

McGraw Hill Construction

Outlook

2015 EXECUTIVE CONFERENCE

2015 Dodge Construction Outlook

Cliff Brewis

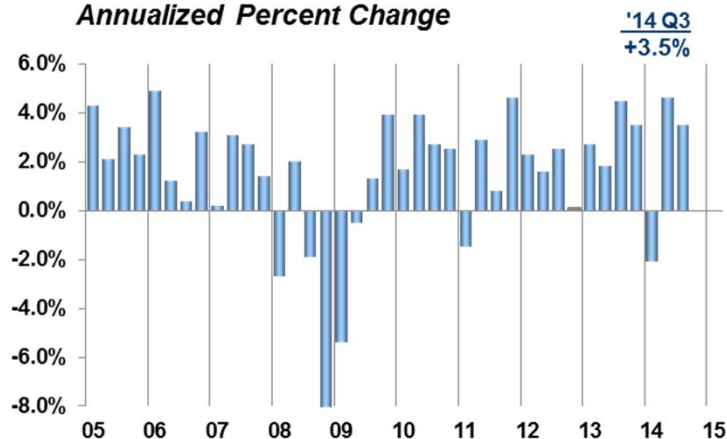
Vice President Operations

Dodge Data & Analytics

U.S. Macroeconomic Outlook

After a weak start to 2014, the pace of economic growth has picked up.

Real GDP Growth - Quarterly
Annualized Percent Change



GDP Pattern:

History

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
+2.5%	+1.6%	+2.3%	+2.2%

Forecast

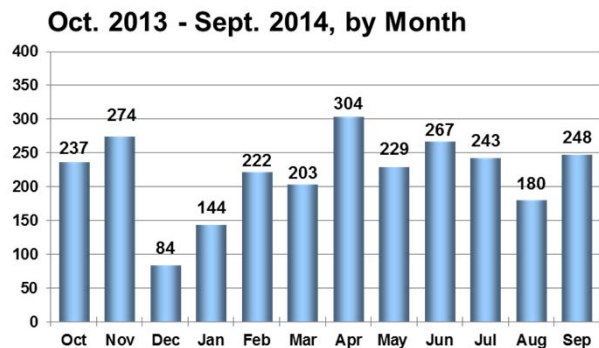
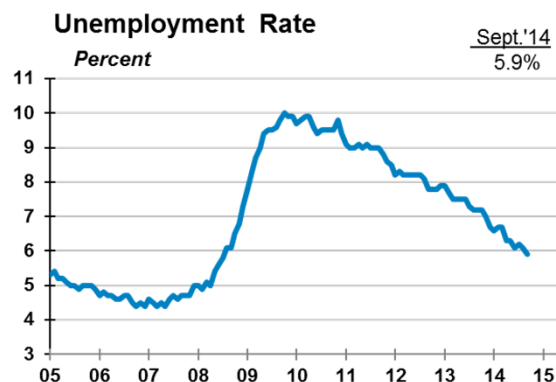
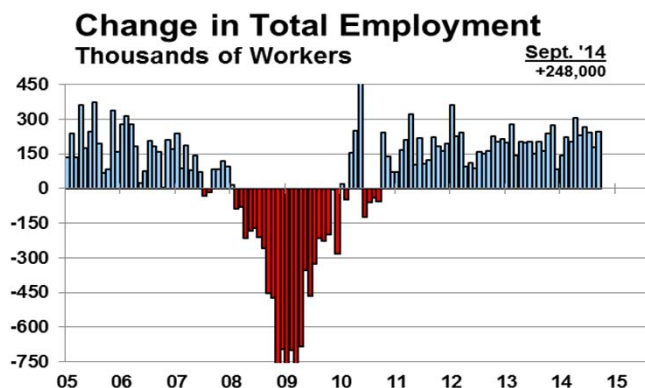
<u>2014</u>	<u>2015</u>
+2.2%	+3.3%

Shape of Recovery:

- Subdued –
Periods of moderate expansion have been followed by deceleration.
- Reliance on private sector diminished by improving local public financials.
- Limited Federal Contribution
- Cost of money will stay low

U.S. Macroeconomic Outlook

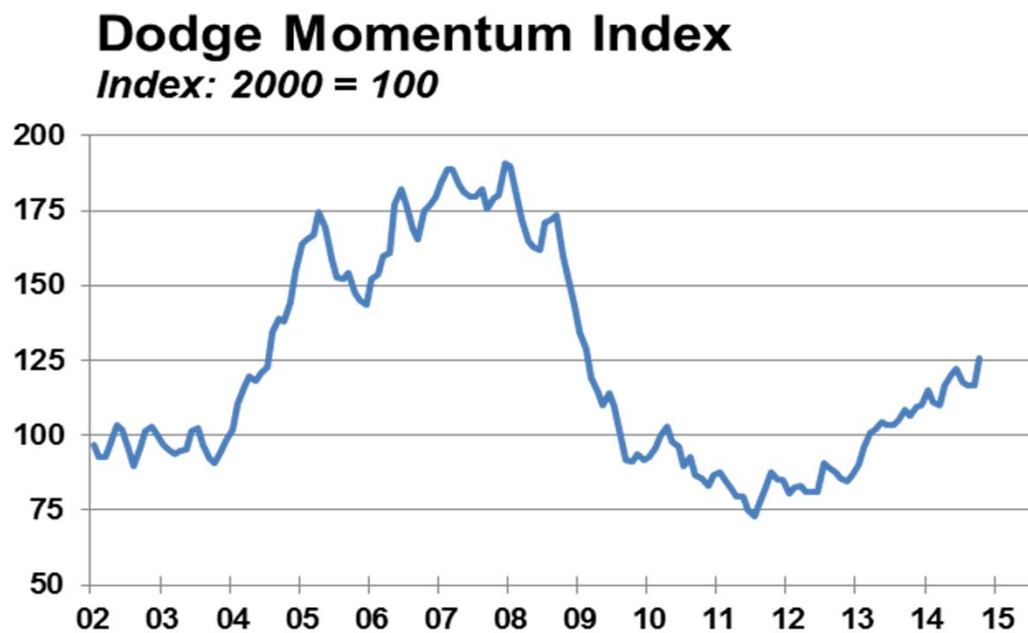
Employment growth has shown steady growth in the February-September period.



- Jobs lost from Feb.'08 to Feb. '10: 8.7 Million.
- Job creation so far in 2010-2014:
9.1 Million. Unemployment rate at 5.9%
- Job growth in Jan.'13-Nov.'13: 204,000 /mo.
in Dec.'13-Jan.'14: 114,000 /mo.
in Feb.'14.-Sept.'14: 237,000 /mo.

