McGraw-Hill Construction Outlook2012

Executive Conference

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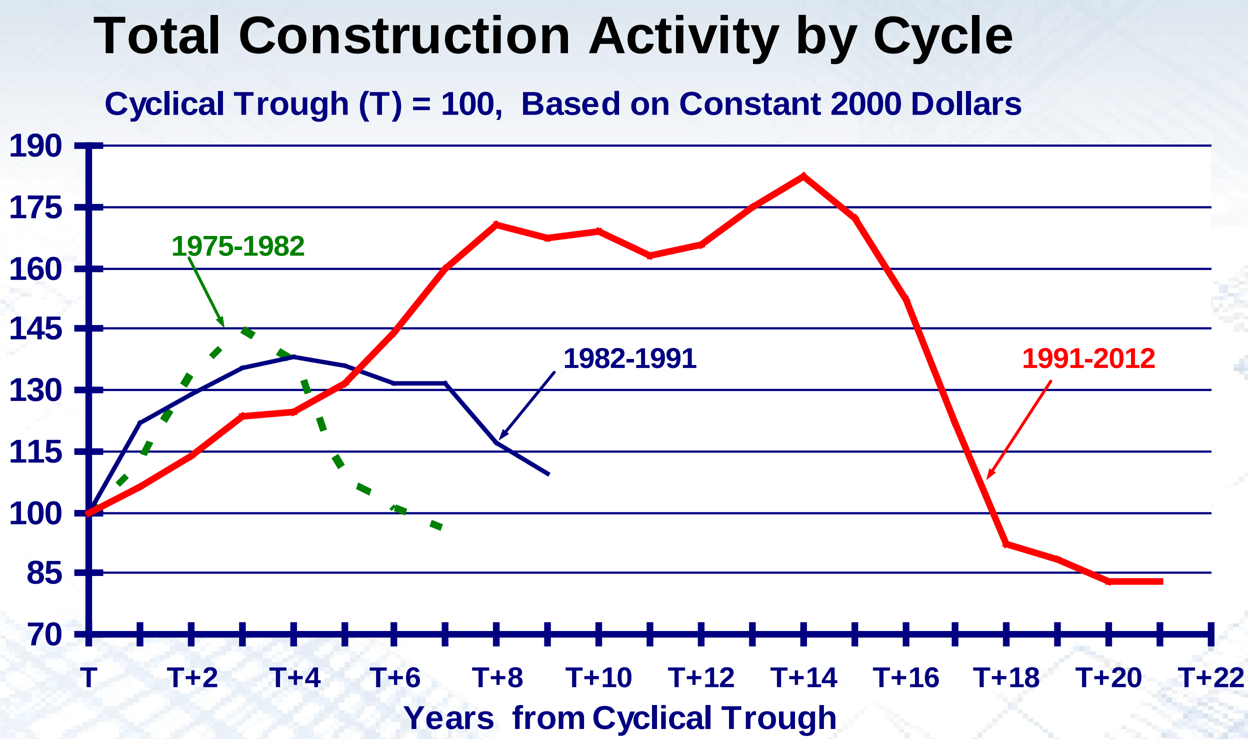
McGraw_Hill CONSTRUCTION

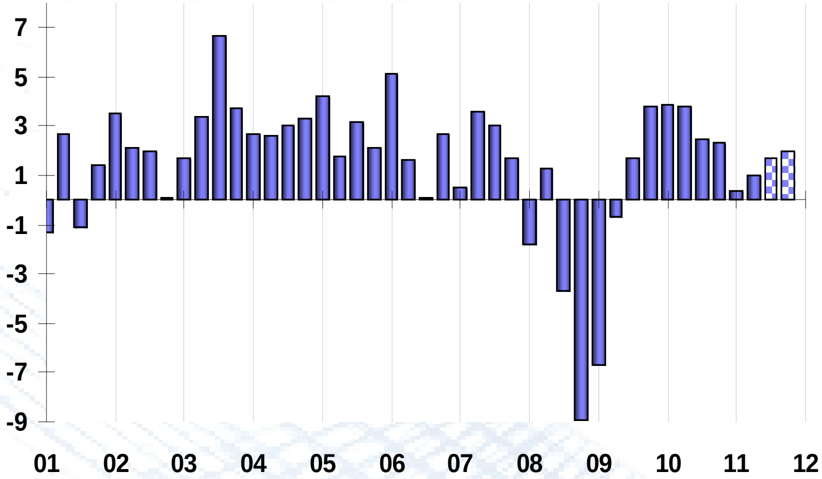
Where We Have Been



The Overall Economy

The US Economy has upside limits and downside potential.

Real GDP Growth Quarterly



GDP Pattern:

History		Forecast	
2009	**2010**	**2011**	**2012**
-3.5%	**+3.0%**	**+1.6%**	**+2.0%**

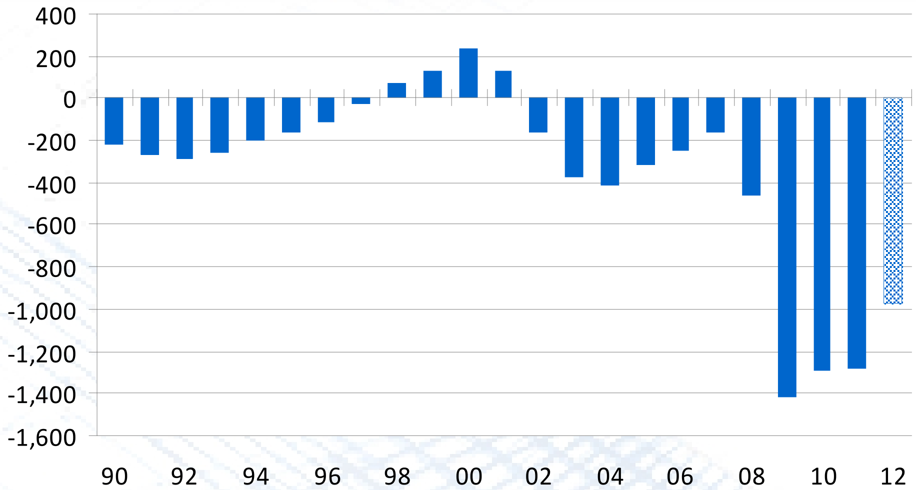
Major Inhibitors:

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

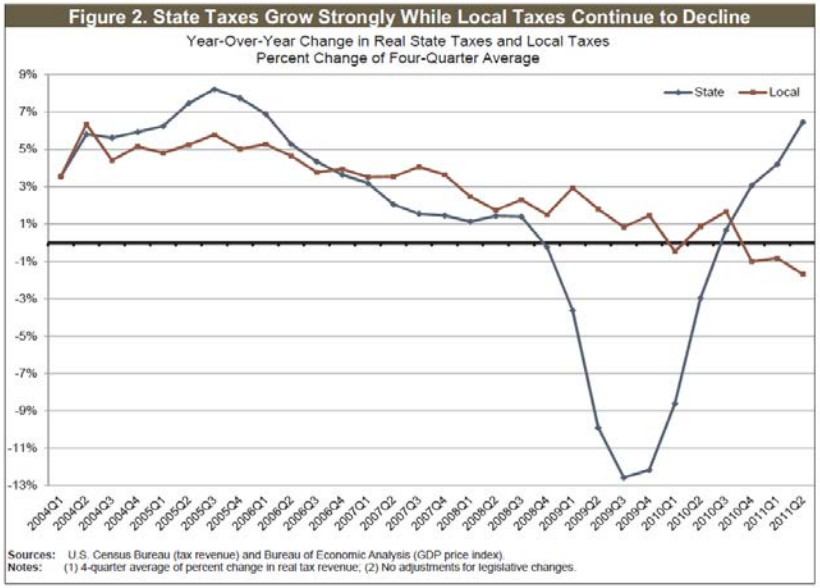
Area of Concern: Public Construction Funding

