

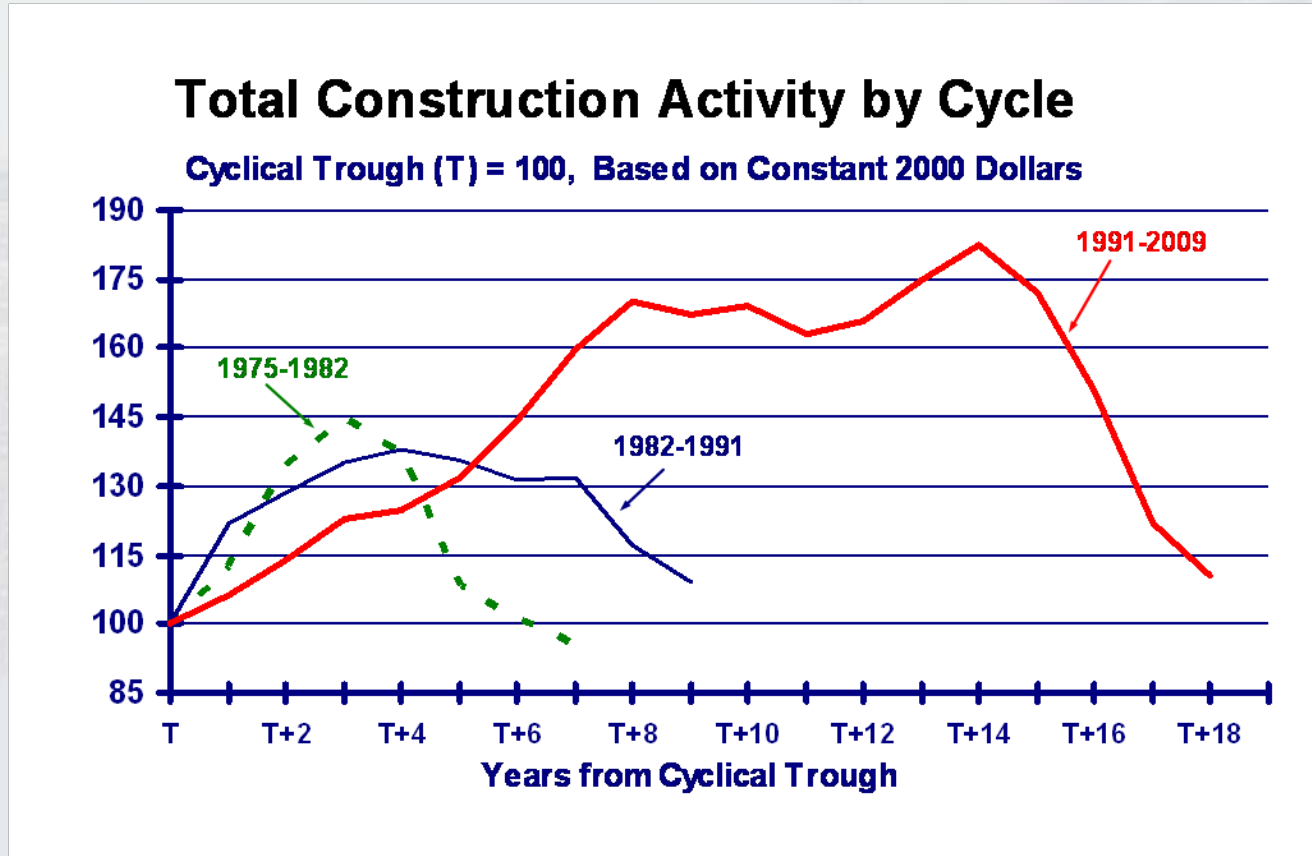
McGraw-Hill Construction Outlook ... Spring 2009 Update

George Biderman, FSMPS

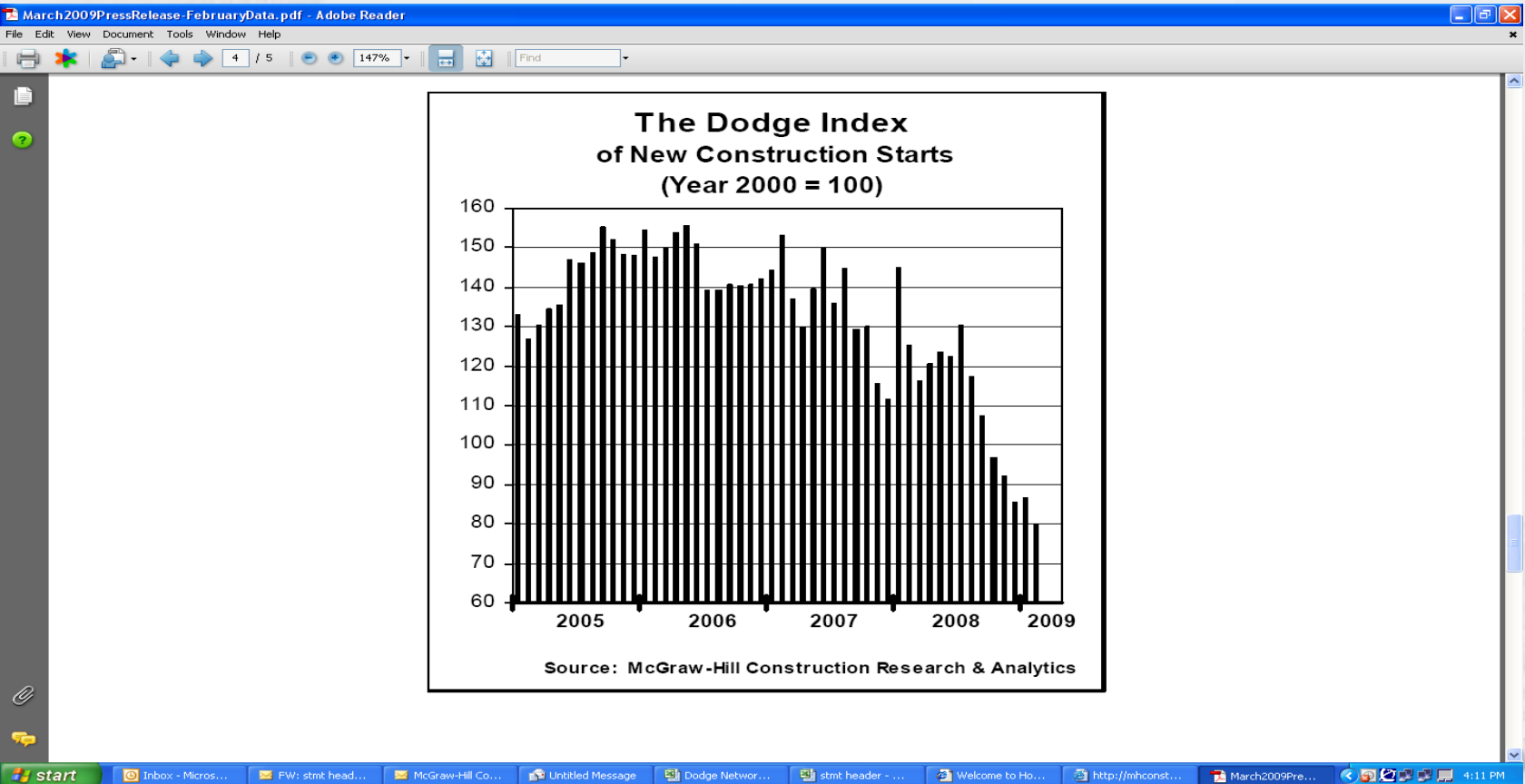
Region Sales Manager

St. Louis, Missouri

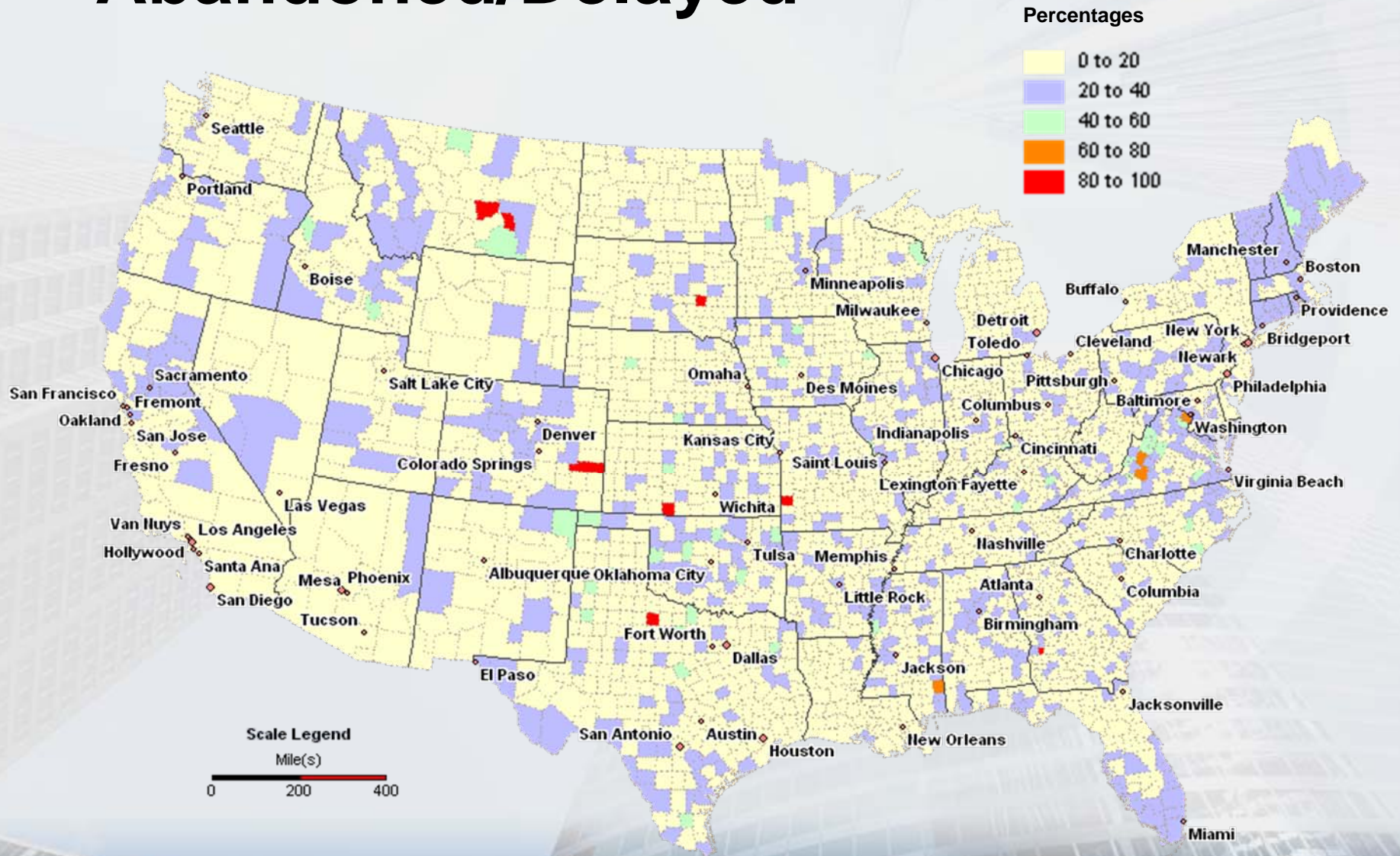
Points of Perspective – U.S. Construction



