Looking Ahead to 2018

For many in the A&D community, thoughts often fall to what’s next. We are curious about what trends will drive how people work and consume, as this affects the spaces we’ll create. Royce Epstein, director of the design segment for Mohawk Group, discusses trends that will carry us into 2018, including a return to tactility, new pursuits in sensory experience, a doubling down on authenticity, blurring of boundaries, something called “hypernature,” and then notion of “home.”

FULL STORY ON PAGE 3…

Thermal Comfort: A Fresh Look at an Old Issue

For those owning, designing, building and furnishing workplaces, thermal comfort has newfound significance. In the first article of a two-part series, officeinsight contributor Stephen Witte explores the history of how and why thermal comfort has been so hard to quantify, and why the time is now ripe to nail down better research and better solutions.

FULL STORY ON PAGE 8…

Concurrents – Environmental Psychology: Greenery!

Pantone’s Color of the Year 2017 is Greenery. officeinsight columnist Sally Augustin shares an environmental psychologist view of the color, including some of the challenges in selecting such a color.

FULL STORY ON PAGE 13…
Upholstery Pattern: **Bali**
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With each new year comes much speculation about the future. Will we survive the political divide in the US? Will glaciers melt? Will Nick on *The Bachelor* finally find true love? For many of us designers, we often think about what’s next. We are curious about what trends will drive how people work and consume, as this affects the types of spaces that the A&D community creates. How will the design industry be affected by cultural shifts and changes in societal attitudes and behaviors? And what will everything look like?

Luckily, if you pay attention to what’s happening in the world, it is possible to see the near future. And if you’re good at understanding the context of why things happen the way they do, then many of today’s design trends should come as no surprise. However, we know that you are all busy designing fantastic spaces and watching the Bachelor, so here are some thoughts about 2017/2018 and what is happening in our world of design:

**The Return to Tactility**

We have shifted from one era to another, and now live in the Digital Age. We communicate with each other through glass screens on our computers, tablets, and smart phones. As our bodies morph through evolution, our thumbs will get longer and our eyes bigger. However, many people are lamenting this shift and are craving the primal creature comforts that are wired into our DNA. Touch is one of our main senses, and we may be losing our humanity because we are now always touching glossy flat surfaces. The antidote? Extreme texture. We are seeing this expressed in many ways: chunky knits, materials with deep surface relief, the prominence of textiles and fiber, and even the resurgence of beards and man buns. Feeling overwhelmed by technology? Walk barefoot on some grass. Or pet a fuzzy dog. Or put on your favorite cable knit sweater. These types of things help combat digital overload and provide a natural way to feel human again.
Sensory Experience

Related to the influx of technology is the rise of the sensory experience in the built environment. With 24/7 streaming commonplace, and our collective attention spans shrinking with distraction in the palm of our hand, physical space needs to up its game. As such, the A&D community now must integrate interactive spaces that compete with our digital devices. And so we will need consultants to help with lighting and sound effects, and we need manufacturers to create building materials that delight and engage the senses. Minimal white glossy spaces that represented the future a decade ago will now be replaced with elements that speak to sight, touch, sound, and smell — and most importantly, emotion. People want to connect to where they are, or we will lose them to the internet.

Authenticity

So how do we connect with people on an emotional level and bring them out of the cloud? The biggest buzzword today is authenticity, and there’s a good reason. Authenticity is about reclaiming what is genuine, dependable, and honest. It’s the difference between Grandma’s homemade apple pie and a Twinkie. People connect with authentic goods and experiences, as it favors the real over the fake. Since our world has been overrun with cheaply manufactured goods made in overseas factories, as well as the influx of digital life, many people are craving a more honest and slower approach to life. Hence the popularity of Farm to Table, the renewed interest in vinyl records, and of course the Maker Movement. Anything made by hand is desired, especially where the making process has been expressed; the more imperfect the better. And while many emerging designers are pushing the boundaries of design with new frontiers of technology, the hand is coming back into the process. The merging of craft and tech is forging a new design language, the likes we haven’t seen before with such magnitude.
Blurring of boundaries

All you have to do is watch the world news to see that we are living in a time of great transition. Humanitarian issues like the refugee crisis, equal rights for the LGBTQ community, and intersectional feminism dominate the global discourse today. The more progressive the world becomes, the more backlash and resistance to change exists. And yet we keep fighting for social justice and what's right. Built on these sixties ideals, we are also seeing a time where age is unimportant and youth culture is for everyone. We are also seeing a collage approach to art and design, no doubt due to the influence streaming of images has had on us. Today we see photos and graphics on our devices, popping up in no order, out of context, and appropriated with new meanings. Because of all this, design has become disconnected from history and a sense of place, and instead is forging a new universal culture.

Hypernature

We are living in a time of great uncertainty, where the limits of earth and the solar system are being tested by both nature and man. Man’s exploration for new frontiers and resources beyond our farms, suburbs, and cities
is driving a new push into uncharted territory. Shifting planes of light and swirling forms connect us from earth to sky as well as new landscapes that inspire. A new visual language has emerged, influenced by intense colors from the deep seas and far reaches of the cosmos. Iridescence, dichroic shimmer, mirrored surfaces, holograms, biomorphic shapes, and earthly textures are prevalent.

Returning Home

The notion of ‘home’ is of the utmost interest today in discussion about culture. We mentioned the refugee crisis and the need for creature comforts in our chaotic times. We also are also global nomads, so this challenges the notion of home for many people. And with six generations alive today (Alphas through Post Boomers), each has their own sense of what home means. Millennials are moving back home, Gen X’r are taking care of elderly parents, and Boomers are retiring. We are seeing today a common desire to return home. This desire is leading a new design movement calling for Slow Living, resetting ourselves, and finding sanctuary. All of this is driven by nostalgia, where we search for that feeling of security and stability that most people associate with home and family.

Whatever you believe, 2017 will bring much change and perhaps vicissitude. What we can guarantee is that the future is coming, 2018 will be here before we know it. With a little insight, we can be prepared, engaged, and inspired.

Royce Epstein is the Director of the Design Segment for Mohawk Group. As the face to A&D, Royce shares her passion and vision for design, cultural trends, and the meaning of materials in a broad context. Her role is to evolve and share Mohawk Group’s Design Vision with the A&D community, and to leverage product design with what A&D desires in the field. Constantly on the watch for new trends in all aspects of design and culture, Royce feeds this insight to all of our industry’s touch points. A veteran materials and product specialist, Royce spent two decades working in A&D firms before working with Mohawk. Royce lives in Philadelphia where she is active in the design, art, and music scenes. She is a board member of Collab at the Philadelphia Museum of Art.

Returning Home: Elle Décor Sweden, itala, Roros Tweed, We Architecture
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Thermal Comfort: A Fresh Look at an Old Issue

by Stephen Witte

For those owning, designing, building and furnishing workplaces, thermal comfort has newfound significance. Studies link thermal comfort and physical effects of uncomfortable temperatures with how workers perform, including conditions where decision-making suffers. The conversation is reaching an audience that can make it happen: building owners.

