CONSTRUCTION **UPDATE**

News From the Month of March 2015

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OVERVIEW & MONTHLY STOCK MARKETS

Construction spending fell for the second consecutive month. Durable goods orders and wholesale prices fell in February. Gas prices inched up, but diesel prices fell. First quarter GDP was unchanged. Unemployment remained at 5.5% but the economy added fewer jobs than expected. Consumer confidence rebounded, and consumer prices and consumer spending rose. Building permits and new and existing home sales rose. Housing starts and builder confidence fell. Mortgage rates fell slightly. All three indexes were in the red for the month of March, but the NASDAQ (3.5%) and the S&P (0.4%) posted gains for the first quarter, while the Dow (–0.3%) had a marginal decline. For March the Dow fell 2% to close at 17,776, the NASDAQ fell 1.3% to close at 4,901 and the S&P, the index most closely watched by economists, fell 1.7% to close at 2,068.

CONSTRUCTION SPENDING AT A GLANCE

	FEBRUARY 2015 In Millions of U.S. Dollars	% Change from February 2014
Total Starts	**$34,477**	**5.0%**
Residential	**$15,533**	**10.7%**
Single-family	$13,188	21.3%
Apartment/condo	$2,345	-25.7%
Commercial	**$5,139**	**-4.4%**
Industrial/Mfg.	**$80**	**-71.0%**
Institutional	**$5,554**	**0.4%**
Total Non-Res Building	**$10,991**	**-3.4%**
Heavy Construction	**$7,953**	**7.0%**

Data Source: CMD Group

U.S. ECONOMY

Construction Spending Falls 0.1%

Construction spending fell 0.1% in February to an annual rate of $967.2 billion, and spending for January was revised down to show a 1.7% decline rather than the previously reported 1.1% drop. Economists had expected spending to be flat. Public construction spending dropped 0.8%. Spending on federal government projects jumped 9%, but that was offset by a 1.6% drop in state and local government spending, which is the largest portion of the public sector segment. Spending on private construction projects was up 0.2% as a rise in non-residential outlays made up for a decline in spending on home building. Private residential construction spending fell 0.2%, most likely due to the disruption from cold and snowy weather in the second half of the month, according to analysts. Spending on single-family construction fell 1.4%, while multifamily home building rose 4.1%.

Truck Tonnage Index Drops 3.1%

The American Trucking Associations' (ATA's) advanced seasonally adjusted For-Hire Truck Tonnage Index decreased 3.1% in February, following a revised gain of 1.3% during January. In February, the index equaled 131.6, the lowest level since September 2014. Compared with February 2014, the seasonally adjusted index increased 3%, the smallest year-over-year gain since June of last year and below the 2014 annual increase of 3.7%.The not seasonally adjusted index, which represents the change in tonnage actually hauled by the fleets before any seasonal adjustment, equaled 118.9 in February which was 6.4% below the January reading. ATA Chief Economist Bob Costello said the drop was not a surprise, as retail sales, manufacturing output and housing starts all fell in February. Costello added that the winter weather that impacted a large portion of the country during February had a negative impact on truck tonnage as well as industries that drive tonnage. Trucking serves as a barometer of the U.S. economy, representing 69.1% of tonnage carried by all modes of domestic freight transportation, including manufactured and retail goods. Trucks hauled 9.7 billion tons of freight in 2013. Motor carriers collected $681.7 billion, or 81.2% of total revenue earned by all transport modes. ATA calculates the tonnage index based on surveys from its membership.

Gas and Diesel Prices Mixed

U.S. gasoline prices continued to rise in March, but diesel prices fell. The average cost for a gallon of gas rose to $2.45 at the end of March from $2.33 at the end of February and was down $1.13 from March 2014. Gas was most expensive on the West Coast at $3.00 per gallon and cheapest on the Gulf Coast at $2.187. The average cost per gallon for diesel at the end of March fell to $2.82 per gallon from $2.90 in February and was down $1.15 from March 2014. Prices were highest in the Central Atlantic at $3.18 per gallon and cheapest on the Gulf Coast at $2.68. The cost of crude oil made up 51% of the cost of a gallon of gas and 40% of the cost of a gallon of diesel.

DAT Freight Volume Index Drops

Freight volume dropped 37% year-over-year and spot market freight availability declined for the second consecutive month in February, but rates were up year over year, according to the latest DAT North American Freight Index. The 6% drop in month-over-month volume was largely attributed to last year's excellent numbers, which were pushed up by the extreme demand caused by the 2014 Polar Vortex weather event, according to DAT. Linehaul rates actually trended up year-over-year to compensate for declining fuel surcharges. Rates for vans increased 6.7%, for reefers 7.7% and for flatbeds 8.4%. DAT pointed out that 2015 is mimicking the same pattern seen in 2013, albeit at a higher volume. Compared with February 2014, freight volume fell 34% for vans, 45% for flatbeds and 15% for reefers. February freight volume by equipment type declined 3.9% for vans, 3.4% for flatbeds and 18% for reefers compared to January. Truckload rates on the spot market fell in February compared to the previous month by 1.9% for vans, 3.2% for flatbeds and 5.2% for reefers.

West Coast Ports Update

The ports of Los Angeles and Long Beach are making progress in digging out from the congestion they experienced in recent months, but they still have a long way to go, according to the *Journal of Commerce.* Running counts of ships docked and expected show that terminal operators are in fact moving vessels into and out of the ports somewhat faster than they were in recent weeks. It is now taking three to four days to turn each ship, versus five to six days during mid-month. During the peak of the congestion crisis, it was taking a week or longer to work most ships. Clearing the thousands of containers that are sitting on the docks is equally important and yard work in non-automated terminals is very labor intensive, requiring the availability of thousands of chassis. The ports, working with the three largest chassis-leasing companies, rolled out a neutral chassis pool in early March that is expected to improve chassis availability throughout the harbor. The *Journal* says that high-volume ports wherever they are located will have to find long-term solutions to handling big ships. Los Angeles-Long Beach handles more than 15 million 20-foot container units each year, or more than two and one-half times the volume of the second largest ports complex, New York-New Jersey. Given the gridlock that persisted during the four-month slowdown, the chief executives of both West Coast ports said it will take about three months to return to normal. Meanwhile the union members still need to approve the contract.

