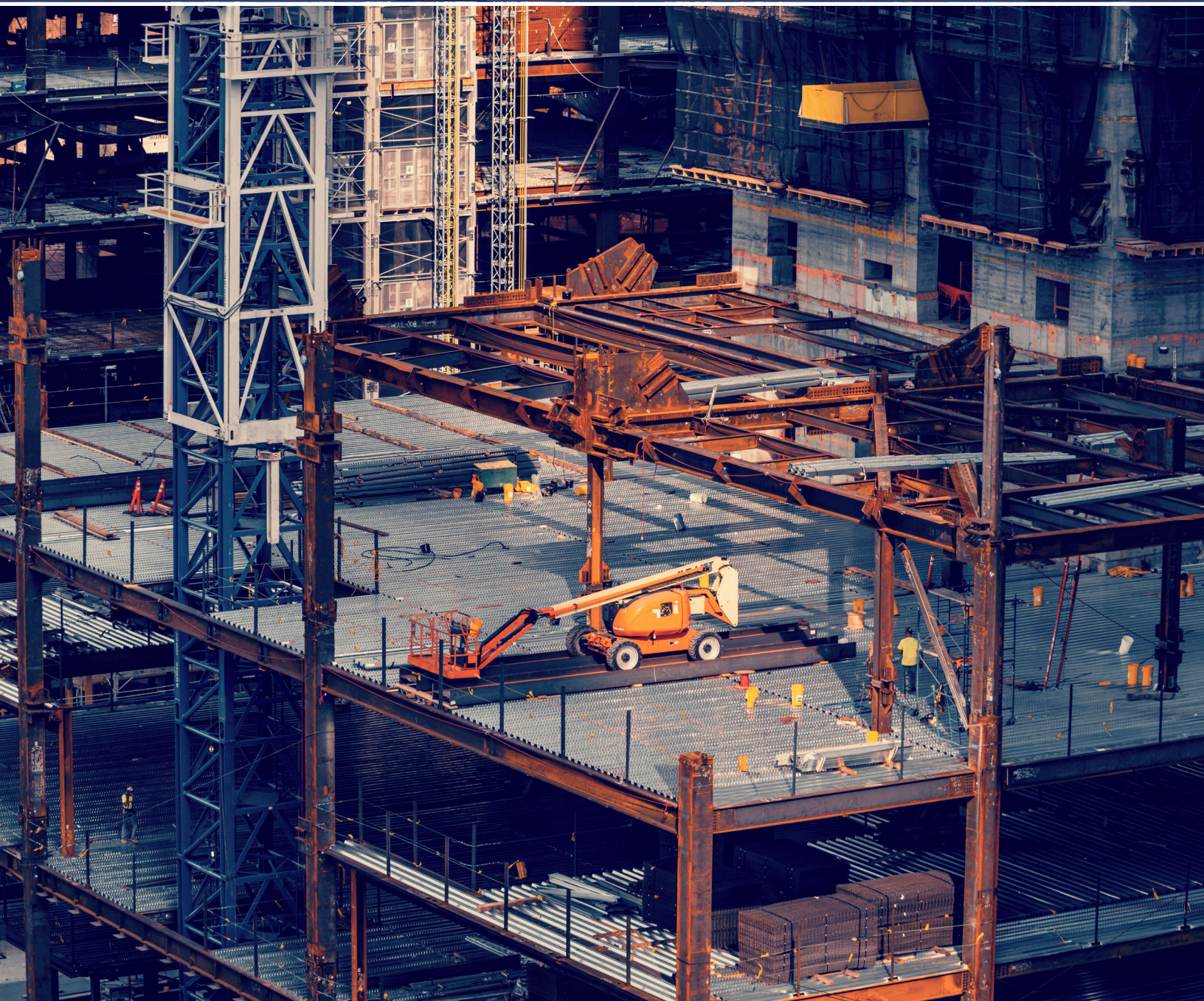




# CIRT Sentiment Index

Fourth Quarter Report





## EXECUTIVE SUMMARY

### INDEX MOVEMENT

		Q3 2020	Q4 2020
Overall U.S. Economy	↓	75.41	65.67
Economy Where We Do Business	↓	68.03	58.96
Our Construction Business	↑	19.23	56.17
Nonresidential Sector	↓	54.17	48.44
Backlog	↑	49.18	58.21
Cost of Labor	↑	54.92	58.21
Cost of Materials	↑	51.64	66.42
Productivity	↑	40.98	50.00

Results from the fourth quarter 2020 survey show a continued return to confidence, seen in both the Sentiment Index and in the Design Index. The Sentiment Index increased slightly, rising from 52.1 to 54.2, and the Design Index improved from 49.3 to 64.8. This trend is reflective of the cautious optimism toward stability for next year, especially when compared to the significant losses experienced through the first half of 2020. Continued relaxing of social distancing requirements, significant government stimulus and improved client confidence have all contributed to improved expectations. This quarter marks the first time since first quarter 2020 when both indexes read above 50, suggestive of increased demand for design and construction services in the future.

Current issues topics in this quarter's survey assessed the potential impact, both *positive* and *negative*, across a variety of trends affecting U.S. economic/business conditions in 2021. More than half of respondents, or 60%, selected U.S./world health issues, vaccines or pandemics as one of the top most *positive* impactful factors, followed by private sector investment (45%) and the results of the U.S. presidential and congressional elections (40%). Conversely, the majority, or 54%, of respondents selected the results of U.S. presidential and congressional elections as one of the top three most *negative* impacts to the U.S. economic/business conditions in 2021, followed closely by U.S./world health issues, vaccines or pandemics at 43%.