A 2016 Dodge Report on healthy buildings said 64% of owners and clients desire better air quality in their buildings, and 62% want enhanced thermal comfort. The reason? Competition for the best talent continues to grow more intense, and superior thermal comfort leads to happier, more fully engaged employees. Talent recruitment and retention is one pillar of the business case for thermal comfort, and it’s lending encouragement to innovators to help achieve it.

In simple terms, everyone is thermally uncomfortable to some extent. Successfully managing thermal comfort integrates an understanding of how workers sense temperature and the ways of controlling temperature where they are working.

The background, current state, and predictions for enhancing thermal comfort in the workplace are among the topics of this two-part story. Like other workplace issues, progress in this area is happening. However, its rate has only quickened recently.

The ideas about workplace conditions affecting human health fill the studies of Italy’s Dr. Bernardino Ramazzini. His credits include systematic investigations into links between work and diseases affecting worker wellness and comfort. Dr. Ramazzini observed conditions experienced by “learned workers” and suggested remedies in his writings for symptoms he believed were work related. These included headaches, obesity, and problems with breathing, vision and muscle soreness.

Today these symptoms would indicate Sick Building Syndrome. However, no such nomenclature existed over 300 years ago when Dr. Ramazzini made his recommendations. His book, “De morbis artificum diatriba” (Diseases of Workers), was published in 1700.

In their 2001 review of “Diatriba,” Škrobonja and Kontošić, two members of the medical faculty at Croatia’s University of Rijeka wrote that Dr. Ramazzini “masterfully” contemplates linkage between work and human health, investigating connections of harmful environmental factors and occupational diseases. Škrobonja and Kontošić concluded that, “Even 300 years after the first publication of ‘Diatriba,’ Ramazzini is still relevant.”

What might Dr. Ramazzini observe by visiting workplaces in the U.S. today?

Considering advancements made in the last 317 years, it is unlikely that Dr. Ramazzini would find mercury poisoning among workers making mirrors, or lead poisoning among potters. Something he could observe is today’s knowledge workers remain exposed to variations of comfort problems faced by the “learned workers” of his day. Chief among the lingering issues is thermal comfort.
Not that thermal comfort issues have gone unnoticed, but solutions for other airborne problems took priority. An important bellwether came in 1985. In that year BOSTI released its study entitled “Using Office Design to Increase Productivity.” BOSTI researched 10,000 workers in 100 organizations, resulting in a finding that “workplace design affects productivity and job satisfaction.” They gauged worker comfort by “their capacity to work for long periods of time at their work surface.” Thermal comfort’s discussion comes in the comfort chapter’s next-to-last bullet point: “Being too warm or cool or having a temperature which fluctuates” relates to workers’ lowered perception of workplace comfort.

Although the words “workplace” and “comfort” rarely appeared in the same sentence in the mid-80s, Rani Lueder, author of the 1986 book, “The Ergonomics Payoff: Designing the Electronic Office,” voiced concerns about the quality of air in the “physical environment.” She wrote that, “Energy conservation, which has reduced the frequency of air changes in the office and introduced new chemicals whose effect are not yet known, has generated concern.” She made a two-pronged argument. First, unknowns about air quality existed in the places where people spend one-third of their day. Second, “the open-plan systems created ‘dead air’ spaces which increase the potential for thermal discomfort.”

Ms. Lueder included comments about heat gain in the office from the “concentrations of electronic equipment” of the day. This concentration contributed to fluctuating temperatures, which was a discomfort factor also mentioned in the BOSTI study. In her book, Ms. Lueder suggests zoned air conditioning as a solution to some of the issues she raised.

Fortunately for office workers, the decade of the 90s saw a series of actions to improve air quality inside buildings. Three letters set the ball rolling. They were ‘SBS.’

Ms. Lueder’s concerns about ‘unknowns’ in the air workers breathed inside typical 80s-era buildings proved correct. Workers were getting sick, absenteeism was rising, and the cause was unclear. Seemingly random sets of symptoms defined most cases: stuffy sinuses, dry eyes, dry throat, skin irritations, headaches and poor concentration due to tiredness. More mysterious still was that these symptoms worsened during the workday, eased in the evening and might disappear on weekends or holidays.

“Sick Building Syndrome” (SBS) was the name given to the mystery disease by the Commission of the European Communities. In its 1989 report, the Commission stated that SBS “is a set of varied symptoms experienced predominantly by people working in air-conditioned buildings.” They sized up the dimensions of the challenge SBS presented by stating “diagnosis is by exclusion” of every other possible illness and that “the cause is probably multifactorial.”

As if SBS alone was not enough of a problem confronting the A&D community, the European report added that, “The use of synthetic materials which emit various chemical substances has led to an increase in the concentrations of indoor pollutants.” The report found that as temperatures inside buildings rose, so did the release of pollutants from furnishings and other sources.

The State of California acted with legislation in the early 90s. Responding to the indoor air quality work initiated by the state’s Air Resources Board, the Department of Health Services prepared rules for controlling volatile organic compounds (VOCs) in buildings.

“The levels of pollutants in some buildings are 10 times higher than outdoors.” That quote from Robert Axelrad, the director of the EPA’s indoor air division, appeared in the July 2, 1990, issue of Fortune Magazine. The Fortune Magazine story about Sick Building Syndrome, written by Faye Rice, contained a prediction from a New Canaan, CT, architectural designer: “The major paint and carpet companies will get smart one day and make their own lines of environmentally safe products.” His advice to clients in 1990: “Safeguard against sick building syndrome by using low-toxicity building materials.”

These indoor air quality developments did nothing to address thermal comfort. Credible evidence of temperature either stimulating or suppressing SBS did not exist.

Improvements in indoor air quality marched ahead, with smoking banned in federal buildings in 1997. This move followed smoking bans on flights of six hours of less in 1990 and those of two hours or less in 1988 in the skies over the United States. The UK issued their smoking bans in buildings and aircraft around the same time, as well as issuing guidance to employers about thermal comfort.

In a 12-page document, the Health & Safety Executive (HSE) suggested thermal comfort is “very difficult” to define; it is affected by some variables that are outside an employer’s influence, and the best step is to make a start and keep trying. Recommendations to employers included assessing thermal comfort by combining the effects of air temperature, humidity and air movement into a single measurement, understanding that different people react to temperature in a variety of ways, and realizing that different areas of the buildings may require different temperatures. All spaces, they contended, need fresh air circulation. Though published in 1999, the HSE established individual tenants of thermal comfort that remain valid.
Many initiatives begun in the 90s supported the premise that buildings could be healthier for workers and likely more energy efficient in the bargain. Was it merely a matter of establishing best practices, of assembling an approach to indoor air quality, energy efficiency and not only healthier workers but ones that were happier, too? Perhaps the U.S. Green Building Council had some of this in mind as they launched LEED in 2000.

