McGraw-Hill Construction Outlook2012

Executive Conference

Cliff Brewis

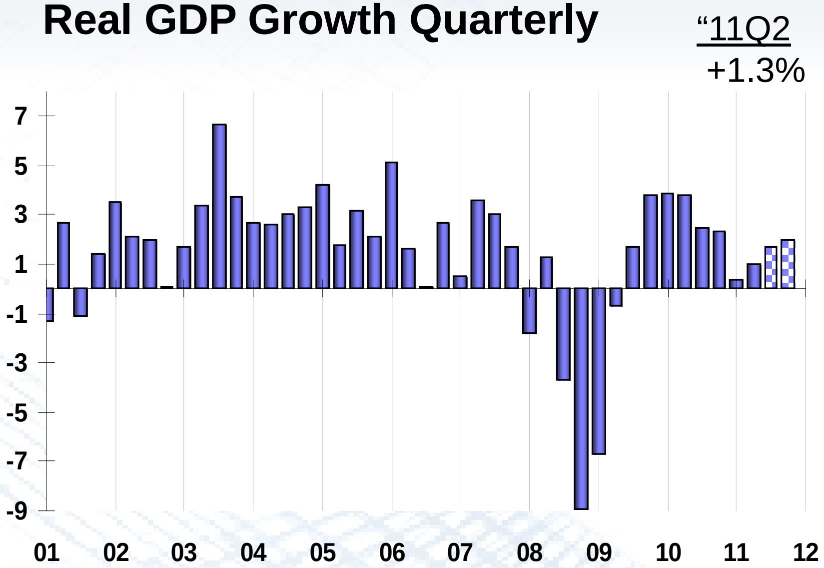
Senior Director, Operations
McGraw-Hill Construction

McGraw_Hill CONSTRUCTION

The Overall Economy

The US Economy has upside limits and downside potential.

Real GDP Growth Quarterly



GDP Pattern:

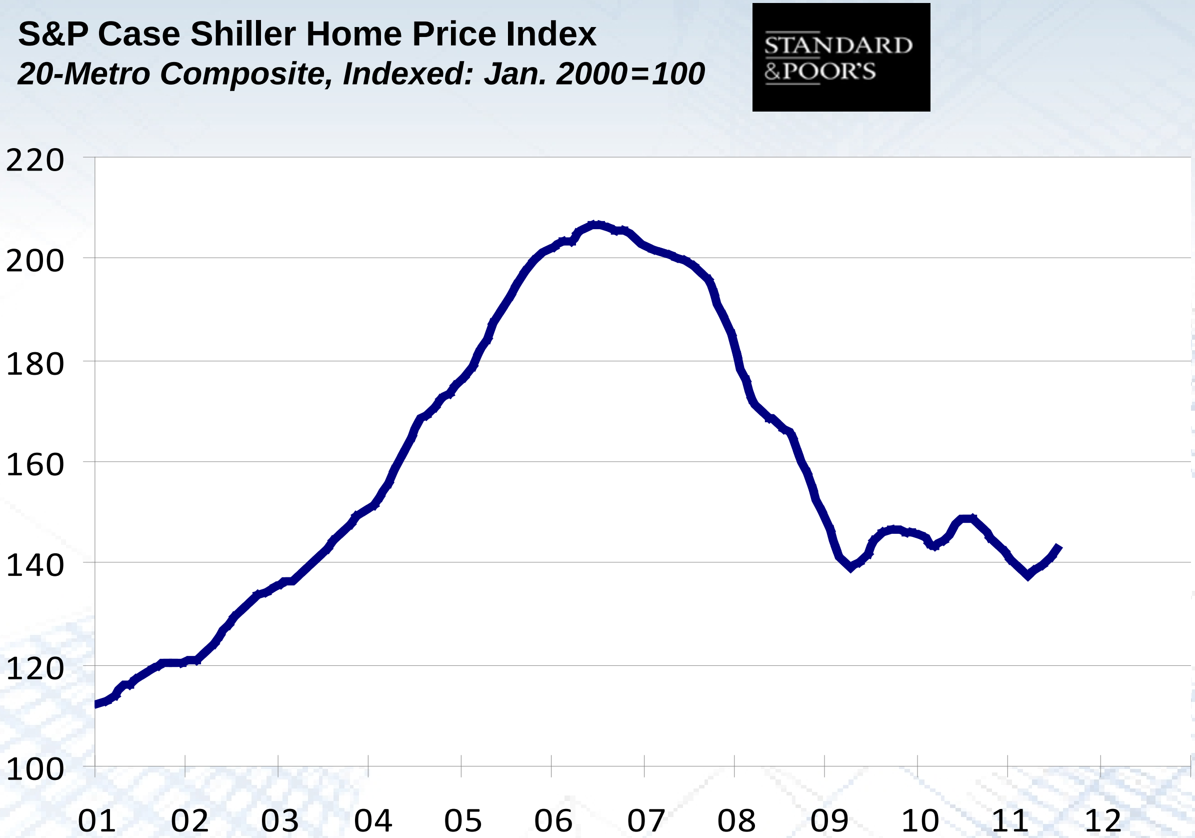
History		Forecast	
2009	**2010**	**2011**	**2012**
-3.5%	**+3.0%**	**+1.6%**	**+2.0%**

Major Inhibitors:

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

Significance Of Housing

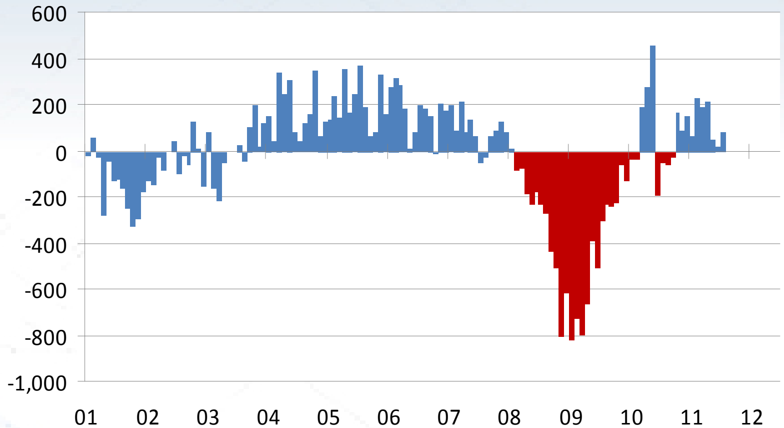
Best Indicator of Local Market Strength



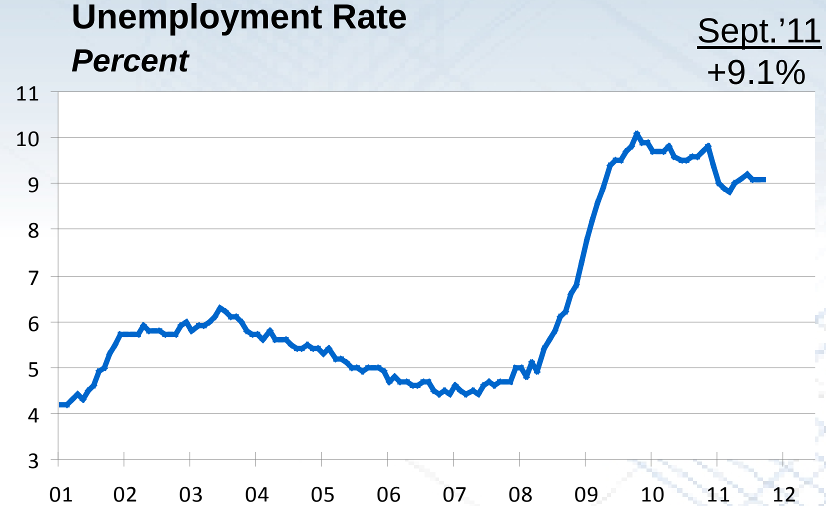
Employment: Source of Economic Demand

Employment growth has decelerated in 2011.

