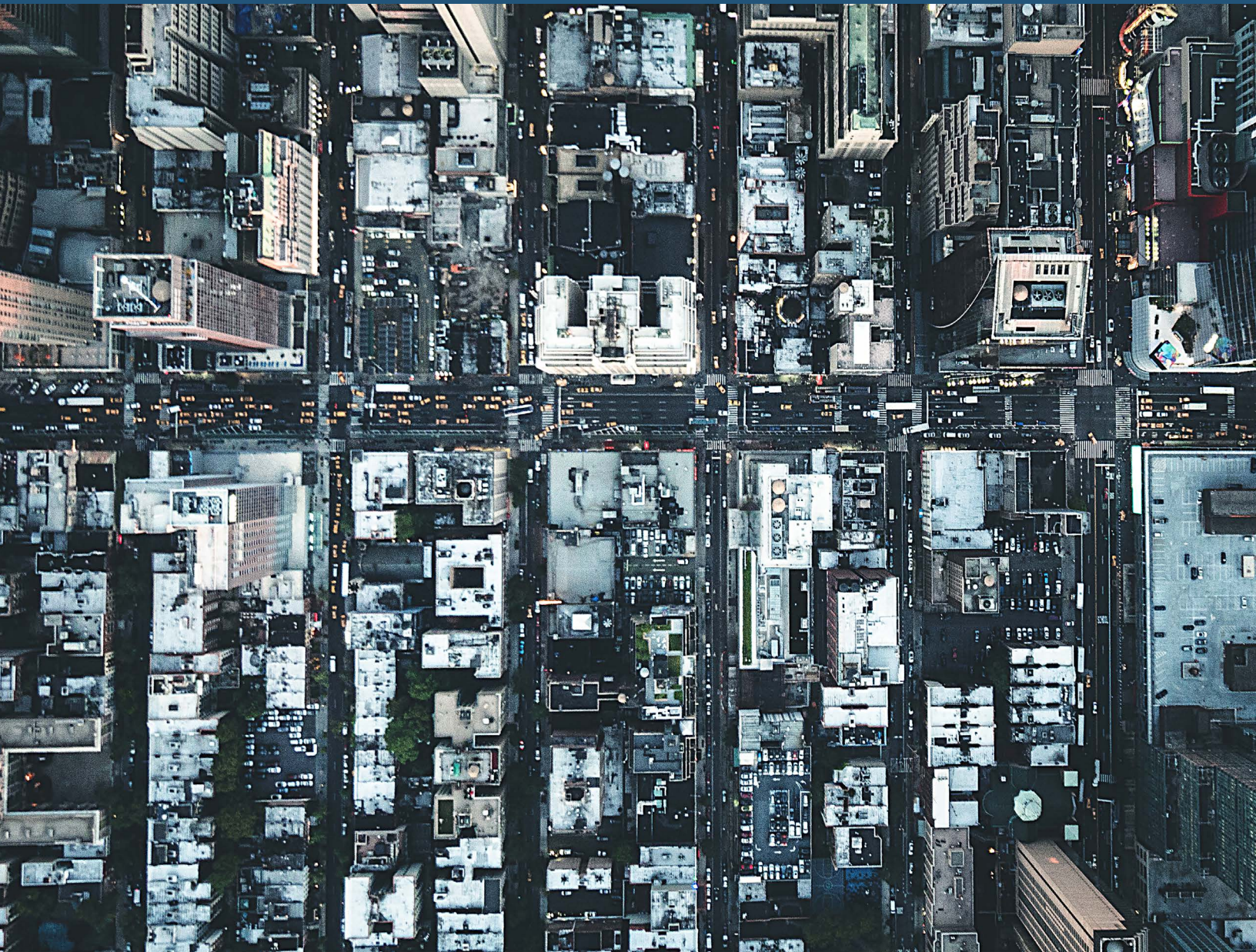




CIRT Sentiment Index

Fourth Quarter Report





EXECUTIVE SUMMARY

INDEX MOVEMENT

	Q3 2019	Q4 2019
Overall U.S. Economy ↓	55.56	53.64
Economy Where We Do Business ↓	61.11	57.27
Our Construction Business ↓	74.24	66.00
Nonresidential Sector ↓	60.66	58.33
Backlog ↓	73.02	68.79
Cost of Labor ↓	89.68	82.73
Cost of Materials ↓	79.37	76.36
Productivity ↓	50.00	47.27

In comparison with the last quarter, the fourth quarter of 2019 showed a pronounced decrease in the CIRT Sentiment Index as well as some decline in the Design Index. The CIRT Sentiment Index fell from 64.9 to 57.6, whereas the Design Index reflected a less dramatic loss, from 63.2 to 60.9. The downward trend in the scores represents the elusiveness of the market leading into 2020.

As seen in the diagram to the left, all components to the overall index this quarter are flashing downward or negative signals. It is important and interesting to note that even the factors that had been increasing and indicating a strong and expanding business environment, such as labor expenses, material costs, and even productivity have declined in this most recent feedback

This quarter our current trends questions focused on positive and negative impacts that could affect the U.S. economic and business conditions leading into 2020. Overall, respondents believe that U.S. monetary policy, the results of the U.S. presidential and congressional elections, and private sector investments are the top three factors that could influence a posi-

tive economic climate. In comparison, the U.S. presidential and congressional elections, trade agreements and unemployment rates were identified as the top three factors that could influence a negative economic climate in 2020.

