include an 18-hole championship golf course.

**Hollywood Casino and the city of Lawrenceburg, Indiana, have struck a \$50 million deal to build a downtown convention center** and hotel complex. Under the deal the city will supervise the construction and provide most of the upfront financing for the 235,000-square-foot concert and exhibition space, 7,500-square-foot ballroom and meeting space and 150-seat restaurant and bar. The complex is expected to open in summer 2013.

**Ford Motor Company plans to invest \$1.1 billion into upgrades and expansion at its plant and facilities at Clayco-mo, Missouri.** The expansion will include building a next-generation vehicle, expanding current operations and adding additional facilities

### **INSTITUTIONAL CONSTRUCTION PROJECTS**

**Nearly every hospital in the South Bay area of Los Angeles County, California, has a major construction project either in progress or set to begin** shortly. Projects include a new seven-story inpatient tower at Torrance Memorial Medical Center and new buildings at Kaiser Permanente South Bay Medical Center in Harbor City and County Harbor-UCLA Medical Center near Torrance. In South Bay alone, roughly \$1.5 billion will be spent on various projects over the next few years. Across the state, at least \$23 billion in hospital construction is planned, which will create 223,000 jobs. Much of the growth is being spurred by health care reform, which will be fully in effect by 2014. Because of strict requirements and the time it takes to build medical facilities, the American Hospital Association estimates that hospitals spend about \$1.5 million to \$2 million per bed.

**Northwestern Memorial Hospital in Chicago plans to start construction next year** on a \$334-million project that will include a 25-story medical office building.

**A new \$1.1 billion University Medical Center in New Orleans is set to get underway by the end of the year.** Demolition of the shuttered Grand Palace Hotel currently occupying the land is set for late November, with clean up scheduled to continue through early 2012. The new medical center campus is expected to be fully operational by early 2015.

**Mercy Health Care Systems plans to build a \$290 million hospital and virtual care center in Chesterfield, Missouri.** The Chesterfield center will not house patients; instead medical staff will use state-of-the-art online technology to treat roughly 500 people across the Midwest.

**Three Oregon state universities kicked off construction of a \$295 million project** on Portland's South Waterfront. The

project, billed as the first of its kind, is the Collaborative Life Sciences Building.

**Bowling Green University in Ohio approved another \$200 million in building projects**, with the work focusing on making over BGSU's academic buildings.

## HEAVY CONSTRUCTION

### HIGH SPEED PASSENGER RAIL

**The building of a 190-mile high-speed passenger rail link between Las Vegas and Southern California** has been approved by the federal Surface Transportation Board. The all-electric trains would run adjacent to Interstate 15. Builder DesertXpress Enterprises must implement 146 environmental mitigation measures before they can get started. The company says it expects to begin final design and construction in 2012 with full service beginning by the end of 2016.

### \$177 MILLION TO MISSOURI

**Road and bridge projects in Missouri are getting more money**, thanks to a plan by the Missouri Highways and Transportation Commission that included cutting jobs, closing facilities and selling equipment. The efforts resulted in \$177 million being redirected to road and bridge projects. During the past five years, Missouri's state highway construction program has averaged \$1.2 billion a year in spending. The current five-year construction program is about \$600 million a year.

### DOT AWARDS MICHIGAN FUNDS

**The U.S. Department of Transportation awarded Michigan a \$196.5 million federal grant** for signal and track improvements on the rail line between Kalamazoo in Western Michigan and Dearborn in suburban Detroit. Improvements will allow the trains to run faster and speed passenger and freight transportation.

### NUMBER OF DEFICIENT BRIDGES GROWS

**Transportation for America, an advocacy group, says that more than 18,000 high-traffic bridges across the country**

**are rated "structurally deficient."** In New York, 17.5 million vehicles cross a deficient bridge every day. A rating of deficient means that the bridge's load-carrying elements are damaged or deteriorating, and the bridge requires significant maintenance to remain in service. Pittsburgh has the highest percentage of deficient bridges (30.4%) for a metro area with a population of more than 2 million, with Oklahoma City and Tulsa getting the top spots for smaller metros.

