



CIRT SENTIMENT INDEX

2021 First Quarter Report





EXECUTIVE SUMMARY

INDEX MOVEMENT			
		Q4 2020	Q1 2021
Overall U.S. Economy	↓	65.67	58.62
Economy Where We Do Business	↓	58.96	54.31
Our Construction Business	↓	56.17	55.00
Nonresidential Sector	↓	48.44	47.37
Backlog	↓	58.21	57.47
Cost of Labor	↑	58.21	60.34
Cost of Materials	↑	66.42	68.10
Productivity	↓	50.00	43.97

The first quarter of 2021 results show signs of stabilization and some amount of recovering confidence for both the Sentiment Index and the Design Index. The Sentiment Index increased slightly from last quarter, from 54.2 to 55.5, and the Design Index remained constant at 64.8. Both suggest continued and improving demand in the future. This stability is reflective of the cautious optimism for the year ahead, especially compared to the significant economic losses experienced through 2020. Looking ahead, reduced political uncertainty, beginning phases in deployment of multiple coronavirus vaccines, a second round of government stimulus and improved owner/client confidence will all contribute to heightened expectations.

For first quarter 2021, we polled CIRT membership on various internal metrics, including backlog, firm capacity and hiring goals. Within the report, these results were compared to those collected during first quarter 2020. Current issues questions also asked respondents to identify a variety of top economic risks and policy or regulatory concerns for the year ahead.

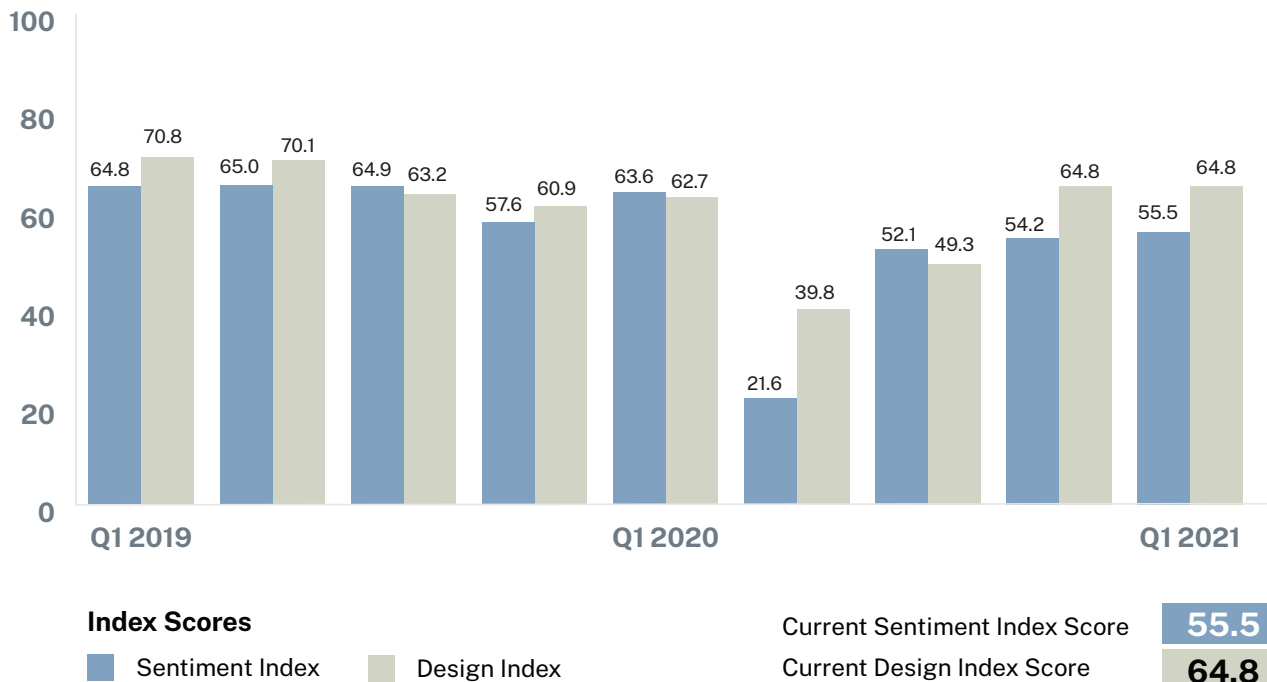
- Backlog responses were split almost perfectly into thirds, with 33% of participants having backlogs under 12 months, 31% with backlogs spanning the next 19 months or longer, and a slight majority (35%) having backlogs in the 12–18 month range.
- A majority (59%) of survey participants reported capacity greater than 80%, with most (38%) estimating capacity between 81% and 90%. The remaining 41% estimate capacity at 80% or lower, with a large portion (28%) operating at 70% capacity or lower.
- Hiring goals were split evenly between those increasing their hiring targets and those keeping hiring goals about the same (both groups at 36%). The remaining 28% of respondents indicate somewhat lower (19%) or significantly lower (9%) hiring goals for the new year.



- The most frequently selected economic risk factors for 2021 include the ongoing slowdown (62%), project delays and cancellations (53%), uncertainty about project funding (50%) and increasing competition (43%).
- The most frequently selected political or regulatory concerns include federal infrastructure funding (55%), renewed aggressive regulatory policy (50%), coronavirus response (47%) and tax policy (45%).

