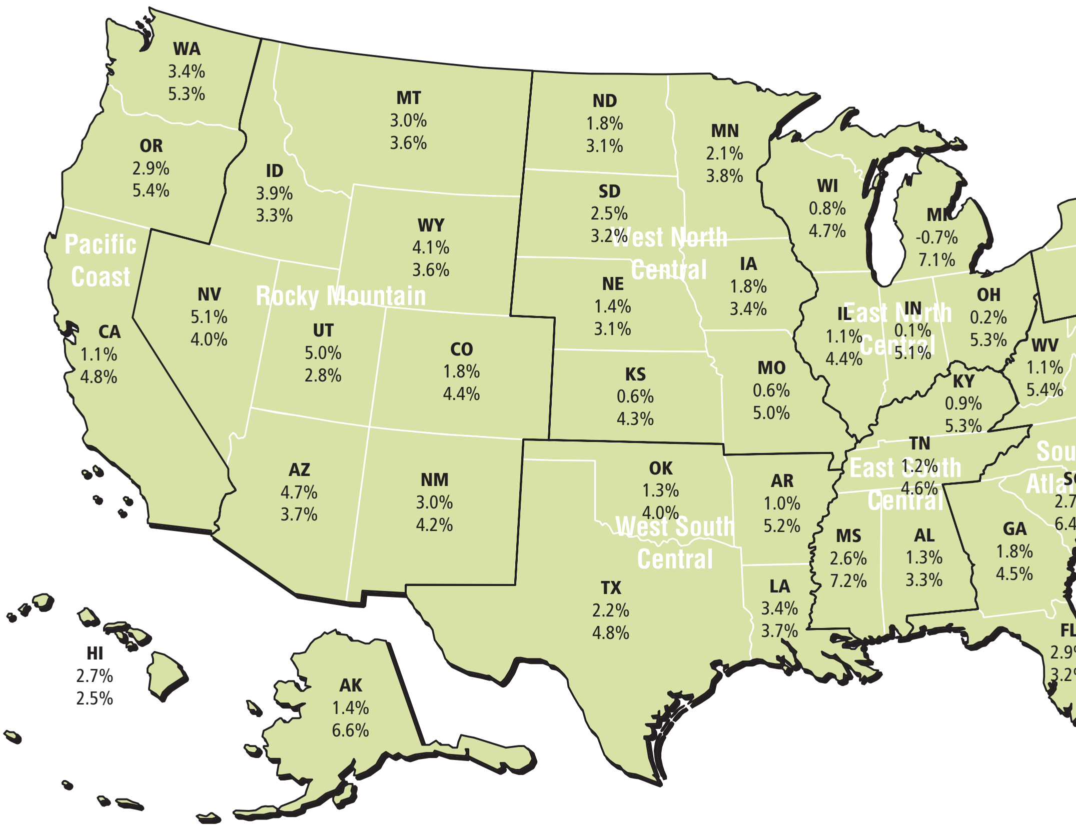
Outlook

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.

Employment Trends by State



Employment Trends by State

Total employment in the U.S. increased by 1.3 percent between September 2005 and the same month of this year, but there were a total of 14 states in the nation (all of them in the West and South regions of the country) that recorded job growth more than twice as strong as this national average rate. Leading the way were Nevada and Utah, with over-the-year employment gains of about 5 percent, while Arizona and Wyoming both recorded job growth of better than 4 percent.

The national unemployment rate (not seasonally adjusted) this September stood at 4.6 percent. A total of 18 states recorded unemployment rates of less than 4 percent during September 2006.

Taking a look at the employment growth and the unemployment rate trends together, and also taking into account the relative size of individual states, Florida continues to enjoy the healthiest overall labor market trends conditions.

