



# CIRT SENTIMENT INDEX

## 2021 Fourth Quarter Report



November 2021



In partnership with **Construction Industry Round Table**



# EXECUTIVE SUMMARY

| INDEX MOVEMENT                  |   | Q3<br>2021 | Q4<br>2021 |
|---------------------------------|---|------------|------------|
| Overall U.S. Economy            | ↓ | 84.56      | 64.71      |
| Economy Where We<br>Do Business | ↓ | 80.88      | 73.53      |
| Our Construction Business       | ↓ | 84.62      | 79.38      |
| Nonresidential Sector           | ↓ | 83.85      | 74.24      |
| Backlog                         | ↓ | 77.21      | 75.98      |
| Cost of Labor                   | ↑ | 94.85      | 97.06      |
| Cost of Materials               | ↓ | 89.71      | 83.82      |
| Productivity                    | — | 47.06      | 47.06      |

Though scores remain near historic highs, fourth quarter results reflect the first signs of softness in sentiment in more than a year. Both design and construction scores retreated from last quarter's highs, as optimism subsided against a variety of headwinds, including escalating supply chain delays, persistent labor availability shortages and higher prices becoming more permanent, as well as lingering COVID-19 cases and related controversial mandates.

**As a consequence, the Sentiment Index fell slightly to 74.9 from a high of 79.7 last quarter. The Design Index followed suit, declining to 83.4 from its prior high of 86.8.**

**Though most (6 out of 8) of the index components realized some decline, the largest correction was tied to wavering confidence in the overall U.S. economy,** with the component score tumbling to 64.71 from 84.56 (-23%). Other notable declines include weakened expectations toward the local economy where respondents are doing business and the overall nonresidential sector. Cost of labor is the only component score that saw an increase up to 97.06 from 94.85.

This quarter CIRT members were asked to respond to current issues questions focused on how purchasing behaviors may shift going forward, a ranking of various factors impacting cost escalations, and their clients' willingness to accept and agree to these higher expenses. As a result of recent supply chain issues, 82% of respondents said they experienced project delays in 2021, while 19% saw projects canceled this year because of these recent supply chain issues.

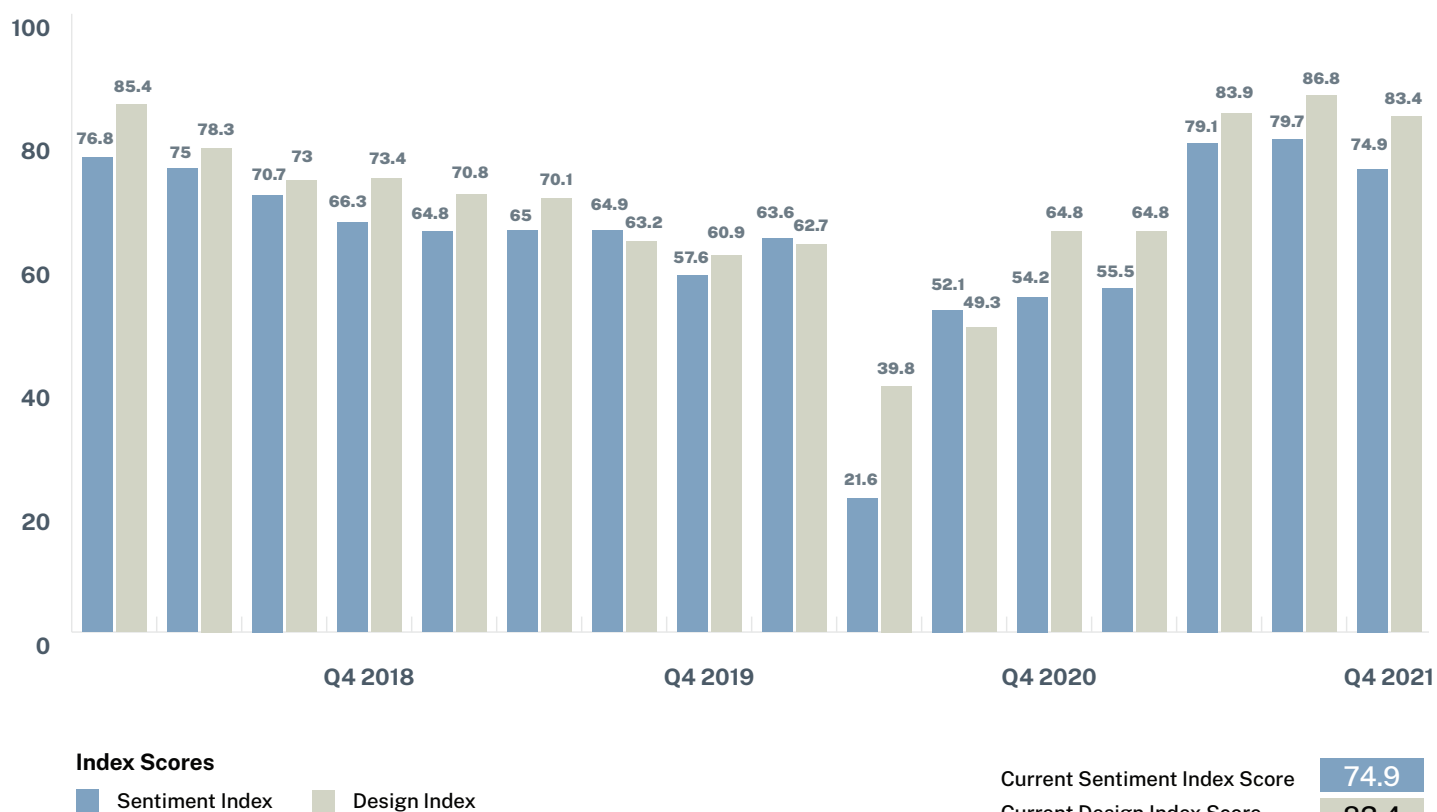
**When asked about how purchasing behaviors may shift if these supply chain issues persist for another six to 12 months, the most common anticipated changes were tied to an increased willingness to consider substitute products and/or materials and an increased willingness to broaden supplier/channel relationships with distributors, subcontractors and other materials or service providers.** Open-ended commentary suggests respondents have become more proactive with procurement, communication, oversight and early ordering of critical components to help manage risk.

