

2010-11 Construction Outlook Iowa AIA Spring Meeting

May 5th 2010

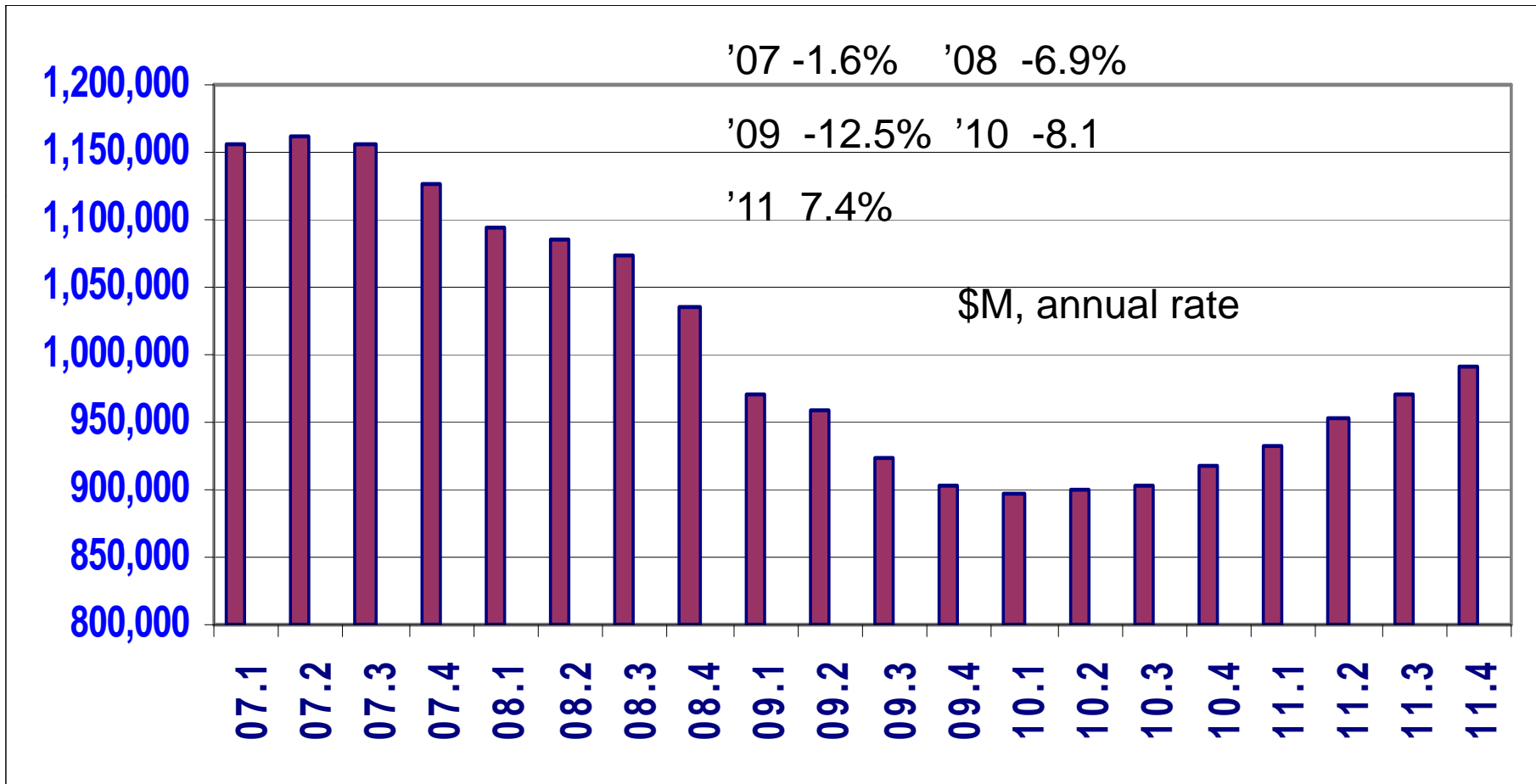
Jim Haughey, Chief Economist

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www.reedconstructiondata.com/market-insights