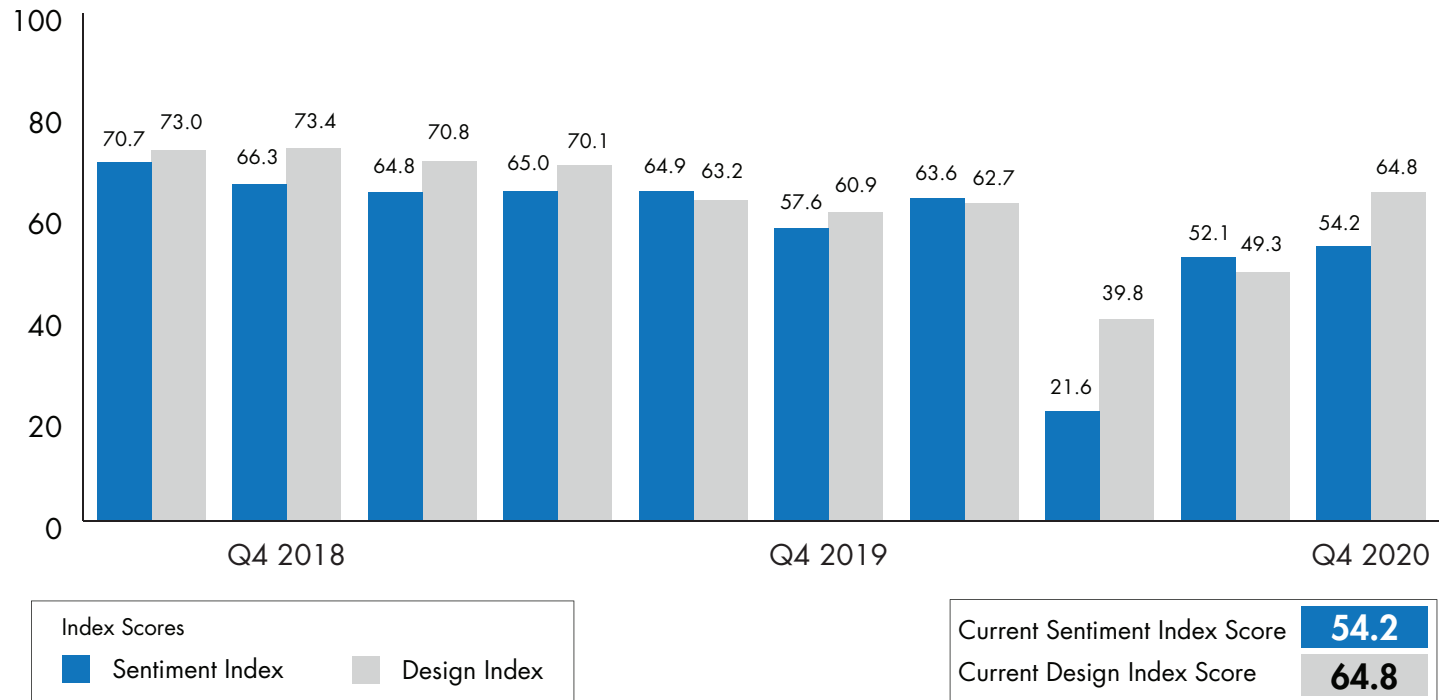
Comparing these results to the same question asked at this time last year, the top three *positive* factors selected in 2021 were not only in a different order but also their intensity or percentage levels were much higher than the top three in 2020. Moreover, ALL of the top *negative* factors from last year, except for the results of the U.S. presidential and congressional elections, have been replaced with a new set of concerns that didn't even make it among the top five a year earlier. The sole remaining common thread across both the *positive and negative* results is the importance and the pivotal role elections have on the business and economic climate. Looking to 2021 it is noteworthy that managing U.S. and world health issues plays a comparable pivotal role in the well-being of our future business and economic climate.



When asked about revenue performance for calendar year-end 2020 and 2021, respondents provided a wide range of expectations. Survey results for 2020 suggest that most, or 58% of respondents, will face decline with an average aggregated response of 2.8% contraction. Additionally, respondents are generally more optimistic about revenue performance next year. Results for 2021 suggest that a slight majority, or 52% of respondents, anticipate a return to *positive* revenue growth with an average aggregated response of 1.5% increase.

Among the industries represented by CIRT's member base, lodging, residential and education work are projected to experience the biggest short-term declines across both the design and construction industries. The design industry's long-term view of project growth remains *positive*, with every sector tracking above 3.0. The construction industry's long-term view is similarly optimistic, with just two of the 10 sectors projected below 3.0 (lodging and commercial).

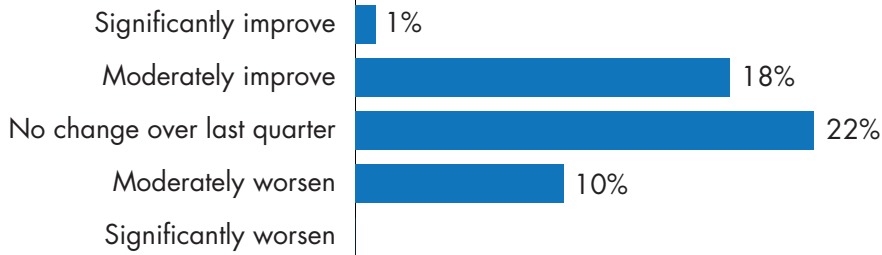
### CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q3 2018 TO Q4 2020



