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BUSINESS

Billings Should Rise in Early 2007

BIM use still scattered; large firms most likely users

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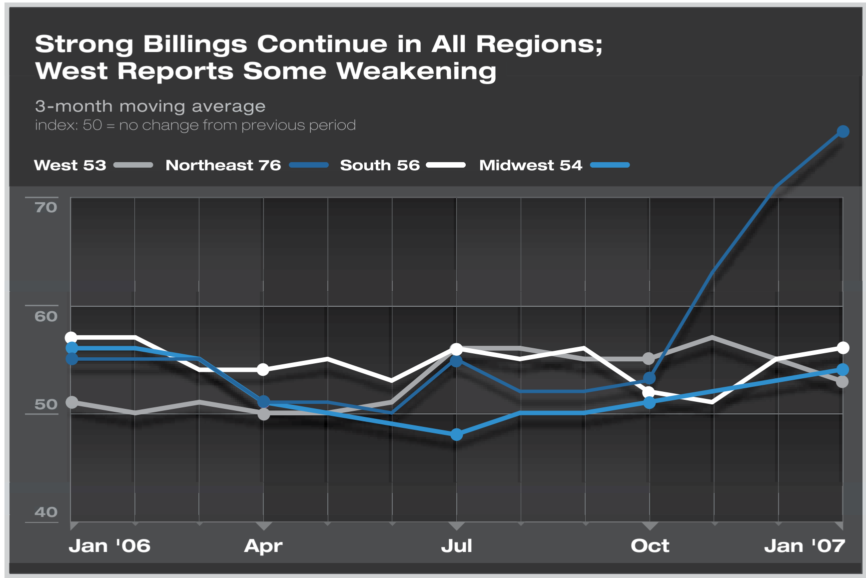
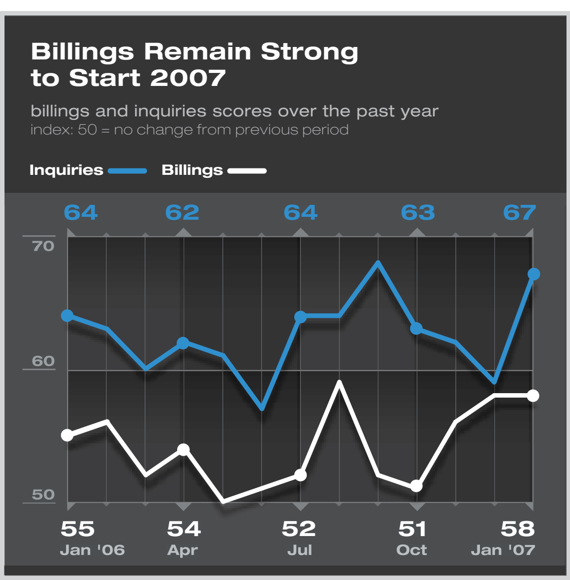
Summary: Billings at architecture firms remained strong in January with an ABI score of 57.9 (a score above 50 is an increase). This marks the third straight month of increasing strength after a brief period of weakening in the fall of 2006. Inquiries were even stronger this month, in fact, they reversed a three-month decline in strength, indicating that billings should continue to rise in early 2007.

Billings show modest gains

Billings gained strength in all regions again this month, except for the West. However, gains were slightly smaller than in December. The Northeast continued to show very strong growth, perhaps due to the fact that mild weather lingered through much of the month, while the West showed its slowest pace of growth since June 2006.





Residential billings continued their slow and steady upward climb, showing a second month of growth after eight straight months of decline. However, commercial/industrial billings showed slower growth for the second month in a row from their 10-year high in November 2006. Meanwhile, the strong growth in institutional billings that began last fall continues.

Construction employment up

The Bureau of Labor Statistics reports that employment growth continued in January, particularly in the construction sector, which added 22,000 new jobs, after shedding jobs for the entire fourth quarter of 2006. GDP also posted strong growth for the fourth quarter of 2006, climbing by 3.5 percent on an annualized basis after growing by only 2.0 percent in the third quarter. GDP also had more overall growth in 2006 than in 2005, growing by 3.4 percent compared to 3.2 percent in 2005. However, the Federal Reserve's Beige Book covering December 2006 includes widespread reports that the U.S. labor market may be contracting; as some industries are having difficulty finding enough workers.

