

# Greystone INSIDER<sup>®</sup>

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## What's Inside:

- ☞ Lafarge announces offer for Blue Circle of US\$5.5 Billion
- ☞ Blue Circle opposes Lafarge's bid
- ☞ Oldcastle acquires The Shelly Company for \$362 Million
- ☞ U.S. Concrete, Inc. surpasses 4.5 million cubic yards annually
- ☞ Cemex and Lafarge both make investments in e-business opportunities
- ☞ U.S. Cement Consumption up 5.9% in 1999.

*The Insider* is published quarterly for the clients of The Greystone Group. Quarterly publications include forecasts for cement consumption, sand, gravel and crushed stone production and ready mix concrete consumption. Please contact us at (858) 587-3900 if you are interested in being added to our mailing list.

The Greystone Group, located in San Diego, California, is an investment banking firm specializing in the cement and construction materials industry. Primary services include mergers and acquisitions, strategic planning, asset divestitures and debt placement activities. To learn more about Greystone please contact us at the address set forth below.

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## Greystone's U.S. Economic Outlook And Its Impact on The U.S. Construction Materials Industry

This report represents the second half of our outlook for the U.S. economy and its impact on the construction materials industry. The first half of this report was printed in the last *Insider* (Volume 3, Number 4).

### Construction Industry Cycles

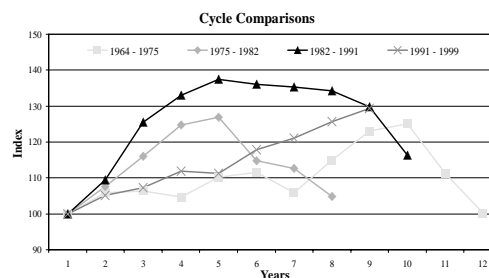
The U.S. construction materials industry has been, and in our opinion always will be, cyclical by nature. The interesting question is when the peaks and valleys of the cycles occur, and how severe they will be. Partly due to a stabilized U.S. economy with a favorable long-term outlook, and partly due to the type of growth cycle we have experienced during the current economic expansion, we are of the opinion that the U.S. construction industry will experience long-term growth with less modulation on the national level than we have seen in the past. Furthermore, a short-term economic correction should have a lesser impact on today's industry participants, who appear more sophisticated, and hopefully, more prepared and capable of weathering an eventual economic slowdown.

Illustrated in the graph, the U.S. construction industry has seen four primary cycles since 1964, measured by statistics from the U.S. Census Bureau on total value put in place. Furthermore, 1999 represented the eighth year of steady growth in construction spending. In comparison, the prior three

construction cycles either saw a shorter and more aggressive growth curve, as was the case for the 1975-1982 cycle and the 1982-1991 cycle, or a longer but less consistent expansion as we experienced during the 1964-1975 cycle. There are several reasons as to why the current up-cycle has sustained this long, and why we expect to see a lesser down-cycle in the construction materials industry during the next economic valley.

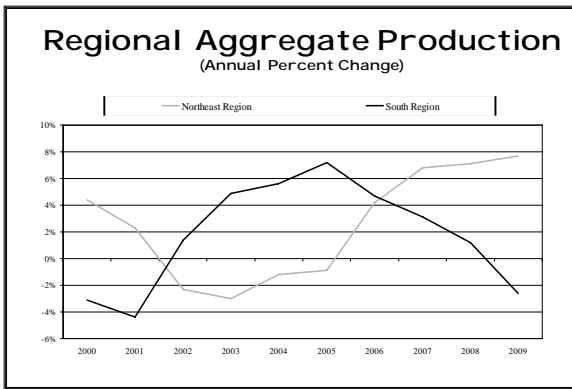
First, the current construction cycle has recorded much more moderate and stable growth during its expansion years, giving us reason to believe that today's residential and commercial builders are investing more cautiously than in the past. Second, the current cycle is seeing a national moderation because of varying regional pacing. For example, California lagged the rest of the nation when the U.S. economy emerged from the 1990-1991 recession, leading us to believe that construction activity in this state will outlast the national pace.

### The Cyclical Nature of the U.S. Construction Materials Industry Total Value Put in Place - Constant 1992 Dollars



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Because California represents an estimated 10 percent of all construction value put in place, an extended California expansion relative to



other states will smooth gyrations in the future national cycle. Similar examples can be found with other states and regions as illustrated in the graph.

Third, current construction markets will continue to benefit from a strong economy driven by improved productivity and smarter fiscal policy. In particular, interest rate policies that are supportive of investments by government, businesses and individuals will support continued healthy levels of public, commercial and residential building activity. Finally, the next national down cycle in the construction materials industry will be affected by a calmer trend due to new federal spending programs such as the Transportation Equity Act of the 21st Century (TEA-21) and the Revenue Aligned Budget Authority (RABA). These factors, combined with the fact that we have declining residential inventory levels as illustrated in the graph and low non-residential vacancy rates, indicate that the construction materials industry could avoid the typical dramatic drop in activity at the end of a growth cycle.

