



# 2020

## CIRT Sentiment Index

First Quarter Report





# EXECUTIVE SUMMARY

## INDEX MOVEMENT

		Q4 2019	Q1 2020
Overall U.S. Economy	↑	53.64	66.10
Economy Where We Do Business	↑	57.27	65.25
Our Construction Business	↑	66.00	74.19
Nonresidential Sector	↑	58.33	58.47
Backlog	↑	68.79	70.90
Cost of Labor	↑	82.73	88.14
Cost of Materials	↓	76.36	71.19
Productivity	↑	47.27	53.39

The first quarter of 2020 showed an increase in both the CIRT Sentiment Index and Design Index. The CIRT Sentiment Index grew from 57.6 in the fourth quarter of 2019 to 63.6 in the first quarter of 2020. Higher index scores suggest broadened optimism across participating firms going into 2020.

This quarter's current issues questions polled CIRT membership on a variety of key internal metrics, including backlogs, firm capacity and hiring goals. The survey also captured open responses on challenges facing each firm in 2020.

Nearly three-quarters of participating firms reported 2019 year-end backlogs between 12 and 24 months, with just under half of respondents in the range of 12 to 18 months. Comparing backlog estimates to the prior year, most members (~57%) suggested an increase, one-third (~33%) reported little to no change, and only 10% reported decline. Similarly, more than two-thirds of CIRT member respondents indicated that their firms would be operating over 80% capacity through 2020, with the largest segment of respondents (37%) suggesting firm capacity would exceed 90%. Comparing

2019 year-end hiring goals to the prior year, most survey participants were split between increasing hiring goals or keeping them about the same (both groups at approximately ~46%). Very few respondents (8%) suggested lowering hiring goals through 2020.

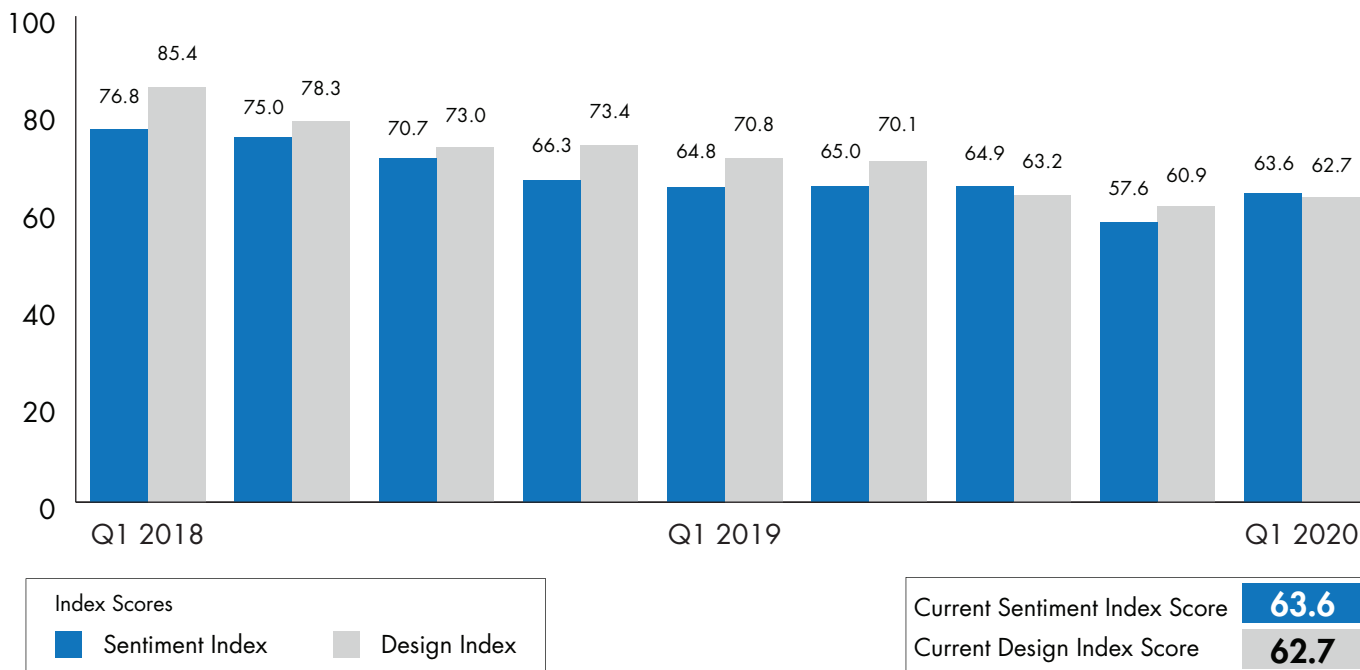
Last, among the current issues topics, CIRT members were questioned about significant issues they believe will challenge their firms in 2020. Nearly two-thirds of respondents suggested labor-related concerns, with frequent mentions that attracting and hiring quality talent would be the greatest challenges. Alternatively, approximately one-third of respondents identified technology and economic/political-related challenges. Common technological themes included cyberterrorism, data analytics, prefabrication and operational optimization. Recurring economic and political themes included the 2020 election, passing of a federal infrastructure bill and increased risk of an economic downturn.



