FMI

SECOND QUARTER

2016

NONRESIDENTIAL CONSTRUCTION INDEX REPORT

CURRENT NRCI SUMMARY

Overall Economy	UP
Overall Economy Where We Do Business	UP
Our Construction Business	UP
Nonresidential Building Construction Market Where We Do Business	UP
Our Expected Backlog	UP
Cost of Construction Materials	HIGHER
Cost of Labor	HIGHER
Productivity	HIGHER

Positive Negative

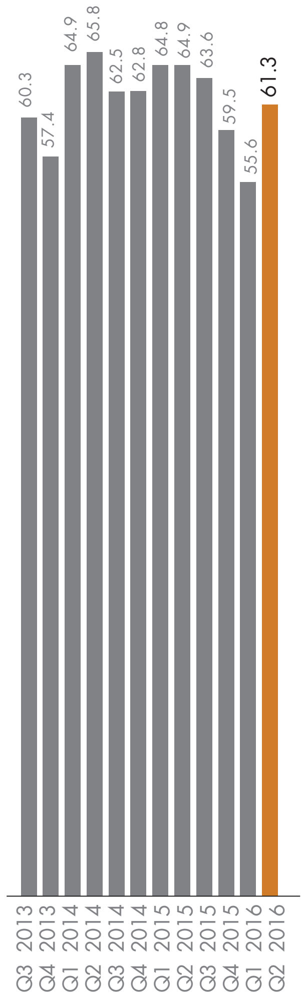
NRCI SECOND QUARTER 2016 EXECUTIVE SUMMARY

"COMPETITION FOR QUALITY WORKERS IS STRONG, THUS LEADING TO OPPORTUNITIES FOR EMPLOYEES TO CONSIDER OTHER EMPLOYMENT OPTIONS."

— NRCI PANELIST

One of the most critical concerns for competition in the construction industry right now is the competition for qualified employees. In fact, it appears that competition has even grown for less qualified employees. That is the main reason that our cost of labor index is indicating a continued higher cost of labor. The good news is that the NRCI index score this quarter has bounced back from 55.6 last quarter to 61.3. That is a solid recovery, and almost every component of the NRCI moved in a positive direction this quarter. The main exceptions are the costs of labor and construction materials, which are holding down the rise in the NRCI score. Also worth noting, the three-year outlook for most major nonresidential construction markets slipped somewhat from last quarter.

For our current issues section, we asked panelists to give their estimations and experience with employee turnover rates, considering the tight labor market. On average, panelists are experiencing a 6.9% rate of turnover for office/management positions and an 8.3% rate of turnover for field management positions. As our analysis below shows, this is a higher turnover rate for construction than the national average for all industries. In the comments associated with our questions below, we received a number of reasons for turnover. Some panelists noted that they have very little turnover. One of the most cited reasons, the improved market for job opportunities for younger employees, has been the subject of a number of papers and reports in the past few years.



CURRENT NRCI READING
Q2 2016

61.3

PREVIOUS READING: 55.6

EXHIBIT 1

FMI Nonresidential Construction Index (NRCI) Scores From Q3 2013 to Q2 2016

(Scores above 50 indicate expansion, below 50 indicate contraction.)

Executive Summary continued ...

Two other current issues were included in this quarter's survey. The questions that found most agreement concerned the best training delivery methods and the inclusion of safety in training programs. While there is some room for improvement in the amount of safety training for office/management employees, 96% of companies said all training for field employees has a safety component.

The most contentious issue we asked about this quarter was about the understanding of and potential concerns about the so-called "Blacklisting" order (E.O. 13673), which requires firms to disclose any violations of 14 different federal labor and employment laws for the previous three years to be eligible for contracts worth more than $500,000 with the federal government. Surprisingly, only 40% of contractors that do federal work were aware that this new rule was set to take effect in 2016. Not surprising was that the majority of comments we received about this new executive order were clearly unfavorable.

NRCI Second Quarter 2016 Highlights

Overall Economy:

After dropping 1.9 points last quarter, the index for the overall economy rebounded 8.9 points in the second quarter to a solid 65.4.

Overall Economy Where Panelists Do Business:

The economic situation where panelists do business increased 12.6 points in the second quarter to 69.9.

Panelists' Construction Business:

Panelists' construction business hit the highest point in four quarters at 76.0.

Nonresidential Building Construction Market Where Panelists Do Business:

Panelists' outlook for the markets they work in leads the indexes for NRCI components, improving 13.7 points to 74.3.

Expected Change in Backlog:

The expected change in backlog rebounded to 66.1 after a two-quarter slump. The months-in-backlog number has held at 11 months for the last two quarters.

Cost of Construction Materials and Labor:

The index for cost of materials dropped 13 points, indicating contractors are seeing higher prices for construction inputs. The cost of labor index also dropped to just 12 points. Both labor and materials cost increases work to keep the NRCI Index score down.

Productivity:

While it may not be enough to offset higher prices, productivity made a rare improvement of 3.3 points in the second quarter to 52.4. It would be a good sign if this improvement becomes a trend.

Thanks to all of the panelists who help make the NRCI a useful gauge of nonresidential construction activity. We value your opinions and appreciate your taking the time to share your experience.