That is not to say that local cycles for construction materials consumption will vanish. While we expect a moderate slowdown in activity on the national level at the turn of the century, followed by another period of expansion, regional activity in construction materials consumption will see differences in pace and cycle gyrations. As in past consumption patterns, long-term growth trends in select key economic states such as Florida, Texas and California are expected to outperform the national average. Additionally, in the short-term,

markets such as California and Utah should sustain longer periods of growth before a correction, primarily because they recovered later than most

other markets.

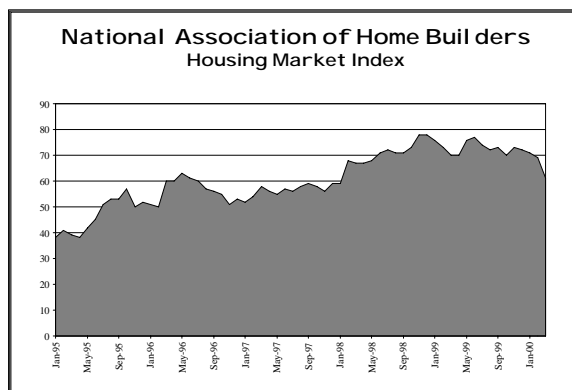
**Current U.S. Construction Activity**

In the 1999 residential sector, housing starts remained exceptionally strong at nearly 1.7 million units, the highest level since 1986. While the measure equated to “only” a 0.9 percent increase over 1998 starts, the increase was significant considering that the nation also recorded three interest rate hikes during the year. However, with further increases in lending rates during the remainder of 2000 (following two 25 basis point hikes in January and March of 2000), residential activity should moderate during the forthcoming year. Fannie Mae anticipates a reduction to an estimated 1.49 million units during 2000, with a slight rebound during 2001 to 1.53 million units.

*“This (1999) is almost sure to be the fourth consecutive year of record home sales, but 2000 appears to be a slower year for housing”.*

**- Robert D. Barr, Senior Economist at Fannie Mae**

The Housing Market Index (HMI) is developed by the National Association of Home Builders (NAHB) and rates current sales



expectations for the next six months and traffic of prospective buyers. Component scores from each category of responses are used to calculate a seasonally adjusted

overall index score, with any number over 50 indicating that more builders view sales conditions as good rather than poor. After the HMI peaked in June 1999 at 77, it moderated to 72 in December 1999, and subsequently fell to 61 in March of 2000. The drop in the index since the June peak indicates that the Fed’s interest rate hikes are impacting the residential construction sector.

In addition to representing the single largest category in terms of total construction value put in place (approximately 45 percent), residential construction also caused the largest increase in construction spending value during 1999. Construction spending in residential buildings, which includes new housing units and residential improvements, expanded from \$239 billion (1992 dollars) during 1998, to \$260 billion (1992 dollars) during 1999, a \$21 billion or 4.8 percent increase. In contrast, spending in nonresidential building activity, which includes both commercial and public construction, was flat in 1999 after strong growth in 1995, 1996 and 1997 and slowing growth in 1998. A 0.1 percent drop in total 1999 nonresidential spending was caused by lackluster performance in commercial activity, but offset by a strong 5.3 percent increase in public spending. In the commercial sector, 1999 recorded strong growth in office buildings (+9.5%) and reasonable growth in hotels and motels, miscellaneous and religious buildings (+1.9%, +2.6% and +1.8%). A 20.5 percent decline in industrial buildings and a 13.5 percent drop in hospital and

institutional buildings caused the overall decline in commercial spending during 1999.

In the public sector, a 9.1 percent advance in

educational building and an 8.0 percent increase in the highways and streets segment were the primary contributors to

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## U.S. Cement Consumption Northeast Region

