



# CIRT Sentiment Index

Third Quarter Report







# EXECUTIVE SUMMARY

## INDEX MOVEMENT

		Q2 2019	Q3 2019
Overall U.S. Economy	↓	57.27	55.56
Economy Where We Do Business	↓	61.82	61.11
Our Construction Business	↓	78.85	74.24
Nonresidential Sector	↓	61.82	60.66
Backlog	↑	72.42	73.02
Cost of Labor	↓	92.73	89.68
Cost of Materials	↓	81.82	79.37
Productivity	↑	42.73	50.00

The third quarter 2019 CIRT Sentiment Index indicated a slight decrease versus a more significant downturn in the Design Index when compared with the second quarter. The CIRT Sentiment Index declined from 65.0 to 64.9, compared to the Design Index which fell from 70.1 to 63.2. This downward movement may be reflective of the ambiguity surrounding the uncertain economic environment. Offsetting the potential impact of a slowing economy/market is early evidence that the upward pressure on labor and material costs may be easing or at least flattening.

The current trends questions focused on two main areas: formal steps CIRT members have taken in preparation for the next downturn in the economy, and the perceived risk of cybersecurity threats as well as steps taken to mitigate those threats.

The responses revealed that more than two-thirds of responding CIRT member companies, 68%, have a formal plan in place to address the next economic downturn. Of those companies with a formal plan, 61% have formally examined their organization's strengths and weaknesses, 60% have incorporated contingency planning into all strategic discussions, 58% have

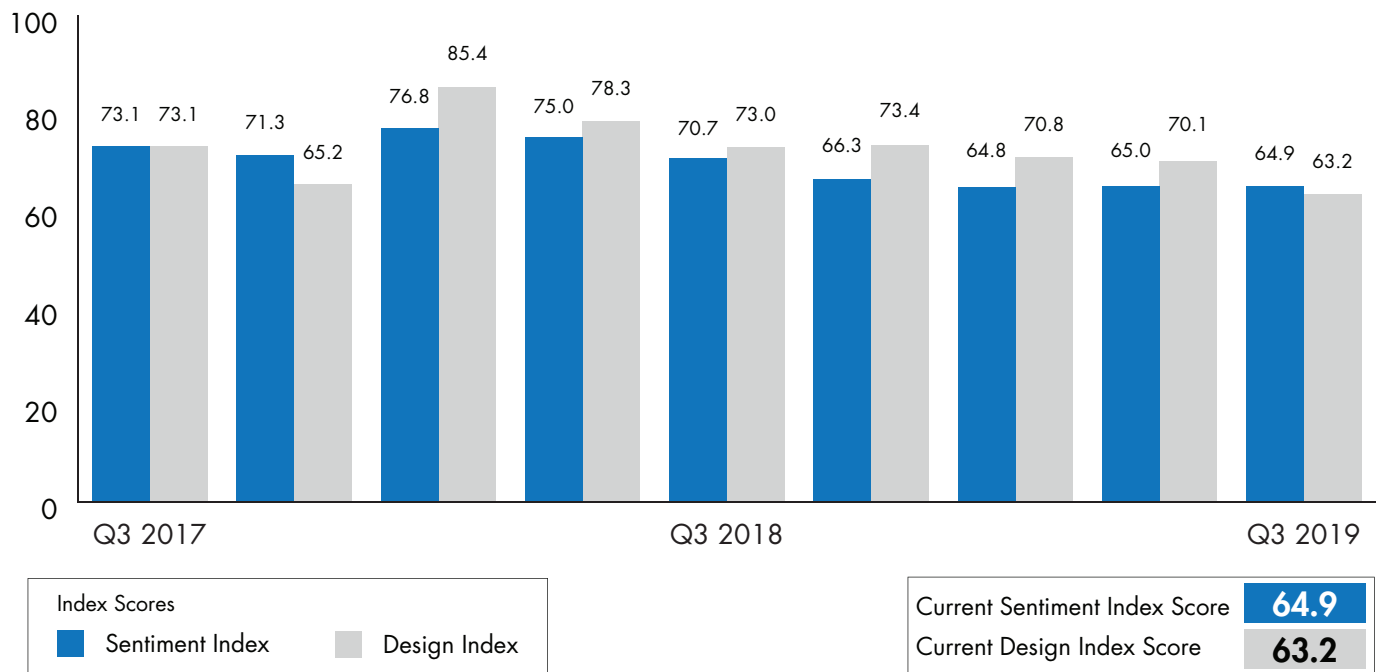
made structural or organizational changes faster, while 53% have reduced nonessential spending. Additionally, half of all responding CIRT companies are diversifying into more market segments, while 44% are working to gather and assess economic information earlier. Other steps taken to prepare for the next downturn include increased focus and attention toward backlog obligations and a more deliberate focus on customers and projects that should help weather a downturn.