Pushing down on the economy

Federal Budget Surplus/Deficit
Billions of Dollars, CBO Projections

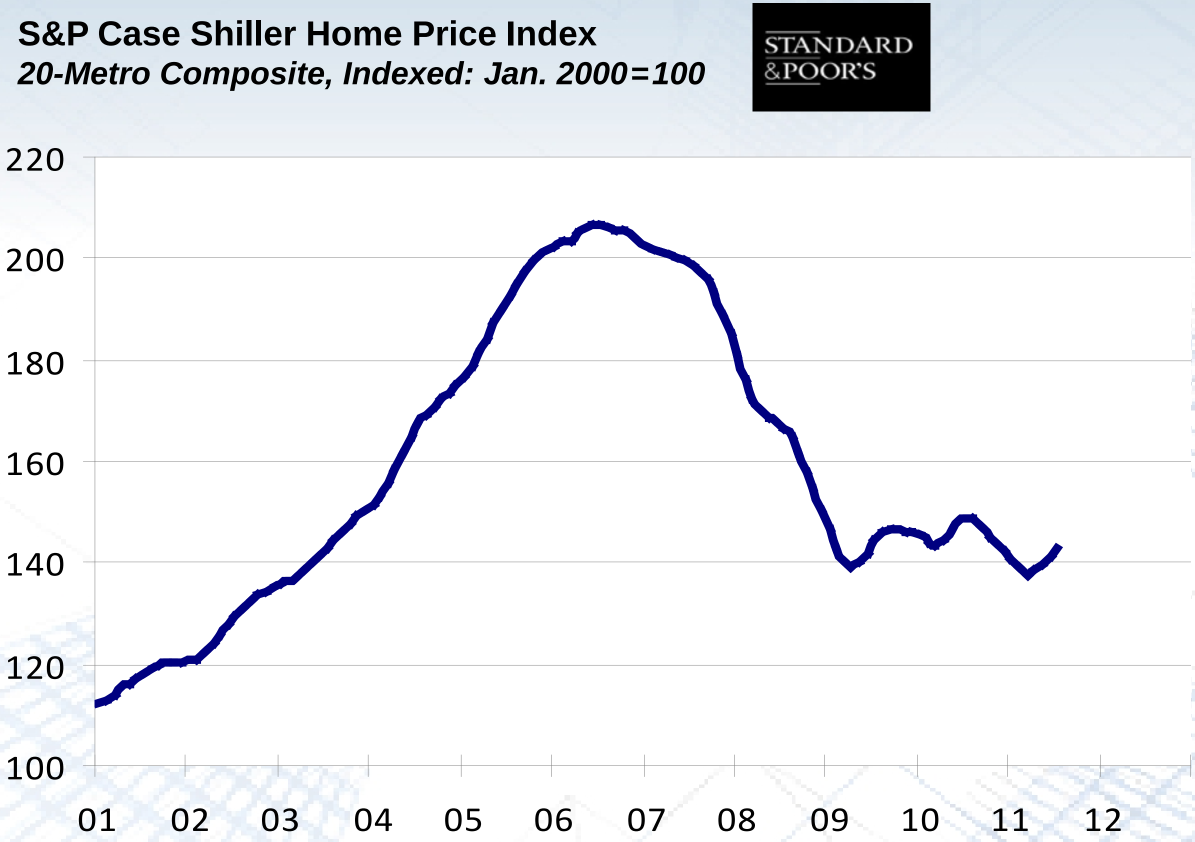


State and Local Revenues



Significance Of Housing

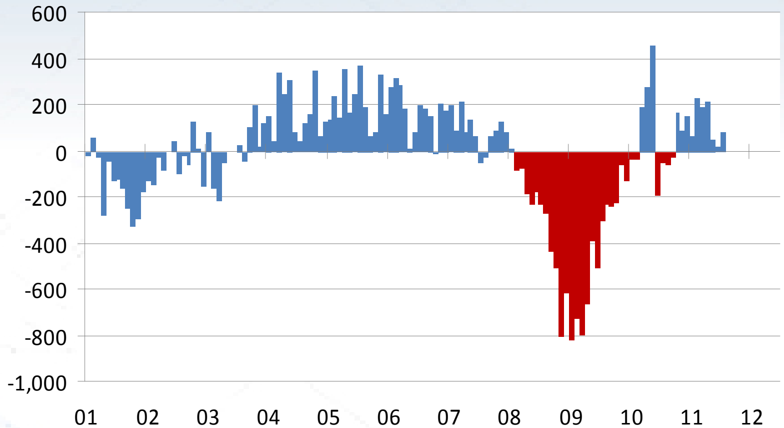
Best Indicator of Local Market Strength



Employment: Source of Economic Demand

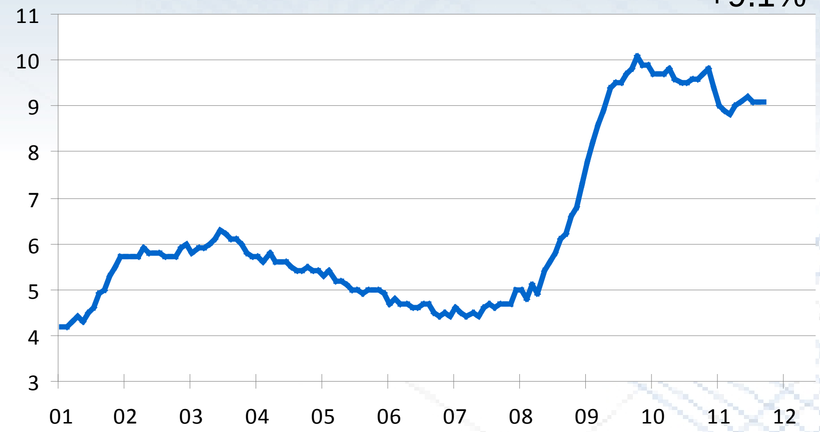
Employment growth has decelerated in 2011.

