

outlook2010 Industry
Forecast
and
Trends
Executive Conference

2010 McGraw-Hill Construction Outlook

Cliff Brewis

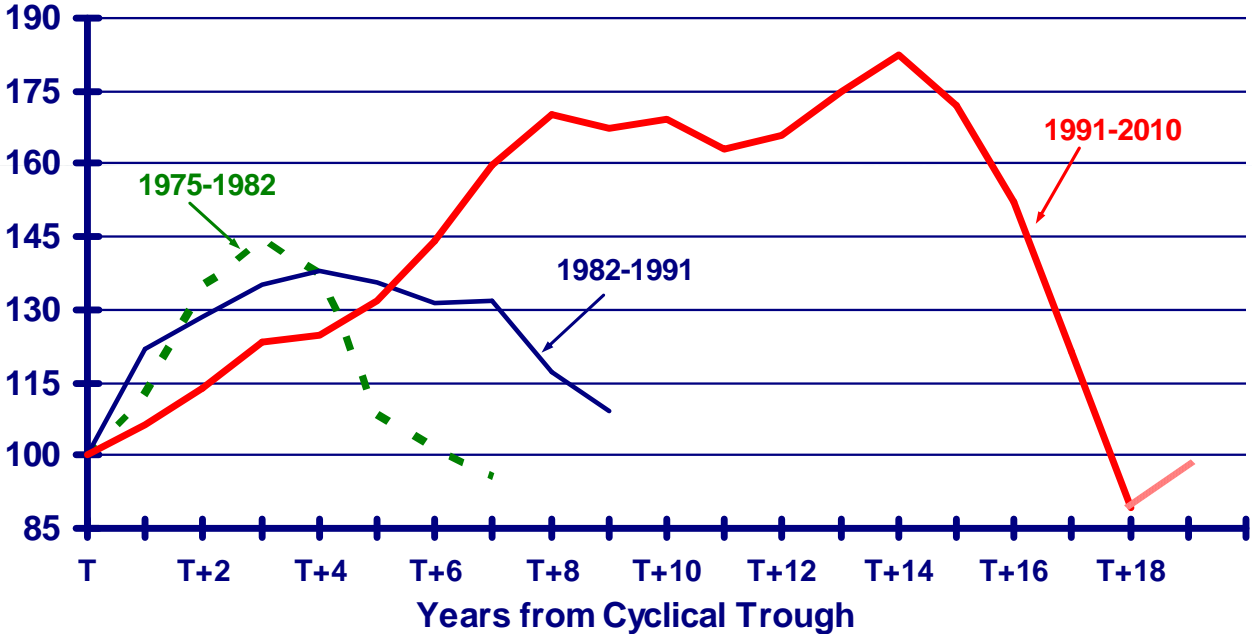
*Senior Director Editorial Operations
McGraw-Hill Construction*

**McGraw Hill
CONSTRUCTION**

Points of Perspective – U.S. Construction

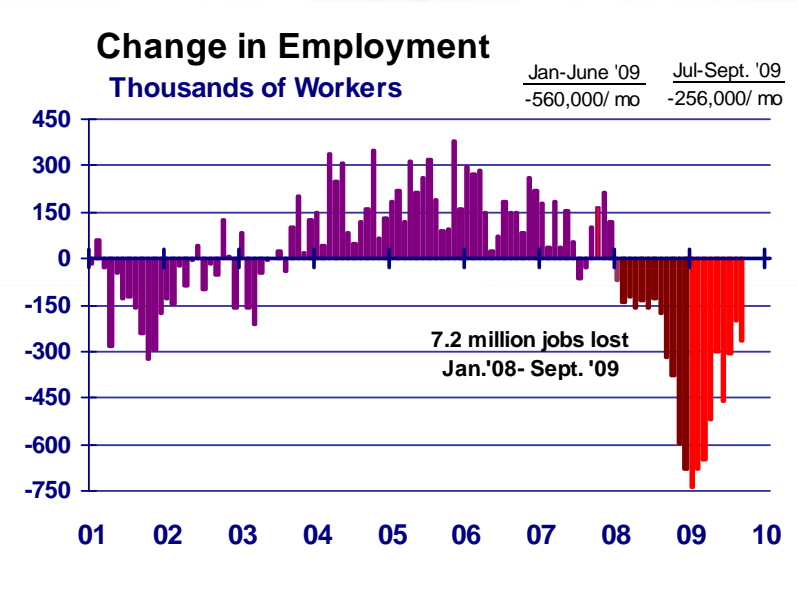
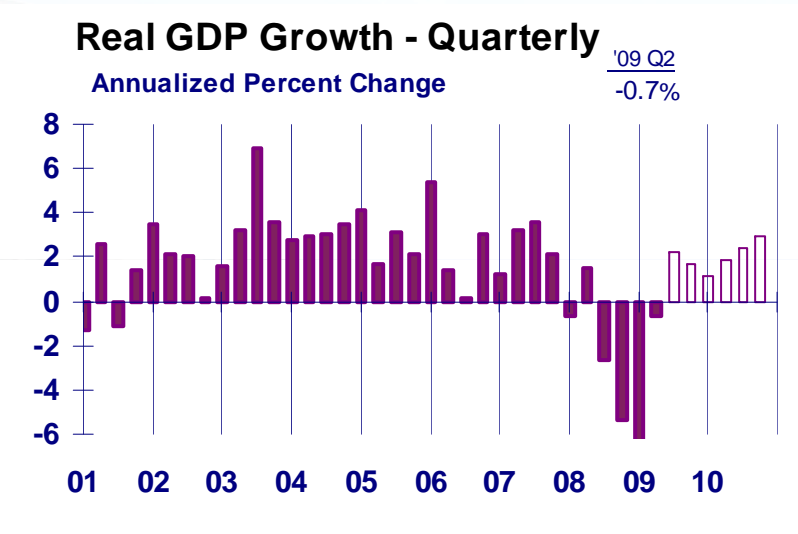
Total Construction Activity by Cycle