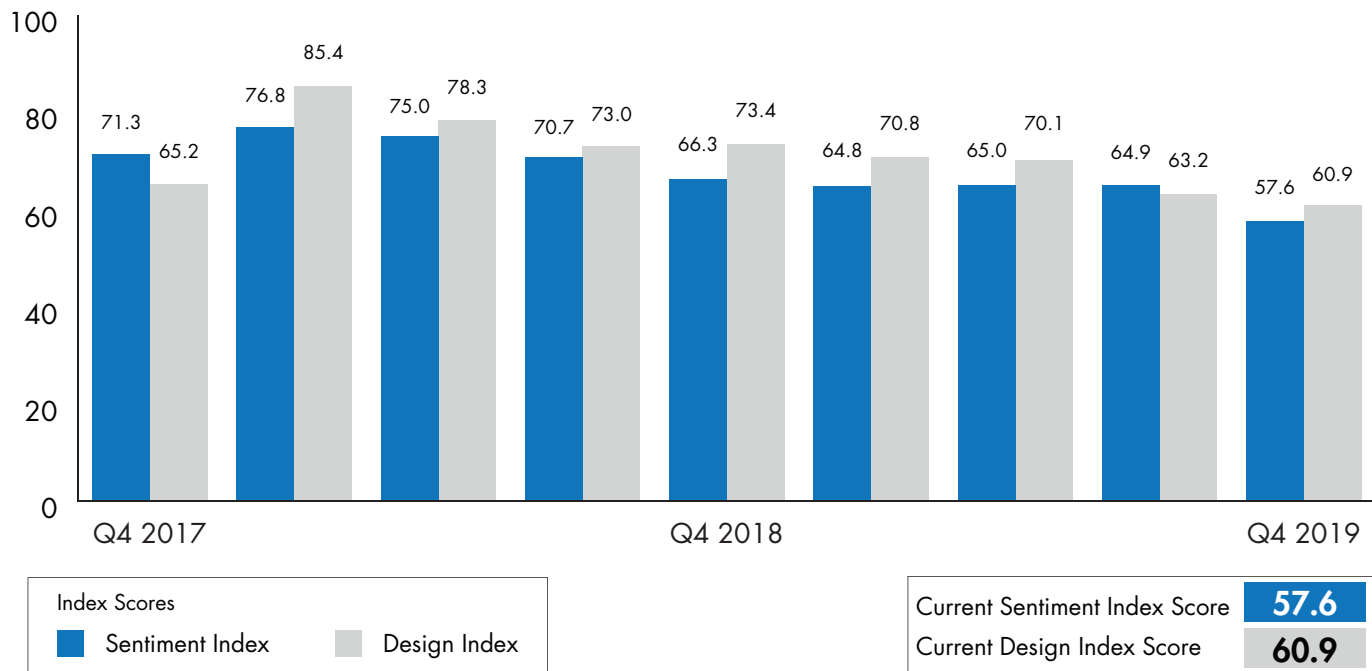
This survey revealed that more than three-fourths of responding CIRT member companies, or 83%, consider external threats when reviewing strategic plans of yearly goals and objectives. Of those companies that consider these threats, the majority, or 69%, focus on trends that affect the specific sector(s) they work in. Following, 44% of respondents consider private sector investments, 44% pay attention to the impact of U.S elections, 41% watch for the impact of unemployment rates, 39% watch for trade agreement changes, and 37% monitor cost spikes. With other factors, such as an anticipated recession in 2021, most CIRT companies are trying to look ahead to ensure these factors and threats are manageable.



Among the segments and industries represented by CIRT's member base, the industrial sector is projected to experience the most short-term growth across the broader construction industry, whereas industrial, public works and transportation sectors are all expected to grow and remain healthy over the long term. Secondary segments, which all stand out as stable over the next year, include health care, international and education. Design respondents expect transportation and health care to outperform over the next quarter. Similar to construction findings, the design respondents see long-term opportunities in health care, transportation and education.

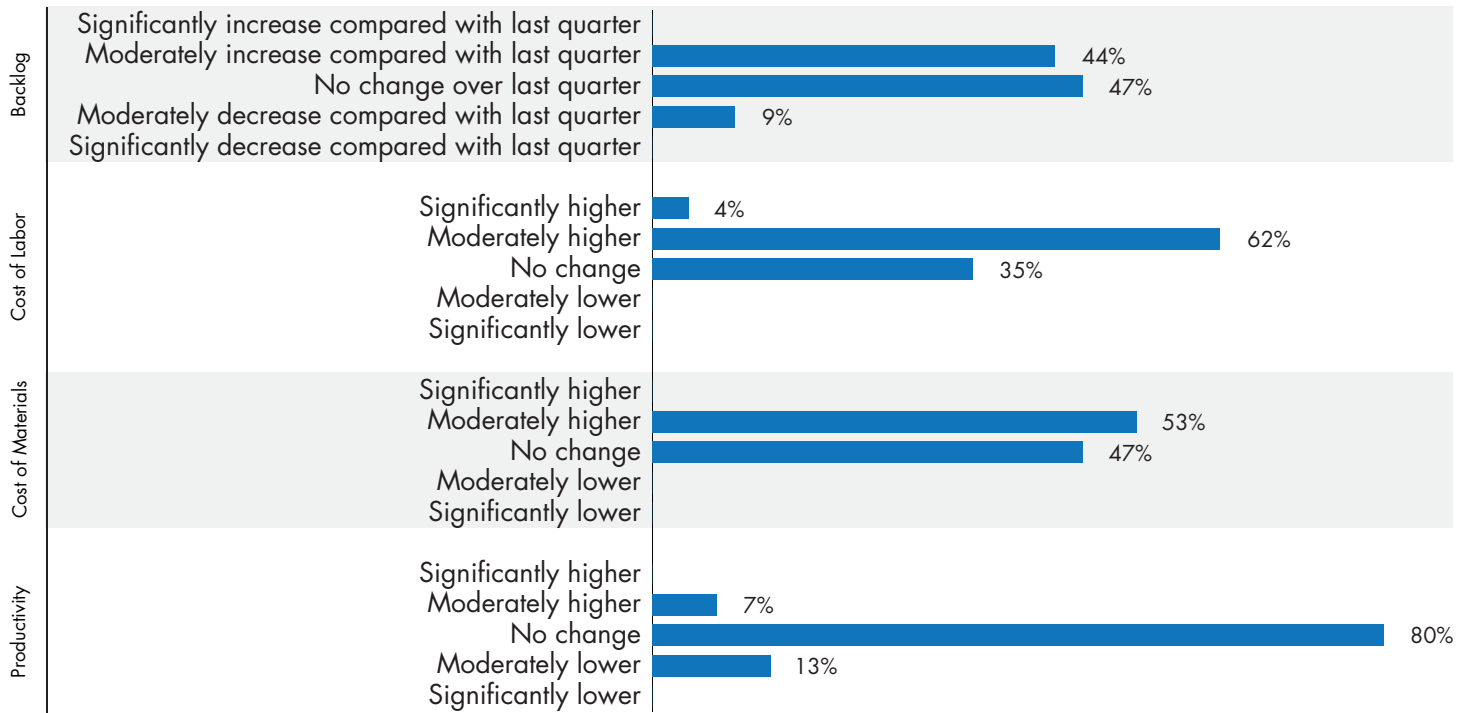
Overall, across the construction industry, respondents believe that industrial, transportation and public works sectors are showing the most promise long-term. Commercial will remain steady, and lodging, manufacturing and office will decline over the next year. Within the design industry, respondents believe that commercial, consulting planning, heavy/civil and residential will decline; industrial and pre-design work will be stable; and health care, education and transportation will experience growth over the long term.

CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q4 2017 TO Q4 2019

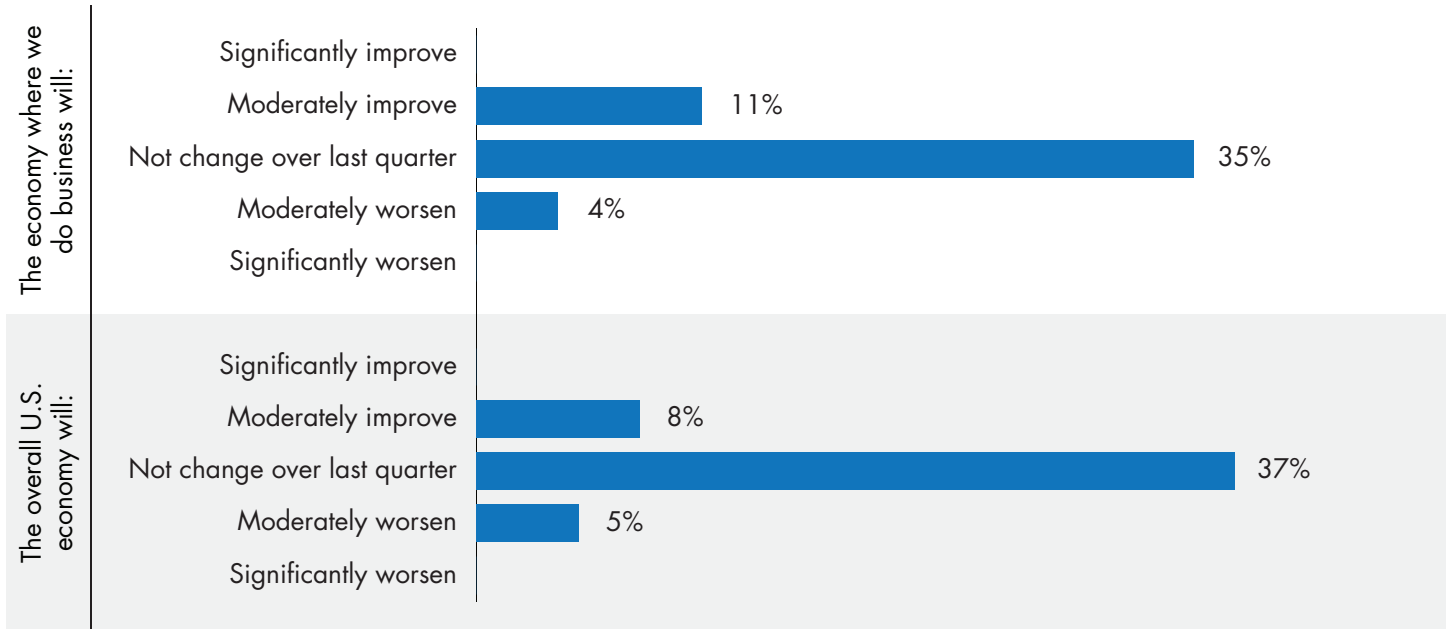




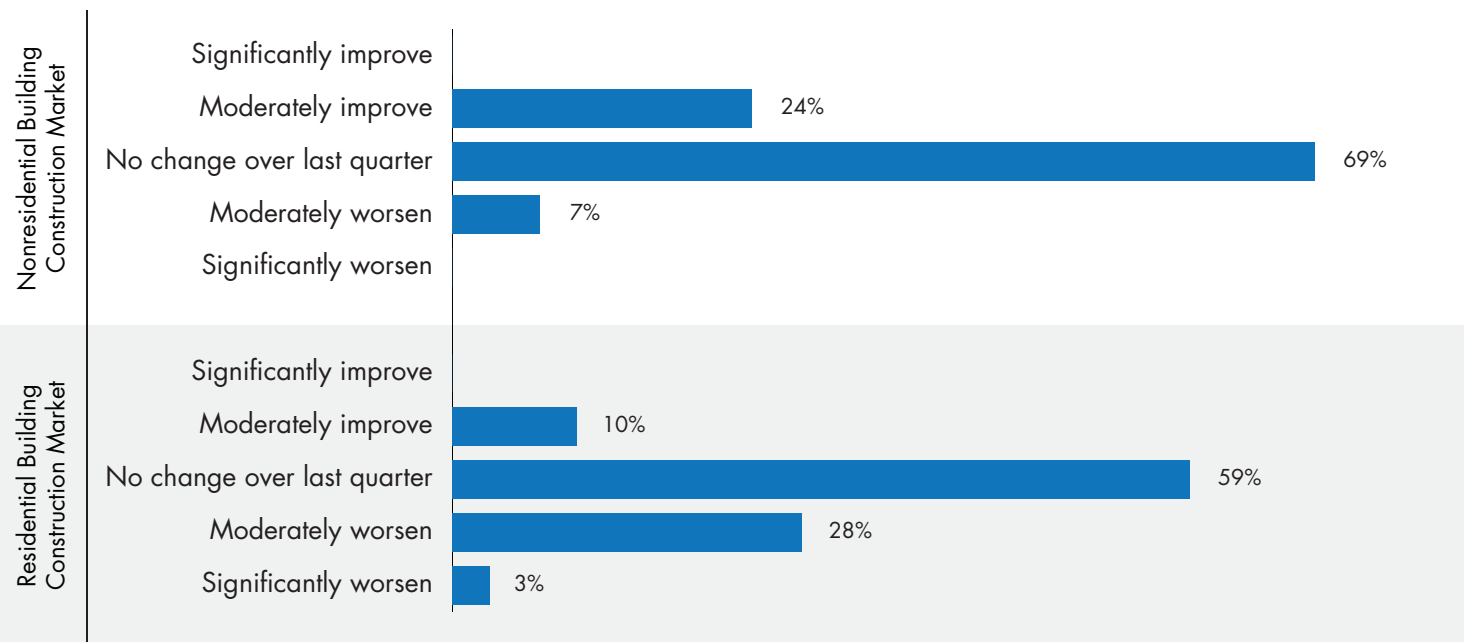
CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER



LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER

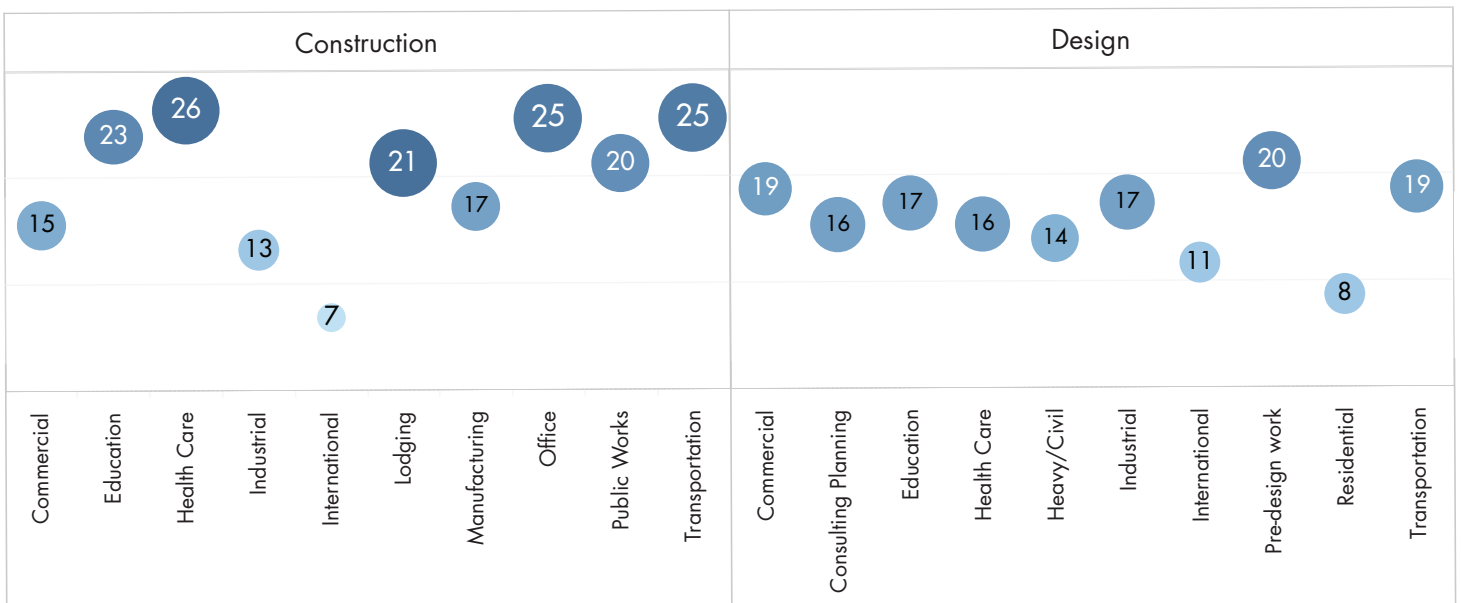


EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS FOR NEXT QUARTER