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Construction Spending Outlook



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U.S. Construction Spending

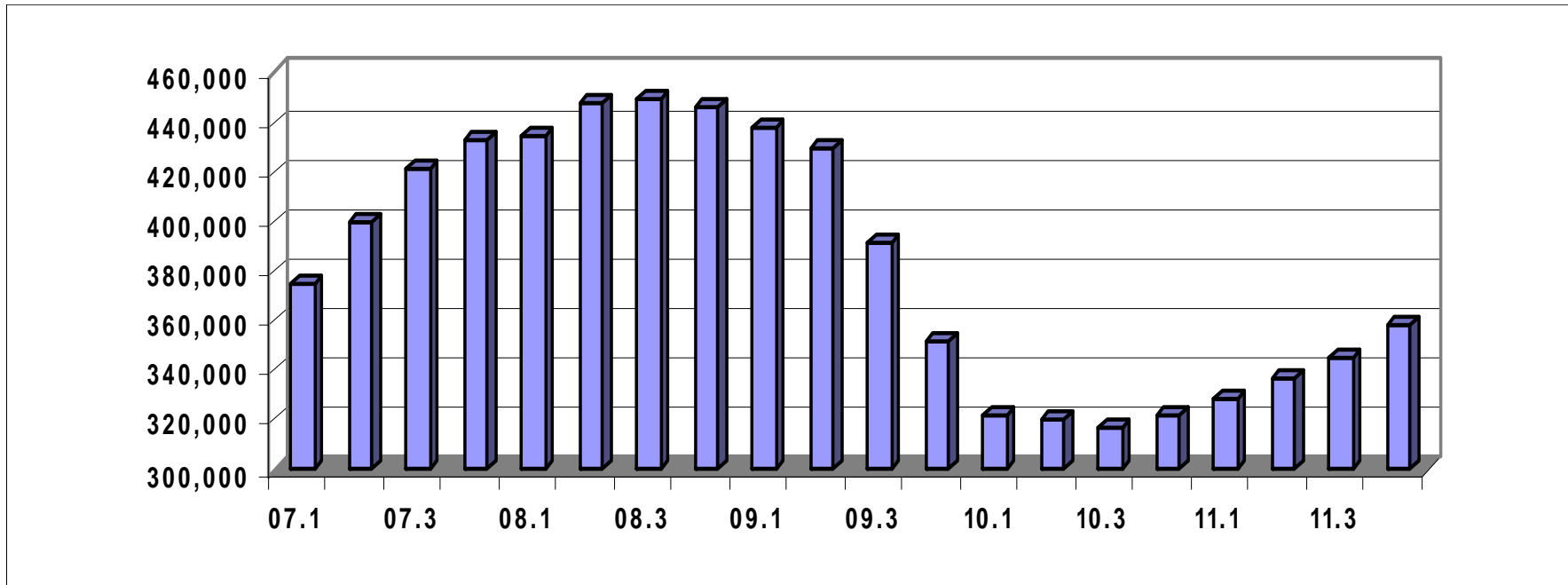
Annual % change

	2009	2010	2011
Nonresidential	-9.4%	-20.5%	6.8%
Residential	-27.3%	4.4%	12.8%
Heavy	2.0%	-1.6%	2.5%
Total	-12.5%	-8.1%	7.4%

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NR Bldg. Construction Spending Outlook

(\$ millions, annual rate)



'07 = + 19.2%	'09 = - 9.4%
'08 = + 9.1%	'10 = - 20.5%
	'11 = + 6.8%

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U.S. Commercial Construction Spending

- Retail is overbuilt, especially in South and West
- Hotel is overbuilt for destination hotels; other hotels have elevated vacancy
- High office vacancy due to finance & professional service layoffs
- Vacancy rates will rise and occupancy rates decline through fall

(% change)

