



Industry Focus. Powerful Results.™

CIRT Sentiment Index

Third Quarter Report





EXECUTIVE SUMMARY

INDEX MOVEMENT

	Q2 2018	Q3 2018
Overall U.S. Economy ↓	77.12	68.00
Economy Where We Do Business ↓	72.03	68.00
Our Construction Business ↑	80.49	83.06
Nonresidential Sector ↓	74.55	65.00
Backlog ↓	79.94	77.00
Cost of Labor ↓	97.46	91.00
Cost of Materials ↓	92.37	91.00
Productivity ↓	50.00	49.00

The third quarter 2018 CIRT Sentiment Index Report saw a decrease in both the Sentiment and Design indexes compared with Q2. The Sentiment Index fell from 75 to 70.7, and the Design Index fell from 78.3 to 73.

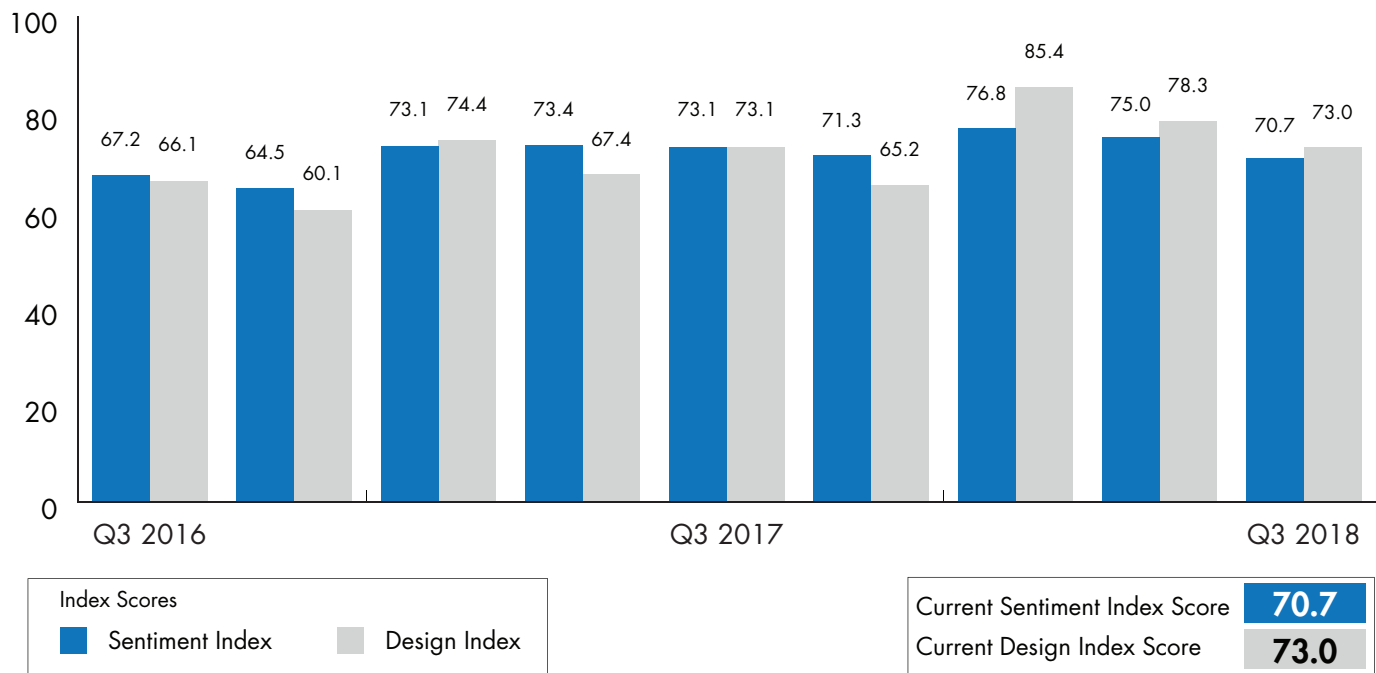
This quarter's current issues questions revolved around public project financing methods and approaches. Overall, CIRT members' public projects are funded using alternative methods (e.g., private equity, bonds, other sourced dollars) 40% of the time or less. Among the alternative financing methods, bonds are the most common choice, followed by a combination of state/local and private funding as the next most common choice.

There seems to be a clear sparsity of involvement among the members with regard to the practice of self-financing projects. A substantial 73% majority of CIRT members indicate they have never substantially or wholly financed a major project themselves. Among the firms that have or do self-finance, this method has been limited to funding approximately 10-15 projects within the past three to five years. On the flip side, half of CIRT's members feel confident enough to attract outside private equity funding for public projects, while some 40% do not feel they have the requisite skills to do so.

