

THE ASID INTERIOR DESIGN BILLINGS INDEX

1ST QUARTER REPORT
JANUARY - MARCH 2018



HIGHLIGHTS

First quarter billings start the year out strong.

ASID survey results at the end of the first quarter showed improvement from the previous end-of-quarter scores. The strong March IDBI score of 58.5 was supported by one third of respondents who reported a significant increase in billings over the previous month. The end of the quarter performance (March) builds upon the positive February IDBI score of 56.3.

Fourth quarter demand for interior design services varied across the four size cohorts.

Design firms of all sizes enjoyed positive billings in March. Sole practitioners reported an IDBI score of 54.8, and firms with 10-24 employees reported an IDBI of 80. March monthly scores across firm-size categories are all greater than their respective three-month moving averages, reflecting a potential growth trend.

Billings growth across all regions for Interior design services, except the Northeast.

Firms across all regions reported an improvement in IDBI monthly scores from December to March. The South finished the quarter the strongest with a reported three-month moving average IDBI score of 60.4. Firms in the Midwest expanded during the quarter with a 50.0 three-month average, while firms in the Northeast finished a struggling quarter with a 49.0 average, indicative of reduced billings. The West continued an 18 month string of monthly billings increases.

Strong first quarter growth in billings for residential, commercial and institutional interior designers.

Design firms specializing in single-family and multifamily residential projects for the past four quarters have lived with somewhat declining, albeit positive (above 50), IDBI scores, dropping from scores of 58-63 to scores below 55. This changed with a strong first quarter score of 58.8 for the multifamily sector and 62.5 for the single family sector. Commercial and institutional design firms enjoyed clear billings growth during the first quarter of 2018 after hovering around the 50 mark throughout 2017. The commercial IDBI score was 61.4 for March, while the institutional IDBI was 69.2.

Six-Month Outlook – Stronger Business Conditions Expected.

The design industry remains optimistic about its near term business conditions with 90 percent of respondents believing conditions will either be about the same or better than they are now. Although the six-month business conditions index score of 62.7 for March is slightly below the December post of 65.2, the March reading piggy backs on high scores of 57.7 in January and 56.3 in February.

Taken together, the ASID six-month interior design business conditions index, the Conference Board's expectations index, and the Dodge Momentum Index reflect an improving broader economy, indicating that spending for design services will continue over the next six months.

Labor Market Continues to Expand.

U.S. payroll employment increased just 103,000 in March, well below the consensus estimate of around 190,000. This represented a notable easing from February's solid gain of 326,000 workers. Weather might have been a factor in the slower activity in March. Meanwhile, the unemployment rate remained at 4.1 percent for the sixth straight month, continuing at the lowest level since December 2000. Architectural and interior design services job growth continues with net gains in jobs for both professions.

Construction Gains Led by Private Construction Spending.

Total U.S. construction spending in February was \$1.27 trillion, 0.1 percent higher from its revised January level and 3 percent higher compared with February 2017. Private construction spending once again led the way in February, bolstered by a 1.5 percent increase in nonresidential construction outlays. Additionally, both multifamily and single-family spending rose in February.

According to Jack Kleinhenz, ASID economist:

Looking forward, the economic fundamentals remain in place and are positive. There is rising household net worth, consumer sentiment is still at a cycle high, and there are impressive gains in payroll and the labor force participation rate. Thus, the economy appears to be poised to continue to build on the consumer, thereby providing a base for further spending on interior design services.

THE FIRST QUARTER 2018 ASID BUSINESS PERFORMANCE SURVEY REPORT

ASID Survey: First quarter provides a strong positive signal for the design industry.

Survey results at the end of the first quarter showed improvement from the previous end-of-quarter scores. The strong March IDBI score of 58.5 was supported by one third of respondents who reported a significant increase in billings over the previous month. The end of quarter performance (March) builds upon the positive February score of 56.3. An IDBI score of 50 or above indicates growing revenues. The March new project inquiry rate rose to a score of 56.3, up from a December score of 47.8, and ahead of its September score of 54.3.

