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2012 will continue with slow and healthy growth throughout the year

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Here it is 2012 and yet again I have been asked to divulge my deepest thoughts on the construction marketplace. Last year I truly ate crow on 2010 and chose a conservative outcome for 2011 claiming slow growth to a brighter 2012. Sure glad I did because slow growth seems like a perfect way to describe our year here at PDS. Again PDS relied on the public market to maintain revenue as the private sector remained cautious. So that being said, let's get on with 2012.

The federal government has played several stimulus cards over the past few years to help prop things up. Some of the trillion dollars is still out there for mostly infrastructure projects. Much of the education dollars are currently being bid or will soon be. There are a lot of companies in need of work so the numbers for these projects should be coming in low as seen by the last few rounds of bidding we have experienced. Many of the larger construction companies are moving down to smaller projects keeping everyone on their toes.

The State of Connecticut is experiencing a huge budget shortfall for 2011 through 2013. In order to fill this massive gap, the largest tax increase in the history of the state has been passed with little regard for cutting spending. Also according to UConn economist Steven Lanza, Connecticut's economy being tied to the U.S. economy will only pick up 2 to 2.5% in 2012 which does not do much to create jobs. There are however some large construction projects on the horizon by the state which are projected to stimulate significant construction employment over the next five years. Although the \$560 million New Britain/Hartford Bus Way and the Jackson Labs project are projected to add 5,000 construction jobs, they are at least a year away from really making an impact. Another project to keep your eye on is the UConn Technology Park announced by university officials earlier in 2011. The Connecticut legislature has approved \$18 million in start-up funding for the park, with an additional \$152 million state investment expected by the time the Tech Park opens in 2015. The park, being built on 300 acres with up to 1.2 million s/f of building space, is expected to foster new models of public-private collaboration.

Regardless of the bad news however there are some positive indicators. The U.S. stock market seems to be resilient to the euro crisis and ended the year roughly unchanged with many economists predicting another year of growth. Many entities are holding onto cash during this time of uncertainty. Election years always seem to bring out excessive spending to stimulate votes. Retail spending was up by over 5% for this holiday spending so I guess we are all in a better mood when it comes to opening our wallets.

Although the private sector has been spotty over the entire period, during the fourth quarter we have noticed a significant increase in owner inquiries. Our hope here is that these requests turn into spring time projects and don't wither on the vine like so many over the past four years.

Looking to the health care industry, as long as the health care bill remains in tact, there will be a

trend towards larger and more consolidated services.

The industrial market is being stimulated by Pratt & Whitney's contract to develop the F135 engine to power the new F35 Lightning II. High tech manufacturers will continue to do well as they gear up to produce specialty parts in support of this project.

Distribution and warehousing should remain on the slow side as the planned 250,000 s/f distribution facility for FedEx in South Windsor seems to have hit the brakes.

There is plenty of money for private lending at this time but lending requirements have certainly become more stringent. As the year moves on, well capitalized banks should become more aggressive in their pursuit of private business. The State of Connecticut DECD has created the new Small Business Express Program to provide loans and grants to Connecticut's small business to spur job creation and growth.

In summery, I believe that 2012 will continue with slow and healthy growth that will continue throughout the year but stay tuned, change is in the air.

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