### KDOT ANNOUNCES ROAD AND BRIDGE PROJECTS

**The Kansas Department of Transportation announced \$651 million in road and bridge projects are scheduled to start over the next two years** across the state. They unveiled a new Website to help people keep track of the construction progress. The projects will be funded under T-WORKS, an \$8 billion, 1-year transportation program passed by the 2010 legislature. The bill calls for at least \$8 million to be invested for road, aviation, transit and rail projects in each of the state's 105 counties. In all, KDOT officials say 1,404 miles of highway improvements will be made and 93 bridges will be replaced in the 2012 and 2013 fiscal years.

### TEXAS APPROVES \$3 BILLION

**The Texas Transportation Commission approved distribution of \$3 billion in Proposition 12 bond funding** to be used to address congested highways, rehabilitate bridges and improve connectivity between the state's metropolitan areas. Some major projects include improving Interstate 35 connectivity, Dallas' \$818 million Horseshoe project, US 290 in Houston and the future development of Interstate 69 in South Texas.

### COLORADO BRIDGES GET THEIR OWN WEBSITE

**The Colorado Department of Transportation launched a Website that will track the status of Colorado's poor bridges** as they are being planned, designed and constructed through the Colorado Bridge Enterprise. Program statistics will be updated monthly, and an interactive map will show the status of all 119 bridges deemed to be in poor condition.

## BILLION DOLLAR PORT PROJECT GETS GREEN LIGHT

Florida environmental regulators signed off on the \$1 billion Port of Miami tunnel project, granting the permit that will allow drilling to start as scheduled in early November.

## HEAVY CONSTRUCTION PROJECTS

The Orange County Transportation Authority kicked off a nearly \$600 million program known as O.C. Bridges that will separate street traffic from trains at seven locations in north Orange County, so drivers will no longer waste time idling at rail crossings while waiting for trains to pass.

The Pennsylvania Department of Environmental Protection has told Crawford Renewable Energy to proceed with plans to construct a \$350 million tire-derived-fuel-fired power plant in Greenwood Township. No start date for construction has been announced.

BP announced plans to build an \$800 million wind farm in Kansas next year. They plan to start work on the 66,000-acre project within the next three months, employing as many as 500 people at the peak of construction. They are targeting commercial start-up by the end of 2012.

Denver International Airport is preparing for the start of construction on the South Terminal Redevelopment Program. The work is being done by Kiewit Western Co., which has a \$50 million contract with the airport to complete enabling work for the new South Terminal. The South Terminal includes a 500-room hotel, a FasTracks train station and an open-air plaza.

The first of what will be about 1,000 construction workers have started work on the \$1.4 billion Chevron facility in Pascagoula, Mississippi. The plant will produce the main ingredient in premium motor oil. Construction is expected to generate about 1,000 jobs over two years. The work consists of building several new units, and retrofitting existing facilities to produce base oil. Chevron awarded Houston-based KBR a \$65 million contract to build the base oil plant, which is slated for completion by the end of 2013.

Construction could begin early next year on the \$1.5 billion Tres Amigas electrical power project near Clovis New Mexico. Hundreds of construction jobs will be created over the 36 months it will take to build the first \$300 million phase of the project. When finished, Tres Amigas will serve as a super-station connecting and redistributing electrical power from the nation's three main grids. Another \$300 million will be invested for phase two, with \$800 million to \$1 billion going to the final phase of construction.

A design-build-operate contract for a gas centrifuge uranium enrichment plant in Idaho was awarded to France's state-owned nuclear reactor builder Areva. The \$3 billion Eagle Rock Enrichment Facility in Idaho could be operational by 2014. A decision on whether to begin construction in 2012 is due by the end of the year.

