

News release

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Survey of U.S. construction CFO sentiment reveals most see Federal work as mainstay of business into 2011

New York, NY -- It's no surprise that CFOs recently polled reported that construction and engineering opportunities in commercial real estate declined significantly in 2009 and that further declines are expected over the next 12 to 18 months as the sector deals with a lack of financing, an oversupply of product, rising unemployment and lackluster economic fundamentals.

However, chief financial officers of some of the largest construction and engineering contractors in the country do see improving activity over the next year or so in infrastructure-related sectors such as transportation, power and renewable energy, water, sewer, waste and environmental/hazardous waste construction, healthcare and education, according to a recent survey conducted by Ernst & Young LLP.

Oil and gas, public works and renewable energy seems to hold the most potential in the eyes of contractors.

A little more than half those in the survey reported they have already been awarded federal contracts funded using government stimulus money from American Recovery and Reinvestment Act.

Among geographic regions, Asia, particularly China, and Australia are perceived to hold the best opportunities for contractors to increase their business in 2010. Respondents see some potential in the U.S., but less in Africa, Europe and Latin America.

Respondents were pessimistic about a quick end to the credit crunch; the vast majority of contractors we surveyed (78%) don't see the credit crunch ending before the third quarter of this year and almost half believe the crunch could extend into 2011.

"Clearly, the construction and engineering sector is in for another challenging year in 2010 with many companies that might not typically pursue government contracts expecting to supplement their declining commercial book of contracts with federal and state work," says Mike Lucki, Global Leader of Ernst & Young's Construction, Engineering and Infrastructure practices.

"These companies, if they haven't already, should realize that pursuing government contracts comes with its own set of particular rules. Contractors who have done their homework already and prepared a Disclosure Statement, made sure they comply with the government's Truth in Negotiations Act and performed an assessment of all relevant systems and processes, could have an important leg up in garnering their fair share of work," Lucki added.

For a more extensive analysis of the survey, which was conducted in late November 2009 among a group of more than 100 industry CFOs attending Ernst & Young's annual CFO Roundtable, visit: www.ey.com/realestate.

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