When asked about cybersecurity, 79% of respondents reported that the threat of cybersecurity is either serious or concerning to their business. Furthermore, 98% of CIRT member respondents have taken specific steps to address the threat of cybersecurity. The most common action taken in improving cybersecurity came in the form of improved IT protocols, which 90% of respondents have addressed. Additionally, a similar share of companies have either undertaken specific training (65%) or maintained system surveillance to further address cybersecurity (63%). Nearly half, 48%, of companies have retained outside consulting specialists, while only 31% have hired a full-time CIO specialist. Among the segments and industries represented by CIRT's member base, public works is projected to experience the most short- and long-



term growth across the broader construction industry, while education is projected to experience the most short- and long-term growth within the design industry. Office, education and commercial are projected to experience the largest declines across the construction industry, while transportation and manufacturing are expected to remain steady in both the short term and long term. Within the design industry: consulting planning, commercial and industrial are projected to experience the largest declines, while residential and health care segments are expected to recede only slightly in the short term and long term.

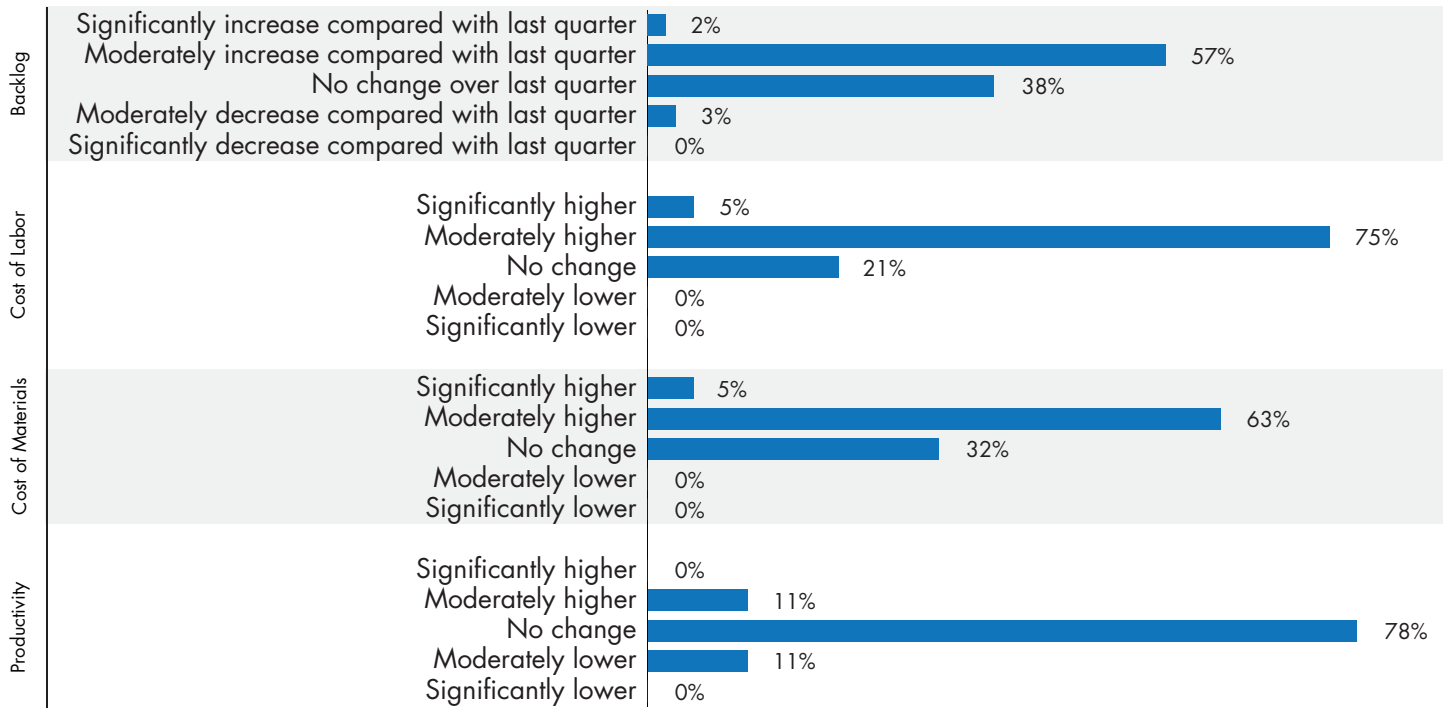
## CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q3 2017 TO Q3 2019





