



Industry Focus. Powerful Results.™

CIRT Sentiment Index

Second Quarter Report





EXECUTIVE SUMMARY

INDEX MOVEMENT

		Q1 2019	Q2 2018
Overall U.S. Economy	↑	50.88	57.27
Economy Where We Do Business	↑	54.39	61.82
Our Construction Business	↑	76.79	78.85
Nonresidential Sector	↑	52.73	61.82
Backlog	↓	77.78	72.42
Cost of Labor	↓	94.74	92.73
Cost of Materials	↓	92.11	81.82
Productivity	↓	46.49	42.73

Overall the outlook appears to have remained constant, with the second quarter of 2019 showing only a slight increase in the CIRT Sentiment Index vs. a marginal decrease in the Design Index when compared with the first quarter. To wit, the CIRT Sentiment Index rose from 64.8 to 65.0, and the Design Index fell from 70.8 to 70.1. As these results indicate, both indexes saw very little movement which could be reflective of the ambiguity surrounding the uncertain economic environment. While indications are that growth will remain steady if not strong, there is a counter possibility of a potential slowdown or turn that could occur, if for no other reason than the cyclical nature of markets.

This quarter, our current trends questions focused on four main areas: topics that would be most valuable for research studies, effects of tariffs on organizations, strategies used to combat such effects and how tariffs have changed the costs and availability of supplies.

CIRT members responded that their top areas of interest for industry research studies are technology and its role in an organization; how to attract, train and retain the current and future workforce; and a surprisingly high level of interest in data strategy. The breakdown included 55% that reported a desire for research

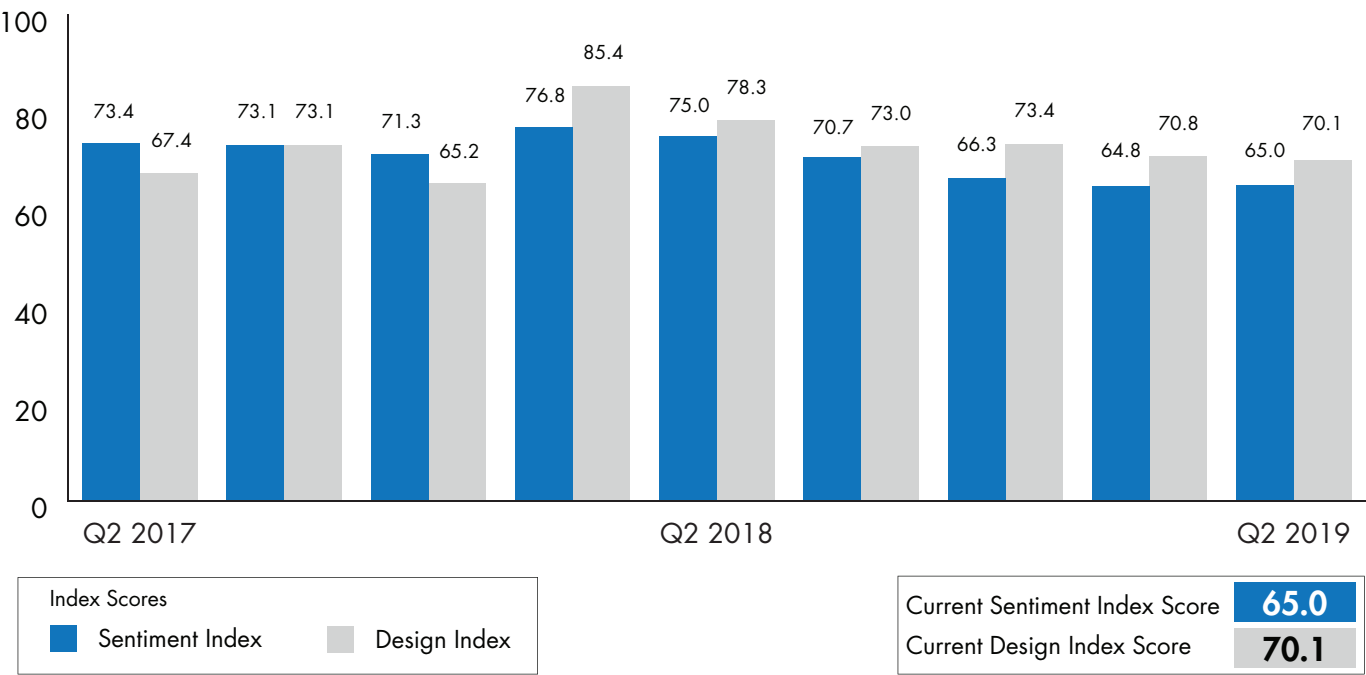
examining the role technology and innovation in the E&C industry and 34% also reporting a desire to see research around organizational data strategy. Nearly half, 42%, of respondents in this quarter's survey also conveyed interest in research outlining useful methods and approaches for attracting employees and how to train and develop their current workforce.

On the topic of tariffs, results showed that almost half of respondents saw increased anxiety in their market as a result of recent tariffs on aluminum and steel imports. Despite the increased anxiety, organizations have found many strategies to adapt to rising costs, such as passing the costs onto owners, seeking out alternative sources for supplies, negotiating rates with suppliers, and making an effort to import supplies earlier to avoid incurring the effects of the tariffs. However, overall, respondents believe that tariffs have only had a minimal impact on the price or availability of supplies; instead, respondents believe that the biggest contributors to changes in price or availability of supplies can be attributed to escalating work, an expanding market and a higher material demand.



