2022 CIRT SENTIMENT INDEX

Second Quarter Report

April 2022

In partnership with the Construction Industry Round Table

EXECUTIVE SUMMARY

The second quarter 2022 Construction Industry Round Table (CIRT) Sentiment and Design Index scores fell for the third consecutive period from highs set in the third quarter of 2021. Compared to prior declines, the Sentiment Index fell more aggressively this quarter to 64.1 from 73.2, or a 12% decline, and is now slightly below the historic average of 66.1. The Design Index followed trend, although less severe, falling to 76.0 from 81.5, a 7% decline. The Design Index remains above its historic average of 69.8.

Economic conditions in 2022 continue to deteriorate. The combined impact of war between Russia and Ukraine and resulting sanctions, COVID-19 lockdowns in China, and rising interest rates are expected to amplify pricing pressures in the months and quarters ahead. Additionally, the Federal Reserve's pursuit of less accommodative monetary policy is expected to further erode capital investment in the quarters ahead.

One bright spot remains the outlook for the heavy civil sector (e.g., infrastructure, transportation and public works), which is expected to remain strong and stable due to political support from Infrastructure Investment and Jobs Act (IIJA) funds.

Half of the index components declined, with significant downward movement tied to the overall U.S. economy, the local economy where participants operate, and the nonresidential sector. Though productivity improved somewhat, costs of labor and materials increased. Encouragingly, participants' outlooks on their backlogs remain strong, with many saying backlogs have improved in recent months.

This quarter CIRT members were asked to respond to current issues questions focused on talent with specifics tied to retention, acquisition and turnover as well as internal training programs and safety performance.

A large majority of CIRT respondents identified that they are very good at retaining their best employees, with 85% scoring themselves favorably, between a 7 and 10 (on a 0-10 sliding scale, with 10 being the highest.)

INDEX MOVEMENT

Sentiment Index	Design Index
64.1	76.0

		Q2 2022	Q1 2022
Overall U.S. Economy	↓	34.92	61.61
Economy Where We Do Business	↓	50.00	71.43
Our Construction Business	↓	76.58	83.08
Nonresidential Sector	↓	57.26	71.30
Backlog	↑	77.78	75.30
Cost of Labor	↑	95.24	93.75
Cost of Materials	↑	92.06	89.29
Productivity	↑	46.03	42.86

Nearly two-thirds of members reported difficulties filling managerial roles for field staff and operations. Similarly, positions experiencing high turnover rates are primarily nonmanagement field staff and nonmanagement operations roles.

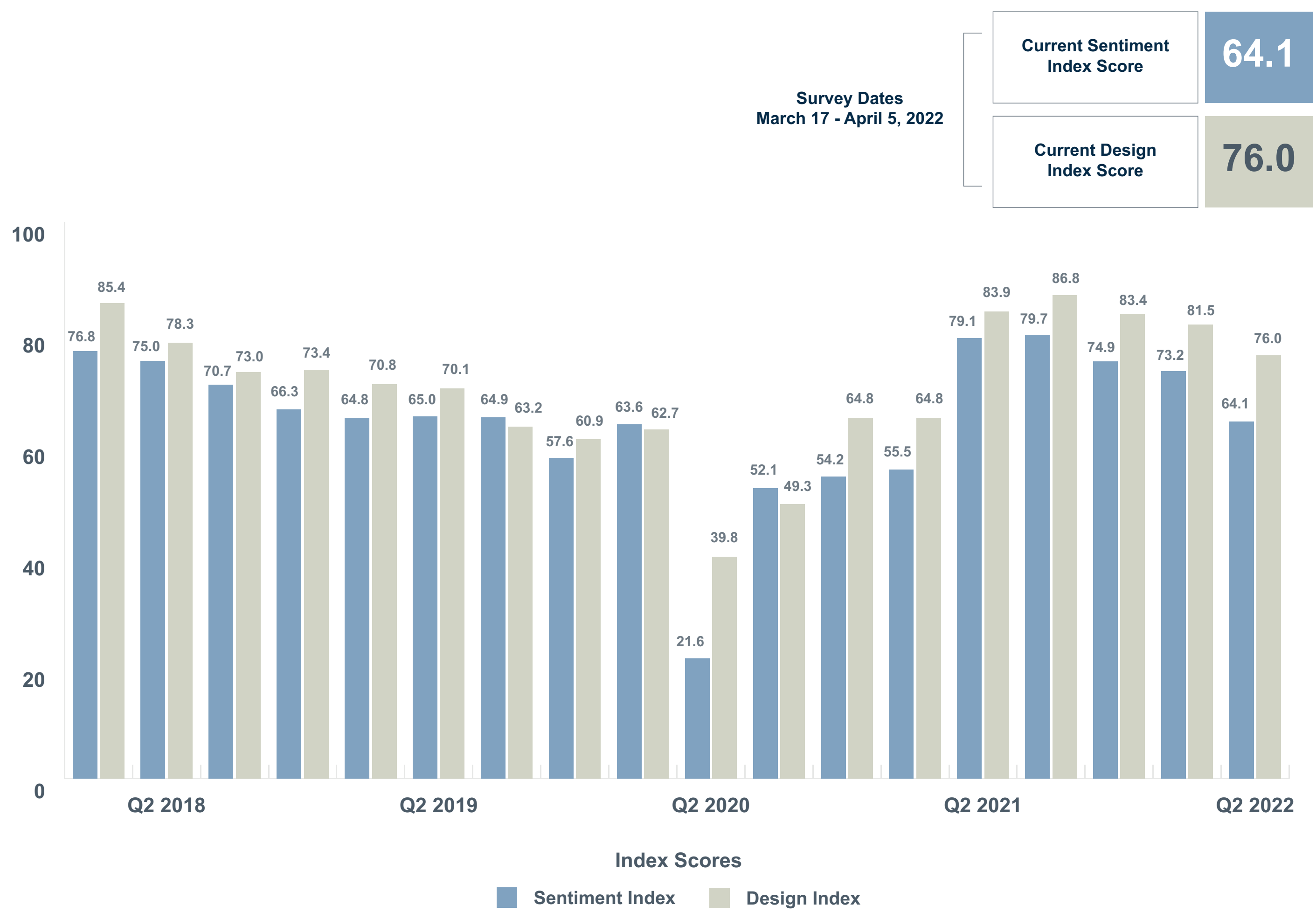
Nearly all CIRT members are focusing training programs on leadership and managerial skills. Just over half are concentrating training in technical skills, with one-third emphasizing business acumen.