Current Issues

Turnover rates for contractors:

As the national employment rate continues to be near what is considered the natural rate for employment (5.3% natural rate compared to 5.5% unemployment for May), most contractors struggle to find talented employees at all levels. This quarter, we asked panelists about turnover rates as an indicator of how well companies are coping with the current labor shortage situation. On average, panelists are experiencing a 6.9% rate of turnover for office and management positions and an 8.3% rate of turnover for field management positions. Voluntary separations per year as a percent of employee turnover averaged 30.1% for panelists participating in the NRCI survey. (More analysis below.)

Training methods:

Asked about training delivery methods, panelists reported the top-three methods for office and management employees were instructor-led, face to face, by internal trainers (22%); structured on-the-job training (18%); and instructor-led, face to face, by external trainers (17%). For trade and craft employees, the top-three delivery methods for training were nearly the same as those for office and management employees: instructor-led, face to face, by internal trainers (20%); structured on-the-job training (19%); and instructor-led, face to face, by external trainers (13%).

Safety Training:

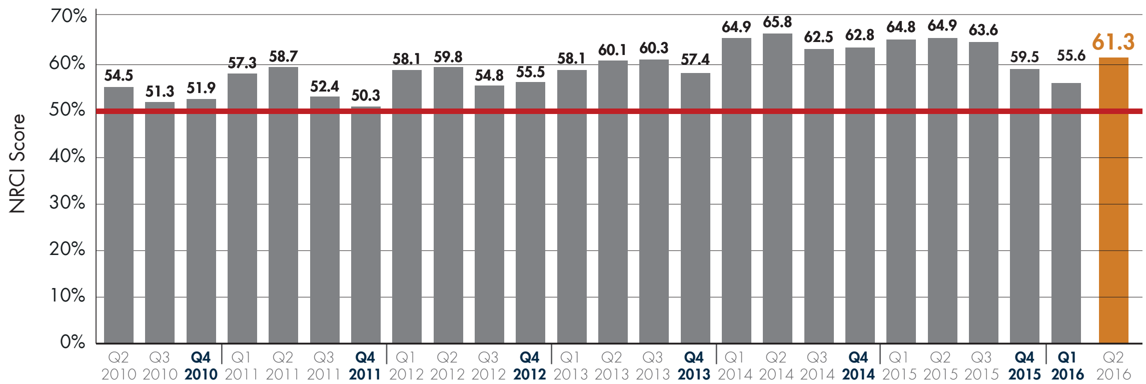
When asked if safety training is a major emphasis of all field training, 96% of panelists said "yes," and the remaining 4% said "sometimes." However, safety was a major emphasis for all corporate training only 70% of the time.

The "Blacklisting" order (E.O. 13673) is expected to take effect in 2016:

Officially known as the Fair Pay and Safe Workplaces Executive Order (E.O. 13673), the Executive Order signed by President Obama is set to take effect, at least partially, in 2016. Of panelists performing federal contracts, only 40% are yet aware of the new rule. Of those that are aware of the rule, 14% say the new rule may affect their firms in terms of future contracts. (More analysis on following page.)

EXHIBIT 2

FMI Nonresidential Construction Index (NRCI)
Scores | Q2 2010 to Q2 2016



(Scores higher than 50 indicate expansion, below 50 indicate contraction.)

FIRST QUARTER 2016 **61.3**
PREVIOUS READING: 55.6

Current Issues

Turnover rates for contractors:

As noted above, though the national employment rate continues to be near what is considered full employment, most contractors continue to struggle to find talented employees at all levels. This quarter we asked panelists about turnover rates as an indicator of how well companies are coping with the current labor shortage situation. On average, panelists are experiencing a 6.9% rate of turnover for office/management positions and an 8.3% rate of turnover for field management positions. Voluntary separations per year as a percent of employee turnover averaged 30.1% for panelists participating in the NRCI survey.

The latest report from the Bureau of Labor for Statistics, Job Openings and Labor Turnover (JOLTS) for March 2016 found that the job openings rate was 3.9 percent, little changed from April, but 1.1% higher than March 2013. Hiring continued to outpace separations, but separations continue to climb. The total separations rate or turnover was 3.5% in March, and "quits" or "voluntary separations initiated by the employee" were 2.1% for March. "Quits increased in construction (+50,000)." Construction hires for March were 344,000, and total separations were 334,000 for a net employment gain of 10,000.

Comparing the results of the NRCI Second Quarter report, panelists' estimation of the rate of turnover for construction firms is considerably higher than the national numbers. While the average for voluntary separations per year, or quits, was 30.1%, according to NRCI panelists, at the extremes, there were contractors reporting few if any quits, but some also having high turnover, likely due to having more seasonal work or being at the mercy of cyclical work. At the other end of the spectrum, there were a number of responses with 100% voluntary turnover. What few quits they had or anticipate having are due to retirements, a growing concern since retirements often mean the loss of experienced employees.

One of the key costs of turnover is the cost per new employee for recruiting and training. For office/management positions, panelists estimated an average cost of $12,563 per hire. For field management, that cost was $9,753. As noted in the comments below, for many contractors, turnover is highest among the newer, younger employees as they are more likely to move to jobs with higher pay or to other industries. Overall, in the comments below, there is a range of reasons for turnover, and a few contractors note that they have managed to have little turnover even in a tight labor market. One thing many panelists agree on is that "headhunters" or recruiters are enjoying a booming business in both offering and "poaching" job candidates. These are the major reasons that our index number for the cost of labor continues to drop, demonstrating higher labor costs.

EXHIBIT 3

What is your estimated annual employee turnover rate?