When asked to rank factors directly impacting respondents' business cost escalations (i.e., higher producer prices), nearly half attributed a significant amount to remote working conditions and turnover, suggesting mixed concerns of overhead and productivity alongside labor volatility/constraints. A majority, or approximately 4 out of 5 respondents, have been able to pass on cost escalations to their customers and clients with mixed consistency.

**Among the industries represented by CIRT's member base, health care and pre-design work are projected to experience the largest short-term gains in design, and transportation remains the short-term leader for construction.** The design industry's long-term view of project growth remains upbeat, with every sector tracking well above 3.5. The construction industry's long-term, one-year outlook is similarly optimistic, with just two sectors tracking below 3.5 – office and commercial.



## CIRT Sentiment Index and Design Index Scores from Q1 2018 to Q4 2021



Current Sentiment Index Score **74.9**  
 Current Design Index Score **83.4**

Survey conducted Sept. 21 - Oct. 8, 2021





## Local and National Economic Predictions for Next Quarter

The economy where we do business will:



The overall U.S. economy will:



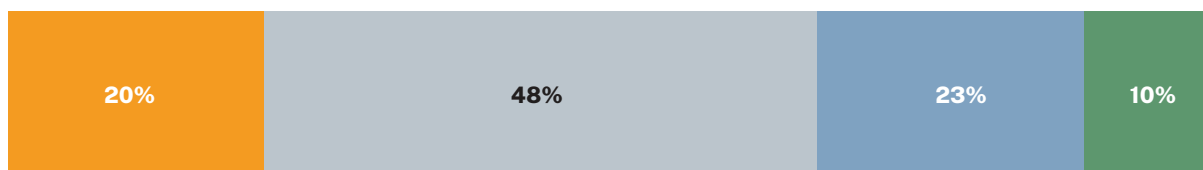
Significantly worsen      Moderately worsen      No change over last quarter      Moderately improve      Significantly improve

## Expectations for the Residential and Nonresidential Building Markets for Next Quarter

Nonresidential Building Construction Market:



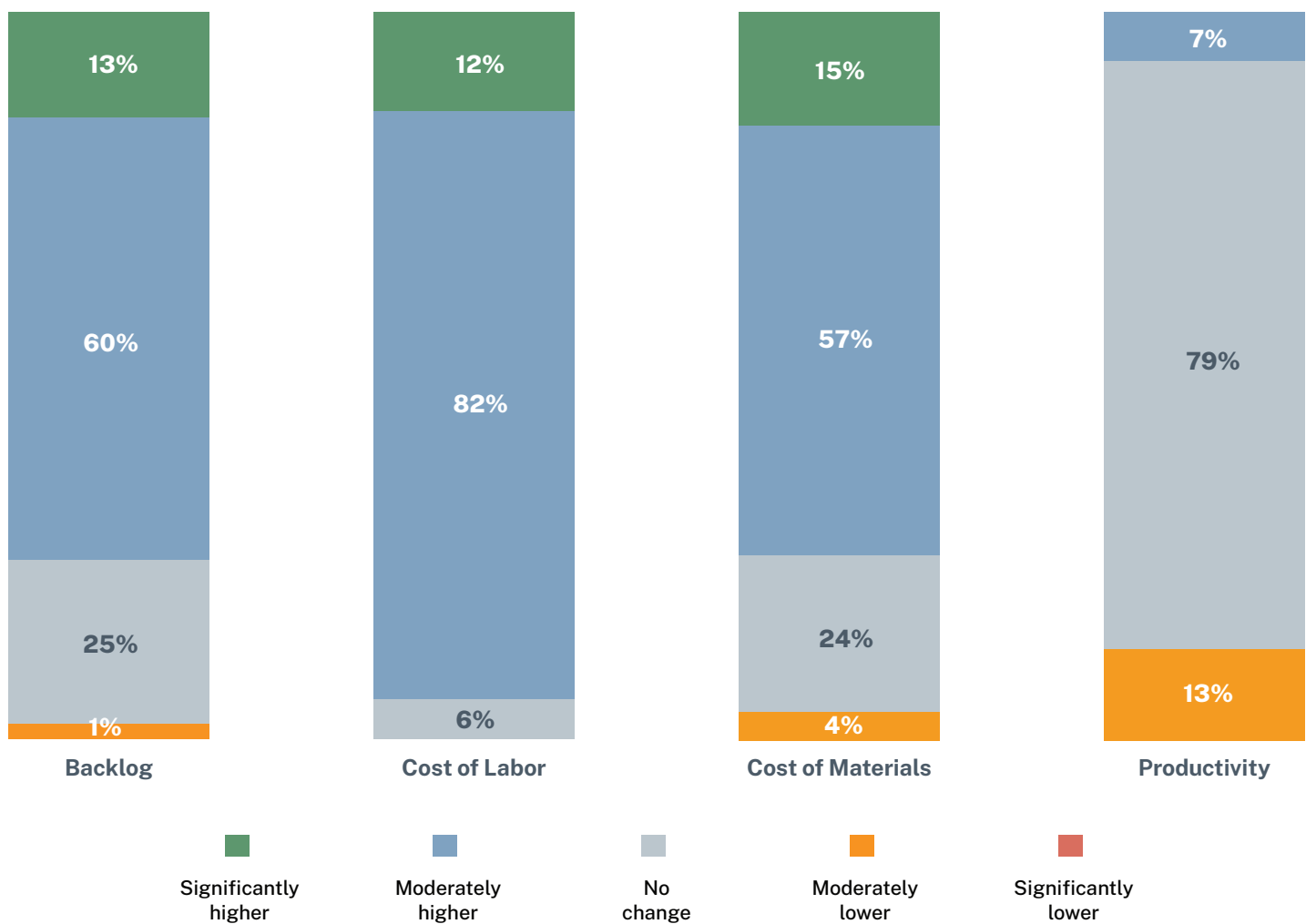
Residential Building Construction Market:



Significantly worsen      Moderately worsen      No change over last quarter      Moderately improve      Significantly improve