Cyclical Trough (T) = 100, Based on Constant 2000 Dollars



U.S. Macroeconomic Picture

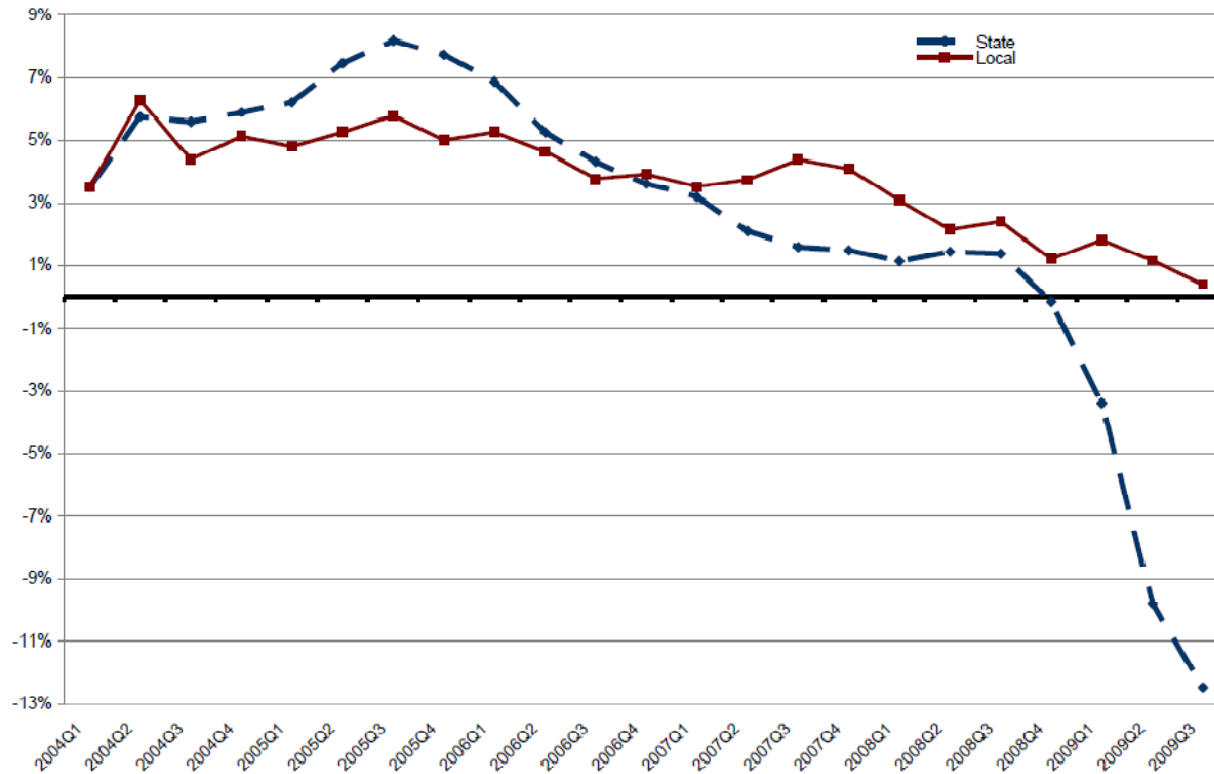
The Recession and the fall in Demand



States Revenue Projections

Local taxes holding up better than state taxes,
but have been weakening

Year-Over-Year Percent Change in Real State Taxes and Local Taxes
Four-Quarter Average of Percent Change



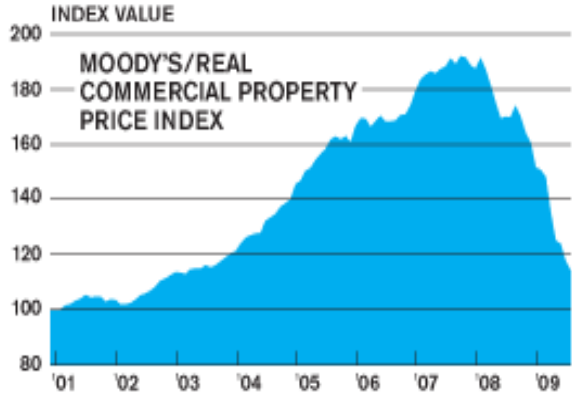
Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP price index).
Notes: (1) 4-quarter average of percent change in real tax revenue; (2) No adjustments for legislative changes.

Source: Rockefeller institute

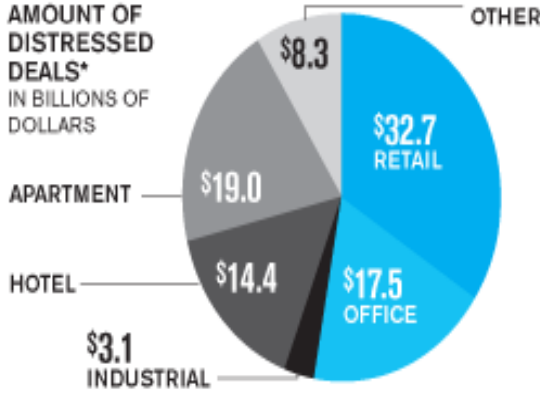
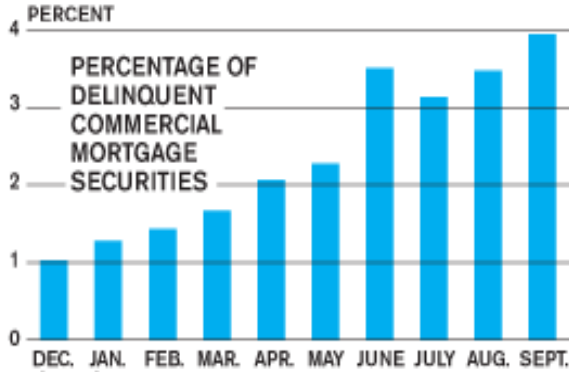
Commercial Real Estate

THE OTHER REAL ESTATE CRISIS

Commercial property prices are cratering... ..as troubled mortgage loans mount... ..which is weakening the market further



Data: Real Estate Analytics, Realpoint, and Real Capital Analytics



*Estimated dollar value as of August 2009

Stimulus Bill: American Recovery and Reinvestment Act of 2009

■ Transportation

- Highways: \$27.5 billion
- Transit: \$8.4 billion
- Rail: \$9.3 billion
- Transportation Security Administration: \$1 billion to buy, install explosive-detection, airport screening equipment.

■ Environment

- EPA clean water and drinking water SRF's: \$6 billion
- Corps of Engineers: \$4.6 billion
- DOE environmental cleanup: \$6 billion
- EPA cleanup, including Superfund: \$1.2 billion

■ Energy

- Electricity grid: \$11 billion;
- Renewable energy loan guarantees: \$6 billion
- Tax credits for renewable energy projects extended

Stimulus Bill: American Recovery and Reinvestment Act of 2009

■ Buildings

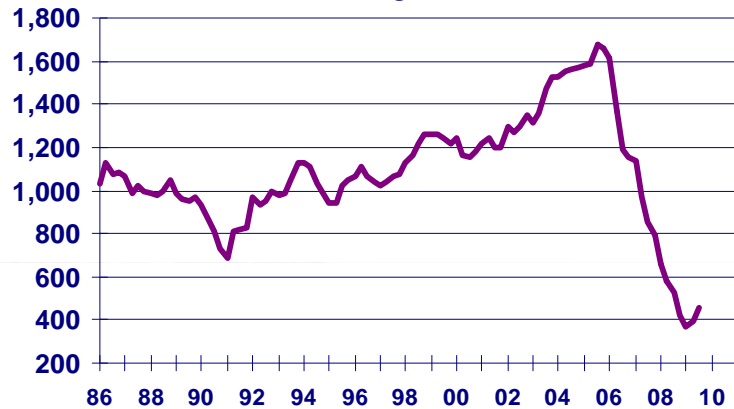
- GSA federal buildings, energy-efficiency upgrades: \$4.5 billion
- Construction funding for such agencies as NSF, NIH
- DOD restoration, modernization of facilities: \$4.2 billion
- Veterans Administration: \$1.3 billion for hospital upgrades
- HUD public housing capital fund: \$4 billion
- HUD redevelopment of abandoned, foreclosed properties: \$2 billion

U.S. Single Family Housing

Construction has reached bottom.

