

McGraw-Hill Construction  
**Outlook2012**  
Executive Conference



**Cliff Brewis**

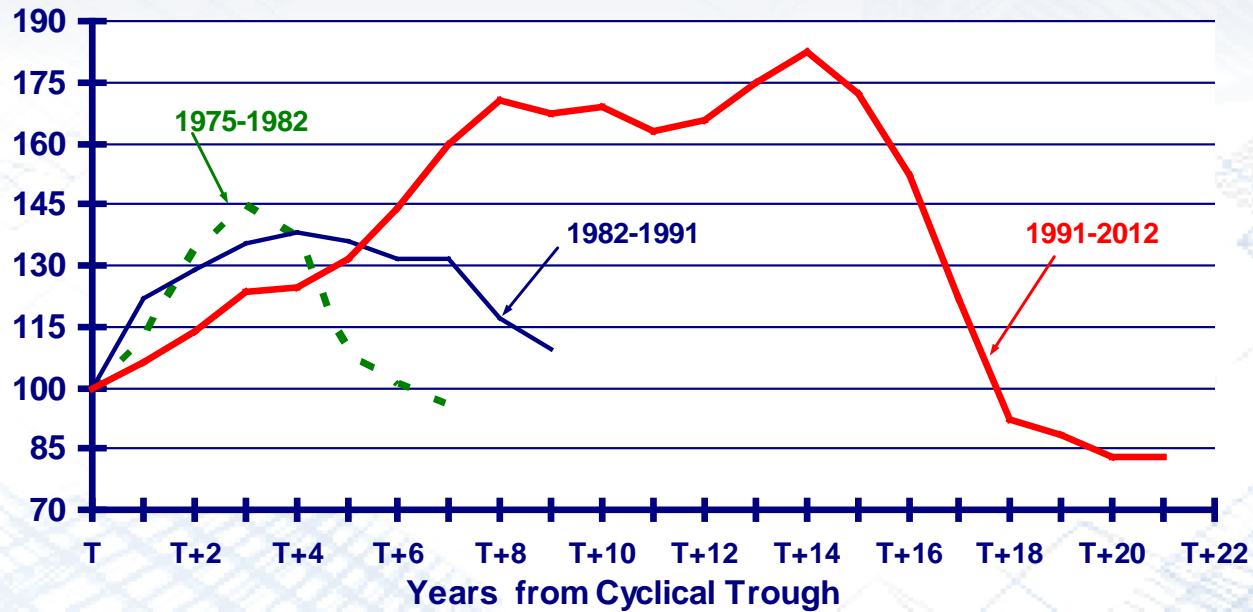
Senior Director, Operations  
McGraw-Hill Construction

**McGraw\_Hill  
CONSTRUCTION**

# Where We Have Been

## Total Construction Activity by Cycle

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



# The Overall Economy

*The US Economy has upside limits and downside potential.*

## Real GDP Growth Quarterly



## GDP Pattern:

### History

2009   2010  
-3.5%   +3.0%

### Forecast

2011   2012  
+1.6%   +2.0%

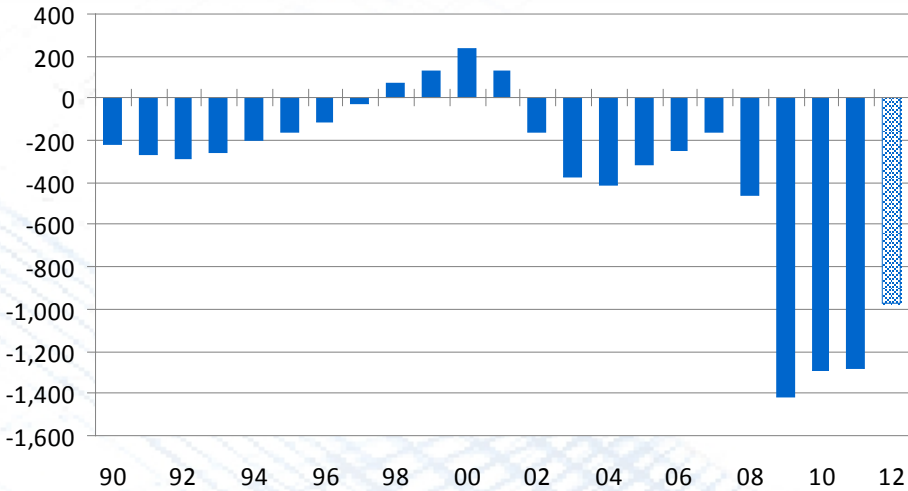
## Major Inhibitors:

- Intractable Housing
- Budget Deficit
- Unemployment/Demand
  
- Europe

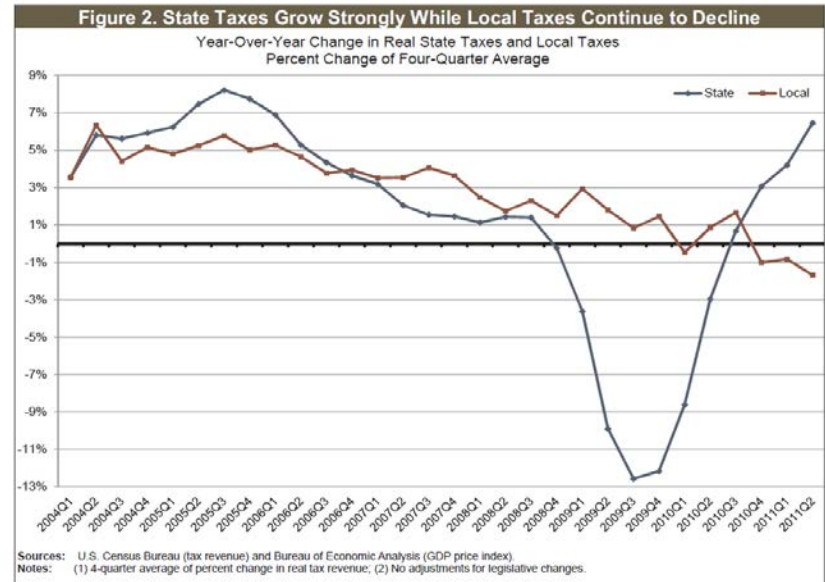
# Area of Concern: Public Construction Funding

