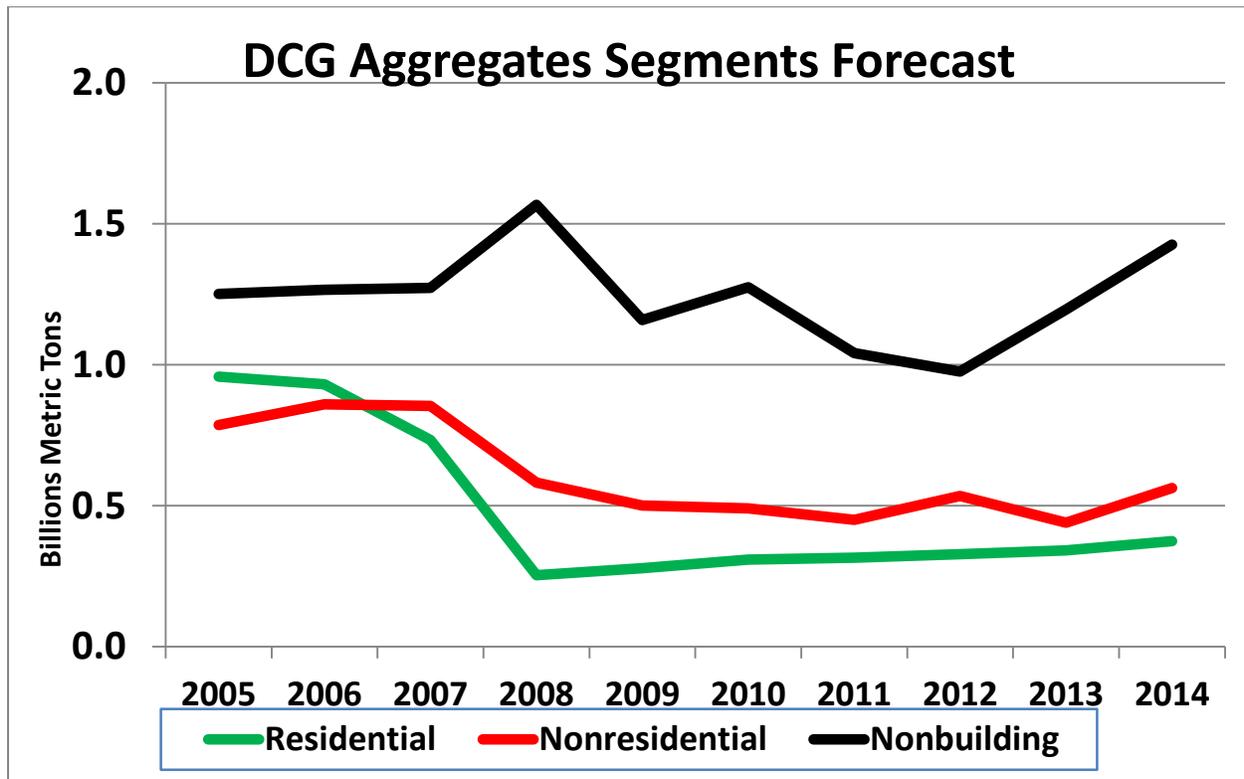


## DCG Aggregates Forecast



The chart shows the DCG County Based Aggregates forecast by construction segment. Residential is now on a growth path after four years of rapid declines. As can be seen in the chart, residential remains well below the 2005 peak until after 2014 for three reasons: 1) the shadow inventory of impaired mortgage homes; 2) continued high unemployment—above 7% until after 2013; 3) a downward shift in attitudes about home ownership. All three of these issues will fade away as the recovery gets stronger but for now they are important. Nonresidential aggregates consumption took a nose dive in 2008 and will remain weak for another 12-18 months as vacancy rates remain high and job growth remains below 400K/month for many more months.

The largest consumer of aggregates, nonbuilding, after a slight uptick this year, will continue lower for another two years for three reasons: 1) Federal stimulus money is winding down; 2) state and local government budgets will remain under pressure for several more years; 3) infrastructure work will move down in the priority chain as education grabs a bigger share of the revenue pie. By 2013 aggregates demand begins to increase rapidly due to much better local economic conditions and solid pro-growth policies out of Washington, D.C.

Dec. 1, 2010. David Chereb, Ph.D.