



THIRD
QUARTER
2024

CIRT SENTIMENT INDEX



in partnership with



Construction Industry
Round Table

AUGUST 2024

EXECUTIVE SUMMARY

The third quarter 2024 CIRT Sentiment Index declined on all aspects, with the overall index score dropping to 62.6 from 67.0 in the second quarter. The Design Index also retreated to 66.3 in the third quarter, from 71.1 in the prior quarter.

This quarter CIRT members reported declining sentiment across all economic components, including the overall U.S. economy, the economy where members operate, members’ construction businesses and the nonresidential sector. Similar declines were measured across respondents’ backlogs and productivity inputs, which aligns with the reported relief about labor and material cost pressures in the near term.

Comparing segment expectations from last quarter, design and construction results both suggest receding opportunities. The Design sentiment level was negatively impacted by international work, transportation, health care, consulting planning and residential expectations. On the other hand, it improved marginally across commercial, education and industrial. As for the Construction sentiment, it was weakened overall by declining expectations across transportation, industrial, public works and international work.

Members were asked this quarter to respond to current-issues questions regarding margin pressures as well as anticipated cost volatility through the remainder of 2024 versus 2025. We also asked about labor productivity, budgeted versus actual project labor costs, and members’ expectations of labor impacts from the Department of Labor’s final rule on salary threshold minimums and overtime pay exemptions.

Approximately one-third of members reported compressing margins in 2024, and a similar but growing share predicted continued compression in 2025. Labor and owner requirements and risk allocation are the top two largest

CIRT Index Movement			
Sentiment Index		Design Index	
62.62		66.32	
		Q3 2024	Q2 2024
Overall U.S. Economy	↓	59.84	60.00
Economy Where We Do Business	↓	59.02	63.33
Our Construction Business	↓	67.61	69.29
Nonresidential Sector	↓	58.33	64.41
Backlog	↓	63.39	67.50
Cost of Labor	↓	79.51	85.00
Cost of Materials	↓	61.48	66.67
Productivity	↓	49.18	50.83

contributing factors. Owner requirements and risk allocation was the most volatile/rising cost factor for both 2024 and 2025.

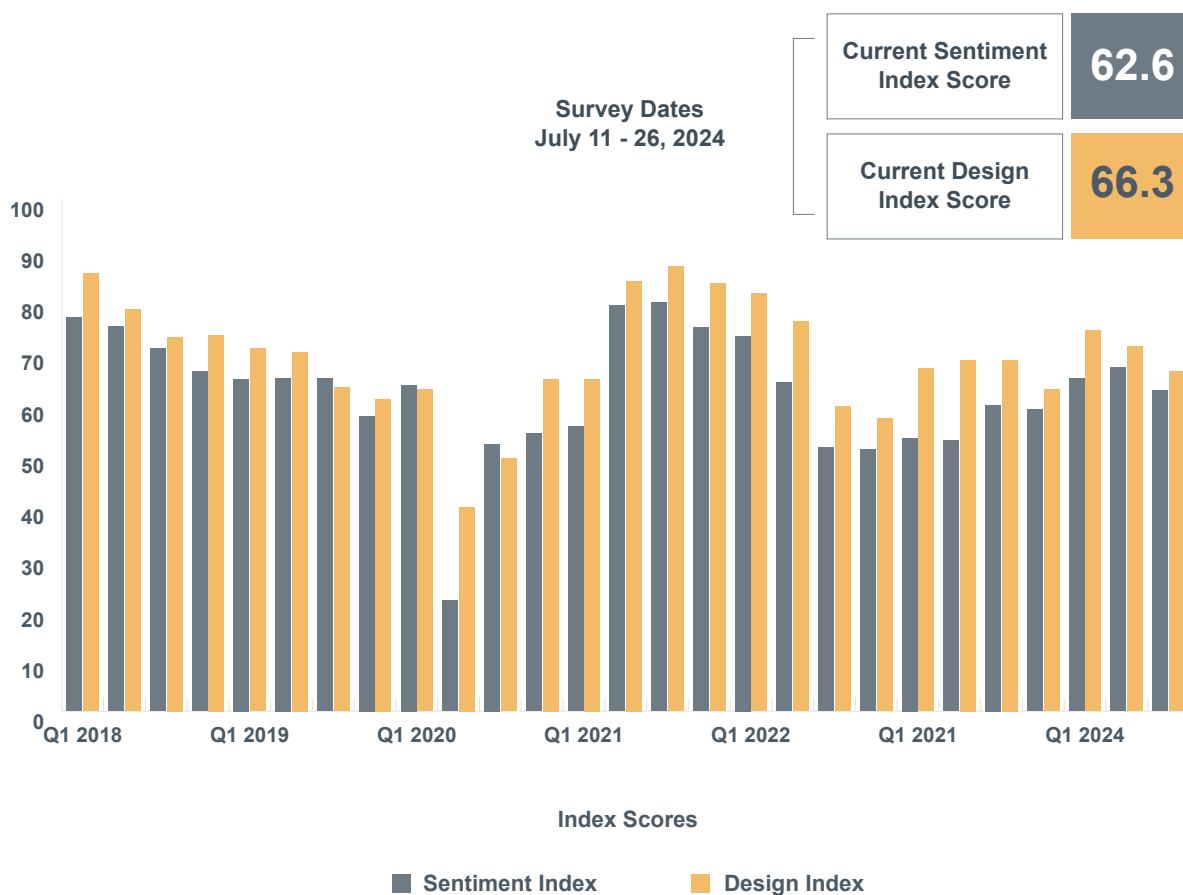
Nearly half of members said they have overrun budgeted project labor costs this year. Labor productivity has been consistent for the past 18 months, with most members reporting stable productivity going back to the beginning of 2023.

