CONSTRUCTION **UPDATE**

News From the Month of February, 2015

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CONTENTS

OVERVIEW & MONTHLY STOCK MARKETS

Construction spending fell. Durable goods orders rose in January and wholesale prices fell. Gas and diesel prices rebounded from January lows. Fourth quarter GDP grew less than first reported. Unemployment fell and the economy added more jobs than expected. Consumer confidence dropped. Consumer prices fell and consumer spending fell; inflation remained tame. Housing starts, building permits, new and existing home sales and builder confidence all fell. Mortgage rates rose. The markets made it back into the black, with all three major indexes posting robust gains. In January the DOW rose 5.6% to 18,133, the NASDAQ gained 7.1% to close at 4,963 and the S&P, the index most closely watched by economists, rose 5.5% to close at 2,104.

CONSTRUCTION SPENDING AT A GLANCE

	JANUARY 2015 In Millions of U.S. Dollars	% Change from January 2014
Total Starts	**$38,580**	**11.9%**
Residential	**$16,059**	**13.4%**
Single-family	$13,402	22.1%
Apartment/condo	$2,657	-16.4%
Commercial	**$5,574**	**-10.4%**
Industrial/Mfg.	**$206**	**-69.2%**
Institutional	**$6,186**	**0.1%**
Total Non-Res Building	**$12,263**	**-8.3%**
Heavy Construction	**$10,258**	**47.6%**

Data Source: CMD Group

U.S. ECONOMY

Construction Spending Falls 1.1%

Construction spending fell 1.1% in January to a seasonally adjusted annual rate of $971.4 billion after rising more than first reported in December. Private construction spending fell 0.5%, while private nonresidential construction spending fell 1.6%, the first decline since June 2014. Much of the weakness was due to a 2.6% drop in public construction spending. The decline was more than expected, but Wells Fargo senior economist Anika Khan says that weather was part of the reason for the slide, which could mean another round of soft reports for February. Power construction, the largest component of private spending, fell 0.8% in January. Manufacturing construction spending rose 4.2% and is up 22.5% over the past year. Chemical manufacturing rose 11.6% in January and is up 57.6% over the past year.

Truck Tonnage Index Rises

The American Trucking Associations' advanced seasonally adjusted For-Hire Truck Tonnage Index hit an all-time high of 135.7 in January after remaining at 136.8 in December. Compared with January 2014, the index increased 6.6%, which was the largest year-over-year gain in more than a year. Without seasonal adjustment, tonnage actually hauled by fleets equaled 126.9 in January, down 3.5% from December. ATA recently revised its seasonally adjusted index going back five years as part of the association's annual revision. For all of 2014, truck tonnage was up 3.7%, slightly better than the 3.4% originally reported. The ATA expects an increase in consumer spending and factory output to offset the weakness in hydraulic fracking due to dropping oil prices. Trucking serves as a barometer of the U.S. economy, representing 69.1% of tonnage carried by all modes of domestic freight transportation. ATA calculates the tonnage index based on surveys from its membership.

Gas and Diesel Prices Rebound

U.S. gasoline and diesel prices rebounded in February. The average cost for a gallon of gas rose to $2.33 at the end of February from $2.04 at the end of January and was down $1.11 from February 2014. Gas was most expensive on the West Coast at $2.76 per gallon and cheapest in the Rocky Mountains at $2.04. The average cost per gallon for diesel at the end of February rose to $2.90 from $2.87 in January and was down $1.12 from February 2014. Prices were highest in California at $3.21 per gallon and lowest in the Rocky Mountains at $2.76. The cost of crude oil made up 57% of the cost of a gallon of gas and 42% of the cost of a gallon of diesel.

West Coast Ports Dispute Agreement

Negotiators for the International Longshore and Warehouse Union and the Pacific Maritime Association have reached a tentative coastwide contract agreement for five years after more than nine months of bargaining. The membership of both groups must now vote to ratify the contract, a process that could take several weeks. The details of the agreement were not immediately available. President Obama and Labor Secretary Thomas Perez were credited for helping to push the agreement forward in a difficult negotiating environment. The National Retail Federation said the efforts of management and labor must now be focused on clearing the backlog of containers and vessels at West Coast ports. Industry experts agree that it will take months for Los Angeles, Long Beach, Oakland, Seattle and Tacoma, which are all top ten U.S. ports, to return to "normal" operations. Many changes are needed in order to accommodate the cargo surges that occur each week as ports attempt to unload vessels with capacities of as many as 14,000 twenty-foot containers. Shipping analysts say it may take three months or more for the ports to recover. The union and the docks have reportedly committed to returning to full productivity and manning levels immediately. West Coast ports will get a short break because the vessels that left Asia before Chinese New Year celebrations began will hit U.S. shores in early March. The ports will then have about three weeks of significantly-reduced cargo volumes while factories in Asia are closed for the celebrations, which could help them work off the backlogs that have accumulated in recent months.

Consumer Confidence Drops to 96.4

The New-York based Conference Board's Consumer Confidence Index dropped to 96.4 in February from an upwardly revised 103.8 in January. The Present Situation Index decreased to 110.2 from an upwardly revised 113.9, while the

Expectations Index declined to 87.2 from an upwardly revised 97.0. The Conference Board said that despite the decline consumers still expect the economy to continue to expand at a modest pace. Economists say a level of 90 indicates that the economy is on solid footing, and a level of 100 or more indicates growth. Analysts caution that the real driver behind consumer spending is income growth and that labor market trends are a more accurate predictor of consumer behavior.