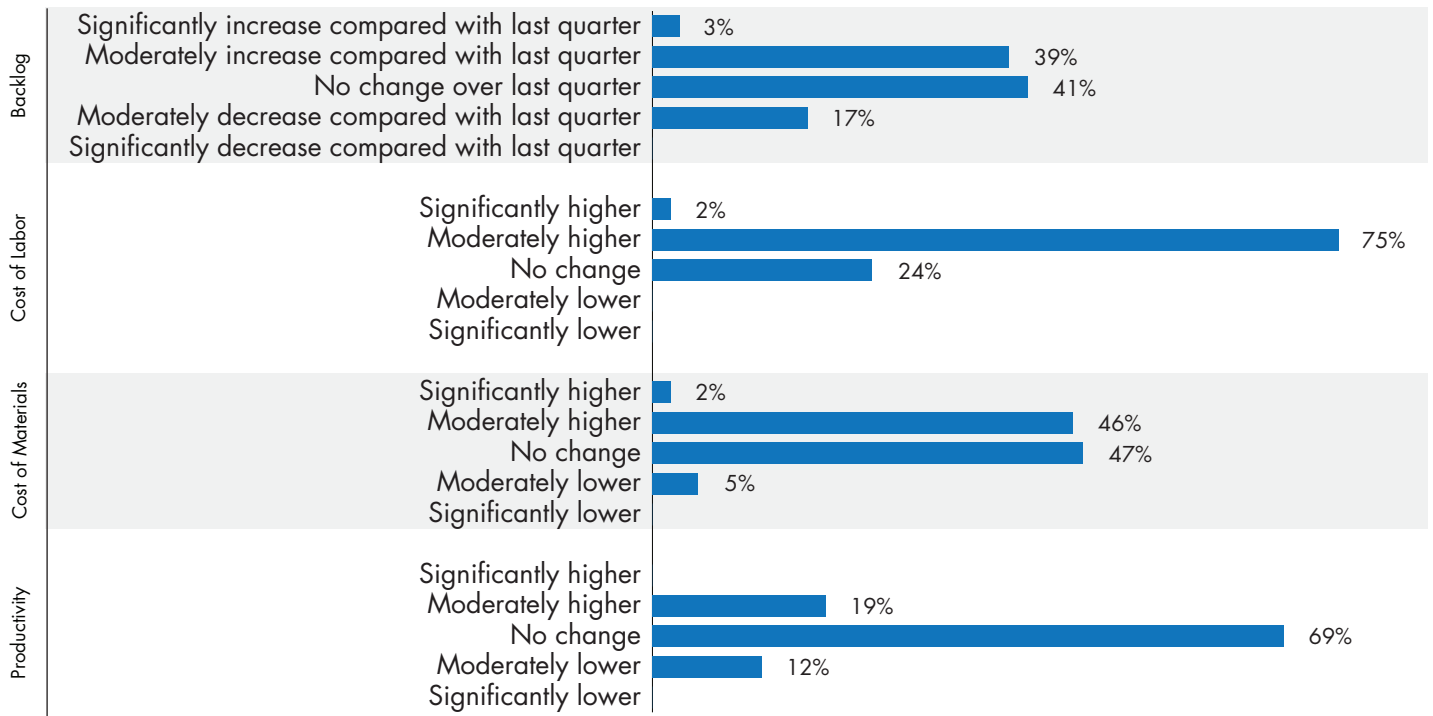
Among the segments and industries represented by CIRT’s member base, health care is projected to experience the most *short-term* growth across the broader construction industry, whereas industrial, transportation and manufacturing are all expected to exhibit healthy growth over the *long term*. Secondary segments that all stand out over the *next year* include health care, public works and education. Design respondents expect health care, pre-design and transportation to outperform over the next quarter and foresee long-term opportunities in transportation, industrial and health care.

Overall, respondents believe that the industrial, manufacturing and transportation construction sectors will show the most promise long-term. Public works will remain steady, and office, lodging and commercial will start to decline over the next year. Within the design industry, respondents believe that international, commercial, education and consulting planning will decline; residential will remain stable; and heavy/civil will experience growth over the long term.