CIRT members do not anticipate the new wage rule from the Labor Department to impact newer or younger salaried employees. The majority of those who do, however, expect to adjust compensation by paying overtime on top of the current salary levels (on an hourly basis) as needed. Though long-term outcomes are uncertain, it's encouraging that most responding members do not believe this new rule to be detrimental to developing employees in these roles.

Among the industries represented by CIRT's member base, segment expectations remain mixed. Both short- and long-term design gains are anticipated across indus-

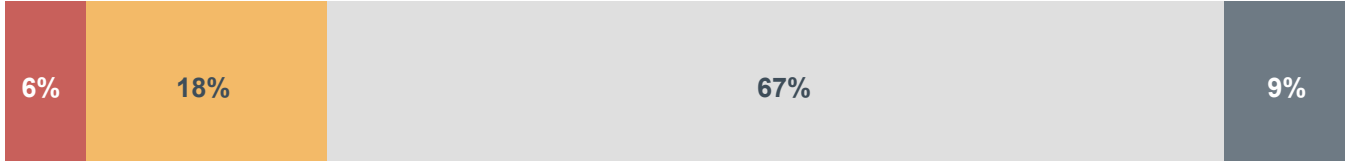
trial and transportation opportunities (as represented by growth figures reported higher than 3.5). Conversely, sentiment remains weak or has weakened across most other building categories, including commercial, education, health care and residential, all of which are expected to remain challenged through this time next year. Among members' construction sector expectations, health care, industrial, manufacturing, public works and transportation stand out as the top five areas with expanding opportunities over both the short and long term. Conversely, office, lodging, commercial and international are expected to remain challenged through mid-2025.

CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q1 2018 TO Q3 2024

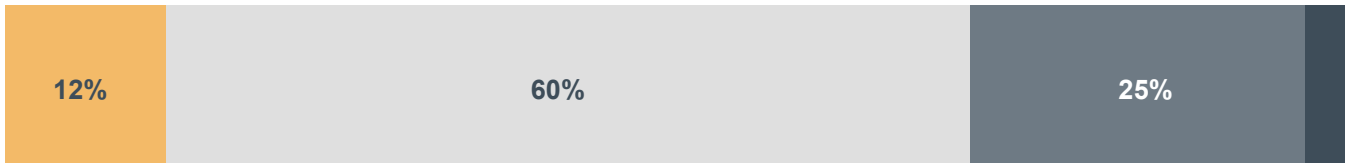


EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS FOR NEXT QUARTER

Residential Building Construction Market

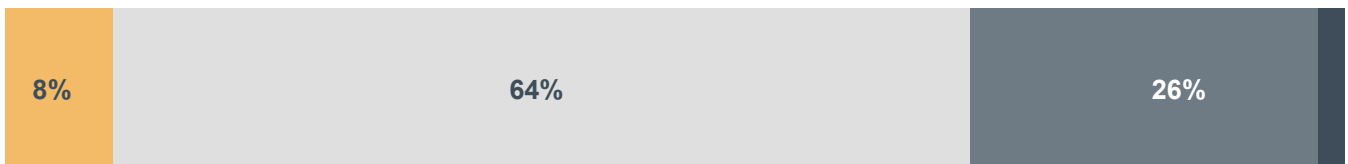


Nonresidential Building Construction Market

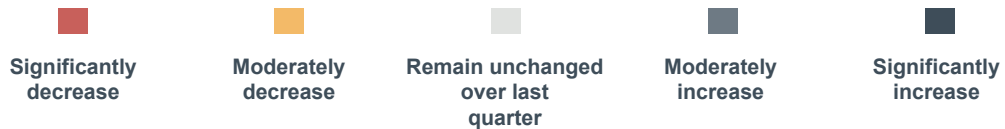
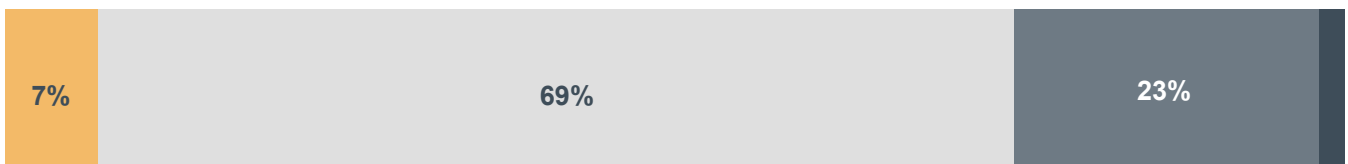


LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER

The overall U.S. economy will:



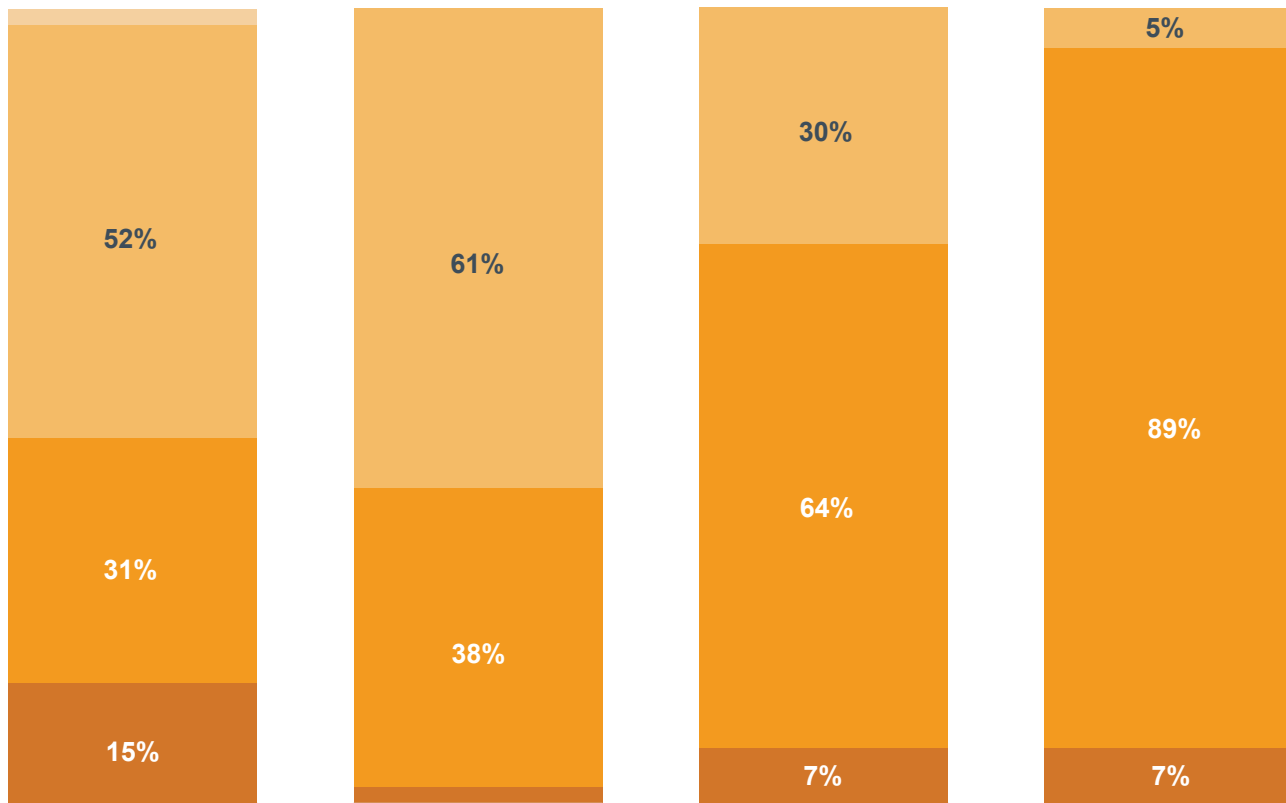
The economy where we do business will:



*Values lower than 6% are not shown numerically.

CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER

COMPARED TO THE PRIOR QUARTER



Backlog

Cost of Labor

Cost of Materials

Productivity

 Significantly decrease

 Moderately decrease

 Remain unchanged

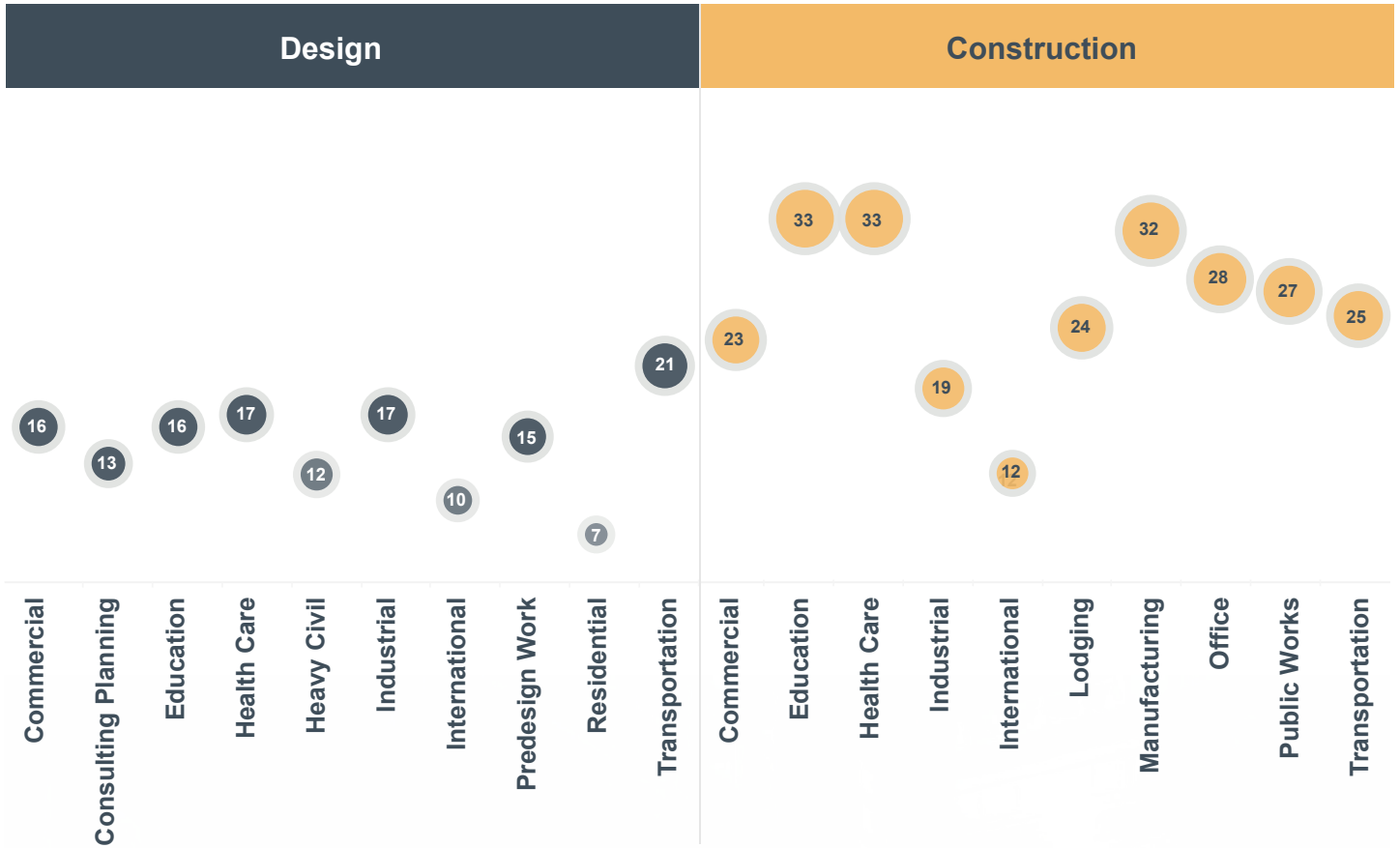
 Moderately increase

 Significantly increase

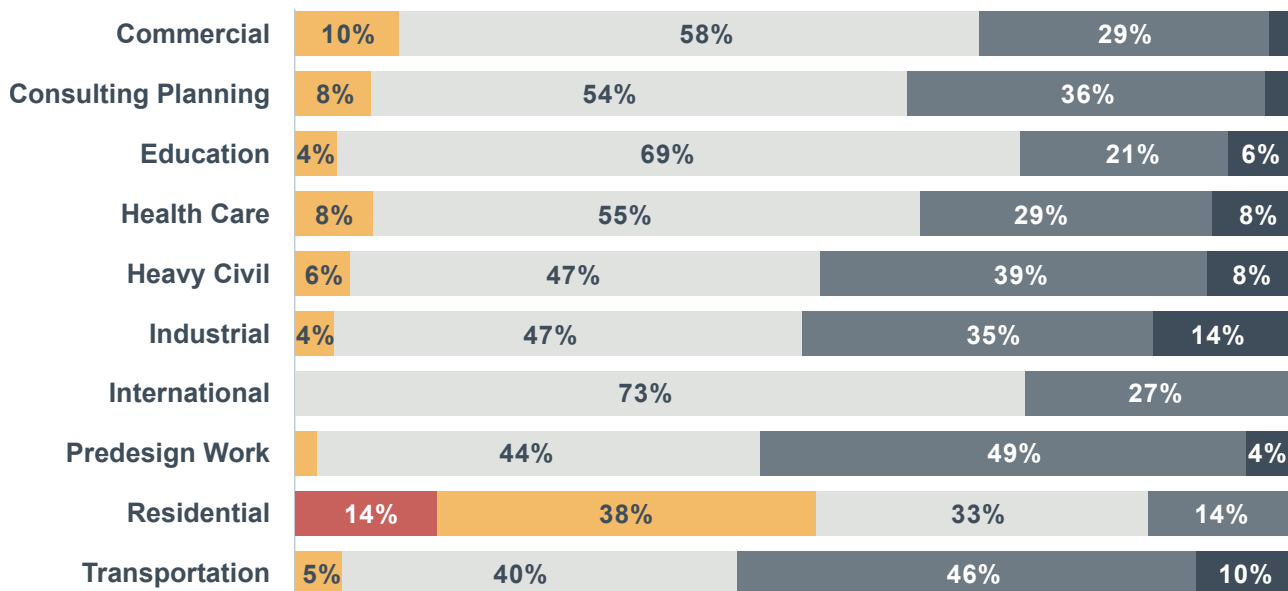
*Values lower than 5% are not shown numerically.