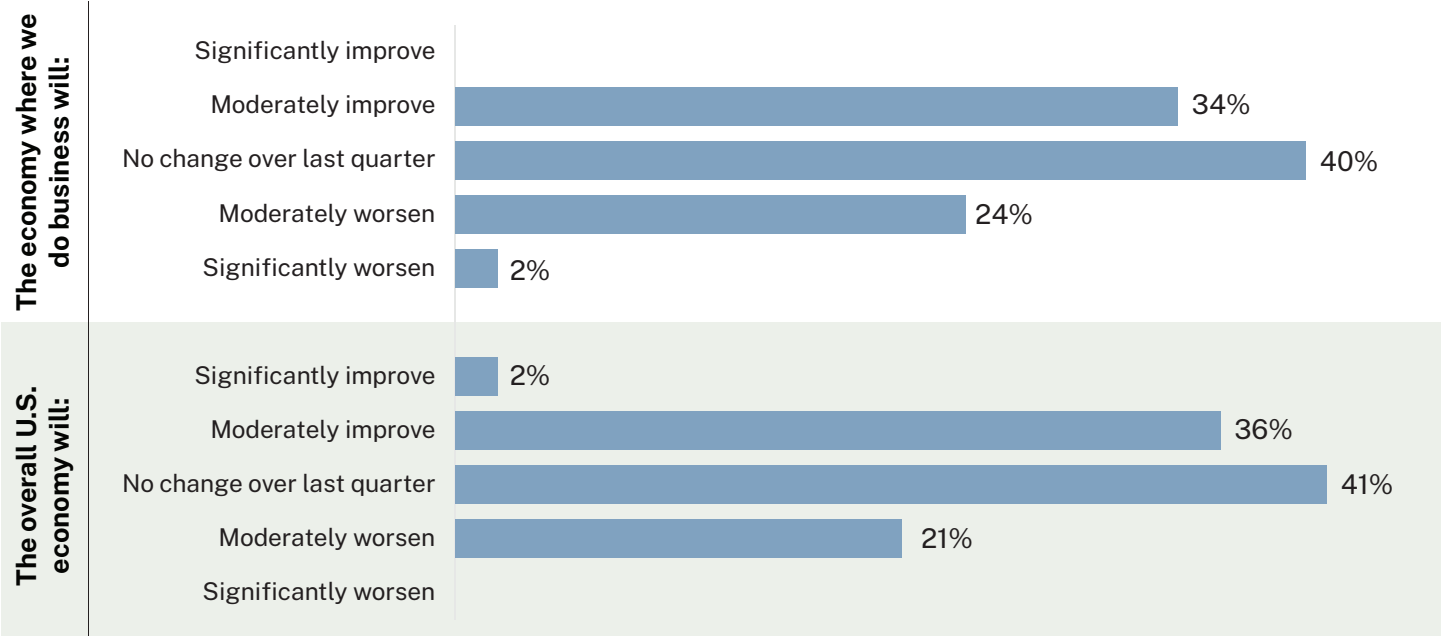
Among the industries represented by CIRT's member base, lodging, commercial, heavy civil and transportation, office and education work are projected to experience the biggest short-term declines across both the design and construction industries. The design industry's long-term view of project growth remains positive, with every sector tracking above 3.0. The construction industry's long-term view is similarly optimistic, with just one sector tracking below 3.0 (office).