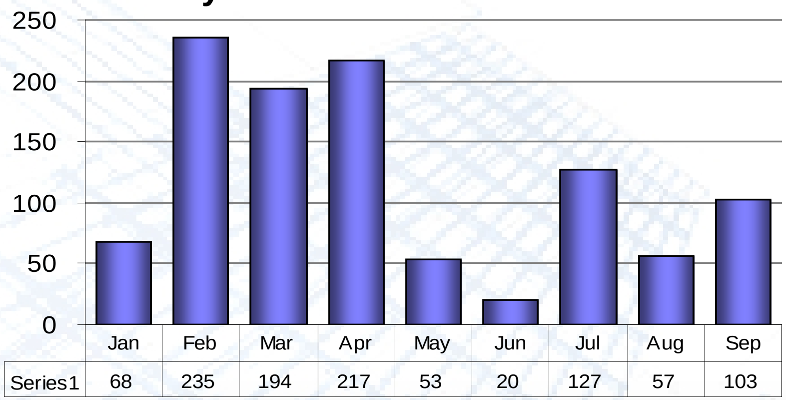
Change in Total Employment
Thousands of Workers



Unemployment Rate
Percent

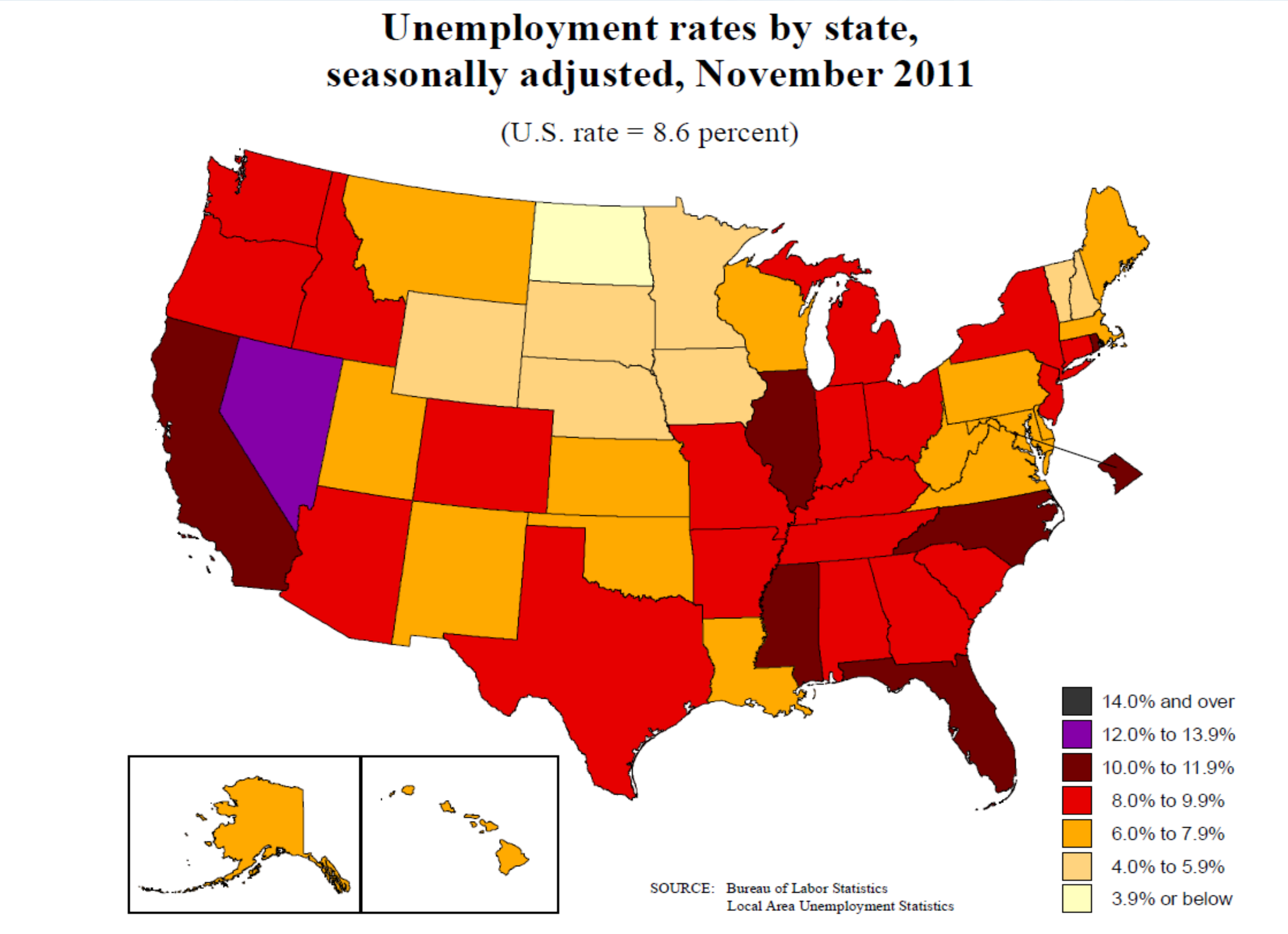


2011 by Month

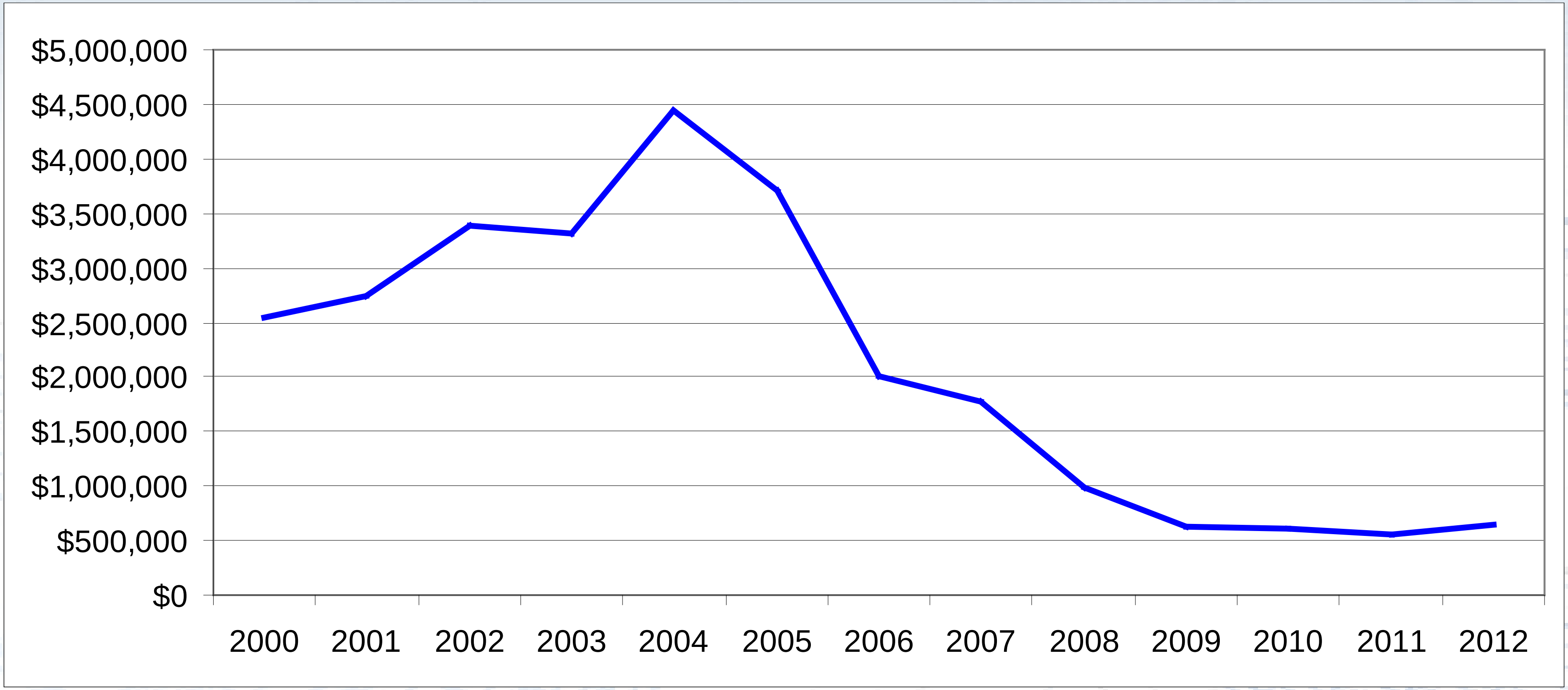


- Jobs lost from Feb.'08 to Feb. '10: 8.8 Million.
- Job creation so far in 2010-2011: 2.1 Million. Unemployment rate at 9.1%
- Job growth in Jan.-Apr.'11: 179 K /mo.
  Job growth in May-Sept.'11: 72 K /mo.