New Construction Starts 2005 to February 2009



Abandoned/Delayed



Government Intervention



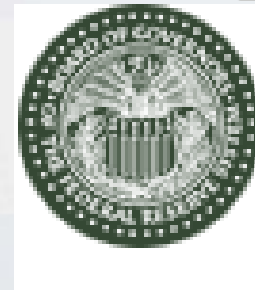
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American Recovery and Reinvestment Act

→ Attempting to Identify Potential Projects

- Shovel Ready
- GREEN
- ARRP Stimulus

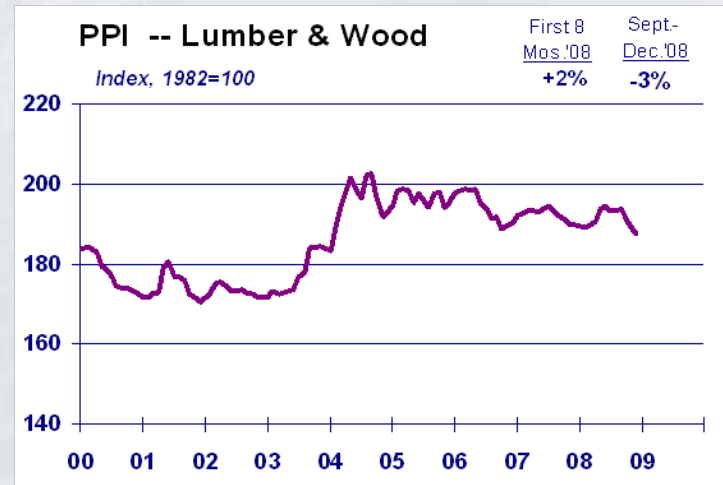
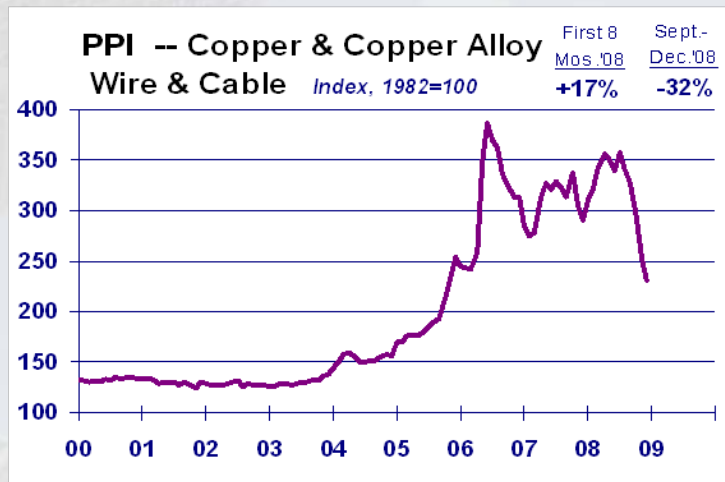
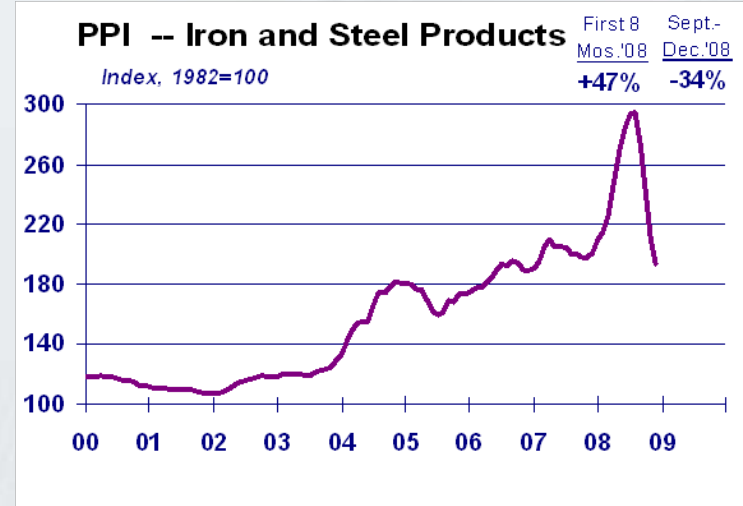
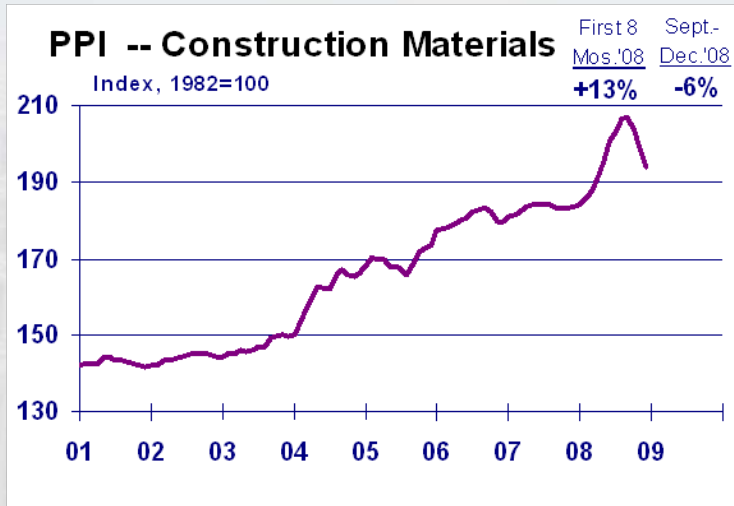
→ Speed to Market

- Already Started
- Not in Design

→ Distribution of Funds

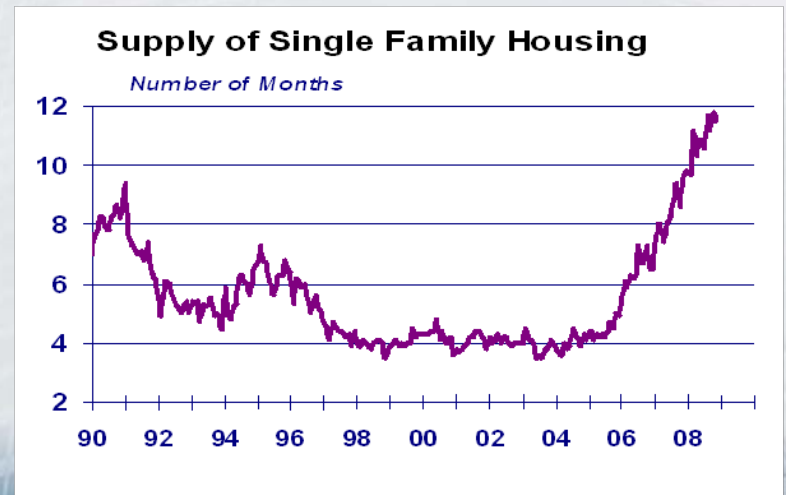
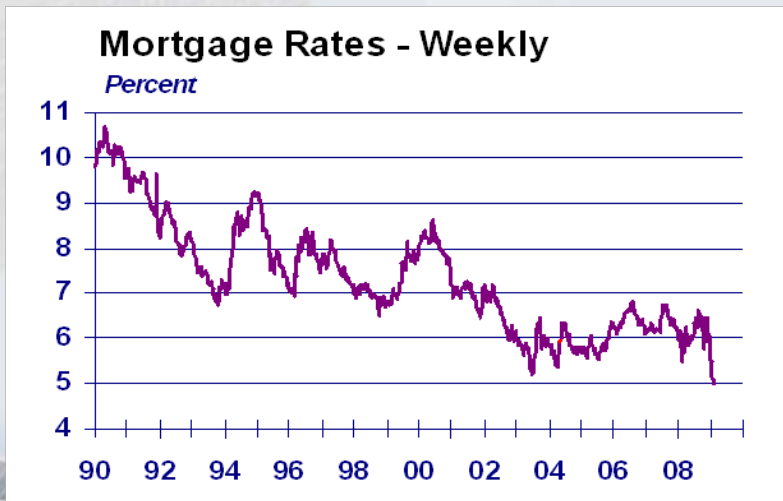
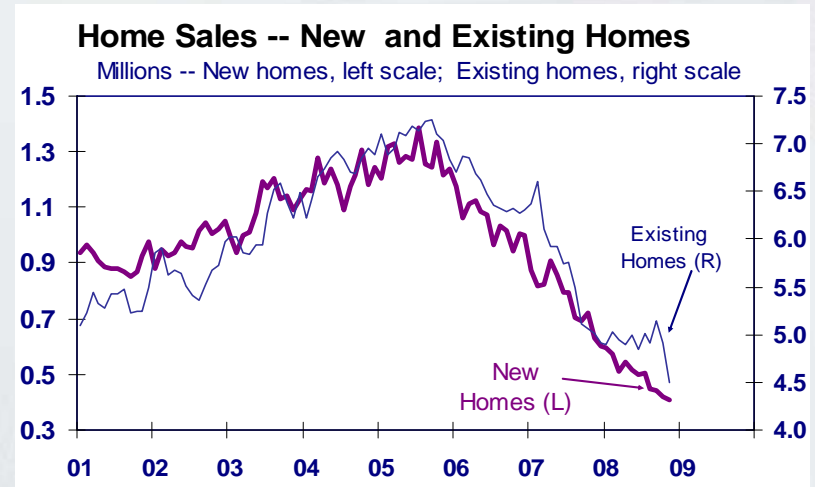
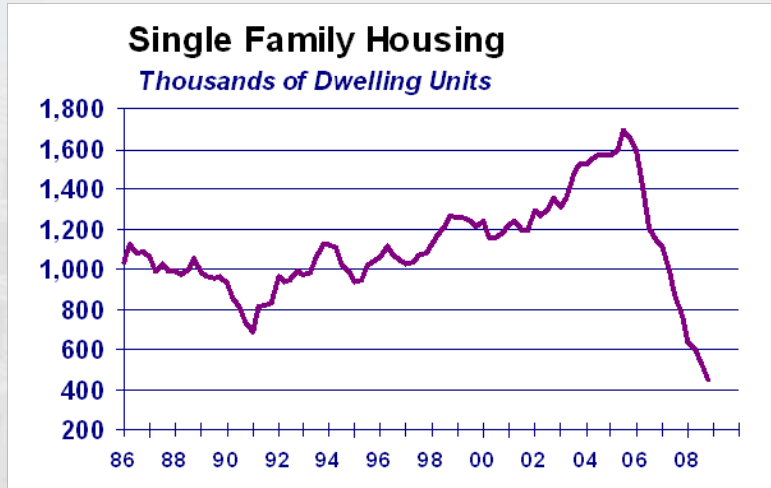
- \$111 Bil Infrastructure
- \$144 Bil State and Local Relief
- \$42 Bil Energy
- \$59 Bil Healthcare
- \$53 Bil Education and training

