

CIRT Sentiment Index

Second Quarter Report



EXECUTIVE SUMMARY

INDEX MOVEMENT

	Q1 2020	Q2 2020
Overall U.S. Economy ↓	66.10	00.86
Economy Where We Do Business ↓	65.25	00.86
Our Construction Business ↓	74.19	07.69
Nonresidential Sector ↓	58.47	05.26
Backlog ↓	70.90	39.08
Cost of Labor ↓	88.14	50.86
Cost of Materials ↓	71.19	55.17
Productivity ↓	53.39	11.21

The second quarter of 2020 survey results suffered a significant tumble in both the CIRT Sentiment Index and the Design Index. The CIRT Sentiment Index experienced an *unprecedented* plunge from 63.6 to 21.6, with the Design Index seeing a similar drop from 62.7 to 39.8, indicating fewer opportunities are likely in the coming quarter(s). This historic decline appears to manifest the dual concerns of fear and uncertainty driven by the global pandemic, COVID-19, alongside corresponding market disruptions and volatility. Though many hope a government stimulus can help alleviate some of the losses, an economic recession appears to be very possible, if not an imminent threat.

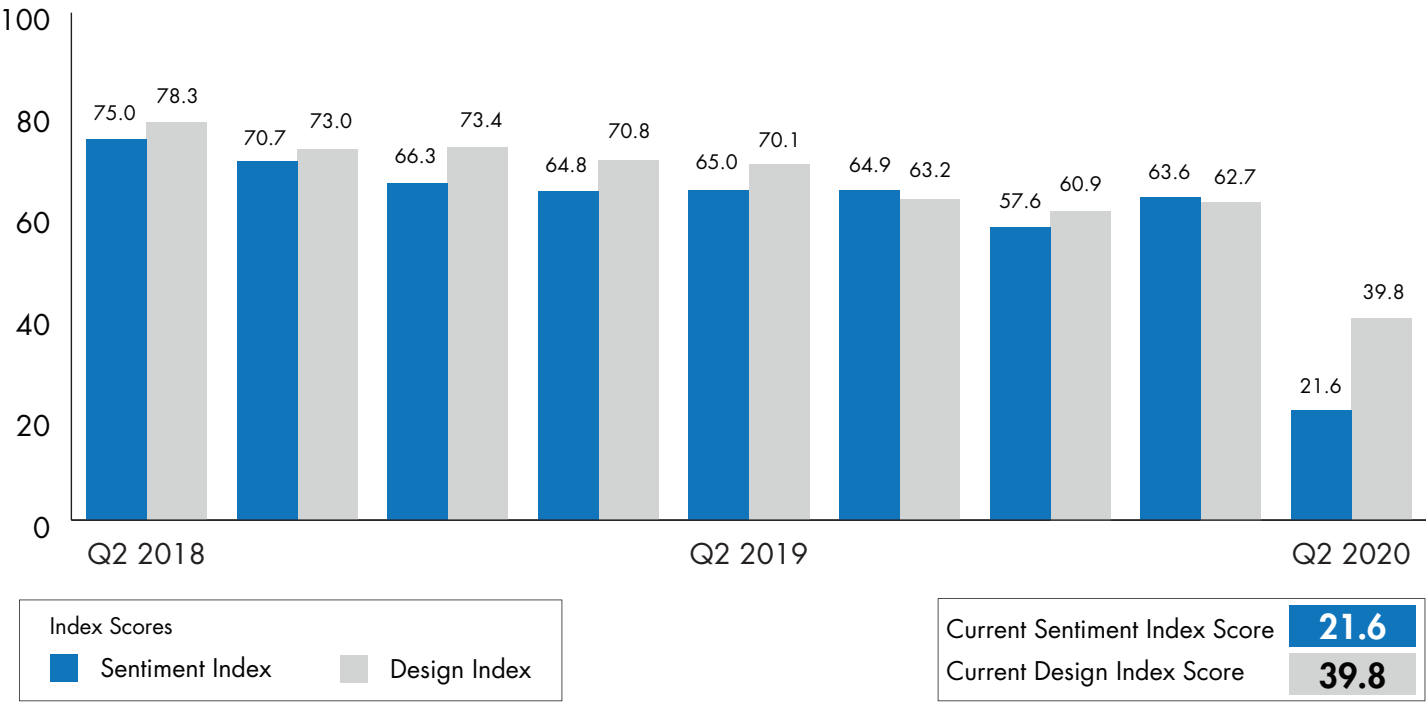
This quarter our current issues questions address impacts on the various economic disruptions seen over the past few weeks (including COVID-19, depressed oil prices and market volatility). Open-ended comments pointed to a common theme related to the significant uncertainty COVID-19 was causing throughout the industry. Many found ongoing difficulty in keeping up with a range of local- and state- restrictions. Geographic impact points to hardship across the Northeast and West. Sector performance suggests short- and long-term resiliency in institutional and infrastructure segments.

