

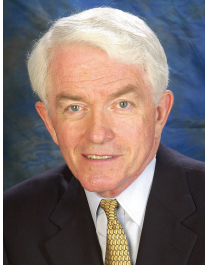
Q2
2018

USG CORPORATION + U.S. CHAMBER OF COMMERCE

Commercial Construction Index

POWERED BY
DODGE DATA & ANALYTICS

THE USG CORPORATION + U.S. CHAMBER OF COMMERCE COMMERCIAL CONSTRUCTION INDEX



Thomas J. Donohue
President and CEO
U.S. Chamber of
Commerce

For more than a year, USG Corporation and the U.S. Chamber of Commerce have monitored the current and future health of the U.S. Commercial Construction industry. We have seen ongoing optimism among contractors, steady revenue expectations, and strengthened backlogs. The outlook for hiring is also strong, with more than half of contractors reporting plans to hire more workers in the next six months.

Contractors will soon enter their busiest months of the year, and while the industry outlook remains high, confidence is tempered by a narrow talent pipeline and a lack of workers. The Q2 2018 findings reveal nine out of ten contractors report a skilled labor shortage. These results affirm over 12 months of data that show skilled worker shortages have not improved in the commercial building sector – an important corner of the U.S. economy.



Jennifer F. Scanlon
President and CEO
USG Corporation

This quarter, we asked contractors to revisit our spotlight topic from one year ago: sustainable construction and energy efficient materials. Sustainable building appears to be a bright spot in the sector, with nearly half of builders reporting its ability to give them a competitive business advantage. Four out of five contractors report that customers request energy efficient building materials, and for most contractors, green building experience is critical to finding new project work in the government, education, and healthcare sectors.

We heard earlier this year that offsite construction methods like prefabrication and modularization are an increasingly attractive solution for builders. More than 80 percent identified these methods as a key approach for improved efficiency, productivity and schedule performance. When we think about the rising demand in sustainable construction and energy efficient materials, it's clear builders and architects want processes and products that encourage the health of commercial construction and build safe, innovative and sustainable spaces.

Each year the commercial construction industry contributes more than \$700 billion to the U.S. economy, making its health and advancement essential to overall economic growth. We know that contractors face real and important challenges related to labor shortages, productivity, and sustainability. It is critical that we all work together to identify solutions to help ensure the ongoing strength of the industry and to positively shape its future.

Sincerely,

Thomas J. Donohue

A handwritten signature in black ink, appearing to read "Tom Donohue", written in a cursive style.

Jennifer F. Scanlon

A handwritten signature in black ink, appearing to read "Jennifer F. Scanlon", written in a cursive style.

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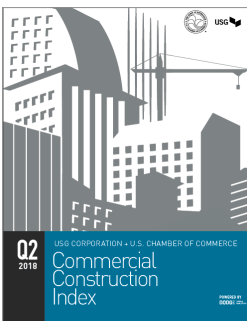
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The USG Corporation + U.S. Chamber of Commerce Commercial Construction Index (CCI) is a quarterly economic index designed to gauge the outlook for and resulting confidence in the commercial construction industry. Recognizing a need to highlight the important contributions of this sector to the nation's economy, USG Corporation and the U.S. Chamber of Commerce partnered to produce this first-of-its-kind index. Each quarter, contractors across the country are surveyed in order to better understand their levels of confidence in the industry and top-of-mind concerns.

CONTRACTOR BACKLOGS AND REVENUE EXPECTATIONS REMAIN STRONG, BUT A SHORTAGE OF SKILLED WORKERS ACROSS INDUSTRY TRADES WEIGHS HEAVILY ON THE COMMERCIAL CONSTRUCTION INDUSTRY.

OVERVIEW

Contractors in the U.S. commercial construction industry remain optimistic in Q2 2018 about the current state and forward-looking health of the sector. The drivers used to calculate the USG+U.S. Chamber of Commerce Commercial Construction Index (CCI)—backlog levels, new business outlook and revenue expectations—are either the same or within one point of results reported in Q1 2018 and are consistent with the optimism throughout 2017.

KEY DRIVERS OF CONFIDENCE

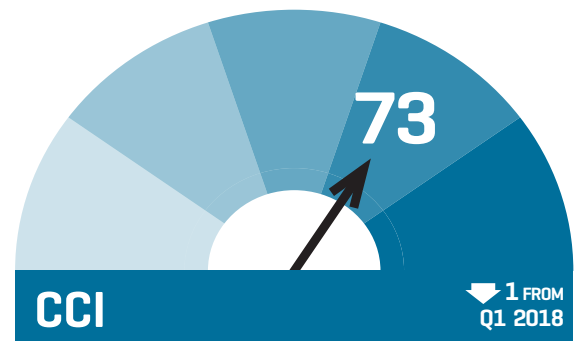
In Q2 2018, 79% of contractors report steady or increasing backlogs, with 41% experiencing an increase in the past three months. The ratio between average current backlog compared to the reported ideal level of backlog is 73, the same as Q1 2018.

Revenue forecasts also remain steady, while optimism about new business prospects has shifted downward slightly by one point. *See Drivers of Confidence on pages 4–6.*

QUARTERLY SPOTLIGHT

This quarter's spotlight focuses on sustainability and energy efficient construction materials. The findings show that contractors see sustainability as a competitive advantage, with four out of five indicating their customers request energy efficient materials. This comes despite a slight decline in the share of green work overall reported by general contractors (GCs) and trade contractors.

The report also reveals increased concern year-over-year among contractors, especially GCs,



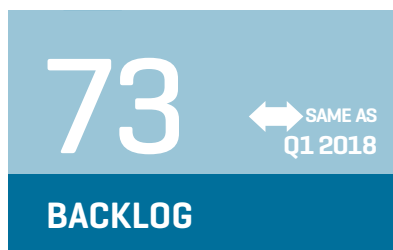
about finding skilled workers proficient in green building materials. The decline in the number of contractors who believe green experience is essential for public sector, education and healthcare projects may be a symptom of the reported shortage of green skilled labor. *See Quarterly Spotlight on pages 7–11.*

MARKET TRENDS

Contractors in Q2 2018 worry about the impact of material price fluctuations on their businesses. Steel tops the list of materials concerns, with 86% of respondents expecting to see at least moderate to severe impacts on their business in the next three years from recently imposed tariffs. The percentage of respondents who reported concern about material costs doubled quarter-over-quarter. Almost half expressed concerns about the possibility of new tariffs on other construction materials.

Some contractors even suggest that price increases could eventually have a negative impact on the volume of projects available. *See Market Trends on pages 12–17.*

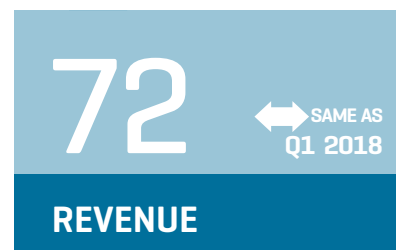
KEY DRIVERS OF CONTRACTOR CONFIDENCE



The ratio between actual [9.3 months] and stated ideal [12.7 months] backlog is 73. While consistent with recent quarters, it is lower than one year ago [81].



Contractors have high confidence in the market's ability to provide new business opportunities in the next 12 months, within one point of last quarter's strong findings.