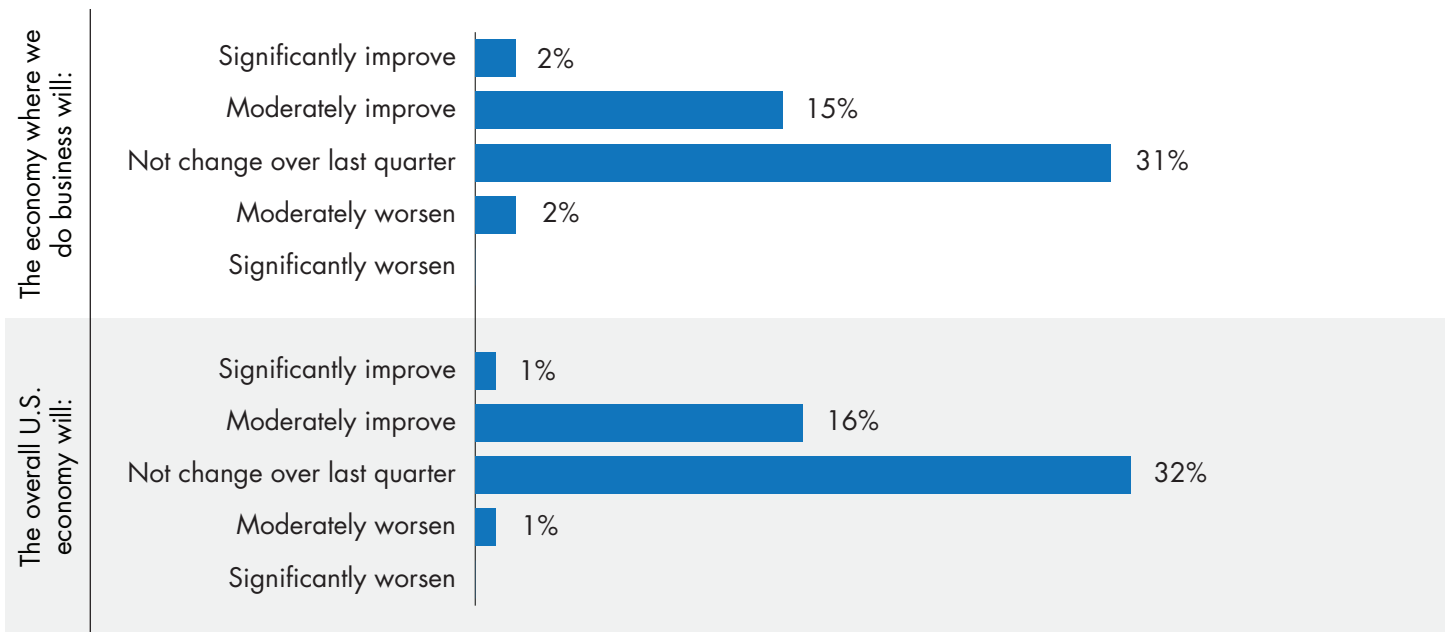
## CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q1 2018 TO Q1 2020



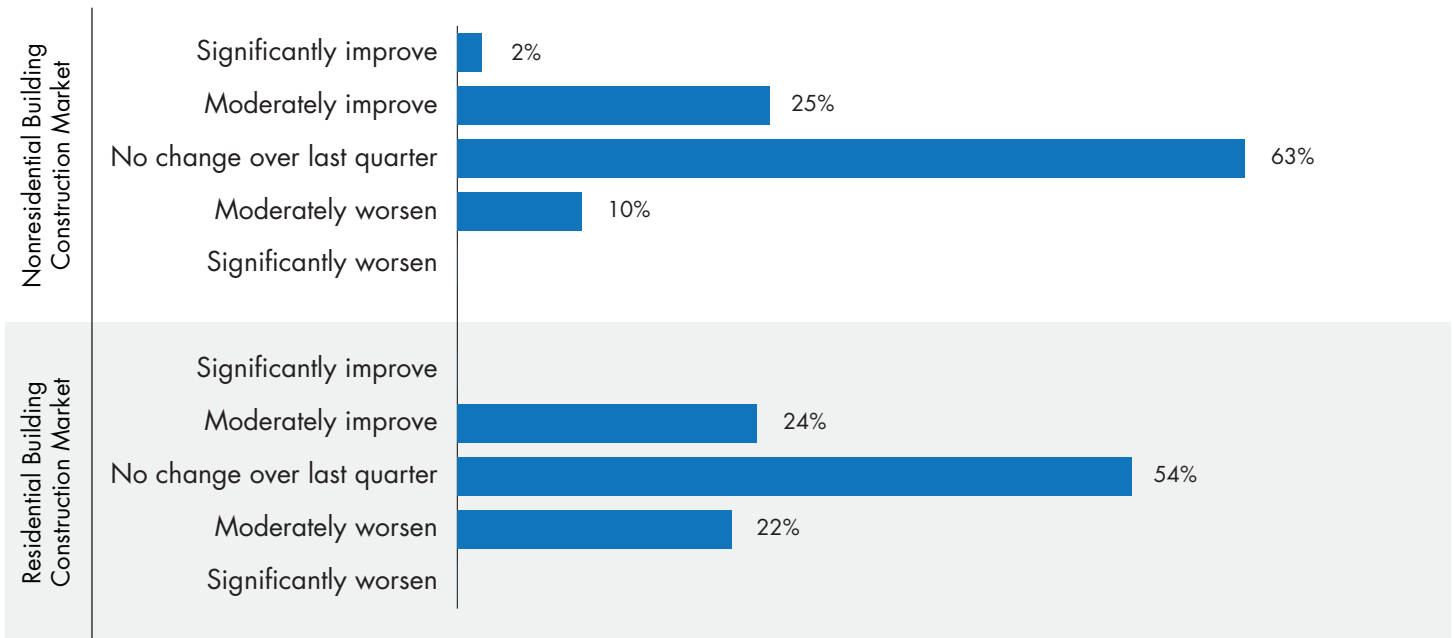
## CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER



## LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER

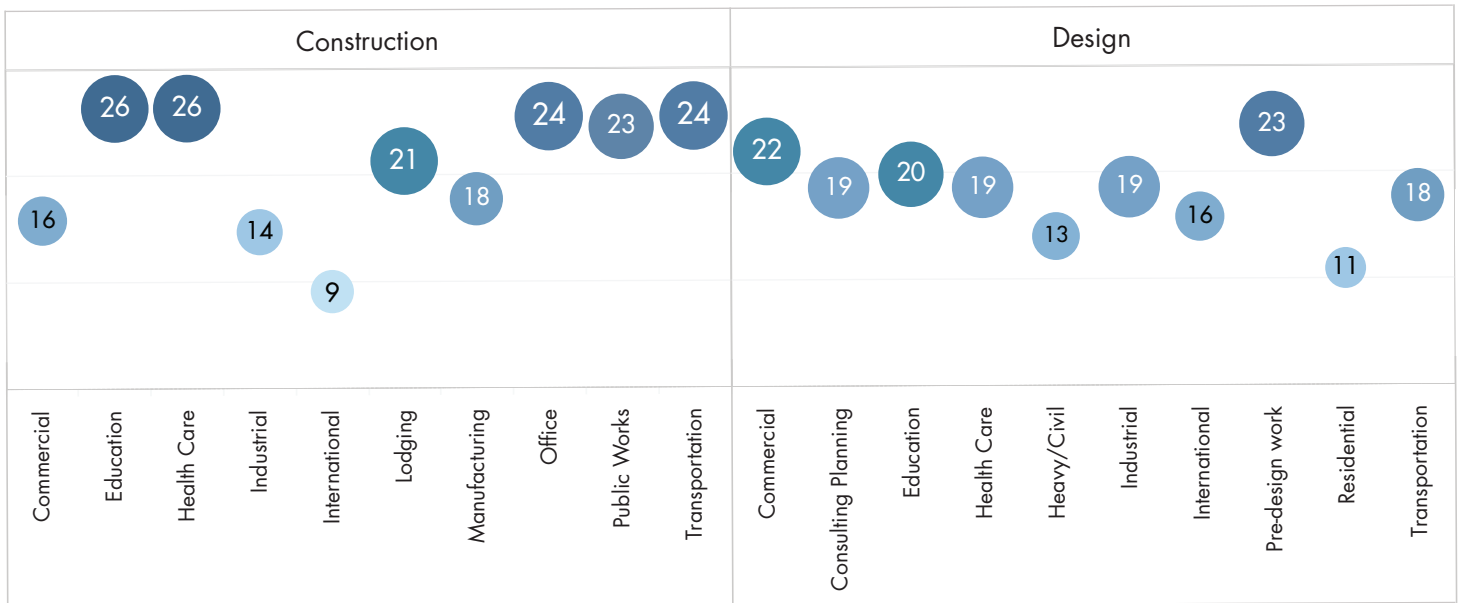


## EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS FOR NEXT QUARTER

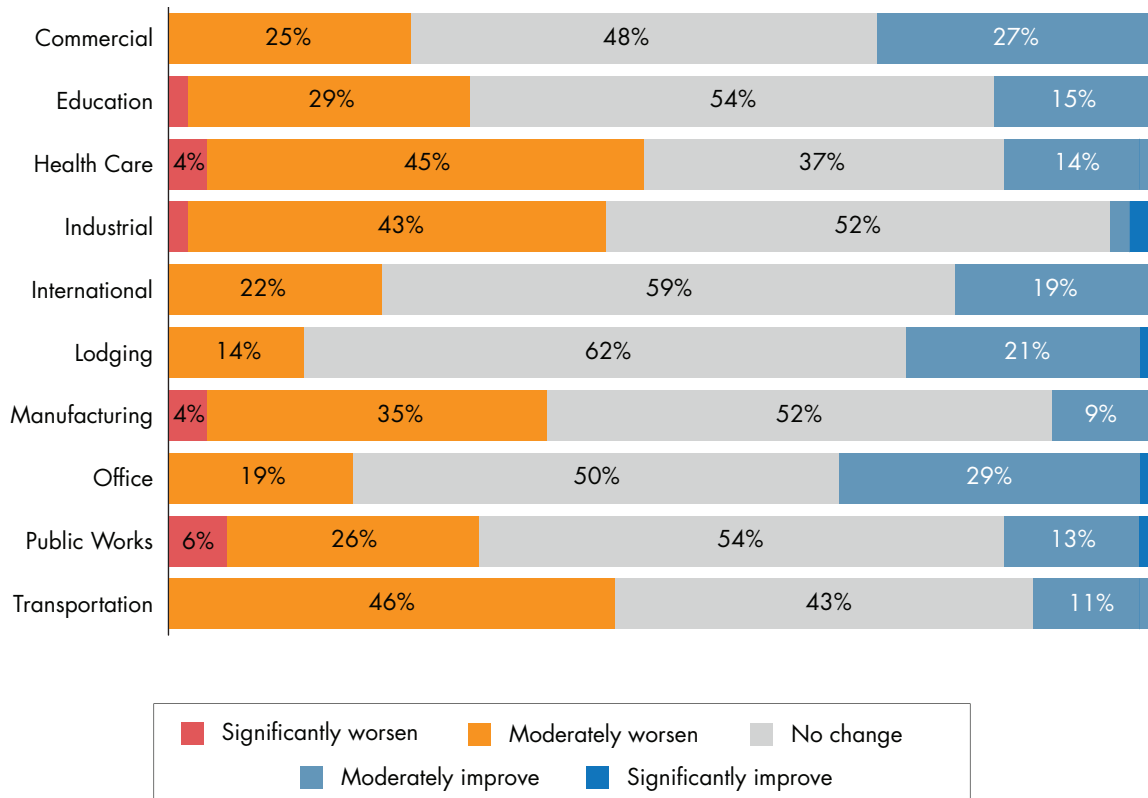




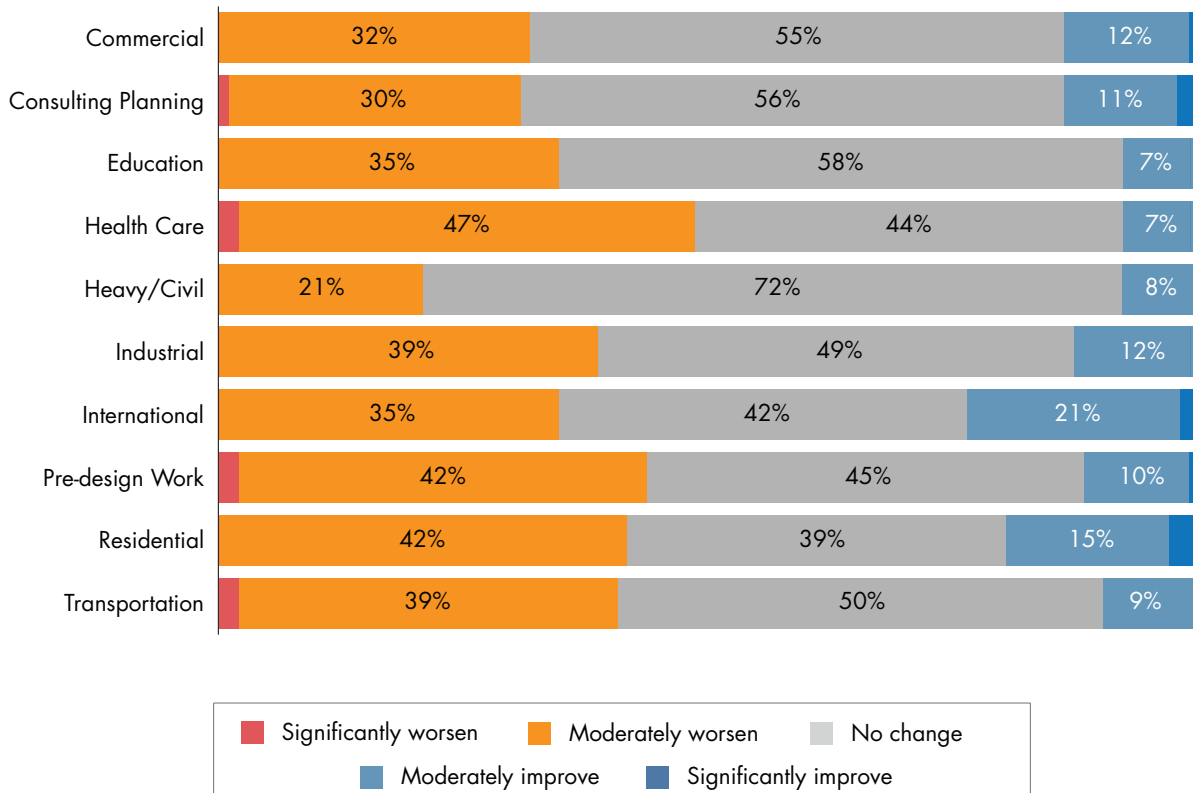
MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR



## PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION

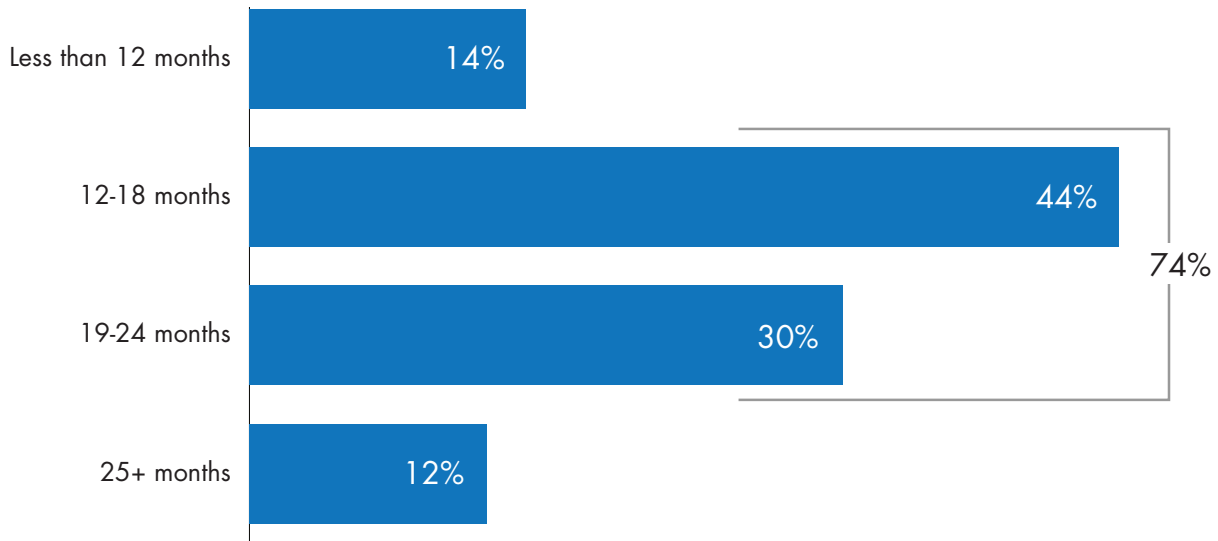


## PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN



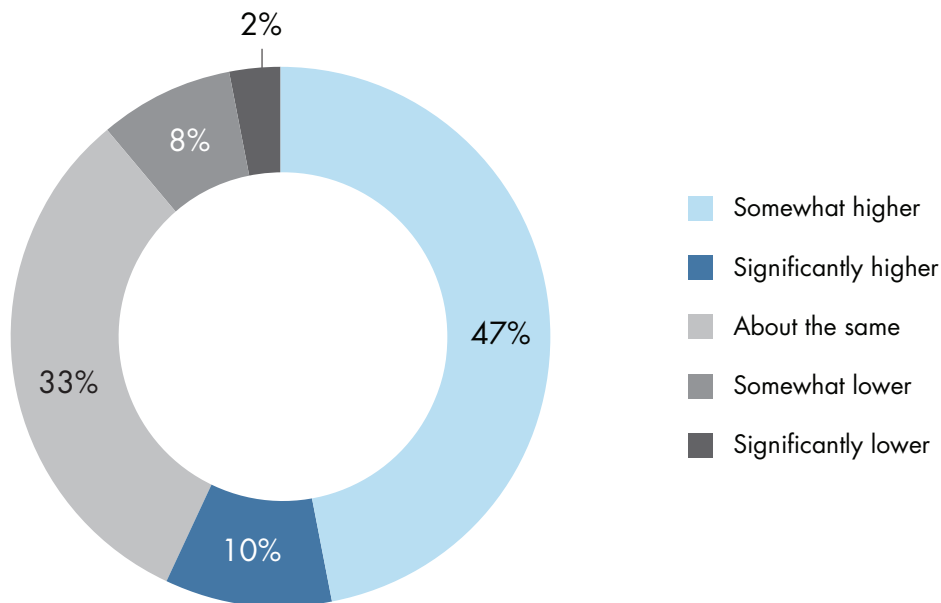
# ANALYSIS

## STRENGTH IN BACKLOG IN MONTHS



CIRT members were asked to provide input on the strength of their project backlog going into 2020 compared to the prior year. Nearly three-quarters of respondents indicated a backlog of 12 to 24 months (74%), with most within the range of 12 to 18 months (44%). Overall, the most frequent response collected was a 12-month backlog (17%). Few respondents have backlogs extending more than two years, but a small sample of respondents suggested backlogs extending more than four years.

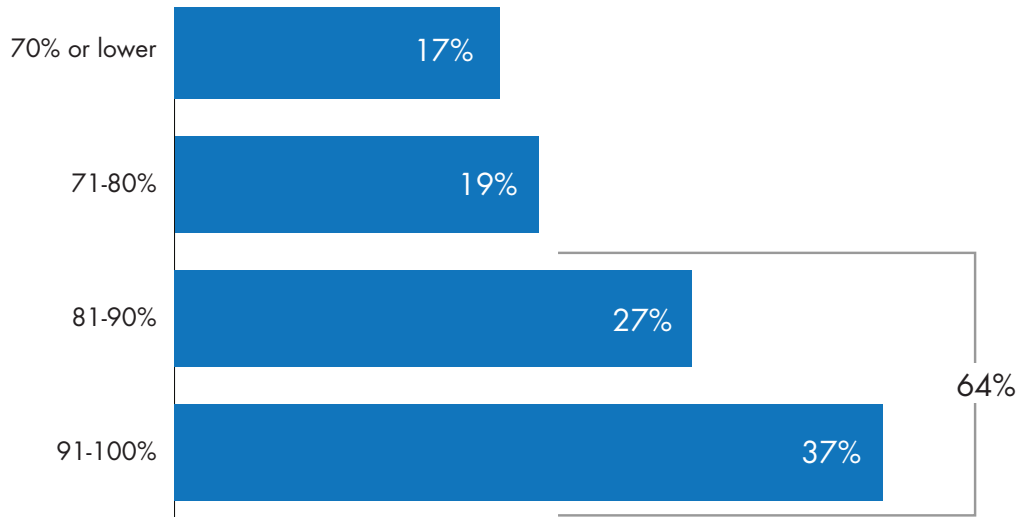
## YEAR-END BACKLOG COMPARISON, 2019 VS. 2018