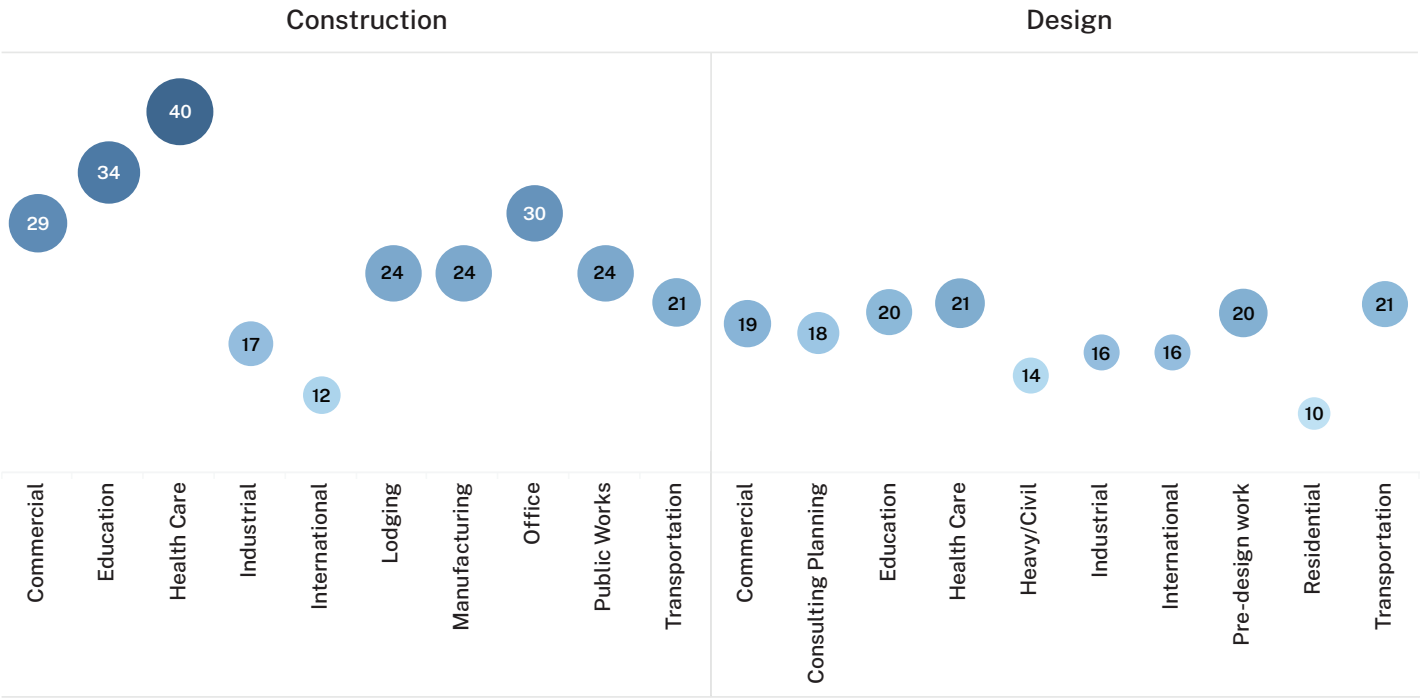


## Construction Input Predictions for Next Quarter

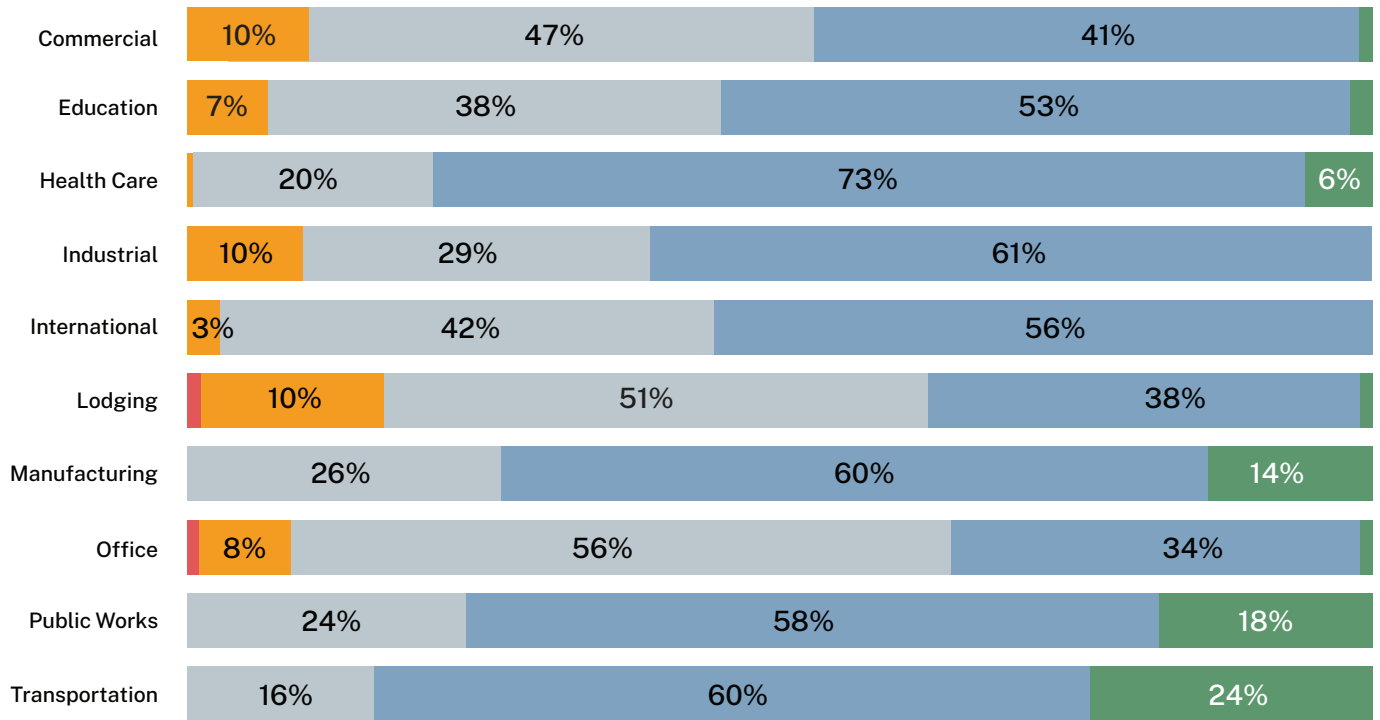




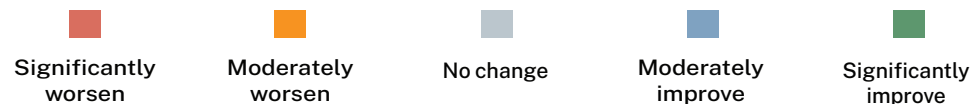
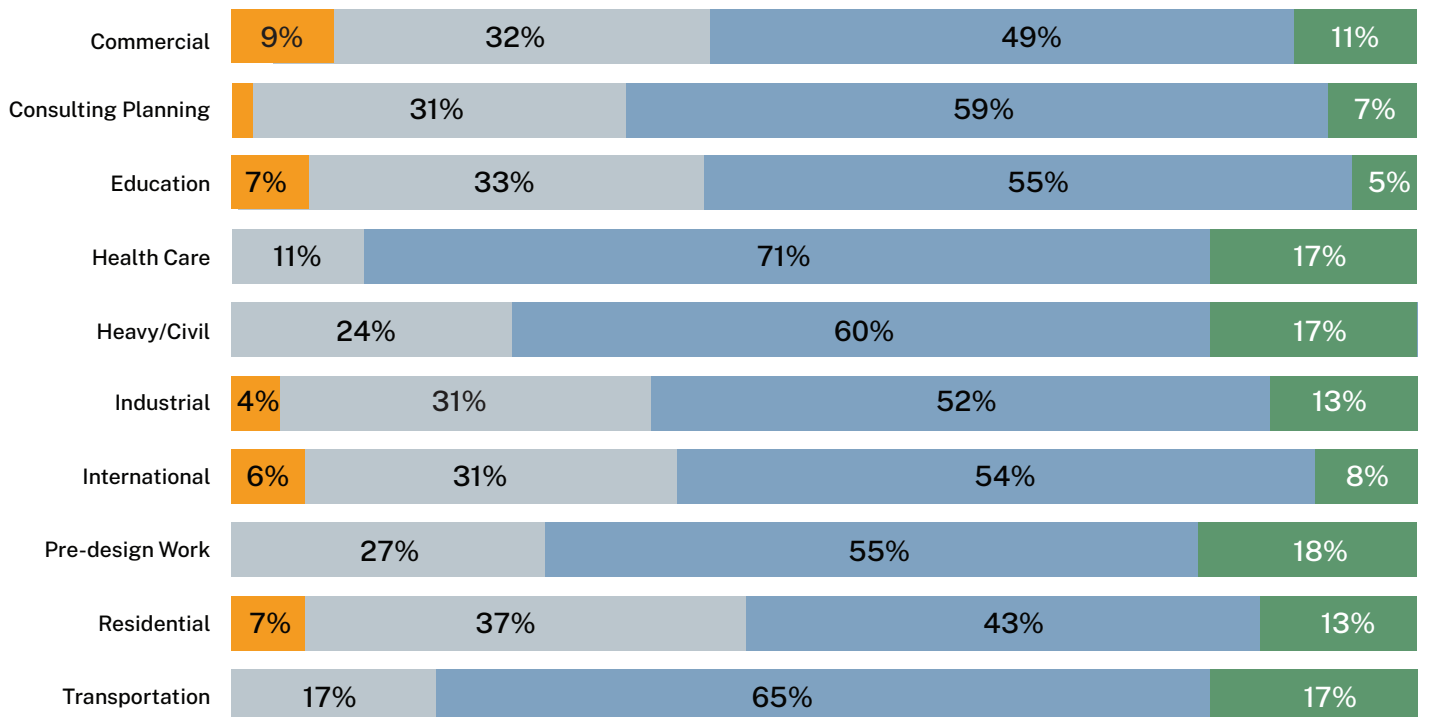
## Member Profile: Number of CIRT Member Companies in Each Sector



### Perception of Change for Next Quarter: Construction



### Perception of Change for Next Quarter: Design





# CURRENT TRENDS

This quarter CIRT members were asked to respond to current issues questions focused on how purchasing behaviors may shift going forward, a ranking of various factors impacting cost escalations, and their clients' willingness to accept and agree to these related higher expenses.

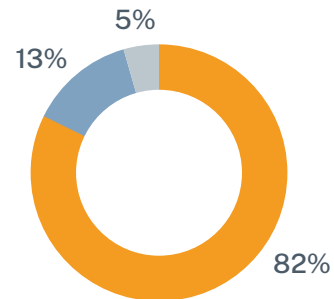
## Purchasing Behaviors

As a result of recent supply chain issues, 82% of respondents experienced project delays in 2021. Also, 19% saw projects canceled this year because of these recent supply chain issues.

