



State of the Industry

Observations, trends and information for the construction industry

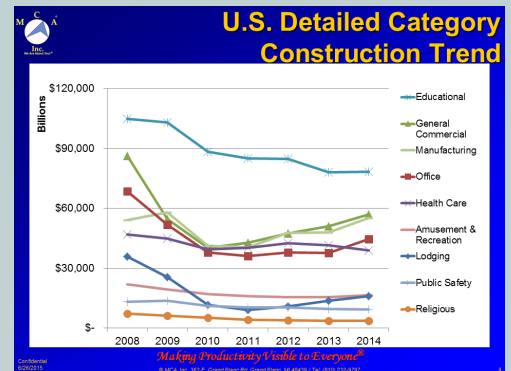
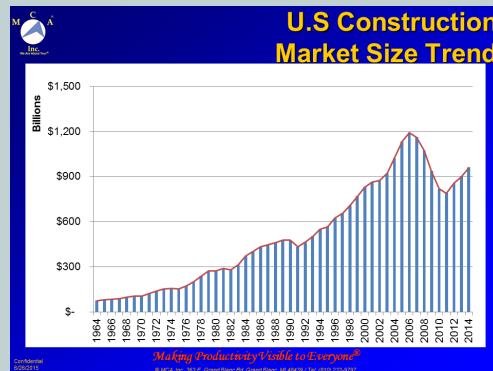
June 24, 2015

Volume 3 Issue 1

Welcome to our First State of the Industry report of 2015. Please let us know what you think by sending us a quick email—click [HERE](#).

Observations, trends and information for the construction industry

Construction is back and it's back with a vengeance, 2014 finished off with Overall US at just over \$960 Billion a 7% increase over 2013. 2015 is showing no signs of slowing down, first quarter 2015 US Construction came in at nearly \$207 billion, up 3.2% over what it was a year ago. Analysts predict this this trend to continue through 2017.



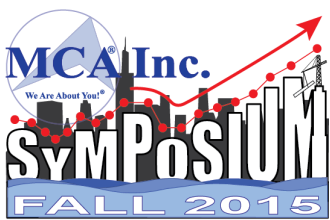
The Construction Put In Place (CPI) indicates an overall continued expansion of the US Construction industry. The majority of construction within the detailed categories has picked up or stabilized in 2014. Employment numbers from the first quarter show a continued increase in construction employment.

And now for the bad news:

Contractors are experiencing lower than expected margins during this construction cycle. Already companies are reporting their first quarter margins at lower than normal expectations. Our next SOTI report will explain and draw this correlation in detail.

Construction 2015 – The need for Prefabrication

The last few years in the construction industry have been proven to be challenging to say the least. Gone are construction's glory days of win the job, pay the field guys and collect the money with amazing profits. Planning and prefabrication are just a couple of the buzz words gaining attention in the industry. However they are just the beginning of

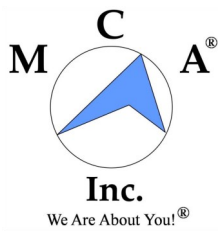


MCA Fall Symposium

See sidebar on Page 2, 4 & 6

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Construction 2015 – The need for Prefabrication (cont'd)

the bigger picture, the Industrialization of the Construction Industry™, is no longer an idea on the horizon, it is here and it is changing the nature of the industry. Both clients and participants of MCA classes and Symposium have been hearing about Industrialization of the Construction Industry™, and how it will affect the industry for years. Many others are just now waking up to the realization, and are scrambling to adapt the new business models, necessary to survive and remain profitable in the industry. If you think you can survive by continuing to use the traditional methods, click on the following link <https://www.youtube.com/watch?v=rwvmru5JmXk> Watch Dr. Perry Daneshgari video introducing The Industrialization of Construction™ here <https://www.youtube.com/watch?v=AhH74LzQhzo>

Register for the Fall 2015 Symposium

Workforce Training to Manage Labor in a Pre- fabrication Environ- ment.

