



FOURTH  
QUARTER  
2024

# CIRT SENTIMENT INDEX



in partnership with



Construction Industry  
Round Table

DECEMBER 2024

# EXECUTIVE SUMMARY

The fourth quarter 2024 CIRT Sentiment Index showed a modest recovery, with the overall index increasing to 64.1 from 62.6 in the third quarter. Optimism was particularly noticeable in the Design Index, which rose to 71.1 from 66.3.

This quarter CIRT members reported improving sentiment across all economic components, including the overall U.S. economy, the economy where members operate, members’ construction businesses and the non-residential sector. However, slight declines were noted in backlog levels and labor costs, while material costs and productivity remained stable.

Comparing segment expectations to the previous quarter, design sentiment improved, largely due to strengthened expectations in residential work, with additional optimism in health care, education and consulting planning. In contrast, sentiment weakened in heavy civil and transportation design. Construction sentiment was mixed, with the commercial, lodging, health care and office segments showing strength, while industrial, public works and manufacturing expectations declined.

Members were asked to respond to questions on current issues this quarter by defining their 2025 expansion strategies and associated decisions between organic-led growth versus mergers, acquisition and joint venture-led growth initiatives. Additionally, members provided insights on artificial intelligence’s (AI) impact on workflows, including considerations related to decision making, ethics and regulatory compliance.

Approximately half of responding members reported 2025 growth strategies led by organic and internal restructuring initiatives, less than 10% reported dedicated M&A-led strategies and the remainder plan to use a combination approach. Responding members solely focused on organic growth are most commonly planning

CIRT Index Movement			
Sentiment Index		Design Index	
<b>64.10</b>		<b>71.50</b>	
		Q4 2024	Q3 2024
Overall U.S. Economy	↑	65.38	59.84
Economy Where We Do Business	↑	66.35	59.02
Our Construction Business	↑	69.35	67.61
Nonresidential Sector	↑	62.75	58.33
Backlog	↓	63.14	63.39
Cost of Labor	↓	78.85	79.51
Cost of Materials	↑	61.54	61.48
Productivity	↓	49.04	49.18

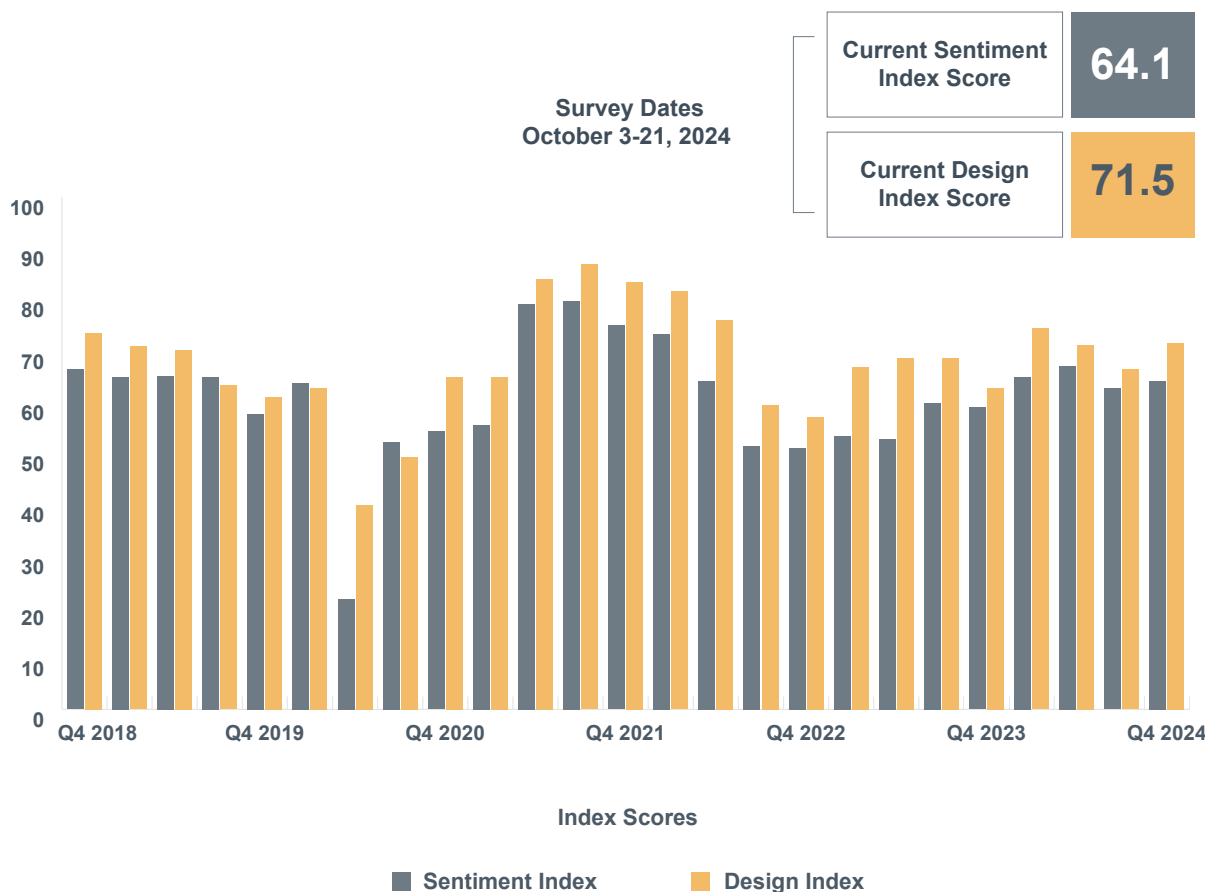
to invest in the expansion of existing operations and less likely to invest in finding new areas of work, including new segments, types of work and geographies when compared to those who incorporate M&A-led growth plans, either solely or in combination. Generally, members strongly prefer organic growth, with a priority on investing in talent (through hiring and retention). Members reporting organic growth-led strategies also are more consistently certain about execution, regardless of the defined strategy.