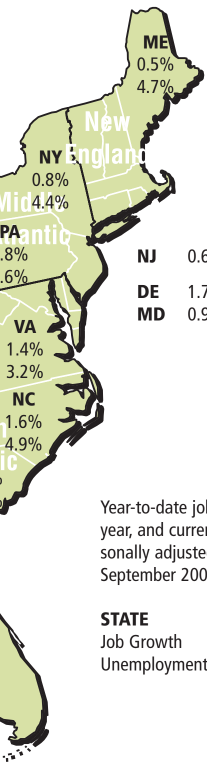
Economic growth slowed to less than 2 percent during third quarter

U.S. economic growth slowed markedly during the third quarter of this year, largely due to a significant drop in new home construction and sales. All signs point to another two or three quarters of below trend (i.e., the economy's non-inflationary growth potential of about 3.5 percent) gross domestic product expansion before housing-related indicators and consumer spending regain some momentum during the second half of 2007.

The U.S. Department of Commerce's advance estimate of annualized GDP growth for July-September 2006 showed the overall economy expanding at an annualized rate of just 1.6 percent. This was the weakest quarterly growth recorded for the U.S. economy since the first quarter of 2003. During the intervening 13 quarters, GDP increased at an average annualized rate of 3.7 percent.

The "residential investment" component of GDP — which includes new home, apartment, and condo construction, as well as remodeling spending, real estate commissions, etc. — plunged at an annualized rate of 17.4 percent during the most recent quarter on the heels of an 11.1-percent decline between the first and second quarters of this year. In fact, residential activity measured in GDP has now declined for four consecutive quarters, although the losses recorded in Q4-2005 and Q1-2006 were negligible compared to the steep declines sustained over the middle two quarters of this year.

In total, "residential investment" subtracted 1.1 percentage point from third-quarter GDP — so, if residential activity had just held its ground during July, August, and September, the overall economy would have recorded growth of 2.7 percent, following the 2.6-percent annualized gain registered during the prior quarter. Fortunately, most other sectors of the economy have been able to pick up the slack even as the residential market swoons. Consequent-



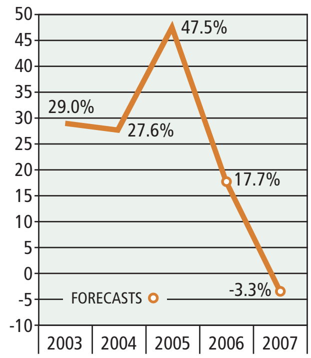
CT	0.5%	4.7%
MA	0.7%	5.1%
NH	0.8%	3.2%
RI	0.2%	5.2%
VT	1.0%	3.7%

NJ	0.6%	5.2%
DE	1.7%	3.7%
MD	0.9%	4.0%

Year-to-date job-growth trends vs. last year, and current unemployment rate (seasonally adjusted) for U.S. states, through September 2006

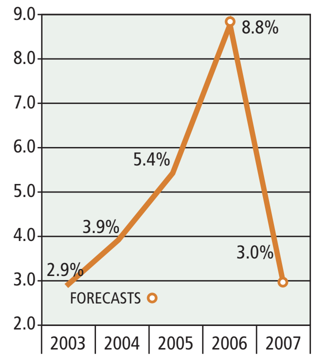
STATE
Job Growth
Unemployment Rate

#2 Diesel Fuel
% change vs. previous year



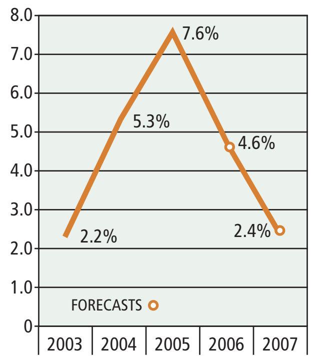
The extended upward trend in diesel fuel prices screeched to a halt in September. Although prices for 2006 as a whole are still averaging almost 20 percent more than last year's level, diesel fuel users were actually paying 5.3 percent less this September than during September 2005.

Limestone
Crushed & Broken



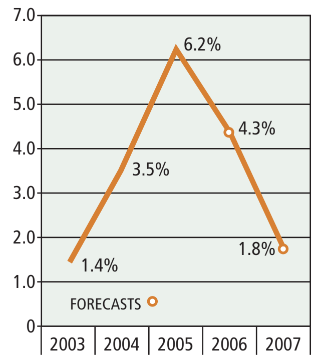
The average nationwide price for crushed and broken limestone has increased during each and every month of 2006. This September's average was 10.1 percent higher than in September 2005. Energy costs are now trending down, so inflation should ease in the months ahead.