Consumer Spending Falls 0.2%

Consumer spending fell 0.2% in January after falling 0.3% in December. Consumer spending adjusted for inflation rose 0.3% in January after falling 0.1% in December. Much of the weakness was once again due to the drop in gasoline prices in January. Service spending grew 0.5%. Overall goods consumption dropped 1.5%. Personal income rose 0.3% in January, the same rate as in December. Real disposable personal income jumped 0.9% in January after increasing 0.5% in both November and December. That means the increase in real disposable personal income has doubled from June 2014 when it was 2.1% year-over-year to 4.2% year-over-year in January. The savings rate rose again, climbing to 5.5% in January from 4.9% of disposable income in December. Wells Fargo says that the increase in the savings rate should help support higher spending in the future. Global Insight reports that the increase in real consumer spending shows that falling gasoline prices are starting to show up at the cash register. Consumer spending accounts for 70% of U.S. economic activity.

Consumer Prices Fall 0.7%

The Consumer Price Index fell 0.7% in January after falling 0.4% in December. It was the third consecutive monthly decline and the largest drop in the index since December 2008. In the 12 months through January, the CPI increased just 0.6%. The core CPI, which strips out volatile food and energy costs, increased 0.2% in January after being unchanged in December and was up 1.6% from January 2014. Economists say that much of the underlying weakness is largely due to temporary factors. Some economists think inflation could dip into negative territory this year before rebounding. Gasoline costs reversed six months of declines and rose for the month.

Unemployment Falls to 5.5%

Unemployment fell to 5.5% in February after rising to 5.7% in January, and the economy added 295,000 new jobs, a big improvement from January's 239,000 jobs. Results exceeded analysts' expectations. Wages rose 0.1% in February; wage growth has been slow, averaging around 2% annually for the past two years. Slow wage growth has helped prevent the economy from returning to full strength and has made many Americans feel as if the recovery has left them behind. Economists expect wages to start increasing at a faster pace this year as the job market tightens. Construction added 29,000 jobs in February. Employment in specialty trade contractors rose by 27,000, mostly in the residential component. Over the past 12 months, construction has added 321,000 jobs.

Durable Goods Orders Rise 2.8%

Orders for durable goods rose 2.8% percent in January after falling 3.7% in December and 2.2% in November. It was the biggest increase since last July. The increase was larger than had been expected, but much of the increase came from a 128.5% surge in demand in the volatile category of commercial aircraft. Orders for non-defense capital goods excluding transportation, which serve as a proxy for business investment spending, increased 0.6% in January after dropping 0.7% in December. The increase came after four consecutive months of declines. Excluding transportation, orders rose 0.3% in January after dropping in December and November. Many economists have noted that orders should begin to increase as the supply backlogs caused by the lengthy West Coast ports dispute slowly start to clear. The durable goods report is often both volatile and subject to sharp revisions.

Chicago PMI Drops to 45.8

The Chicago PMI, the bellwether manufacturing index, dropped 13.6 points to 45.8 in February, the lowest level since July 2009 and the first time the PMI has been in contraction since April 2013. Production, New Orders, Order Backlogs and Employment all suffered double digit losses that left them below the 50 level which separates contraction from expansion. The Institute of Supply Management (ISM) noted that the West Coast ports strike and the unrelenting harsh winter weather most likely had a negative impact in February, although it is difficult to judge the magnitude. The ISM says the weakness in the PMI points to softer GDP growth than anticipated over the first quarter. Supplier Deliveries was the only component to increase between January and February. New Orders suffered the largest monthly decline on record, falling to the lowest level since June 2009. A slight increase in energy costs pushed Prices Paid to the highest level since December, although it remained firmly below 50. Inventories fell more than 15 points in January, but contracted at a slower pace in February. Purchasers commented that the inventory drawdown was planned and expected a pickup once the weather warms up. MNI Indicators Chief Economist Philip Uglow said that it was difficult to reconcile the very sharp drop in the Barometer with the positive comments in the surveys and says they will need to wait for March data to get a better picture. The Chicago PMI report is considered an indicator of nationwide activity ahead.

Wholesale Prices Fall 0.8%

The Producer Price Index, which measures cost pressures before they reach the consumer, fell 0.8% in January after dropping 0.3% in December. It was the biggest decline in more than five years. In the 12 months through January producer prices were unchanged. The drop was nearly twice what economists had been expecting. Core prices, which exclude the volatile categories of food, energy and trade services, fell 0.3% after edging up 0.1% in December. Gas prices continued to plummet in January. Analysts say that swings in prices received for trade services, a gauge of margins for retailers and wholesalers, have made it hard to see a clear trend in producer prices. The PPI now includes services as well as costs of goods and covers 75% of the economy, up from a third of all production under the previous index. Goods now account for about 24% of the PPI, and services make up 63%. Prices from government purchases and exports account for 11%, and construction is 2%.

Q4 GDP Growth Revised Down to 2.2%

Q4 GDP was revised down to 2.2% growth from the 2.6% growth estimated last month. The decrease was primarily due to a slower pace of inventory accumulation by businesses and a wider trade deficit. The economy grew at a very brisk 5% in the third quarter. Growth in consumer spending for the quarter was revised down to 4.2% from the 4.3% first reported, still the fastest growth in consumer spending since the first quarter of 2006. Business spending on equipment was revised up to 0.9% instead of the 1.9% drop first reported. Growth in final sales to domestic purchasers, a key measure of domestic demand, was revised up to a 3.2% pace from 2.8%. Growth was generally in line with expectations. Businesses accumulated $88.4 billion worth of inventory in the fourth quarter, far less than the $113.1 billion the government had estimated last month. That resulted in the GDP growth contribution from inventories being revised down to one-tenth of a percentage point from 0.8%. Analysts say the slower pace will boost first quarter GDP. Strong domestic demand resulted in more imports than previously reported. The resulting trade deficit subtracted 1.15% from GDP growth instead of the previously reported 1.02% drag. GDP needs to grow 2.5% or more over several quarters in order to make a substantial dent in unemployment.