Port of Los Angeles Tries Closed Loop Operation

The Port of Los Angeles is teaming up with terminal operators and a harbor drayage company to test a new container free-flow operation. They're hoping to reduce congestion at the largest U.S. port and speed up delivery of import loads to retailers and other large shippers. It's what is called a closed-loop operation and reduces congestion by draying off 400 to 500 containers a day as soon as loads are discharged. Truckers just pick up the next available container and deliver it less than a mile to terminal operator Pasha's near-dock yard. The yard is staffed with union workers.

Construction Jobs Grow

The Associated General Contractors reports that 43 states and the District of Columbia added construction jobs year-over-year from January 2014 to January 2015. Texas led the pack with 49,600 new construction jobs and California was second with 37,800 jobs. Florida added 31,800 jobs year-over-year. Alabama neighbor Mississippi led the nation in shed construction jobs with 6,600 lost positions. Indiana dropped 1,900 jobs, and West Virginia shed 700. The association continues to push legislators and the White House on increasing funds for infrastructure improvements throughout the country.

Construction Employment Trends

Hispanic workers were responsible for nearly 60% of the employment gains in construction between 2012 and 2014, adding more than 500,000 construction industry jobs, according to the latest quarterly report from the Center for Construction Research and Training. Of the jobs added, 385,000 were held by foreign-born Hispanics. On an occupation basis, the biggest increase was the 64% increase in power line installers, followed by a 24% increase in laborers.

Unemployment Steady at 5.5%

The unemployment rate remained at 5.5% in March and the economy added just 126,000 new jobs, the smallest gain since December 2013, and well below economists' expectations. The modest increase in job growth ended 12 consecutive months of job gains above 200,000, which had been the longest streak since 1994. In addition, data for January and February was revised to show 69,000 fewer jobs created than previously reported. Employment growth was held back by a decline in the goods producing sector payrolls. Construction employment fell by 1,000 jobs. Manufacturing, which has been hit by the strong dollar and softer global demand, reduced payrolls by 1,000. Government employment fell 3,000. Falling oil prices continue to impact employment, with payrolls in the mining sector falling 11,000. Average hourly earnings, which are being closely watched for clues on the timing of a Fed rate hike, increased seven cents, leaving the year-on-year gain at 2.1%. Economists had widely expected the Fed to raise rates later this year, with many expecting the first increase to come in June. But the economy's recent softness has led to speculation that the Fed may wait until 2016 to raise rates.

Consumer Confidence Rises to 101.3

The New-York based Conference Board's Consumer Confidence Index rose to 101.3 in March from an upwardly revised 98.8 in February. The Present Situation Index dropped from an upwardly revised 112.1 in February to 109.1. The Expectations Index rose from an upwardly revised 90.0 in February to 96.0 in March. The Conference Board said that the March increase was driven by an improved short-term outlook for both employment and income prospects, but consumers were less upbeat about business conditions. 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 Rises 0.1%

Consumer spending rose 0.1% in February after falling 0.2% in January. Consumer spending adjusted for inflation dropped 0.1% in February after rising 0.2% in January. Personal income rose 0.4% in February after rising 0.3% in January. Real disposable personal income rose 0.2% in February after jumping 0.9% in January. With income growing faster than spending, the savings rate jumped to 5.8% of after-tax income, the highest level since December 2012. Economists said the rise in the savings rate reflects in part the big drop in gas prices in recent months, which leaves more money in consumers' pockets. But so far, instead of spending the windfall, consumers have been saving. Analysts expect that the growth in the labor market coupled with the gas savings should set the stage for a big jump in spending in the second quarter. Severe winter weather kept shoppers home in both January and February. Consumer spending accounts for 70% of U.S. economic activity.

Consumer Prices Rise 0.2%

The Consumer Price Index rose 0.2% in February after falling 0.7% in January, ending a three-month streak of declines. In the 12 months through February, the CPI was unchanged after slipping 0.1% in January. The core CPI, which strips out volatile food and energy costs, rose 0.2% in February after rising 0.2% in January and was up 1.7% from February 2014. The rebound came despite a strong dollar and harsh winter weather. Gasoline prices rose 2.4%, the biggest increase since December 2013.

Durable Goods Orders Fall 1.4%

Orders for durable goods fell 1.4% in February and January's increase was revised down from 2.8% to just 0.8%. Orders for non-defense capital goods excluding transportation, which serve as a proxy for business investment spending, increased 0.2% in February after rising 0.6% in January. Excluding transportation, orders dropped 1.4% in February after rising 0.3% in January. Economists credit a strong dollar and weak global demand with the poor durable goods reports. The durable goods report is often both volatile and subject to sharp revisions.

Chicago PMI Rises to 46.3

The Chicago PMI, the bellwether manufacturing index, rose slightly to 46.3 in March after dropping 13.6 points to 45.8 in February, leaving the PMI in negative territory for the second consecutive month. Results were below expectations of a reading of 51.7. Production, New Orders and Employment rose after suffering double digit losses in February; Prices Paid, an indicator of inflation, fell, as did Supplier Deliveries. Philip Uglow, chief economist of MNI Indicators, said that the barometer averaged 50.5 for the first quarter, down from 61.3 in the fourth quarter of last year and the lowest level since the third quarter of 2009. The Chicago PMI report is considered an indicator of nationwide activity ahead.