Most CIRT members reported an improvement in overall safety performance within the past 12 to 24 months, and in terms of measuring safety performance on an incident level, one-third of respondents reported safety improved more than 25%. Areas having the biggest impact on safety include a focus on core company culture, increased attention to safety, and basic education and awareness.

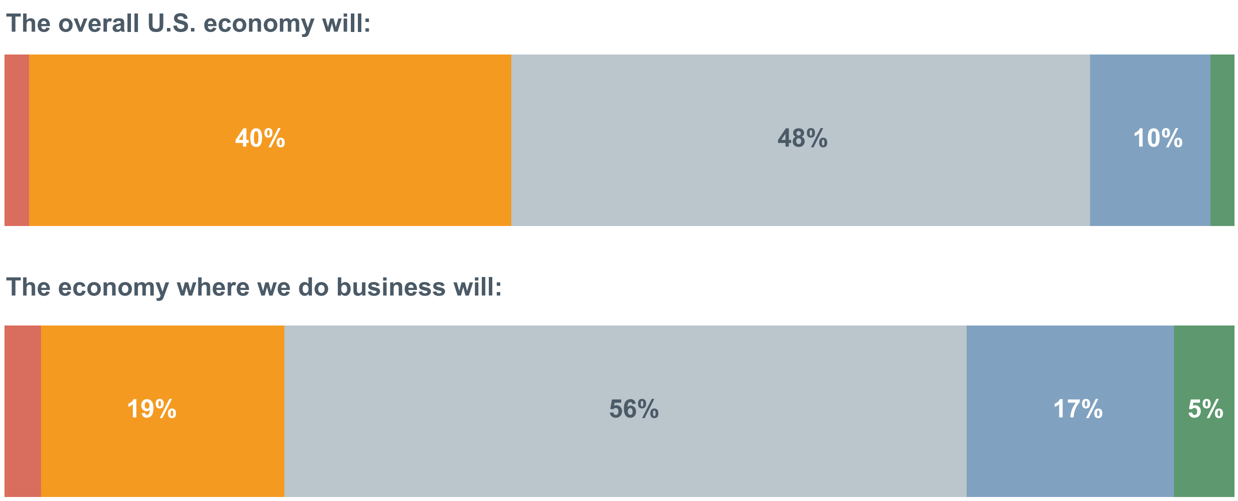
Among the industries represented by CIRT's member base, transportation, consulting planning, predesign and heavy civil work are projected to experience the largest short-term gains in design. The design industry's long-term view of project growth remains mostly upbeat, with all but residential, education and commercial tracking well above 3.5.

Manufacturing, public works and transportation are identified as both strong short-term and long-term leaders for construction demand. By comparison the construction industry's one-year outlook is less optimistic, with most sectors tracking below 3.5. Manufacturing, public works and transportation are the only sectors that remain above the 3.5 threshold.

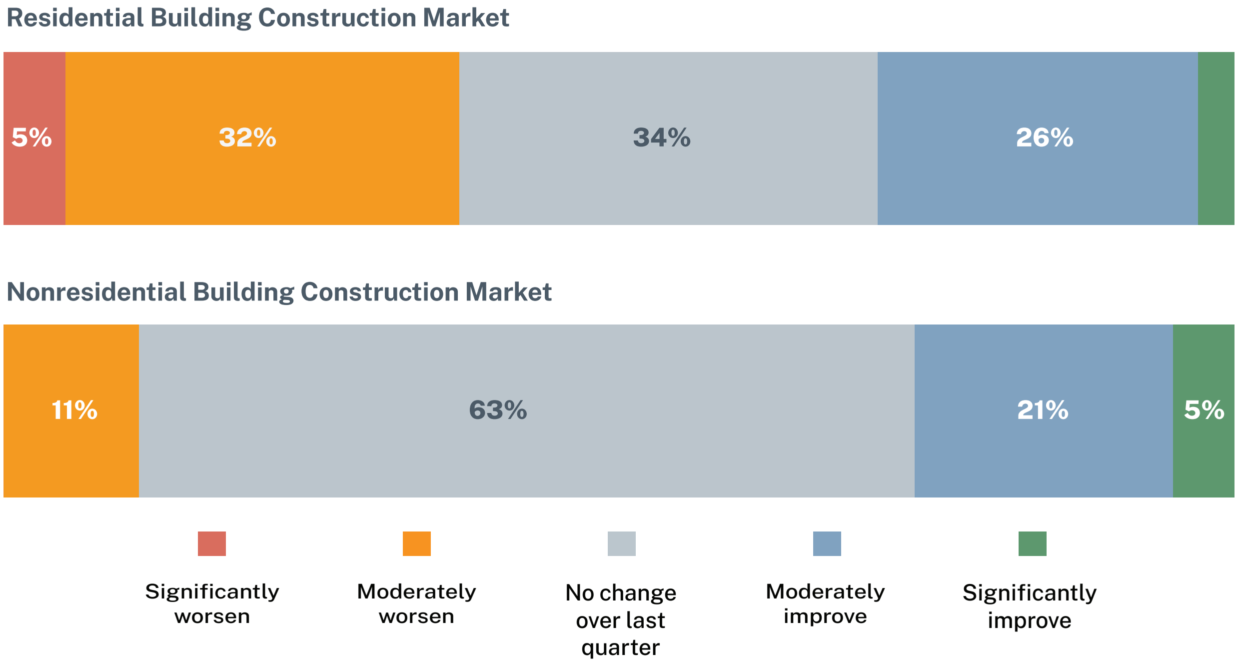
CIRT Sentiment Index and Design Index Scores From Q1 2018 to Q2 2022