Comparing year-end 2019 backlogs to the prior year, most respondents (89%) foresee backlogs either higher or about the same. Approximately 57% of respondents indicated a higher backlog (with ~10% suggesting a significantly higher backlog). Alternatively, 10% of all respondents reported a lower backlog, with only 2% suggesting a significantly lower backlog. Nearly one-third of respondents (33%) see little or no change in their backlog for the year.

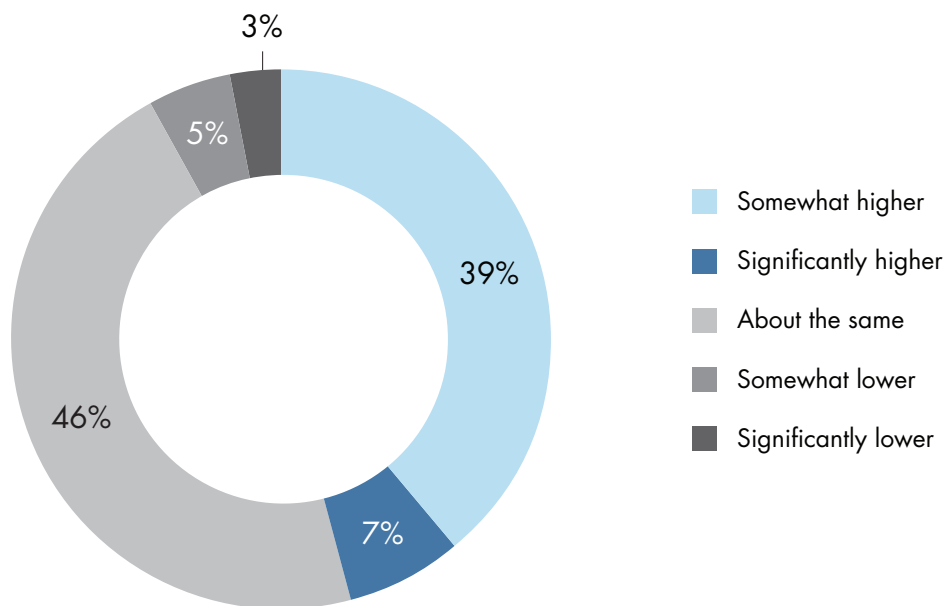


## FIRM CAPACITY



When asked about firm capacity in 2020, approximately two-thirds (64%) of all survey participants reported anticipated capacity levels greater than 80%, with the majority of responses (37%) exceeding 90%. Just over one-third, or 36%, of survey participants expect to be operating at 80% capacity or lower through 2020.

## YEAR-END HIRING GOALS COMPARISON, 2019 VS. 2018



Comparing 2019 year-end hiring goals to the prior year, most survey participants were split between increasing hiring goals or keeping them about the same (both groups at approximately ~46%). Only 7% of all respondents indicated that their hiring goals would significantly increase in 2020, and 8% of all respondents suggested lower or significantly lower hiring goals.



Last, among the current issues topics, CIRT members were questioned about significant issues they believe will challenge their firms in 2020. Nearly two-thirds of respondents suggested labor-related concerns, with frequent mentions that attracting and hiring quality talent would be the greatest challenge. Alternatively, approximately one-third of respondents identified technology and economic/political-related challenges. Common technological themes included cyberterrorism, data analytics, prefabrication and operational optimization. Recurring economic and political themes included the 2020 election, passing of a federal infrastructure bill and increased risk of an economic downturn.



## CONSTRUCTION OUTLOOK

Industry	Construction Sector Business Outlook			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	3.06	3.06	2.81	↘
Education	3.31	3.23	2.96	↘
Health Care	3.50	3.50	3.15	↘
Industrial	3.29	3.50	3.57	↗
International	3.11	3.11	2.89	↘
Lodging	3.00	2.90	2.71	↘
Manufacturing	3.39	3.33	3.28	↘
Office	3.00	2.96	2.67	↘
Public Works	3.22	3.30	3.13	↗
Transportation	3.42	3.38	3.25	↘

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

### COMMERCIAL

Starting average score of 3.06 for next quarter, 3.06 for six months from now, and 2.81 for one year from now.

### EDUCATION

Starting average score of 3.31 for next quarter, 3.23 for six months from now, and 2.96 for one year from now.