Wholesale Prices Fall 0.5%

The Producer Price Index fell 0.5% in February after dropping 0.8% in January. It was the fourth consecutive month the PPI declined. Economists had expected the PPI to increase 0.3% based on stabilizing oil prices. The PPI was down 0.6% from February 2014. It is the first time the PPI has been down year-over-year since the new PPI methodology was adopted. Core PPI, which excludes energy, food and trade services remained flat in February after dropping 0.3% in January. Led by a 1.5% decline in margins for final demand trade services, prices for final demand services fell 0.5%. Nearly 30% of the drop in services can be tied to margins for fuels, reflecting firms passing along lower energy prices. Wells Fargo economists noted that further back in the production pipeline, price pressures continue to move lower, which suggests producer and consumer goods inflation will remain weak in the coming months.

Q4 GDP Unrevised at 2.2%

GDP grew at a 2.2% annual rate in the fourth quarter, unrevised from last month's reading. The economy grew 5% in the third quarter. After-tax corporate profits fell 1.6% in the fourth quarter, as a strong dollar dented the earnings of multinational corporations. After-tax profits increased 4.7% in the third quarter. For all of 2014, profits dropped 8.3%, the largest annual drop since 2008. The strength of the dollar, lingering weakness in Europe and Asia, harsh winter weather in the United States and the four-month-long labor dispute at the busy U.S. West Coast ports dampened activity in the first two months of the year. Activity is picking up, but the strong dollar will continue to be a challenge for domestic manufacturers. Businesses accumulated $80 billion worth of inventory in the fourth quarter, less than the $88.4 billion the government had estimated last month. Inventories subtracted 0.10% from GDP growth in the fourth quarter. Restocking was previously reported to have added 0.1% to output. However, analysts say that the weak pace of inventory restocking should help stimulate manufacturing. Business investment on equipment was revised to show it rising at 0.6% instead of the previously reported 0.9% pace. The slower rate of expansion in equipment spending likely reflected the strong dollar and lower crude oil prices, which caused a drop in drilling and exploration activity. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, was revised up to 4.4% in the fourth quarter instead of the 4.2% reported last month. It was the fastest rate since the first quarter of 2006. Analysts point out that consumer spending moderated in the first quarter as cold and snowy weather kept shoppers at home, and households saved much of the gains from lower gasoline prices. Export growth was revised higher, but with consumer spending so strong, more imports than previously estimated flowed into the country, resulting in a trade deficit that trimmed 1.03% instead of the 1.15% reported last month. Residential construction spending in the fourth quarter was revised up, while government spending was slightly weaker than previously reported.

JOLTS Shows Job Growth Continues

Job openings rose to 4.998 million in January after rising to a downwardly revised 4.877 million in December, according to the latest job openings and labor turnover survey, or JOLTS report, from the Bureau of Labor Statistics (BLS). The trend in openings has kept pace with new job creation, leading to the openings rate remaining steady at a 13-year high of 3.4%. The results were slightly below economists' expectations. Separations were little changed at 4.8 million. Within separations, the quits rate was little changed at 2.0% and the layoffs and discharges rate was unchanged at 1.2%. The annual number of hires, quits, layoffs and discharges, and other separations increased in 2014.The number of job openings is seen as a measure of labor market slack, with more 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. The rise in job openings over the past year has been fairly broad based. However, the fall in oil prices has dampened activity in the energy sector, where job openings have tumbled. The JOLTS 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 Not in a Rush to Raise Rates

The Fed downgraded its economic growth and inflation projections, signaling the central bank is not in a rush to push interest rates up to more normal levels. At the same time, the Fed removed a reference to being "patient" on rates from its policy statement, opening the door a bit wider for rates to rise sometime in the several months. Fed Chairman Janet Yellen took pains to point out that removing the word "patient" does not mean they will be "impatient." She also emphasized that the statement does not mean that an increase will necessarily occur in June, nor does it rule out that possibility. Fed officials slashed the estimate for the overnight federal funds rate, which is the key overnight lending rate, to 0.625% at the end of 2015 from 1.125% estimated in December. Economic data reported after the Fed meeting caused analysts to speculate that the Fed may wait until September to raise rates.

Economic Outlook

2015 will be the best year in a decade for the economy, according to the economic outlook from Cushman & Wakefield's chief economist Ken McCarthy. They expect rising income will lead to rising consumer spending and push GDP growth for the year towards 3.5% to 4%. Businesses are expected to increase hiring, which will tighten labor markets and lead to higher wages. As the housing recovery continues it will carry several other industries along with it. The energy sector is likely to slow down due to the decline in oil prices, but they don't think that will be a big impediment to growth. On average, lower oil prices are a positive for the U.S. economy, because they function like a tax cut for consumers. They estimate that the roughly $60 decline in the price of oil since mid-2014 will add some $180 billion in consumer spending to the U.S. economy during 2015.

CEO Forecast for Economy

CEOs are more upbeat about the economy, according to the latest Business Roundtable CEO Economic Outlook Index, and 45% expect to boost their U.S. capital spending in the next six months, up from 36% in the fourth-quarter survey. Forty percent expect to hire more employees, about the same as in the fourth quarter. Expectations for GDP growth rose to 2.8% for the year compared to 2.4% in the previous survey. Eighty percent expect their company's U.S. sales will increase over the next six months, up from 74% in the fourth quarter. The composite index rose to 90.8 from 85.1; the long-term average of the index is 80.5.

Foreign Exchange Impacts Profits

Foreign exchange swings cost North American corporations $18.66 billion in revenue in the fourth quarter, according to a report by currency risk management consulting firm FiREapps. Total negative currency impact rose more than fourfold in the fourth quarter from the previous quarter, and was the biggest since the height of the euro crisis, according to the report. FiREapps analyzes currency effects on quarterly earnings of 846 North American companies, a subset of the Fortune 2000 companies that generate at least 15% of international revenue in two or more currencies. Earnings per share of North American corporations were hurt by $0.06 on an average, nearly double the 2013-2014 average and the highest since FiREapps began measuring the impact of currency swings. The number of companies reporting a negative impact was 6.4% higher in the fourth quarter than in the third quarter according to FiREapps. A strong U.S. dollar is hurting multiple sectors which all garner a large portion of their sales from outside the United States.