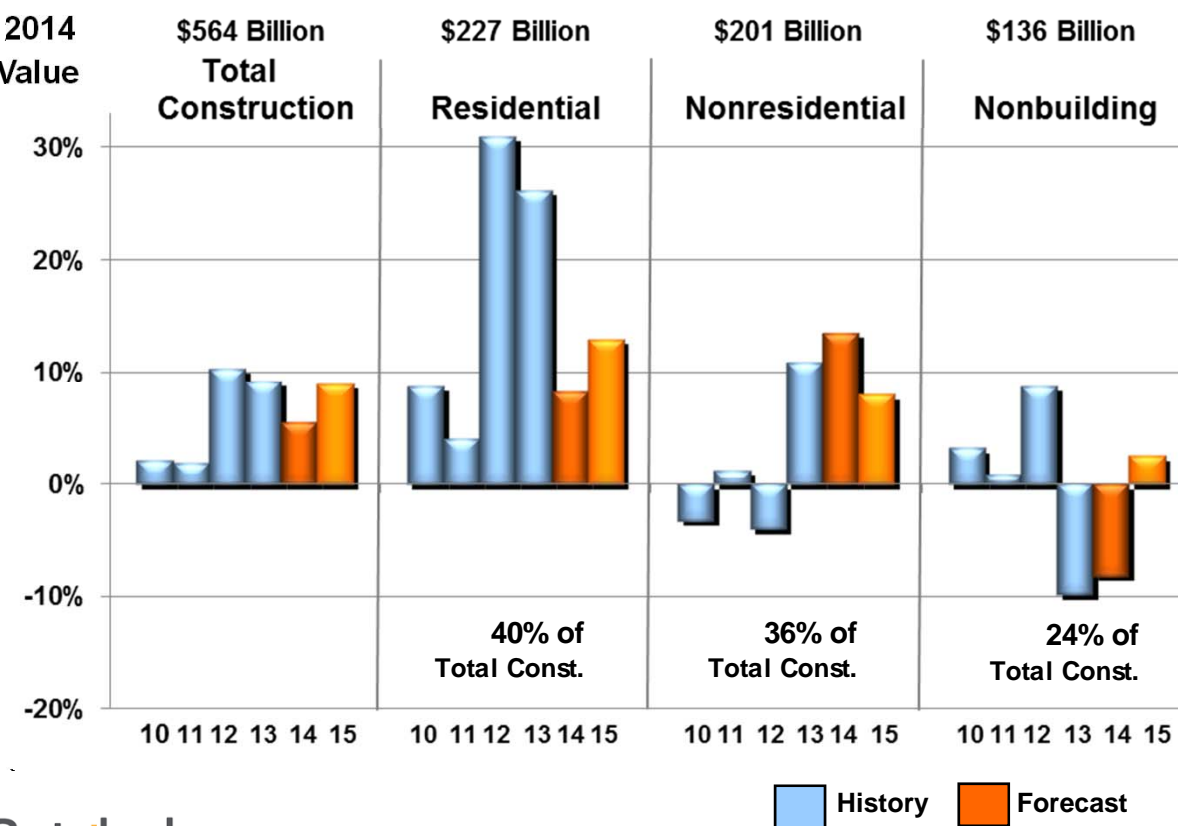
U.S. Construction Market Outlook –

The Dodge Momentum Index offers insight on what's ahead.



U.S. Construction Market Outlook –

Percent Change, 2010-2015, for Total Construction Starts and Major Sectors.



Residential

- Single Family
- Multifamily

Nonresidential

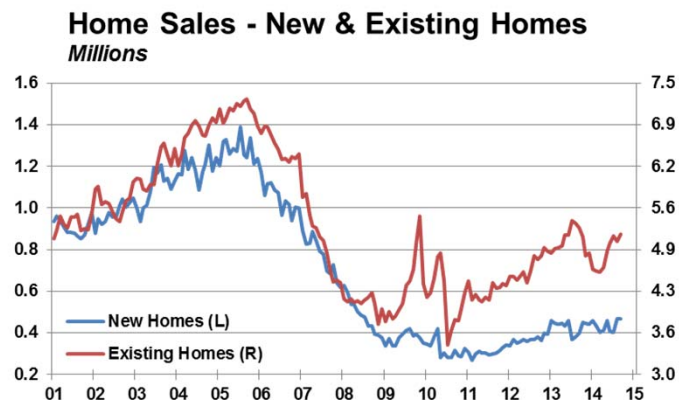
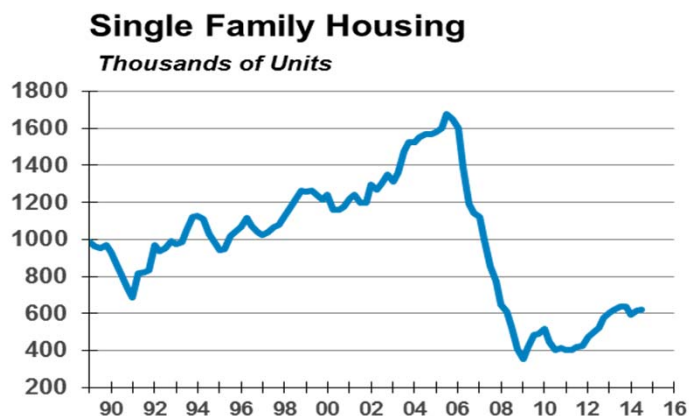
- Offices
- Hotels
- Warehouses
- Stores
- Education
- Healthcare
- Other Institutional
- Manufacturing

Nonbuilding

- Highways & Bridges
- Environmental Public Works
- Other Public Works
- Electric Utilities

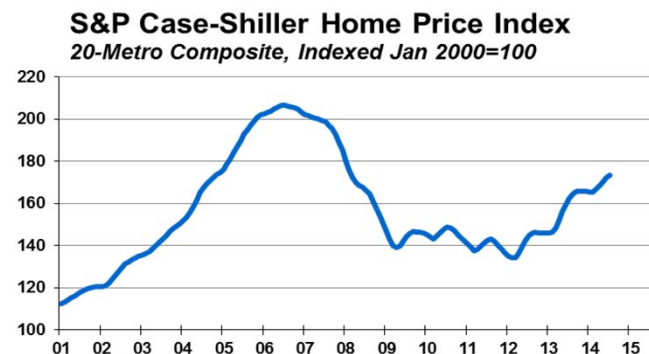
U.S. Residential – Single Family Housing

In 2014, single family housing stalled. Sales heading up, but hesitantly. Home prices still increasing.



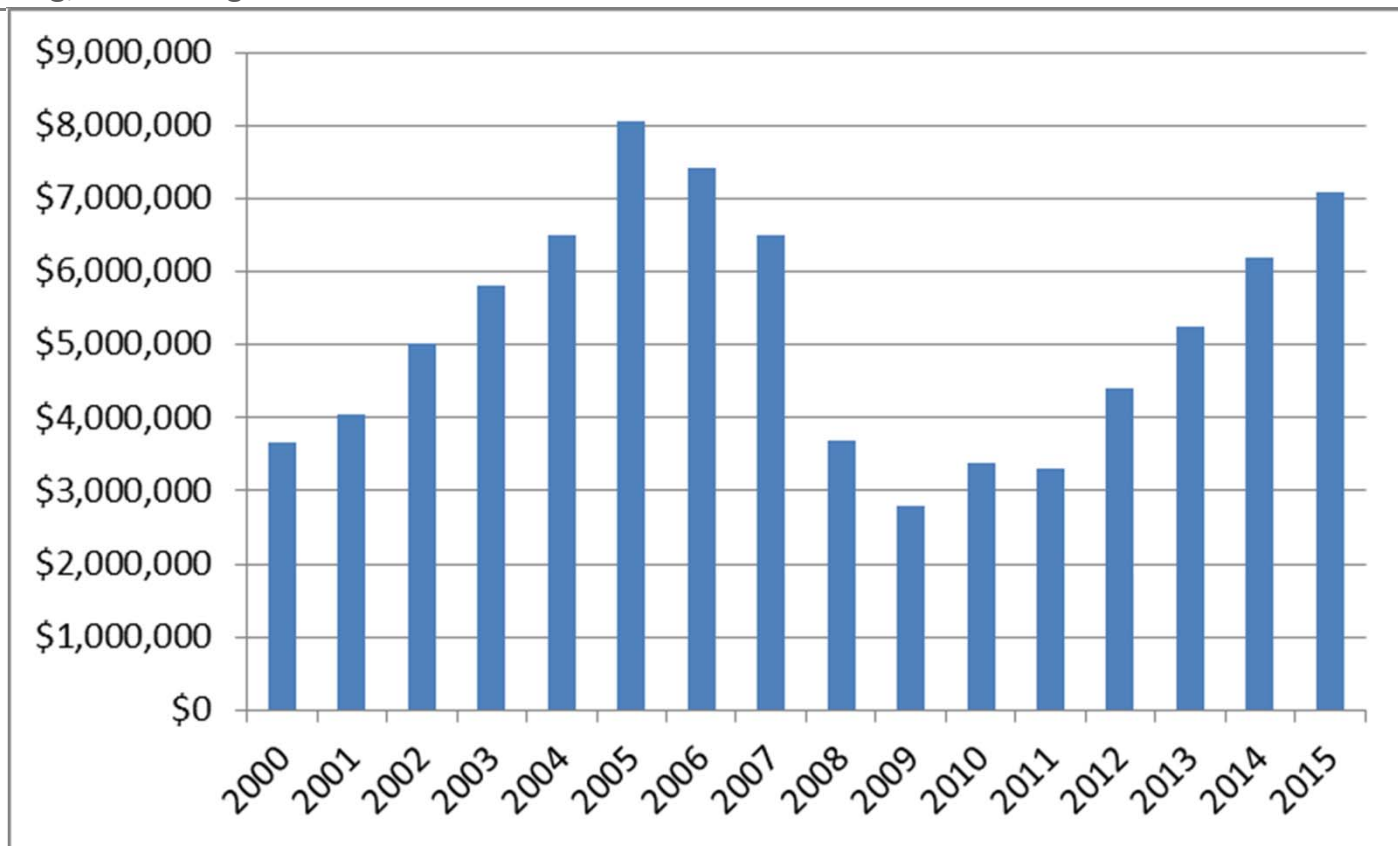
Issues:

1. Underwater Homeowners
2. New Home Prices
3. Financials of First Time Home Buyers



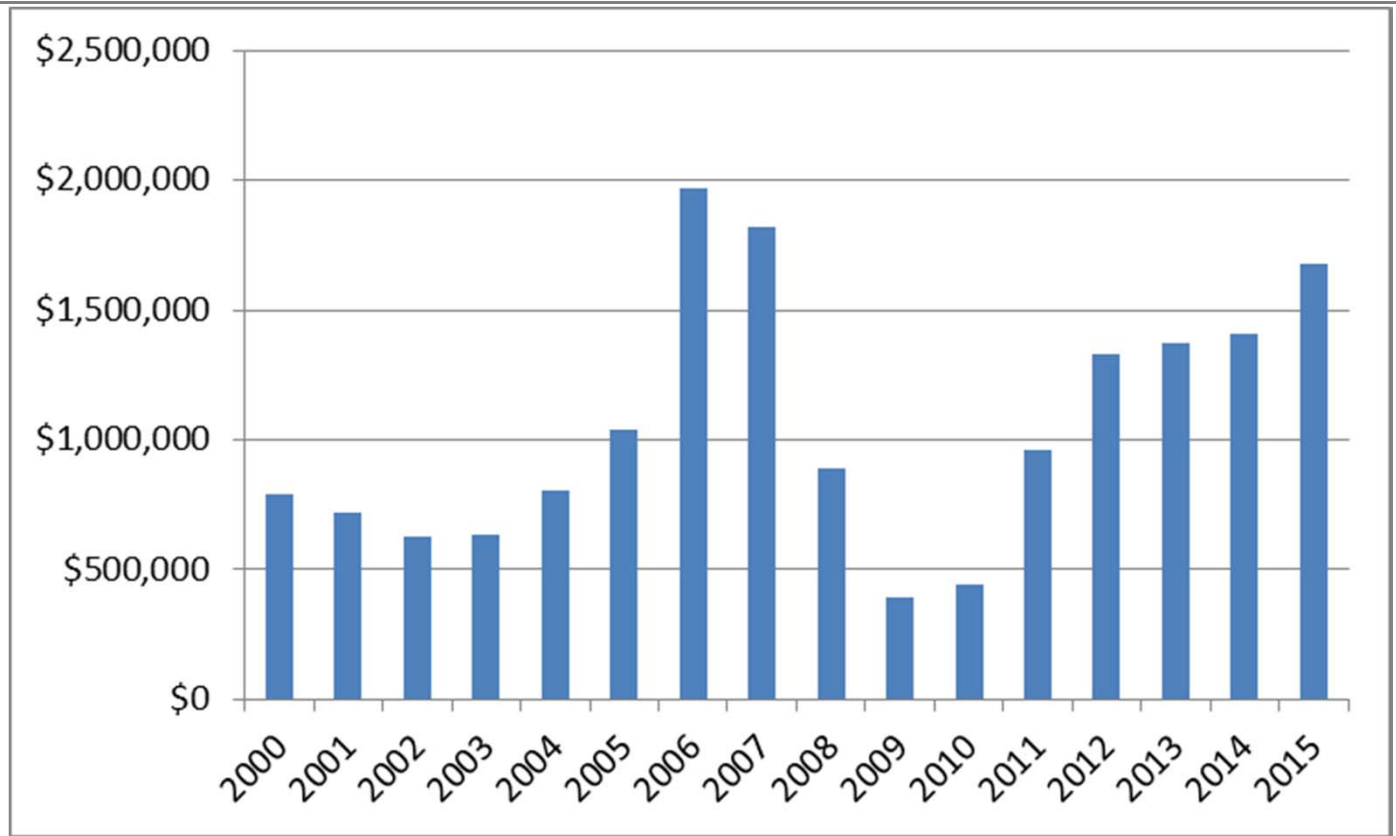
Washington— Single Family Housing

Growth diminishing, but stronger than most markets.



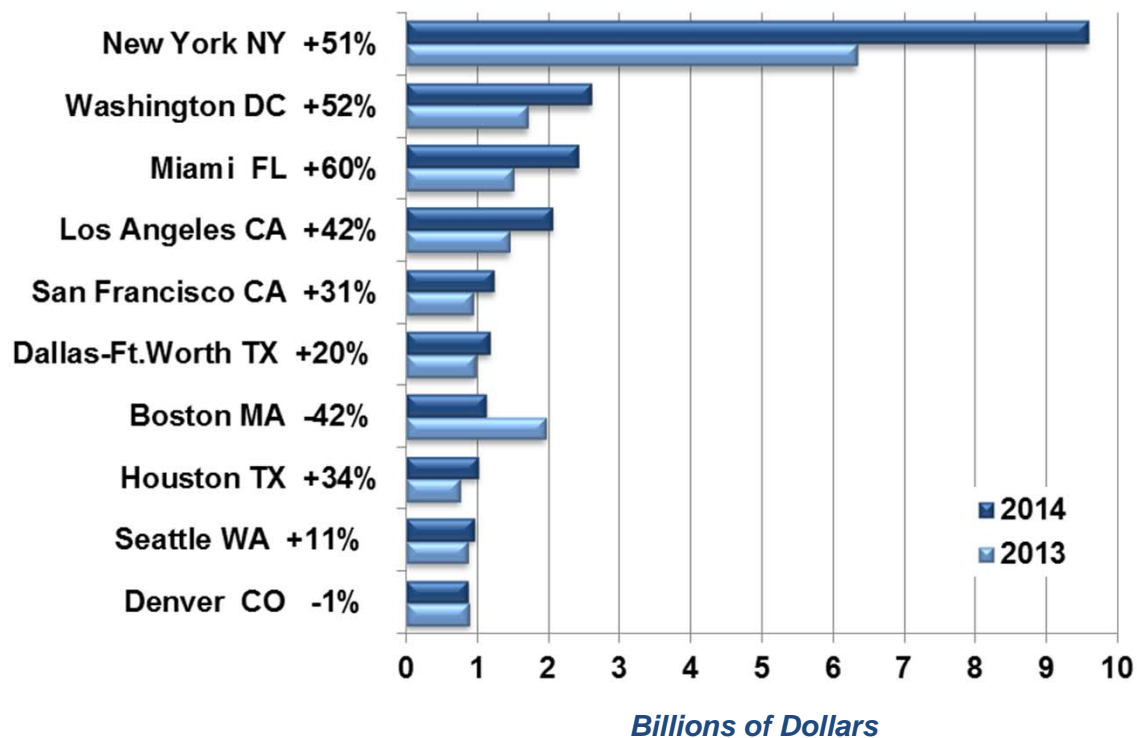
Washington— Multifamily Housing

After three comparable years, another burst in 2015.



