



Industry Focus. Powerful Results.™

CIRT Sentiment Index

Fourth Quarter Report





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.



EXECUTIVE SUMMARY

CURRENT SUMMARY

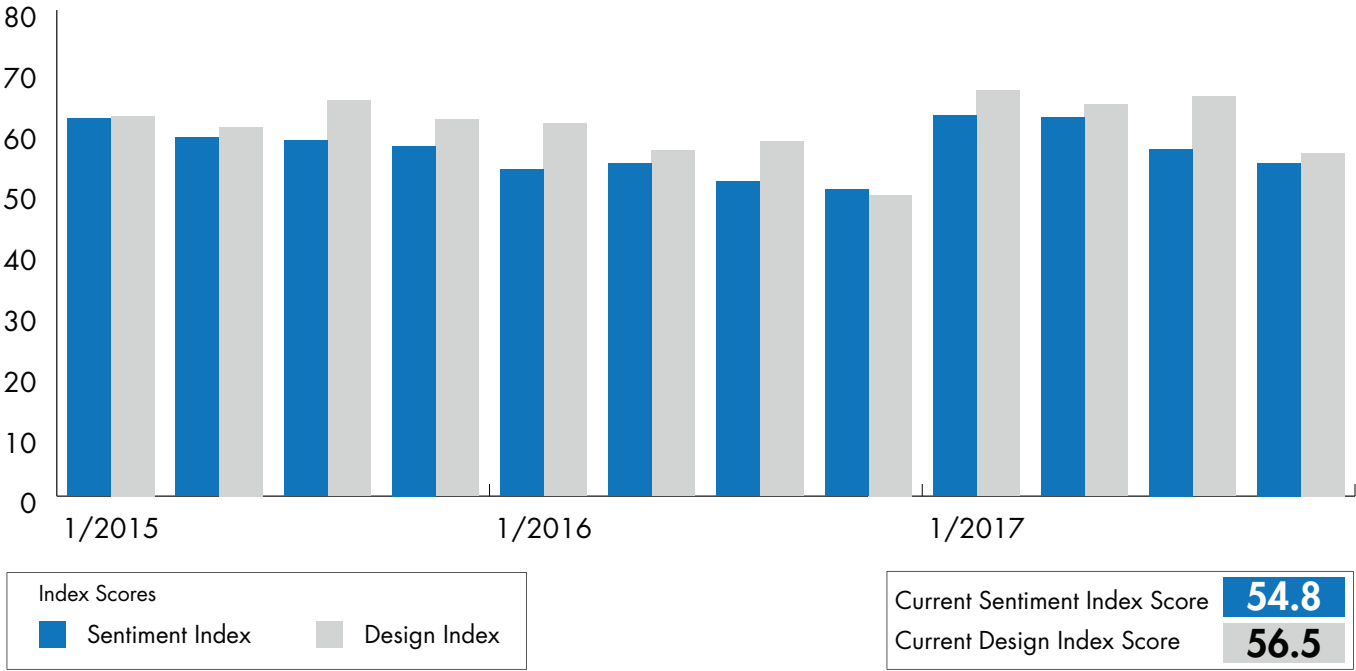
Overall economy	DOWN
Overall economy where we do business	DOWN
Our construction business	DOWN
Nonresidential building construction market where we do business	DOWN
Expected change in backlog	DOWN
Cost of construction materials	HIGHER
Cost of labor	HIGHER
Productivity	LOWER

The overall CIRT Sentiment Index for the fourth quarter declined to 54.8, down some 2.3 points from 57.1 in the third quarter. Similarly, the CIRT Design Index experienced a drop of 9.2 points from 65.7 in the third quarter to 56.5 in the fourth quarter. This drop in the Design Index could be due to a smaller sample size of respondents for this quarter's survey and an inability for panelists to rate the outlook of sectors in which they do not conduct business. [Note: Both conditions result in fewer ratings for certain questions, which has a potential to decrease the overall scores.] Alternatively, the decline in both index measures may also reflect the fact that the survey was taken before news of a second quarter in a row of 3.0% GDP growth and the slow pace of change in policies that affect the business environment.

