



CIRT SENTIMENT INDEX

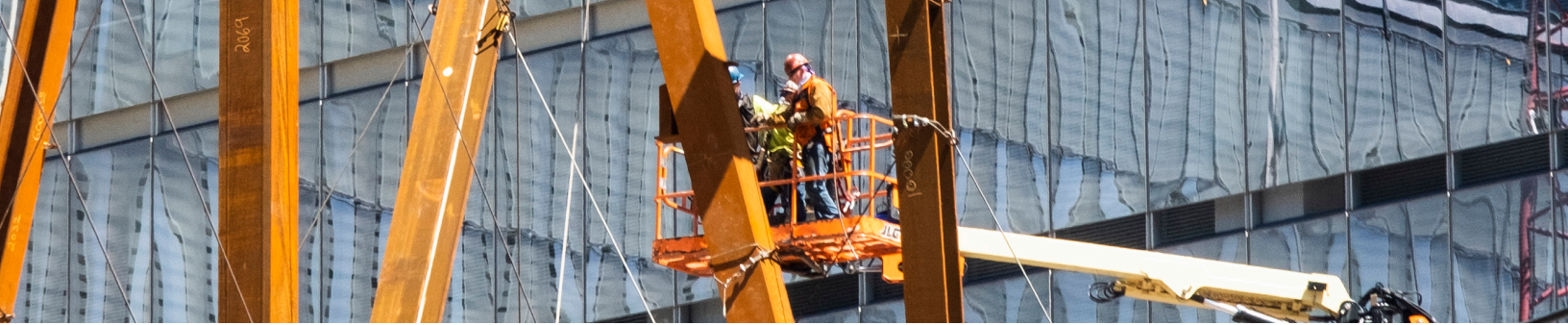
2021 Third Quarter Report



July 2021



In partnership with **Construction Industry Round Table**



EXECUTIVE SUMMARY

INDEX MOVEMENT		Q2 2021	Q3 2021
Overall U.S. Economy	↓	87.10	84.56
Economy Where We Do Business	↓	87.10	80.88
Our Construction Business	↑	80.82	84.62
Nonresidential Sector	↓	85.48	83.85
Backlog	↑	76.61	77.21
Cost of Labor	↑	82.26	94.85
Cost of Materials	↓	96.77	89.71
Productivity	↓	50.81	47.06

Third quarter survey results show both the Sentiment Index and the Design Index are reporting all-time highs. The latest report is tempered by moderately improved optimism across both.

The Sentiment Index rose slightly to a new high, increasing from 79.1 last quarter to 79.7. The Design Index followed trend, now surpassing the prior high of 85.4 in the first quarter of 2018, jumping from 83.9 last quarter to 86.8.

These strong and improved index results are led by an increase in component scores across backlog, members’ construction business outlook and labor costs. Component results, however, were mixed, with notable declines across cost of materials and optimism toward the overall U.S. and the local economies where CIRT members are doing business.

This quarter members were asked to respond to current issues, with a focus on changing business pricing and cybersecurity concerns. Members were also asked to consider project disruptions through midyear 2021 and allocate share estimates associated with those disruptions. This question was originally posed midyear 2020, and comparisons show the rebounding economic climate shifted a significant share of disruptions stemming from state and local regulations to concerns over materials, supplier and internal labor availability.

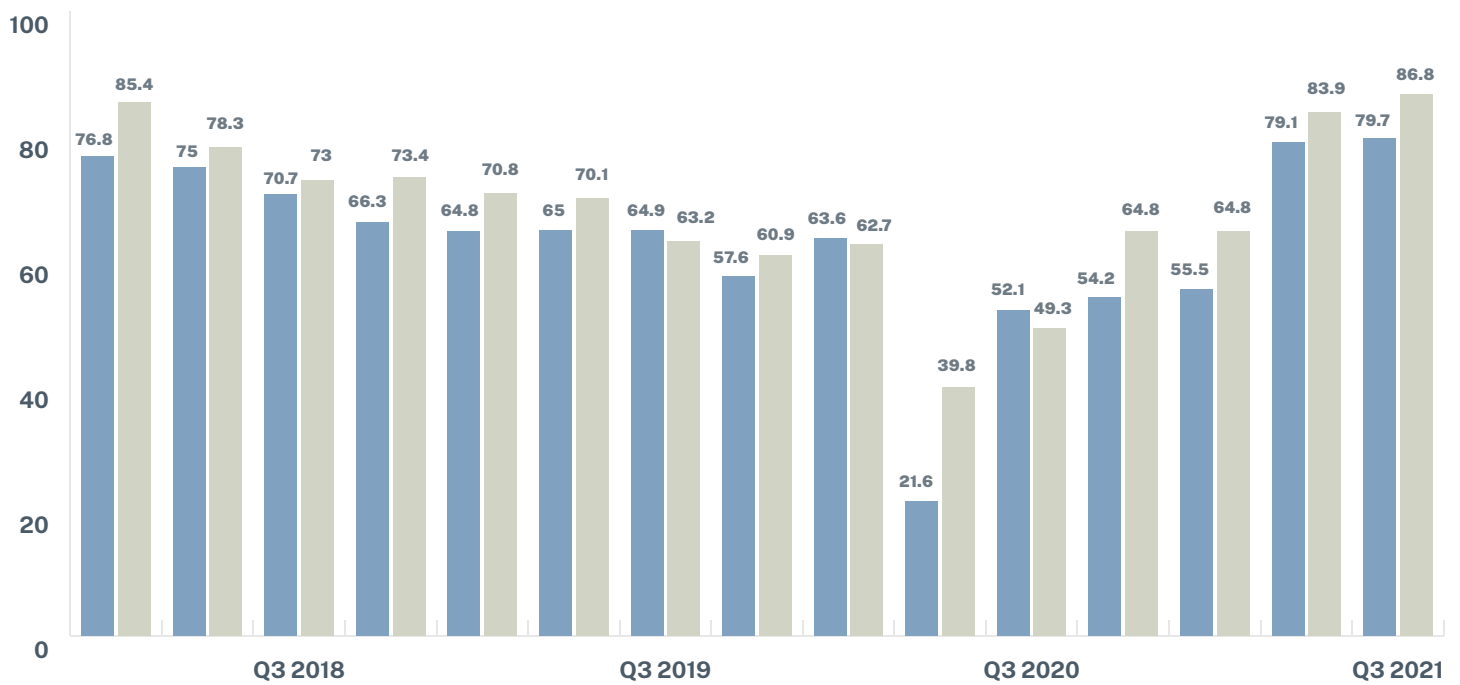
When asked about business pricing, a majority (54%) of CIRT members say pricing is up more than 5%, and about one-third suggest pricing is up more than 7%. Only 17% of members report pricing as either stable (up between 0% and 2%) or down in 2021. The increases were mostly attributed to higher materials (63%) and labor costs (23%). Similarly, most members (96%) anticipate U.S. inflation will run 2% or higher over the next two to three years. Respondents were nearly split between moderate inflation expectations (at or slightly above 2%) and high inflation expectations (exceeding 3%).