The Symposium will consist of training various stakeholders, including but not limited to: project managers, estimators, pre-fab shop managers, field supervision, field technicians, vendor and supplier points of interface, project support such as drafting/detailing, coordinators, administrators, etc.

Mark your calendars, and REGISTER NOW!

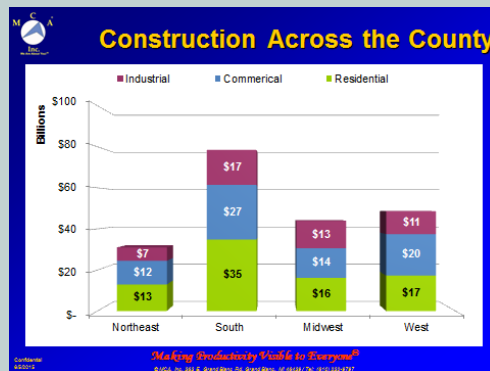
September 17 - 18, with Agile Construction® Training on Sept. 16th

Oak Brook, Illinois

To register, [click here](#)

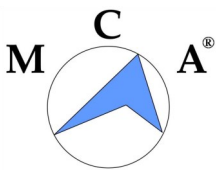
Construction Across the County

The set of charts below gives us a look at the different construction segment in different US Census regions across the country for the first quarter of 2015. The south showed the most activity with the residential market being more than double that of other areas across the country. Even the industrial and commercial markets were significantly larger in the south than the rest of the country, during the first quarter.



Employment numbers continue to be steadily increasing in 2015. Construction employment has increased 1.1% since the beginning of the year. A year to year comparison shows employment up 4.6% in both March and April, compared to March and April of 2014.

How long will this cycle last? Is a question that is on everyone's mind. So let's take a look back at the cycles over the past 40 years, by equalizing the dollars so a dollar from 1975 has the same value as one from 2013. This gives us a comparison of the size and duration of the cycles that have taken place in the construction industry. The 1991 cycle showed us a period of unprecedented growth and duration for the construction industry. Although this cycle shows us starting out following the same trend of growth as the previous cycle, when we compare this to the US Construction Trend of the market size, we see the market nearing its' peak size in a couple of years. Examining the duration of the 1975 and 1982 cycles, we see them reaching their peak after 4 years, characterized by periods of accelerated growth before reaching their peak.



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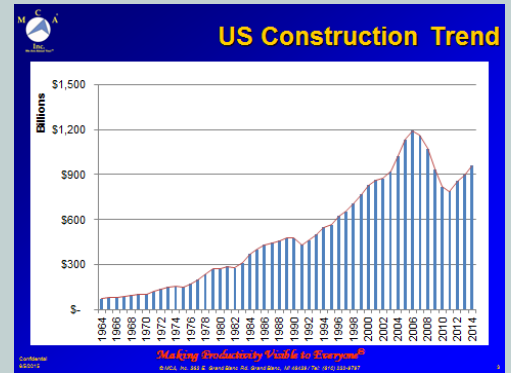
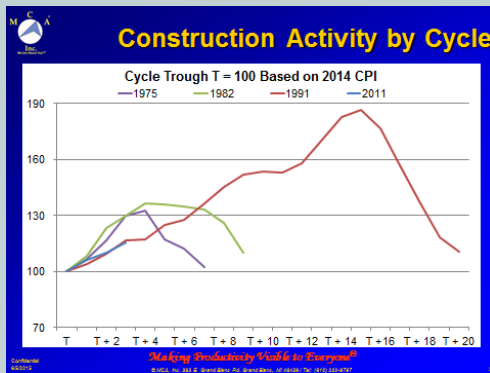
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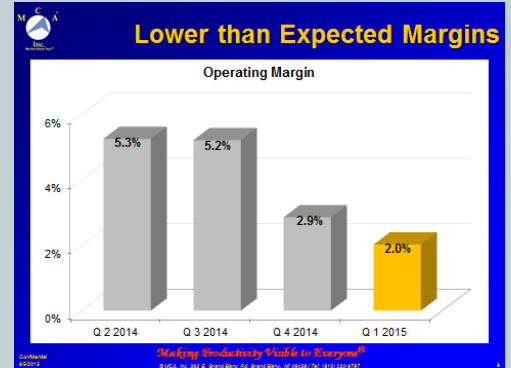
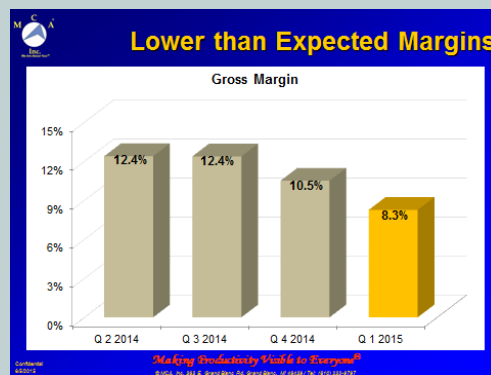
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information
[click here.](#)