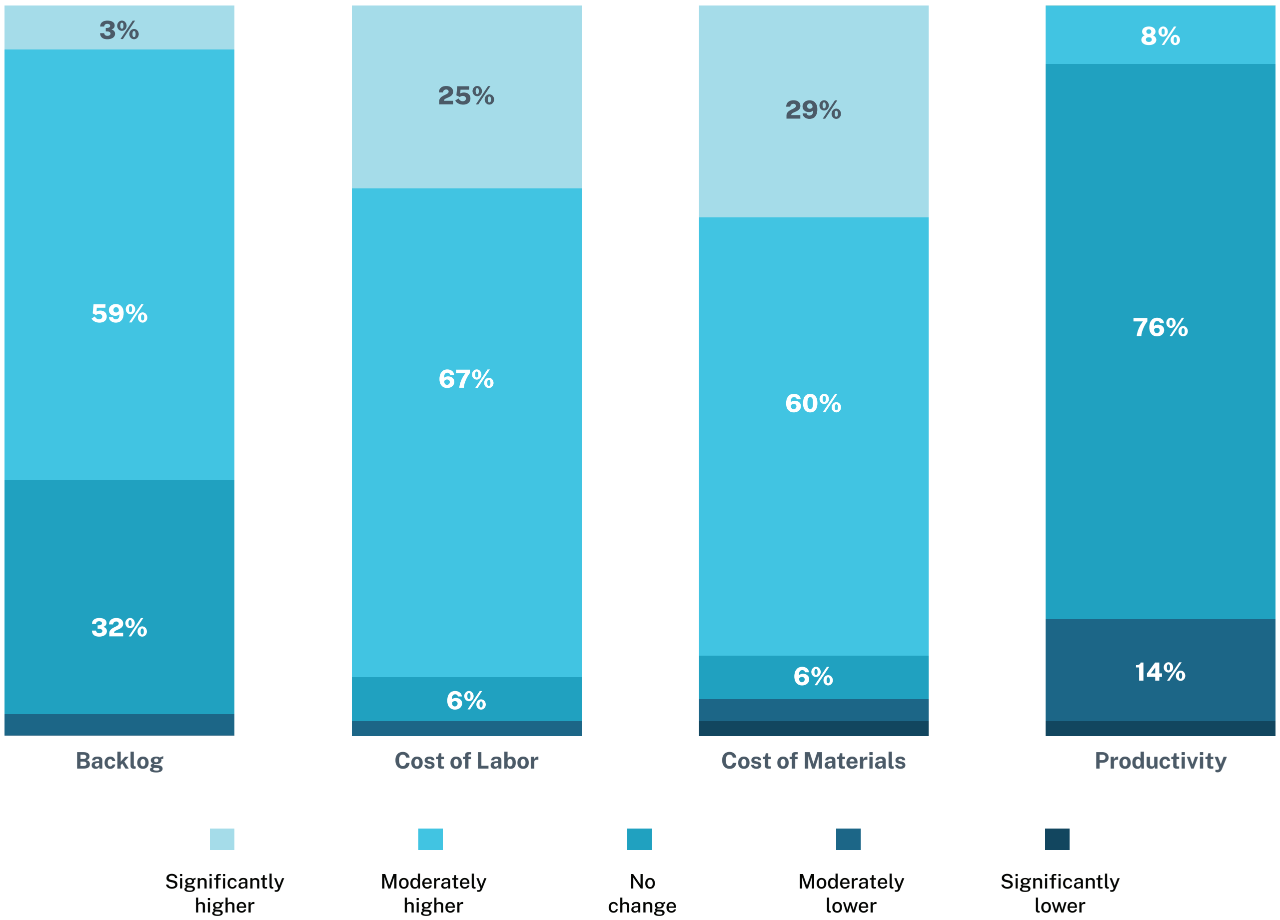
Local and National Economic Predictions for Next Quarter



