National and Local Construction Trends – July 2007[1]

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Introduction

The construction industry has been struggling with a decrease in market spending especially in the residential sector. This report examines these trends on national, state, and municipal levels.

National Trends

While national spending continues to grow for public and private nonresidential construction, private residential construction spending continues to decrease.

The national construction market is generally divided into three sections: private residential, private nonresidential, and public. As of June 2007, private residential construction consisted of 46.3% of total national spending, private nonresidential construction consisted of 29.5%, and public construction consisted of 24.2%. Historically, over the 5 years prior to March 2006, these percentages have been around 60%-20%-20%, respectively.

While the public and private nonresidential sectors have continued to grow at a continual rate and show no signs of changing, the private residential sector has been quickly declining since March of 2006. Authorized housing permits in June 2007 were 7.5 percent (±1.2%) below the revised May 2006 rate and 25.2 percent (±1.2%) below the revised June 2006 estimate. Single units have decreased the most. Housing starts were 2.3 percent (±8.3%)[2] above the revised May estimate, but 19.4 percent (±5.9%) below the revised June 2006 rate. Housing completions were 6.0 percent (±8.1%)[3] below the revised May estimate and 28.2 percent (±5.9%) below the revised June 2006 rate. Total spending seasonally adjusted was down 0.8 percent from May and 19.6 percent from June 2006.

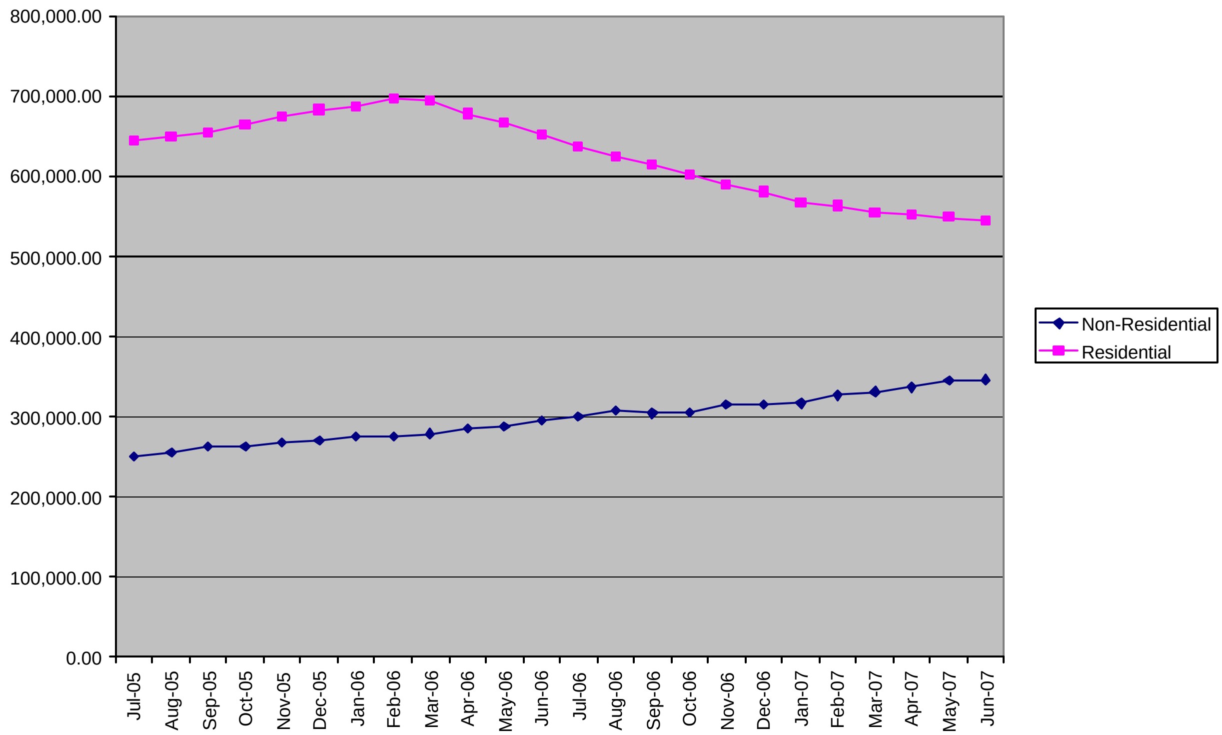
Overall, private residential construction has decreased significantly while the other sectors have remained constant.

[1] All facts and figures are from the U.S. Census Bureau and U.S. Department of Housing and Development unless otherwise noted.

[2] 90% confidence interval includes zero. The Census Bureau does not have sufficient statistical evidence to conclude that the actual change is different from zero.

[3] Ibid.

Total Construction Spending (in Millions)



State Trends

While nationally the private residential sector has been decreasing, these estimates do not reflect on all states equally. By examining the difference in authorized housing units between June 2006 and June 2007, we find that a couple of states' private residential sectors have continued to grow, a few have remained stagnant, and most have seen varying degrees of reduction.

While most states have struggled, authorized housing units have increased 19.46% in Mississippi and 4.6% in Hawaii.

Five states have remained stagnant (less ±3% change): Montana, New York, Wyoming, Louisiana, and North Dakota.

Two states have seen slight decreases in authorized housing units. Kentucky has decreased 3.08% and Washington has decreased 4.39%.

All other states' authorized housing units have decreased from 12% to almost 53% between June 2006 and June 2007. The hardest hit states have been Alaska down 40.34%, Michigan down 43.71%, Florida down 50.37%, and Nevada down 52.36%.