NONRESIDENTIAL CONSTRUCTION

Architecture Billings Index Rebounds

The Architecture Billings Index (ABI) rose to 50.4 in February after falling to 49.9 in January, the first time in the past ten months the index had fallen below 50, the level which indicates growth. The new projects inquiry index fell to 56.6 from 58.7. The sector index showed that institutional (52.5) and commercial/industrial (51.4) remained above 50; multi-family residential (48.9) and mixed practice (45.3) remained below. The South and the Midwest remained above 50, while the West fell to 46.7 and the Northeast rose two points to 48.0. Design contracts for residential projects had its first negative month in more than three years. The ABI is tracked by economists because the index reflects the approximate 9-to-12-month lag time between architecture billings and construction spending and is widely considered a leading economic indicator of construction activity. Inquiries are historically higher than billings because multiple firms typically compete for projects.

Dodge Momentum Index Rebounds

The Dodge Momentum Index rose 4.3% to 126.3 in February, rebounding from January's unrevised reading of a 4.5% decline. Compared to February 2014 nonresidential building planning is up 16.9%. Despite the recent gain, analysts say that severe weather conditions in January could mean a weak first quarter for the index. Harsh weather conditions are also expected to negatively impact structure investment in the first quarter. During the month, commercial building planning rose 3.3% and is showing positive momentum over the past year, with the index for the commercial sector up 27.6% year-over-year. Six sizeable commercial projects entered the planning stages in Plano, Texas, and two significant projects entered the planning stages in Chicago, Illinois; Bethlehem, Pennsylvania; Sarasota, Florida and Windsor, Colorado. Institutional building planning surged, rising 6.0% for the month, with one substantial project entering the planning stages in Philadelphia, Pennsylvania.

Q4 Structure Investment

Structure investment rose at a 5.0% pace in the fourth quarter, increasing for the seventh straight quarter, according to Wells Fargo's analysis of currently available figures. Structure investment grew 6.3% in 2014 following a negative reading in 2013. Commercial, healthcare and manufacturing continued to strengthen, posting their third straight quarter of double-digit gains. Mining exploration and other components including education, lodging, amusement and recreation also rose during the quarter. Power and communication, however, remained weak. Looking ahead, Wells Fargo expects overall structure investment to increase 5.3% in 2015 and 8.4% in 2016.

Oakland California Construction Surges

The East Bay area in California will see its largest jump in construction spending in at least a decade this year, according to a new forecast from the construction research firm CMD. The firm expects the Oakland, Fremont and Hayward metro area to get about $4.8 billion in new construction spending this year, a 42% jump from 2014. Much of the new construction is expected to be apartment or condo buildings. Starts in the San Francisco, San Mateo and Redwood City metro area are projected to rise 18% this year to about $7.1 billion. Much of the increase will come from a big surge in multi-family buildings. Recently approved projects that could start this year include a 2-acre site in Jack London Square that could hold up to 330 units. City Ventures' 176 units in West Oakland and Kansai Development's 169 units downtown were also recently approved. CMD expects this to be the year that starts a steady trickle of new development in Oakland. It forecasts small increases until new construction starts spending reaches $5.7 billion by 2019. Alex Carrick, CMD's chief economist, said the country is still in the "early innings" of the economic upswing fueling new development.

L.A. Live Expansion Plans

Sports and entertainment giant AEG will invest $500 million to add 755 rooms to the Marriott complex at L.A. Live in order to meet the growing demand for hotel rooms in downtown Los Angeles. The new high-rise hotel will be connected to the original hotel by a bridge over Olympic Boulevard, creating the second-largest hotel in California with 1,756 rooms. AEG plans to start work late this year or early in 2016, with rooms scheduled to be available for booking in 2018. The new 38-story tower and meeting space addition were designed by Gensler, the same architecture firm that designed L.A. Live including the original hotel complex. The J.W. Marriott addition will have two levels of underground parking and street-level shops and restaurants operated separately from the hotel. The second floor will have a restaurant and lounge, a fitness center and a swimming pool with cabanas. A tunnel for staff use will pass under Olympic Boulevard.

Mexican Museum Complex Set to Break Ground in San Francisco

Millennium Partners is ready to break ground this summer on 706 Mission St., a $500 million luxury condo and office high-rise and the future home of the Mexican Museum in San Francisco. Millennium wants to push forward despite an ongoing legal battle with neighbors. Design drawings have already been released to Webcorp., the general contractor. When it's complete, the project will include a 510-foot, 44-story residential tower with about 169 luxury condos, as well as redevelopment of the historic Aronson Building next-door and creation of a new space for the Mexican Museum on the first four stories of the project. The tower's units could be the most expensive ever built in San Francisco, with construction costs being driven sky-high by the expense of the museum, the historic building's restoration and a large underground parking garage. The Four Seasons group has objected to the expected shadows the new 510-foot tower would cast on surrounding landmarks including Union Square and perhaps the fact that the new Millennium Tower would block views for most of the Four Seasons residences. They have asked for the tower to be limited to 351 feet and threatened to put the issue before city voters in a ballot initiative. Such a ballot initiative would not only kill the Mexican Museum project, but would have ramifications for dozens of other proposed developments around the city and implications for other areas where there is opposition to development. Mexican Museum officials have said that with a groundbreaking this year, they expect to open in 2018.

Long Island Tower Proposed

Property Markets Group has filed an application to build a 70-story mixed-use tower in the Long Island City section of Queens in New York. The 772-foot-tall building would contain 930 apartments and 15,000 square feet of retail space. However, the site appears to be zoned for a building of about 200,000 square feet, while PMG's structure would be about 830,000 square feet.

Nissan Plans Tennessee Supplier Park

Nissan Motor Co. plans to build a new $160 million supplier park at its Tennessee assembly plant. They say that the project is a key part of their drive to capture 10% of the U.S. market. Their current share is 9.3%, up from 8.1% last year. The new 1.5 million-square-foot logistics center will be built in phases starting next year and completed by the end of 2017.The growth in the automobile sector means many suppliers are already reaching capacity at their current locations, and Nissan wants them to consider locating new production at the new supplier park instead of at existing facilities in the Midwest.