Table 1: Billings and Inquiries

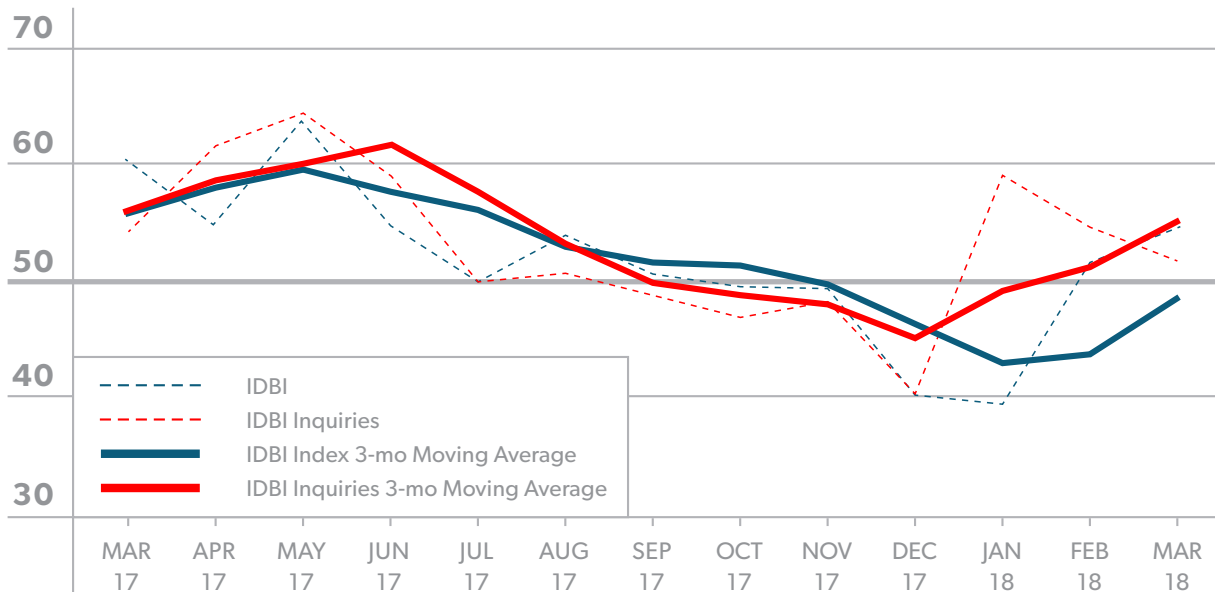
MARCH 2018

Question to ASID Survey Participant	Significantly increased (up 5% or more)	About the same	Significantly decreased (down 5% or more)	Index
How do billings compare to previous month?	34%	49%	17%	58.5
How do new project inquiries* compare to previous month?	31%	51%	18%	56.3

*calls, emails, interviews, bids, solicitations, RFPs

Figure 1: ASID Billings and Inquiries Index

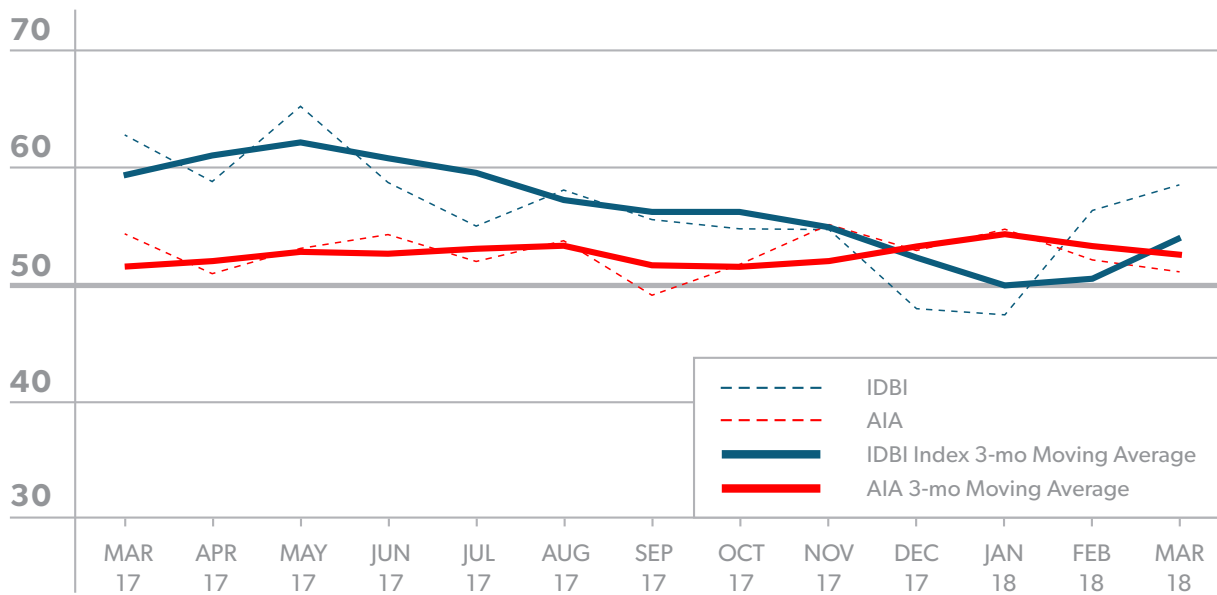
MARCH 2017 TO MARCH 2018



The March score of 58.5 was above its three-month moving average score of 54.0, indicating ongoing momentum and positive business conditions. Meanwhile, the American Institute of Architects (AIA) billings index showed a decline from December's score of 52.9 to a score of 51.0. Nonetheless, both indicators are registering above the 50 mark and are in positive billings growth territory, but interior design firms are reporting a more widespread growth in billings.