Approximately two out of three responding members are currently utilizing AI tools or applications on projects. Of those using AI tools, 70% report the impact is uncertain or that it's too soon to suggest workflows have improved. When considering AI tools, members prioritize compliance with local regulations, including codes and safety standards, and ethical considerations related to privacy, licenses, etc.; and most have experience in evaluating accuracy and reliability of AI-assisted critical design or safety-related decisions.

Among the industries represented by CIRT's member base, segment expectations remain mixed. Both short-

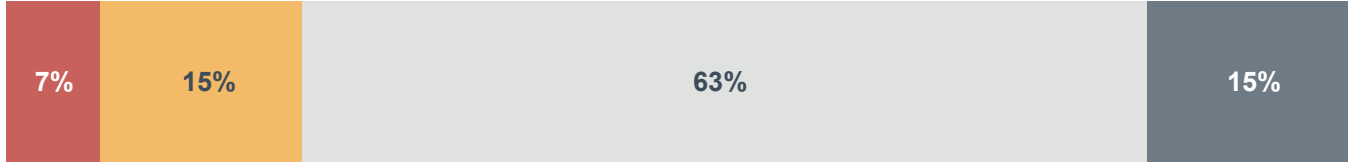
and long-term design expectations improved for consulting planning, industrial, predesign work and transportation (as represented by growth figures reported greater than 3.5). Conversely, sentiment remains weak or weakened in commercial and education through most of 2025. Surprisingly, residential design rebounded significantly from the last quarter across both six-month and one-year expectations. Among members' construction sector expectations, health care is perceived as the strongest segment over the next year, followed by manufacturing, public works and transportation. Conversely, office, lodging, commercial, education, industrial and international are all expected to remain challenged well into late 2025.

### CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q4 2018 TO Q4 2024

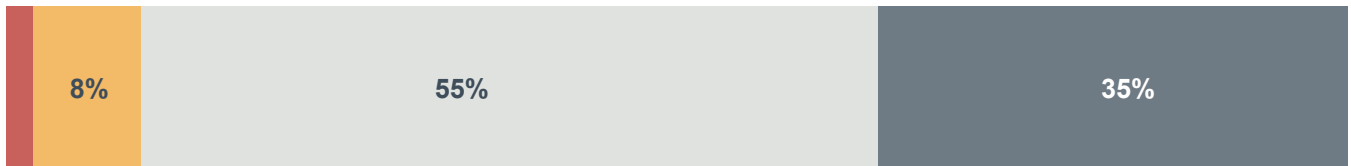


## EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS FOR NEXT QUARTER

### Residential Building Construction Market

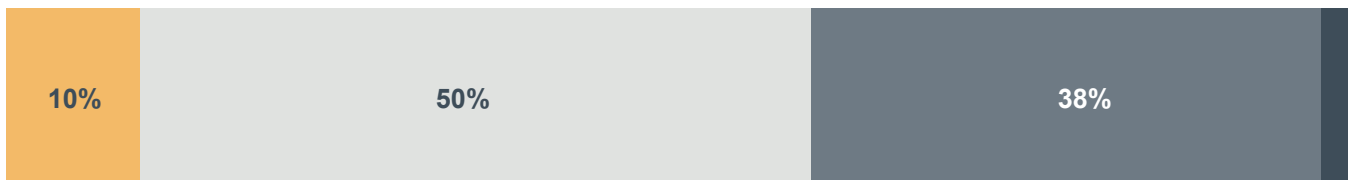


### Nonresidential Building Construction Market

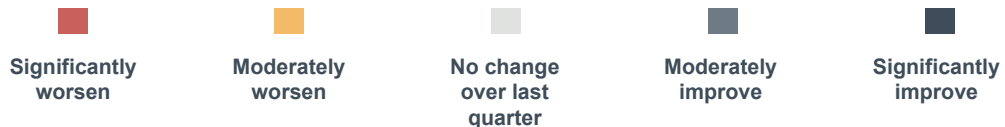
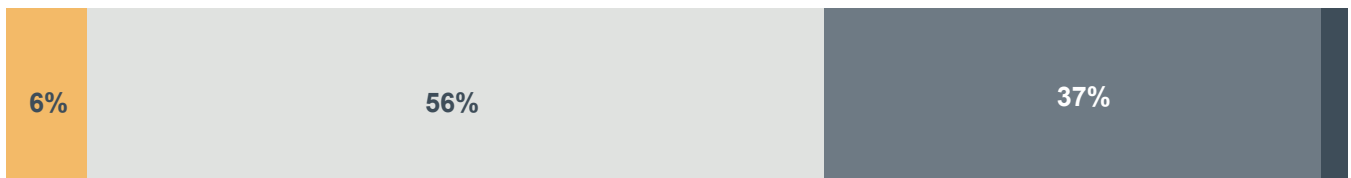


## LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER

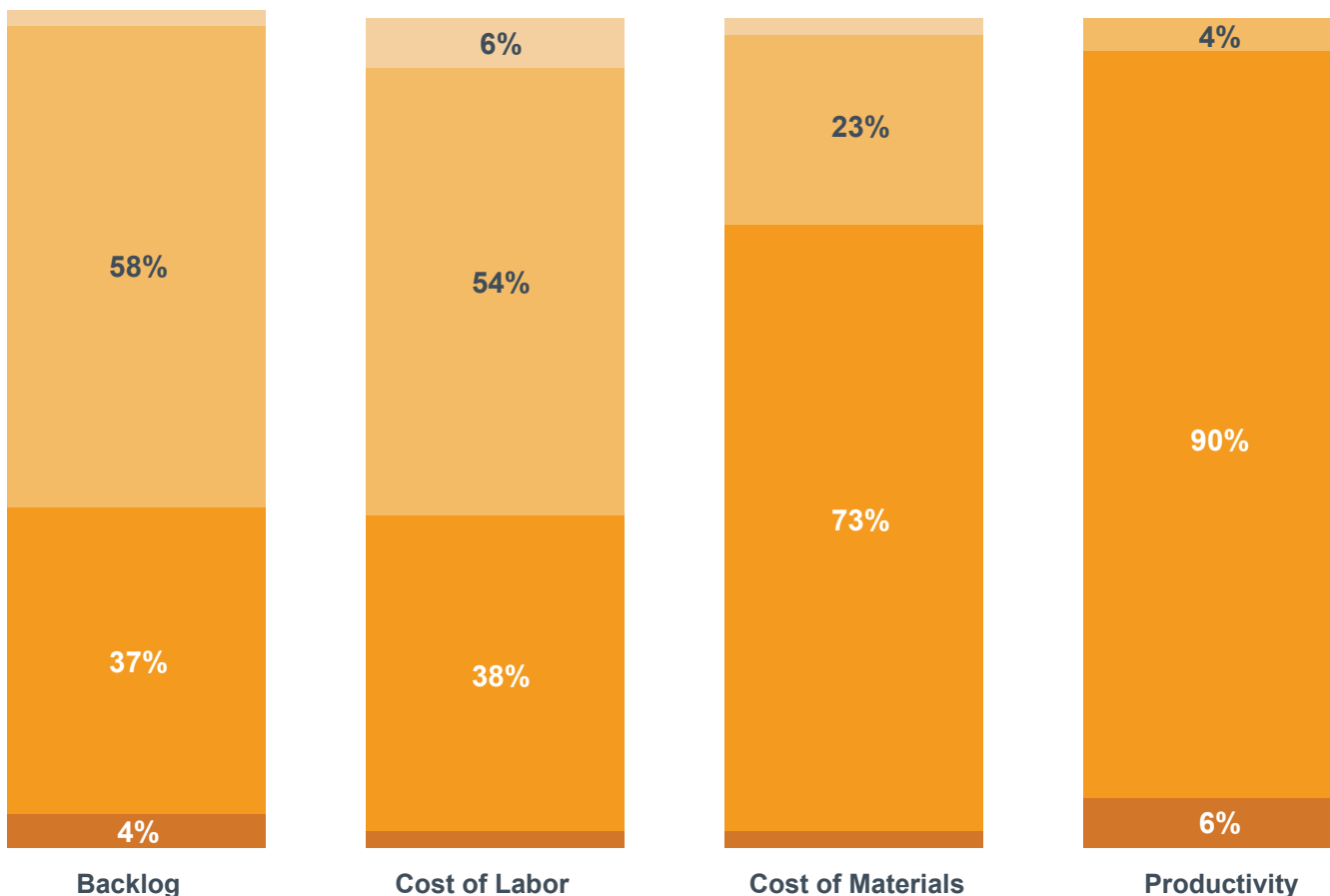
### The overall U.S. economy will:



### The economy where we do business will:



## CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER



Significantly lower

Moderately lower

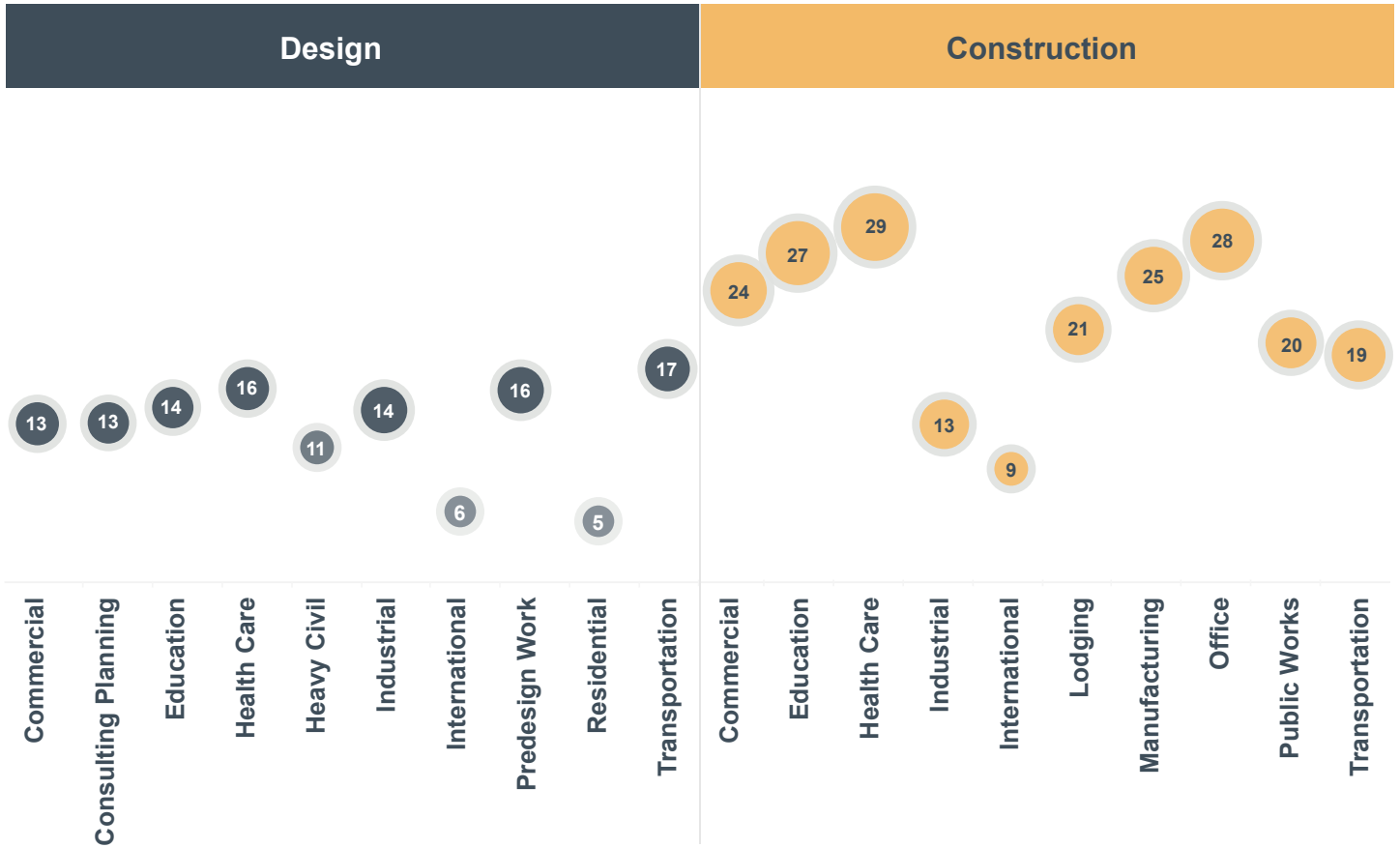
No change

Moderately higher

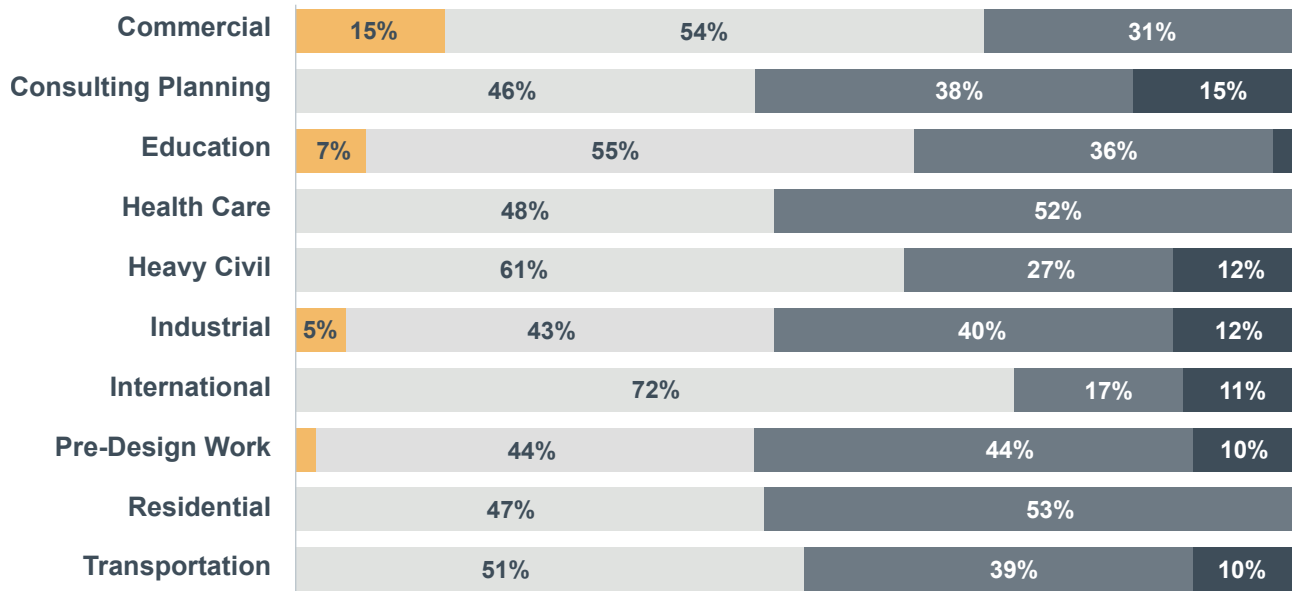
Significantly higher



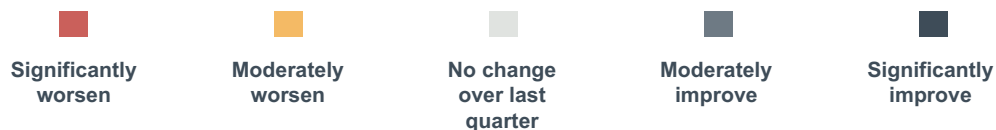
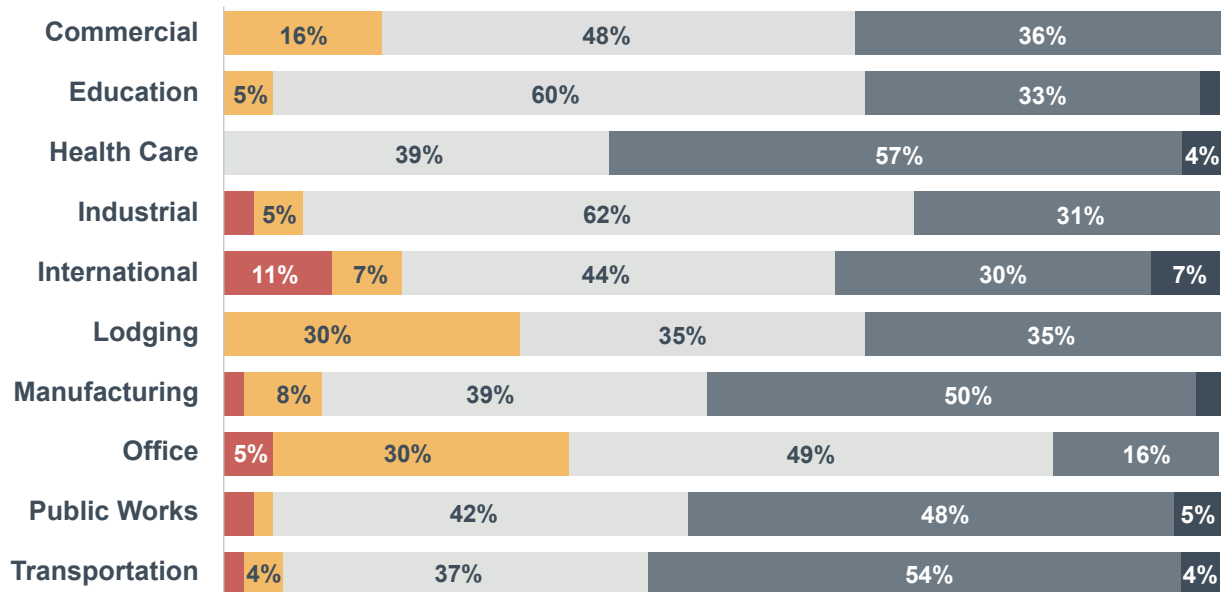
## MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR



## PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN



## PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



Members were asked this quarter to respond to questions on current issues by defining their firms' expansion strategies and considerations in comparing organic-led growth initiatives with merger, acquisition and joint venture-led growth initiatives. Additionally, members provided insights into their use of AI, focusing on its impact on workflows, decision making, ethical considerations and compliance with local regulations.