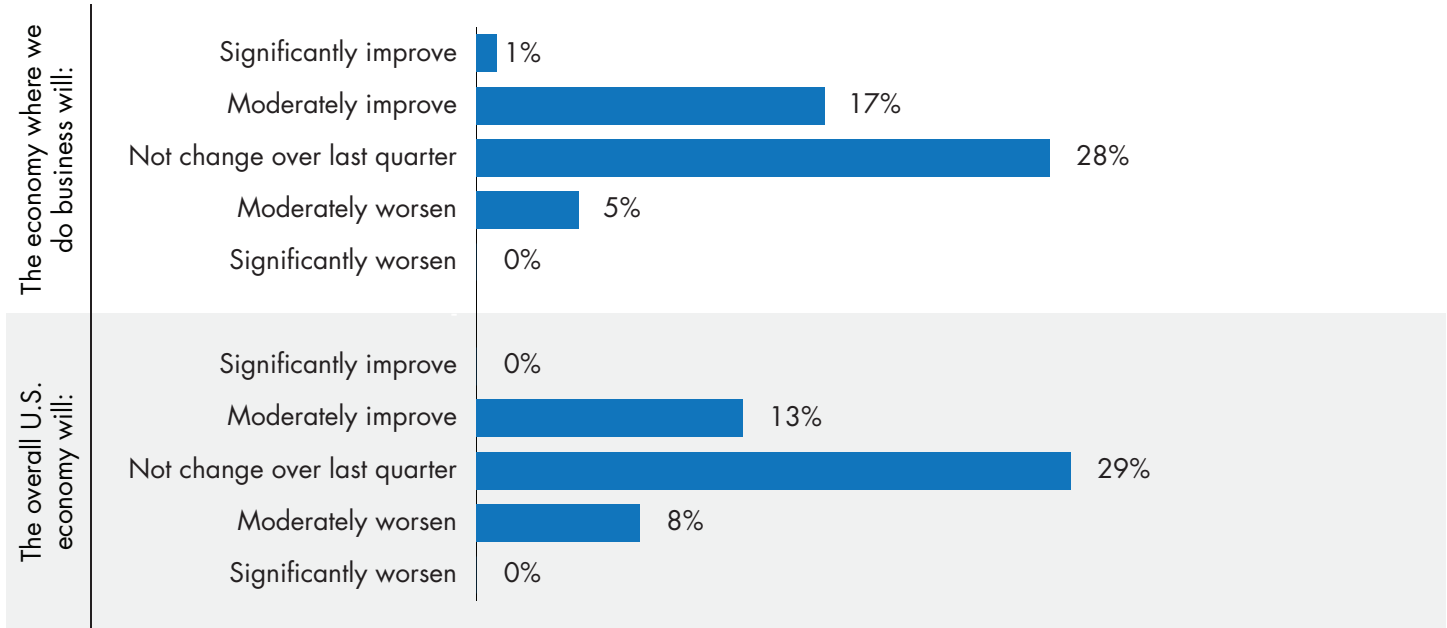


## CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER

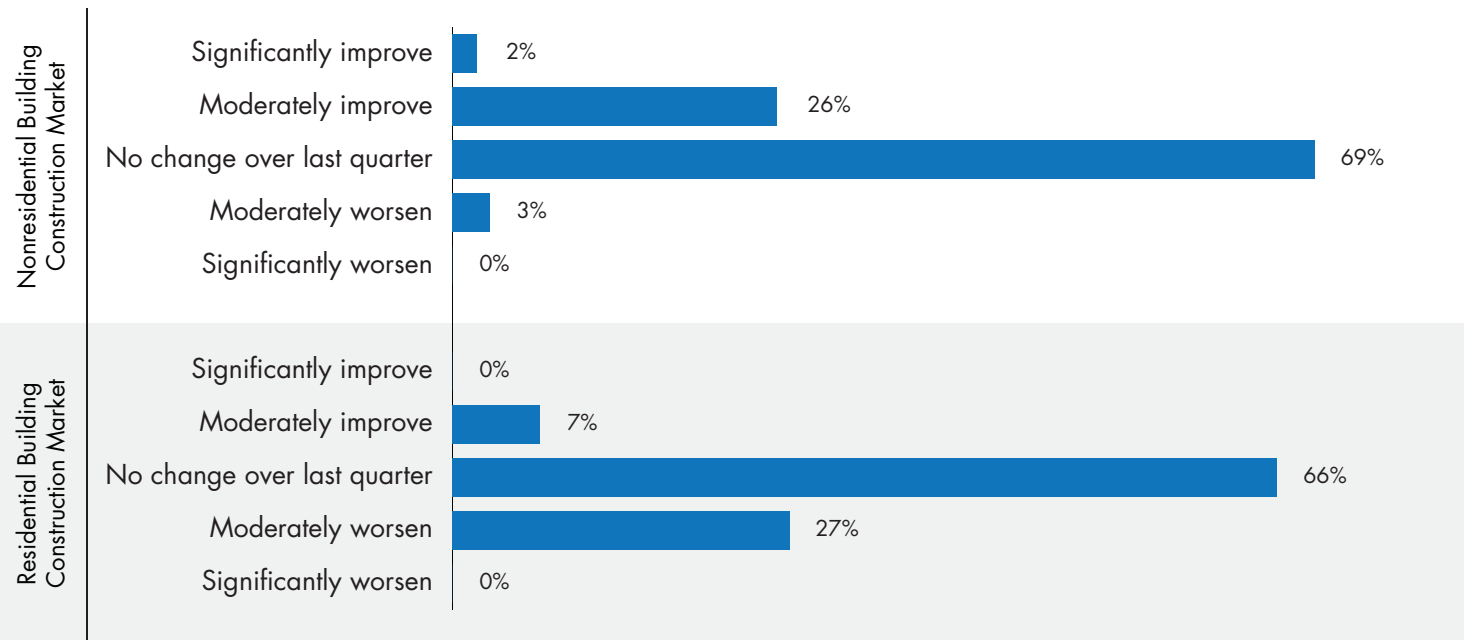




## LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER



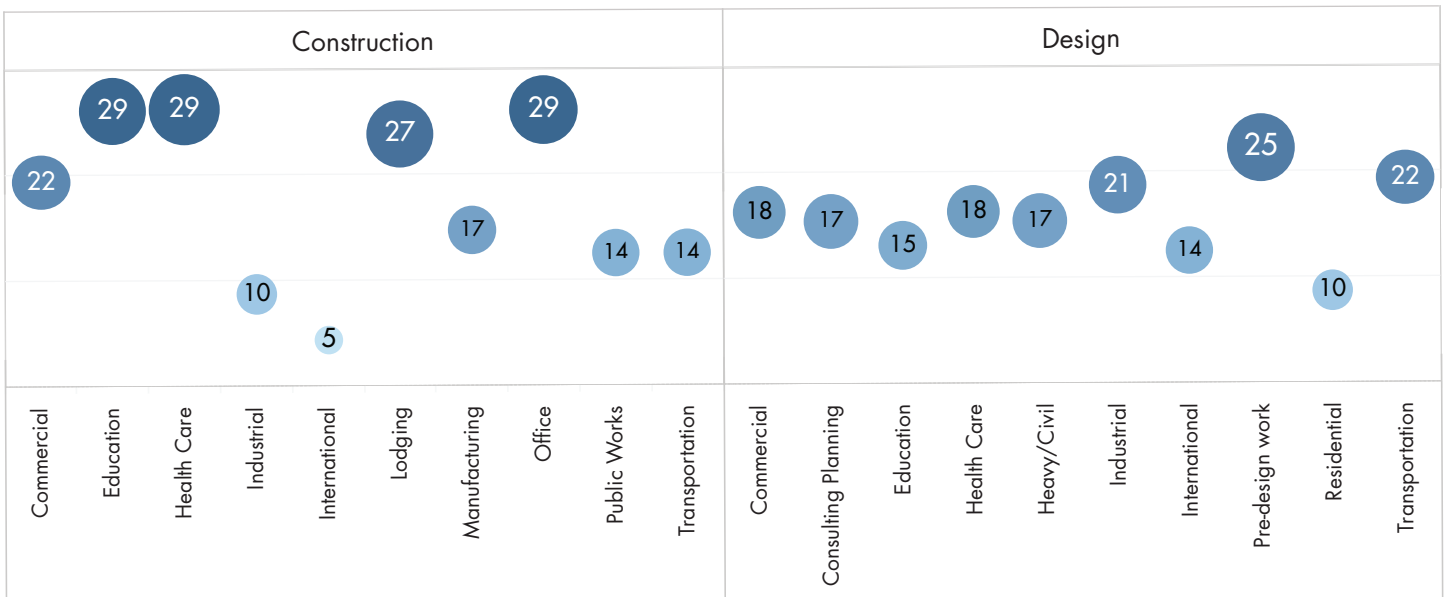
## EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS FOR NEXT QUARTER