*Pushing down on the economy*

**Federal Budget Surplus/Deficit**  
Billions of Dollars, CBO Projections



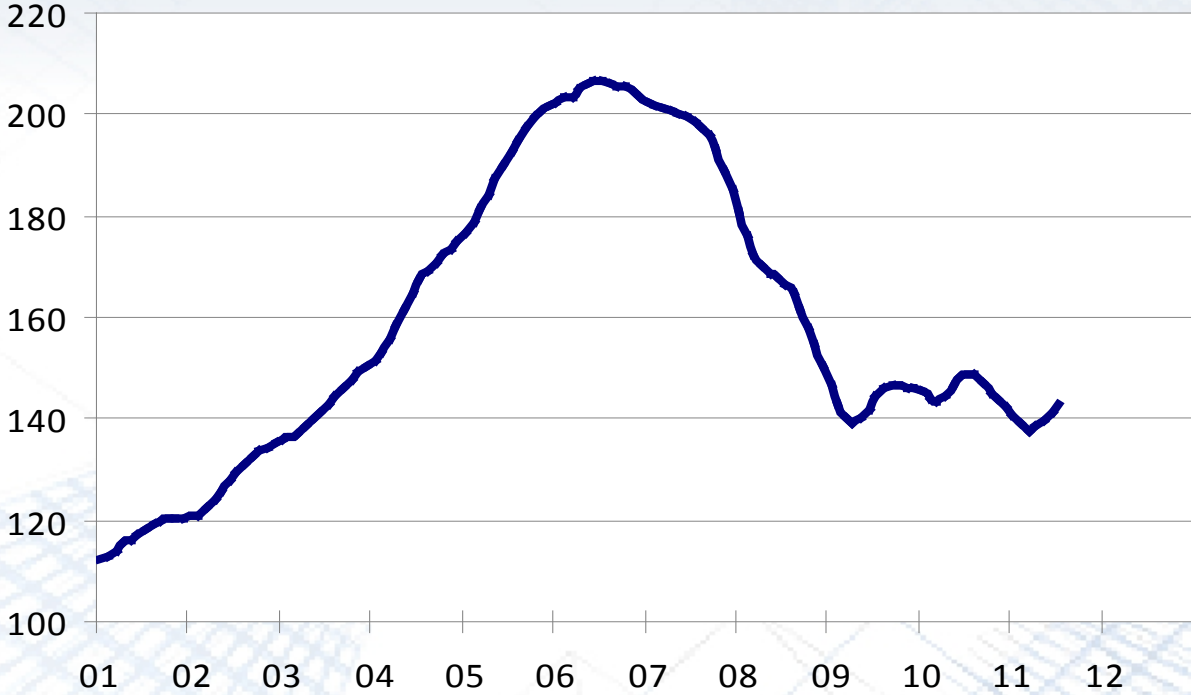
**State and Local Revenues**



# Significance Of Housing

Best Indicator of Local Market Strength

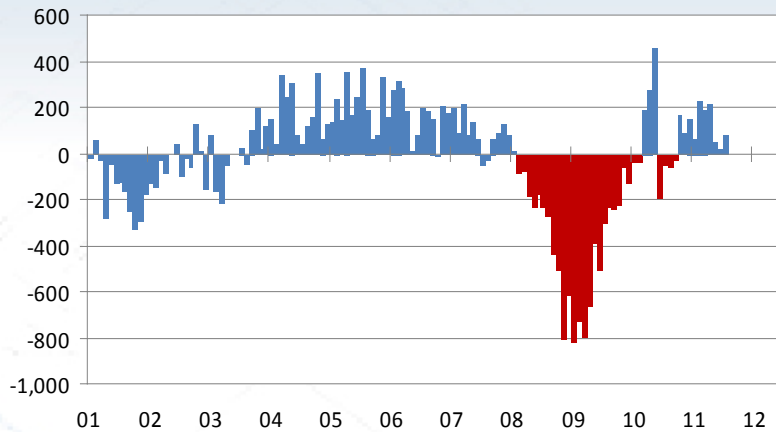
**S&P Case Shiller Home Price Index**  
*20-Metro Composite, Indexed: Jan. 2000=100*



# Employment: Source of Economic Demand

*Employment growth has decelerated in 2011.*

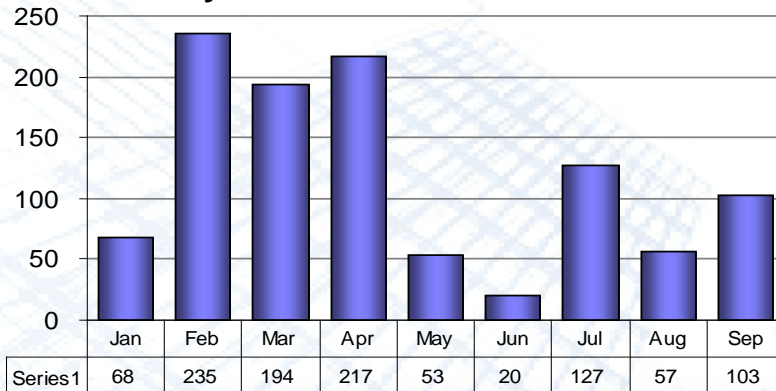
**Change in Total Employment**  
Thousands of Workers



**Unemployment Rate**  
Percent



**2011 by Month**

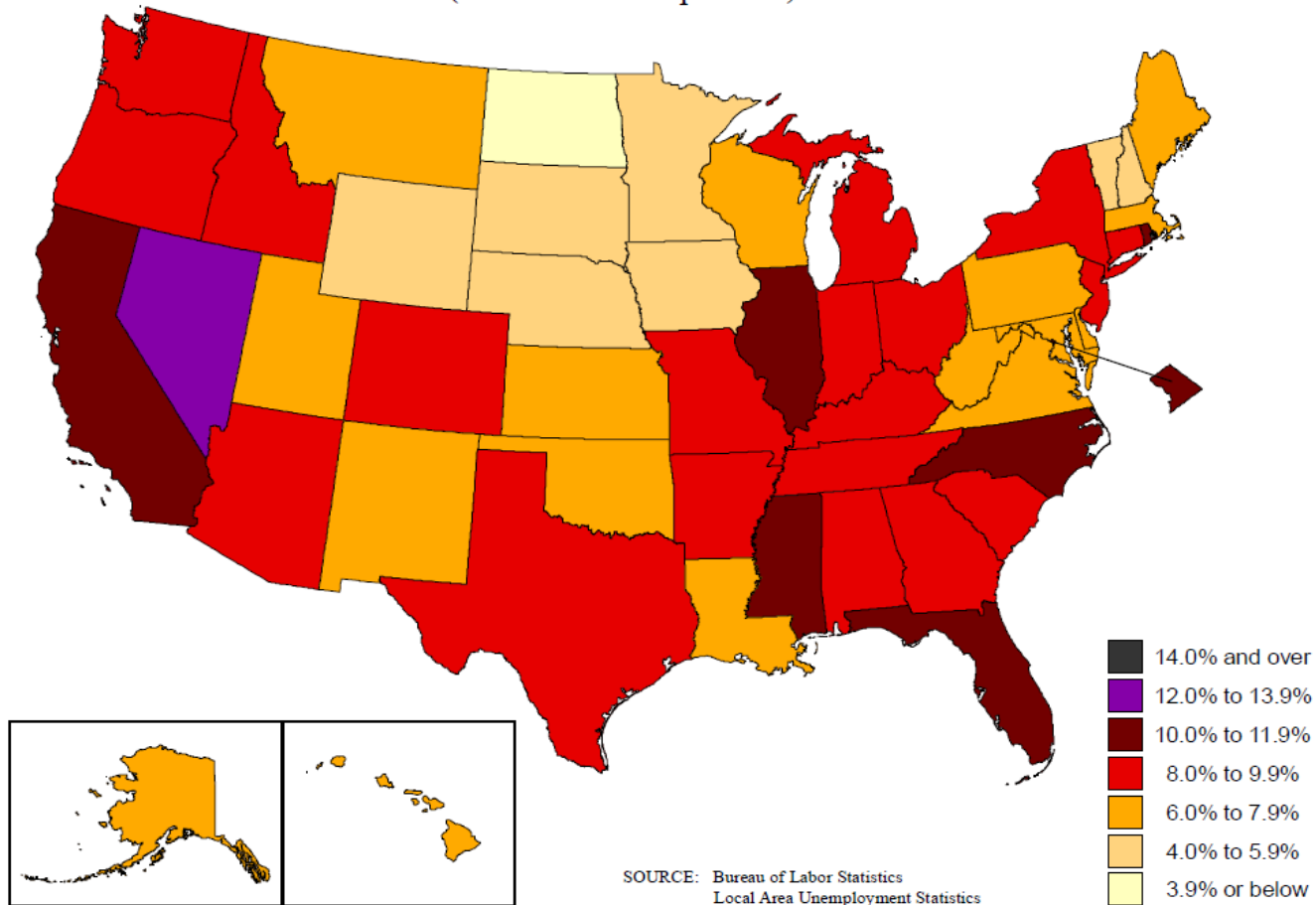


- Jobs lost from Feb.'08 to Feb. '10: 8.8 Million.
- Job creation so far in 2010-2011: 2.1 Million. Unemployment rate at 9.1%
- Job growth in Jan.-Apr.'11: 179 K /mo.  
Job growth in May-Sept.'11: 72 K /mo.

# Employment by State

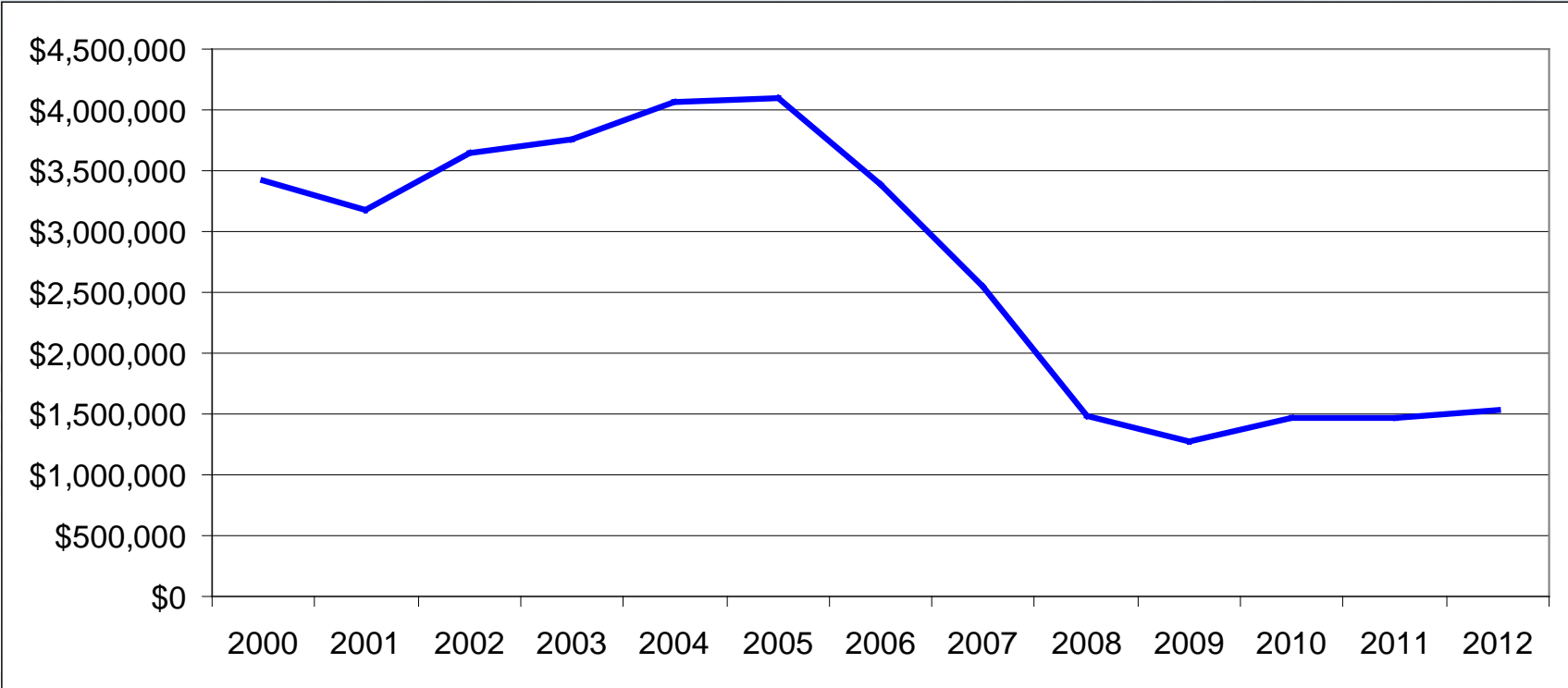
## Unemployment rates by state, seasonally adjusted, November 2011