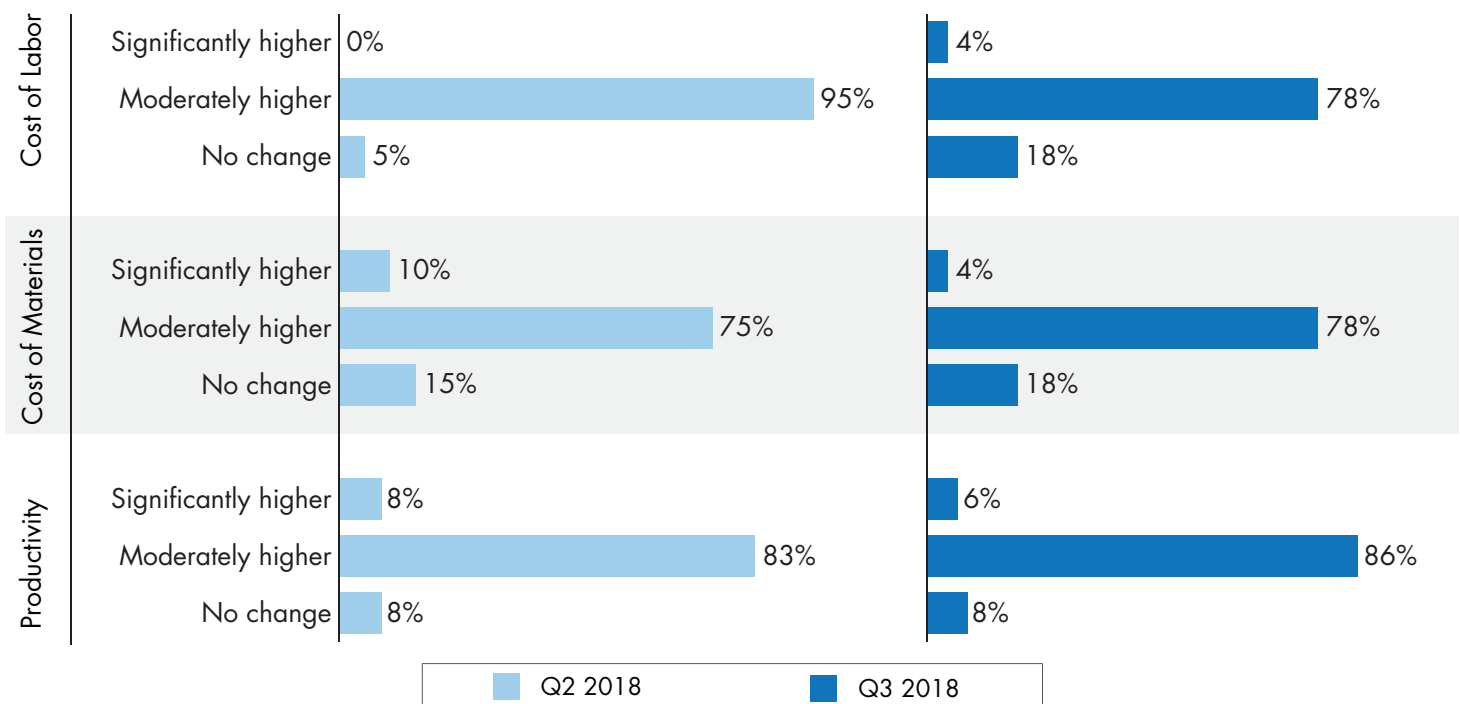
CIRT members were also asked about whether they have hired in-house financial specialists to keep up with the ever-expanding list of alternative funding methods, to which 60% responded "No," 38% responded "Yes," and 2% responded "Not Sure." Of the 38% that said "Yes," the average staff size consists of five people or fewer. The act of hiring these people represented a 100% increase of specialty employees in these fields. However, looking forward 78% of CIRT members say that they expect to expand this specialty skill at their business over the next three to five years.

Among the industries represented by CIRT's member base, the "commercial, industrial, and international industries" are expected to enjoy the greatest amount of moderate improvement over next quarter; while in design sector, the "industrial and public works industries" are seen as likely to experience the most positive change of the various sectors.