Most contractors believe they will see revenue growth in the next 12 months, consistent with results from Q1 2018.

ADDITIONAL MARKET TRENDS



HIRING

More than half [57%] of contractors want to employ more workers in the next six months, but are challenged by availability and cost. *See page 12 for more details.*



SKILL LEVEL

One half [50%] of contractors are highly concerned about the skill levels of the workforce, but the percentage declined slightly from Q1 [52%]. *See page 14 for more details.*



FINANCING

Most contractors [80%] believe owner access to financing will get easier or remain the same in the next six months, the same percentage as in Q1 2018. *See page 15 for more details.*



TOOLS & EQUIPMENT

The percentage of contractors expecting to spend more on tools and equipment is 57%, a 2% decrease from the previous quarter. *See page 16 for more details.*

Contractors' pipelines are consistently healthy, with more contractors reporting increased backlogs over the past three months.

CHANGE OVER LAST QUARTER

Most contractors [79%] report a stable or increased backlog. The 9% jump in those reporting increased backlogs quarter-over-quarter [from 32% to 41%] is similar to the rise seen between Q1 and Q2 2017, suggesting that seasonality may be a factor.

CURRENT BACKLOG

The average backlog of 9.3 months reported this quarter is 73% of the average ideal backlog of 12.7 months. This is consistent with the ratio reported last quarter, and continues to reveal a strong market with capacity for growth.

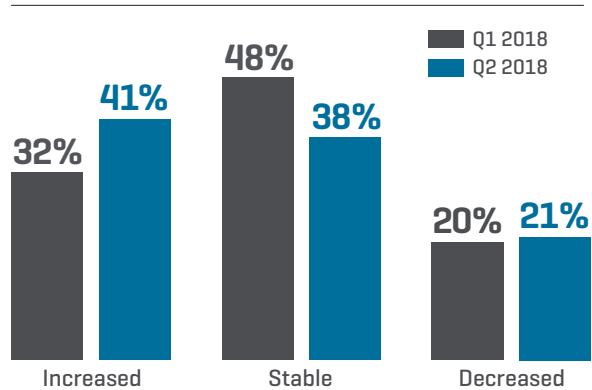
AMOUNT OF BACKLOG REPORTED The proportion of contractors who report high, medium or low amounts of backlog this quarter stayed consistent with Q1 2018 percentages, with only small shifts in each category. This result also underscores the steadiness of the current market.

VOICE OF THE CONTRACTOR

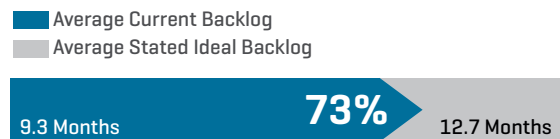
"Lots of opportunity/projects at the moment. Need to procure as much work/backlog as possible at this time."

—CCI Survey Respondent

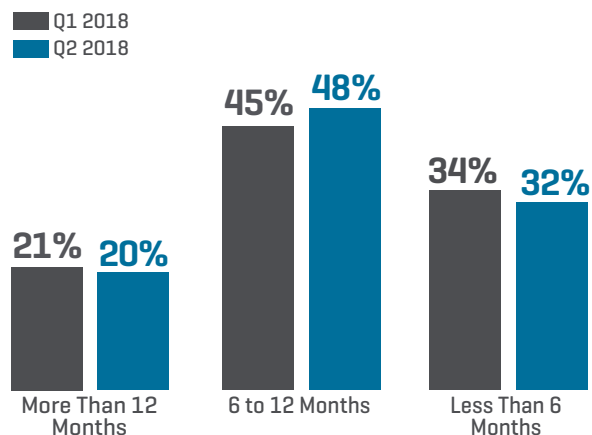
Change in Backlog in the Last Three Months

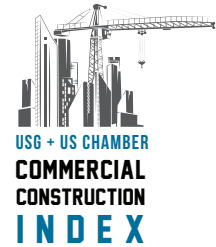


Current vs. Ideal Backlog



Amount of Backlog Reported





Almost all contractors surveyed are confident the market will provide new business opportunities in the year ahead.

NEXT 12 MONTHS

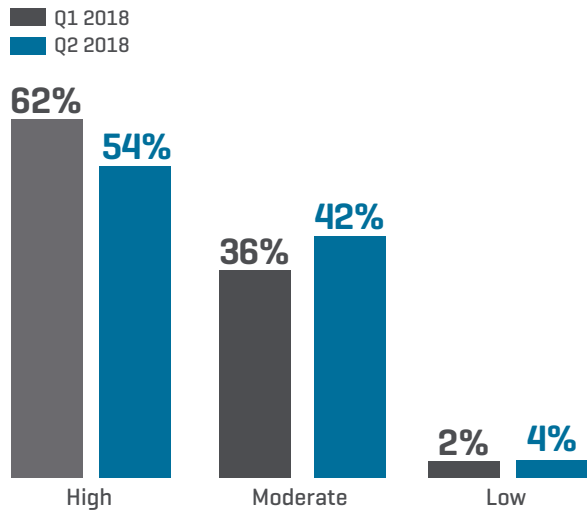
Nearly all [96%] contractors report high to moderate confidence, down only 2% from Q1 2018. This demonstrates consistent expectations for sufficient new business opportunities. The percentage of contractors reporting high confidence shifted down eight percentage points from Q1 2018, returning to similar levels reported in Q3 and Q4 2017.

NEXT 24 MONTHS

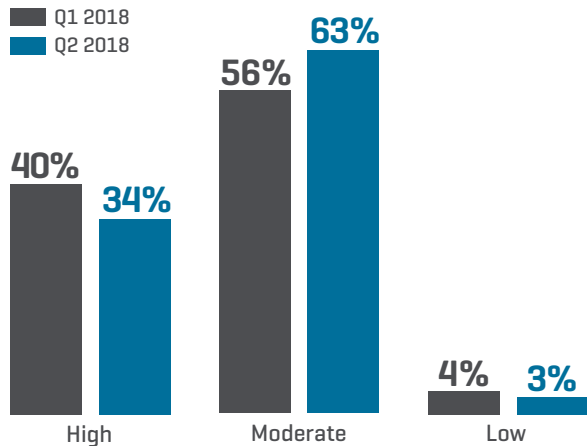
Approximately one-third [34%] of contractors are also highly optimistic about market potential over the next 24 months. This is consistent with the findings across most of 2017, and suggests that the majority of contractors do not expect major disruptions to the market through the first half of 2020.

Degree of Confidence Among Contractors That the Market Will Provide Sufficient New Business Opportunities

Next 12 Months



Next 24 Months



VOICE OF THE CONTRACTOR
"Diversification into other market sectors is this company's greatest opportunity..."

—CCI Survey Respondent

Note: Percentages are based on ratings using a 10-point scale, where the three points at the bottom [1-3] indicate a low level of confidence and the three points at the top [8-10] indicate a high level of confidence.

Contractors' financial expectations hold steady, as more than half continue to forecast revenue increases over the next year.

REVENUE EXPECTATIONS

The percentage of contractors who expect to see revenue increase in the next year is higher than those who expected increases in Q2 [40%], Q3 [41%] or Q4 [47%] of 2017. This reveals a sustained, strong outlook for revenue in 2018 and meshes with contractors' optimistic view of the business climate in the next 12 months.