Change in Total Employment
Thousands of Workers

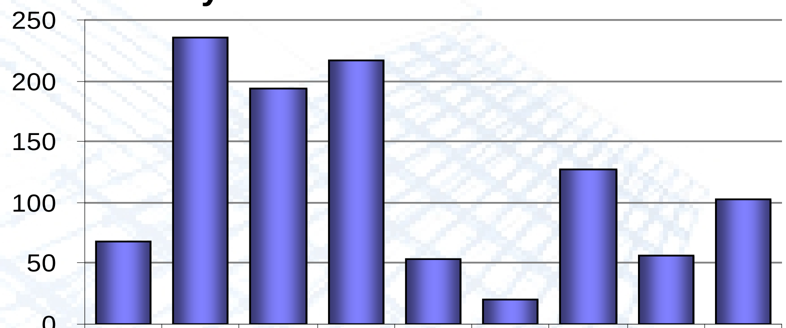


Unemployment Rate
Percent

Sept.'11
+9.1%



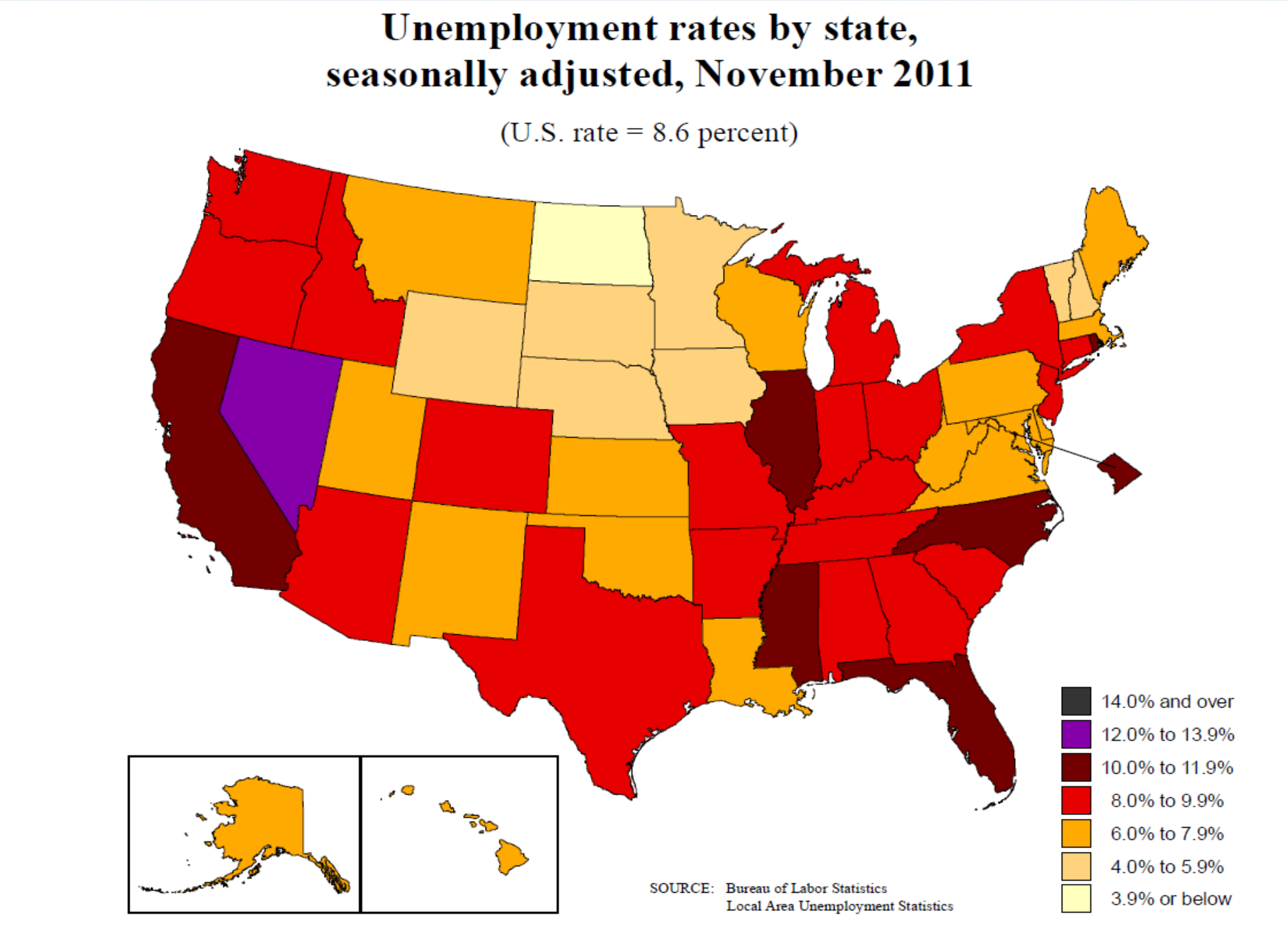
2011 by Month



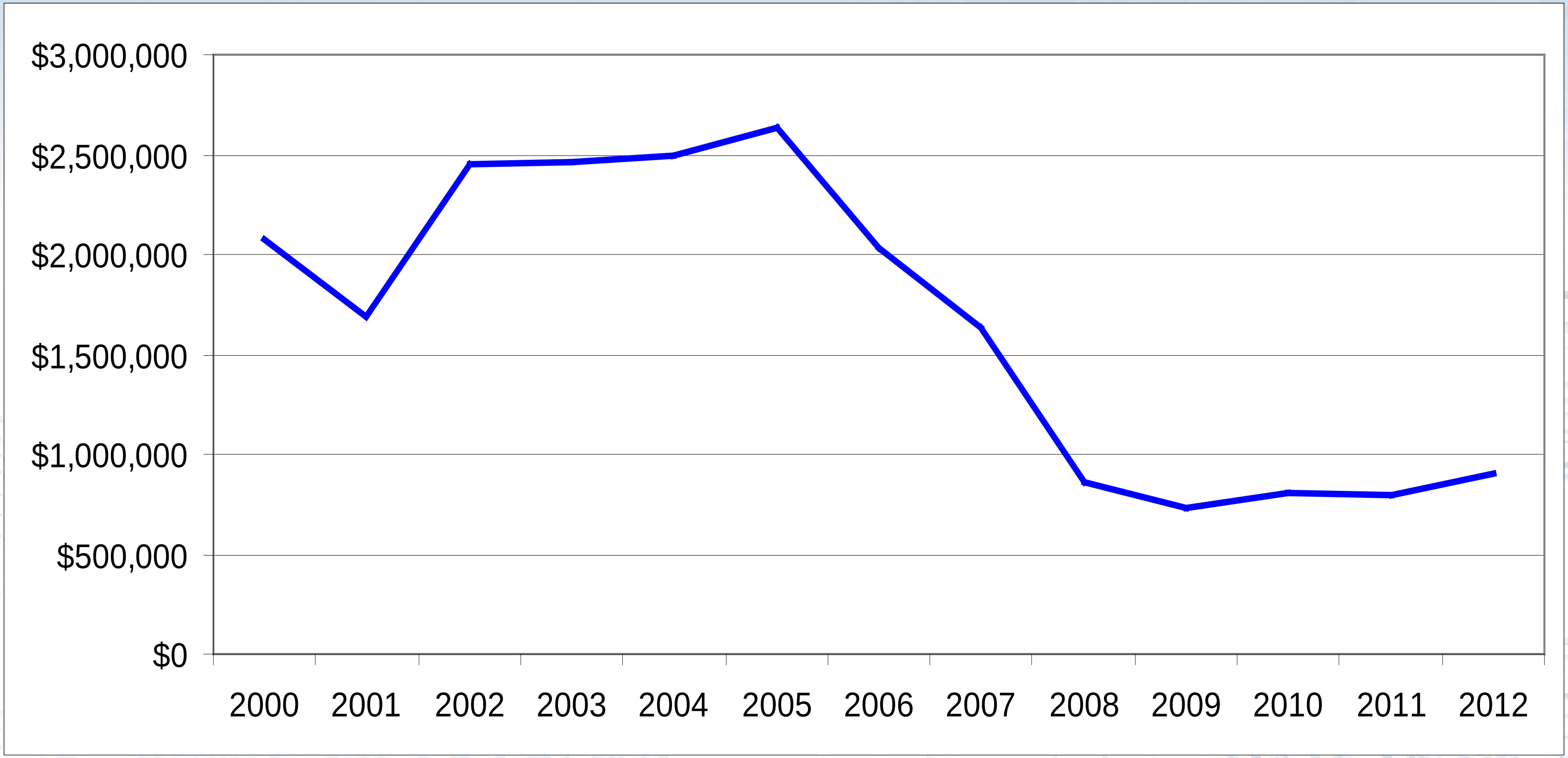
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Series1	68	235	194	217	53	20	127	57	103

- 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



Greater San Francisco: Single Family



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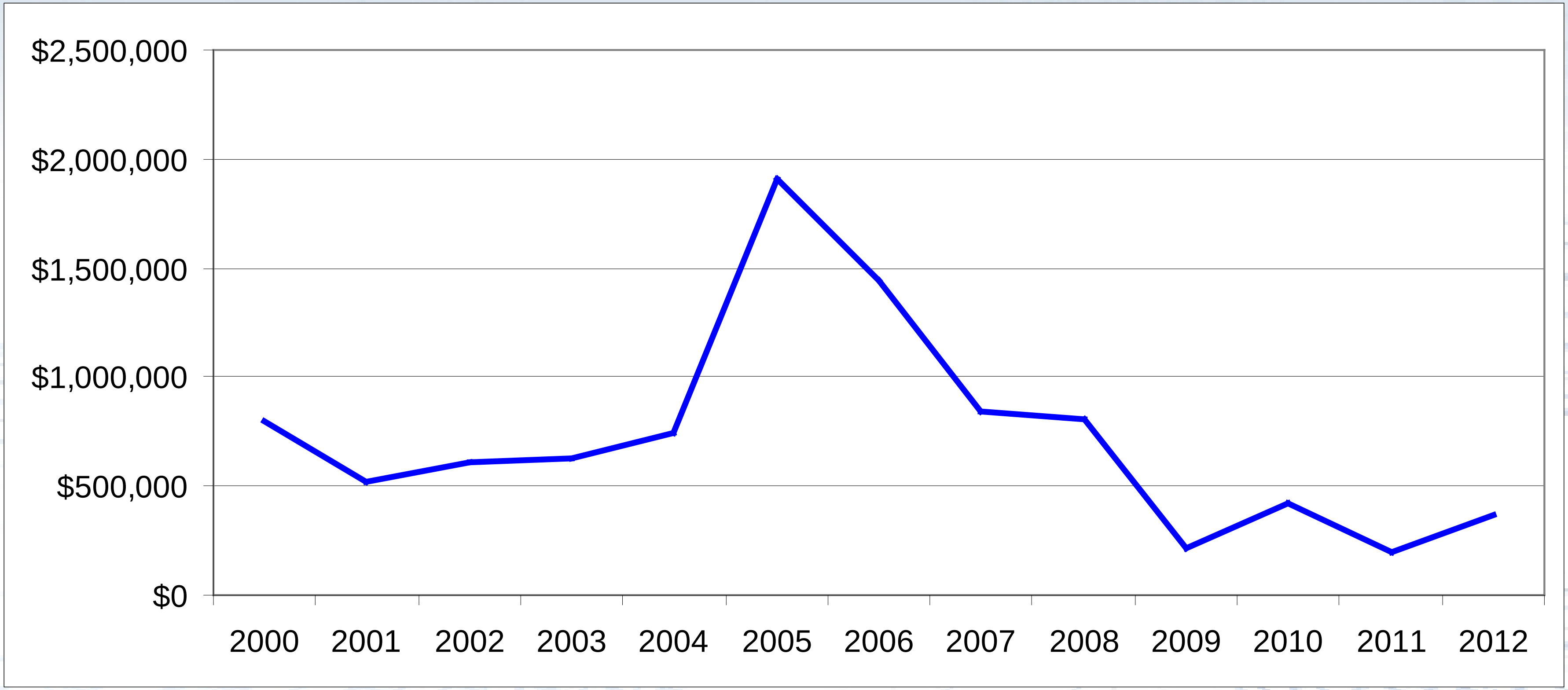
Greater San Francisco: Multi Family