Watch video [here.](#)



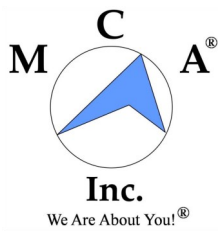
Lower Than Expected Margins

If you haven't been experiencing it, you've been hearing from fellow Contractors about ever thinning margins. We took a look at publically traded construction companies who had posted their first quarter results, and compared them to results from the previous quarters. The weighted average of the gross margin showed a 21% reduction from the fourth quarter of 2014 to the first quarter of 2015. The operating margin showed a 29% reduction from the fourth quarter of 2014 to the first quarter of 2015. These reduced margins provide a cursory indicator to all contractors, that they need to be ever vigilant on their projects and monitor them during all phases of the project life cycle.



What does this mean to you, now that competition in the industry and traditional construction methods has resulted in significantly reduced margins? This means the only way to increase your margins is to reduce your costs. Since equipment, materials, permits, bonding and insurance are essentially fixed costs; the only cost you can control is your labor cost, therefore you need to be able to reduce your labor costs without reducing everyone's wages. The only way to do this is to increase your labors' productivity, through better planning, better management of labor, and the utilization of prefabrication.

In September, the team at MCA will join others at the MCA Symposium on "Workforce Training to Manage Labor in a Prefabrication Environment", which will be held Thursday, September 17th and 18th 2015 in Oak Brook, Illinois vicinity in conjunction with a training and users forum focusing on the tools of Agile Construction® (taking place Wednesday, September 16th). This is to be the first in a series of five Symposiums focusing on training the workforce on the five steps on Industrialization;



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The Symposium will consist of training various stakeholders, including but not limited to: project managers, estimators, pre-fab shop managers, field supervision, field technicians, vendor and supplier points of interface, project support such as drafting/detailing, coordinators, administrators, etc.

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Lower Than Expected Margins—(cont'd)

- (1) Management of Labor,
- (2) Management of Work,
- (3) Lean Operations,
- (4) Simulation and Modeling,
- (5) Feedback from the Source.

The focus of the first topic this fall will be: **Workforce Training to Manage Labor in a Prefabrication Environment.** The Symposium will consist of training various stakeholders, including but not limited to: project managers, estimators, prefab shop managers, field supervision, field technicians, vendor and supplier points of interface, project support such as drafting/detailing, coordinators, administrators, etc.

Client News

Progressive UA Chapters and Unions in, Santa Clara valley's Union in CA, Oregon Union and Chapter and Anchorage's Union and Chapters have joined the IBEW and NECA chapters to study their market share to help their members position themselves to increase their market share during this next cycle.

Graybar re-joins the Agile Construction® family of practitioners. Starting in June, Graybar in the Chicagoland area has started their journey in becoming a full partnership ready distribution operation, to align with the shifting Industrialized market.