# CURRENT TRENDS



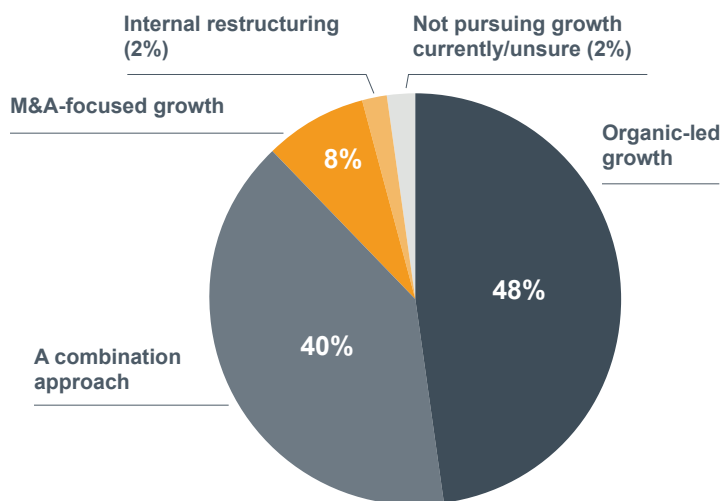
## EXPANSION AND GROWTH STRATEGIES

About half of responding members reported 2025 growth strategies led by organic and internal restructuring initiatives, less than 10% reported dedicated M&A-led strategies, and the remainder plan to use a combination approach. Responding members solely focused on organic growth are most commonly planning to invest in expanding existing operations and less likely to invest in new areas of work, including new segments, types of work and geographies, when compared to those who incorporate M&A-led growth plans, either solely or in combination. Conversely, members planning to leverage M&A-led growth are more likely to maintain a multipronged growth strategy and more often consider investing in new segments, new types of work and/or new geographies while still prioritizing investments in their existing operations.

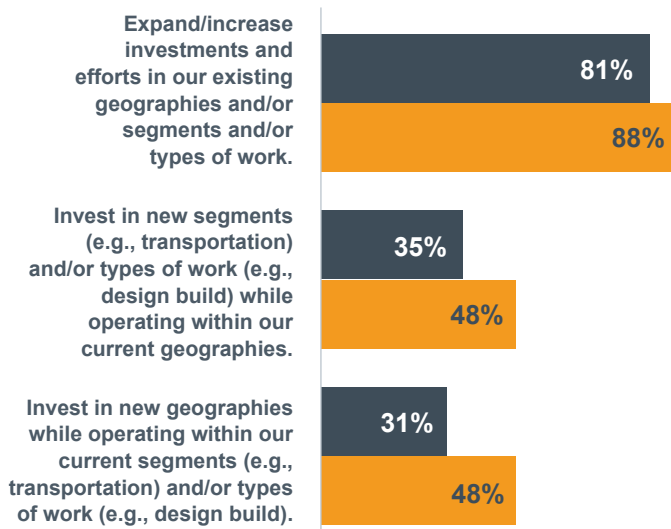
Each of the three growth goals are broken down with illustrations on the following pages. Charts identify how members expect to lead each strategy (via organic or M&A/JV efforts); if organic growth is selected, how members define organic growth plans; and top determining factors (i.e., needs) used in deciding how to lead the strategy.

Responses indicate that members predominantly favor organic growth, with a strong focus on investing in and retaining talent. Organic growth strategies are generally associated with a higher certainty of execution, whereas M&A and joint venture strategies are perceived to deliver greater efficiencies and expedited timelines but with higher risks, particularly execution uncertainty.

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR COMPANY'S OVERALL GROWTH STRATEGY FOR 2025 AND BEYOND?



WHICH OF THESE GOALS ARE YOU CONSIDERING FOR THE NEXT ONE TO THREE YEARS WITH RESPECT TO GROWTH PURSUITS AND/OR INVESTMENTS?

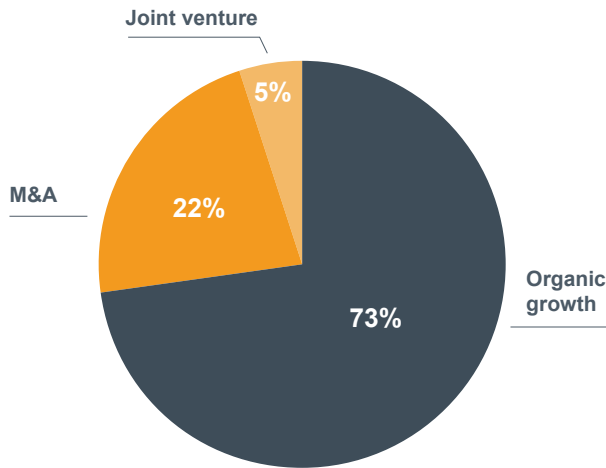


■ Organic or internal restructure ■ M&A or combination approach

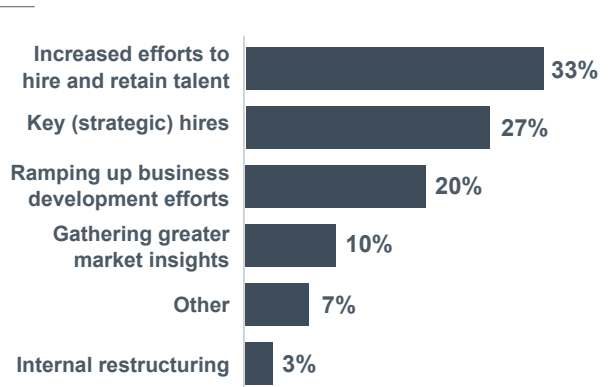
RESPONDENTS ARE ABLE TO SELECT MORE THAN ONE OPTION

