



MARKET CONDITIONS IN CONSTRUCTION

GILBANE BUILDING COMPANY

Providence, Rhode Island

November 2010

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Summary

Some market factors for construction are turning positive. Industrial production is still below peak levels, but shows a continued persistent monthly upward trend. The Architectural Billings Index has been climbing and in September showed increased billings. The ABI for commercial and industrial buildings is up now for 5 months. Construction spending was up in August and September. Construction employment is at a 14 year low, but the number of jobs has increased slightly since February. However, we may still expect further declines in construction investment projects dependant on tax receipts and diminished state and local government fund balances. The construction market recovery will lag the overall economic recovery and will take much longer due to the severity of current conditions. Construction starts have slowed thru the year. Normal building inflation cost indices do not reflect the cost of buildings. Selling prices are still depressed and it will take time before contractors see a return to normal margins. It may be several years before the construction workforce returns to pre-recession levels.

Construction Starts

Construction starts for non-residential construction in April 2010 were 13% above March, about double the usual seasonal gain, and 31% higher than a year ago. However, by August they were 12% below March. Construction starts year to date thru August for non-residential contracts now are up only 5% over the same 8 months of 2009. **The rate of non-residential building starts has declined throughout 2010 to a point where we are now up only a seasonally adjusted 5% over 2009. Starts are still 25% lower than the volume of starts in 2008.**

Construction starts trends lag the movement of the overall economy. Since April-May, there has been what is now referred to as the "summer slowdown" in economic growth. Since Starts lag, this summer economic slowdown is not yet reflected in the Starts numbers. Therefore, expect some downward impact on Starts during the remainder of this year that will bring Construction Starts in-line with the overall most recent downward economic trend.

If the overall economic trend continues to slip during Q4 2010, although Starts may remain positive, they will not be robust and any slip will extend the period of slowing Construction Starts well into Q1-2011. If the overall economic trend turns upward quickly, we will soon see Starts stabilize and then turn more strongly upward in Q1-2011.

Construction starts for all non-residential and non building projects declined ~23% in 2009. As of this time they are up only 5% in 2010. This has had a dramatic affect on volume of work put in place (construction spending) in 2010 and will continue to have a similar effect in 2011 and perhaps well into 2012.

Construction Spending

Construction projects over the long term spend most of their dollars in year 2 or even year 3 of the construction schedule. Therefore the exceptional drop in construction starts in 2009 and the muted growth in 2010 will have significant impact on construction spending during for the foreseeable future. It

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may be 2013 to 2015 before levels of construction spending increase back to the levels experienced in 2008 and earlier.

Federal figures released in January indicated that construction spending declined to a six-year low. In January, expectations were for approximately a 5% additional decline in construction spending in 2010 then slowly increasing to an annual 6% growth in 2011. In April the prediction for total construction spending in 2010 was \$320bil and for 2011 was \$338bil. By July construction spending had fallen to a 10 year low.

Every month since April this year, the prediction for total spending in 2010 has been lowered. That's a pretty clear indication conditions have not been improving as fast as was expected. Thru August, spending has declined for 17 consecutive months. Current prediction for total annual non-residential construction spending in 2010 is \$293bil and for 2011 it is \$302bil, not much of an increase from 2010. Potentially a source of data missing from the BLS federal data that would support continued declines is post-start project shutdowns.

U.S. Nonresidential Construction							
(billions of U.S. current dollars)							
	Monthly Figures*		Annual Figures				
	(latest actual values)		Actual		Forecast		
	Jul-10	Aug-10	2007	2008	2009	2010	2011
Lodging (% change is period versus same period, previous year)	11.252	11.161	28.683	35.803	25.458	11.750	11.875
	-55.3%	-52.0%	59.5%	24.8%	-28.9%	-53.8%	1.1%
Office	34.851	34.817	65.198	68.403	52.868	36.923	36.700
	-34.5%	-31.4%	20.4%	4.9%	-22.7%	-30.2%	-0.6%
Commercial (mainly retail)	40.276	39.398	89.298	86.395	55.421	41.435	43.250
	-23.3%	-21.3%	16.5%	-3.3%	-35.9%	-25.2%	4.4%
Health Care	39.630	40.139	43.725	46.830	45.151	39.841	42.725
	-12.0%	-9.9%	13.6%	7.1%	-3.6%	-11.8%	7.2%
Education	87.706	87.156	96.514	104.682	102.874	88.239	92.125
	-17.5%	-14.4%	13.4%	8.5%	-1.7%	-14.2%	4.4%
Religious	5.094	5.030	7.541	7.230	6.227	5.308	5.319
	-15.3%	-16.3%	-2.6%	-4.1%	-13.9%	-14.8%	0.2%
Public Safety	12.099	12.620	10.172	13.086	14.087	12.492	12.355
	-15.8%	-7.7%	30.4%	28.6%	7.7%	-11.3%	-1.1%
Amusement/Recreation	17.640	17.791	21.169	21.855	18.885	17.045	17.188
	-9.3%	-3.7%	11.5%	3.2%	-13.6%	-9.7%	0.8%
Manufacturing	37.666	37.658	40.503	53.099	58.702	40.262	40.675
	-36.0%	-35.4%	25.3%	31.1%	10.6%	-31.4%	1.0%
Total	286.214	285.770	402.803	437.383	379.673	293.293	302.211
	-24.9%	-22.1%	18.7%	8.6%	-13.2%	-22.8%	3.0%

*Monthly figures are seasonally adjusted at annual rates (SAAR figures).
 Actuals: U.S. Census Bureau (Department of Commerce) (put-in-place investment figures).
 Forecasts and table: Reed Construction Data.

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Developer financed construction spending fell and manufacturing construction spending was steady. Institutional spending increased marginally but is likely to show little if any expansion for the rest of the year. Institutional construction is being boosted by long delayed stimulus plan funds but at the same time being restrained by deep state and local government budget cuts. This will prevent a sustained turnabout in institutional spending until well into 2011. State tax receipts may be stabilizing but local government tax receipts, highly dependent on property taxes, are still declining. The net effect is a forecast of essentially no change in institutional construction spending until 2011. K-12 education and public safety buildings will be the weakest sectors.

IF (and that's a real big IF) non-residential construction spending begins to increase in 2012 to an annual rate of 10% growth, it will take until the end of 2015 before we return to spending levels reached at the peak in 2006-2007. It is questionable that the workforce will return to its previous peak before 2016 or 2017.

During the next year or two, with a dramatically reduced workforce and subdued spending, expect the bidding environment to remain extremely competitive with construction costs continuing to reflect depressed margins.

If construction spending begins to show a monthly growth rate exceeding that of growth in number of people in the workforce, that could lead to worker shortages and that in turn would lead to increasing prices and increasing margins and high construction inflation.

Jobs / Unemployment

Total of all trades and management personal in construction held fairly steady between March 2006 and February 2007, averaging 7,700,000 and reached a peak in Aug 2006 at 7,725,000. As of August 31, 2010, the total number of employees remaining in the construction industry is 5,600,000. Construction employment is at a 14 year low.

