Metro DC
Architectural Confidence Index

We are pleased to provide you with the summary results of the first edition, Q2 2009 Metro DC Architectural Confidence Index. The inspiration for the ACI came from a roundtable discussion of the Real Estate Community's thought leaders with the intent to index past, current, and projected Architectural Confidence across a variety of local market segments.

The ACI Survey was sent to the area's senior leaders in the Architectural Community and was met with an overwhelming number of responses. 78% of the respondents were Partners/Owners, many of whom are with firms that have over 25 architects on staff.

The ACI is based on a 100 point scale, with 50 representing a neutral confidence level. Above 50 represents a positive confidence level while below 50 represents a negative confidence level.

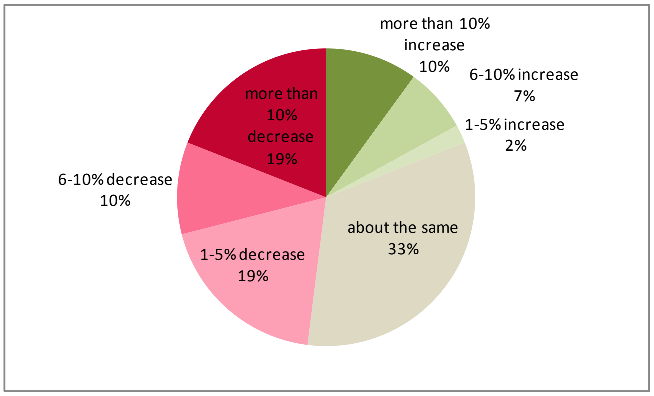
While an overwhelming number of responses were received, the responses were not overwhelmingly positive. The ACI index for Q2 2009 stands at 36 on a 100 point scale. 64% of the firms surveyed experienced a decrease in billings from Q2 2008 to Q2 2009 with 34% experiencing a decrease in billings of over 10%. Yet it appears that there is a glimmer of hope – 43% of area firms believe that their billings will increase in Q3 2009 from Q3 2008.

We trust the information that follows will provide useful insight and assist in developing informed business decisions.

Metro DC Architectural Confidence Index

results

Compared to Previous Quarter.



Looking at the previous quarter, Q2 2009 billings decreased among 48% of respondent firms while billings remained about the same for 33% and increased for only 19%, or about 1 in 5 firms. However, one survey respondent commented we are "inching toward growth".

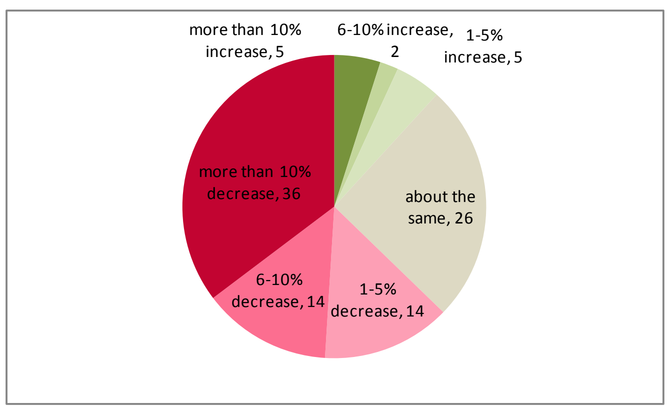
The market that appeared to contribute most to increased billings from Q1 2009 was Tenant Interiors.

> "The big change was from 2008 to 2009, things dropped quickly to an extremely low level."

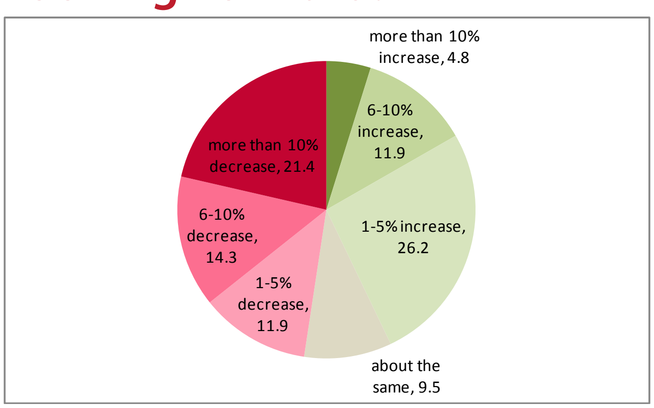
Compared to Last Year.