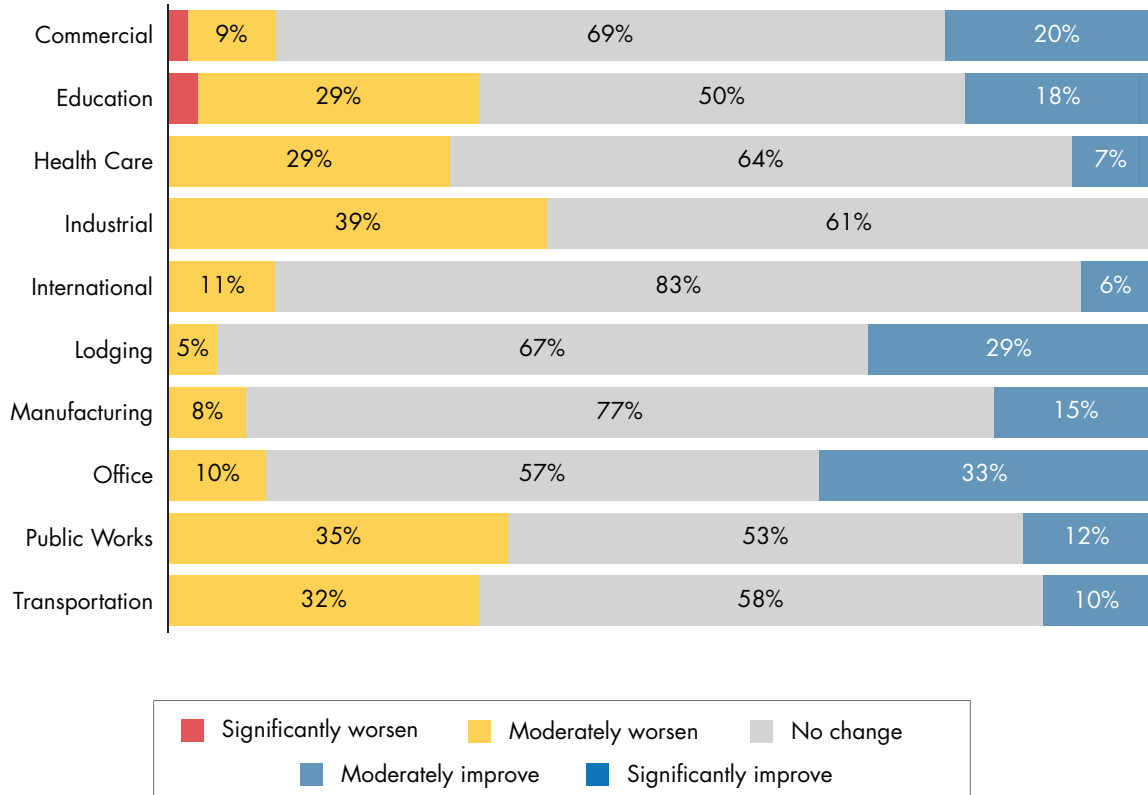




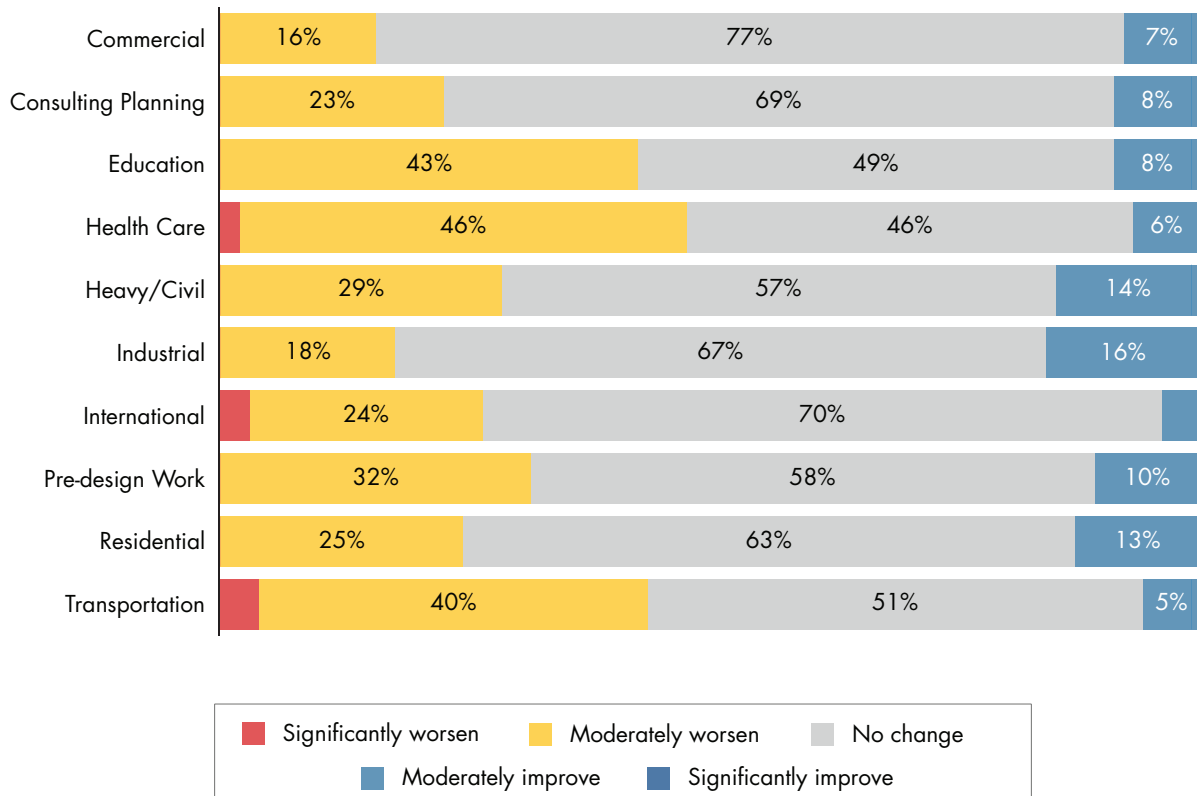
MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR



PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN



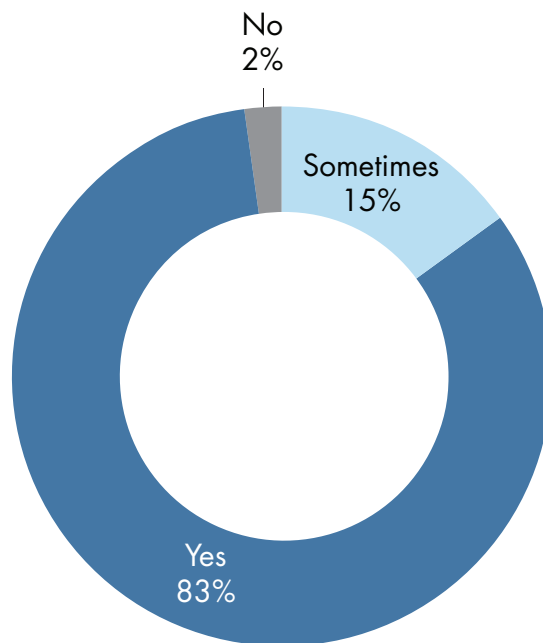


CURRENT TRENDS

THREATS IMPACTING U.S. ECONOMIC AND BUSINESS CONDITIONS IN 2020

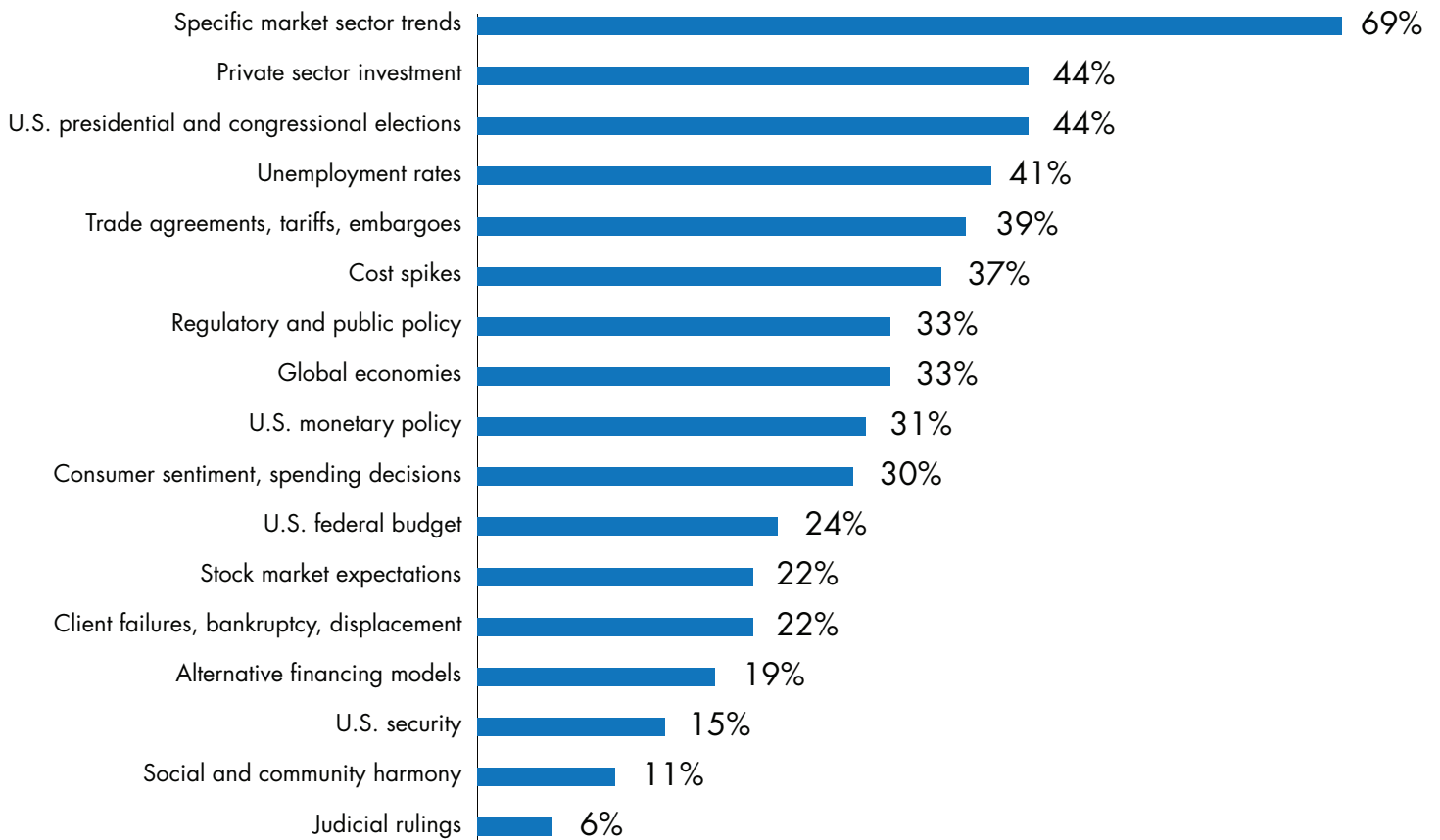
As seen in the following two exhibits, this survey revealed that more than three-fourths of responding CIRT member companies, or 83%, consider external threats when reviewing strategic plans of yearly goals and objectives. Of those companies that consider these threats, the majority, or 69%, focus on trends that affect the specific sector(s) they work in. Following, 44% consider private sector investments, 44% pay attention to the impact of U.S elections, 41% of respondents watch for the impact of unemployment rates, 39% watch for trade agreement changes, and 37% monitor cost spikes. Regulator and public policy, global economic trends and consumer spending are considered by 33%, 33% and 31% of the members, respectively. The U.S. federal budget, stocker market, client failures, alternative financing models, U.S security, social harmony and judicial ruling are considered by less than 25% of all respondents.

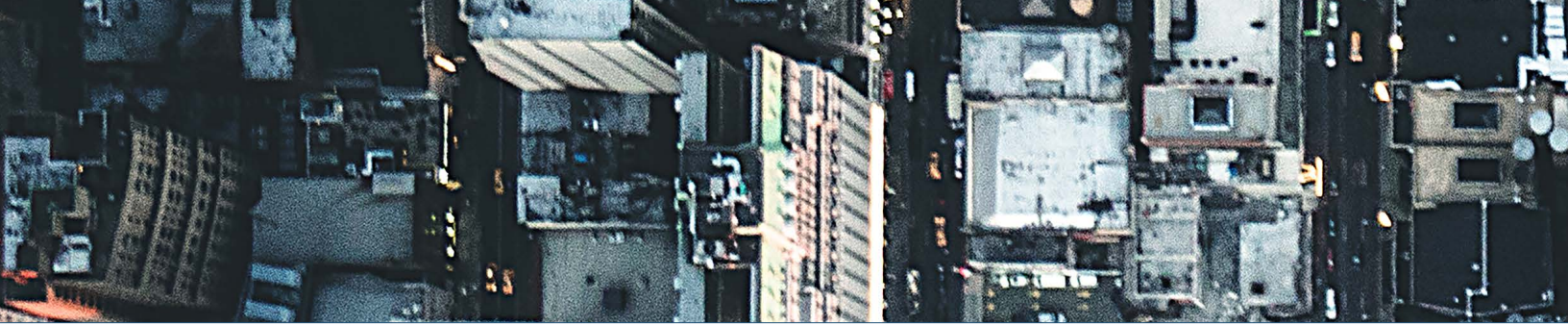
When reviewing strategic plans or yearly goals/objectives, do you take into account external threats/impacts?





If yes, which of the following above are typically considered? Check all that apply:

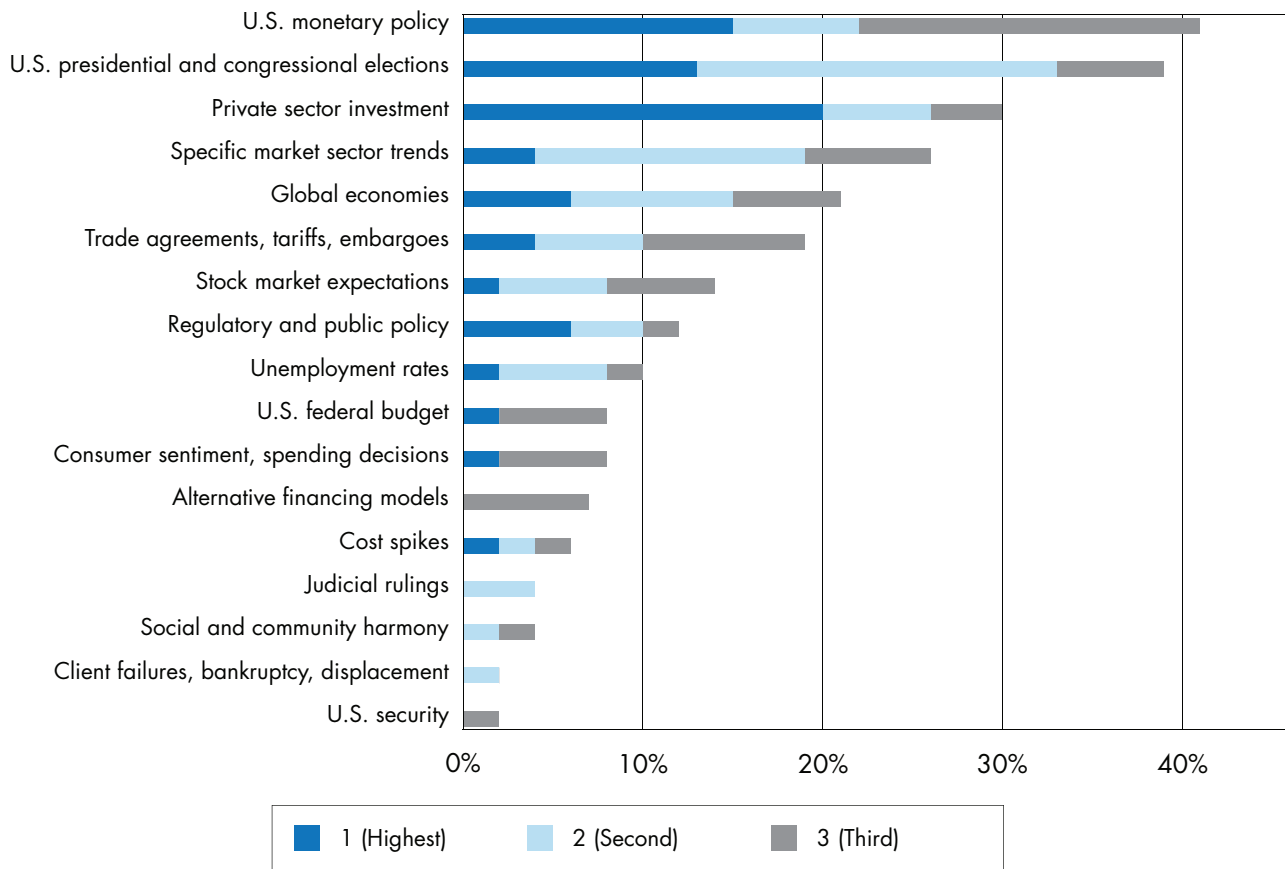




IMPACTS ON U.S. ECONOMY

As part of the current trends questions, CIRT members were asked to rank the top three trends likely to have the greatest positive impact on the U.S. economy for 2020, 1 being the most positive impact and 3 being the least. Overall, 41% of respondents selected U.S. monetary policy as one of the three most positive impacts, followed by 39% selecting U.S. presidential and congressional elections, and 29% selecting private sector investments. However, only considering top trends with a ranking of “1”, the majority, or 20%, of respondents reported that private sector investment would create the most positive impact, followed by the U.S. monetary policy at 15%, and the U.S. presidential and congressional elections at 13%.

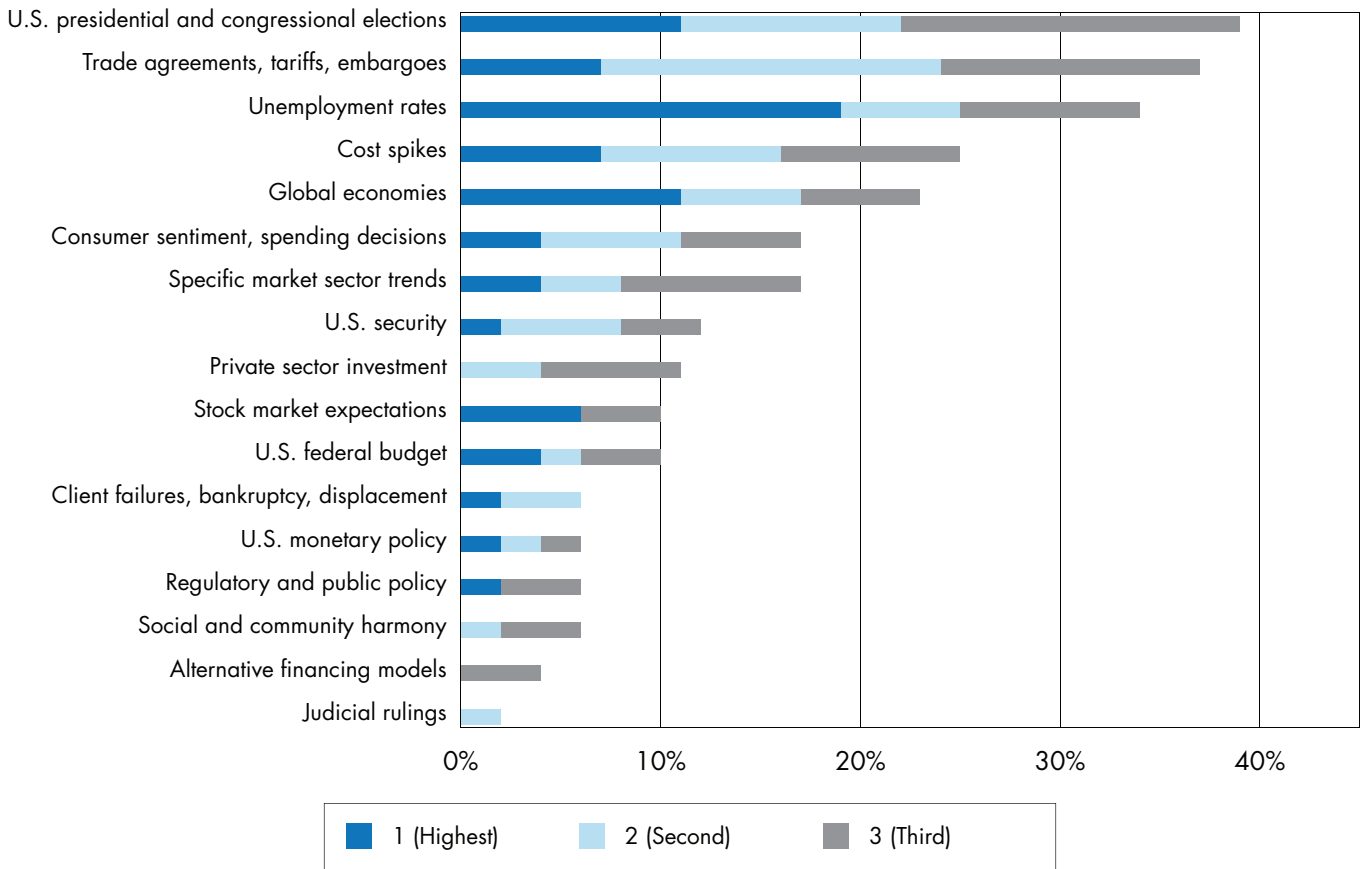
Which of the listed items will likely have the greatest positive impact on U.S. economic/business conditions in 2020?