(000MT)	Actual				Greystone Forecast				
	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>New England:</u>									
Connecticut	654	690	751	785	868	862	830	734	671
% Change	7.7%	5.5%	9.0%	4.5%	10.6%	-0.8%	-3.7%	-11.6%	-8.6%
Maine	212	187	235	219	237	250	254	222	212
% Change	1.1%	-12.0%	26.0%	-6.9%	8.2%	5.6%	1.6%	-12.6%	-4.6%
Massachusetts	1,074	1,262	1,562	1,585	1,547	1,608	1,741	1,841	1,955
% Change	3.7%	17.5%	23.7%	1.5%	-2.4%	4.0%	8.2%	5.7%	6.2%
N. Hampshire	275	263	288	280	277	261	278	287	299
% Change	7.6%	-4.4%	9.4%	-2.7%	-1.3%	-5.6%	6.4%	3.2%	4.2%
Rhode Island	111	127	151	178	173	182	200	210	214
% Change	-5.0%	14.7%	18.6%	17.8%	-2.7%	4.9%	9.9%	5.2%	1.9%
Vermont	111	106	124	138	145	156	158	163	151
% Change	6.0%	-5.1%	17.4%	11.1%	5.5%	7.5%	1.0%	3.2%	-7.4%
<b>Subtotal - New England</b>	<b>2,438</b>	<b>2,634</b>	<b>3,111</b>	<b>3,186</b>	<b>3,247</b>	<b>3,319</b>	<b>3,460</b>	<b>3,456</b>	<b>3,502</b>
<b>% Change</b>	<b>4.6%</b>	<b>8.1%</b>	<b>18.1%</b>	<b>2.4%</b>	<b>1.9%</b>	<b>2.2%</b>	<b>4.3%</b>	<b>-0.1%</b>	<b>1.3%</b>
<u>Mid Atlantic:</u>									
New Jersey	1,471	1,700	1,966	1,834	1,875	1,918	1,908	1,933	1,856
% Change	4.3%	15.6%	15.7%	-6.7%	2.3%	2.2%	-0.5%	1.3%	-4.0%
New York	2,446	2,687	2,958	3,133	3,270	3,340	3,159	3,000	2,917
% Change	5.3%	9.9%	10.1%	5.9%	4.4%	2.1%	-5.4%	-5.1%	-2.7%
Pennsylvania	2,883	3,082	3,372	3,377	3,420	3,436	3,300	3,194	3,212
% Change	2.7%	6.9%	9.4%	0.2%	1.3%	0.5%	-4.0%	-3.2%	0.6%
<b>Subtotal - Mid Atlantic</b>	<b>6,800</b>	<b>7,469</b>	<b>8,296</b>	<b>8,344</b>	<b>8,566</b>	<b>8,693</b>	<b>8,367</b>	<b>8,127</b>	<b>7,986</b>
<b>% Change</b>	<b>4.0%</b>	<b>9.8%</b>	<b>11.1%</b>	<b>0.6%</b>	<b>2.7%</b>	<b>1.5%</b>	<b>-3.8%</b>	<b>-2.9%</b>	<b>-1.7%</b>
<b>Total Northeast Region</b>	<b>9,238</b>	<b>10,103</b>	<b>11,407</b>	<b>11,530</b>	<b>11,813</b>	<b>12,012</b>	<b>11,826</b>	<b>11,583</b>	<b>11,488</b>
<b>% Change</b>	<b>4.1%</b>	<b>9.4%</b>	<b>12.9%</b>	<b>1.1%</b>	<b>2.5%</b>	<b>1.7%</b>	<b>-1.5%</b>	<b>-2.1%</b>	<b>-0.8%</b>

## U.S. Cement Consumption Regional Comparison

(000MT)	1990 to 1999			2000 to 2009			Ave. Annual Percent Change		
	HIGH	LOW	AVG	HIGH	LOW	AVG	HIGH	LOW	AVG
Northeast Region	11,530	8,258	9,567	13,743	11,315	12,063	1.9%	3.7%	2.6%
Midwest Region	25,550	17,451	21,487	28,776	25,190	27,227	1.3%	4.4%	2.7%
South Region	40,586	26,586	32,983	47,256	37,997	42,514	1.6%	4.3%	2.9%
West Region	26,166	16,892	20,466	32,188	26,690	28,230	2.3%	5.8%	3.8%