Employment by State

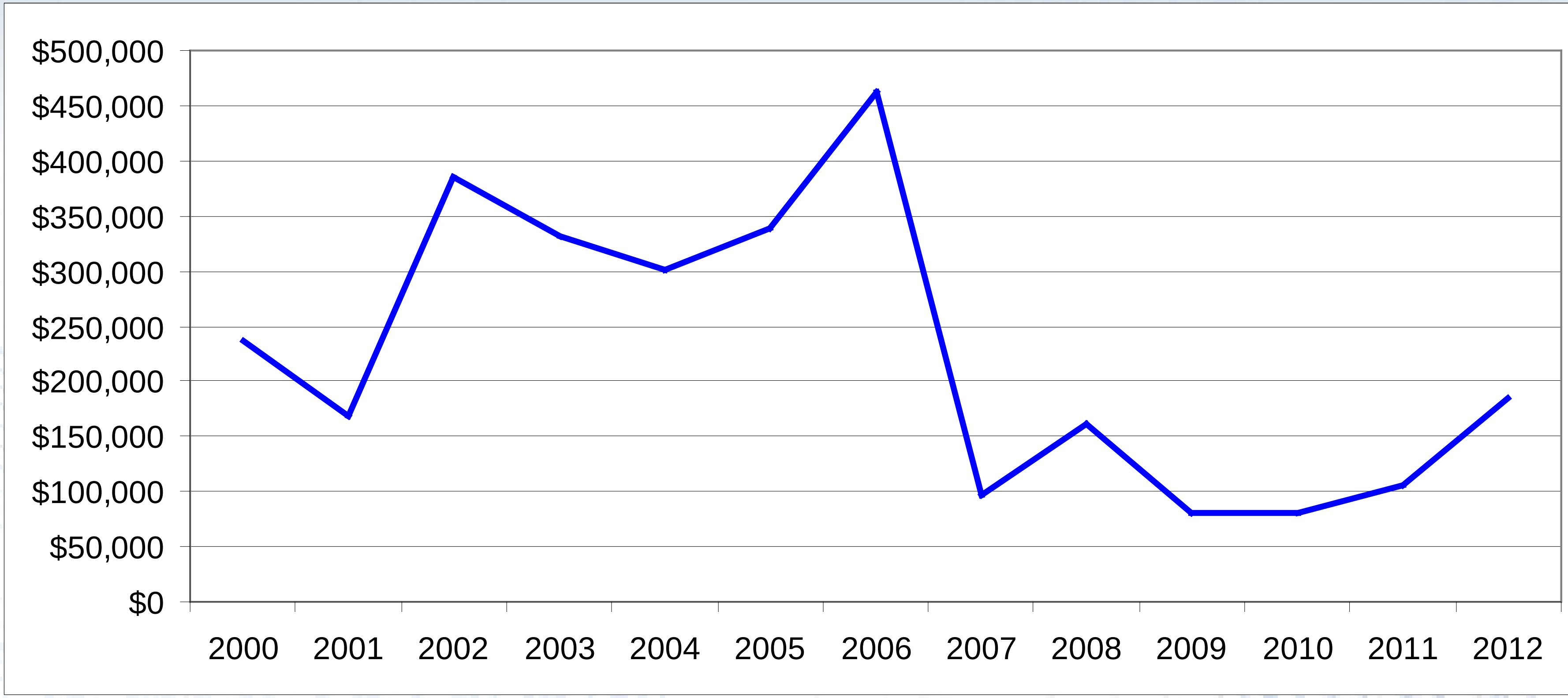


Sacramento: Single Family



'$000.00

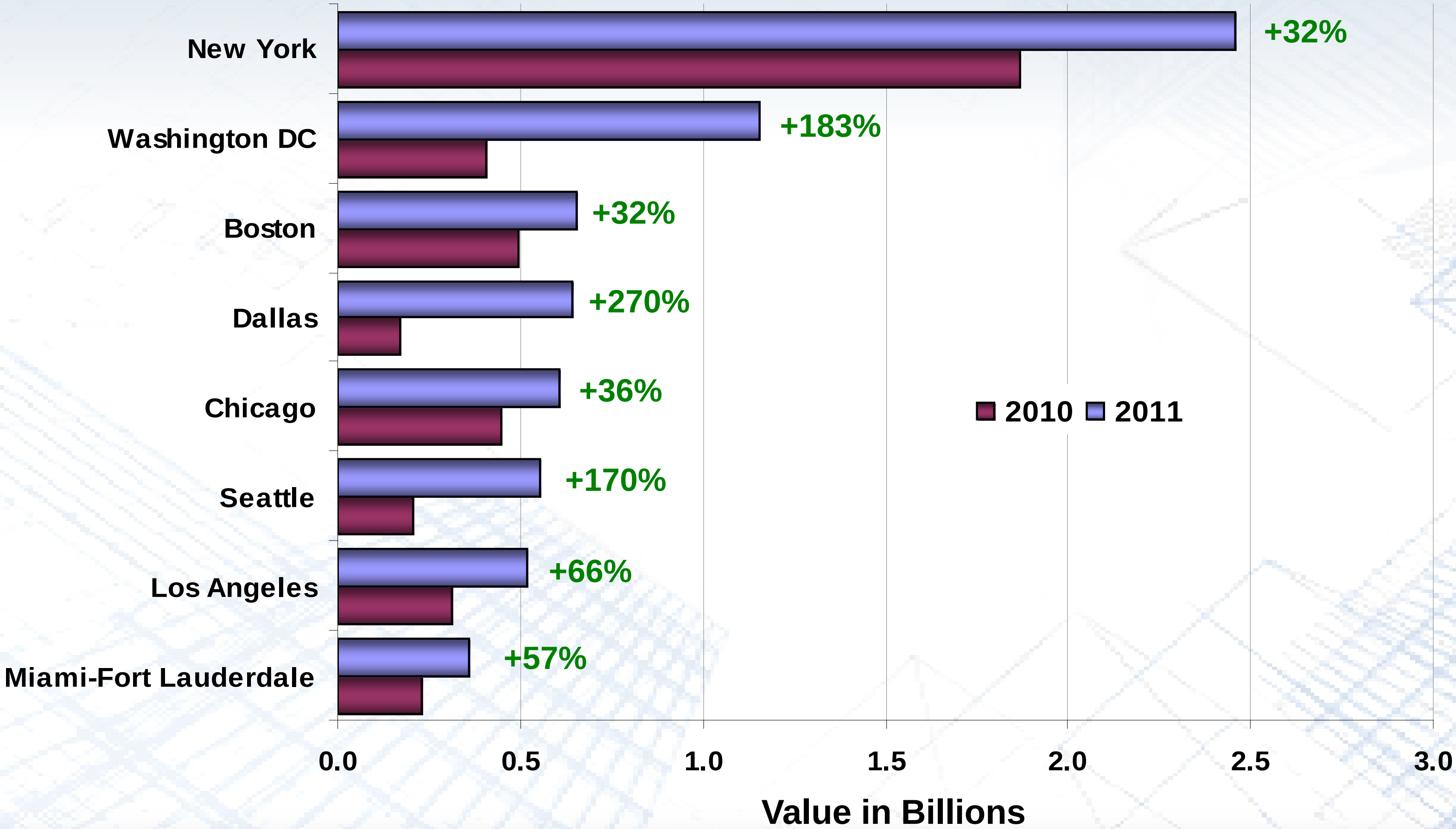
Sacramento: Multi Family



‘$000.00

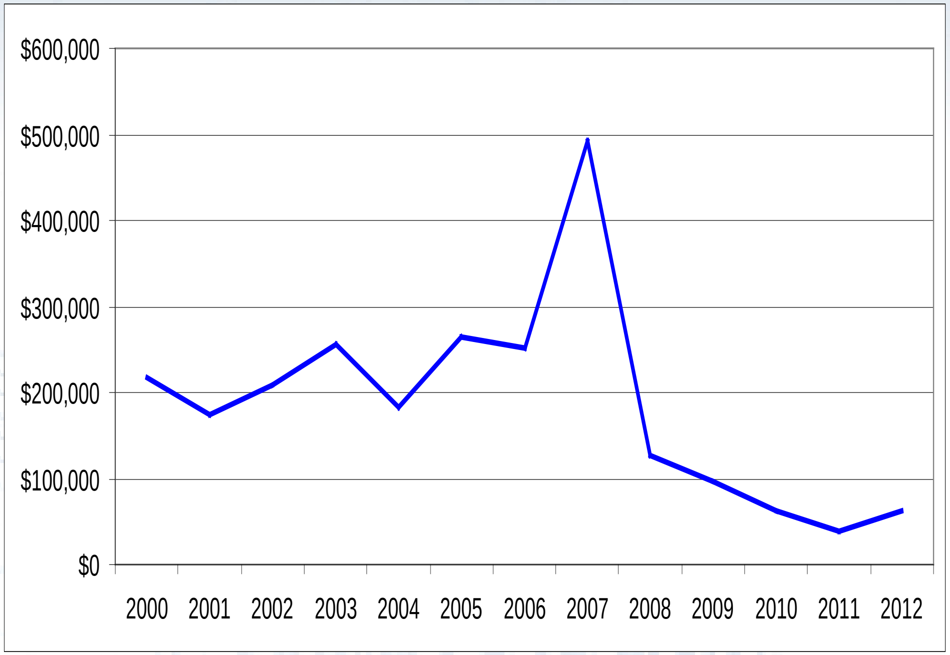