Single Family Housing

Thousands of Dwelling Units



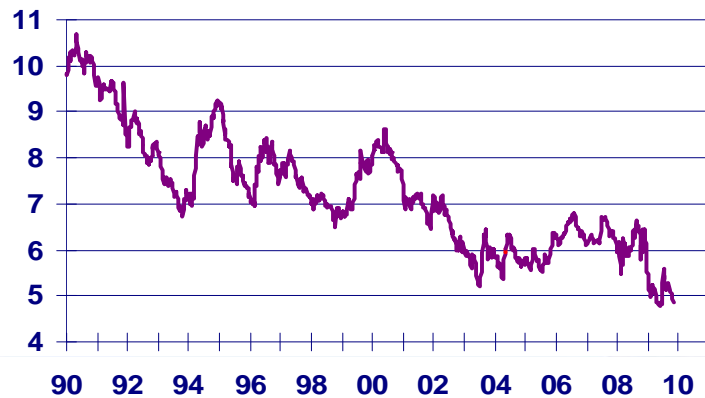
Home Sales -- New and Existing Homes

Millions -- New homes, left scale; Existing homes, right scale



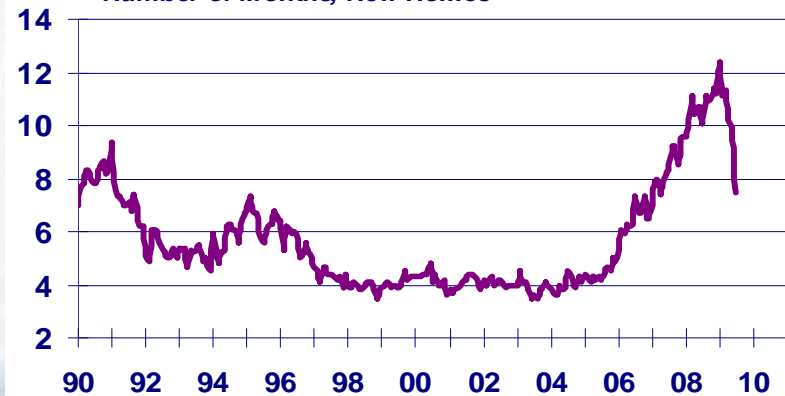
Mortgage Rates - Weekly

Percent



Supply of Single Family Housing

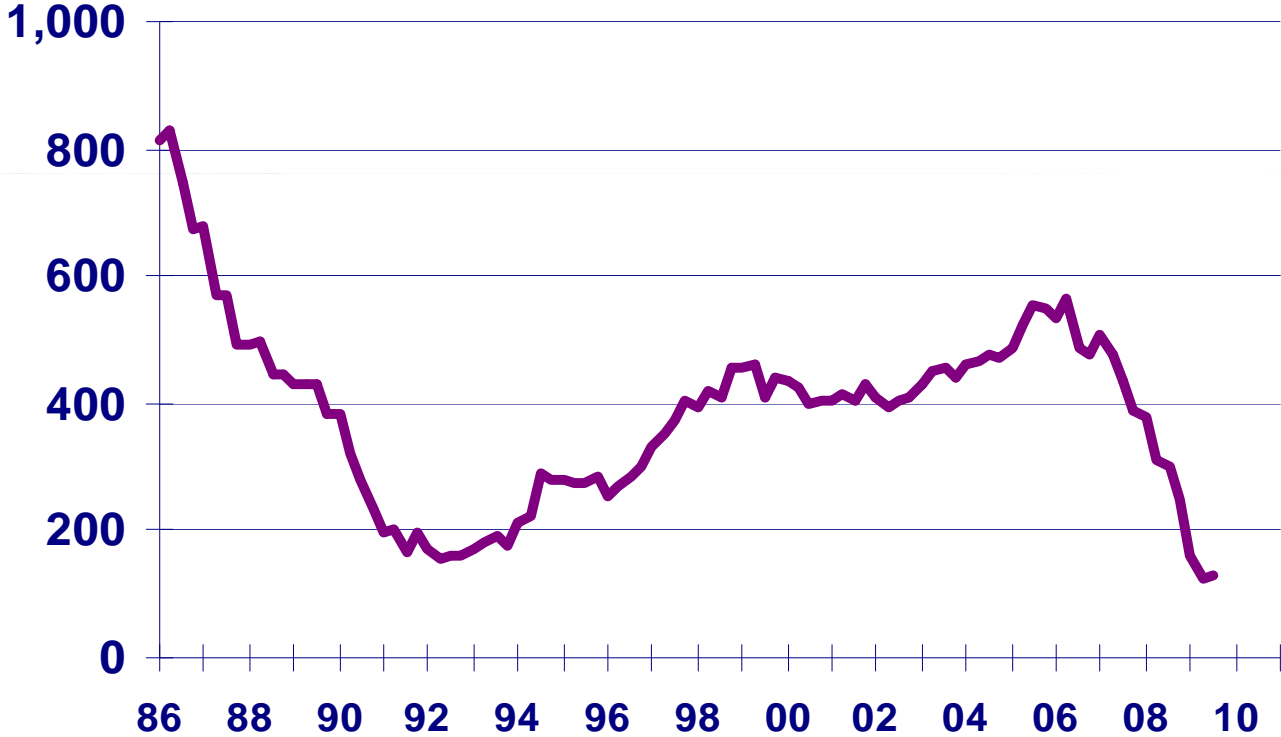
Number of Months, New Homes



U.S. Multifamily Housing

Multifamily Housing

Thousands of Dwelling Units



U.S. Multifamily Housing

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

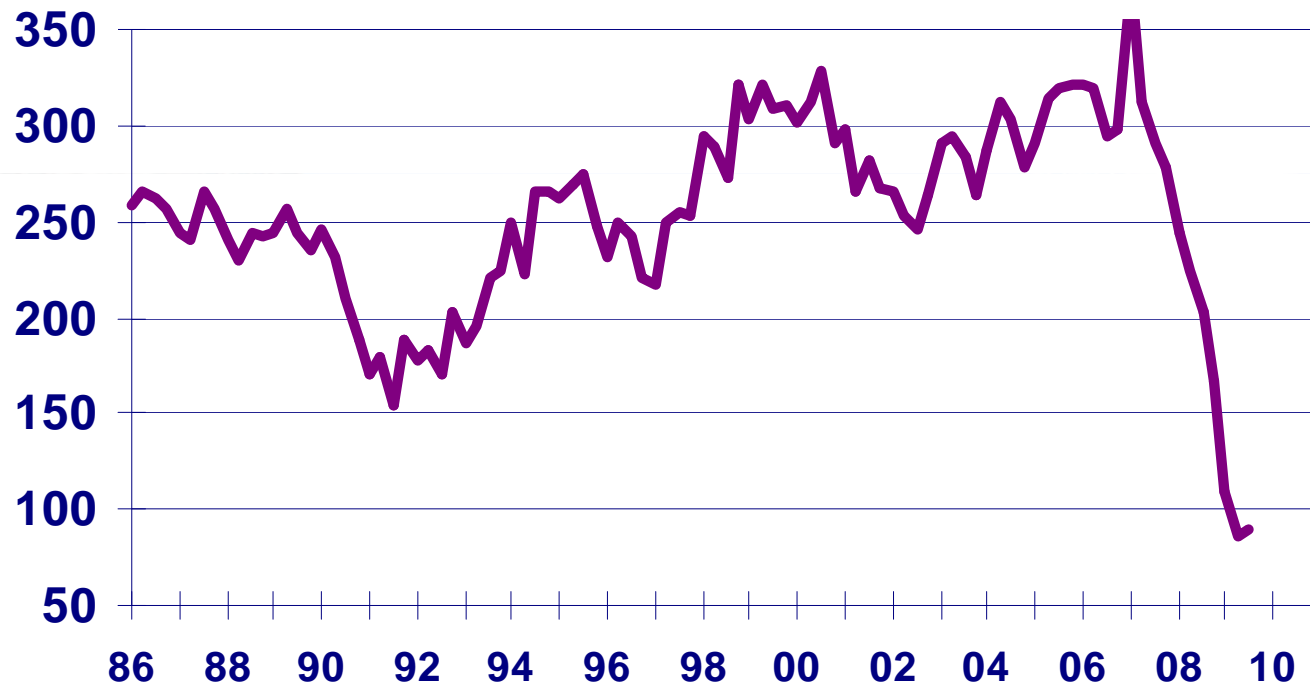
<u>Year 2008,</u>	<u>%ch 08/07</u>	<u>Year 2009 ytd</u>	<u>%ch 09/08</u>
1. New York	-0-	1. New York	-71%
2. Dallas-Ft.Worth	-1%	2. Dallas-Ft,Worth	-71%
3. Washington DC	-26%	3. Seattle	-56%
4. Atlanta	-30%	4. Houston	-68%
5. Houston	-38%	5. Chicago	-51%
6. Los Angeles	-40%	6. Washington DC	-73%
7. Chicago	-58%	7. Salt Lake City	+17%
8. Phoenix	-37%	8. Charlotte	-40%
9. Seattle	-48%	9. Miami	-56%
10. Austin TX	-23%	10. Boston	-49%
11. Miami	-56%	30. Las Vegas	-73%
19. Las Vegas	-62%		