Leadership in Energy and Environmental Design (LEED), to borrow a show business cliché, is a program that needs no introduction. Many successes, many certifications, many recognitions punctuate its 17-year history. That tens of thousands of buildings have energy efficient designs, sustainable materials, more daylight and more

Although guidelines for indoor air temperature exist, studies reflect the variation in temperatures that survey participants find too warm or too cool.
fresh air is praise-worthy. Lauded as LEED is, a research team found less than hoped-for success in how green LEED buildings provide comfort to their occupants.

Researchers Hedge, Miller and Dorsey acknowledge LEED’s inclusion of an ergonomic workplace credit, along with the fact that only a handful of applications incorporated it as of their study’s publication in 2013. Around that same time, USGBC was setting a strategic focus on supporting human health.

For their study, Hedge et al. performed what they termed a retrospective post-occupancy evaluation survey of 319 occupants. Those surveyed worked in one of three buildings at Edmonton’s University of Alberta; two designed for LEED Silver certification and one conventional building with limited green features.

In writing their conclusions, the researchers found occupants favored green buildings and their healthy interiors over conventional buildings but did not rate them higher on their comfort or find them more productive places to work. This finding led the researchers to observe that acoustics, privacy and ergonomic workstations receive no greater attention in a green building than a conventional one.

While buildings might be as green as Ireland’s Connemara countryside, their occupants may cite a familiar list of unaddressed needs. Hedge, Miller and Dorsey reference a 2013 study of occupants in two LEED Platinum buildings who bestowed high ratings in health, performance and satisfaction. At the same time, they mentioned problems of too much temperature variation, concerns for air freshness and quality, distracting noises and musculoskeletal symptoms. Occupants associated the latter with shortcomings in workstation ergonomics.

Unrelated to LEED, Li, Zhiwei and Li asserted that thermal discomfort via high or low air temperature had adverse effects on worker productivity. In framing the variables of their 2010 study, they determined indoor environmental quality (IEQ) primarily included heat, cold, noise and light. As to the constituents of productivity, the researchers assessed four classes of functions: perception, learning and memory, thinking, and executive functions. Li et al. wrote that, “warm discomfort negatively affected participants’ well-being” and increased heart rate variation, and in moderately uncomfortable environments caused participants to “exert more effort to maintain their performance” along with lower motivation to do work.

Kim and de Dear authored a 2013 study based on their review of the Center for the Built Environment’s occupant survey databases. They found perceptions of thermal discomfort regardless of office design. Whether enclosed, cubicles, or open plan, occupants expressed dissatisfaction with air temperature in their workplaces.

When occupants report dissatisfaction with air temperature, being too warm is what they find uncomfortable. To summarize a finding in 2011 study by Li, Wargocki, Wyon, and Zhiwei, when subjects felt too warm, their performance decreased, while their heart rates, respiration and carbon dioxide concentrations in their lungs increased. The implication, they wrote, is that feeling thermally warm affects the normal functioning of the human body, with adverse effects on performance and health.

While human beings have the same system for regulating body temperature, that is not to say that these systems function identically in every person. Why this is so, and accommodations for it in workplace design, are topics of Part Two in next week’s issue.

As researcher, writer, and commentator, Stephen Witte reports and advises on trends shaping the future for the A&D community, manufacturers, and distribution channels. He can be reached at switte@stephenwitte.com or through his website, stephenwitte.com.

The author acknowledges and thanks Dr. James Levine, M.D., Ph.D., of the Mayo Clinic for his generous assistance with research for this article.

References


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Pantone’s Color of the Year 2017 is Greenery (for a peak at this shade of green, follow this link http://www.pantone.com/color-of-the-year-2017). Every market is currently saturated with the color. And as an environmental psychologist, I’m happy to learn that we may see more of the color green around us in the year ahead, although the particular shade selected by Pantone may be somewhat problematic.

First, the challenge of working with Greenery: Greenery is a yellow-green, the sort of shade that is more of a hit with designer types than the overall population. Across the planet, the most disliked colors generally are those that are yellow-yellow green, just a little more yellowish than Greenery. Rigorously conducted study after study has shown that yellow-yellow greens are unpopular, and that blue is most likely to be selected by study participants as their favorite color, no matter where on the planet you ask the question. People who think about and work with colors a lot develop different relationships with colors than those who lack their training and generally like yellow-yellow greens more than the population at large – another reason to ask a set of truly typical space or object users for their opinions, and to listen to what they have to say – before finalizing any color selections.

Another reason I’m pleased with the selection of a green as the Pantone Color of the Year: looking at greens has been linked, via rigorous scientific research, to enhanced creative thinking, and it seems that to move forward productively in the current political/social climate, a lot of creativity will be required. Enough said on that point.

In its announcement of the Color of the Year 2017, Pantone links green with rejuvenation and revitalization, as well as nature: “A refreshing and revitalizing shade, Greenery is symbolic of new beginnings. Greenery is a fresh and zesty yellow-green shade that evokes the first days of spring when nature’s greens revive, restore and renew. Illustrative of flourishing foliage and the lushness of the great outdoors, the fortifying attributes of Greenery signals consumers to take a deep breath, oxygenate and reinvigorate.”

People living in other parts of the world have different, sometimes less positive, associations to green hues – another important reason to get user input before finalizing color selections.

Selecting Greenery as its Color of the Year 2017 was a good way for Pantone to kick off what may be a challenging 12 months for all of us. Bravo to Pantone and all the best to you in 2017!

Sally Augustin, PhD, is the editor of Research Design Connections (www.researchdesignconnections.com), a monthly subscription newsletter and free daily blog, where recent and classic research in the social, design, and physical sciences that can inform designers’ work are presented in straightforward language. Readers learn about the latest research findings immediately, before they’re available elsewhere. Sally, who is a Fellow of the American Psychological Association, is also the author of Place Advantage: Applied Psychology for Interior Architecture (Wiley, 2009) and, with Cindy Coleman, The Designer’s Guide to Doing Research: Applying Knowledge to Inform Design (Wiley, 2012). She is a principal at Design With Science (www.designwithscience.com) and can be reached at sallyaugustin@designwithscience.com.
Syndicus, Wiese and van Treeck studied how temperature influences decision making, finding that at warmer temperatures people seem to take more risks. The team reports that when “two groups…completed the aforementioned tasks either in a warm (≥ 30°C) or neutral (≤ 25°C) ambient temperature condition, participants made significantly riskier decisions in the warm ambient temperature condition…Especially elevated ambient temperatures should, therefore, be monitored in office environments to prevent impairments of decision making.”