Number of separations during the year/average number of employees during the measurement period X 100

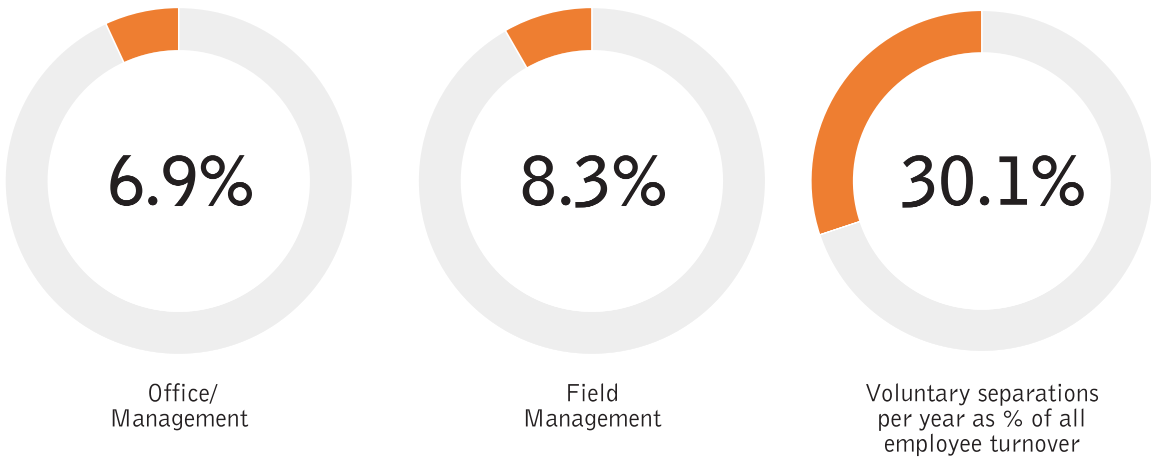


EXHIBIT 4

How do you think your turnover rate will change in the next three years?

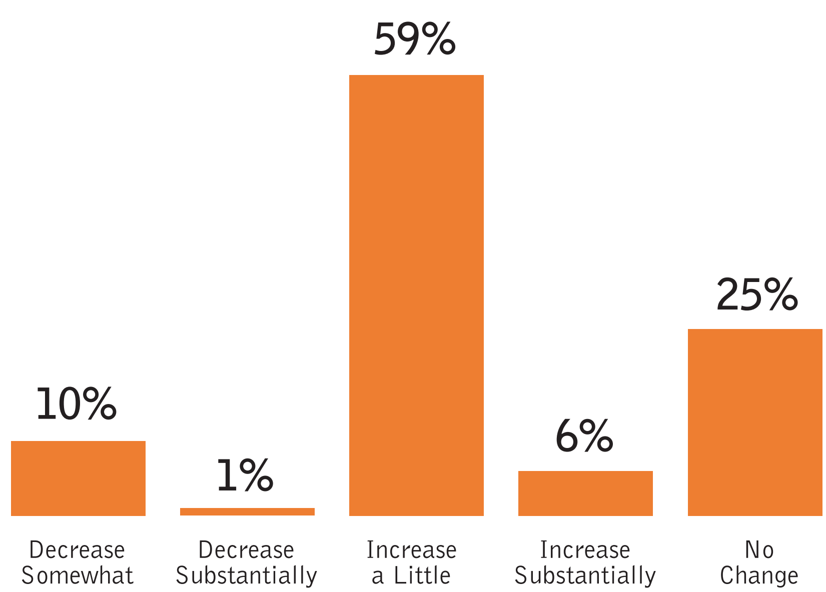
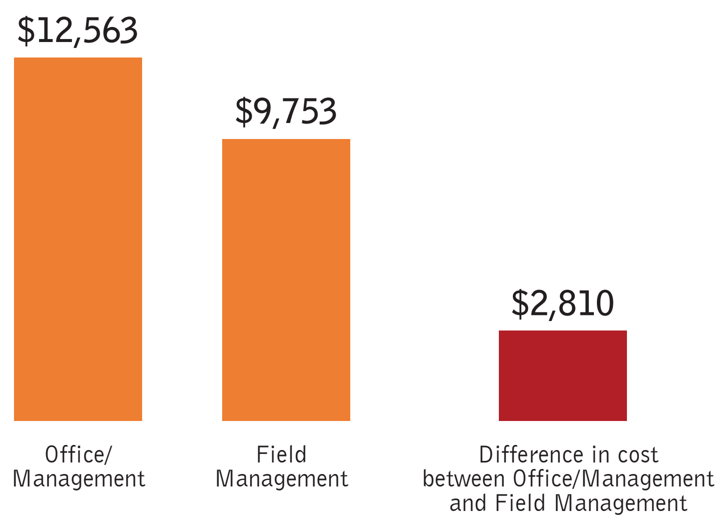


EXHIBIT 5

Average estimated cost per employee for recruiting and training a new employee.