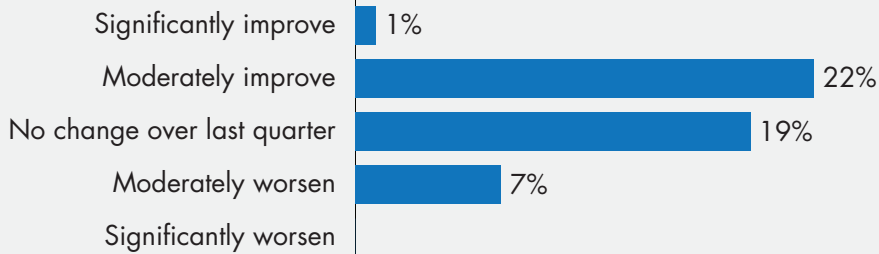


## LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER

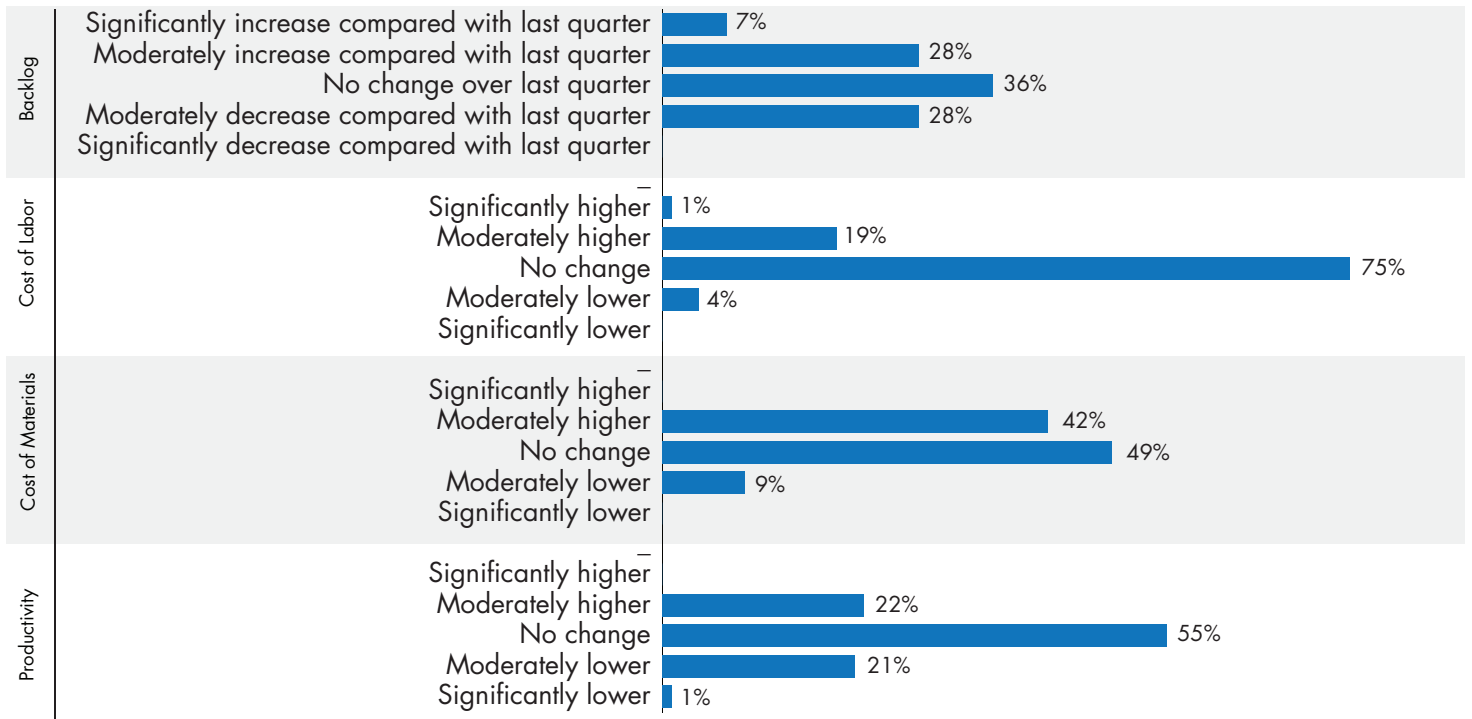
The economy where we do business will:



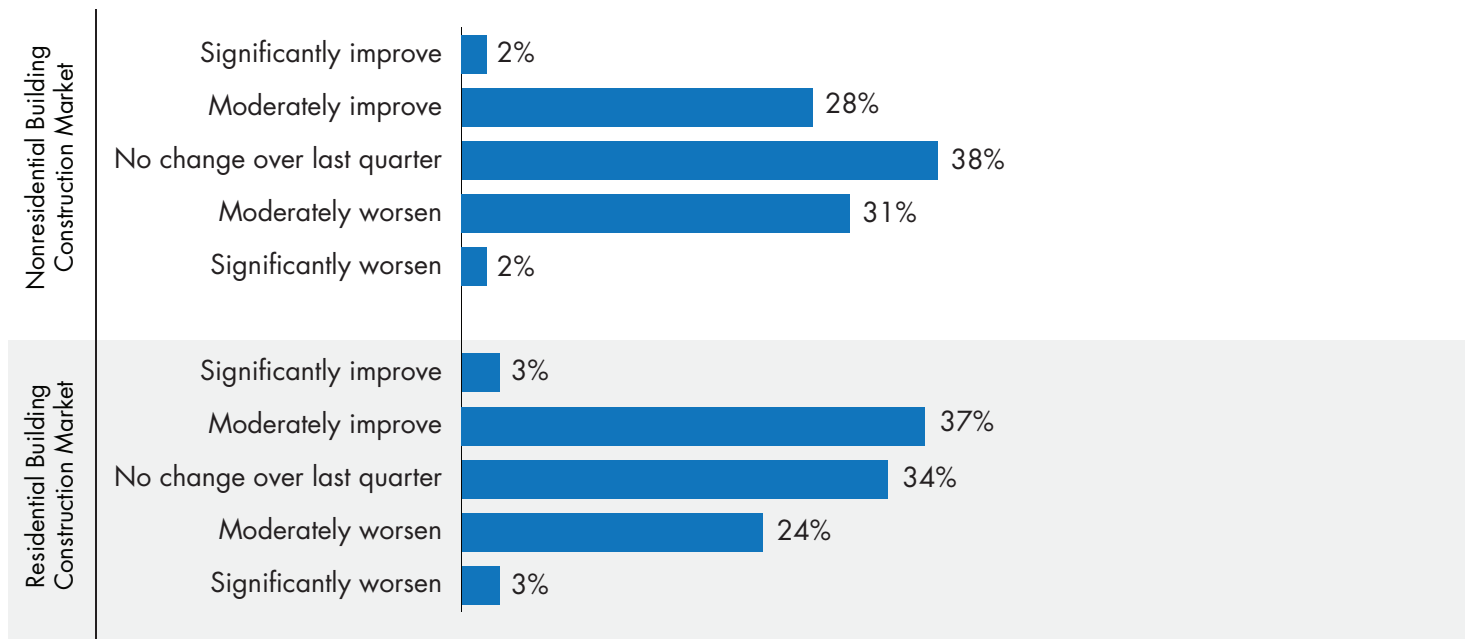
The overall U.S. economy will:



## CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER

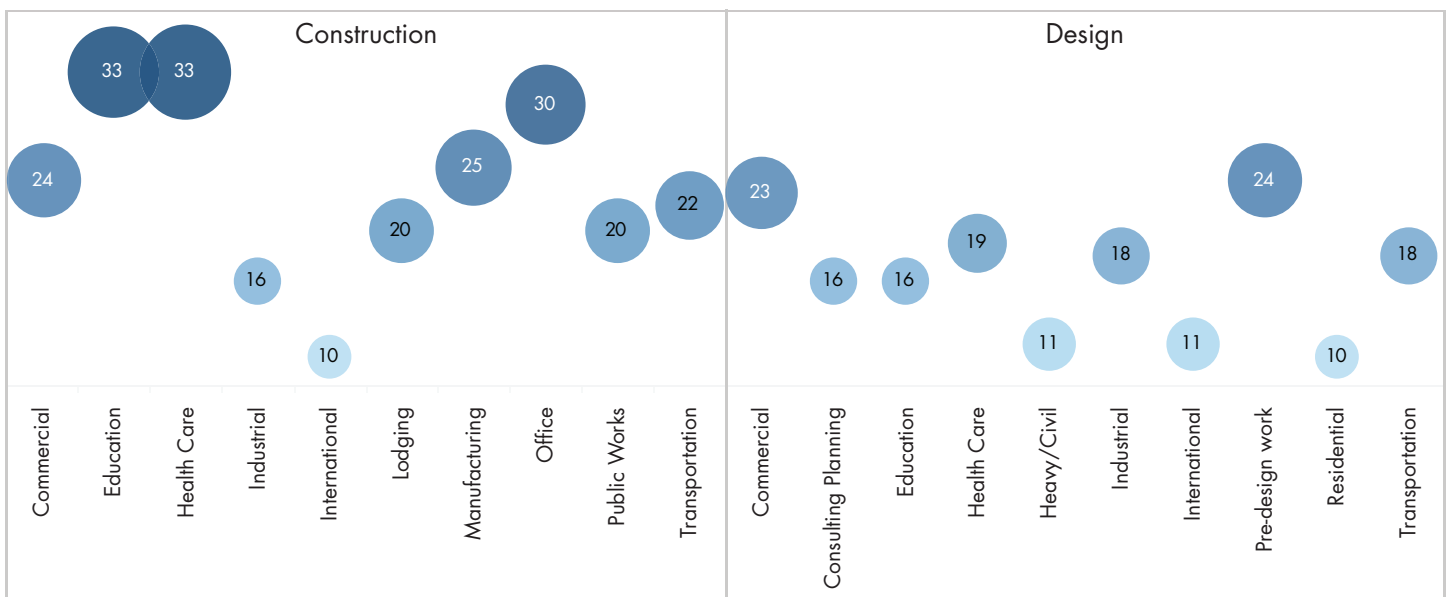


## EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS FOR NEXT QUARTER

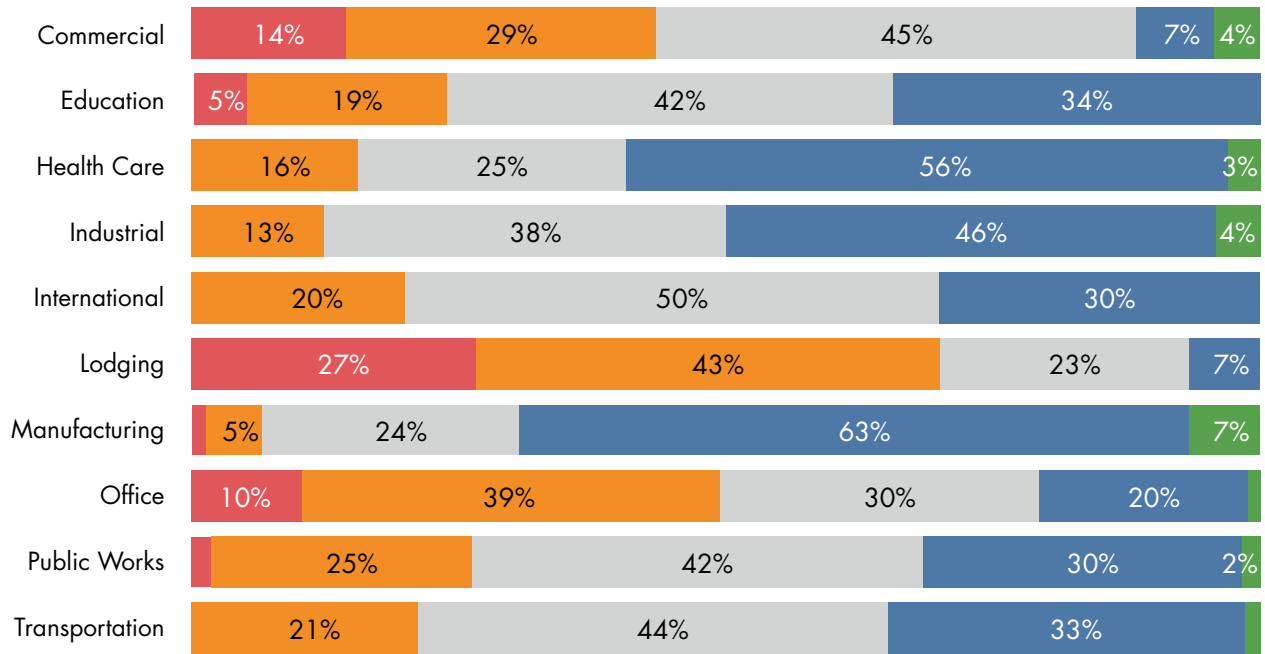




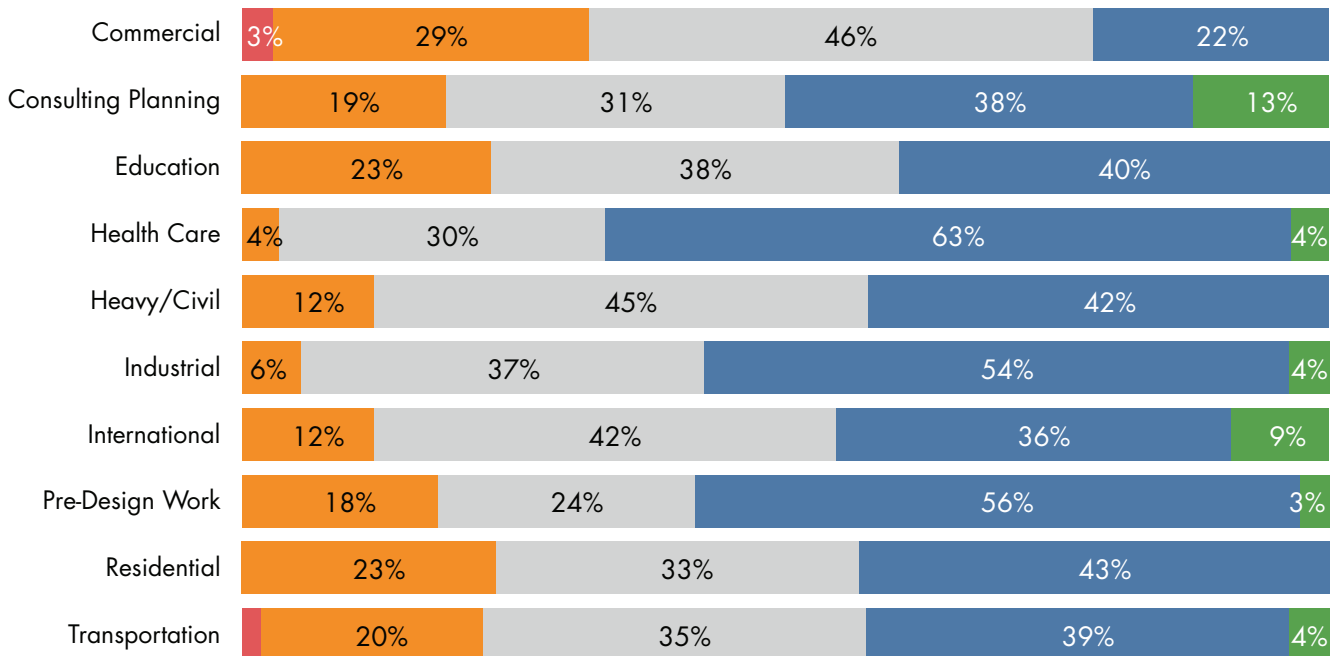
## MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR



## PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



## PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN

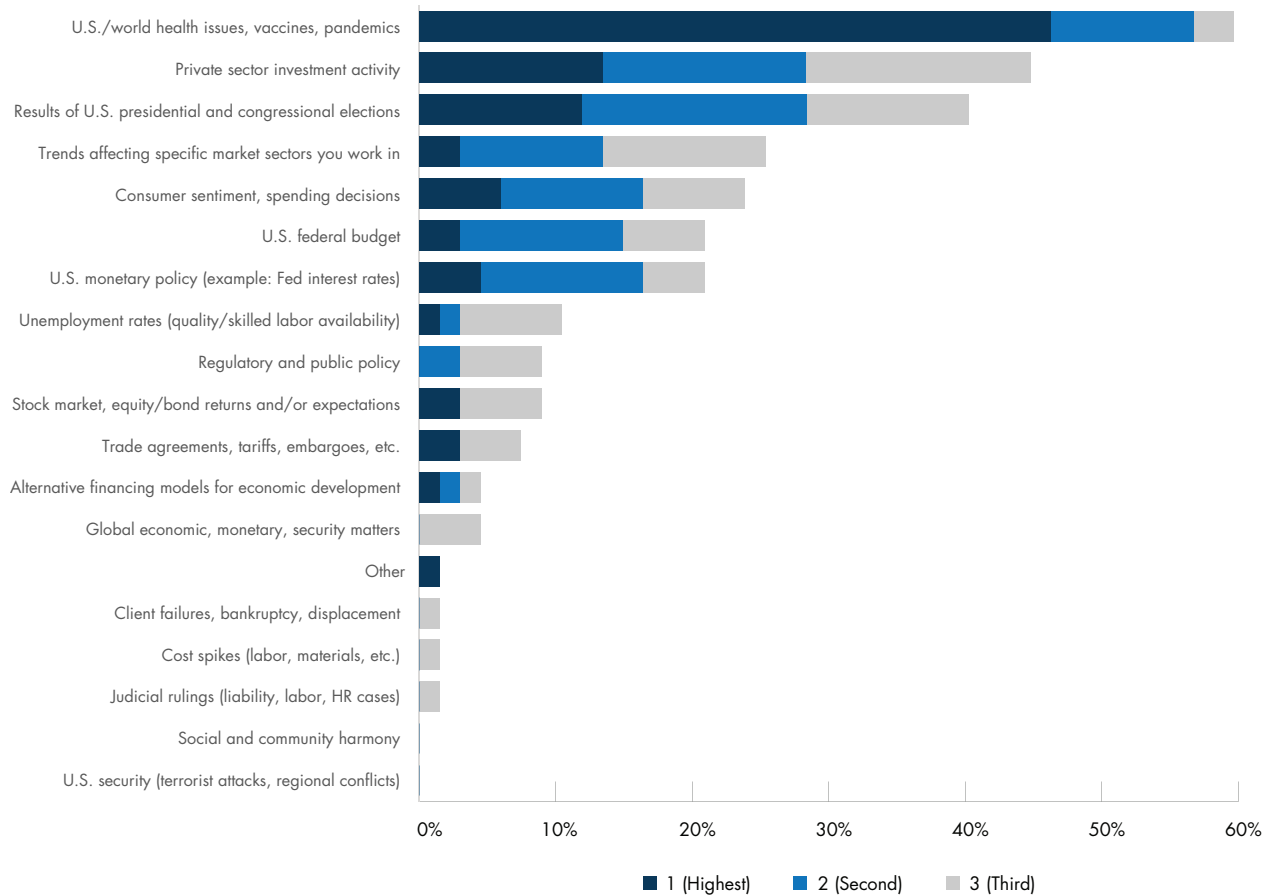


# CURRENT TRENDS

## IMPACTS ON THE 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 2021, 1 being the most positive impact and 3 being the least. Overall, 60% of respondents selected U.S./world health issues, vaccines and pandemics as one of the three most positive impacts, followed by 45% selecting private sector investments and 40% selecting the results of U.S. presidential and congressional elections. However, only considering top trends with a ranking of “1”, the majority, or 46%, of respondents reported that U.S./world health issues and vaccines would create the most positive impact, followed by the private sector investment at 13% and the U.S. presidential and congressional elections at 12%.

### WHICH OF THE LISTED ITEMS WILL LIKELY HAVE THE GREATEST **POSITIVE** IMPACT ON THE U.S. ECONOMIC/BUSINESS CONDITIONS IN 2021?