Large firms most likely to use BIM

Use of virtual design/building information modeling (BIM) at architecture firms remains spotty; only 20 percent of firms participating in the AIA's Work-on-the-Boards survey panel are currently using it for billable projects, while an additional 13 percent have acquired the software but are not actively using it yet. However, nearly half of firms (44 percent) still have no

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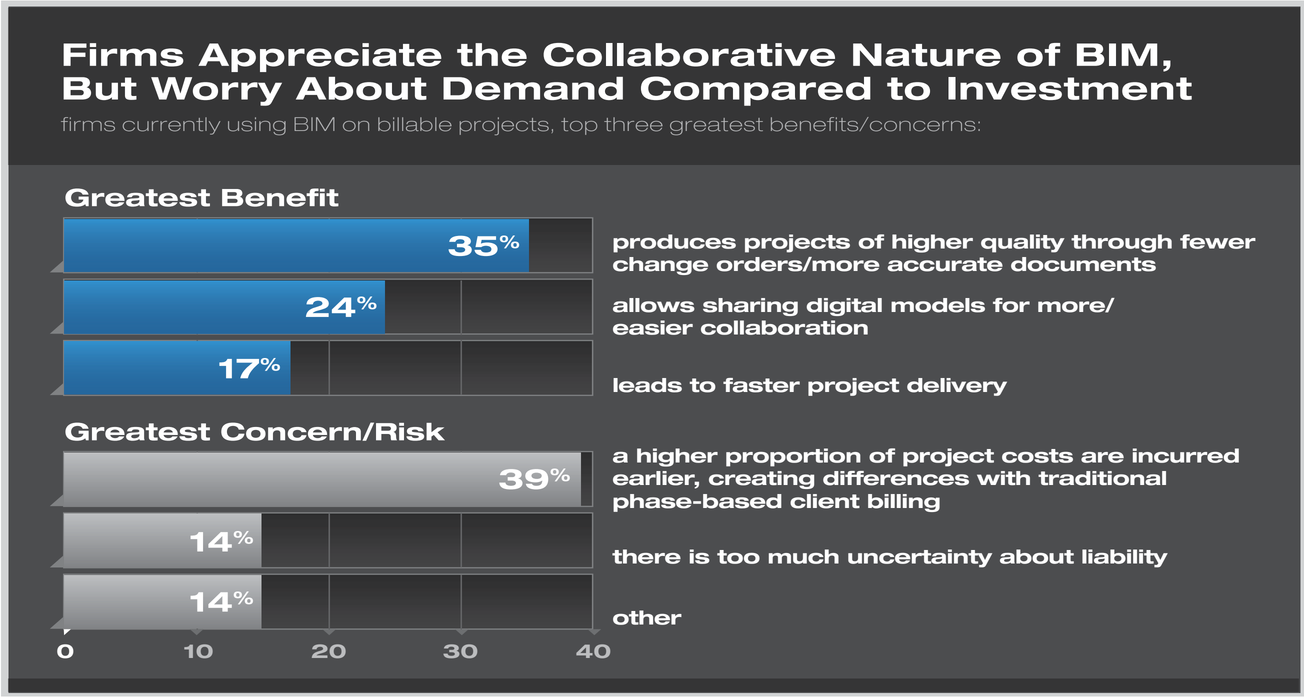

current plans to acquire BIM software. The use of BIM tends to increase with firm size: 44 percent of firms with 50 or more employees are currently using BIM, compared to just 8 percent of firms with fewer than 10 employees. In addition, the largest share of firms currently using BIM is in the West (27 percent), compared to only 16 percent of firms in the Northeast. And the largest firms, with billings over $5 million, are also more likely to currently be using BIM (44 percent compared to an average of 15 percent for firms with billings under $5 million).

When asked to consider the greatest perceived benefits and concerns/risks of using BIM, firms currently using BIM on billable projects indicated that the ability to produce projects of higher quality through fewer change orders/more accurate documents was considered the greatest benefit. The fact that a higher proportion of project costs are incurred earlier, creating differences with traditional phase-based client billing was seen as the greatest concern/risk.

Reference:
This month, Work-on-the-Boards participants are saying:

- Everyone is still busy, but a lot of work is for the same speculative developments. It could be that some/many of these projects will never get off the ground.
—*9-person firm in the South, mixed specialization*

- Recruiting new staff is nearly impossible.
—*11-person firm in the Northeast, commercial/industrial specialization*

- Lots of inquiries, but slow to sign the contract and make the commitment to proceed.
—*12-person firm in the West, institutional specialization*

- Client interest is increasing somewhat, but high construction costs have clients concerned and threaten project cancellations.
—*40-person firm in the Midwest, mixed specialization.*