GROWTH STILL ACCELERATING IN COMMERCIAL MODULAR CONSTRUCTION

Beginning in June of 2006, the Modular Building Institute partnered with Robert W. Baird & Co. to create, collect, and analyze a quarterly survey to monitor business conditions. Baird is an employee-owned, international wealth management firm with offices and operating affiliates in the United States, Europe and Asia. Baird sent the first survey in late June asking for second quarter 2006 results and forward-looking expectations.

The participants of the MBI/Baird survey were senior executives from dealers and manufacturers of modular buildings serving all regions of the United States. The June 2006 survey generated responses from over sixty such companies, representing an estimated $1 billion in annual manufacturing revenue, $250 million in leasing revenue, and $350 million in direct sales revenue.

Dealers indicated that second quarter leasing revenue trends were slightly better than expected, on average. Approximately 90% reported that leasing revenue was near expectations or better, while unit sales revenue was near to slightly above expectations. Double-digit leasing revenue growth was reported by dealers during the June quarter, with 40% indicating leasing revenue growth in excess of 15%. When asked about utilization rates, 27% of respondents reported utilization rate increases of more than five percentage points (i.e., 80% to 85%). Looking ahead, dealers forecast double-digit leasing growth to be sustained in the coming year with 43% expecting growth higher than 15%, while unit sales revenue is forecast to be in the high single-digit range on average.

On the manufacturing side, approximately 75% of respondents indicated that revenues were near expectations or better. On average, manufacturer responses suggest high single-digit revenue growth during the June quarter, with companies reporting about a 6% increase in the number of floors produced and shipped compared to a year ago. Thirty-five percent of respondents reported revenue growth of “more than 15%.” Looking forward, manufacturers forecast approximately a 10% increase in revenue growth for the coming year, with 32% of respondents expecting growth in excess of 15%.

This survey also suggests that manufacturer lead times have not been reduced from the elevated levels experienced in recent quarters. This tight manufacturing capacity, coupled with raw materials inflation, is likely to be reflected in higher pricing in the near term. To help alleviate capacity concerns, several new factories have opened in both the southeast and southwest United States since 2004.
**2Q 2006 MANUFACTURER REVENUE COMPARED TO 2Q2005**

- 35% of respondents experienced 15% growth
- 3% of respondents experienced 10 to 12% growth
- 9% of respondents experienced 7 to 9% growth
- 12% of respondents experienced 4 to 6% growth
- 5% of respondents experienced -15% growth
- 15% of survey experienced -4 to -6% growth
- 6% of respondents experienced -1 to -3% growth
- 6% of respondents experienced 0% growth
- 9% of respondents experienced 1 to 3% growth

**MANUFACTURER FORECASTED REVENUES**

- 32% of respondents projected 15% growth
- 3% of respondents projected -7 to -9% growth
- 9% of respondents projected 0% growth
- 17% of respondents projected 4 to 6% growth
- 3% of respondents projected -4 to -6% growth
- 15% of respondents projected 10 to 12% growth
- 9% of respondents projected 7 to 9% growth
- 3% of respondents projected -7 to -9% growth

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