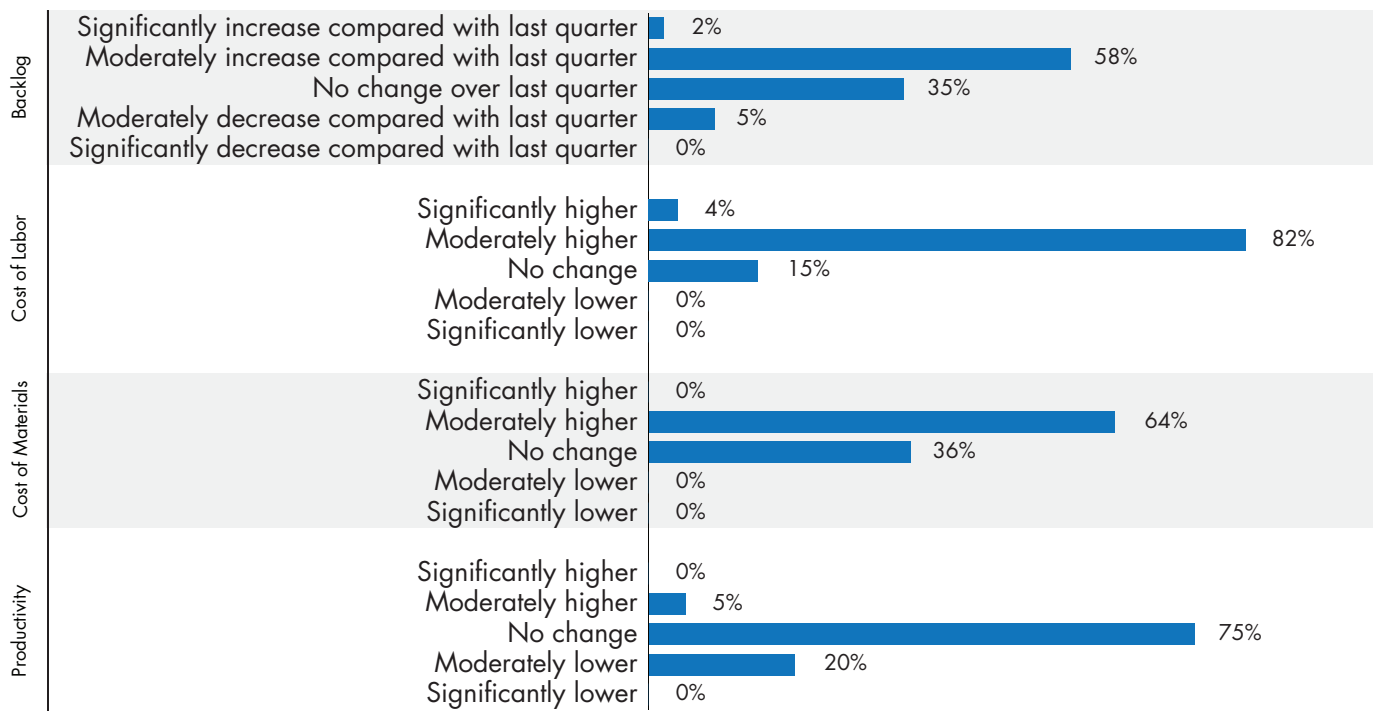
Among the industries represented by CIRT's member base, industrial work is projected to experience the most short- and long-term growth within both the design and construction industries. Aside from industrial, manufacturing and transportation are expected to grow or remain steady in the short and long term within the construction industry, and the transportation and consulting planning industries are expected to grow or remain steady in the short and long term within the design industry.

CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q1 2017 TO Q1 2019

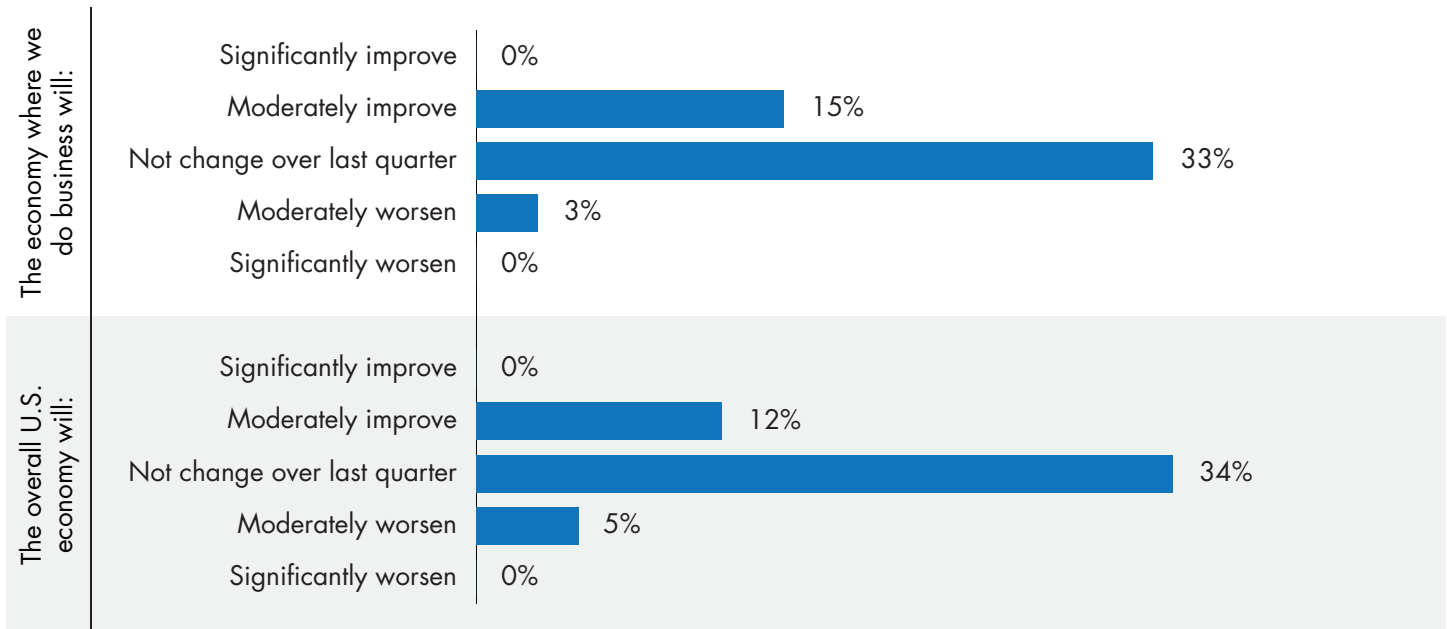




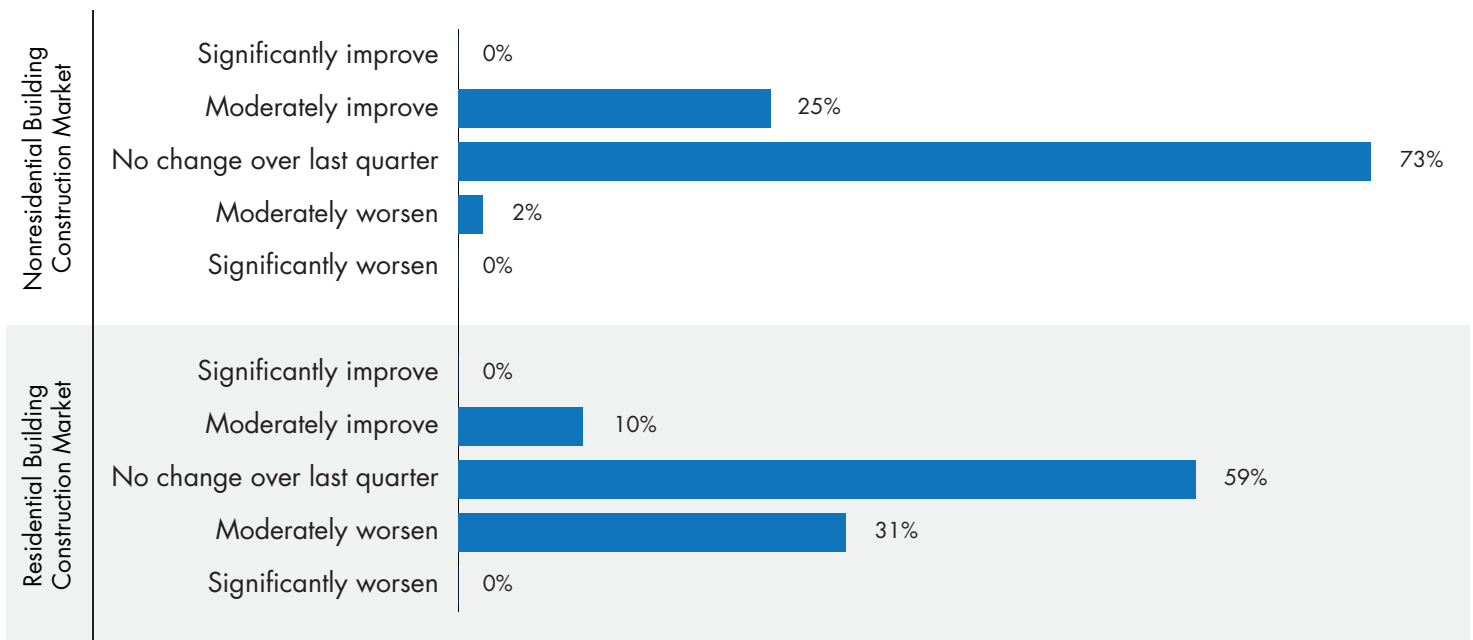
CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER



LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER

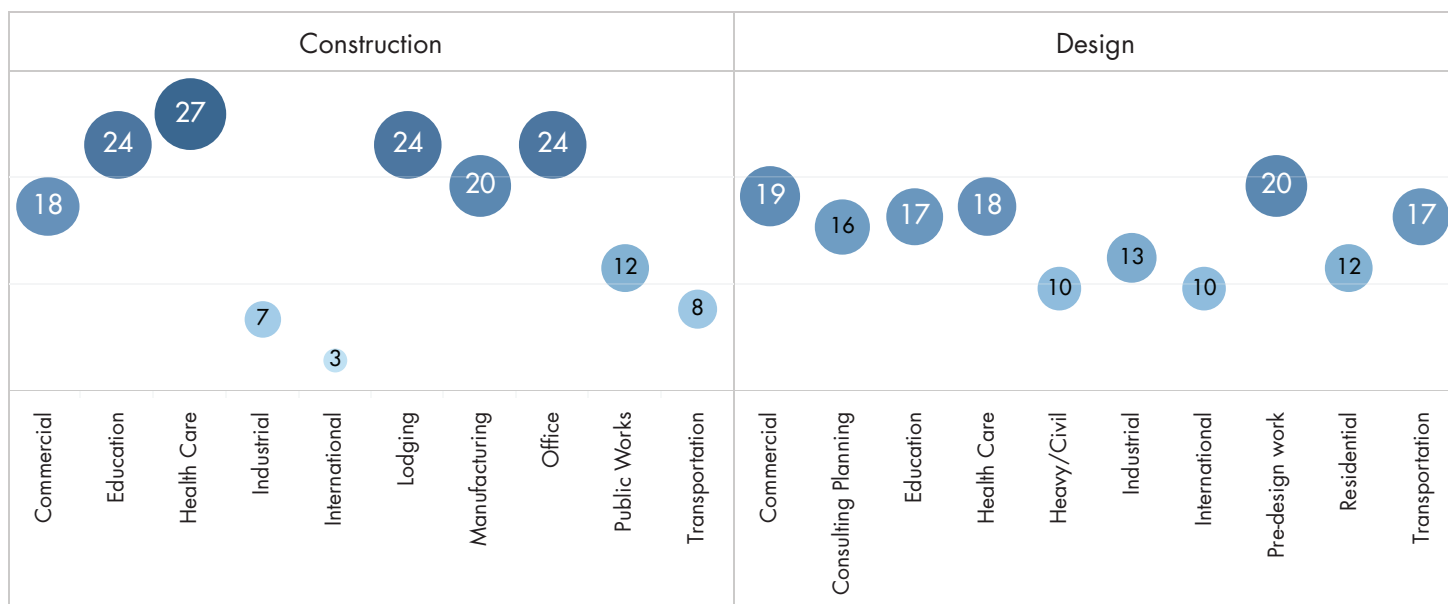


EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS FOR NEXT QUARTER

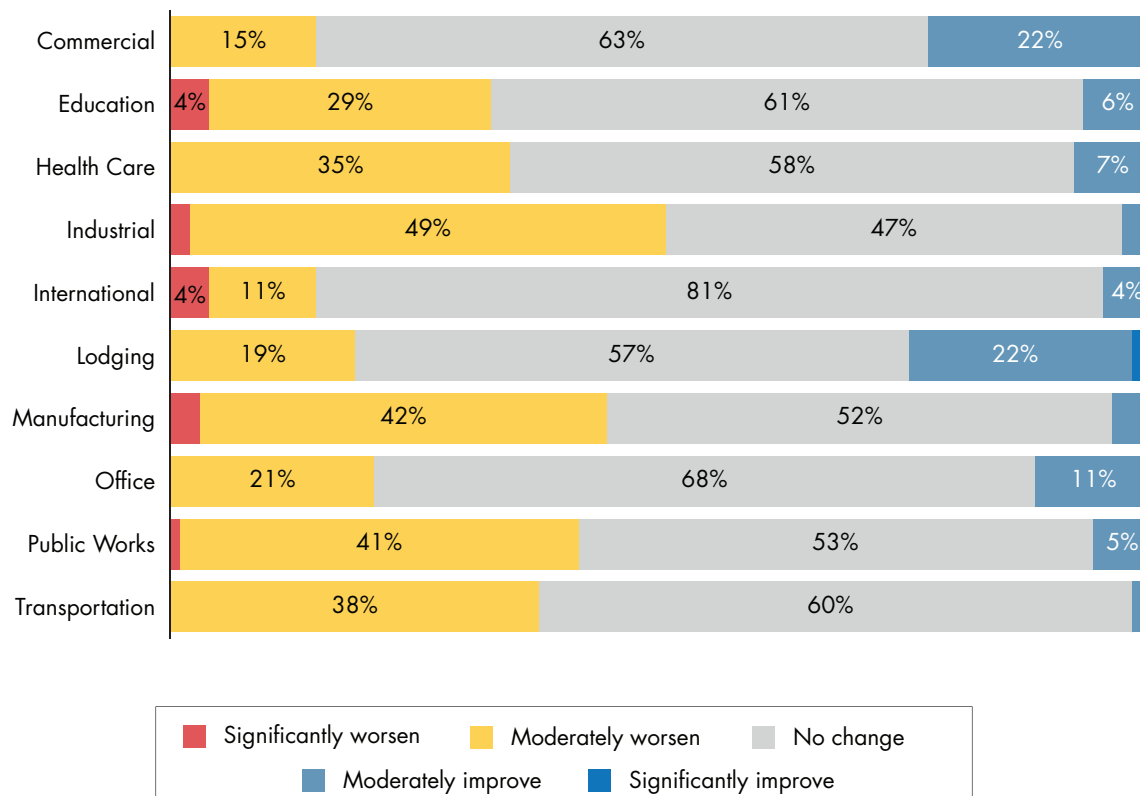




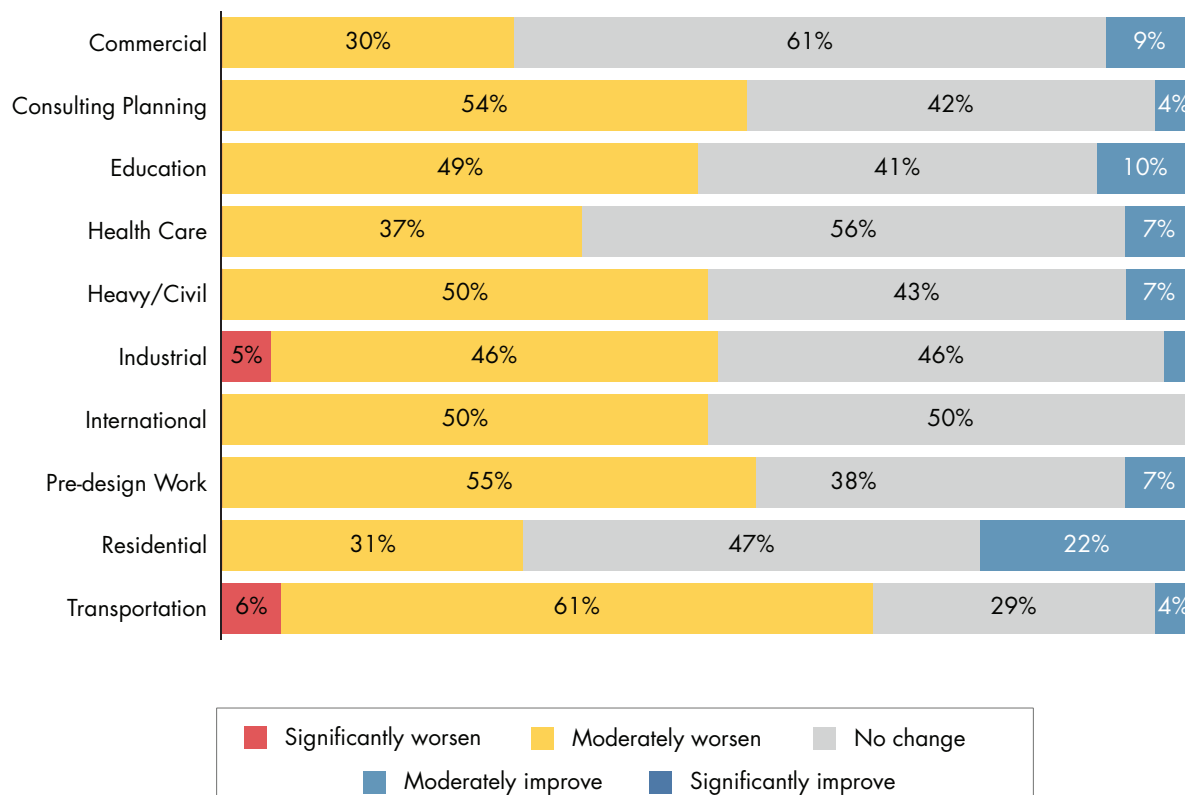
MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR



PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN



CURRENT TRENDS

RESEARCH INTERESTS

This quarter's survey revealed that over half of CIRT member companies, 55%, would like to see more research around the role of technology and innovation within the E&C industry. An