



Industry Focus. Powerful Results.™

CIRT Sentiment Index

Fourth Quarter Report





EXECUTIVE SUMMARY

INDEX MOVEMENT

| | Q2 2018 | Q3 2018 |
|-----------------------------------|------------|------------|
| Overall U.S. Economy ↓ | 68.00 | 67.86 |
| Economy Where We Do Business ↓ | 68.00 | 67.86 |
| Our Construction Business ↓ | 83.06 | 76.85 |
| Nonresidential Sector ↓ | 65.00 | 61.90 |
| Backlog ↑ | 77.00 | 77.78 |
| Cost of Labor ↑ | 91.00 | 94.05 |
| Cost of Materials ↑ | 91.00 | 94.05 |
| Productivity ↓ | 49.00 | 45.24 |

The fourth quarter 2018 CIRT Sentiment Index Report saw a decrease in the Sentiment Index and a slight increase in the Design index when compared with Q3. The Sentiment Index fell from 70.7 to 66.3, and the Design Index rose from 73.0 to 73.4. Looking back on the past two years, this movement is consistent with the Index's normal cyclical trends. Historically, the Indexes start high during Q1 and then gradually fall as the year progresses; the cycle ends with a lower score in Q4 before rising again in Q1, reflective of the optimism that the new year and the start of the new construction season bring.

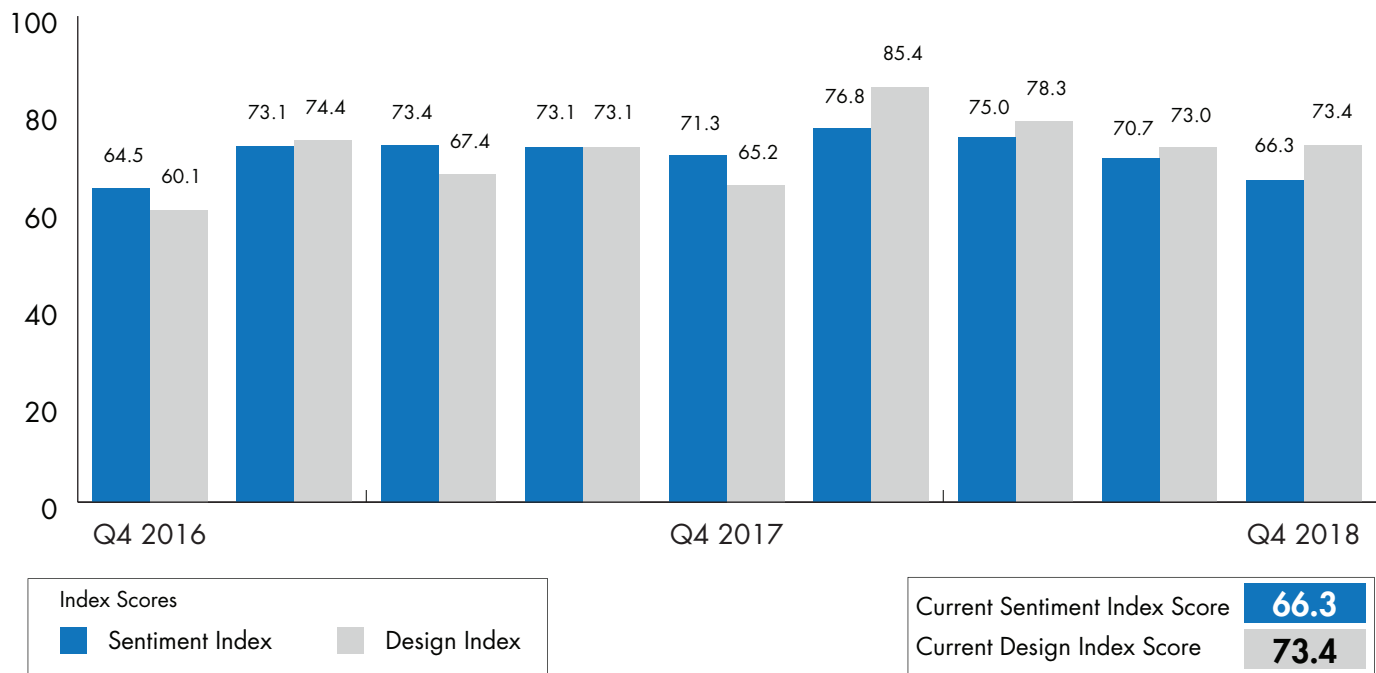
This quarter's current issues questions revolved around the topics of technology adoption and data practices at construction companies and asked several questions about the current administration's efforts to streamline the permit process.

Interestingly, 100% of the respondents in this quarter's survey answered that they are actively seeking out new tech solutions in the realm of business management software, mobile field applications and other such project management and business intelligence tools. Additionally, the majority of members are also currently developing a data strategy for their businesses and desire to more fully utilize their data in business decisions.