In order to address current economic disruptions, a large majority (over 90%) of CIRT members reported limiting business travel as well as staff exposure on-site and/or in the office. Further, approximately 84% of members were postponing business meetings, and 79% were deferring spending decisions. When asked about schedule impact, well over half of all respondents (58%) reported some extension. Of those who realized changed schedules, two-thirds of respondents noted extensions between one and three months, 16% saw schedules extended between three and six months, and, combined, nearly one out of five (19%) had seen schedules extended by six months or more, or indefinitely. When inquired on material cost and availability, approximately half (51%) of all respondents reported that prices were unchanged. The second largest group, 38% of respondents, indicated a greater concern for material availability than price.



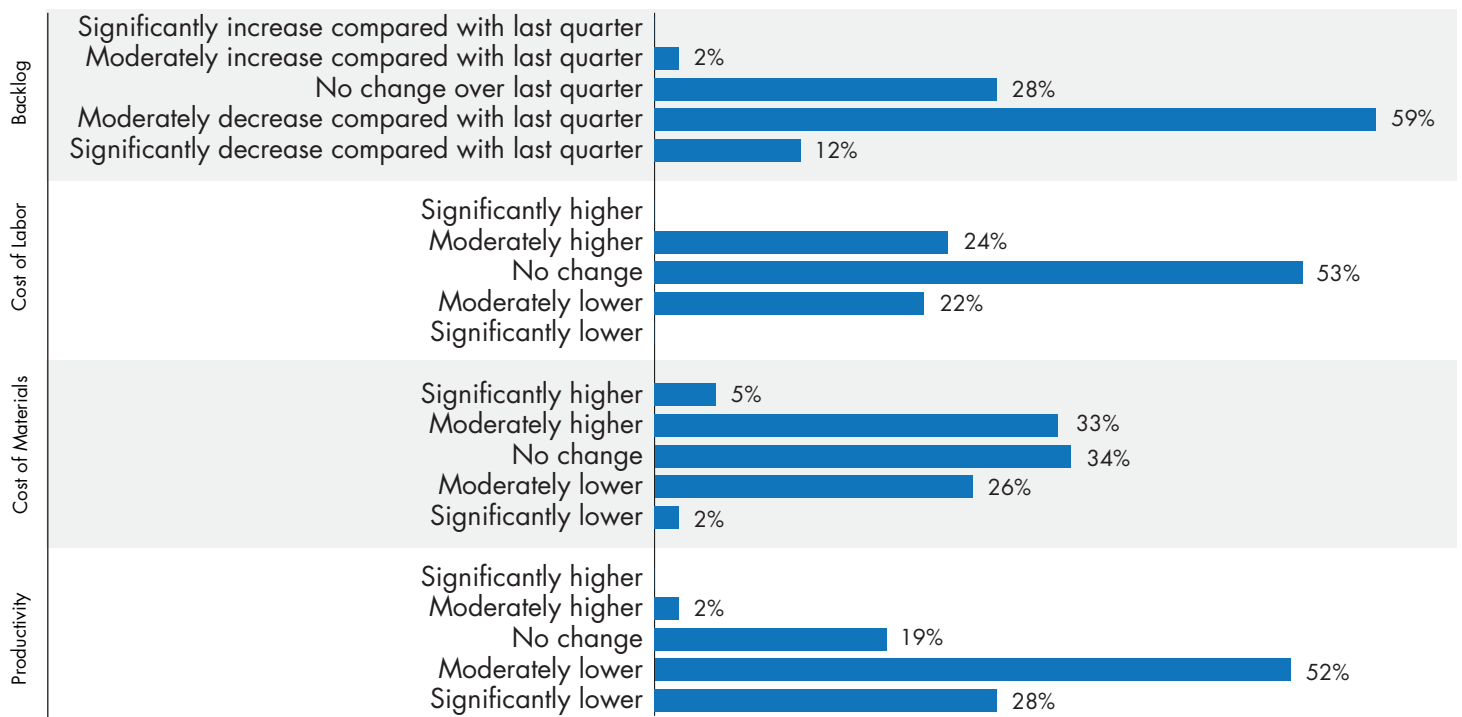
Among the industries represented by CIRT's member base, lodging, commercial and international work are projected to realize the largest short- and long-term declines within both the design and construction industries. Similarly, both groups anticipate health care will expand unceasingly over the next year. The design industry's long-term view of project growth remains positive, with every sector tracking above 3.0. The construction respondent's long-term view is comparably lower, with only five of the tracked 10 sectors projected above 3.0 (health care, industrial, manufacturing, public works and transportation). Construction respondents anticipate commercial, education, international, lodging and office will all remain depressed well into 2021.

CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q2 2018 TO Q2 2020

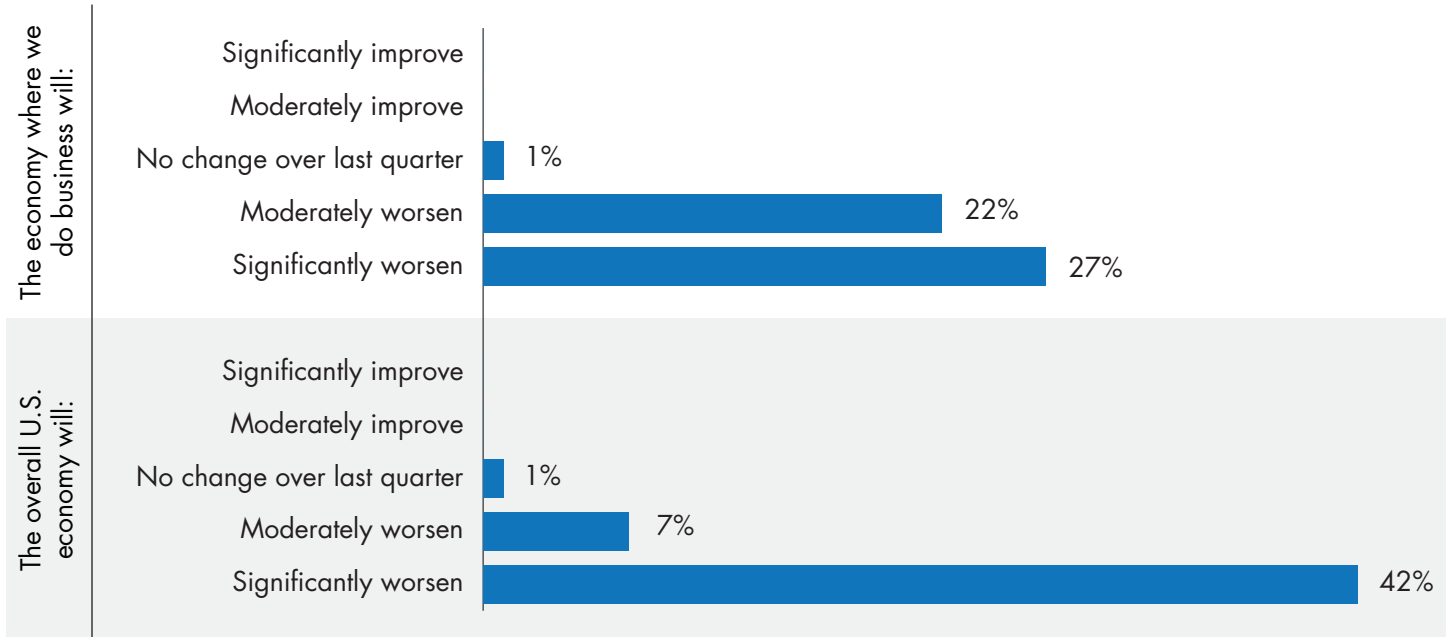




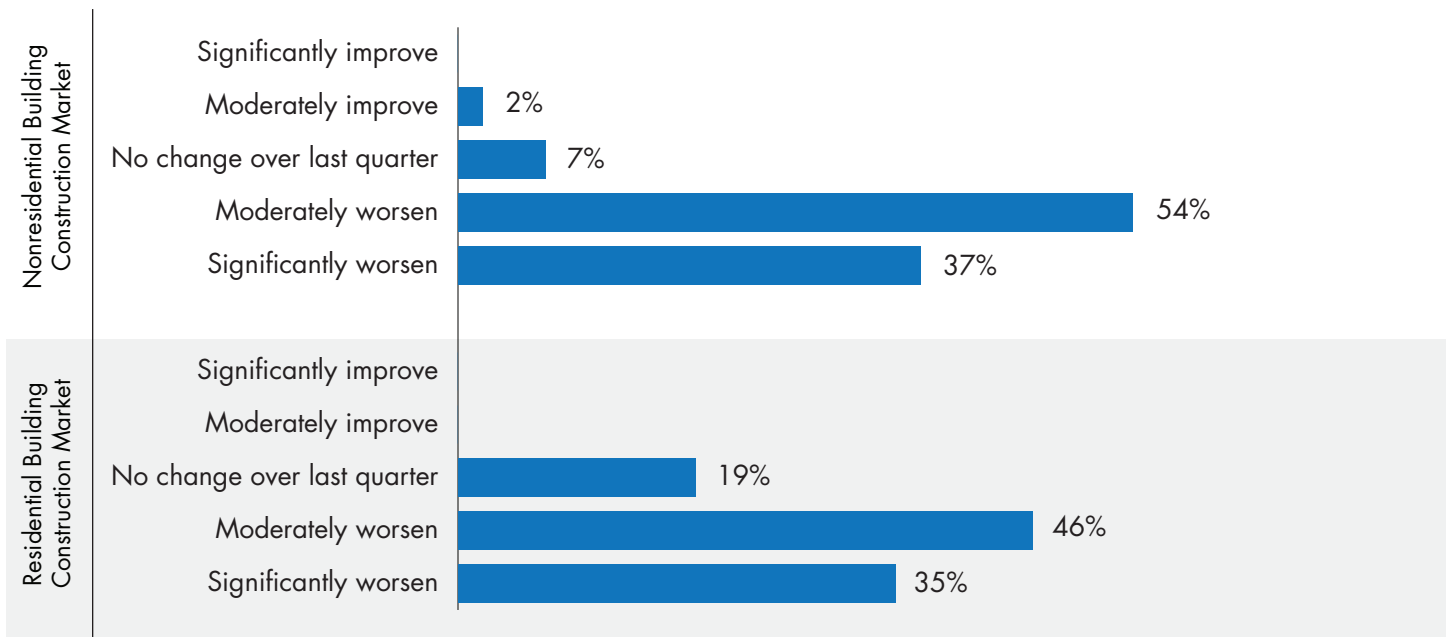
CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER



LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER

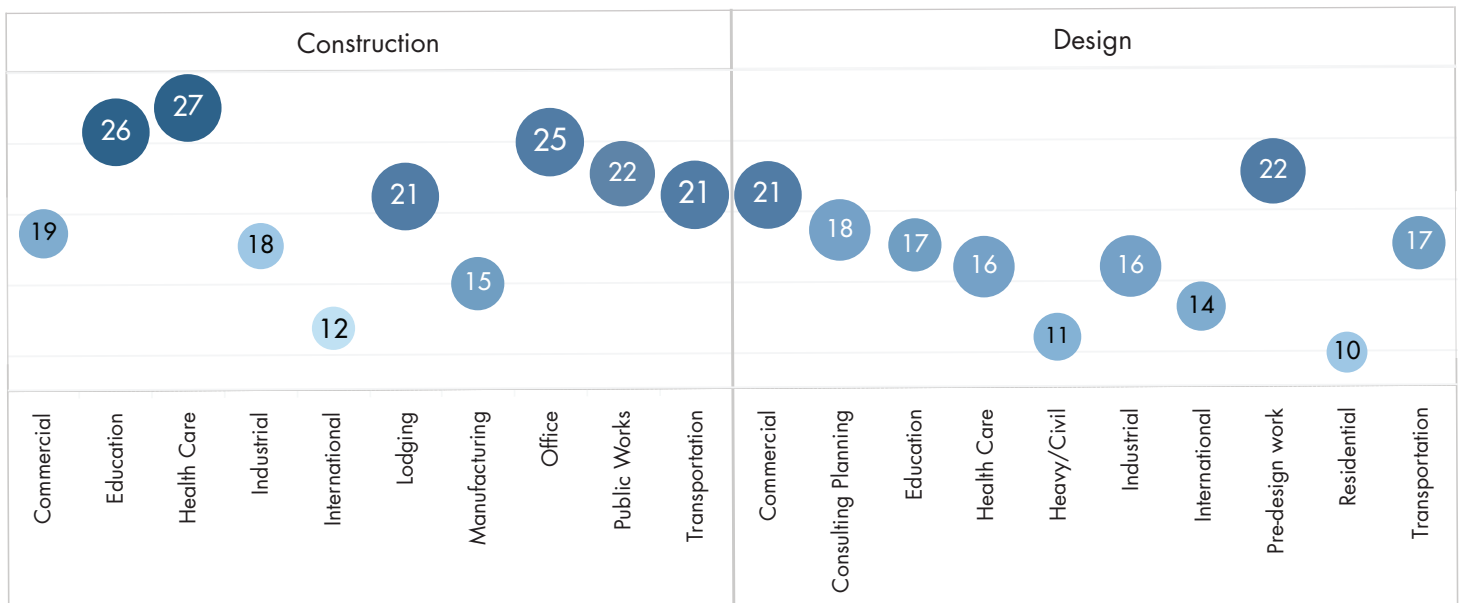


EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS FOR NEXT QUARTER

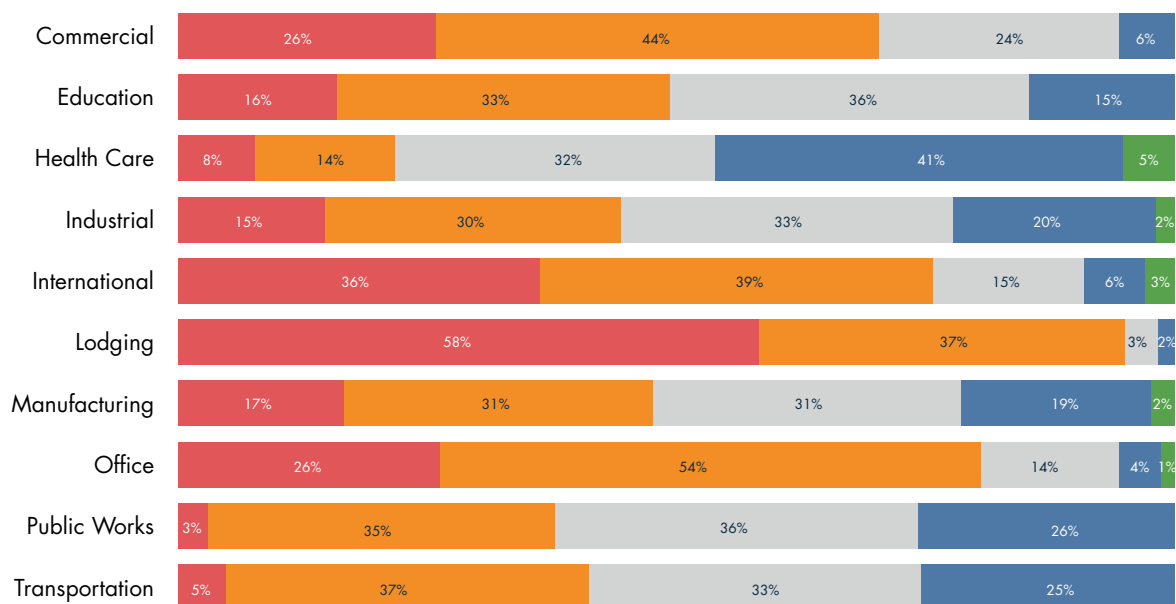




MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR

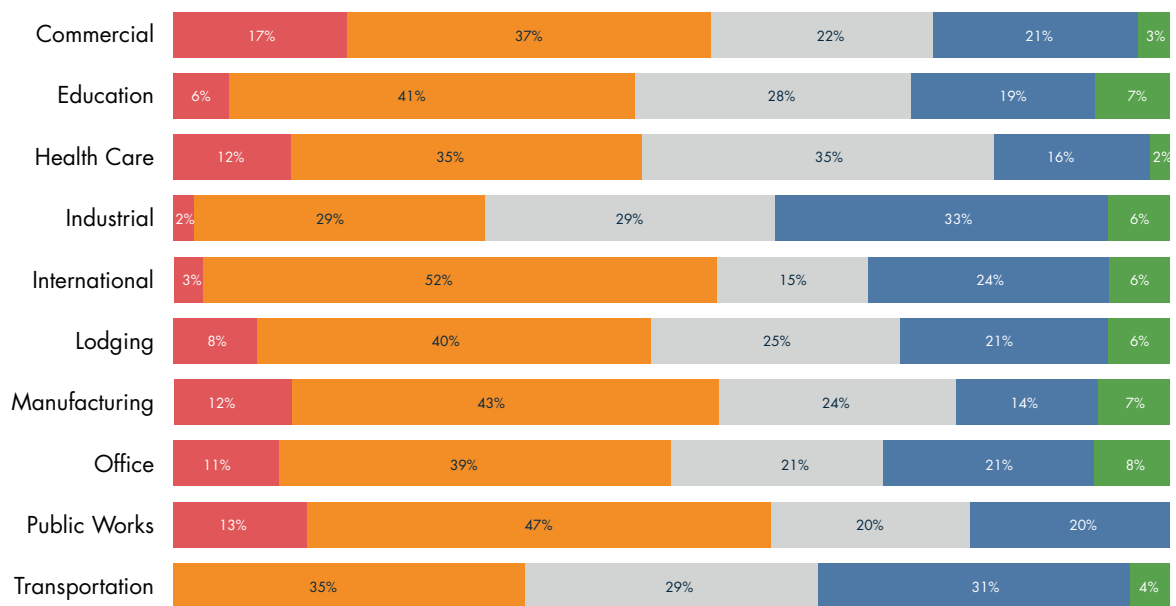


PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



■ Significantly worsen
 ■ Moderately worsen
 ■ No change
 ■ Moderately improve
 ■ Significantly improve

PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN

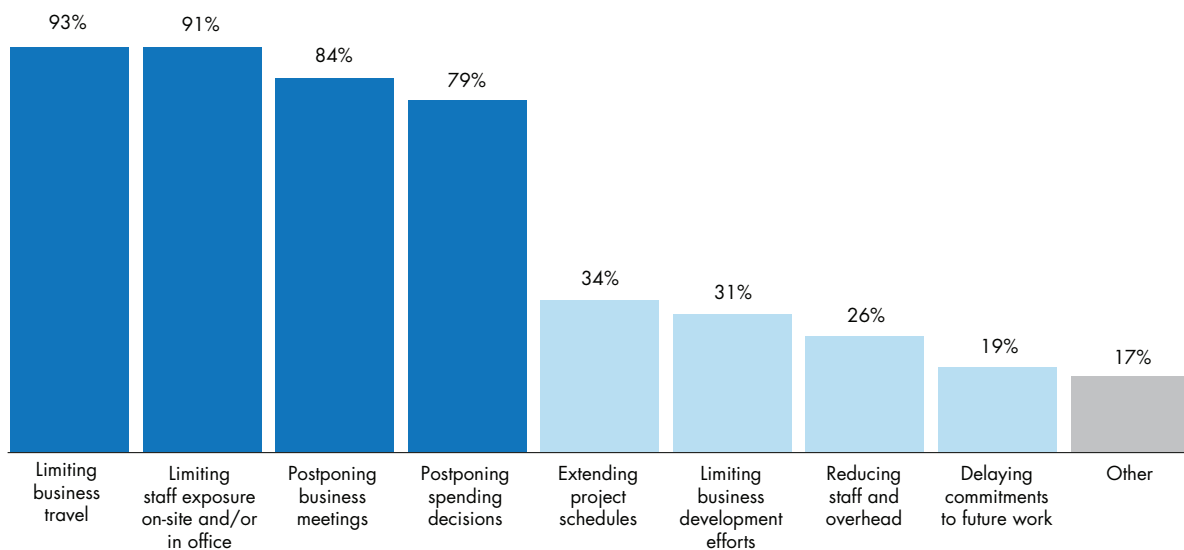


■ Significantly worsen
 ■ Moderately worsen
 ■ No change
 ■ Moderately improve
 ■ Significantly improve

CURRENT TRENDS

ORGANIZATIONAL RESPONSE TO CURRENT ECONOMIC DISRUPTIONS

Open-ended survey comments pointed to a common theme related to the significant uncertainty COVID-19 was causing throughout the industry. Many found ongoing difficulty in keeping up with a range of local and state restrictions. Additionally, some respondents suggested significant disruptions and were anticipating severe cancellations of planned work, while others had seen little impact. The differences across respondents' experiences and predictions remain highly dependent on the geography and sectors of their operations. Geographic impact points to hardship across the Northeast and West. Sector performance (as seen in the tables following) suggests short- and long-term resiliency in institutional and infrastructure.



In order to address current economic disruptions, a large majority (over 90%) of CIRT members reported limiting business travel as well as staff exposure on-site and/or in the office. Further, approximately 84% of members were postponing business meetings, and 79% were deferring spending decisions.