BLS 2010 Oct Construction Employment

Industry:	Construction												
Data Type:	ALL EMPLOYEES, THOUSANDS												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2000	6752	6730	6811	6794	6770	6778	6794	6796	6807	6814	6817	6792	
2001	6824	6841	6862	6844	6849	6840	6845	6827	6813	6804	6784	6785	
2002	6775	6766	6755	6710	6684	6701	6688	6701	6702	6689	6713	6700	
2003	6704	6667	6654	6689	6706	6723	6735	6760	6783	6784	6796	6827	
2004	6848	6838	6887	6901	6948	6962	6977	7003	7029	7077	7091	7117	
2005	7095	7153	7181	7266	7294	7333	7353	7394	7415	7460	7524	7533	
2006	7605	7678	7691	7724	7718	7703	7713	7725	7714	7679	7668	7689	
2007	7719	7632	7710	7695	7682	7693	7662	7608	7575	7556	7535	7491	
2008	7467	7439	7406	7347	7286	7216	7164	7112	7040	6948	6799	6704	
2009	6551	6435	6293	6179	6120	6029	5949	5885	5814	5747	5732	5696	
2010	5636	5585	5612	5634	5605	5596	5594	5625(P)	5604(P)				

P : preliminary

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In the table above, “Construction Employment -All EMPLOYEES” includes residential and nonresidential construction. **Since August 2006 we have lost 27.5% of the total workforce in the construction industry. The construction workforce has declined every quarter (14 consecutive quarters) since Q1 2007.** The official BLS statistics show unemployment in construction for October is 17.2%. However, that does not account for all those who have lost jobs and are either no longer collecting unemployment or who have left the industry altogether.

Construction employment has been harder hit than any other industry. It will take increased construction spending to increase the workforce. Total US nonresidential construction spending peaked in 2008 at \$437 billion and dropped to \$380bil in 2009. Current prediction for total nonresidential construction spending in 2010 is \$293bil, 33% below the 2008 peak. Prediction for 2011 is \$302bil.

The next table, “Construction Jobs - Specialty Trade Contractors” comprises establishments whose primary activity is performing specific activities involved in building construction, but that are not responsible for the entire project. Specialty trade contractors usually perform most of their work at the construction site, although they may have shops where they perform prefabrication and other work. Establishments primarily engaged in preparing sites for new construction are also included in this subsector.

Workers in Specialty Trades, those whose primary activity is specific to one trade, (e.g., concrete, steel, glazing, plumbing, electrical, etc.) have declined 29% from 4,935,000 at the peak in Aug 2006 to 3,520,000 in Aug 2010.

BLS 2010 Oct Specialty Trades Number of Employees

Super Sector:	Construction Jobs												
Industry:	Specialty trade contractors												
Data Type:	ALL EMPLOYEES, THOUSANDS												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2000	4185.8	4170.0	4222.8	4215.8	4198.8	4204.5	4214.3	4221.2	4234.8	4242.7	4254.4	4243.7	
2001	4283.3	4294.3	4314.8	4304.0	4306.1	4299.4	4292.5	4284.0	4273.5	4264.9	4247.1	4245.9	
2002	4240.2	4232.5	4231.0	4205.1	4189.2	4199.3	4193.2	4202.0	4206.3	4197.6	4212.1	4214.2	
2003	4216.4	4192.5	4188.9	4214.9	4232.3	4247.7	4261.5	4281.3	4293.2	4301.2	4311.8	4332.8	
2004	4351.4	4354.8	4380.1	4394.2	4419.9	4434.2	4439.9	4459.3	4468.4	4499.6	4509.3	4528.4	
2005	4505.5	4551.9	4571.3	4635.2	4651.6	4664.3	4678.3	4708.7	4728.2	4760.6	4792.3	4799.5	
2006	4836.9	4899.8	4900.1	4916.8	4917.6	4919.8	4919.3	4935.8	4915.1	4882.8	4880.5	4899.3	
2007	4912.4	4850.6	4903.3	4897.4	4883.9	4883.2	4871.9	4842.4	4810.0	4804.3	4788.5	4758.3	
2008	4745.5	4734.9	4703.5	4673.1	4633.3	4589.1	4554.9	4527.2	4490.6	4430.2	4319.8	4255.8	
2009	4156.5	4077.7	3982.8	3911.9	3876.5	3824.9	3770.7	3722.3	3682.9	3642.8	3627.6	3615.1	
2010	3568.4	3535.7	3542.5	3544.4	3530.8	3523.5	3524.1	3539.9(P)	3519.0(P)				

P : preliminary

U.S. Bureau of Labor Statistics

If construction spending begins to show a monthly growth rate exceeding that of growth in the number of people in the workforce, it could lead to worker shortages and that in turn would lead to increasing prices and elevated margins. This may be a valid concern for the following reason; the most rapid expansion in the last 10 years was the period from mid 2003 to mid 2006. In that 36 month period, the construction labor workforce expanded by 1,000,000 jobs, 15%. During the strongest period of expansion in 10 years the workforce expanded only 15% over 3 years. We need to ask, how quickly can we recover a 30% decline in the workforce? The fastest rate of job growth we’ve experienced in 10 years would have us

recover the lost 2,000,000 jobs in 6 years. At this rate the workforce will not return to previous levels before 2016 to 2017. If spending on jobs are to remain balanced, then the rate of expansion in construction spending will be approximately 5% per year for the next 6 years.

Construction Costs General

The construction unemployment rate rose to 27% last winter. It was predicted to rise above 22% by summer 2009 but recover slightly by year end 2009. We now know those earlier predictions were far off the mark and conditions are substantially worse with the workforce declining another 5% since summer 2009 in the last 12 months. Construction employment is now at a 14 year low. There may continue yet to be more job losses in construction and this should help continue downward pressure on construction wage rates.

AGC, earlier this year, reported negotiated labor agreements average 2.8% for first year and 3.2% for second year of multi-year agreements. First year wage agreement increases have decreased significantly from the 4.6% in 2008. The last time the average first year increase was below 3% was 1996. That's the last time construction employment was as low as it is today. Competition to reduce job costs is resulting in improved labor productivity and will help keep labor costs down. **Productivity increases of approximately 6% balanced against wage increase of less than 3% means that overall labor cost may have fallen by 3% or more.**

The Institute for Supply Management (ISM), in a survey released last week, reported that Prices Paid increased again and has now increased for 16 consecutive months. The prices paid index is now 71. In early 2008 it reached a high of 90 and by Nov. 2008 it had dropped to 20. Of items used in construction, copper, copper fittings, copper pipe, steel pipe, steel shapes, reinforcing bars, aluminum, diesel fuel and asphalt were reported up the most in price. New Orders and production show a similar expansion.

Overall the Purchasing Manager's Index (PMI) reported by ISM in its latest report is now at 56.9 and it has been increasing for 15 months. Index values above 42 indicate overall economic expansion. Index values above 50 indicate the manufacturing breakeven point.

An indicator of construction starts is the volume of cement demand. As reported by IHS Global Insight, cement demand for commercial and institutional buildings has been declining thru 2010 and will continue to decline thru 2011, only more slowly. Highway, bridge and tunnel projects demand for cement is also declining thru 2010 but at a less steep rate, and will continue to decline thru 2011. The Portland Cement Association says year to date consumption is up 0.3%. Earlier this year PCA predicted cement demand for 2010 would increase 5%. That has been affected by a continued decline in construction starts and spending both of which have declined every month since April. PCA predicts 1.4% increase for 2011 and 4% increase for 2012.

Contractors' margins are extremely variable over market sectors. **Depressed margins for nonresidential building contractors will continue thru 2010 well into 2011.** Competition will cause project bids to stay low well into 2011 but bid costs may rise slightly before year-end.