Increased national news about cybersecurity has heightened members’ concern over the issue, with nearly 80% of respondents more concerned than ever about cybersecurity. These concerns are focused on ransomware attacks (74%), overall office network security (53%), and potential mistakes and/or human error (30%). As a result, most (86%) anticipate increasing expenditures over the next 12-18 months, with an average response suggesting increased budgets/expenditures just over 70% within the same period.

Among the industries represented by CIRT’s member base, transportation is projected to experience the largest short-term gains across both design and construction. The design industry’s long-term view of project growth remains quite positive, with every sector tracking well above 3.5 and half of them tracking above 4.0. The construction industry’s long-term, one-year outlook is similarly optimistic, with just three sectors, international, lodging and office, tracking below 3.5.



CIRT Sentiment Index and Design Index Scores from Q1 2018 to Q3 2021



Index Scores

■ Sentiment Index ■ Design Index

Current Sentiment Index Score **79.7**
 Current Design Index Score **86.8**

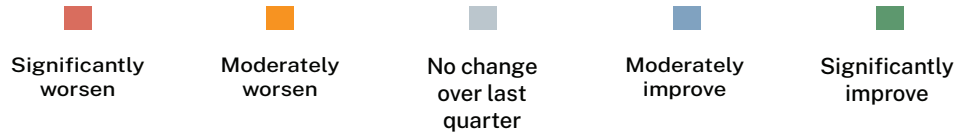


Local and National Economic Predictions for Next Quarter

The economy where we do business will:



The overall U.S. economy will:



Expectations for the Residential and Nonresidential Building Markets for Next Quarter