## RESIDENTIAL CONSTRUCTION

### HOUSING STARTS RISE

Total housing starts rose 15% in September to a seasonally adjusted annual rate of 658,000 units. Single-family starts rose 1.7% in September to a seasonally adjusted annual rate of 425,000 units. Multifamily starts rose 51.3% to a seasonally adjusted annual rate of 233,000 units, their highest level since October of 2008. Multifamily starts tend to be much more volatile than single-family starts. The big jump is part of an upward trend caused by increased demand for rental apartments. Starts rose across the board, gaining 18.1% in the West, 15.7% in the South, 12.7% in the Northeast and 9.3% in the Midwest. NAHB continues to anticipate modest gains in new home production through the end of the year with greater momentum building into 2013.

### BUILDING PERMITS DROP

Building permit issuance, which can be an indicator of future building activity, fell 5.0% to a seasonally adjusted annual rate of 594,000 units in September following a 3.2% increase in August. Single-family permits were virtually unchanged at 417,000 units while multifamily permits declined 14.5% to 177,000 units. Regionally, permit activity was

mixed, with permits going up 4.9% in the Northeast and 0.9% in the Midwest, and dropping 7.0% in the South and 9.0% in the West.

### BUILDER CONFIDENCE RISES

**The HMI (Housing Market Index) rose four points to 18 in October.** The index is now higher than 16 for the first time in six months. It was the largest one-month gain in confidence since the home buyer tax credit in April 2010. NAHB says the rise in confidence is due to modest improvements in buyer interest in select markets where the economic recovery is starting to take hold and where foreclosure activity has remained relatively subdued. Nevertheless confidence remains very low. Regionally, the West led all other areas with a nine-point gain to 21, the highest score for that region since August of 2007. The Midwest and South each recorded four-point gains, while the Northeast remained unchanged. Scores from each component of the index are used to calculate the overall number. A reading above 50 indicates that more builders view conditions as good than poor.

### NEW-HOME SALES RISE

**Sales of new single-family homes rose 5.7% in September** to a seasonally adjusted annual rate of 313,000 units after falling 2.3% in August. The increase broke a five-month stretch of declining sales. Regionally, new-home sales were mixed in September, with gains of 11.2% in the South and 9.7% in the West and declines of 12.2% in the Midwest and 4.2% in the Northeast. The inventory of new homes for sale held at an all-time record low of 163,000 units in September, a very modest 6.2-month supply at the current sales pace. NAHB says that first-time buyers are driving the new-homes market right now, as evidenced by the number of lower-priced, entry-level homes under contract. NAHB is projecting an uptick in sales and a broader recovery over the course of next year. New homes typically account for just 6% of the overall housing market, but each new home built creates an average of three jobs and \$90,000 in taxes. Last year was the fifth year in a row that new home sales declined. NAHB says that any uptick in demand will lead to an almost immediate increase in building activity because inventory is at record lows.

### EXISTING HOME SALES FALL

**Sales of existing homes fell 3.0% in September** to a seasonally adjusted annual rate of 4.91 million units after dropping to an upwardly revised 5.06 million units in August. Existing home sales are 11.3% higher than they were in September 2010. Single-family home sales fell 3.6% to a seasonally adjusted annual rate of 4.33 million annual units in September, 12.2% above the pace in September 2010. Investors accounted for 19% of sales, down from 22% in August, and first-time buyers accounted for 32% of transactions, unchanged from August. All-cash sales accounted for 30% of transactions in September, up from 29% of transactions in August. About 18% of contracts failed or were canceled due to an inability to get financing or low appraisals. The national median existing-home price was \$165,400, down 3.5% from September 2010. Distressed homes accounted for 30% of sales in September, down from 31% in August and 35% in September 2010. Total housing inventory dropped 2% to 3.48 million existing homes for sale, which represents an 8.5-month supply at the current sales pace. A six-month supply of homes is considered healthy by economists. Regionally sales were mixed, rising 2.6% in the Northeast but slipping 0.9% in the Midwest, 2.6% in the South and 8.8% in the West. The falloff in Western sales from the surge in August was expected because many lenders had lowered loan limits over concerns that sales would not close before higher loan limits expired at the end of September. The NAR says that unless Congress reinstates the higher limits, the overall housing market recovery will be slower than it might otherwise be.