Jolts Shows Big Jump in Job Openings

Job openings surged to more than 5.028 million in December, according to the latest job openings and labor turnover survey, or JOLTS report, from the Bureau of Labor Statistics (BLS). Job openings were at their highest level since January 2001. The results greatly exceeded expectations that job openings would rise modestly from 4.972 in November. In December, total hires totaled 5.15 million while separations came in at 4.89 million. The quits rate in December was little changed from November at 1.9% and was up just slightly from 1.8% the prior year. The number of job openings is seen as a measure of labor market slack, with an increase in job openings indicating the balance of power in the labor market is shifting towards workers looking for jobs and away from employers looking to hire. Analysts say that the increase in job openings signals that employers are finding it increasingly difficult to find staff and fill positions, which will inevitably lead to wage growth, something the Fed has been wanting to see for quite some time. This report includes estimates of the number and rate of job openings, hires and separations for the nonfarm sector by industry and by four geographic regions. The JOLTS report is one of Fed Chair Janet Yellen's preferred economic indicators.

Fed Weighs Rate Hike

The Fed is concerned that raising interest rates too soon could dampen the U.S. economic recovery, according to notes released from the most recent FOMC meeting. In the January notes the Fed also acknowledged that the central bank would take financial and international developments into account. It was the first time since January 2013 that the Fed made a clear reference to overseas economic events. Policymakers noted how China's economic slowdown and tensions in the Middle East and Ukraine pose downside risks to the U.S. economic growth outlook. Fed officials agree that the economy is strengthening, but do not believe it is strong enough to support steadily increasing prices, according to analysts. The weakness in core inflation remains a concern, as the central bank struggles with the possibility of disinflation, which could potentially send the economy back into recession.

Job Growth Forecast for Cities

U.S. cities will see strong job growth this year, but only about half will return to the employment peaks reached before the recession began more than seven years ago, according to an economic report released by the U.S. Conference of Mayors. According to the annual metropolitan jobs forecast from IHS Global Insight all 363 metropolitan areas will see job growth in 2015. It's the first year job growth has been projected in all metros since before the recession. A total of 317 metropolitan areas are expected to see job growth of at least 1%. At the beginning of 2015, 164 areas, or 45% of metropolitan areas, had returned to their pre-recession peak employment levels. That should grow to 55% of metropolitan areas this year, according to the IHS Global Insight forecast. While unemployment is at an eight-year low, mayors are worried that the types of jobs being created are entry-level and part-time and that the level of pay is too low. Recently, the National Association of Counties found unemployment declined in nearly all of the country's 3,069 counties in 2014 but did not decline enough to hit the lows reached before the Great Recession.

NONRESIDENTIAL CONSTRUCTION

Architecture Billings Index Falls

The Architecture Billings Index (ABI) fell to 49.9 in January after rising to 52.2 in December. It was the first time in nine consecutive months the ABI has fallen below 50, the level that signifies growth. The new projects inquiry index rose slightly to 58.7 from 58.2. The South and the Midwest remained above 50, the West fell to 49.3 and the Northeast rose slightly to 46.0. The new projects inquiry index dropped to 58.7 but remained in positive territory. The AIA recently added a new indicator that measures the trends in new design contracts at architecture firms and can provide a strong signal of the direction of future architecture billings. The score for design contracts fell to 51.3 from 52.2. 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 typically compete for projects.

Dodge Momentum Index Falls 4.8%

The Dodge Momentum Index fell 4.8% in January to 121.1 from a downwardly revised 127.2 in December, according to Dodge Data & Analytics. During the final three months of 2014 the Momentum Index had jumped 11.7%, so while January's 4.8% drop showed decreased activity relative to December, it was still in line with the moderate upward trend that's been present over the past three years, according to Dodge. Compared to January 2014, the Momentum Index was up 5.8%. The index's drop from December to January was the result of decreased planning activity in both the commercial and institutional sectors. The institutional sector fell 10.2%, while the commercial sector edged down 0.4%. There were three commercial building projects exceeding $100 million that entered planning during January – the $150 million Park District Office Building in Dallas, Texas, a $149 million office building in New York City and the $100 million Union Place mixed-use development in Mahopac, New York. There were four institutional projects over $100 million that entered planning during January, most notably the $210 million UCF Downtown Campus (Creative

Village) in Orlando, Florida. The Momentum Index is a monthly measure of the first (or initial) report for nonresidential building projects in planning, which have been shown to lead construction spending for nonresidential buildings by a full year.

Climate Change and Federal Construction

President Barack Obama signed an executive order that requires federal construction projects to account for potential flood damage that might be caused by climate change. To meet the new standard, builders must either use "data and methods informed by the best available climate science;" build at least two feet above the projected line for 1-in-100-year floods; or build at the 1-in-500-year flood level. The order would make large amounts of low-lying land ineligible for federal money.

Construction Slow to Go High Tech

The construction industry recognized the potential impact of technology but has been slow to embrace all its aspects, suggests the results of a technology-practices survey with more than 1,000 responses released in January and reported in ENR. Technology consultant JB Knowledge Inc.'s third annual "Construction Technology" survey was a cooperative project, with the Construction Financial Management Association and Texas A&M University's Dept. of Construction Science. Most of the respondents' companies are using the cloud, but 40.5% say their firms have no cloud security policies and procedures and 22.6% say that, if their firms do have such policies, they are not aware of them. Almost 30% say their companies have no data in the cloud. ENR notes that the responses suggest the vast majority of the surveyed firms spend less than 1% of corporate revenue on IT, regardless of company size. This compares with a cross-industry average, according to Gartner, of 3.3%. Construction companies also tend to have very small or non-existent IT staffs.

Nonresidential Spending Forecast

Nonresidential construction spending is forecast to increase 7.7% this year and 8.2% in 2016, according to Kermit Baker, chief economist at the American Institute of Architects. He says that last year's spending will likely total $377 billion when the final numbers are tabulated, well below the $500 billion spent during the peak in 2008. Financing continues to be a problem for projects. The South and the West that traditionally see the most construction activity had the largest overhang when the economy went into recession, so they saw the steepest declines over the next few years. Now that their markets are recovering, they're actually seeing the strongest growth, whereas the Northeast and Midwest were always a little more stable, both during the downside and now during the upswing. The strongest markets recently have been the Southcentral states, including Texas and the surrounding states, and there has been fairly healthy growth in California. Growth in Florida has been more subdued because the state was hit so hard during the downturn, as was Atlanta, the Southcentral and the West Coast, particularly coastal California. Some of the inland markets in California were also hard hit because there was so much extra inventory there, according to Baker.