Material Prices



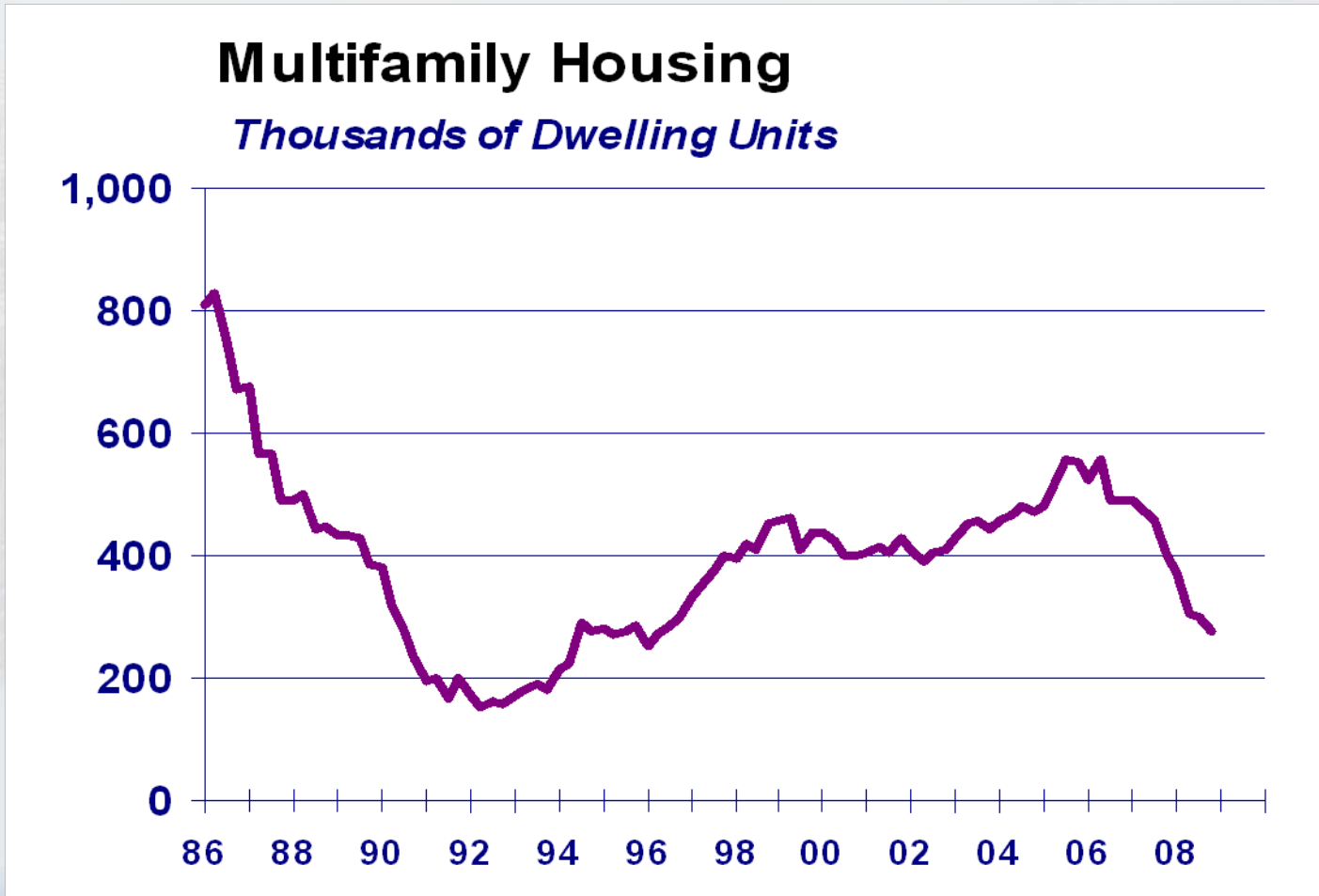
U.S. Single Family Housing

Construction has continued to fall sharply.



U.S. Multifamily Housing

Construction relatively stable in 2006, weakened in 2007 and 2008.



U.S. Multifamily Housing

Multifamily Housing Top 10 Metros -- ranked by new dwelling units

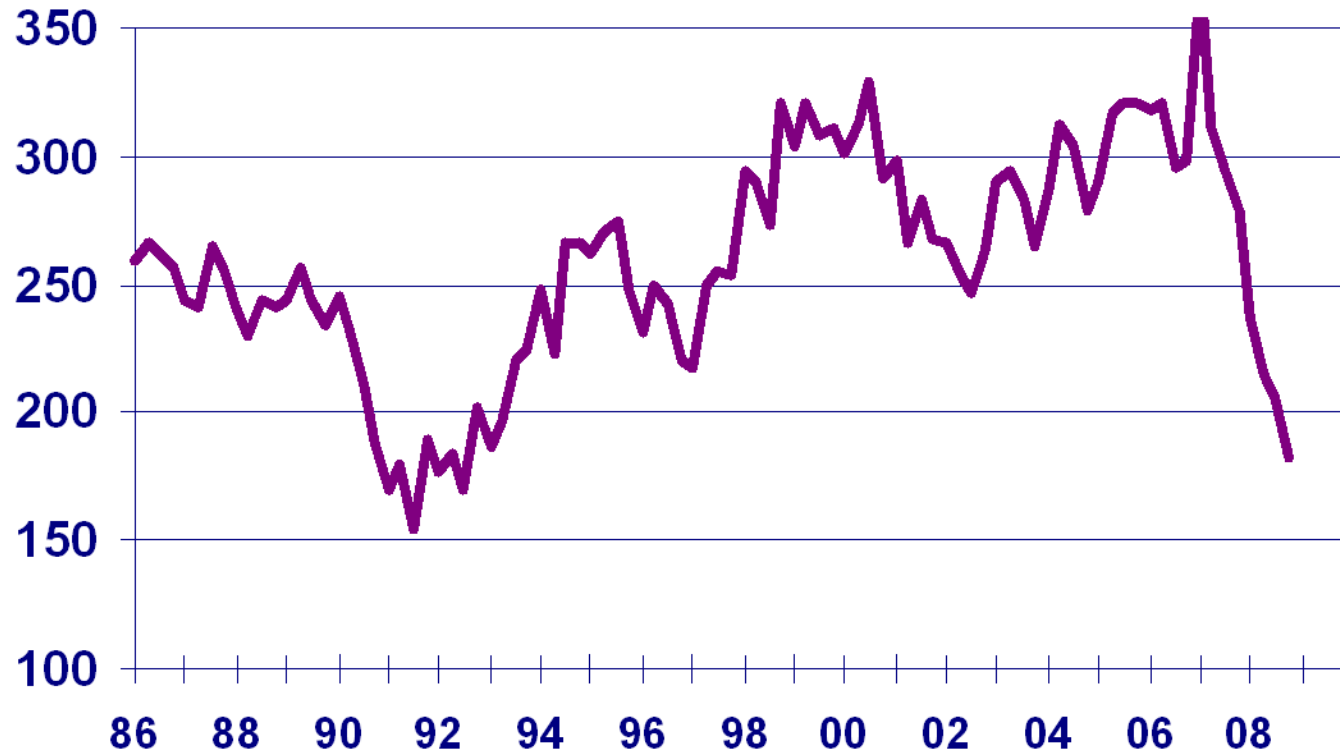
<u>Year 2007,</u>	<u>%ch 07/06</u>	<u>Year 2008,</u>	<u>%ch 08/07</u>
1. New York	-16%	1. New York	-7%
2. Chicago	-26%	2. Dallas-Ft.Worth	+10%
3. Houston	+51%	3. Washington DC	-23%
4. Washington DC	+1%	4. Atlanta	-30%
5. Atlanta	-0-	5. Houston	-42%
6. Los Angeles	-29%	6. Los Angeles	-39%
7. Seattle	+18%	7. Seattle	-45%
8. Orlando FL	-2%	8. Chicago	-63%
9. Miami	-51%	9. Austin TX	-27%
10. Phoenix	+22%	10. Phoenix	-42%

U.S. Commercial Bldgs. -- Stores

Construction in 2007 at all-time high; now in sharp retreat..

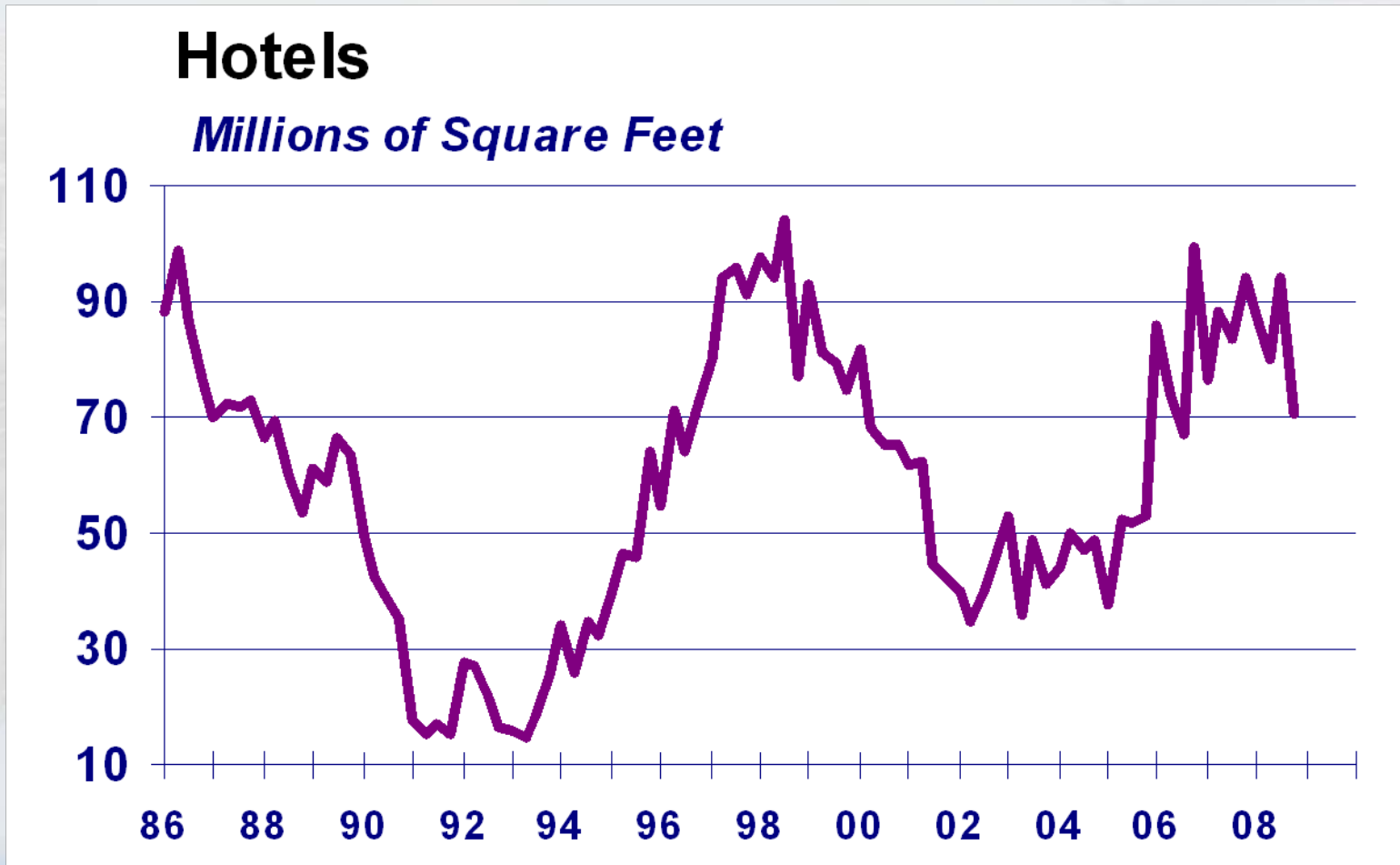
Stores and Shopping Centers

Millions of Square Feet



U.S. Commercial Bldgs.-- Hotels

Construction soared in 2006, more growth in 2007 and 2008.