PERCENTAGE INCREASE IN REVENUE OVER THE

NEXT 12 MONTHS Nearly one-third [29%] of contractors expect healthy revenue increases of 7% or more, a finding consistent with the last two quarters.

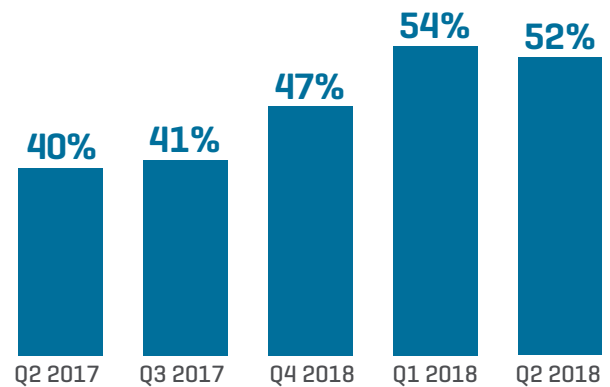
VARIANCE BY COMPANY SIZE Of the 4% of contractors who expect to see revenue decreases, nearly all are small companies with annual revenues of less than \$10 million.

PROFIT MARGIN EXPECTATIONS

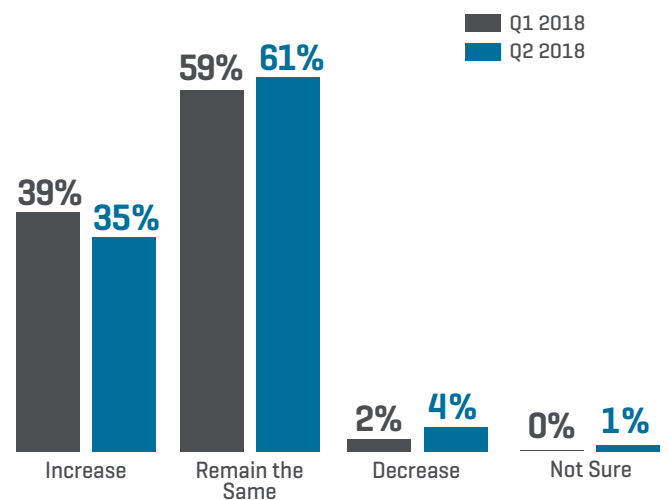
Most contractors [96%] expect profit margins to increase or remain the same in the next year, consistent with past quarters. The percentage expecting an increase [35%] is notably higher than it was in Q2 2017 [27%], demonstrating gains in profit margins year-over-year.

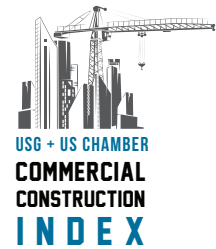
Note: Percentages for revenue and profit margins are based on ratings using a 10-point scale, where the three points at the bottom [1-3] indicate a decrease, three points in the middle indicate it has stayed about the same and four points at the top [7-10] indicate an increase.

Expected Revenue Increases in the Next 12 Months



Expected Changes in Profit in the Next 12 Months





Most contractors engage in green building, but the share of green construction in their overall work has declined year-over-year.

LEVEL OF GREEN ACTIVITY

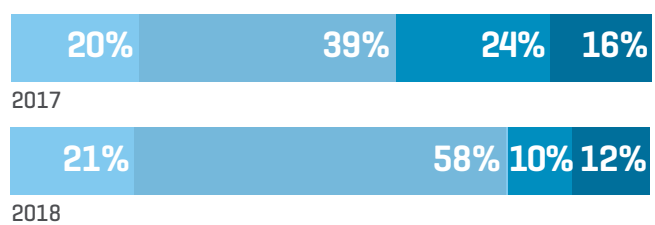
Most contractors [81%] engage in at least some level of green building. However, green construction represents a smaller share of their overall work compared to Q2 2017.

VARIANCE BY TYPE OF COMPANY AND BY YEAR

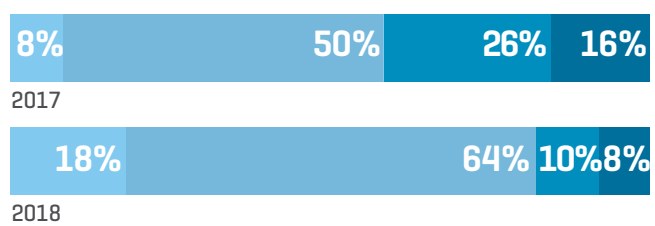
General contractors retain a higher percentage of green projects in their overall workload, with an average of 22% green projects, compared with an 18% share among trade contractors. Green projects made up nearly one-third [31%] of the work of trade contractors, and 29% of the work of GCs last year.

VARIANCE BY SIZE Large contractors are building a higher share of green projects [29%] than small firms [15%]. Since larger companies tend to work on bigger projects [including public sector, education and healthcare construction], this finding aligns with most studies done on green building by Dodge Data & Analytics, which show bigger projects are more likely to be green than smaller jobs.

Percentage of Green Projects: GCs

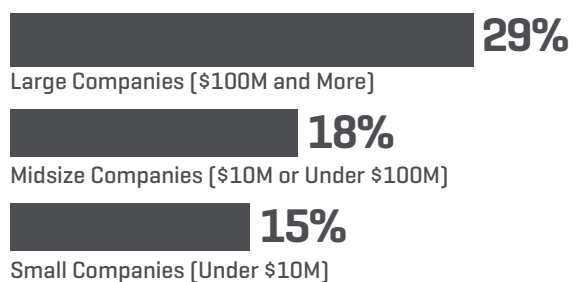


Percentage of Green Projects: Trade Contractors



■ No green work ■ 31% to 60%
■ 1% to 30% ■ More than 60%

Mean Percentage of Green Projects by Size



The public sector is the top driver of green building, while more contractors find it difficult to source skilled labor for green projects.

SECTORS WHERE GREEN EXPERIENCE IS NECESSARY

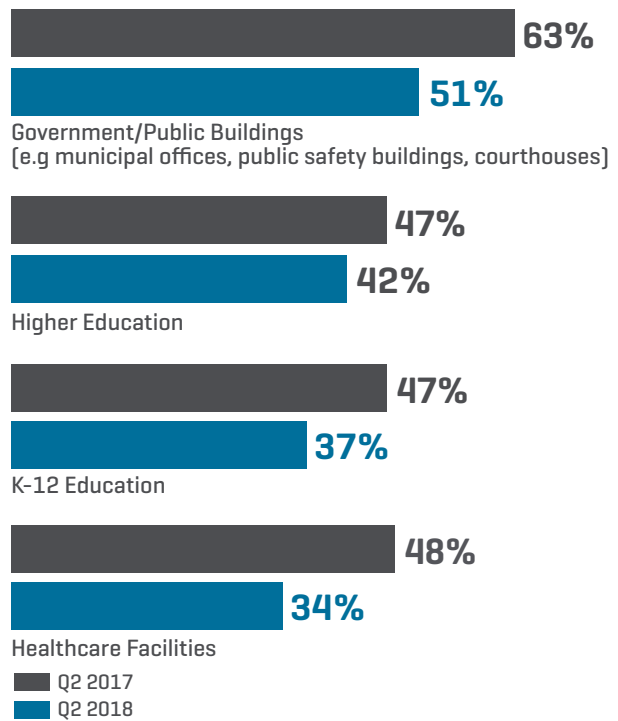
Contractors were consistent in identifying the top sectors for which green building experience was necessary, with government/public buildings at the top of the list. However, the percentage of respondents who believe that green experience is necessary for all four project types dropped between 2017 and 2018, with the biggest differences in government/public buildings and healthcare facilities.