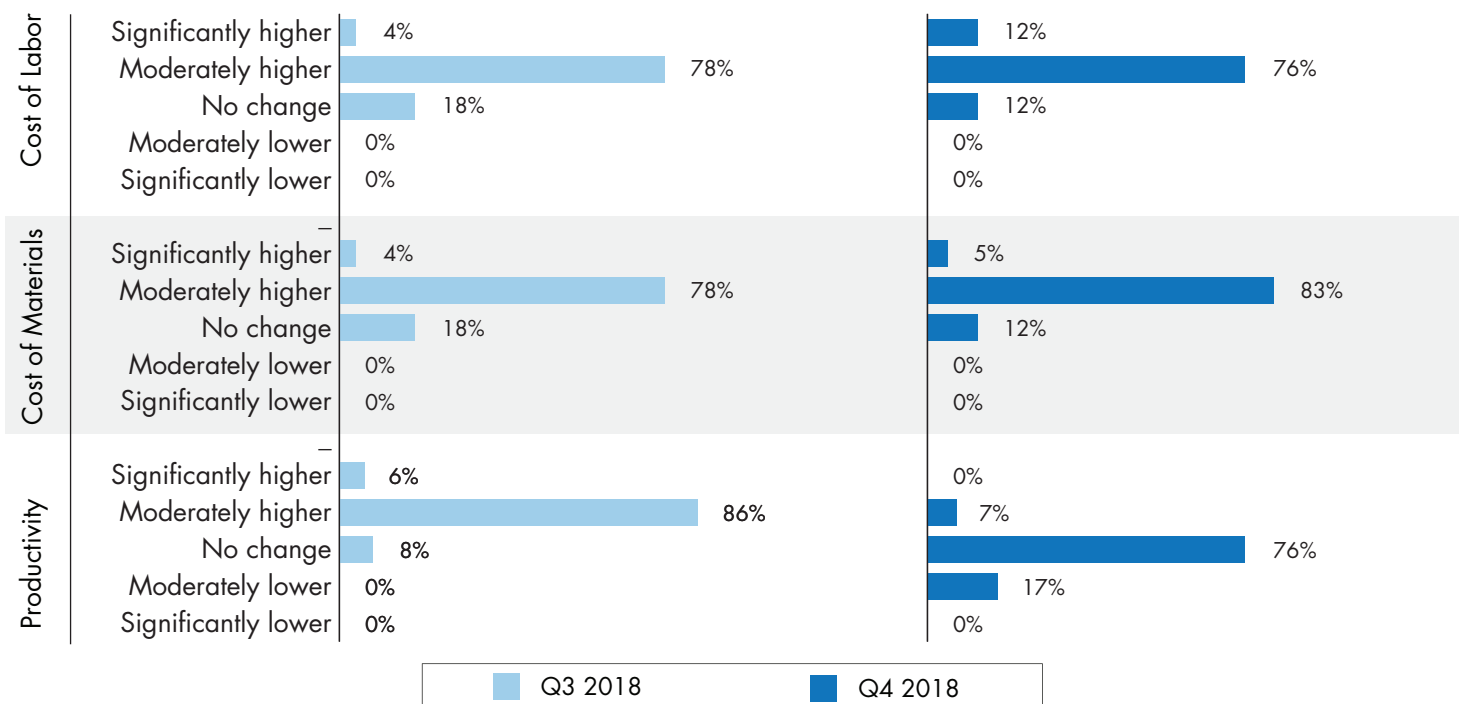
On the topic of labor costs, CIRT members reported that they believe costs have risen noticeably in the past six to nine months as the infrastructure markets begin to expand more rapidly. Additional questions about the current administration's efforts to streamline the regulatory process revealed that most respondents don't feel as though they've benefited from any of the changes.

Among the industries represented by CIRT's member base, the consulting planning, industrial, pre-design and transportation industries are perceived to experience the most amount of moderate improvement for next quarter within the design sector, and the industrial, international, public works and transportation industries are viewed to experience the most positive change within the construction sector.

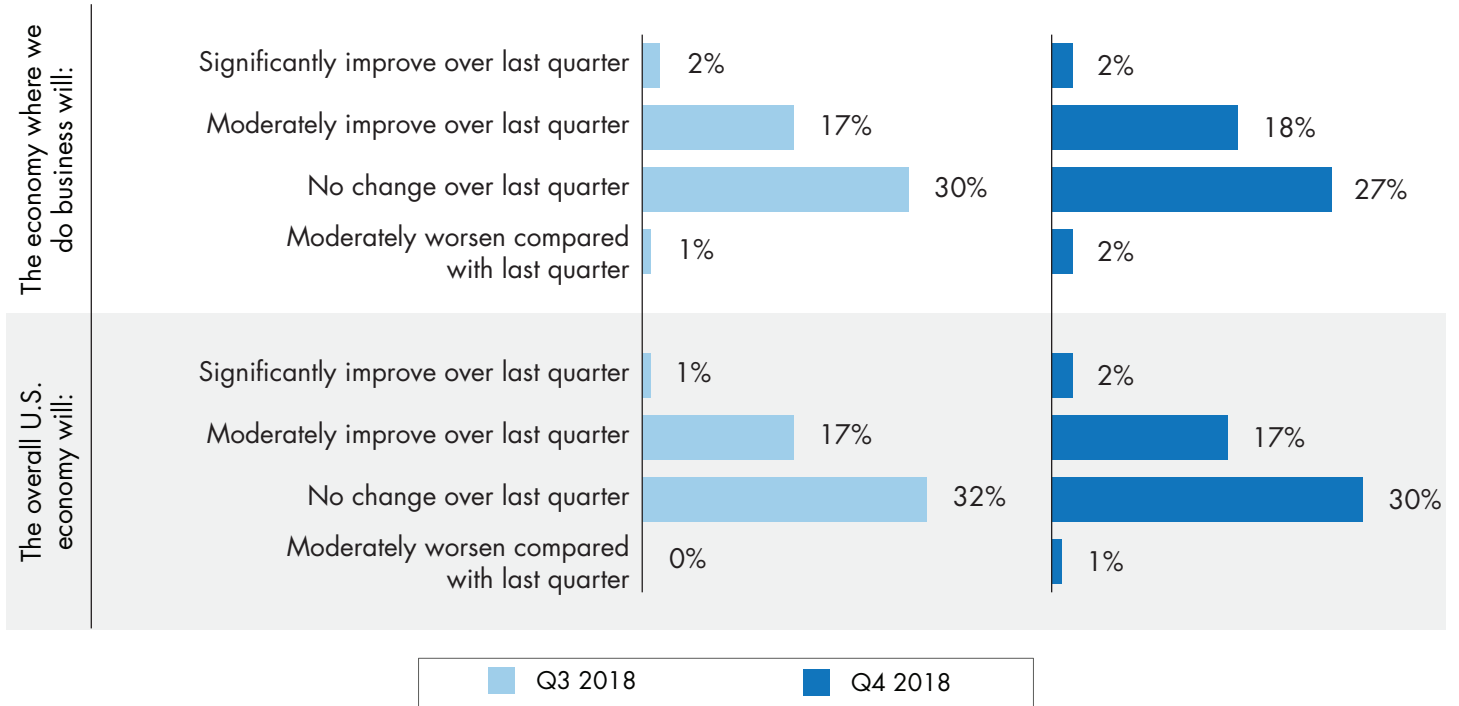
CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q4 2016 TO Q4 2018