Figure 2: ASID and AIA Billings Indices

MARCH 2017 TO MARCH 2018



BILLINGS BY FIRM SIZE

Design firms of all sizes enjoyed positive billings in March. Sole practitioners reported an IDBI score of 54.8, while firms with 10-24 employees report an IDBI score of 80. March monthly scores across firm-size categories are all greater than their respective three-month moving averages (Figure 3), reflecting the potential for a growth trend.

Table 2: Billings by Size of Firm

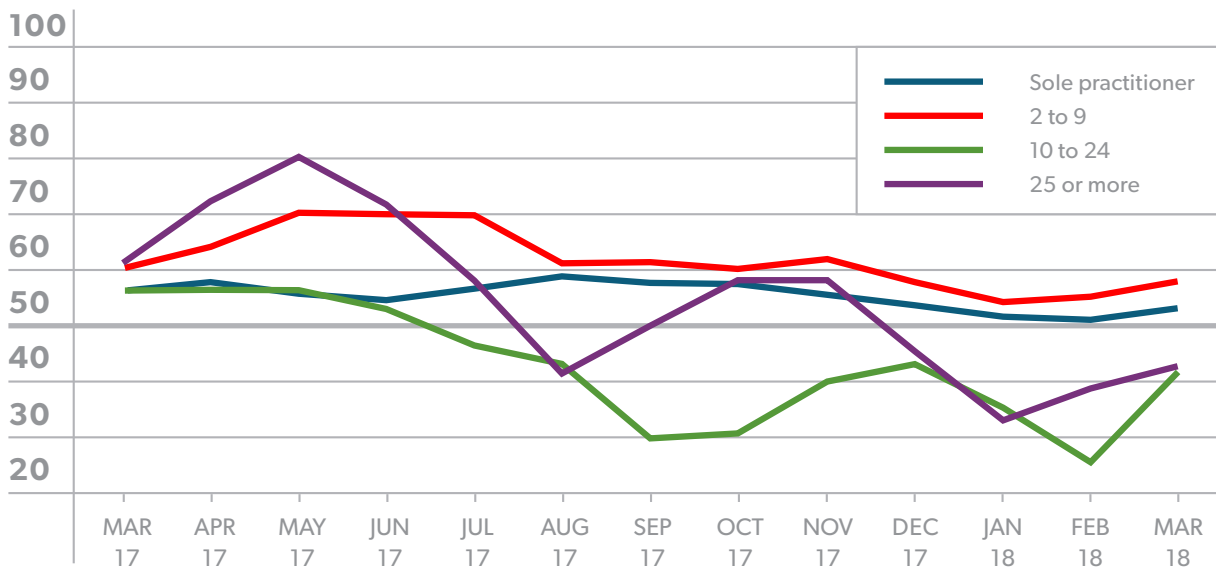
MARCH 2018

How do you estimate billings were for the month of March compared to February?

Size of ASID Member Firm	INDEX: March 2018
Sole practitioner	54.8
2 to 9	60.0
10 to 24	80.0
25 or more	50.0

Figure 3: Billings by Size of Firm, 3-Mo Moving Average

MARCH 2017 TO MARCH 2018



BILLINGS BY REGION

Firms across all regions reported an improvement in IDBI monthly scores from December to March. The South finished the quarter the strongest with a reported three-month moving average IDBI score of 60.4. Firms in the Midwest expanded during the quarter with a 50.0 three-month average, while the Northeast finished a struggling quarter with a 49.0 average, indicative of reduced billings. The West continued an 18-month string of monthly billings increases (Figure 4). Architecture firms across the country reported billings scores above 50 with the exception of firms in the Northeast. In general, at the end of the quarter, AIA regional scores showed a pace of growth similar to those reported by interior design professionals for the same period (Figure 5).