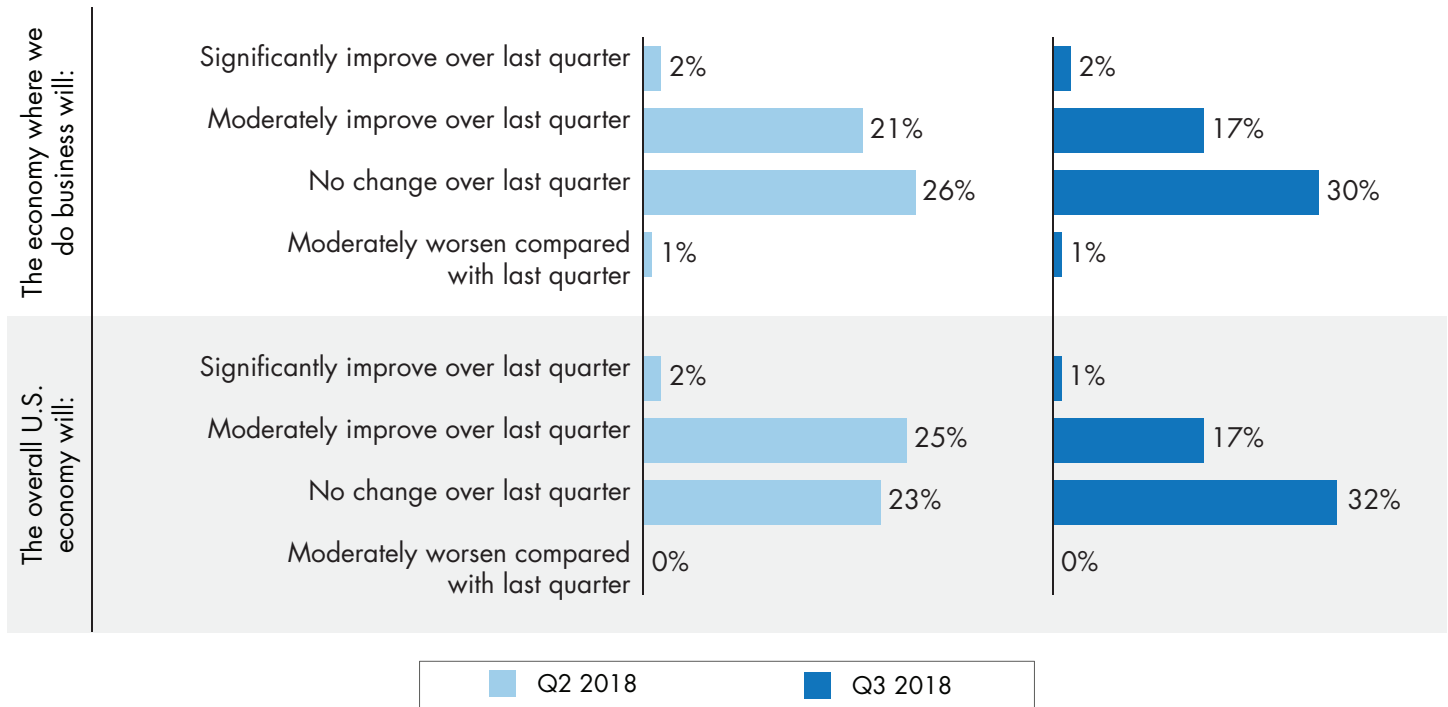
CIRT SENTIMENT AND DESIGN INDEX SCORES FROM Q3 2016 TO Q3 2018



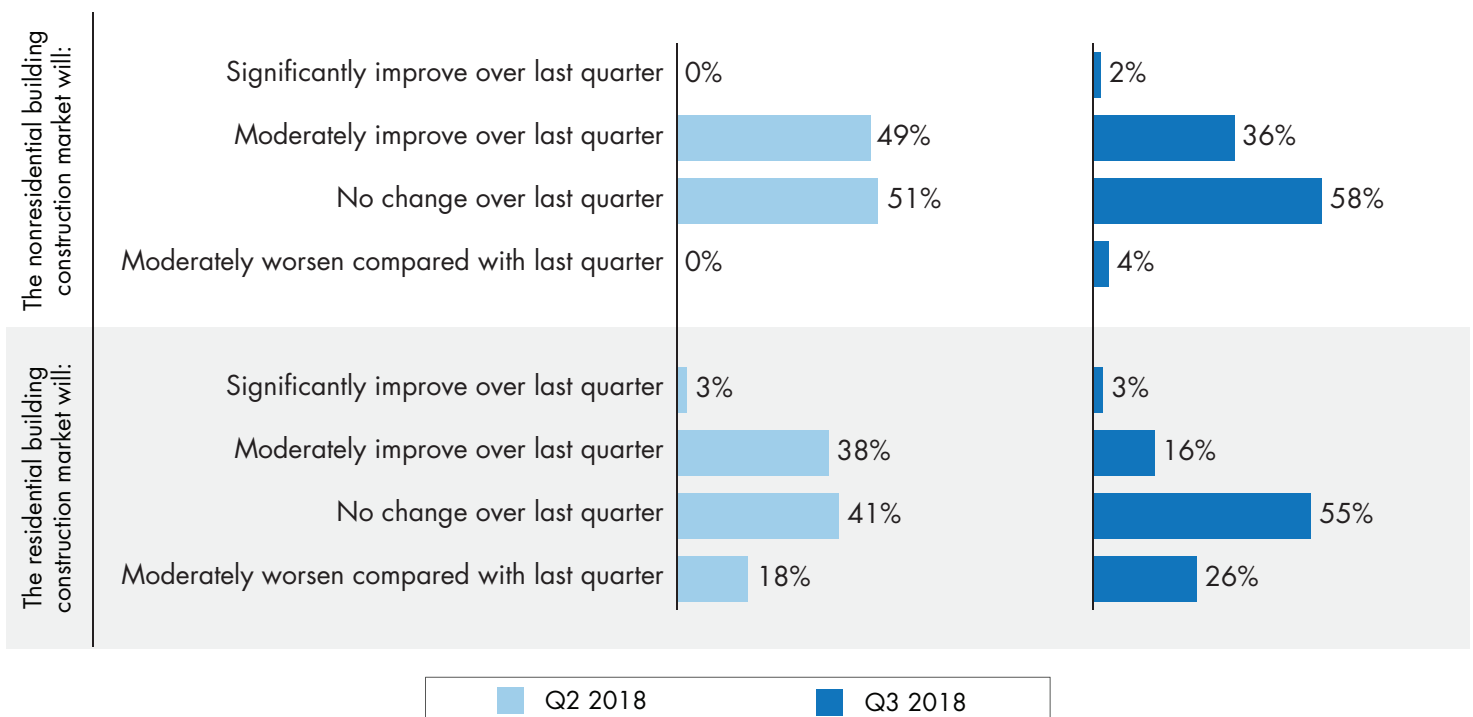
CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER



LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER

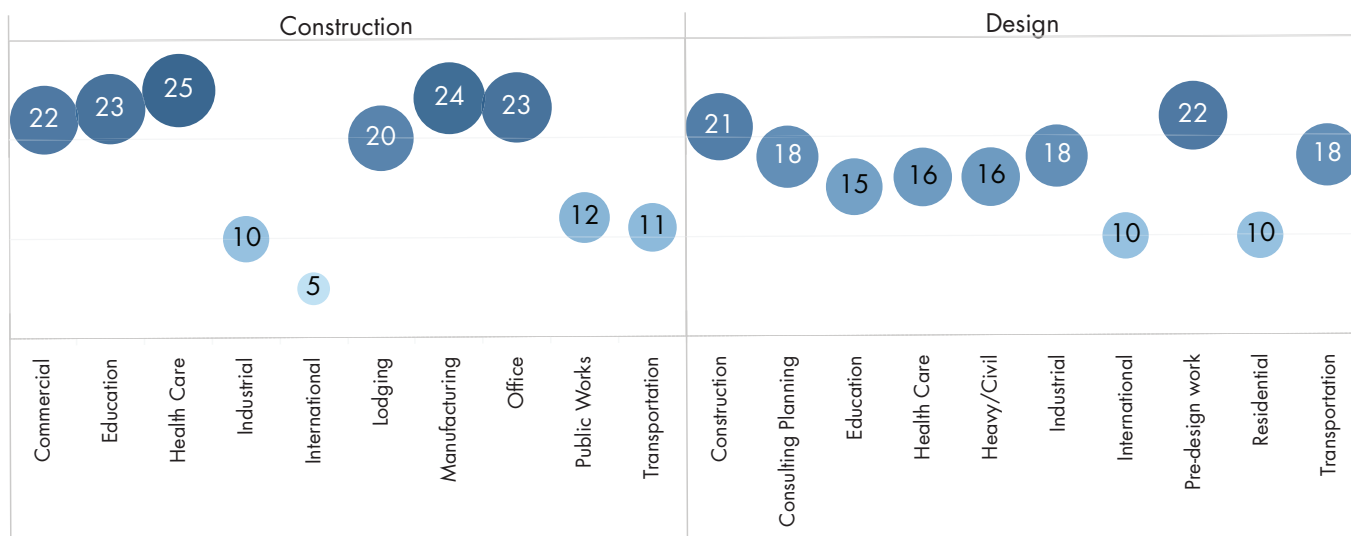


EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKET

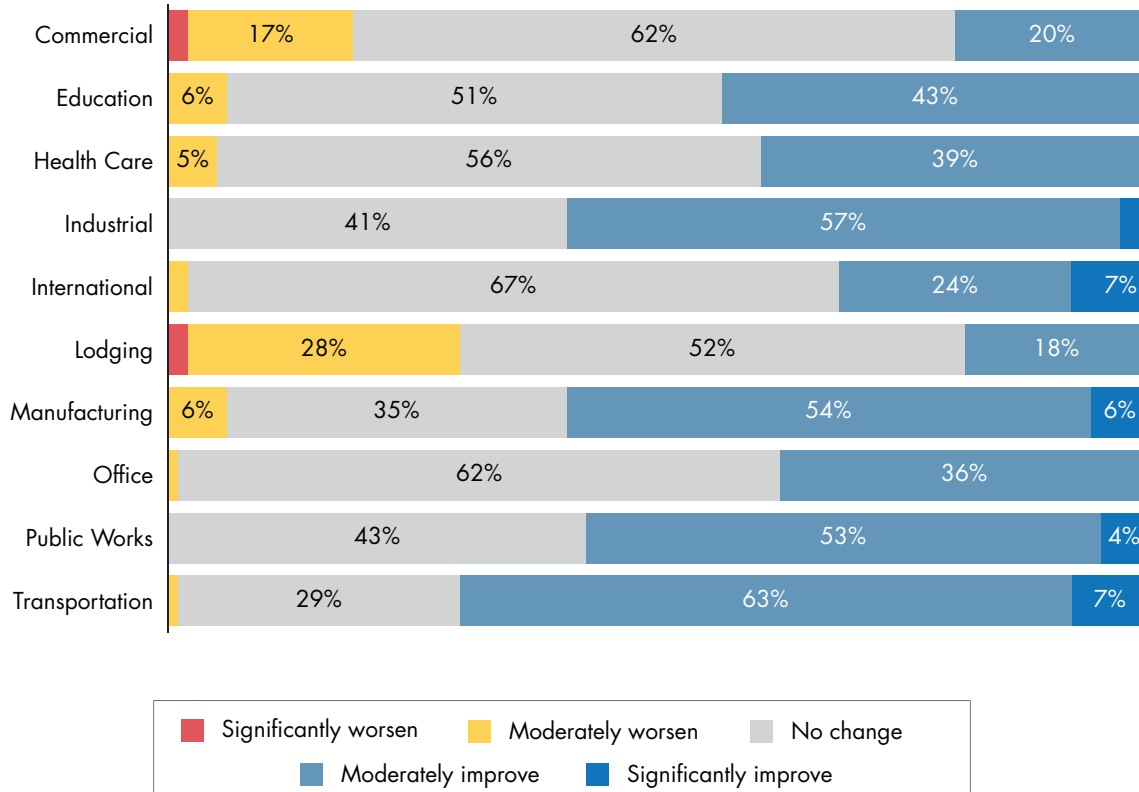




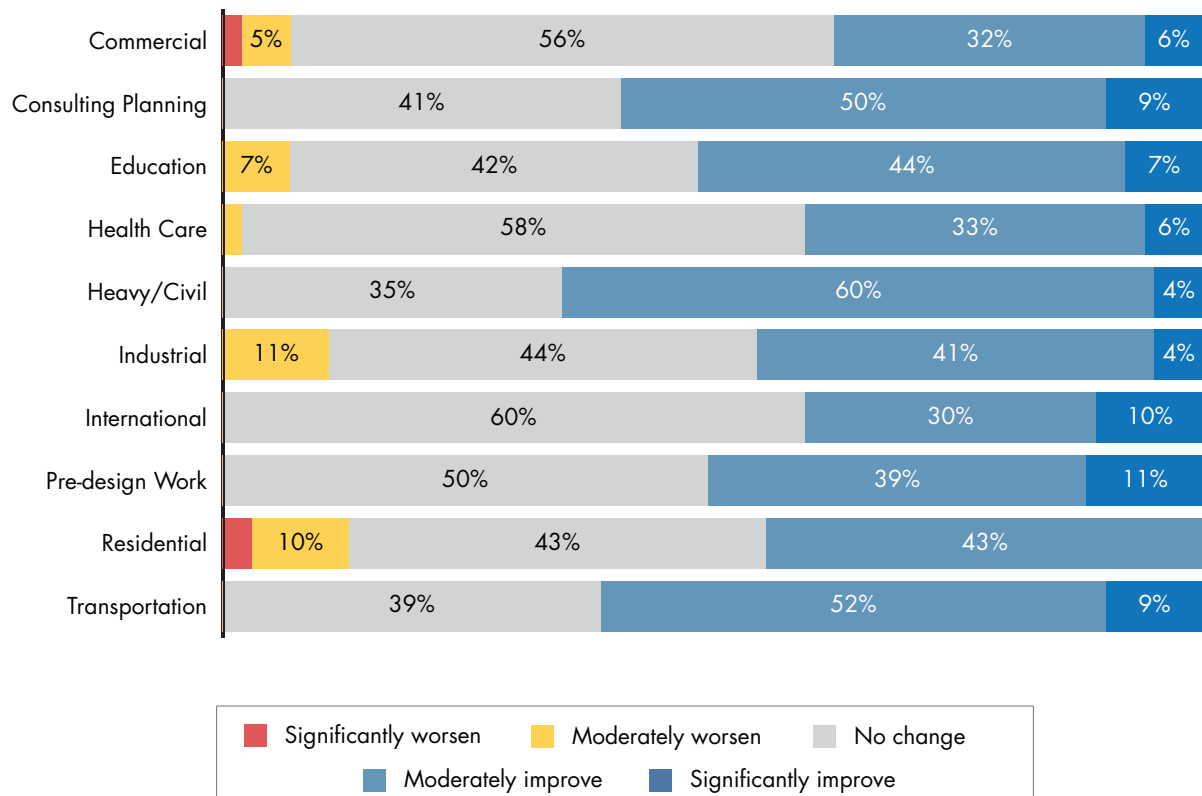
MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR



PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN



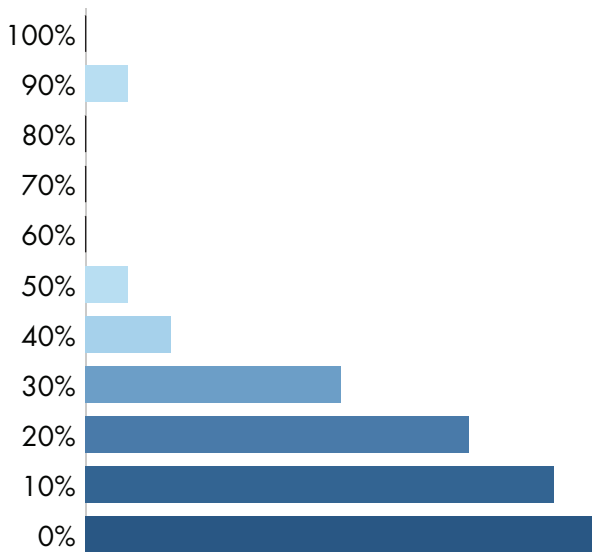


CURRENT TRENDS

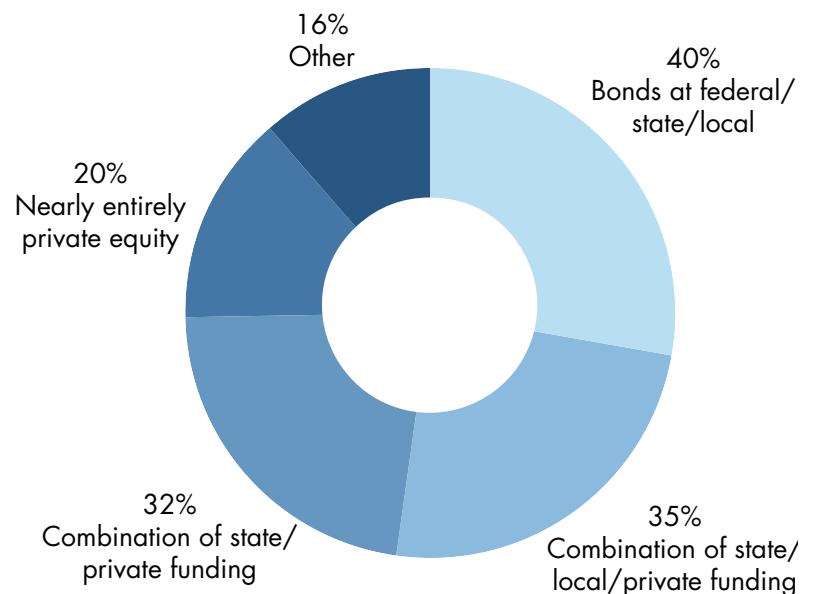
This quarter's current issues topics focused on project funding methods. Most CIRT members say that less than 40% of their projects are financed through nontraditional, alternative methods, with the highest concentration of responses falling in the 0-10% range.

Within the companies that do finance projects through these alternative means, bonds and a combination of state, local and private funding were the top-two chosen methods.

PERCENTAGE OF PUBLIC SECTOR PROJECTS FINANCED THROUGH NONTRADITIONAL METHODS



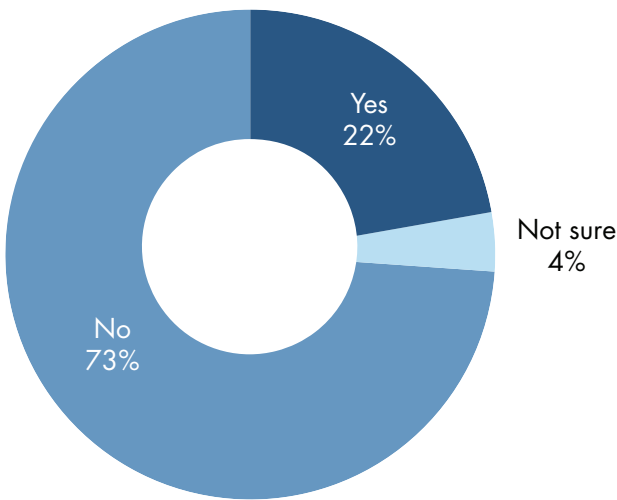
PERCENTAGE OF PROJECTS FUNDED BY EACH ALTERNATIVE METHOD



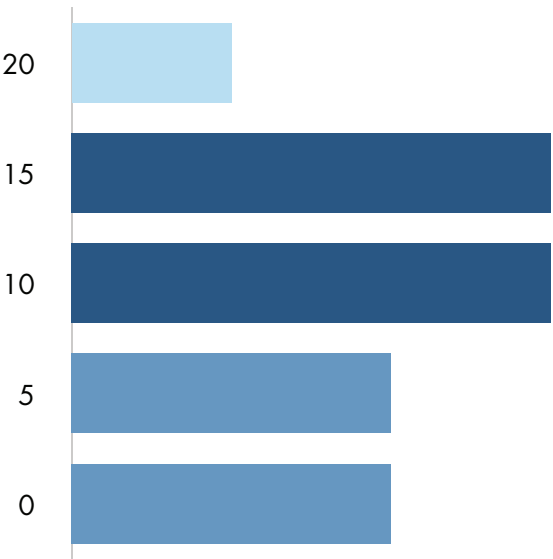
Nearly three-quarters of CIRT's members say they have not substantially or wholly self-financed a major project. Of the other quarter of respondents, most of them have self-financed between 10-15 projects within the last three to five years.

Beyond self-financing, 50% of CIRT's members are confident in their ability to attract private equity funding for public projects, and 40% of members are not.