## PLAN TO EXPAND/INCREASE EXISTING INVESTMENTS

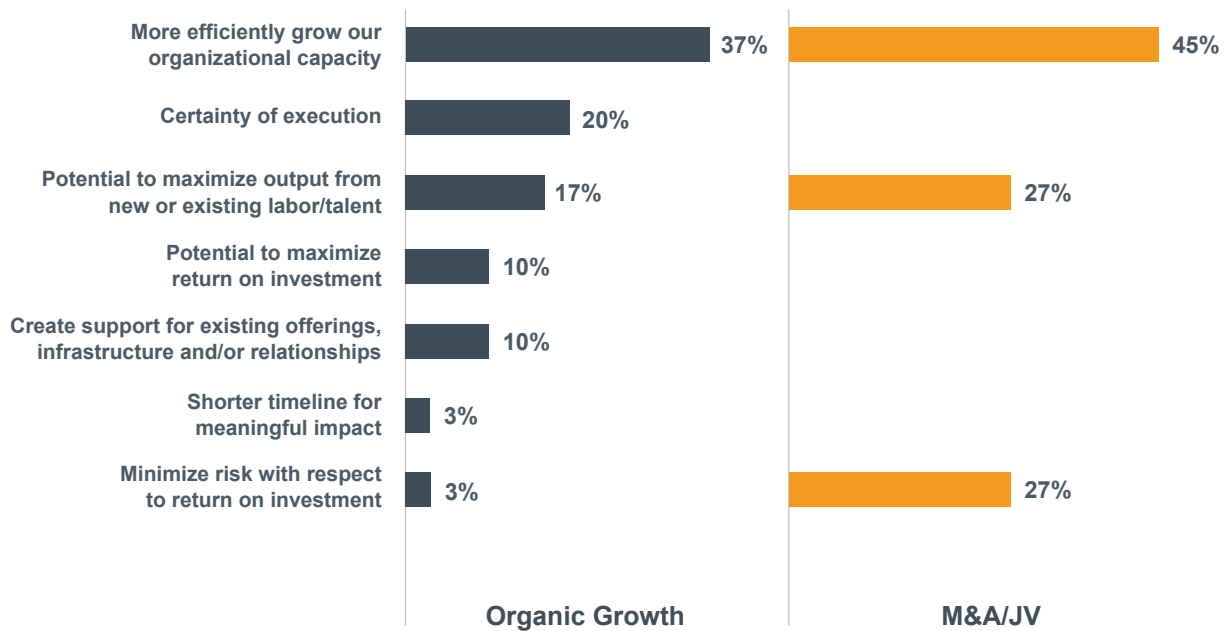
WHICH BEST DESCRIBES YOUR STRATEGY FOR **EXPANDING/INCREASING EXISTING INVESTMENTS**?



WHICH BEST DESCRIBES YOUR ORGANIC GROWTH PLANS FOR EXPANDING/INCREASING EXISTING INVESTMENTS?



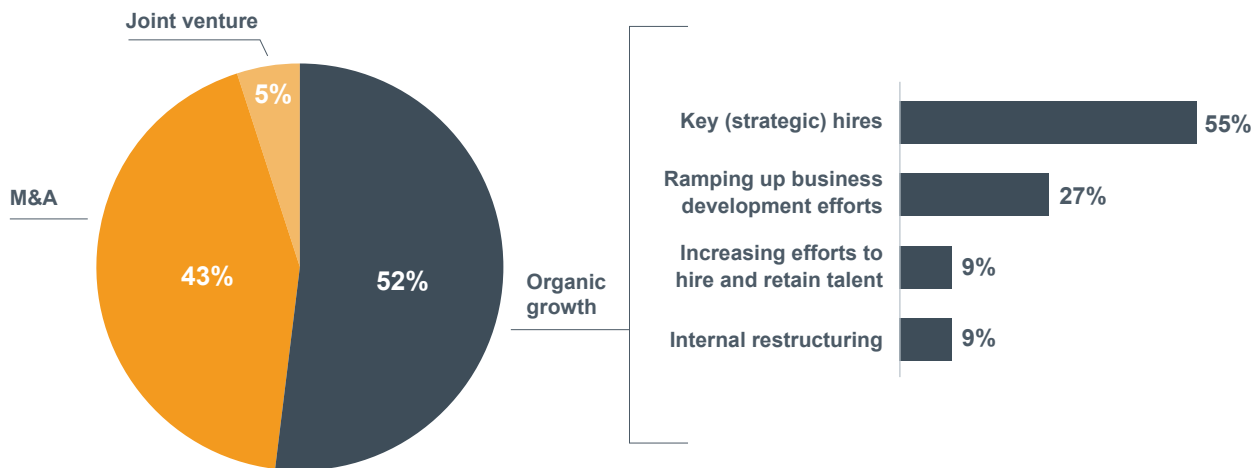
WHAT IS THE TOP FACTOR IN DETERMINING YOUR PURSUIT OF THIS TYPE OF STRATEGY?



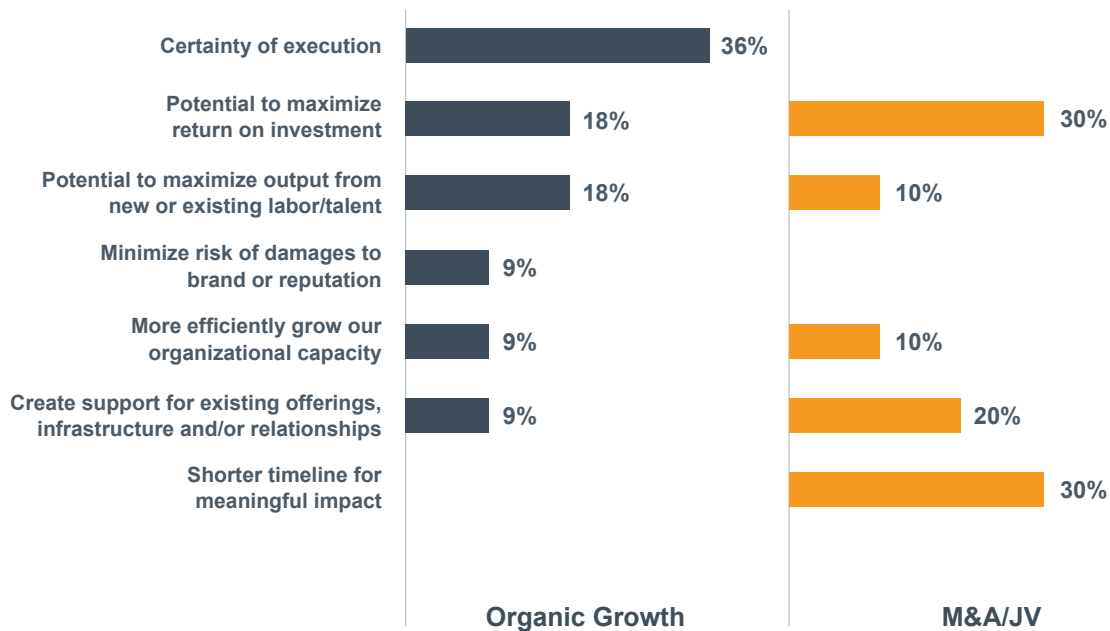
## PLAN TO INVEST IN NEW SEGMENTS

WHICH BEST DESCRIBES YOUR STRATEGY FOR INVESTING IN **NEW SEGMENTS AND/OR TYPES OF WORK?**

WHICH BEST DESCRIBES YOUR ORGANIC GROWTH BY INVESTING IN NEW SEGMENTS?