U.S. Commercial Bldgs. -- Stores

In sharp retreat..

Stores and Shopping Centers

Millions of Square Feet

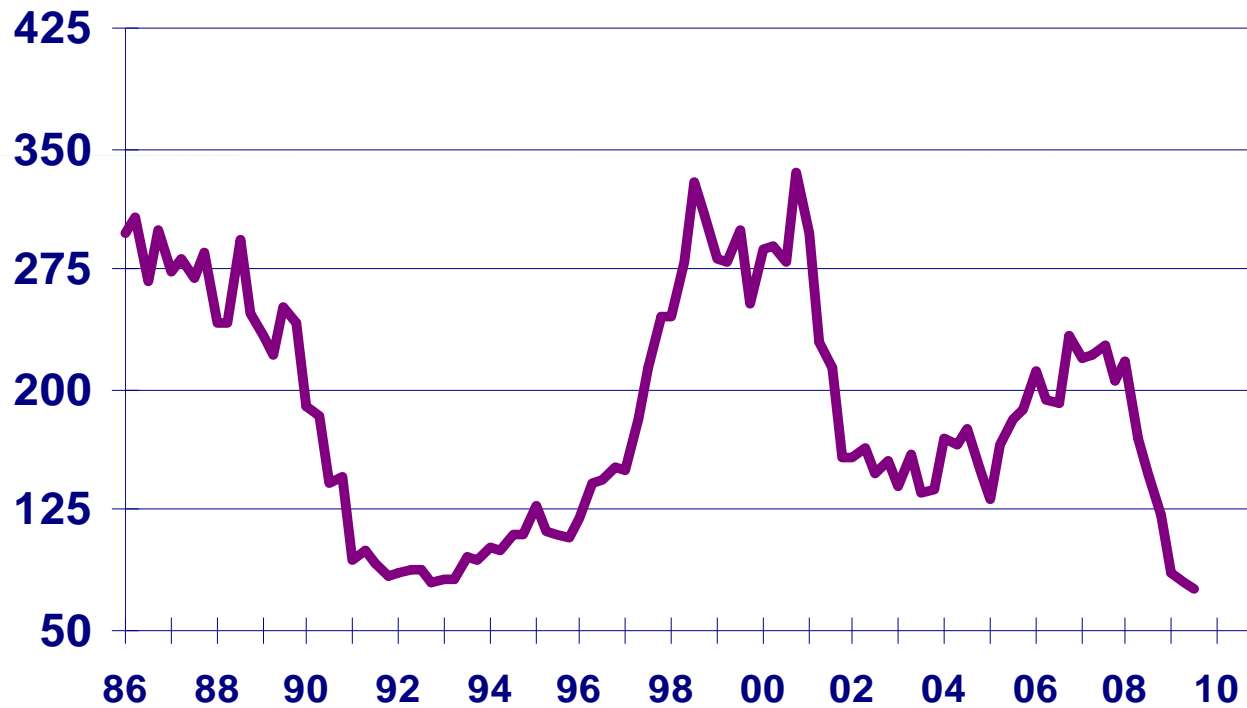


U.S. Commercial Bldgs. -- Offices

Recession hit as recovery started

Office Buildings

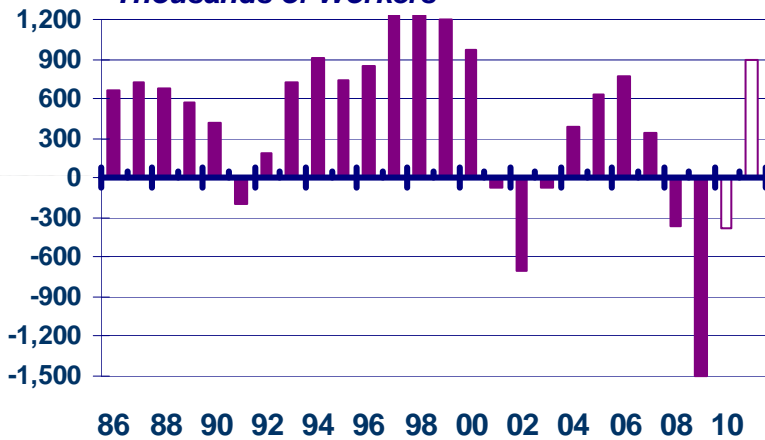
Millions of Square Feet



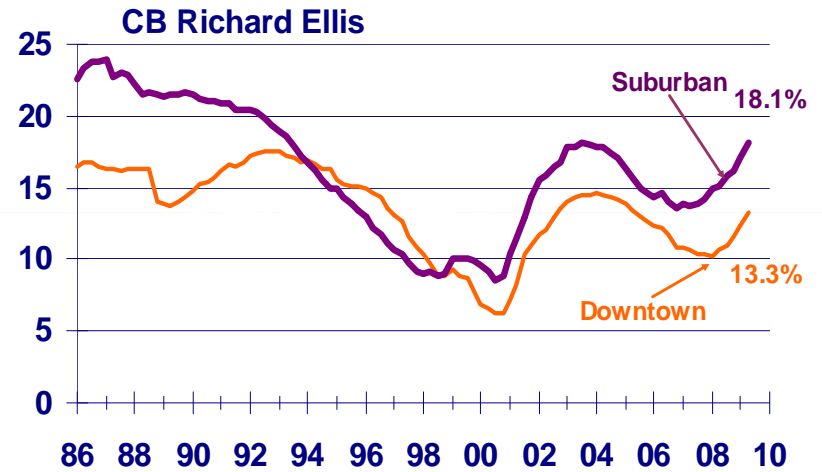
U.S. Commercial Buildings

Office building factors point towards difficult 2010.