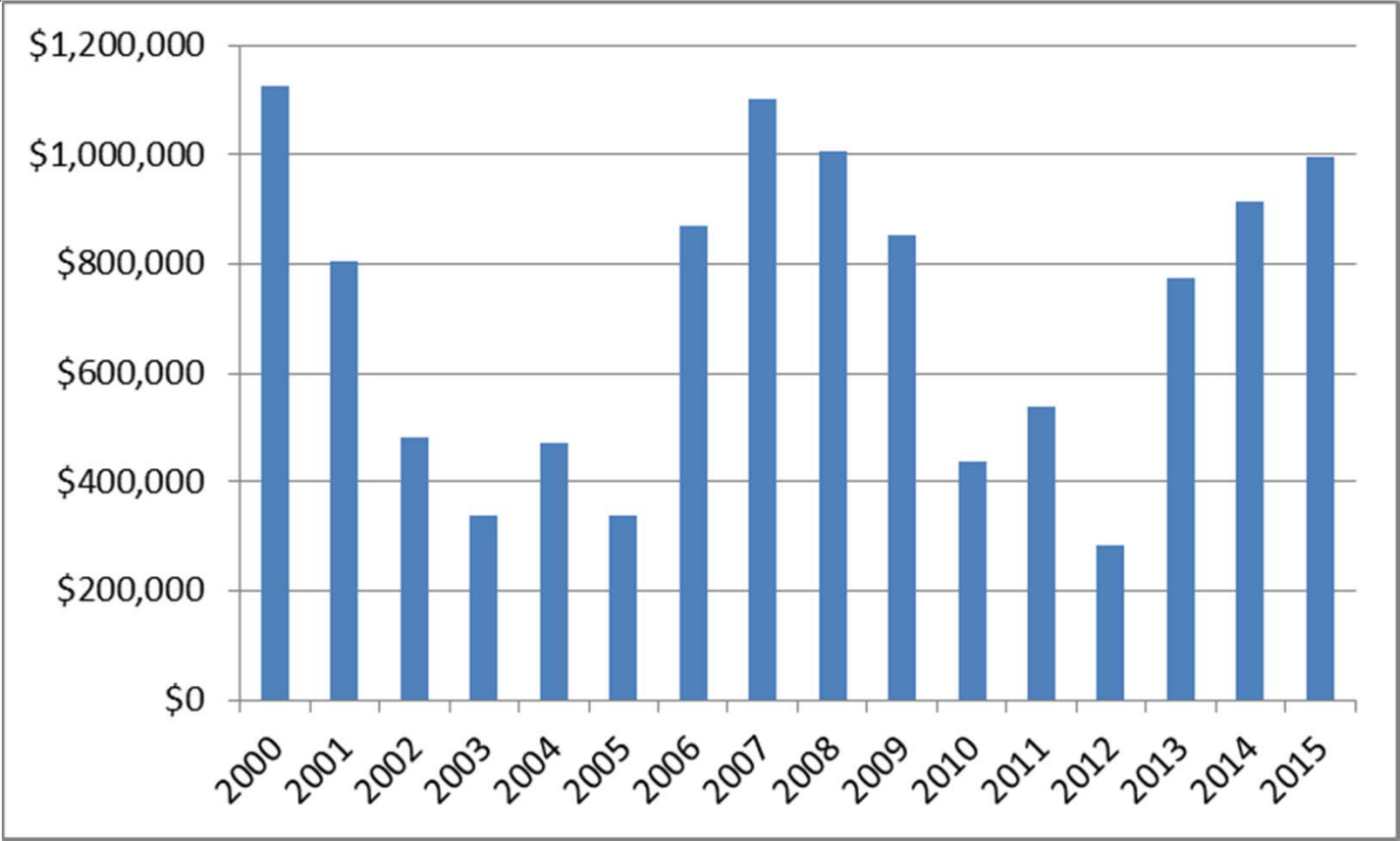
U.S. Residential – Multifamily Housing

Top 10 Metros - 9 months year-to-date, 2014 vs. 2013. Based on Dollars.



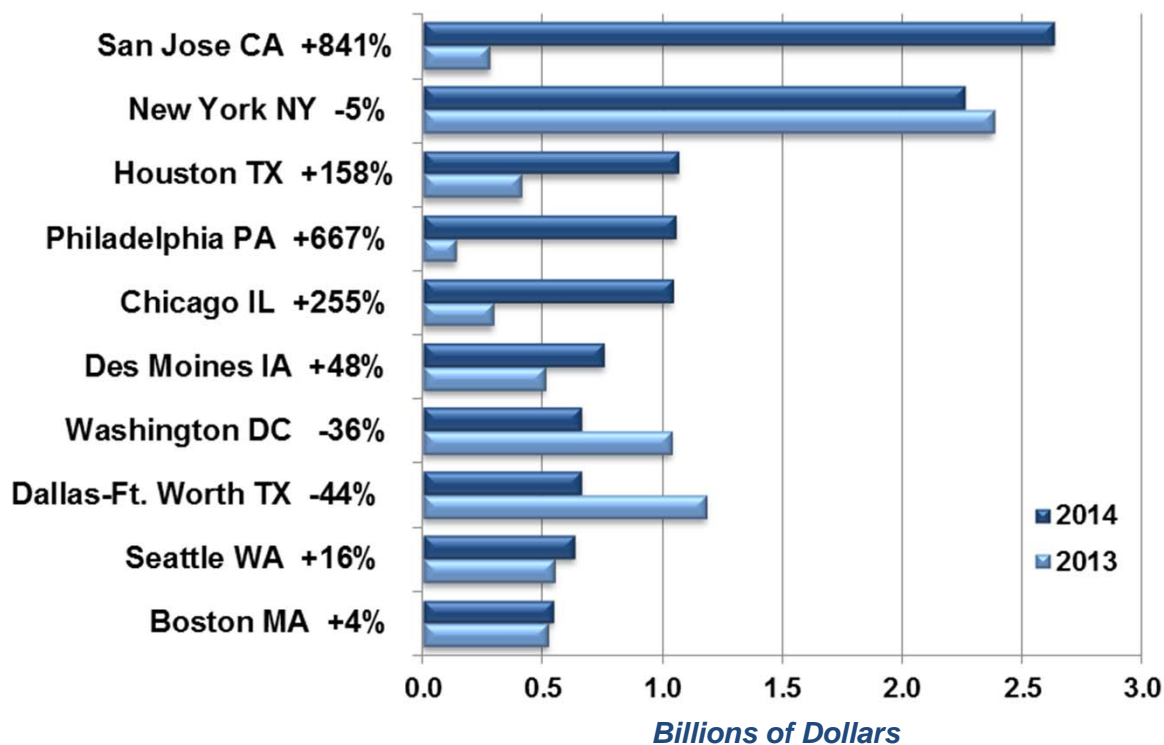
Washington– Office Buildings

Third strong year.



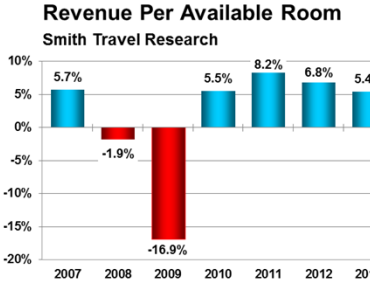
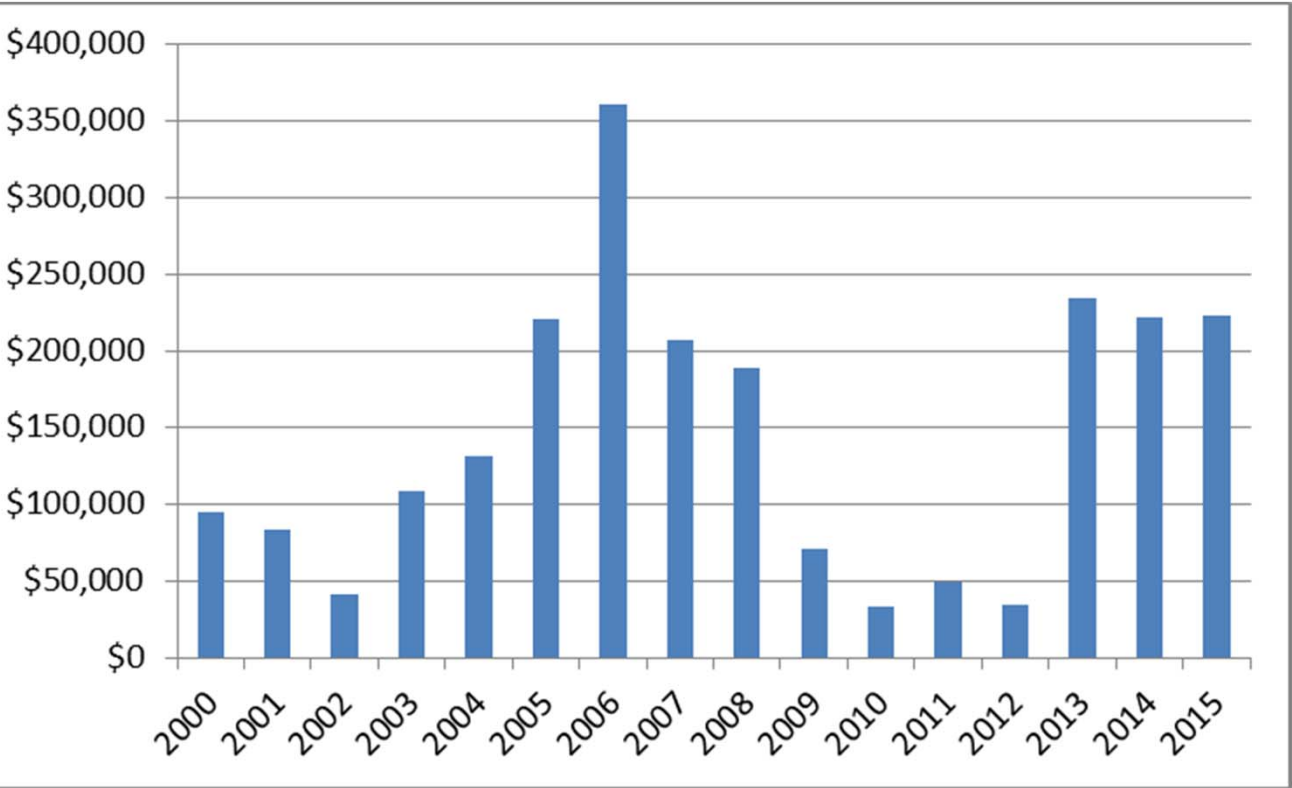
U.S. Commercial – Office Buildings