U.S. • Multifamily Housing

Top 8 Metros – September YTD 2011 vs. 2010

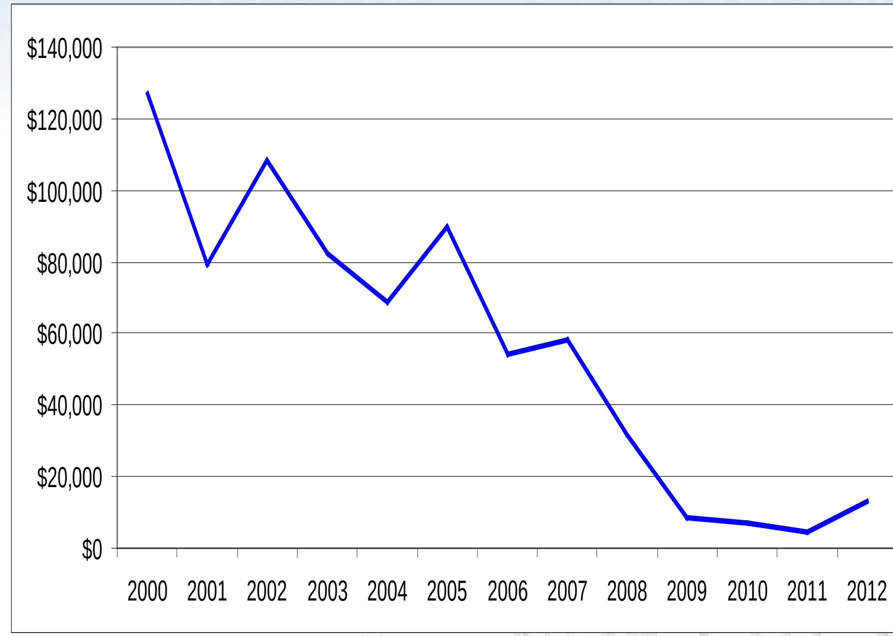


Sacramento: Retail/Warehouse

Retail

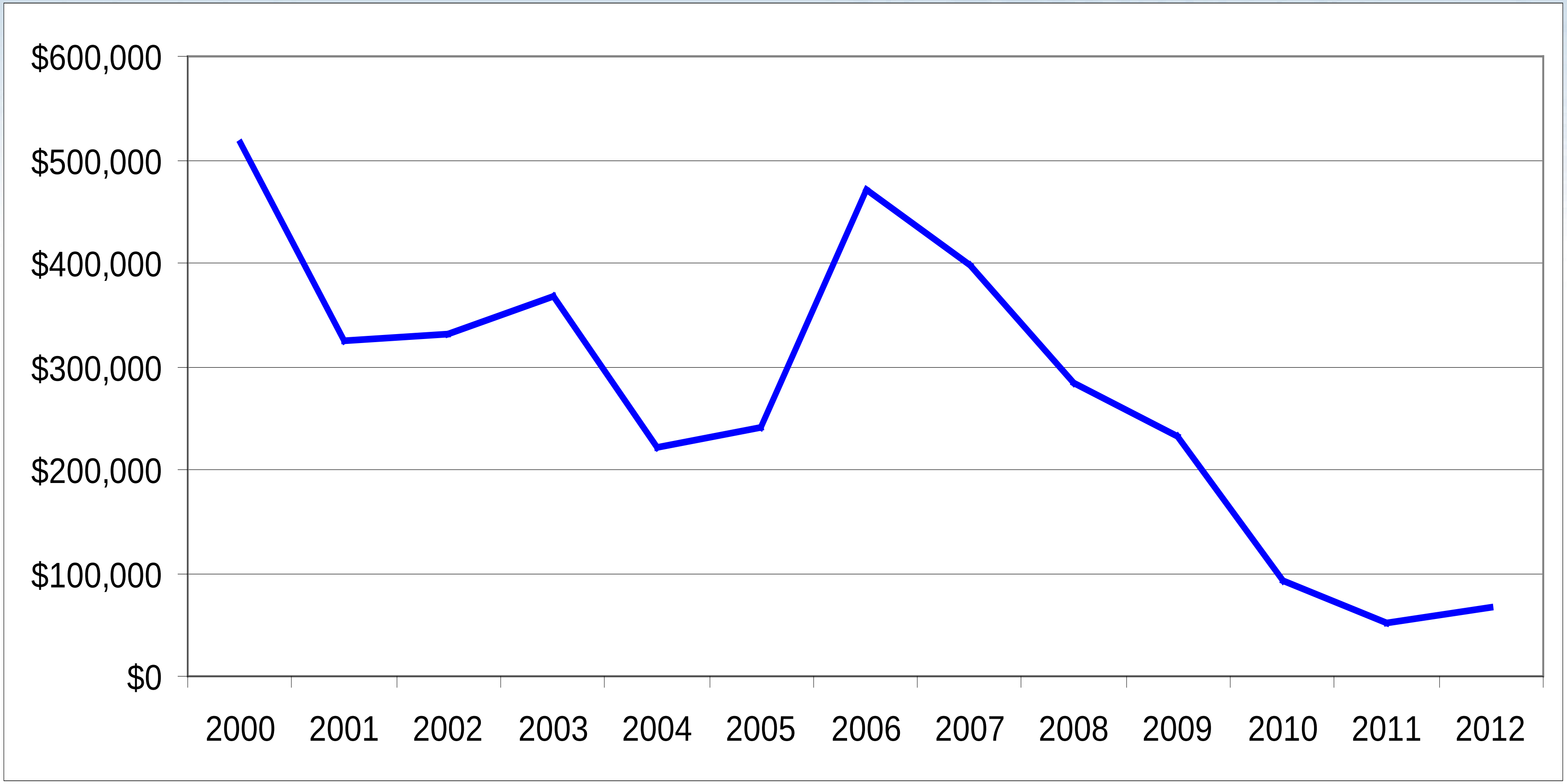


Warehouses



'$000.00

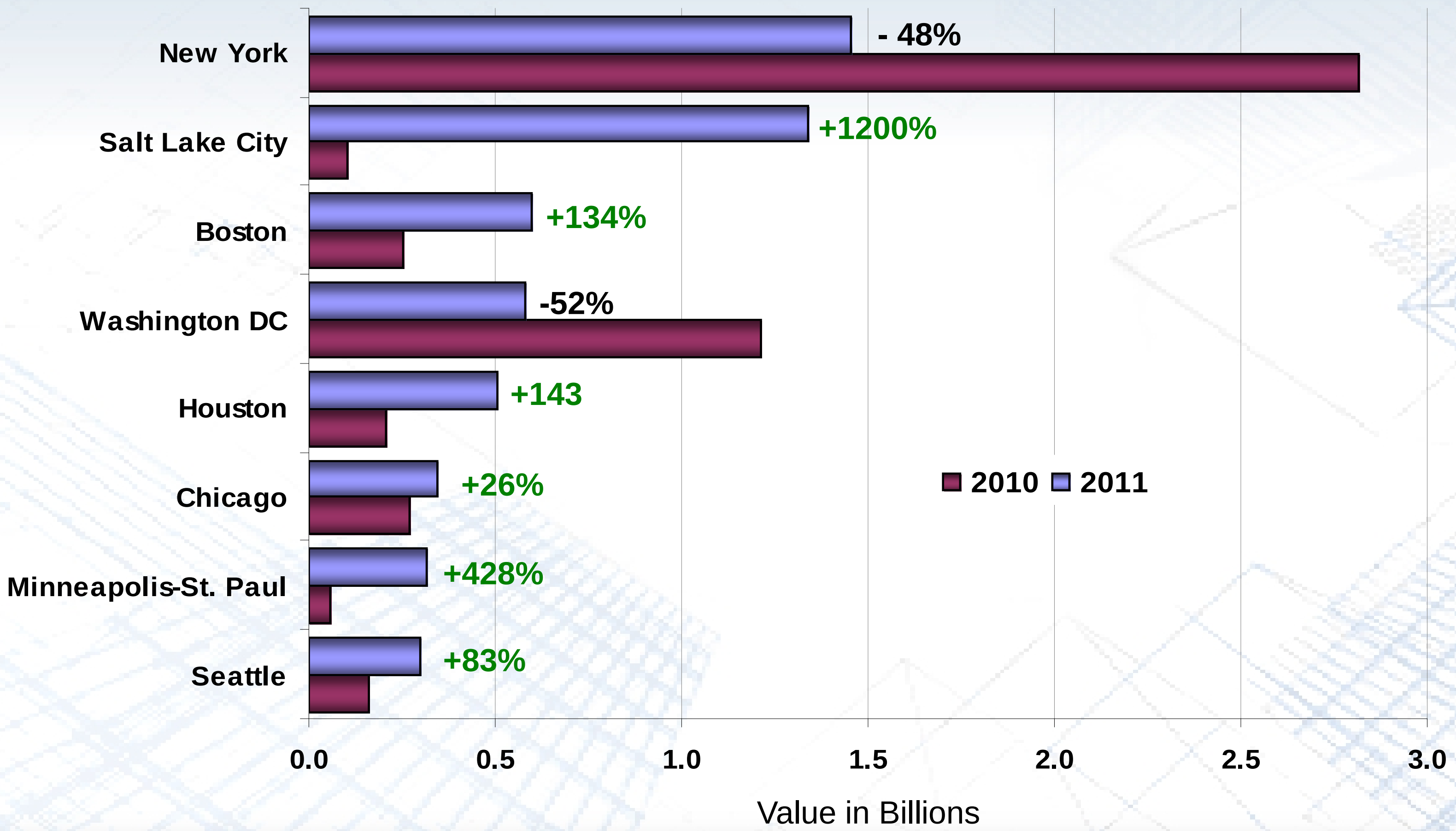
