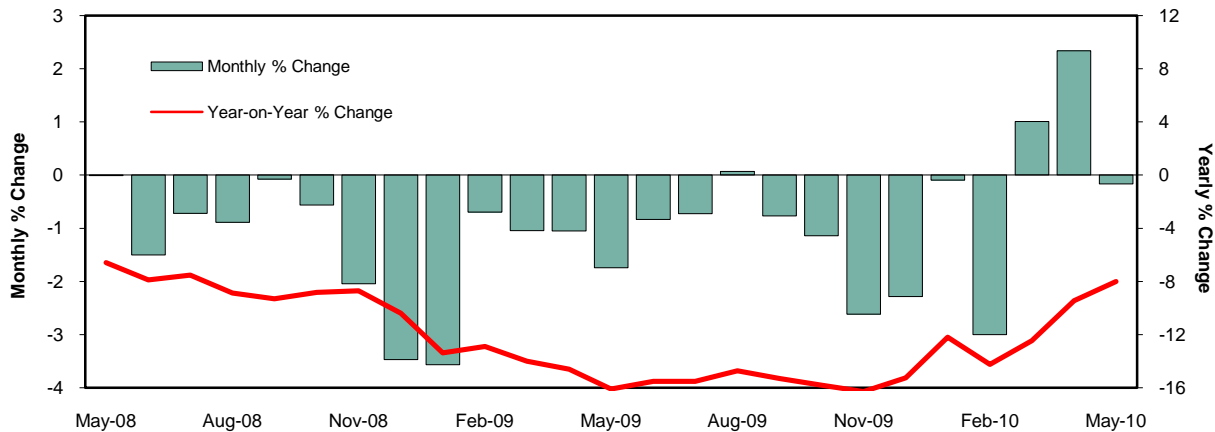


### PUBLIC SPENDING GAINS LESSEN OVERALL DECLINE

Construction Spending – Thursday July 1, 2010



Construction spending declined 0.2% in May compared to expectations for a 0.7% decline. Construction spending is down 8.0% from its year ago level and remains 30.6% below its March 2006 peak. Residential construction spending fell 0.4% on the month but is up 11.2% from a year ago. Homebuilding troughed in July 2009 and has leveled off with very modest signs of recovery since then. Nonresidential construction spending dropped 0.6% in May and is down a sharp 31.4% over the past year. Weakness in the nonresidential sector is broad based across most categories with the exception of power plant and health care structures, where spending has increased substantially in the past few months. Public construction expenditures increased 0.4% in May led by a 2.7% spending gain on highway and street projects. Public construction spending is holding up fairly well due to last year's stimulus bill. The impact of stimulus funding will begin to fade soon; hopefully recovery in the private sector in coming months will be enough to turnaround nonresidential weakness and the post-tax credit related set back in residential construction.

#### PERCENT CHANGE

Forecast:	-1.0%	Monthly % Change			Annual Rates of % Change for							
		Relative			Three	Six	Twelve			Five	Ten	
Consensus**:	-0.7%	Weight*	May-10	Apr-10	Mar-10	Month	Month	Month	2009	2008	Year	Year
Actual:	-0.2%											
<b>Construction Spending</b>	100.0%		<b>-0.2</b>	<b>2.3</b>	<b>1.0</b>	<b>13.4</b>	<b>-4.5</b>	<b>-8.0</b>	<b>-15.3</b>	<b>-10.4</b>	<b>-4.1</b>	<b>0.6</b>
Previous estimate				2.7	0.4							
<b>Private Construction</b>	63.7%		<b>-0.5</b>	2.8	0.0	9.2	-6.9	-10.7	-20.8	-16.1	-7.9	-1.1
<b>Residential</b>	31.0%		<b>-0.4</b>	5.0	0.2	20.8	9.7	11.2	-15.9	-29.6	-15.6	-3.5
<b>Nonresidential</b>	32.7%		<b>-0.6</b>	0.8	-0.3	-0.5	-19.4	-24.8	-24.4	-2.3	3.8	1.4
Commercial	4.5%		<b>-0.4</b>	-2.9	-2.6	-21.2	-19.9	-31.4	-38.8	-18.7	-7.5	-3.9
Power	9.1%		<b>0.3</b>	11.2	-0.4	52.7	3.3	-2.7	3.4	10.4	22.3	11.7
Office	2.8%		<b>-2.2</b>	-5.8	-6.2	-44.3	-35.7	-41.9	-41.7	-11.0	-2.9	-3.9
Health Care	3.6%		<b>0.9</b>	-3.6	6.5	15.0	-12.6	-16.5	-19.0	8.6	4.0	5.7
All Other	12.7%		<b>-1.3</b>	-1.6	0.3	-10.4	-29.1	-31.0	-26.7	2.0	4.1	0.9
<b>Public Construction</b>	36.3%		<b>0.4</b>	1.6	2.9	21.3	-0.1	-2.9	-3.2	5.1	6.1	5.0
Education	8.8%		<b>-0.9</b>	0.8	-2.9	-11.4	-11.5	-17.4	-11.2	3.5	4.3	#N/A
Highways & Streets	9.9%		<b>2.7</b>	2.4	4.3	44.8	4.5	5.5	-2.3	3.4	5.1	#N/A
All Others	17.6%		<b>-0.2</b>	1.6	5.3	29.6	3.8	1.5	1.0	7.2	7.7	#N/A

Source: Bureau of the Census, Department of Commerce via Haver Analytics. Data, graph & table courtesy of Insight Economics, LLC. \*\*Bloomberg © 2010 HousingMatrix, Inc. <http://www.HousingMatrix.com> All rights reserved. Reproduction and/or redistribution are expressly prohibited. Hot Sheet is a registered trademark of HousingMatrix, Inc. Information herein is based on sources we believe to be reliable, but its accuracy is not guaranteed.