VARIANCE BY TYPE OF COMPANY More GCs than trade contractors report that green experience is necessary for government/public buildings [60% versus 41%] and higher education [51% versus 33%]. As the challenge of finding green skilled labor grows for GCs in particular [see below], it is possible prime contractors may be forced to work with trade contractors with less green experience.

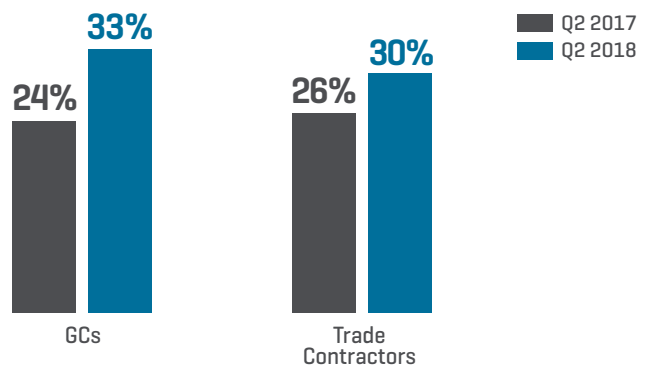
CHALLENGE FINDING GREEN SKILLED WORKERS

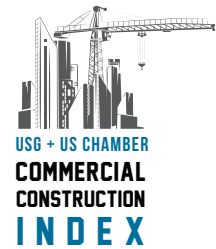
One-third [33%] of GCs report a high degree of difficulty finding green skilled labor, notably more than in Q2 2017 [24%]. Trade contractors also report this challenge, but at a slightly lower rate.

Sectors Where Green Experience is Necessary



Contractors Who Experience a Challenge in Finding Green Skilled Labor (Year-Over-Year Comparison)





More contractors find that being able to build sustainably is a competitive advantage, particularly in the West.

COMPETITIVE ADVANTAGE FROM BUILDING SUSTAINABLY

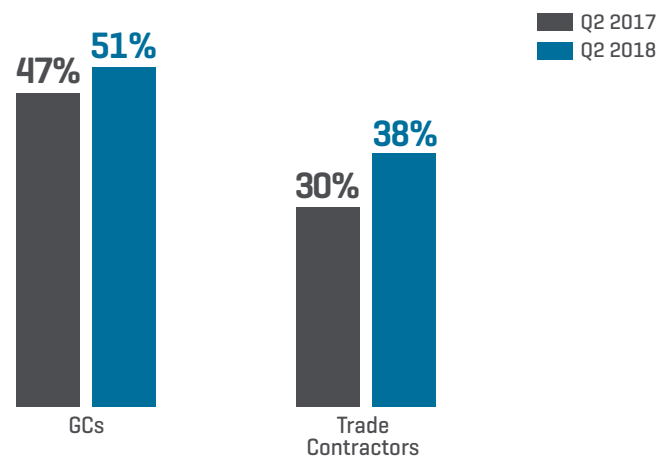
More than half [51%] of GCs report that they gain a competitive advantage from being able to build sustainably. While fewer trade contractors felt they received an advantage [38%], the percentage who report this grew considerably since Q2 2017. One factor that may contribute to the increase among trade contractors is the challenge in finding green skilled workers. Having skilled workers with green experience could give some trade contractors an advantage over their competitors.

VARIANCE BY REGION Two-thirds of contractors in the West [66%] find that it is a competitive advantage to be able to build sustainably, significantly more than those in the South [36%] or Midwest [35%]. Many Western states, including California, Oregon and Washington, have consistently been leaders in sustainability standards.

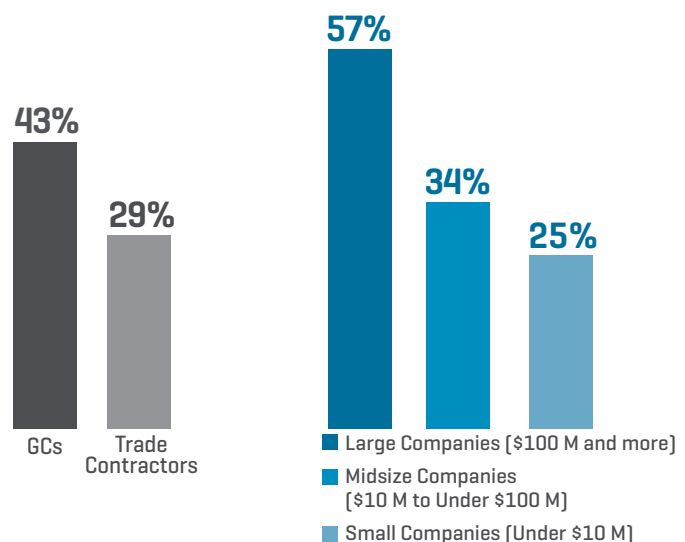
CONTRACTORS WHO PROPOSE GREEN BUILDING PRODUCTS/SOLUTIONS TO CUSTOMERS

GCs and large companies are more likely to propose green building products/solutions to their customers than trade contractors or smaller companies.

Contractors Who Find That Being Able to Build Sustainably is a Competitive Advantage [Year-Over-Year Comparison]



Contractors Who Regularly Propose Green Building Products/Solutions to Customers



Four out of five contractors report that customers request energy efficient building materials.

CUSTOMERS REQUEST ENERGY EFFICIENT MATERIALS

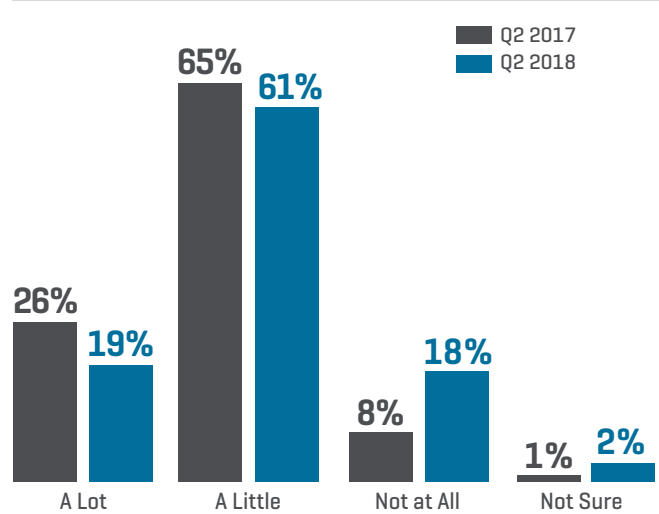
Four out of five [80%] contractors report that their customers sometimes request energy efficient materials, but most respondents do not find that these requests occur frequently.