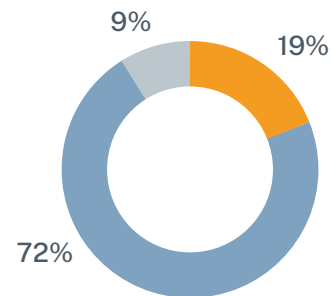
When asked about how purchasing behaviors may shift if these supply chain issues persist for another six to 12 months, the most common anticipated changes were tied to an increased willingness to consider substitute products and/or materials (56%) and an increased willingness to broaden supplier/channel relationships with distributors, subcontractors and other materials or service providers (43%). A smaller share of respondents, or approximately one-third, suggested they planned to increase orders (31%) and inventory levels (29%).

Open-ended commentary on related adjustments suggests respondents have become more proactive with procurement, communication, oversight and early ordering of critical components to help manage risk. Changes are contributing to some additional storage needs and industrywide reduced contractual obligation periods.

Have you had a project in 2021 experience delays because of supply chain issues (i.e., material availability/pricing)?

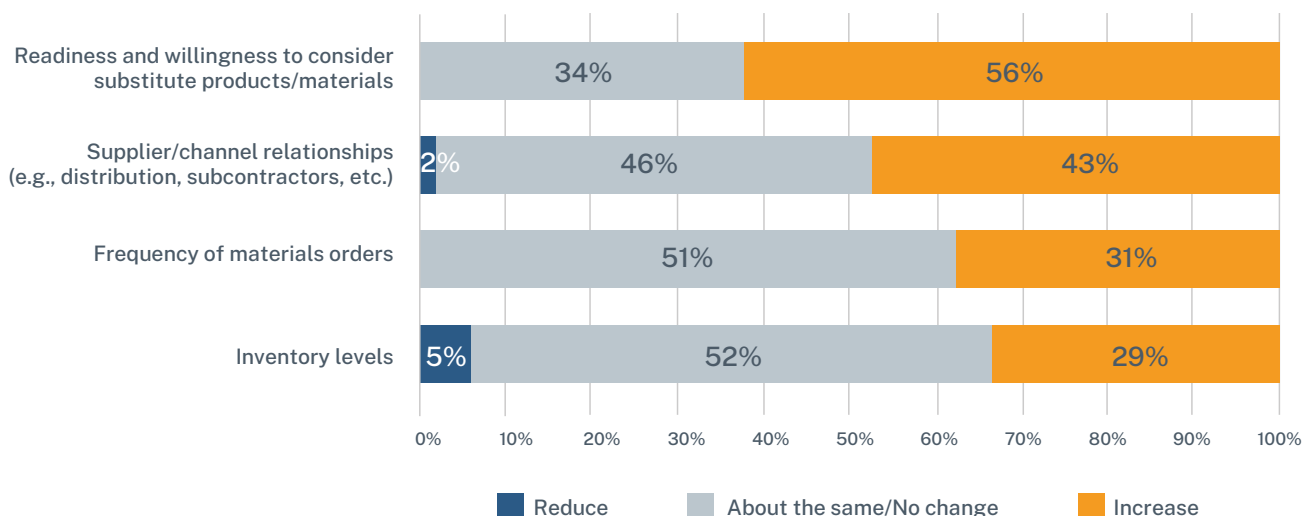


Have you had a project in 2021 experience canceled because of supply chain issues (i.e., material availability/pricing)?



Yes No Unsure

If supply chain issues persist another six to 12 months, how will your organization change its purchasing behaviors regarding the following:



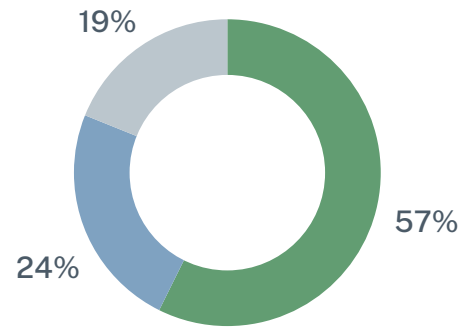


## Cost Escalations

When asked to rank factors directly impacting respondents' business cost escalations (i.e., higher producer prices), nearly half attributed a significant score (ranked as either a 4 or 5) to remote working conditions (49%) and turnover (47%). Also, nearly one-third of respondents attributed a significant score to pay scales (34%), health and safety protocols (32%), and insurance costs (32%). Supplier-led issues, change in work schedules and vaccine tracking requirements were in the lowest category of responses with only 1 in 4 suggesting these factors were contributing to higher prices.