Sally Augustin, PhD, a cognitive scientist, is the editor of Research Design Connections (www.researchdesignconnections.com), a monthly subscription newsletter and free daily blog, where recent and classic research in the social, design, and physical sciences that can inform designers’ work are presented in straightforward language. Readers learn about the latest research findings immediately, before they’re available elsewhere. Sally, who is a Fellow of the American Psychological Association, is also the author of Place Advantage: Applied Psychology for Interior Architecture (Wiley, 2009) and, with Cindy Coleman, The Designer’s Guide to Doing Research: Applying Knowledge to Inform Design (Wiley, 2012). She is a principal at Design With Science (www.designwithscience.com) and can be reached at sallyaugustin@designwithscience.com.

SUDOKU

Fill in the empty cells so that every row, column and cube contains a digit from 1-9, without duplication. (Level: Medium)
PRODUCT INTROS

>Designtex, in partnership with renowned Scottish mill Bute Fabrics Ltd., introduced a collection of six new upholsteries showcasing the rich qualities of wool:

- **Bute Braemar**, a hefty waffle weave in 100% wool, offers a selection of colorways including both two-tone and solids.

- **Bute Lewis**, the most graphic of the group, is a two-tone chevron pattern that can be either bold or subtle, depending on the pairing in each colorway. The 100% wool construction provides a pleasing hand.

- **Bute Melrose** is fabricated using a broken twill weave construction in combination with an unusual reverse twist yarn, which distorts the weave to provide a distinctive irregular texture. Some complex new colors give this subtle style a new dimension.

- **Bute Storr**, in a word: chunky. It is all about the yarn—with a heavy wool bouclé that evokes the feel of a raw fleece. It is available in a stately range of blues, greens and naturals.

- **Bute Tiree**, a woolly bouclé that is finer than Storr, creating a luxurious texture by interweaving high and low loops of yarn. Its rich palette of colors ranges from vivid glowing hues to brooding neutrals.

- **Bute Tweed**, with its pleasingly nubby surface and flecked colors, is a contemporary tweed in 100% wool available in every classic hue plus a large selection of new colors. Read More

>Interface debuted its first luxury vinyl tile. These modular tiles are designed to pair perfectly side-by-side with the company’s carpet tiles for a gorgeous, harmonious space. No transition strips are required. The first LVT collection, **Level Set™**, is inspired by earthy elements like wood and stone. Installation uses glue-free TacTiles® that offer easy removal and replacement. The tiles emit virtually zero VOCs, giving an environmental footprint more than 90% lower than floors with traditional glue adhesives. Read More

>Pallas Textiles’ new Mid Century Mood Collection pays homage to the iconic designers of its era – Eames, Nelson, Saarinen and others. It features hallmarks of mid-century design: Sleek lines, simple forms, dynamic hues, bold patterns, and quirky accents. It includes five patterns:

- **Groove**, chic and sculptural, plays with geometric shapes and linear elements to create an abstract pattern. Its construction and weaving technique add texture and dimension.

- **Jet Set**, vintage cool, with a juxtaposition of soft chenille and sleek satin to give the illusion of subtle movement. A “mod” color palette freshens this retro graphic pattern.
-Decked Out, uniform yet organic, with rectangular elements hinting at a Bauhaus-influenced design but with a purposely unstructured geometry, and with playful yet complex color combinations.

-Night Cap, simplistic yet decadent, featuring a matte look and sophisticated color giving it the appearance of a refined tweed. The tightly woven chenille yarn offers a velvety hand.

-Threads, class yet contemporary, uses varied line densities to construct a subtle large-scale plaid with a hand-stitched look. Layers of multiple colors hint at the unexpected color combinations of the era.

The fabrics in Mid Century Mood have been treated with a high performance textile nanotechnology called “Alta,” engineered for multiple applications across all markets.

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> Wilkhahn launched its Occo Collection at Orgatec. The customizable line, designed by Markus Jehs and Jürgen Laub, features more than 70 different models of office chairs and tables. The Occo Chair offers 72 basic models, allowing users to choose from four frames, six shell colors and three types of cushioning, as well as a comprehensive collection of felt, fabric and leather covers for additional options. The chair’s stackability and flexibility make it suitable for workplace cafés and multi-purpose areas. The Occo Table offers a range of tabletop materials and finishes, with a choice of square, rectangular, and oval formats.

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NOTEWORTHY

> William Sutton, Project Manager at Mowery, was recognized as a Certified Healthcare Constructor by the American Hospital Association Certification Center. Mr. Sutton has extensive experience in all facets of the construction process with more than 10 years of experience in the industry. As a project manager, he works closely with the owner, architect, engineer, and local authorities to insure the project is complete in all facets. Sutton is a LEED Accredited Professional and holds a Green Advantage Certification from USGBC as well as an OSHA 30-hour training certificate.

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> SmithGroupJJR promoted Leslie Brennan, Liz Robinson and Jerry Tims to principal at the firm’s Dallas office. Ms. Brennan serves as director of business development at the Dallas office. She plays a key role in successfully obtaining work and fostering strategic relationships across Texas, Oklahoma and Arkansas, within the higher education, healthcare, science and technology, and workplace markets. Brennan has helped the office procure several significant projects, including the new 200,000-square-foot University of Texas Dallas Engineering Building, set to complete fall 2018.

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> Allsteel announced that Broussard Group, an independently owned San Antonio contract furniture dealer, is the newest member of Allsteel and HNI Corp.’s nationwide network of dealer partners. Founded in 1997, Broussard Group operates as a full-service provider of high-quality, turnkey solutions for a variety of environments.

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> Boeing Company and Marriott International. She is currently leading interior design efforts on the 50,000sf College of Arts and Sciences, a renovation to the existing Business Building at the University of Texas at Tyler. Mr. Tims is the national specifications leader and part-time director of operations at SmithGroupJJR’s Dallas office. As a skilled specifications writer and technical resource, he is frequently sought after by clients and staff to work on complex projects. Recent work includes the new 140,000sf, $56 million College of Business and Technology at the University of Texas at Tyler, slated for completion June 2018; and the new 200,000sf University of Texas Dallas Engineering Building, set to complete fall 2018.