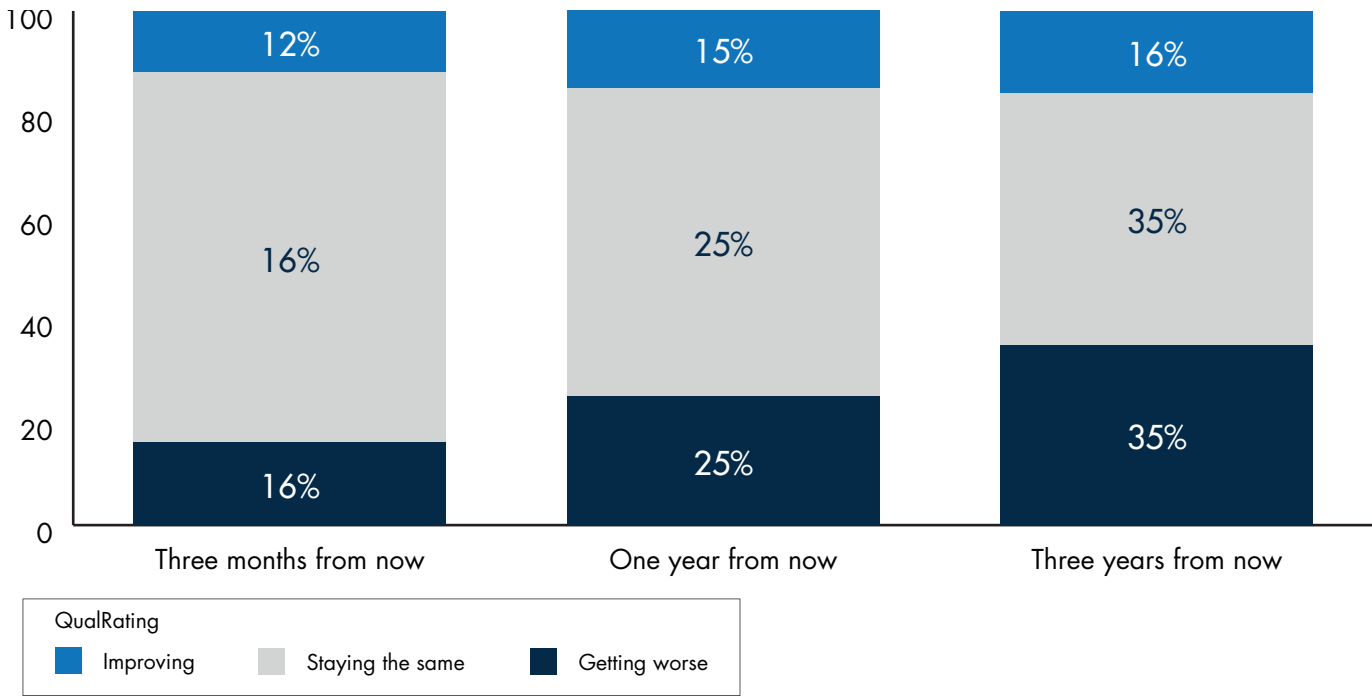
For the latest quarter, all components were down, except for cost of construction materials and cost of labor, both of which have increased. Additionally, median backlog is expected to stay the same into the fourth quarter, with no significant increase or decrease compared to last quarter. Overall, public works/heavy civil and transportation recorded positive growth, while health care and industrial/petrochemical reflected a neutral, but stable, outlook. However, the education, lodging and manufacturing markets recorded a slight decline in outlook, while the commercial, international and office construction markets suffered sharp reductions in outlook.

This quarter's index scores echo a sentiment of timid optimism, with participants agreeing across the board that outlooks will at least remain stable moving forward.

CIRT SENTIMENT INDEX SCORES FROM Q1 2015 TO Q4 2017



PERCEPTION OF NATIONAL ECONOMY ACROSS ALL SECTORS





CURRENT TRENDS

The analysis of the CIRT Sentiment Index for Q4 2017 indicates that respondents from all industry sectors, business types and organization sizes are positive that national and local economies will continue to experience stability into the next quarter. This tentative optimism stretches into the next year, with most respondents expecting national and local economies to stay the same into 2018. Regarding individual business performance, an equal number of respondents perceive their construction businesses to be improving over last quarter as those who perceive their construction businesses to be staying the same as last quarter. When asked about backlog growth, 50% of respondents expect their backlog to stay the same as the previous quarter, and 43% expect their backlog to grow faster than the previous quarter.