About one-third of respondents reported extending project schedules (34%) and limiting business development efforts (31%). Similarly, 26% of respondents cited reducing staff and overhead, though many open-ended comments suggested more are considering these reductions. Just under one-fifth (19%) of respondents chose to delay commitments to future work.

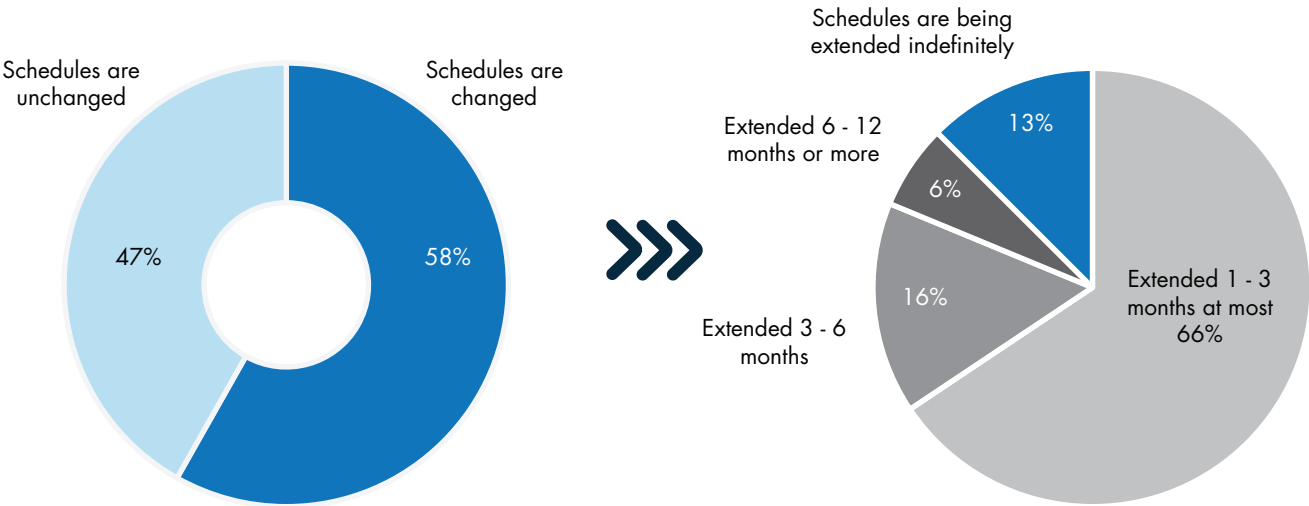
Other types of organizational responses (17%) included increased communication, flexibility in working from home or remotely, greater use of technology and videoconferencing systems, and conducting scenario planning.



SCHEDULE IMPACTS

Well over half of all respondents (58%) reported some extension to project schedules. Of those who realized extended schedules, two-thirds of respondents noted extensions between one and three months, 16% saw schedules extended between three and six months, and, combined, nearly one out of five (19%) had seen schedules extended by six months or more, or indefinitely.

Approximately 60% of construction respondents and 55% of design respondents reported schedule extensions. Commentary suggests that the likelihood of schedule impact varies by geography and is driven by state and local policies regarding construction activity.

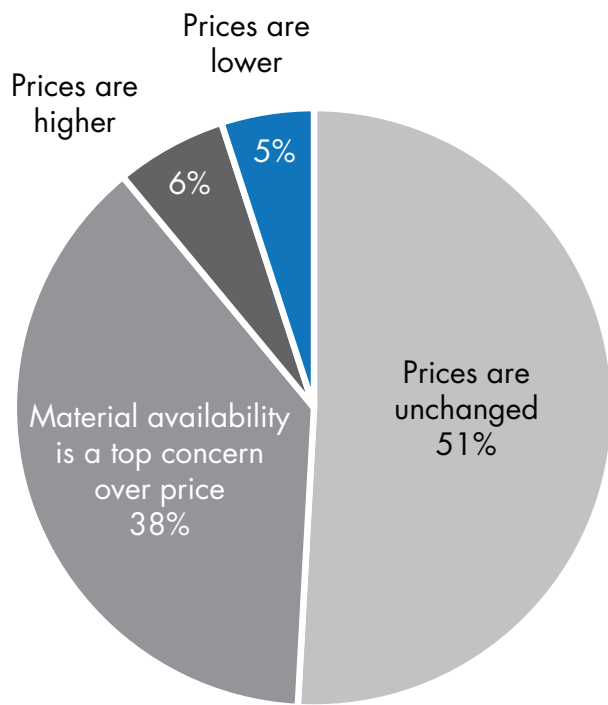




CHANGES IN PRICE AND AVAILABILITY OF SUPPLIES

When asked about how changing market dynamics and supply chain disruptions have impacted material costs, approximately half (51%) of all respondents reported that prices were unchanged. The second largest group, 38% of respondents, indicated a greater concern for material availability. Just 6% of all respondents saw prices increase, and 5% of respondents noted falling prices. Only 2% of all respondents saw prices increase by more than 5%.