CIRT members were also asked to rank the top three trends likely to have the greatest negative impact on the U.S. economy for 2020. Overall, 44% of respondents selected the U.S. elections as one of the three, followed by 37% selecting trade agreements, and 33% selecting unemployment rates. When only considering rankings of “1”, the majority, or 19%, reported that unemployment rates would likely have the biggest negative impact, followed by 11% identifying global economies, and 11% identifying the U.S. presidential and congressional elections.

Which of the listed items will likely have the greatest negative impact on U.S. economic/business conditions in 2020?





When asked about socioeconomic concerns affecting the business strategies and planning for the upcoming year, many respondents further elaborated about the U.S. elections, stating that depending on results, elections could either considerably boost the economy or potentially send us into a recession. Most respondents are preparing for a recession in 2021. Additionally, global unrest in the Middle East could further influence costs. Finally, increased pressure on pharmaceutical companies to reduce prices may affect capital construction plans across the industry and in health care over the long term.



CONSTRUCTION OUTLOOK

Industry	Construction Sector Business Outlook			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	2.93	2.93	2.93	—
Education	3.27	3.14	3.09	↘
Health Care	3.20	3.28	3.20	↗
Industrial	3.33	3.42	3.42	↗
International	2.83	3.17	3.17	↗
Lodging	2.81	2.81	2.67	↘
Manufacturing	3.00	3.00	2.81	↘
Office	2.79	2.88	2.63	↘
Public Works	3.20	3.20	3.30	↗
Transportation	3.08	3.25	3.33	↗

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 2.93 for next quarter, 2.93 for six months from now, and 2.93 for one year from now.

EDUCATION

Starting average score of 3.27 for next quarter, 3.14 for six months from now, and 3.09 for one year from now.

HEALTH CARE

Starting average score of 3.20 for next quarter, 3.28 for six months from now, and 3.20 for one year from now.

INDUSTRIAL

Starting average score of 3.33 for next quarter, 3.42 for six months from now, and 3.42 for one year from now.



INTERNATIONAL

Starting average score of 2.83 for next quarter, 3.17 for six months from now, and 3.17 for one year from now.

LODGING

Starting average score of 2.81 for next quarter, 2.81 for six months from now, and 2.67 for one year from now.

MANUFACTURING

Starting average score of 3.00 for next quarter, 3.00 for six months from now, and 2.81 for one year from now.

OFFICE

Starting average score of 2.79 for next quarter, 2.88 for six months from now, and 2.63 for one year from now.

PUBLIC WORKS

Starting average score of 3.20 for next quarter, 3.20 for six months from now, and 3.30 for one year from now.

TRANSPORTATION

Starting average score of 3.08 for next quarter, 3.25 for six months from now, and 3.33 for one year from now.



DESIGN OUTLOOK

Industry	Design Sector Project Growth			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	3.21	3.05	3.00	
Consulting Planning	3.25	3.13	3.06	
Education	3.29	3.35	3.41	
Health Care	3.31	3.38	3.63	
Heavy/Civil	3.14	3.29	3.00	
Industrial	3.00	3.00	3.06	
International	3.18	3.36	3.27	
Pre-design Work	3.25	3.20	3.20	
Residential	3.25	3.13	3.00	
Transportation	3.37	3.42	3.47	

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 3.21 for next quarter, 3.05 for six months from now, and 3.00 for one year from now.

CONSULTING PLANNING

Starting average score of 3.25 for next quarter, 3.13 for six months from now, and 3.06 for one year from now.

EDUCATION

Starting average score of 3.29 for next quarter, 3.35 for six months from now, and 3.41 for one year from now.

HEALTH CARE

Starting average score of 3.31 for next quarter, 3.38 for six months from now, and 3.63 for one year from now.



HEAVY/CIVIL

Starting average score of 3.14 for next quarter, 3.29 for six months from now, and 3.00 for one year from now.

INDUSTRIAL

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

INTERNATIONAL

Starting average score of 3.18 for next quarter, 3.36 for six months from now, and 3.27 for one year from now.

PRE-DESIGN WORK

Starting average score of 3.25 for next quarter, 3.20 for six months from now, and 3.20 for one year from now.

RESIDENTIAL

Starting average score of 3.25 for next quarter, 3.13 for six months from now, and 3.00 for one year from now.

TRANSPORTATION

Starting average score of 3.37 for next quarter, 3.42 for six months from now, and 3.47 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.



for the Built Environment

About FMI

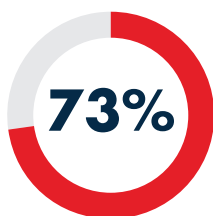
FMI is the leading consulting and investment banking firm dedicated exclusively to the built environment.

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.

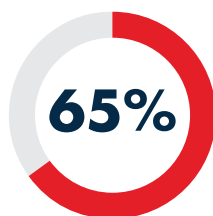
Sector Expertise

- Architecture, Engineering & Environmental
- Building Products
- Construction Materials
- Contractors
- Energy Service & Equipment
- Energy Solutions & Cleantech
- Specialty Chemicals
- Utility T&D

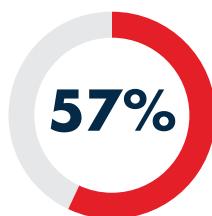
FMI Client Highlights



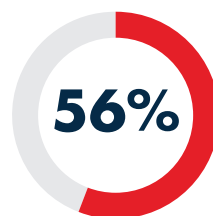
of the ENR
Top 400
LARGEST
CONTRACTORS



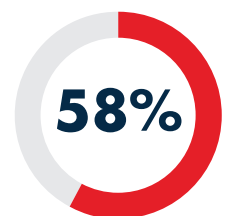
of the ENR
Top 200
SPECIALTY
CONTRACTORS



of the ENR
Top 100
DESIGN
FIRMS



of the ENR
Top 200
ENVIRONMENTAL
FIRMS



of the ENR
Top 100
CM FOR
FEE FIRMS



for the Built Environment

Denver 210 University Boulevard Suite 800 Denver, CO 80206 303.377.4740	Edmonton Edmonton, AB 780.850.2693	Houston 1301 McKinney Street Suite 2000 Houston, TX 77010 713.936.5400	Phoenix 7639 East Pinnacle Peak Road Suite 100 Scottsdale, AZ 85255 602.381.8108	Raleigh (headquarters) 223 S. West Street Suite 1200 Raleigh, NC 27603 919.787.8400	Tampa 308 South Boulevard Tampa, FL 33606 813.636.1364
--	---	---	---	--	--

WWW.FMINET.COM