FIRST QUARTER 2024

CIRT SENTIMENT INDEX

in partnership with

Construction Industry Round Table

MARCH 2024

EXECUTIVE SUMMARY

The CIRT Sentiment Index shows strong optimism going into the first quarter of 2024. The overall index score rose to 64.9 from 58.9 in the fourth quarter of 2023. The Design Index also increased sharply to 74.3 from 62.7.

Thinking about the first quarter of 2024, CIRT members recorded much stronger optimism across index components, including sentiment toward the U.S. economy, the economy where members operate, members' construction businesses and the nonresidential sector.

Respondents' sentiment scores toward the U.S. economy nearly doubled, rising to 60.3 from 36.1. This abrupt rise in optimism similarly influenced expectations for the local economies where members operate, which saw the second-largest gain, rising to 65.1 from 47.9. Members also reported improving productivity as well as pricing relief on materials and labor.

Comparing segment expectations from last quarter, design was either stable or improved, led by international, pre-design and industrial work. Construction sentiment was mixed, with gains led by industrial and commercial, and a slight contraction in near-term expectations for transportation, international and manufacturing work.

Members were asked this quarter to respond to current-issue questions focused on their backlogs, capacity and hiring goals, women's participation in their workforces, top risks and adjustments to their strategic plans for 2024.

Planned work remains strong, with 9 out of 10 members maintaining backlogs well into 2025 and slightly more than half of responding members maintaining backlogs of 19 months or longer. Firm capacity is also healthy, with 70% of members reporting levels greater than 80%.

CIRT Index Movement

Sentiment Index	Design Index
64.9	74.3

		Q1 2024	Q4 2023
Overall U.S. Economy	↑	60.32	36.11
Economy Where We Do Business	↑	65.08	47.92
Our Construction Business	↑	77.33	64.46
Nonresidential Sector	↑	62.10	54.93
Backlog	↓	62.96	65.74
Cost of Labor	↓	84.13	86.81
Cost of Materials	↓	57.14	65.97
Productivity	↑	47.62	44.44

However, more than half of reporting members consider themselves understaffed relative to backlogs, and a similar share expanded hiring goals for 2024, implying labor challenges will persist into the foreseeable future. Additionally, approximately two-thirds of responding CIRT members found that women make up 15% or less of their direct field labor; and nearly half are active participants in the Million Women in Construction initiative, a Department of Commerce program that aims to add a million women to the industry's labor force in the next decade.

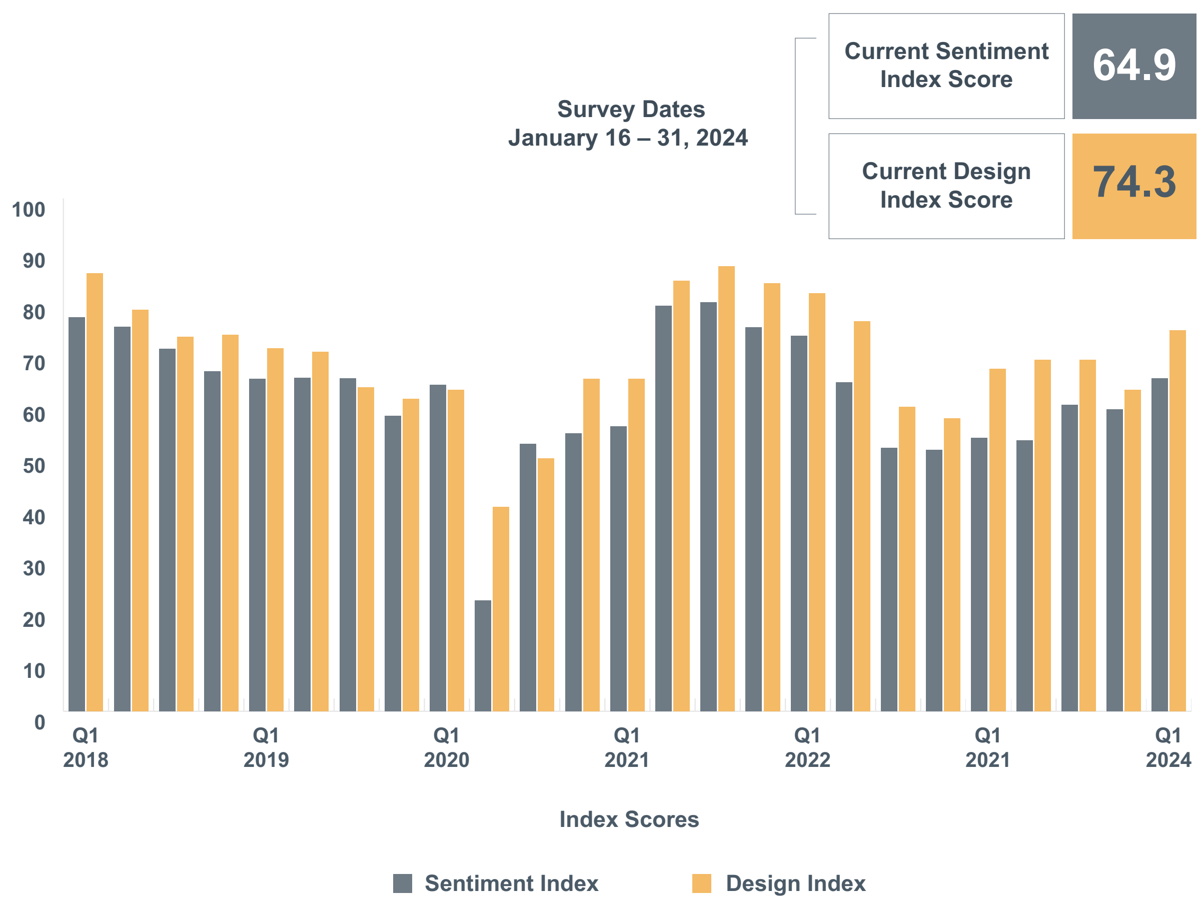
Considering a lengthy and broad-based list of potential risks for 2024, members consistently selected identifying, developing and retaining talent and workforce; limited supply of skilled and craft workers; and limited supply of professional and management staff as their top concerns this year.

Responding to the challenge of sustaining a resilient business in 2024, CIRT members prioritized profitability and backlogs, followed by market share in existing segments and geographies, investments in core products and services, and adaptability. Coupled with, "strategic shifts" for 2024 indicating that most will increase hiring, become more selective on bids, expand pursuits in alternative procurement, move into new segments or sectors and grow geographically.