Nonresidential Building Construction Market

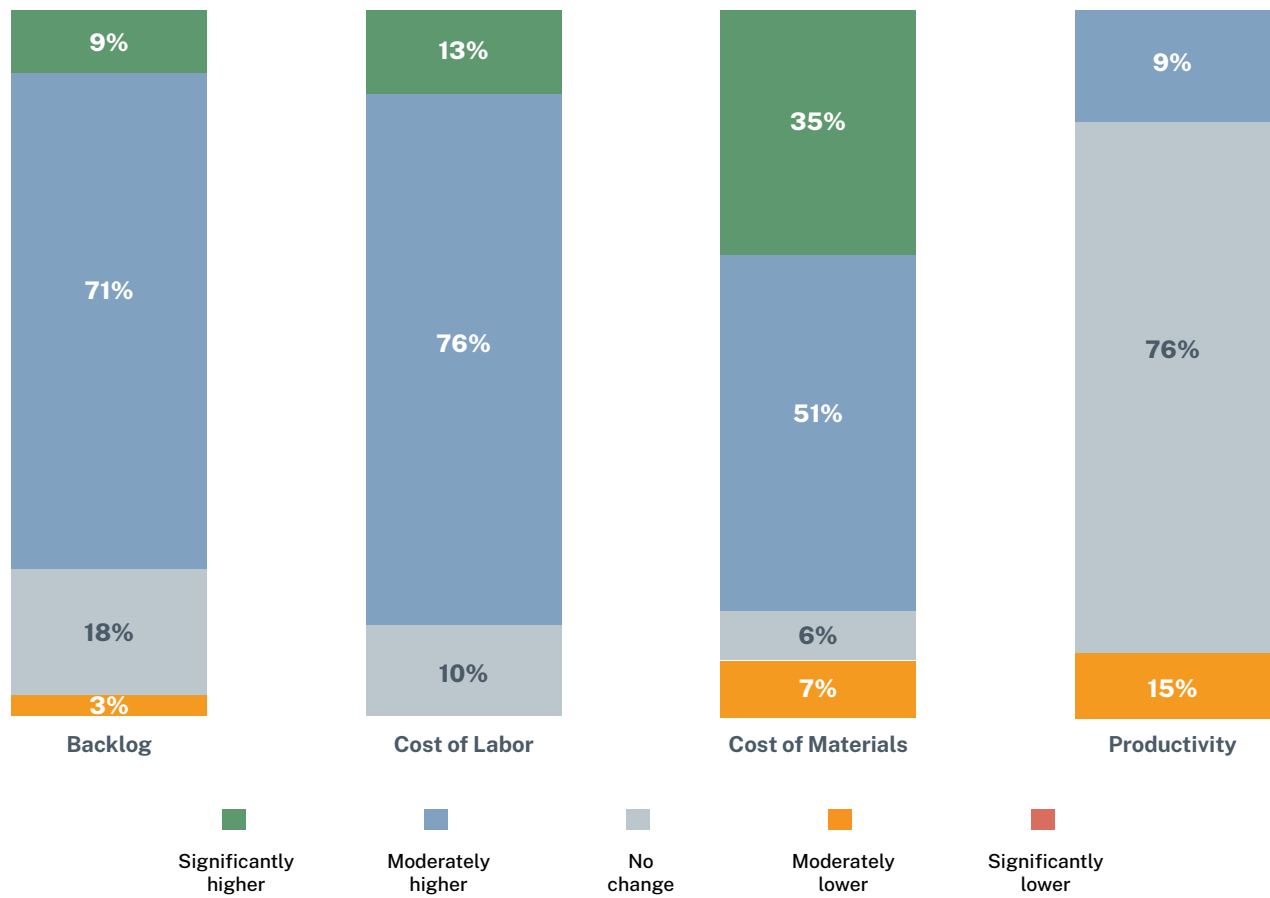


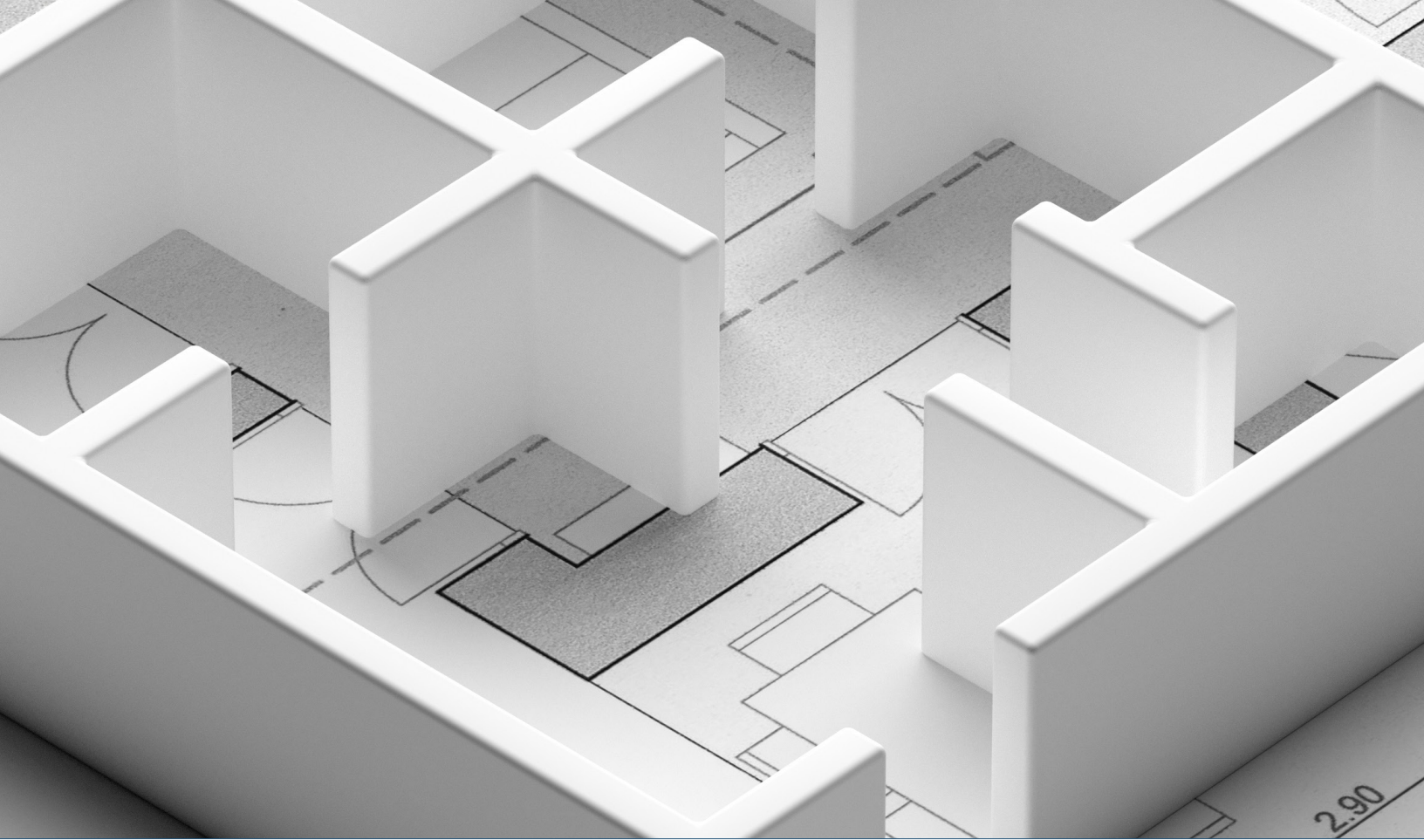
Residential Building Construction Market