<b>Total U.S.</b>	<b>103,833</b>	<b>69,187</b>	<b>84,502</b>	<b>120,371</b>	<b>102,324</b>	<b>110,034</b>	<b>1.6%</b>	<b>4.8%</b>	<b>3.0%</b>

## U.S. Cement Consumption Midwest Region

(000MT)	Actual				Greystone Forecast				
	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>East N. Central:</u>									
Illinois	3,482	3,523	3,618	3,885	3,856	4,020	4,182	4,466	4,597
% Change	5.4%	1.2%	2.7%	7.4%	-0.7%	4.2%	4.0%	6.8%	2.9%
Indiana	1,947	2,140	2,259	2,311	2,285	2,197	2,273	2,321	2,408
% Change	4.8%	9.9%	5.6%	2.3%	-1.1%	-3.9%	3.4%	2.1%	3.7%
Michigan	2,992	3,201	3,374	3,462	3,222	3,088	3,287	3,469	3,581
% Change	10.3%	7.0%	5.4%	2.6%	-6.9%	-4.2%	6.4%	5.5%	3.2%
Ohio	3,725	3,774	3,979	4,141	4,074	4,413	4,556	4,790	4,993
% Change	5.4%	1.3%	5.4%	4.1%	-1.6%	8.3%	3.2%	5.1%	4.2%
Wisconsin	2,046	2,129	2,220	2,360	2,291	2,248	2,337	2,443	2,520
% Change	11.3%	4.1%	4.3%	6.3%	-2.9%	-1.9%	3.9%	4.5%	3.1%
<b>Subtotal - East N. Central</b>	<b>14,192</b>	<b>14,768</b>	<b>15,450</b>	<b>16,160</b>	<b>15,728</b>	<b>15,966</b>	<b>16,635</b>	<b>17,489</b>	<b>18,098</b>
<b>% Change</b>	<b>7.1%</b>	<b>4.1%</b>	<b>4.6%</b>	<b>4.6%</b>	<b>-2.7%</b>	<b>1.5%</b>	<b>4.2%</b>	<b>5.1%</b>	<b>3.5%</b>
<u>West N. Central:</u>									
Iowa	1,601	1,739	1,727	1,675	1,687	1,602	1,556	1,654	1,742
% Change	12.1%	8.6%	-0.7%	-3.0%	0.8%	-5.1%	-2.9%	6.2%	5.4%
Kansas	1,527	1,508	1,475	1,519	1,439	1,362	1,391	1,436	1,465
% Change	14.1%	-1.2%	-2.2%	3.0%	-5.2%	-5.4%	2.1%	3.2%	2.0%
Minnesota	1,605	1,693	1,871	1,967	2,081	1,936	1,912	2,016	2,106
% Change	3.7%	7.1%	20.7%	5.5%	-5.6%	8.7%	-8.9%	-1.5%	7.2%
Missouri	2,269	2,306	2,349	2,511	2,442	2,573	2,800	2,826	2,928
% Change	1.7%	5.5%	10.5%	5.2%	5.8%	-7.0%	-1.3%	5.4%	4.4%
Nebraska	992	1,020	877	954	1,010	961	946	872	924
% Change	1.0%	2.8%	-14.0%	8.8%	5.9%	-4.8%	-1.6%	-7.9%	6.0%
N. Dakota	300	197	316	363	409	424	411	387	346
% Change	-3.2%	-34.3%	60.2%	14.9%	12.6%	3.7%	-3.1%	-5.8%	-10.7%
S. Dakota	333	420	372	401	394	419	450	457	463
% Change	10.2%	26.3%	-11.4%	7.8%	-1.9%	6.6%	7.3%	1.5%	1.3%
<b>Subtotal - West N. Central</b>	<b>8,627</b>	<b>8,883</b>	<b>8,986</b>	<b>9,390</b>	<b>9,462</b>	<b>9,279</b>	<b>9,468</b>	<b>9,648</b>	<b>9,975</b>
<b>% Change</b>	<b>5.5%</b>	<b>3.0%</b>	<b>1.2%</b>	<b>4.5%</b>	<b>0.8%</b>	<b>-1.9%</b>	<b>2.0%</b>	<b>1.9%</b>	<b>3.4%</b>
<b>Total Midwest Region</b>	<b>22,819</b>	<b>23,651</b>	<b>24,436</b>	<b>25,550</b>	<b>25,190</b>	<b>25,244</b>	<b>26,102</b>	<b>27,137</b>	<b>28,073</b>
<b>% Change</b>	<b>6.5%</b>	<b>3.6%</b>	<b>3.3%</b>	<b>4.6%</b>	<b>-1.4%</b>	<b>0.2%</b>	<b>3.4%</b>	<b>4.0%</b>	<b>3.4%</b>