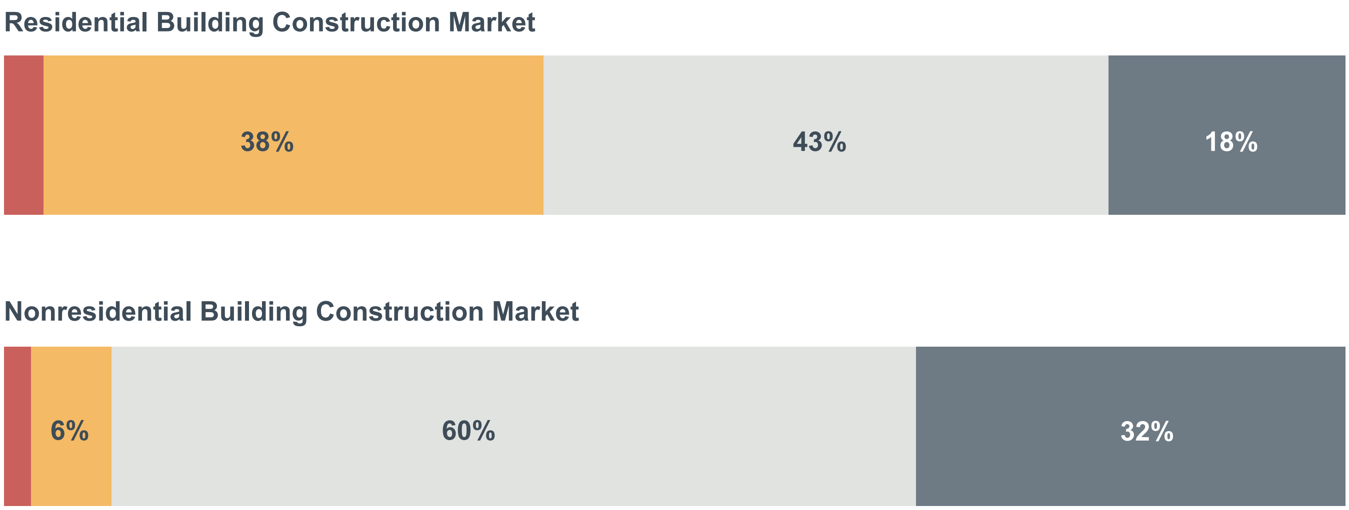
Among the industry segments represented by CIRT's members, expectations have become increasingly mixed. Both short- and long-term design gains are expected across health care, heavy civil, industrial, international, pre-design and transportation opportunities (as represented by growth figures reported below on page 7). Conversely, consulting planning and education design opportunities are likely to remain challenged through at least mid-2024 while residential and commercial design opportunities will be suppressed into next year.

On the construction side, industrial, manufacturing, public works and transportation remain the top four areas with expanding opportunities over the short term and long term. Whereas, office and lodging construction are expected to remain challenged into late 2024.

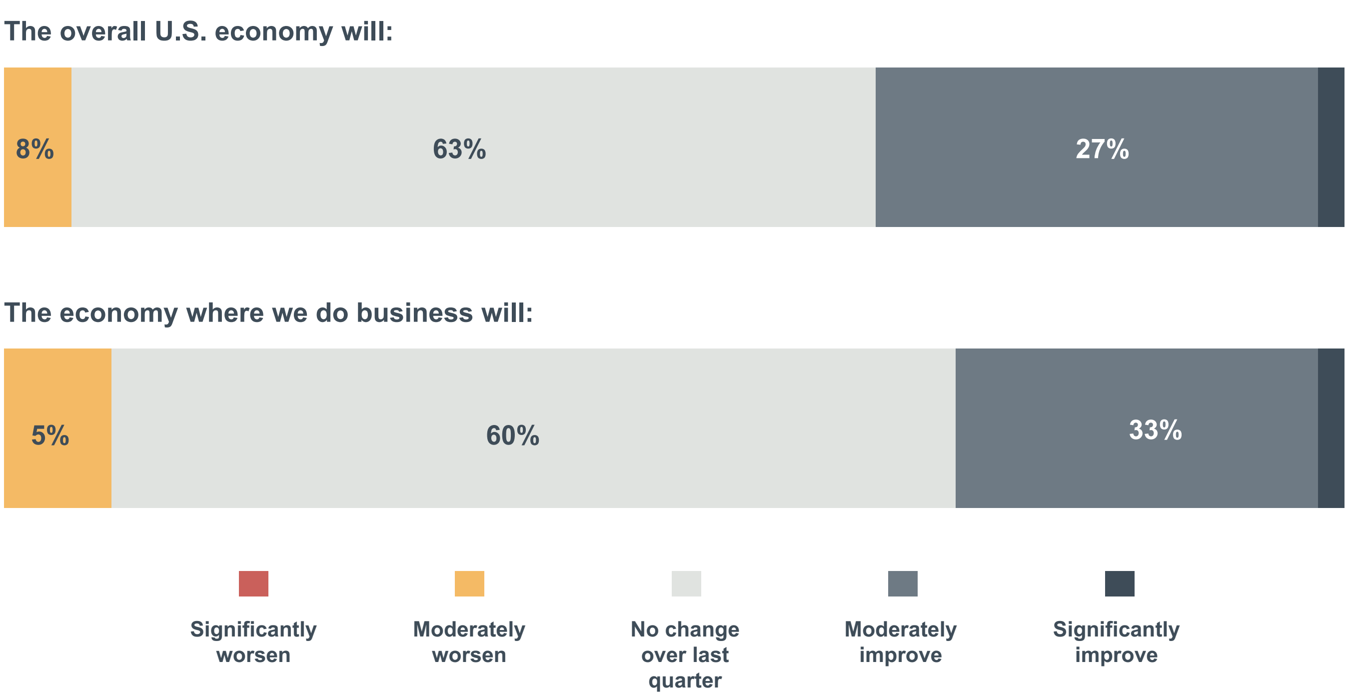
CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q1 2018 TO Q1 2024