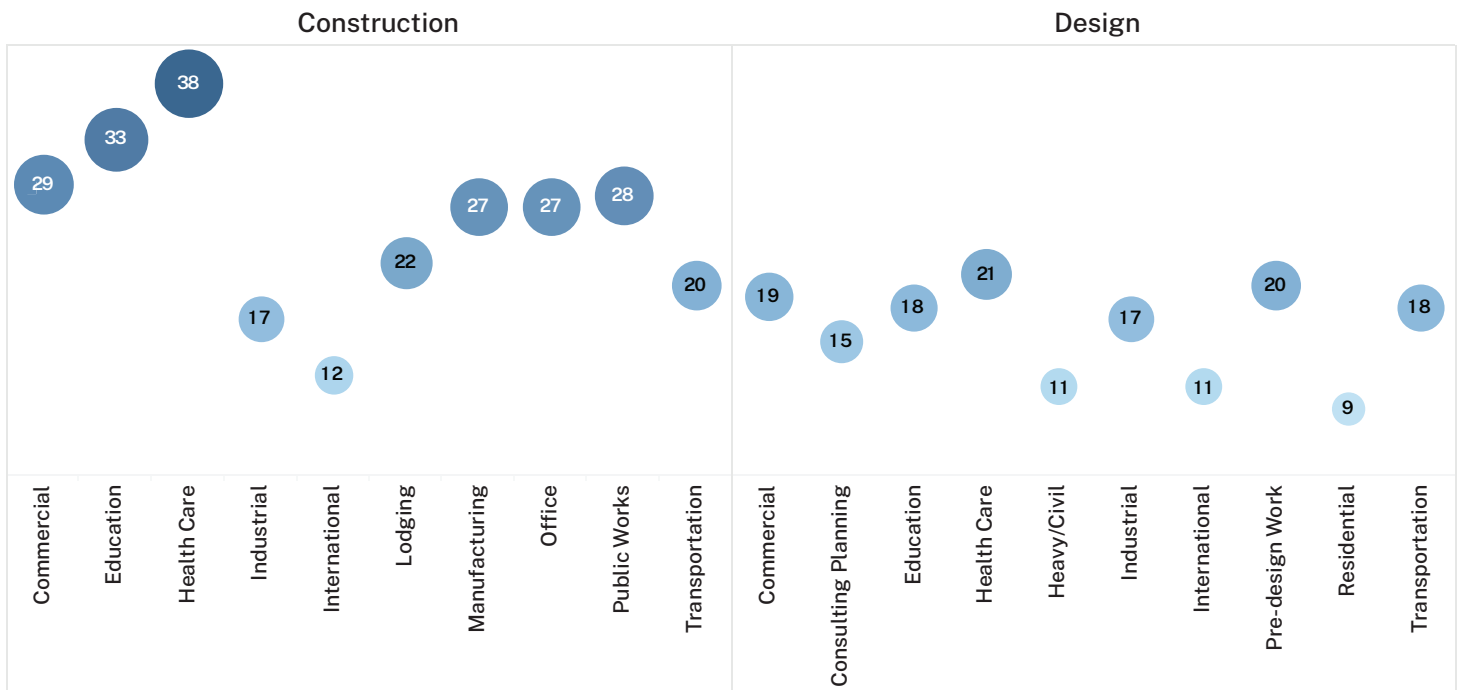


Construction Input Predictions for Next Quarter

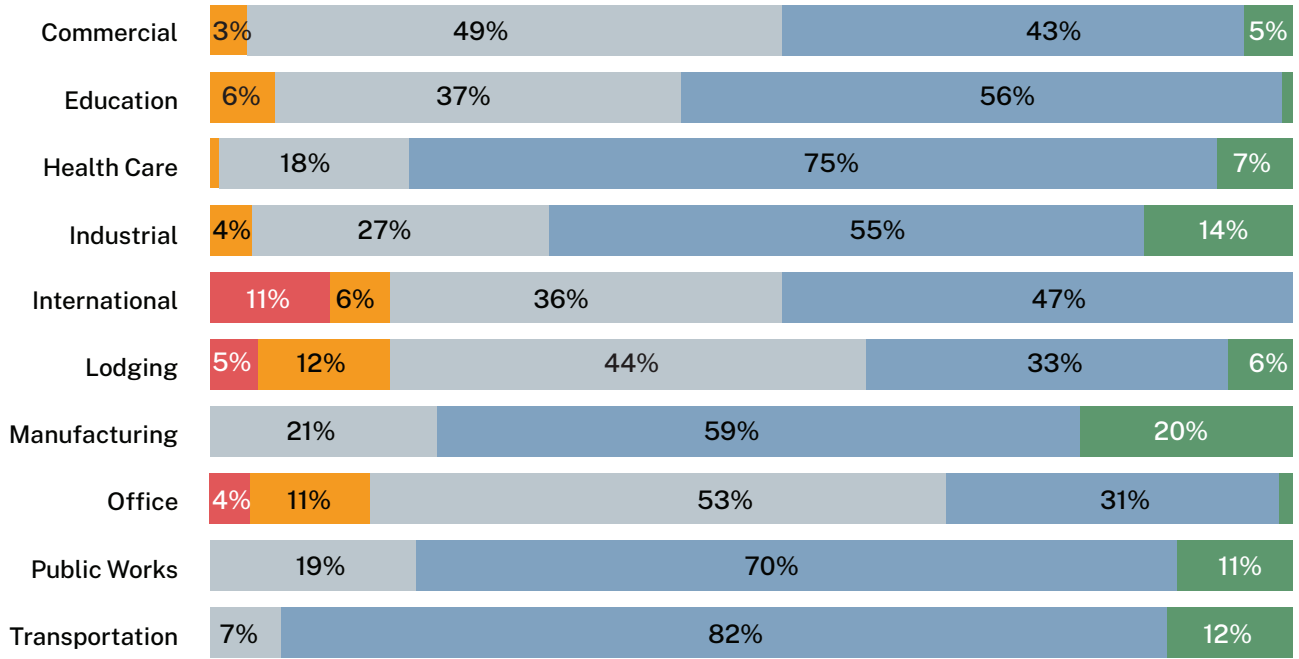