U.S. Commercial Bldgs. -- Hotels

Hotel Construction Top 10 Metros -- ranked by new square feet

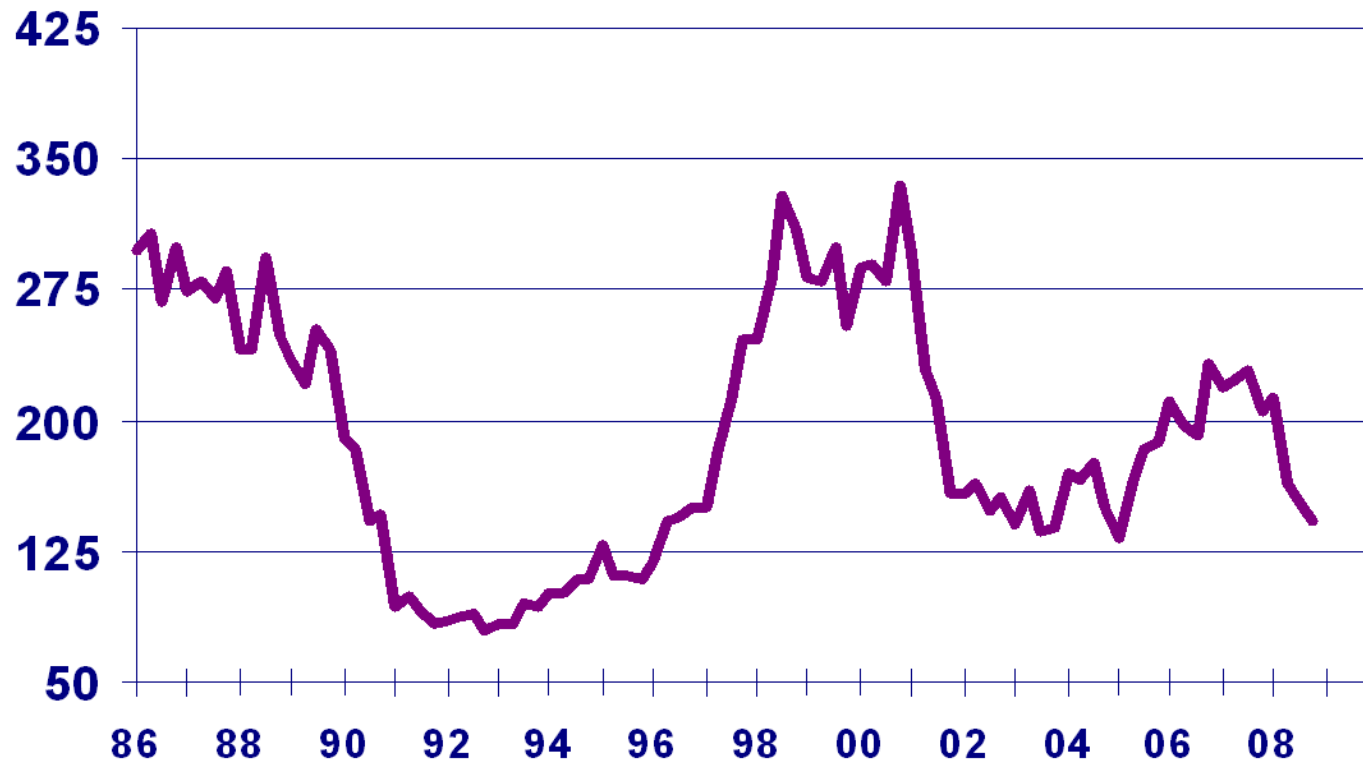
<u>Year 2007,</u>	<u>%ch 07/06</u>	<u>Year 2008,</u>	<u>%ch 08/07</u>
1. Las Vegas	-63%	1. New York	+9%
2. New York	+39%	2. Las Vegas	-41%
3. Washington DC	+178%	3. Washington DC	-3%
4. Orlando FL	+308%	4. Miami	+29%
5. Chicago	+30%	5. Phoenix	+66%
6. Los Angeles	+21%	6. Dallas-Ft.Worth	+21%
7. Miami	+18%	7. Houston	+64%
8. San Antonio	+201%	8. Orlando FL	-16%
9. Dallas-Ft.Worth	-23%	9. San Antonio	-5%
10. Atlanta	+67%	10. Indianapolis	+80%

U.S. Commercial Bldgs. -- Offices

Construction upturn has been measured this time ...

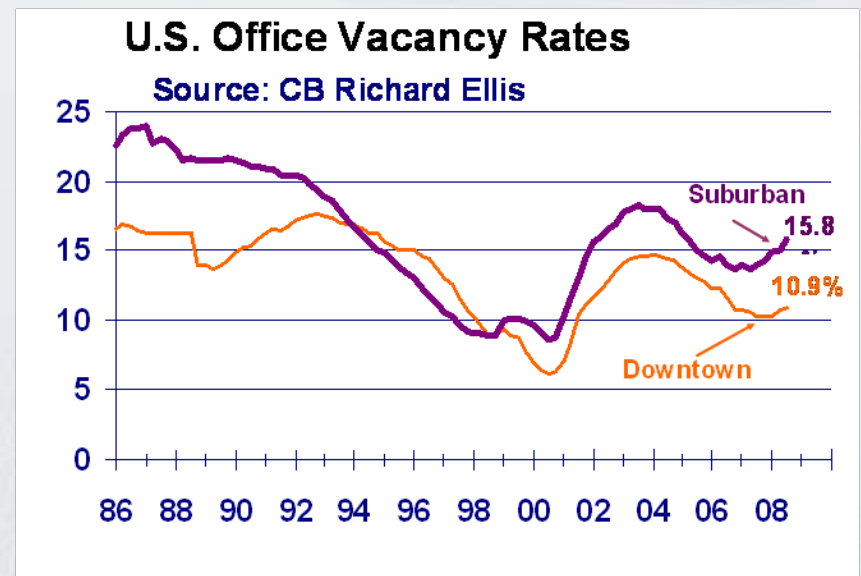
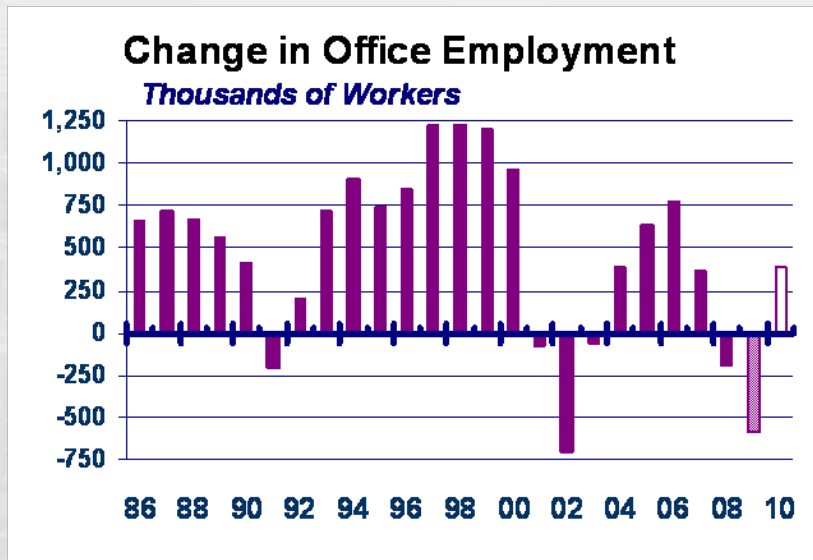
Office Buildings

Millions of Square Feet



U.S. Commercial Bldgs. -- Offices

Office Building Factors



- Overbuilding is less than in past cycles.
- But – cutbacks in office employment now affecting market fundamentals more severely.

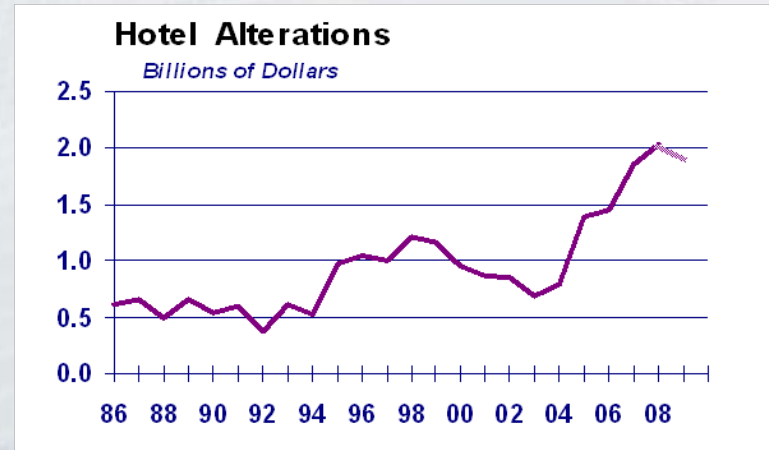
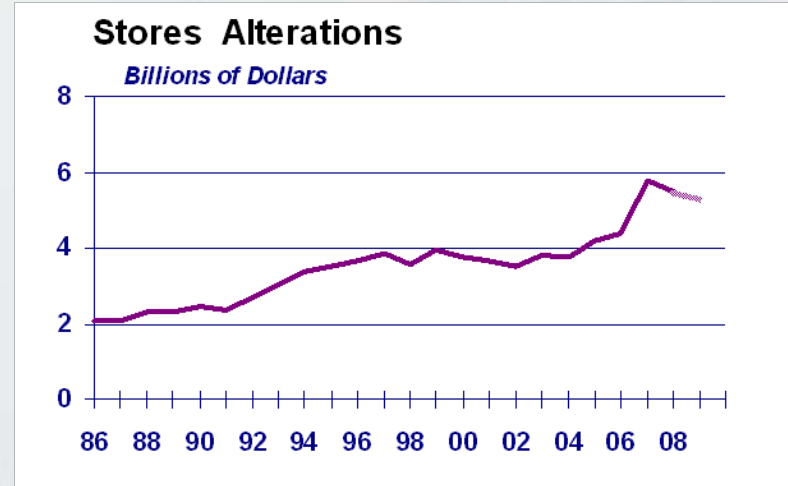
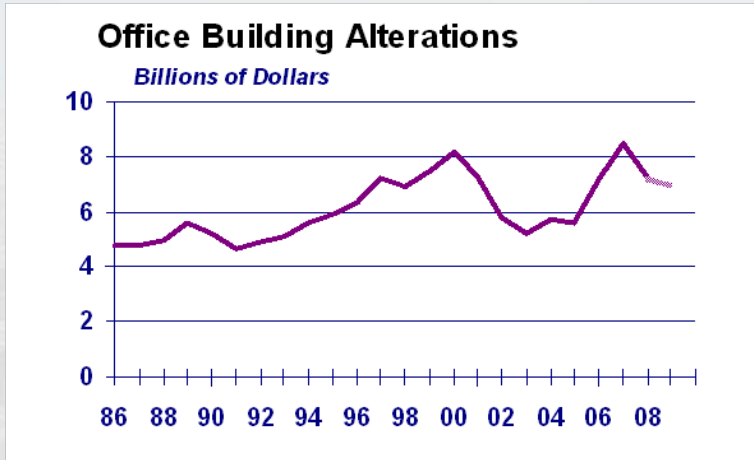
U.S. Commercial Bldgs. -- Offices