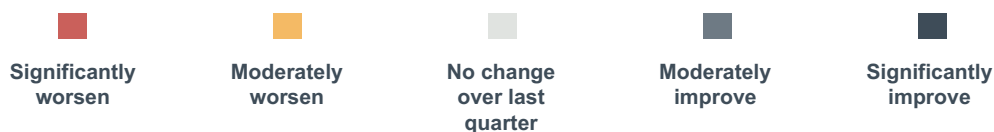
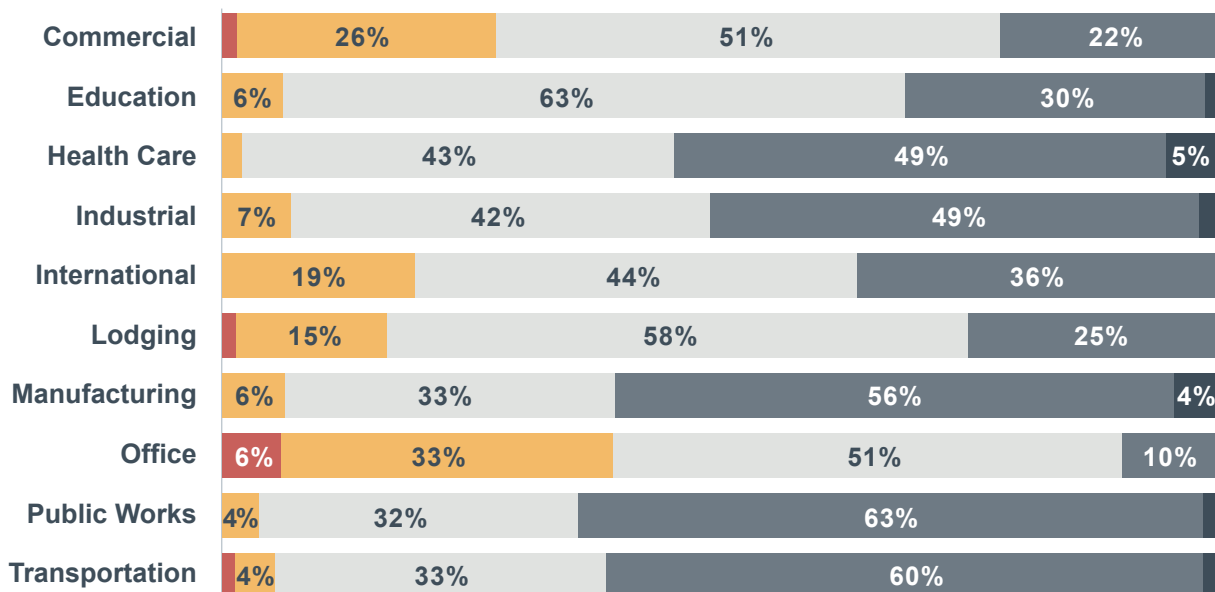
MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR



PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN



PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



*Values lower than 4% are not shown numerically.

We asked members to respond to current-issues questions this quarter about margin pressures and anticipated cost volatility through the remainder of 2024 versus 2025. We also asked about labor productivity, budgeted versus actual labor costs, and members' expectations of labor impacts from the final rule from the Department of Labor on minimum wage and overtime pay exemptions.



CURRENT TRENDS

MARGIN PRESSURES AND ANTICIPATED COST VOLATILITY

Approximately one-third of members reported compressing margins in 2024, and a similar but growing share predicted continued compression in 2025. Labor and owner requirements and risk allocation are the two largest contributing factors to these margin pressures. Though labor has a larger impact due to size, owner

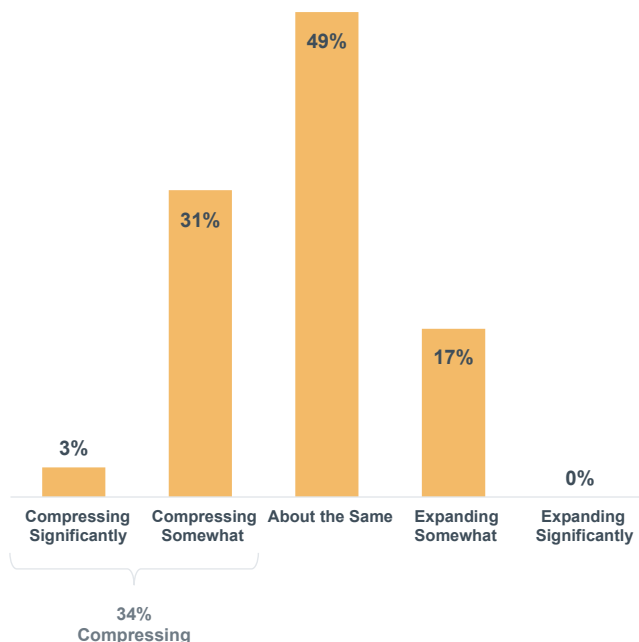
requirements and risk allocation are the top expanding cost categories in 2024 and 2025, with nearly 70% of members citing them as volatile and increasing. Labor was the second most cited volatile and rising cost factor reported for 2024 and 2025.