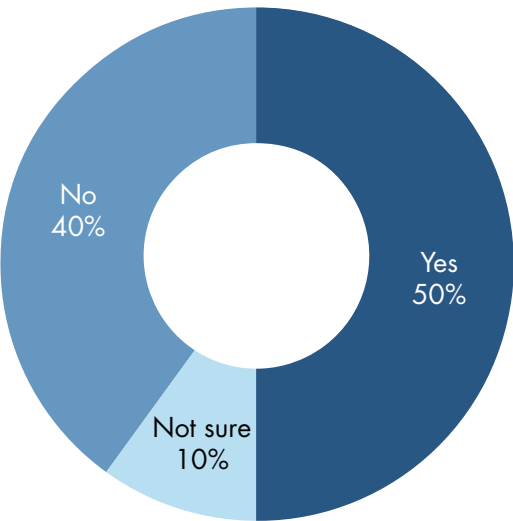
HAS YOUR FIRM SUBSTANTIALLY OR WHOLLY FINANCED A MAJOR PROJECT?



NUMBER OF PROJECTS FINANCED WHOLLY OR SUBSTANTIALLY IN THE PAST 3-5 YEARS

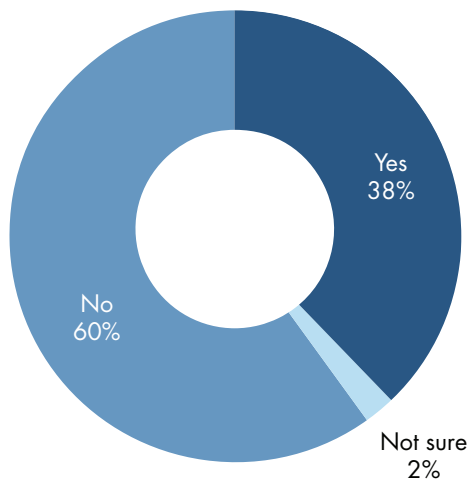


DO YOU FEEL CONFIDENT IN YOUR ABILITY TO ATTRACT PRIVATE EQUITY FUNDING FOR PUBLIC PROJECTS?

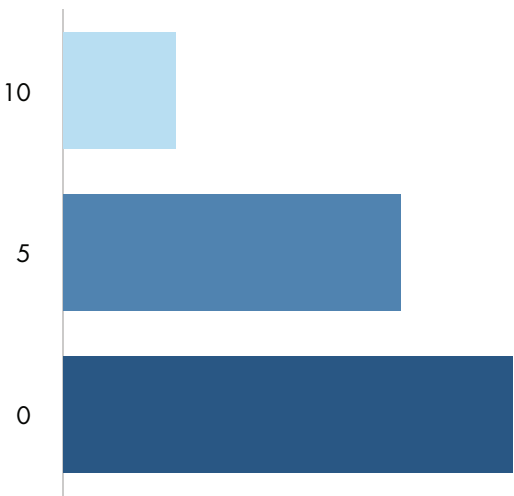


Members were also asked about their hiring practices with regard to the increasing number of methods for project financing. Almost two-thirds of CIRT respondents have not hired in-house financial specialists to make this process easier. Of those who have hired specialty staff, the majority indicate that this staff is five people or fewer and already represents a 100% increase in financial specialists at their business. In an indication that this trend is growing, 78% of CIRT members said they expect to expand these specialty skills in-house within the next three to five years.

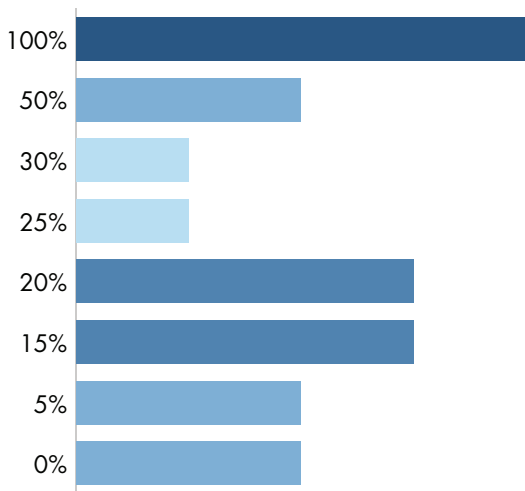
HAVE YOU HIRED IN-HOUSE FINANCIAL SPECIALISTS?



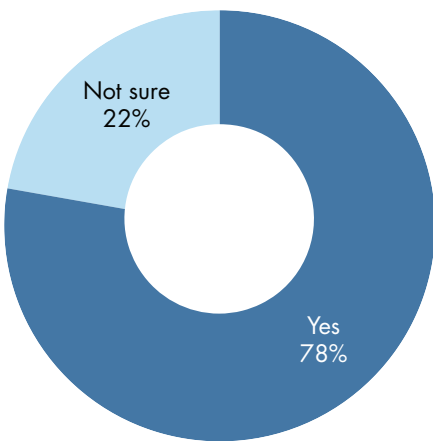
NUMBER OF SPECIALTY STAFF MEMBERS



PERCENT INCREASE OF SPECIALTY EMPLOYEES



DO YOU EXPECT TO EXPAND THIS SPECIALTY SKILL IN THE NEXT 3-5 YEARS?