### The Greystone Methodology

The success of any transaction depends on the participant's ability to accurately forecast future financial performance. As part of this process, The Greystone Group constantly scrutinizes the numerous economic indicators that ultimately influence the consumption of cement and construction materials. Additionally, we maintain a database of historical population, housing starts, construction employment, cement consumption, sand, gravel and crushed stone production and ready mix concrete consumption on a state-by-state basis. In many regions, we maintain this information by county or major metropolitan area.

After analyzing economic projections generated by a myriad of independent economists from each relevant market, we apply Greystone's proprietary correlation in order to produce our construction materials forecast.

## U.S. Cement Consumption South Region

(000MT)	Actual				Greystone Forecast				
	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>South Atlantic:</u>									
Delaware	240	247	287	230	226	211	264	249	282
% Change	7.6%	2.9%	16.4%	-19.8%	-1.9%	-6.7%	25.3%	-5.7%	13.2%
District of Columbia	115	105	98	133	127	123	133	142	147
% Change	7.1%	-8.6%	-6.3%	35.0%	-4.6%	-2.6%	7.5%	6.8%	3.4%
Florida	6,082	6,435	6,831	7,562	7,415	6,833	6,911	7,397	7,589
% Change	5.4%	5.8%	6.2%	10.7%	-1.9%	-7.9%	1.1%	7.0%	2.6%
Georgia	3,181	3,225	3,506	3,338	3,407	3,081	3,243	3,461	3,639
% Change	4.5%	1.4%	8.7%	-4.8%	2.1%	-9.6%	5.2%	6.7%	5.1%
Maryland	1,179	1,225	1,206	1,220	1,123	1,071	1,078	1,152	1,163
% Change	8.0%	3.9%	-1.6%	1.2%	-7.9%	-4.6%	0.6%	6.8%	0.9%
North Carolina	2,259	2,598	2,699	2,728	2,536	2,719	2,928	3,049	3,141
% Change	1.9%	15.0%	3.9%	1.1%	-7.0%	7.2%	7.7%	4.1%	3.0%
South Carolina	1,160	1,200	1,273	1,348	1,233	1,250	1,321	1,334	1,414
% Change	12.1%	3.4%	6.2%	5.9%	-8.5%	1.4%	5.7%	1.0%	6.0%
Virginia	1,794	1,910	1,956	2,034	1,944	1,919	2,022	2,085	2,139
% Change	2.1%	6.5%	2.4%	4.0%	-4.4%	-1.3%	5.3%	3.1%	2.6%
West Virginia	443	440	428	404	428	440	471	486	477
% Change	7.5%	-0.8%	-2.7%	-5.5%	5.9%	2.8%	6.9%	3.1%	-1.9%
<b>Subtotal - South Atlantic</b>	<b>16,454</b>	<b>17,384</b>	<b>18,284</b>	<b>18,998</b>	<b>18,440</b>	<b>17,648</b>	<b>18,370</b>	<b>19,355</b>	<b>19,991</b>
<b>% Change</b>	<b>5.1%</b>	<b>5.7%</b>	<b>5.2%</b>	<b>3.9%</b>	<b>-2.9%</b>	<b>-4.3%</b>	<b>4.1%</b>	<b>5.4%</b>	<b>3.3%</b>
<u>East S. Central:</u>									
Alabama	1,474	1,425	1,502	1,513	1,340	1,261	1,409	1,515	1,580
% Change	6.1%	-3.3%	5.4%	0.7%	-11.4%	-5.9%	11.7%	7.5%	4.2%
Kentucky	1,258	1,328	1,317	1,425	1,386	1,344	1,232	1,297	1,408
% Change	5.3%	5.5%	-0.9%	8.2%	-2.7%	-3.0%	-8.3%	5.2%	8.5%
Mississippi	942	969	962	1,013	1,003	957	1,020	1,081	1,130
% Change	8.9%	2.8%	-0.7%	5.3%	-0.9%	-4.6%	6.5%	6.0%	4.4%
Tennessee	1,965	2,040	2,097	2,258	2,187	2,048	2,150	2,340	2,467
% Change	8.8%	3.8%	2.8%	7.7%	-3.1%	-6.4%	4.9%	8.8%	5.4%
<b>Subtotal - East S. Central</b>	<b>5,639</b>	<b>5,761</b>	<b>5,877</b>	<b>6,208</b>	<b>5,917</b>	<b>5,611</b>	<b>5,811</b>	<b>6,233</b>	<b>6,584</b>
<b>% Change</b>	<b>7.3%</b>	<b>2.2%</b>	<b>2.0%</b>	<b>5.6%</b>	<b>-4.7%</b>	<b>-5.2%</b>	<b>3.6%</b>	<b>7.3%</b>	<b>5.6%</b>
<u>West S. Central:</u>									
Arkansas	905	1,009	1,048	986	965	948	936	892	805
% Change	-3.4%	11.5%	3.8%	-5.9%	-2.1%	-1.7%	-1.3%	-4.7%	-9.8%
Louisiana	1,764	1,820	1,887	1,852	1,869	1,814	1,782	1,826	1,987
% Change	1.0%	3.2%	3.7%	-1.9%	1.0%	-3.0%	-1.8%	2.4%	8.8%
Oklahoma	1,145	1,188	1,132	1,123	1,133	1,073	1,079	1,119	1,153
% Change	3.6%	3.8%	-4.7%	-0.8%	0.9%	-5.3%	0.5%	3.7%	3.0%
Texas	8,786	9,380	10,063	11,419	11,175	10,903	10,035	9,838	10,679
% Change	5.3%	6.8%	7.3%	13.5%	-2.1%	-2.4%	-8.0%	-2.0%	8.5%
<b>Subtotal - West S. Central</b>	<b>12,600</b>	<b>13,397</b>	<b>14,130</b>	<b>15,380</b>	<b>15,143</b>	<b>14,738</b>	<b>13,833</b>	<b>13,675</b>	<b>14,623</b>
<b>% Change</b>	<b>3.9%</b>	<b>6.3%</b>	<b>5.5%</b>	<b>8.8%</b>	<b>-1.5%</b>	<b>-2.7%</b>	<b>-6.1%</b>	<b>-1.1%</b>	<b>6.9%</b>
<b>Total South Region</b>	<b>34,692</b>	<b>36,542</b>	<b>38,292</b>	<b>40,586</b>	<b>39,499</b>	<b>37,997</b>	<b>38,014</b>	<b>39,264</b>	<b>41,198</b>
<b>% Change</b>	<b>5.0%</b>	<b>5.3%</b>	<b>4.8%</b>	<b>6.0%</b>	<b>-2.7%</b>	<b>-3.8%</b>	<b>0.0%</b>	<b>3.3%</b>	<b>4.9%</b>