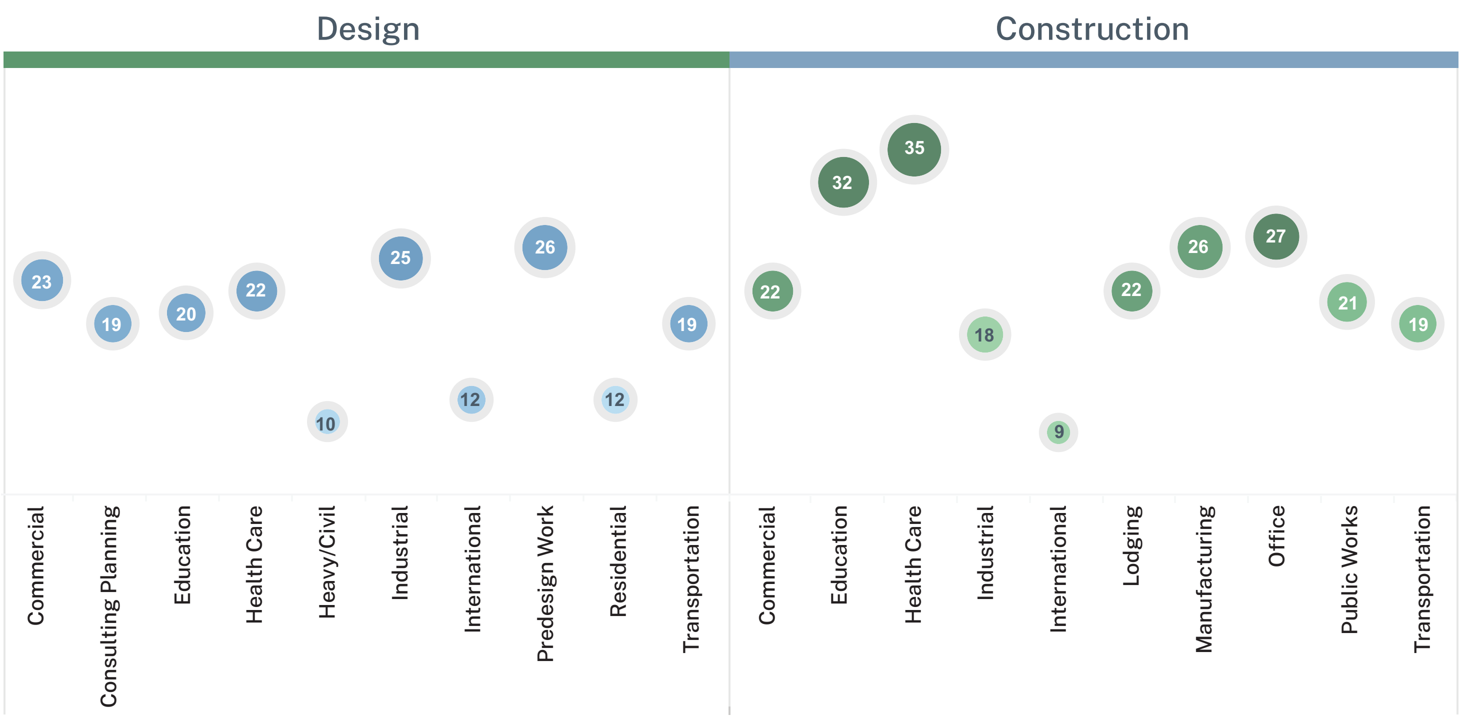
Expectations for the Residential and Nonresidential Building Markets for Next Quarter



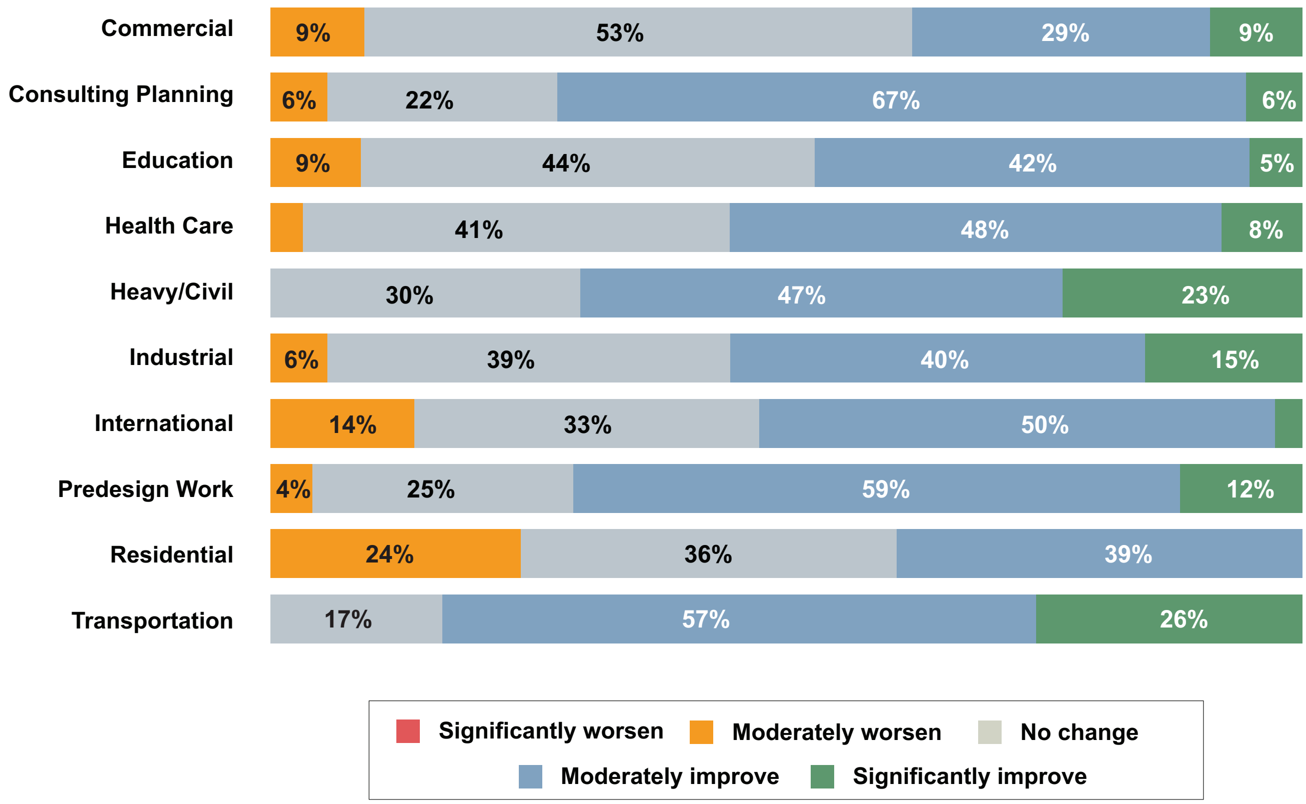
Construction Input Predictions for Next Quarter