Compared to 2008's Q2 billings, 64% of area firms saw a reduction in billings, with the majority experiencing a greater than 10% decrease. The most frequently cited reason for the decrease in billings: lack of available financing for new projects.

Not surprisingly, the Multifamily Residential and Commercial Office Building led the declining markets and represented 34% of the decrease in billings.



Looking Forward.



Overall, the outlook for Q3 2009 remains negative at 14 points off neutral. 47% of area firms anticipate decreased billings for Q3 2009. 10% of firms anticipate billings to remain the same for Q3 2009 while 43% of area firms anticipate billings to increase from the same period in 2008. Even though the increases may be marginal– 38% expected increased billings of less than 10%– it's still not too shabby given the economic turmoil began Q3 2008. As one survey respondent put it, "there has been an upturn in activity in the past 6 weeks. It appears more deals are beginning to close…" and, subject to the financial markets, "there should be some slight return in the last quarter."

Metro DC Architectural Confidence Index

analysis

Observations.

Area firms that participated in the survey were extremely candid with their thoughts and observations on local market trends. Overall, the majority of firms that participated had a heavy stake in the Office Building and Multifamily Residential markets and experienced setbacks due to those markets driving off a rather steep cliff. However, area firms are exhibiting resiliency and adaptability by rapidly shifting resources into other (not high-performing but performing nonetheless) markets like Tenant Interiors, Public Colleges and Universities, and Building Repositioning.

Of course, the culprit in decreased billings is the lack of available financing for owners – a critical piece to the puzzle that is real estate. When banks don't loan (or change their loan-to-value ratios to levels not seen in decades) owners don't invest and architects don't work. All eyes appear to be looking toward the Obama administration and a possible additional stimulus package for opportunities, and as one respondent put it, "the upside will be huge for those who survive this economic downturn." After all, necessity is the mother of all invention, right?

Comments from Survey.

- There has been an upturn in activity in the past 6 weeks. It appears more deals are beginning to close based on a combination of the need to complete before the end of the year and a very slight easing of commercial lending for certain products and market segments.
- The big change was from 2007 to 2008 – things remain at an extremely low level.
- Area firms have been busy responding to RFP's & Q's, doing more development studies for clients, a positive sign that has yet to translate into new commissions.
- The market is generally flat. Clients for smaller to mid-sized projects [less than $10M] seem to be able to get financing. Lending sources, however, are making the process, much more difficult, even for sound projects. We are seeing very aggressive contractor pricing.

Did You Know?

Geothermal Systems were first introduced in Italy in 1904 and have since become rated by the US EPA as one of the most efficient systems for heating or cooling a space.

A 2006 report by the Massachusetts Institute of Technology (MIT) estimated that $1B invested over 15 years in research and development could result in approximately 100 GW of generating capacity by 2050 in the United States alone. The report further estimated that, with technology improvements, over 2,000 ZJ may be extractable - sufficient to provide all the world's present energy needs for several millennia. Click here to view the report.

The **Metro DC Architectural Confidence Index** is sponsored by:

FORRESTER
CONSTRUCTION COMPANY

About Forrester.

Established in 1988, Forrester has become a Top 5 locally owned general contractor in the Washington, DC metro area. Longevity and growth of the company has produced expertise in our niche markets which is transferable to clients on their projects. Forrester is financially stable with no debt, strong bonding capacity and a multi-million dollar line of credit that has never been exercised. Heavy investment in our infrastructure has produced streamlined systems that are efficient, reliable and productive.

Forrester's service offering include General Contracting, Construction Management, Design Build, and Sustainable Design and Construction Services in the following market segments:

- Building Repositioning
- Commercial Office
- Cultural / Memorial
- Education
- Healthcare
- Hospitality
- Interiors
- Public Sector
- Science & Technology
- Special Projects