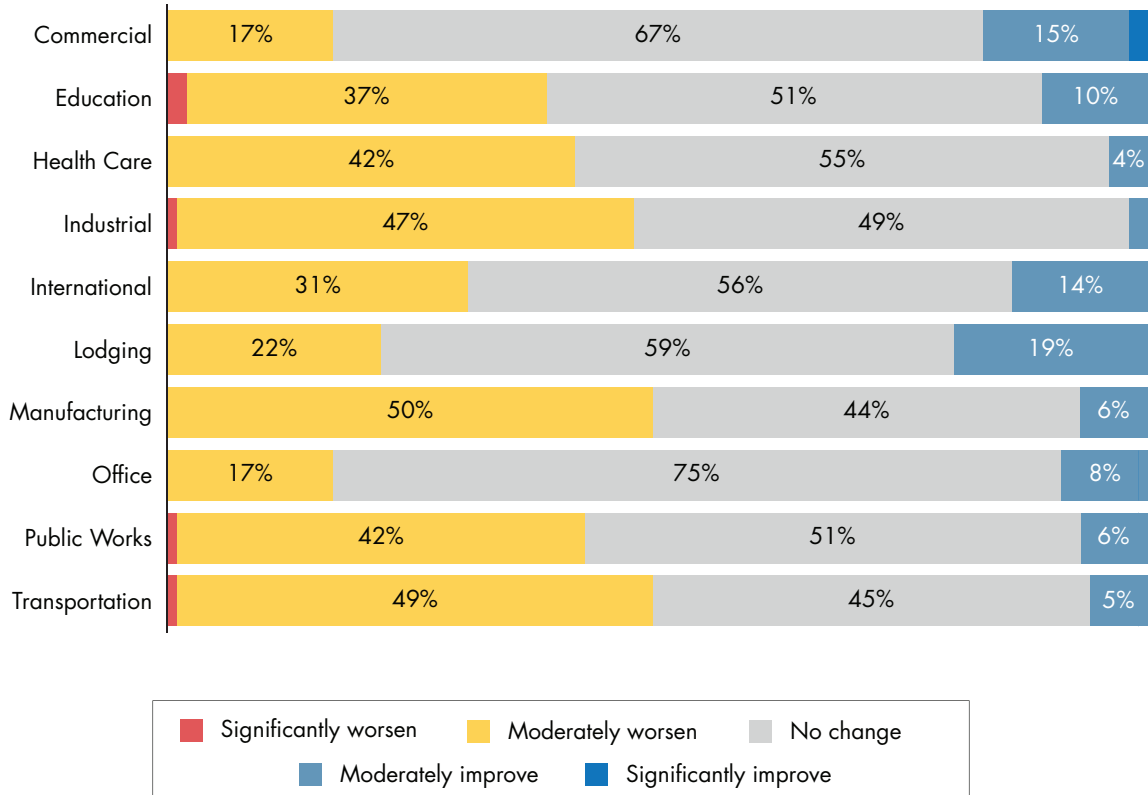


MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR

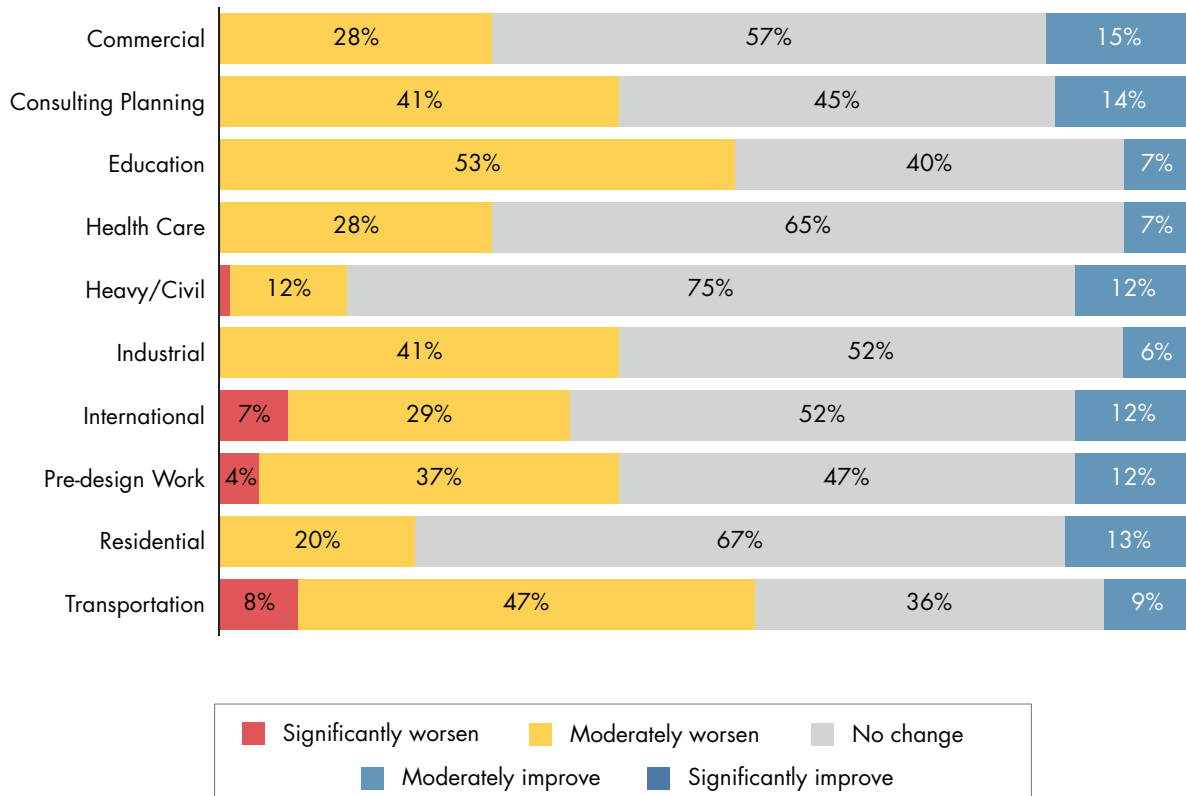




## PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



## PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN





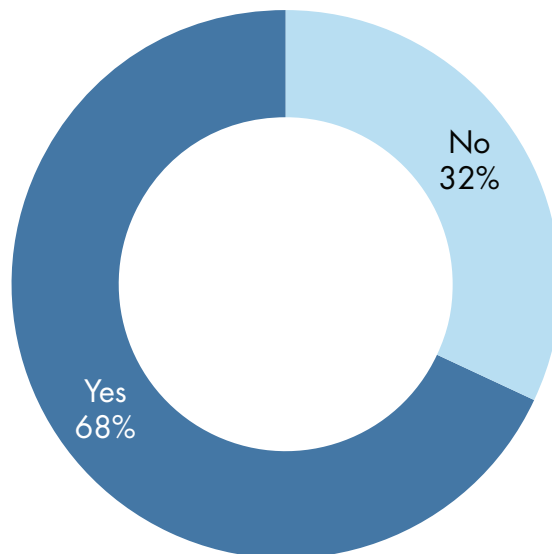


## CURRENT TRENDS

### STEPS IN A DOWNTURN

This quarter's survey revealed that more than two-thirds of responding CIRT member companies, 68%, have a formal plan in place to address the next economic downturn. Of those companies with a formal plan, 61% have formally examined their organization's strengths and weaknesses, 60% have incorporated contingency planning into all strategic discussions, 58% have made structural or organizational