Office Construction

Top 10 Metros -- ranked by new square feet

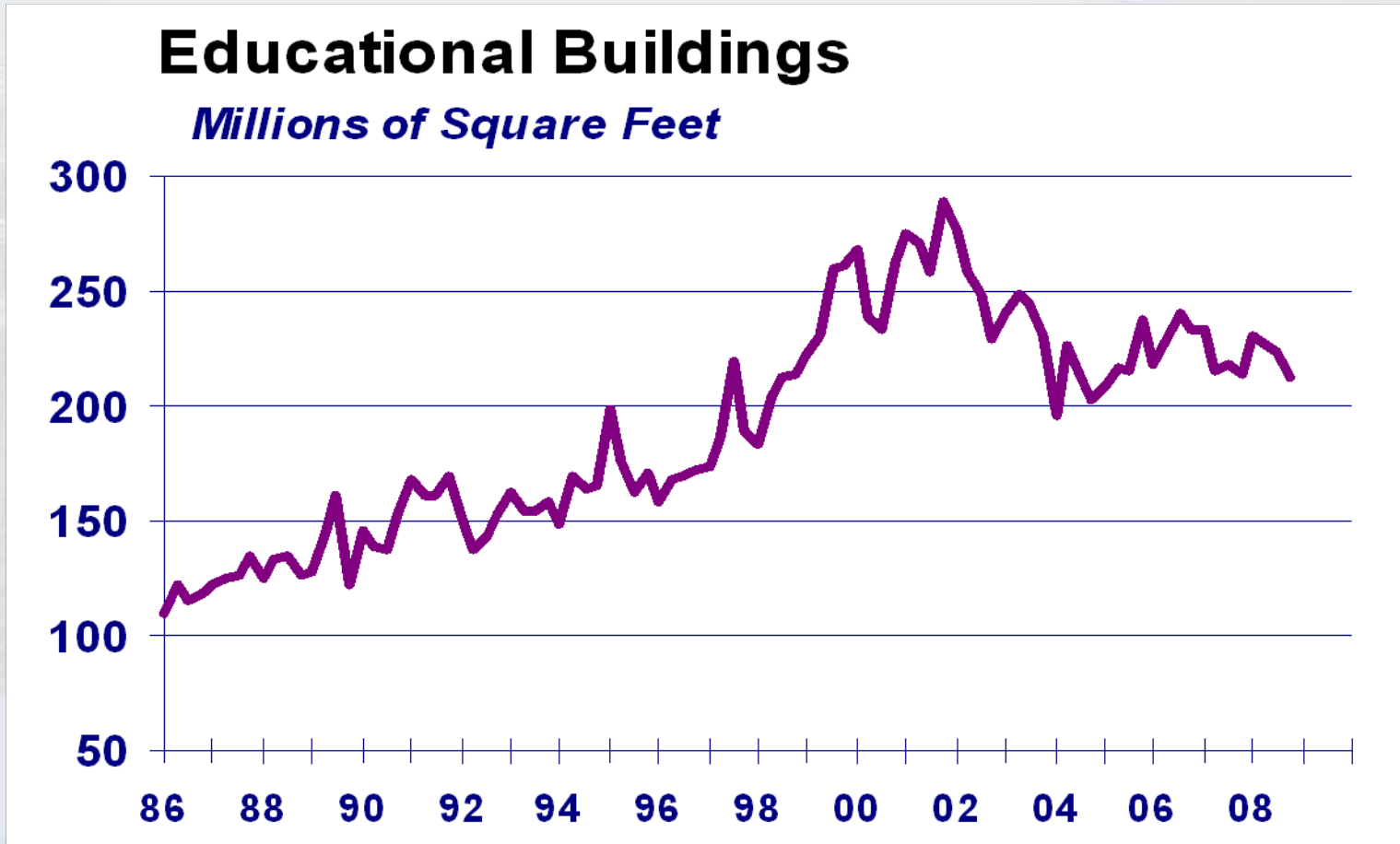
<u>Year 2007,</u>	<u>%ch 07/06</u>	<u>Year 2008,</u>	<u>%ch 08/07</u>
1. Phoenix	+18%	1. New York	+100%
2. Washington DC	-19%	2. Washington DC	-4%
3. Miami	+39%	3. Houston	+48%
4. Atlanta	+39%	4. Dallas-Ft.Worth	-21%
5. Chicago	+29%	5. Phoenix	-49%
6. Dallas-Ft. Worth	-29%	6. Atlanta	-42%
7. Houston	+7%	7. Seattle	-10%
8. New York	-36%	8. Boston	+51%
9. Seattle	-5%	9. Baltimore	+73%
10. Charlotte NC	+85%	10. Chicago	-61%

U.S. Commercial Bldgs. -- Alterations



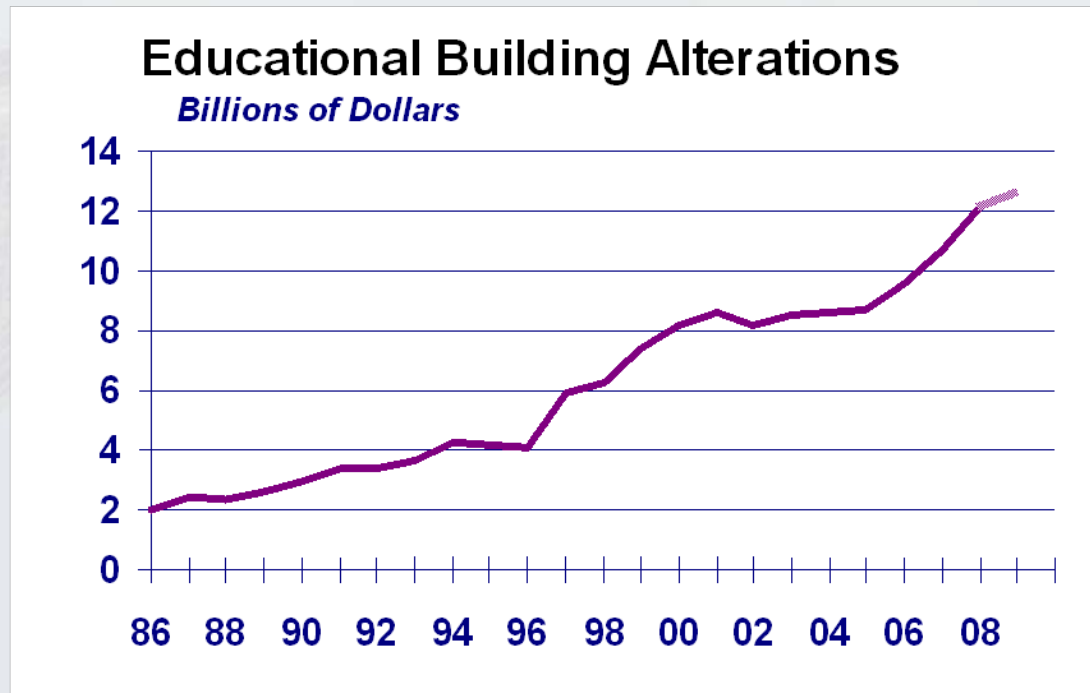
U.S. Institutional -- Educational Bldgs.

School construction still strong, but losing some momentum.



U.S. Institutional -- Educational Bldgs.

*School renovation work already strong –
now getting more emphasis from school modernization focus
of Obama stimulus plan.*



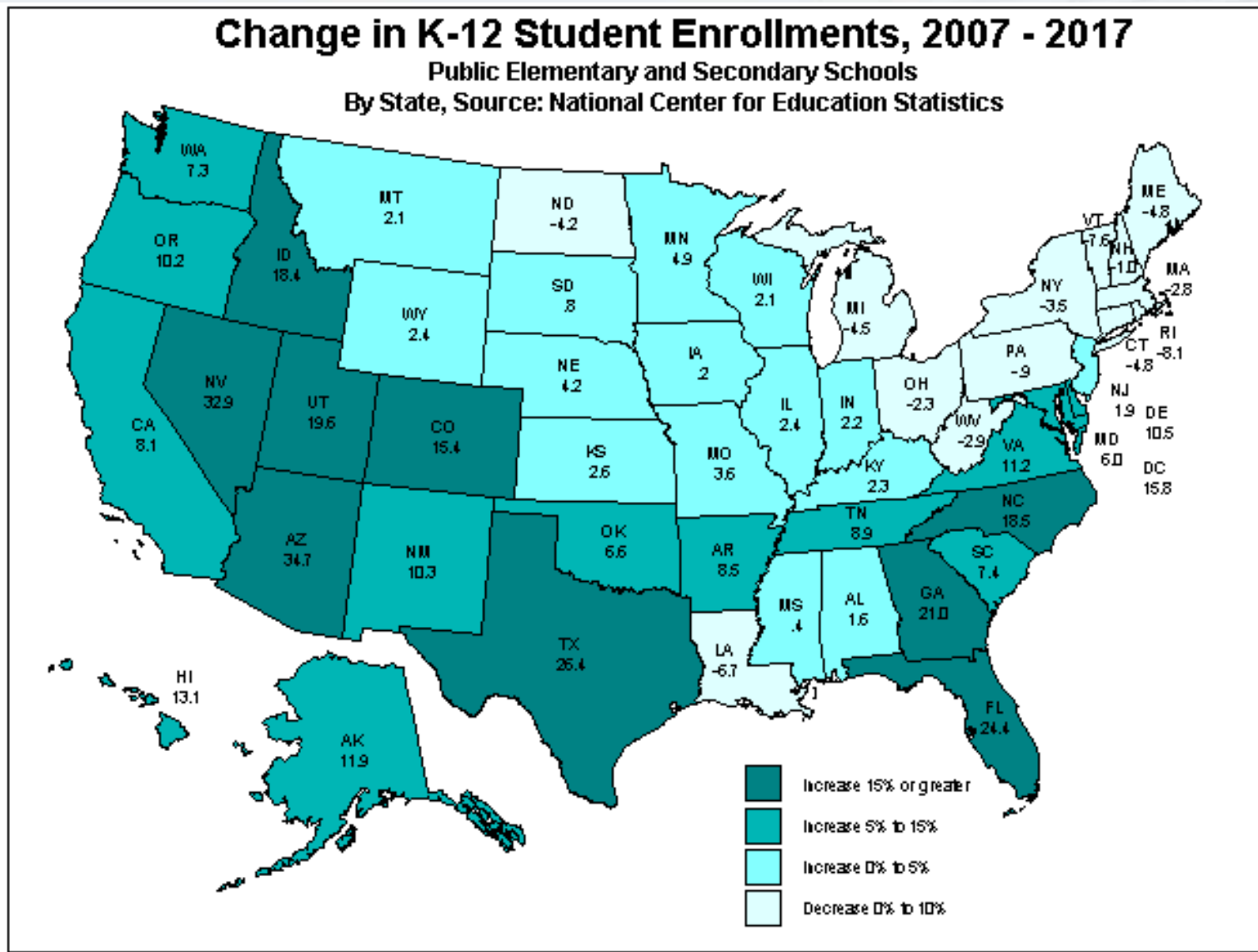
U.S. Institutional -- Educational Bldgs.