Material Price Movement

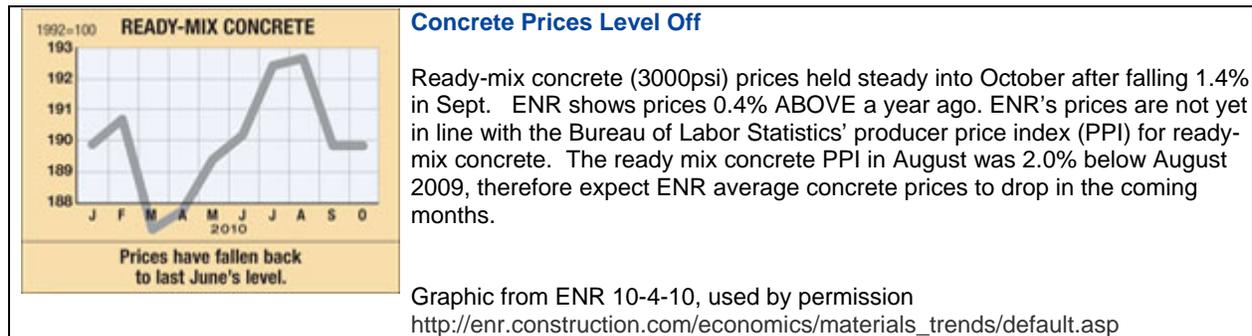
Materials average about 40% of the cost of a building. If all materials were to go up in cost by 10%, building cost would go up by 4%.

In a quarterly survey released Oct 26 by the National Association for Business Economics (NABE), data shows slightly more firms (33% vs. 30%) reported higher material costs than in the Q2 report. However, of greater significance, more firms reported LOWERED selling prices than firms reporting increased selling prices.

The AGC/Reed Construction Market Forecast predicts overall composite materials cost price growth for construction materials will be up 8% by end 2010. The trend however has been increasing materials costs that have been difficult to pass on to the consumer. The consumer or the end user in this case, is our client. **From the client's perspective building costs have not been increasing. From the perspective of manufacturers, suppliers and constructors, costs HAVE been increasing but all are absorbing a portion of the cost increase as a reduction to margins.** This in effect has kept selling prices to end users below the level of material cost inflation, but has also considerably reduced the profitability of all producers, suppliers and builders.

Until construction spending returns to something that even remotely resembles normal, selling prices will remain depressed. Material cost inflation will not be passed along to the end consumer in this environment. Manufacturers, suppliers and contractors will all continue to experience depressed margins until things change.

ENR's 20-city average price for ready-mix concrete is only 0.4% higher than this time last year. National average prices are \$95, \$100 and \$110 for 3000psi, 4000psi and 5000psi ready mix.



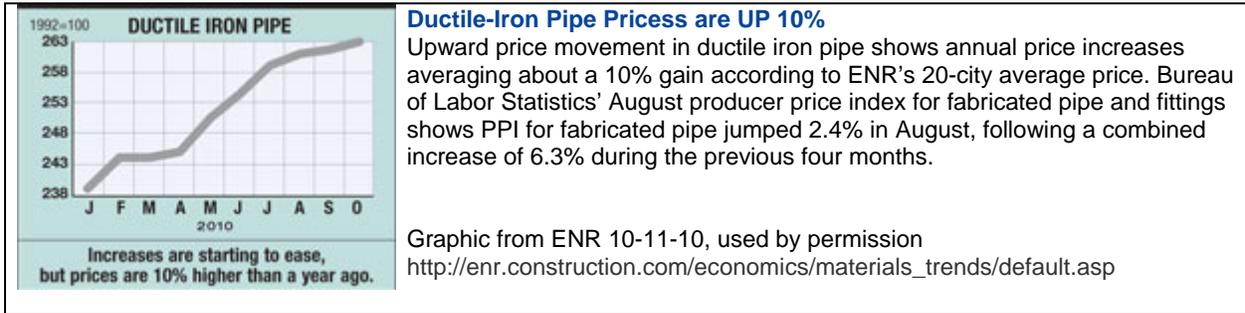
Have material prices hit bottom? According to Global Insight Construction Advisory Services, NO!

Masonry products all show declines in prices from a year ago.

Building Materials total construction SALES of Cement, Structural Steel and HVAC products is expected to hit bottom in mid 2011. Index for Total COST of all nonresidential building materials is expected to hit bottom Q1 2011. But not all material prices are down.

Products used in the manufacture of electrical equipment have increased in cost.

Asphalt and Tar roofing products are up in price.



Copper is expected to experience shortages, and therefore prices are expected to rise thru 2011 and hit record highs in 2012.

Cement and Gypsum prices are already moving up from a bottom, but are not expected to return to pre-recession prices for several years.



The Federal Reserve, in its latest report released Oct 20, says with regard to manufacturing, demand for construction related products remained weak and future (manufacturing) capital spending plans appear to be limited. This should help keep price increases muted.

Structural Steel

The construction industry represents the largest consumer of steel products world-wide.

China produces nearly 60% and consumes about 45% (576mil tons) of the world steel supply.

The United States consumes about 90-100 million tons of steel annually and imports approx 18mil tons, 20% of total US steel. The US imports only about 1 million tons or only 1% of its steel from China. In 2009 3x more, and in 2010 5x more steel was imported from South Korea, Japan and Germany combined, than from China. US steel imports in 2010 are UP 33% over 2009.

Steel products, iron ore, billet steel, finished steel pipe and steel shapes account for more than 50% of all world-wide dry product shipped in large cargo ships. (reference Baltic Dry Index)

Steel demand is waning. Global production is currently down. Currently there is excess production capacity for steel and excess supply. Steel raw materials prices are moving downward and demand is

declining. This should not come as a surprise considering construction spending is down 30% and construction is the largest consumer of steel. This is expected to keep steel prices in check and may even lead to steel product price declines over the next year. Buyers have been resisting accepting price hikes. Prices are expected to continue falling into 2011 and average 2011 steel prices should be about 10% LOWER than 2010.

Structural steel shapes are currently selling on average \$720/ton. Global Insight predicts that structural steel prices will fall another 10% to \$650 a ton by the first quarter of next year before bottoming out.

The following BLS-PPI table shows the Steel Mill Products Index. It reached a peak in August 2008, but by May 2009 had fallen 40% below that peak. Since June 2009 the index has increased nearly 25%, fluctuating +/-2% over the last 6 months. This year the index reached a peak in May, but has declined since then, eliminating 5 months of increases.

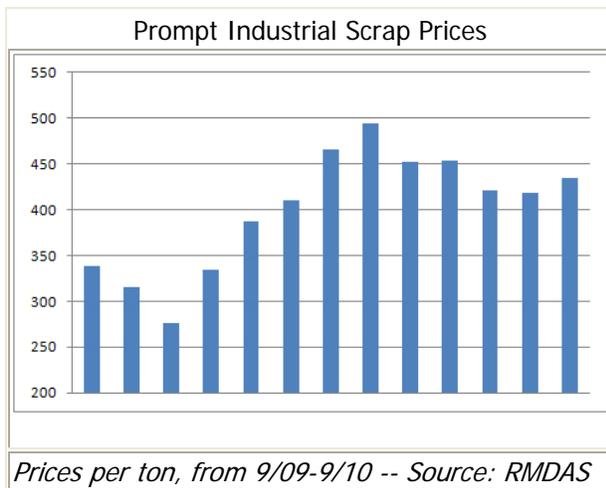
BLS Producer Price Index – Commodities - Metals and Metal Products

Series Id: WPU1017													
Group: Metals and metal products													
Item: Steel mill products													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2006	163.5	163.5	163.8	165.2	167.5	173.2	179.8	181.7	185.3	187.3	180.0	179.0	174.1
2007	175.8	178.0	181.7	188.3	190.3	190.5	189.4	183.4	180.2	177.7	179.0	180.6	182.9
2008	183.2	186.6	196.9	209.7	229.9	246.0	251.8	257.0	251.8	231.4	213.6	189.3	220.6
2009	178.8	171.5	167.3	157.0	153.0	153.3	156.4	161.9	168.6	173.7	170.6	170.8	165.2
2010	175.7	181.1	187.4	195.3	202.6	200.0(P)	197.2(P)	189.6(P)	191.9(P)				

P : Preliminary. All indexes are subject to revision four months after original publication.