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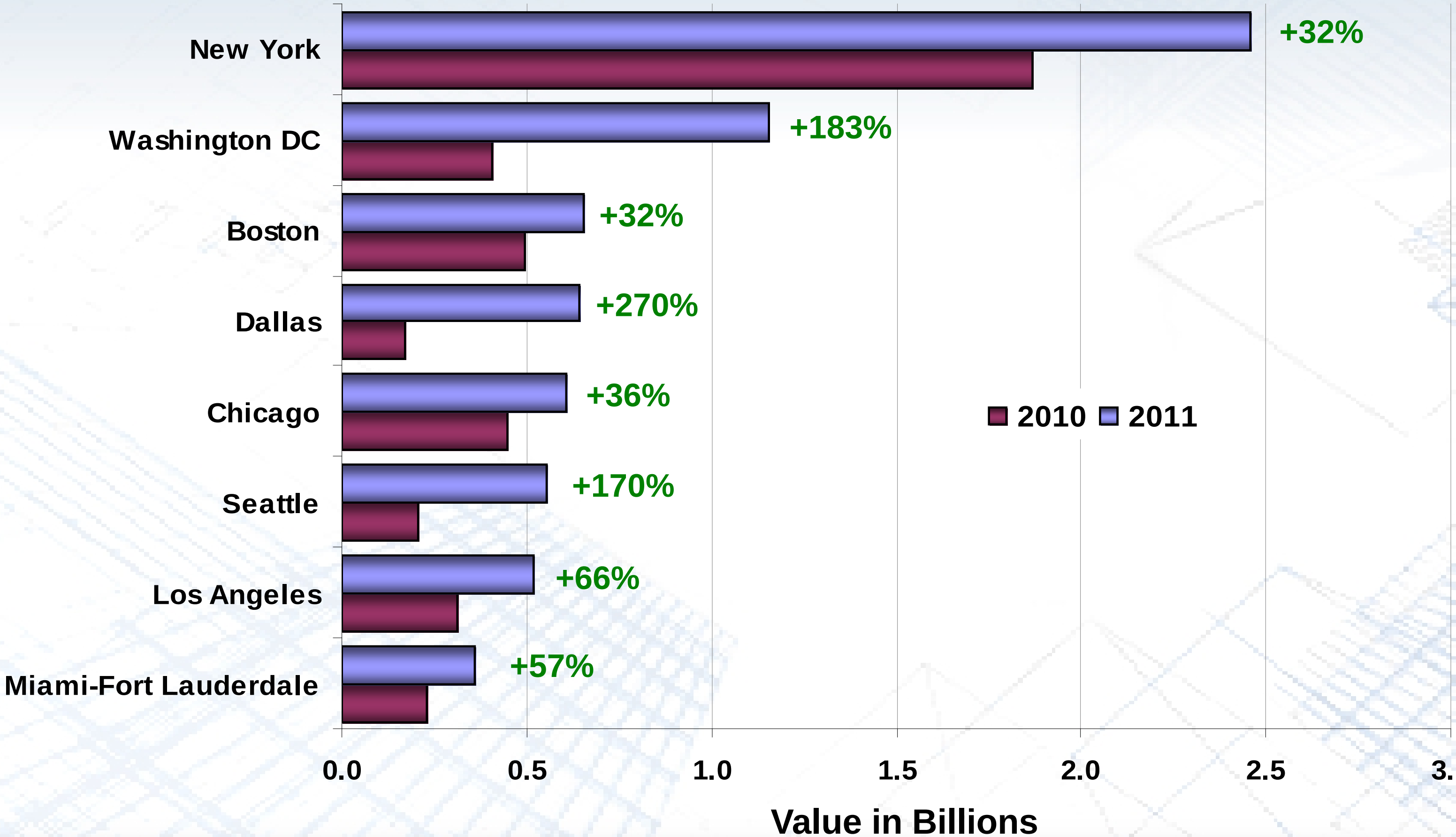
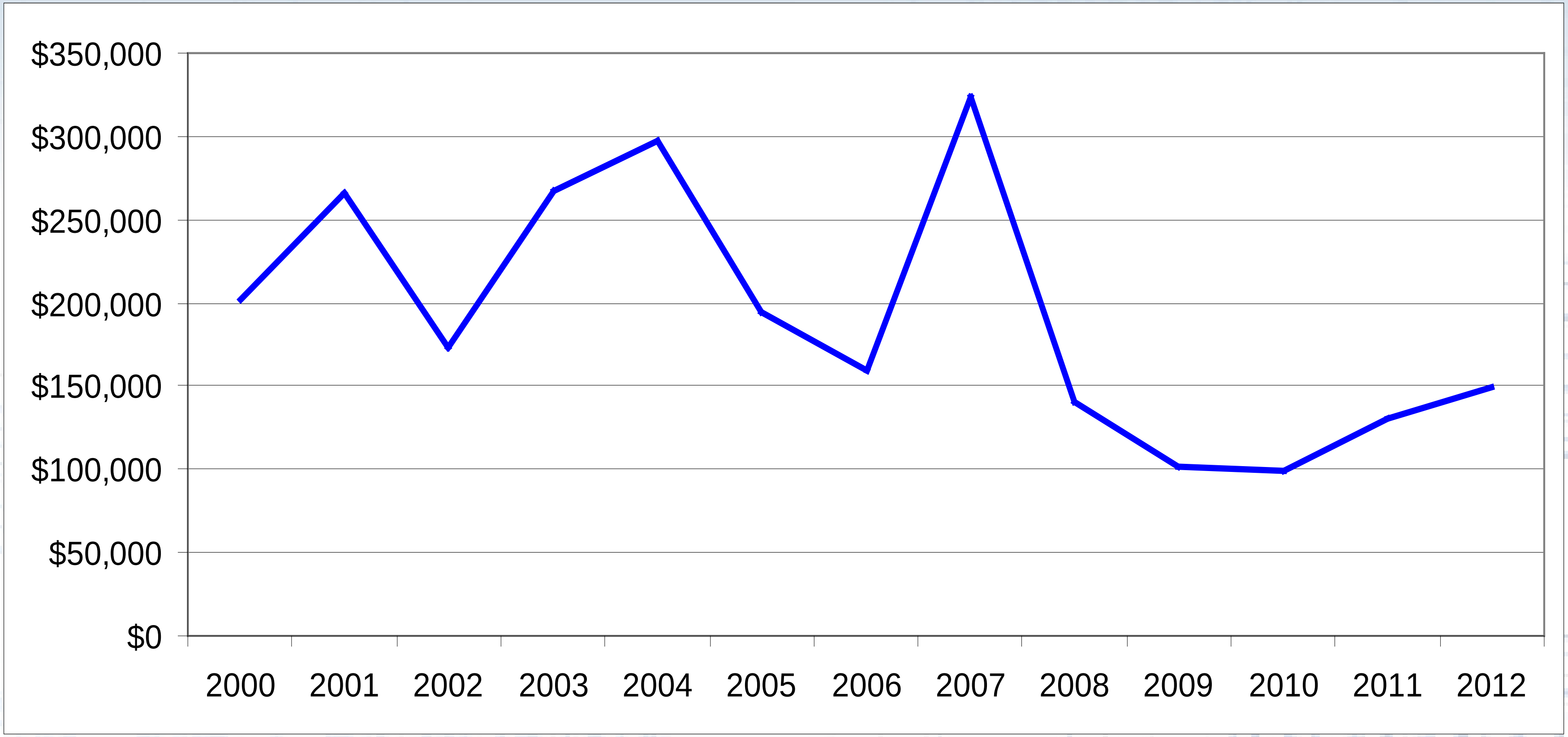
U.S. • Multifamily Housing