Top 10 Metros - 9 months year-to-date, 2014 vs. 2013. Based on Dollars



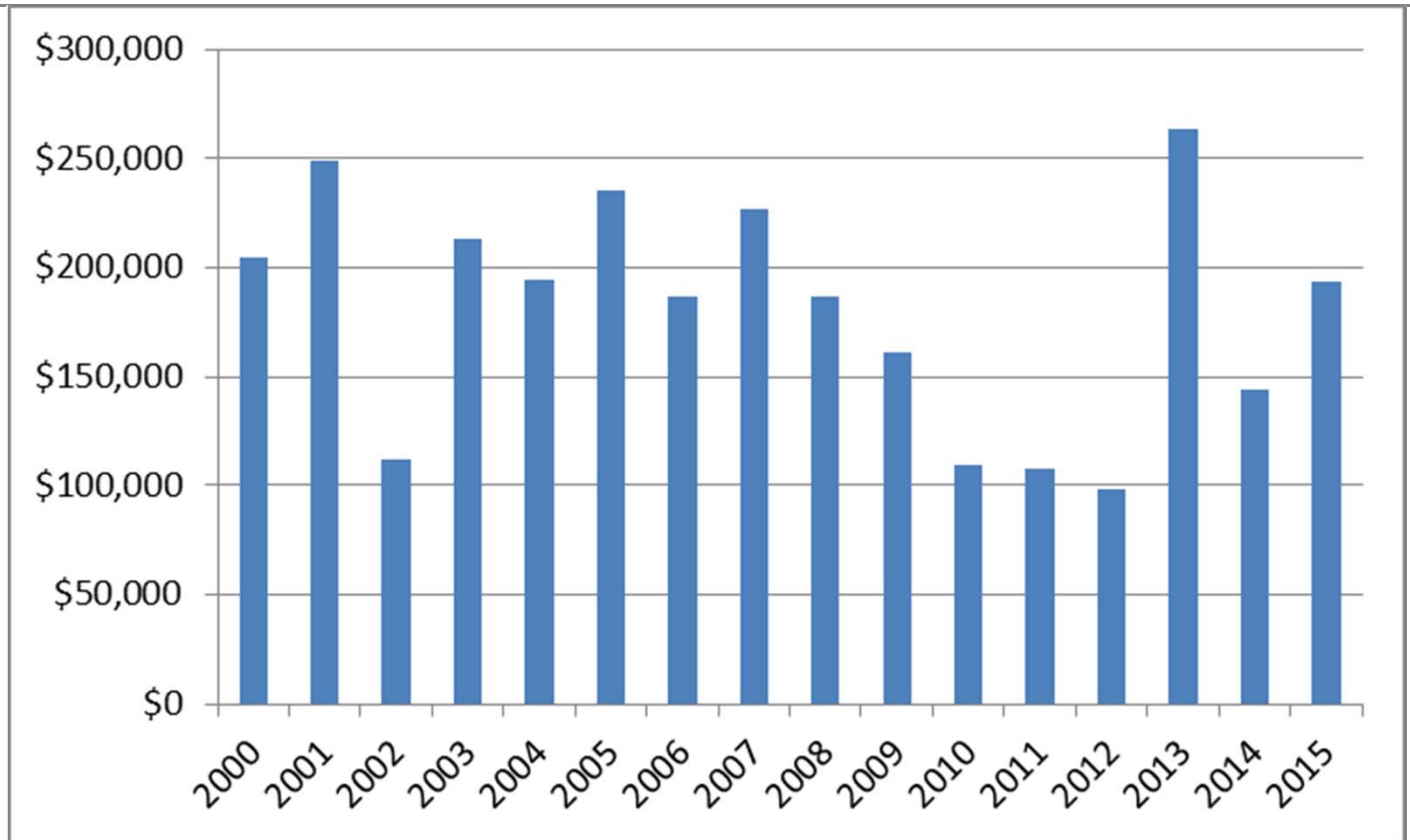
Washington– Hotels

Three comparable years.



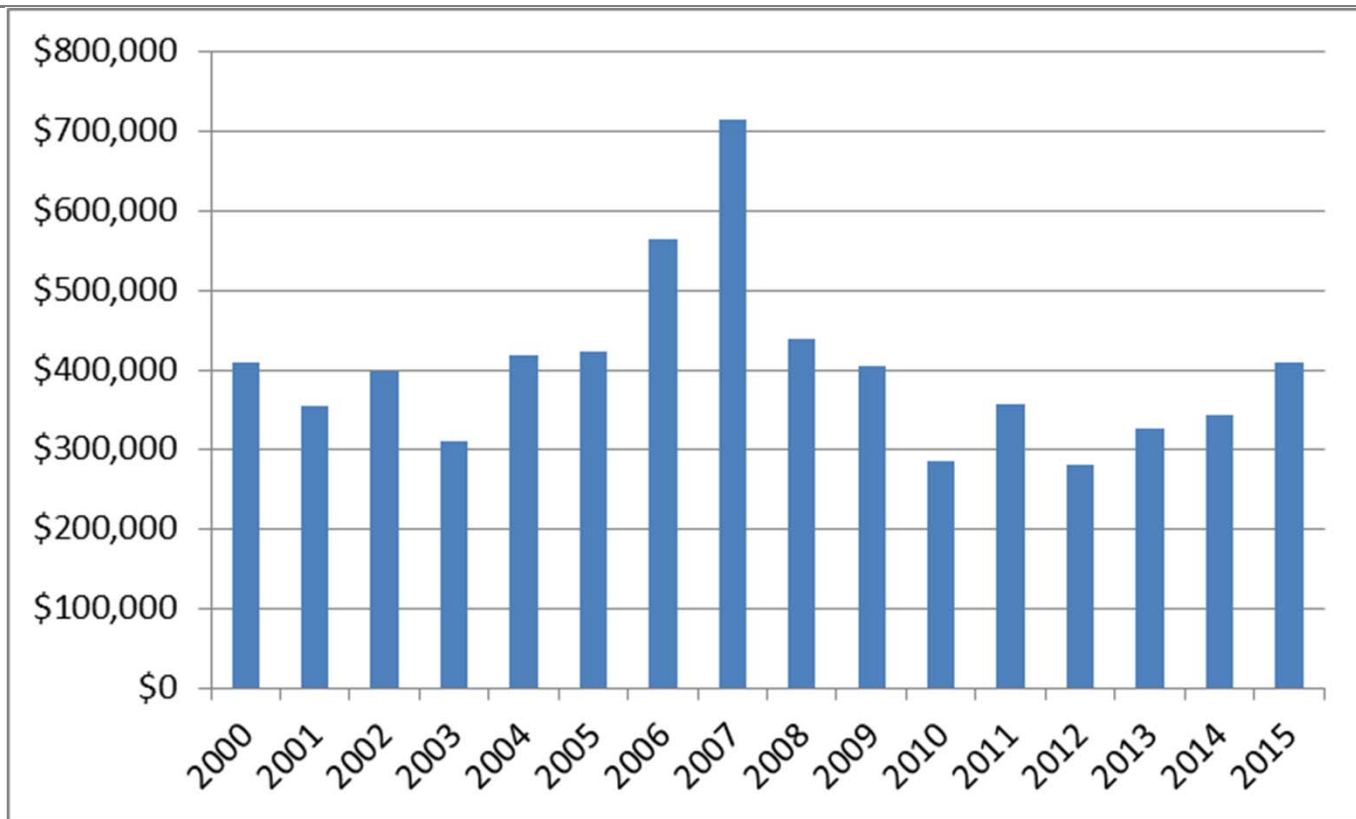
Washington– Warehouses

A more erratic structure type. Influence of port.