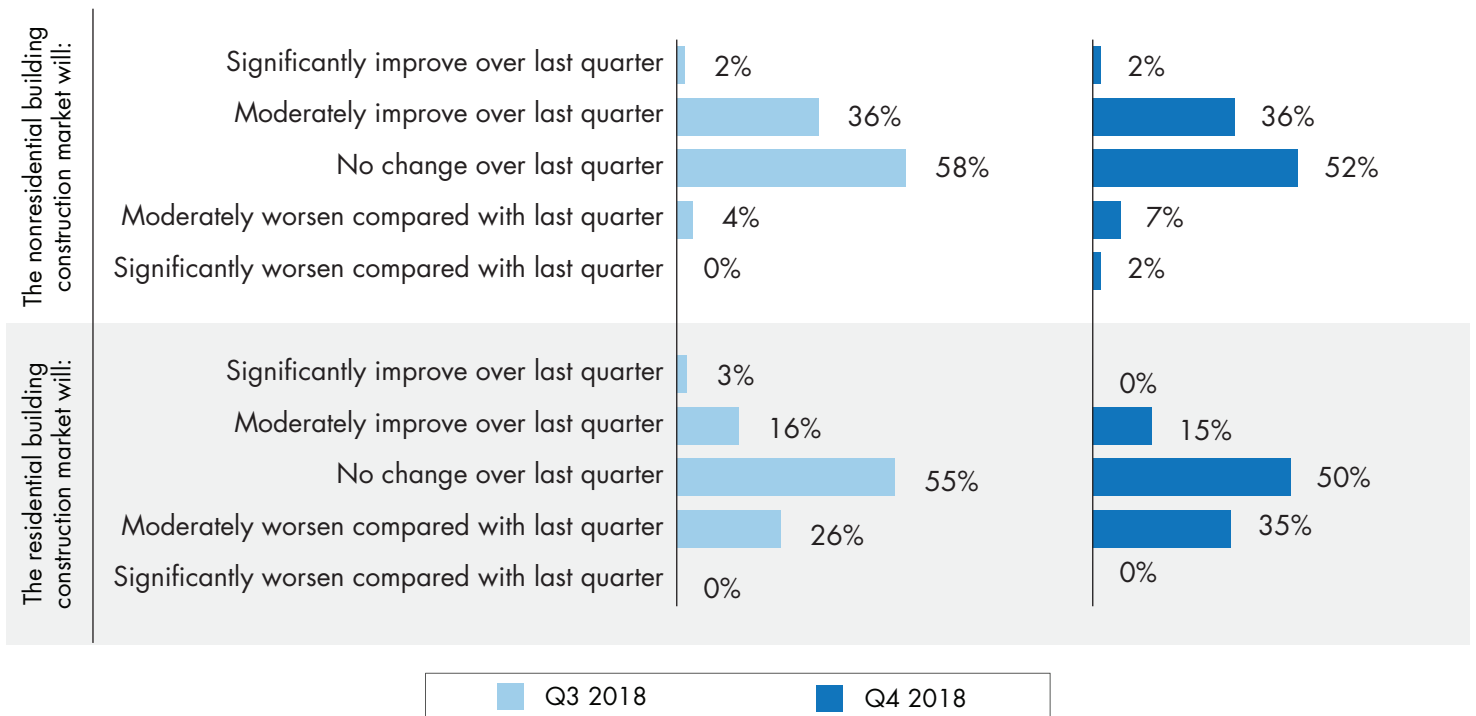
CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER



LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER

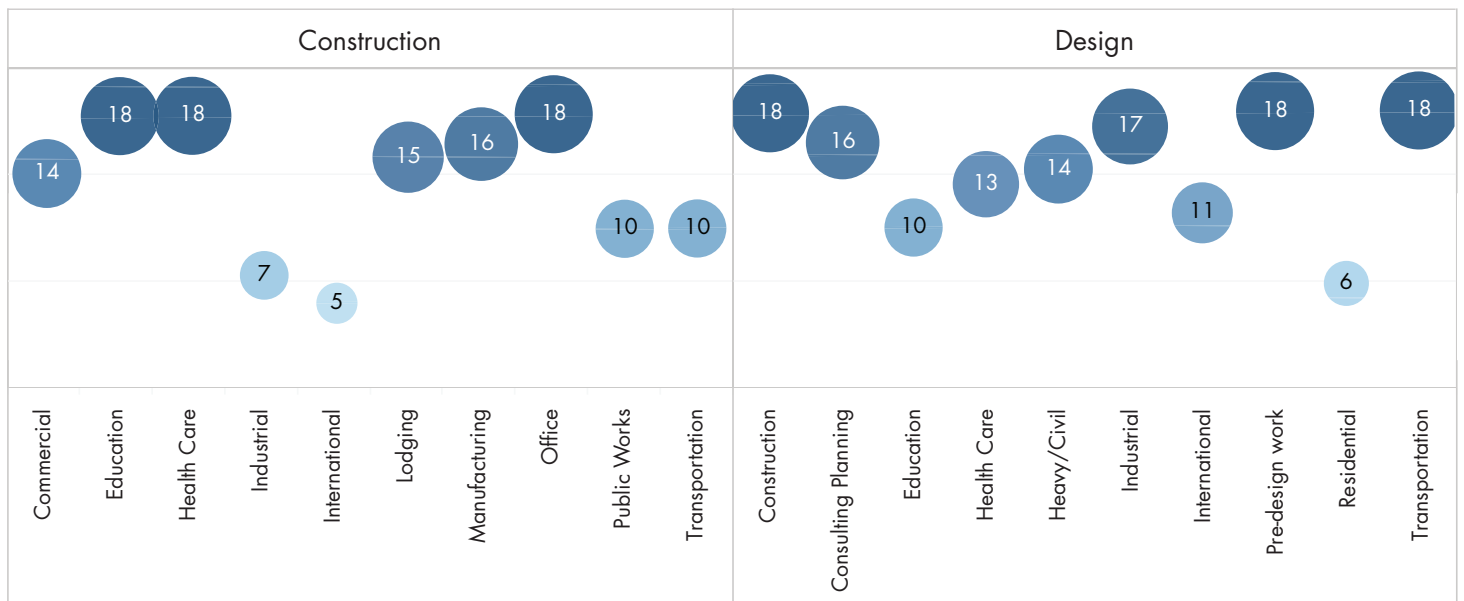


EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS

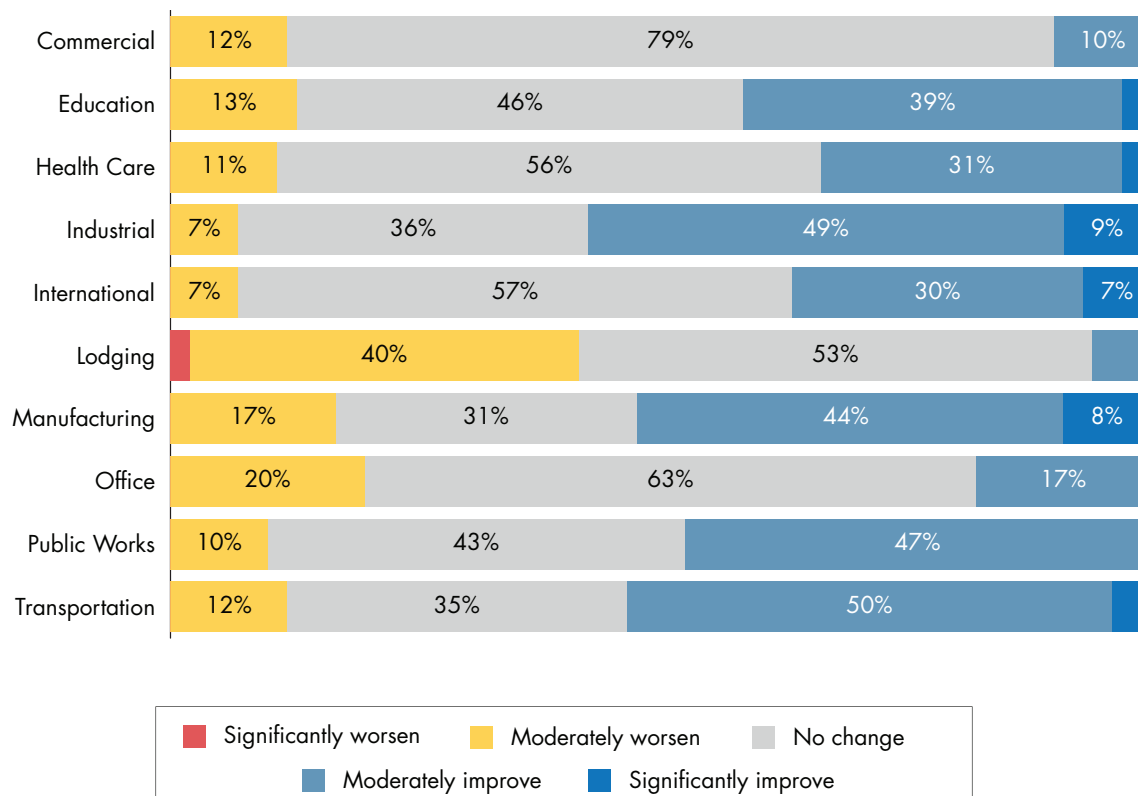




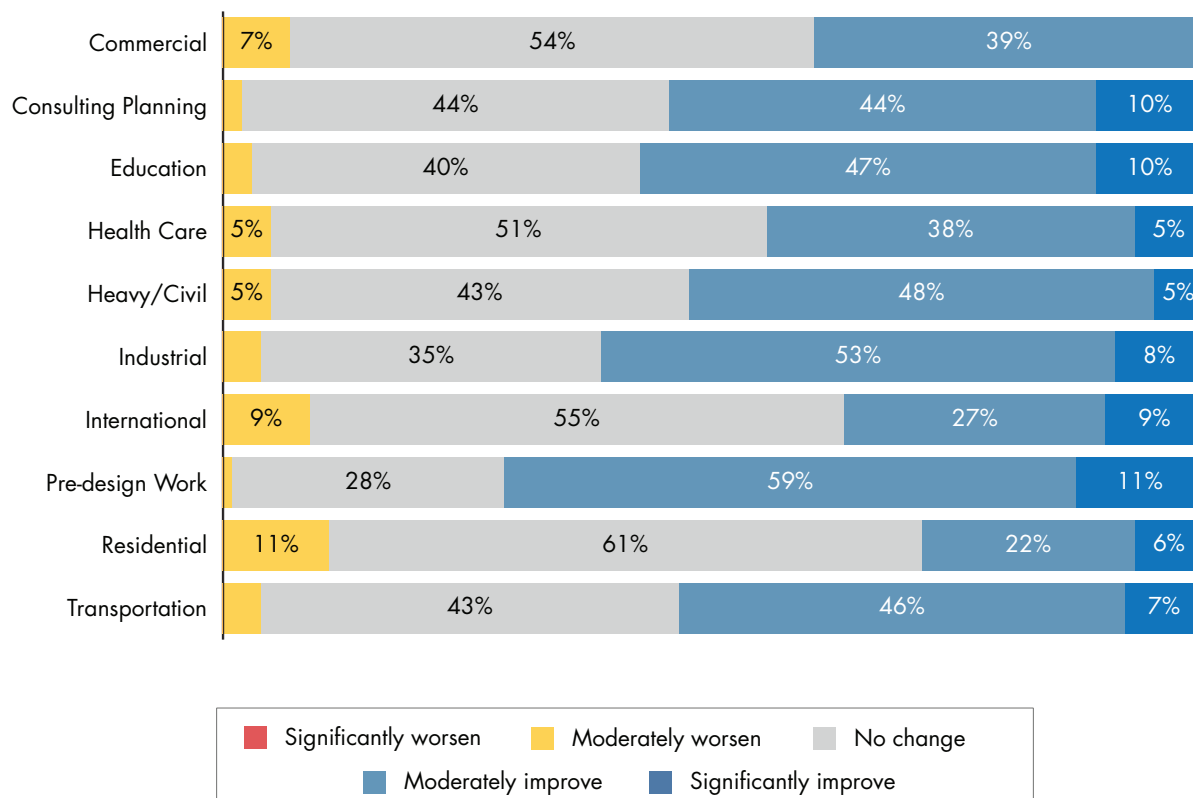
MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR



PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN

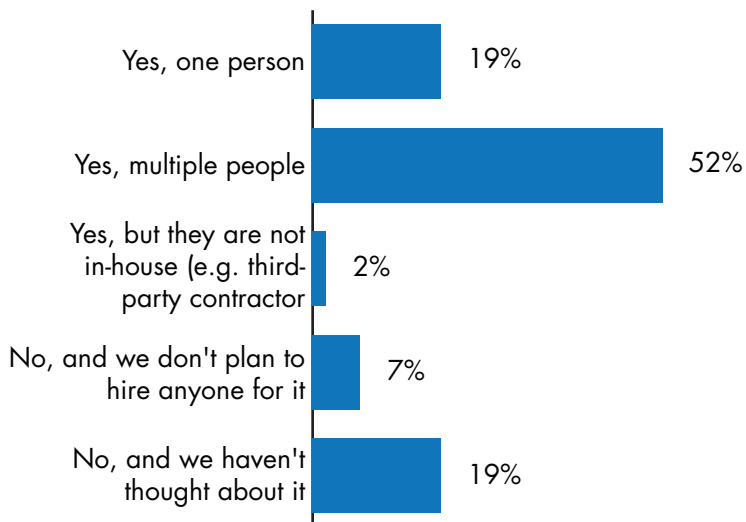


CURRENT TRENDS

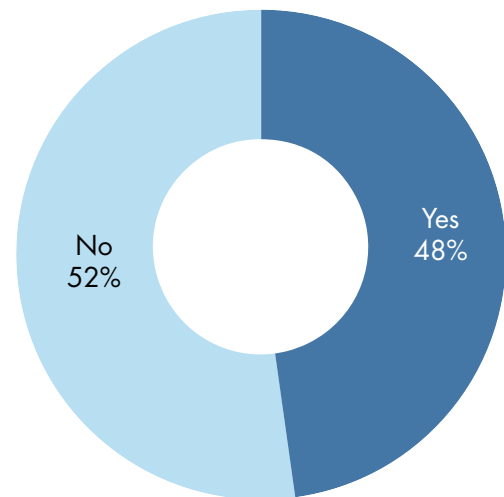
THE ROLE OF TECHNOLOGY

This quarter's survey uncovered that more than half of CIRT member companies do not have a dedicated chief technology officer and instead delegate the duties of that role to someone else with a different title, such as a chief financial officer or a director of information technology. Another question asked whether the member's company employs someone who is responsible for all things related to data and business intelligence, and 52% of respondents answered that they employ multiple people for that purpose.

DO YOU HAVE A PERSON EMPLOYED AT YOUR COMPANY WHO IS RESPONSIBLE FOR ALL THINGS RELATED TO DATA AND BUSINESS INTELLIGENCE?



DOES YOUR COMPANY EMPLOY SOMEONE WITH THE TITLE OF CHIEF TECHNOLOGY OFFICER (CTO)?



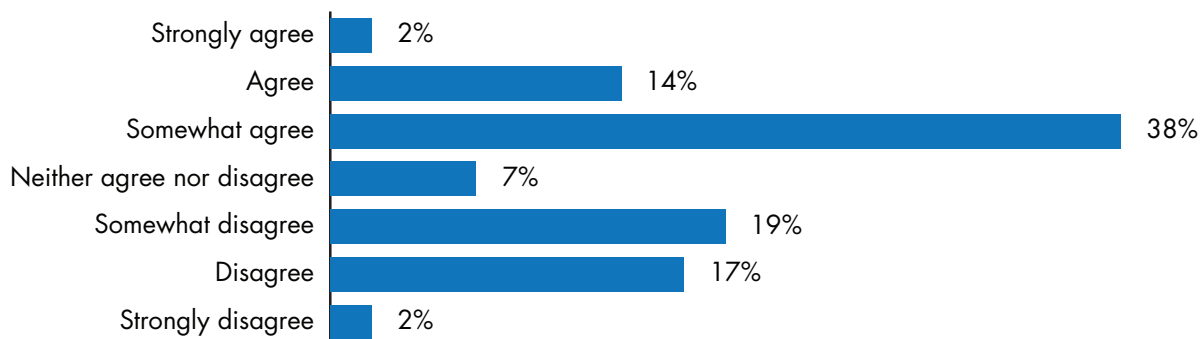
IF NOT, WHAT POSITION/TITLE CURRENTLY HANDLES YOUR COMPANY'S MANAGEMENT OF TECHNOLOGY?