### MORTGAGE RATES UP SLIGHTLY

**The average interest rate on a 30-year FRM rose slightly to 4.10% at the end of October** from 4.01% at the end of September, according to Freddie Mac. At the end of October last year fixed-rate loans were at 4.23%. NAHB lowered its forecast for average mortgage interest rates for this year to 4.5% from 5%, and lowered the forecast for next year's rates from 5.7% to 4.9%. Mortgage rates typically track the yield on the 10-year Treasury note.

## NUMBER OF IMPROVING MARKETS GROWS

**The number of individual housing markets that are improving rose from 12 in September to 23 in October.** NAHB launched the First American Improving Markets Index in September. The index tracks housing markets throughout the country that are showing signs of improving economic health. Several more markets in Texas joined the list, along with Iowa City and Waterloo, Iowa, Kankakee, Illinois, and Jonesborough and Pine Bluff, Arkansas. The list reveals metropolitan areas that have shown improvement for at least six months in housing permits, employment and home prices. Carrying over from last month were Pittsburgh and New Orleans, as well as Alexandria, Louisiana, Anchorage and Fairbanks, Alaska, Bismarck, N.D., Casper, Wyoming, Fayetteville, North Carolina, Houma, Louisiana, and Midland and Waco, Texas. Bangor, Maine, was the only area to drop off the improving markets list, due to a decline in local building permits. The index will come out on the fourth business day of each month and measure three sets of independent monthly data, including employment growth from the Bureau of Labor Statistics, house price growth data from Freddie Mac and single-family housing permit growth data from the U.S. Census Bureau.

## HOME BUYING SEASON A BUST

**The peak home buying season of March through August was one of the poorest on records** dating back half a century. It was the worst showing for new homes on record, and one of the worst years for existing homes. Combined totals were the weakest on records dating back to 1963, despite the fact that home prices are falling and mortgage rates are the lowest they've been in six decades. Moody's Analytics expects prices to bottom at the start of 2012, but doesn't expect sales and prices to make a healthy recovery until 2015 at the earliest, with hard-hit areas like California and Florida taking decades for prices to return to "normal." About 2.8 million existing homes were sold between March and August in each of the last three years. In a healthy market, about 3.3 million homes would be sold in that six-month stretch. Prices for existing homes have fallen more than 5% over the past year, and new-home prices have fallen by 7.7%.

## REMODELING INDEX DROPS

**The Remodeling Market Index (RMI) dropped to 41.7 in the third quarter** from 43.9 in the second quarter. An RMI below 50 indicates that more remodelers report that market activity is declining than report that it is increasing. The index hit a four-year high of 46.5 in the first quarter. Remodelers report that many consumers show interest in having remodeling work done, but are slow to commit to projects. All three components measuring current market conditions decreased, as did components measuring future market conditions like calls for bids and backlog. Regionally, the current market conditions shrank in the Northeast and West, but increased in the Midwest and the South. However, no region was above 50.

## WEAK REMODELING MARKET EXPECTED

**Home improvement spending will remain weak through the first half of 2012** thanks to a down economy and housing market, according to the Leading Indicator of Remodeling Activity released by the Joint Center for Housing Studies of Harvard University. According to the study, homeowners are spending on small jobs and maintenance but remain nervous about taking on large discretionary projects.

## HOME PRICES RISING

**Home prices rose in August in half of major cities**, according to the Standard & Poor's/Case-Shiller index. It was the fifth month in a row that at least half of the cities surveyed showed gains. The biggest increases were in Washington, Chicago and Detroit. The index, which covers half of all U.S. homes, measures prices compared with those in January 2000 and creates a three-month moving average. Home prices in many cities, including Cleveland, Detroit, Las Vegas, Phoenix and Tampa, have reached their lowest points since the housing bust more than four years ago.