Construction Costs Forecast to Increase

Construction costs could increase 5% to 7% this year, according to the Mortenson Construction Index. The increase is attributed, in part, to fewer construction companies remaining in business after many closed their doors during the Great Recession, the company said. Higher wages in some states, such as California, Utah and Colorado, play a role as well and will attract labor from lower wage states such as Arizona, said Ty Bohlender, chief estimator at Mortenson.

Football Teams in Play

The Rams could return to the L.A. area for the first time in two decades after the Inglewood City Council approved a $2 billion plan to build a football stadium that includes St. Louis Rams owner Stan Kroenke as a partner. The council adopted a new redevelopment plan without calling for a public vote, effectively kick-starting construction and sidestepping lengthy environmental review of issues such as noise, traffic and air pollution. It adds the 80,000-seat, 60-acre stadium to an existing 2009 plan to redevelop the former Hollywood Park racetrack site with homes, offices, stores, parks and open space and a hotel. Stadium proponents would like construction to start by year's end in order to have a venue ready for the 2018 football season. The current plan does not include any taxpayer dollars. The developer, not the public, would pay the cost of building the stadium. However, a competing plan is also in the works in St. Louis, which hopes to keep the team by offering a 64,000-seat stadium on the city's north riverfront. The Oakland Raiders and the San Diego Chargers are planning a shared stadium in suburban Carson if they don't get their current hometowns to cough up enough money to replace their aging stadiums. Another stadium plan remains alive for downtown Los Angeles but has no team attached.

Miami Beach Convention Center

Four firms have dropped out of the much-delayed renovation of the Miami Beach Convention Center, once a $1 billion project in the heart of Miami Beach. Clark Construction Group, the one firm that did not drop out of the bidding, is being allowed to give the city its best price to finish the design and construction of the center. The city's timetable calls for construction to begin in December. Should the company's bid come in over the city's budget, the city wants to shift to what's called construction manager at risk. Despite this recent setback, commissioner and project leaders insist the renovation will not be delayed.

Texas Medical Center Spurs Development

The Texas Medical Center is spurring new residential and commercial development in the area. In November, TMC officials announced plans for a new research campus on a parking lot near the Baylor College of Medicine's new McNair campus. In December the Urban Land Institute presented plans to redevelop the vacant Astrodome into an indoor park with rock climbing walls, zip lines, a skatepark, run/bike trails and a swimming pool. Developers are planning new luxury homes and apartments in the area, including hundreds of single-family lots near the Texas Medical Center. One 28-acre development, Ardmore Court, will feature 433 single-family lots ranging in size from about 1,630 square feet to 2,400 square feet.

Land Swap in D.C.

Contractors and developers are competing for a chance to build on a prime D.C. building site that is estimated to be worth up to one billion dollars. The federal government wants to relocate the FBI, which is currently housed on a 6.7-acre site in the J. Edgar Hoover Building. However, the government is strapped for construction funds and is looking for a partnership to do a swap. Whichever firm wins will build the new headquarters, and in return get the Hoover building and its prime location in the Penn Quarter on Pennsylvania Avenue. Five groups have submitted proposals.

Aluminum Mill in Louisiana

American Specialty Alloys will develop a $2.4 billion aluminum mill and campus in central Louisiana to serve the automotive and aerospace industries. Work is expected to begin this year in Pineville on a 3,000-acre Red River campus. ASA plans to construct its manufacturing facility at a 1,200-acre mill complex owned and formerly operated by International Paper in Rapides Parish and expects the project to support 2,000 construction jobs. Plans call for an eventual 3,000-acre campus to accommodate all aspects of the aluminum manufacturing process. The company plans to include a melting and casting mill; hot- and cold-rolling mills for sheet and plate; and slit- and cut-to-length production lines. The plant will produce 1.3 billion pounds of aluminum annually that is expected to be used by automakers as car and truck side-panels, doors, hoods and unibody frames. Vehicle manufacturers are seeking lighter metals in place of steel in order to meet federally mandated fuel economy standards for cars and light trucks. Danieli Group has been selected to provide technology services and mill equipment, while Yates Construction LLC has been tapped to build the mill facilities.

Commercial Construction Projects

Construction at the Hudson Yards in New York City continues. Related Cos. and Oxford Properties have filed a building permit application to construct a 1,000-foot-tall mixed-use tower at 35 Hudson Yards. The building would house office space, a hotel and condos. Once the entire Hudson Yards is completed, there will be more than 17 million square feet of newly built space, including residences, office and retail space, a public school and a cultural facility.

Apple will invest $2 billion over 10 years to establish a command center for its global data networks in Mesa, Arizona. The project could generate up to 500 construction and trade jobs. Apple is taking over and reconfiguring a facility and as part of the deal will build and finance solar projects that provide enough energy to power more than 14,000 Arizona homes. The plant that is being repurposed was built by First Solar, but never fully occupied, then taken over by a supplier that filed bankruptcy last year. Officials are hoping the move by Apple will create an anchor for a tech corridor.

Live Oak LNG, a subsidiary of Houston-based Parallax Energy, plans to build a $2 billion liquefied natural gas plant in Louisiana's Calcasieu Parish on a 350-acre site. The project will employ about 1,000 construction workers. Bechtel will do the pre-engineering and design work, and the plant should be finished in 2019. The project also involves building storage and port facilities. The plant is supposed to be operational in 2019.

Site preparation work is underway at the 1,700-acre site of the old Concord resort in the Catskill, which is becoming for the $1.1 billion Montreign Resort Casino. Actual groundbreaking will begin once the license is granted, reportedly in a few months. Bids for infrastructure including sewer and water have already gone out. Buffalo's LP Ciminelli is the general contractor. If construction starts on schedule in the spring, the Montreign Resort Casino would open in mid-2017.