Selected Comments on Recent Turnover Trends:

- A lot of opportunity and blue sky out there for people to chase. Harder to retain lower-priced talent.
- Age-old problem for companies whose employees have to travel; 20- to 30-year-olds want to stay home with their children; the over-55 set does not want to self-perform, so finding labor for long-term employment is difficult.
- Competition for quality workers is strong, thus leading to opportunities for employees to consider other employment options.
- Difficult to include cost of training since new hires require different levels of training. Solely looking at recruiting, we spend approximately $300 on new hires for field positions. Turnover in the field is largely a result of hiring more unskilled positions than normal. Most turnover is not from long-term employees. Most turnover is occurring from new hires with less than one year of industry and/or company experience.
- Experience is lacking.
- Field-level employee turnover has been 5% higher in the last three months.
- Generational change is impacting ready resources along with significant numbers of new competitors starting up, growing and moving into our region.
- Headhunter recruiting continues but eased in intensity in last three months.
- Heightened level of poaching employees by competitors.
- It costs about $15,000 to recruit and onboard new employees.
- It is maddening. Life happens to our people, and we are impacted when it does.
- Losing some people to industrial maintenance but not to other construction companies.
- Lots of headhunter activity, both in terms of offering folks to us and trying to take folks from us.
- Lots of stealing employees from other companies. They are stealing from us. Recruiters are making out the best. Growth is limited by lack of available labor.

- Our lost investment when losing a person who has been with us for three years is around $100k. This does not include salary or other fixed costs.
- Our turnover has been very low, and we don't expect it to increase.
- Our voluntary turnover rate is high relative to historical averages due to increased competition for talent currently in our industry. This should come down as economic growth moderates.
- People have left for personal, nonbusiness-related issues.
- Poaching of good employees will become more prevalent as firms react to increasing backlogs.
- Project managers are difficult to find, and they ask for large salaries with little experience.
- Recruiter calls are way up. I get several every week looking to place, and my employees are being poached.
- Recruiters are having a field day with contractors desperate for management and field supervision. Salaries of 50% greater than current are being offered.
- Recruiters are working to entice our younger folks to change jobs. We strive hard to keep our pay competitive, but recruiters are aggressive.
- Slow economy in our area has people staying put, except when separated involuntarily.
- Strong culture, mission, vision and core values help create less turnover.
- The $750 figure is basically a new hire who does not come with a fee. It represents the average time of personnel to interview, screen, etc. It's a blended average.
- The best employees (office and field) continue to see significant opportunities in the market. In the Northeast, competition is still tough, so having the best players is really important.
- The market has gotten extremely competitive. We are feeling upward pressure on wages.
- The most turnover we are having is retirement. We expect at least three to five more employees in the field to retire this year and two in the office. Other than that, we rarely lose an employee.
- There is a serious auction going on for skilled field techs, and they know it and participate. This makes it difficult to build a crew you can count on to stay through the project.
- There tends to be some pull from the GCs on our field management team, which has caused us to pay more money to keep them. When it comes to office/management, it is a combination of all trades trying to get them to come to them for a minimal salary increase. We have to compare our benefits to theirs to show they are not going to be as well off as staying with us. Most times it works, but in some cases, they move on anyway.
- There will be more poaching as the market gets tighter. Some of the companies will be out there looking to pay a ton of money to folks who are not quite as qualified, but the company just wants bodies for a project and then kicks the new person out on the street.
- Turnover has settled down at our company. We've been able to "right-size," so we are not looking to lay off or let go of people. Markets have been good, and top performers have earned good bonuses, but the bonuses were needed in order to retain top performers. Adding project managers and project administrators at a faster rate than people retiring.
- Turnover surged as we began to emerge from the recession in 2014 (our region was late to the party). Recruiting pressure has been high on our people. Some project managers have chosen to enter new professions with lower stress and shorter hours. We are pressing to find ways to decrease the demands and resultant stress on our teams.
- Turnover was driven by one job being delayed and the competition wooing them away.
- We are about to increase our HR efforts, specifically to reduce turnover in our hourly ranks. We are going to make the investment in paying more travel and per diem to keep a consistent workforce and stop hiring up on a project-by-project basis.

- We are holding our own by offering better benefits.
- We are not turning over people. Only the nonproductive are being turned away. We have hired a workforce development manager to manage the field hiring process.
- We have been fortunate to have very little turnover. However, as our employee ranks get younger, we expect to see an uptick in turnover.
- We have low turnover in employees identified as keepers and important to the future of the company. Got to show them love. We have average turnover rate in others. We rarely fire anyone. Normally, we encourage them to resign. This can be done by lack of increase, no incentive and other subtle measures.
- We have seen increasing interest in people interested in joining our company, with none leaving.
- We rarely have turnover.
- Younger employees seem to need more attention/engagement/training and are less patient/aggressive in determining their own career paths, thus they are apt to leave more impulsively.

Training Methods:

Training continues to be important for new as well as current employees. Some of the training needs include onboarding new people, new work procedures to learn, safety training and productivity improvement. This is the reason companies must have solid training plans. Asked about training delivery methods, panelists reported the top-three methods for office and management employees were instructor-led, face to face, by internal trainers (22%); structured on-the-job training (18%); and instructor-led, face to face, by external trainers (17%). For trade and craft employees, the top-three delivery methods for training were nearly the same as those for office and management employees: instructor-led, face to face, by internal trainers (20%); structured on-the-job training (19%); and instructor-led, face to face, by external trainers (13%).

When asked if safety training is a major emphasis of all field training, 96% of panelists said “yes,” and the remaining 4% said “sometimes.” However, safety was a major emphasis for all corporate training only 70% of the time.