CIRT Sentiment Index and Design Index Scores from Q4 2019 to Q1 2021

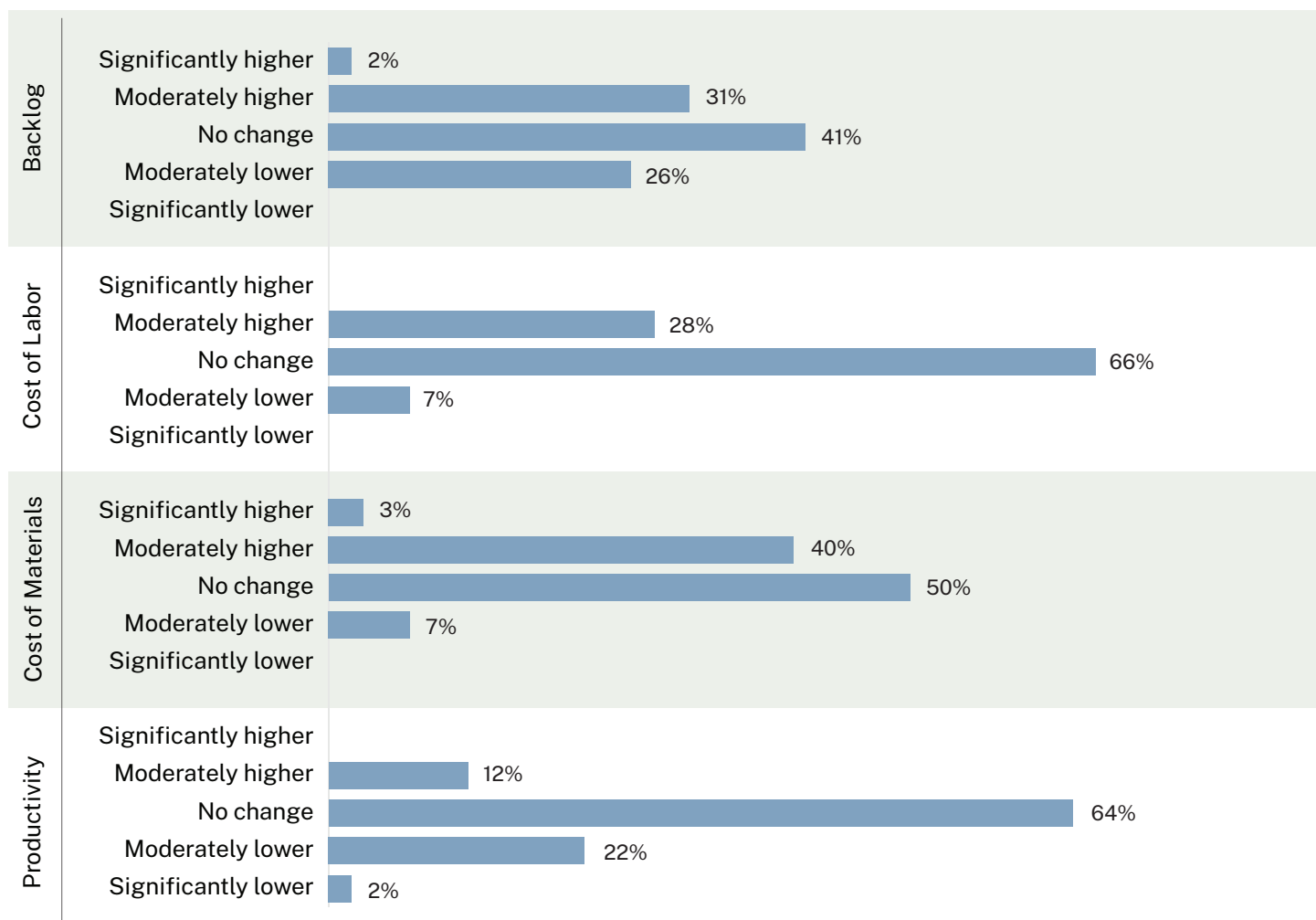




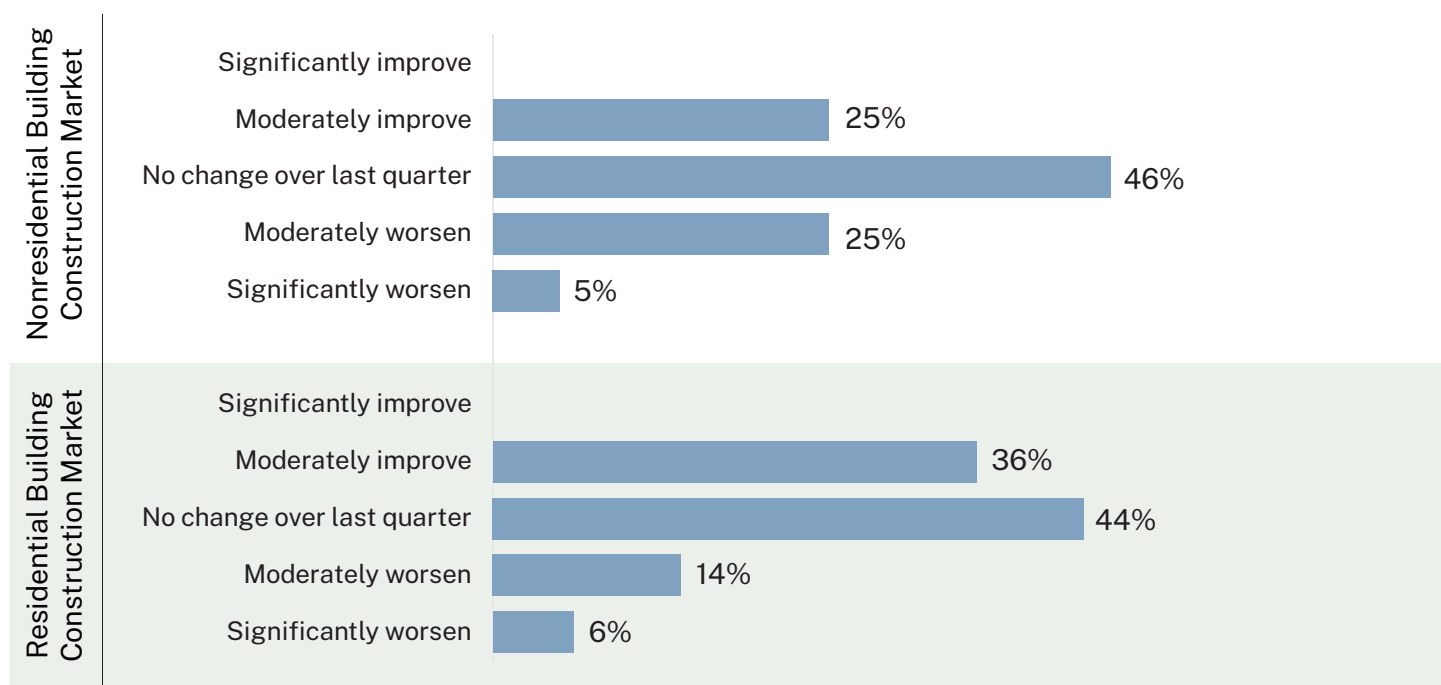
Local and National Economic Predictions For Next Quarter



