

Balfour Beatty



Investor Day

9 June 2009



Balfour Beatty

Balfour Beatty Communities

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Program Background and Legislative Mandate (1)

Early 1990's DoD public policy problems

- Over 60% DoD family housing (180,000 units) inadequate
- Military Construction (MILCON) costs projected at \$20B and 30 years to complete
- Housing not military's core competency
- Private Sector had expertise to solve problem

Program Background and Legislative Mandate (2)

Public Policy Solution

- 1996 National Defense Authorization Act allowed for Military Housing Privatization Initiative (MHPI)
- 2005 National Defense Authorization Act solidified MHPI
- MHPI facilitates public / private real estate transactions



Current Portfolio

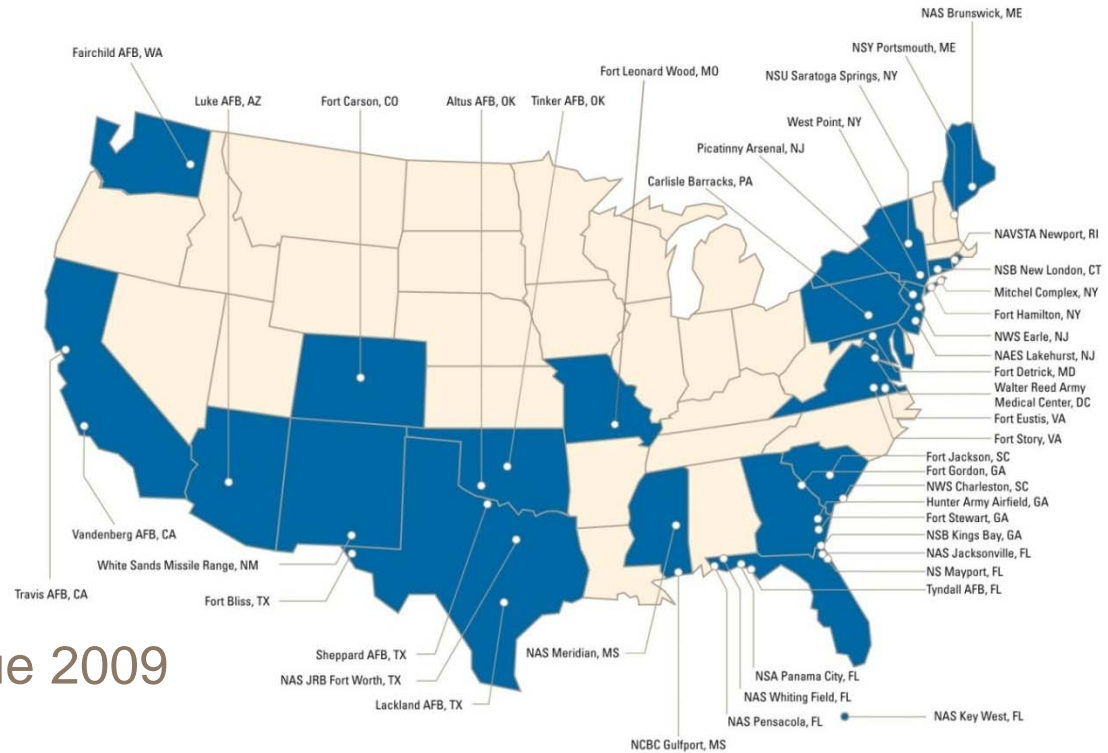
17 Concessions

44 Bases

\$4.5B Project Value

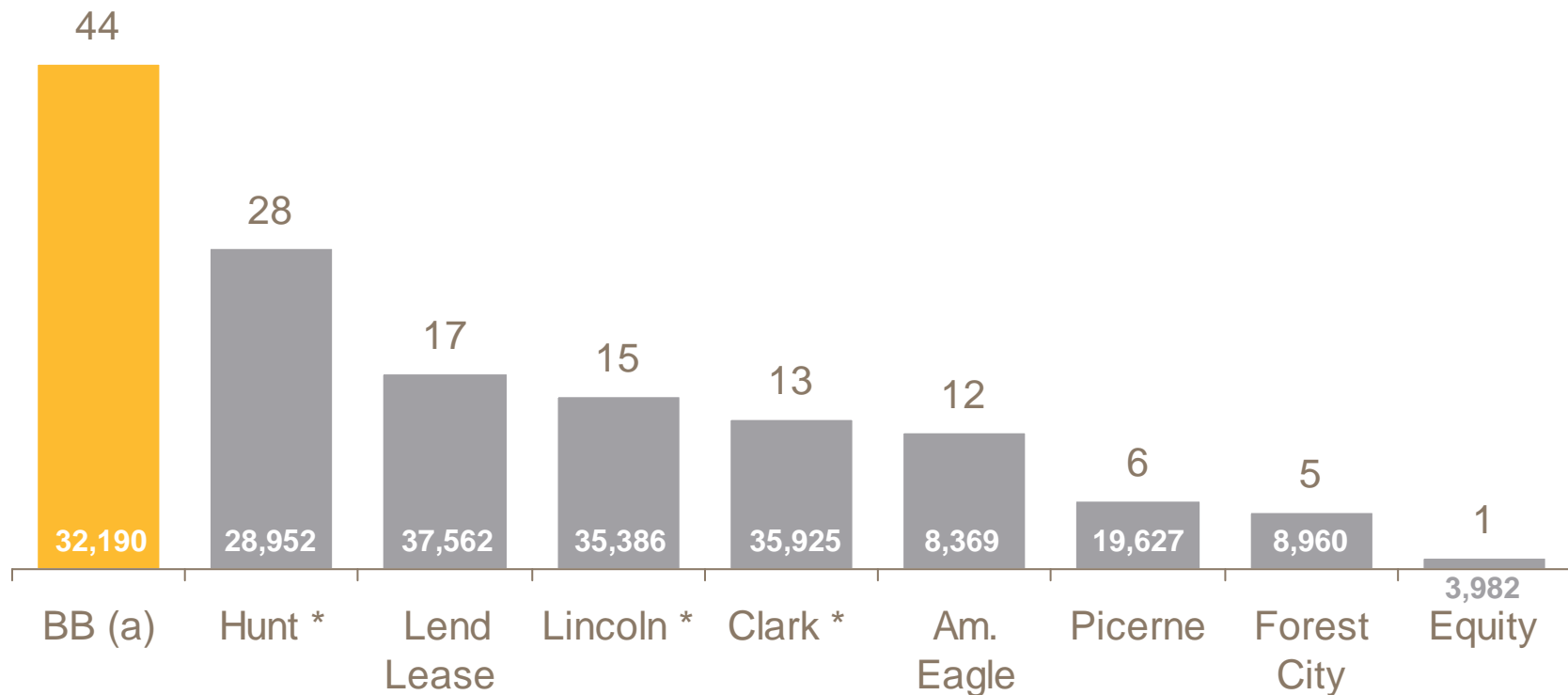
\$120M BB Investment

\$183M Projected Revenue 2009



Military Housing Awards To Date

Balfour Beatty Communities is the Leading Provider of Military Housing Solutions