Change in Office Employment
Thousands of Workers



U.S. Office Vacancy Rates



U.S. Commercial Bldgs. -- Offices

Office Construction

Top 10 Metros -- ranked by new square feet

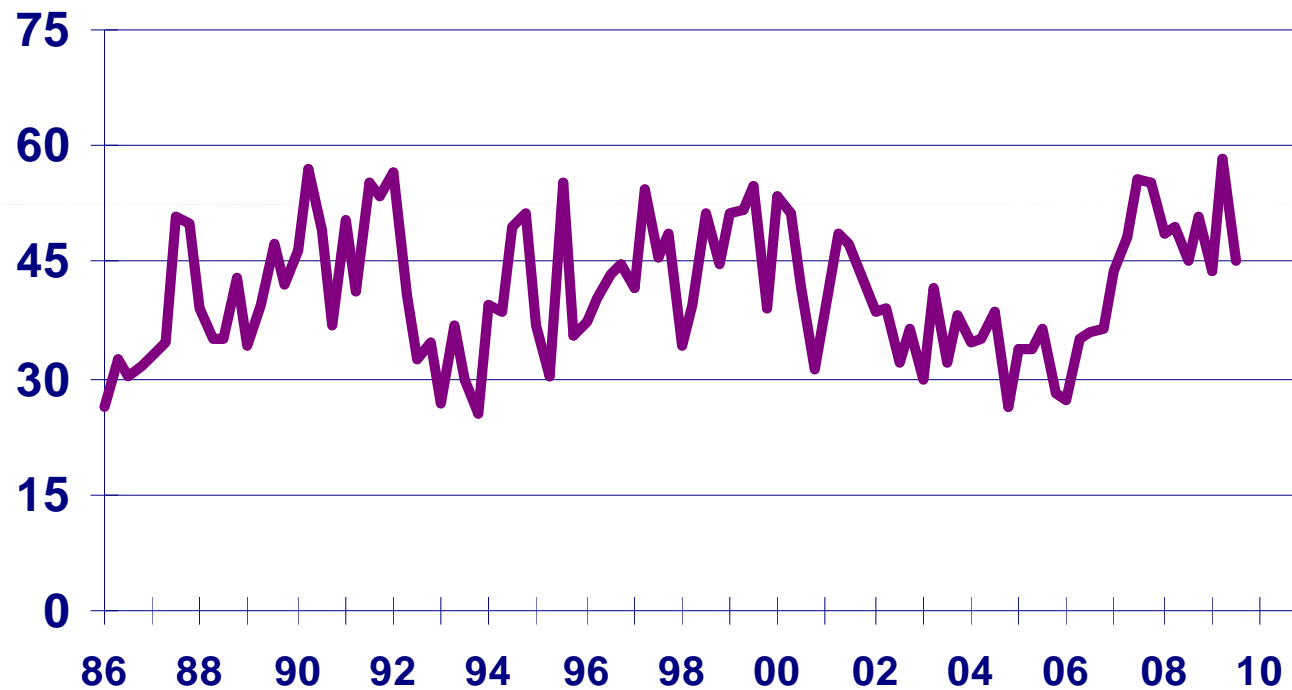
<u>Year 2008,</u>	<u>%ch 08/07</u>	<u>Year 2009 ytd,</u>	<u>%ch 09/08</u>
1. New York	+70%	1. Washington DC	-32%
2. Washington DC	-1%	2. New York n DC	-70%
3. Houston	+45%	3. Seattle	-42%
4. Dallas-Ft.Worth	-21%	4. Houston	-77%
5. Atlanta	-39%	5. Baltimore	-15%
6. Phoenix	-53%	6. Dallas-Ft. Worth	-75%
7. Seattle	-15%	7. Tampa	-31%
8. Boston	+56%	8. Chicago	-50%
9. Baltimore	+50%	9. Miami	-63%
10. Chicago	-61%	10. Denver	-44%

U.S. Institutional Buildings

Aided by stimulus. Concerns at state and local levels.

Public Buildings

Millions of Square Feet

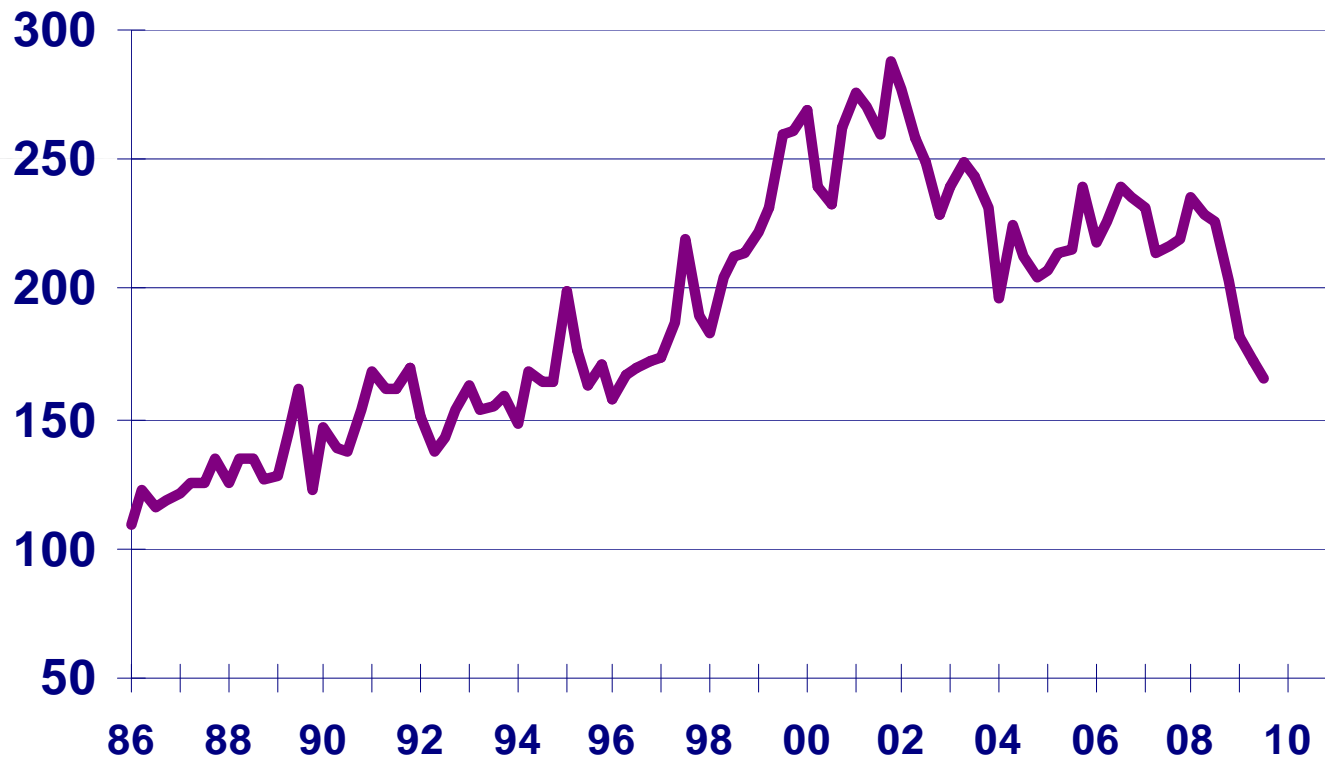


U.S. Institutional -- Educational Bldgs.