## U.S. Cement Consumption West Region

(000MT)	Actual				Greystone Forecast				
	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>Mountain:</u>									
Arizona	2,516	2,549	2,897	3,176	3,153	2,978	2,639	2,794	3,113
% Change	11.0%	1.3%	13.6%	9.6%	-0.7%	-5.6%	-11.4%	5.8%	11.4%
Colorado	1,891	2,013	2,307	2,475	2,553	2,419	2,335	2,415	2,574
% Change	15.7%	6.5%	14.6%	7.2%	3.2%	-5.3%	-3.5%	3.4%	6.5%
Idaho	449	473	488	571	587	570	605	627	658
% Change	-3.2%	5.5%	3.0%	17.0%	2.9%	-2.9%	6.0%	3.7%	4.9%
Montana	273	303	311	332	367	360	388	394	372
% Change	-0.6%	11.2%	2.6%	6.6%	10.6%	-1.8%	7.6%	1.5%	-5.5%
Nevada	1,803	1,911	1,913	1,844	1,818	1,471	1,328	1,267	1,379
% Change	21.6%	6.0%	0.1%	-3.6%	-1.4%	-19.1%	-9.8%	-4.6%	8.8%
New Mexico	747	739	732	777	758	745	799	847	877
% Change	5.5%	-1.1%	-0.9%	6.1%	-2.3%	-1.8%	7.2%	6.0%	3.4%
Utah	1,267	1,356	1,486	1,504	1,591	1,615	1,484	1,314	1,272
% Change	-1.5%	7.0%	9.6%	1.2%	5.8%	1.5%	-8.2%	-11.5%	-3.2%
Wyoming	196	228	216	224	230	223	210	228	250
% Change	-8.8%	16.3%	-5.2%	3.7%	2.8%	-3.1%	-5.8%	8.5%	9.7%
<b>Subtotal - Mountain</b>	<b>9,140</b>	<b>9,571</b>	<b>10,350</b>	<b>10,902</b>	<b>11,057</b>	<b>10,382</b>	<b>9,788</b>	<b>9,886</b>	<b>10,495</b>
<b>% Change</b>	<b>9.7%</b>	<b>4.7%</b>	<b>8.1%</b>	<b>5.3%</b>	<b>1.4%</b>	<b>-6.1%</b>	<b>-5.7%</b>	<b>1.0%</b>	<b>6.2%</b>
<u>Pacific:</u>									
Alaska	98	107	121	120	124	129	125	129	139
% Change	-8.5%	8.4%	13.5%	-0.8%	3.3%	3.7%	-3.2%	3.6%	7.4%
California	8,465	9,510	10,244	11,819	12,354	13,252	13,902	13,810	12,173
% Change	4.5%	12.3%	7.7%	15.4%	4.5%	7.3%	4.9%	-0.7%	-11.9%
Hawaii	313	251	256	251	287	314	375	406	448
% Change	-12.8%	-19.6%	2.0%	-2.0%	14.3%	9.5%	19.2%	8.4%	10.1%
Oregon	1,165	1,195	1,139	1,064	1,067	1,094	1,135	1,192	1,293
% Change	13.4%	2.6%	-4.7%	-6.6%	0.3%	2.6%	3.7%	5.0%	8.4%
Washington	1,726	1,862	1,803	2,011	1,976	1,900	1,946	2,036	2,143
% Change	3.4%	7.9%	-3.2%	11.5%	-1.7%	-3.9%	2.4%	4.6%	5.2%
<b>Subtotal - Pacific</b>	<b>11,767</b>	<b>12,925</b>	<b>13,563</b>	<b>15,265</b>	<b>15,808</b>	<b>16,689</b>	<b>17,483</b>	<b>17,574</b>	<b>16,195</b>
<b>% Change</b>	<b>4.5%</b>	<b>9.8%</b>	<b>4.9%</b>	<b>12.5%</b>	<b>3.6%</b>	<b>5.6%</b>	<b>4.8%</b>	<b>0.5%</b>	<b>-7.8%</b>
<b>Total West Region</b>	<b>20,907</b>	<b>22,497</b>	<b>23,913</b>	<b>26,166</b>	<b>26,865</b>	<b>27,071</b>	<b>27,270</b>	<b>27,461</b>	<b>26,690</b>
<b>% Change</b>	<b>6.7%</b>	<b>7.6%</b>	<b>6.3%</b>	<b>9.4%</b>	<b>2.7%</b>	<b>0.8%</b>	<b>0.7%</b>	<b>0.7%</b>	<b>-2.8%</b>
<b>TOTAL U.S.</b>	<b>87,656</b>	<b>92,793</b>	<b>98,048</b>	<b>103,833</b>	<b>103,366</b>	<b>102,324</b>	<b>103,213</b>	<b>105,445</b>	<b>107,450</b>
<b>% Change</b>	<b>5.7%</b>	<b>5.9%</b>	<b>5.7%</b>	<b>5.9%</b>	<b>-0.4%</b>	<b>-1.0%</b>	<b>0.9%</b>	<b>2.2%</b>	<b>1.9%</b>

# Industry News

In January, **CEMEX, S.A. de CV** (NYSE: CX) announced that it had entered into shareholder and subscription agreements with three additional institutional investor groups that will participate in **CEMEX Asia Holdings Ltd.**, a CEMEX subsidiary created to take advantage of attractive acquisition opportunities in Asian cement-related assets. The three new investor groups, which will commit capital of US\$106 million, are the **Asia Equity Infrastructure Fund, L.P.**, **Capital International Asia CDPQ Inc.**, and a consortium of investors led by **Navis Capital Partners**. In April, CEMEX announced that, through its Philippine affiliate, it had formalized an exclusive long-term distribution agreement with **Universe Cement of Taiwan**. The agreement signals CEMEX's entrance into the Taiwan cement market and reinforces its presence in Southeast Asia, covering an estimated 900,000 metric tons of cement annually. Also in April, CEMEX announced that it had become the sole seed investor in Miami-based **PuntoCom Holdings**, a Latin American e-business development accelerator, as part of its broad Internet and e-business strategy. The capital committed to PCH is US\$20 million. On April 10, CEMEX issued a statement that "CEMEX will not make a bid for **Southdown, Inc.** (NYSE: SDW) under current market conditions." CEMEX's statement followed Southdown's announcement in late March that it was "considering several options to enhance the value of its shares, including, among other things, a significant share repurchase, the expansion of Southdown's business through domestic or international acquisitions or, alternatively, a sale or merger of the Company."