Dallas Leads in Industrial Construction

According to the *Dallas-Fort Worth Morning News*, the area is experiencing a building boom in the warehouse and industrial sector. More than 16 million square feet are under construction, more than anywhere else in the country. E-commerce is fueling new projects in major logistics hubs such as Dallas-Fort Worth and the Inland Empire in California as well as in Chicago and Atlanta, according to a report by Cushman & Wakefield. The report goes on to state that markets with intermodal capabilities, including Dallas-Fort Worth, Atlanta and Chicago, are leading the way in rent growth, absorption and construction.

$14 Billion in LNG Planned for Texas

NextDecade wants to spend $8 billion to expand a liquefied natural gas terminal in Texas from 500 acres to 1,000 acres as part of an option-to-lease agreement with the Port of Brownsville. At the same time, the company wants to build a $6 billion facility near Galveston, Texas. The company is ready to file applications with the Federal Energy Regulatory Commission and plans to start construction in 2017.

Hospital Boom in Texas

Billions in new hospital construction work is underway in Texas. The $1.3 billion Parkland Memorial Hospital and University of Texas Southwestern's $800 million William P. Clements Jr. University Hospital are just two of the projects. The health care building trend is national but Texas is among the leading states in terms of investment being made in new facilities. In addition to a population of aging baby boomers in need of medical attention, building costs are low and competition is high. Hospitals are incentivized to please patients, because reimbursement is now tied to patient satisfaction. Hospitals nationwide are investing in features like more single rooms and more attractive facilities.

Mixed-Use Project Breaks Ground in Texas

Developers broke ground on the first phase of the huge Legacy West mixed-use project in Plano, Texas. The high-density retail, apartment, office and hotel complex is just east of where Toyota Motors will soon be building its $350 million North American headquarters. Construction of the pedestrian oriented urban village was a key factor in Toyota's decision to locate its office campus in Legacy business park. The developer is planning to build the entire project at once, with about 280,000 square feet of retail and restaurant space and 621 apartment units as well as 240,000 square feet of office space. The developer hopes to have everything open in October 2016. Construction of a 300-room, $82 million Renaissance Hotel will also start soon. Along with the commercial development, a 12-acre high-density home project will be constructed. BR Homebuilding Group of Plano will be doing the urban, detached home community. The Toyota relocation will be one of the largest corporate moves ever for North Texas.

Mixed-Use Project Proposed for Jacksonville, Florida

Shad Khan, owner of the National Football League's Jacksonville Jaguars, wants to completely redevelop an abandoned, 48-acre site in the Shipyards area of Jacksonville. The mixed-use project would include park space, a riverwalk, residential units, offices, retail shops, restaurants, and a hotel and marina, as well as an enclosed practice facility for the football team.

Commercial Construction Projects

Apple is investing $850 million to build a 1,300-acre solar farm in Monterey, California. The energy produced there will be used, at least in part, to power Apple's new headquarters. "We know at Apple that climate change is real," said CEO Tim Cook. He says that not only is this the right thing to do, but that it will result in major savings for the company over time. Apple is partnering with First Solar to build the farm. That's the same company that Apple bought a massive factory site from in Arizona, a location that will also reportedly be used for construction of a solar powered data command center. The project is expected to add 130 megawatts of new solar power to California, enough to power about 50,000 average homes. It will cover all the company's energy needs in the state, including Apple Campus 2, other California corporate offices, the data center in Newark, California, and the 52 Apple stores in California. Environmental groups endorsed the move, giving Apple credit for reducing their carbon footprint and setting a sustainable example for other companies.

Procter & Gamble and Constellation have announced the development of a 50 MW biomass plant in Georgia to help run one of P&G's largest U.S. facilities. The plant will significantly increase P&G's use of renewable energy, helping move the company closer to its 2020 goal of obtaining 30% of its total energy from renewable sources. Construction has begun, and the plant is scheduled to begin commercial operation in June 2017. Construction is expected to create up to 500 new jobs over the next two years. The plant's fuel supply will come from biomass that would otherwise have been left to decay, burned, or potentially sent to a landfill, and will include discarded tree tops, limbs, branches and scrap wood from local forestry operations, crop residuals, such as pecan shells and peanut hulls, and mill waste, such as sawdust.

Procter & Gamble plans to build a $300 million research and development center near Cincinnati, Ohio. M+W Group of Watervliet, N.Y., and Hunt Construction Group of Indianapolis are partnering on the construction. The project, which is expected to begin this summer, involves the construction of a 500,000-square-foot facility, land improvements, installation of utilities and other infrastructure. The principal architect and engineering firm for the project is HDR Inc. of Princeton, New Jersey. The $300 million cost will cover building and land improvements, utilities and other infrastructure needs.

A $1 billion expansion project for the Orlando, Florida airport is underway that will include $211 million for a train depot and $118 million for a parking garage and "enhancements." The lobby will also be renovated and a people-mover installed, with the project slated for completion by 2018

Labor unions agreed to take no overtime pay in order to build a $985 million stadium designed to keep the National Football League's St. Louis Rams in the city of St. Louis. The unions agreed to forgo overtime pay if construction goes around the clock five days a week, a move that could reduce the cost by $45 million. The project will create about 1,500 construction jobs and reportedly result in 3.4 million work hours.

Demolition has started and construction should begin soon at the $500 million Oakland Global Trade & Logistics Center, a massive redevelopment project at a former Army base at the Port of Oakland in California. The goal of the public-private partnership is to reduce truck traffic. The project will include building a bulk shipping terminal, warehouses and a new rail yard and is expected to employ 1,500 construction workers.

MGM Springfield Casino officials have set the formal groundbreaking date and are looking for companies interested in working on the first phase of the approximately $800 million development in Massachusetts. The company received responses from 49 contractors interested in working on the demolition phase and are now into the next round of contractor reviews. Mass excavation, underground mechanical, electrical, plumbing and site utilities, as well as foundation and waterproofing services are the focus of the next round of interviews and bids. Brian Packer, who has a decade's worth of experience with MGM, is the vice president of development and construction for the project, which is expected to have a 30-month construction timetable, with a grand opening scheduled for 2017.