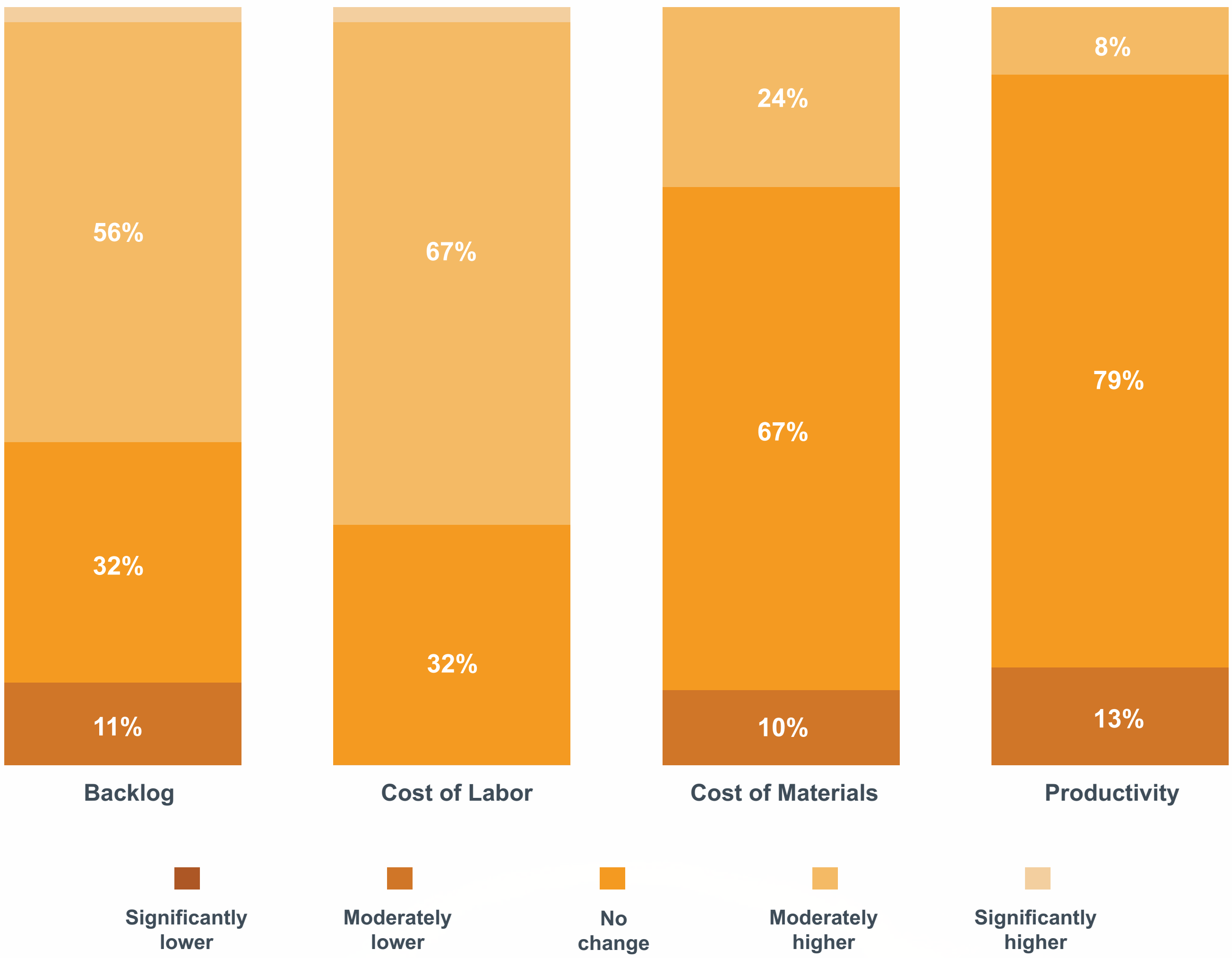
EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS FOR NEXT QUARTER



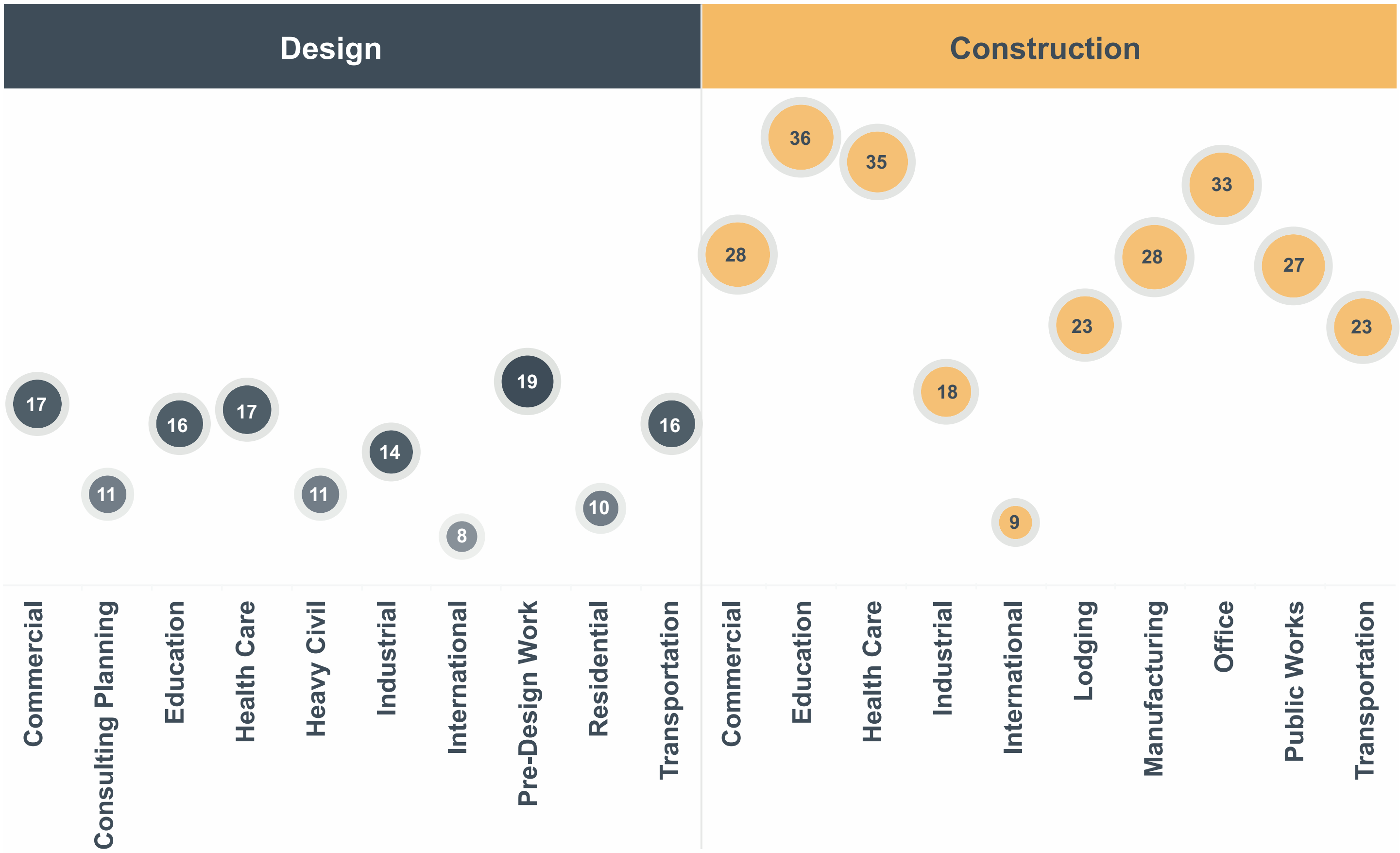
LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER



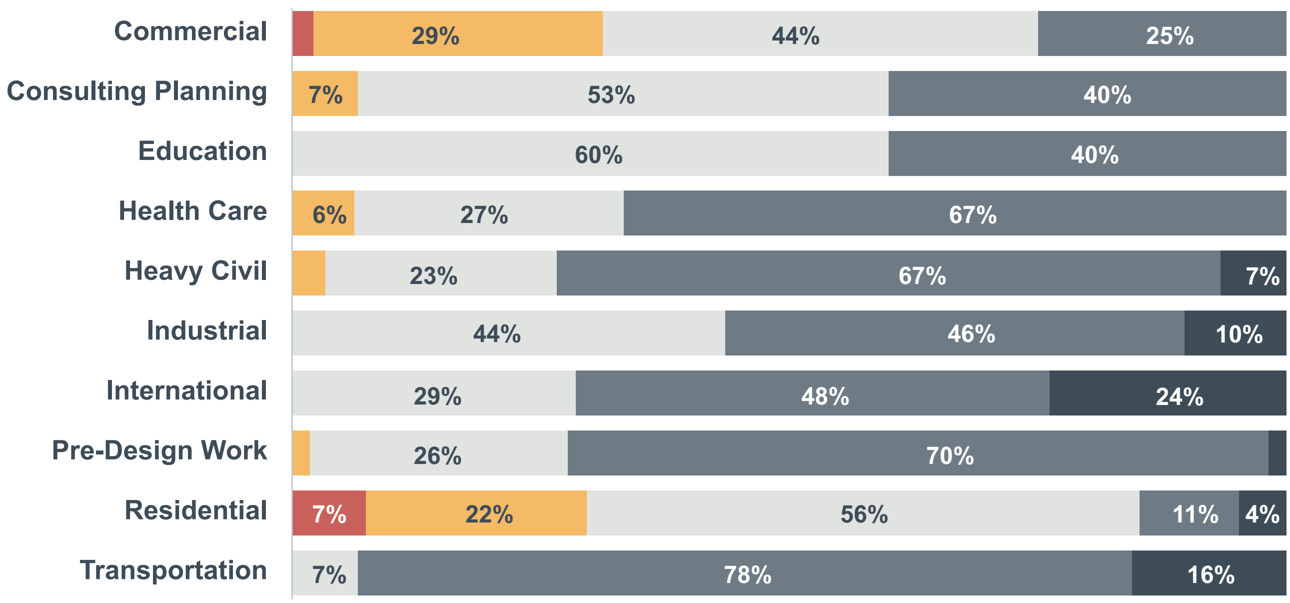
CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER



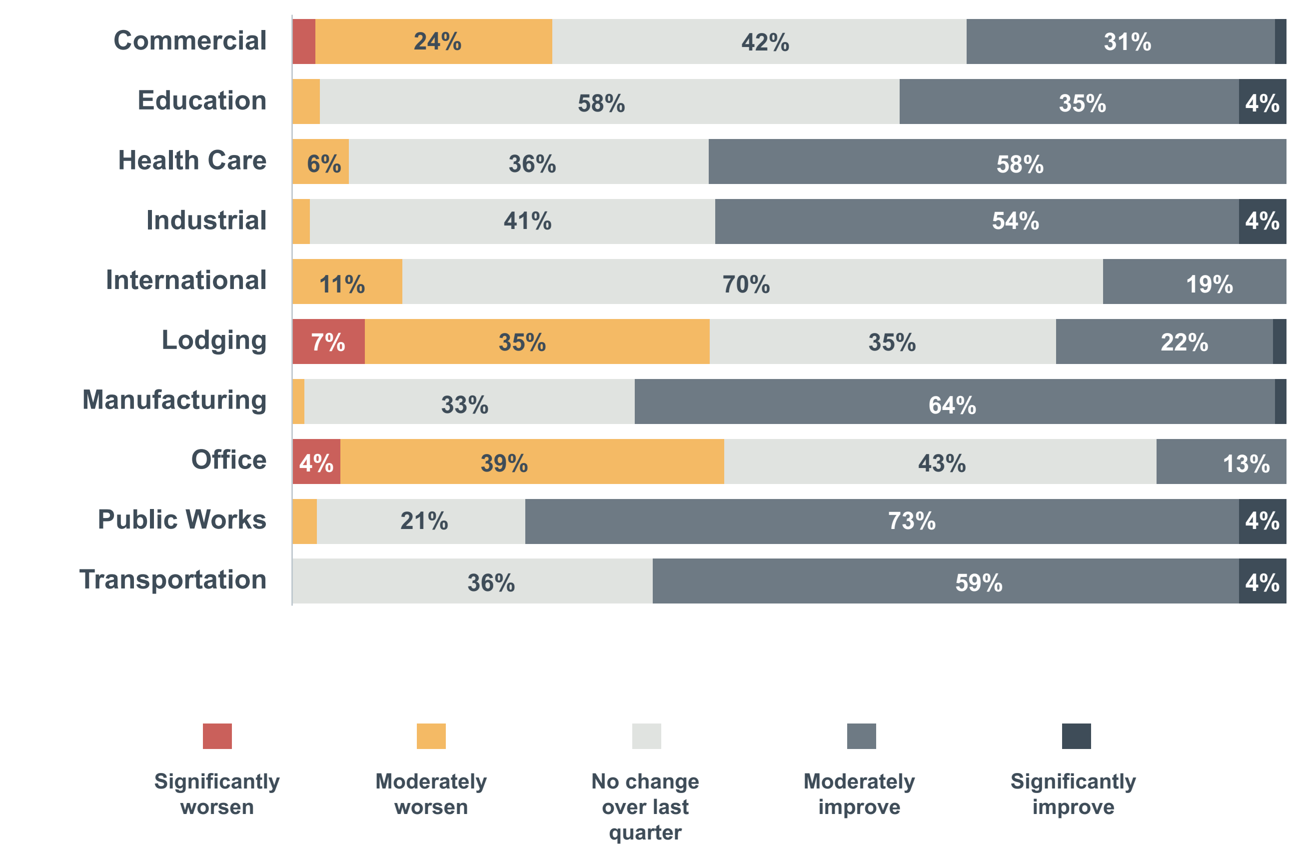
MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR



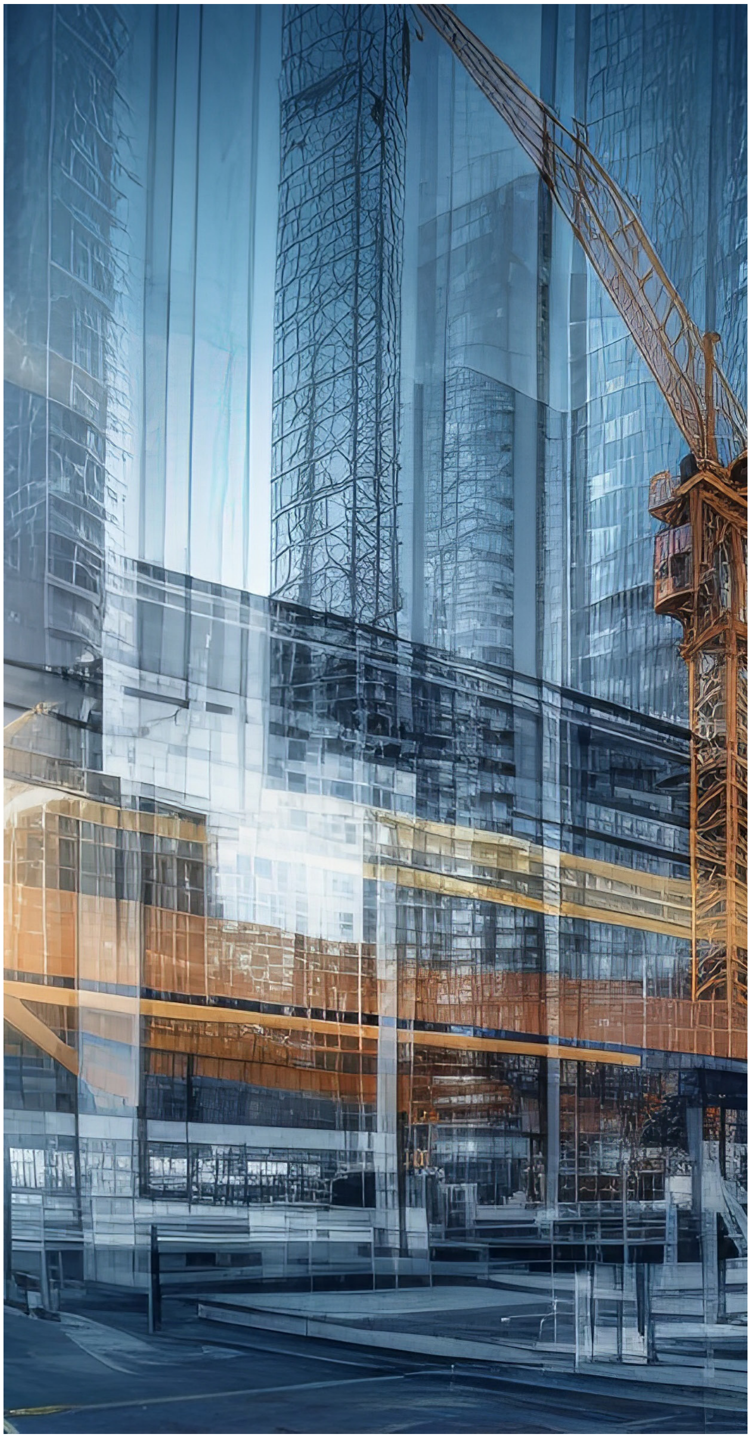
PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN



PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



This quarter CIRT members were asked to respond to questions about current issues focused on their backlogs, capacity and hiring goals, women's participation in their workforces, top risks and adjustments to their strategic plans for 2024.

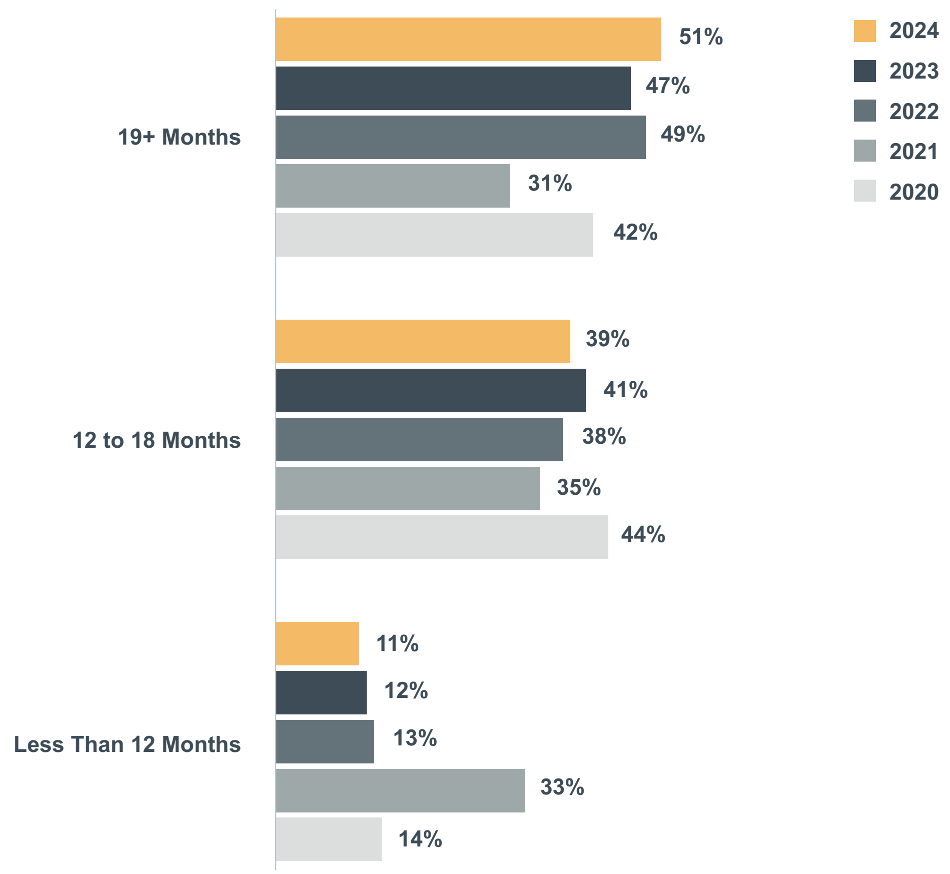


CURRENT TRENDS

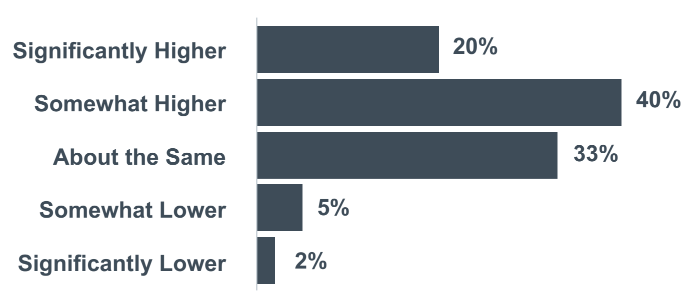
BACKLOG STRENGTH

Backlogs remain strong, with 9 out of 10 members maintaining backlogs well into 2025 and slightly more than half of responding members maintaining backlogs of 19 months or longer. Further, just under two-thirds of members (60%) report backlogs stronger than this time last year, while only 7% report year-over-year backlog contraction (down from 10% last year).

AS WE CLOSE 2023 AND HEAD INTO 2024, HOW STRONG IS YOUR BACKLOG IN TERMS OF MONTHS?