School construction losing momentum.

Educational Buildings

Millions of Square Feet



U.S. Institutional -- Educational Bldgs.

Educational Buildings

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

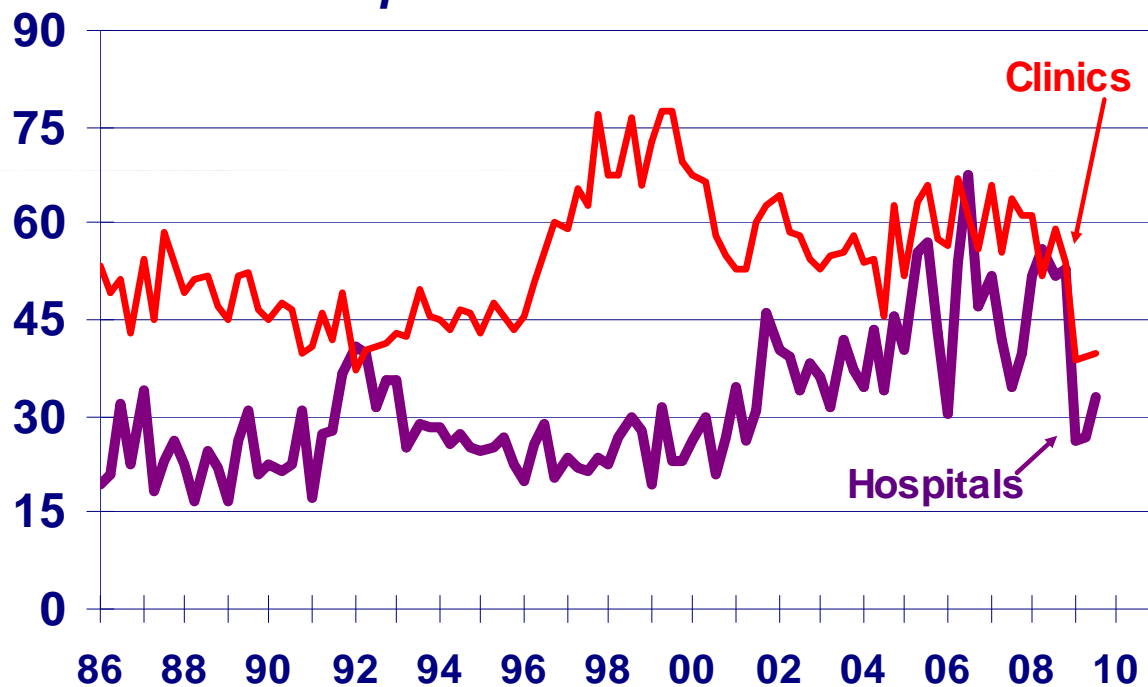
<u>Year 2008,</u>	<u>%ch 08/07</u>	<u>Year 2009 ytd,</u>	<u>%ch 09/08</u>
1. Texas	+25%	1. Texas	-32%
2. California	+22%	2. Florida	-28%
3. Georgia	-6%	3. California	-42%
4. Florida	-29%	4. Ohio	-3%
5. Pennsylvania	+18%	5. Georgia	-45%
6. Ohio	+3%	6. Pennsylvania	-30%
7. North Carolina	+6%	7. North Carolina	-33%
8. South Carolina	+61%	8. New York	+20%
9. Illinois	-9%	9. Illinois	-17%
10. Alabama	+48%	10. Virginia	+8%

U.S. Institutional -- Healthcare Buildings

Expected to regain footing.

Healthcare Facilities

Millions of Square Feet



U.S. Institutional – Healthcare Bldgs.

Healthcare Buildings

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

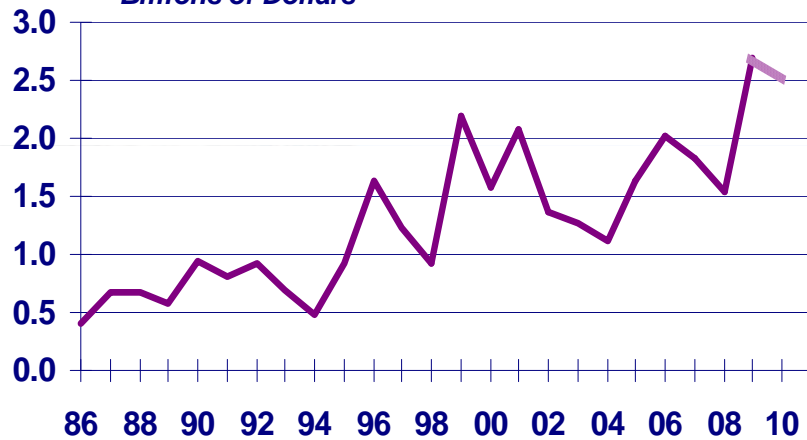
<u>Year 2008,</u>	<u>%ch 08/07</u>	<u>Year 2009 ytd,</u>	<u>%ch 09/08</u>
1. Texas	+57%	1. Texas	-34%
2. Illinois	+110%	2. Florida	+15%
3. Ohio	+25%	3. California	-2%
4. California	-34%	4. Illinois	-55%
5. Florida	-26%	5. Indiana	-21%
6. Virginia	+125%	6. North Carolina	-26%
7. New York	+89%	7. Missouri	+70%
8. Tennessee	+74%	8. New York	-54%
9. Maryland	+103%	9. Massachusetts	+111%
10. Wisconsin	+40%	10. Georgia	-37%