Sacramento: Offices



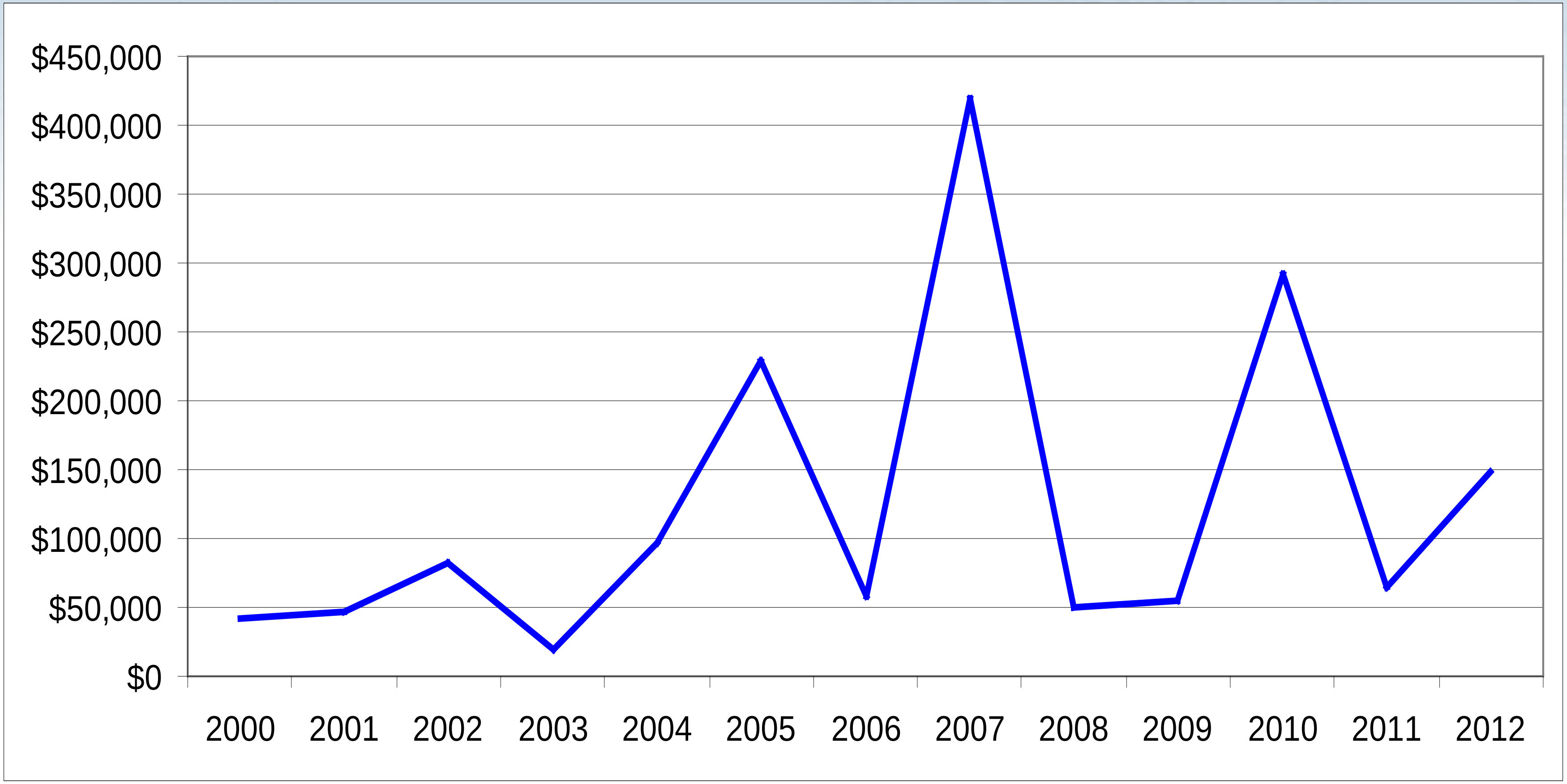
'$000.00

U.S. Commercial Buildings • Offices

Top 8 Metros – September YTD 2011 vs. 2010

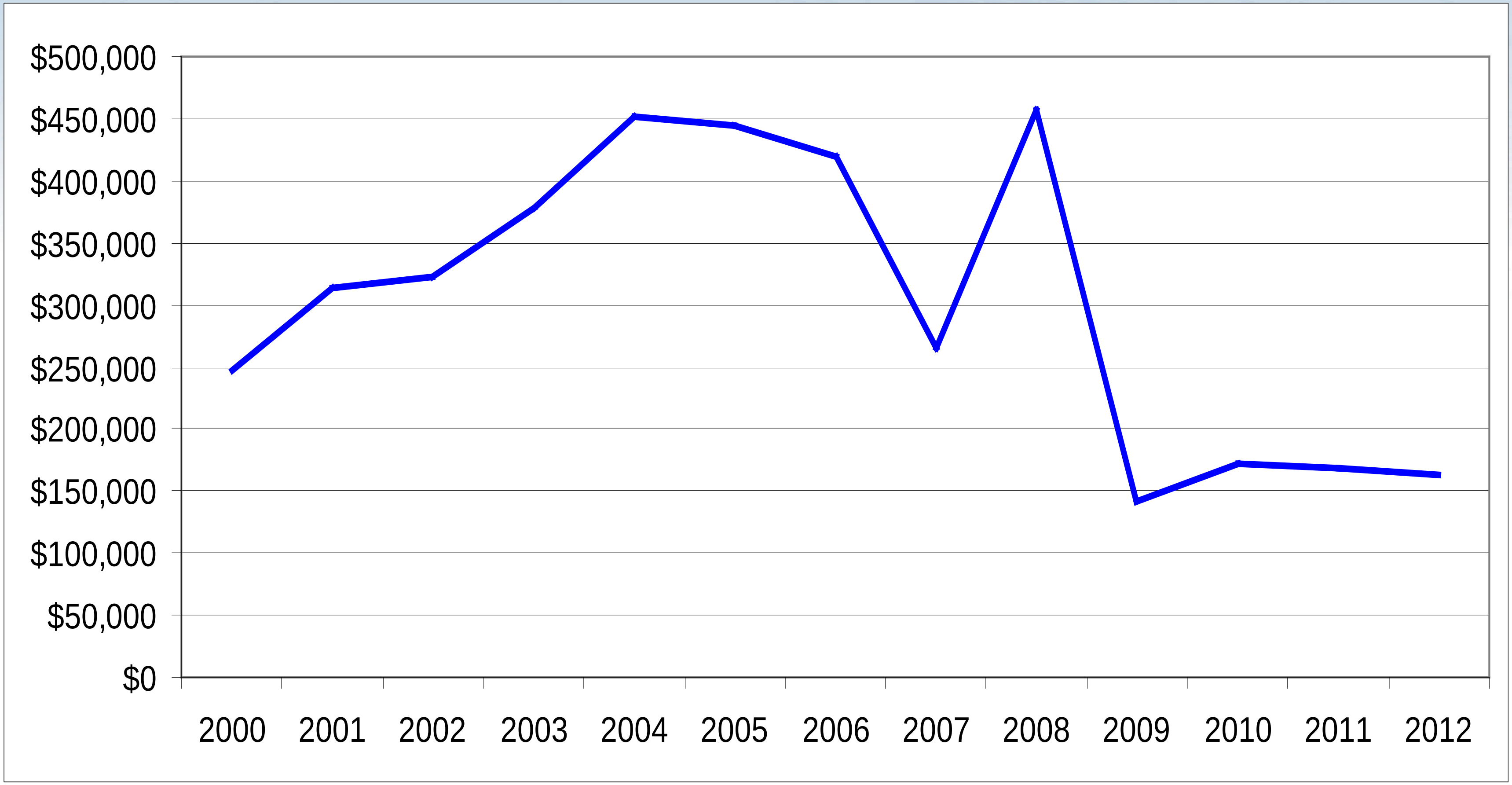


Sacramento: Healthcare



