

Work-on-the-Boards Survey

Architecture Firms Report Billings Growth For the Fourth Consecutive Month *Project backlogs approach six months*



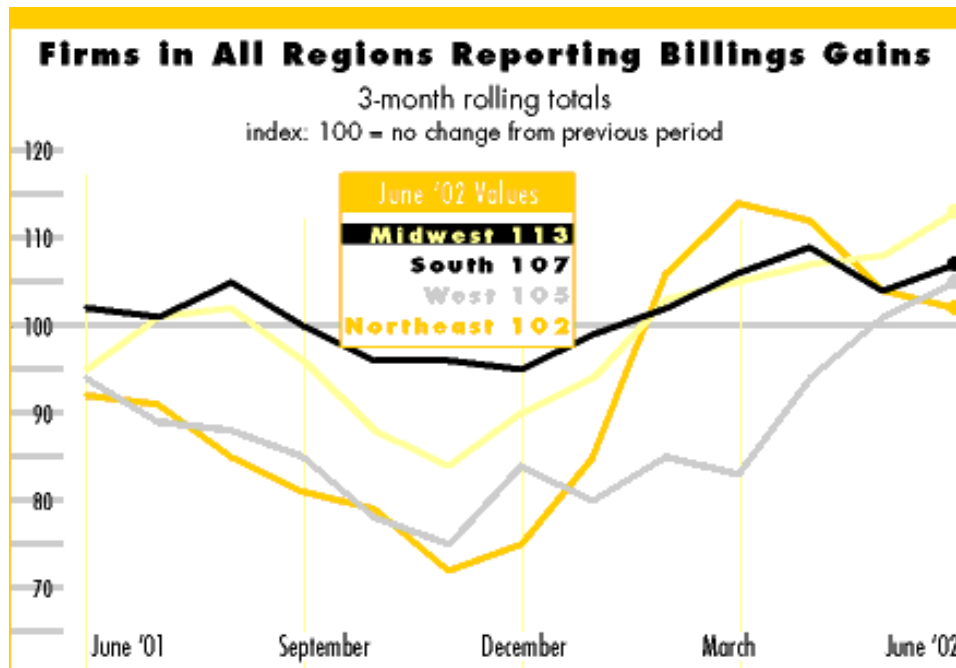
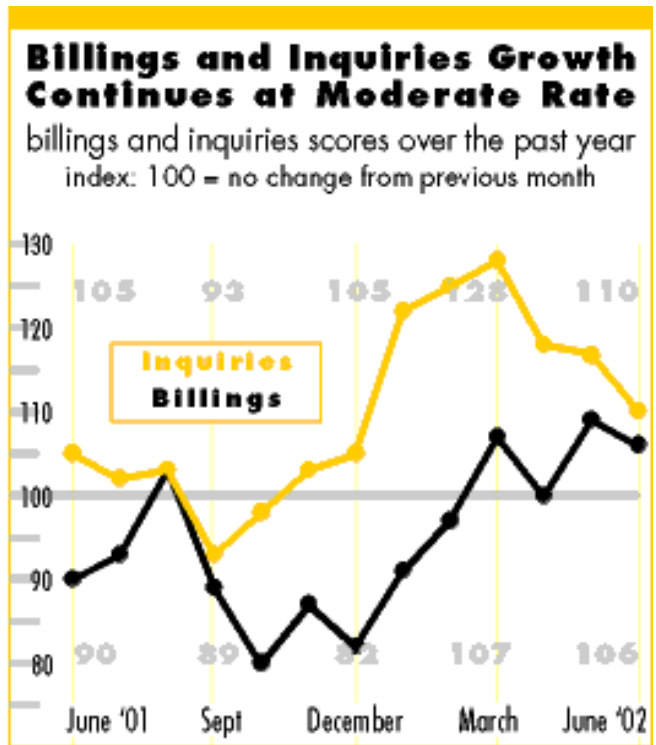
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Billings at architecture firms continued their slow, steady growth in June, as a quarter of firms surveyed reported a substantial increase over May levels, while just under 20% reported a substantial decline. Firms have reported at least modest gains on average every month since February, indicating that a nonresidential construction recovery should be getting underway shortly. Inquiries for new work continue to show gains, but the pace of the increases has been moderating in recent months.

