

# Liaison Report

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February 3, 2010  
Las Vegas, Nevada

Southeastern United States Regional Report – 2009/2010  
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*We at McGovern & Associates are both optimistic yet realistic as we forecast our sales and projections for 2010. As new construction is the key component to the success of so many of our STAFDA distributors and this area continues to decline, this may be the year that we need to evaluate alternate sources of business and diversify our efforts from the traditional. Overall, all markets are down, but as distributors expand into other areas such as; electrical utilities, public works projects, water & sewer and into the industrial markets they may see an upsurge in their businesses. Our agency is headquartered in Atlanta GA, with field offices throughout the southern states, which allows us to have current and accurate knowledge of the day-to-day industrial opportunities in our territories. I have listed out some of the prospects/upside and pitfalls/downsides to business opportunities within our region for 2009, and possible areas for positive growth within specific segments of the market as we look forward to 2010. We have seen current inventory levels dropping at the distributor levels, and fortunately the manufacturers that are keeping inventory levels high to accommodate the new business environment are capturing more market share.*

## **North Carolina/Southern Virginia**

While the construction and industrial market is very soft in these states, and the area is still suffering from a downward economy with most distributors being off 30% or more in 2009, there are some highlights we can focus on and look at the positives.

- **Charlotte** is in the process of completing almost all of their downtown high-rise projects started in 2009, including the new Duke Power building. There was also some new residential lofts and commercial space in the process at this time. Apple Computer broke ground in the fall of 2009 on a multi-billion dollar Server Farm, which is estimated to bring in hundreds of high income jobs, thus, keeping the contractors busy for some time.
- **Greensboro** has been busy with infrastructure construction- primarily road maintenance and highway construction.

- **Raleigh** has completed their new convention center in 2009, and has a new Police Department Building in the planning stages. Additional construction/renovation projects continue on government buildings in the downtown area.
- **Raleigh North Hills** area still has some renovation and construction projects in the works, while most construction in retail space is almost complete, there are still high rise, residential and office space under construction, along with a parking deck project.
- **Richmond** area has a new Osage Bio-fuel plant breaking ground and also a new Frito Lay plant.
- **Newport News and Norfolk** area seems to remain one of the stronger industrial areas in Virginia....currently building 2 aircraft carriers, and is relatively strong with the military presence and related projects.

On the negative side, Verizon is laying off thousands of people in North Carolina. Residential continues to be in terrible shape, and have forced some 'residential only' distributors out of business, or to expand their focus into the commercial markets. Financing and project development has become a major obstacle as the banking industry has had to tighten credit parameters and guidelines for construction financing.

### **Georgia/ South Carolina**

Georgia had an unstable 2009, as many projects halted or delayed due to the economy continuing to soften. Atlanta was hit very hard, with many distributors reporting sales being off as high as 50%. Many of the other cities in Georgia were off 35% for 2009 on average.

- **Atlanta** had numerous developments go into foreclosure, as commercial real estate is extremely overbuilt at this time. Reports indicate the once booming area of Buckhead as having a 10 year supply of new commercial space. The metropolitan area of Atlanta is in the top 10 for residential foreclosures. Until inventories get turned around, this area will be soft. Georgia Power has the land cleared for a new nuclear plant, and is just waiting for the federal government approvals. Georgia Power also has major construction projects at several of their power plants throughout the State.
- **Augusta** has military base construction, along with power plant projects.
- **Brunswick** has an old time family business in distress due to recent expansion, the Sea Island Resort on St. Simons Island, as it was falling behind on payments on their \$400 million dollar construction loans, and now facing a need to sell or bankruptcy. On a positive note, Georgia Power has several major projects going on along with military bases and government and hospital projects.
- **Georgia Power** has numerous construction projects, along with plans for a new nuclear facility.
- **Savannah** has several new companies relocating to the area. The Port of Savannah continues to expand with revenues growing each year. Governor Perdue of Georgia is requesting \$300 million in funding to improve roadways coming out of the Port.

- **Toombs County** possible relocation of the seafood company, Chicken of the Sea, bringing hundreds of new jobs to this area.
- **West Point** had their \$1 billion dollar Kia manufacturing plant completed, as it started producing their first cars in late 2009.
- **Charleston** is starting construction of the new \$750 million dollar Boeing facility, which will help construction and long term employment in the area.
- **Greenville** is relatively stable for industrial business, but there are not any major construction projects on the horizons at this time.
- **Myrtle Beach** saw many developments go into foreclosures, as property values have plummeted.
- **Scana Energy** has land cleared, waiting for the government to approve the construction of a new Nuclear Power Plant.

### **Alabama / Tennessee**

Alabama is doing better than some of the other southern states as it relates to industrial and commercial construction; although still off from previous years. Most distributors report sales being off 25% to 45%. Tennessee distributor's average being off 30%, with major construction projects throughout the State going strong.

- **Huntsville** will hopefully see several thousand new jobs with a new Arsenal plant.
- **Mobile** area- has the new steel mill under construction (Thyssen Krupp), as well as maintenance of the steel mills and ancillary businesses.
- **Chattanooga** remains strong with the continued construction of the new VW plant, along with the supporting companies. Alstrom Power continues to grow.
- **Clarksville** has a new \$1.2 billion dollar polysilicone plant starting construction.
- **Clinton** has a \$200 million dollar solar plant under construction.
- **Kingsport** has Eastman Chemicals, one of the largest employers in the state, has had recent layoffs.
- **Nashville** has plans for a new convention center.
- **Tennessee Valley Authority** has Nuclear Power plants waiting on government approvals.

Alabama and Tennessee have been hit hard for unemployment and also foreclosures, both at the residential and commercial levels. Some rural areas of the state have been effective due to the fact that several manufacturing plants have shut down or are having massive layoffs.

### **Florida**

Most residential projects came to a screeching halt in 2009, as Florida was in the top 3 for residential foreclosures, and some of the worst declines in home values ever in the states' history. Florida was once known as the boom state that people kept moving into, but the high unemployment and the unstable housing market makes this one of the continued trouble States in the Southeast. There are still government, school, power plant and military base construction going on which may not offset the horrible housing decline; it does help soften the blow. The banks in Florida are not lending money, due to the volatile market, as well as the high

foreclosure rate. Most distributors report sales off from 35% up to 65%....very tough market.

- **Fort Myers** area is leading the country for foreclosures and residential construction is stopped.
- **Indiantown** has a \$480 million dollar solar energy plant under construction
- **Miami** property values have dropped as much as 50%, in some areas, causing many beachfront projects to stop or go into foreclosure. There is a new \$220 million dollar Marlins arena under construction.
- **Orlando** hotel construction or expansion has seen the faucets turn off in comparison to previous years. Tourism is off due to the soft economy.
- **Tampa** recently was mentioned by our president, indicating a new high speed rail, connecting Orlando to Tampa, would be in the works soon.

My opinion remains, to try and diversify into other markets, from calling on the industrial accounts, electric, electric utilities, public works, hospitals, military bases....even though these markets may be down as well, they may provide positive growth for the STAFDA distributors to branch out and possibly win the business.