Construction respondents were more likely to be concerned about availability or found prices unchanged, as only 3% of construction respondents had seen price increases. Conversely, a larger share (11%) of design respondents indicated prices had increased, but only modestly -- between 1% and 4%.





CONSTRUCTION OUTLOOK

Industry	Construction Sector Business Outlook			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	1.78	1.94	2.56	
Education	2.16	2.44	2.88	
Health Care	3.04	3.19	3.42	
Industrial	2.11	2.61	3.22	
International	1.45	2.09	2.45	
Lodging	1.25	1.35	1.85	
Manufacturing	2.29	2.50	3.00	
Office	1.71	1.96	2.33	
Public Works	2.68	2.77	3.09	
Transportation	2.52	2.76	3.10	

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 is a reflection of 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 1.78 for next quarter, 1.94 for six months from now, and 2.56 for one year from now.

EDUCATION

Starting average score of 2.16 for next quarter, 2.44 for six months from now, and 2.88 for one year from now.

HEALTH CARE

Starting average score of 3.04 for next quarter, 3.19 for six months from now, and 3.42 for one year from now.

INDUSTRIAL

Starting average score of 2.11 for next quarter, 2.61 for six months from now, and 3.22 for one year from now.



INTERNATIONAL

Starting average score of 1.45 for next quarter, 2.09 for six months from now, and 2.45 for one year from now.

LODGING

Starting average score of 1.25 for next quarter, 1.35 for six months from now, and 1.85 for one year from now.

MANUFACTURING

Starting average score of 2.29 for next quarter, 2.50 for six months from now, and 3.00 for one year from now.

OFFICE

Starting average score of 1.71 for next quarter, 1.96 for six months from now, and 2.33 for one year from now.

PUBLIC WORKS

Starting average score of 2.68 for next quarter, 2.77 for six months from now, and 3.09 for one year from now.

TRANSPORTATION

Starting average score of 2.52 for next quarter, 2.76 for six months from now, and 3.10 for one year from now.



DESIGN OUTLOOK

Industry	Design Sector Project Growth			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	1.90	2.52	3.24	↗
Consulting Planning	2.50	2.67	3.28	↗
Education	2.12	2.35	3.35	↗
Health Care	3.00	3.06	3.31	↗
Heavy/Civil	2.55	2.55	3.27	↗
Industrial	2.38	2.75	3.19	↗
International	1.86	2.64	3.36	↗
Pre-design Work	2.18	2.64	3.45	↗
Residential	1.90	2.30	3.20	↗
Transportation	2.76	2.94	3.41	↗

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 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 to see a visual representation of the scores. Below are the predominant perceptions of CIRT’s members:

COMMERCIAL

Starting average score of 1.90 for next quarter, 2.52 for six months from now, and 3.24 for one year from now.

CONSULTING PLANNING

Starting average score of 2.50 for next quarter, 2.67 for six months from now, and 3.28 for one year from now.

EDUCATION

Starting average score of 2.12 for next quarter, 2.35 for six months from now, and 3.35 for one year from now.

HEALTH CARE

Starting average score of 3.00 for next quarter, 3.06 for six months from now, and 3.31 for one year from now.



HEAVY/CIVIL

Starting average score of 2.55 for next quarter, 2.55 for six months from now, and 3.27 for one year from now.

INDUSTRIAL

Starting average score of 2.38 for next quarter, 2.75 for six months from now, and 3.19 for one year from now.

INTERNATIONAL

Starting average score of 1.86 for next quarter, 2.64 for six months from now, and 3.36 for one year from now.

PRE-DESIGN WORK

Starting average score of 2.18 for next quarter, 2.64 for six months from now, and 3.45 for one year from now.

RESIDENTIAL

Starting average score of 1.90 for next quarter, 2.30 for six months from now, and 3.20 for one year from now.

TRANSPORTATION

Starting average score of 2.76 for next quarter, 2.94 for six months from now, and 3.41 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.

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