VARIANCE BY REGION Roughly one-quarter of contractors in the West [26%], Midwest [24%] and Northeast [21%] encounter frequent customer requests for energy efficient materials on their projects. However, only 6% of contractors in the South say that customers frequently make these requests.

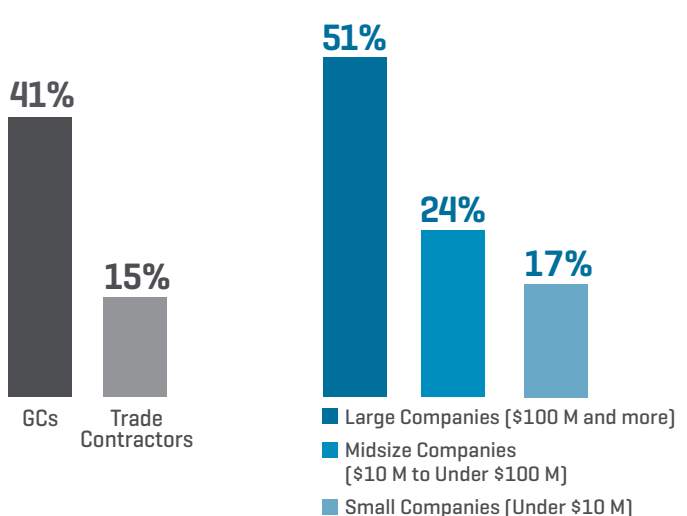
CONTRACTORS SEEKING OUT ENERGY EFFICIENT MATERIALS

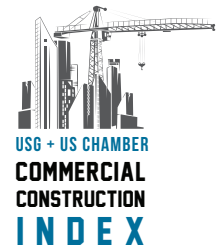
More than half [51%] of contractors from large companies and more than 40% of GCs seek out energy efficient materials. Trade contractors [15%] are less likely to do so, since some trades do not necessarily utilize energy efficient materials in their daily work. The steep drop off by company size aligns with the lower percentage of green work undertaken by midsize and small firms. *See page 7 for more details.*

Frequency of Customer Requests for Energy Efficient Materials (Year-Over-Year Comparison)



Contractors Who Frequently Seek Out Energy Efficient Materials





More than half of contractors believe that their clients are willing to pay more for energy efficient materials.

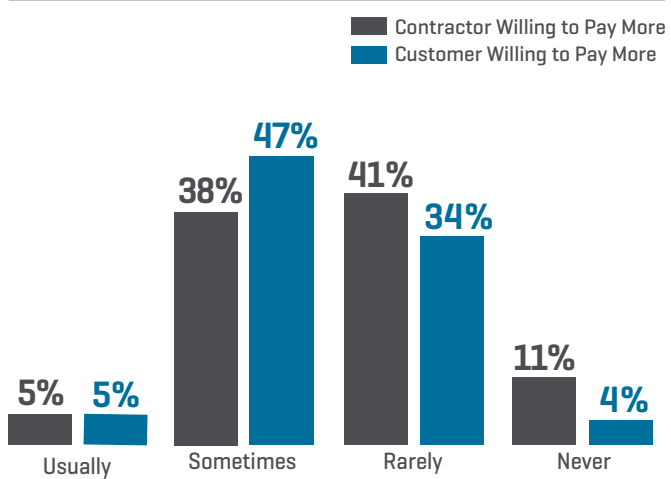
WILLINGNESS TO PAY MORE FOR ENERGY EFFICIENT MATERIALS

Contractors are nearly evenly split between those who will usually/sometimes pay more for energy efficient materials [43%] and those who will only do so rarely [41%]. However, more than half of builders [52%] report that their customers have an appetite to pay more for green materials.

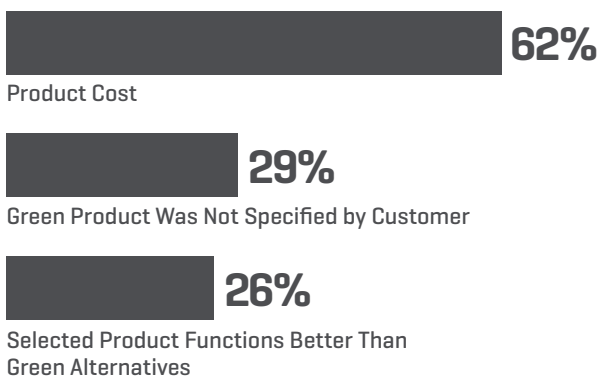
TOP REASONS FOR USING PRODUCTS THAT ARE NOT GREEN

When contractors were asked to rank the top three reasons they turn to products that are less energy efficient, cost was overwhelmingly selected as the top factor, with 62% ranking it among their top three. The next highest factor, selected by 29% of respondents, is that green products were not specified by customers. The only other factor selected by more than one-quarter [26%] of respondents is that standard options function better than green alternatives.

Willingness to Pay More for Energy Efficient Materials



Top Reasons for Not Using Green Products



Note: Respondents indicated "Not Sure" for remaining percentages [willingness to pay more for energy efficient materials].

Contractors are eager to hire over the next six months, but finding skilled workers remains difficult for more than half of those surveyed.

HIRING EXPECTATIONS

Contractors' plans to hire remain consistent with Q1 2018, with more than half [57%] indicating they expect to employ more workers in the next six months; most of the remainder expect to keep workforce levels steady.

FINDING SKILLED WORKERS

The high percentage of contractors who report difficulty finding skilled workers has not abated significantly since it was first reported in Q2 2017.

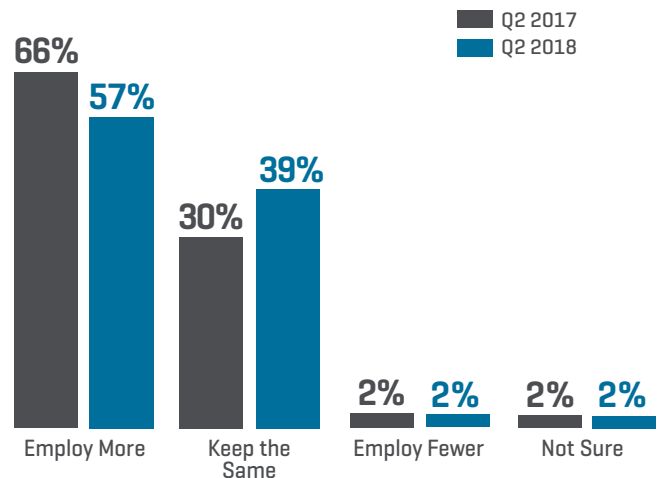
VARIANCE BY SIZE Almost two-thirds [65%] of small firms [revenues less than \$10 million] have difficulty finding skilled workers, compared with less than half [42%] of large contractors [revenues of \$100 million or more], a finding consistent with the last two quarters.

VARIANCE BY TYPE OF COMPANY Nearly two-thirds [63%] of trade contractors report difficulty finding skilled workers, compared to 48% of GCs.