‘$000.00

Sacramento: Education



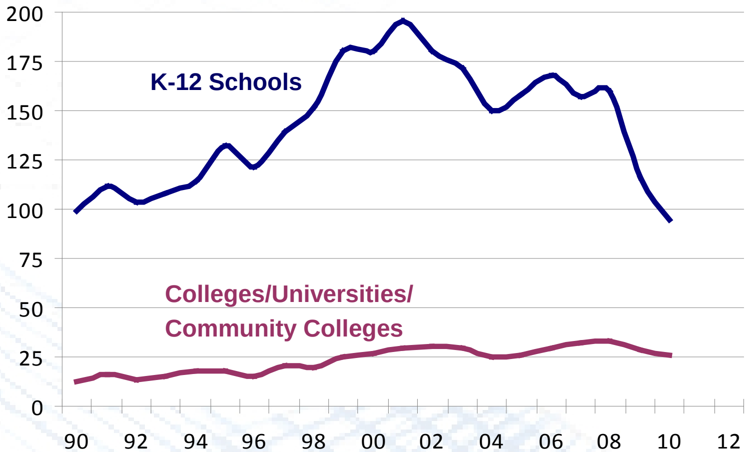
'$000.00

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.

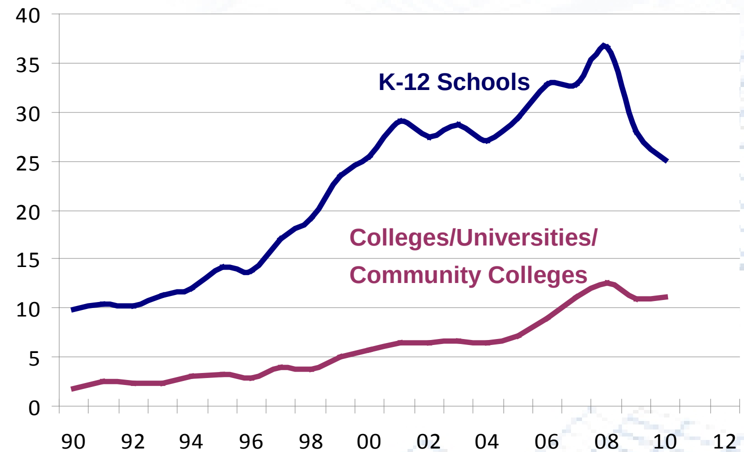
K-12 has typically shown steeper up-and-down swings.

