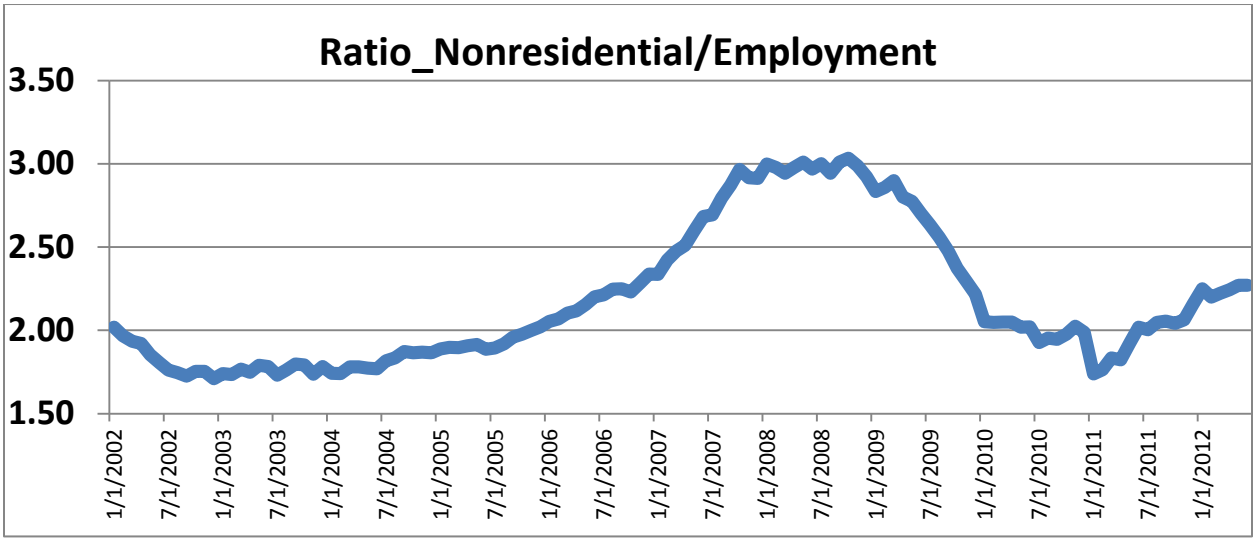
DCG Aggregates Forecast

The charts show why our forecast has flat volumes for nonresidential for the next two years.

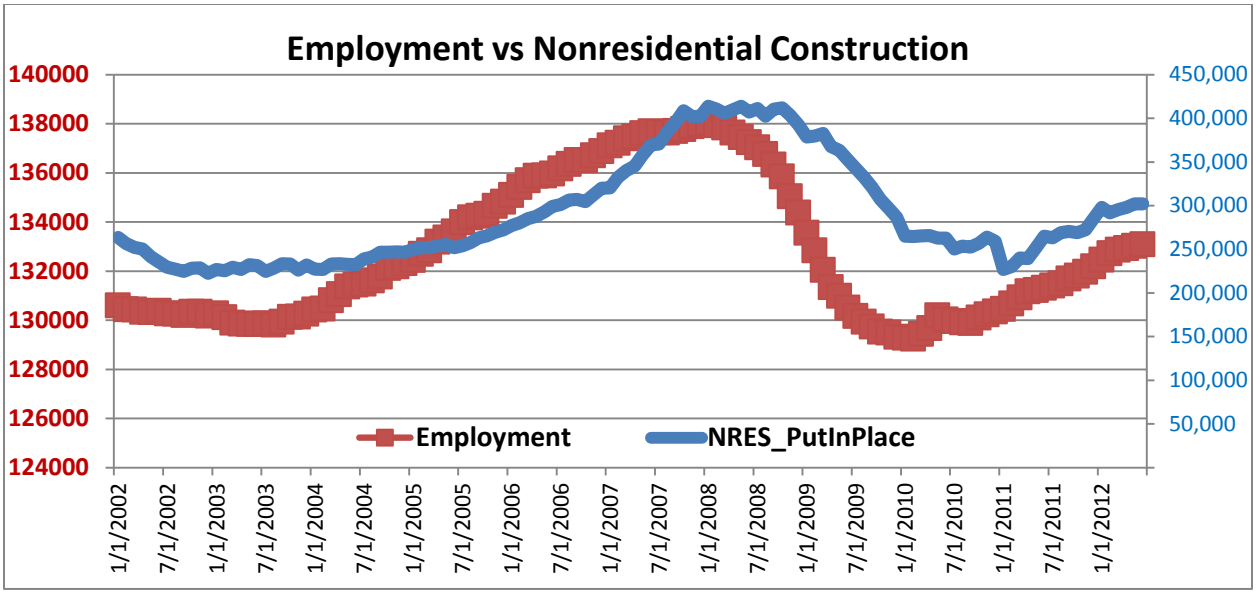
As we know, nonresidential construction volume is driven by changes in employment, with a lag. When employment growth is strong for several years in a row, nonresidential construction begins to increase rapidly (see the 2003-2007 period). The sharp drop in employment between 2008 and 2010 meant that nonresidential demand would eventually drop substantially-and it did.



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

Now that employment has been growing since mid-2010, nonresidential is also growing. Is the current level of nonresidential construction sustainable given our recent employment growth? The answer is in the chart showing the ratio of nonresidential construction to employment. The ratio is back up to 2.27 ($302B/133M) which is equivalent to $2270 of nonresidential construction per worker. The last time the ratio was this high was in mid-2006. What this suggests is that without rapid job growth nonresidential construction is at a near term peak.

For nonresidential construction to move higher requires job growth in the 250K+ range for many months in a row. Our view is that job growth is likely to be closer to 130K/mnth for the next year, hence our flat nonresidential construction outlook. In our analysis we also include financing rates, vacancy rates and local building policies-but employment is the main driver.



Below is our forecast, by segment, of aggregates consumption by major segment through 2013. The forecast is flat for the next two years as slow job growth prevents strong materials volume increases.

DCG, Inc. U.S. Aggregates Forecast (billions metric tons)

Date	2007	2008	2009	2010	2011	2012	2013
TOT	2.86	2.40	1.94	1.99	1.98	1.93	1.97
RES	0.73	0.25	0.28	0.31	0.34	0.35	0.34
NRES	0.85	0.58	0.50	0.48	0.54	0.52	0.53
NBLD	1.28	1.57	1.16	1.20	1.10	1.06	1.10

Sept. 4, 2012: David Chereb, Ph.D.