changes faster, while 53% have reduced nonessential spending. Additionally, half of all responding CIRT companies are diversifying into more market segments, while 44% are working to gather and assess economic information earlier. Less than a quarter (24%) are working to increase the talent pool faster, and even less (15%) are working to decrease it faster. Other steps taken to prepare for the next downturn include increased focus and attention toward backlog obligations and a more deliberate focus on customers and projects that should help weather a downturn.

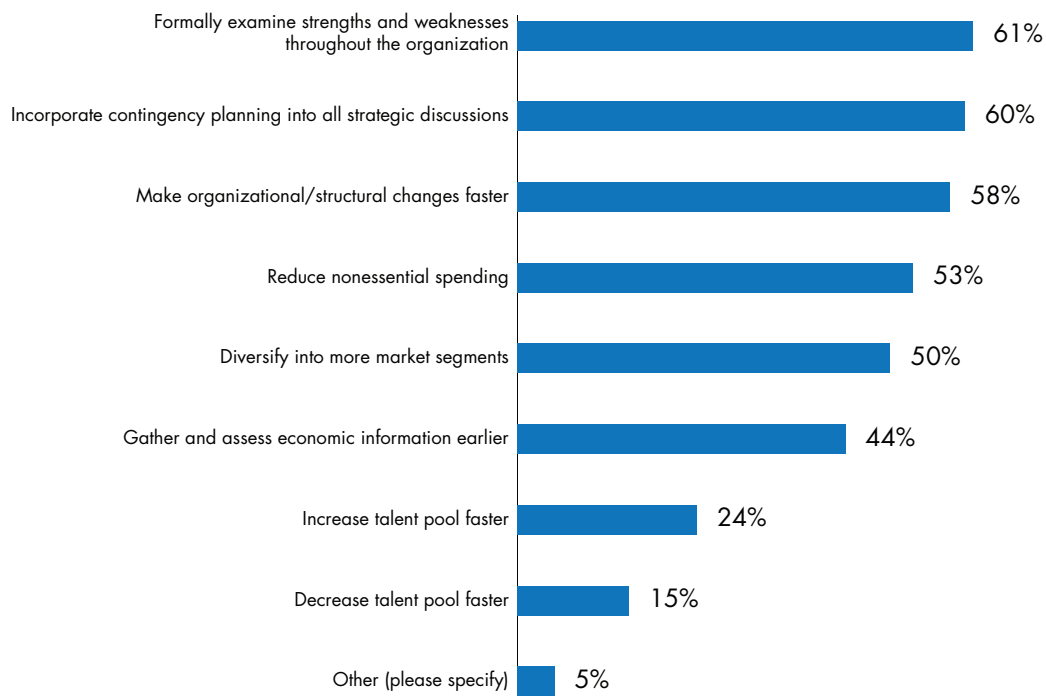
Given that the economy/markets appear to move in cycles, does your firm have a formal plan in place to address the next economic downturn?