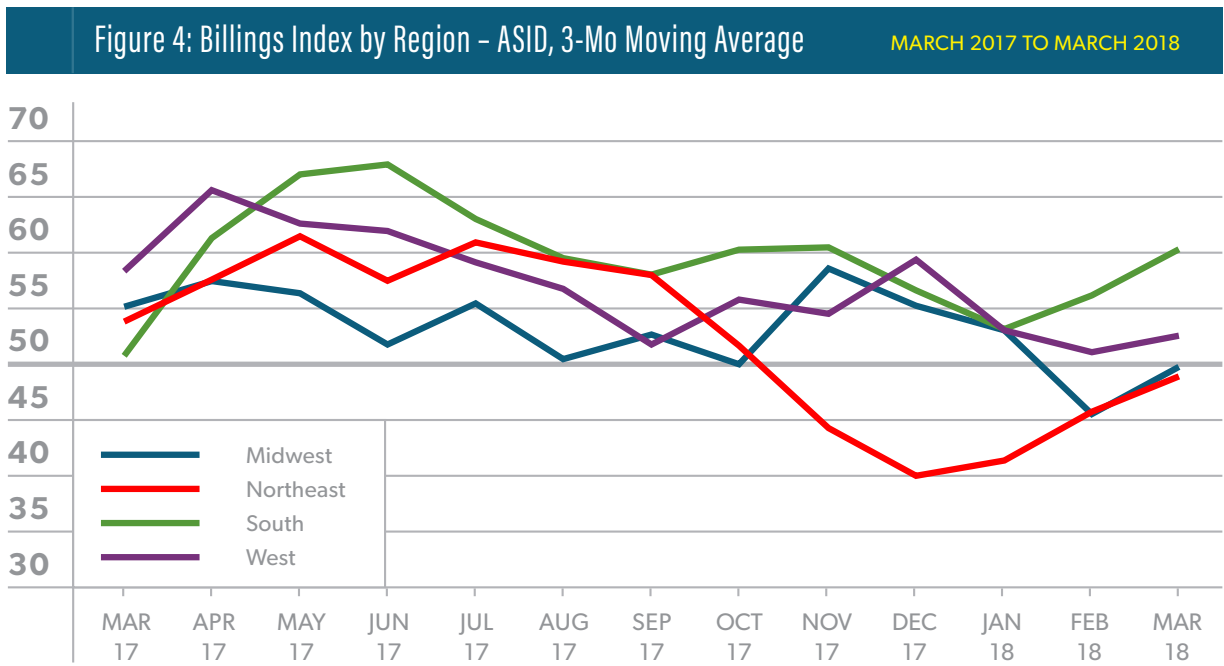
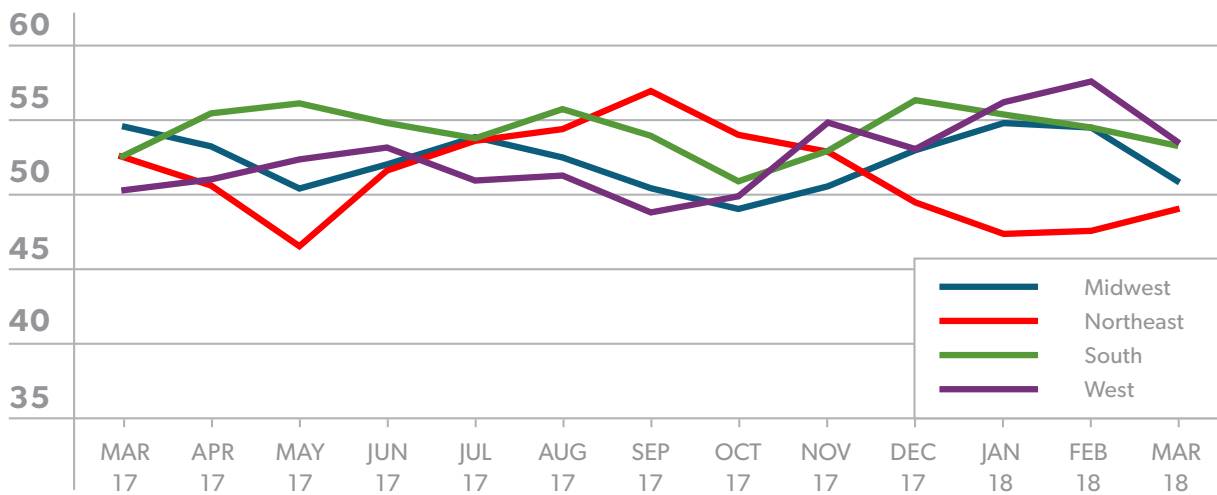


Figure 5: Billings Index by Region – AIA, 3-Mo Moving Average

MARCH 2017 TO MARCH 2018



On a methodological note... the geographic distribution of March ASID respondents closely mirrors the geographic distribution of all interior design firms as shown in Table 3. The respondents slightly underrepresent the West region and overrepresent the Midwest.

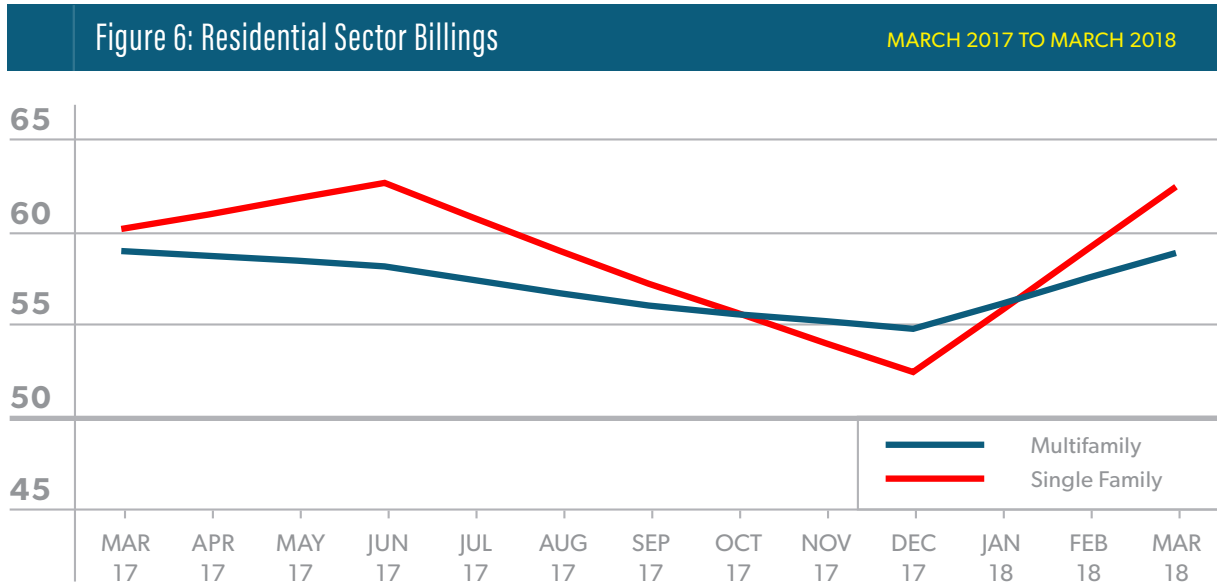
Table 3: Geographic Representation by Census Region