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> Allsteel’s newest dealer, Broussard Group, L-R, Bret E. Broussard, Sr., founder and CEO; Bret E. Broussard, Jr., President
camira published its second forecast, Evolution: Global Trend Directions 2017/18. Following the success of the first edition, Equilibrium, launched in 2016, the company’s 2017/18 report builds on key trends that are inspiring commercial interiors. The new report, with its driving theme of Evolution, guides readers through each trend – Quest, Visionary, Habitat and Co-Create – each with a thoughtful color palette of fabrics, color combinations to create new moods and dynamic keywords to capture the sentiment of each trend. As with the first edition, this new trend forecast has been developed and researched by Camira’s design team alongside trend consultant and writer, Sally Angharad. Trend photography and fabric palettes have been created by stylist and photographer, Rian Crabtree. The report profiles work from designers and artists used to represent each trend, not just the color palette but also the overarching theme, allowing readers to travel through the pages and gather their own seeds of creativity along the journey. “Our new trend report is about encouraging us to slow down and appreciate what is around us, make time for contemplation and feed our fascination with our surroundings,” said Catherine Counsell, Camira’s Design & Development Manager. Read More

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> CARVART named Stoner Bunting as its agency of record. Headquartered in Lancaster, PA, Stoner Bunting has specialized in home and building products marketing for more than 30 years. “CARVART is a model for quality, craftsmanship and innovation in the architectural glass and hardware industry,” said Dan Nguyen, president and creative director, Stoner Bunting. “Its client list features some of the most iconic brands in the world, including Bergdorf Goodman, Christian Dior, Tiffany’s and Mercedes-Benz. We look forward to crafting a revitalized marketing and public relations effort that expands on CARVART’s unique relationship with the A&D community and top design firms around the country and abroad.” Read More

> Dancker, Sellew & Douglas changed its name to Dancker and unveiled new branding. The nearly 200-year-old company was founded as T.G. Sellew in 1829, originally as a manufacturer of roll-top desks. By 1944 it had transformed into Danes-Dancker-Sellew, the oldest desk manufacturer in New York. In 1988, the company was changed to Dancker, Sellew & Douglas, and its focus shifted to the importance of furniture standards, specializing in architectural components that could be used in many applications. Today, with the recent addition of a Workplace Technology Solutions division, dancker integrates furniture, architecture, and technology as a one-source provider and logistics manager for corporate, education and healthcare facilities. It is one of Steelcase’s strongest sales partners nationally. “We realized the colloquial use
of our name had become simply, dancero, and decided it was time to officially clarify this for our customers by following suit," said President and CEO Steven Lang. “Our name is changing, but our dedication to our clients’ success remains the same.”

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> The DIFFA/Chicago Auxiliary Board welcomed over 100 guests at its Feb. 10 Gin & Jazz: Swinging For A DIFFArence event. Photos by Aubrey Jane Photo; see more at the officenewswire link.

Read More

> DIFFA Chicago Dustin Erikstrup and Kempe Scanlon

> Duravit USA New Headquarters of ceramics, acrylics, and furniture with room for future growth. It is a stand-alone building that ensures new efficiencies in logistics with the intent to streamline fulfillment to accounts throughout North America. The primary offices include an open area for product exhibits and sales partner trainings, acting as an immersive classroom designed to fully house Duravit’s library. Designers and architects can experience products firsthand, and the site will also serve as the first stop for Duravit's latest collections as they come in from Germany. The customer service team resides in its own wing and responds to all questions and requests in real-time. Throughout the offices, there are nods to Duravit’s German heritage, including Black Forest wood tables and the brand’s Wood Grouse inspired logo. Read More

> Luum Textiles’ Starting Point collection by Suzanne Tick earned both GOOD DESIGN and GREEN GOOD DESIGN Awards. Focusing on performance luxury, the collection includes Angulo, Point to Point, Perilune (pictured), Substance, Percept, DIFFA Chicago Tyler Oflutt, Devon Fahey, Melissa Munro Fuller, Chelsey Alsobrook, Cindy Farias

> Luum Textiles Perilune, Starting Point Collection

> Duravit USA New Headquarters

> KI recognized Duet Resource Group with its 2016 District of the Year Award. The distributor, representing KI in Wisconsin, Iowa, Nebraska and Michigan’s Upper Peninsula, was selected for this honor based on the district’s outstanding success and overall performance in 2016. KI also honored two individuals with the 2016 Mentorship Award. Recipients were nominated by their peers for consistently leading by example and providing trusted expertise. Award winners included John Molitor, Wall Sales Specialist and Nathan Jeske, KI’s Sales Trainer. Read More

> KI 2016 District of The Year, Duet Resource Group

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> IIDA released its 2016 IIDA Student Roundtable Report. Titled “The Future of Interior Design,” it summarizes the productive and lively discussion between interior design students and practitioners at four Student Roundtable events held in Chicago, Los Angeles, New York, and Atlanta in fall 2016. The Student Roundtable was sponsored by OFS Brands. Read More

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Complement, Twining, Carreaux and Soft Ridge. The key to this collection lies in the art of hand weaving. Whether it’s the weave structure developed on the studio handloom for a solution-dyed nylon upholstery, or the hand-woven art project that inspired the printed polyurethane, each textile in the descends from a common origin story. Read More

NCARB launched the first phase of its revised certification path for architects without a degree from a program accredited by the National Architectural Accrediting Board. The NCARB Certificate facilitates reciprocal licensure among the 54 U.S. jurisdictions and several countries. Through this alternative, architects licensed in a U.S. jurisdiction who hold an architecture-related degree can satisfy the Certificate’s education requirement by documenting two times the Architectural Experience Program’s requirements (7,480 hours). These education alternatives replace a previous option known as the Broadly Experienced Architect Program, which cost $5,000 plus transcript review fees. Additionally, these revised paths will lead to a shorter evaluation process, and will be offered at no additional charge to active NCARB Record holders. U.S. architects interested in earning an NCARB Certificate through this path must have at least three years of continuous licensure in any U.S. jurisdiction without disciplinary action, and hold a bachelor’s degree in an architecture-related program. A separate certification option for U.S. architects without an architecture-related degree will launch in spring. Read More

USG is celebrating the 100th anniversary of its Sheetrock® brand wallboard. It was originally created by USG one hundred years ago by putting gypsum plaster between two sheets of paper. This invention provided builders a faster install process, as the long drying time associated with plaster was eliminated. It also dramatically improved building safety since the gypsum panel’s water molecules release as steam instead of catching fire when heated. This natural feature makes gypsum wallboard an inherently fire-resistant and heat-insulating product. It was originally sold as small tiles for fireproofing but within a few years took on the familiar form that is still around today: compressed gypsum between two sheets of paper. Read More

>Colin Kennedy joined Inscape as Director of Sales for Chicago. He is responsible for promoting sales of all Inscape & West Elm Workspace with Inscape products and the development and nurturing of dealers in his territory. He reports to Jim Mitchell, Vice President Sales, Western + Central US. Mr. Kennedy has more than 15 years of sales and sales support experience. Prior to Inscape, he spent more than seven years at Generation Brands in senior sales related roles. Read More

>Colin Kennedy

FITWEL was honored as one of the 2017 Top 10 Most Innovative Companies in Social Good by Fast Company. The Center for Active Design also announced five new Fitwel Champions, leading companies and institutions that have committed to applying Fitwel’s evidence-based design and operational strategies in all or a portion of their real estate workplace portfolios:

FITWEL

Lynn Brotman

BIFMA launched a new website in response to a surge in interest from government purchasers in the ANSI/BIFMA e3 Furniture Sustainability Standard and level® Certification Program. The level program was recommended by the Environmental Protection Agency in December, and this month the U.S. General Services Administration added a new “EPA Recommended” icon to its GSA Advantage! online shopping and ordering service. This new icon identifies products that conform to standards, certifications, and ecolabels recommended by the EPA. BIFMA’s new website, levelpreferred.org, offers links to help government purchasers find level-certified furniture products.