CONSTRUCTION OUTLOOK

Industry	Construction Sector Project Growth			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	3.05	3.09	2.86	
Education	3.39	3.35	3.39	
Health Care	3.24	3.36	3.40	
Industrial	3.61	3.57	3.70	
International	3.33	3.33	3.40	
Lodging	2.90	2.85	2.85	
Manufacturing	3.46	3.67	3.67	
Office	3.30	3.39	3.35	
Public Works	3.50	3.58	3.75	
Transportation	3.64	3.80	3.80	

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 reflects the change in score in comparison to the starting average score of the “next quarter” period. Please refer to the “Predictions of the Construction Sector Business Outlook 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 3.05 for next quarter, 3.09 for six months from now, and 2.68 for one year from now.

EDUCATION

Starting average score of 3.39 for next quarter, 3.35 for six months from now, and 3.39 for one year from now.

HEALTH CARE

Starting average score of 3.24 for next quarter, 3.36 for six months from now, and 3.40 for one year from now.

INDUSTRIAL

Starting average score of 3.61 for next quarter, 3.57 for six months from now, and 3.70 for one year from now.



INTERNATIONAL

Starting average score of 3.33 for next quarter, 3.33 for six months from now, and 3.40 for one year from now.

LODGING

Starting average score of 2.90 for next quarter, 2.85 for six months from now, and 2.85 for one year from now.

MANUFACTURING

Starting average score of 3.46 for next quarter, 3.67 for six months from now, and 3.67 for one year from now.

OFFICE

Starting average score of 3.30 for next quarter, 3.39 for six months from now, and 3.35 for one year from now.

PUBLIC WORKS

Starting average score of 3.50 for next quarter, 3.58 for six months from now, and 3.75 for one year from now.

TRANSPORTATION

Starting average score of 3.64 for next quarter, 3.80 for six months from now, and 3.80 for one year from now.



DESIGN

Industry	Design Sector Business Outlook			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	3.29	3.33	3.48	
Education	3.67	3.72	3.67	
Health Care	3.53	3.53	3.47	
Industrial	3.44	3.44	3.44	
International	3.63	3.69	3.75	
Lodging	3.28	3.33	3.50	
Manufacturing	3.30	3.50	3.70	
Office	3.55	3.64	3.64	
Public Works	3.40	3.30	3.10	
Transportation	3.61	3.72	3.78	

As with the construction sector, 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 reflects the change in score in comparison to the starting average score of the “next quarter” period. Please refer to the “Predictions of 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 3.29 for next quarter, 3.33 for six months from now, and 3.48 for one year from now.

CONSULTING

Starting average score of 3.67 for next quarter, 3.72 for six months from now, and 3.67 for one year from now.

EDUCATION

Starting average score of 3.53 for next quarter, 3.53 for six months from now, and 3.47 for one year from now.

HEALTH CARE

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

HEAVY/CIVIL

Starting average score of 3.63 for next quarter, 3.69 for six months from now, and 3.75 for one year from now.

INDUSTRIAL

Starting average score of 3.28 for next quarter, 3.33 for six months from now, and 3.50 for one year from now.

INTERNATIONAL

Starting average score of 3.30 for next quarter, 3.50 for six months from now, and 3.70 for one year from now.

PRE-DESIGN

Starting average score of 3.55 for next quarter, 3.64 for six months from now, and 3.64 for one year from now.

RESIDENTIAL

Starting average score of 3.40 for next quarter, 3.30 for six months from now, and 3.10 for one year from now.

TRANSPORTATION

Starting average score of 3.61 for next quarter, 3.72 for six months from now, and 3.78 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

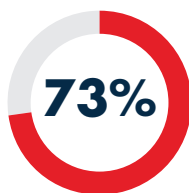
For over 65 years, FMI has been the leading **management consulting and investment banking** firm dedicated exclusively to **engineering and construction, infrastructure and the built environment**.

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.

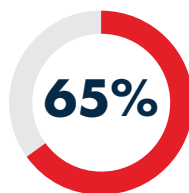
Sector Expertise

- 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

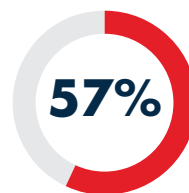
FMI Client Highlights



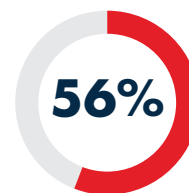
of the ENR
Top-400
LARGEST
CONTRACTORS



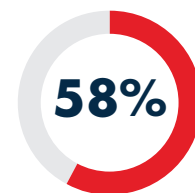
of the ENR
Top-200
SPECIALTY
CONTRACTORS



of the ENR
Top-100
DESIGN
FIRMS



of the ENR
Top-200
ENVIRONMENTAL
FIRMS



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