MARCH 2018

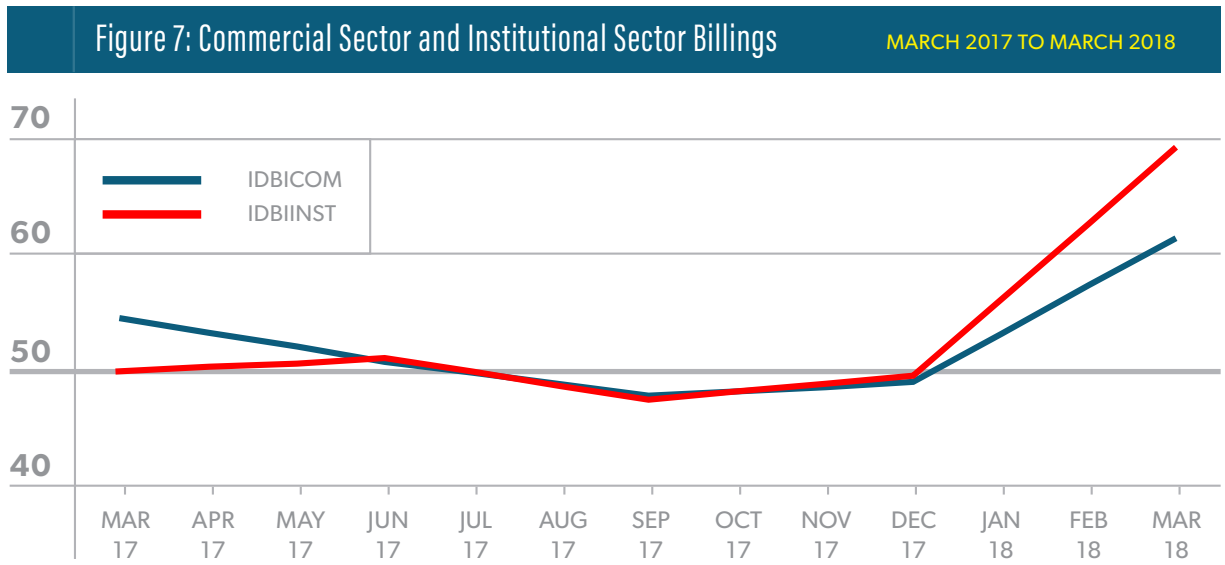
Census Region	ASID Survey Respondents	Distribution of Interior Design Population
Midwest	21%	15%
Northeast	20%	21%
South	34%	34%
West	25%	29%
Total	100%	100%

BILLINGS BY SECTOR

Figures 6 and 7 illustrate the recent trend in billing performance by market sector on a quarter over quarter basis. As shown in Figure 6, design firms specializing in single-family and multifamily residential projects for the past four quarters have experienced a downward moderating trend, albeit positive (above 50), with IDBI scores dropping from 58-63 to below 55. The direction changes with a strong first quarter multifamily sector score of 58.8, and a score of 62.5 for the single family sector.



Commercial and institutional design firms clearly enjoyed billings strength during the first quarter of 2018 after hovering around the 50 mark throughout 2017. The commercial IDBI score was 61.4 for March, while the institutional IDBI was 69.2.



SIX-MONTH OUTLOOK: DESIGN INDUSTRY CONTINUES TO EXPECT FAVORABLE FUTURE OUTCOMES

The design industry remains optimistic about its near term business conditions with 90 percent of respondents believing conditions will either be about the same or better than they are now. Although the six-month business conditions index score of 62.7 for March is slightly below the December post of 65.2, the March reading piggy backs on the high scores of 57.7 in January and 56.3 in February.

The Conference Board's March expectations sub-index of its overall consumer confidence measure increased to 106.2 from 100.8 reported in December. Consumer confidence in March stepped back after the gain in February, but there is little doubt that the consumer continues to feel quite good about the economy.