(U.S. rate = 8.6 percent)



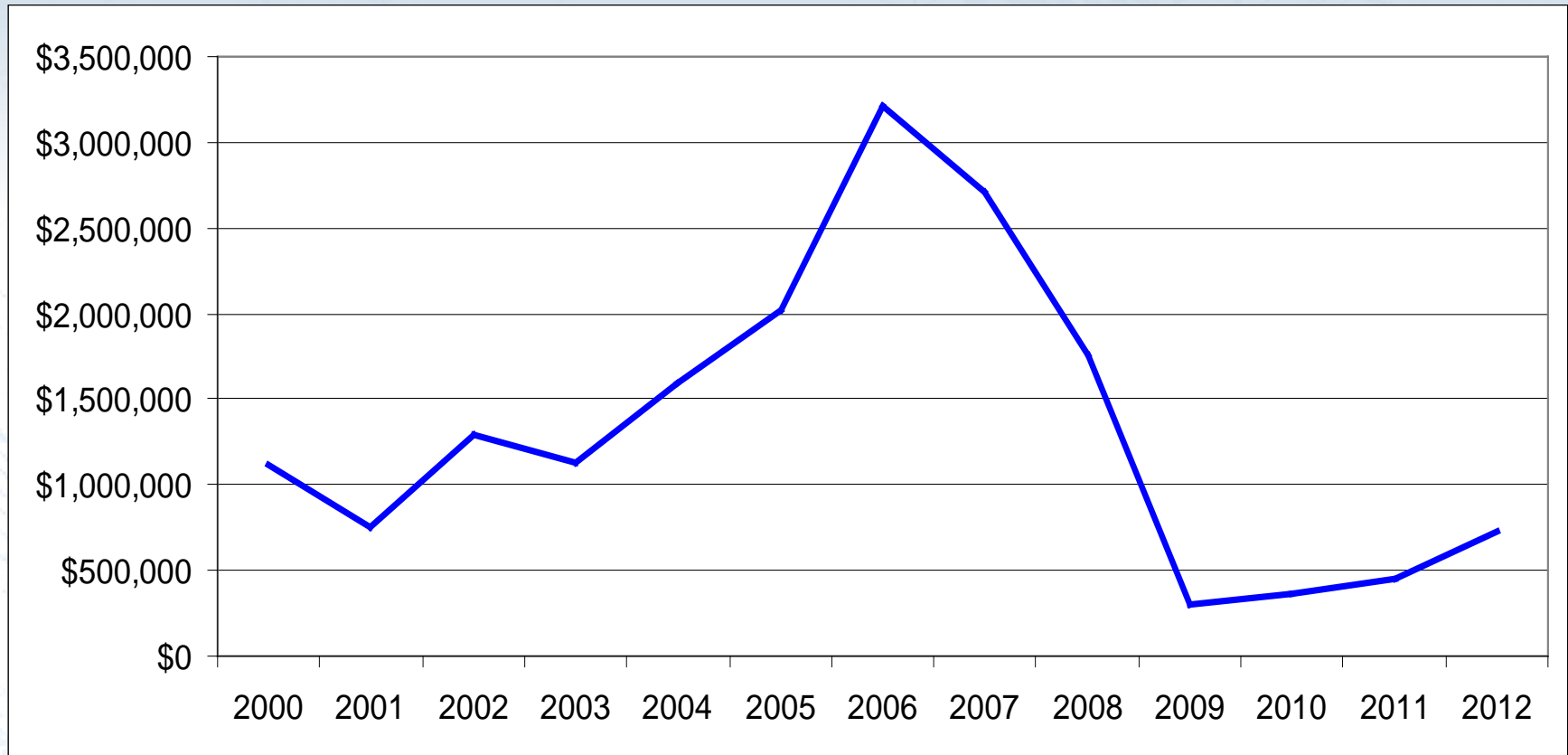
SOURCE: Bureau of Labor Statistics  
Local Area Unemployment Statistics