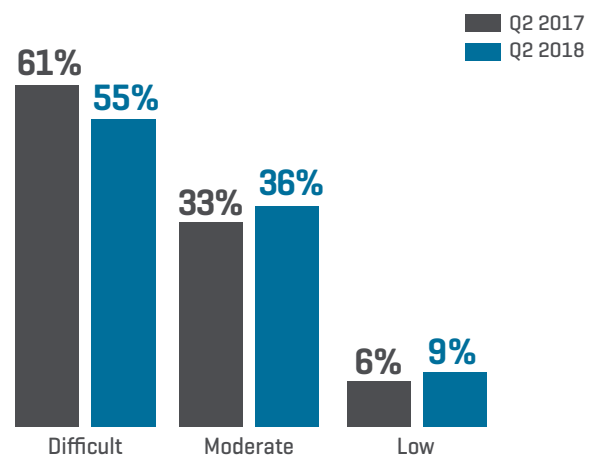
VARIANCE BY REGION Nearly two-thirds [60%] of contractors working primarily in the South, Midwest and West report difficulties finding skilled workers, compared with only 27% or in the Northeast.

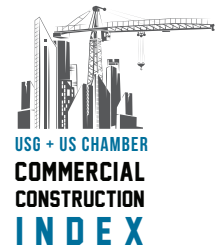
Note: Percentages for difficulty levels are based on ratings using a 10-point scale, where the three points at the bottom [1-3] indicate a high level of difficulty and the three points at the top [8-10] indicate a low level of difficulty.

Contractor Hiring Plans Over the Next Six Months [Year-Over-Year Comparison]



Difficulty Finding Skilled Workers [Year-Over-Year Comparison]





Contractors report growing labor shortages among electricians and workers who handle steel erection.

TRADES LABOR AVAILABILITY

Contractors once again report the greatest shortages of concrete, electrical, and drywall workers. Concern over the availability of steel erection tradespeople has grown since Q1 2018, jumping up three spots in this quarter's rankings.

THE COST OF SKILLED LABOR

Most contractors [87%] are at least moderately concerned about the cost of skilled labor, just as they were in Q1 2018 and through most of 2017. Persistent difficulties in finding skilled workers are likely to eventually increase concerns about the cost of labor.

VOICE OF THE CONTRACTOR

"[My single most important concern about my business in the next 12 months is] Manpower — huge labor shortages — all trades are suffering."

—CCI Survey Respondent

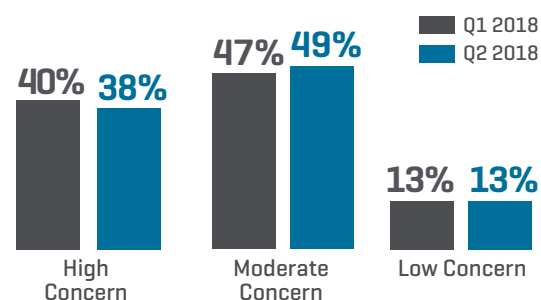
Top Categories of Skilled Labor With Greatest Shortages

[According to General Contractors Reporting Difficulty Finding Skilled Labor]

Skilled Labor Shortage Ranking		Current Ranking	Previous Ranking
		Q2 2018	Q1 2018
Concrete	=	1	1
Electrical	▲	2	3 tie
Plaster and Drywall	=	3 tie	3 tie
Steel Erection	▲	3 tie	6
Interior Finishes/ Millwork	▼	4 tie	2 tie
Masonry	▼	4 tie	2 tie
Plumbing	=	5	5
HVAC	▼	6	4
Roofing	▲	6	7
Glazing	▲	7	11
Sheet Metal	=	7	7
Mechanical	▲	7	8

- ▲ Shortage Increased Since Last Period
- = Shortage Remained the Same Since Last Period
- ▼ Shortage Reduced Since Last Period

Degree of Contractor Concern About Cost of Skilled Labor



Note: Percentages for degree of concern contractors have about the cost of skilled labor are based on ratings using a 10-point scale, where the three points at the bottom [1-3] indicate a high level of concern and the three points at the top [8-10] indicate a low level of concern.

Most contractors report moderate-to-high concern about worker skills, while nearly half expect skill levels to worsen in the next six months.

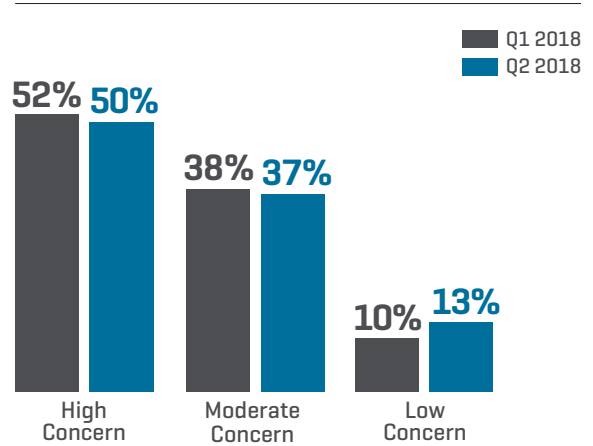
ADEQUATE SKILL LEVELS

Most contractors (87%) are at least moderately concerned about finding workers with adequate skill levels, and half (50%) are highly concerned. These findings echo those of Q1, demonstrating that this is a persistent concern.

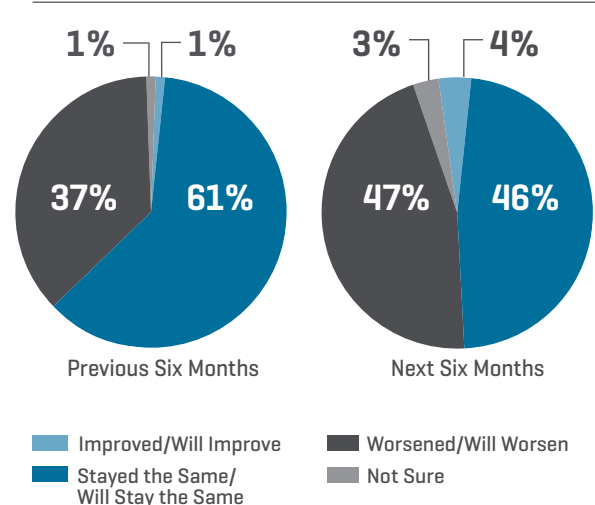
HIRING ENVIRONMENT

Among the contractors expressing concern about worker skill levels, more than one-third (37%) believe the problem has worsened in the last six months, and almost half (47%) believe it will continue to worsen in the next six months.

Degree of Contractor Concern About Adequate Worker Skill Levels



Problems Finding Skilled Workers Among Those Concerned About Skill Level



VOICE OF THE CONTRACTOR
 “[My single most important concern about my business in the next 12 months is] Maintaining a skilled workforce with older members beginning to retire.”
 —CCI Survey Respondent

Note: Percentages for degree of contractor concern about workers having adequate skill levels are based on ratings using a 10-point scale, where the three points at the bottom [1-3] indicate a high level of concern and the three points at the top [8-10] indicate a low level of concern.



The commercial construction financing environment remains strong, a key factor enabling contractors to take advantage of growing markets.

CONTRACTOR WORKING CAPITAL

Most contractors (80%) this quarter believe access to working capital financing will remain the same or get easier, consistent with findings seen throughout the past 12 months. Access to working capital financing is essential for contractors to take full advantage of growing markets.