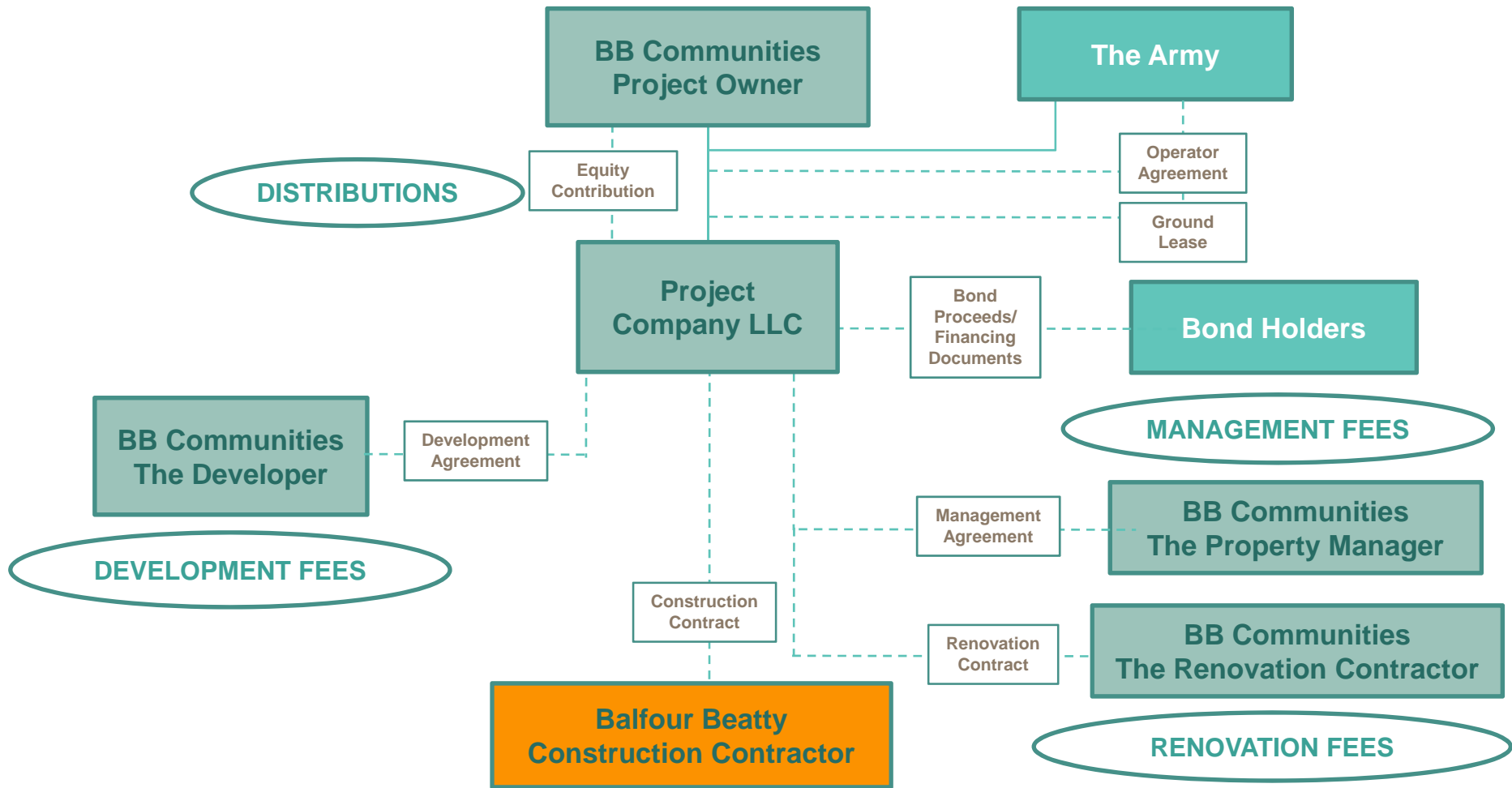


(a) Includes awarded deals.

Note: Number at bottom denotes number of units.

*Hunt, Clark, and Lincoln have partnered on multiple projects. Each firm credited with project unit totals.

Typical MHPI Structure



Fort Bliss/White Sands Missile Range Project

Illustrative Military Housing Model



UK / US Differences

- Combination FM / Investment Business
- Primary driver of US model is generation of fee income
- In US model, all excess cash flow remains in the Project
- If Project has problems, either because of operating or execution performance, the Project's surplus cashflows, rather than BB Communities' fees, are at risk
- In summary:
 - UK model primarily investment-based
 - US model primarily fee generation-based

Balfour Beatty Communities Risk Factors

Risk

- Occupancy – decreased military utilization
- Occupancy - overseas deployment
- Expenses increase beyond forecast
- Poor quality construction or property condition makes housing unattractive
- Construction costs exceed budgeted levels
- Renovation costs exceed budgeted levels

Mitigators

- Housing units can be let to non-military tenants and under capacity of on-base housing
- Last base closure (BRAC) completed in 2005; no further closure plans
- Most families stay in family housing
- BAH increases should match cost increases
- High demand for on-base living. Excess funds allow adequate maintenance
- Construction costs and performance risk are managed through guaranteed maximum price contracts
- Renovation costs are generally structured on a cost plus basis

Investment Summary

Military Housing Leader

Compelling Economics

Strong Industry Relationships

Experienced Management Team

Significant Growth Potential

Future Endeavors (1)

- Education / Universities
 - Housing
 - Florida University
 - Academic Buildings

- Renewable Energy
 - Solar Energy
 - Military Bases
 - Fort Carson
 - Geothermal Energy
 - Wind



Future Endeavors (2)

- Social Infrastructure
 - Courthouses
 - Long Beach
 - Police / Fire Stations
 - Government Buildings
 - Hospitals
 - Bermuda Hospital
- Other Opportunities
 - Roads
 - Rail
 - Municipal Workforce Housing