U.S. Bureau of Labor Statistics

Structural steel is very much dependant on recycled steel. Although not entirely, the price of scrap steel is predominantly set by supply/demand. Demand at the end of 2009 was low, although indicators pointed to increasing demand. We anticipated demand to pick up this year and can now see that is the case. Eventually, structural steel prices will come in line with scrap prices and cost of steel reaching the end user will be more expensive.



While scrap price increases are welcome news for recyclers, several report that their expectations had been for a bigger price increase in September. Recent reports indicate, “There were rumors a few weeks ago about \$50 to even \$80 price increases being possible, but now it looks like only \$20.”

The October buying period has reportedly demonstrated an outright absence of purchasing by some steel mills. Recyclers are already speculating just how sharp the per-ton price drop will be for October.

Recycling Metals (see graph above) reports mills paid an average nationally of \$435/ton for prompt scrap iron in Sept. 2010. Scrap iron prices increased rapidly from Nov. 2009 to reach a peak of \$495/ton in April 2010. Since then prices have been declining, with the small exception that prices have turned up slightly in September. Mills paid an average of \$370 per ton for shredded scrap, the highest per ton figure since April of 2010. Scrap prices did in fact drop in October and structural steel prices will follow the price of scrap iron.

Copper

Copper raw and intermediate material prices increased 14% from April thru Sept 1. Since Sept., copper has increased another 10%. The Reed Construction Materials Cost Index shows copper materials for construction increased 10% since April with 8% of that price increase coming in August. We expected to see another 5%+/- cost increase to account for raw material prices since Sept. 1.

Several recent factors are influencing the upward movement of copper prices; positive readings in the ISM Manufacturing index showing growth in US manufacturing, indicating an increase in domestic manufacturing demand; declining value of the dollar against other major world currencies drives up U.S. cost of world commodities; decreasing inventories. The London Metals Exchange (LME) reports world inventories of copper declined 17% in the Q3 2010; increased world-wide demand for copper.

Goldman Saks in October predicted the price of copper will increase to \$11,000/tonne within 12 months. That's a 30% increase over current price. It is based on increasing demand and diminishing supply. Production shortages are predicted in 2011.

We should expect copper construction materials costs to increase ~20% over the next year.

The Baltic Dry Index

The Baltic Dry Index (BDI) provides an assessment of the price of moving major raw materials by sea. It indirectly measures global supply and demand for the commodities shipped aboard dry bulk carriers, such as building materials, coal, metallic ores, and grains. Because dry bulk primarily consists of materials that function as raw material inputs to the production of intermediate or finished goods, such as concrete, electricity, steel, and food, the index is also seen as an efficient economic indicator of future economic growth and production.

The BDI is termed a pure leading economic indicator because it predicts future economic activity and is not influenced by speculators.

More iron ore is shipped by seagoing dry bulk carriers than any other dry bulk commodity. Demand for iron ore has a dramatic affect on the BDI and further then on the price of iron ore and ultimately on the price of steel. Steel products, iron ore, billet steel, finish steel pipe and steel shapes account for more than 50% of all the world-wide dry product shipped in large cargo ships.

The January BDI of 3327 was up more than 2000 points from the Q1'09 bottom, but that was still more than 8000 points below the Q2'08 peak. Previously, it took two years for the index to recover that large a drop.

On May 17th, the BDI was 3922. By June the index reached 4300, its highest point in 6 months. However, coincident with the widely recognized summer slowdown, by mid-July the index dropped to hit a 2010 low of 1700, nearly returning to its Q1'09 bottom.

As of Nov. 8th, the index is hovering around 2500. The index is now up less than 2000 points from its Q1'09 bottom and is nearly 9000 points below its Q2'08 peak. Considering we lost more than 9 months of gains in July, it may take much longer than 2 years to regain the levels seen in 2008.

As demand increases, the BDI goes up. A rising BDI indicates an increase in future economic activity but also future rising prices for commodities and finally, materials. However as demand wanes, the BDI decreases and so does the cost of raw materials.

A declining or static BDI, as we see now, indicates low demand and may portend declining growth and future price declines.

Architectural Billings Index

Until just last month, the Architecture Billings Index (ABI) had remained below 50, indicating falling demand, since January 2008. The index for Architecture firm billings has been in this vicinity since last summer and until recently had not yet shown any clear signs of approaching 50, an indicator of an increase in billings.

The Architecture Billings Index increased in September to 50.4 the first time it has shown a gain in billings since January 2008, when the index was at 51.1. A reading above 50 indicates an increase in billings. Historically there is an approximate 9 to 12 month lag between architecture billings and construction spending for non-residential construction.

Residential design projects account for about 15 percent of the total index. Office buildings, hotels, shopping centers, banks, warehouses, manufacturing plants and other commercial properties represent 35 percent to 40 percent of the index. Institutional buildings account for 45 percent to 50 percent of the index.

The index for commercial and industrial billings rose to 56.3 in August, the fifth straight monthly gain. The billings index for institutional work including schools and hospitals, remained below 50 in September, suggesting demand is still falling for those projects.

The total index for New England is ~57

The total index for Midwest is ~51

The total index for South is ~ 47

The total index for West is ~ 44

We need to see perhaps 3 consecutive months of increasing billings (index > 50) to solidify expectations of increasing project workload 9 to 12 months from now.

ENR Index

The current Nov. 2010 Engineering News Record Building Cost Index (ENR-BCI) is 4968.
The ENR BCI index is up 3.6% year-to-date and 4.4% year over year.

Why does ENR-BCI show costs have gone UP when we see bids showing costs are DOWN?

Engineering News Record Building Cost Index (ENR-BCI) is one of the most well-known and most widely used building cost indices. However, it has significant shortfalls, some outlined here:

1) It is made up of a small shopping basket of labor and materials.

1.25 tons fab struct steel, 1.125 tons bulk portland cement, 1088 board feet of 2x lumber and 68 manhours of brickmasons, carp and ironworkers. That's it. No consideration for Mechanical, Electrical, Plumbing or Fire Protection, which can represent 40-50% of the cost of a building. No consideration for cost of doors, glass, metal panel, roofing, insulation, finishes, equipment, furnishings, sitework or utilities.

2) The market basket of materials is fixed quantities,

therefore it does not represent variation in building types or address the cost of all trades.

3) It does not take into consideration bid prices,

so it often does not represent the final cost of buildings. Selling prices show increased or reduced margin bids due to market activity. Selling price is not included in the ENR-BCI.

The ENR index has gone UP every year for 70 years. More importantly, from Q2 2008 to today, during the only recent period of true deflation, the ENR-BCI would indicate a 7% cost increase! The actual final cost of buildings, documented by several reliable measures, since Q2 2008 has gone DOWN by anywhere from 8% to 13%. And that's conservative. The ENR Index would have you think the cost of buildings went up during that same period.

