

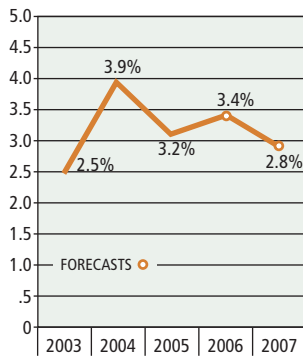
# Outlook

by Daryl Delano



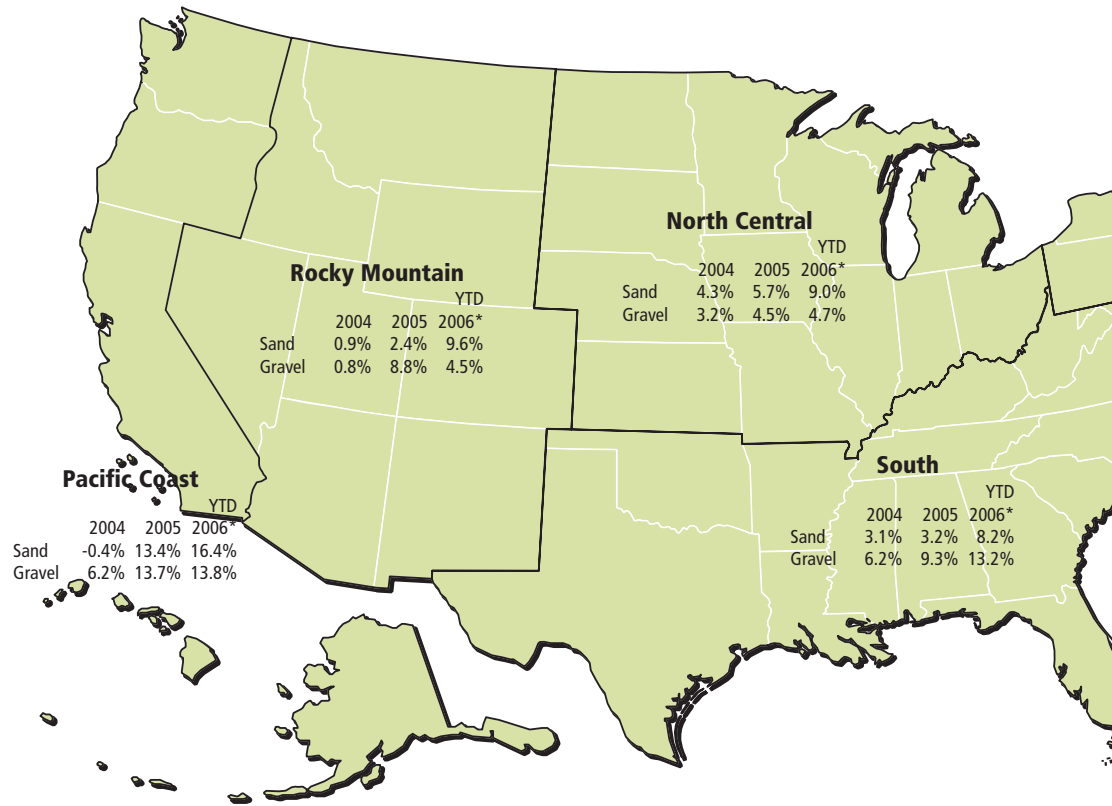
Daryl Delano has more than 25 years of professional experience in construction economics, labor economics, and macroeconomics. He has worked as a senior economist with Dodge Analytics, the research and consulting unit within McGraw-Hill Construction/Dodge.

## Gross Domestic Product % change vs. previous year



The nation's overall gross domestic product (GDP) grew at an annualized rate of 2.9 percent during the second-quarter of 2006, but the residential investment component declined for the third consecutive quarter.

## Changes in Average Prices – Recent Trends



## Slower economic growth reflected in house price flattening

The overall U.S. economy grew at the relatively-subdued rate of 2.9 percent during the second quarter of this year, and gross domestic product (GDP) is expected to register a gain of less than 3 percent during the final six months of 2006. Economic growth is likely to remain below its longer-term potential of roughly 3.5 percent at least through the first half of next year, as well.

The smaller GDP gains, and lukewarm outlook, can be attributed to the recent

convergence of a number of factors. Elevated energy prices have taken disposable income out of American's pockets, and brought about a pullback in consumer spending for cars, appliances, and other goods — although, to this point, spending for services has held up well. Higher credit card interest rates and ever-escalating interest rates on home equity loans have further eroded the purchasing power of U.S. consumers.

The most significant factor dampening consumer spending and overall economic

growth, however, comes from changes affecting the long-sizzling housing market. There is ample documentation of the housing market "cooling," which is evident in a variety of government and association reports.