additional 34% reported that data strategy is a topic of interest when thinking about industry research. In line with findings from last quarter, understanding how to recruit and develop employees remains a top interest for respondents, with 42% reporting a desire to see more research around methodologies and approaches to attracting a workforce. Similarly, 42% of respondents believe that deeper exploration of how to train and develop employees would also be of value.

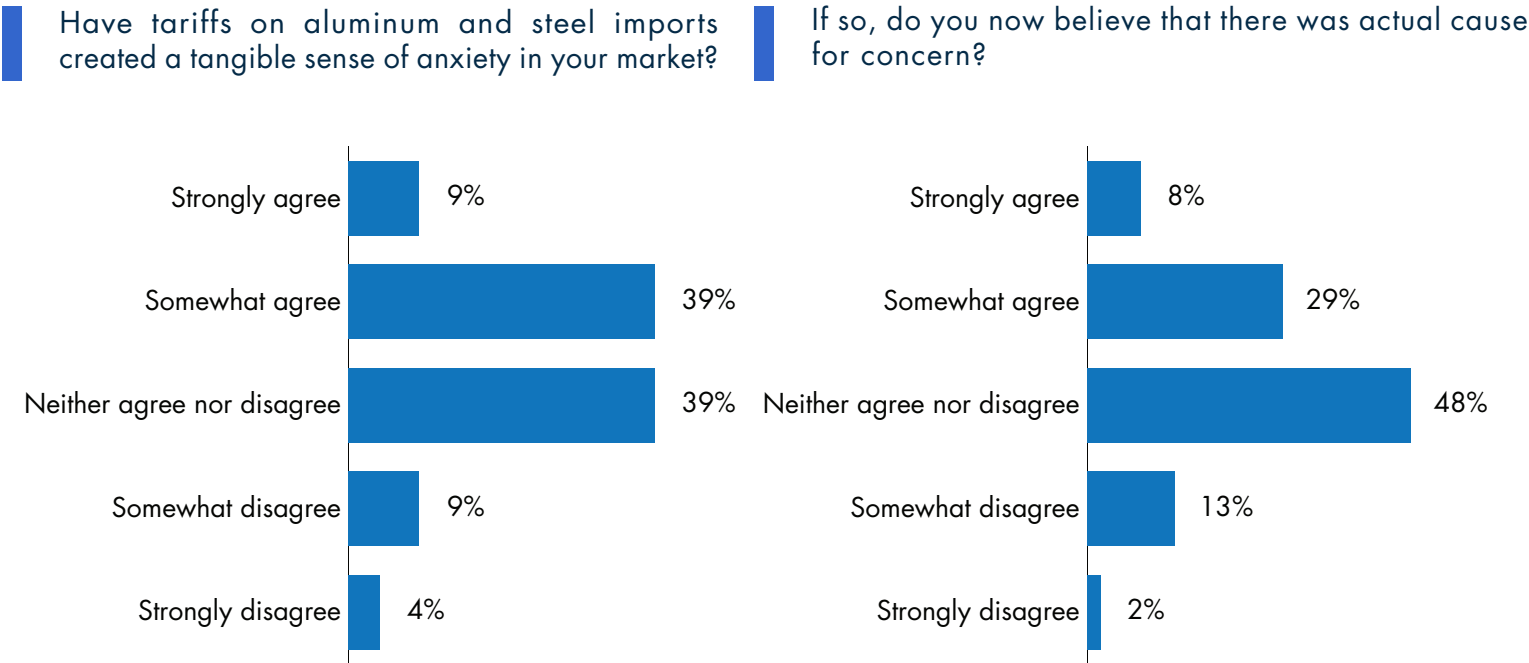
Which of these research topics would provide the most value to you?