# Los Angeles/Orange Co. Single Family



'\$000.00

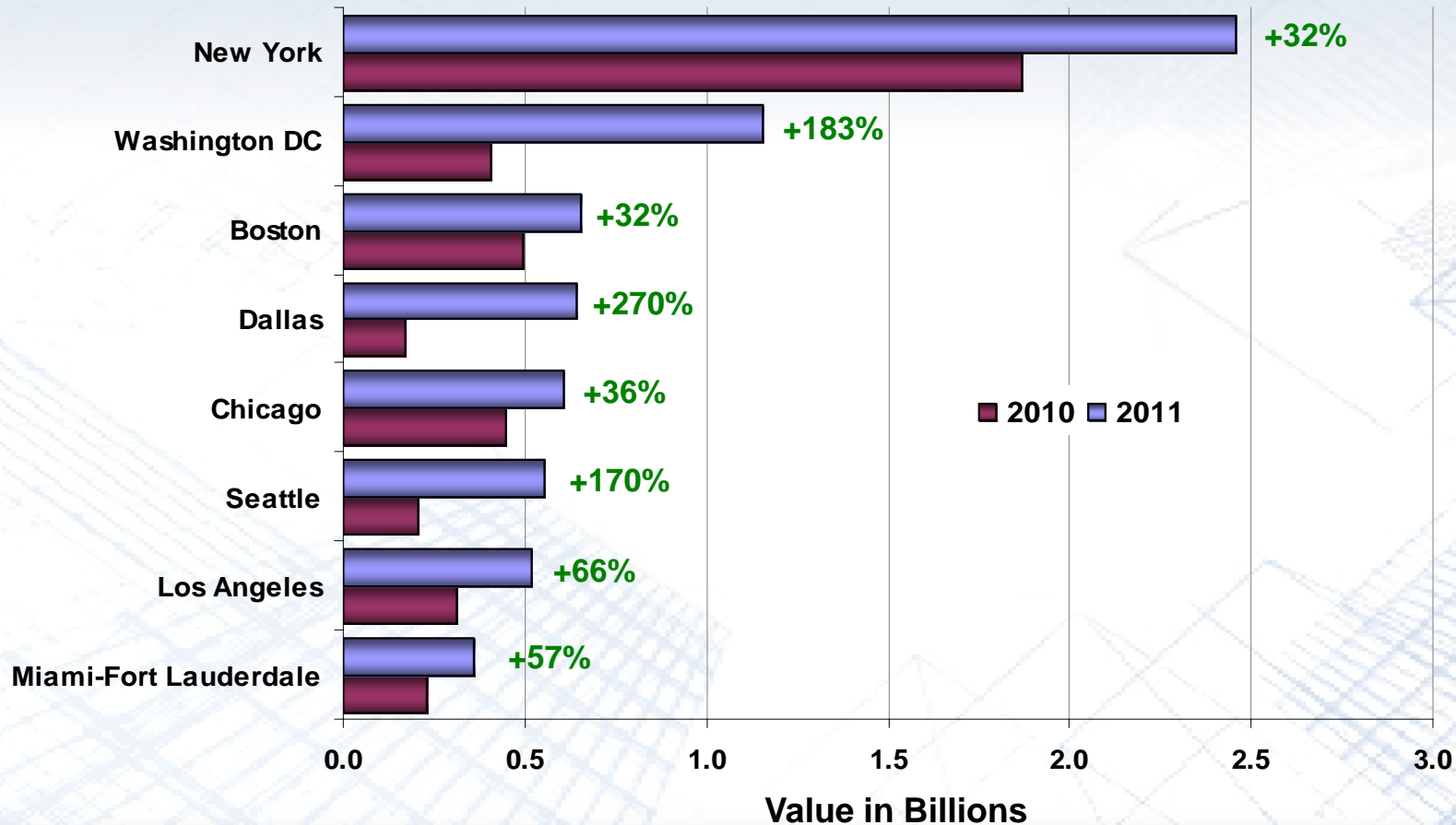
# Los Angeles/Orange Co. Multi Family



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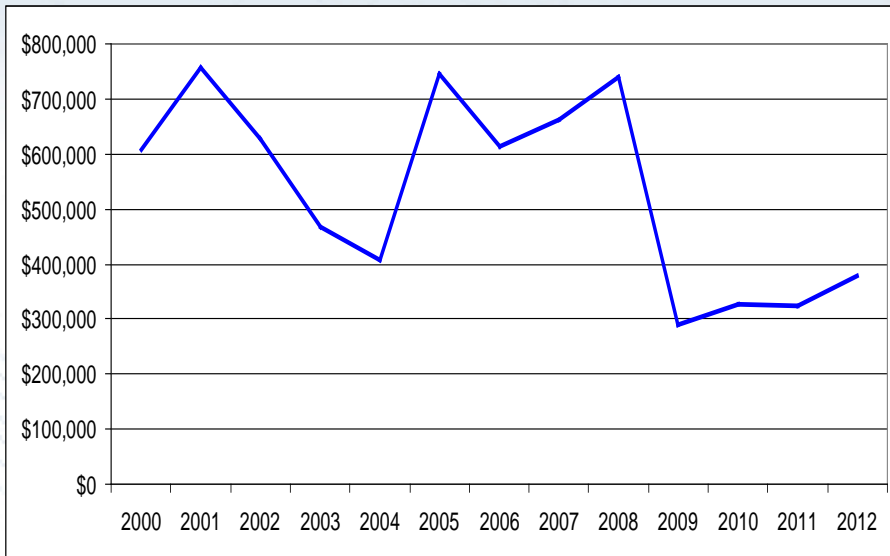
# U.S. • Multifamily Housing