EXHIBIT 6

Top training delivery methods for office/ management employees (% of panelists choosing item as top training method)

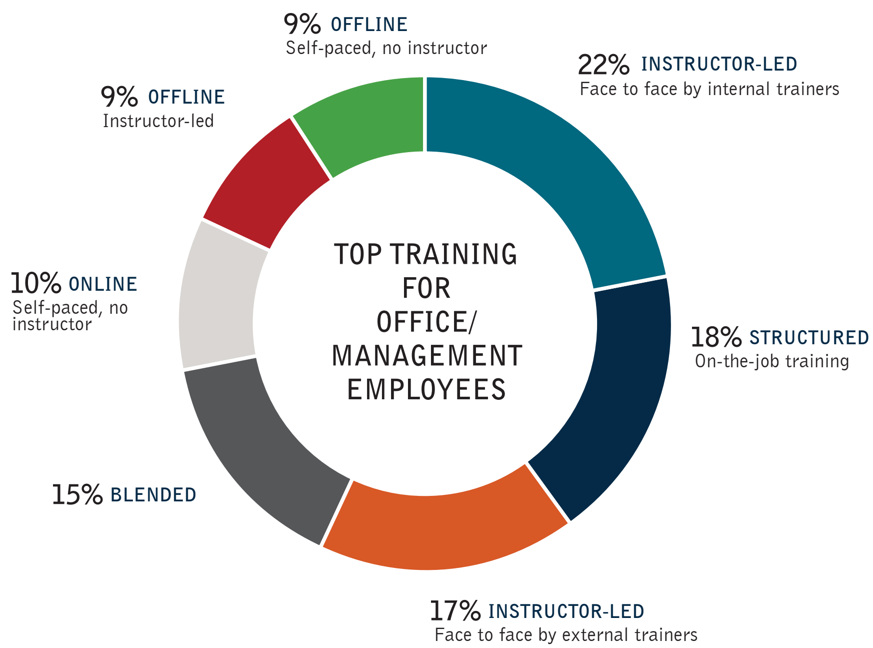


EXHIBIT 7

Top training delivery methods for trade/ craft employees (% of panelists choosing item as top training method)

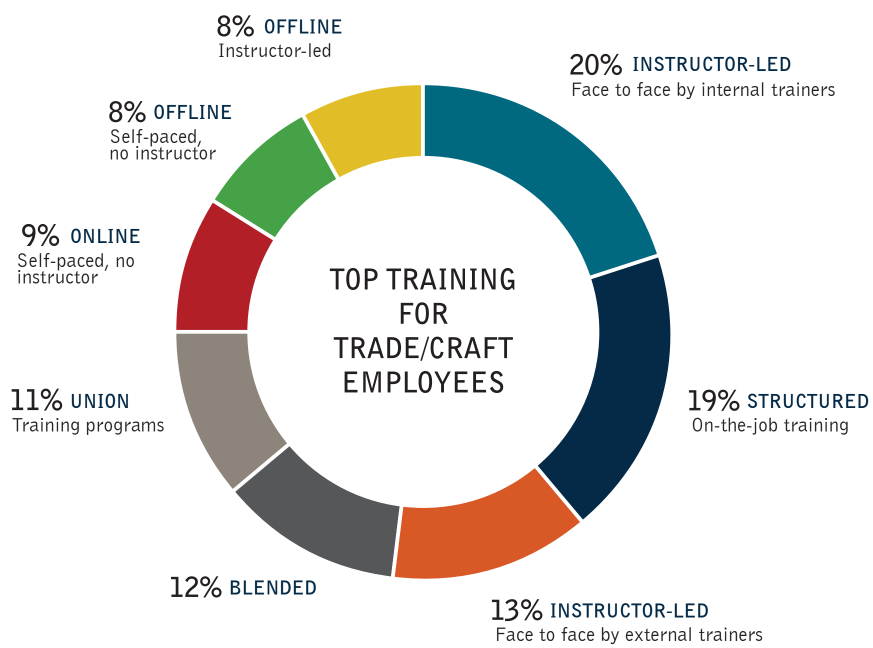


EXHIBIT 8

Is safety a major emphasis of ALL corporate training?

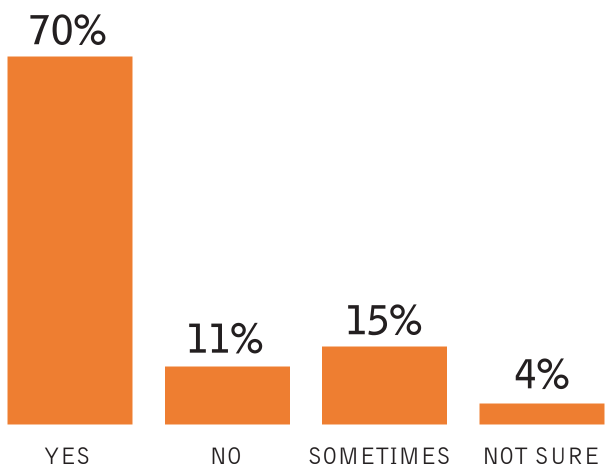
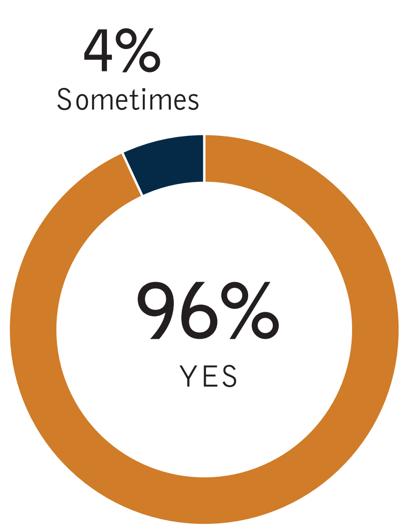


EXHIBIT 9

Is safety a major emphasis of ALL field training?