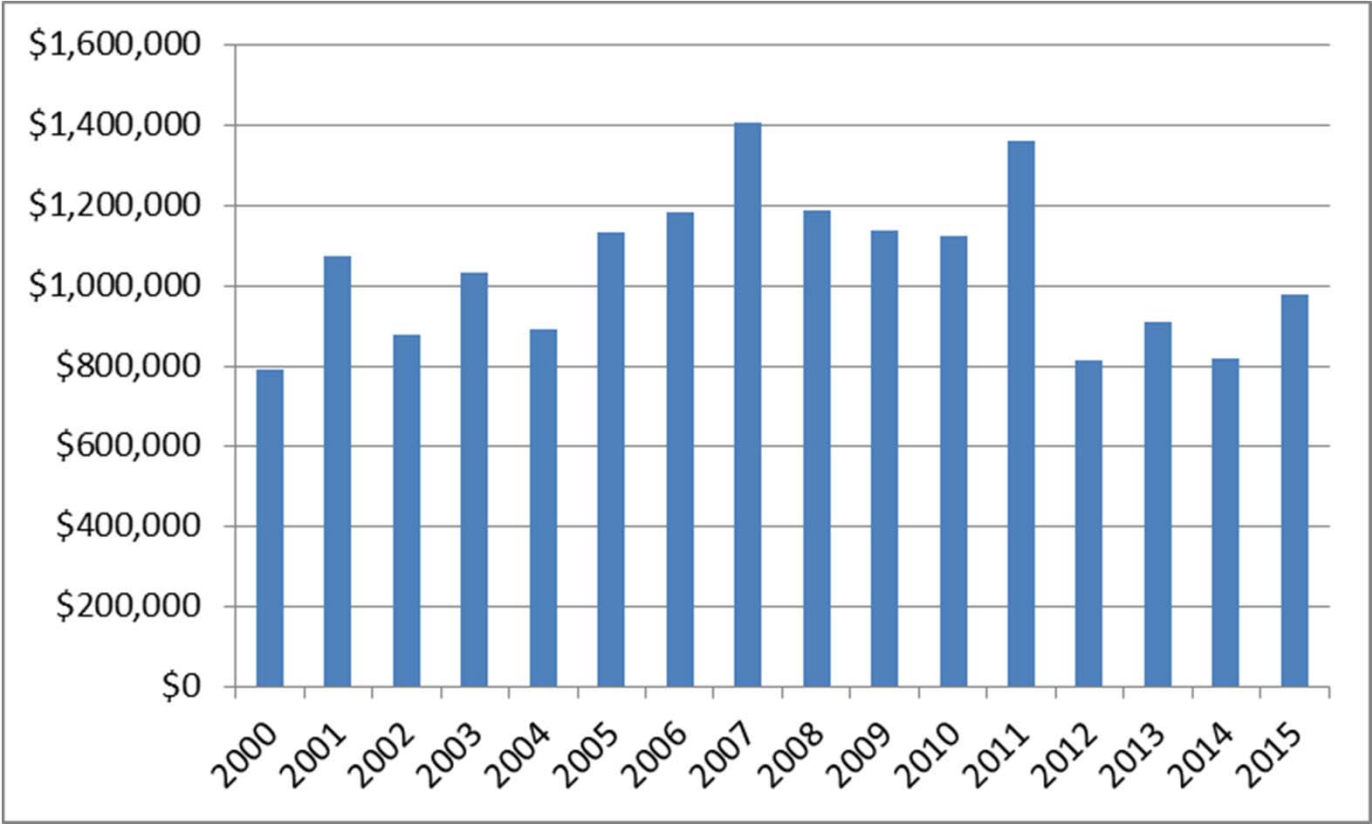
Washington– Retail

Holiday Season and price of oil will dictate 2015.



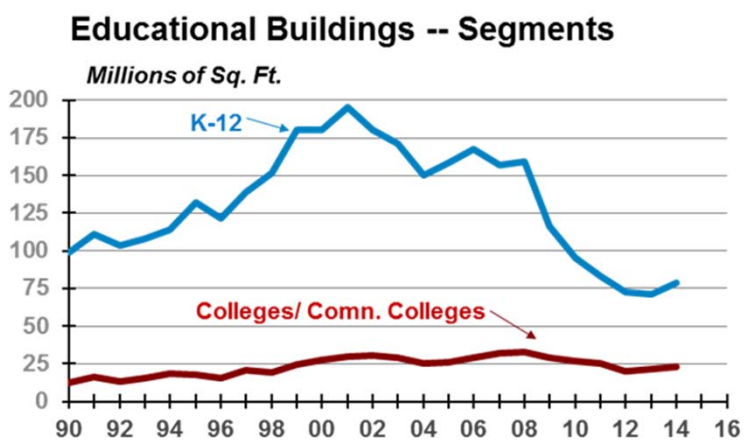
Washington– Educational Buildings

The decline for the educational building category has ended, now turning up.

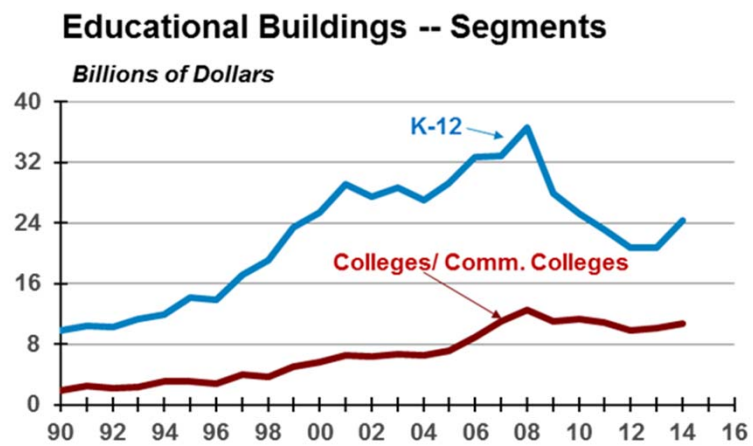


U.S. Institutional – Educational Buildings

K-12 school construction is larger and more volatile than colleges and universities.



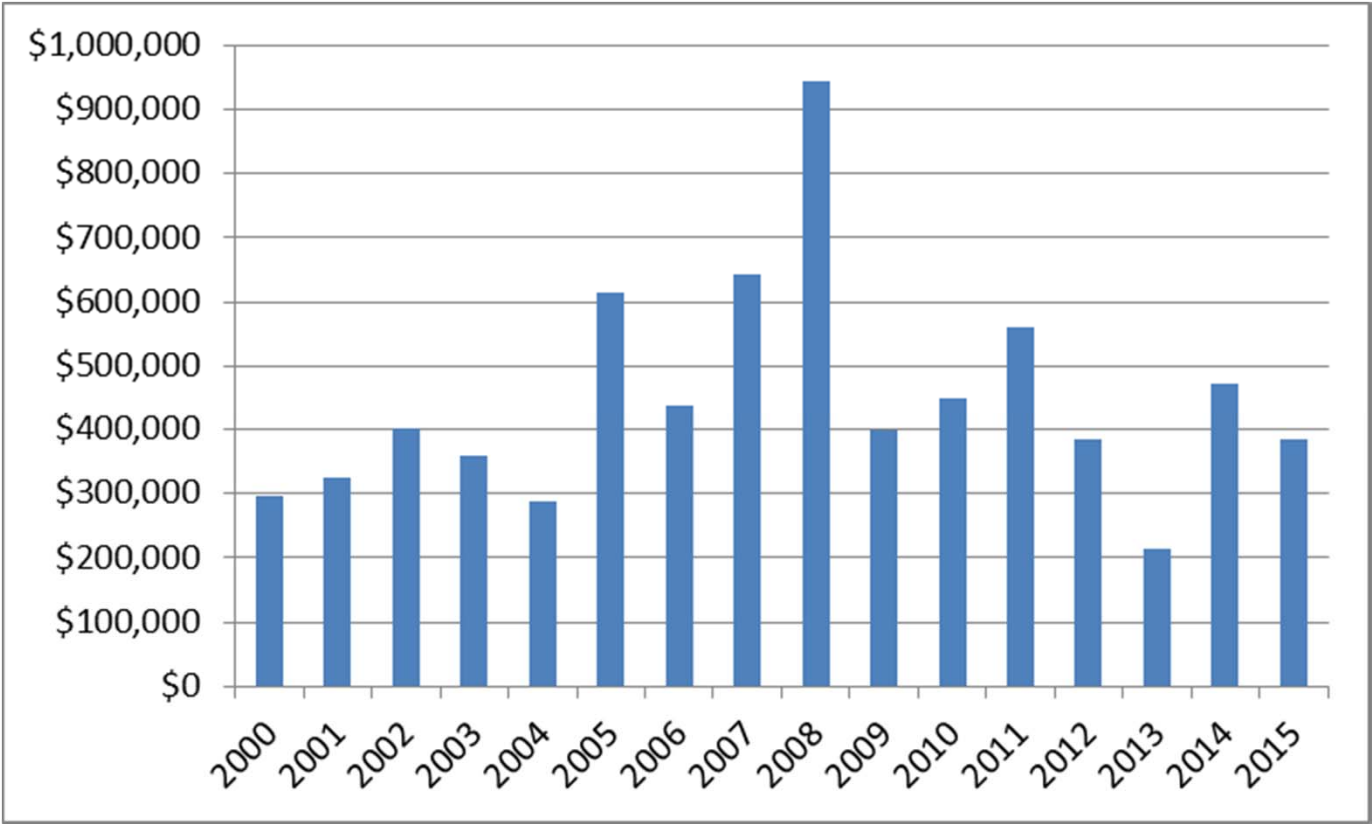
In 2014, sq. ft. for K-12 school construction was 3.5 times the size of Colleges/Universities/Community Colleges.