The Dodge Momentum Index moved 6.1 percent higher in March, rising to 155.0 (2000=100) from the revised February reading of 146.0. December's reading was 152.5. The Momentum Index is a monthly measure of the first (or initial) report for nonresidential building projects in planning, which have been shown to lead construction spending for nonresidential buildings by a full year. The continued strength shown by the Momentum Index in 2017 and into the first quarter of 2018 suggests that nonresidential building construction activity will continue to go forward during 2018.

Taken together, the ASID six-month interior design business conditions index, the Conference Board's expectations index, and the Dodge Momentum Index reflect an improving broader economy, indicating that spending for design services will continue over the next six months.

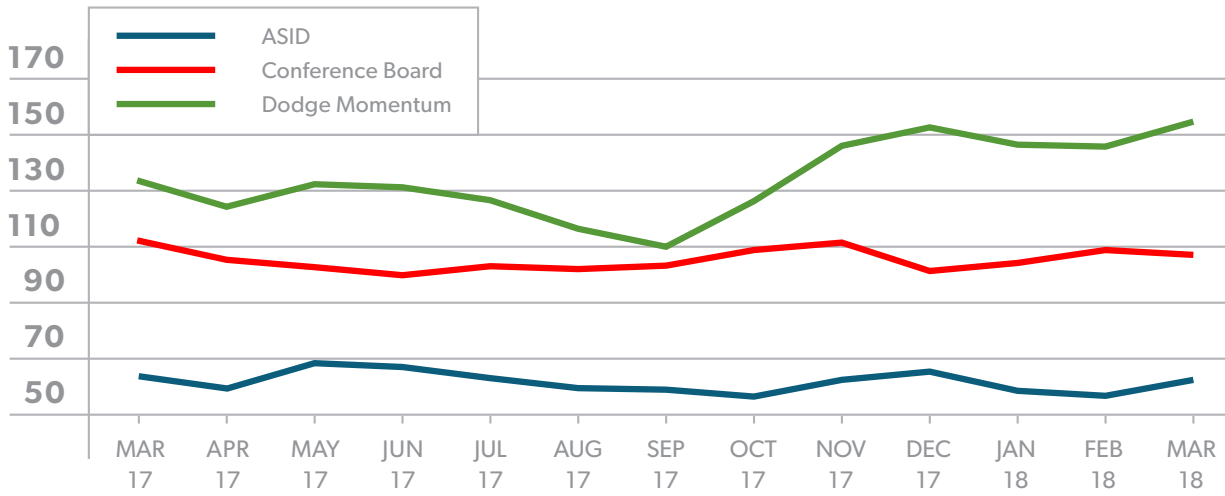
Table 4: Expectations for Interior Design Business Conditions

MARCH 2018

Expectations	ASID
About the same	55%
Better than they are now	35%
Worse than they are now	10%
Business Six-month Outlook Index	62.7

Figure 8: Six-Month Outlook Comparison - ASID, Conference Board, and Dodge Momentum