Steady gains in billings in recent months now have firms in all four major regions in the U.S. reporting growth. Not since the U.S. economy went into recession in April 2001 have firms in all major regions reported increases. Firms in the West, in particular, have reported weak billings numbers over the past year, and are now showing signs of emerging from their downturn.

Residential architecture firms (those with a majority of their billings coming from this sector) reported the most favorable business conditions in June, with very strong growth in both billing and inquiries. Commercial/industrial firms reported

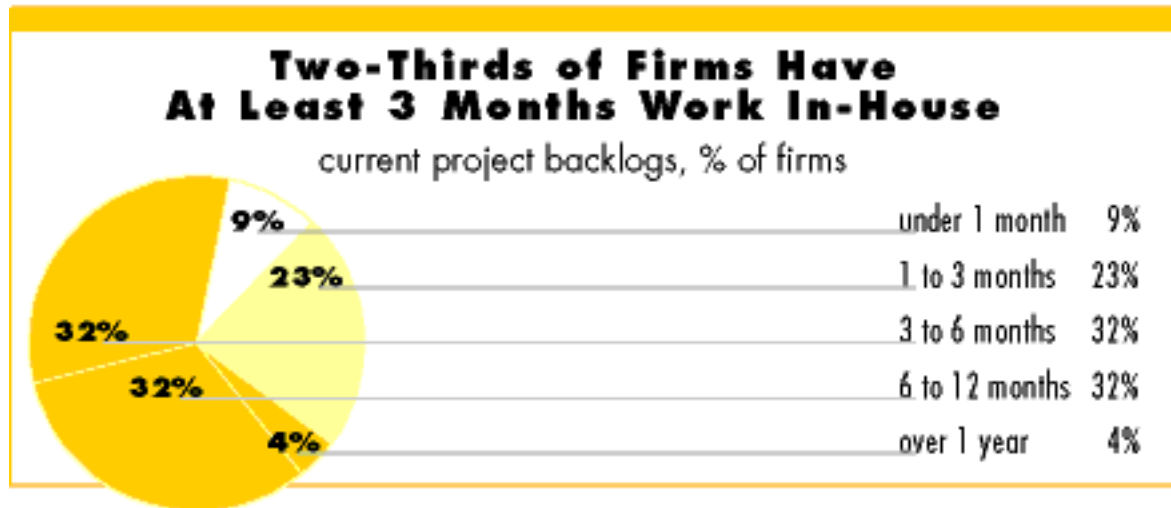


solid gains in both billings and inquiries. Institutional firms saw a very modest drop in billings but reasonable gains in inquiries. Firms with a mixed practice reported stable billings but a drop in inquiries.

Even in the face of falling stock prices, the economy is showing signs of steady improvement. Business payrolls improved modestly in both May and June, after declining each month for the previous 12 months. The national unemployment rate inched up to 5.9% in June but is still down from the most recent high water mark of 6.0% in April. Consumer confi-

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dence levels have been seesawing up and down in recent months, but the trend is clearly improving. Leading indicators that point to the future direction of the economy have improved for seven of the past eight months.



Backlog levels look good

With an improvement in business conditions in recent months, project backlogs at firms are at healthy levels. Backlogs—defined as the number of months of work in house and under contract—are currently averaging just below six months. About a third of firms report backlogs of three months or less, about a third between three and six months, and just over a third at more than six months.

Residential firms, which generally run low backlogs, report levels at just under five months. Commercial/industrial firms report four months at present. Institutional firms reported the highest levels at 6.5 months, while firms with mixed practices are running just below six months. An equal percentage of firms—38%—reported that current backlogs are greater than they were at the beginning of the year, as reported that they have dropped. Residential firms were more likely to report an increase in backlogs since the beginning of the year, whereas firms with a mixed practice were much more likely to report a decline in backlogs.