	2009	2010	2011
Hotel	-30	-44	2
Office	-20	-22	1
Retail	-32	-25	5
Total	-27	-27	3

U.S. Institutional Construction Spending

- Most of stimulus boost yet to arrive
- Health & Higher Education held up by continuing fee revenue
- State & local building constrained by plunge in tax receipts

(% change)

	2009	2010	2011
Health	-2	-10	13
Education	-1	-11	7
Public Safety	10	-8	7
Total	-2	-11	9

U.S. Heavy Construction Spending

- Heavy holds up through recession but weakens later
- Stimulus money keeps usual downturn very brief and mild
- Future highway spending threatened by collapse of funding system

(% change)

	2009	2010	2011
Highway	3	0	9
Power	11	-4	-11
Water/Sewer	-3	-4	9
Total	2	-2	3

NR Starts Trends

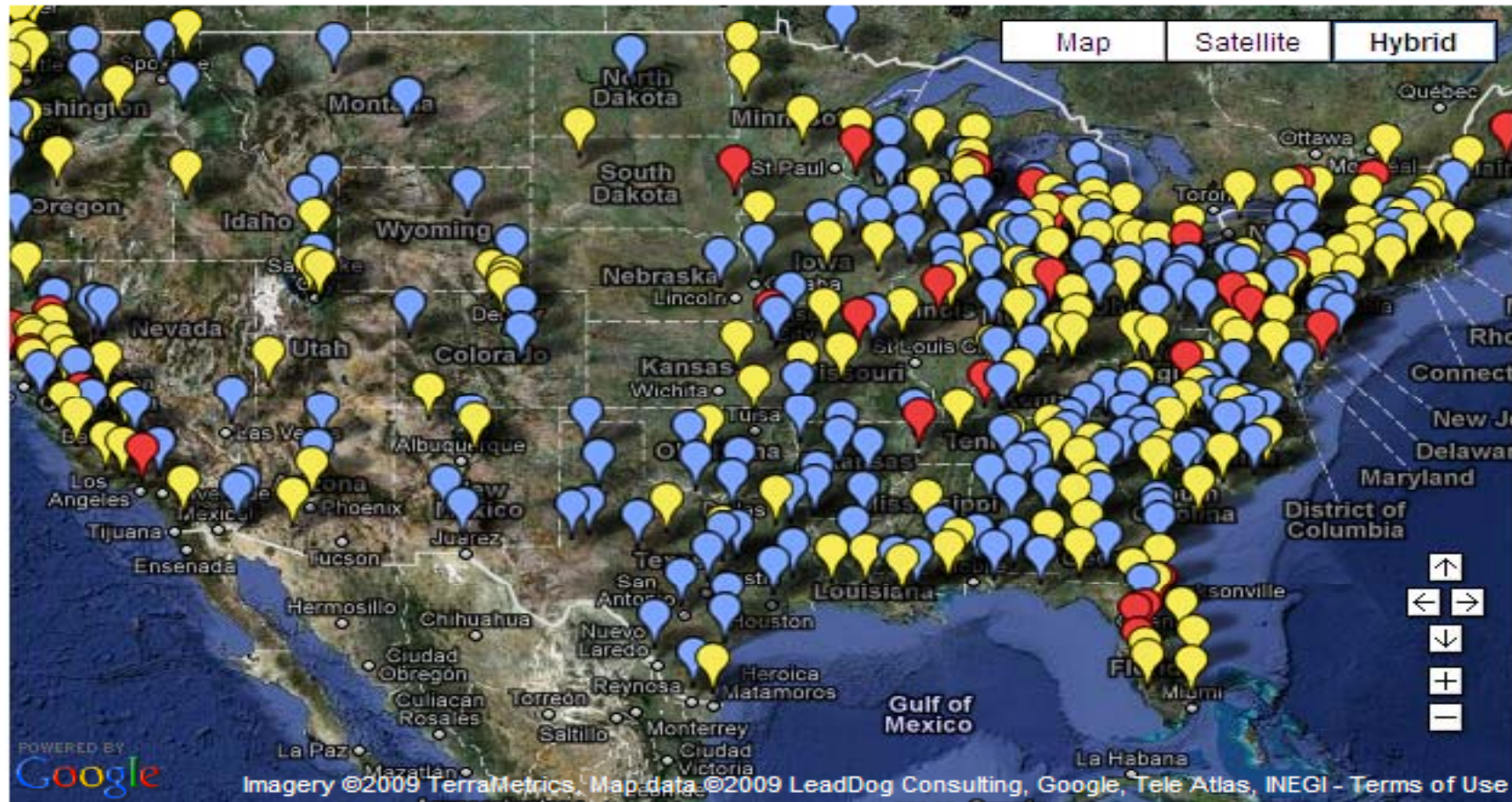
% change(\$) last 3 months (Mar) vs. year earlier