CONSTRUCTION FINANCING

Most contractors (70%) believe that owner access to financing will get easier or remain the same over the next six months. There is a notable trend upward (6% to 15%) from the last quarter in the number who believe owners will find it more difficult to finance projects.

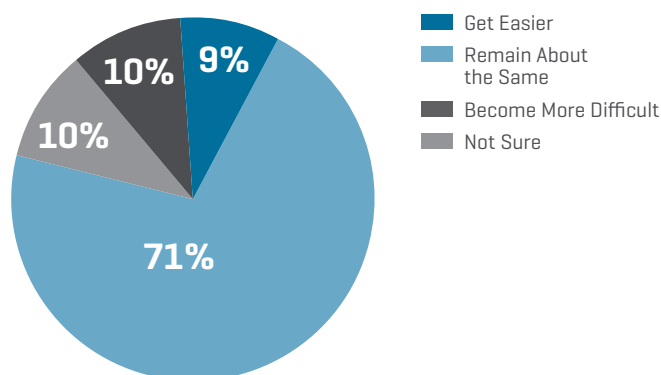
This finding reflects potential concerns about the influence of factors like increased project costs and rising interest rates on the ability of owners to obtain sufficient financing.

VOICE OF THE CONTRACTOR

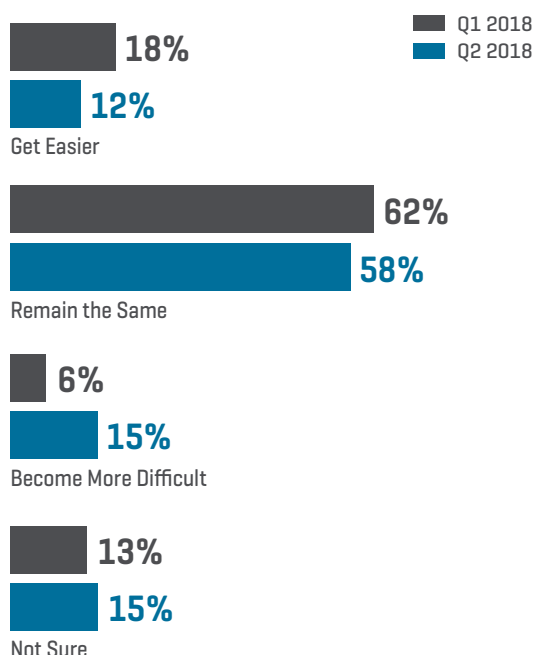
[Single most important concern is the] “[i]mpact of increased interest in construction financing and how that will affect the scope of work to be completed.”

—CCI Survey Respondent

Expected Change in Access to Working Capital Financing in the Next Six Months



Expected Change in Building Owner Access to Financing in the Next Six Months



Twice as many contractors report concern over the impact of fluctuating material costs quarter-over-quarter.

IMPACT OF MATERIAL COST FLUCTUATIONS

Over the past twelve months, only a small percentage of contractors reported concern over how material cost fluctuations would impact their businesses [18% or less]. However, in the current quarter, that percentage more than doubled to 38%. This finding is a reflection of uncertainty about materials costs due to the possibility of tariffs and trade wars, as well as rising interest rates. The result demonstrates that contractors expect these factors to directly affect their businesses.

TOOL AND EQUIPMENT PRICES

Contractors are still optimistic enough about the market to invest in their business, with more than half [57%] reporting that they expect to spend more on tools and equipment in the next six months. These findings echo those of the last few quarters.

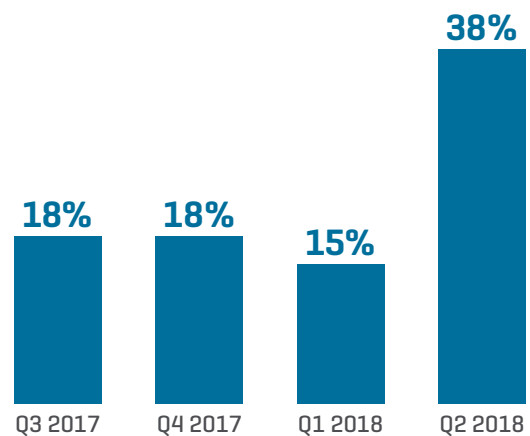
VOICE OF THE CONTRACTOR

"As material tariffs drive up costs and wages increase, as well as interest rates go up, will owners be less likely to keep moving forward with projects?"

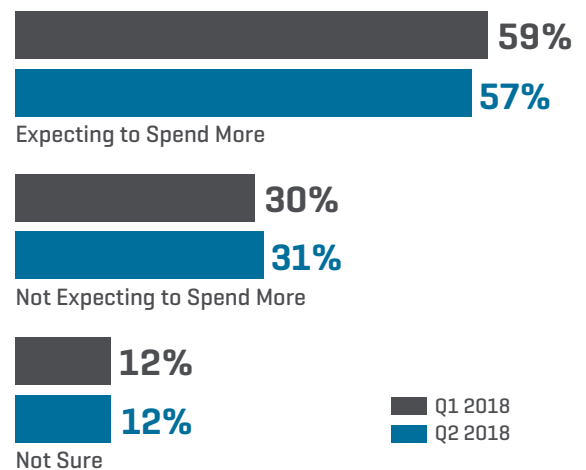
—CCI Survey Respondent

Note: Percentages for Expected Material Shortages' Impact on Contractors are based on ratings using a 10-point scale, where the three points at the bottom indicate a high impact and the three points at the top indicate a low impact.

Contractors Who Expect Materials' Cost Fluctuations to Have a High Impact on Their Business



Contractors' Expected Spending Levels on Tools and Equipment in the Next Six Months





Concern about tariffs is evident in projected cost fluctuations for steel.

CONCERN ABOUT COST FLUCTUATIONS

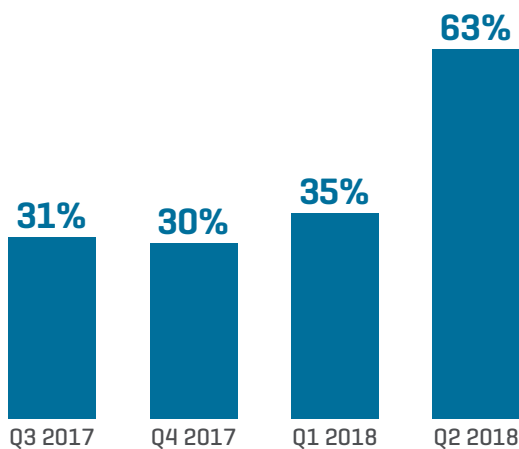
In the current quarter, nearly two-thirds [63%] of contractors report being concerned about cost fluctuations for steel. This is in sharp contrast to the highly consistent findings in all previous quarters, when only about one-third reported concern. This finding is clearly tied to steel tariff implementation, supported by the result below.