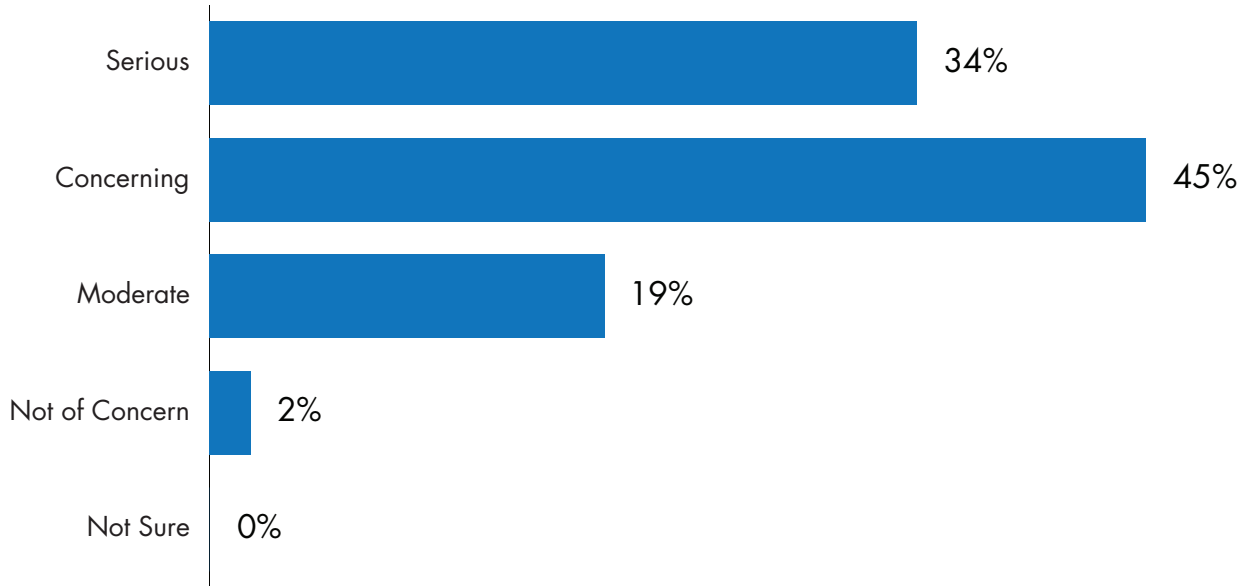
If so, which of the following items/steps are you doing to prepare for the next downturn in the economy?



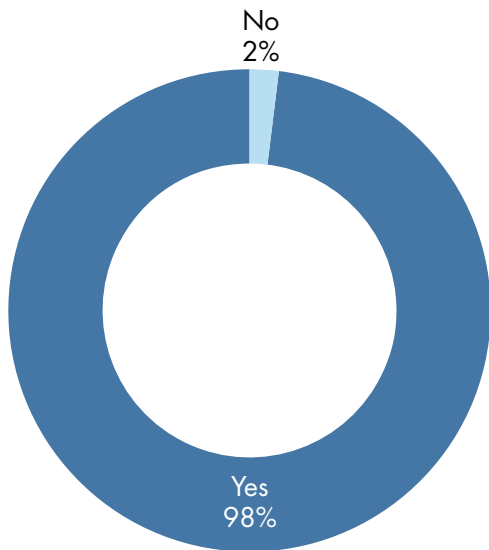
## CYBERSECURITY THREATS

When asked about cybersecurity, 79% of respondents reported that the threat of cybersecurity is either serious or concerning to their business. Furthermore, 98% of CIRT member respondents have taken specific steps to address the threat of cybersecurity. The most common action taken in improving cybersecurity came in the form of improved IT protocols, which 90% of respondents have addressed. The second most commonly taken step, reported by 82% of members, is adding additional specific IT security hardware or software. Additionally, a similar share of companies have either undertaken specific training (65%) or maintained system surveillance to further address cybersecurity (63%). Nearly half, 48%, of companies have retained outside consulting specialists, while only 31% have hired a full-time CIO specialist. Other steps taken to address cybersecurity include creating an internal team to address concerns and ensuring the entire organization operates under the same internal procedures and systems.

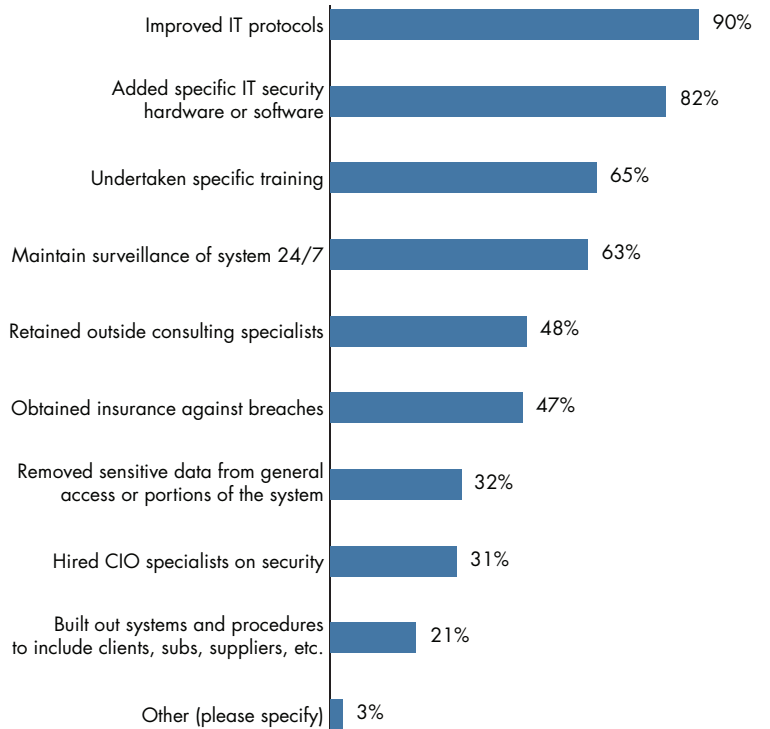
## How do you see or rate cybersecurity as a threat to your firm/business?