Construction work is to begin soon on Detroit's new arena complex for the Detroit Red Wings on the northern edge of downtown. The project is expected to create 8,300 construction and construction-related jobs. The $450 million stadium is expected to be finished and ready for the Red Wings' season opener in late 2017.

Institutional Construction Projects

The University of Kansas Hospital broke ground on a $280 million, seven-story patient center that will add 92 beds. The planned Cambridge North Tower in Kansas City will house two of the fastest-growing areas at the hospital, neurosciences and surgical oncology. The tower will also include 12 operating rooms and imaging, lab and pharmacy facilities. The Cambridge North Tower is part of a broad plan by the hospital to expand and modernize over the coming years to meet growing patient demand. The facility is expected to start accepting patients in 2017. The project is designed by Canon Design; J.E. Dunn Construction is the general contractor.

Construction of the $191 million Hennepin County Medical Center expansion in downtown Minneapolis is expected to start in January 2016. The 322,000-square-foot, seven-story addition will extend the hospital eastward. The project's tentative schedule calls for completion of design development in June with construction starting around the end of August. The building will have six levels of ambulatory care facilities totaling 295,000 square feet, a “mechanical penthouse” that occupies 7,000 square feet on the seventh level, and 130,000 square feet of underground parking on two levels. The first floor will include a lobby, café, pharmacy, clinics, conference space and more. Levels three through five will house additional clinic and conference space. The sixth floor will offer spaces for ambulatory surgery, a gastroenterology lab and sterile processing.

HEAVY CONSTRUCTION

No Transportation Funding in GOP budget

Republicans in Congress released a budget that cuts more than $5 billion in federal spending and looks to balance the budget in 10 years, but the plan lacked any details about how Congress plans to fund transportation construction, which is set to expire in May. The only mention in the House version of the budget is a call for a "deficit-neutral reserve fund for transportation" and an overhaul of the Highway Trust Fund.

Fed and State Infrastructure Spending

States and local governments spent $320 billion on infrastructure last year, while the federal government spent a paltry $96 billion, according to a report by the Congressional Budget Office. More than half of the federal funds went to the operation and maintenance of infrastructure already in place, while new construction consumed 43%. Federal spending on infrastructure decreased 9% between 2003 and 2014 when adjusted for inflation.

Florida Highway Projects Scheduled

Florida is expected to get started soon on the $2.3 billion Interstate 4 Ultimate project. The project will transform 21 miles of the interstate and be the largest construction project ever in Central Florida. It is expected to create 64,000 jobs. The project is a public-private partnership and will include rebuilds on 15 major interchanges, the widening of 13 bridges, the addition of 53 bridges and the replacement of 74 bridges.

Israeli Construction Group Wins Texas Contract

Shikun & Binui, Israel's largest construction group, is part of a group that won a $1 billion contract to build high speed toll lanes in Texas. Shikun's stake in the Blueridge Transportation Group is about 40%, although that could fall to 15-25% by the close. Under the contract from the Texas Department of Construction, the consortium will plan, build, finance, operate and maintain high-speed toll lanes and other infrastructure in the Houston area. Construction is expected to take three years. The group will then maintain the road for another 49 years.

New Jersey Transit Gets Federal Grants

NJ Transit received an additional $147 million from the Federal Transit Administration to strengthen and repair two rail lines and a light rail line damaged by Hurricane Sandy. The latest award brings the total to $357 million awarded from the FTA's Public Transportation Emergency Relief Funds to the agency for repair or resiliency work in the wake of the October 2012 storm. The funds will be used to replace and raise the signal and communications systems on sections of the line where the railroad is closest to the water. The funds also will repair damage to electric power and distribution systems used by Hudson-Bergen Light Rail. The money also will fund installation of water-tight doors and barriers at the Meadows Maintenance Complex, which flooded during Sandy, and the installation of more resilient signal systems at Hoboken Yard. In early April, NJ Transit and Stevens Institute of Technology received an $843,750 federal grant to develop a system to warn of flooding, such as the storm surges that damaged 319 trains stored in low lying areas after Sandy. Seven locomotives and two rail cars are still awaiting repair. Other federal grants received by NJ Transit include $446 million to finance replacement of the storm -battered Raritan River Bridge on the North Jersey Coast Line, and to build two "safe haven" yards to move trains to from flood prone areas to avoid the type of damage that occurred to locomotives and rail cars stored in the Meadowlands and Hoboken train yards.

Pennsylvania Plans Multi-Year Infrastructure Spending

Pennsylvania expects $2.3 billion a year in revenue over the next five years thanks to increases in transportation taxes and fees, along with a higher levy on the wholesale price of gasoline. The money will be used to build roads, bridges and public transportation projects such as railroads and airports. The higher taxes, fees and fines approved in 2013 are being phased in over five years to generate $2.3 billion annually, primarily for roads and bridges, and additional millions in inter-modal grants for railroads, seaports and airports. There's even $35 million earmarked for improving gravel and dirt roads. Pennsylvania is one of about a dozen states that have increased transportation taxes or fees in the past two years and one of a smaller number that have enacted comprehensive plans.

Phoenix Highway Finally Approved

Phoenix' $1.9 billion 22-mile South Mountain Freeway was finally approved by the FHA. The Loop 202 extension will join Interstate 10. The FHA approval ended three decades of political wrangling over where the highway should be built or if it should be built at all. The Arizona Department of Transportation says it expects to turn dirt early next year and open four lanes of traffic in each direction by early 2020. In April ADOT will narrow a list of suitors for private companies to design and build the freeway and maintain it for 30 years. When the state awards its first major public-private venture, it will be the largest single transportation contract in the state's history. Freeway opponents said the state inadequately considered the negative effects of noise, air pollution and destruction of park lands. The project would clip a corner of South Mountain Park Preserve and cut a 220-foot notch into one hillside there. Sandy Bahr, executive director of the Arizona chapter of the Sierra Club, said her group will appeal the federal action but hasn't decided if a lawsuit is the best response. The Gila River Indian Community continues to oppose the freeway, which some tribe members say will destroy sacred land in South Mountain Park. ADOT must now buy out about 200 homeowners as well as an additional 200 commercial and agricultural parcels.