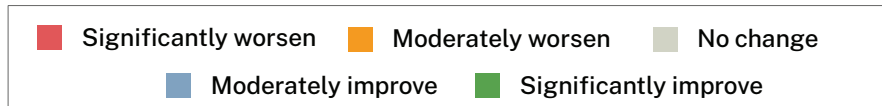
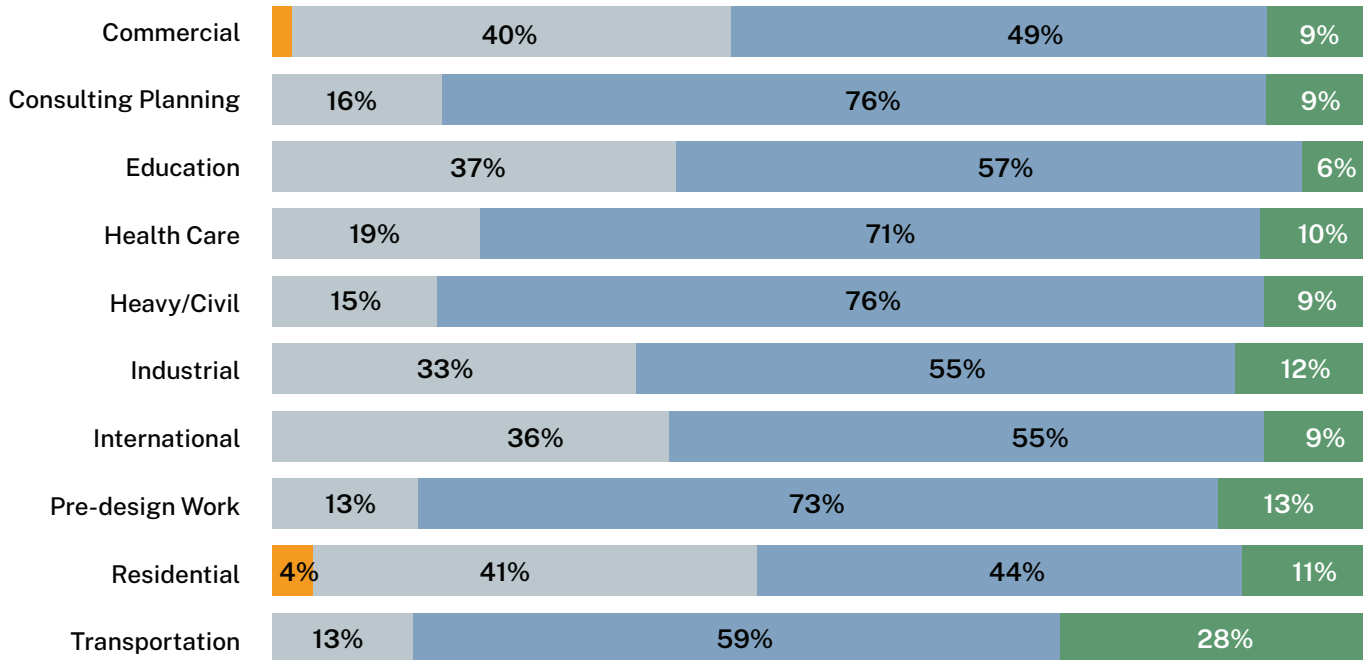
Member Profile: Number of CIRT Member Companies in Each Sector