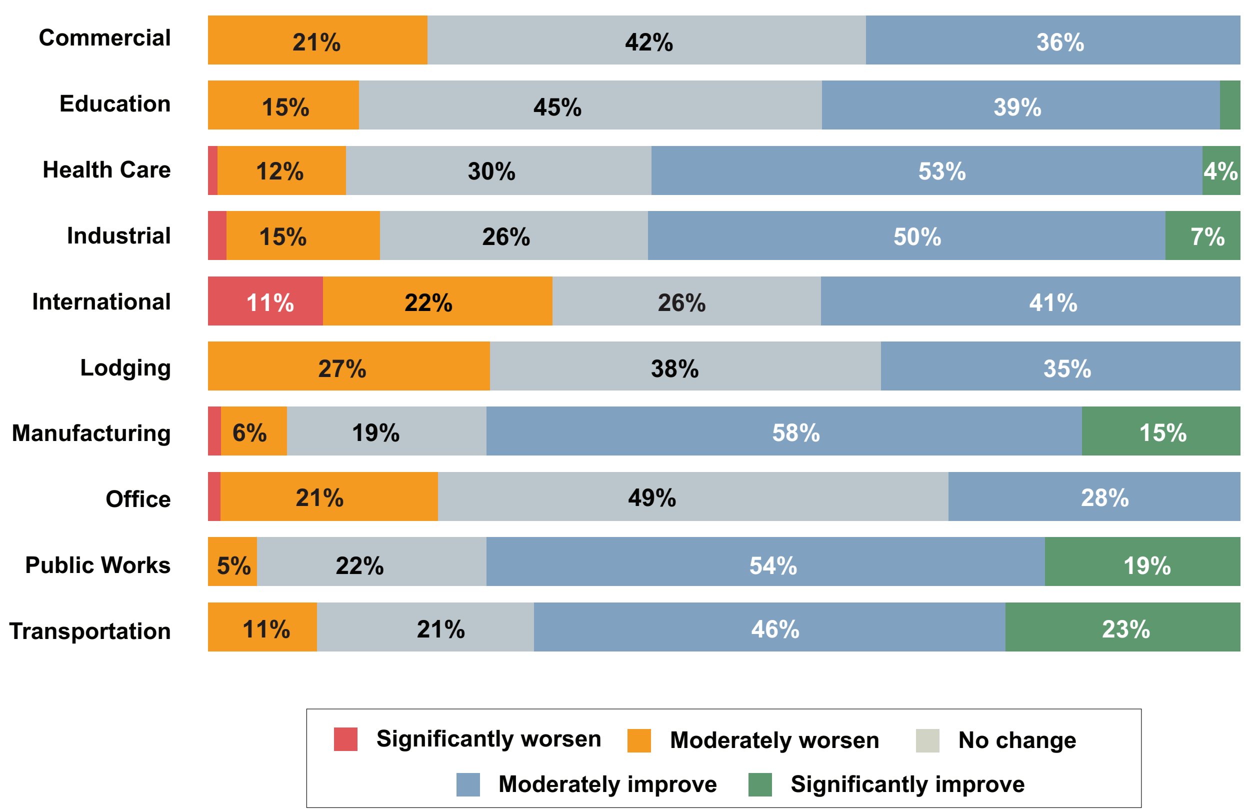
Member Profile: Number of CIRT Member Companies in Each Sector



Perception of Change for Next Quarter: Design



Perception of Change for Next Quarter: Construction



CURRENT TRENDS

This quarter CIRT members were asked to respond to current issues questions focused on talent, with specifics tied to retention, acquisition and turnover as well as internal training programs and safety performance.

