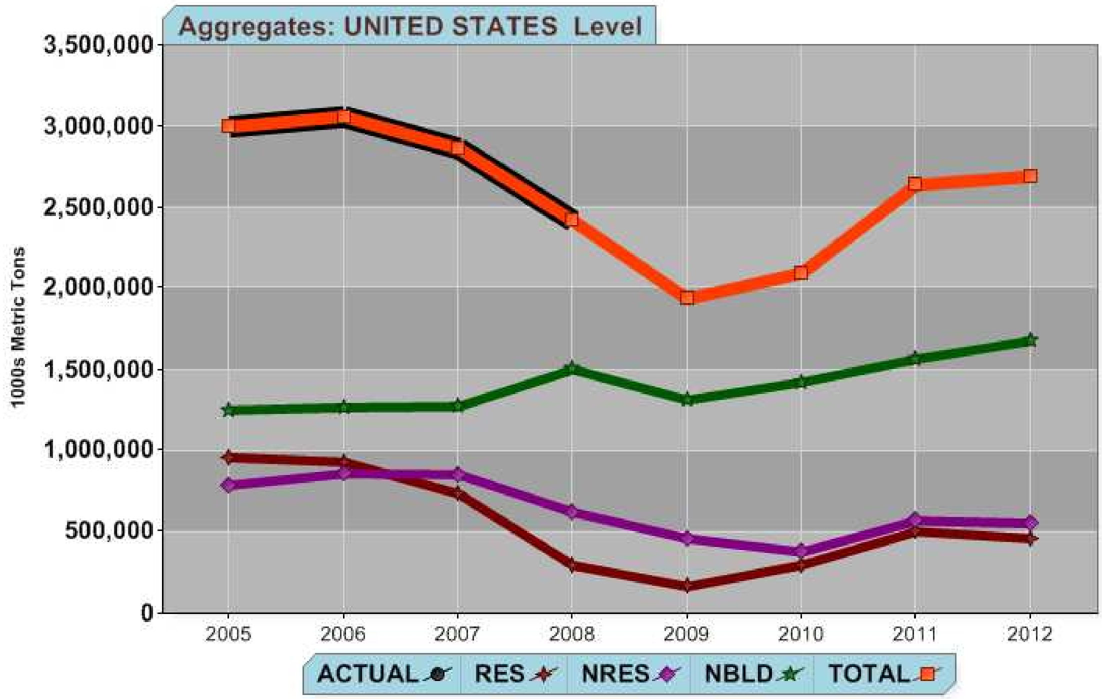
DCG, Inc. Aggregates Forecast



The chart above shows the major segments of demand from our county based web aggregates forecasting model. The DCG forecast shows higher demand in 2010 due to increases in nonbuilding (highways, bridges, etc.) and residential demand. Nonresidential (offices, schools, stores, etc.) will continue to be a drag on aggregates demand until 2011 as vacancy rates are too high to warrant new capacity and job growth will remain non-existent into 2010.

The biggest source of higher aggregates demand in 2010 comes from nonbuilding where Federal stimulus money is slowly making its way to the street. The pressure to get new work underway is increasing and will yield modest gains in 2010 (up 8% Yr/Yr). The increase is not higher due to the continuing fiscal problems of most state and local governments. Residential while the smallest source of aggregates demand will have the largest percent increase (over 50%) and be a second source of higher aggregates demand. Demand for new housing is already increasing and will increase more as we enter 2010. Just as the 2005-07 period was one of over building, the 2008-09 period is one of under building. Demographic demand pressure is building and as long as mortgage rates remain below 7%, housing demand will continue to increase. The weak link in demand is nonresidential where there is little hope of higher demand for many months. Even if new financing becomes available, vacancy rates are too high to justify new capacity. If reckless deficit spending doesn't sabotage the recovery, nonresidential demand will begin increasing by late 2010 and contribute to higher aggregates demand in 2011.

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August 28, 2009