MARGIN PRESSURES

MARGIN PRESSURES ARE EXPECTED TO RISE, LED BY LABOR AND OWNER REQUIREMENTS/RISK ALLOCATION COSTS.

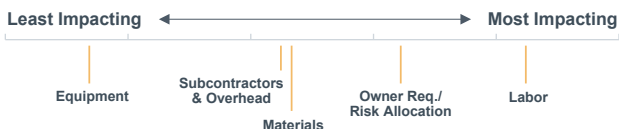
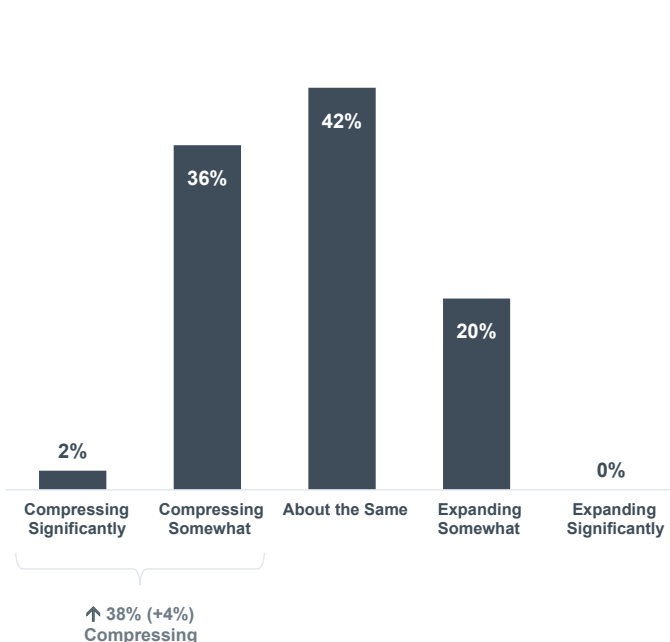
REFLECTION

HOW WOULD YOU DESCRIBE MARGIN PRESSURES IN 2024 COMPARED TO 2023?



PREDICTION

HOW WOULD YOU DESCRIBE MARGIN-PRESSURE EXPECTATIONS FOR 2025?

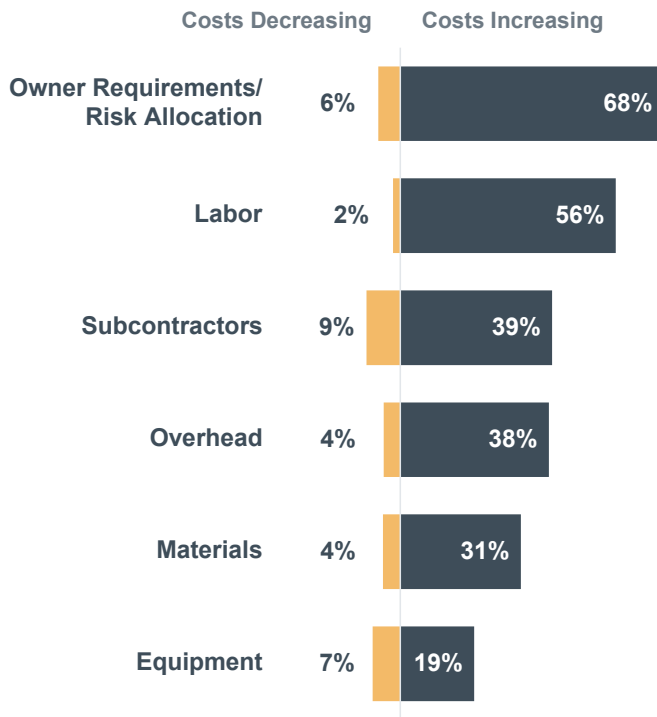


COST VOLATILITY

RESPONDENTS GENERALLY BELIEVE THAT COSTS WILL CONTINUE TO INCREASE THROUGH THE REMAINDER OF THE YEAR AND THROUGH 2025. COST INCREASES WILL BE LED BY OWNER REQUIREMENTS/RISK ALLOCATION AND LABOR.