Predictably, the majority of respondents expect the cost of construction materials to continue to rise along with an increase in labor costs. Additionally, participants report productivity levels only slightly lower than those of last quarter.

Looking toward the future of the individual business sectors, respondents perceive improvement in public works/heavy civil and transportation and express expectations of growth in those segments. Respondents predict that health care and industrial/petrochemical outlooks will be stable, while they anticipate that the education, lodging and manufacturing markets will moderately decline by 2020. The commercial, international and office construction markets are expected to significantly decline by 2020.

AVERAGE RATING OF PERCEIVED ECONOMIC OUTLOOK BY SECTOR

SECTOR	2017	2018	2020
Commercial (i.e., Supermarkets, Restaurants, Retail, Warehouse)	1.86	2.09	2.27
Education (i.e., K-12 and Higher Education)	1.83	1.79	1.92
Health Care (i.e., Hospitals, Nursing Homes, Medical Buildings)	1.70	1.78	1.78
Industrial/Petrochemical	1.80	1.80	1.80
International	2.33	2.60	2.60
Lodging: Hotels and Motels	1.74	1.83	2.09
Manufacturing Sites	1.69	1.75	2.06
Office: Private Office and Professional	2.00	1.96	2.21
Public Works/Heavy Civil	2.12	1.82	1.35
Transportation-related	1.94	1.71	1.35