- CFO oversees our IT department
- CFO, IT Director, IT Analyst, Director-Scheduling and Technology, Manager of Technology
- Chief Administrative Officer
- Chief Information Officer
- CIO Chief Information Officer
- Director of IT
- Director of technology and innovation. We also have a CIO.
- Employee Services VP
- Engineering group
- EVP
- Information Technology Council of leaders across the company. IT Director runs the Council.
- Information technology director
- IT
- IT Director
- IT VP
- ITS Director
- Vice President - Information Technology
- Vice President, Technology & Information Services
- VP MIS
- VP of Information Technology

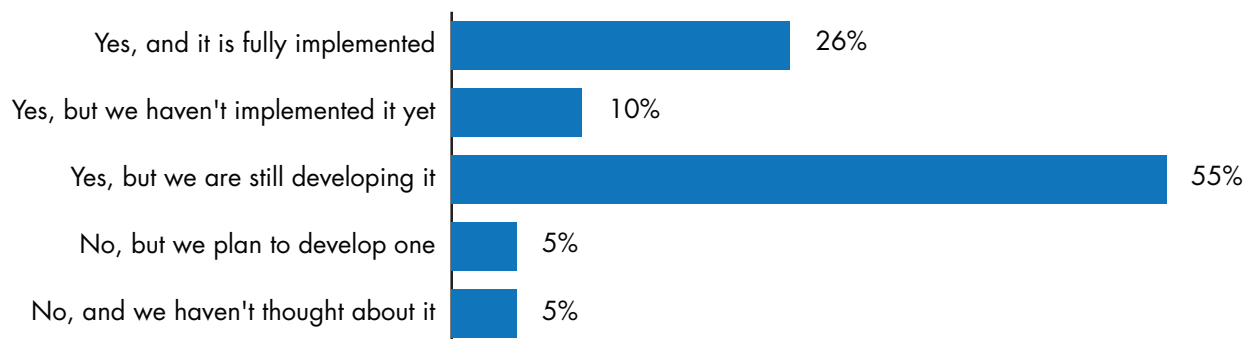
DATA STRATEGY

When asked about data strategy, the majority of CIRT members indicated that they recognize the importance of having a data strategy, but they are still in the process of developing one for their businesses. Within this group, more than half of the members said they do not have a data strategy in place, but 54% believe that their company does fully utilize its data to make business decisions.

DO YOU BELIEVE THAT YOUR COMPANY FULLY UTILIZES ALL ITS DATA TO MAKE BUSINESS DECISIONS?



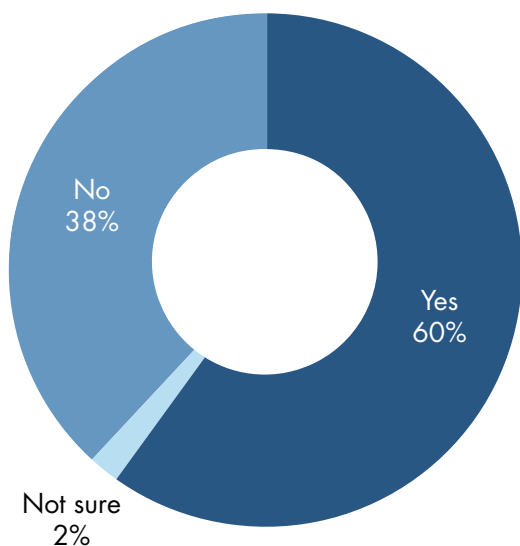
DOES YOUR COMPANY HAVE A DATA STRATEGY (E.G., DEFINITIONS OF WHERE DATA IS STORED, WHAT TOOLS ARE USED TO PROCESS IT, WHAT KPIS ARE BEING TRACKED, AND HOW THOSE KPIS ARE BEING USED IN BUSINESS DECISIONS)?



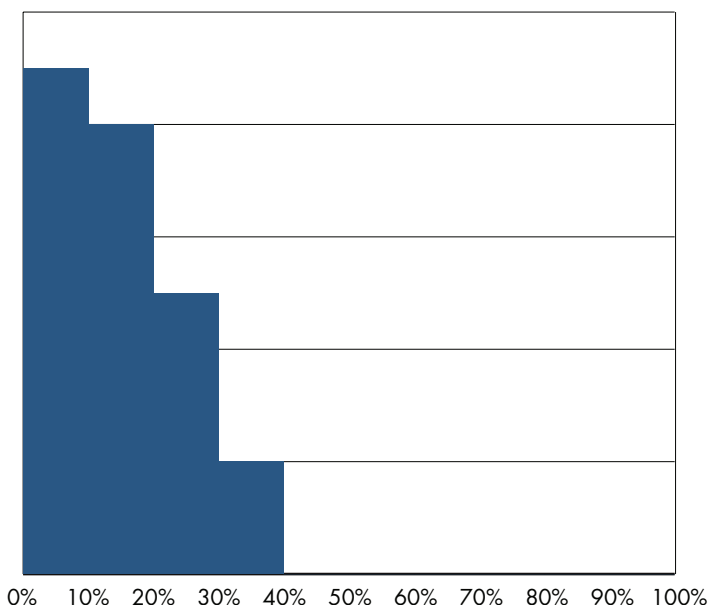
LABOR COSTS AND THE CURRENT ADMINISTRATION

On the topic of labor costs, CIRT members reported that they believe costs have risen by up to 40% in the past six to nine months as the infrastructure markets begin to expand more rapidly. Additional questions about the current administration's efforts to streamline the regulatory process revealed that a cumulative 64% of CIRT members are either unsure of whether they've benefited or not, or they do not believe they've experienced any benefits at all. For those who have perceived a benefit of some kind, the majority estimate that 40% or fewer of their projects have been positively affected by the changes and that the most tangible effect has been in the realm of time savings.

HAVE YOU SEEN A NOTICEABLE INCREASE IN LABOR COSTS OVER THE PAST 6-9 MONTHS (ABOVE A NORMAL OR TYPICAL PACE) AS THE INFRASTRUCTURE MARKETS BEGIN TO EXPAND MORE RAPIDLY?