When construction activity is coasting merrily along at an even pace of approx 3-4% escalation per year, the ENR-BCI will give a good representation of growth. But whenever we have very active periods or very depressed periods of construction market activity, the ENR-BCI fails to show accurately what occurred during those periods. None-the-less, ENR-BCI is often relied upon as an indicator of cost movement over time.

If you rely solely on the ENR-BCI to index the cost of buildings, you may end up with results that are grossly in error. You must at the very least take into consideration the selling price of buildings, past and present. This is particularly important for those of you using cost modeling tools such as Gilbane's Cost Advisor©.

ENR-BCI is used to move building cost from one point in time to another. If you were to select a time frame that represents the time period between Q2 2008 and today, you could be overstating the cost of a building by approximately 15% to 20%.

Specific cities have widely varying rates of growth. **Seattle and San Francisco have annual cost growth near +7% to 8%.** Boston, Cincinnati and New Orleans show +6%. Philadelphia, Kansas City and Los Angeles are at +5%. Chicago, Denver, Dallas and Minneapolis are all near +4%. Atlanta, Baltimore, Cleveland, Detroit, St. Louis and New York are all about +1% to 3%. **Only Pittsburgh shows a decline at -3%.** The following table provides the history of the 20 City average building cost index.

Building Cost Index History

ENR'S BUILDING COST INDEX HISTORY (2000-2010)													
1913=100	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUAL AVERAGE
2000	3503	3523	3536	3534	3558	3553	3545	3546	3539	3547	3541	3548	3539
2001	3545	3536	3541	3541	3547	3572	3625	3605	3597	3602	3596	3577	3574
2002	3581	3581	3597	3583	3612	3624	3652	3648	3655	3651	3654	3640	3623
2003	3648	3655	3649	3652	3660	3677	3683	3712	3717	3745	3765	3757	3693
2004	3767	3802	3859	3908	3956	3996	4013	4027	4102	4129	4128	4123	3984
2005	4112	4116	4127	4168	4189	4195	4197	4210	4242	4265	4312	4329	4205
2006	4335	4337	4330	4335	4331	4340	4356	4359	4375	4431	4462	4441	4369
2007	4432	4432	4411	4416	4475	4471	4493	4512	4533	4535	4558	4556	4485
2008	4557	4556	4571	4574*	4599	4640	4723	4733	4827	4867	4847	4797	4691
2009	4782	4765	4767	4761	4773	4771	4762	4768	4764	4762	4757	4795	4769
2010	4800	4812	4811	4816	4858	4888	4910	4905	4910	4947	4968		

Data reprinted by permission Engineering News-Record - ENR.com

HOW ENR BUILDS THE INDEX: 68.38 hours of skilled labor at the 20-city average of bricklayers, carpenters and structural ironworkers rates, plus 25 cwt of standard structural steel shapes at the fabricated 20-city price, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board ft of 2 x 4 lumber at the 20-city price.

Secondary to the issue of limited market basket and no consideration for selling price is seasonal error. Cost indices, specifically in this case the ENR-BCI, almost always show an expected slowdown in index growth during the winter months. The ENR BCI index is not seasonally adjusted. In half of all years the Nov 1-Mar 1 (winter index) actually shows a slightly negative index value, while the full year annual growth is always positive. In 12 out of the last 16 years, the Mar 1-Nov 1 (summer index) shows a rapid expansion in growth rate as compared to the previous winter index period.

The rate of growth in the index from Mar 1-Nov 1 (summer), in 13 out of the last 16 years, exceeds the annual index growth rate by an average of 75%; for 8 of those years averaging 50% higher and in 5 of those years by 200% - 300%. The summer index growth rate not only climbs at a much faster pace than the winter index rate but often climbs faster than the overall annual index rate.

Do not base annual or short term projections for future cost on what you see occurring in the index during the Nov-Mar period. Cost will likely be under-projected. In years of 4% annual escalation expect winter rate = minus 2% to plus 2% and summer rate = plus 6% to 7%.

Producer Price Index

The Producer Price Index for October shows material costs up 6% to 8% for the month, but shows a weighted average 4% year over year increase in the cost of materials for construction.

Jim Haughey, Chief Economist for Reed Construction Data (RCD) in October said, “Late 2010 is a brief window of relatively low construction materials price inflation due to the slowdown in US GDP growth after the initial expansion and the modest inventory de-stocking this set off. The outlook for 2011-12 in a strong economy and construction market is for materials price inflation to be 6% or higher, about triple the inflation pace in the rest of the economy. The turnabout from steady or falling prices for domestic commodities and materials to slowly rising prices should come in about 3-4 months.”

The primary factor keeping total costs down right now is high level of competition for little new work. While material costs have increased in recent months, the price asked for subcontract work and for finished buildings has continued to decline. This divergence is exacerbating the squeeze on contractor's margins.

Does PPI for Construction Materials = Escalation?

AGC Chief Economist, Ken Simonson, is an excellent resource for construction economic data. From data published by US Census Bureau, Bureau of Labor Statistics, (BLS) we see that the Producer Price Index for construction materials is near +4% so far this year and is up approx. 10% year over year for some materials. BUT is this a good indicator of future escalation? Simonson says to “allow for 6%-8% for PPI increase after 2010.” Is this the red flag that some are raising thinking construction escalation will track accordingly?

I will caution you, at this time do not base predicted future escalation on expectations of increases in construction materials PPI.

Stop for a moment and look at 2010 construction PPI and compared material costs to 2010 costs for completed construction projects. PPI for materials in some cases is UP 10% or more, in other cases up 3% to 4%. In few cases is the PPI for construction materials down. BUT some project bids for 2010 are coming in MINUS 10% to 20% below predicted cost, some even more. Yes, the producers of construction materials are experiencing higher production costs, but in most cases they have not been able to pass those costs along to the consumer. They are absorbing the increased cost of production by lowering margins.

The 2010 PPI for construction materials IS NOT currently a good indicator of construction inflation. It is missing selling price. What we know about the current job market is that construction starts and construction spending are at 10yr lows, and therefore there is so little work available to bid that contractors cannot yet pass on cost increases to clients. This has the affect of keeping selling price low, reducing both contractors and producers margins, in some cases reduced to a loss just to get work.

A recently published whole-building construction cost index shows 3rd qtr 2010 was flat, zero cost growth for the quarter, with an overall 13% as sold cost decline since Q3 2008.

GILBANE BUILDING COMPANY
 Providence, Rhode Island
MARKET CONDITIONS IN CONSTRUCTION – NOV 2010

US Construction-Related Price Indexes – September 2010				
	Percent Change versus...			
	3 years ago	year ago	3 months ago	previous month
Construction Commodities				
Dimension Stone	11.0	0.9	-0.2	0.0
Asphalt Paving Mixtures and Blocks	35.1	17.2	-12.9	-8.0
Softwood Plywood	-7.2	7.5	-10.0	-3.4
Hardwood Lumber	-0.6	11.4	-0.2	-0.8
Softwood Lumber	-9.8	5.2	-7.5	-1.3
Insulation Materials	1.1	3.2	0.6	-0.3
Iron & Steel Scrap	34.5	31.4	2.2	5.1
Copper Base Scrap	10.5	17.7	13.6	2.3
Manufactured Materials				
Gypsum Products	-3.1	-1.6	-4.9	-2.6
Diesel Fuel	-7.6	17.7	2.6	-1.5
Asphalt Roofing	59.6	5.2	1.0	-1.9
Flat Glass	-1.9	-1.1	2.5	2.2
Fabricated Building Steel	-1.7	-0.9	0.5	0.2
Hot rolled bars, plates & structural shapes	2.7	11.7	-4.1	1.4
Extruded Aluminum rod, bar and other shapes	-8.4	6.0	2.7	3.4
Sheet Metal Products	5.9	3.9	0.7	0.4
Steel Pipe and Tube	22.3	17.9	0.1	0.1
Nonferrous Pipe and Tube	7.9	12.1	16.8	9.6
Building Brick	-1.4	-0.2	-0.7	-0.3
Ready Mix Concrete	2.5	-1.5	0.5	0.1
Concrete Block & Brick	2.9	-1.7	-1.1	-0.6
Summary				
New Warehouse Building Construction	0.0	0.2	-0.9	3.4
New School Building Construction	-0.1	-0.2	1.7	10.6
New Office Construction	0.0	0.3	-0.1	4.6