U.S. Institutional Buildings

Opposite directions

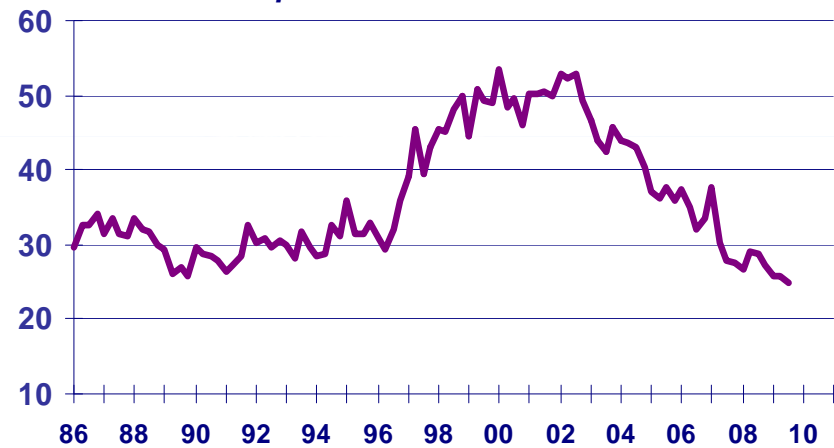
Airport Terminals

Billions of Dollars



Religious Buildings

Millions of Square Feet

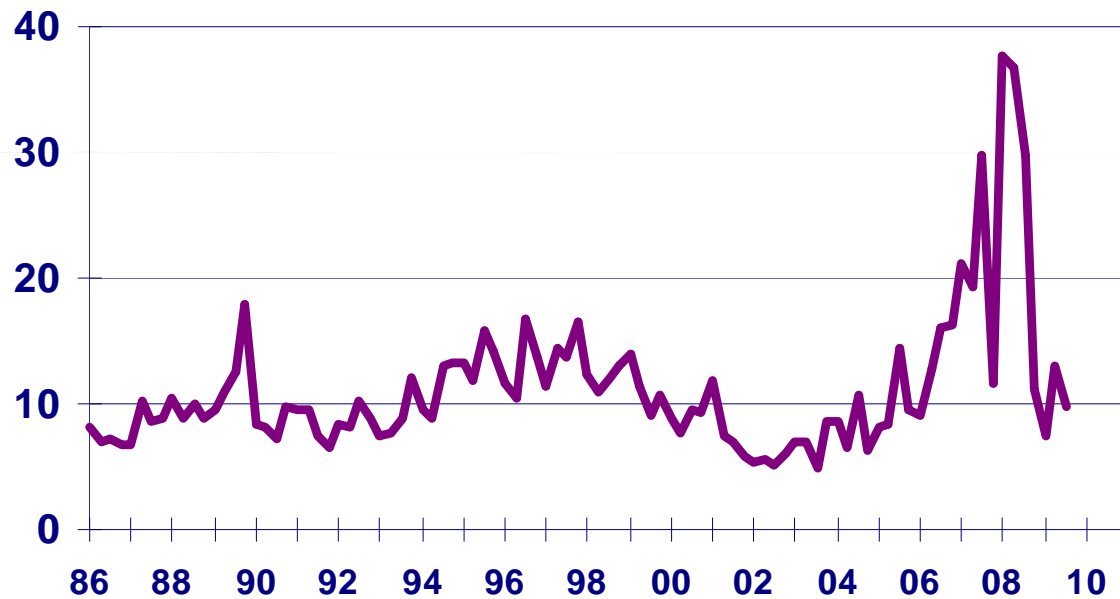


U.S. Manufacturing Buildings

Watch Impact of Dollar and Overseas Demand

Manufacturing Buildings

Billions of Dollars

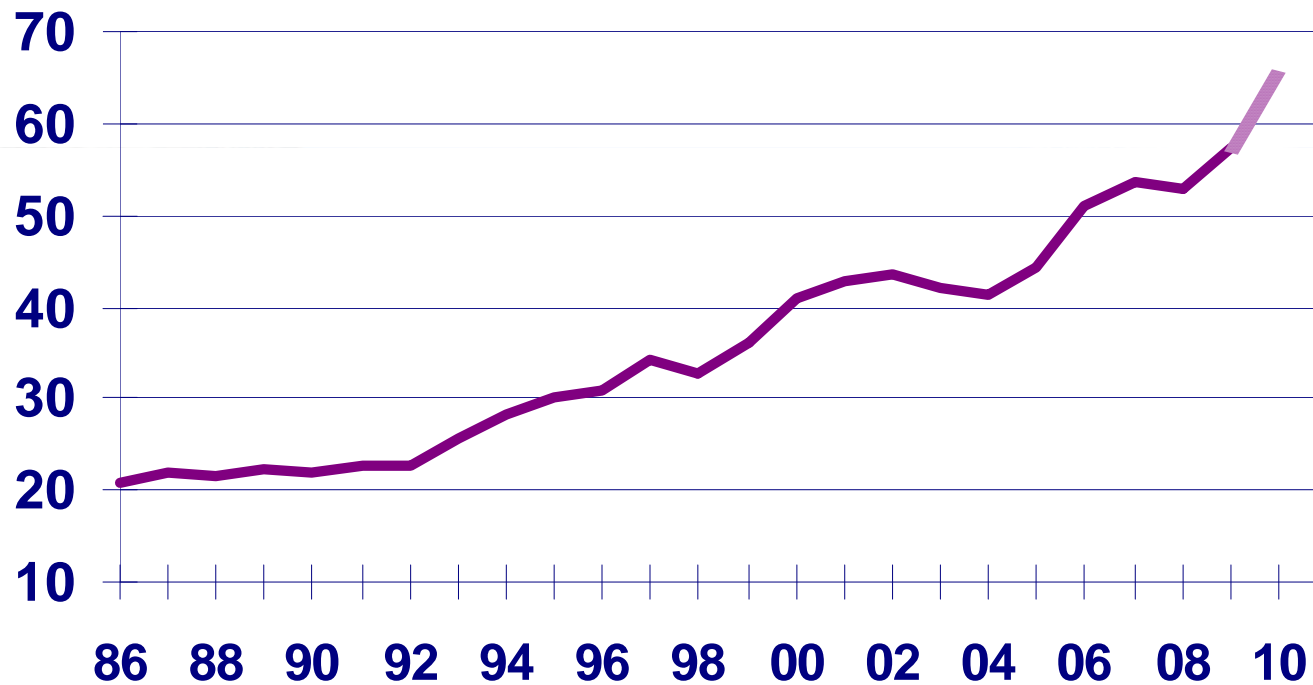


U.S. Public Works -- Highways & Bridges

Impact of Stimulus

Highways and Bridges

Billions of Dollars



U.S. Public Works -- Highways & Bridges

Highways and Bridges

Top 10 States -- ranked by dollars of new starts

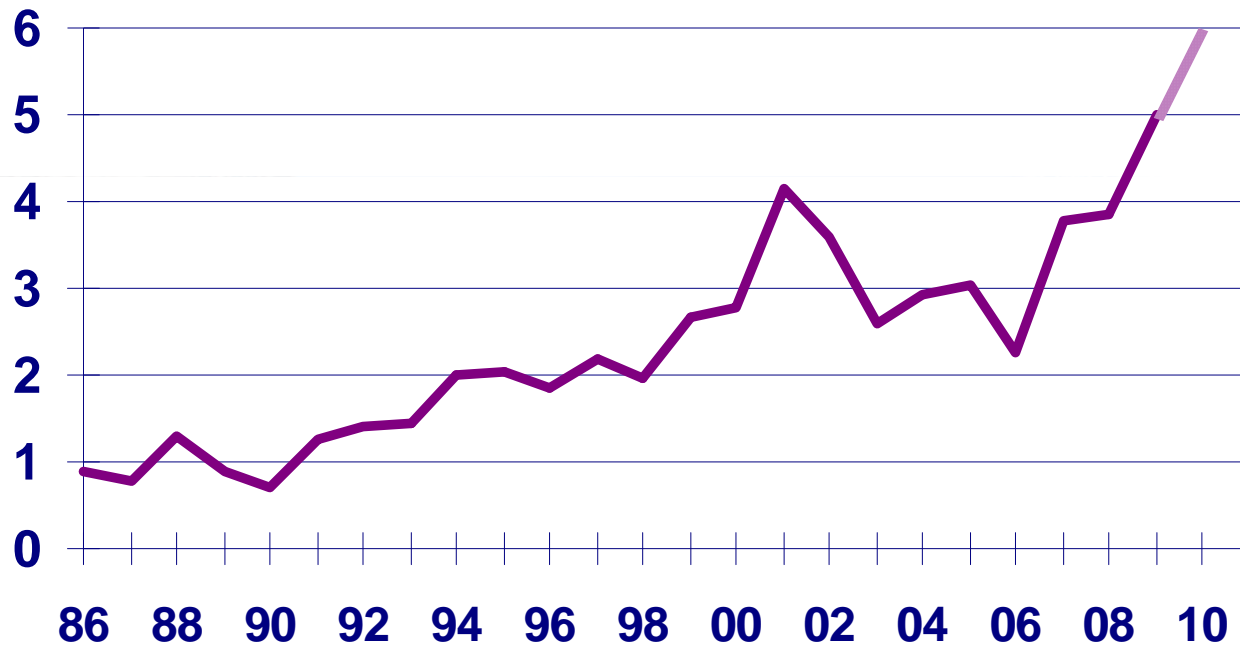
<u>Year 2008,</u>	<u>%ch 08/07</u>	<u>Year 2009 ytd</u>	<u>%ch 09/08</u>
1. California	-9%	1. Texas	+31%
2. Texas	-20%	2. California	-20%
3. Pennsylvania	+32%	3. Pennsylvania	+12%
4. New York	-11%	4. Illinois	+2%
5. Illinois	+13%	5. New York	+3%
6. Florida	-36%	6. Florida	-2%
7. Louisiana	+49%	7. Ohio	+3%
8. Ohio	+4%	8. New Jersey	+40%
9. Virginia	+131%	9. Indiana	+26%
10. New Jersey	+31%	10. Louisiana	-32%