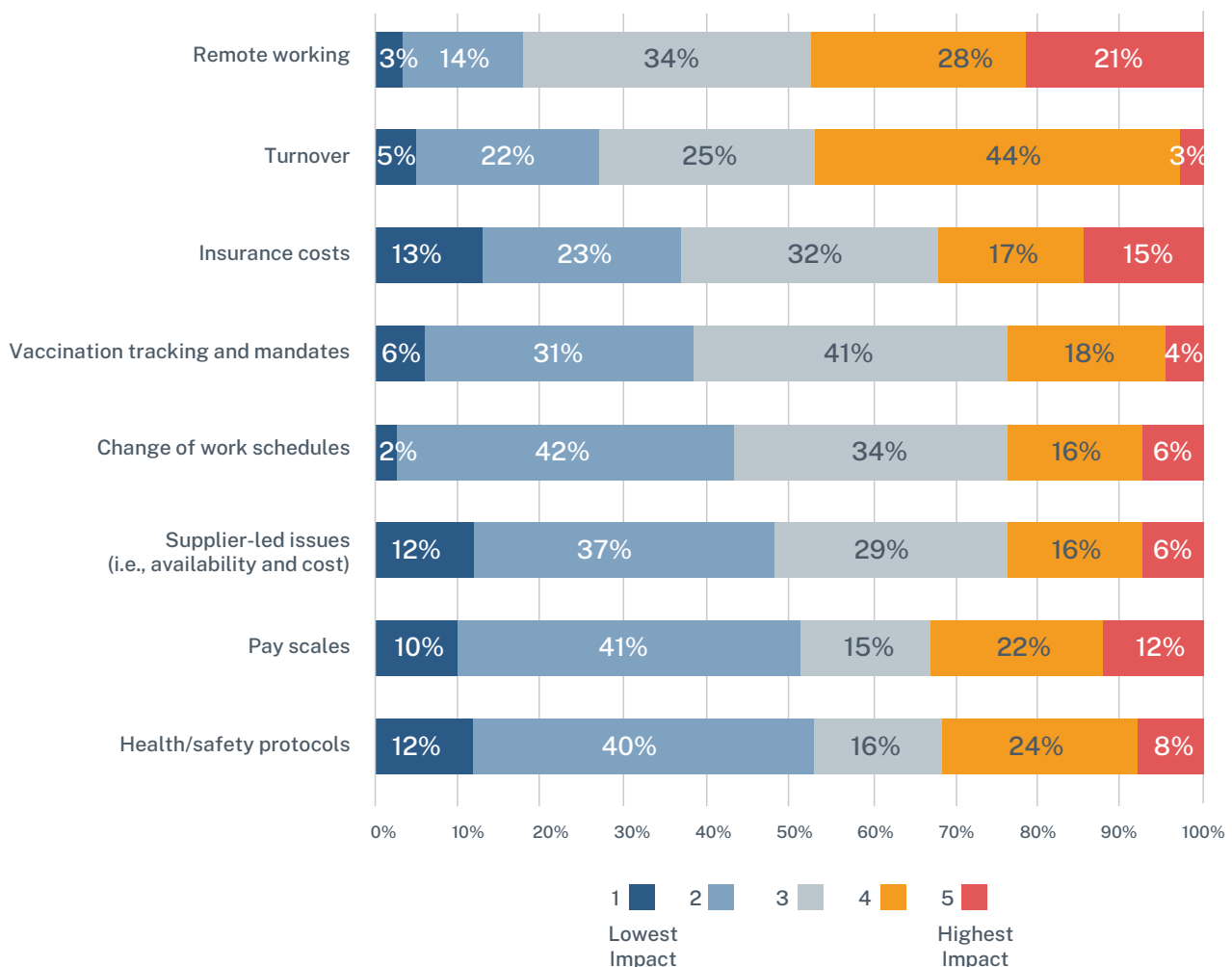
A majority (81%) of respondents are able to pass on cost escalations to their customers and clients with varied consistency. None of the respondents suggested that cost escalations were always accepted. More than half (57%) suggested cost escalations were sometimes accepted, and nearly 1 in 4 (24%) suggested cost escalations were rarely accepted.

Generally, do your customers/clients accept and agree to cost escalations due to coronavirus-related furloughs?