Total nationwide housing starts through the first seven months of 2006 were 5.1 percent below the January-July 2005 total. Sales of new single-family homes in the United States fell at an even-steeper rate, declining 14.2 percent below the level recorded for the first seven

months of 2005. Inventories of unsold existing single-family homes this past July were at their highest level since April of 1993. And the National Association of Home Builders composite index of builder confidence was at its lowest level since February 1991 during August of this year.

Amidst these signs of reduced demand for housing comes tangible evidence that what had been (in most parts of the nation) a "seller's" market has quickly turned into a "buyer's" market, albeit with average



### Northeast

	2004	2005	2006*
Sand	1.5%	6.1%	15.4%
Gravel	4.0%	8.0%	4.1%

### Construction Sand & Gravel Price Trends by Region

annual % change in producer price index (\*2006 value represents % change between June 2005 and June 2006)

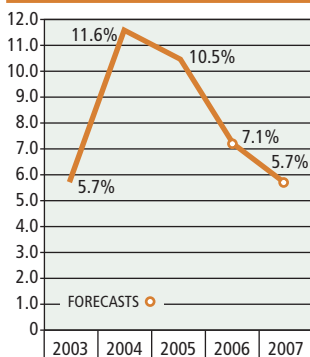
Average construction sand prices nationwide were 11.7 percent higher during June 2006 than they had been during June 2005, while average construction gravel prices in the U.S. rose 8.7 percent during the same period of time.

Sand prices during the first-half of 2006 rose most sharply in the Northeast and West regions. Gravel price increases this year have been more subdued in the Northeast and North Central regions than in the rest of the country, but have been running well ahead of the national average in the South and on the Pacific Coast.

home prices now at much higher levels than just a couple of years ago. The average price of a new single-family home sold this past July was only 1.5 percent higher than in July 2005. Price appreciation for full-year 2005 was a much-stronger 8.2 percent. And the average price of an existing home sold during July 2006 was a scant 0.4 percent higher than in July 2005, following average price appreciation of 9.1 percent throughout all of 2005.

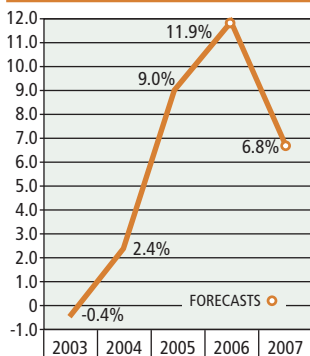
Although the median sales price of a home in Ba-

### Total Construction % change vs. previous year



The aggregate value of construction work completed in the United States during the first seven months of 2006 was about 8 percent more than during January-July 2005. Spending gains for most nonresidential buildings and infrastructure will keep overall construction growing next year, despite pullback in residential investment.

### Highway & Street % change vs. previous year



Construction spending for highways, bridges, tunnels, and related transportation work grew at a 16-percent annual rate through July 2006. Federal funding support and better fiscal conditions in many states and municipalities will help push spending still higher in 2007.

ton Rouge, La., during the second quarter of this year was 27.3 percent higher than a year earlier — in large part due to the increased demand coming from homeowners displaced by Hurricane Katrina — prices have declined in many other parts of the country.

Sales prices in Detroit (-8.0 percent), Cleveland (-5.2 percent), Minneapolis (-2.0 percent), and Indianapolis (-1.8 percent) were all a bit lower during April-June of 2006 than in the second-quarter of 2005.

### Employment Trends by Metro Area

Year-to-date job-growth trends vs. last year, and current unemployment rate (not seasonally adjusted) for U.S. metropolitan areas, through July 2006.

Employment nationwide increased by 1.3 percent between July 2005 and July 2006, while the national unemployment rate (not seasonally adjusted) this July stood at 5.0 percent.

Over-the-year employment gains were 5 percent or better in five of the 96 distinct major metropolitan areas that we regularly track on this page. McAllen-Edinburg, Texas, was at the top of this list, recording over-the-year job growth of 7.2 percent while at the same time having one of the nation's highest unemployment rates with 7.8 percent of its rapidly expanding labor force without a job during this July. The other metro markets that saw total jobs growth by more than 5 percent between July 2005 and July 2006 were Las Vegas; Tucson, Ariz.; Boise, Idaho; and Phoenix. Among these areas, the Boise labor market was the healthiest and most balanced, recording strong over-the-year job growth of 5.1 percent and a very low July 2006 unemployment rate of just 2.9 percent. Employment was lower this July than during July 2005 in the New Orleans; Newark, N.J.; Detroit; Indianapolis; and Ann Arbor, Mich., metropolitan areas.