The “Blacklisting” Order:

The “Blacklisting” order (E.O. 13673) is expected to take effect in 2016: Officially known as the Fair Pay and Safe Workplaces Executive Order (E.O. 13673), the executive order signed by President Obama is set to take effect, at least partially, in 2016. Of panelists performing federal contracts, only 40% are yet aware of the new rule. Of those that are aware of the rule, 14% say the new rule may affect their firms in terms of future contracts.

The so-called “Blacklisting” order (E.O. 13673) requires firms to disclose any violations of 14 different federal labor and employment laws for the previous three years to be eligible for contracts worth more than $500,000 with the federal government. It allows an agency to deny new contracts with these firms based on the information, which may be other than a final decision (e.g., OSHA citations, Davis-Bacon situations and Wage Hour initial back pay calculations), as well as being even more burdensome for firms with contracts over $1 million.

While the great majority of the selected comments below are unfavorable to this new rule for a variety of reasons—chief of which, most agree that contractors don’t need more complications when working with the government—there are a few who think it is unfortunate but necessary. One of the potential outcomes is that fewer contractors will want to participate in federal construction projects.

EXHIBIT 10

If you are a federal contractor, are you aware that the new so-called “Blacklisting” order (E.O. 13673) is expected to take effect in 2016?

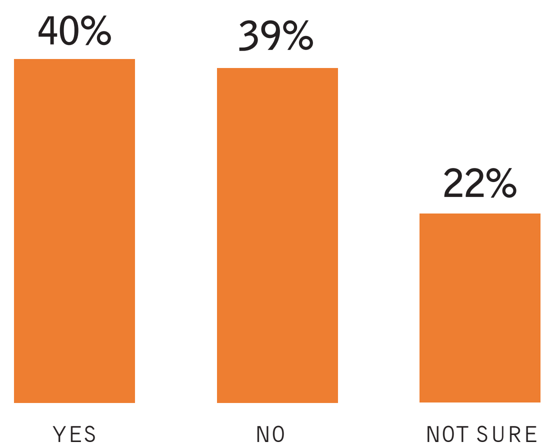
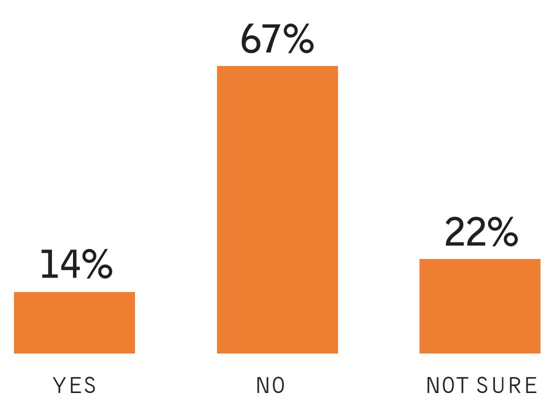


EXHIBIT 11

Do you anticipate (given its broad reach and scope) that the new order (E.O. 13673) may affect your firm in terms of future contracts?



Selected comments on so-called "Blacklisting" order (E.O. 13673):

- Aware and have an opinion, but we don't do much, if any, federal work.
- Heard a little bit about it. Not sure it will specifically impact our business, but the overall hassle it is to deal with federal projects will have its own impact. We don't want a "steady diet" of these jobs, just the ones that fit our criteria and timing.
- I typically say regulations like this are unnecessary; however, there are contractors and subcontractors clearly and willfully violating labor laws in order to gain an unfair advantage. It's unfortunate that many firms that unintentionally made an honest or clerical mistake may get caught up in this regulation, but something needs to be done to stop certain subs and GCs who are deciding to break the rules and are weighing the savings against the likelihood of being caught and the cost of fines.
- It is absolutely appropriate to blacklist firms that do not comply with the appropriate rules and regulations. We take safety extremely seriously based on industry best practices. Personally, I believe any contracting firms with an EMR over 1 should not be eligible for public contracts. This would help support OSHA's safety compliance efforts with preventing job-site injuries and reduce fatalities proactively without adding more government bureaucracy. The industry needs more stringent prequalification in this regard.
- It is OK if it takes the contractors that have repeatedly had violations out of play.
- Just another example of government overreach.
- More intrusive government regulation from the Democrats.
- No federal government work on the books.
- Outrageous.
- Seems unnecessary.
- The date of issuance and regulatory requirements surrounding this executive order are not clearly defined. Therefore, it is difficult to know how this will impact our firm. The executive order will increase our firm's administrative burden and the burden placed on our subcontractors.
- This is the first I have heard about this. I am going to circulate this information in our firm, and I will be better-prepared to answer next survey.
- Too subjective.
- We currently do very little federal work, partly due to the massive compliance issue.
- We do not do federal work—primarily due to all the regulations and constantly changing regulatory environment.
- We don't do many public works projects. More than 95% of our work is in the private sector.
- While it does not impact us now, we can see how the complicated and onerous nature of the rules could subject us to easily be in violation in the future.