Procter & Gamble plans to build a $500 million manufacturing plant in West Virginia. P&G has only built one other plant in the U.S. since 1971. The plant in Berkeley County will encompass more than 1 million square feet. The facility, which is scheduled to open in 2017, will be able to supply products to 80% of the East Coast within one day. P&G now has 29 plants in 21 states. The project will create about 1,000 construction jobs and should be completed in 2017. The 1-million-square-foot facility is part of the company's $10 billion plan to restructure the company's supply chain.

Yuhuang Chemical officials said construction on its methanol production complex in Louisiana will begin in 2016, with the first $750 million phase of its methanol project beginning operations by 2018. After the methanol plant is completed, the company will build a second $500 million methanol plant and reach an annual capacity of 3.3 million tons per year of methanol. The third phase will include a methanol derivatives plant that will produce intermediate chemicals. Yuhuang Chemical is making its first foray outside of mainland China with the facility.

Enterprise Products Partners plans to build a $412 million plant in Carlsbad, New Mexico. The processing plant will be an expansion of the company's already existing infrastructure in the area and will also include the potential for future expansion. The new gathering system in Eddy County will consist of 93 miles of high pressure pipelines to gather gas and 71 miles of pipeline to deliver natural gas liquid to the Enterprise Fractionator sorting facility in Texas. Construction is expected to create 100 to 150 jobs on site. The project is scheduled to be completed by the second quarter of 2016.

Microsoft plans a $200 million expansion of a data center on the outskirts of Cheyenne, Wyoming that will boost the company's cloud-computing capacities. Microsoft will have invested $750 million in the facility by the time the latest work is complete. Wyoming will invest $5 million to help build infrastructure at the site. Construction work during the expansion will employ 200 to 600 people. Microsoft noted that the demand for cloud computing continues to grow worldwide. Cheyenne's cool weather and inexpensive electricity has helped the area land several energy-intensive facilities.

Construction is officially underway on the Sears Crosstown building in Memphis, Tennessee that has been vacant for 17 years. The project will transform the former Sears headquarters into a lively "vertical urban village" of medical offices, arts amenities, residential housing and retail space. A mix of 21 different funding sources, including public, private and philanthropic, totaling more than $200 million have made the project possible. About 300 construction workers have been on-site since mid-January. When construction reaches its peak in about a year, there will be 900 to 1,000 workers on-site each day.

Institutional Construction Projects

The Florida Agency for Health Care Administration approved nearly $116 million in new nursing home projects and expansions in Central Florida with a total of 717 new beds after the state lifted a 14-year ban on nursing home construction. Statewide, Florida will get 22 new nursing home facilities and another 11 will expand for a total value of $430 million, according to the Florida Agency for Health Care Administration. The largest project, a new 180-bed nursing home, will be built in Orange County. The most expensive is a $29.7 million facility in Osceola County. The new projects will help alleviate the desperate need for more nursing home beds in Florida, as well as create hundreds of temporary construction jobs.

Washington Hospital in Fremont, California finally broke ground on its $339 million Morris Hyman Critical Care Pavilion, roughly a year and a half after it planned to begin the huge project. The big project is now expected to be completed by 2018. The delays were caused by construction bids that greatly exceeded expectations and sent the hospital and the district back to the drawing board. Changes had to be made to the building's design to bring down costs.

HEAVY CONSTRUCTION

Keystone XL Pipeline Vetoed

President Barack Obama quickly vetoed a Republican bill approving the Keystone XL oil pipeline, leaving the long-debated project in limbo for another indefinite period. The Republicans are going to attempt to override the veto, but analysts say they are most likely four votes short. They have also vowed to attach language approving the pipeline to a spending bill or other legislation later in the year that the president would find difficult to veto. The TransCanada pipeline would carry 830,000 barrels a day of mostly Canadian oil sands crude to Nebraska en route to refineries and ports along the U.S. Gulf. The pipeline project has been pending for more than six years. Obama, who rejected the bill hours after it was sent to the White House, said the measure unwisely bypassed a State Department process that will determine whether the project would be beneficial to the United States. Republicans, who support the project because of its job-creation potential, made passing a bill a top priority after the November election, when they gained control of the U.S. Senate and strengthened their majority in the House of Representatives. The bill passed by 270-152 in the House earlier this month and cleared the Senate in January. Obama has played down Keystone XL's ability to create jobs and raised questions about its effects on climate change. Environmentalists, who made up part of the coalition that elected the president in 2008 and 2012, oppose the project because of carbon emissions involved in getting the oil out of Canadian tar sands. Obama will make a final decision on the project once the State Department finishes its review, expected in the coming weeks. The issue is likely to remain central in Washington's political back-and-forth for some time.

Florida Governor Proposes Record Transportation Budget

Florida Governor Rick Scott announced that the Florida Department of Transportation would receive $9.9 billion in the "Keep Florida Working" budget to make strategic transportation investments statewide. The recommendation follows this year's record funding of $10.1 billion to improve Florida's infrastructure, which included the largest FDOT work program in state history. The governor's budget allots $3.8 billion for construction of highway projects, $109.6 million in seaport infrastructure improvements, $350 million for aviation improvements, $242.6 million for scheduled repair of 92 bridges and replacement of 16 bridges, $901.5 million for maintenance and operation and $548 million for public transit development grants.

States Look at Alternative Ways to Fund Road Construction

Lawmakers in Texas and California are looking at different ways to fund road construction. Texas wants to divert a portion of the sales tax collected on car sales that could generate an extra $2 billion for roads and highways. TxDOT has said it needs between $4 billion and $5 billion a year in additional funding to keep congestion from getting worse as the state's population grows. In November, voters overwhelmingly approved Proposition 1, which amended the constitution to dedicate some oil and gas production taxes to transportation. That measure has already given TxDOT more than $1.5 billion in revenue, with more expected to come. However, that funding stream will dry up whenever the current oil drilling boom ends. California is looking at changing the tax on gasoline to a "road usage charge," something that is already being tested in Oregon. Governor Jerry Brown noted that California has a $59 billion backlog of maintenance needs on state highways and bridges.