Metro Area	Job Growth (Unemployment Rate)	Metro Area	Job Growth (Unemployment Rate)
<b>NEW ENGLAND</b>			
Boston, MA	1.0% 4.6%	Minneapolis, MN	2.7% 3.5%
Providence, RI	0.4% 5.8%	Des Moines, IA	2.5% 3.0%
Hartford, CT	1.5% 4.8%	Wichita, KS	2.2% 5.3%
Stamford-Norwalk, CT	0.5% 4.3%	Omaha, NE	2.4% 3.7%
<b>MID-ATLANTIC</b>			
Camden, NJ	1.5% 5.5%	Kansas City, MO	1.8% 5.1%
Newark, NJ	-0.8% 5.6%	<b>NORTHERN PLAINS</b>	
Edison, NJ	1.5% 5.0%	Little Rock, AR	2.1% 5.1%
Nassau-Suffolk, NY	0.6% 4.4%	Fayetteville, AR	3.2% 3.7%
New York, NY	1.5% 5.7%	New Orleans, LA	-28.4% 4.2%
Allentown-Bethlehem, PA	1.9% 4.8%	Baton Rouge, LA	3.5% 3.3%
Philadelphia, PA	0.9% 5.0%	Oklahoma City, OK	1.8% 3.7%
Pittsburgh, PA	0.7% 5.1%	Tulsa, OK	2.6% 3.6%
Harrisburg-Lebanon, PA	2.0% 4.0%	Austin, TX	2.7% 4.4%
<b>SOUTH ATLANTIC</b>			
Wilmington, DE	1.8% 4.6%	Dallas, TX	2.7% 5.3%
Baltimore, MD	1.4% 5.0%	Ft. Worth, TX	2.4% 5.3%
Washington, DC	2.5% 3.5%	Houston, TX	2.5% 5.5%
Richmond, VA	1.5% 3.4%	San Antonio, TX	1.9% 5.3%
Norfolk, VA	1.7% 3.7%	El Paso, TX	2.1% 7.5%
Raleigh-Cary, NC	4.5% 3.8%	McAllen-Edinburg, TX	7.2% 7.8%
Charlotte, NC	3.0% 4.9%	<b>MOUNTAIN</b>	
Greensboro-High Point, NC	0.0% 5.3%	Denver, CO	1.9% 4.8%
Charleston, SC	2.9% 5.1%	Colorado Springs, CO	1.8% 5.1%
Greenville, SC	1.8% 5.4%	Boise, ID	5.1% 2.9%
Atlanta, GA	2.3% 4.9%	Salt Lake City, UT	4.5% 3.4%
Daytona Beach, FL	2.9% 3.3%	Albuquerque, NM	3.3% 4.6%
Jacksonville, FL	2.8% 3.8%	Las Vegas, NV	5.6% 4.6%
Orlando, FL	4.0% 3.2%	Reno, NV	4.5% 4.2%
West Palm Beach, FL	3.1% 3.8%	Phoenix, AZ	5.1% 4.1%
Palm Bay-Melbourne, FL	1.6% 3.4%	Tucson, AZ	5.3% 4.8%
Ft. Lauderdale, FL	4.0% 3.3%	<b>PACIFIC</b>	
Sarasota, FL	4.7% 2.8%	Anchorage, AK	1.6% 5.7%
Lakeland, FL	2.8% 3.9%	Seattle, WA	3.9% 4.1%
Tampa-St. Petersburg, FL	2.3% 3.4%	Tacoma, WA	3.3% 5.6%
Miami, FL	1.6% 3.9%	Portland, OR	2.5% 5.3%
<b>SOUTH CENTRAL</b>			
Nashville, TN	2.5% 4.7%	Honolulu, HI	2.5% 3.2%
Memphis, TN	1.2% 6.6%	Bakersfield, CA	2.6% 7.4%
Louisville, KY	1.2% 5.9%	Fresno, CA	0.4% 7.7%
Birmingham, AL	1.2% 3.9%	Sacramento, CA	2.3% 4.7%
Mobile, AL	3.0% 4.6%	Modesto, CA	0.8% 7.9%
Jackson, MS	2.0% 6.5%	Stockton, CA	2.4% 7.3%
<b>NORTH CENTRAL</b>			
Milwaukee, WI	1.0% 5.5%	Los Angeles-Long Beach, CA	1.2% 5.1%
Madison, WI	3.2% 3.4%	Orange County, CA	1.0% 3.8%
Ann Arbor, MI	-0.2% 5.0%	Santa Barbara, CA	0.3% 4.0%
Detroit, MI	-0.7% 8.1%	Riverside-San Bernardino, CA	3.3% 5.2%
Grand Rapids, MI	0.2% 6.8%	San Diego, CA	1.5% 4.3%
Cincinnati, OH	1.3% 5.5%	San Francisco-San Mateo, CA	1.5% 4.3%
Columbus, OH	0.7% 5.0%	Oakland, CA	2.4% 4.7%
Cleveland, OH	0.1% 5.4%	San Jose, CA	0.3% 5.0%
Indianapolis, IN	-0.4% 4.8%		
Chicago, IL	1.2% 4.7%		

Source: U.S. Department of Labor, Bureau of Labor Statistics