Heavy Construction Projects

The New Jersey Turnpike Authority Ground broke ground for an estimated $310 million freeway widening project to help ease congestion through tolls in Bayonne on the New Jersey Turnpike. Work will include a flyover ramp and wider bridge. It is part of the state's Turnpike Authority's plan to invest $7 billion in capital improvements over 10 years.

The Illinois State Toll Highway Authority board awarded about $190 million worth of construction and engineering contracts for the Jane Addams Memorial Tollway in the Chicago area. It's one of the biggest projects of the 2015 road construction season. Work will start in April with the rebuilding and widening of the Jane Addams between Elgin and the Tri-State. This part of the project is expected to cost nearly $840 million. The Tollway is in the fourth year of its 15-year, $12 billion capital program, Move Illinois. The program is being funded through the near-doubling of passenger vehicle tolls that went into effect in 2012 and a 40% hike for trucks and trailers. Overall, the Addams project is expected to cost $2.5 billion, according to the Tollway.

Millions of dollars are being spent by the Port of Alexandria in Louisiana to upgrade infrastructure in preparation for construction of a $56 million biofuel plant for Cool Planet Energy Systems. Cool Planet will manufacture a biochar-based product from wood chips that uses less water and fertilizer than traditional methods and potentially doubles crop yields. The Port is building new roads and a new operations center.

RESIDENTIAL CONSTRUCTION

Housing Starts Fall 17%

Housing starts fell 17% in February to a seasonally adjusted annual level of 897,000 units after starts were upwardly revised in January. Single-family starts fell 14.9% to a seasonally adjusted annual rate of 593,000 units in February after falling to a seasonally adjusted annual rate of 678,000 in January. Multifamily production fell 20.8% to 304,000 units in February after rising to 387,000 units in January. **Starts fell in all regions.** Starts dropped 56.5% in the Northeast, 37% in the Midwest, 18.2% in the West and 2.5% in the South, the country's largest housing market. If housing starts were to return to the pre-recession normal level of 1.5 million annual units, an additional two million jobs would be created, including one million in construction, according to analysis by CMD Data, formerly Reed Construction Data.

Building Permits Rise 3%

Building permits rose 3% in February to a seasonally adjusted annual level of 1.092 million. **Single-family permits dropped 6.2%** to 620,000 units while **multifamily permits rose 18.3%** to a rate of 472,000 units. 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. Permits have been above the one million level since last July.

New-Home Sales Rise 7.8%

Sales of new single-family homes rose 7.8% in February to a seasonally adjusted annual rate of 539,000 units from an upwardly revised January reading. It was the highest pace of new home sales since February 2008. The inventory of new homes for sale dropped to 210,000 in February after dropping to 218,000 in January, just a 4.7-month supply at the current sales pace. **Regional sales were mixed.** Sales rose 159.2% in the Northeast and 10.1% in the South. Sales dropped 6% in the West and 12.9% in the Midwest. The pace of sales remains well below historic demand of 800,000 units per year. Analysts noted that the supply of new homes for sale has dropped to a level that should stimulate more home building. 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 Rise 1.2%

Sales of existing homes rose 1.2% in February to a seasonally adjusted annual pace of 4.88 million after falling to 4.82 million units in January. Sales were up 4.7% from February 2014. **Single-family home sales rose 1.4%** to a seasonally adjusted annual rate of 4.34 million homes after falling to an upwardly revised 4.28 million in January and were up 8.2% from February 2014. Total housing inventory at the end of February increased 1.6% to 1.89 million existing homes for sale, 0.5% below a year ago. That's a 4.6-month supply at the current sales pace, the same as the upwardly revised 4.6-month supply in January. Unsold inventory remains 0.5% lower than it was in February 2014. Distressed sales remained at 11% of sales in February. All-cash sales, which are generally considered to be sales to investors, fell back to 26% of sales in February after rising to 27% in January. The share of first-time buyers rose to 29% in February from 28% in January but remains well below the 40% to 45% range that economists consider ideal. **Regional sales were mixed.** Sales dropped 6.5% in the Northeast, were unchanged in the Midwest and increased 1.9% in the South and 5.7% in the West.

Builder Confidence Falls to 53

Builder confidence fell two points to 53 in March after falling two points in both February and January. It was the ninth consecutive month the National Association of Home Builders/ Wells Fargo Housing Market Index (HMI) remained above 50, the level at which more builders consider conditions good than bad. "The drop in builder confidence is largely attributable to supply chain issues, such as lot and labor shortages as well as tight underwriting standards," said NAHB Chief Economist David Crowe. NAHB still expects solid gains in housing this year. Looking at the three-month moving averages for regional HMI scores, the Northeast and South each posted a two-point drop to 43 and 55, respectively. The Midwest rose two points to 56, while the West fell seven points to 61.The component gauging current sales conditions fell three points to 58 while the component measuring buyer traffic dropped two points to 37. The gauge charting sales expectations in the next six months held steady at 59. Wells Fargo says that the harsh weather experienced in the past several months has likely restrained builder optimism, but the index is still up seven points from a year ago and remains solidly in expansion territory.

Mortgage Rates Fall Slightly

Freddie Mac reported that the average interest rate on a 30-year fixed rate mortgage (FRM) fell to 3.69% at the end of March after rising to 3.80% at the end of February. Mortgage rates average 3.66% in January. At the end of March 2014, 30-year FRMs averaged 4.40%. The drop in rates followed a decline in yield's on the 10-year Treasury note. Rates remain near historic lows, which analysts say should help the spring home-buying season.