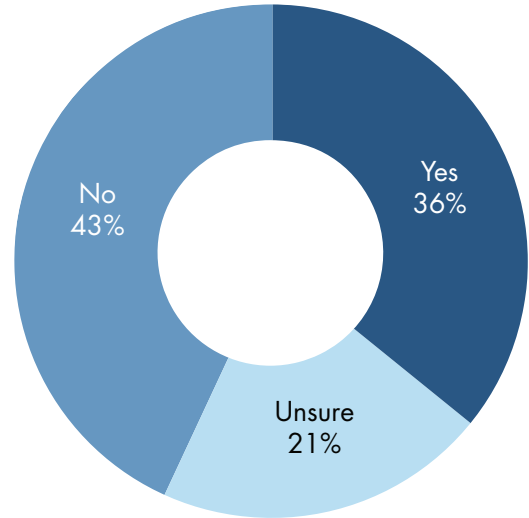
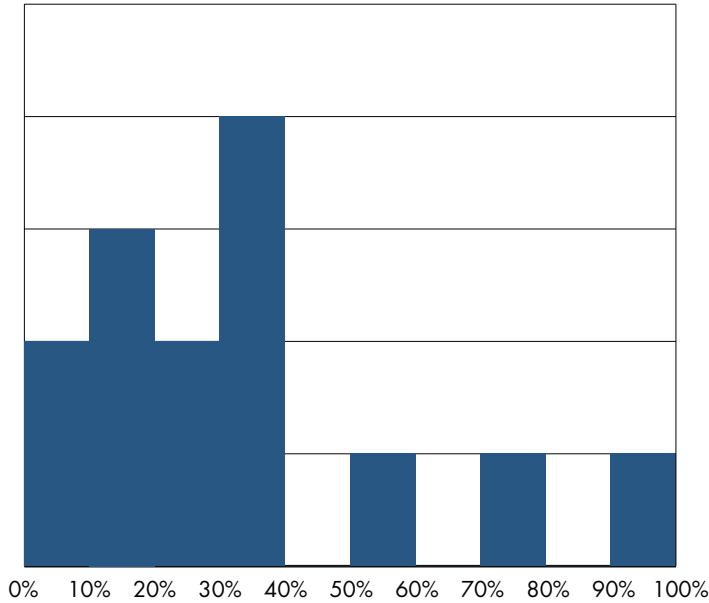


WHAT IS THE PERCENTAGE OF GROWTH YOU'VE PERCEIVED? (0-100%)



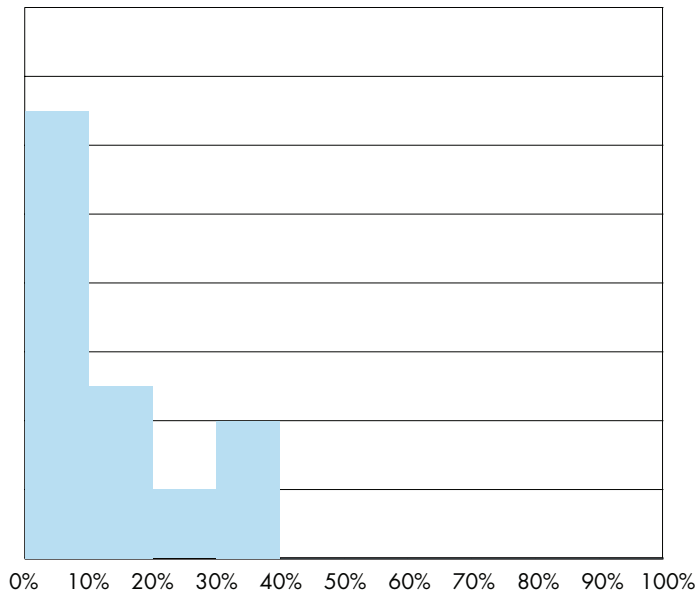
APPROXIMATELY WHAT PERCENT OF YOUR PROJECTS/JOB'S HAVE BENEFITED FROM THE ADMINISTRATION'S EFFORTS TO STREAMLINE? (0-100%)

HAVE YOU EXPERIENCED ANY BENEFITS FROM THE ADMINISTRATION'S EFFORTS TO STREAMLINE REGULATORY REQUIREMENTS (PARTICULARLY WHEN IT COMES TO DESIGN/CONSTRUCTION-RELATED MATTERS)?

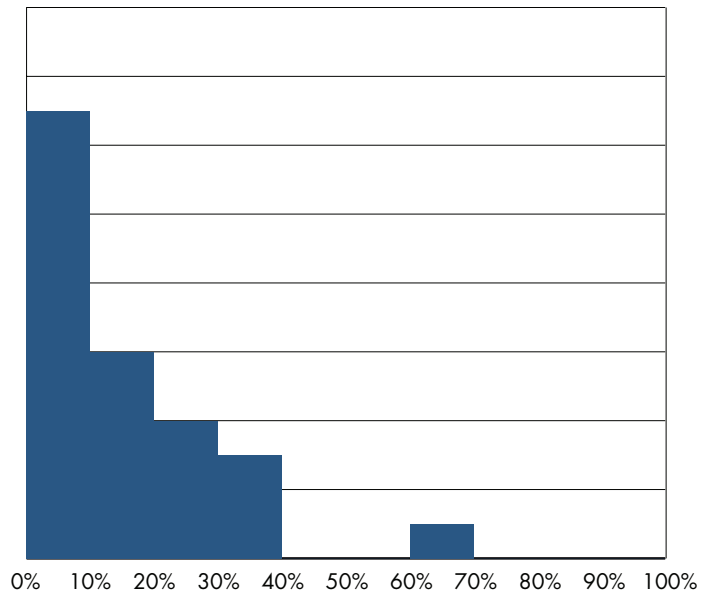


DUE TO THIS EFFORT TO STREAMLINE, HOW MUCH SAVINGS DO YOU ESTIMATE HAS OCCURRED IN (0-100%)?

Cost savings:



Time savings:





CONSTRUCTION OUTLOOK

| Industry | Construction Sector Business Outlook | | | |
|----------------|--------------------------------------|---------------------|-------------------|--|
| | Next Quarter | Six Months From Now | One Year From Now | |
| Commercial | 3.07 | 3.00 | 2.86 | |
| Education | 3.33 | 3.33 | 3.22 | |
| Health Care | 3.33 | 3.28 | 3.11 | |
| Industrial | 3.47 | 3.60 | 3.73 | |
| International | 3.30 | 3.30 | 3.50 | |
| Lodging | 2.73 | 2.67 | 2.40 | |
| Manufacturing | 3.44 | 3.56 | 3.31 | |
| Office | 3.11 | 3.06 | 2.72 | |
| Public Works | 3.35 | 3.35 | 3.41 | |
| Transportation | 3.35 | 3.45 | 3.55 | |

This quarter respondents were asked to comment on how the construction sector 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 percentage reflects the change in score in comparison to the starting average score of the “next quarter” period. Please refer to the previous chart to see a visual representation of the scores. Below are the predominant perceptions of CIRT’s members:

COMMERCIAL

Starting average score of 3.07 for next quarter, 3.00 for six months from now, and 2.86 for one year from now.