*Top 8 Metros – September YTD 2011 vs. 2010*

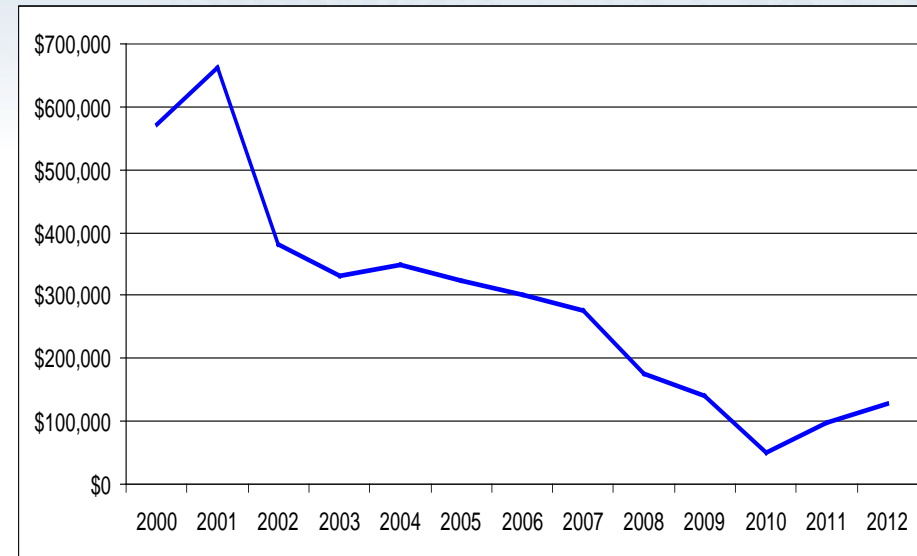


# Los Angeles/Orange Co. Retail/Warehouse

## Stores

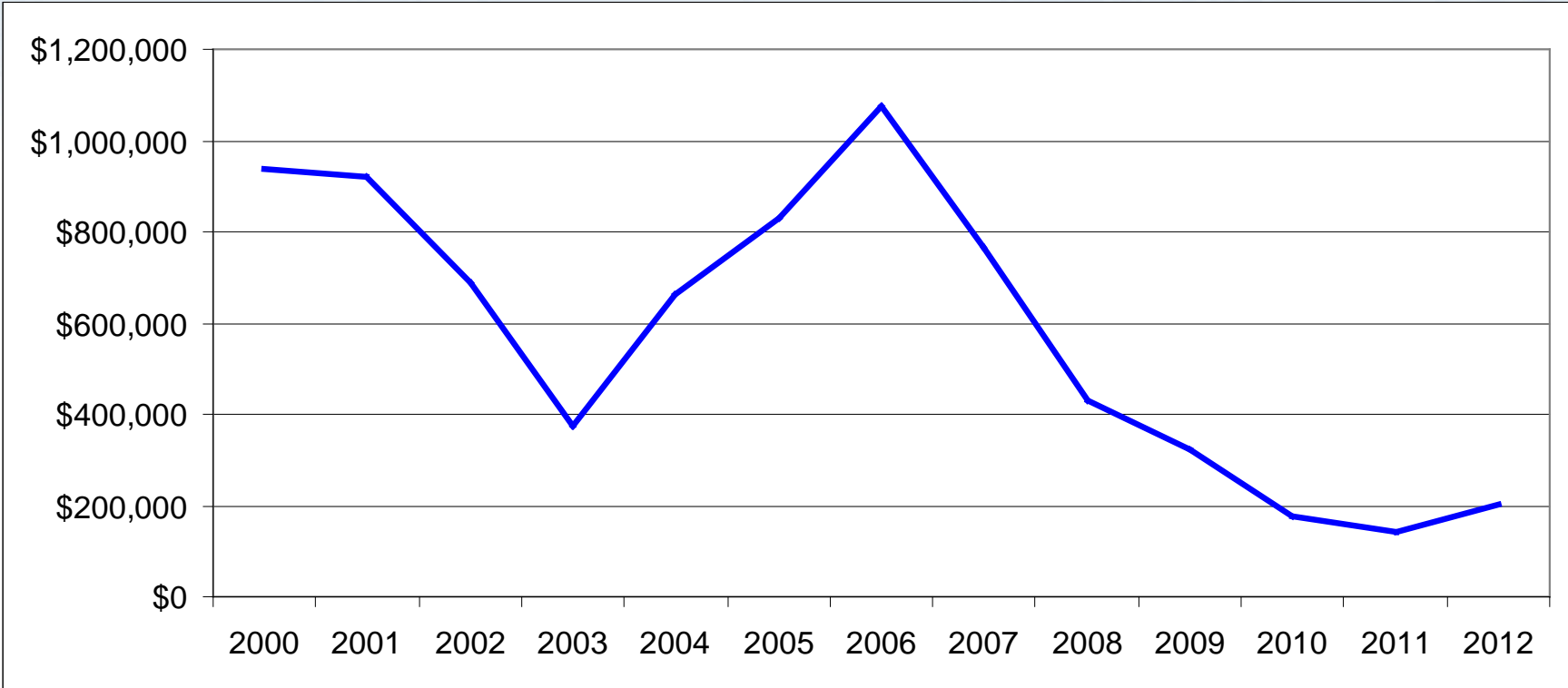


## Warehouses



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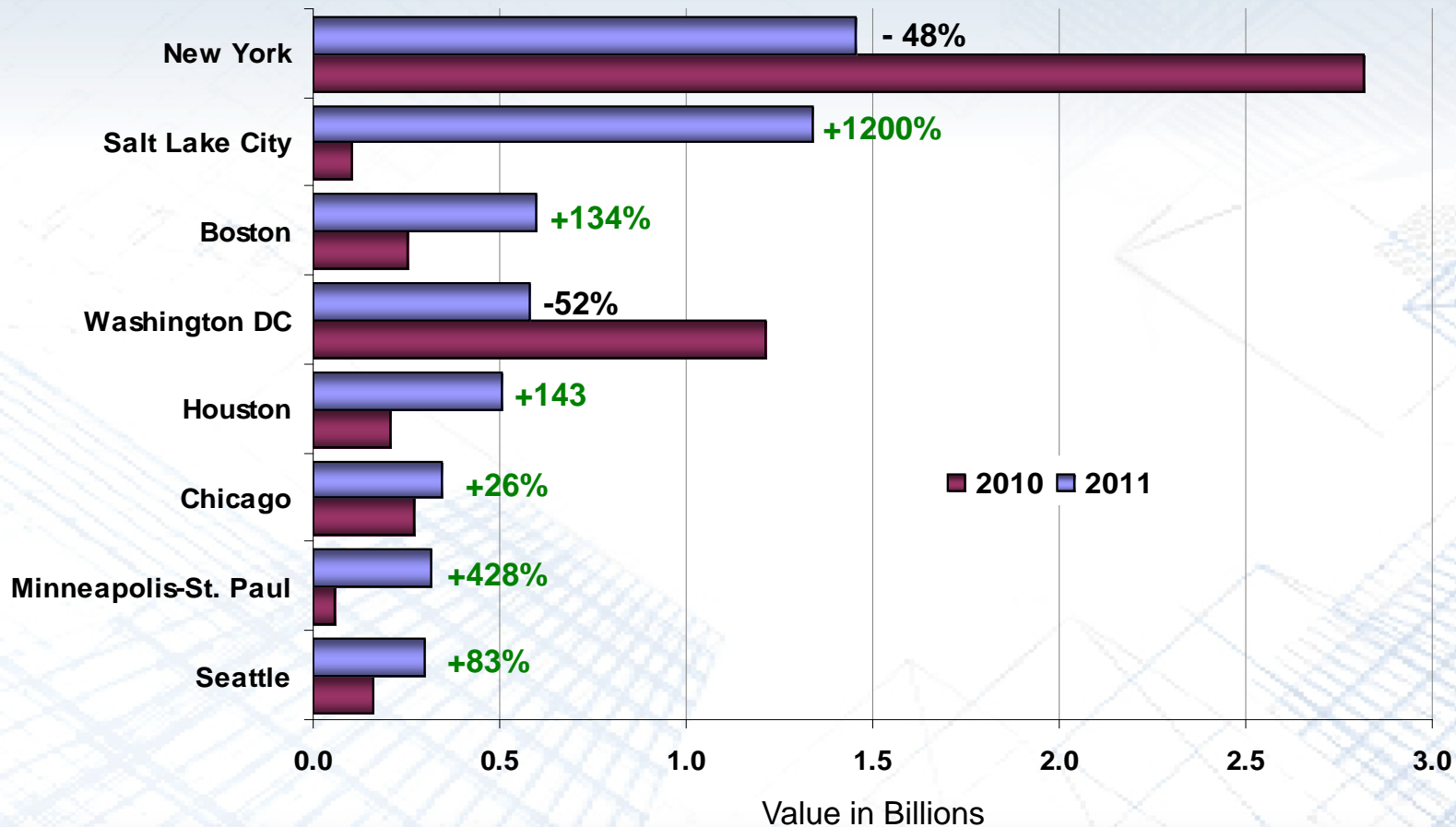
# Los Angeles/Orange Co. Offices



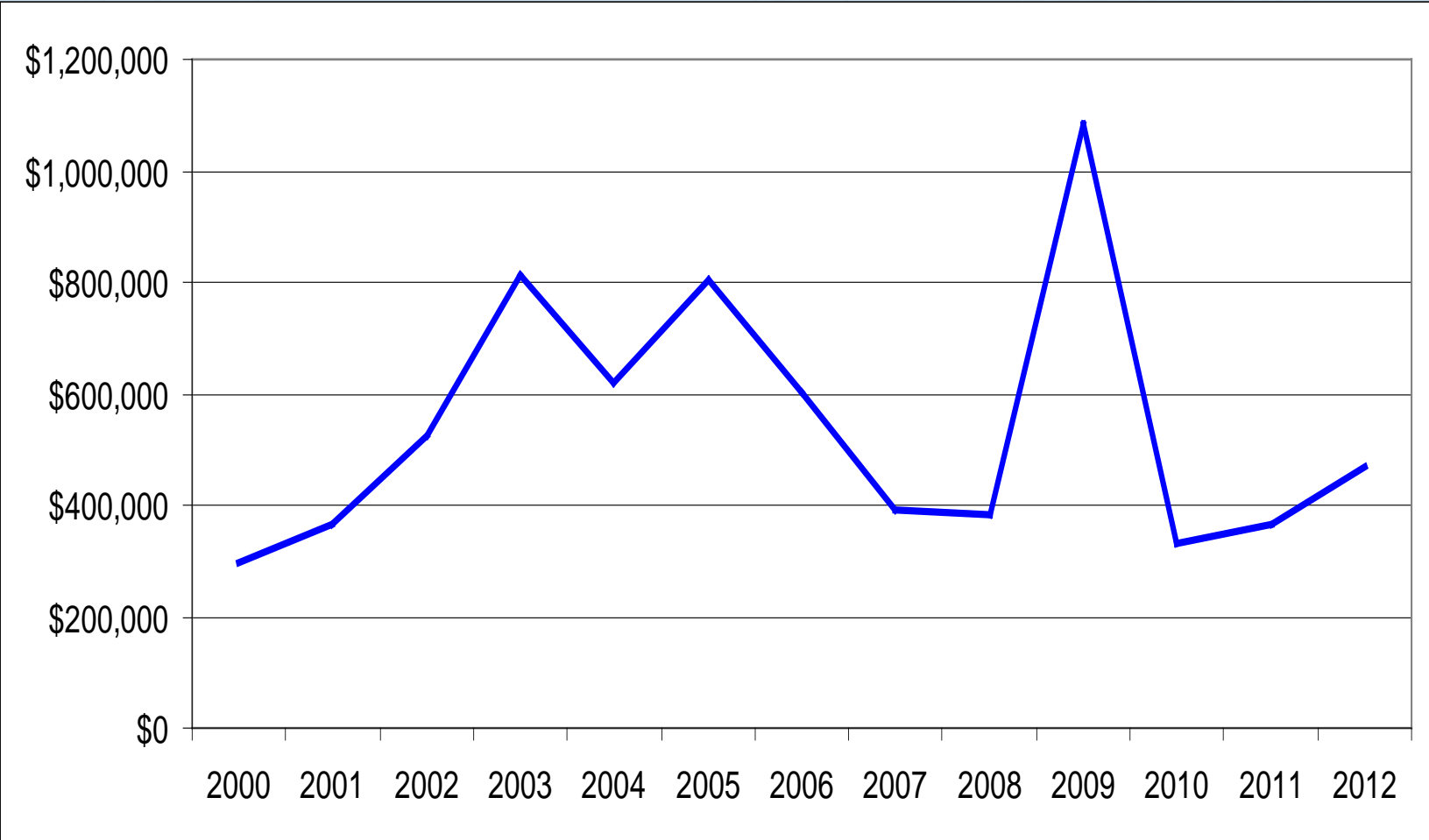
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# U.S. Commercial Buildings • Offices