Top 8 Metros – September YTD 2011 vs. 2010



Greater San Francisco: Retail



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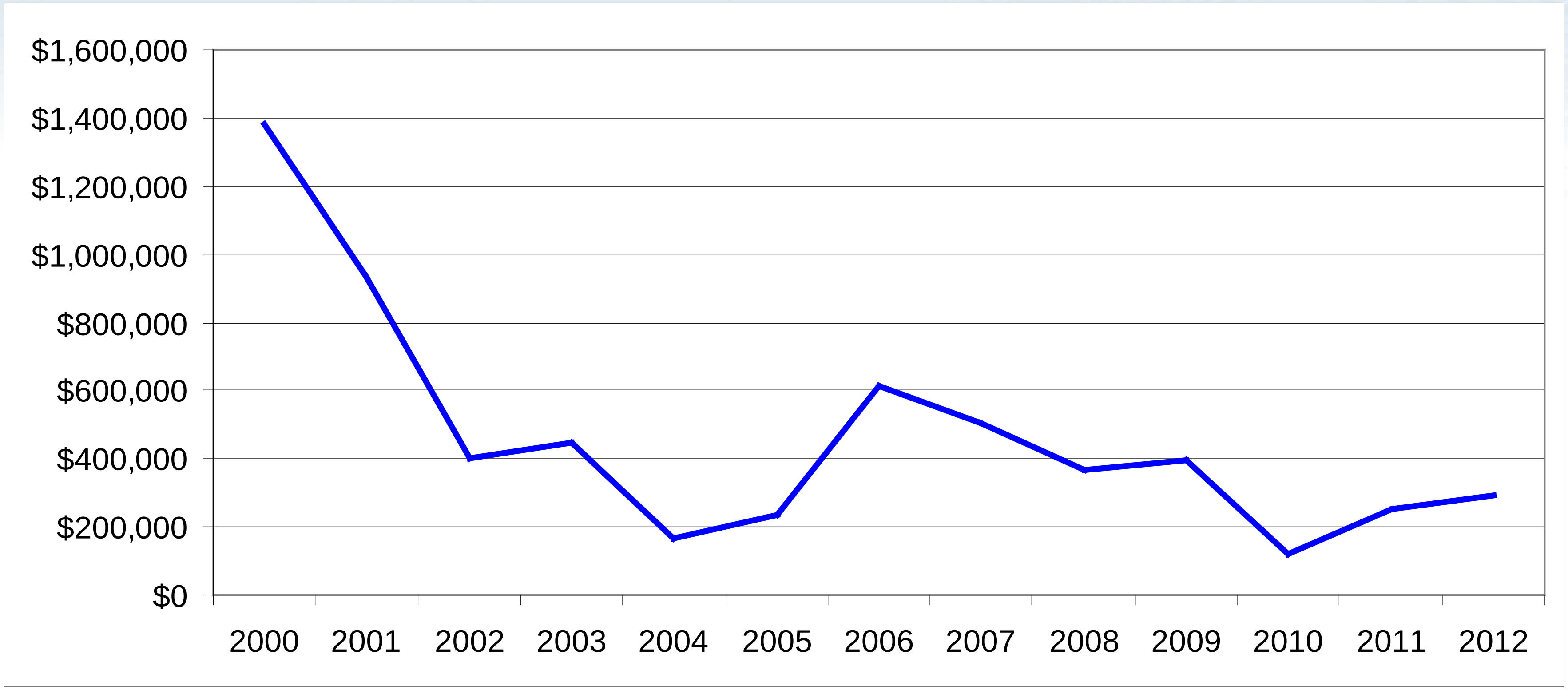
Greater San Francisco: Offices



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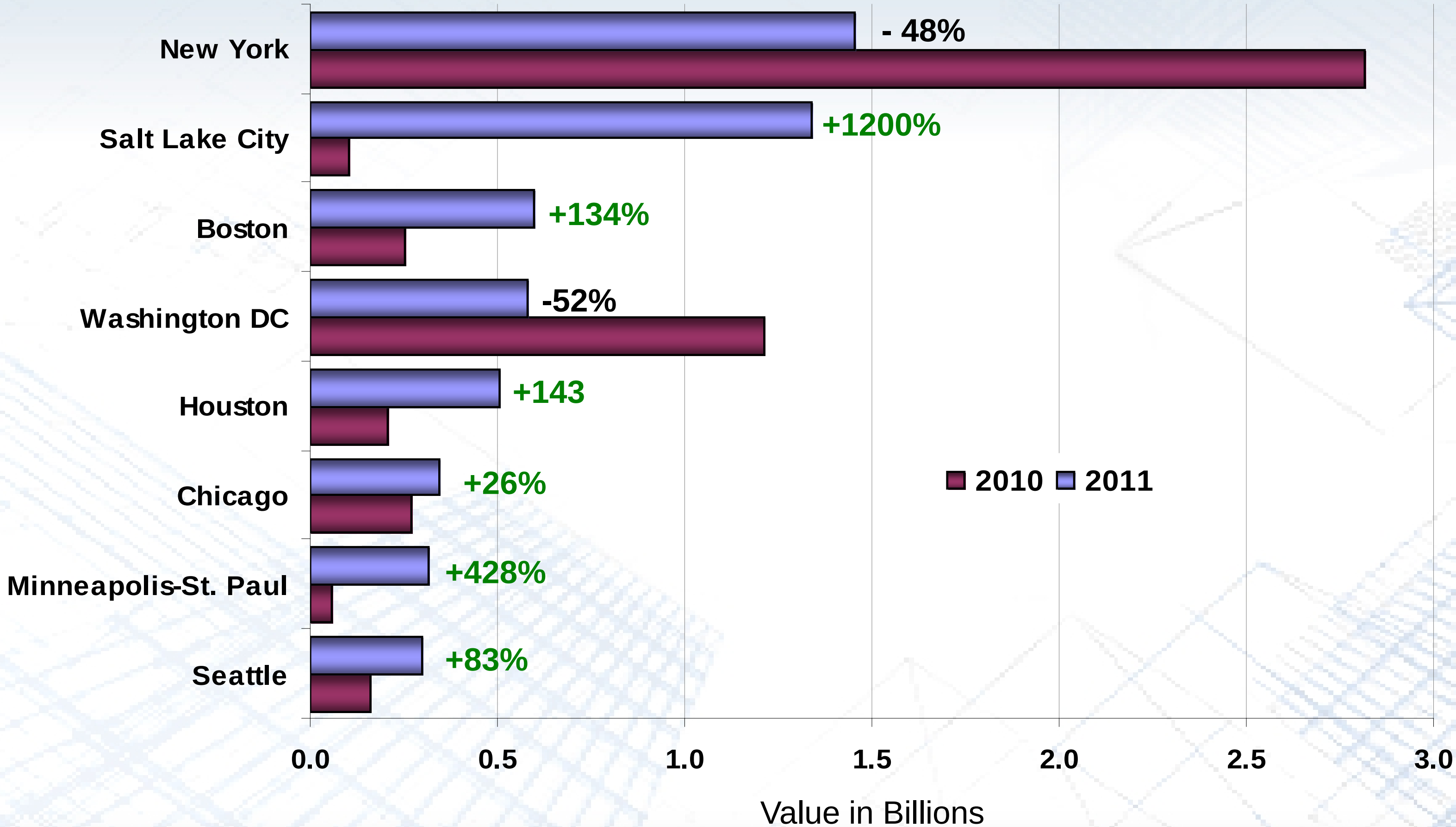
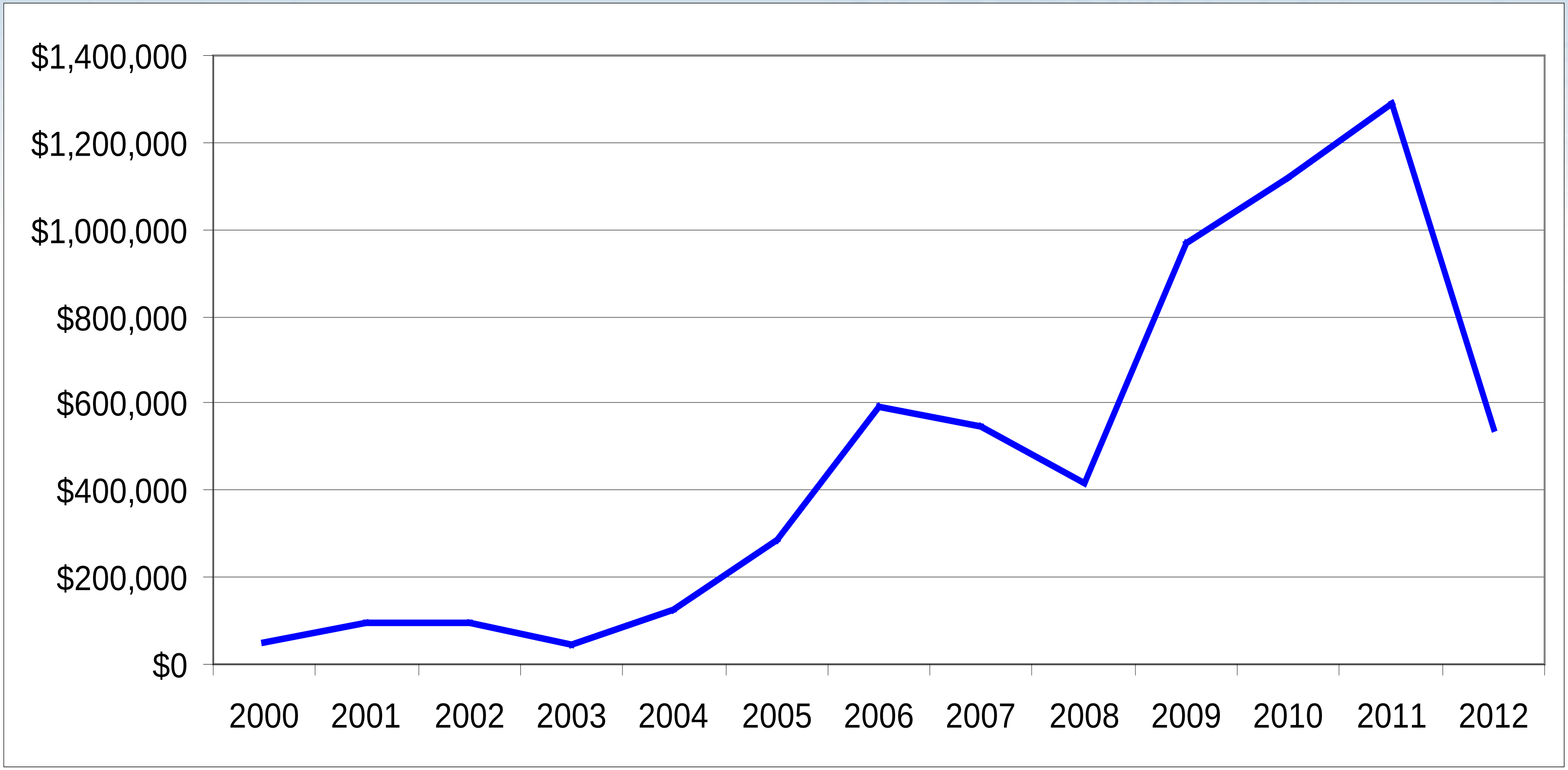
U.S. Commercial Buildings • Offices