### HEALTH CARE

Starting average score of 3.50 for next quarter, 3.50 for six months from now, and 3.15 for one year from now.

### INDUSTRIAL

Starting average score of 3.29 for next quarter, 3.50 for six months from now, and 3.57 for one year from now.



## **INTERNATIONAL**

Starting average score of 3.11 for next quarter, 3.11 for six months from now, and 2.89 for one year from now.

## **LODGING**

Starting average score of 3.00 for next quarter, 2.90 for six months from now, and 2.71 for one year from now.

## **MANUFACTURING**

Starting average score of 3.39 for next quarter, 3.33 for six months from now, and 3.28 for one year from now.

## **OFFICE**

Starting average score of 3.00 for next quarter, 2.96 for six months from now, and 2.67 for one year from now.

## **PUBLIC WORKS**

Starting average score of 3.22 for next quarter, 3.30 for six months from now, and 3.13 for one year from now.

## **TRANSPORTATION**

Starting average score of 3.42 for next quarter, 3.38 for six months from now, and 3.25 for one year from now.



## DESIGN OUTLOOK

Industry	Design Sector Project Growth			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	3.27	3.18	3.05	↘
Consulting Planning	3.32	3.16	3.11	↘
Education	3.35	3.40	3.10	↘
Health Care	3.63	3.53	3.16	↘
Heavy/Civil	3.08	3.15	3.15	↗
Industrial	3.26	3.32	3.21	↗
International	3.31	3.06	2.94	↘
Pre-design Work	3.48	3.35	3.13	↘
Residential	3.18	3.27	3.18	↗
Transportation	3.39	3.33	3.28	↘

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 “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 3.27 for next quarter, 3.18 for six months from now, and 3.06 for one year from now.

### CONSULTING PLANNING

Starting average score of 3.32 for next quarter, 3.16 for six months from now, and 3.11 for one year from now.

### EDUCATION

Starting average score of 3.35 for next quarter, 3.40 for six months from now, and 3.10 for one year from now.

### HEALTH CARE

Starting average score of 3.63 for next quarter, 3.53 for six months from now, and 3.16 for one year from now.



## HEAVY/CIVIL

Starting average score of 3.08 for next quarter, 3.15 for six months from now, and 3.15 for one year from now.

## INDUSTRIAL

Starting average score of 3.26 for next quarter, 3.32 for six months from now, and 3.21 for one year from now.

## INTERNATIONAL

Starting average score of 3.31 for next quarter, 3.06 for six months from now, and 2.94 for one year from now.

## PRE-DESIGN WORK

Starting average score of 3.48 for next quarter, 3.35 for six months from now, and 3.13 for one year from now.

## RESIDENTIAL

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

## TRANSPORTATION

Starting average score of 3.39 for next quarter, 3.33 for six months from now, and 3.28 for one year from now.

## ABOUT THE CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)

---

The Construction Industry Round Table (CIRT) is composed exclusively of approximately 120-125 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.

# Exclusively Focused on the Built Environment

## Who We Are

FMI is a leading consulting and investment banking firm dedicated exclusively to the Built Environment.

We serve 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.

### **FMI** CONSULTING

FMI Consulting has a deeper understanding of the built environment and the leading firms across its value chain than any other consulting firm. We know what drives value. We leverage decades of industry-focused expertise to advise on strategy, leadership & organizational development, operational performance and technology & innovation.

#### PRACTICE AREAS

##### Strategy

- Market Research
- Market Strategy
- Business Development
- Strategic Planning

##### Leadership & Organizational Development

- Leadership & Talent Development
- Succession Management
- High-performing Teams
- Corporate Governance
- Executive Coaching

##### Performance

- Operational Excellence
- Risk Management
- Compensation
- Peer Groups

##### Technology & Innovation

- Market Accelerator
- Partner Program
- Tech Readiness Assessment
- Sourcing & Adoption

### **FMI** CAPITAL ADVISORS

FMI Capital Advisors, a subsidiary of FMI Corporation, is a leading investment banking firm exclusively serving the Built Environment. With more than 700 completed M&A transactions, our industry focus enables us to maximize value for our clients through our deep market knowledge, strong technical expertise and unparalleled network of industry relationships.

#### SECTOR EXPERTISE

- Architecture, Engineering & Environmental
- Building Products
- Chemicals
- Construction Materials
- Contractors
- Energy Service & Equipment
- Energy Solutions & Cleantech
- Utility Transmission & Distribution

#### SERVICES

- M&A Advisory
- ESOP Advisory
- Valuations
- Ownership Transfer

#### EXECUTIVE EDUCATION

- Acquisitions in the Construction Industry
- Ownership Transfer & Management Succession





for the Built Environment

---

**Denver**

210 University Boulevard  
Suite 800  
Denver, CO 80206  
303.377.4740

**Edmonton**

Edmonton, AB  
204.232.1373

**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**

4300 W. Cypress Street  
Suite 950  
Tampa, FL 33607  
813.636.1364

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