Education Buildings - Segments
Millions of Sq. Ft.



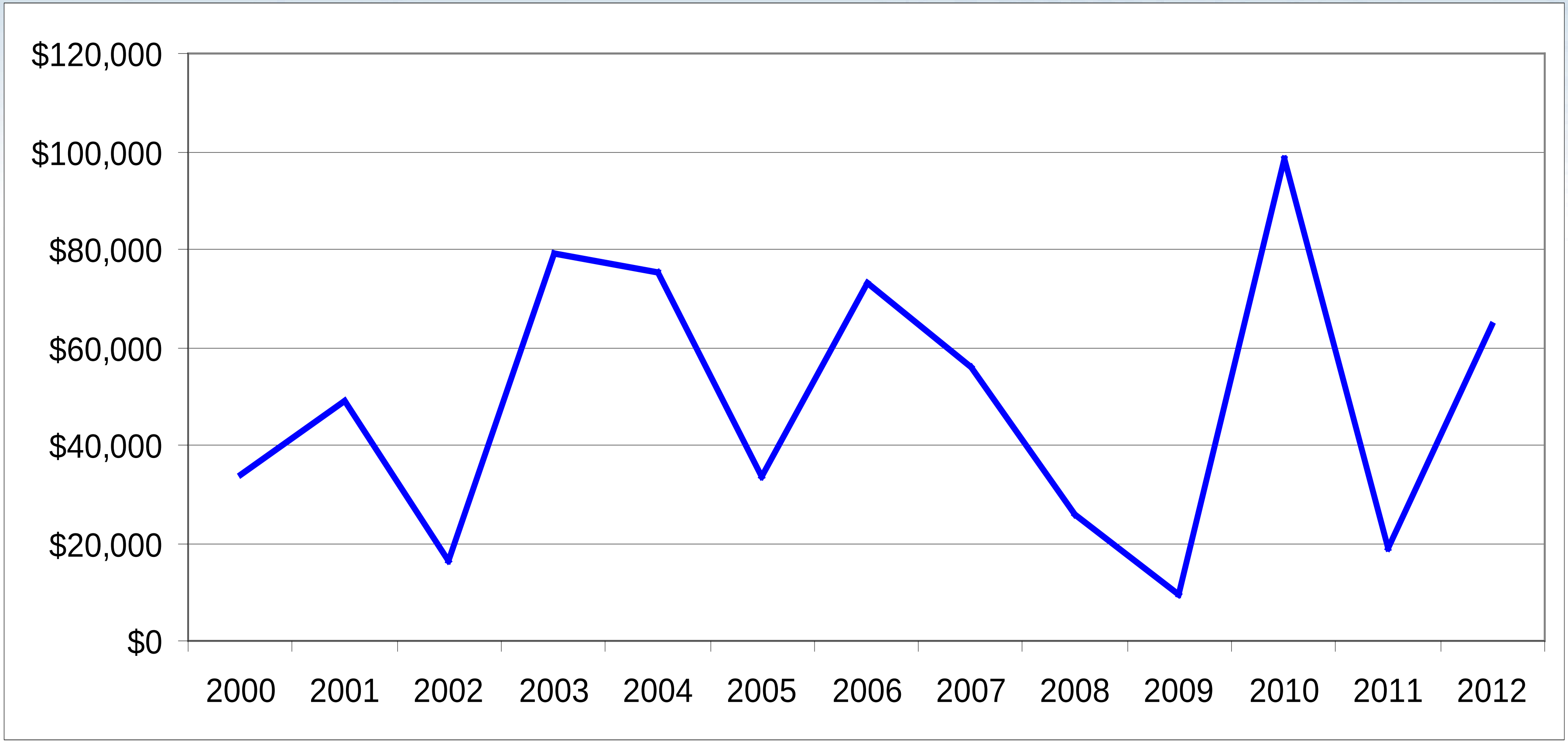
- In 2010, sq. ft for K-12 school construction was 3.6 times the size for Colleges/ Universities/Community Colleges

Education Buildings - Segments
Billions of Dollars



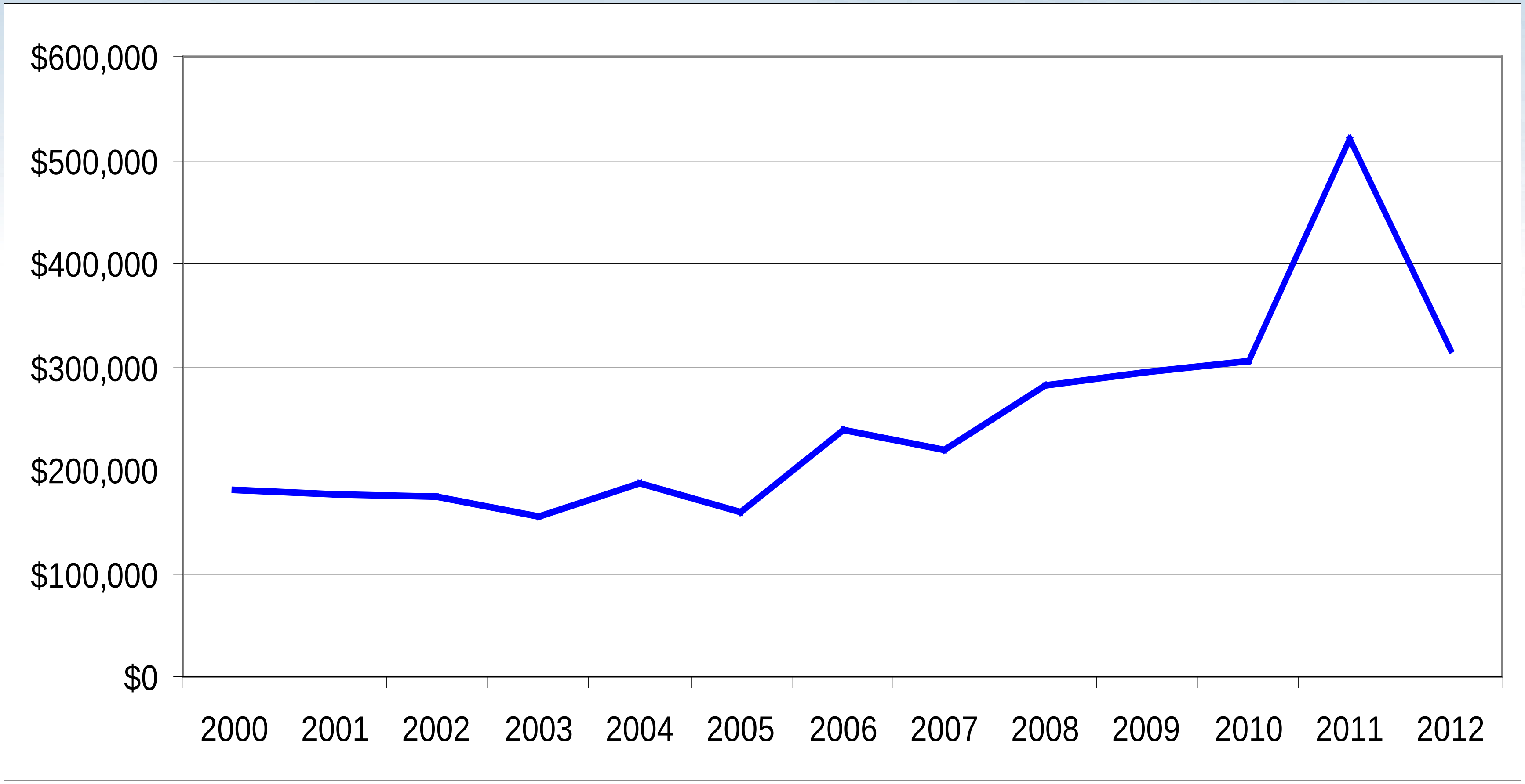
- In 2010, dollars for K-12 school construction was 2.3 times the size of Colleges/Universities/ Community Colleges