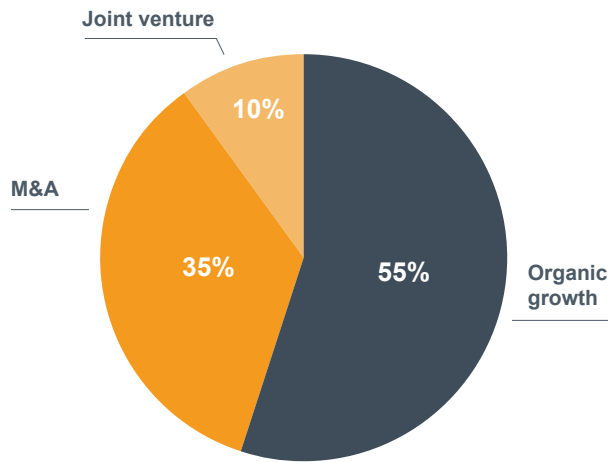


WHAT WAS OR IS THE TOP FACTOR IN DETERMINING YOUR PURSUIT OF THIS TYPE OF STRATEGY?

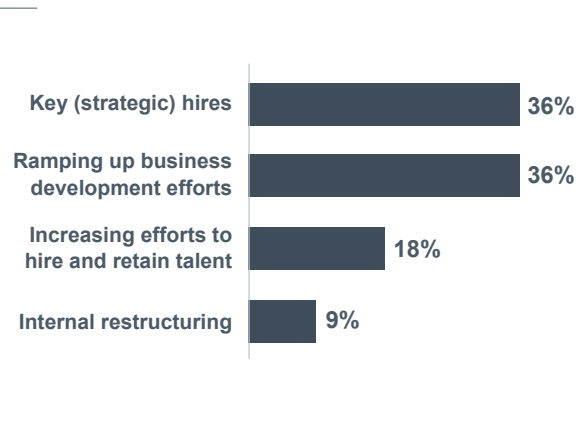


## PLAN TO INVEST IN NEW GEOGRAPHIES

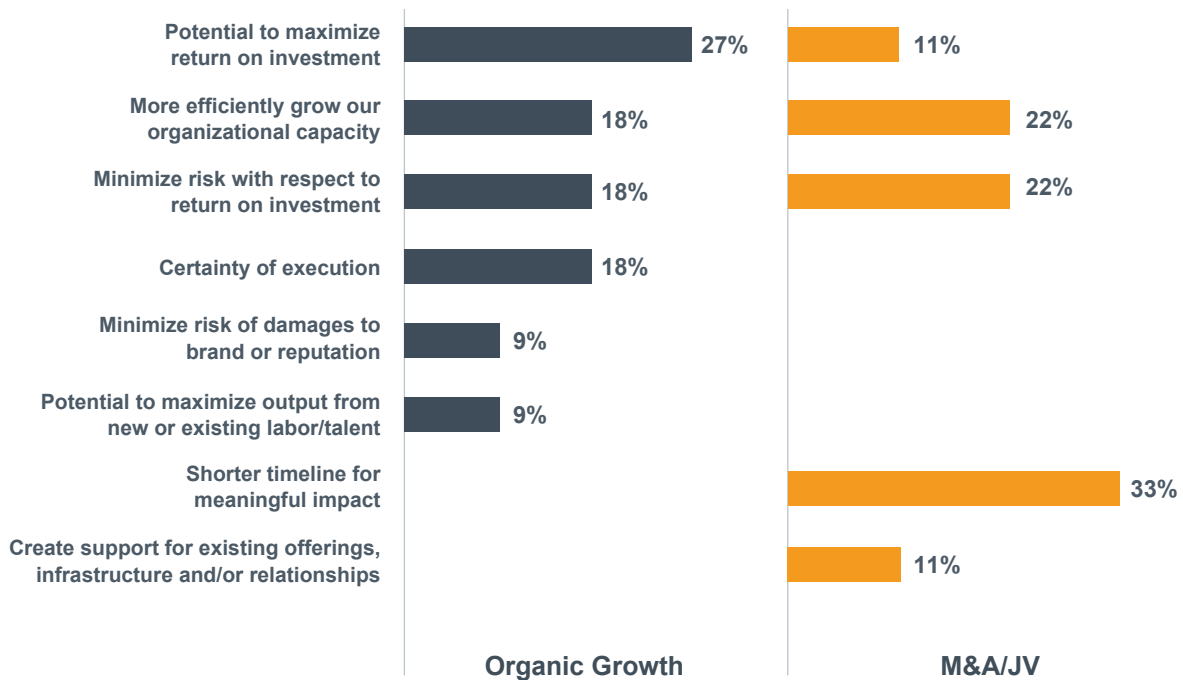
WHICH BEST DESCRIBES YOUR STRATEGY FOR INVESTING IN **NEW GEOGRAPHIES**?



WHICH BEST DESCRIBES YOUR ORGANIC GROWTH PLANS FOR INVESTING IN NEW GEOGRAPHIES?