Construction Input Predictions for Next Quarter

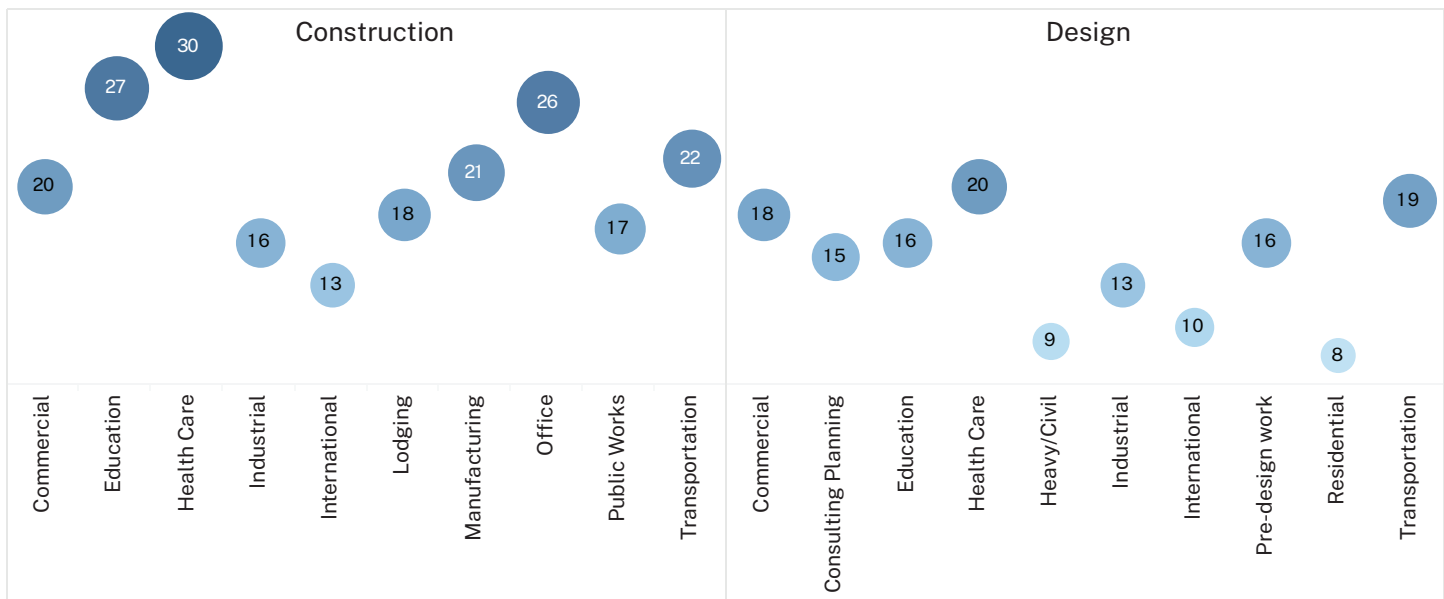


Expectations for the Residential and Nonresidential Building Markets for Next Quarter

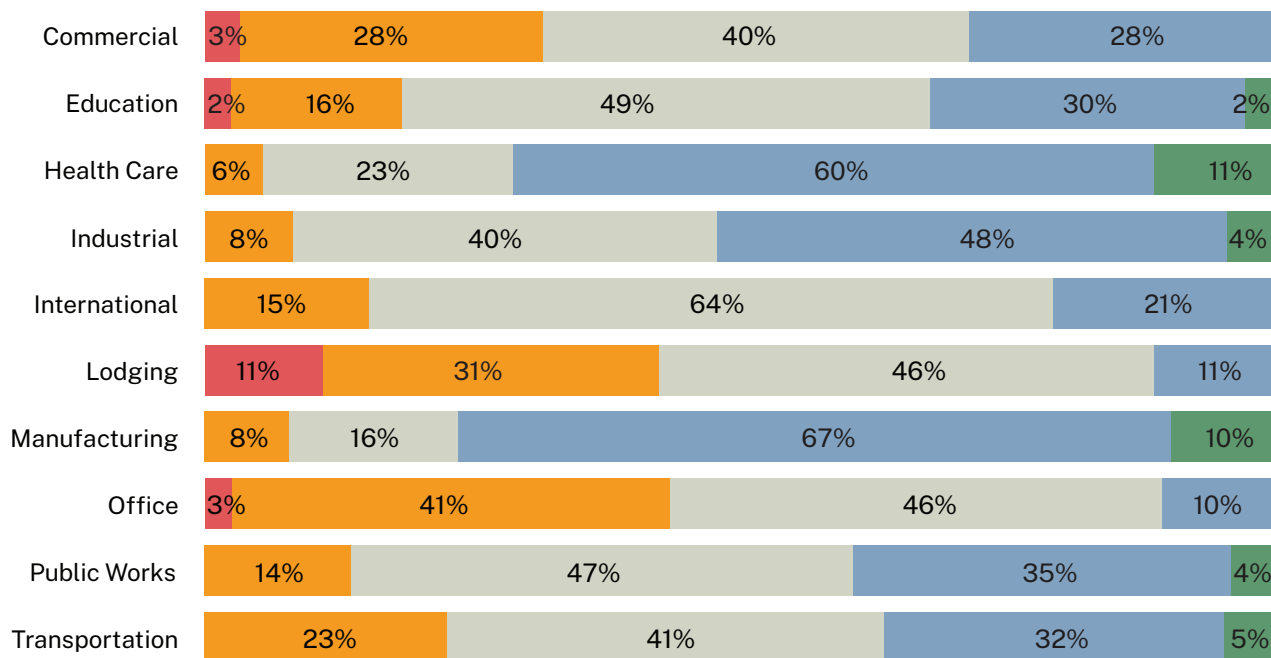




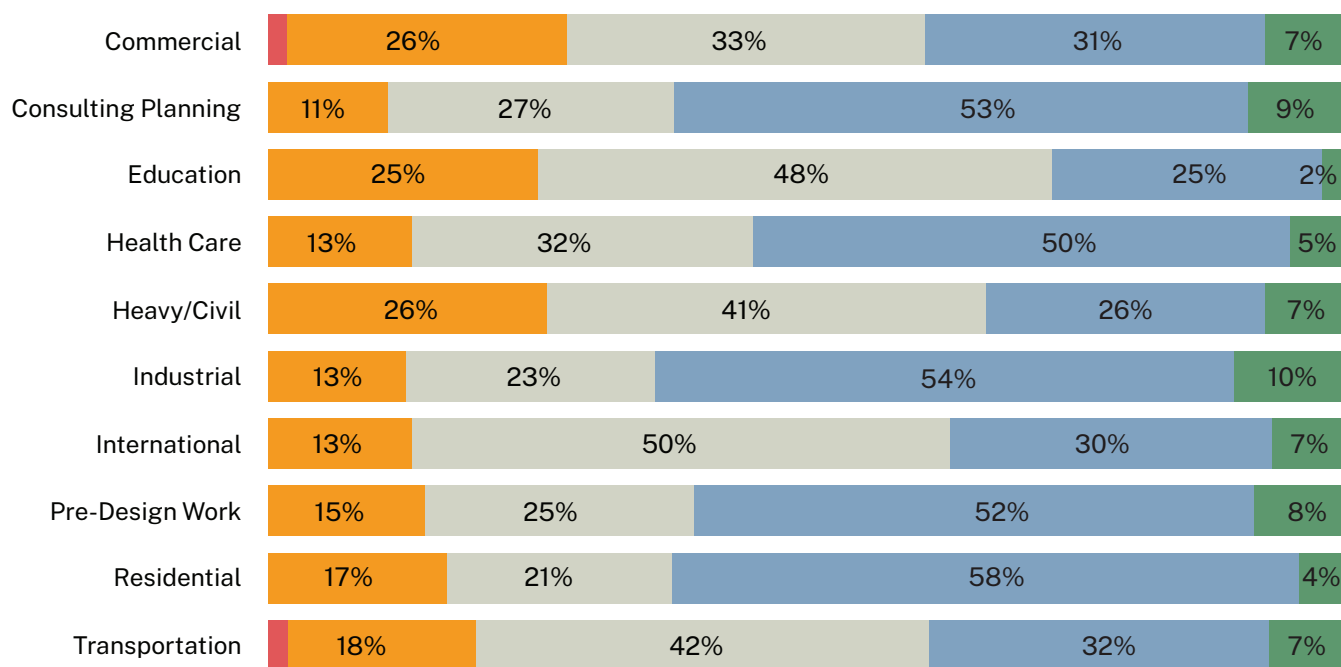
Member Profile: Number of CIRT Member Companies in Each Sector