## Top 8 Metros – September YTD 2011 vs. 2010

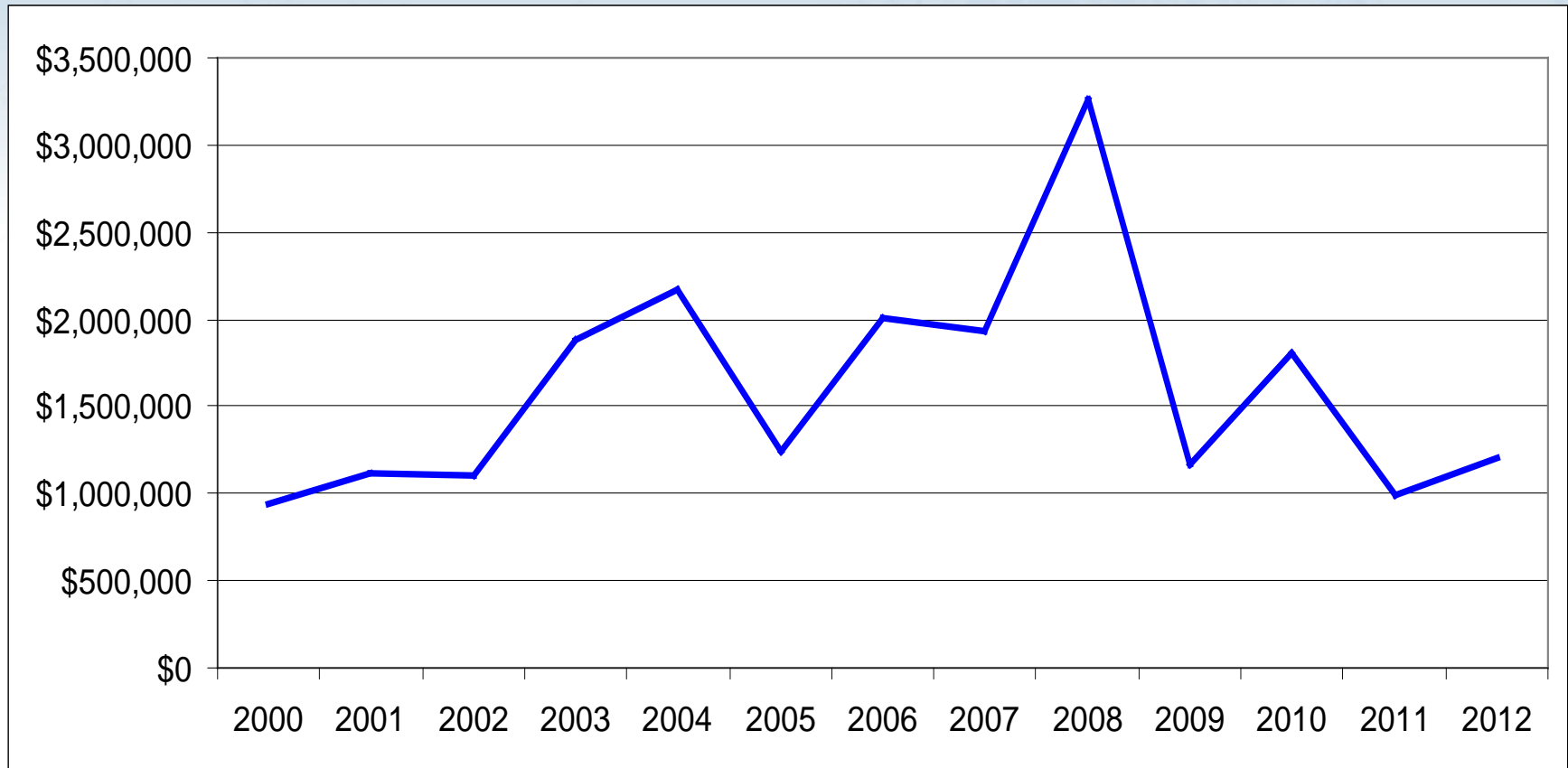


# Los Angeles/Orange Co. Healthcare



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# Los Angeles/Orange Co. Education



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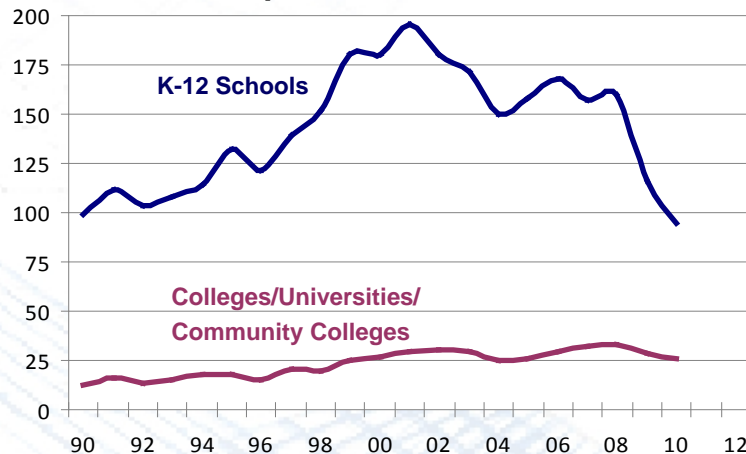
# U.S. Institutional • Educational Buildings

*K-12 School Construction larger than Colleges/Universities/  
Community Colleges, particularly in sq. ft. terms, less so in dollar terms.*



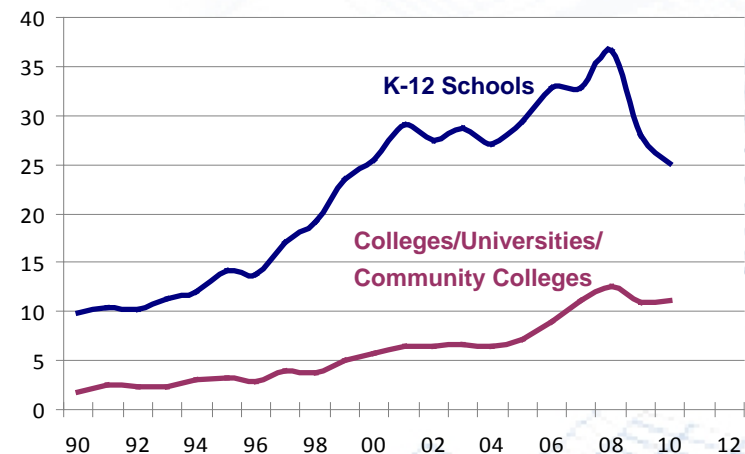
*K-12 has typically shown steeper up-and-down swings.*

**Education Buildings - Segments**  
*Millions of Sq. Ft.*



- In 2010, sq. ft for K-12 school construction was 3.6 times the size for Colleges/Universities/Community Colleges

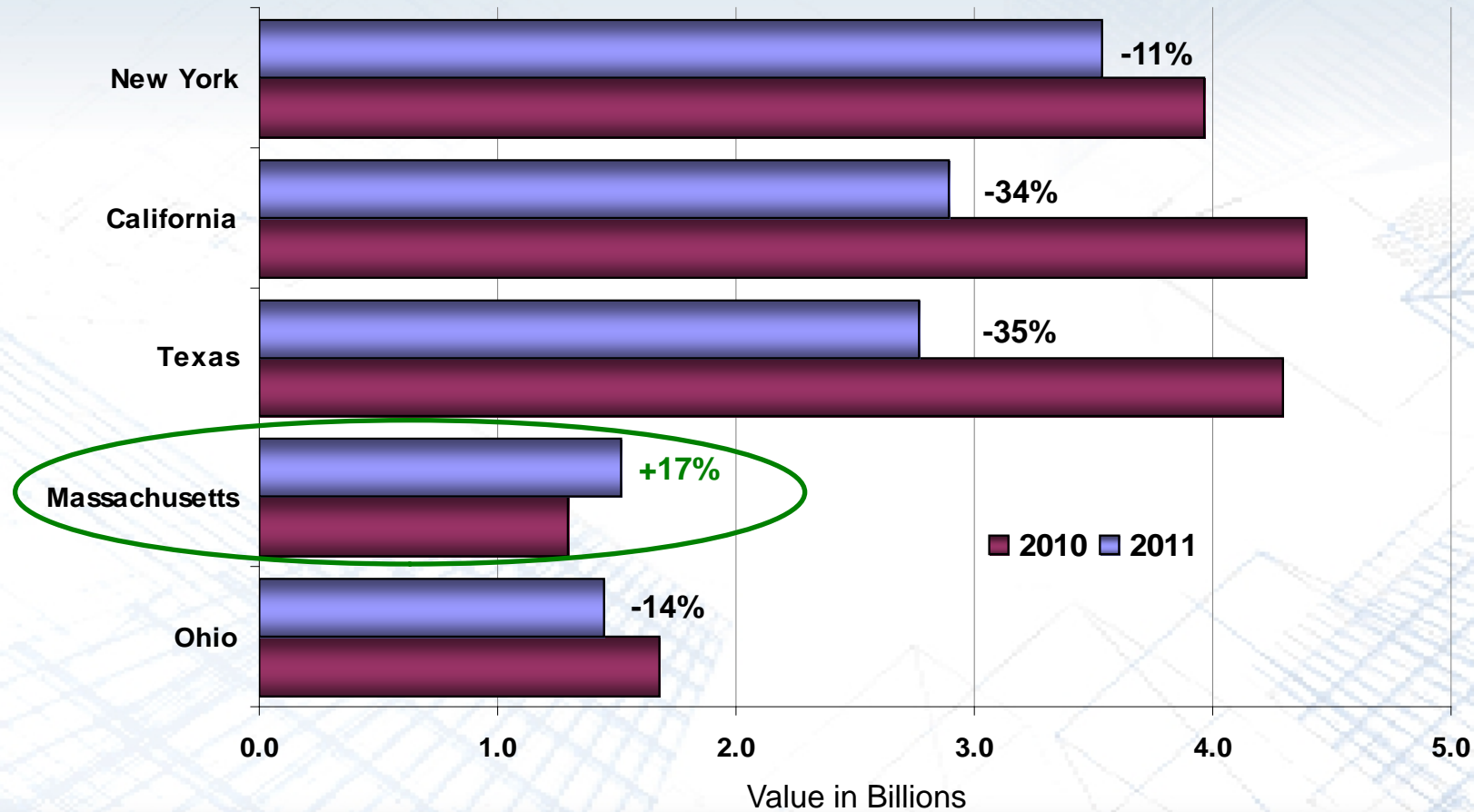
**Education Buildings - Segments**  
*Billions of Dollars*