Top 8 Metros – September YTD 2011 vs. 2010



Greater San Francisco: Healthcare



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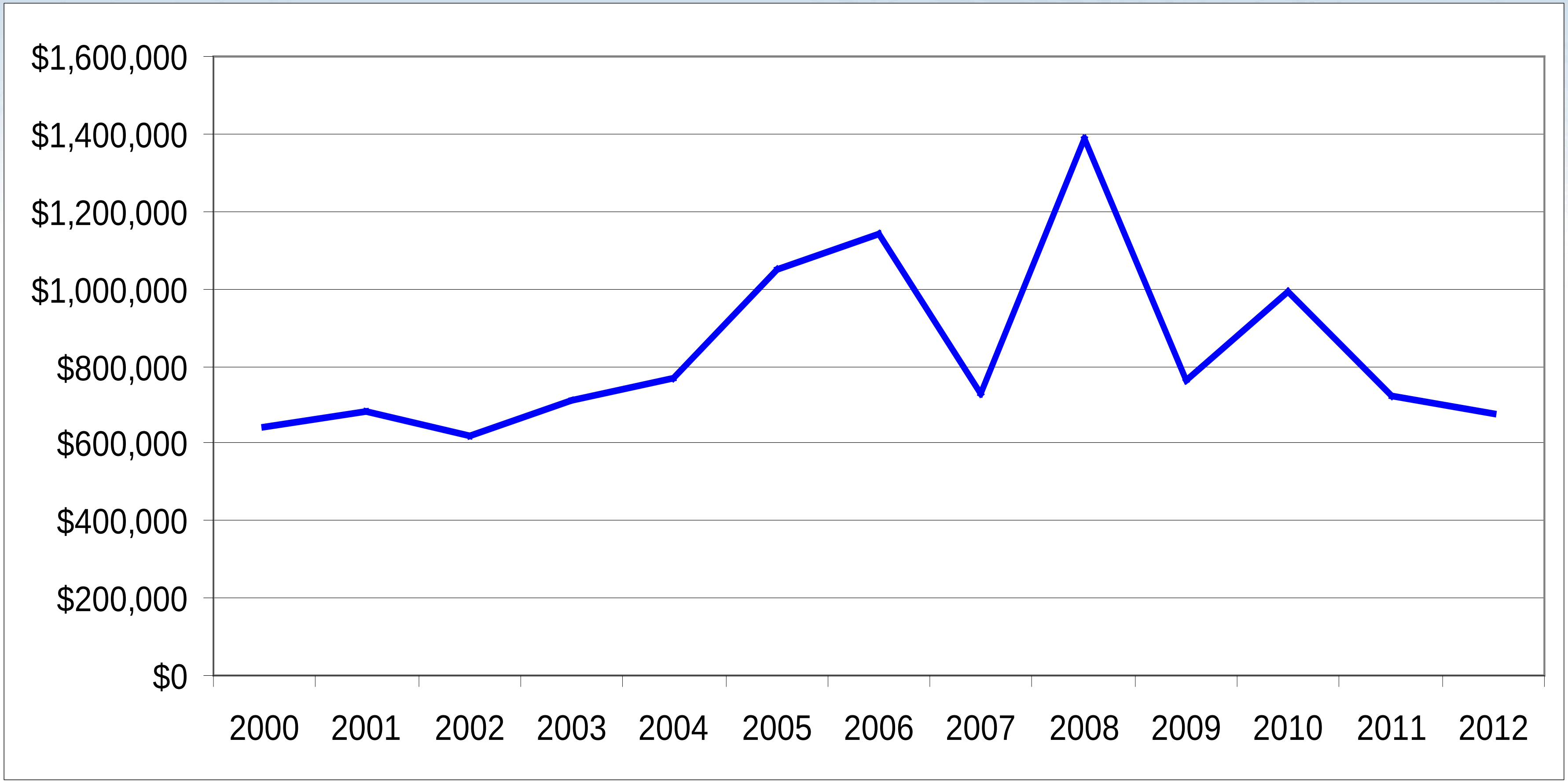
Greater San Francisco: Education



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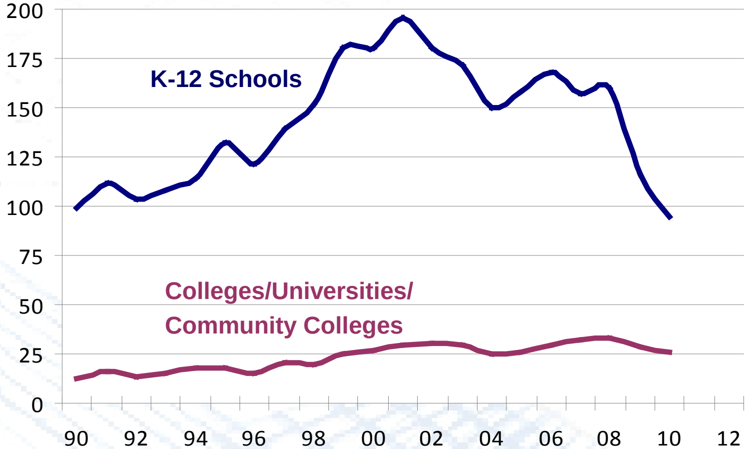
U.S. Institutional • Educational Buildings

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

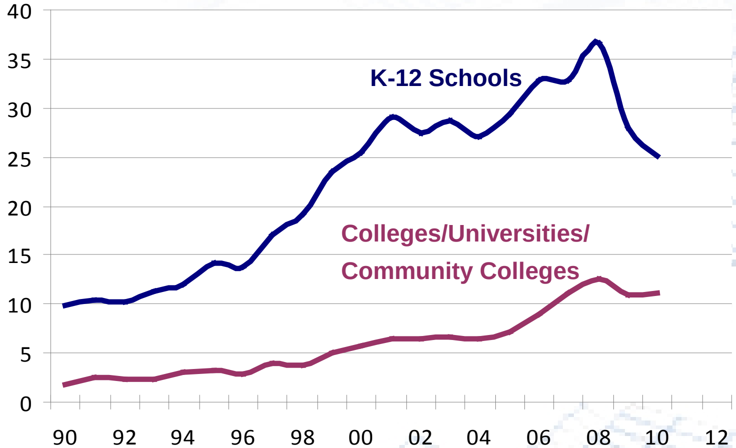
K-12 has typically shown steeper up-and-down swings.