**Source: Producer Price Index, Bureau of Labor Statistics,
 US Department of Labor, Federal Reserve Board, Census Bureau**

Construction spending is at a 10 year low. Previously, I've discussed how it will take several years of better than average growth just to return to the level of spending activity experienced as recently as 2007. **Until construction activity increases and perhaps even until we return to a previous level of activity from 2-3 years ago, I would not expect construction escalation to track in line with the PPI for**

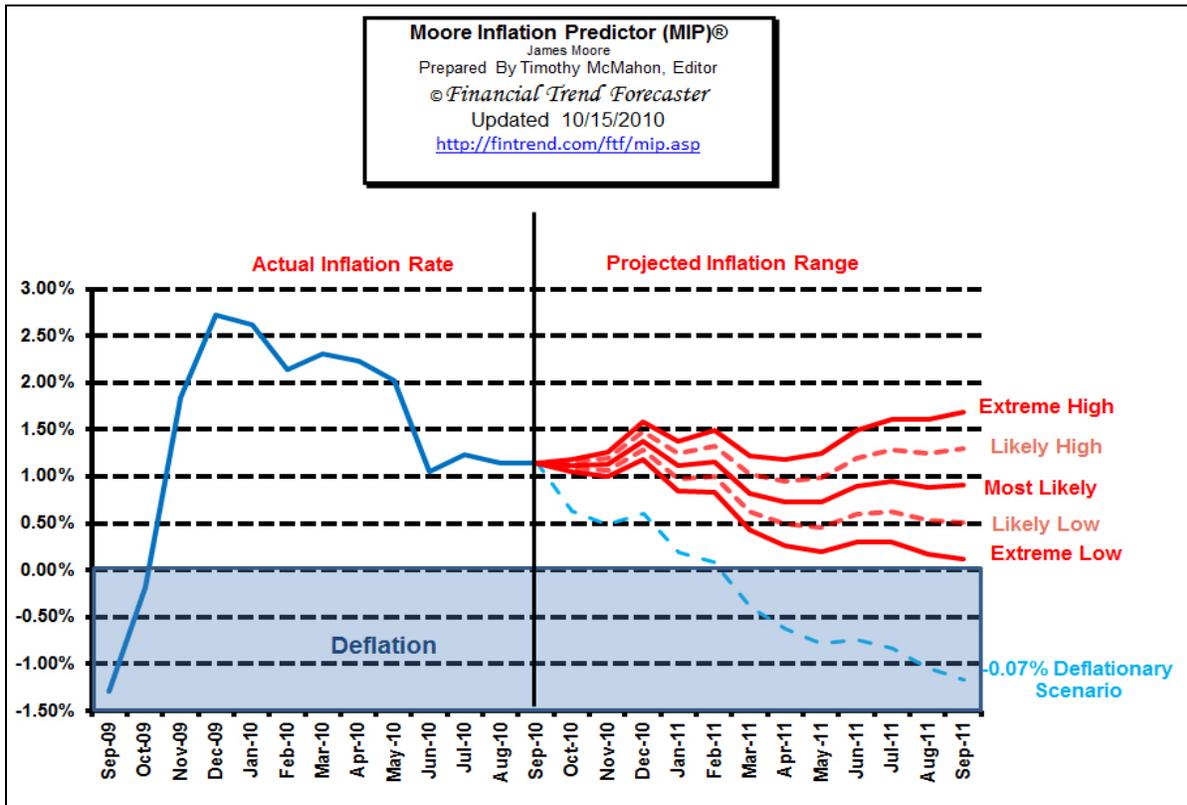
materials. Therefore, do not expect cost escalation to track in-line with PPI at least for some time to come, perhaps 1 to 3 years.

Any construction escalation for the future applied on current project costs will be affected by the total workload. If applied on project costs from previous years, the huge declines of 2009-2010 must be factored in as negative escalation.

Inflation / Deflation

For price inflation to happen there must be a lot of money chasing too few products. What we have now is the opposite. We have wage reduction. We have excess capacity producing too many products. Supply exceeds demand and spending is still depressed. In this scenario, prices will fall or remain depressed, not go up. Good results may be just a result of cost cutting. All companies are selling less. When one company cuts prices, it is good. But when all companies do it, cost cutting is detrimental to the economy. It deflates product selling price, which means lower prices from which to earn profits, which in turn means lower wages paid to produce, which further means less cash to spend on products. This viscous cycle really benefits no one.

Current Consumer Inflation Rate Forecast for the next 12 months



(MIP chart used by permission, Tim McMahon, Editor, Financial Trend Forecaster www.fintrend.com)
 The Moore Inflation Predictor© (MIP) is a highly accurate graphical representation of the future direction of the inflation rate. It has a 97%+ accuracy rate forecasting inflation rate direction & turning points. And over 90% of the time the inflation rate falls within the projected "likely" range and 7% of the time it falls within the "possible" range.

The longer-term inflation outlook is troubling. Generally, it takes about 2 years for monetary stimulus to result in inflation. Once the effects of the two rounds of "stimulus" kick in we may experience inflation (perhaps even hyperinflation). Although stimulus funded road and highway projects began quickly, stimulus funded projects involving buildings were delayed for a number of reasons. Many of those project funds will be spent in the remainder of 2010 and into 2011.

Being a mathematical projection, the MIP has no way to factor in the effects of massive monetary expansion, effects of a devalued U.S. dollar, natural disasters, stock market crashes, etc. until it starts showing up in the current numbers, so we must be alert for the influence of these type of events. Remember, it takes about 2 years for monetary stimulus to result in inflation, so we could begin seeing rapidly accelerating inflation just beyond the MIP's current window. However, I would add, among others, an analyst from BNY, Mellon projects that long term inflation should remain low for the next several years.

Construction inflation, based on several decades of trend, is double consumer inflation.

Current Inflation Forecast

Reed Construction Data expects the inflation trend for construction materials prices will accelerate from the current 0% to 2% to over 5% by the end of 2010. Keep in mind construction price inflation is generally twice consumer inflation. AGC predicts construction materials cost inflation will reach 8% by the end of 2010. Both predict labor cost inflation to hold at about 3%. Both RCD and AGC predictions do take into account the affects of stimulus spending.

Inflation fell from 2.63% in January to 1.05% in June. Since then it has been hovering around the low end of that range. The inflation rate for September (released by the [U.S. Bureau of Labor Statistics](#) in October) was 1.14% which was virtually identical to the August inflation rate of 1.15%.

Currently projections are for a fairly stable consumer inflation projection for the next year. The most likely range is a slow steady decline ending up less than 1% a year from now. But unforeseen forces in the market like another market crash could easily drive it lower.