Talent Retention, Acquisition and Turnover

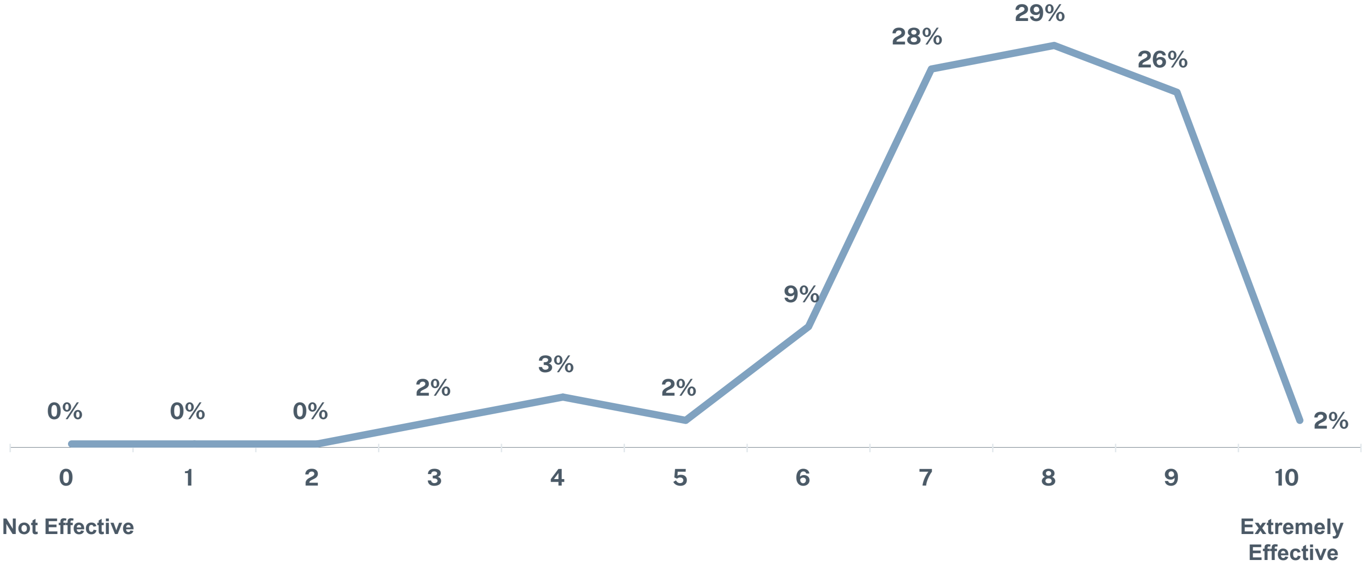
A large majority of CIRT respondents identified that they are good at retaining their best employees, with 85% scoring themselves between a 7 and 10 on a sliding scale where 10 indicates extremely effective retention and 0 is not effective. Only 2% rated themselves excellent, or a 10, at talent retention.

Members reported common difficulties filling managerial roles for field staff and operations, as identified by nearly two-thirds of respondents (63% for both). Secondarily, members identified common challenges filling jobs for nonmanagement field staff (43%), operations (38%) and estimating/preconstruction (32%).

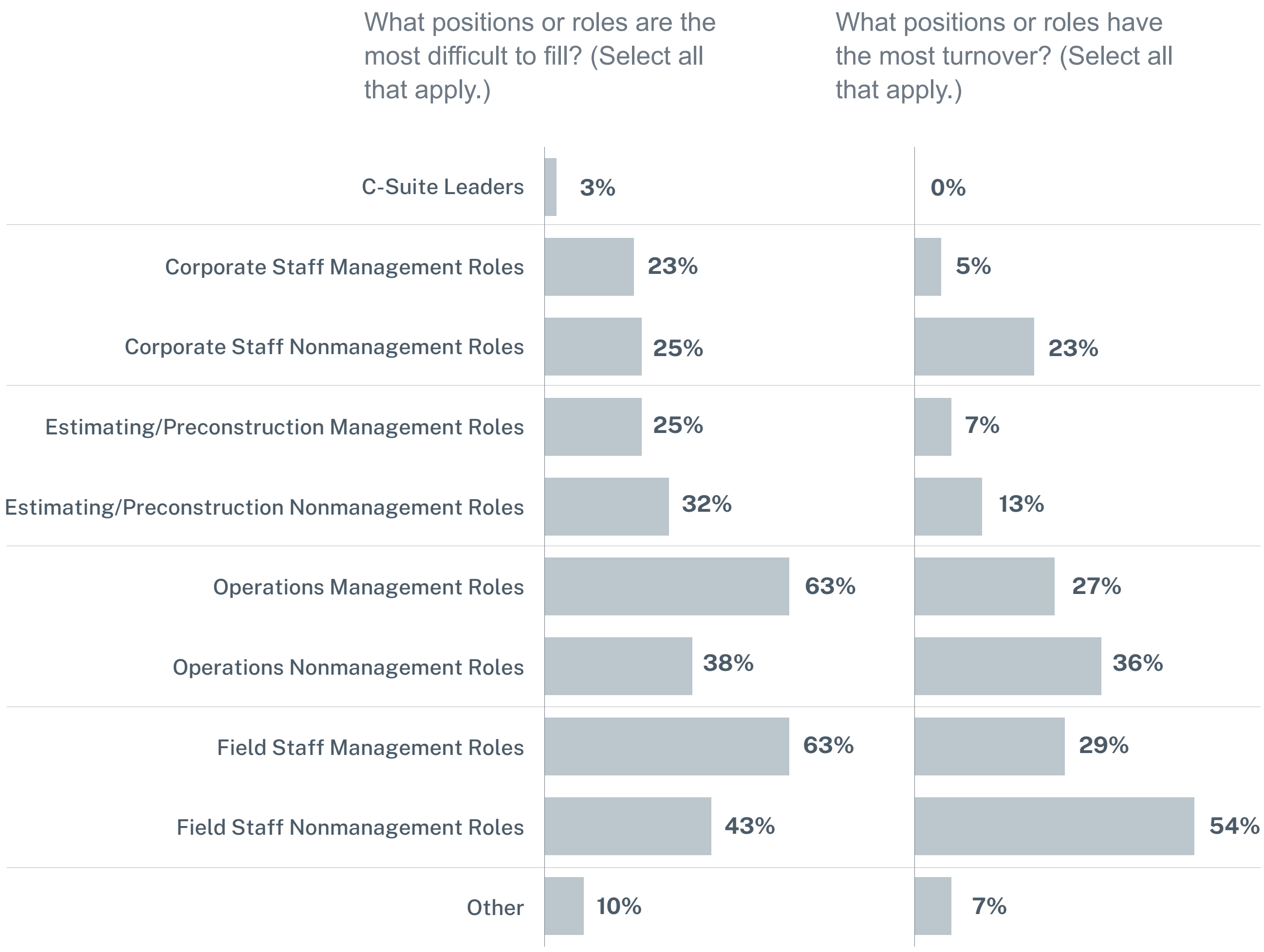
Positions experiencing high turnover are primarily nonmanagement field staff (54%) and nonmanagement operations roles (36%), followed by management field staff (29%), management operations roles (27%) and nonmanagement corporate staff (23%).