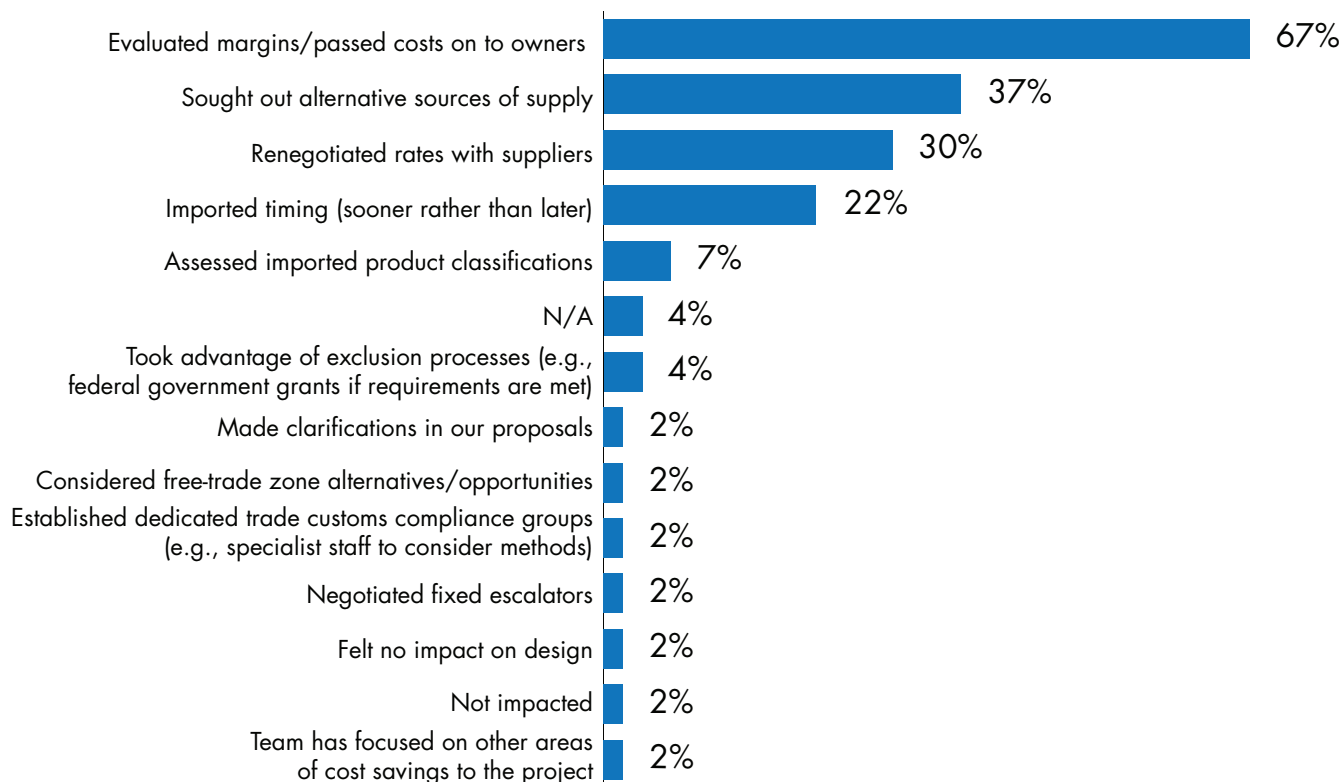


TARIFFS

When asked about the impact of tariffs, nearly half of respondents reported that the tariff changes caused an increased sense of anxiety in their markets, with only 11% disagreeing that tariffs had caused any noticeable unease. However, when asked to reflect retrospectively on the validity of that anxiety, only 37% agree that there was actual cause for concern. This sentiment was supported by the fact that the majority of respondents reported tariffs having only a minimal impact on their actual overall business in the last year. CIRT members reported that they've been using several strategies to mitigate the effects of the tariff changes; the most common methods implemented, used by 67% of respondents, were to pass costs on to owners and to evaluate margins. Another 37% sought out alternate supply sources, while 30% renegotiated rates with their suppliers. One avenue some organizations pursued was importing supplies sooner than later to avoid increased fees associated with the imposed tariffs.