Perception of Change for Next Quarter: Construction



Perception of Change for Next Quarter: Design



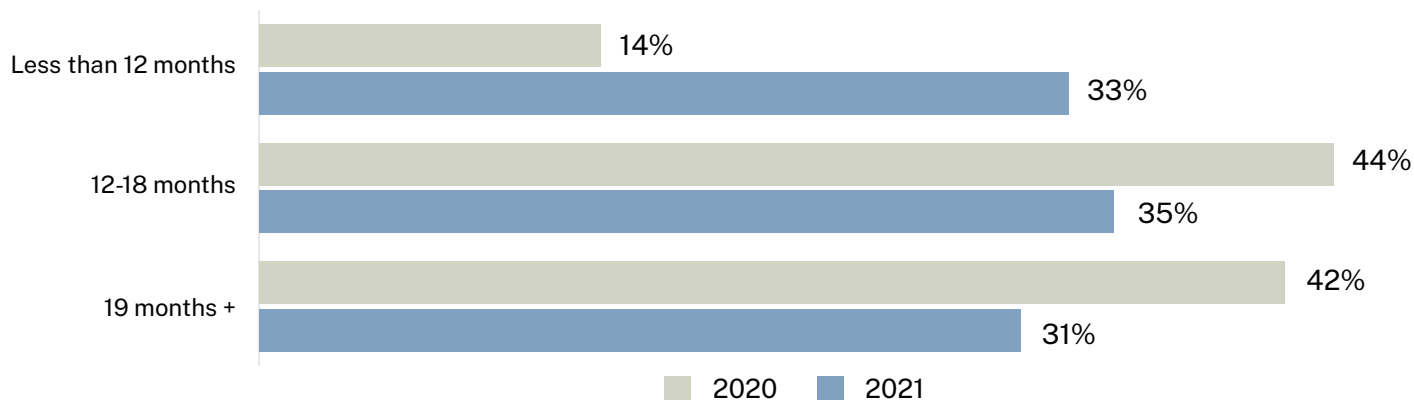


CURRENT ISSUES

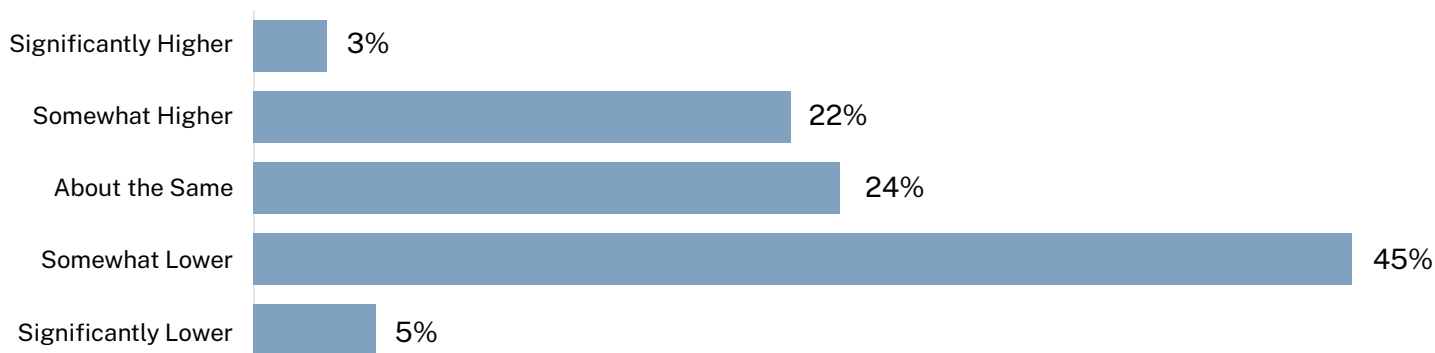
BACKLOG, CAPACITY AND HIRING GOALS

CIRT members were asked about the strength of their project backlogs going into 2021. Responses were split almost perfectly into thirds, suggesting 33% of participants have backlogs under 12 months, 31% have backlogs spanning the next 19 months or longer, and a slight majority (35%) have backlogs in the 12–18 month range. Comparing these results with last year, there is a significant increase in the share of members maintaining backlogs of “less than 12 months” (up 19%) and a similar decline among those maintaining backlogs in the range of 12–18 months and 19 months or longer, down 9% and 11%, respectively. Also, going into 2020, the top end of backlogs spanned more than four years, while in 2021 the highest reported backlog was three years. This comparison is consistent with half of respondents (50%) reporting either somewhat lower (45%) or significantly lower (5%) backlogs from this time last year.