Talent Retention

How effective is your company in retaining its best employees?



Talent Acquisition and Turnover

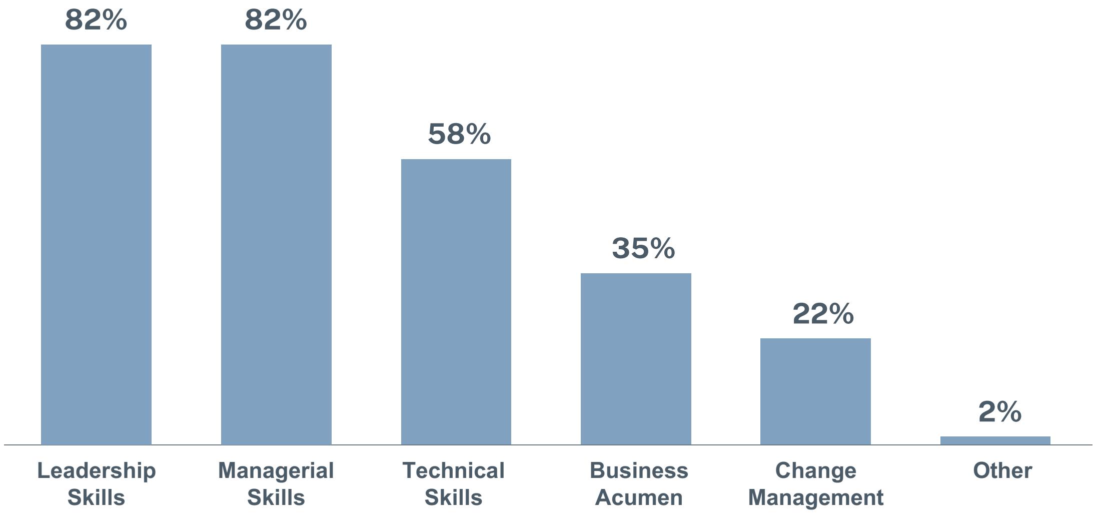


Training

Nearly all CIRT members are focusing training programs on leadership (82%) and managerial skills (82%). Just over half are concentrating training in technical skills (58%), with one-third emphasizing business acumen (35%).

Respondents were asked an open-ended, follow-up question to briefly explain their companies' training strategies. Recurring themes in those responses show that most are focused on training leadership skills. Additionally, various methods of training are being utilized with a majority using internal/in-house resources to facilitate either a university experience and/or peer-to-peer learning. Common goals involve developing both leadership and technical skills to enhance company performance, employees' careers and talent retention.

Overall, what type of training is your company focused on the most, given today's labor crisis?