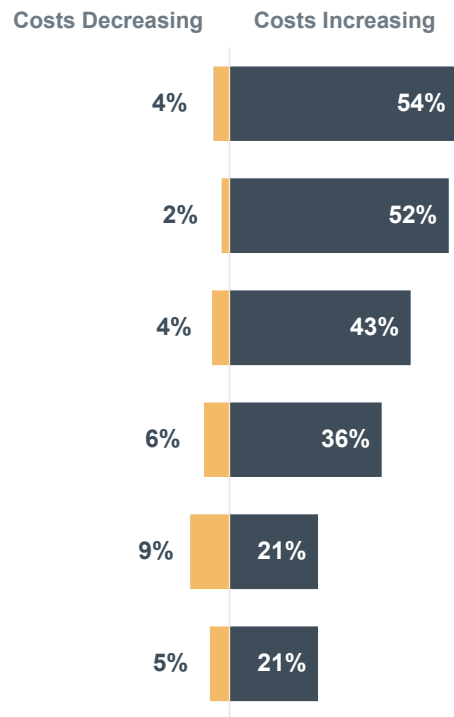
REFLECTION

COST VOLATILITY BY FACTOR (2024)



PREDICTION

COST VOLATILITY BY FACTOR (2025)



*Percent share (%) of respondents indicating price volatility. "Costs remaining the same" responses are not shown.

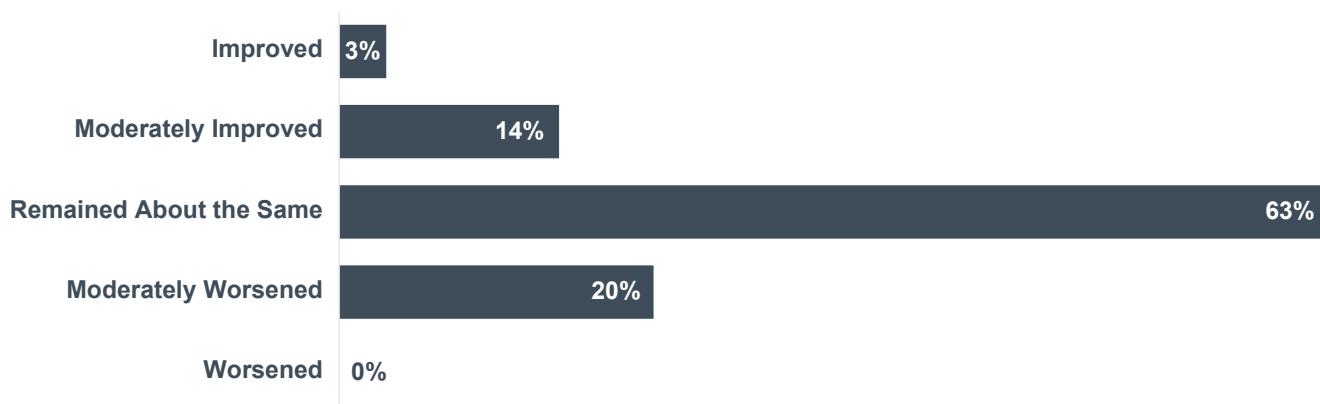


LABOR PRODUCTIVITY

Nearly half of members reported that generally labor costs overran budgets this year, with the other half meeting budget expectations. Members' experiences with labor productivity have been mostly balanced during the

past 18 months, with 17% reporting improved productivity and 20% saying productivity worsened. Most members said labor productivity has remained stable since the beginning of 2023.

WHAT HAS BEEN YOUR EXPERIENCE WITH LABOR PRODUCTIVITY OVER THE PAST 18 MONTHS?



HOW ARE YOUR ACTUAL LABOR COSTS VERSUS BUDGETED COSTS EXPECTED TO BE THROUGH 2024:



DEPARTMENT OF LABOR DECLARATIONS ON WAGES

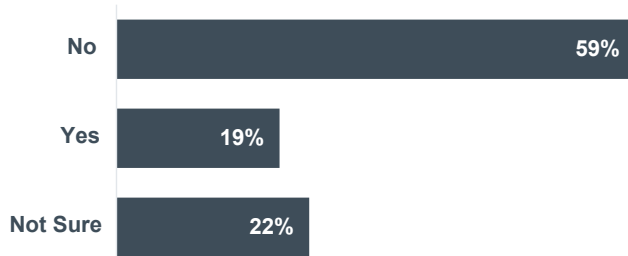
Most responding members – 59% – do not anticipate the new rules on wages from the Labor Department to impact newer or younger salaried employees. The majority of those who do, however, expect to adjust compensation by paying overtime on top of the current salary

levels (on an hourly basis) as needed. Though long-term outcomes are uncertain, it’s encouraging that a plurality of responding members (47%) do not believe this new rule to be detrimental to developing employees in these roles.