Backlog Strength in Months



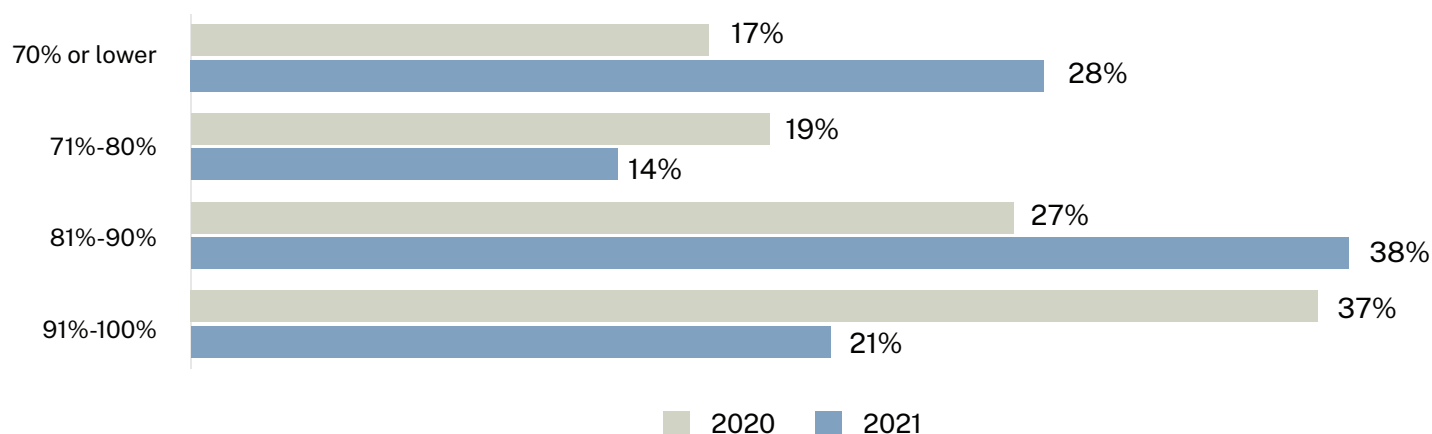
How does this backlog compare to the close of last year?





When asked about firm capacity going into 2021, a majority (59%) of all survey participants reported levels greater than 80%, of that total 38% estimating capacity between 81% and 90%. The remaining 41% estimate operating capacity at 80% or lower, with 28% of that total operating at 70% capacity or lower. Comparing these results to last year, a notable shift has occurred where most respondents are no longer estimating capacity in the range of 91% to 100% (37% vs. 21%). Also, there are significant share increases in 2021 among those estimating capacity in the ranges of 81% to 90% and 70% or lower.

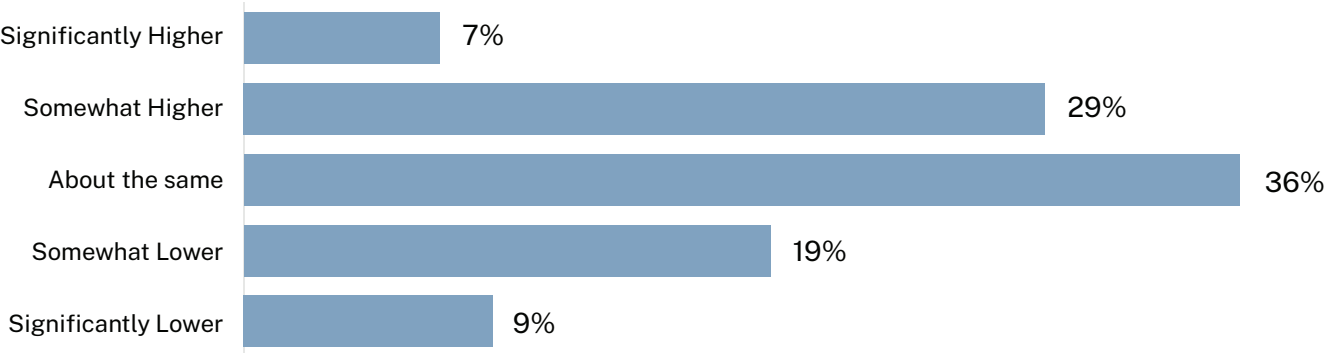
Firm Capacity





Comparing 2020 year-end hiring goals to the prior year, most survey participants were split between increasing hiring goals or keeping them about the same (36% for both groups). Only 7% of all respondents indicated that their hiring goals would significantly increase in 2021. The remaining 28% of respondents indicate somewhat lower (19%) or significantly lower (9%) hiring goals for the new year.

