THE AGC/SAGE CONSTRUCTION HIRING & BUSINESS OUTLOOK FOR 2017

January 10, 2017
**CONTRACTORS ARE OPTIMISTIC ABOUT ALL MARKET SEGMENTS**

*Compared to 2016, do you expect the available dollar volume of projects you compete for in 2017 to be:*

<table>
<thead>
<tr>
<th>Market</th>
<th>Higher</th>
<th>Lower</th>
<th>Same</th>
<th>Net*</th>
</tr>
</thead>
<tbody>
<tr>
<td>All projects</td>
<td>46%</td>
<td>9%</td>
<td>45%</td>
<td>36%</td>
</tr>
<tr>
<td>Hospital</td>
<td>36%</td>
<td>13%</td>
<td>51%</td>
<td>23%</td>
</tr>
<tr>
<td>Retail, Warehouse, Lodging</td>
<td>34%</td>
<td>11%</td>
<td>54%</td>
<td>23%</td>
</tr>
<tr>
<td>Private Office</td>
<td>34%</td>
<td>14%</td>
<td>52%</td>
<td>20%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>31%</td>
<td>13%</td>
<td>56%</td>
<td>18%</td>
</tr>
<tr>
<td>Highway</td>
<td>31%</td>
<td>17%</td>
<td>52%</td>
<td>15%</td>
</tr>
<tr>
<td>Public Building</td>
<td>29%</td>
<td>14%</td>
<td>57%</td>
<td>15%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>29%</td>
<td>14%</td>
<td>56%</td>
<td>14%</td>
</tr>
<tr>
<td>K-12 School</td>
<td>30%</td>
<td>15%</td>
<td>55%</td>
<td>14%</td>
</tr>
<tr>
<td>Water/Sewer</td>
<td>28%</td>
<td>14%</td>
<td>58%</td>
<td>14%</td>
</tr>
<tr>
<td>Multifamily Residential</td>
<td>30%</td>
<td>19%</td>
<td>51%</td>
<td>11%</td>
</tr>
<tr>
<td>Other Transportation (e.g., transit, rail, airport)</td>
<td>26%</td>
<td>15%</td>
<td>59%</td>
<td>11%</td>
</tr>
<tr>
<td>Power</td>
<td>25%</td>
<td>15%</td>
<td>61%</td>
<td>10%</td>
</tr>
<tr>
<td>Federal (e.g., VA, GSA, USACE, NAVFAC)</td>
<td>25%</td>
<td>18%</td>
<td>57%</td>
<td>7%</td>
</tr>
</tbody>
</table>
HEADCOUNSTS WILL CONTINUE TO EXPAND IN 2017

What percentage change do you expect in your headcount in 2017?

- Increase by 26% or more: 5%
- Increase by 1-25%: 66%
- No change: 22%
- Decrease: 6%
FIRMS WILL CONTINUE TO COPE WITH WORKER SHORTAGES

How would you describe your current conditions for filling key salaried positions (project manager/supervisor, estimator, etc.) and hourly craft positions (carpenter, laborer, equipment operator, etc.)?

- I am not doing any hiring: 7%
- I am having no trouble filling any positions: 13%
- I am having a hard time filling some craft worker positions, but no trouble filling salaried positions: 22%
- I am having a hard time filling some salaried positions, but no trouble filling craft worker positions: 7%
- I am having a hard time filling both salaried and craft worker positions: 44%
MOST FIRMS ARE INCREASING PAY OR BENEFITS...

Has your firm increased pay or benefits to retain or recruit salaried/hourly craft professionals?

- Higher base pay: 52%
- Pay more overtime: 11%
- Provide incentives/bonuses: 35%
- Increase contributions and/or improve employee benefits: 28%
- No, but we are considering increases in pay and/or benefits in the near future: 12%
- No, and we are not considering increases in pay and/or benefits: 11%
...AND INVESTING IN TRAINING & DEVELOPMENT PROGRAMS

Compared to 2016, how will your 2017 investment in training and development change?

- Increase: 52%
- Decrease: 1%
- Stay the same: 42%
- Unsure: 5%
FIRMS ARE WORRIED ABOUT LABOR, TIGHT MARGINS & GROWING COSTS

Which of the following issues are the biggest concerns to you and your business?

- Worker shortages: 55%
- Worker quality: 46%
- Safety: 29%
- Rising direct labor costs: 42%
- Rising subcontractor costs: 26%
- Subcontractor defaults: 9%
- Rising materials costs: 28%
- Growth in federal regulations: 41%
- Growth in state and local regulations: 35%
- External process inefficiencies (such as collaboration with owners, subs...): 28%
- Internal company process inefficiencies: 22%
- Increased competition for projects: 48%
- Not enough private sector work: 18%
- Lack of infrastructure investments: 18%
- Lack of public non-infrastructure work: 10%
CONTRACTORS ARE MAKING I.T. A PART OF THEIR BUSINESS STRATEGY

Do you have a formal IT plan that supports your business objectives?

- Yes: 47%
- No: 29%
- No, but plan to do so in 2017: 7%
- Unsure: 16%
CONTRACTORS ARE INCREASING FUNDING FOR THEIR I.T. PLANS

Approximately what percent of your gross annual revenue do you spend on IT?

- Less than 1%: 40%
- 1 to 1.9%: 19%
- 2 to 2.9%: 8%
- 3% or more: 8%
- Unsure: 25%
CONTRACTORS ARE MOVING TO THE CLOUD FOR GREATER ACCESS TO INFORMATION

What is the main reason you use or plan to adopt cloud-based software?

- Ability to access information anytime and from anywhere: 44%
- We do not use or plan to adopt cloud-based software: 15%
- Redundancy and disaster recovery: 13%
- Built-in security: 5%
- Reduced IT cost: 4%
- Faster implementation: 2%
- Other/unsure: 16%
COLLABORATION TECHNOLOGY IS GAINING A FOOTHOLD

Do you use any of the following to collaborate with project partners?

- Email: 91%
- File sharing sites such as Dropbox: 76%
- Online project collaboration software: 49%
- Building Information Modeling: 30%
- Home-grown project website: 18%
- None or do not collaborate: 3%
MORE FIRMS ARE USING TECHNOLOGY TO WIN BUSINESS

What information technology (IT), if any, do you use to obtain work?

- Estimating/bidding software: 69%
- Social media (e.g., Facebook, Twitter): 43%
- Client relationship management software: 25%
- Marketing/business development software: 23%
- Sales software: 11%
FIRMS ARE TAKING STEPS TO ADDRESS I.T. SECURITY

Do you currently have an overall IT security plan in place to protect against hacking?

- Yes: 77%
- No: 15%
- Unsure: 8%

Do you currently have a mobile security policy in place?

- Yes: 54%
- No: 34%
- Unsure: 12%
AGC HAS PREPARED TWO PLANS TO GUIDE NEW CONGRESS AND PRESIDENT ON WORKFORCE, INFRASTRUCTURE AND REGULATION

AN AGENDA TO REBUILD OUR INFRASTRUCTURE & OUR CRAFT WORKFORCE

How the New Administration & Congress Can Restore Aging Infrastructure and Rebuild the Domestic Pipeline for New Construction Workers

MAKE FEDERAL AGENCIES RESPONSIBLE AGAIN

A Regulatory, Compliance and Enforcement Plan to Help Build Infrastructure, Encourage Job Growth and Cut Red Tape
QUESTIONS?

For more information, please visit www.agc.org