State	% Difference	State	% Difference
Mississippi	+19.46%	Alabama	(-21.54%)
Hawaii	+4.60%	South Dakota	(-22.65%)
Montana	+1.94%	Kansas	(-23.29%)
New York	+0.50%	Ohio	(-23.34%)
Wyoming	+0.39%	Virginia	(-23.85%)
Louisiana	(-0.81%)	New Mexico	(-24.60%)
North Dakota	(-0.95%)	Maine	(-24.61%)
Kentucky	(-3.08%)	Missouri	(-25.67%)
Washington	(-4.39%)	Arizona	(-25.71%)
Delaware	(-12.40%)	Arkansas	(-25.98%)
Oklahoma	(-12.62%)	Illinois	(-26.38%)
District of Columbia	(-13.26%)	Idaho	(-26.54%)
Rhode Island	(-14.10%)	Colorado	(-26.96%)
Utah	(-14.57%)	West Virginia	(-26.99%)
North Carolina	(-15.53%)	Wisconsin	(-27.23%)
Nebraska	(-16.01%)	New Hampshire	(-27.95%)
Pennsylvania	(-16.41%)	New Jersey	(-29.00%)
Indiana	(-17.32%)	Massachusetts	(-30.48%)
Tennessee	(-17.61%)	Vermont	(-31.37%)
Oregon	(-17.72%)	California	(-32.59%)
Iowa	(-19.77%)	Minnesota	(-38.27%)
South Carolina	(-19.78%)	Alaska	(-40.34%)
Maryland	(-20.61%)	Michigan	(-43.71%)
Texas	(-20.62%)	Florida	(-50.37%)
Connecticut	(-20.90%)	Nevada	(-52.36%)
Georgia	(-21.40%)		

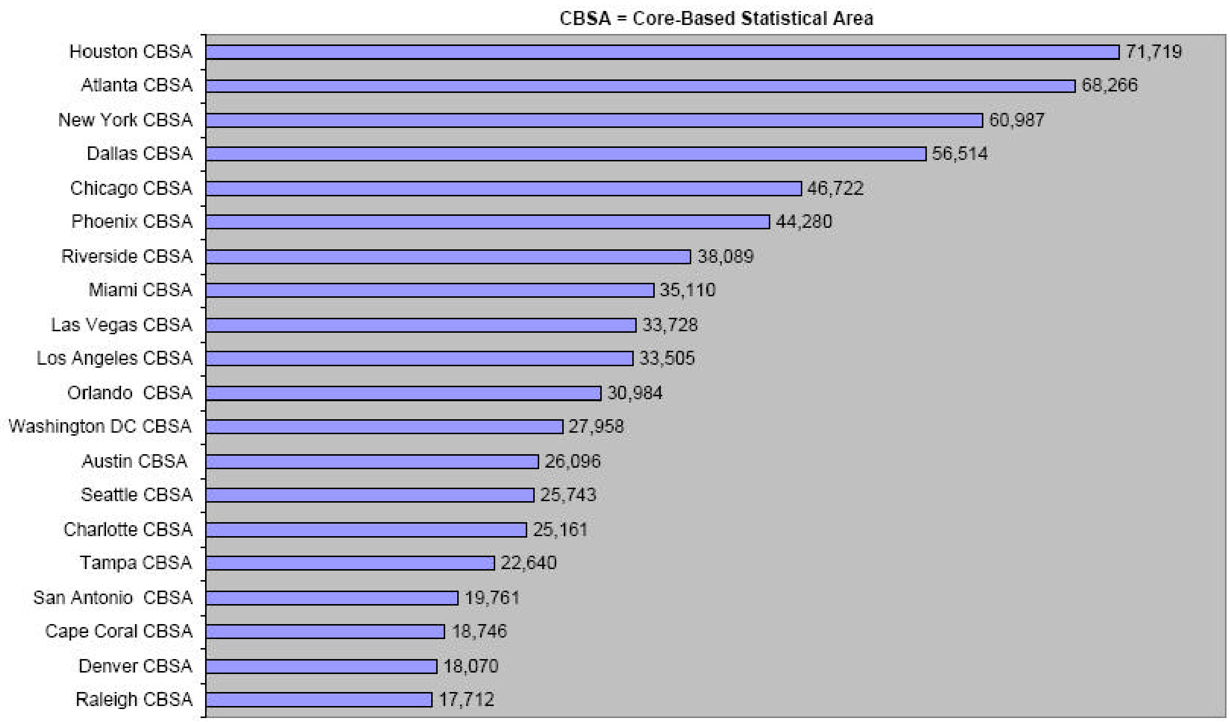
The percentage difference between the amounts of authorized units from June 2006 to June 2007.

Municipal Trends

Municipal areas make up the third point of examination for current construction trends. While the assessment of the changes in these areas for the last few years is outside the scope of this report, the current breadth of best growth was examined.

As of June 2006, the top ten cities with the most productive private residential sectors based on new authorized units were Houston, Atlanta, New York, Dallas, Chicago, Phoenix, Riverside, Miami, Las Vegas, and Los Angeles. Houston, Atlanta, New York, and Chicago all had considerably more units authorized than other cities.

New Privately Owned Housing Units Authorized - Top 20 CBSA's: 2006



Conclusion

While national public and private nonresidential construction has remained stable and growing, private residential construction has decreased around 25%. This trend had a stronger impression on some states more than others. Only two states' residential sectors grew: Mississippi and Hawaii. 45 of the 50 states saw decreases in their markets. Nevada and Florida saw over a 50% reduction in their amount of private residential construction over the last year.