Yes, sometimes Yes, rarely No

What areas listed below are having the most impact on your business's cost escalations due to COVID-related expenses? (Rank each 1-5; 1 represents no impact, 5 represents the highest impact)





## DESIGN OUTLOOK

| Industry            | Design Sector Project Growth |                     |                   |
|---------------------|------------------------------|---------------------|-------------------|
|                     | Next Quarter                 | Six Months From Now | One Year From Now |
| Commercial          | 3.53                         | 3.58                | 3.74              |
| Consulting Planning | 3.61                         | 3.72                | 3.83              |
| Education           | 3.45                         | 3.60                | 3.70              |
| Health Care         | 3.90                         | 4.10                | 4.19              |
| Heavy/Civil         | 3.71                         | 3.93                | 4.14              |
| Industrial          | 3.63                         | 3.81                | 3.75              |
| International       | 3.44                         | 3.69                | 3.81              |
| Pre-design Work     | 3.85                         | 3.80                | 4.10              |
| Residential         | 3.70                         | 3.50                | 3.70              |
| Transportation      | 3.76                         | 4.05                | 4.19              |

Respondents were asked to comment on how the design sector will change in the next quarter, in the next six months 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. Please refer to 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 3.53 for next quarter, 3.58 for six months from now, and 3.74 for one year from now.

### CONSULTING PLANNING

Starting average score of 3.61 for next quarter, 3.72 for six months from now, and 3.83 for one year from now.

### EDUCATION

Starting average score of 3.45 for next quarter, 3.60 for six months from now, and 3.70 for one year from now.

### HEALTH CARE

Starting average score of 3.90 for next quarter, 4.10 for six months from now, and 4.19 for one year from now.



#### HEAVY/CIVIL

Starting average score of 3.71 for next quarter, 3.93 for six months from now, and 4.14 for one year from now.

#### INDUSTRIAL

Starting average score of 3.63 for next quarter, 3.81 for six months from now, and 3.75 for one year from now.

#### INTERNATIONAL

Starting average score of 3.44 for next quarter, 3.69 for six months from now, and 3.81 for one year from now.

#### PRE-DESIGN WORK

Starting average score of 3.85 for next quarter, 3.80 for six months from now, and 4.10 for one year from now.

#### RESIDENTIAL

Starting average score of 3.70 for next quarter, 3.50 for six months from now, and 3.70 for one year from now.

#### TRANSPORTATION

Starting average score of 3.76 for next quarter, 4.05 for six months from now, and 4.19 for one year from now.



# CONSTRUCTION OUTLOOK

| Industry       | Construction Sector Business Outlook |                     |                   |
|----------------|--------------------------------------|---------------------|-------------------|
|                | Next Quarter                         | Six Months From Now | One Year From Now |
| Commercial     | 3.21                                 | 3.34                | 3.45              |
| Education      | 3.26                                 | 3.59                | 3.65              |
| Health Care    | 3.68                                 | 3.88                | 3.98              |
| Industrial     | 3.35                                 | 3.53                | 3.65              |
| International  | 3.25                                 | 3.58                | 3.75              |
| Lodging        | 2.92                                 | 3.29                | 3.54              |
| Manufacturing  | 3.67                                 | 3.96                | 4.00              |
| Office         | 3.07                                 | 3.30                | 3.43              |
| Public Works   | 3.75                                 | 3.88                | 4.21              |
| Transportation | 3.95                                 | 4.05                | 4.24              |

This quarter respondents were asked to comment on how the construction sector will change in the next quarter, in the next six months 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. 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 3.21 for next quarter, 3.34 for six months from now, and 3.45 for one year from now.

## EDUCATION

Starting average score of 3.26 for next quarter, 3.59 for six months from now, and 3.65 for one year from now.

## HEALTH CARE

Starting average score of 3.68 for next quarter, 3.88 for six months from now, and 3.98 for one year from now.

## INDUSTRIAL

Starting average score of 3.35 for next quarter, 3.53 for six months from now, and 3.65 for one year from now.





#### INTERNATIONAL

Starting average score of 3.25 for next quarter, 3.58 for six months from now, and 3.75 for one year from now.

#### LODGING

Starting average score of 2.92 for next quarter, 3.29 for six months from now, and 3.54 for one year from now.

#### MANUFACTURING

Starting average score of 3.67 for next quarter, 3.96 for six months from now, and 4.00 for one year from now.

#### OFFICE

Starting average score of 3.07 for next quarter, 3.30 for six months from now, and 3.43 for one year from now.

#### PUBLIC WORKS

Starting average score of 3.75 for next quarter, 3.88 for six months from now, and 4.21 for one year from now.

#### TRANSPORTATION

Starting average score of 3.95 for next quarter, 4.05 for six months from now, and 4.24 for one year from now.



## ABOUT THE CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)

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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](mailto:cirt@cirt.org).

## CIRT SENTIMENT INDEX

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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](mailto:mcasso@cirt.org).

## CONFIDENTIALITY

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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.



FMI is a leading consulting and investment banking firm dedicated exclusively to the built environment. We serve as the industry's trusted advisor, providing current market insights, deep industry research and key relationships that deliver tangible results for our clients.

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