Until construction spending returns to normal, I would expect escalation to remain subdued, perhaps no more than a nominal 3%. This will be predominantly controlled by aggressive bidding. It would take an extremely isolated economic micro-climate to break out of this scenario.

Some Signs Ahead

In May I reported, manufacturing orders were increasing and were nearly back to the year ago level. Increasing factory orders is essential to an economic expansion. As reported by ISM in its Nov report, orders have increased now for 16 consecutive months and are increasing at a faster rate. Factory production is up but is still a bit lower than in April/May. Year over year increases are still up but have decreased since earlier this year. Industrial production of construction materials increased 2.8% in April to a 3% annual rate but has dropped off since then..

Industrial production is still well below peak. However, increasing demand and the 17 month expansion in production would tend to be an indicator of price increases on the horizon. We may already be seeing

those increases as reported in most recent material price increases. Still, construction product demand is not up to the level of general manufacturing. Production is increasing, demand for manufactured products is increasing, but if new construction project starts and construction spending do not accelerate, low demand will continue to keep selling prices depressed.

State and local spending is likely to remain sluggish for an extended period of time. State tax receipts have just experienced the steepest decline ever recorded, and therefore many states face huge budget gaps and shortfalls. Expectations are that state tax receipt shortfalls will be just as big or even bigger in the 2011 fiscal year. State sponsored construction will likely bear a large share of necessary cutbacks. This will have a significant downward emphasis on public construction.

Architectural firms have lost 25% of their employees since mid 2008. It appears the low point of Arch. firm employment may have been reached in March this year. Although employment has not increased, it has not dropped further since then. Also important though is that the design industry reports it is still experiencing an underutilization of remaining employees. Design fees have edged down with small cuts expected for most of 2010. With some indication that billings are increasing and will continue to do so into 2011, indications are for a very slow recovery in upcoming construction activity.

Selling Price

Few inflation or material/labor cost predictors address the issue of bidders lowering margins to win work and hence lowering what is known as Selling Price. Selling price is the total price at which a contractor is willing to bid to win a project, even if that selling price eliminates all profit from the bid. Selling price is dramatically affected by economic conditions such as market volume and contractor booked revenue. When market volume is low, contractor's margin, or Selling Price, comes down. As business picks up, and once contractors have more work on the books, even if material prices stay low, contractors begin to increase their selling price.

In our Jan '10 report I stated: [Project bids continue to come in under budget. Current bid prices are coming in 10% to 20% below budgets. It is my opinion that major bid price movement for the next 6 to 12 months will still be more strongly influenced by selling price than by changes in material and labor costs. Subcontractors bidding work with lower margins to secure an even flow of backlog will have a greater impact on project pricing than will the onset of increases in cost of materials]. This trend has continued throughout 2010. Contractors continue to be squeezed between rising materials costs and depressed selling prices. Note the current cost of materials and the PPI as compared to the actual cost of buildings.

Producer price index for construction materials on average has increased nearly 4% in the last year. During the same time, the cost for finished nonresidential buildings, reflecting what contractors actually bid to construct new buildings, for almost every building type was little changed or down from a year earlier.

The flow of projects coming to bid during the next 6 to 12 months will strongly influence the cost movement of the bids. If fewer projects come to bid, there will be a significant slow down in overall construction business and bids will remain low, strongly influenced by reduced margins. If we finally see an increase in the volume of projects coming to bid, the need to keep margins reduced will diminish and margins will return to normal.

Escalation – Addressing a Return to Full Margins

If a contractor has reduced margin and is currently bidding 15% below budget, a 5% material cost increase can be absorbed with a change to bidding 10% below budget. Eventually, with a significant upturn in construction starts, sufficient work flow will support a return to full margins in bid proposals.

We often look at the cost of previously built buildings as a historical guide for what to expect in the future. Escalation factors allow us to move the cost of buildings over time. Sometime in the near future, attention needs to be directed to the baseline upon which future escalation is applied.

For all of 2009 (including the later half of 2008 and should continue thru early 2010) project bids have been coming in at perhaps 10% to 20% under normal budget estimating. While we can account for some of that drop in very specific material cost reductions, for an entire project as a whole, there is no logical material/labor/productivity pricing that accounts for the dramatic low cost of bids during this period. Much of it is near entirely due to depressed margins. **At some time, perhaps not before predicted starts in 2011, margins may have returned to normal AND contractors will, out of necessity, need to include the normal cost of labor/material escalation.**

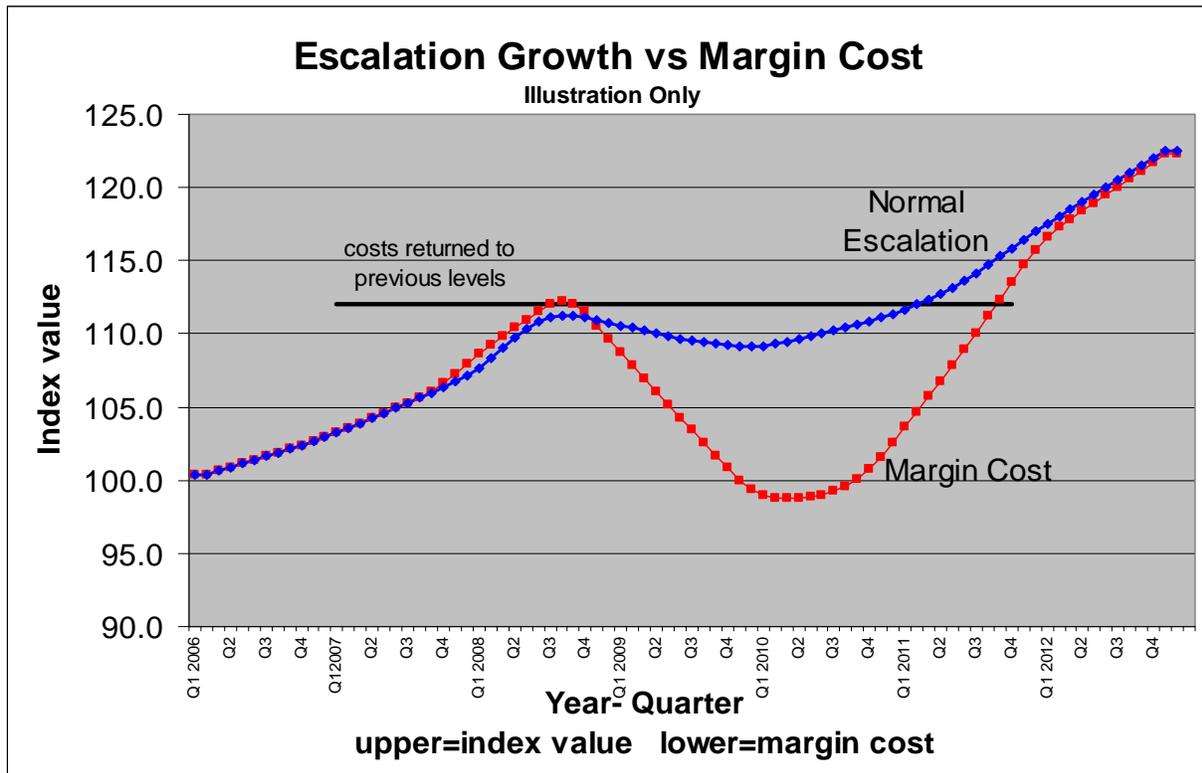
Standard escalation Index tables will not easily address the inflection points in this unusual time period. For instance, if ENR Index is used to escalate previous projects to a future point in time, they would completely miss the period of a 10% to 15% drop in actual costs due to reduced margins. They would not account for the need to account for the return to normal margins. The graphic below illustrates this unusual period.