## Have you taken any specific steps in the past 6-12 months to improve your security?



## If yes, check all that apply.







## CONSTRUCTION OUTLOOK

Industry	Construction Sector Business Outlook			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	3.09	3.05	2.82	↘
Education	3.36	3.32	3.29	↘
Health Care	3.36	3.43	3.36	↗
Industrial	3.53	3.42	3.53	↘
International	3.25	3.17	3.08	↘
Lodging	3.08	3.08	2.92	↘
Manufacturing	3.44	3.44	3.44	—
Office	3.11	3.18	2.96	↘
Public Works	3.35	3.39	3.43	↗
Transportation	3.46	3.46	3.46	—

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 3.09 for next quarter, 3.05 for six months from now, and 2.82 for one year from now.

### EDUCATION

Starting average score of 3.36 for next quarter, 3.32 for six months from now, and 3.29 for one year from now.

### HEALTH CARE

Starting average score of 3.36 for next quarter, 3.43 for six months from now, and 3.36 for one year from now.

### INDUSTRIAL

Starting average score of 3.53 for next quarter, 3.42 for six months from now, and 3.53 for one year from now.



## INTERNATIONAL

Starting average score of 3.25 for next quarter, 3.17 for six months from now, and 3.08 for one year from now.

## LODGING

Starting average score of 3.08 for next quarter, 3.08 for six months from now, and 2.92 for one year from now.

## MANUFACTURING

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

## OFFICE

Starting average score of 3.11 for next quarter, 3.18 for six months from now, and 2.96 for one year from now.

## PUBLIC WORKS

Starting average score of 3.35 for next quarter, 3.39 for six months from now, and 3.43 for one year from now.

## TRANSPORTATION

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





# DESIGN OUTLOOK

Industry	Design Sector Project Growth			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	3.28	3.22	2.89	↘
Consulting Planning	3.41	3.29	3.12	↘
Education	3.40	3.47	3.53	↗
Health Care	3.22	3.22	3.17	↘
Heavy/Civil	3.06	3.00	3.06	↘
Industrial	3.43	3.43	3.19	↘
International	3.36	3.36	3.21	↘
Pre-design Work	3.48	3.40	3.12	↘
Residential	3.10	3.10	3.00	↘
Transportation	3.55	3.59	3.45	↘

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 3.28 for next quarter, 3.22 for six months from now, and 2.89 for one year from now.

## CONSULTING PLANNING

Starting average score of 3.41 for next quarter, 3.29 for six months from now, and 3.12 for one year from now.

## EDUCATION

Starting average score of 3.40 for next quarter, 3.47 for six months from now, and 3.53 for one year from now.

## HEALTH CARE

Starting average score of 3.22 for next quarter, 3.22 for six months from now, and 3.17 for one year from now.



## HEAVY/CIVIL

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

## INDUSTRIAL

Starting average score of 3.43 for next quarter, 3.43 for six months from now, and 3.19 for one year from now.

## INTERNATIONAL

Starting average score of 3.36 for next quarter, 3.36 for six months from now, and 3.21 for one year from now.

## PRE-DESIGN WORK

Starting average score of 3.48 for next quarter, 3.40 for six months from now, and 3.12 for one year from now.

## RESIDENTIAL

Starting average score of 3.10 for next quarter, 3.10 for six months from now, and 3.00 for one year from now.

## TRANSPORTATION

Starting average score of 3.55 for next quarter, 3.59 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](mailto: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](mailto: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

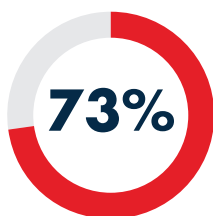
FMI is the leading consulting and investment banking firm dedicated exclusively to the built environment.

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.

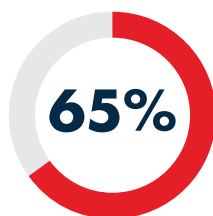
### Sector Expertise

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

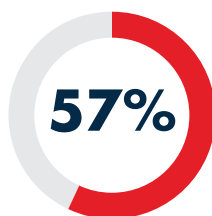
## FMI Client Highlights



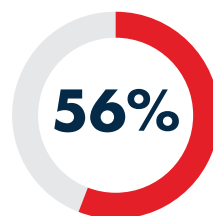
of the ENR  
**Top 400**  
**LARGEST**  
**CONTRACTORS**



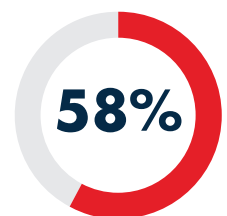
of the ENR  
**Top 200**  
**SPECIALTY**  
**CONTRACTORS**



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

---

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

[WWW.FMINET.COM](http://WWW.FMINET.COM)