Average Rating from Better to Worse

1.00 3.00

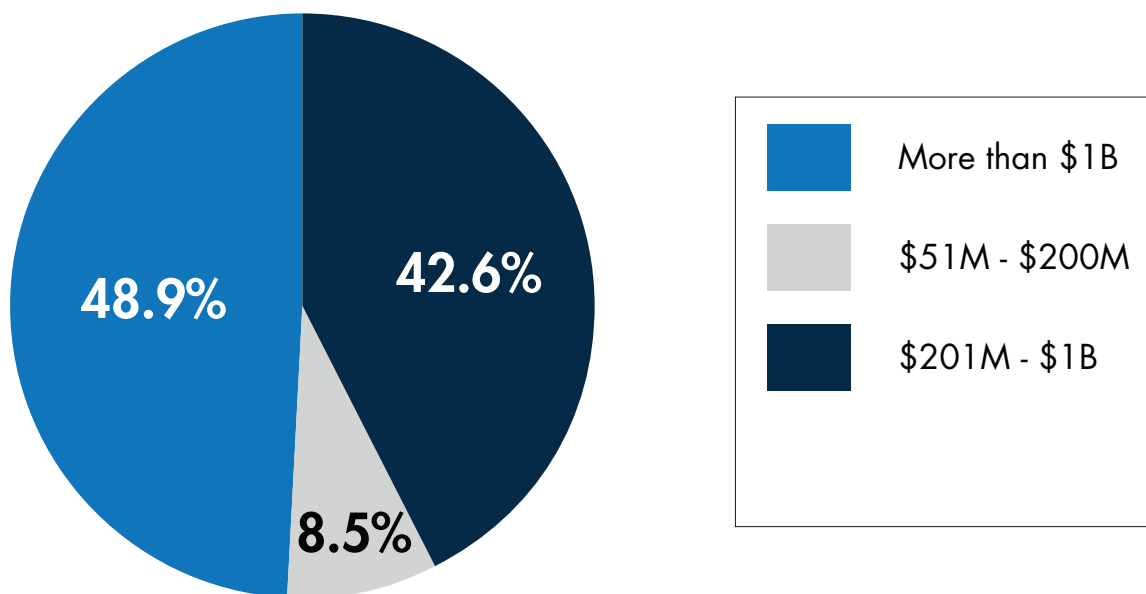
DESIGN INDEX COMPONENTS

Design Index Components	Q2 2017				Q3 2017				Q4 2017			
	Improving over last quarter	Remains the same as last quarter	Worse than last quarter	Overall Component Score Q2 2017	Improving over last quarter	Remains the same as last quarter	Worse than last quarter	Overall Component Score Q3 2017	Improving over last quarter	Remains the same as last quarter	Worse than last quarter	Overall Component Score Q4 2017
Consulting Planning	38.5%	61.5%	0.0%	69.2	50.0%	50.0%	0.0%	75.0	18.5%	81.5%	0.0%	59.3
Pre-design work	40.7%	55.6%	3.7%	68.5	54.5%	45.5%	0.0%	77.3	27.3%	72.7%	0.0%	63.6
Commercial	31.8%	63.6%	4.5%	63.6	11.1%	83.3%	5.6%	52.8	18.2%	81.8%	0.0%	59.1
Residential	0.0%	100.0%	0.0%	50.0	30.8%	61.5%	7.7%	61.5	10.0%	90.0%	0.0%	55.0
Education	31.6%	68.4%	0.0%	65.8	38.5%	53.8%	7.7%	65.4	5.9%	94.1%	0.0%	52.9
Health Care	40.9%	59.1%	0.0%	70.5	60.0%	40.0%	0.0%	80.0	12.5%	75.0%	12.5%	50.0
Industrial	34.8%	56.5%	8.7%	63.0	31.6%	68.4%	0.0%	65.8	4.8%	95.2%	0.0%	52.4
Transportation	42.9%	57.1%	0.0%	71.4	57.9%	42.1%	0.0%	78.9	33.3%	66.7%	0.0%	66.7
Heavy/Civil	20.0%	80.0%	0.0%	60.0	46.7%	53.3%	0.0%	73.3	8.3%	91.7%	0.0%	54.2
International	25.0%	75.0%	0.0%	62.5	9.1%	36.4%	54.5%	27.3	33.3%	66.7%	0.0%	66.7
Design Firms Index				64.5				65.7				56.5