Colin Kennedy

>Fitwel was honored as one of the 2017 Top 10 Most Innovative Companies in Social Good by Fast Company. The Center for Active Design also announced five new Fitwel Champions, leading companies and institutions that have committed to applying Fitwel’s evidence-based design and operational strategies in all or a portion of their real estate workplace portfolios:
- The U.S. Centers for Disease Control and Prevention, which applied Fitwel to the current home of the National Center for Chronic Disease Prevention and Health Promotion;
- EYP Inc., a global provider of high-performance building design, research, and consulting services, which has committed to using Fitwel’s strategies as a guide for workplace design;
- Hord Coplan Macht, an award-winning architecture firm, which has committed to applying Fitwel to office spaces in Baltimore, MD, Denver, CO, and Alexandria, VA;
- Integral Group, a global engineering firm delivering green sustainable solutions to buildings and communities with a focus on health and wellness, which has committed to applying Fitwel to four offices in three countries; and
- Menkes Developments Ltd, an award-winning, fully integrated real estate company in Canada that has adopted Fitwel to implement improvements at its managed office buildings.

Champion companies will certify their own properties and advise Fitwel on future versions of the tool.

In addition, the Center for Active Design announced that over 100 individuals from leading design, development, and sustainability companies have registered to become Fitwel Ambassadors. Fitwel Ambassadors are leaders in the healthy building movement who are well versed on the evidence-based connection between workplaces, health, and productivity. They are also trained on how to best use the Fitwel Digital Scorecard to help companies track progress and attain Fitwel certification. Read More

Herman Miller has once again qualified for inclusion in the RobecoSAM Sustainability Yearbook. The company achieved Bronze Class distinction for industry-leading economic, environmental, and social sustainability performance. The Yearbook is a listing of the world’s most sustainable companies as determined by their score in the annual Corporate Sustainability Assessment. Selection criteria for inclusion in the Yearbook becomes more rigorous each year, and only the top 15% of companies within each industry are selected. This is Herman Miller’s 13th consecutive appearance in the yearbook. Read More

Keilhauer published its first annual Corporate Sustainability Report. The company has always measured its business success alongside environmental stewardship and the health and happiness of their neighboring communities; it calls this the “Triple Bottom Line” and has named its sustainability program “Planet Keilhauer.” Its 2016 CSR provides an overview of the company’s history in sustainable and ethical business practices. It also shares accomplishments from recent years and states targets for the year ahead as the company works toward achieving Closed-Loop Manufacturing. Highlights include:
- Canada’s Greenest Employer 2016 Award
- Canada’s Top Small-to-Medium Employer 2016 Award
- Expansion of Forest Stewardship Council® (FSC) certified products
- BIFMA level® 2 for all products
- SCS Indoor Air Quality Certification – Indoor Advantage Gold, for all seating and select tables
- Zero waste to landfill – 89% diverted through recycling alone
- Near zero water usage in production
- Offsetting 100% of electricity use through purchasing renewable energy credits
- Nearly 10,000 boxes saved in 2016 alone

The report also provides a behind-the-curtain look into life at Keilhauer and various initiatives that mark the company as a highly sought after employer. All manufacturing and administration are housed in the company’s two Toronto locations which provide ongoing learning, comprehensive benefits, health and wellness programs, company-wide profit sharing and a close-knit sense of community.

“I believe that great design is sustainable by nature,” said President Mike Keilhauer. “Our approach has always been to examine the current state of affairs, to anticipate the problems ahead and then design into the foreseeable needs or gaps. There is a kind of futurism to it, and in the process of understanding what may be needed and why, we inevitably consider the environmental and social impacts of our products.” Read More

PROJECTS

Kostow Greenwood Architects completed VSP Global’s new home in The Shop East, an innovation lab that develops technologies for eyewear and eye care. Located on West 40th Street in Manhattan, the new workplace is an efficient, solution-oriented, visually appealing work environment that is also fun, flexible, and casually comfortable. It is designed to encourage creative disruption within an organized work environment. The intent was to maintain an open collaborative space while simultaneously defining zones for different types of work for teams and individuals.

Working with 5,450 usable sf over 1.5 floors, Kostow Greenwood and VSP Global designers collaborated to create the ideal space:
- Executive offices: 2
- Management office: 1
- Open workstations: 24 (22 on the 9th floor and 2 on the 10th floor)
- Technology Areas: 3 (known
as The Toaster, The Color Library, and The Rapid Prototype Machine Room)

- Conference rooms: 3
- Break room with pantry: 2

Design challenges included an unfinished interior with little natural light despite having windows on three sides, and connecting the two floors to allow easy circulation and communication between the executive offices and the work teams.

The main work area is designed to have breakout team areas adjacent to the open desks to support social and small group work interactions. Specific areas are designed for group collaboration. Standing-height long narrow “tables” with writable surfaces are located between the workstations and are ideal for brainstorming and sketch sessions. Extensive felt tackable wall facilitates group work processes and efficient exchange of information, brainstorming and decision-making.

A suspended soffit housing recessed lighting articulates the beautiful open loft space of the early 1900’s NYC commercial building. It visually defines the open work areas and the support spaces, terminating at the floor in two locations – as storage cabinetry in The Color Library and a drink station for one of the pantry areas. The soffit is also the boundary for the major mechanical equipment thus hiding the locations of supply air grilles/ductwork that feed the open workstations and keep the main space ceiling open. The soffit, along with circular lights, delineate a ceiling plane within the exposed ceiling system. The cabinetry in The Color Library was designed to permit effortless storing and retrieving of eyeglass storage trays which contain countless design iterations.

An open spiral staircase with a glass panel curved wall contributes to the open flow loft environment. A total of 17 treads, made of 3form resin panels, allow light to penetrate the staircase, which connects the two floors. Read More
EVENTS

> Configura, maker of CET Designer space-planning software, will hold its 10th annual CET Designer User Conference Nov. 8-9 at The Venetian-Palazzo resort and conference center in Las Vegas. Pre-conference welcome events will be held the evening of Nov. 7. The annual conference is a blend of educational sessions led by CET Designer “power users” and Configura team members plus events designed for networking, fun and relaxation. As with the 2016 event, the 2017 conference will include a Developer Conference, bringing CET Designer users together with the developers that create the software. Also preceding the conference will be Configura’s biannual Partner Meeting, with many partners staying on for the combined conferences. The conference returns to the city where it first started a decade ago. “Each year, we ask our attendees, ‘Where should we hold next year’s conference?’ This year, Las Vegas won the popular and sentimental votes,” said Configura Vice President of Global Customer Experience Tracy Lanning.