Perception of Change for Next Quarter: Construction



Perception of Change for Next Quarter: Design



CURRENT TRENDS

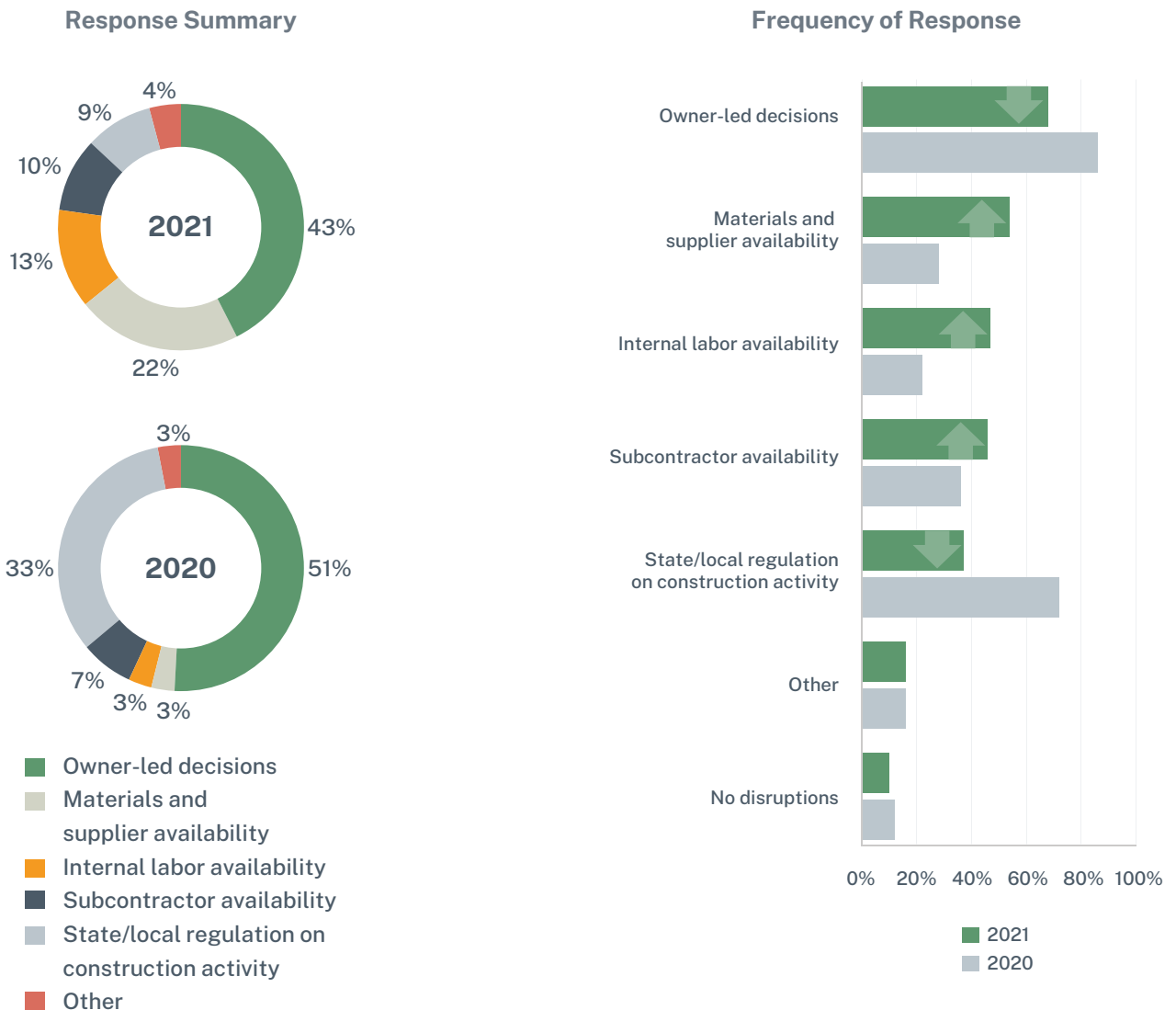
This quarter CIRT members were asked questions about changing business pricing and concerns regarding cybersecurity. Members were also asked to consider project disruptions through midyear 2021 and allocate share estimates associated with those disruptions. This question was originally asked midyear 2020, and the following results provide a comparison of the changing economic climate.

Project Disruptions

Building from a set of biweekly survey responses collected through lockdowns in midyear 2020, members were asked the

same question this quarter about project disruption through midyear 2021. Responses show that owner-led decisions remain the No. 1 cause of project disruptions in 2021. The rebounding economic climate has also shifted a significant share of disruptions stemming from state and local regulations in 2020 to materials and supplier availability and internal labor availability in 2021. The comparisons illustrated below reflect CIRT Sentiment Index scores at or near historic lows through midyear 2020 and now all-time highs midyear 2021.

Considering any project disruptions (i.e., projects postponed or halted) through midyear, please allocate share estimates associated with the below: (sum totals to 100)



Pricing

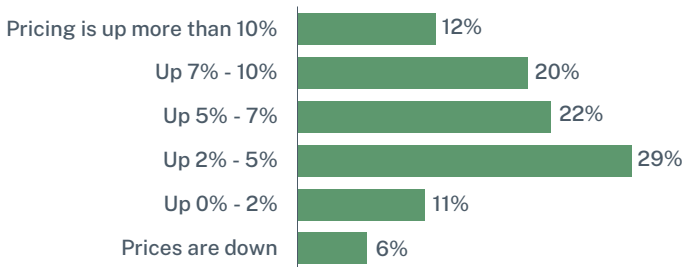
Comparing business pricing to last year, only 17% of members report pricing as either stable (up between 0% and 2%) or down in 2021. The majority (54%) of CIRT members say pricing is up more than 5%, and about one-third suggest pricing is up more than 7%.