Exhibits 12 through 17: Detailed Component Results for FMI's First Quarter NRCI Survey

EXHIBIT 12

FMI Nonresidential Construction Index Detailed Results by Market Sector

	Overall Quarter 1 for 2016				Overall Quarter 2 for 2016			
	Improving over last quarter	Remains the same as last quarter	Worse compared with last quarter	NRCI Q1 2016	Improving over last quarter	Remains the same as last quarter	Worse compared with last quarter	NRCI Q2 2016
Business Outlook/Three Months								
Commercial	29.2%	65.6%	5.2%	62.0	45.3%	53.8%	0.9%	72.2
Education	26.2%	65.0%	8.7%	58.7	40.0%	53.0%	7.0%	66.5
Health care	37.2%	57.4%	5.3%	66.0	41.9%	52.1%	6.0%	67.9
Lodging	31.0%	60.7%	8.3%	61.3	44.9%	53.1%	2.0%	71.4
Manufacturing	23.8%	62.5%	13.8%	55.0	24.1%	69.0%	6.9%	58.6
Office	26.5%	67.3%	6.1%	60.2	33.1%	64.5%	2.4%	65.3
Other	20.7%	69.0%	10.3%	55.2	41.7%	58.3%	0.0%	70.8
Business Outlook/One Year								
Commercial	28.1%	61.5%	10.4%	58.9	37.1%	56.2%	6.7%	65.2
Education	39.8%	50.5%	9.7%	65.0	39.5%	50.0%	10.5%	64.5
Health care	42.6%	47.9%	9.6%	66.5	52.6%	38.8%	8.6%	72.0
Lodging	28.6%	60.7%	10.7%	58.9	34.4%	54.2%	11.5%	61.5
Manufacturing	26.9%	53.8%	19.2%	53.8	29.5%	62.5%	8.0%	60.8
Office	27.8%	61.9%	10.3%	58.8	33.3%	58.5%	8.1%	62.6
Other	27.6%	65.5%	6.9%	60.3	50.0%	47.2%	2.8%	73.6
Business Outlook/Three Years								
Commercial	24.5%	42.6%	33.0%	45.7	19.6%	52.0%	28.4%	45.6
Education	29.7%	48.5%	21.8%	54.0	35.1%	38.7%	26.1%	54.5
Health care	32.6%	53.3%	14.1%	59.2	41.7%	45.2%	13.0%	64.3
Lodging	24.4%	45.1%	30.5%	47.0	21.1%	45.3%	33.7%	43.7
Manufacturing	23.4%	51.9%	24.7%	49.4	28.7%	48.3%	23.0%	52.9
Office	20.0%	50.5%	29.5%	45.3	17.6%	53.8%	28.6%	44.5
Other	37.9%	44.8%	17.2%	60.3	32.4%	50.0%	17.6%	57.4

NRCI Scores

> **50** indicates growth (better)
< **50** indicates slowing (worse)

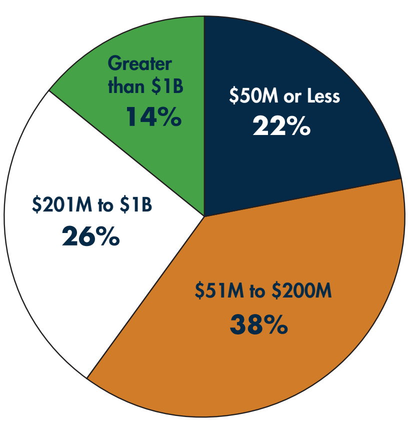
* A note on the use of the diffusion index: Do not interpret diffusion index values in the same manner as averages, because a simple increase or decrease in a diffusion index does not necessarily imply an improving or declining result. For example, if a diffusion index moves from 31 last quarter to 35 this quarter, it does not imply the market has improved. A reading above 50 indicates improving or expansion, 50 indicates remaining the same, and below 50 indicates worse or contracting. Therefore, if a reading goes from 31 to 35, then the result still implies a decline from the previous quarter because 35 is below 50; but the decline is not as great as the previous decline because 35 is above 31. As another example, if the diffusion index changes from 31 to 65, it implies improvement over the previous quarter, not because 65 is above 31, but because 65 is above 50.

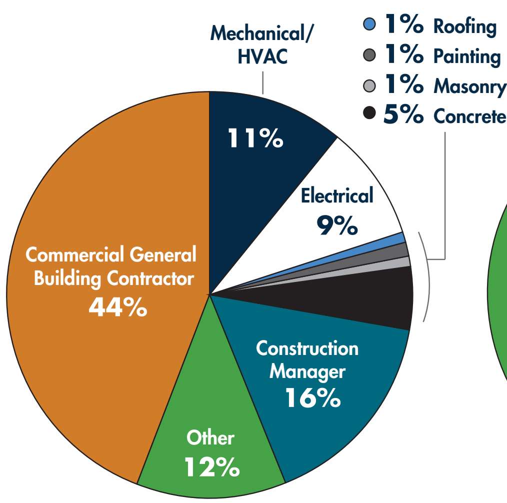
EXHIBIT 13

NRCI Component Indexes — Comparisons of Results: Q3 2015 to Q2 2016

	NRCI Q3 2015	NRCI Q4 2015	NRCI Q1 2016	NRCI Q2 2016
The overall economy	70.6	58.3	56.5	65.4
The overall economy where panelists do business	73.3	64.8	57.3	69.9
Panelists' construction businesses	75.7	69.9	64.1	76.0
Nonresidential building construction market where panelists do business	75.0	65.3	60.6	74.3
Cost of construction materials	29.4	30.6	38.1	25.2
Cost of labor	12.6	18.9	18.8	12.0
Productivity	47.6	47.9	49.1	52.4
Expected change in backlog	68.6	62.2	59.7	66.1
	Median	Median	Median	Median
Approximate current signed backlog in months	10.0	12.0	11.0	11.0

Note: NRCI scores and component scores are based on a diffusion index where scores above 50 represent improving or expanding, a score of 50 represents remaining the same, and a score below 50 represents worse than last quarter or contraction.