New Hampshire Evaluates Rail Expansion

Over 3,600 construction jobs could be created if New Hampshire expanded a commuter rail line from Boston to Manchester, according to an extensive two-year study on the expansion of passenger rail service in New Hampshire. The report investigated several other options but concluded that the Boston-to-Manchester line would offer the greatest economic benefit. The study forecast that the construction of the rail line itself would result in some 230 jobs, with an additional 3,390 construction jobs created by the real estate development that is expected to be generated by a rail line.

Heavy Construction Projects

Omaha power plant developer Tenaska got the go-ahead for construction of a $500 million natural gas-fired project in Texas known as the Brownsville Generating Station, a joint project between Tenaska and the Brownsville Public Utilities Board. The new plant is projected to serve the needs of as many as 400,000 homes. With construction expected to start this year, it would be the eighth natural gas-fired plant owned by Tenaska, one of the nation's largest privately held energy companies. Tenaska agreed to $2.1 million of mitigation measures aimed at the preserving and enhancing a nearby historic park. The Tenaska Brownsville Generating Station is planned for a 270-acre site and expected to create as many as 700 jobs during construction.

A 515-mile transmission line in New Mexico and Arizona was approved by the Department of the Interior after the Bureau of Land Management and the Department of Defense worked out ways to deal with political issues and other concerns over its construction. The massive project was first proposed in 2009. SunZia will build the $2 billion line, which will transport wind and solar energy to the larger electrical grid. The project is expected to create 6,000 construction jobs.

The Sacramento Regional Sanitation District in California has started preliminary work on a new sewage treatment plant that is estimated will cost as much as $2.1 billion. The project is expected to employ 600 construction workers with a ground-breaking ceremony scheduled for May. Managers say it is most likely the largest project in Sacramento County history. The final budget is still in flux because of unknown labor costs. Competition is increasing for qualified construction workers who can now demand more in wages.

Work to fix the leaking 85-mile-long Delaware Aqueduct, which provides drinking water to New York City, has started. Crews will dig shafts about 600 feet deep on each side of the Hudson River, and then build a 2.5-mile bypass tunnel under the river between the shafts. The big project is part of a larger, multi-billion dollar plan to fix the city's water infrastructure

Colorado-based PCL Civil Construction was awarded a $128.3 million contract by the Kentucky Transportation Cabinet to build a bridge over Lake Barkley. The project will replace an old two-lane bridge with a four-lane span with a basket-handle arch design. It is part of the larger Lake Bridges Project. Construction is expected to begin later this year.

Las Vegas Paving was awarded a $235 million contract to build a 12.5-mile section of the Boulder City bypass project in Nevada. The two-phase project could link Las Vegas to Phoenix. A groundbreaking ceremony is expected to occur in April with construction beginning in May on the four-lane highway. Completion of the project is expected by early 2018. The contract awarded is the second piece of the project. The first phase of the bypass is under the supervision of the Nevada Transportation Department, and an $83 million contract was awarded to Fisher Sand & Gravel of Dickinson, North Dakota.

Construction is set to start on a new $160 million New Jersey Turnpike toll plaza in March. The initial work includes placing barriers and painting stripes. Union Paving & Construction is the primary contractor on the project. The project involves rehabilitating and expanding the toll plaza to 13 lanes and replacing a two-lane bridge with a four-lane span to move traffic to Route 440, Route 185 and Port Jersey Boulevard. The project is expected to take until fall 2018 to complete.

RESIDENTIAL CONSTRUCTION

Housing Starts Fall 2%

Housing starts fell 2% in January to a seasonally adjusted annual rate of 1.065 million units after rising to 1.089 million units in December. **Single-family starts fell 6.7%** to a seasonally adjusted annual rate of 678,000 in January after rising to 728,000 units in December. **Multifamily production rose 7.5%** to 387,000 units after falling to 361,000 units in December. **Regional starts were mixed.** Starts rose 6.5% in the South. Starts dropped 3.5% in the Northeast, 22.2% in the Midwest and 3.4% in the West. If total housing starts were to return to the pre-recession normal level of 1.5 million annual units, it would create an additional two million jobs, including one million in construction, according to analysis by CMD Data, formerly Reed Construction Data.

Building Permits Fall 0.7%

Building permits fell 0.7% in January to a seasonally adjusted annual rate of 1.053 million units after falling to 1.032 million units in December. **Single-family permits fell 3.1%** to 654,000 units after rising to 667,000 units in December. Multifamily permits rose 3.6% to a rate of 399,000 units in January after dropping to 365,000 units in December. **Regional permit issuance was mixed.** Permits rose 29.5% in the Northeast and 16.8% in the West. Permits fell 16% in the Midwest and 8.7% in the South.

New Home Sales Drop 0.2%

Sales of new single-family homes dropped 0.2% in January to a seasonally adjusted annual rate of 481,000 units from an upwardly revised reading in December. NAHB said that the fact that most of the gains made in December were retained was impressive, especially considering the very harsh weather in certain parts of the country. The inventory of new homes for sale dropped to 218,000 in January after rising to 219,000 in December, a 5.4-month supply at the current sales pace. **Regional sales were mixed.** Sales rose 19.2% in the Midwest and 2.2% in the South. Sales dropped 0.8% in the West and 51.6% in the Northeast, where winter storms have had a major impact for two consecutive months. The pace of sales remains well below historic demand of 800,000 units per year. NAHB expects the housing sector to gain momentum this year as the labor market and broader economy continue to strengthen and pent-up demand is unleashed. Sales of new homes are tabulated when contracts are signed and are therefore considered a more timely barometer of the housing market than purchases of previously owned homes, which are calculated when a contract closes.