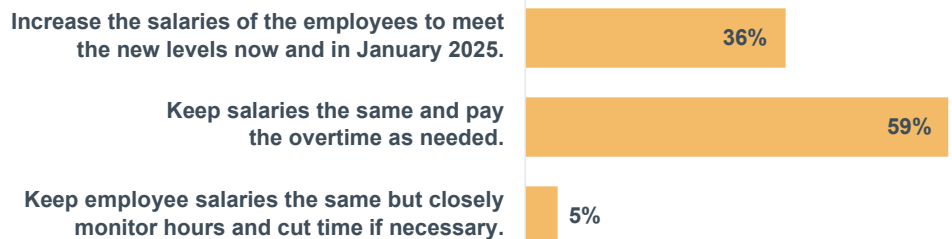
THE DEPARTMENT OF LABOR’S FINAL RULE

NEW LABOR DEPARTMENT WAGE RULES INCREASE THE MINIMUM SALARY OVERTIME EXEMPTION FOR NEW EMPLOYEES TO \$58,656 PER YEAR (\$1,128 PER WEEK) FROM \$43,888 PER YEAR (\$844 PER WEEK) AS OF JULY 1, 2024.

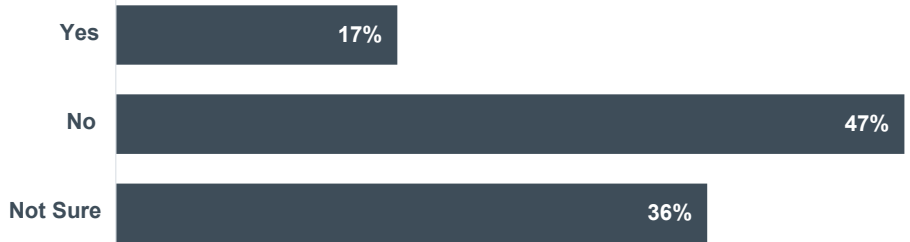
WILL THESE PLANNED CHANGES (NOW AND AFTER JAN. 1, 2025) LIKELY IMPACT NEWER/YOUNGER PROFESSIONAL OR ADMINISTRATIVE SALARIED EMPLOYEES CURRENTLY EXEMPT FROM OVERTIME PAYMENTS IN YOUR COMPANY?



HOW WILL YOU ADJUST COMPENSATION TO ACCOUNT FOR THE CHANGES?



DEPENDING ON THE COURSE TAKEN, DO YOU BELIEVE THIS RULEMAKING CAN BE DETRIMENTAL TO THE DEVELOPMENT AND LEARNING OF YOUNGER PROFESSIONALS/ ADMINISTRATIVE EMPLOYEES?



DESIGN AND CONSTRUCTION OUTLOOK BY SEGMENT

This quarter respondents were asked how the design and construction sectors will change next quarter, six months from now and one year from now. Each industry score is

on a scale of 1 to 5, with 1 being the worst and 5 being the best. Each response reflects the change in score in comparison to the starting average score of the next quarter.

DESIGN OUTLOOK

Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	3.13	3.31	3.25
Consulting Planning	3.23	3.46	3.31
Education	3.25	3.44	3.19
Health Care	3.29	3.41	3.41
Heavy/Civil	3.58	3.67	3.25
Industrial	3.53	3.47	3.76
International	3.20	3.20	3.40
Predesign Work	3.27	3.73	3.67
Residential	2.14	2.57	2.71
Transportation	3.62	3.62	3.57

CONSTRUCTION OUTLOOK

Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	2.70	3.00	3.09
Education	3.12	3.18	3.48
Health Care	3.52	3.58	3.64
Industrial	3.32	3.47	3.58
International	3.08	3.17	3.25
Lodging	2.88	3.13	3.21
Manufacturing	3.63	3.50	3.63
Office	2.57	2.68	2.68
Public Works	3.59	3.59	3.67
Transportation	3.48	3.48	3.72

Darker shades indicate higher optimism.





ABOUT THE CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)

The Construction Industry Round Table (CIRT) is composed exclusively of approximately 130 CEOs from the leading architectural, engineering and construction firms doing business in the United States.

CIRT is the only organization that is uniquely situated as a single voice representing the richly diverse and dynamic design/construction community. First organized in 1987 as the Construction Industry Presidents' Forum, it has since been incorporated as a not-for-profit association. Under its mission statement, CIRT is “a network of leading design/construction firms in the U.S.,” which “seeks to inspire its members to be an innovative force creating a safe and sustainable quality of life for the future.”

The Round Table strives to create one voice to meet the interests and needs of the design/construction community. CIRT supports its members by actively representing the industry on public policy issues, by improving the image and presence of its leading members, and by providing a forum for enhancing and developing strong management approaches through networking and peer interaction.

The Round Table's member CEOs serve as prime sources of information, news and background on the design/construction industry and its activities. If you are interested in obtaining more information about the Construction Industry Round Table, please call 202-466-6777 or contact us by email at cirt@cirt.org.

CIRT SENTIMENT INDEX

The CIRT Sentiment Index is a survey of members of the Construction Industry Round Table conducted quarterly by FMI. For press contact or questions about the CIRT Sentiment Index, contact Mark Casso at mcasso@cirt.org.

CONFIDENTIALITY

All individual responses are confidential and shared outside of FMI only in the aggregate. All names of responding individuals remain confidential to FMI.



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