Educational Buildings

Top 10 States -- ranked by sq. ft. of new starts

<u>Year 2007,</u>	<u>%ch 07/06</u>	<u>Year 2008,</u>	<u>%ch 08/07</u>
1. Texas	+8%	1. Texas	+23%
2. Florida	-15%	2. California	+20%
3. Georgia	+46%	3. Georgia	-5%
4. California	-28%	4. Florida	-34%
5. Pennsylvania	-24%	5. Pennsylvania	+17%
6. Ohio	-32%	6. Ohio	+6%
7. North Carolina	-7%	7. North Carolina	+9%
8. New York	+23%	8. South Carolina	+77%
9. Illinois	-16%	9. Illinois	-9%
10. Arizona	-7%	10. Alabama	+50%

U.S. Institutional – Educational Bldgs.

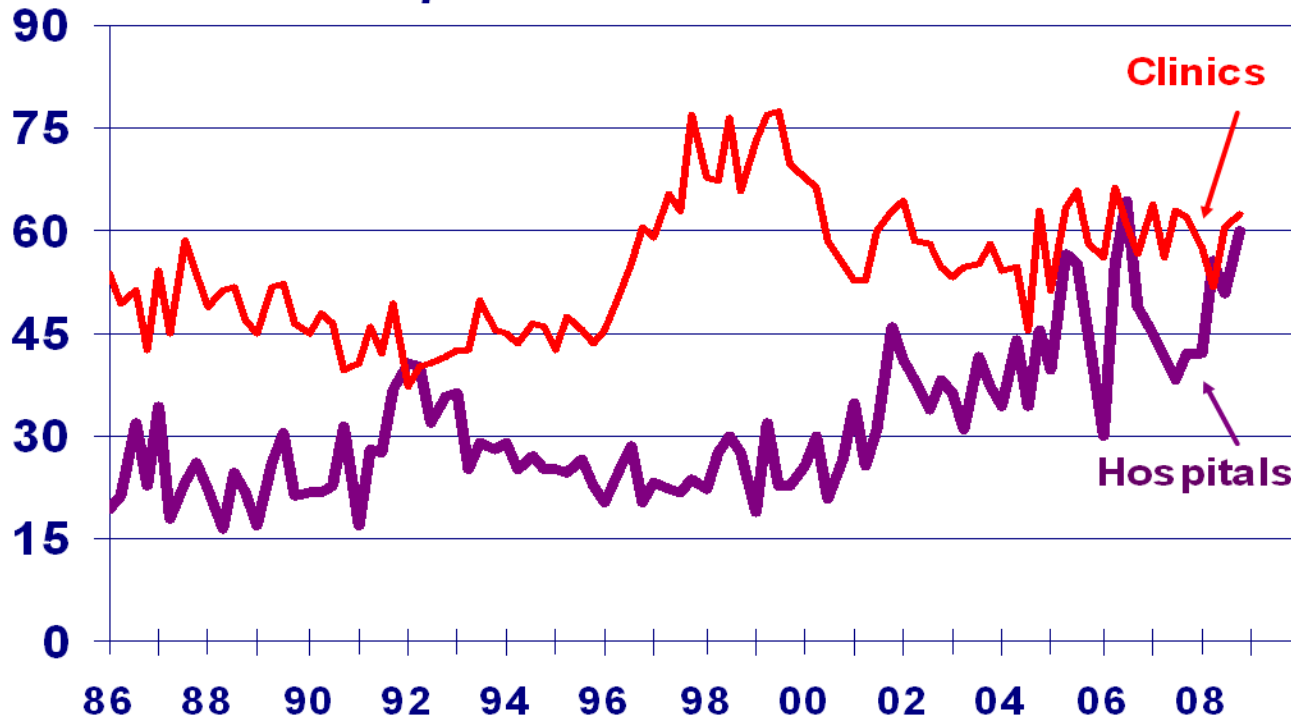


U.S. Institutional -- Healthcare Buildings

Healthcare facilities reached new high in 2006, now settling back.

Healthcare Facilities

Millions of Square Feet



U.S. Institutional – Healthcare Bldgs.

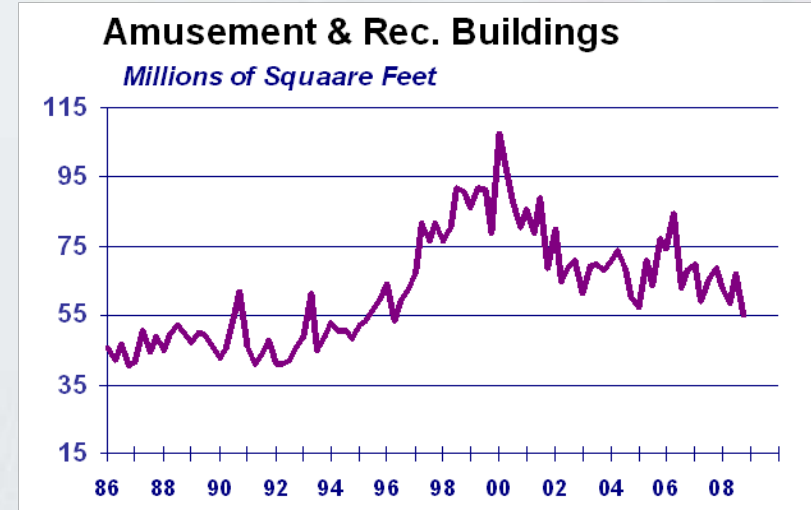
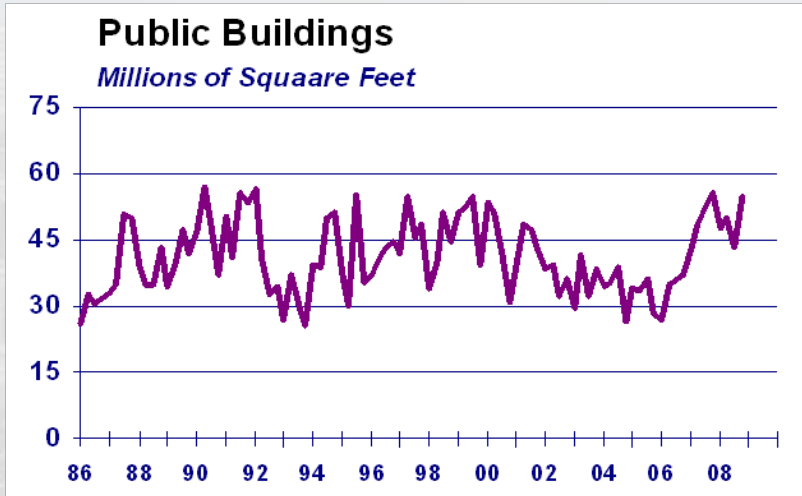
Healthcare Buildings

Top 10 States -- ranked by sq. ft. of new starts

<u>Year 2007,</u>	<u>%ch 07/06</u>	<u>Year 2008,</u>	<u>%ch 08/07</u>
1. California	+37%	1. Texas	+44%
2. Texas	-39%	2. Illinois	+121%
3. Florida	-13%	3. Ohio	+29%
4. Ohio	+9%	4. California	-34%
5. Michigan	+4%	5. Florida	-29%
6. Illinois	-1%	6. Virginia	+130%
7. Indiana	-14%	7. Maryland	+136%
8. Pennsylvania	-27%	8. Wisconsin	+44%
9. Arizona	+11%	9. New York	+76%
10. Minnesota	+55%	10. Tennessee	+63%

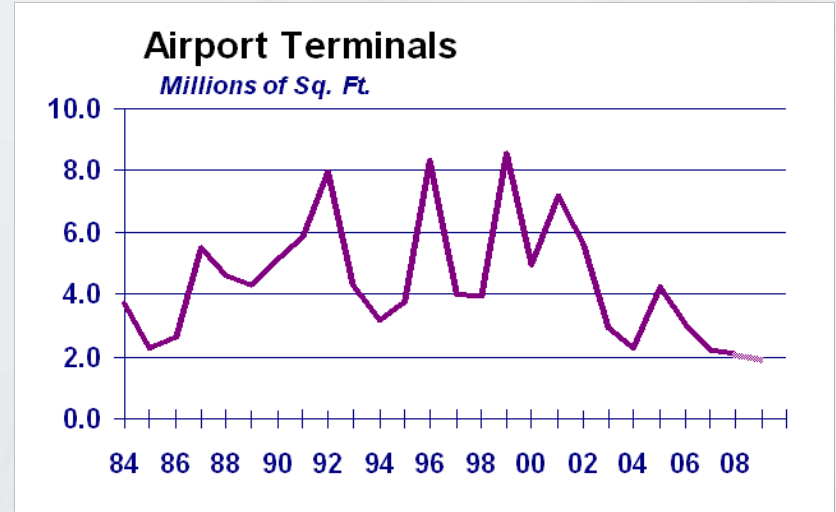
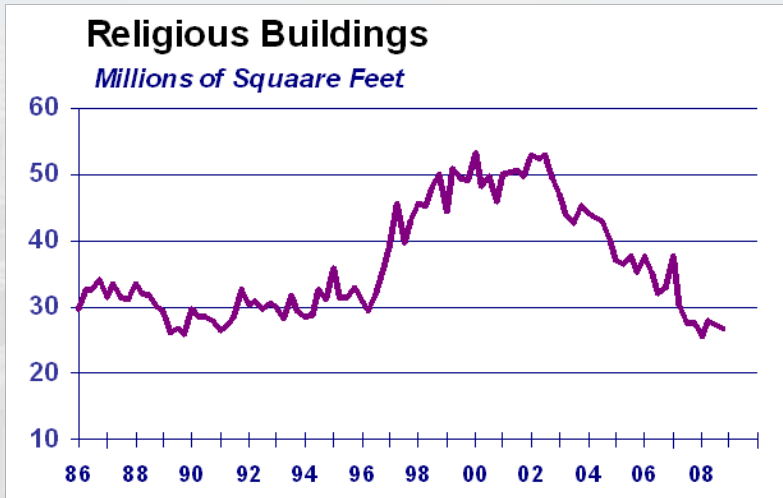
U.S. Institutional Buildings

Public Buildings had strong 2007; Amusement category weakening again.