Homeowners Plan Improvements

According to an annual survey by LightStream, the online lending division of SunTrust Banks, 57% of homeowners plan to spend money on home improvement projects this year. The most popular projects mentioned in the survey focus on the outdoors, with 43% investing in outdoor improvements that include decks, patios or landscape remodels. Bathroom remodels (29%) and kitchen remodels (26%) also remain popular. Updating the home's look, features and technology drive 52% of renovation plans, while repairs drive 49%. Slightly more than one-third of respondents plan to invest $5,000 or more, with 18% spending more than $10,000.

COMMODITIES

Steel

The Producer Price Index (PPI) for steel mill products dropped 1.8% in February after dropping 1.2% in January. The PPI for steel mill products was down 3.6% year-over-year.

ENR's 20-city average price for structural-steel shapes fell another 0.5% in March, after falling 0.2% in February and 0.4% in January. The back-to-back monthly price decreases left the average price for channel, wide-flange and I-beams just 1.2% above a year ago. ENR's 20-city average price for rebar fell 0.9% in March after rising 0.1% in February and was 1.6% above March 2014.

Cement

The PPI for concrete products rose 0.2% in February after rising 0.7% in January. The PPI for concrete products was up 4.4% year-over-year.

After several months of stability, reinforced-concrete pipe prices are starting to climb. ENR's 20-city average price for four types of RCP increased 0.9% in March, leaving overall prices between 3% and 7% above March 2014.

Lumber

The PPI for lumber and plywood dropped 1.3% in February after dropping 0.4% in January. The PPI for lumber and plywood was down 1.8% from a year ago.

***Random Lengths* reported that framing lumber composite finished out the month of March at $336 per thousand board feet,** down from $348 at the end of February and $378 a year ago. **Structural panel ended the month of March at $374 per thousand square feet (3/8"),** down from $378 in February and up from $362 a year ago.

U.S. lumber production rose 4.5% in 2014 to 31.307 billion board feet, according to the Western Wood Products Association's "Lumber Track" publication. Production in the West was up 4.3% in 2014 compared to the previous year; southern production rose 4.8%. In December, production nationwide totaled 2.355 billion feet, up 8.0% from the November total and 7.7% ahead of the December 2013 figure.

Canadian lumber production rose in 2014 for 5th consecutive year. Canadian lumber mills produced 1.9 billion board feet of lumber in December, up 9% from a year earlier, to finish 2014 up 1% to 24.6 bbf. The annual total was its highest since 2007, although it fell 17% shy of that year's figure. December production fell 6% from November, but it was still the only month of the quarter to finish higher than year-earlier levels.

Oil

The PPI for #2 diesel fuel rose 3.3% in February after falling 20.9% in January. The PPI for diesel fuel was down 41.0% year-over-year.

The largest U.S. refinery strike since 1980 continued to expand throughout March with no movement toward renewed talks to end a walkout by 6,550 union workers at 15 plants, including 12 refineries accounting for one-fifth of domestic capacity. A spokesman for lead refinery owner Shell Oil said no face-to-face meetings have been scheduled with the United Steelworkers union. Talks for a new three-year contract covering 30,000 USW members at refineries and chemical plants broke off in late March, after which the USW ordered strikes at three Motiva Enterprises refineries, which are co-owned by Shell. Companies have called on temporary replacement workers to keep plants running at nearly normal levels. The union is seeking to win back daily refinery maintenance jobs that are now performed by non-union contractors. USW members work at more than 200 U.S. oil terminals, pipelines, refineries and chemical plants. A full strike of these USW members would threaten to disrupt nearly two-thirds of U.S. fuel output.

U.S. oil output could start to take a hit by late 2015 due to low prices, according to the Organization of the Petroleum Exporting Countries (OPEC). Oil prices have dropped 50% since June 2014 which has prompted spending cuts by oil companies and a drop in U.S. drilling. In its latest monthly report OPEC left its forecast for non-OPEC supply this year unchanged and said output of U.S. "tight" oil, also known as shale, might only start to be curbed towards the end of the year. Oil's collapse from $115 a barrel in 2014 gained steam after OPEC refused to cut output last November meeting, instead seeking to slow higher-cost production in the United States and elsewhere that had been eroding its market share. OPEC holds its next meeting in June and comments from officials so far suggest it will not adjust policy as it waits for the strategy to take effect. For now, OPEC forecast no further rise in demand for its crude in 2015, trimming the forecast slightly to 29.19 million bpd, and left unchanged its estimate of global growth in oil demand this year. In the previous month's report, OPEC had sharply increased the 2015 forecast of demand for its oil due to a lower outlook for non-OPEC supply. OPEC's report confirmed other estimates suggesting its production declined in February and projected a slightly smaller global supply surplus in 2015, without output cuts by OPEC or other producers. With OPEC pumping 30.02 million bpd in February, according to secondary sources cited in the report, OPEC indicates there will be a supply surplus of 830,000 bpd in 2015 and 2 million bpd in the first half, which is less than in January. Saudi Arabia, which led OPEC's no-cut strategy, reported a small, 40,000-bpd dip in February output to 9.64 million bpd.

Oil prices fell during the last week of March after Saudi Arabia reiterated it would not unilaterally cut its output to defend prices. "We tried, we held meetings and we did not succeed because countries outside OPEC were insisting that OPEC carry the burden and we refuse that OPEC bears the responsibility," said Saudi oil minister Ali al-Naimi at an energy conference in Riyadh. OPEC governor Mohammed al-Madi also commented on the future price of oil at the meeting, saying it would be difficult for oil to reach a range of $100-$120/bbl again. At the end of the month Saudi Arabia was pumping 10,000 million bpd, close to a record, adding to concerns about a world-wide oil glut.

According the latest short term energy outlook from the EIA, Brent crude oil prices will average $59/bbl in 2015, $2/bbl higher than projected in last month's STEO, and $75/bbl in 2016. West Texas Intermediate (WTI) prices in 2015 and 2016 are expected to average $7/bbl and $5/bbl, respectively, below Brent.