Mining
Machinery & Equipment



U.S.-manufactured mining machinery and equipment prices had declined, on average, for three consecutive months through this September. Although prices were 4.7 percent higher this September than during the same month in 2005, greater stability in oil and gas prices should dampen demand for some equipment types.

Construction
Machinery & Equipment



The U.S. Department of Labor's price index for U.S.-manufactured construction machinery and equipment has moved only marginally higher since springtime, after a sharp gain during the first quarter of the year. Average nationwide prices were up a moderate 3.6 percent between September 2005 and September 2006.

Construction Spending
by Sector

The pattern of construction activity that first emerged early in the year — residential fading, with most parts of nonresidential and nonbuilding/infrastructure gaining momentum — has become more established with each passing month.

Official U.S. Department of Commerce data on the value of construction work completed shows that dollars spent for residential buildings increased by only 1.3 percent through the first nine months of this 2006 when compared to cumulative spending for the first three-quarters of 2005. This follows exceptional residential spending growth in both 2004 (18.6 percent) and 2005 (13.6 percent). At the same time, spending for non-residential construction (including both buildings and infrastructure work) was 13.6 percent greater through January-September of this year than for the same period of 2005.

Infrastructure construction spending categories that grew at double-digit annual rates through the first three-quarters of 2006 included sewage and waste disposal (19.5 percent), highway/street/bridge (15.9 percent), and water supply (12.4 percent).

% change in value of construction put in place. 2006 value represents total spending through September, compared to the 9 months of 2005

	2005	YTD 2006
Total Construction	10.5%	6.6%
Total Residential	13.6%	1.3%
Single-Family Residential	14.8%	0.9%
Multi-Family Residential	20.7%	18.3%
Residential Improvements	9.0%	-2.9%
Total Non-residential	6.7%	13.6%
Office	7.0%	11.9%
Automotive	11.9%	1.1%
Food/Beverage	-1.5%	-4.6%
General Merchandise	8.8%	-6.6%
Shopping Centers/Malls	32.4%	56.0%
Drug Stores	-7.6%	5.2%
Building Supply Stores	-0.2%	11.5%
Commercial Warehouses	9.2%	16.8%
Mini-Storage	17.8%	-27.3%
Lodging	4.6%	48.5%
Health Care	7.5%	13.0%
Educational	5.3%	6.6%
Religious	-4.6%	4.0%
Sports	3.1%	-3.6%
Fitness	21.9%	42.3%
Social Centers	-38.0%	-6.0%
Performance/Meeting Ctrs	36.1%	-9.1%
Movie Theaters/Studios	2.6%	-11.7%
Public Safety	11.1%	10.5%
Manufacturing	30.6%	23.1%
Air Transportation	-4.9%	-2.9%
Land Transportation	9.4%	28.3%
Communication	7.1%	12.9%
Power	-1.2%	11.5%
Highway and Street	9.0%	15.9%
Sewage & Waste Disposal	7.8%	19.5%
Water Supply	5.9%	12.4%
Conservation & Dvlopmnt	9.4%	13.1%

Source: U.S. Commerce Department

ly, the risks of a full-blown recession have increased only marginally in recent months.

Business investment in structures (primarily non-residential commercial, industrial, and institutional buildings) increased at a double-digit annualized rate for the third time in the past four quarters during July-September of 2006. After falling in 2003, then growing by an average of only 1.6 percent over the next two years, investment in non-residential structures recorded annualized growth that averaged 13.8 percent for the 12 months ending this September.

Business investment in new equipment and software recovered from an unexpected (but small) decline during the second-quarter of this year to record annualized growth of 6.4 percent in the third quarter. Exports of U.S. goods increased at a 10-percent annual rate during July-September and have now increased in each of the past 13 quarters. Non-defense government spending, much of it for highways, bridges, and other infrastructure projects, grew by 6.9 percent at the federal level and by 2.1 percent at the state/local level during this year's third quarter. Reflecting improved tax collections and better overall fiscal conditions, state and local government spending has increased at an average annualized rate of 2.5 percent during the past 12 months, following negligible gains of 0.2 percent, 0.5 percent, and 0.5 percent during 2003, 2004, and 2005, respectively.