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FMI's Construction Outlook: First Quarter 2008 Report Now Available

Construction Market Forecast: Nonresidential Construction Declines in Some Segments in 2008

RALEIGH, N.C., March 17, 2008 – FMI, management consultants and investment bankers to the building and construction industry, announces the *Construction Outlook: First Quarter 2008* is now available.

The Construction Outlook, a quarterly construction market forecast developed by FMI's Research Services Group, notes that FMI's outlook for construction for 2008 and 2009 has been revised down since the fourth quarter of 2007.

Recently released economic indicators are far bleaker than the previous months. The housing downturn, weakening employment rates, worsening consumer confidence, credit tightening and the threat of inflation are all factors expected to be drags on the economy, the report indicates.

Nonresidential Construction

Nonresidential construction will see declines in 2008 and 2009, except some publicly funded segments.

The nonresidential segments that are the most cyclical, or tied to the economy, will see declines in 2008 and 2009. These segments include office, commercial, religious and amusement and recreation. Lodging is the only exception as there is enough overhang from starts in 2007 that are still under construction in 2008.

Publicly funded nonresidential segments will fare much better, such as health care, educational, public safety and Homeland Security construction.

Health care construction will remain positive partly due to facility upgrades across the country and seismic retrofits in California. Education construction will decline in some areas of the country due to less property taxes and therefore less state revenue. However, many MSAs and school systems in several states have passed education bonds, which will help to stop growth from turning negative. Higher education will experience steady growth driven by an increase in endowments. Public safety construction will grow because of increasing inmate populations (which is rising faster than the general population growth) and an increase in fire and police stations. Homeland Security port and border work and port work to increase port size to be able to accept post-Panamax sized vessels will help to drive transportation construction. Increased airport delays will also increase construction.

Residential

Housing will affect the economy again in 2008. It is not expected to begin recovering until 2009. All segments of the residential sector will remain down, led by single family (-10%), followed multi family (-7%) and then finishing with improvements (-2%).

Manufacturing

The report also comments on manufacturing. FMI believes it will not experience decreases in 2008 and 2009 partly because it is at a low level; its previous high from 1998 will not be surpassed until 2010. Manufacturing will also benefit from the overhang of some huge projects started in 2007. For the first time, several multi-billion dollar projects are under construction at the same time. Basic materials manufacturing will also help to prop up this segment. Increases in cement clinker capacity, refineries and steel manufacturing will contribute to these gains.

“The economic indicators look bleak for construction in the upcoming year, but the outlook is optimistic for a few nonresidential and nonbuilding segments,” said Heather Jones, construction economist for FMI’s Research Services. “The segments that will remain positive in 2008 are either non-cyclical or are being propped up by large starts last year. The slowing economy will cause total nonresidential construction to decline in 2009 as lower starts in 2008 are finally felt.”

Historical information in *Construction Outlook* is based on building permits and construction put in place data as provided by the U.S. Commerce Department. Forecasts are based on econometric and demographic relationships developed by FMI, on information from specific projects gathered from trade resources and on FMI’s analysis and interpretation of current and expected social and economic conditions.

Heather Jones, a construction economist for FMI’s Research Services, is responsible for design, management and performance of primary and secondary market research projects and related research activities, including economic analysis and modeling, construction market forecasting and database management. Her particular expertise is in the areas of market sizing and modeling, competitive analysis, sales and market performance evaluations, buying practices and trend analysis.

For more information about *Construction Outlook: First Quarter 2008*, or to schedule an interview with Heather Jones, contact Candace Robertson at FMI Corporation at 919-785-9359 or crobertson@fminet.com.

About FMI

FMI, management consultants and investment bankers to the building and construction industry, delivers innovative solutions to contractors, engineers, architects, environmental firms, manufacturers of construction equipment, construction materials producers and distributors, private owners, government agencies, utility companies, surety companies and trade associations. FMI’s management consulting practice provides a wide array of services including strategy development, leadership and organizational development, marketing and related research and project delivery improvement. FMI’s investment banking practice provides merger and acquisition advisory services, capital placement and financial advisory services. Founded in 1953, FMI is headquartered in Raleigh, N.C., and has offices in Denver, Napa, Calif., Phoenix and Tampa, Fla. For more information, visit www.fminet.com.