

Architecture Billings Index Points to Major Downturn in Commercial Construction

Falls to lowest level since 2001 with nearly 9-point drop off

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Washington, D.C. – March 19, 2007 –Reflecting the deteriorating conditions in the housing market and overall economy, the Architecture Billings Index (ABI) tumbled almost nine points in February. As a leading economic indicator of construction activity, the ABI shows an approximate nine to twelve month lag time between architecture billings and construction spending. The American Institute of Architects (AIA) reported the February ABI rating fell to 41.8, its lowest level since October 2001, and down dramatically from the 50.7 mark in January (any score above 50 indicates an increase in billings). The inquiries for new projects score was 54.3.

“This is a clear indication that there could be tougher times ahead for design firms and a noticeable slowdown in commercial construction projects coming online in the foreseeable future,” said AIA Chief Economist Kermit Baker, PhD, Hon.

AIA. “Interestingly enough, we have also had some survey members reporting that their business is in great shape from a billings and demand standpoint. The one bright spot continues to be the institutional sector with continued positive conditions for construction projects such as schools, hospitals and government buildings.”

Key February ABI highlights:

- Regional averages: Northeast (51.5), South (48.3), West (46.3), Midwest (42.6)
- Sector index breakdown: institutional (54.9), multi-family residential (46.6), mixed practice(43.9), commercial / industrial (40.6)
- Billings inquiries index: 54.3

About the AIA Architecture Billings Index

The Architecture Billings Index is derived from a monthly “Work-on-the-Boards” survey and produced by the AIA Economics & Market Research Group. Based on a comparison of data compiled since the survey’s inception in 1995 with figures from the Department of Commerce on Construction Put in Place, the findings amount to a leading economic indicator that provides an approximately nine to twelve month glimpse into the future of nonresidential construction activity. The diffusion indexes contained in the full report are derived from a monthly survey sent to a panel of AIA member-owned firms. Participants are asked whether their billings increased, decreased, or stayed the same in the month that just ended. According to the proportion of respondents choosing each option, a score is generated, which represents an index value for each month.

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