In 2014, dollars for K-12 school construction were 2.3 times the size of Colleges/Universities/Community Colleges.

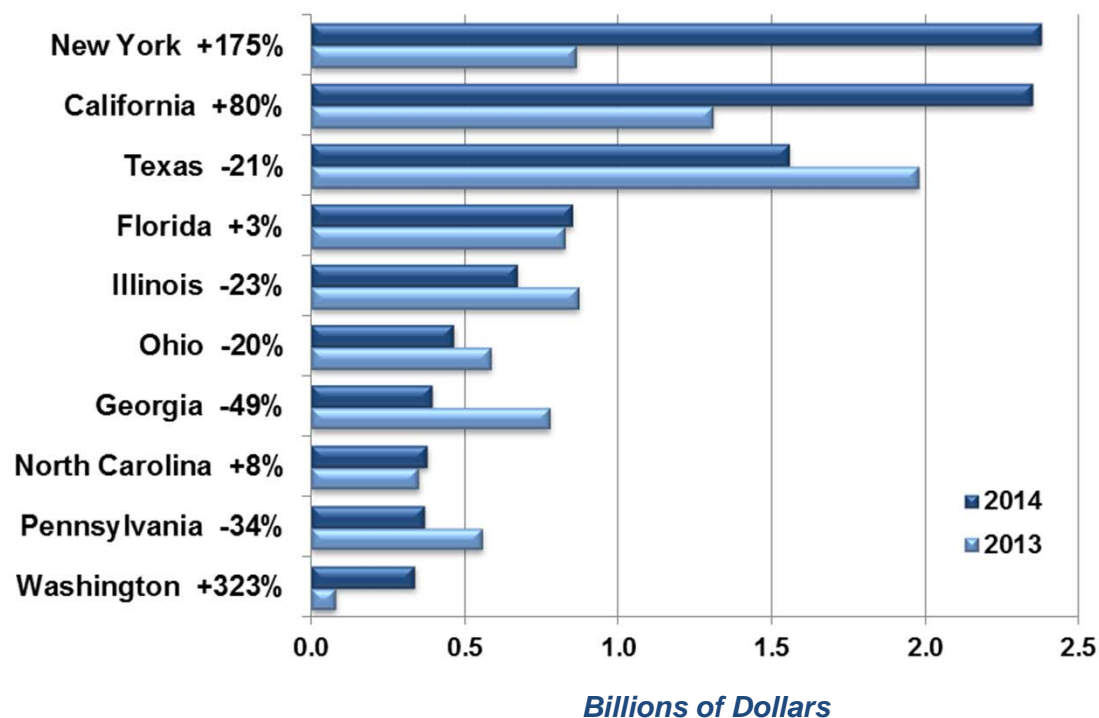
Washington– Healthcare

Continues inconsistent behavior.



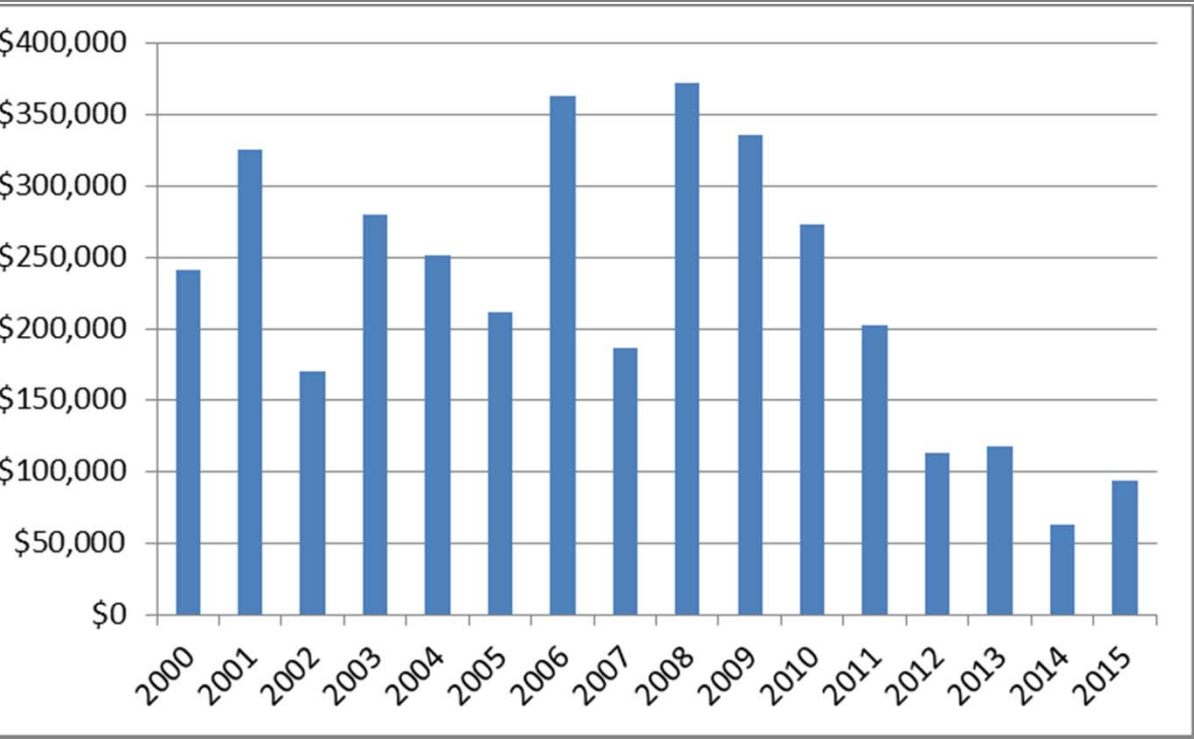
U.S. Institutional – Healthcare Buildings

Top 10 States - 9 months year-to-date, 2014 vs. 2013. Based on Dollars.