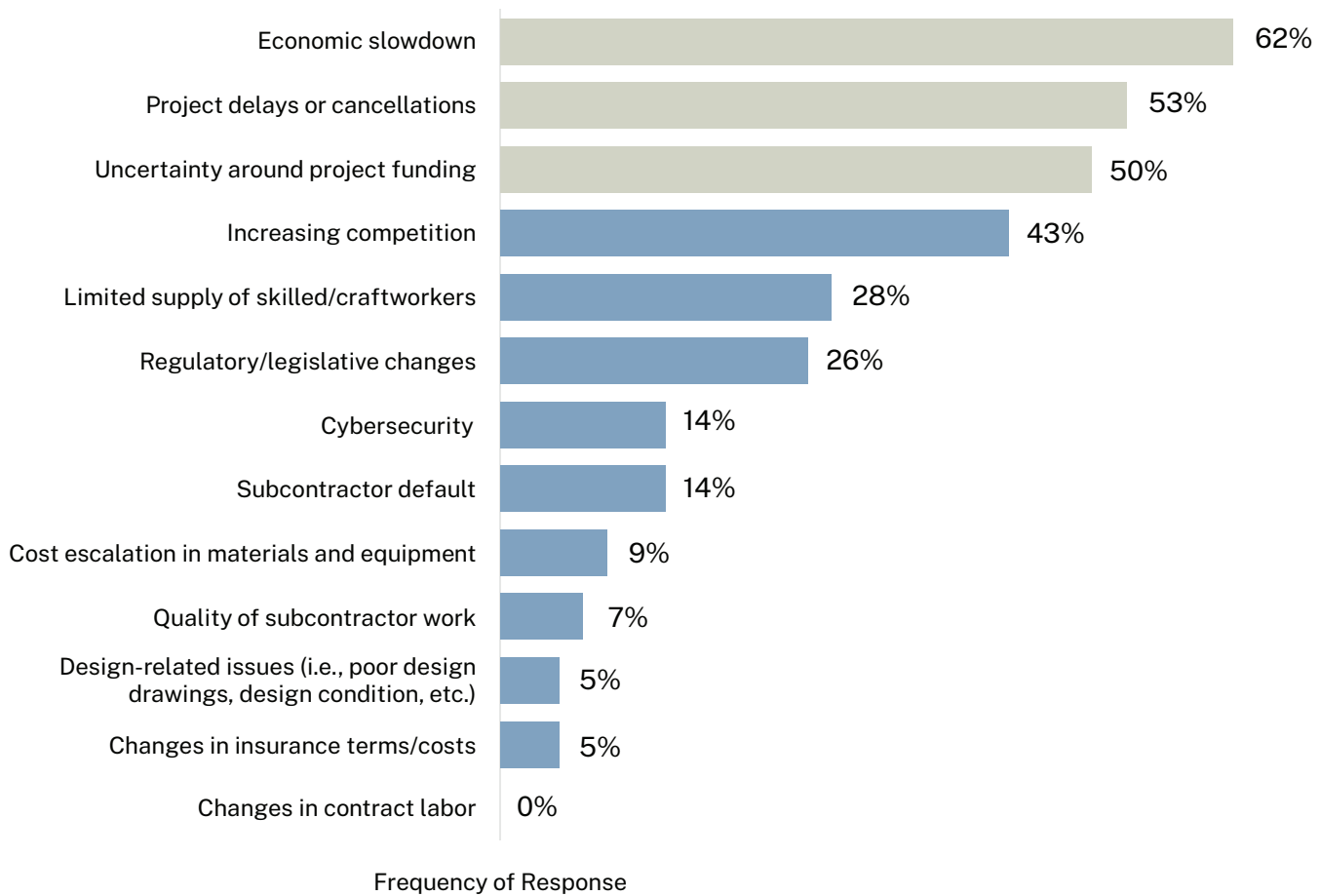
How would you describe your hiring goals for 2021 compared to 2020?



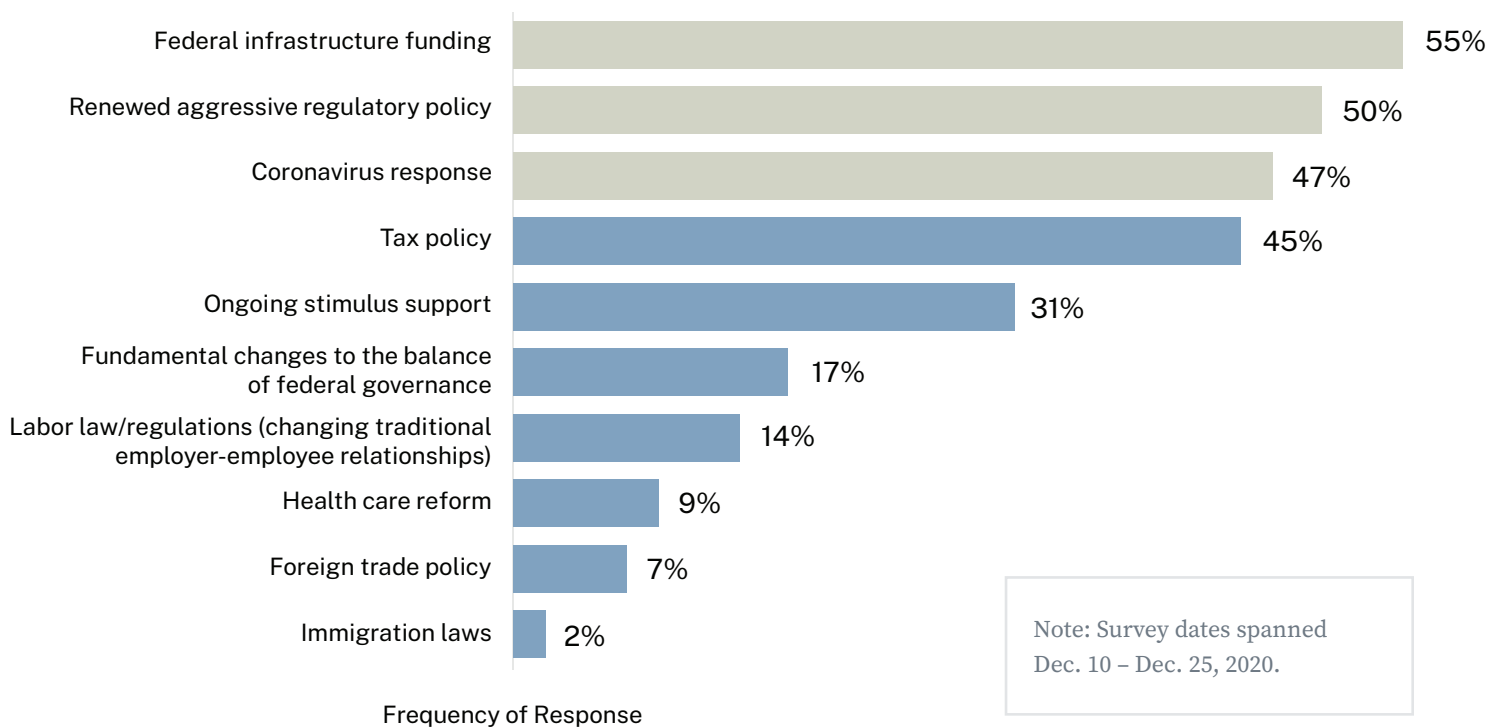
Anticipated Economic Challenges and Policy Concerns in 2021