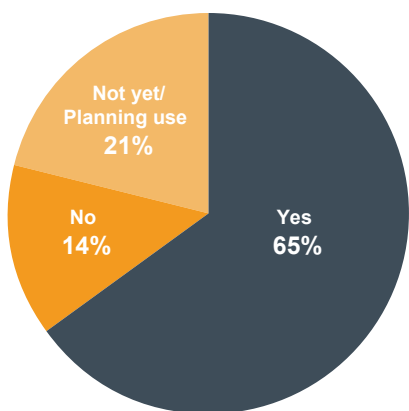
WHAT IS THE TOP FACTOR IN DETERMINING YOUR PURSUIT OF THIS TYPE OF STRATEGY?



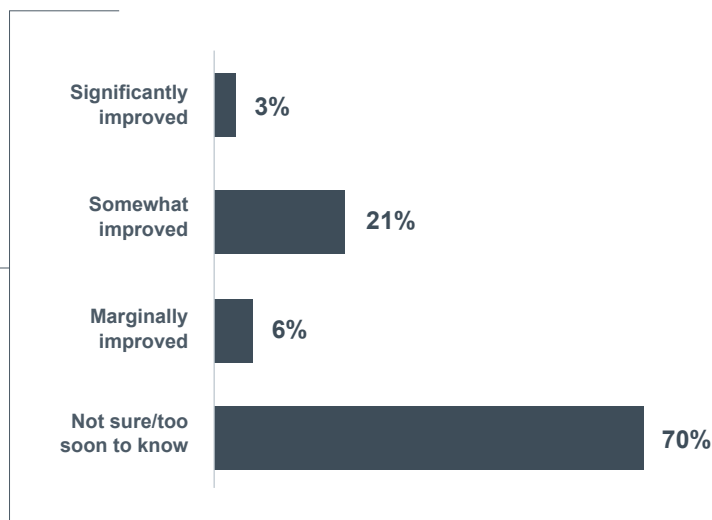
## USE AND INVESTMENT IMPACT OF ARTIFICIAL INTELLIGENCE TOOLS AND APPLICATIONS

Approximately two-thirds of respondents are currently implementing AI tools or applications in their projects. Of those using AI, 70% report that the impact on workflows is either uncertain or that it's too soon to assess conclusively.

ARE AI TOOLS OR APPLICATIONS CURRENTLY BEING USED IN YOUR PROJECTS?

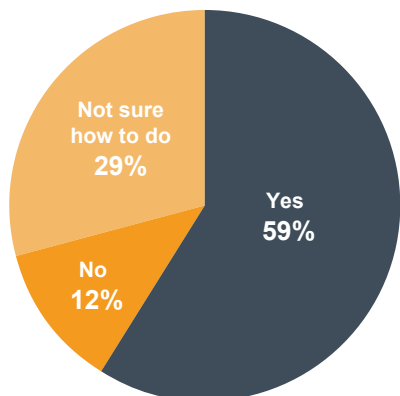


(IF YES) HOW HAVE THEY IMPACTED YOUR WORKFLOW? WORKFLOW HAS...

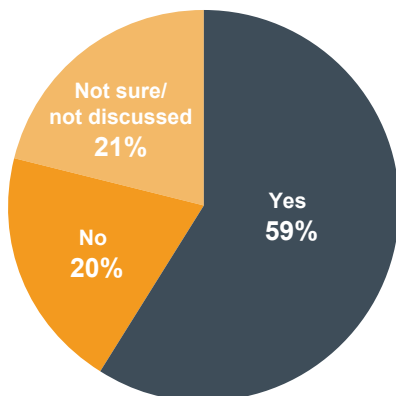


In considering AI tools or applications, 59% of responding members say they will ensure those tools comply with local regulations. Additionally, 59% have discussed or elevated ethical concerns related to privacy, licenses, etc. in using AI tools, and 55% evaluated accuracy and reliability of AI-generated insights or predictions when assisting with critical and/or safety-related decisions. Consistently, between 20% and 35% of members report some level of uncertainty in either adopting or evaluating AI tools and applications.

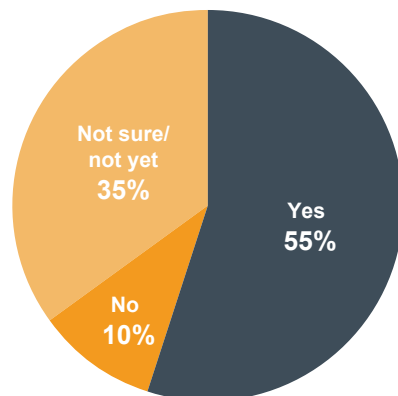
Do you ensure that the AI tools you use comply with state and local regulations, particularly in the context of building codes and safety standards?



Have you discussed or have any ethical concerns arisen from the use of AI in your projects, particularly related to data privacy, license requirements, decision making or job displacement?



Have you evaluated the accuracy and reliability of AI-generated insights or predictions in your work, especially when making critical design or safety decisions?



## DESIGN AND CONSTRUCTION OUTLOOK BY SEGMENT

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 response reflects the change in score in comparison to the starting average score of the next quarter.

### DESIGN OUTLOOK

Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	3.00	3.15	3.31
Consulting Planning	3.54	3.69	3.85
Education	3.29	3.29	3.43
Health Care	3.38	3.50	3.69
Heavy/Civil	3.36	3.45	3.73
Industrial	3.50	3.57	3.71
International	3.17	3.33	3.67
Predesign Work	3.56	3.56	3.75
Residential	3.20	3.60	3.80
Transportation	3.47	3.65	3.65

### CONSTRUCTION OUTLOOK

Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	3.09	3.17	3.35
Education	3.23	3.31	3.38
Health Care	3.57	3.54	3.82
Industrial	3.15	3.23	3.23
International	2.89	3.11	3.44
Lodging	3.00	3.05	3.10
Manufacturing	3.33	3.38	3.54
Office	2.78	2.74	2.78
Public Works	3.35	3.55	3.60
Transportation	3.37	3.68	3.58



## ABOUT THE CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)

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The Construction Industry Round Table (CIRT) is composed exclusively of approximately 130 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. Under its mission statement, CIRT is “a network of leading design/construction firms in the U.S.,” which “seeks to inspire its members to be an innovative force creating a safe and sustainable quality of life for the future.”

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 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. 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 are confidential and shared outside of FMI only in the aggregate. All names of responding individuals remain confidential to FMI.



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