Washington– Public Buildings

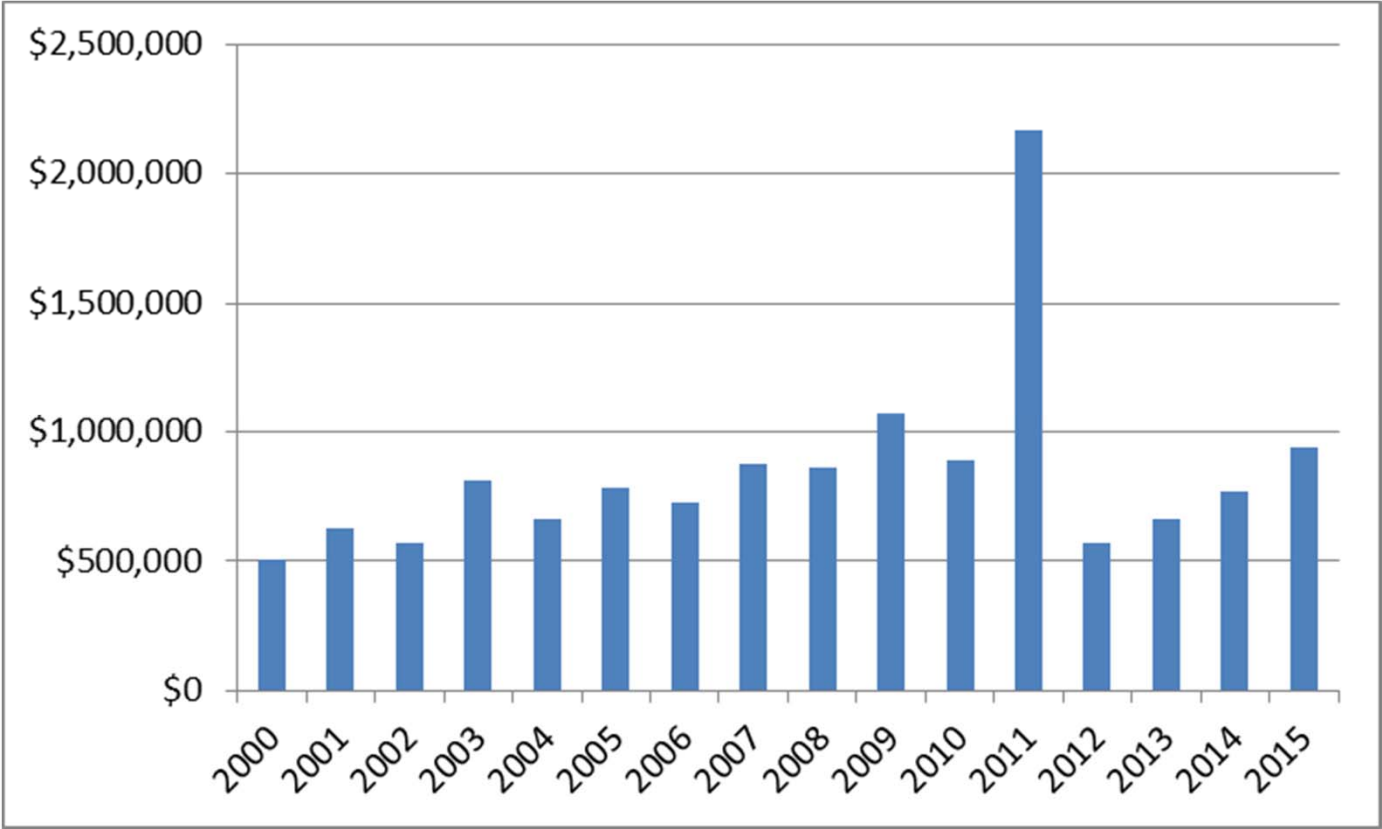
Public buildings experienced lengthy decline, now stabilizing.



Based on Sq. Ft.	2013	2014
Detention Facilities	-36%	-2
Armories/Military	-62%	-1
Courthouses	-20%	+6
Police & Fire Stations	-6%	-3
Post Offices	negligible	-2

Washington– Highways and Bridges

Highways and Bridges pulling back after robust 2013. Successor bill needed for MAP-21.



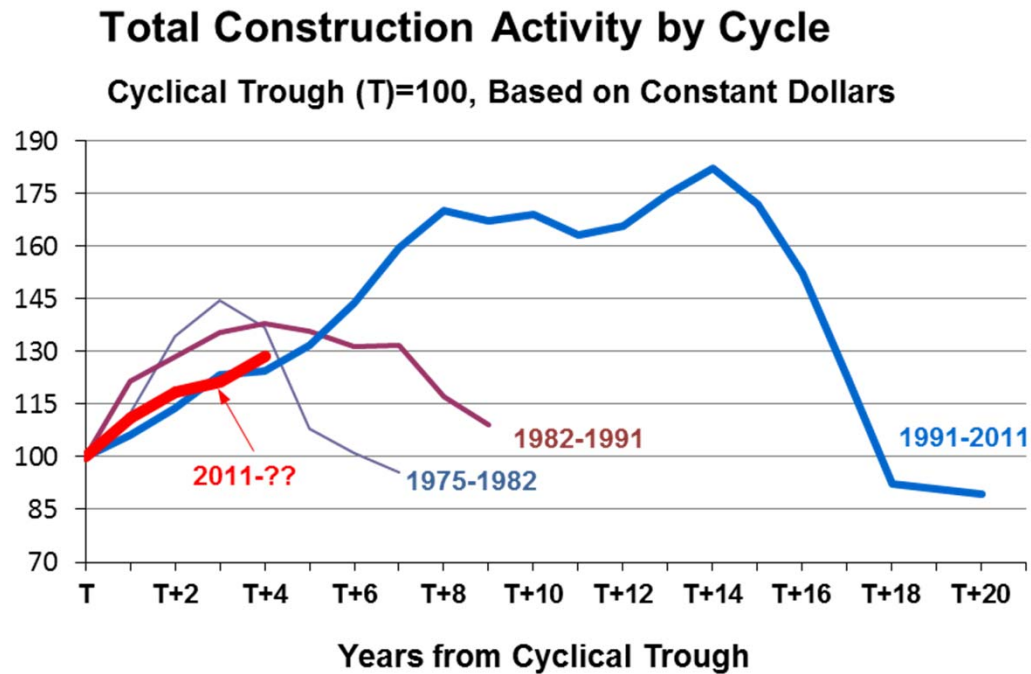
U.S. Construction Market Outlook

Structure Type	2007	2008	2009	2010	2011	2012	2013	2014	2015
EDUCATION	\$1,403,886	\$1,189,458	\$1,137,984	\$1,123,182	\$1,361,040	\$815,749	\$910,489	\$821,283	\$977,877
		-15.3%	-4.3%	-1.3%	21.2%	-40.1%	11.6%	-9.8%	19.1%
GOVT	\$187,040	\$372,090	\$335,251	\$272,528	\$202,522	\$112,510	\$117,595	\$62,542	\$93,430
		98.9%	-9.9%	-18.7%	-25.7%	-44.4%	4.5%	-46.8%	49.4%
HEALTH	\$642,252	\$943,013	\$398,509	\$450,625	\$561,757	\$384,644	\$213,653	\$473,608	\$385,453
		46.8%	-57.7%	13.1%	24.7%	-31.5%	-44.5%	121.7%	-18.6%
HIGHWAY	\$876,176	\$860,267	\$1,073,669	\$891,587	\$2,164,228	\$573,563	\$666,006	\$766,989	\$941,853
		-1.8%	24.8%	-17.0%	142.7%	-73.5%	16.1%	15.2%	22.8%
HOTEL	\$206,648	\$188,391	\$71,203	\$32,882	\$49,575	\$34,647	\$233,954	\$221,848	\$222,905
		-8.8%	-62.2%	-53.8%	50.8%	-30.1%	575.3%	-5.2%	0.5%
MFG	\$135,919	\$143,919	\$45,899	\$44,348	\$468,468	\$69,941	\$59,475	\$122,545	\$178,352
		5.9%	-68.1%	-3.4%	956.3%	-85.1%	-15.0%	106.0%	45.5%
MULTI RES	\$1,821,517	\$891,692	\$392,024	\$439,860	\$959,021	\$1,330,958	\$1,370,367	\$1,409,542	\$1,675,898
		-51.0%	-56.0%	12.2%	118.0%	38.8%	3.0%	2.9%	18.9%
OFFICE	\$1,101,305	\$1,006,411	\$852,063	\$439,002	\$539,487	\$284,605	\$773,630	\$915,720	\$995,415
		-8.6%	-15.3%	-48.5%	22.9%	-47.2%	171.8%	18.4%	8.7%
RETAIL	\$714,918	\$439,755	\$404,812	\$283,782	\$358,151	\$281,069	\$325,764	\$342,814	\$410,681
		-38.5%	-7.9%	-29.9%	26.2%	-21.5%	15.9%	5.2%	19.8%
SINGLE FAM	\$6,487,973	\$3,695,045	\$2,803,837	\$3,369,973	\$3,302,401	\$4,409,830	\$5,249,557	\$6,204,485	\$7,093,650
		-43.0%	-24.1%	20.2%	-2.0%	33.5%	19.0%	18.2%	14.3%
WAREHOUSE	\$226,816	\$186,483	\$160,886	\$109,763	\$107,694	\$98,598	\$263,485	\$144,459	\$193,781
		-17.8%	-13.7%	-31.8%	-1.9%	-8.4%	167.2%	-45.2%	34.1%
WATER SUPPLY	\$299,990	\$274,677	\$226,284	\$152,107	\$245,877	\$351,425	\$238,973	\$177,943	\$255,756
		-8.4%	-17.6%	-32.8%	61.6%	42.9%	-32.0%	-25.5%	43.7%
TOTAL	\$19,067,683	\$13,723,558	\$10,714,872	\$11,302,330	\$14,402,533	\$11,163,161	\$13,896,660	\$14,753,765	\$16,877,024
		-28.0%	-21.9%	5.5%	27.4%	-22.5%	24.5%	6.2%	14.4%

Points of Perspective

Cyclical Troughs

1975
1982
1991
2011



Questions

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- Vice President Operations
- Dodge Data and Analytics
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