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

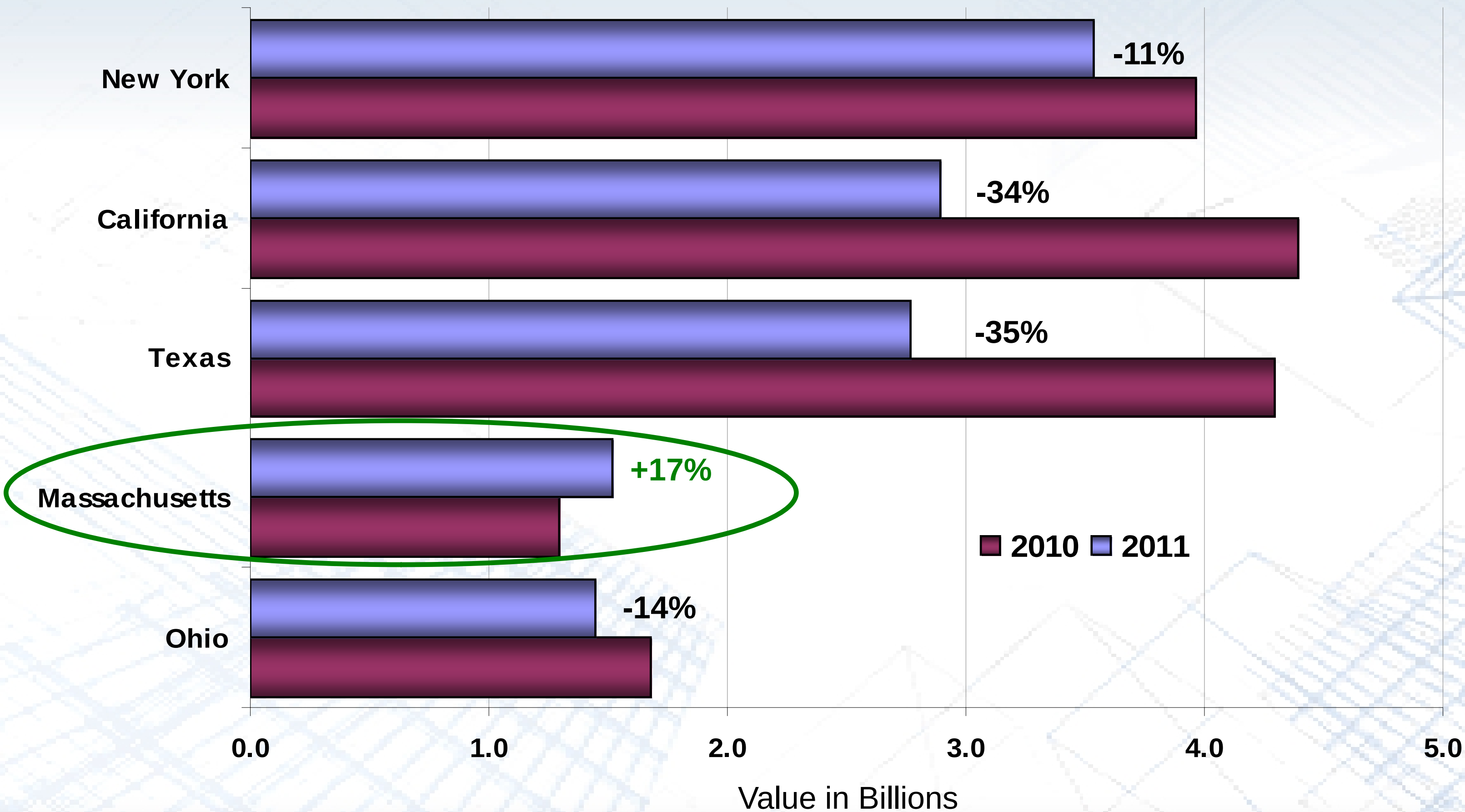
Education Buildings - Segments
Billions of Dollars



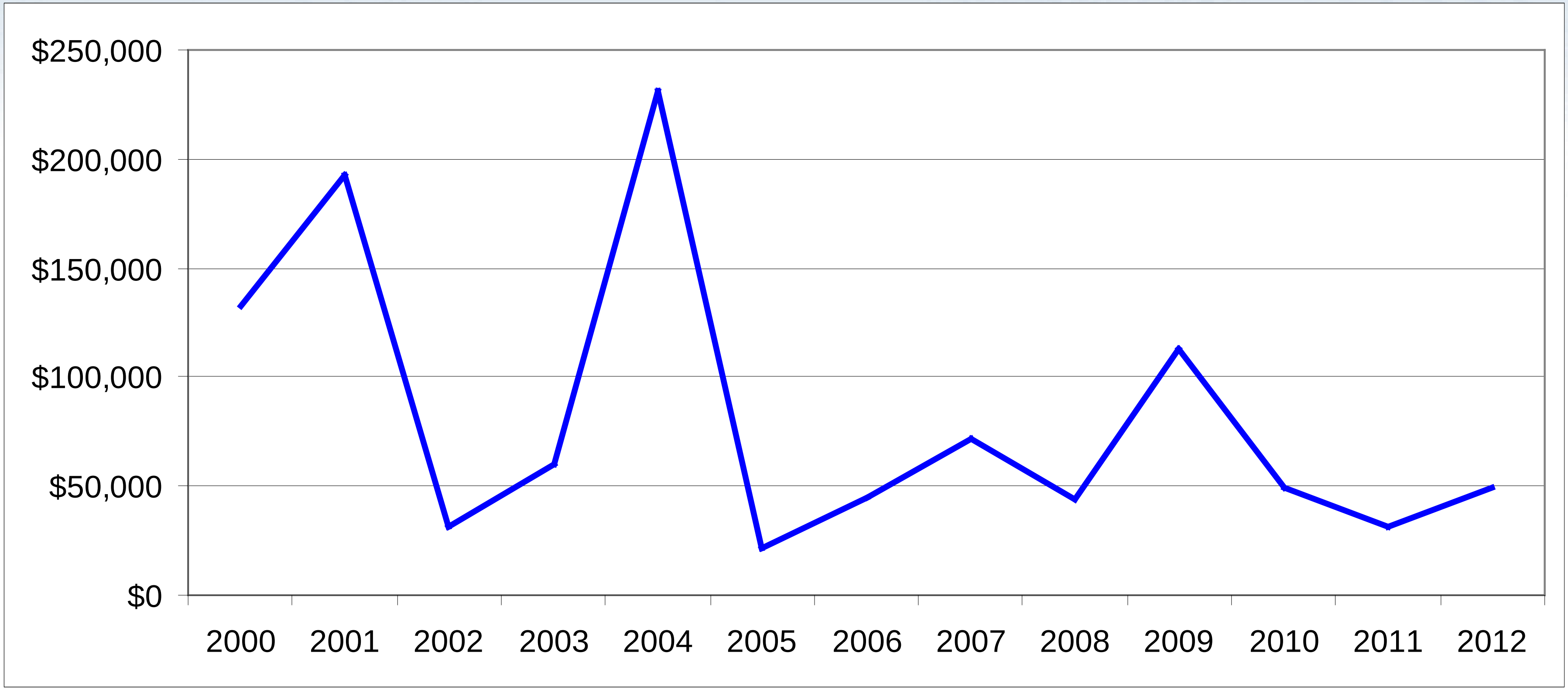
- In 2010, dollars for K-12 school construction was 2.3 times the size of Colleges/Universities/ Community Colleges

U.S. Institutional • Educational Buildings

Top 5 States – September YTD 2011 vs. 2010



Greater San Francisco: Public ex Schls



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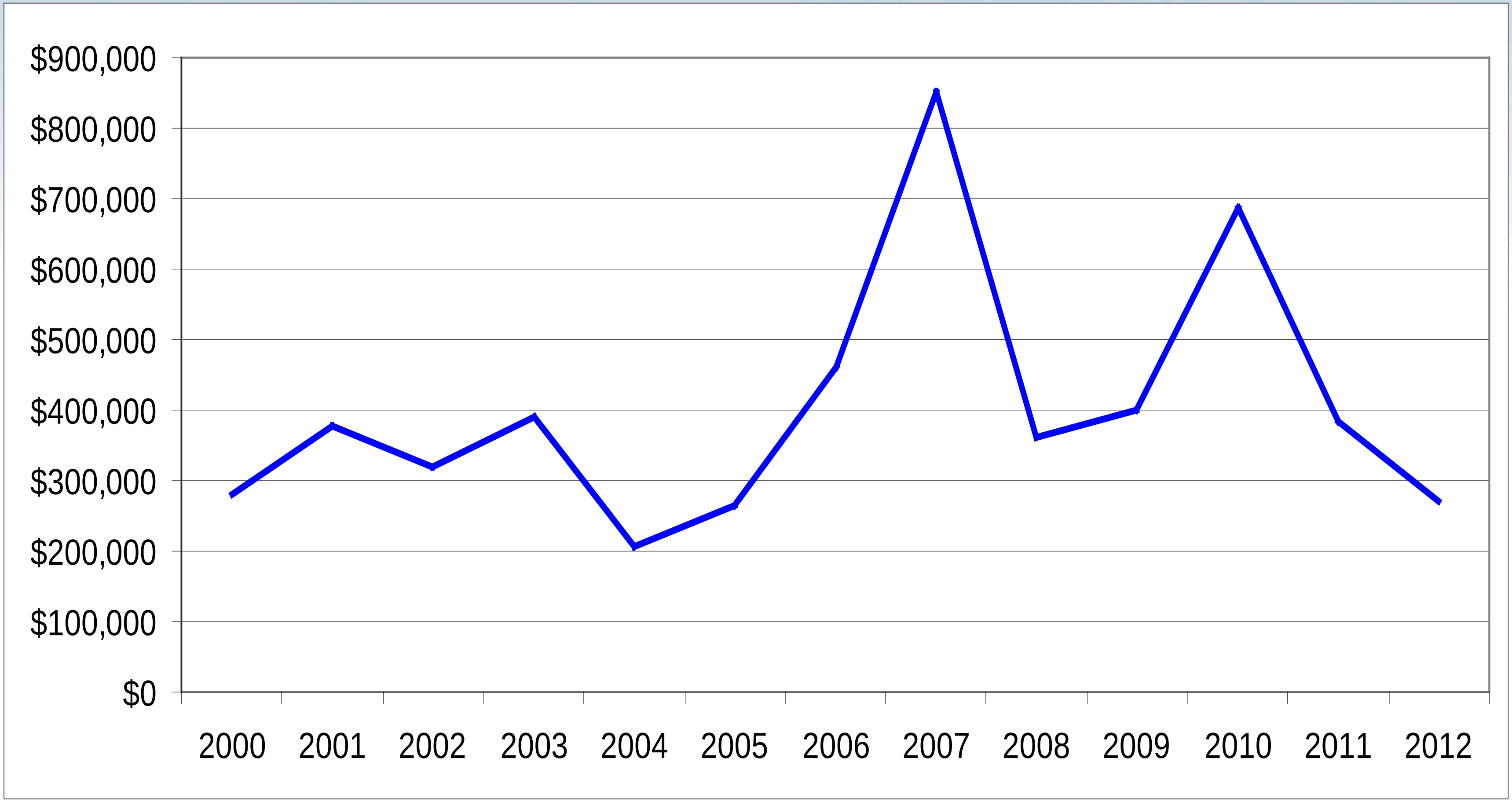
Greater San Francisco: Highways