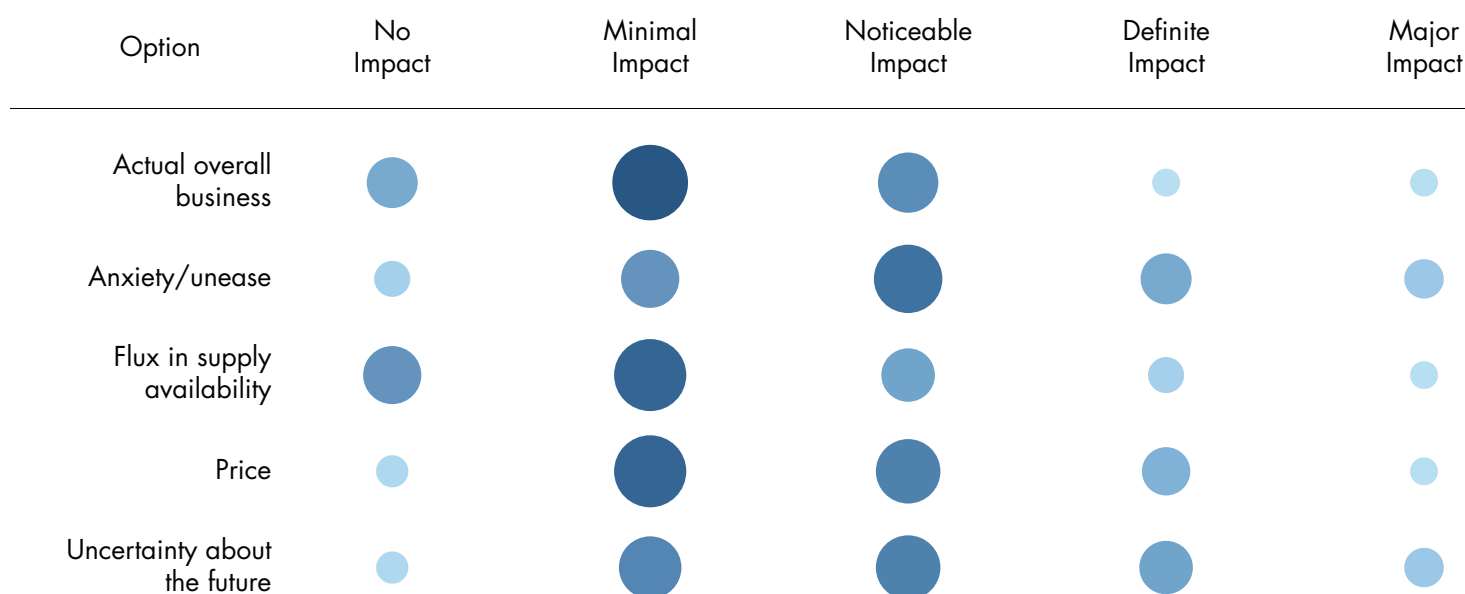
What strategies have you implemented in the last year in order to offset harmful effects from tariffs on your business?



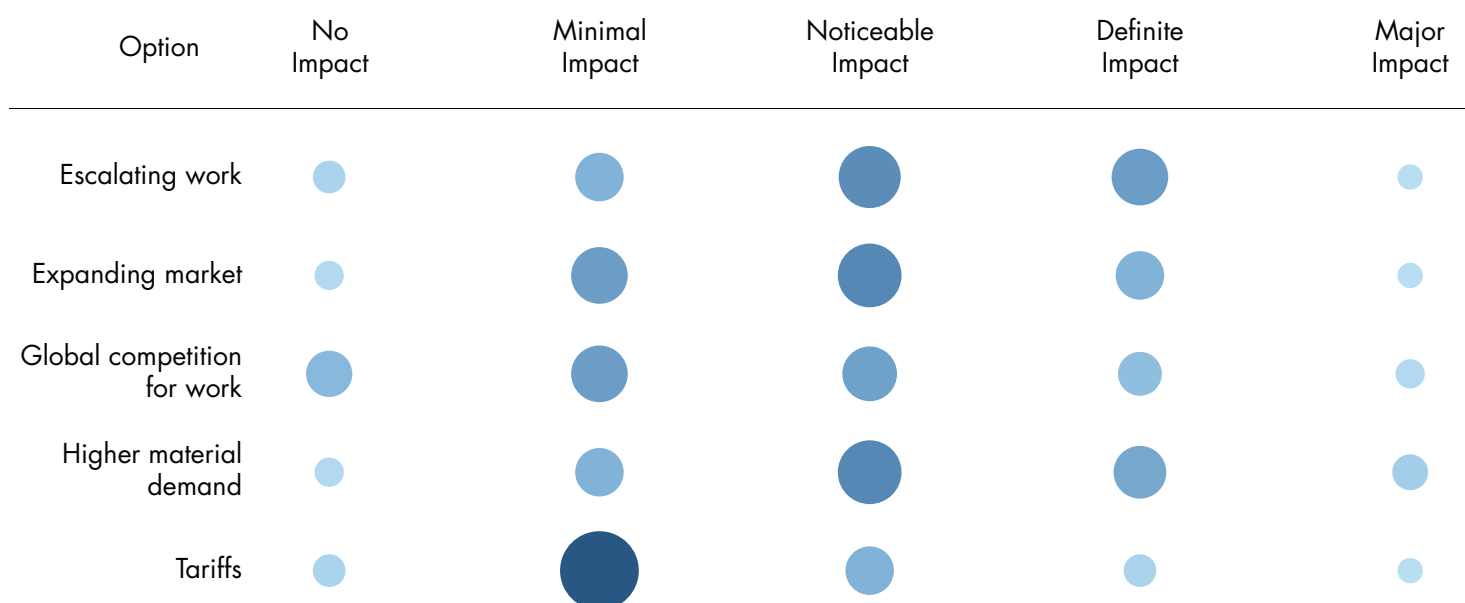
CHANGE IN PRICE AND AVAILABILITY OF SUPPLIES