**CRH plc** announced in late February that its U.S. building materials company, **Oldcastle Materials Group**, had acquired the stock of **The Shelly Company** for a consideration of US\$362 million. **The Shelly Company** is an integrated aggregates, asphalt and paving contractor headquartered in Thornville, Ohio some 40 miles east of Columbus. Operations include three quarries, 10 active sand and gravel pits, 59 fixed asphalt plants as well as 5 portable asphalt plants.

**Devcon International Corp.** (NASDAQ: DEVC) announced in January that it had completed the sale of its ready-mix concrete and quarry operations on Tortola, British Virgin Islands, and its ready-mix concrete operations on St. Thomas, U.S. Virgin Islands. The combined transactions were valued at approximately \$10.9 million. A few weeks later, Devcon announced that it had signed a letter of intent to sell its ready-mix concrete operations on the independent Caribbean

island of Dominica, to **Caricement, B.V.**, an affiliate of Madrid-based **Umar Union Maritima International S.A.**, one of the world's leading cement trading companies. The transaction, which is subject to customary terms and conditions, includes a concrete operation that generated \$2.0 million in annual revenue. The cash purchase price is approximately \$1.4 million plus half of the net income generated by the business during the next two years. Devcon announced in February that Umar had acquired Devcon's bulk cement terminals in the eastern Caribbean for \$19.6 million in cash.

On February 23, **Florida Rock Industries, Inc.** (NYSE: FRK) announced that it had consummated a cash transaction to purchase a 50 percent interest in a granite quarry and aggregate distribution venture located on a deep-water port on the St. Croix River in Bayside, Charlotte County, New Brunswick, Canada. Reserves controlled by the venture are in excess of 100 million short tons of granite. The venture is currently shipping aggregates to the U.S. East Coast and Caribbean.

**Granite Construction Incorporated** (NYSE: GVA) announced in January that it had acquired 30% of the common stock of **Wilder Construction Company**, a Pacific Northwest-based heavy-civil construction company and aggregate materials producer. The purchase price was \$13.1 million.

On February 1, 2000, **Lafarge S.A.** announced a cash offer for **Blue Circle Industries Plc** valued at US\$5.5 billion. If completed, Lafarge will become the world's largest producer of cement, producing approximately 150 million tons annually (110 Tm - Lafarge / 40 Tm - Blue Circle). Following Lafarge's announcement, Blue Circle has made several statements in defense of the Lafarge bid, including an announcement on April 11: "Blue Circle today issues a further document in its defense of the unwelcome and opportunistic bid by Lafarge. The company is convinced that independence will give shareholders far more value..." In unrelated news, **Lafarge Corporation** (NYSE: LAF) announced in February that it had become a strategic equity partner through an investment in **BuildNet**, an e-business company that is linking homebuilders with material distributors and suppliers over the Internet.

In February 2000, **Martin Marietta Materials, Inc.** (NYSE: MLM) announced the completion of four separate transactions that will add approximately 3.3 million tons of annual aggregate capacity and 600,000

tons of asphalt. **B&B Gravel Company** in Columbus, Texas is a producer of sand and gravel serving the northwest corridor of Houston. **Jones G. Finke** sold three asphalt plants in southern Texas to **Martin Marietta Penry Stone Co.**, which operates a limestone quarry at Radnor, Ohio (23 miles north of Columbus) and a small sand and gravel plant in the same area, produces approximately 800,000 tons of aggregate annually. Lastly, **Martin Marietta** acquired a limestone quarry at Philippi, West Virginia.

On January 24, 2000, the Board of Directors of **MDU Resources Group, Inc.** approved the acquisition of **Connolly-Pacific Co.** (CPC), a Southern California aggregate mining and marine construction company. The transaction is subject to stockholder approval, as well as other customary closing conditions, which is scheduled for April 25, 2000. During the last five years, CPC's annual revenues approximated \$35.5 million. In April, MDU announced the acquisition of **D'Agostino Companies**, which provide ready-mix and related services in the Bozeman, Montana area. The D'Agostino operations will be combined and incorporated with those of the **JTL Group, Inc.**, which was acquired by MDU in 1999.

**Trinity Industries, Inc.** (NYSE: TRN) acquired **Express Concrete, Inc.** in April, a two-plant ready mix company serving the Houston concrete market. The acquisition is complementary to Trinity's December 1999 acquisition of **Patriot Concrete** and continues its expansion into the Greater Houston markets.

In February, **U.S. Concrete, Inc.** (NASDAQ: RMIX) announced its acquisition of **Beall Industries** and **Atlas Concrete** and its plans to acquire **Butler Ready Mix Concrete**. **Beall Industries**, a leading producer of ready-mixed concrete and lime slurry in the Dallas/Fort Worth (DFW) Metroplex, will generate annual revenue of approximately \$65 million during 2000. **Atlas Concrete**, a company related to Beall, operates seven concrete plants throughout Southwest Oklahoma. **Butler** operates three ready mix plants in the DFW Metroplex. Also in February, U.S. Concrete announced that it had acquired the **Cornillie Companies**, a ready mix concrete company with operations serving the greater Detroit and Traverse City, Michigan areas. In March, U.S. Concrete announced that it had completed the acquisition of **Butler Ready Mix Concrete**. Formed in May 1999, U.S. Concrete currently has 61 operating plants producing over 4.5 million cubic yards of concrete annually.

increased public spending. Of particular importance to aggregate producers, the highways and streets segment represented the largest single category of public construction spending during 1999 at 32 percent of total public spending. During 1999, highways and streets accounted for \$40.5 billion (1992 dollars), and future construction spending in roadwork is expected to continue to climb as a result of the passage of TEA-21 and RABA. In fact, TEA-21 was anticipated to cause a much larger increase in highway and street spending than it appears to have created during 1999. Because of the bottlenecks in getting the funding realized into actual construction projects, many states have not yet seen the impact of the increased spending program.