Airport	+ 391%	Bridges	- 3%
Military	+ 192%	Hotel	- 3%
Water/Sewer	+ 96%	Religious	- 8%
Dams/Marine	+ 54%	Manufacturing	- 9%
Amusement	+ 48%	Misc. Civil	- 13%
Public Safety	+ 44%	Private Office	- 14%
Gov't Office	+ 32%	Nursing Home	- 26%
Misc. G'ovt	+ 24%	Retail	- 32%
Highway	+ 13%	Parking Garage	- 42%
Education	+ 7%	Misc. Commercial	- 43%
Hospitals/Clinics	+ 5%	Warehouse	- 55%
Laboratories	+ 3%	Total Starts	+ 11

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New Tracking & Forecast Tool

Commercial Construction Expansion Index



Expansion Index Updated Monthly

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Expansion Index Examples

- Large cities: San Francisco, Tampa, Sacramento, Detroit, Memphis and Baltimore over 4.00
- 122 of 310 cities have an index value below 1.00
- National Expansion Index by project type:
 - Retail: 3.24 Education 1.60
 - Hospital 0.86 Office 2.31
- Expansion index is above 3.00 in nine states: VT, SD, MI, NY, MD, MA, IN, ND, ME (Iowa = 1.94)
- Expansion index is below 100 in eleven states: AK, GA, KS, LA, MT, NE, NC, OR, RI, TX, WY
- www.measurethatmatter.com/ei/map.php

Starts (\$) Forecast Index

(buildings only)

	2005	2006	2007	2008	2009	2010	2011
IA	100.0	109.2	115.2	96.5	83.3	91.1	106.7
IL	100.0	100.5	94.8	70.2	73.9	81.9	89.2
MO	100.0	94.7	85.5	63.6	64.4	85.0	90.1
MN	100.0	94.5	99.9	74.5	65.8	66.3	78.6
NE	100.0	133.2	125.8	98.4	85.0	101.4	108.1
SD	100.0	98.0	137.8	99.4	106.9	96.9	96.0
US	100.0	96.7	89.6	75.4	63.4	70.9	81.2

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Iowa Starts Trends

- % change Q1 '10 vs. Q1 '09
 - Strong markets: Manufacturing, Multi family (340%), Nursing homes (252%), Water/Sewer (244%), public safety (63%)
 - Weak markets: Hospitals (-52%) and Gov't buildings except public safety & schools (-40%)
 - Large markets: retail (58%), office (-56%), highway (27%)

Iowa '10-'11 Start Details

	Change: '09 Q4 to '10 Q4 \$M	Change: '10 Q4 to '11 Q4 \$M
Heavy	-31	-10
Residential	-47	142
Mfg./Warehouse	39	10
Commercial	47	17
Institutional	-13	19

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Iowa Metro Markets

•	YTD % change	Mar '10
•	in starts	Expansion Index
• Des Moines	-5%	4.11
• Omaha	-24%	0.88
• Iowa City	-48%	4.08
• Waterloo	162%	1.02
• Davenport-Moline	81%	1.26
• Dubuque	89%	1.09
• Sioux City	223%	1.58
• Ames	207%	0.84
• Cedar Rapids	95%	0.20