Existing Home Sales Drop 4.9%

Sales of existing homes fell 4.9% in January to a seasonally adjusted annual rate of 4.82 million units from an upwardly-revised 5.07 million in December. Sales were up 3.2% from January 2014. **Single-family home sales fell 5.1%** to a seasonally adjusted annual rate of 4.27 million units from an upwardly revised 4.50 million in December and were 3.9% above the pace of January 2014. The NAR said that January housing data can be volatile because of seasonal influences, but low housing supply and the ongoing rise in home prices above the pace of inflation appears to have slowed sales despite low interest rates. Total housing inventory at the end of January increased 0.5% to 1.87 million existing homes for sale. That's a 4.7-month supply at the current sales pace, up from 4.4 months in December. Unsold inventory is now 0.5% lower than in January 2014. Distressed sales remained at 11% of sales in January. All-cash sales, which are generally considered to be sales to investors, rose to 27% of sales from 26% in December. All-cash sales were 33% of sales in January 2014. The share of first-time buyers fell back to 26% from 29% in December, well below the 40% to 45% range that economists consider ideal. **Sales fell in all regions.** Sales dropped 6.0% in the Northeast, 2.7% in the Midwest, 4.6% in the South and 7.1% in the West.

Builder Confidence Falls to 55

Builder confidence fell two points to 55 in February after falling to 57 in January. It was the eighth consecutive month the HMI remained above 50, the level at which more builders consider conditions good than bad. NAHB says the current level of confidence is indicative of a "modest, ongoing recovery." The component gauging current sales conditions fell one point to 61 and the component measuring buyer traffic fell five points to 39.

The gauge charting sales expectations for the next six months held steady at 60. **The three-month moving averages for regional HMI scores were mixed.** The Northeast fell one point to 46, the Midwest dropped two points to 54 and the South fell two points to 57. The West rose two points to 68.

Mortgage Rates Rise to 3.80%

Freddie Mac reported that the average interest rate on a 30-year FRM rose to 3.80% at the end of February from 3.66% at the end of January. A year ago at this time 30-year FRMs averaged 4.37%. Average fixed mortgage rates moved higher for the last three weeks of February amid solid housing data on new home sales and house price appreciation. Fixed-rate mortgage rates still remain near their late May, 2013 lows. Mortgage rates typically track the yield on the 10-year Treasury note.

Homeowners Fail to Budget for Maintenance and Repairs

Only 40% of 2,022 homeowners surveyed are budgeting for home maintenance expenses, and just 38% are accounting for home repairs in their budgets, according to a new survey conducted by HomeServe USA. About 35% of homeowners said they either did not have enough money to replace something major such as the heating system if it failed or were not sure they would have enough money. However, 59% said they are not at all or not very concerned about needing to make a major home repair in 2015. Homeowners are worried about energy and utility bills, with 55% saying they regularly track or monitor their home energy use. Overall, only 32% of the survey respondents said they successfully budget for all their expenses. About 38% keep a budget that they don’t stick to, and 30% don’t have a budget at all.

Construction Workers Are Happy

Construction and facility service workers are the happiest employees, according to TINYpulse's 2015 Best Industry Ranking report, gathered from its anonymous one-question feedback surveys from over 30,000 employees across more than 500 organizations and 12 distinct industries. In the construction industry, a variety of organizations offer coaching and career mentorship to students. Business analyst Lydia Dishman postulates that construction workers are happy because the sector is in recovery, and job shortages for some skilled workers are causing wages to rise and employers to look for other ways to retain employees. In addition, she says the industry has a long history of providing new workers with apprenticeships so they can learn the skills required to tackle more challenging work.

Multifamily construction in Houston will be significantly affected by the decline in oil prices, predicts the CMD Group, formerly known as Reed Construction Data. Houston is expected to break ground on $769 million worth of new apartments in 2015, about a 26% drop from the previous year, according to CMD Group. While apartment construction starts are expected to resume climbing again in 2016, Houston will have to wait until 2018 to see local developers break the $1 billion construction start threshold again. Real estate industry experts estimate that between 40 and 70 proposed projects may have been postponed or canceled amid the economic uncertainty surrounding oil prices. Currently, there are about 28,000 apartment units under construction across Houston, most of which are expected to be delivered by early 2016. Had the 50 proposed multifamily projects gone forward, Houston would have built an additional 10,000 to 15,000 units, which some experts say would have led to an oversupply. The stalled projects will most likely resume when oil prices rebound.

Alliance Residential Company has started the 186-unit Haynes House luxury residential project in Atlanta, part of a more than $300-million development initiative across the Southeast. The Haynes House will be one of four communities Alliance says it will build in metro Atlanta. Alliance will be beginning communities in Midtown, Buckhead and Sandy Springs in Atlanta, as well as developments in Nashville, Tennessee and Charleston, South Carolina over the next year. Haynes House is expected to be completed in about 20 months. The company says they are "bullish" on the Southeast.

COMMODITIES

Steel

The Producer Price Index (PPI) for steel mill products dropped 1.2% in January after dropping 1.3% in December. The PPI for steel mill products was down 1.5% year-over-year.

ENR's 20-city average price for structural-steel shapes fell another 0.2% in February, following January's 0.4% decline. The back-to-back monthly price decreases left the average price for channel, wide-flange and I-beams 2% above a year ago. ENR's 20-city average price for rebar rose 0.1% in February and was 3.4% above February 2014.

Cement

The PPI for concrete products rose 0.7% in February after rising 0.9% in December. The PPI for concrete products was up 4.7% year-over-year.

ENR's 20-city average price for portland cement fell 0.2% in February after rising 0.5% in January. February's decline, combined with a 0.8% increase during February 2014, helped to drop the annual increase to 4.8% from 5.7% in January.

Lumber

The PPI for lumber and plywood dropped 0.4% in January after dropping 1.0% in December. The PPI for lumber and plywood was up 1.8% from a year ago.