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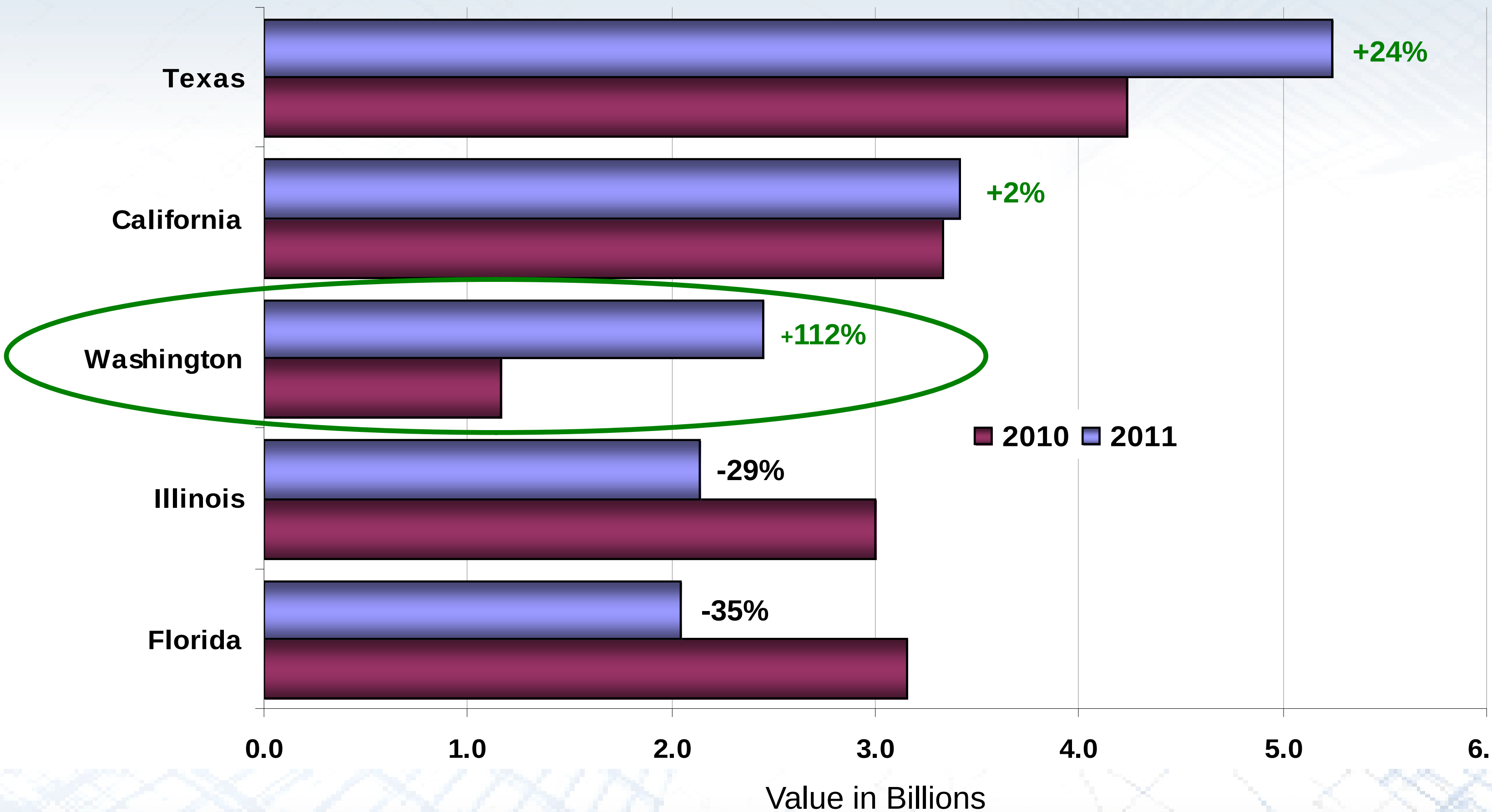
U.S. Public Works • Highways & Bridges

Top 5 States – September YTD 2011 vs. 2010



Greater San Francisco:

	2006	2007	2008	2009	2010	2011	2012
EDUC	$1,142,488	$726,487	$1,389,533	$762,258	$989,999	$723,480	$674,865
		-36.4%	**91.3%**	**-45.1%**	**29.9%**	**-26.9%**	**-6.7%**
HEALTH	$589,614	$546,432	$418,389	$966,240	$1,120,098	$1,288,265	$542,770
		-7.3%	**-23.4%**	**130.9%**	**15.9%**	**15.0%**	**-57.9%**
HIGHWAY	$461,543	$850,379	$361,587	$399,858	$688,261	$383,438	$271,886
		84.2%	**-57.5%**	**10.6%**	**72.1%**	**-44.3%**	**-29.1%**
HOTEL	$51,771	$132,630	$52,975	$10,572	$17,700	$20,482	$30,136
		156.2%	**-60.1%**	**-80.0%**	**67.4%**	**15.7%**	**47.1%**
MFG	$322,994	$72,416	$353,169	$387,294	$14,406	$151,720	$240,198
		-77.6%	**387.7%**	**9.7%**	**-96.3%**	**953.2%**	**58.3%**
MULTIRES	$1,438,371	$842,296	$806,713	$215,465	$418,937	$193,072	$366,911
		-41.4%	**-4.2%**	**-73.3%**	**94.4%**	**-53.9%**	**90.0%**
OFFICE	$615,522	$503,717	$367,923	$394,712	$122,411	$252,285	$292,081
		-18.2%	**-27.0%**	**7.3%**	**-69.0%**	**106.1%**	**15.8%**
ONEFAM	$2,030,518	$1,634,515	$863,254	$725,933	$811,134	$796,552	$908,328
		-19.5%	**-47.2%**	**-15.9%**	**11.7%**	**-1.8%**	**14.0%**
PUB	$44,452	$71,575	$43,646	$113,008	$49,211	$31,083	$49,005
		61.0%	**-39.0%**	**158.9%**	**-56.5%**	**-36.8%**	**57.7%**
RETAIL	$159,903	$323,276	$140,412	$102,046	$99,322	$130,626	$149,818
		102.2%	**-56.6%**	**-27.3%**	**-2.7%**	**31.5%**	**14.7%**
WARENM	$16,878	$51,128	$33,465	$9,353	$7,093	$9,991	$11,130
		202.9%	**-34.5%**	**-72.1%**	**-24.2%**	**40.9%**	**11.4%**
WATER	$231,350	$233,675	$246,414	$214,828	$801,058	$311,670	$129,521
		1.0%	**5.5%**	**-12.8%**	**272.9%**	**-61.1%**	**-58.4%**
TOTAL	$8,320,338	$8,897,094	$6,344,253	$6,391,917	$7,095,220	$7,490,965	$7,786,893
		6.9%	**-28.7%**	**0.8%**	**11.0%**	**5.6%**	**4.0%**

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Questions?

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Appendix

National numbers

U.S. Total Construction Starts for 2012

Billions of Dollars	2007	2008	2009	2010	2011	2012
Total Construction	**641.0** *-7%*	**556.8** *-13%*	**425.9** *-24%*	**428.6** *+1%*	**409.8** *-4%*	**411.8** *-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
Total Construction	-4%	-0-	-5%	-7%
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%