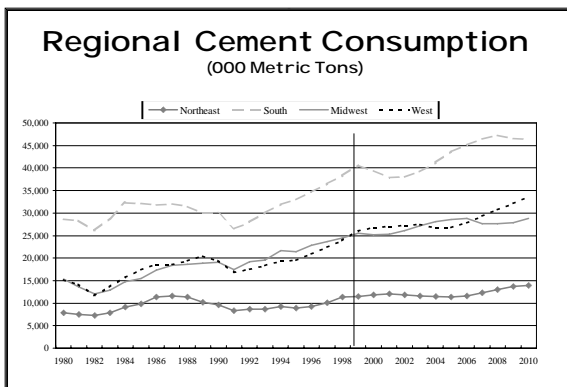
#### Greystone's Outlook for the U.S. Construction Materials Industry

In terms of cement consumption, we anticipate that the market has reached its peak for the current cycle and will record a slight 0.4 percent moderation

during 2000 and a 1.0 percent decline in 2001, followed by renewed growth during the remainder of the decade. The easing consumption pattern on the

national level during the next two years will be driven by exacerbated declines in the Midwest and South regions, offset by positive growth in the Northeast and West regions as illustrated in the graph. The table in this edition of the *Insider* outlines our views for cement consumption on a state-by-state basis through 2004.

In summary, a strong U.S. economy during the 1990s has supported unprecedented levels of construction spending, a condition which has greatly benefited construction materials producers in markets across the country.



Furthermore, the U.S. economy has not yet seen an indication of a material slowdown despite a long up-cycle and the Fed's attempts to put on the brakes.

Additionally, federal spending programs will support heightened consumption levels at a time in the cycle when we normally would see a more severe correction. Combining this factor with regional pacing will cause a more tempered growth curve on the national level in the first decade of the 21st Century. Consequently, both private and public commitments to construction spending will continue to establish a solid platform for continued growth in construction materials consumption in the long-term, despite an anticipated slowdown in the near-term. □

### Greystone Corporate Watch 1999 Earnings Report (\*)

(\$000)		Net Revenue	99/98 %Chg.	Gross Margin	99/98 %Chg.	EBITDA	99/98 %Chg.	Pre-Tax Earnings	99/98 %Chg.
Ameron (AMN)	(i)	\$545,081	-1.3%	\$161,968	2.6%	\$64,679	-1.5%	\$32,755	2.6%
Centex Constr. (CXP)	(ii)	\$323,391	26.1%	\$148,771	39.4%	\$145,259	40.0%	\$133,702	42.3%
Florida Rock (FRK)	(iii)	\$155,111	8.4%	\$45,264	8.3%	\$46,515	92.1%	\$35,533	128.4%
Granite Constr. (GVA)		\$1,328,774	8.4%	\$221,564	15.9%	\$137,197	11.8%	\$86,043	14.7%
Lafarge (LAF)		\$2,654,361	8.4%	\$893,588	10.9%	\$667,794	14.3%	\$436,786	15.0%
Martin Marietta Matls (MLM)		\$1,258,827	19.0%	\$435,453	14.5%	\$358,478	20.8%	\$194,313	11.6%
Puerto Rican Cement (PRN)		\$173,300	16.8%	\$60,611	14.4%	\$36,478	11.6%	\$16,268	15.0%
Southdown (SDW)		\$1,271,800	7.4%	\$497,100	6.4%	\$403,500	35.8%	\$315,200	50.4%
TXI Corp. (TXI)	(iv)	\$943,417	13.3%	\$234,445	4.6%	\$160,820	-0.1%	\$64,852	-30.2%
U.S. Aggregates (AGA)		\$298,181	30.4%	\$84,504	39.6%	\$35,283	82.4%	\$22,432	172.2%
U.S. Concrete (RMIX)		\$167,912	152.5%	\$36,170	168.8%	\$21,009	167.7%	\$15,848	134.6%
Vulcan Materials (VMC)		\$2,355,778	32.6%	\$793,559	15.4%	\$607,245	16.9%	\$351,561	-6.2%
Average	(v)	\$1,188,617	16.9%	\$377,819	13.7%	\$283,373	20.6%	\$179,806	15.8%

- (i) Ameron International's earnings represent twelve months ended November 30, 1999.
- (ii) Centex Construction Products' earnings represent nine months ended December 31, 1999.
- (iii) Florida Rock Industries' earnings represent three months ended December 31, 1999.
- (iv) TXI's earnings represent nine months ended February 29, 2000.
- (v) Quarterly Earnings Averages exclude Ameron, Centex, Florida Rock and TXI as they are on a fiscal year end other than 12/31.
- (\*) Except where noted, reflects full year 1999 earnings through December 31, 1999. Source: Individual SEC filings.