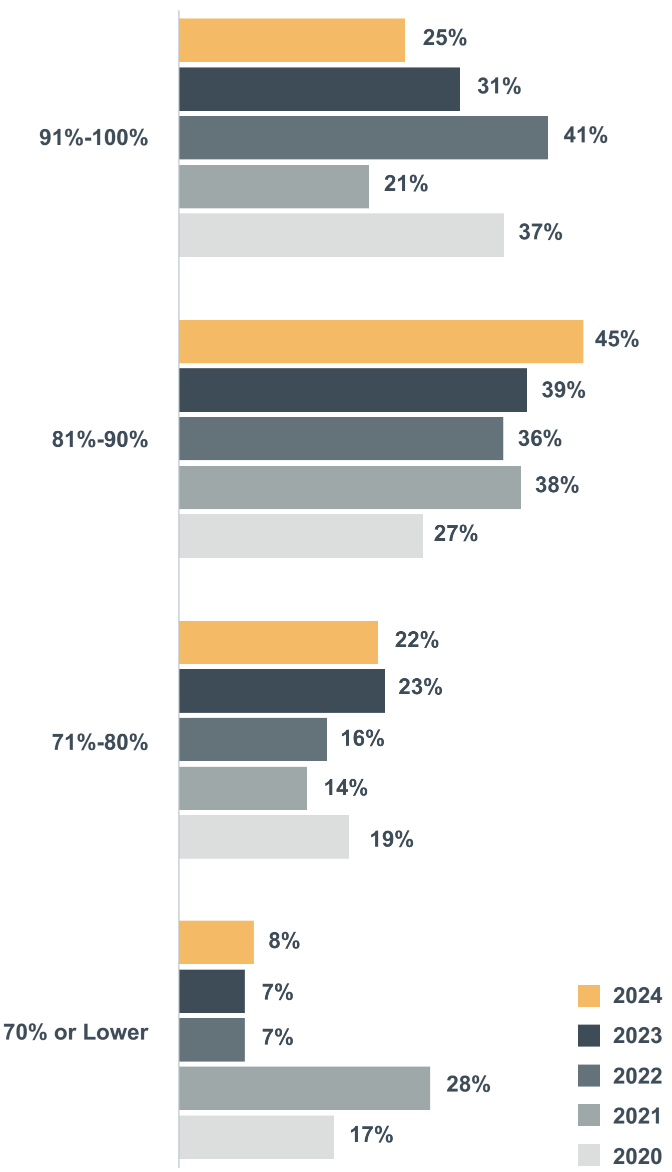
HOW DOES THIS BACKLOG COMPARE TO THE CLOSE OF LAST YEAR, 2022?



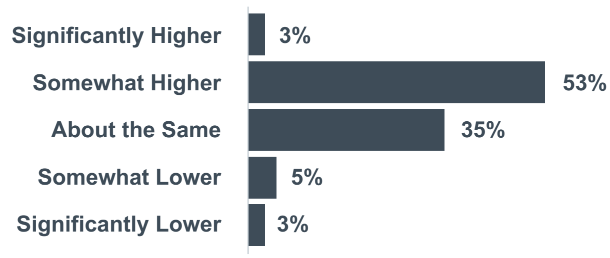
FIRM CAPACITY

Firm capacity is also healthy, with 70% of members reporting levels greater than 80%, including 45% of members saying capacity is between 81% and 90%, and 25% of members greater than 90%. Compared to recent years, results suggest most members are neither over- nor underextended. However, labor challenges are likely to persist into the foreseeable future, with about half of members considering themselves understaffed relative to backlogs (55%) and 55% indicating they will expand their hiring goals for 2024.

AT WHAT CAPACITY DO YOU ESTIMATE YOUR FIRM TO BE, GIVEN CURRENT PROJECT WORKLOAD?

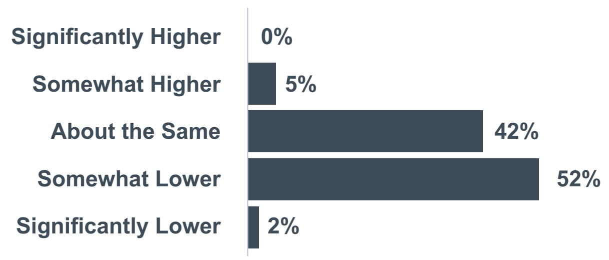


HOW WOULD YOU DESCRIBE YOUR HIRING GOALS FOR 2024 COMPARED TO 2023?



HOW WOULD YOU DESCRIBE YOUR LABOR FORCE CAPACITY RELATIVE TO YOUR 2024 BACKLOG?

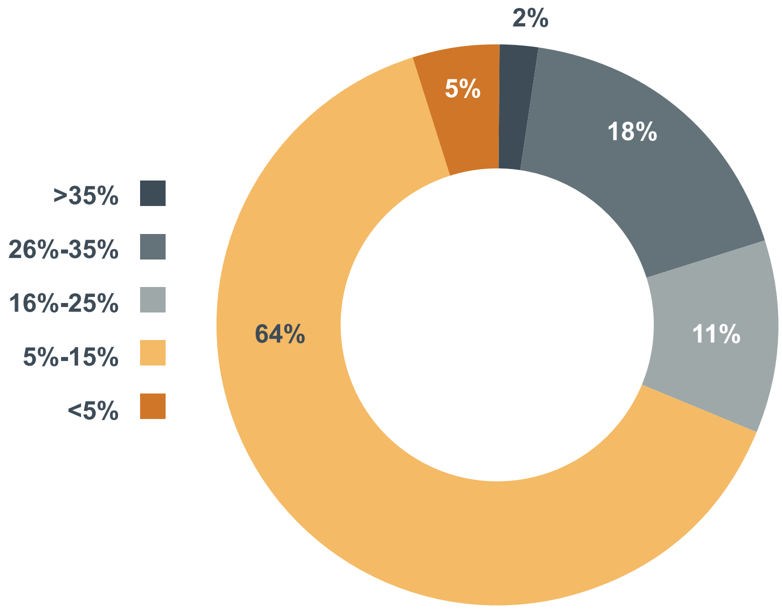
Our labor force is ___ relative to backlog needs.



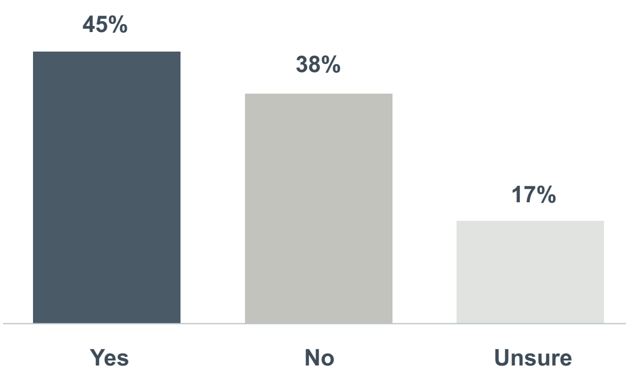
WOMEN IN CONSTRUCTION

This quarter's survey data shows that women in the construction workforce are underrepresented, with more than two-thirds, or 69%, of responding CIRT members indicating that women make up 15% or less of their direct field labor. Additionally, 45% of responding members are involved in the Million Women in Construction initiative, which started in late 2022 with the goal of doubling the number of women in the construction industry over the next decade.

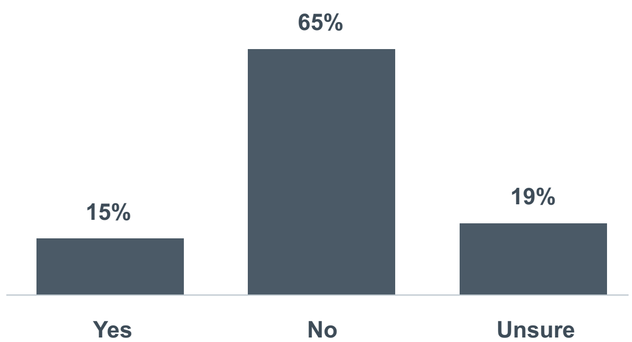
APPROXIMATELY WHAT PERCENTAGE OF YOUR DIRECT FIELD WORKFORCE ARE WOMEN?