BUSINESS IMPACTS OF TARIFFS AND TRADE WARS

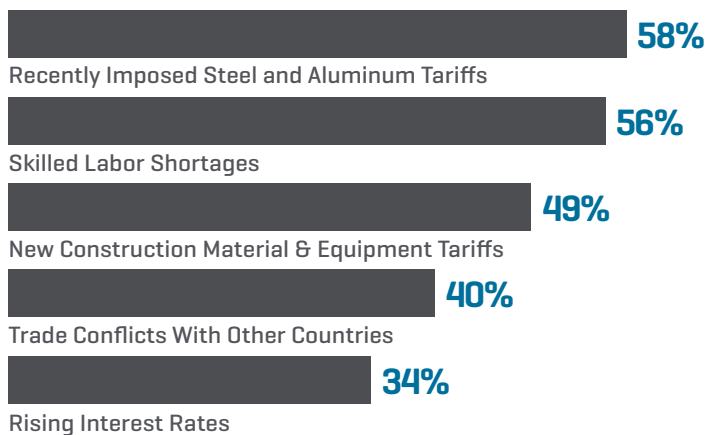
Roughly the same percentage of contractors are concerned about the impacts of steel and aluminum tariffs [58%] as report being concerned with skilled labor shortages [56%], which remains a persistent problem for contractors.

Nearly half [49%] of contractors expect a high degree of impact from potential new construction material tariffs and from trade conflicts with other countries.

Contractors Most Concerned About Cost Fluctuations in Steel



Contractors Expecting a High Degree of Business Impact From Each Factor in the Next Three Years



5 METHODOLOGY

Dodge Data & Analytics (DD&A) in partnership with USG Corporation and the U.S. Chamber of Commerce conducts the Commercial Construction Index survey on a quarterly basis with the DD&A Contractor Panel. The majority of data represented in this report is from the Q2 2018 survey conducted online from April 2 to 10, 2018.

DD&A CONTRACTOR PANEL

In order to enable reliable market research in the construction industry, DD&A maintains a panel of more than 2,700 decision makers that includes general contractors, construction managers, design-builders and trade contractors. This panel allows DD&A to provide findings that are representative of the entire U.S. construction industry by geography, and by size and type of company.

SECOND QUARTER SURVEY DEMOGRAPHICS

205 contractors who do projects in the commercial and institutional sectors (including multifamily residential) responded to the survey.

TYPE OF COMPANY 51% of respondents are prime contractors (including general contractors, construction managers, design-builders and remodelers), and 49% are trade contractors.

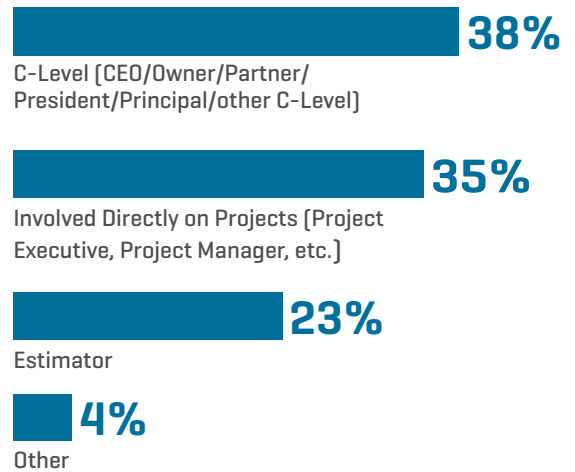
JOB FUNCTION Most are in leadership roles or engaged in projects.

SIZE OF COMPANY The percentage of small and midsize contractors is higher than that of large companies.

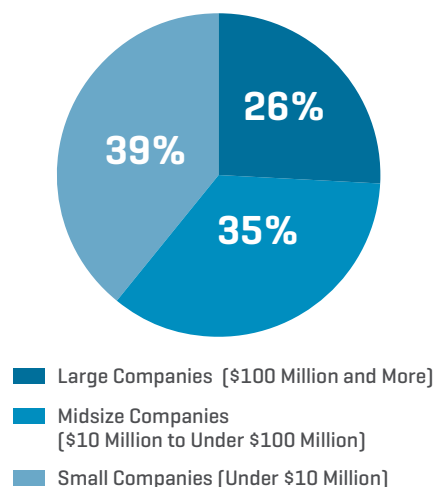
LOCATION 16% of the respondents are located in the Northeast, 34% in the South, 26% in the Midwest and 25% in the West.

The analysis includes comparisons to previous surveys conducted online with the DD&A Contractor panel since January 2017.

Job Functions of Respondents



Size of Company [by Annual Revenue]



5 METHODOLOGY

COMMERCIAL CONSTRUCTION INDEX

The Commercial Construction Index is an indicator of the health of the contractor segment of the U.S. building industry. It is comprised of three specific components reflecting aspects of the commercial contractors' situation.

THE FIRST COMPONENT calculates each respondent's ratio of current backlog to ideal backlog. It takes the mean of the ratio across all survey respondents.

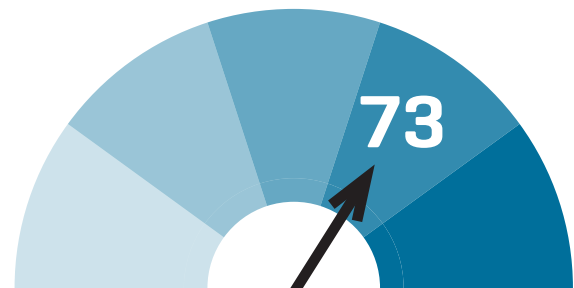
THE SECOND COMPONENT is the mean of all responses, on a scale of 1-10, to the question "How confident are you that the U.S. market will provide your company with sufficient new business opportunities?"

THE THIRD COMPONENT compiles contractors' ranges of expected revenue growth/decline and transposes those to a 10-point scale, then takes the mean of responses on that scale.

Each measure is drawn from the quarterly survey responses, and they are weighted evenly by one third (33.3%) to create the composite index.

DEFINING COMMERCIAL CONSTRUCTION

For purposes of the CCI we define commercial construction as the following types of buildings: Office, Retail, Hospitality, Education, Healthcare, Multifamily Residential (mid- and high-rise), Government, Warehouses, Airport Terminals and other Transportation Buildings.



The Commercial Construction Index is 73 for the second quarter of 2018.



USG Corporation is an industry-leading manufacturer of building products and innovative solutions. Headquartered in Chicago, USG serves construction markets around the world through its Gypsum, Performance Materials, Ceilings and USG Boral Divisions. Its wall, ceiling, flooring, sheathing and roofing products provide the solutions that enable customers to build the outstanding spaces where people live, work and play. Its USG Boral Building Products joint venture is a leading plasterboard and ceilings producer across Asia, Australasia and the Middle East. For additional information, visit www.usg.com.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors and regions, as well as state and local chambers and industry associations. Its International Affairs division includes more than 70 regional and policy experts and 25 country- and region-specific business councils and initiatives. The U.S. Chamber also works closely with 117 American Chambers of Commerce abroad.

Dodge Data & Analytics is North America's leading provider of analytics and software-based workflow integration solutions for the construction industry. Building product manufacturers, architects, engineers, contractors and service providers leverage Dodge to identify and pursue unseen growth opportunities and execute on those opportunities for enhanced business performance. Whether it's on a local, regional or national level, Dodge makes the hidden obvious, empowering its clients to better understand their markets, uncover key relationships, size growth opportunities and pursue those opportunities with success. The company's construction project information is the most comprehensive and verified in the industry. Dodge is leveraging its 100-year-old legacy of continuous innovation to help the industry meet the building challenges of the future. To learn more, visit www.construction.com.

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