MARCH 2017 TO MARCH 2018

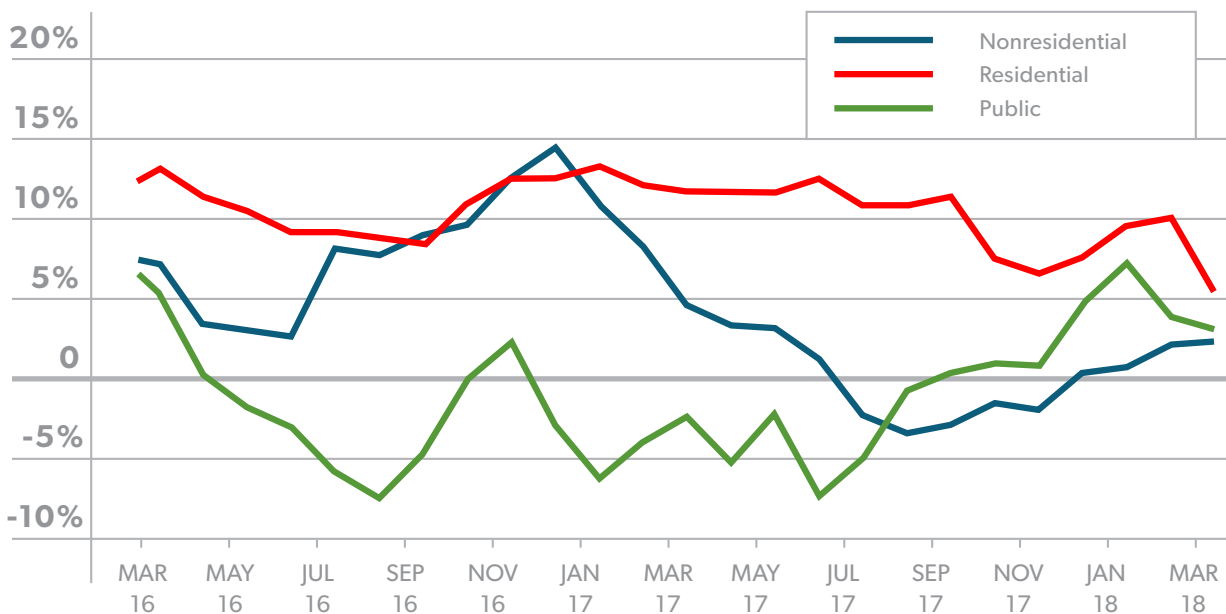


CONSTRUCTION SPENDING SHOWS STRONG GAINS

Total construction spending was \$1.28 trillion in March at a seasonally adjusted annual rate, a decline of 1.7 percent from a month earlier, due largely to a drop in residential renovations. However, spending at the start of the year was stronger with January and February spending revised to a higher level. Total construction spending was up 3.6 percent from March 2017, while private residential construction spending was \$536.8 billion, declining 3.5 percent from February's total, but up by 5.3 percent from its level one year ago. Private nonresidential construction spending was \$450.7 billion, registering a 0.4 percent decrease from February, but up 2.2 percent year over year. Public construction spending was \$297.2 billion, unchanged in March, and up 3.0 percent since March 2017. Construction spending remains on solid footing and the housing market should also remain strong through this year; however, the expected rise in mortgage rates has the potential to slow home building and purchases.

Figure 9: U.S. Construction Spending, Year-over-year Percent Change

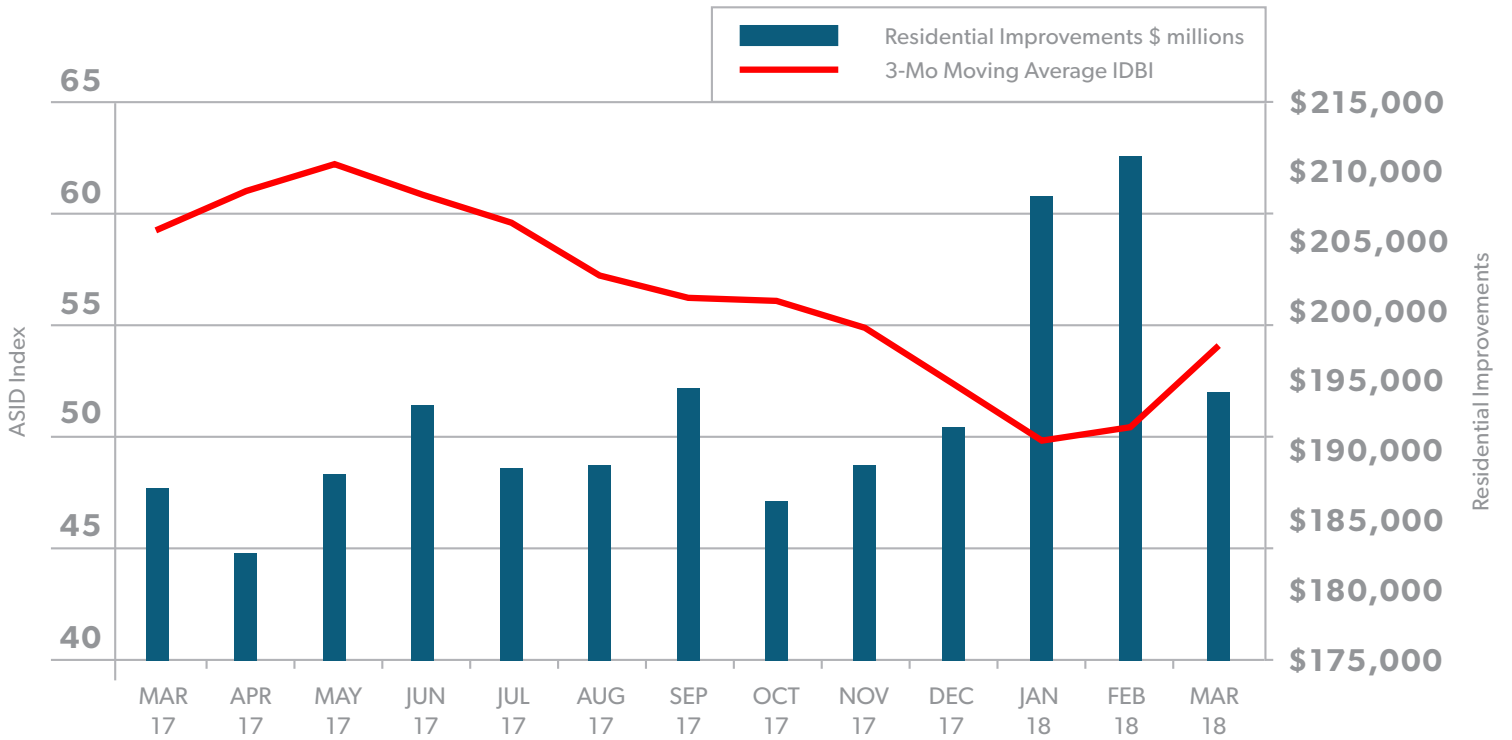
MARCH 2016 TO MARCH 2018



Residential improvement spending (Figure 10) amounted to \$194,320 million in March, 3.7 percent higher than in March 2017, indicating positive signs for strong home remodeling projects through next year. According to the Leading Indicator of Remodeling Activity (LIRA) released by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University, the robust pace of spending on home renovations and repairs is expected to stay strong over the coming quarters. The LIRA projects that annual growth in homeowner remodeling expenditures will remain above 7 percent throughout the year and into the first quarter of 2019.