The increases are being driven by higher material costs (63%) and labor costs (23%). Conversely, subcontractor costs and the lack of available internal labor (i.e., capacity) are far less influential on rising business prices thus far this year.

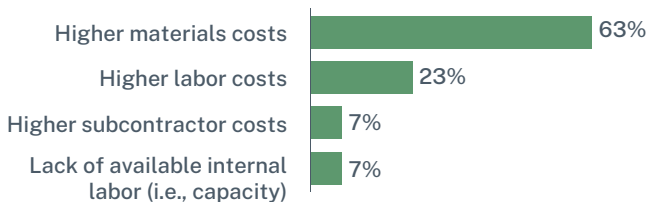
Similarly, most members (96%) anticipate U.S. inflation will run 2% or higher over the next two to three years. Respondents were nearly split between moderate inflation expectations (at or slightly above 2%) and high inflation (exceeding 3%) expectations.

Most members (94%) are concerned about escalating building product and material pricing increases delaying owners' releases of new projects. More than half (62%) report being either very concerned or concerned. A similar share of members (62%) have put contingencies in place for rising building product and material prices. However, nearly 2 in 5 members (38%) are either unsure or are not using contract contingencies for rising input prices.

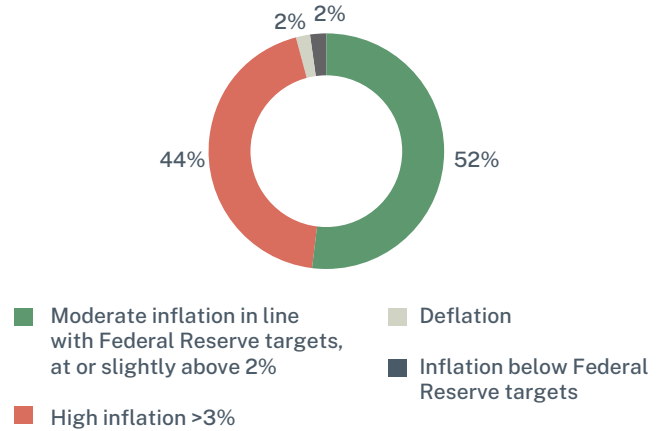
How would you generalize your business's pricing through 2021 compared to last year?



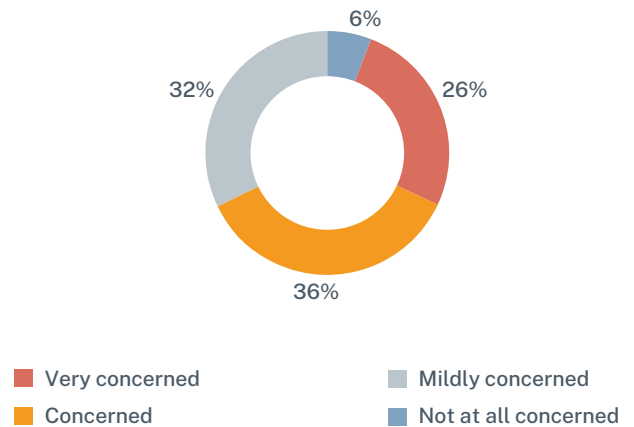
If pricing is up, which statement below do you find is the most accurate? Our higher prices in 2021 are mostly attributed to:



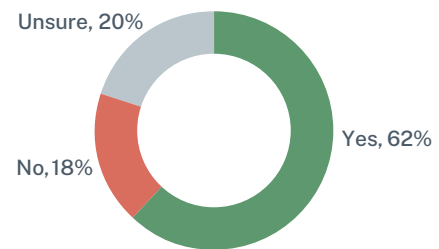
Which do you believe is the most likely outcome over the next two to three years?



How concerned are you that escalating building product and construction material prices will delay the release of new projects by owners?



Do you have contingencies in place for rising building product and construction material prices?