If a 2011 project is being compared to a project budget or final project cost with a baseline midpoint in 2007, a period of normal margin bids, that 2011 project may need only be escalated by the normal (approx 3% for 2007, 6% for 2008, perhaps -3% for 2009 and 4% for 2010) to be escalated fully to account for materials and labor growth into 2011.

If a 2011 project is being compared to a project budget or final project cost with a baseline midpoint at peak cost in mid to late 2008, a period of normal margin bids, that 2011 project may need only be escalated by the normal (-2% for end 2008, perhaps -3% for 2009 and 4% for 2010) to be escalated fully to account for materials and labor growth into 2011.

If a 2011 project is being compared to a project budget or final project cost with a baseline midpoint at the deepest period of margin reduction, that 2011 project may need to be escalated 3-4% to account for materials and labor in 2010, PLUS an additional 10-15% to account for margins having returned to normal.

This will be a period of conceptual project budget preparation unlike any we have ever experienced. The critical issue is consideration of project time-period being used as the baseline for a future projection. Any baseline project from the depressed margin pricing era will need special attention to reflect an accurate prediction of that project into future cost.



On the chart above we can see a rough illustration of actual costs (plunging lower red line) plotted over time against the index values (upper smooth blue line). Whenever the margin cost varies from the escalation line, it signifies either an active (margin over real cost) or depressed market (margin under real cost). Over the period of extreme margin drop, any future projection escalated from a project with a midpoint centered on the deep margin drop would be escalated only from the upper line to the flat line. It would be understated by the cost difference from the margin drop up to the escalation line. Likewise any historical project being escalated to current time would be overstated by the difference between the two. We must remain diligent for this affect if we are to make accurate projections.

Escalation – What Should We Carry?

New building markets will still be depressed through mid 2011 or longer, and that will keep margins very low. Federal BLS figures released in October, and Reed Construction predictions for estimate to complete, show current expectations of a total of \$293bil in nonresidential construction spending in 2010, a decline of 23% below that of 2009. For 2011 it is predicted at \$302bil, not much of an increase from 2010. Construction spending is currently at a level equal to July 2000, a 10 year low.

IF nonresidential construction spending begins to increase in 2012 to an annual rate of 10% growth, it will take until the end of 2015 before we return to spending levels reached at the peak in 2006-2007. It is questionable that the workforce will return to its previous peak before 2016 or 2017. **During the next year or two, with a dramatically reduced workforce and subdued spending, expect the bidding environment to remain extremely competitive with construction costs continuing to reflect depressed margins.** Selling prices will remain depressed until construction activity returns to something close to normal.

There are wide ranges in economist predictions for consumer inflation. The Moore Inflation Predictor predicts a range of consumer inflation from +1.6% to +0.1% thru Oct 2011, with the most likely rate being +0.9%. It has a very high historical accuracy rate. Historically, typical construction escalation (inflation) ranges close to double normal consumer inflation. Several major economists anticipate construction material and labor escalation thru 2011 of 2% to 5%. It is important to note that thru 2010, construction material and labor escalation has been about 3% to 4% and yet building costs, for most building types, on average have declined. That tells us escalation costs are being absorbed by manufacturers, suppliers and builders. This will turn around only when construction activity picks up.

Normal cost escalation in 2008 was 5% to 7%. In 2009 normal escalation was zero. The average normal escalation over a 10 year period is approximately 3%. Normal escalation does not include the affects of selling price.

Expectations for 2010 are that moderate inflation in material prices will continue to be offset by reduced margins. While we might see 4 to 6% material cost escalation by year end and -3% labor cost escalation for the year, margin reductions of 10 to 20% below normal will not completely evaporate. **For the next 6 months, the net change in the bid environment might be a narrowing of margin reductions to between 5% and 15% below budgets.**

Although Reed Construction's economist is predicting materials cost inflation for next year at 6%-8%, I would not predict long term construction inflation at even 4%-6%. Reduced margin bids will have far more impact on total actual construction cost than any materials cost inflation.

My advice for 2011 would be to carry zero escalation at least thru the middle of next year. Then, if costs do accelerate by year end to 5-6% hyper-inflation, that would be annualized to 2.5-3% for the final 6 months over the second half of the year.

Consider your market. If you are in a market area that has expectations of a huge volume of work that may start within a narrow window of time, then market pricing can turn rapidly for you. **It would not be unreasonable to assume 3%-5% annual escalation as a conservative approach in a rapidly growing market.** In a still depressed market, the affect of escalation could be zero as it would be completely offset by reduced margin bids. If, like many areas, your market is still depressed and construction starts are still well below the norm, then you should expect continued reduced margins. In most areas, highly competitive bids at low margins will absorb nearly all of the moderate costs of escalation, potentially for the next year.

For budgeting future projects, those which may not occur until late 2011 or into 2012, we should expect selling prices (margins) will have by that time begun a return to normal and labor and materials escalation will be moderately impacted as outlined above. First and foremost is that the budgeting baseline at some point will return to normal margin budgets. Only then should you consider applying escalation.

For future projects, those which may not occur until 2011 or even 2012, nominal escalation of 3-4% "above full margin bids" may be carried. Please keep in mind for 2011 and beyond, if pricing is being compared to "actual bids" in late 2009/early 2010, the future pricing should not only address the return to normal margins (+10% to +15% above 2009/2010 actual bids) but also address the material and labor cost inflation (potential average increase of 4-6% annual).

Anything past 2012 is basically a wild guess. NO ONE can accurately predict that far out. All the major respected economists who do offer predictions will do so only for 1-2 year out past the present year.

Long term historical escalation always averages out around 3%. So for a good guess at 2012 and beyond, you could conservatively carry 3% for long term escalation, but it could turn out to be 2% or 6%. There is just no way to predict.

There has been some discussion that immediately following this recessionary period we could experience hyper-inflation. Contrary to what some economists think, I have read and share numerous opinions that construction markets are so deeply depressed it will take at least another year, if not more like 2 to 3 years to return to normal markets with normal margins. I expect there will still be discount bidding well thru next year. Beyond 2011, I'd then expect a slow climb into plus numbers for escalation, but all long term spending predictions indicate a return to normal could take a very long time. If at some time in the future we do experience rapidly expanding markets, follow the advice given above for growing markets.

Gilbane is a full service construction and real estate development company comprised of Gilbane Building Company and Gilbane Properties, Inc. The company (www.gilbaneco.com) is one of the nation's largest construction and program managers providing a full slate of facilities related services for clients in educational, healthcare, life sciences, mission critical, corporate, sports and recreation, criminal justice, public and aviation markets. Gilbane has offices in nine regions of the country, with corporate offices located in Providence, Rhode Island. The information in this report is not specific to any one region.

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Data Sources:

Among countless news articles, these sources are used for data in this report

American Iron and Steel Institute - steel.org
American Recycler - americanrecycler.com
Associated Builders and Contractors - abc.org
Associated General Contractors of America - agc.org
Bloomberg L.P. Financial News - Bloomberg.com
Bureau of Labor Statistics - Stats.BLS.gov
Census Bureau - census.gov
Data Digest – agc.org/datadigest
Energy Information Administration - Eia.doe.gov
Engineering News Record - ENR.com
Financial Times - FT.com
Financial Trend Forecaster - Fintrend.com
IHS Global Insight - ihs.com
Institute for Supply Management - ism.ws
International Iron and Steel Institute - Worldsteel.org
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