Figure 10: Residential Improvement Spending and ASID Billings Index

MARCH 2017 TO MARCH 2018

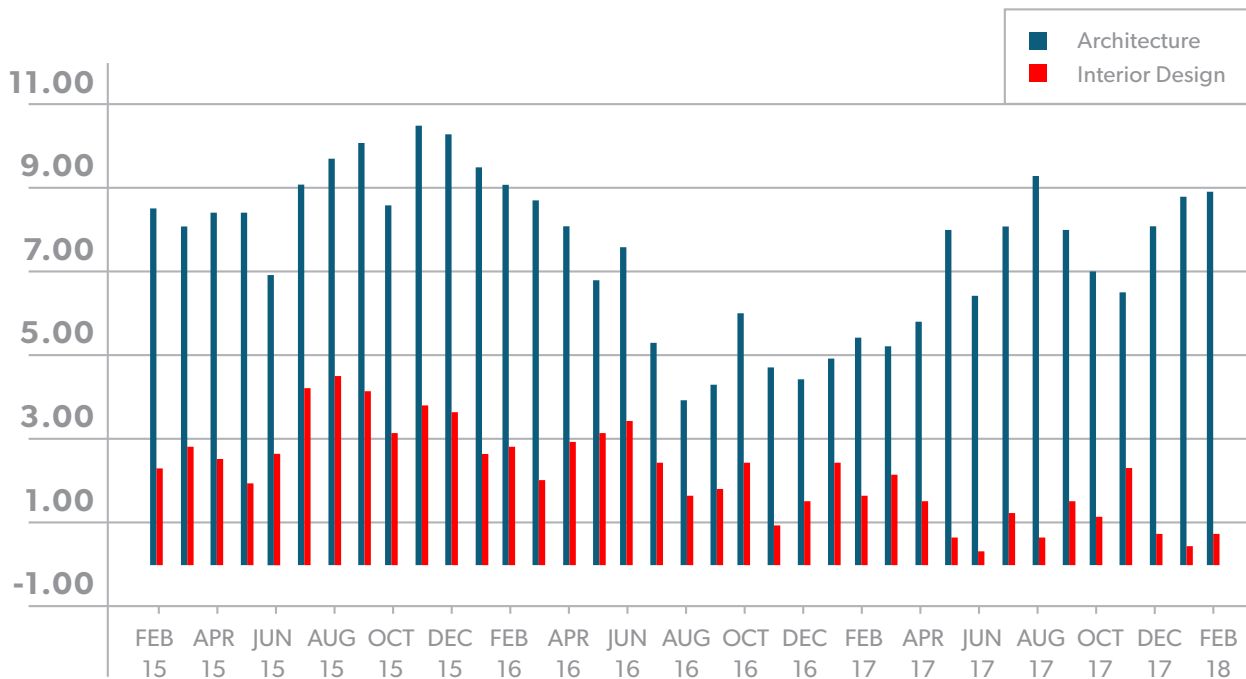


LABOR MARKET CONTINUES TO EXPAND

U.S. payroll employment increased just 103,000 in March, well below the consensus estimate of around 190,000. This represented a notable easing from February's solid gain of 326,000 workers. Weather might have been a factor in the slower activity in March. Meanwhile, the unemployment rate remained at 4.1 percent for the sixth straight month, continuing at its lowest level since December 2000. As shown in Figure 11, architectural and interior design services job growth continues with net gains in jobs for both professions.

Figure 11: Interior Design and Architectural Services Payrolls, 12 Month Net Change in Employment

FEBRUARY 2015 TO FEBRUARY 2018



In November 2010, The American Society of Interior Designers launched its business performance index. The ASID survey, conducted monthly, is designed to provide a unique perspective on current and future business conditions for the interior design industry nationally and regionally for all firm sizes. A total of 300 firms are invited to participate in this program. Firms included in this survey primarily offer interior design services. While many are interior design only firms, panelists report from architectural firms, engineering firms, and other related enterprises. Panelists are asked to report on their current billings relative to the previous months and to report on recent business inquires. A business sentiment question is also asked regarding how general business conditions, for the entire economy, will be six months from now. The results of the survey are compiled into diffusion indexes which are helpful indicators of changes in the direction of economic activity. The ASID indexes are centered on 50 percent (above 50 indicates expansion and below 50, contraction).