U.S. Public Works – Mass Transit

On the right track

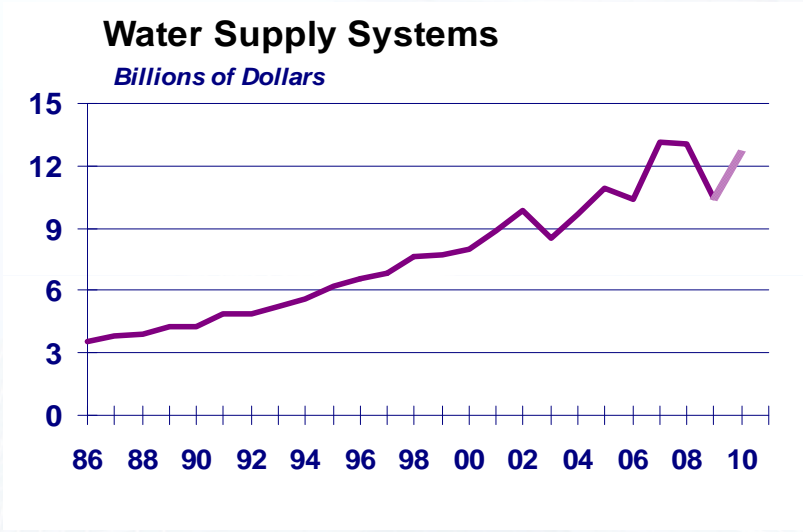
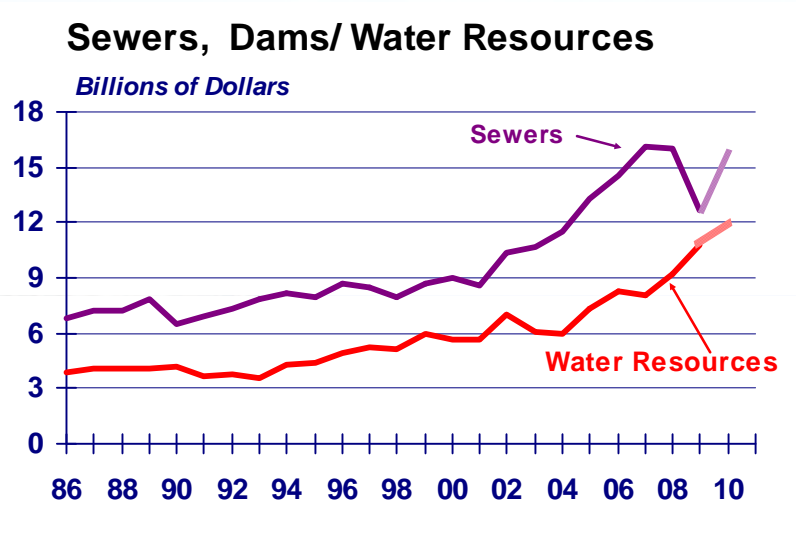
Mass Transit - Rail, Rail Terminals, Rail Tunnels

Billions of Dollars



U.S. Public Works -- Environmental

Impact of stimulus

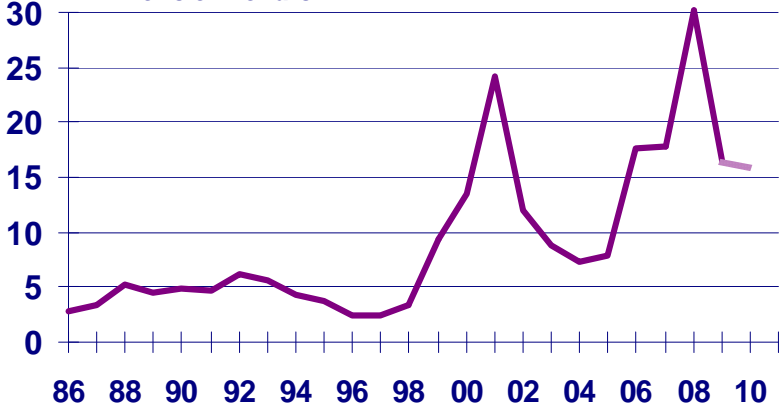


U.S. Electric Utilities

Emphasis on energy

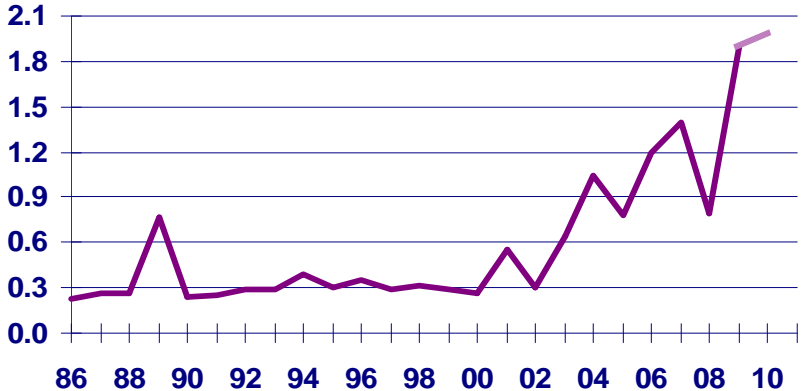
Electric Utilities

Billions of Dollars



Power Lines

Billions of Dollars



U.S. Total Construction Starts for 2009-2010

Billions of Dollars

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Construction	689.6 +3%	640.9 -7%	554.9 -13%	418.9 -25%	466.2 +11%
Single Family Housing	272.4 -14%	201.2 -26%	122.4 -39%	95.3 -22%	126.2 +32%
Multifamily Housing	69.8 +2%	61.4 -12%	39.7 -35%	18.2 -54%	21.1 +16%
Commercial Bldgs.	93.0 +29%	100.8 +8%	84.5 -16%	48.2 -43%	46.1 -4%
Institutional Bldgs.	110.7 +11%	117.6 +6%	129.3 +10%	110.2 -15%	111.1 +1%
Manufacturing Bldgs.	13.5 +33%	20.4 +51%	28.9 +41%	10.9 -62%	9.4 -14%
Public Works	112.4 +17%	121.7 +8%	120.0 -1%	119.7 -0-	136.3 +14%
Electric Utilities	17.7 +125%	17.8 +1%	30.2 +70%	16.5 -45%	16.0 -3%

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