“We’re excited to be heading back to the vibrancy that’s Las Vegas!” Read More

>Dwell on Design, which returns to the Los Angeles Convention Center Jun. 23-25, announced its first confirmed featured speaker, architect Sir David Adjaye. DODLA also announced its five content pillars and a preview of returning brands and pavilions. Guests can anticipate inspiring and engaging educational sessions about Technology/Smart Home, Health & Wellness/Aging, Urban Space/Densification, Resiliency, and Business of Design. 2017 will see a shift in the session programming, with intriguing formats including featured speakers, fire-side chats and thought-provoking panels. Attendees can expect deep dives into content via one-hour sessions and snappy downloads in short 30-minute sessions. Returning pavilions include the popular prefab homes by Method Home and Cocoon9, where attendees are welcome to tour and experience what has become a leading trend in home building and design. For the second year in a row, Prime Edition returns to the show floor. Set amid a gallery-like setting, this “show-within-a-show” offers a platform for designer-makers, industrial designers, and artists to showcase their work. The Shop will make its debut, offering one-of-a-kind finds for attendees to purchase. In addition, honoring great design in restaurant and nightlife, the AIA Restaurant Design Awards will return in 2017. Read More

>ICFF® announced its list of 15 schools participating in the 2017 ICFF Schools program. This annual program recognizes design talent emerging from leading universities worldwide. Each selected school is given an exhibit space at ICFF NYC 2017, taking place May 21-24:

- Rhode Island School of Design, presenting Patterns of Making
- University of Iowa, presenting University of Iowa 3D Design Program
- University of Oregon, presenting Compact Living: Rethinking Dormitory Life
- University of Cincinnati, presenting Midwest Modern
- Kean University, presenting Grow It Yourself Lifestyle Objects – Collaboration with Evocative Design
- Pratt Institute, presenting Design for the Mind
- Rochester Institute of Technology, presenting Metaproject 07: RIT + Umbra
- Eastern Michigan University
- Drexel University, presenting In-Play
- ECMH+UDB, presenting Design for Mobility
- Art Center College of Design
- Fashion Institute of Technology, presenting Future Nostalgia
- University of Illinois at Chicago, presenting Materials Driven Design – Letting the Material Define the Product
- San Diego State University
- Virginia Tech

One school will be selected by the ICFF Editors’ Awards team as ‘Best Design School,’ to be presented during the 2017 Editors’ Awards ceremony on the ICFF Talks stage on Sunday, May 21, 5:00 p.m. Read More
RAYMOND JAMES BRIEF 2.13.17

Knoll: 4Q16 Sales and EPS Just Shy of Our Estimates

Analysts: Budd Bugatch, David Vargas, Bobby Griffin

>After Friday’s market close (May 10), Knoll reported its 4Q16 results. 4Q16 GAAP EPS was $0.44, below our $0.45 estimate, though in line with the $0.44 consensus (three estimates; two at $0.45 and one at $0.42). Total sales declined 4.2% y/y to $292.9 million, missing our $315.1 million estimate and the $314 million consensus (two estimates).

>At the operating line, GAAP operating income was in line with our estimate. Lower than modeled sales (~$0.03 drag) were offset by a lower operating expense ratio (~$0.03 benefit). When comparing to last year’s adjusted results, gross margin improved 30 basis points y/y to 38.0% from 37.7%. The increase was related primarily to favorable net price realization and operational efficiencies partially offset by less year-over-year fixed-cost leverage benefits resulting from lower sales volume.

>SG&A decreased from $81.4 million, excluding $11.1 million of charges, in 4Q15 (26.6% of sales) to $75.6 million (25.8% of sales) in 4Q16. The decrease in adjusted operating expenses was related to lower commissions and incentive accruals associated with the decreased sales.

>Office Furniture: Sales in Knoll’s office furniture segment declined 8.4% y/y to $180.9 million, missing our $201.5 million estimate. The decrease in sales was due to a decline in demand in certain geographies and vertical markets. Management noted that office space absorption declined precipitously in the fourth quarter and believes it impacted the industry as a whole. Operating income on a normalized basis increased 1.6% y/y to $17.4 million (9.6% of sales), but missed our $18.3 million estimate (9.1% of sales).

>Studio: Sales for Knoll’s Studio segment increased 3.3% y/y to $83.4 million, below our $85.5 million estimate. The increase in Studio segment sales was led by KnollStudio in North America, offset partially by a decline in Europe due to the timing of a couple of large projects in the fourth quarter of 2015. Studio operating income increased 14.8% y/y to $12.5 million (15% of sales), above our $11.7 million (13.7% of sales) estimate.

>Coverings: In Coverings, its smallest segment, sales increased 4.1% y/y to $28.5 million, slightly above our $28 million estimate. Segment operating income declined 0.3% to $5.9 million (20.7% of sales), just below our $6 million (21.6% of sales) estimate.

>Over the last 12 months, the four major Office Furniture equities have each outperformed the broader S&P500 index. In that time, KNL has gained 48% (similar to HNI) versus ~24%...
for broader index. MLHR and SCS gained 36% and 38%, respectively. Given the unusual timing of Knoll's earnings release (Friday after the close) and the miss to estimates, we suspect KNL might exhibit some weakness in early trading Monday morning. As we know it, Knoll had been releasing earnings on Fridays, before the open, with its call shortly thereafter.

> We will have additional comments and updated estimates following management's 10:00 a.m. (ET) call on Monday, February 13.

**RAYMOND JAMES BRIEF 2.13.17**

**Knoll: Cautious on 1H17; Lowering Estimates; Reaffirm MP3**

Analysts: Budd Bugatch, David Vargas, Bobby Griffin

> **Recommendation:** We reaffirm our Market Perform rating on KNL following Knoll's 4Q16 report and conference call. Following strong 3Q16 results, management delivered a slight miss versus our EPS estimate and a wider miss versus revenues. Disappointingly, its office segment sales declined 8.4%; and management's view on its and the industry's 1H17 was cautious at best. It repeated a similar refrain heard from other office furniture manufacturers, notably: more small and medium sized projects, weakness in energy and finance verticals, and slowing office space absorption. We are staying on the sidelines for now as we believe Knoll's 1H17 faces these and company unique challenges (ERP implementation and incremental office segment investments). Finally, despite trading lower by -14% following the 4Q16 release, KNL now trades at ~14x our FY17 EPS estimate, in-line with its five-year median.

> **Event:** As detailed in an earlier brief, Knoll delivered 4Q16 GAAP EPS of $0.44, below our $0.45 estimate, though in line with the $0.44 consensus. Total sales declined 4.2% y/y to $292.9 million, missing our $315.1 million estimate and the $314 million consensus. Sales in the office furniture segment disappointed, declining 8.4% y/y to $180.9 million, missing our $201.5 million estimate. Despite the decline in revenue, operating income in the office furniture segment increased slightly y/y. In the office furniture division, Knoll experienced a 20% drop in the number of projects greater than $1 million in 4Q16.