Last among the current issues topics, CIRT members were questioned about their top three economic risks and their top three policy or regulatory challenges for 2021. As seen in the charts following, the most commonly anticipated economic risk factors include ongoing pandemic-related slowdowns (62%), project delays and cancellations (53%), uncertainty about project funding (50%) and increasing competition (43%). Comparably, the most selected political or regulatory concerns for 2021 include federal infrastructure funding (55%), renewed aggressive regulatory policy (50%), coronavirus response (47%) and tax policy (45%).

Top Three Risks/Challenges Expected in 2021



Top Three Political/Regulatory Concerns for 2021





DESIGN OUTLOOK

Industry	Design Sector Project Growth		
	Next Quarter	Six Months From Now	One Year From Now
Commercial	2.67	3.28	3.56
Consulting Planning	3.13	3.73	3.93
Education	2.81	3.06	3.25
Health Care	3.10	3.55	3.75
Heavy/Civil	2.78	3.22	3.44
Industrial	3.38	3.62	3.85
International	2.80	3.20	3.90
Pre-design Work	3.19	3.63	3.81
Residential	3.13	3.63	3.75
Transportation	2.79	3.26	3.68

Respondents were asked 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 is a reflection of the change in score in comparison to the starting average score of the next quarter period. Please refer to the “Design Sector Project Growth by Industry” chart for a visual representation of the scores. Here are the predominant perceptions of CIRT’s members:

COMMERCIAL

Starting average score of 2.67 for next quarter, 3.28 for six months from now, and 3.56 for one year from now.

CONSULTING PLANNING

Starting average score of 3.13 for next quarter, 3.73 for six months from now, and 3.93 for one year from now.

EDUCATION

Starting average score of 2.81 for next quarter, 3.06 for six months from now, and 3.25 for one year from now.

HEALTH CARE

Starting average score of 3.10 for next quarter, 3.55 for six months from now, and 3.75 for one year from now.



HEAVY/CIVIL

Starting average score of 2.78 for next quarter, 3.22 for six months from now, and 3.44 for one year from now.

INDUSTRIAL

Starting average score of 3.38 for next quarter, 3.62 for six months from now, and 3.85 for one year from now.

INTERNATIONAL

Starting average score of 2.80 for next quarter, 3.20 for six months from now, and 3.90 for one year from now.

PRE-DESIGN WORK

Starting average score of 3.19 for next quarter, 3.63 for six months from now, and 3.81 for one year from now.

RESIDENTIAL

Starting average score of 3.13 for next quarter, 3.63 for six months from now, and 3.75 for one year from now.

TRANSPORTATION

Starting average score of 2.79 for next quarter, 3.26 for six months from now, and 3.68 for one year from now.



CONSTRUCTION OUTLOOK

Industry	Construction Sector Business Outlook		
	Next Quarter	Six Months From Now	One Year From Now
Commercial	2.65	2.90	3.25
Education	2.85	3.15	3.41
Health Care	3.43	3.80	4.07
Industrial	3.25	3.56	3.63
International	2.77	3.08	3.31
Lodging	2.17	2.56	3.00
Manufacturing	3.62	3.86	3.86
Office	2.46	2.50	2.96
Public Works	3.12	3.29	3.47
Transportation	2.95	3.14	3.45

Respondents were asked 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 is a reflection of the change in score in comparison to the starting average score of the next quarter period. Please see the previous chart for a visual representation of the scores. Below are the predominant perceptions of CIRT's members:

COMMERCIAL

Starting average score of 2.65 for next quarter, 2.90 for six months from now, and 3.25 for one year from now.

EDUCATION

Starting average score of 2.85 for next quarter, 3.15 for six months from now, and 3.41 for one year from now.

HEALTH CARE

Starting average score of 3.43 for next quarter, 3.80 for six months from now, and 4.07 for one year from now.

INDUSTRIAL

Starting average score of 3.25 for next quarter, 3.56 for six months from now, and 3.63 for one year from now.



INTERNATIONAL

Starting average score of 2.77 for next quarter, 3.08 for six months from now, and 3.31 for one year from now.

LODGING

Starting average score of 2.17 for next quarter, 2.56 for six months from now, and 3.00 for one year from now.

MANUFACTURING

Starting average score of 3.62 for next quarter, 3.86 for six months from now, and 3.86 for one year from now.

OFFICE

Starting average score of 2.46 for next quarter, 2.50 for six months from now, and 2.96 for one year from now.

PUBLIC WORKS

Starting average score of 3.12 for next quarter, 3.29 for six months from now, and 3.47 for one year from now.

TRANSPORTATION

Starting average score of 2.95 for next quarter, 3.14 for six months from now, and 3.45 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.

**Denver**

210 University Boulevard
Suite 800
Denver, CO 80206
303.377.4740

Houston

1301 McKinney Street
Suite 2000
Houston, TX 77010
713.936.5400

Raleigh (headquarters)

223 S. West Street
Suite 1200
Raleigh, NC 27603
919.787.8400

Tampa

4300 W. Cypress Street
Suite 950
Tampa, FL 33607
813.636.1364