## PRESIDENTIAL INITIATIVES START WITH HOUSING

**President Obama launched a series of executive actions** aimed at bypassing Republicans in Congress and demonstrating that he's serious about tackling a jobs and housing crisis that is damaging the economy. His first executive action was a plan to help more than a million homeowners who owe

more than their property is worth obtain refinancing. The President promised to unveil at least one new economic initiative each week.

### ENERGY STAR HOMES MORE POPULAR

**A full 25% of all single-family homes built in the U.S. in 2010 earned Energy Star qualification**, up from 21% of single-family homes earning Energy Star rating in 2009. Since 1995, about 1.2 million new homes have earned the EPA's Energy Star designation. More than 20,000 organizations are Energy Star partners.

## COMMODITIES

### CONSTRUCTION MATERIALS PRICES FLATTEN

**The Producer Price Index for Construction Materials has climbed 8.1% in the past 12 months**, but the amount contractors charge has only increased between 2% and 3%, according to an analysis released by the Associated General Contractors of America. (AGC) Weak demand is forcing contractors to absorb the bulk of materials price hikes instead of passing them along to owners, according to the AGC.

### STEEL

**The Producer Price Index (PPI) for steel mill products slipped 0.6% in September after falling 1.0% in August** but is up 13.5% for the year.

**Last spring's big price spike for steel products continues to work its way through ENR's 20-city average price** for concrete reinforcing bar and structural steel shapes, according to ENR. The 20-city average price for grade-60 rebar increased 1.0% in September is now 7.8% above a year ago. Prices for epoxy-coated rebar increased 1.1% for September and 10.7% for the year. The average price for wide-flange, channel and I-beams increased 0.5% in September and is now 7.4% above September 2010.

### CEMENT

**The PPI for concrete products was up 0.2% in September**

after falling 0.1% in August. The PPI for concrete products is up 0.3% year over year.

**Crews have begun setting up a custom-made tunnel boring machine** designed specifically to carve a 3-mile-long tunnel for the \$800 million third intake in Lake Mead, which straddles Arizona and Nevada. The excavation 600 feet underground is expected to take 23 months. Once the intake is lowered to the bottom of the lake, there will be a continuous placement of concrete that could take five days and about 1,300 loads from mixer trucks.

### LUMBER

**The PPI for lumber and plywood was down 1.3% in September after rising 0.7% in August.** The PPI for lumber and plywood is down 0.4% year over year.

**Random Lengths reported that framing composite was at \$255 per thousand board feet at the end of October**, down from \$265 per thousand board feet at the end of September and down from \$260 per thousand board feet a year ago. **Structural panel was at \$289 per thousand board feet at the end of October**, down from \$301 per thousand board feet at the end of September and up from \$275 a year ago.

**Weak demand continued to undercut ENR's 20-city average price for 2 x 4 lumber**, which fell another 0.9% in September for the most commonly used species of lumber, keeping prices 1.1% below a year ago. ENR's 20-city average price for plywood actually went up 0.3% in September, but remains 3.3% below 2010. Through the first seven months of 2011 the total for new housing put in place was 0.9% below 2010.

**Through the first three quarters of this year, structural panel production in the U.S. and Canada was up slightly** from last year, totaling 19.927 billion square feet, just 16 million feet more than 2010's total through nine months. Output of glulam beams, I-joists, and LVL were up sharply in the third quarter compared to last year.

### OIL

**The PPI for diesel fuel was up 3.3% in September after**

**falling 6.2% in August.** The PPI for diesel fuel is up 39.4% year over year.

**Oil prices have been falling as the global economic slow-down has been cutting into demand.** Oil and natural gas supplies have been growing, while refineries have been slowing down and gasoline supplies dropping, all signs of soft demand.

**After declining throughout September and early October, the national average retail price of diesel rose 8 cents to \$3.801 in late October.** Average prices shot up in all regions except New England, where the price dropped 0.5%. The West Coast, excluding California, jumped 10 cents to \$4.010. California prices rose 7.6 cents to \$4.053. Prices in the Midwest increased 8.3 cents to \$3.754. The national average price is 72.8 cents higher than a year ago. The record diesel price was \$4.764 in July 2008.