***Random Lengths* reported that framing lumber composite finished out the month of February at $348 per thousand board feet,** down from $362 in January and $389 a year ago. **Structural panel ended the month of February at $378 per thousand square feet (3/8"),** up from $376 in January and down from $365 a year ago.

Gypsum wallboard jumped 21% in February after ENR revised its prices for two products in four cities. The revisions resulted in upward monthly adjustments of 7.4% for gypsum wallboard and 11.0% for particleboard. The revisions were due to the development of new sources in Cleveland, Detroit, Minneapolis and St. Louis. The revisions left ENR's 20-city average price for gypsum wallboard 21% above a year ago.

Western lumber production totaled 14.062 billion board feet in 2014, up 4.3% from the 2013 total, according to the Western Wood Products Association's "Western Lumber Facts" publication, reported Random Lengths. Production in the Coast region was up 5.0% in 2014, while Inland production rose 4.7%. Output in the California Redwood region was down 12.3% in 2014 compared to 2013.

Taxes on lumber shipments from Canada to the U.S. may be activated in April for the first time since October 2013. Tax levels in April will be determined by the four-week average of the Random Lengths Framing Lumber Composite Price (FLCP) from February 13 to March 6. If the average is $336-355, a 5% tax would be implemented in Western Canada, and a 2.5% tax plus quota restrictions would be implemented in affected eastern provinces. If the FLCP on March 6 is $354 or lower, taxes will be activated. The FLCP the last week in February was $348.

Oil

The PPI for #2 diesel fuel fell 20.9% in January after falling 14.9% in December and 4.2% in November. The PPI for diesel fuel was down 40.4% year-over-year.

A new report from the U.S. Bureau of Labor Statistics (BLS) shows that the U.S. lost 1,900 oil and gas jobs in January. Analysis shows that the sector shrank by 1% between December and January, with the total number of jobs in oil and natural gas extraction falling from 201,400 to 199,500. Analysts are blaming the job losses on low crude oil prices, which hovered around $50 per barrel throughout much of the month. Despite the jobs cuts, the average hourly earnings in the oil and gas sector increased from $40.77 per hour to $42.02 per hour. Overall, employment in the oil and gas industry remains far above the industry's low of 118,600 back in December 2013.

The largest U.S. refinery strike in 35 years continued as workers at 12 refineries accounting for one-fifth of national

production capacity were walking picket lines at the end of February. United Steelworkers members rejected a sixth contract offer from Shell, the lead negotiator in talks with the union on wages, benefits and safety issues at dozens of oil facilities across the U.S. A full strike of USW members employed at more than 200 U.S. refineries, fuel terminals, pipelines and chemical plants would threaten to disrupt nearly two-thirds of U.S. fuel output. Facilities now hit by the strike are owned by BP, Shell, Tesoro, Marathon Petroleum and LyondellBasell. The work stoppage now includes the nation's largest refinery, Motiva's 600,250 barrel per day (bpd) Port Arthur, Texas refinery. USW members are also picketing at Motiva's 235,000 bpd Convent, Louisiana and 238,000 bpd Norco, Louisiana, refineries and the Shell chemical plant in Norco. The USW is seeking a three-year, industry-wide pact that would cover 30,000 workers at 63 U.S. refineries that together account for two-thirds of domestic capacity. Companies have called on temporary replacement workers to keep plants running at nearly normal levels.

OPEC forecasts greater demand for crude this year than previously thought and projected less supply from countries outside the group in early February, sending oil prices up. OPEC forecasts that demand for its oil will average 29.21 million barrels per day (bpd) in 2015, up 430,000 bpd from its previous forecast. OPEC also slashed its outlook for crude supply growth in non-OPEC countries.

The United States will remain the world's top source of oil supply growth up until 2020, despite the recent collapse in prices, according to the International Energy Agency (IEA). The Medium Term Oil Market report projects that oil prices would likely stabilize at levels substantially below the highs of the last three years. The IEA maintains that while OPEC may win back some customers while prices are low, it will not regain the market share it held before the 2008 U.S. financial crisis. The IEA predicts that Russia will come out the big loser in this latest market upheaval and says Russian oil supplies will contract.

The latest Short-Term Energy Outlook from the Energy Information Agency (EIA) shows that diesel prices are expected to drop through the second quarter before rebounding in the second half of the year. The EIA lowered is forecast for the average cost of on-highway diesel this year to $2.83 per gallon, down 2 cents from January's report. Last year diesel averaged $3.83. The fuel is expected to average $2.87 in the first quarter, slip to about $2.71 in the second quarter and then rise to $2.78 in the third quarter and $2.98 in the fourth quarter. In 2016 the Department of Energy (DOE) expects diesel to average $3.24. The EIA said that the 50% drop in oil prices from the highest levels seen last year is due to continued growth in U.S. tight oil production and strong global supply combined with weaker global demand, which has resulted in rising global inventories. U.S. inventories are also high. The U.S. is projected to produce 9.3 million barrels of crude oil per day this year and 9.5 million in 2016, close to the record 9.6 million barrels per day hit in 1970. Regular grade gasoline prices are expected to average $2.33 this year, compared to an average of $3.44 in 2014. The 2016 average is forecast at $2.73. Lower fuel prices mean that the average household is expected to spend about $750 less for gasoline in 2015 compared to 2014.

OPEC's market share has fallen to less than 30% this year from more than 40% in 2008, the IEA said. The IEA expects global growth in oil demand to accelerate to 1.13 million bpd in 2016 from 910,000 bpd in 2015. Low prices, slowing demand and abundant supply have boosted the volumes of oil held in storage, which has weighed on prices. The IEA sees this build-up halting as early as mid-2015 and the market starting to tighten afterwards. Partly as a result of lower non-OPEC output, the IEA predicted global demand for OPEC crude will rise in 2016 to 29.90 million bpd, after holding at 29.4 million bpd this year.