Aldridge Electric Inc. is making major progress implementing Agile Construction® as a part of their culture, rolling out JPAC® and SIS® on tens of jobs, and creating a learning organization to support it.

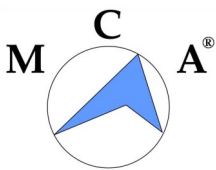
Hardt Electric Inc. is preparing for record growth, relying on the strength of Agile processes.

ConneXion has made a 30% improvement with their picking time, through re-design of their warehouse operation to match contractor behaviors and needs.

Testimonials & Customer Results

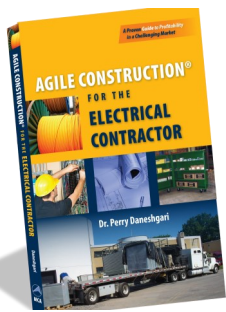
"By far, there is more take-home value compressed into one of Perry Daneshgari's sessions than a full-semester in most college-level construction management courses! While others continue to look in the rear-view mirror rehashing same-old "best practices," Perry insightfully points us ahead to where the industry is going-- and provides us with a full set of practical solutions on how to get there."

Frederic B. Sargent, former CEO of [Sargent Electric Company](#)
and 40-year veteran of electrical contracting



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by
Dr. Perry
Daneshgari

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Testimonials & Customer Results —(cont'd)

Aldridge Electric

Agile Construction® Training Series

“It presented a new way of thinking and approach to all that I do.”

“Coming from a Lean Manufacturing background, it is great to see our company breaking these barriers before it is too late.”

“It reiterated the importance of willingness to change and to continue thinking of new and better ways to do the work.”

Culliton – Mechanical, Electrical and HVAC

“Other consultants and coaches only talk about the game with us, you teach your clients and partners how to play the game and win.”

Tim Culliton, President and CEO, Culliton

Holmes Electric

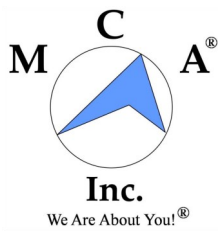
“...very valuable information to show areas of possible productivity and revenue loss and specific areas for improvement, which makes every trade more efficient and productive.”

Ed Hillman, Field Superintendent,
Holmes Electric

Oregon-Columbia NECA Chapter Market Share Study and Analysis

“We have had very good results we are using the study to make changes to improve our competitive position.”

Tim Gauthier—Executive Manager,
Oregon-Columbia NECA Chapter



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2015 Spring Symposium Review

[How to Train the Workforce to Manage Externalizing Work® in Prefabrication](#)

On April 23rd and 24th, in Chicago, the team at MCA Inc., along with participants from across North America conducted its 21st annual Symposium. To read the full report [click here](#). To watch the Spring Symposium video [click here](#).

Calendar of Events

Upcoming MCA, Inc. events and engagements can always be found on our website www.mca.net

[September 11](#)– Pre-Fabrication Design - Charleston, WV

[September 16](#)– Agile Construction® - Chattanooga, TN

[September 17-18](#)– MCA Fall Symposium “Workforce Training to Manage Labor in a Prefabrication Environment” - Chicago, IL

[October 5](#)– NECA 2015 National Convention “How to Train the Workforce to use Prefab” – San Francisco, CA

[October 6](#)– NECA 2015 National Convention “How to Train Supervisor Personnel to use CW/CE” – San Francisco, CA

[October 23](#)– IEC Convention “Conduit for Profit” – Reducing Cost through Using Prefab – Tampa, FL

[October 23](#)– IEC Convention “Conduit for Profit” – Optimize Jobsite Material to Improve Productivity and Cut Costs – Tampa, FL

[November 5](#)– Strategic Planning for Sub-Contractors – Dartmouth, Nova Scotia

[March 3](#)– Procurement Chain Management – Dartmouth, Nova Scotia