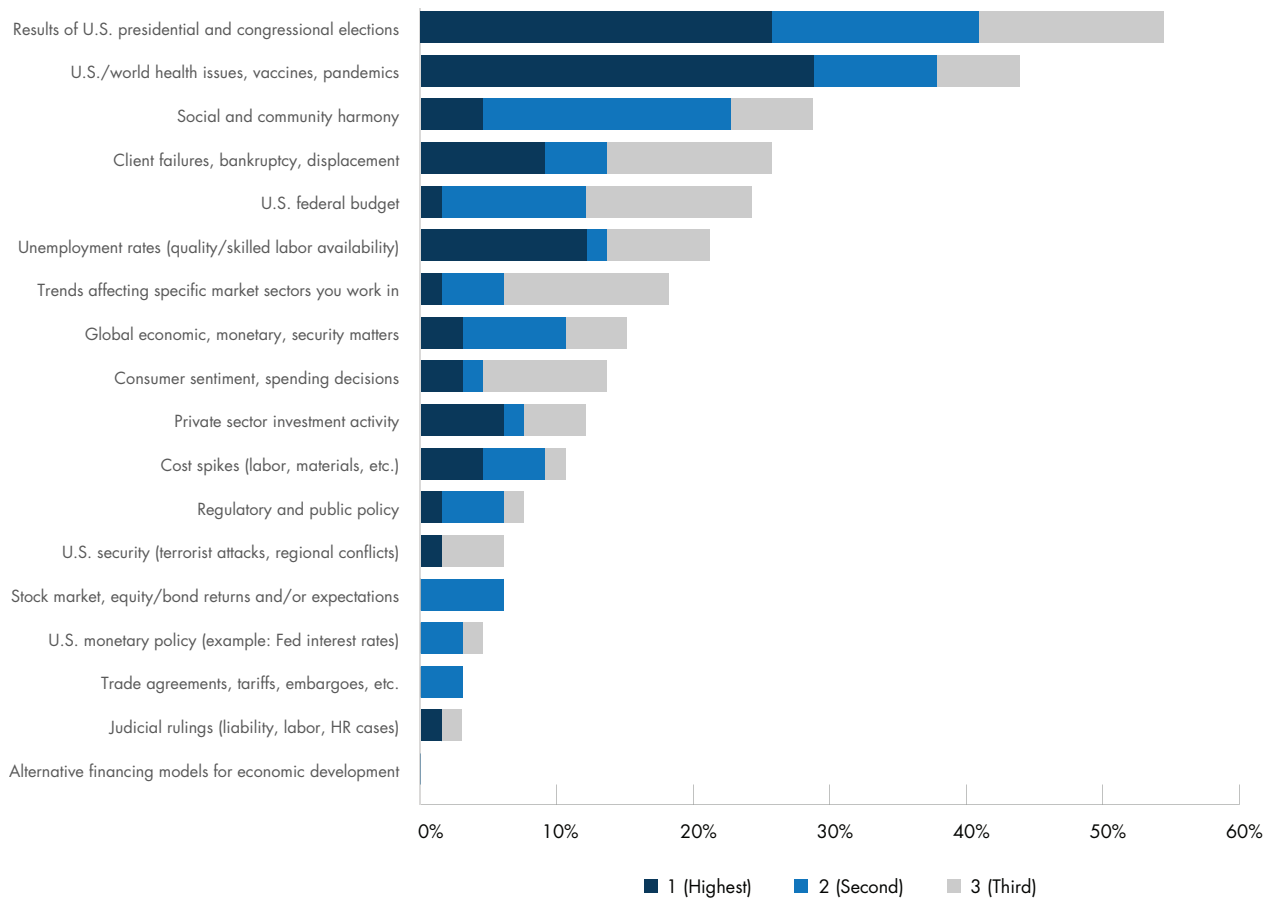






CIRT members were also asked to rank the top three trends likely to have the greatest *negative* impact on the U.S. economy for 2020. Overall, 54% of respondents cited the results of U.S. presidential and congressional elections as one of the three; followed by 43% selecting U.S./world health, vaccines and pandemics; and 28% selecting social and community harmony. When only considering rankings of “1”, the majority, or 28%, reported that U.S./world health issues, vaccines and pandemics would likely have the largest *negative* impact; followed by 25% identifying the results of the U.S. presidential and congressional elections; and 12% identifying unemployment rates.

## WHICH OF THE LISTED ITEMS WILL LIKELY HAVE THE GREATEST **NEGATIVE** IMPACT ON THE U.S. ECONOMIC/BUSINESS CONDITIONS IN 2021?





Taking a closer look at results from the same question on impacts to the U.S. business/economy asked at this time last year, the top two *positive* factors identified in 2020 were U.S. monetary policy (e.g., interest rates) and results of the U.S. presidential and congressional elections, at 42% and 38% respectively. In addition, the top two *negative* factors last year were again the results of the U.S. presidential and congressional elections along with trade agreements, tariffs, embargoes, etc., at 44% and 38% respectively. Beyond the intensity and order of finish, the common thread running through both years is the importance and the pivotal influential role elections have on the business and economic climate. Added to this factor, when looking to 2021 alone, is managing U.S. and world health issues, which is now seen as also playing a comparable pivotal role in the well-being of our future business and economic climate.

Top 5 POSITIVE Impactful U.S. Business/Economic Factors, 2020 vs. 2021					
2020	Rank*	%	2021	Rank*	%
U.S. monetary policy (example: Fed interest rates)	1	42%	U.S./ world health issues, vaccines, pandemics	1	60%
Results of U.S. presidential and congressional elections	2	38%	Private sector investment activity	2	45%
Private sector investment activity	3	29%	Results of U.S. presidential and congressional elections	3	40%
Trends affecting specific market sectors you work in	4	25%	Trends affecting specific market sectors you work in	4	25%
Global economic, monetary, security matters	5	20%	Consumer sentiment, spending decisions	5	24%

Top 5 NEGATIVE Impactful U.S. Business/Economic Factors, 2020 vs. 2021					
2020	Rank*	%	2021	Rank*	%
Results of U.S. presidential and congressional elections	1	44%	Results of U.S. presidential and congressional elections	1	54%
Trade agreements, tariffs, embargoes, etc.	2	38%	U.S./ world health issues, vaccines, pandemics	2	43%
Unemployment rates (quality/skilled labor availability)	3	33%	Social and community harmony	3	28%
Cost spikes (labor, materials, etc.)	4	25%	Client failures, bankruptcy, displacement	4	25%
Global economic, monetary, security matters	5	22%	U.S. federal budget	5	24%

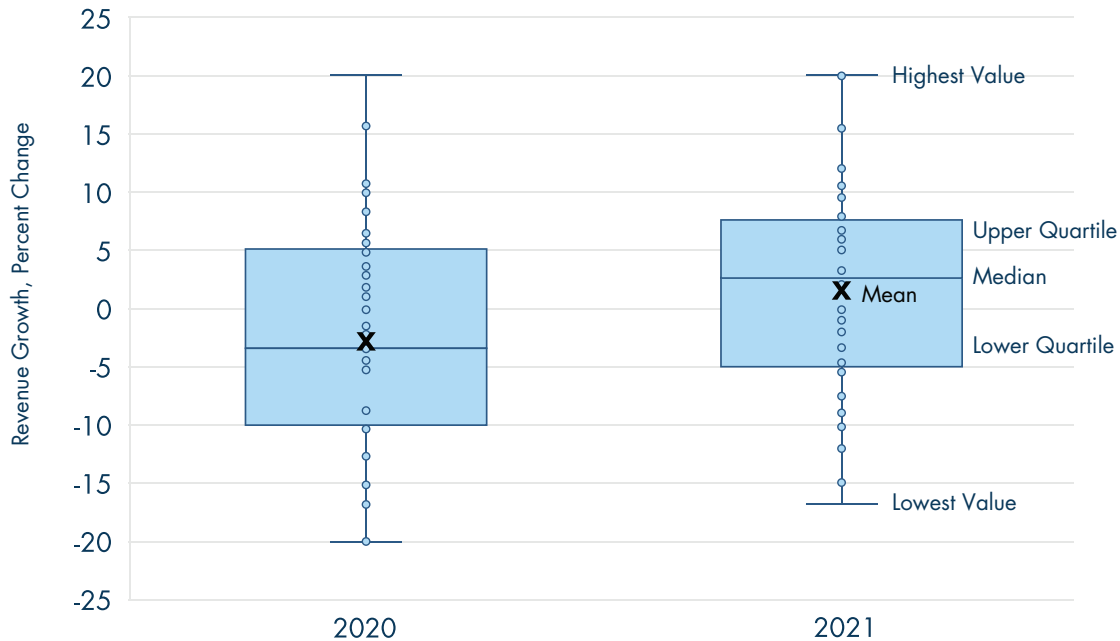
\* Rank is based on overall percentage of responses 1, 2 and 3.