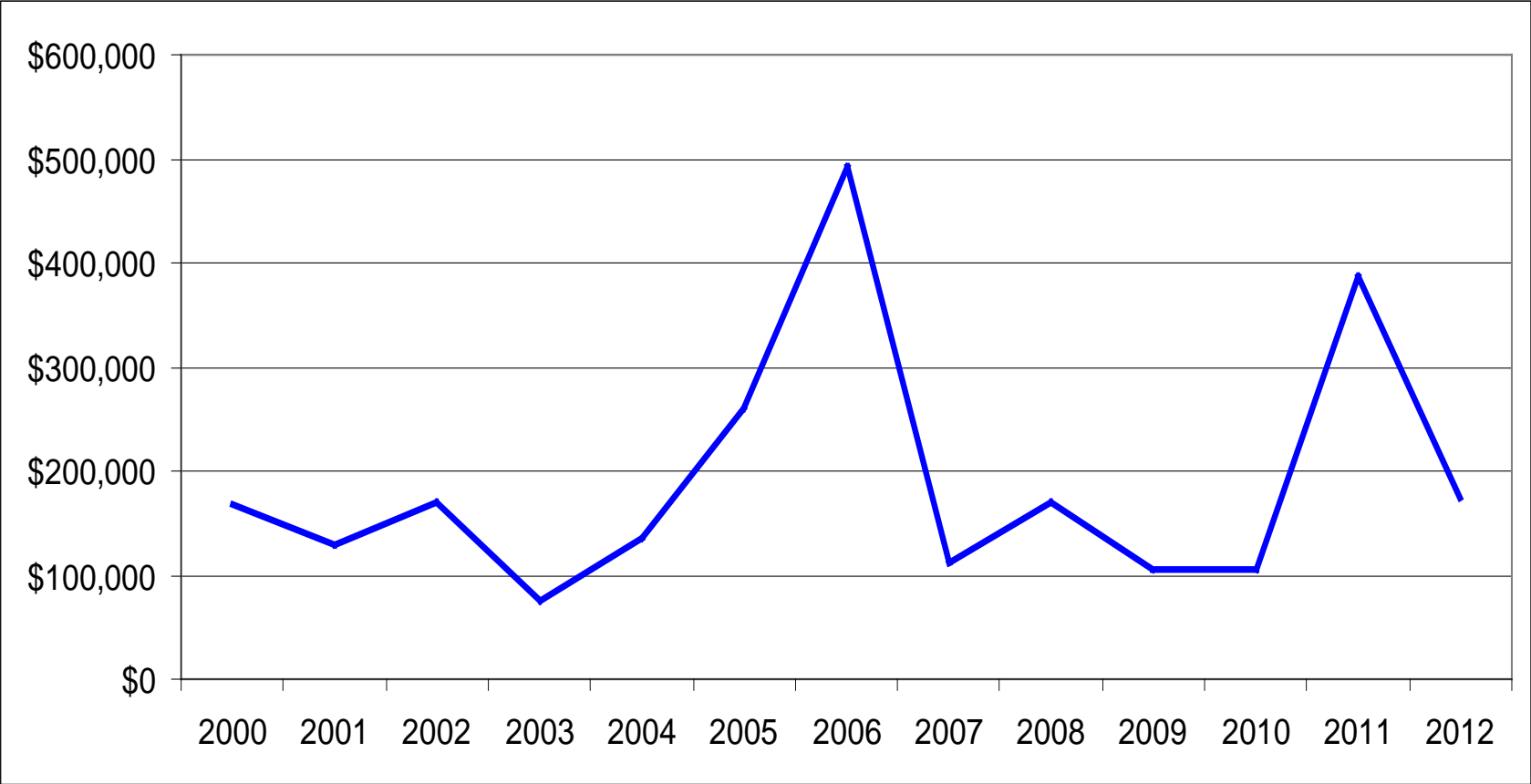
- In 2010, dollars for K-12 school construction was 2.3 times the size of Colleges/Universities/Community Colleges