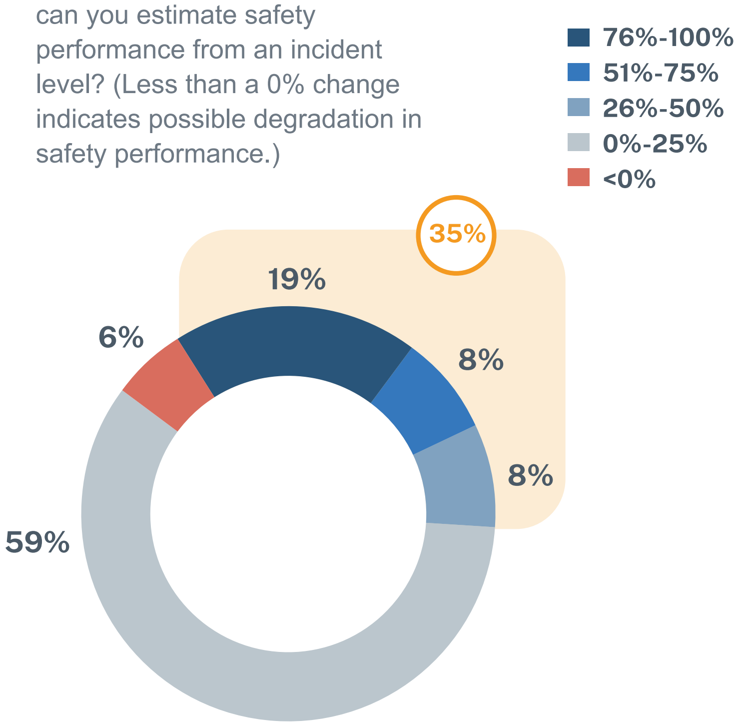


Safety

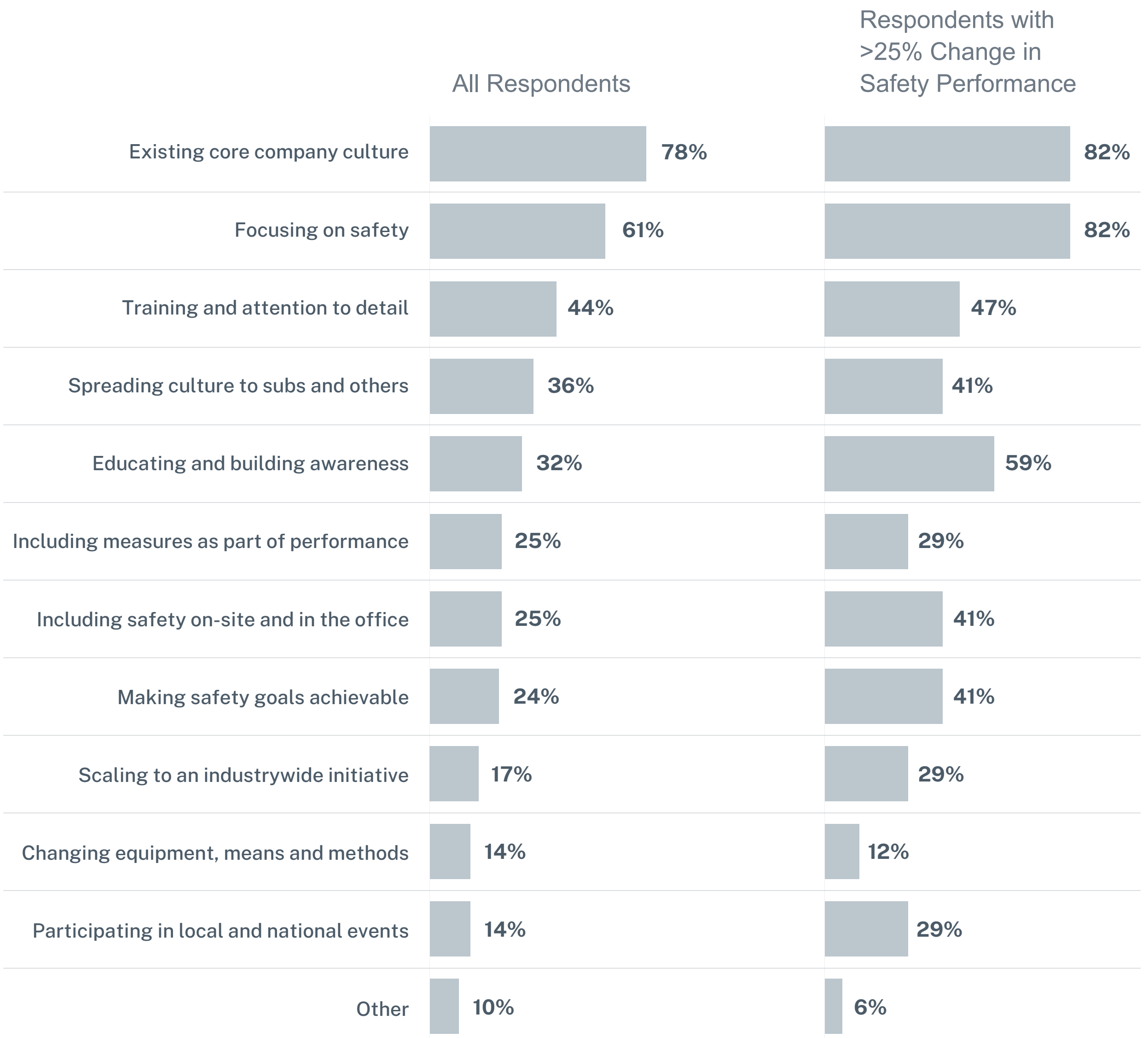
The majority of CIRT members (91%) report an improvement in overall safety performance within the past 12 to 24 months. In terms of measuring safety performance on an incident level, about one-third (35%) of respondents report safety improved more than 25%. Within this group experiencing more than 25% safety performance gains, common elements creating the greatest impact include a focus on core company culture, increased attention on safety, and basic education and awareness.

Have you seen any improvement or progress in your overall safety performance in the past 12-24 months as a result of your efforts or focus?

In terms of measuring progress, can you estimate safety performance from an incident level? (Less than a 0% change indicates possible degradation in safety performance.)



With safety a top priority in most CIRT firms, what elements or changes do you believe have made the largest impact in any progress you've experienced? (Select the top three.)



DESIGN OUTLOOK

	Design Sector Business Outlook		
Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	3.32	3.36	3.45
Consulting Planning	3.72	3.67	3.78
Education	3.53	3.47	3.32
Health Care	3.57	3.62	3.62
Heavy/Civil	3.70	4.00	4.10
Industrial	3.67	3.67	3.63
International	3.25	3.42	3.58
Predesign Work	3.72	3.76	3.88
Residential	3.18	3.09	3.18
Transportation	3.89	4.17	4.22

CONSTRUCTION OUTLOOK

	Construction Sector Business Outlook		
Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	3.14	3.09	3.23
Education	3.19	3.28	3.38
Health Care	3.46	3.49	3.46
Industrial	3.44	3.50	3.44
International	2.78	3.00	3.11
Lodging	3.05	3.00	3.18
Manufacturing	3.85	3.85	3.69
Office	2.93	3.00	3.22
Public Works	3.52	3.95	4.14
Transportation	3.47	3.89	4.05

This quarter respondents were asked how the design and construction sectors 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.

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. 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.

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