HAVE YOU BEEN INVOLVED IN THE GOVERNMENT'S INITIATIVES TO ADD A MILLION MORE WOMEN TO THE CONSTRUCTION INDUSTRY?



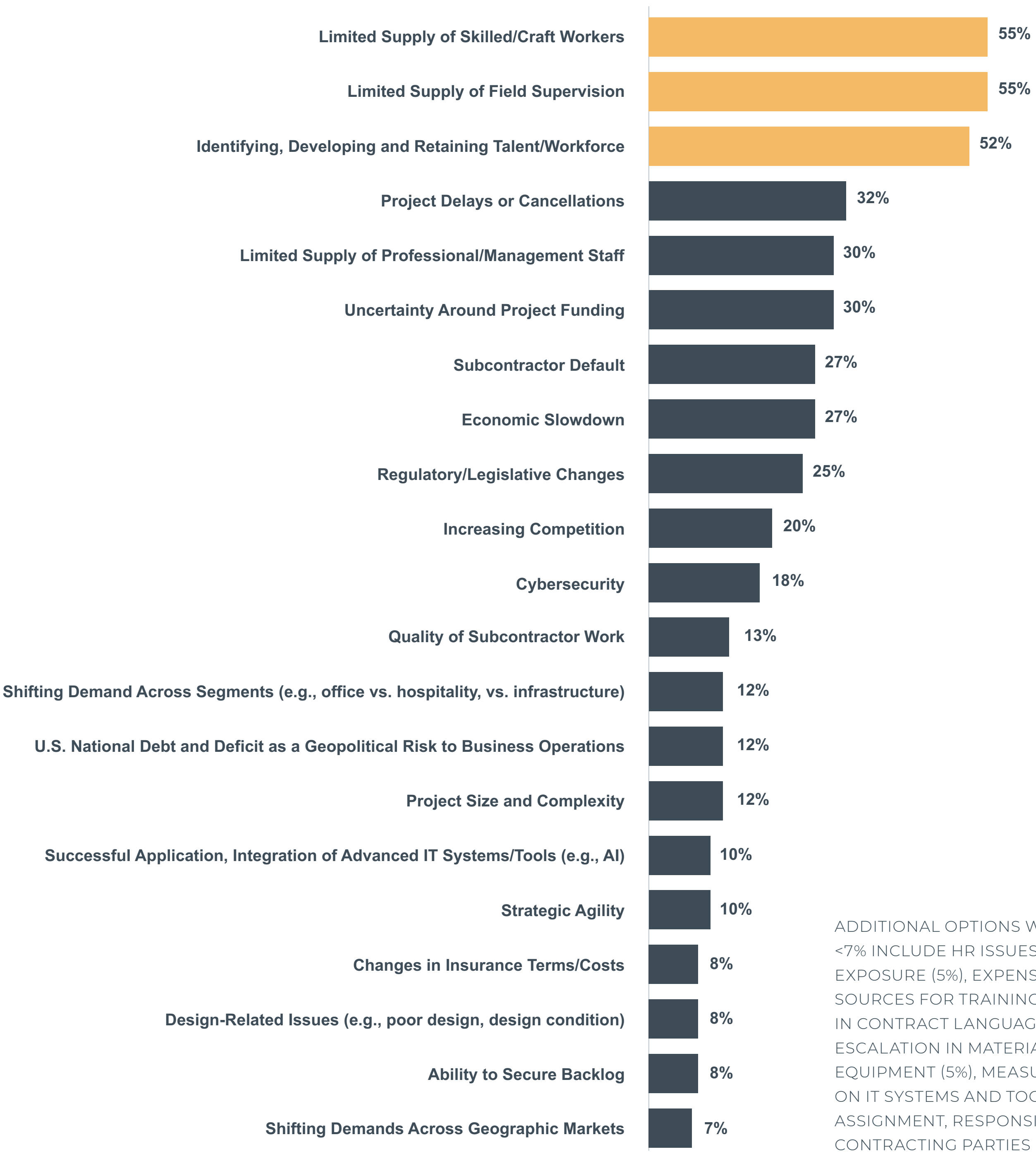
IF YES, HAS YOUR INVOLVEMENT BEEN IN RELATIONSHIP TO THE CHIPS LEGISLATION?



INCREASING RISKS

Considering a lengthy and broad-based list of potential risks for 2024, members consistently reported that their access to skilled craft workers and field supervision, and abilities to identify, develop and retain talent or workforce are major concerns, elevated from last year's survey. Second-tier risks, as identified by approximately one-third of members, include project delays or cancellations, uncertainty around project funding, and a limited supply of professional and management staff.

AS YOU LOOK TO 2024, WHAT FIVE RISKS DO YOU EXPECT TO INCREASE THE MOST? (SELECT UP TO FIVE)