When asked what has had the greatest impact on price and availability of supplies, CIRT members reported escalating work, an expanding market and higher material demand as the top contributors of changes in price and availability, while global competition and tariffs showed little overall impact on the cost and availability of supplies.

Please rate how tariffs on aluminum and steel imports have affected the following areas over the last year.



In your opinion, which of the following have most greatly affected changes in price or availability of supplies?





CONSTRUCTION OUTLOOK

Industry	Construction Sector Business Outlook			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	2.94	3.11	2.72	
Education	3.42	3.42	3.13	
Health Care	3.30	3.33	3.19	
Industrial	3.40	3.53	3.60	
International	3.11	3.22	3.11	
Lodging	2.96	3.04	2.83	
Manufacturing	3.50	3.50	3.35	
Office	3.21	3.21	2.88	
Public Works	3.41	3.36	3.41	
Transportation	3.40	3.35	3.35	

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 2.94 for next quarter, 3.11 for six months from now, and 2.72 for one year from now.

EDUCATION

Starting average score of 3.42 for next quarter, 3.42 for six months from now, and 3.13 for one year from now.

HEALTH CARE

Starting average score of 3.30 for next quarter, 3.33 for six months from now, and 3.19 for one year from now.

INDUSTRIAL

Starting average score of 3.40 for next quarter, 3.53 or six months from now, and 3.60 for one year from now.



INTERNATIONAL

Starting average score of 3.11 for next quarter, 3.22 for six months from now, and 3.11 for one year from now.

LODGING

Starting average score of 2.96 for next quarter, 3.04 for six months from now, and 2.83 for one year from now.

MANUFACTURING

Starting average score of 3.50 for next quarter, 3.50 for six months from now, and 3.35 for one year from now.

OFFICE

Starting average score of 3.21 for next quarter, 3.21 for six months from now, and 2.88 for one year from now.

PUBLIC WORKS

Starting average score of 3.41 for next quarter, 3.36 for six months from now, and 3.41 for one year from now.

TRANSPORTATION

Starting average score of 3.40 for next quarter, 3.35 for six months from now, and 3.35 for one year from now.



DESIGN OUTLOOK

Industry	Design Sector Project Growth			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	3.32	3.21	3.11	
Consulting Planning	3.50	3.50	3.50	
Education	3.53	3.35	3.29	
Health Care	3.44	3.22	3.22	
Heavy/Civil	3.40	3.40	3.50	
Industrial	3.54	3.62	3.46	
International	3.50	3.50	3.50	
Pre-design Work	3.55	3.50	3.40	
Residential	3.33	3.08	2.83	
Transportation	3.71	3.71	3.65	

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 3.32 for next quarter, 3.21 for six months from now, and 3.11 for one year from now.

CONSULTING PLANNING

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

EDUCATION

Starting average score of 3.53 for next quarter, 3.35 for six months from now, and 3.29 for one year from now.

HEALTH CARE

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



HEAVY/CIVIL

Starting average score of 3.40 for next quarter, 3.40 for six months from now, and 3.50 for one year from now.

INDUSTRIAL

Starting average score of 3.54 for next quarter, 3.62 for six months from now, and 3.46 for one year from now.

INTERNATIONAL

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

PRE-DESIGN WORK

Starting average score of 3.55 for next quarter, 3.50 for six months from now, and 3.40 for one year from now.

RESIDENTIAL

Starting average score of 3.33 for next quarter, 3.08 for six months from now, and 2.83 for one year from now.

TRANSPORTATION

Starting average score of 3.71 for next quarter, 3.71 for six months from now, and 3.65 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

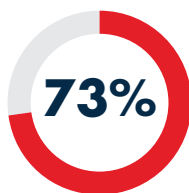
For over 65 years, FMI has been the leading **management consulting and investment banking** firm dedicated exclusively to **engineering and construction, infrastructure and the built environment**.

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.

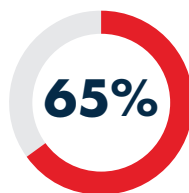
Sector Expertise

- 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



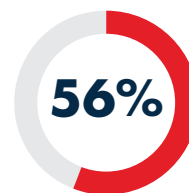
of the ENR
Top 400
LARGEST
CONTRACTORS



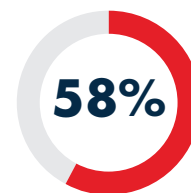
of the ENR
Top 200
SPECIALTY
CONTRACTORS



of the ENR
Top 100
DESIGN
FIRMS



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Top 200
ENVIRONMENTAL
FIRMS



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