## REVENUE PERFORMANCE EXPECTATIONS FOR CALENDAR YEAR 2020 AND 2021

When asked about revenue performance for calendar year-end 2020 and 2021, respondents provided a wide range of expectations. Results for 2020 suggest that most, or 58% of respondents, will face decline with an average aggregated response of 2.8% contraction. Additionally, respondents are generally more optimistic about revenue performance next year. Results for 2021 suggest that a slight majority, or 52% of respondents, anticipate a return to positive revenue growth with an average aggregated response of 1.5% increase.

### PROJECTING AHEAD, WHAT ARE YOUR ESTIMATES FOR GROWTH AND/OR CONTRACTION IN REVENUE FOR 2020 (ON A CALENDAR YEAR BASIS) AND 2021 (ON A CALENDAR YEAR BASIS) FOR YOUR COMPANY?





## DESIGN OUTLOOK

Industry	Design Sector Project Growth		
	Next Quarter	Six Months From Now	One Year From Now
Commercial	2.61	2.91	3.09
Consulting Planning	3.25	3.50	3.56
Education	3.00	3.13	3.38
Health Care	3.42	3.68	3.89
Heavy/Civil	3.09	3.36	3.45
Industrial	3.39	3.67	3.61
International	3.27	3.45	3.55
Pre-design Work	3.29	3.38	3.63
Residential	3.20	3.20	3.20
Transportation	3.00	3.22	3.44

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 2.61 for next quarter, 2.91 for six months from now, and 3.09 for one year from now.

### CONSULTING PLANNING

Starting average score of 3.25 for next quarter, 3.50 for six months from now, and 3.56 for one year from now.

### EDUCATION

Starting average score of 3.00 for next quarter, 3.13 for six months from now, and 3.38 for one year from now.

### HEALTH CARE

Starting average score of 3.42 for next quarter, 3.68 for six months from now, and 3.89 for one year from now.



## **HEAVY/CIVIL**

Starting average score of 3.09 for next quarter, 3.36 for six months from now, and 3.45 for one year from now.

## **INDUSTRIAL**

Starting average score of 3.39 for next quarter, 3.67 for six months from now, and 3.61 for one year from now.

## **INTERNATIONAL**

Starting average score of 3.27 for next quarter, 3.45 for six months from now, and 3.55 for one year from now.

## **PRE-DESIGN WORK**

Starting average score of 3.29 for next quarter, 3.38 for six months from now, and 3.63 for one year from now.

## **RESIDENTIAL**


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

## **TRANSPORTATION**

Starting average score of 3.00 for next quarter, 3.22 for six months from now, and 3.44 for one year from now.

# CONSTRUCTION OUTLOOK

Industry	Construction Sector Business Outlook		
	Next Quarter	Six Months From Now	One Year From Now
Commercial	2.39	2.48	2.87
Education	3.00	2.91	3.25
Health Care	3.31	3.47	3.63
Industrial	3.00	3.56	3.69
International	2.70	3.30	3.30
Lodging	1.80	2.00	2.50
Manufacturing	3.56	3.64	3.84
Office	2.34	2.48	3.03
Public Works	2.95	3.00	3.21
Transportation	2.91	3.14	3.41



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 2.39 for next quarter, 2.48 for six months from now, and 2.87 for one year from now.

## EDUCATION

Starting average score of 3.00 for next quarter, 2.91 for six months from now, and 3.25 for one year from now.

## HEALTH CARE

Starting average score of 3.31 for next quarter, 3.47 for six months from now, and 3.63 for one year from now.

## INDUSTRIAL

Starting average score of 3.00 for next quarter, 3.56 for six months from now, and 3.69 for one year from now.



## **INTERNATIONAL**

Starting average score of 2.70 for next quarter, 3.30 for six months from now, and 3.30 for one year from now.

## **LODGING**

Starting average score of 1.80 for next quarter, 2.00 for six months from now, and 2.50 for one year from now.

## **MANUFACTURING**

Starting average score of 3.56 for next quarter, 3.64 for six months from now, and 3.84 for one year from now.

## **OFFICE**

Starting average score of 2.34 for next quarter, 2.48 for six months from now, and 3.03 for one year from now.

## **PUBLIC WORKS**

Starting average score of 2.95 for next quarter, 3.00 for six months from now, and 3.21 for one year from now.

## **TRANSPORTATION**

Starting average score of 2.91 for next quarter, 3.14 for six months from now, and 3.41 for one year from now.



## ABOUT THE CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)

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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

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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

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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

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- 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 750 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
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- 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

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