# U.S. Institutional • Educational Buildings

*Top 5 States – September YTD 2011 vs. 2010*

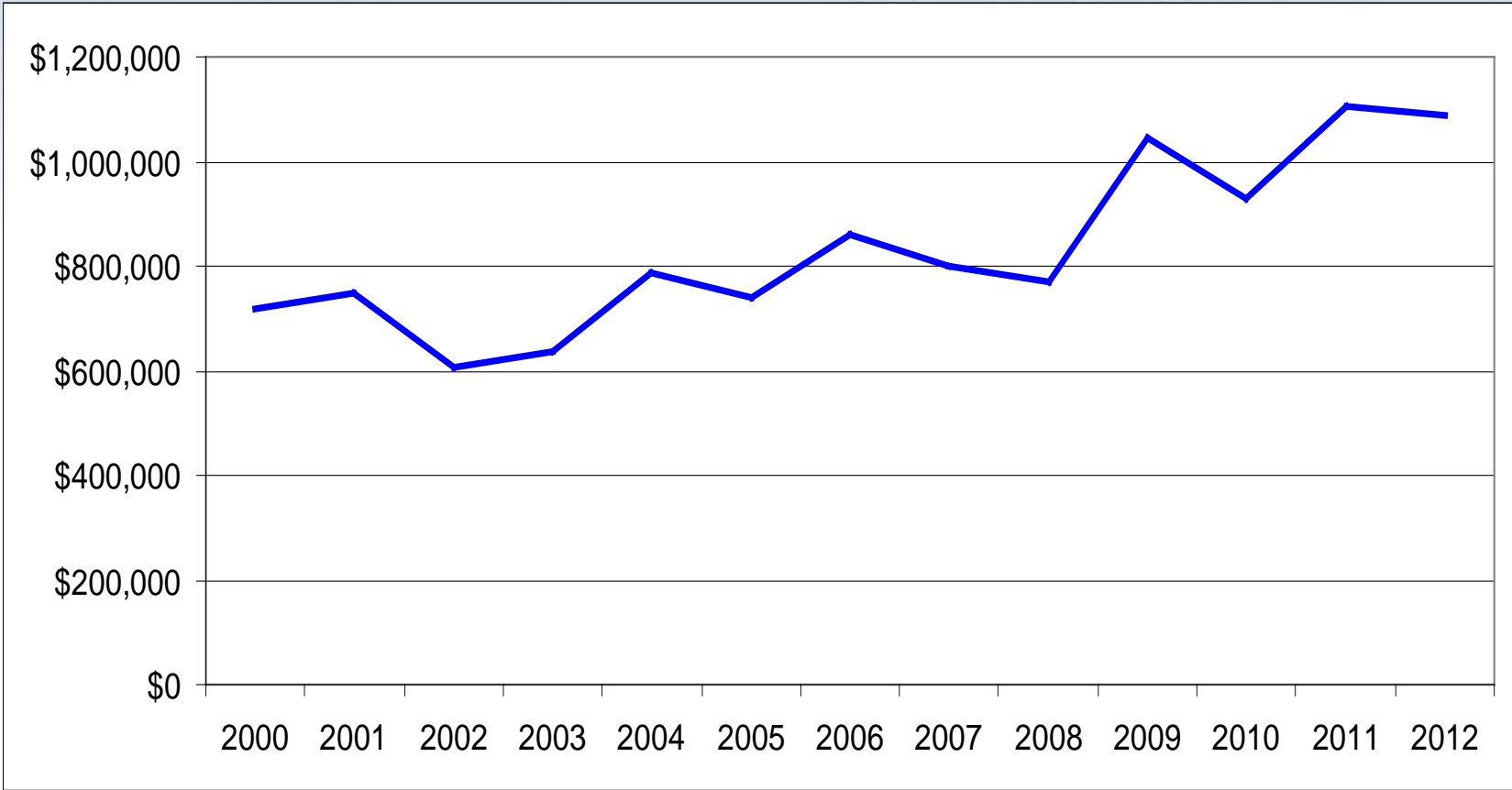


# Los Angeles/Orange Co. Public ex Schls



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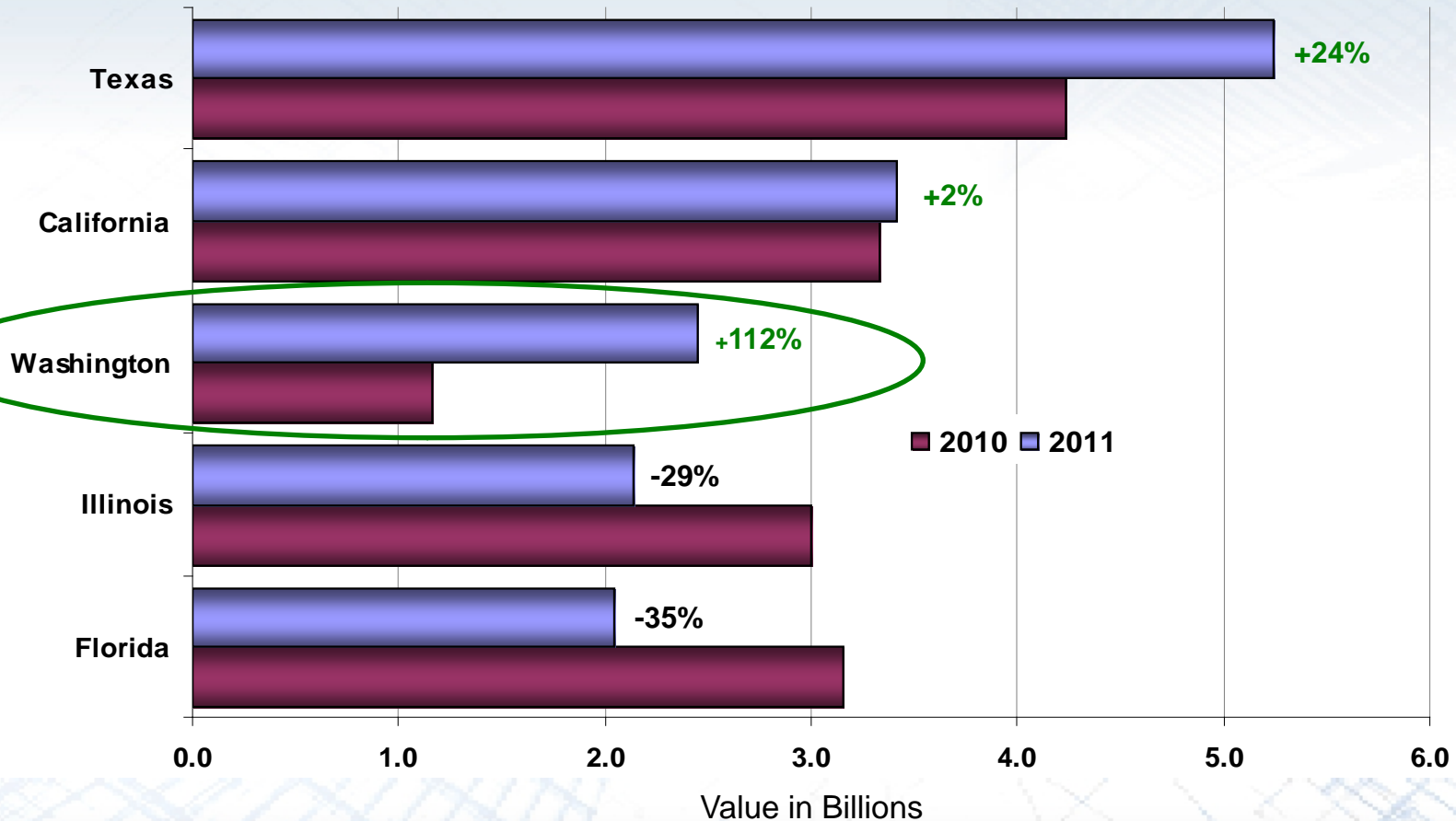
# Los Angeles/Orange Co. Highways



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# U.S. Public Works • Highways & Bridges

*Top 5 States – September YTD 2011 vs. 2010*



# Los Angeles/Orange Co.

	2006	2007	2008	2009	2010	2011	2012
<b>MULTI RES</b>	\$3,216,022	\$2,713,135	\$1,753,174	\$306,607	\$363,591	\$451,169	\$722,408
		<b>-15.6%</b>	<b>-35.4%</b>	<b>-82.5%</b>	<b>18.6%</b>	<b>24.1%</b>	<b>60.1%</b>
<b>EDUC</b>	\$2,003,465	\$1,928,343	\$3,255,471	\$1,170,636	\$1,804,597	\$994,988	\$1,200,887
		<b>-3.7%</b>	<b>68.8%</b>	<b>-64.0%</b>	<b>54.2%</b>	<b>-44.9%</b>	<b>20.7%</b>
<b>HEALTH</b>	\$602,155	\$393,261	\$384,757	\$1,084,142	\$330,609	\$367,423	\$468,199
		<b>-34.7%</b>	<b>-2.2%</b>	<b>181.8%</b>	<b>-69.5%</b>	<b>11.1%</b>	<b>27.4%</b>
<b>HOTEL</b>	\$402,164	\$746,149	\$168,785	\$64,279	\$28,417	\$68,847	\$142,181
		<b>85.5%</b>	<b>-77.4%</b>	<b>-61.9%</b>	<b>-55.8%</b>	<b>142.3%</b>	<b>106.5%</b>
<b>MFG</b>	\$53,163	\$80,485	\$45,374	\$2,609	\$90,864	\$31,868	\$54,150
		<b>51.4%</b>	<b>-43.6%</b>	<b>-94.3%</b>	<b>3382.7%</b>	<b>-64.9%</b>	<b>69.9%</b>
<b>OFFICE</b>	\$1,074,289	\$766,938	\$430,160	\$322,480	\$174,829	\$141,753	\$201,595
		<b>-28.6%</b>	<b>-43.9%</b>	<b>-25.0%</b>	<b>-45.8%</b>	<b>-18.9%</b>	<b>42.2%</b>
<b>ONEFAM</b>	\$3,380,418	\$2,540,555	\$1,480,877	\$1,267,419	\$1,474,608	\$1,461,715	\$1,532,338
		<b>-24.8%</b>	<b>-41.7%</b>	<b>-14.4%</b>	<b>16.3%</b>	<b>-0.9%</b>	<b>4.8%</b>
<b>PUB</b>	\$491,631	\$112,603	\$170,393	\$105,171	\$104,727	\$386,658	\$173,618
		<b>-77.1%</b>	<b>51.3%</b>	<b>-38.3%</b>	<b>-0.4%</b>	<b>269.2%</b>	<b>-55.1%</b>
<b>STORES</b>	\$614,343	\$662,245	\$740,580	\$289,965	\$326,126	\$324,000	\$379,418
		<b>7.8%</b>	<b>11.8%</b>	<b>-60.8%</b>	<b>12.5%</b>	<b>-0.7%</b>	<b>17.1%</b>
<b>HIGHWAY</b>	\$861,783	\$801,558	\$771,075	\$1,043,859	\$926,920	\$1,106,989	\$1,086,619
		<b>-7.0%</b>	<b>-3.8%</b>	<b>35.4%</b>	<b>-11.2%</b>	<b>19.4%</b>	<b>-1.8%</b>
<b>WARENM</b>	\$300,807	\$276,672	\$176,357	\$140,335	\$50,485	\$97,644	\$127,141
		<b>-8.0%</b>	<b>-36.3%</b>	<b>-20.4%</b>	<b>-64.0%</b>	<b>93.4%</b>	<b>30.2%</b>
<b>WATER</b>	\$342,038	\$269,706	\$551,484	\$361,904	\$221,276	\$324,344	\$482,689
		<b>-21.1%</b>	<b>104.5%</b>	<b>-34.4%</b>	<b>-38.9%</b>	<b>46.6%</b>	<b>48.8%</b>
<b>TOTAL</b>	\$16,766,525	\$15,556,461	\$13,245,942	\$8,987,432	\$9,523,999	\$8,737,793	\$9,501,734
		<b>-7.2%</b>	<b>-14.9%</b>	<b>-32.1%</b>	<b>6.0%</b>	<b>-8.3%</b>	<b>8.7%</b>
						<b>2012/2006</b>	<b>-43.3%</b>

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# Questions?

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# Appendix

National numbers

# U.S. Total Construction Starts for 2012

Billions of Dollars	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Total Construction</b>	<b>641.0</b> -7%	<b>556.8</b> -13%	<b>425.9</b> -24%	<b>428.6</b> +1%	<b>409.8</b> -4%	<b>411.8</b> -0-
Commercial Bldgs.	100.8 +9%	81.4 -19%	47.1 -42%	41.3 -12%	43.9 +6%	47.4 +8%
Institutional Bldgs.	117.7 +6%	130.6 +11%	112.0 -14%	109.7 -2%	93.6 -15%	92.1 -2%
Manufacturing Bldgs.	20.8 +51%	31.0 +49%	9.7 -69%	9.2 -5%	12.4 +35%	12.9 +4%
Single Family Housing	201.2 -26%	122.4 -39%	94.3 -23%	100.0 +6%	94.7 -5%	104.6 +10%
Multifamily Housing	60.3 -13%	38.2 -37%	17.9 -53%	21.0 +17%	23.6 +13%	28.0 +18%
Public Works	121.3 +8%	121.1 -0-	123.6 +2%	119.0 -4%	99.6 -16%	94.8 -5%
Electric Utilities	19.0 +7%	31.9 +68%	21.2 -34%	28.5 +34%	42.0 +48%	32.0 -24%

# Risks to the Forecast

	Baseline Forecast		Recession Forecast	
	2011	2012	2011	2012
<b>Total Construction</b>	<b>-4%</b>	<b>-0-</b>	<b>-5%</b>	<b>-7%</b>
Commercial Bldgs.	+6%	+8%	+5%	-6%
Institutional Bldgs.	-15%	-2%	-15%	-3%
Manufacturing Bldgs.	+35%	+4%	+30%	-5%
Single Family Housing	-5%	+10%	-6%	-2%
Multifamily Housing	+13%	+18%	+12%	-5%
Public Works	-16%	-5%	-17%	-7%
Electric Utilities	+48%	-24%	+45%	-35%