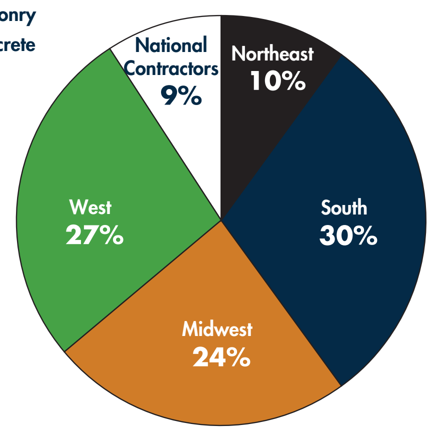


EXHIBIT 14

Size of the Organization in Annual Revenue

EXHIBIT 15

Type of Contracting Business

EXHIBIT 16

Primary Region in Which Panelists Work

EXHIBIT 17

FMI Nonresidential Construction Index (NRCI) Component Results Q4 2015 to Q1 2016

	NRCI Component Results, Quarter 1 for 2016				NRCI Component Results, Quarter 2 for 2016			
	Improving over last quarter	Staying the same as last quarter	Worse compared with last quarter	NRCI Q1 2016	Improving over last quarter	Staying the same as last quarter	Worse compared with last quarter	NRCI Q2 2016
Overall Economy	21.6%	69.8%	8.6%	56.5	31.5%	67.8%	0.7%	65.4
Overall Economy Where Panelists Do Business	22.2%	70.1%	7.7%	57.3	40.4%	58.9%	0.7%	69.9
Panelists' Construction Business	32.5%	63.2%	4.3%	64.1	56.2%	39.7%	4.1%	76.0
Nonresidential Building Construction Market Where Panelists Do Business	27.1%	66.9%	5.9%	60.6	50.0%	48.6%	1.4%	74.3
Backlog in Months	**High**	**Median**	**Low**		**High**	**Median**	**Low**	
Approximate Current Signed Backlog	30.0	11.0	2.0		34.0	11.0	3.0	
	Grow faster than last quarter	Stay about same as last quarter	Shrink compared with last quarter		Grow faster than last quarter	Stay about same as last quarter	Shrink compared with last quarter	
Expected Change in Backlog	28.0%	63.6%	8.5%	59.7	37.7%	56.8%	5.5%	66.1
	Higher than last quarter	Same as last quarter	Lower than last quarter		Higher than last quarter	Same as last quarter	Lower than last quarter	
Cost of Construction Materials	33.9%	55.9%	10.2%	38.1	51.0%	47.6%	1.4%	25.2
Cost of Labor	62.4%	37.6%	0.0%	18.8	76.0%	24.0%	0.0%	12.0
	Improving over last quarter	Same as last quarter	Declining compared with last quarter		Improving over last quarter	Same as last quarter	Declining compared with last quarter	
Productivity	7.7%	82.9%	9.4%	49.1	11.6%	81.5%	6.8%	52.4

NRCI Scores

> **50** indicates growth (better)
< **50** indicates slowing (worse)

* A note on the use of the diffusion index: Do not interpret diffusion index values in the same manner as averages, because a simple increase or decrease in a diffusion index does not necessarily imply an improving or declining result. For example, if a diffusion index moves from 31 last quarter to 35 this quarter, it does not imply the market has improved. A reading above 50 indicates improving or expansion, 50 indicates remaining the same, and below 50 indicates worse or contracting. Therefore, if a reading goes from 31 to 35, then the result still implies a decline from the previous quarter because 35 is below 50; but the decline is not as great as the previous decline because 35 is above 31. As another example, if the diffusion index changes from 31 to 65, it implies improvement over the previous quarter, not because 65 is above 31, but because 65 is above 50.

HOW TO BECOME AN NRCI PANELIST

If you are an executive for a construction firm in nonresidential building markets and would like to become a panelist for the "FMI Nonresidential Construction Index," please send your information or questions about this survey to Phil Warner at pwarner@fminet.com. The survey is sent to panelists quarterly and should take approximately 10 minutes to complete. Panelists will receive the full quarterly report free of charge.

CONFIDENTIALITY

All individual responses to this survey will be confidential and shared outside of FMI only in the aggregate. All names of individuals responding to this survey will remain confidential to FMI.

ABOUT THIS REPORT

The data in this report is presented as a sampling of construction industry executives voluntarily serving as panelists for this survey. The responses are based on their experience and opinions, and the analysis is based on FMI's interpretation of the aggregate results. All trends are based on a limited series of data that may or may not represent the larger population. We must caution that major decisions should not be made without additional investigation and research of specific geographic and construction market segments.

About FMI

Founded in 1953 by Dr. Emol A. Fails, FMI is the leading management consulting, investment banking† and people development firm dedicated exclusively to the engineering and construction industry. FMI professionals serve all sectors of the industry and combine more than 60-plus years of industry context and leading insights to achieve transformational outcomes for our clients. We have subject matter experts in the following practice areas and serve clients throughout the U.S., Canada and internationally:

Management Consulting

- Strategy
- Market Research
- Business Development
- Operations and Project Execution
- Risk Management
- Compensation
- Peer Groups
- Performance Management

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- Ownership Transfer Planning

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