> **Outlook:** Management's conference call message was not surprising in light of commentary from other office furniture manufacturers. It saw a slowdown in business around the election period but the weakness was limited to the financial services and energy verticals. CEO Andrew Cogan, expects the weakness seen in 4Q16 to persist for a couple of quarters. Positively, through the slowdown, Knoll's pipeline of activity continued to grow but with much of the activity being deferred.

> **Rockwell Unscripted:** At last June's NeoCon trade show, Knoll unveiled its entry into "resimercial" with a collection designed by David Rockwell called Rockwell Unscripted. We thought it was among the strongest introductions at the show. Management commented that pre-selling and client interest in the collection has been strong. It will begin accepting orders in 1Q17 and will start shipping in 2Q17. It believes Rockwell has the potential to deliver $50 to $100 million in revenue annually within five years.

> **Estimates:** Our updated estimates now reflect a much slower start to 2017 than previously modeled. We expect 1Q17 to be particularly impacted by a limited ship week at the end of March, related to the next phase of ERP implementation, and by the smaller project size phenomenon impacting the industry. Tough office comparisons also do not help. See the additional comments below about expectations for 2017. Our updated estimates:

<table>
<thead>
<tr>
<th>Non-GAAP EPS 2016A</th>
<th>Q1 $0.36; Q2 $0.44; Q3 $0.44; Q4 $0.44; Full Year $1.68</th>
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</thead>
<tbody>
<tr>
<td>GAAP EPS 2016A</td>
<td>$1.68; Revenues (mil.) $1,164</td>
</tr>
<tr>
<td>Non-GAAP EPS 2017E</td>
<td>Q1 $0.21; Q2 $0.42; Q3 $0.46; Q4 $0.52; Full Year $1.60</td>
</tr>
<tr>
<td>GAAP EPS 2017E</td>
<td>$1.60; Revenues (mil.) $1,164</td>
</tr>
<tr>
<td>Non-GAAP EPS 2018E</td>
<td>Q1 $0.29; Q2 $0.47; Q3 $0.50; Q4 $0.58; Full Year $1.84</td>
</tr>
<tr>
<td>GAAP EPS 2018E</td>
<td>$1.84; Revenues (mil.) $1,242</td>
</tr>
</tbody>
</table>

> **Additional Comments**

For Knoll, 2017 looks like it will be a “tale of two halves.” As noted, 1Q17 seems likely to be ugly in that 4Q16 Office segment were punk, hurt by depressed NYC activity, a changing character of the industry (smaller project sizes), and a limited shipping week due to the scheduled implementation of its ERP system at the end of the quarter.

That said, management will be accepting orders for its Rockwell Unscripted collection at 1Q17 end, with shipping beginning in 2Q17. It also expects to add sales personnel to its office segment – adding expense to the segment, but a capability that we suspect will allow it to capture additional sales. Accordingly, we are projecting a severe drop in office revenues for 1Q17 but an improving situation as the year unfolds.

Several other investment considerations add uncertainty to forecasting Knoll's full year 2017 results. The company is at the early stage of its “lean” journey; and while the long-term outlook for what “lean” can do for operating results is positive, evidence of improvement is likely less visible in the early stages...
of the journey. Another issue that will impact the operating results for the year relates to pension expense. When the company discloses its full year 10-K (scheduled for March), we believe it will show that its pension plan is pretty much fully funded (accounting showed a $63 million underfunding as of the accounting date in 2015. It was helped to that level by a $43 million contribution made in 4Q16. Management believes its year-over-year pension expense will drop by “several million dollars.”

Also, as noted earlier, raw materials are beginning to inflate. Management is raising prices (ranging from ~2.5% to 3.5%) that it expects will offset those anticipated raw material increases. It is bolstered in that belief by the smaller project sizes that result in less discounting than larger projects, thereby increasing the likelihood for better price realization of the increases.

Finally, management is in the process of changing its segment reporting to segregate corporate expense from the underlying segments. While our initial presumption would be for corporate overhead to be relatively fixed, we were advised the opposite: that it would exhibit some quarter-to-quarter volatility. Admittedly, our initial estimates are a guess.

**BUSINESS AFFAIRS**

>ASID released its Interior Design Billings Index fourth-quarter 2016 report. December’s ASID IDBI value slipped to 52.9 from the third quarter’s score of 54 but remained in expansionary territory, as it had throughout 2016. The December index is weaker than its three-month moving average of 54.1, indicating decreasing momentum, but favorable business conditions remain. The new project inquiry rate increased to 59.3, slightly above its third quarter score of 59.2.

Design firms in the South, West, and Northeast ended 2016 on good footing with scores above 50. Design firms in the Midwest reported choppy billings each month of the fourth quarter, ending on a low IDBI score of 45. Month-to-month ups and downs were the norm but all sectors reported at least eight months of month-to-month growth in the past 12 months. The South was the strongest, reporting eleven months with IDBI scores of 50 or more.

Billing results were positive across all market specializations, except the multifamily sector. Business conditions for design firms specializing in the commercial sector and the institutional sector flattened as the IDBI’s three-month moving average moved to scores of 51 and 50, respectively. Billings for design firms specializing in single-family and multifamily residential sectors retreated from higher scores earlier in the year, posting scores of 55 and 48, respectively.

The six-month business conditions outlook index score of 63.6 for December was markedly higher than September’s (59) and June’s (57) scores. The consistency of these scores (above 50) going back over twelve months argues for continued expansion for the design industry. Taken together, the ASID six-month interior design business conditions index, the Conference Board’s expectations index, and the Dodge Momentum Index remain at recent highs and indicate a positive trajectory for the design and construction industries in 2017.

“The economy didn’t do particularly well last year with its lackluster 1.9 percent annualized growth rate during the 4th quarter and 1.6 percent rate for all of 2016,” said ASID economist Jack Kleinhenz. “The economy is on firmer turf and poised for solid growth in 2017. It is expected to continue to build on its momentum in the consumer and housing sectors. This is good news and supports the positive outlook reported by ASID panelists.” Read More

>HNI Corp.’s Board of Directors declared a quarterly dividend of 27.5 cents per share on its common stock. The dividend will be payable on Mar. 6 to shareholders of record at the close of business on Feb. 27. http://investors.hnicorp.com/

>Interface, Inc. intends to release its fourth quarter and fiscal year 2016 results on Wednesday, Feb. 22, after the close of the market, with a conference call scheduled for Thursday, Feb. 23, 8:30 AM Eastern Time. Chairman and CEO Daniel T. Hendrix, President and COO Jay D. Gould, and Vice President and Corporate Controller Gregory J. Bauer will host the call. A live webcast will be available on Interface’s Investor Relations page, where a replay will be archived for approximately one year. http://interfaceglobal.com/Investor-Relations.aspx
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