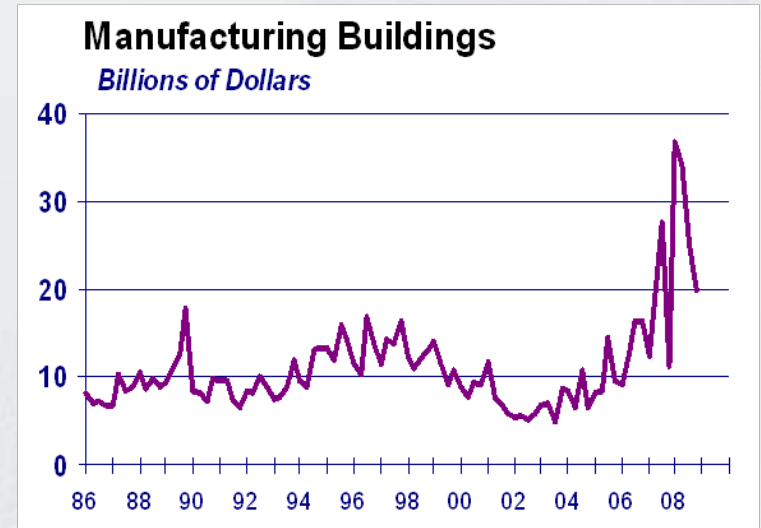
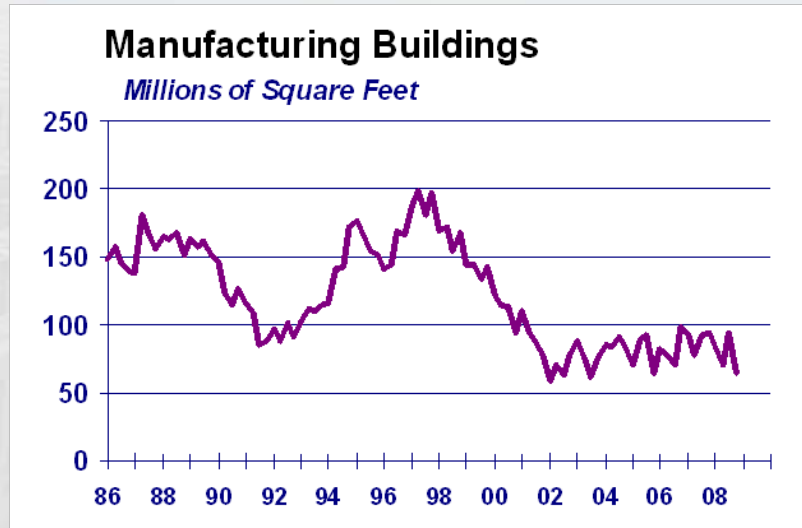
U.S. Institutional Buildings

Churches still declining, airport terminal work (sq. ft.) now weak



U.S. Manufacturing Buildings

Plant construction in sq. ft. lackluster, yet growth in dollar terms

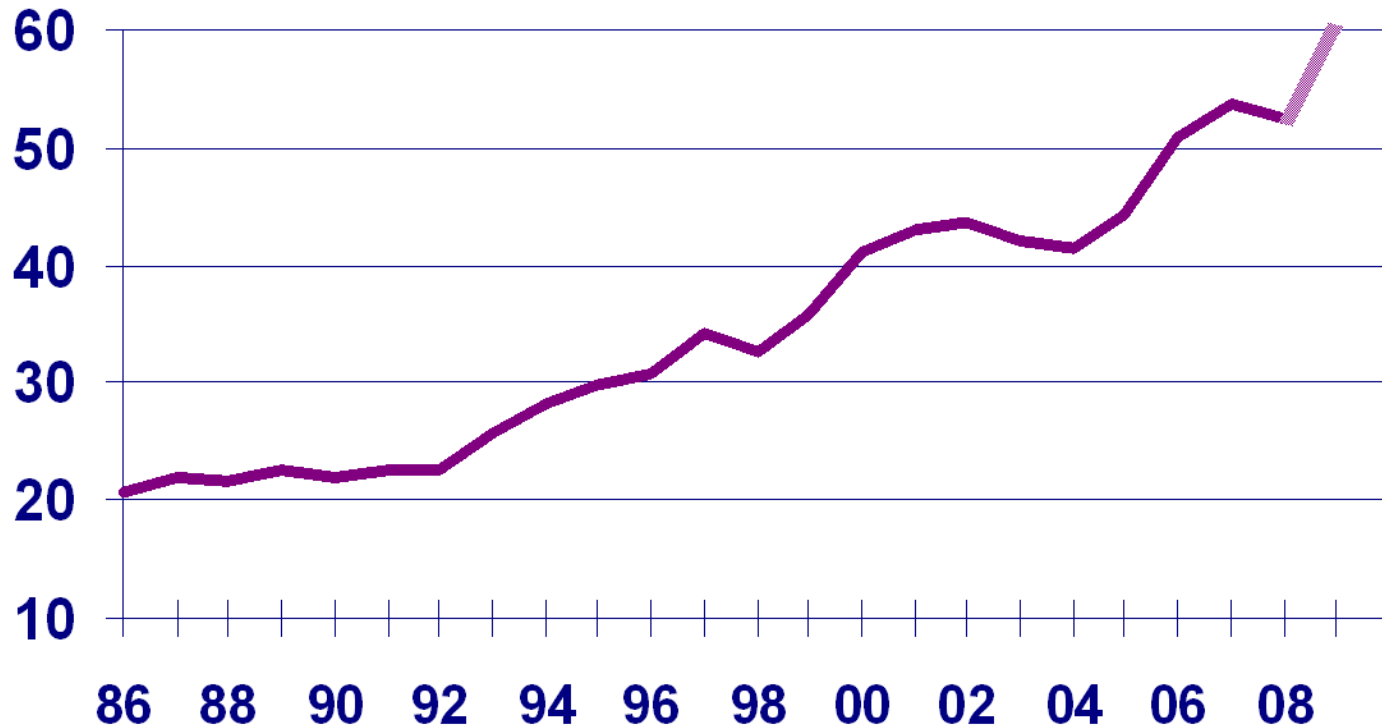


U.S. Public Works -- Highways & Bridges

*Highways and bridges slipped back in 2008;
should get more funding in 2009 from stimulus bill.*

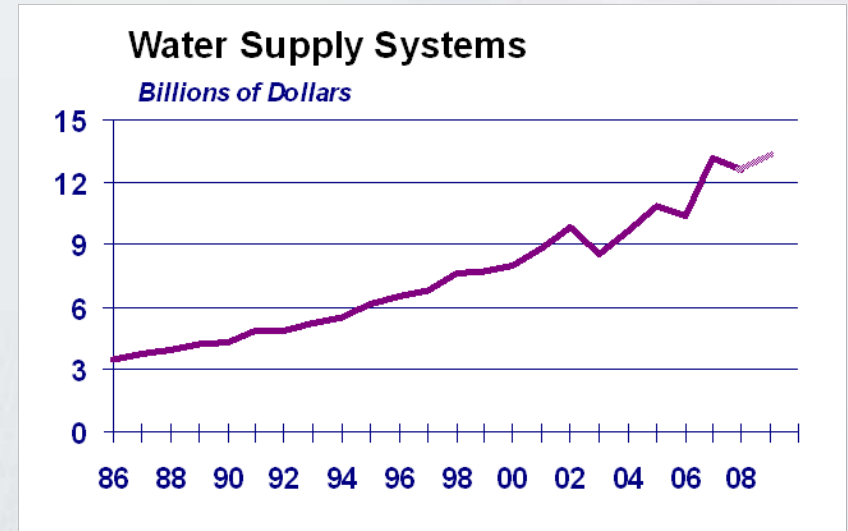
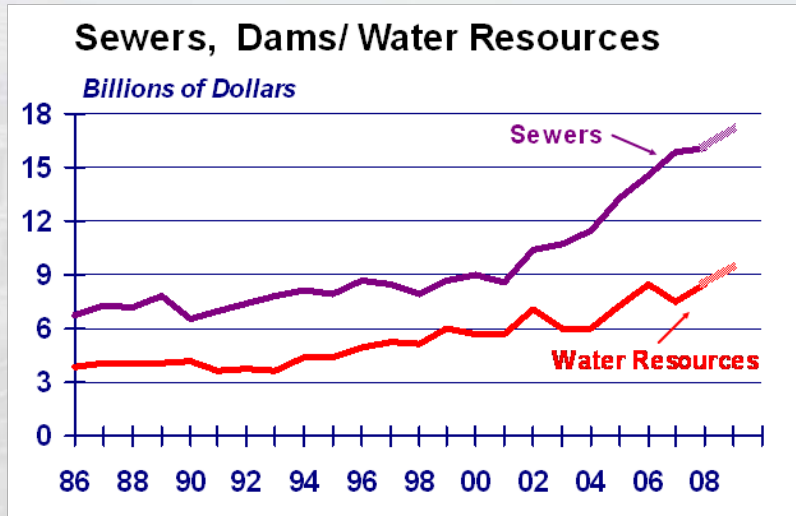
Highways and Bridges

Billions of Dollars



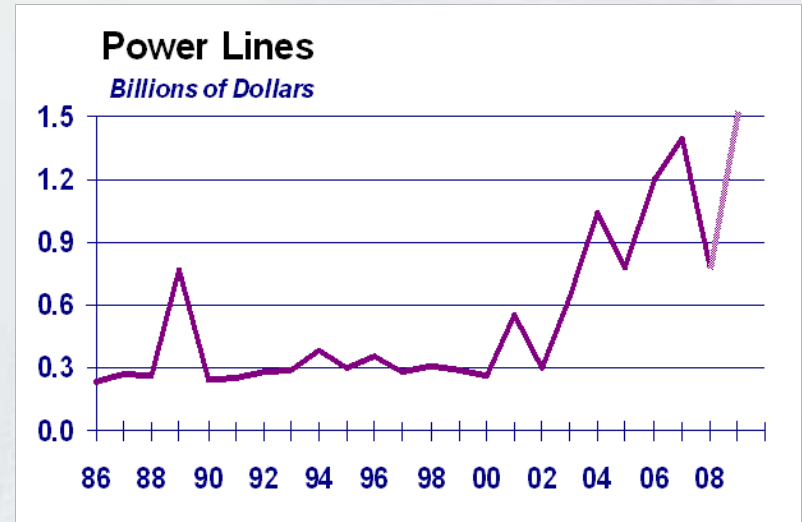
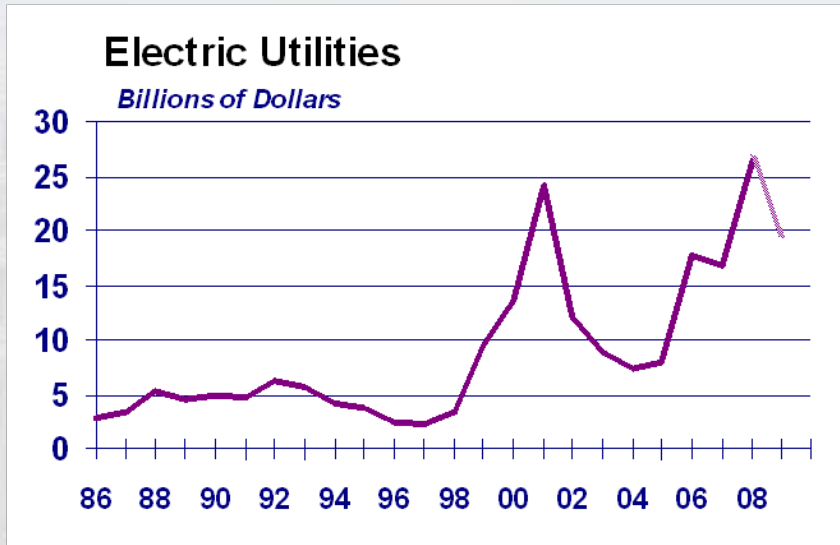
U.S. Public Works -- Environmental

*Environmental public works is now settling back.
May get boost from stimulus bill.*



U.S. Electric Utilities

New electric utility starts have soared in 2008.