Sacramento: Public ex Schls



‘$000.00

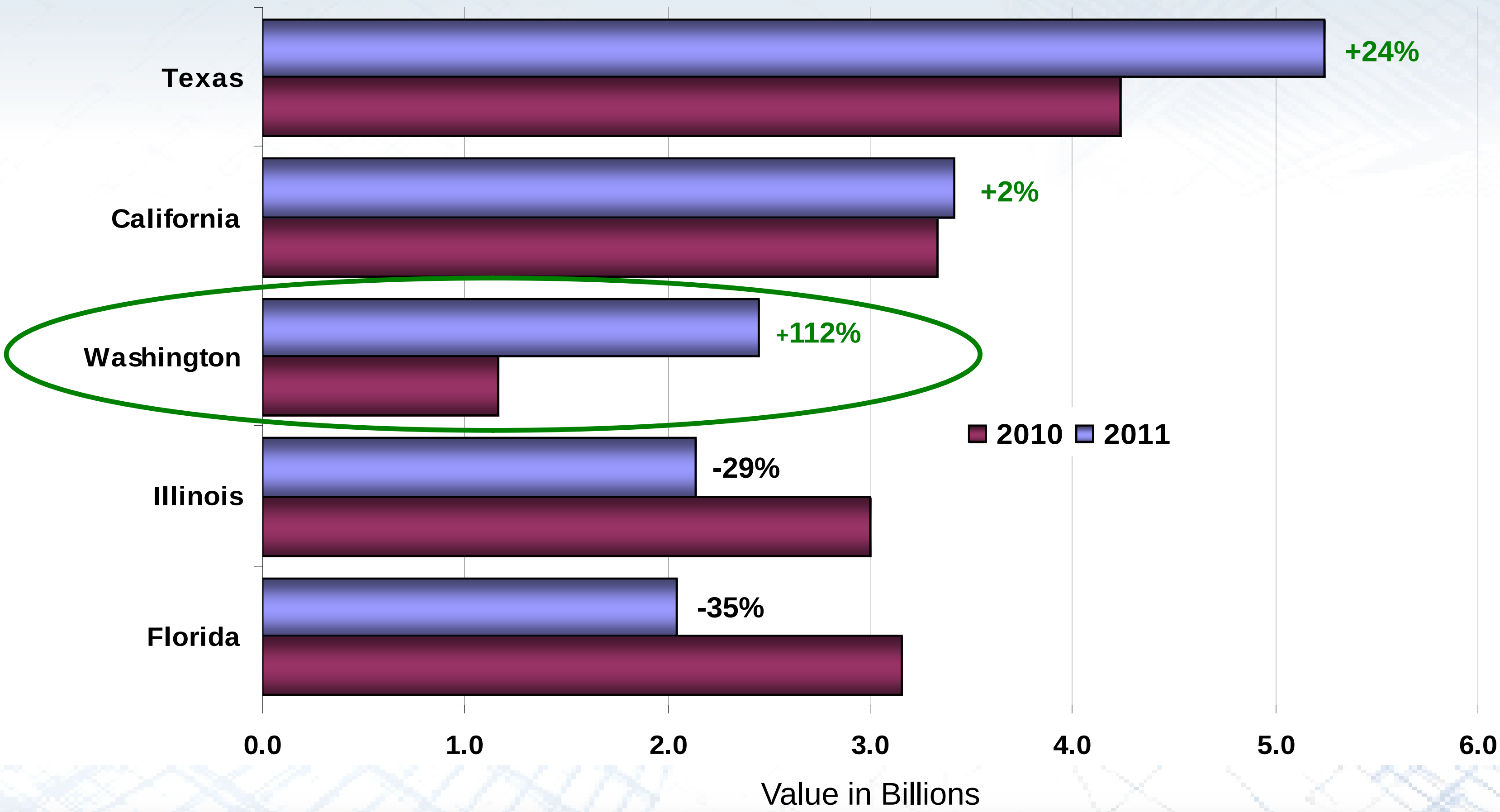
Sacramento: Highways



'$000.00

U.S. Public Works • Highways & Bridges

Top 5 States – September YTD 2011 vs. 2010



Sacramento:

	2006	2007	2008	2009	2010	2011	2012
MULTI RES	$462,693	$96,934	$161,566	$80,572	$79,841	$105,590	$184,863
		-79.1%	66.7%	-50.1%	-0.9%	32.2%	75.1%
EDUC	$419,382	$264,727	$457,710	$142,183	$171,359	$168,112	$162,612
		-36.9%	72.9%	-68.9%	20.5%	-1.9%	-3.3%
HEALTH	$57,863	$419,582	$49,644	$54,745	$292,331	$64,935	$147,897
		625.1%	-88.2%	10.3%	434.0%	-77.8%	127.8%
HOTEL	$46,000	$15,500	$26,489	$254,500	$1,209	$4,423	$3,722
		-66.3%	70.9%	860.8%	-99.5%	265.8%	-15.8%
MFG	$12,005	$21,600	$902	$4,404	$26,761	$10,700	$21,367
		79.9%	-95.8%	388.2%	507.7%	-60.0%	99.7%
OFFICE	$470,676	$397,890	$284,601	$232,682	$92,154	$51,879	$66,528
		-15.5%	-28.5%	-18.2%	-60.4%	-43.7%	28.2%
ONEFAM	$2,013,531	$1,770,494	$979,295	$623,365	$616,778	$552,064	$653,746
		-12.1%	-44.7%	-36.3%	-1.1%	-10.5%	18.4%
PUB	$73,311	$55,957	$25,840	$9,650	$98,367	$19,023	$64,335
		-23.7%	-53.8%	-62.7%	919.3%	-80.7%	238.2%
RETAIL	$252,644	$492,122	$126,857	$97,330	$62,414	$39,351	$61,817
		94.8%	-74.2%	-23.3%	-35.9%	-37.0%	57.1%
HIGHWAY	$239,730	$219,367	$282,349	$294,473	$304,885	$519,872	$316,041
		-8.5%	28.7%	4.3%	3.5%	70.5%	-39.2%
WARENM	$54,407	$57,972	$31,696	$8,768	$6,881	$4,739	$12,901
		6.6%	-45.3%	-72.3%	-21.5%	-31.1%	172.3%
WATER	$178,076	$357,448	$293,325	$124,506	$51,214	$52,733	$27,729
		100.7%	-17.9%	-57.6%	-58.9%	3.0%	-47.4%
TOTAL	$5,106,956	$5,067,557	$3,591,127	$3,005,778	$2,177,610	$2,337,190	$2,273,896
		-0.8%	-29.1%	-16.3%	-27.6%	7.3%	-2.7%

‘$000.00

Questions?

Cliff Brewis
Senior Director Operations
McGraw-Hill Construction/Dodge
510-566-0913
cliff_brewis@mcgraw-hill.com

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%