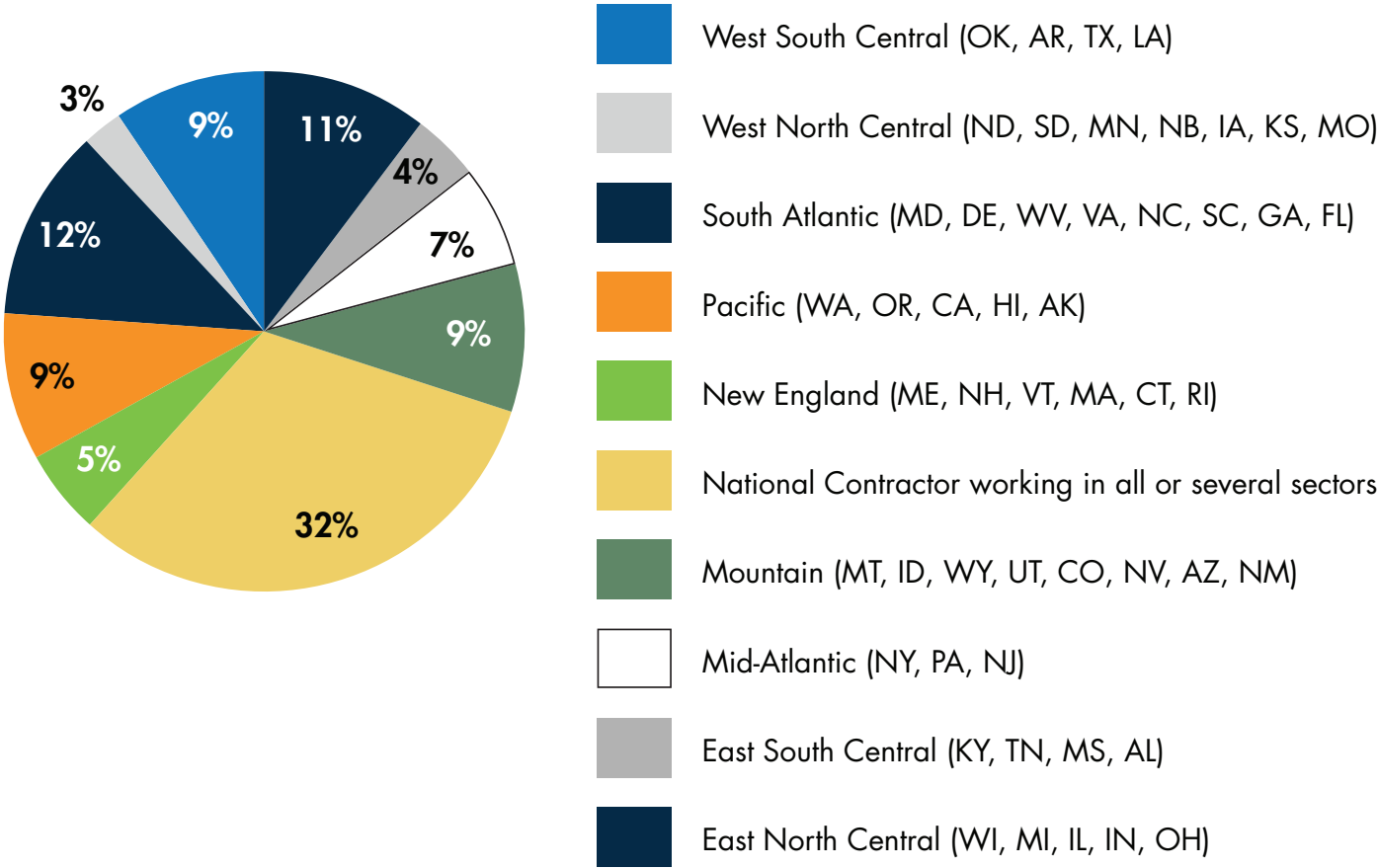
SENTIMENT INDEX COMPONENTS

	CIRT Sentiment Index Components Q1 2017	CIRT Sentiment Index Components Q2 2017	CIRT Sentiment Index Components Q3 2017	CIRT Sentiment Index Components Q4 2017
The overall economy	74.2	71.6	68.4	53.0
The overall economy where we do business	71.1	71.6	65.3	58.2
Panelists' construction business	69.5	70.2	67.7	60.9
The nonresidential building construction market where panelists do business	71.8	72.3	70.4	56.3
Expected change in backlog	65.6	65.5	63.5	57.4
Cost of construction materials	26.9	25.0	81.8	76.4
Cost of labor	20.0	13.4	88.3	81.5
Productivity	51.9	55.4	50.0	45.2

SIZE OF THE ORGANIZATION IN ANNUAL REVENUE



PRIMARY REGION IN WHICH PANELISTS WORK





About FMI

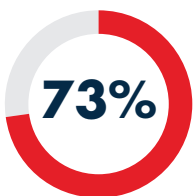
For over 60 years, FMI has been the leading **management consulting and investment banking** firm dedicated exclusively to **engineering and construction, infrastructure and the built environment**.

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 clients and the industry.

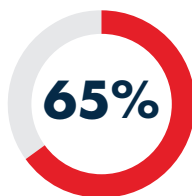
Sector Expertise

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

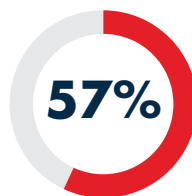
FMI Client Highlights



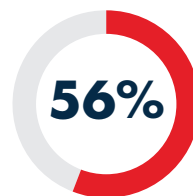
of the ENR
Top-400
LARGEST
CONTRACTORS



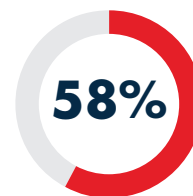
of the ENR
Top-200
SPECIALTY
CONTRACTORS



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Top-100
DESIGN
FIRMS



of the ENR
Top-200
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FIRMS



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CM FOR
FEE FIRMS



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Denver

210 University Boulevard
Suite 800
Denver, CO 80206
303.377.4740

Edmonton

Edmonton, AB
780.850.2693

Houston

1301 McKinney Street
Suite 2000
Houston TX 77010
713.936.5400

Phoenix

7639 East Pinnacle Peak Road
Suite 100
Scottsdale, AZ 85255
602.381.8108

Raleigh (headquarters)

5171 Glenwood Avenue
Suite 200
Raleigh, NC 27612
919.787.8400

Tampa

308 South Boulevard
Tampa, FL 33606
813.636.1364



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