U.S. Total Construction Starts for 2009

Billions of Dollars

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Construction	670.3 +13%	689.9 +3%	638.2 -7%	547.5 -14%	489.8 -11%
Single Family Housing	315.5 +12%	272.4 -14%	201.2 -26%	122.3 -39%	101.1 -17%
Multifamily Housing	68.6 +36%	69.9 +2%	63.5 -9%	40.8 -36%	31.7 -22%
Commercial Bldgs.	72.2 +7%	93.0 +29%	100.7 +8%	86.4 -14%	68.2 -21%
Institutional Bldgs.	100.1 +12%	110.7 +11%	117.2 +6%	126.5 +8%	121.6 -4%
Manufacturing Bldgs.	10.1 +26%	13.6 +34%	17.6 +29%	27.3 +55%	18.4 -32%
Public Works	96.0 +9%	112.5 +17%	121.2 +8%	117.8 -3%	129.1 +10%

Questions?

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NEWS RELEASE

February Construction Rebounds 7 Percent

New York, N.Y. – March 26, 2007 – At a seasonally adjusted annual rate of \$609.6 billion, new construction starts in February advanced 7% from the previous month, according to McGraw-Hill Construction, a division of The McGraw-Hill Companies. Nonresidential building regained the elevated pace that had been present for much of 2006, following its weak amount in January. Meanwhile, residential building held steady and nonbuilding construction (public works and electric utilities) settled back. For the first two months of 2007, total construction on an unadjusted basis came in at \$83.6 billion, down 15% from the same period a year ago. Much of the year-to-date decline for total construction reflects diminished activity for single family housing. If single family housing is excluded, the value of new construction starts during the first two months of 2007 is down a more modest 3% compared to last year.

February's data lifted the Dodge Index to 129 (2000=100), up from 121 in January. "The improved activity for nonresidential building in February indicates that this sector still has the ability to move at a good clip," stated Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction. "The construction start statistics during the winter months can be volatile, and this proved to be the case for nonresidential building at the outset of 2007. A better sense of where this sector stands will be provided in coming months, as it responds to varied factors. Market fundamentals, such as occupancies and rents, remain generally positive, and greater financing is available for such structure types as schools. At the same time, there's emerging evidence that the funding environment for commercial projects may not be quite as favorable as a year ago. For 2007 as a whole, it's still expected that nonresidential building in dollar terms will increase moderately. Public works construction should also see a reasonably healthy 2007, but residential building will continue to languish."

Nonresidential building in February climbed 25% to \$219.1 billion (annual rate), a pace that matched this sector's performance during the fourth quarter of 2006. The institutional side of the nonresidential market had a particularly strong February. Amusement-related projects soared 131%, boosted by the start of the massive \$1.3 billion expansion to the Javits Convention Center in New York NY, plus groundbreaking for a large community center in Ontario CA (\$75 million). The public buildings category jumped 81%, reflecting the start of major detention facility projects in the states of New York (\$144 million) and Missouri (\$100 million). Healthcare facilities approached last year's record rate of contracting, advancing 26% in February, as four large hospital projects reached groundbreaking in the states of Florida (\$260 million), California (\$180 million),

McGraw-Hill Construction

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Ohio (\$115 million), and Georgia (\$90 million). The educational building category maintained its upward track, rising 5% in February, as the large number of school construction bond measures passed in recent years continues to have an impact. February did show reduced contracting for two institutional structure types – religious buildings, down 22%; and transportation terminals, down 46%.

The commercial categories in February witnessed across-the-board strengthening. Store construction grew 19%, as this structure type continues to withstand the downward pull from weaker residential building. Large retail projects that boosted February's contracting were located in New York NY (\$162 million) and San Jose CA (\$65 million). Warehouse construction, rising 39% in February, began to catch up with some of the earlier strength shown by stores. Hotel construction in February jumped 61% after an especially weak January, helped by the \$144 million hotel portion of a large hotel/casino project in Santa Fe NM. Office construction registered a February gain of 13%, aided by groundbreaking for an \$85 million office project in Washington DC. After a weak January, manufacturing plant construction in February rebounded 37%, with projects such as a \$177 million ethanol plant in Indiana and a \$140 million food processing plant in Oklahoma helping to lift the manufacturing total.

Residential building, at \$276.3 billion (annual rate) in February, was essentially even with the previous month. Single family housing settled back an additional 2%, as its lengthy correction continued. By region, February revealed dollar volume declines for single family housing in the Midwest, down 18%; the Northeast, down 3%; and the South Atlantic, down 1%; while the West was unchanged and the South Central grew 5%. The cost of financing remains low – the 30-year fixed mortgage rate averaged 6.3% in February, and has since eased back to 6.2% in March. However, the investor-led portion of homebuyer demand continues to be sharply lower than a couple of years ago. Murray stated, "There's also mounting concern about the rise in delinquencies for subprime mortgages, and tighter lending standard for residential loans will be yet another factor dampening single family housing this year." Multifamily housing in February climbed 13%, making a partial rebound after a very weak January. Large multifamily projects that reached groundbreaking in February were located in Boston MA (\$107 million), Houston TX (\$91 million), Washington DC (\$90 million), and Atlanta GA (\$87 million).

Nonbuilding construction in February dropped 5% to \$114.2 billion (annual rate). The public works sector in general showed a decreased volume of construction starts compared to January. Highways and bridges retreated 15%, while the environmental categories posted these declines – water supply systems, down 14%; river/harbor development, down 17%; and sewers, down 38%. The "miscellaneous" public works category, which includes mass transit work, ran counter to February's broad pattern for public works by increasing 8%.

McGraw-Hill Construction

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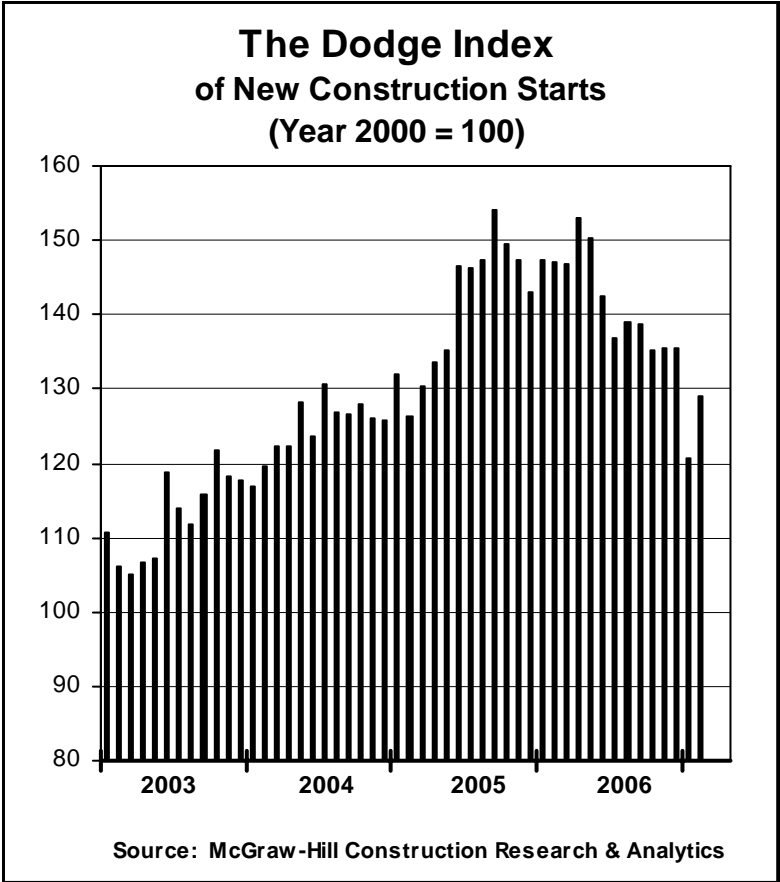
Much of the increase for mass transit work in February came from start of a \$300 million segment of a light rail project in Oregon. The often volatile electric utility category jumped 99% in February, boosted by the start of a \$1.3 billion coal-fired power plant in West Virginia.

The 15% decline for total construction during the first two months of 2007, compared to last year, was the result of this behavior by major sector – residential building, down 29%; nonresidential building, unchanged; and nonbuilding construction, up 9%. Murray indicated, “The sharp decline for residential building on a year-to-date basis reflects the comparison to the single family market in early 2006, just prior to the time when the loss of momentum became very steep. As 2007 proceeds, it’s expected that the year-to-date decline for residential building will moderate.” By geography, the first two months of 2007 showed decreased activity in all five major regions relative to 2006 – the Northeast, down 7%; the South Central; down 8%; the South Atlantic, down 13%; the West, down 20%; and the Midwest, down 23%.

About McGraw-Hill Construction

McGraw-Hill Construction connects people, projects, and products across the design and construction industry. From project and product information to industry news, trends and forecasts, the company provides industry players the tools, resources, and applications that help them save time, money, and energy. Backed by the power of Dodge, Sweets, Architectural Record, Engineering News-Record (ENR), and its Regional Publications, McGraw-Hill Construction serves more than one million customers within the \$4.6 trillion global construction community. For more information, visit www.construction.com.

February 2007 Construction Starts



FEBRUARY 2007 CONSTRUCTION STARTS

MONTHLY SUMMARY OF CONSTRUCTION STARTS

Prepared by McGraw-Hill Construction Research & Analytics

MONTHLY CONSTRUCTION STARTS
Seasonally Adjusted Annual Rates, In Millions of Dollars

	<u>February 2007</u>	<u>January 2007</u>	<u>% Change</u>
Nonresidential Building	\$219,066	\$174,866	+25
Residential Building	276,316	275,376	-0-
Nonbuilding Construction	<u>114,190</u>	<u>120,471</u>	<u>-5</u>
TOTAL Construction	\$609,572	\$570,713	+7

THE DODGE INDEX

(Year 2000=100, Seasonally Adjusted)

February 2007	129
January 2007	121

YEAR-TO-DATE CONSTRUCTION STARTS
Unadjusted Totals, In Millions of Dollars

	<u>2 Mos. 2007</u>	<u>2 Mos. 2006</u>	<u>% Change</u>
Nonresidential Building	\$28,009	\$28,018	-0-
Residential Building	39,104	54,970	-29
Nonbuilding Construction	<u>16,458</u>	<u>15,138</u>	<u>+9</u>
TOTAL Construction	\$83,571	\$98,126	-15

###