EDUCATION

Starting average score of 3.33 for next quarter, 3.33 for six months from now, and 3.22 for one year from now.

HEALTH CARE

Starting average score of 3.33 for next quarter, 3.28 for six months from now, and 3.11 for one year from now.

INDUSTRIAL

Starting average score of 3.47 for next quarter, 3.0 for six months from now, and 3.73 for one year from now.



INTERNATIONAL

Starting average score of 3.30 for next quarter, 3.30 for six months from now, and 3.50 for one year from now.

LODGING

Starting average score of 2.73 for next quarter, 2.67 for six months from now, and 2.40 for one year from now.

MANUFACTURING

Starting average score of 3.44 for next quarter, 3.56 for six months from now, and 3.31 for one year from now.

OFFICE

Starting average score of 3.11 for next quarter, 3.06 for six months from now, and 2.72 for one year from now.

PUBLIC WORKS

Starting average score of 3.35 for next quarter, 3.35 for six months from now, and 3.41 for one year from now.

TRANSPORTATION

Starting average score of 3.35 for next quarter, 3.45 for six months from now, and 3.55 for one year from now.



DESIGN

| Industry | Design Sector Project Growth | | | |
|---------------------|------------------------------|---------------------|-------------------|--|
| | Next Quarter | Six Months From Now | One Year From Now | |
| Commercial | 3.39 | 3.39 | 3.17 | |
| Consulting Planning | 3.56 | 3.56 | 3.75 | |
| Education | 3.60 | 3.70 | 3.60 | |
| Health Care | 3.46 | 3.46 | 3.38 | |
| Heavy/Civil | 3.29 | 3.64 | 3.64 | |
| Industrial | 3.53 | 3.59 | 3.82 | |
| International | 3.18 | 3.45 | 3.45 | |
| Pre-design Work | 3.78 | 3.78 | 3.83 | |
| Residential | 3.17 | 3.33 | 3.17 | |
| Transportation | 3.39 | 3.61 | 3.72 | |

As with the construction sector, respondents were asked to comment on how the design sector 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 percentage reflects the change in score in comparison to the starting average score of the “next quarter” period. Please refer to the “Predictions of the Design Sector Project Growth by Industry” chart to see a visual representation of the scores. Below are the predominant perceptions of CIRT’s members:

COMMERCIAL

Starting average score of 3.39 for next quarter, 3.39 for six months from now, and 3.17 for one year from now.

CONSULTING

Starting average score of 3.56 for next quarter, 3.56 for six months from now, and 3.75 for one year from now.

EDUCATION

Starting average score of 3.60 for next quarter, 3.70 for six months from now, and 3.60 for one year from now.

HEALTH CARE

Starting average score of 3.46 for next quarter, 3.46 for six months from now, and 3.38 for one year from now.

HEAVY/CIVIL

Starting average score of 3.29 for next quarter, 3.64 for six months from now, and 3.64 for one year from now.

INDUSTRIAL

Starting average score of 3.18 for next quarter, 3.45 for six months from now, and 3.45 for one year from now.

INTERNATIONAL

Starting average score of 3.18 for next quarter, 3.45 for six months from now, and 3.45 for one year from now.

PRE-DESIGN

Starting average score of 3.78 for next quarter, 3.78 for six months from now, and 3.83 for one year from now.

RESIDENTIAL

Starting average score of 3.17 for next quarter, 3.33 for six months from now, and 3.17 for one year from now.

TRANSPORTATION

Starting average score of 3.39 for next quarter, 3.61 for six months from now, and 3.72 for one year from now.

ABOUT THE CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)

The Construction Industry Round Table (CIRT) is composed exclusively of approximately 115-120 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, the Forum has since been incorporated as a not-for-profit association with the mission "to be a leading force for positive change in the design/construction industry while helping members improve the overall performance of their individual companies."

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 Research, Raleigh, North Carolina. For press contact or questions about the CIRT Sentiment Index, contact Mark Casso at mcasso@cirt.org.

CONFIDENTIALITY

All individual responses to this survey will be confidential and shared outside of FMI only in the aggregate.

All names of individuals responding to this survey will remain confidential to FMI.



About FMI

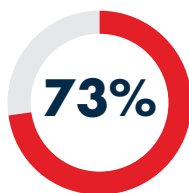
For over 65 years, FMI has been the leading **management consulting and investment banking** firm dedicated exclusively to **engineering and construction, infrastructure and the built environment**.

FMI serves all sectors of the industry as a trusted advisor. More than six decades of context, connections and insights lead to transformational outcomes for our clients and the industry.

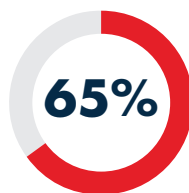
Sector Expertise

- A/E and Environmental
- Building Products
- Construction Materials
- General Contractors/CM
- Energy Service & Equipment
- Energy Solutions & Cleantech
- Heavy Civil
- Industrial
- Owners
- Private Equity
- Specialty Trades
- Utility T&D

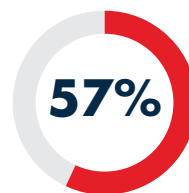
FMI Client Highlights



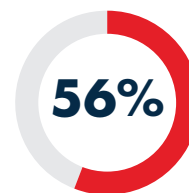
of the ENR
Top-400
LARGEST
CONTRACTORS



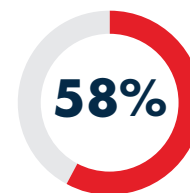
of the ENR
Top-200
SPECIALTY
CONTRACTORS



of the ENR
Top-100
DESIGN
FIRMS



of the ENR
Top-200
ENVIRONMENTAL
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