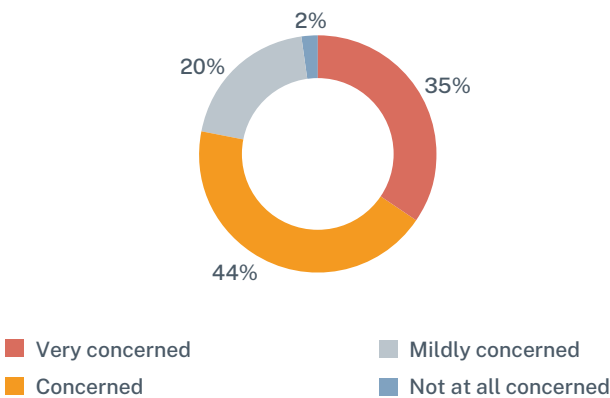




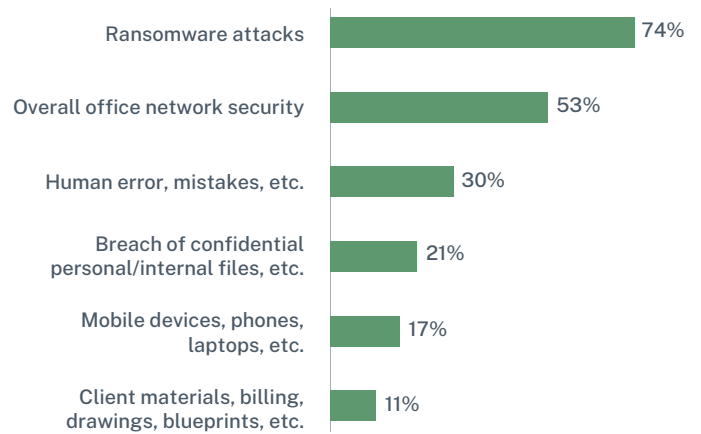
Cybersecurity

Increased national news about cybersecurity has heightened members' concern over the issue, with nearly 80% of respondents reporting a higher level of concern in today's climate as a result. Member cybersecurity concerns are focused on ransomware attacks (74%), overall office network security (53%), and potential mistakes and/or human error (30%). As a result, most (86%) anticipate increasing expenditures over the next 12 to 18 months, with an average response suggesting increased budgets/expenditures at more than 70% within that period. Additionally, approximately one-third of members suggested they would be at minimum doubling cybersecurity expenditures over the same period.

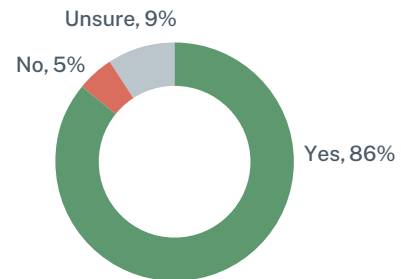
Recently, there have been national news and noticeable increases in reported cybersecurity/related incidents. How has this affected your views on the matter?



If you have concerns about cybersecurity, where are they concentrated? (Respondents could select up to two choices.)



Over the next 12-18 months, will your organization likely increase expenditures to tighten or heighten cybersecurity?





DESIGN OUTLOOK

Industry	Design Sector Project Growth		
	Next Quarter	Six Months From Now	One Year From Now
Commercial	3.42	3.74	3.79
Consulting Planning	3.87	4.00	3.93
Education	3.44	3.78	3.83
Health Care	3.71	3.95	4.05
Heavy/Civil	3.64	3.91	4.27
Industrial	3.59	3.82	3.94
International	3.36	3.73	4.09
Pre-design Work	3.85	4.05	4.10
Residential	3.44	3.67	3.78
Transportation	3.89	4.17	4.39

Respondents were asked 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 3.42 for next quarter, 3.74 for six months from now, and 3.79 for one year from now.

CONSULTING PLANNING

Starting average score of 3.87 for next quarter, 4.00 for six months from now, and 3.93 for one year from now.

EDUCATION

Starting average score of 3.44 for next quarter, 3.78 for six months from now, and 3.83 for one year from now.

HEALTH CARE

Starting average score of 3.71 for next quarter, 3.95 for six months from now, and 4.05 for one year from now.



HEAVY/CIVIL

Starting average score of 3.64 for next quarter, 3.91 for six months from now, and 4.27 for one year from now.

INDUSTRIAL

Starting average score of 3.59 for next quarter, 3.82 for six months from now, and 3.94 for one year from now.

INTERNATIONAL

Starting average score of 3.36 for next quarter, 3.73 for six months from now, and 4.09 for one year from now.

PRE-DESIGN WORK

Starting average score of 3.85 for next quarter, 4.05 for six months from now, and 4.10 for one year from now.

RESIDENTIAL

Starting average score of 3.44 for next quarter, 3.67 for six months from now, and 3.78 for one year from now.

TRANSPORTATION

Starting average score of 3.89 for next quarter, 4.17 for six months from now, and 4.39 for one year from now.



CONSTRUCTION OUTLOOK

Industry	Construction Sector Business Outlook		
	Next Quarter	Six Months From Now	One Year From Now
Commercial	3.34	3.41	3.69
Education	3.30	3.55	3.70
Health Care	3.82	3.92	3.89
Industrial	3.71	3.82	3.82
International	3.08	3.25	3.25
Lodging	3.09	3.18	3.45
Manufacturing	3.93	4.00	4.04
Office	3.00	3.15	3.30
Public Works	3.75	3.96	4.04
Transportation	3.95	4.05	4.15

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 3.34 for next quarter, 3.41 for six months from now, and 3.69 for one year from now.

EDUCATION

Starting average score of 3.30 for next quarter, 3.55 for six months from now, and 3.70 for one year from now.

HEALTH CARE

Starting average score of 3.82 for next quarter, 3.92 for six months from now, and 3.89 for one year from now.

INDUSTRIAL

Starting average score of 3.71 for next quarter, 3.82 for six months from now, and 3.82 for one year from now.



INTERNATIONAL

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

LODGING

Starting average score of 3.09 for next quarter, 3.18 for six months from now, and 3.45 for one year from now.

MANUFACTURING

Starting average score of 3.93 for next quarter, 4.00 for six months from now, and 4.04 for one year from now.

OFFICE

Starting average score of 3.00 for next quarter, 3.15 for six months from now, and 3.30 for one year from now.

PUBLIC WORKS

Starting average score of 3.75 for next quarter, 3.96 for six months from now, and 4.04 for one year from now.

TRANSPORTATION

Starting average score of 3.95 for next quarter, 4.05 for six months from now, and 4.15 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.



Denver

44 Cook Street
Suite 900
Denver, Colorado 80206
303.377.4740

Houston

1301 McKinney Street
Suite 2000
Houston, TX 77010
713.936.5400

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