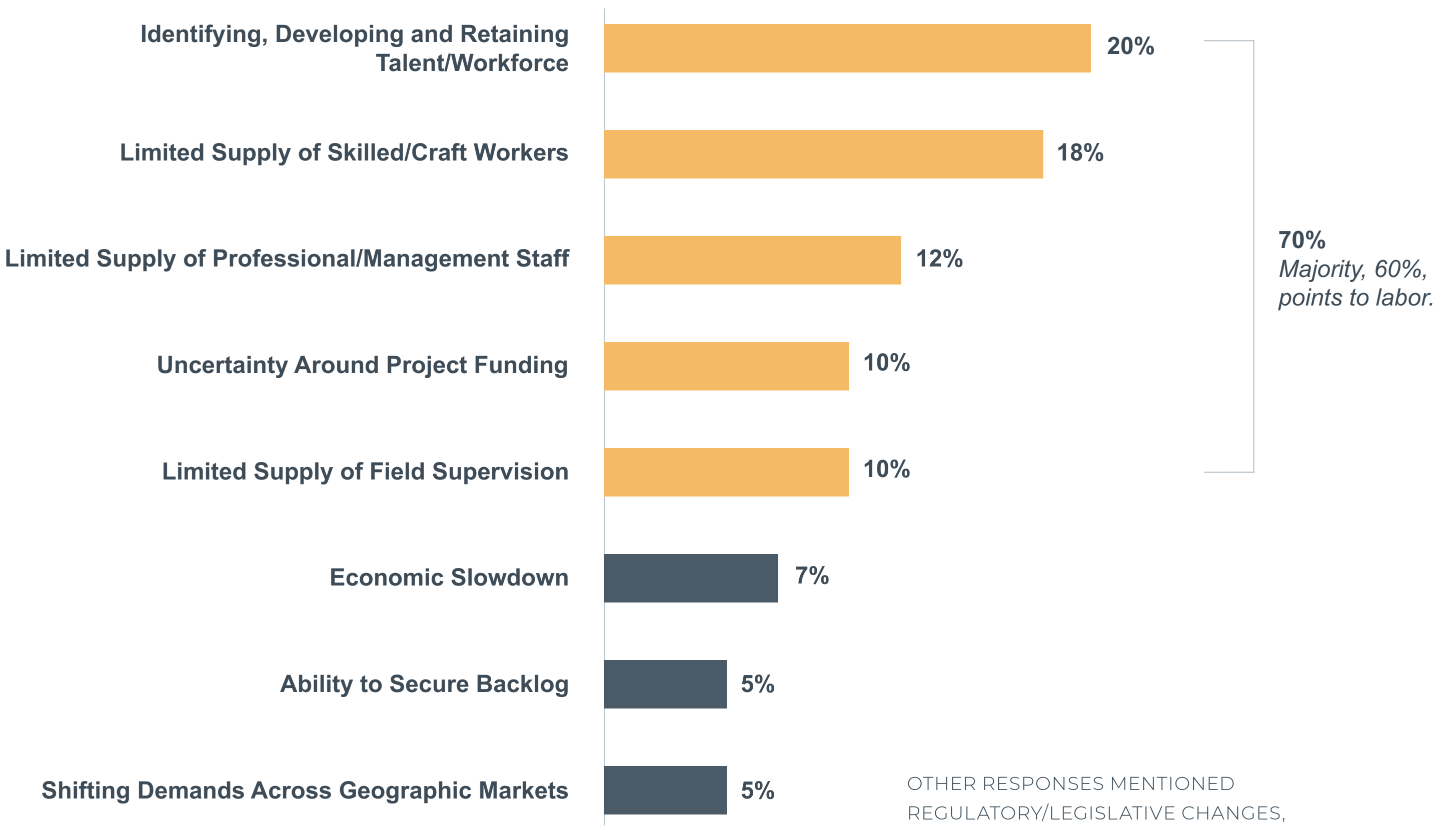


ADDITIONAL OPTIONS WITH SELECTIONS <7% INCLUDE HR ISSUES, LEGAL EXPOSURE (5%), EXPENSE, FUNDING SOURCES FOR TRAINING (5%), CHANGES IN CONTRACT LANGUAGE (5%), COST ESCALATION IN MATERIALS AND EQUIPMENT (5%), MEASURING ROI ON IT SYSTEMS AND TOOLS (5%), RISK ASSIGNMENT, RESPONSIBILITIES AMONG CONTRACTING PARTIES (5%), OTHER (3%).

TOP CHALLENGES

When asked to identify the single largest challenge anticipated for 2024, respondents focused on labor—pointing to identifying, developing and retaining talent or workforce (20%), limited supply of skilled or craft workers (18%) and lack of professional or management staff (12%). Expanding this question to the top five selections (as illustrated below) captures 70% of responding CIRT members and illustrates labor issues as the main concern for 60% of members.

WHAT DO YOU BELIEVE WILL BE THE SINGLE LARGEST CHALLENGE FOR YOUR FIRM IN 2024?



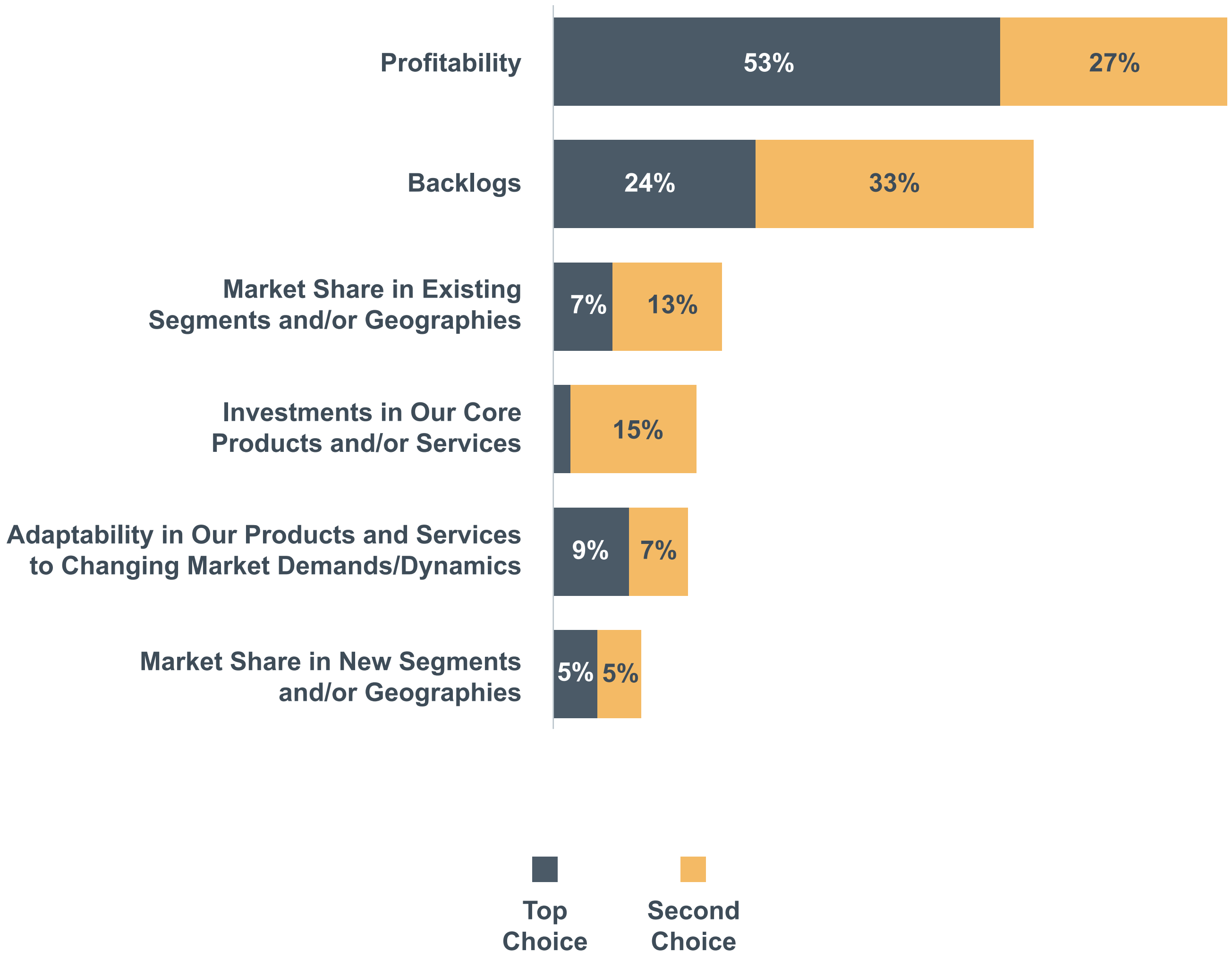
OTHER RESPONSES MENTIONED REGULATORY/LEGISLATIVE CHANGES, SHIFTING DEMAND ACROSS SEGMENTS, SUBCONTRACTOR DEFAULTS, COST ESCALATION IN MATERIAL AND EQUIPMENT, PROJECT SIZE AND COMPLEXITY, PROJECT DELAYS OR CANCELLATIONS, INCREASING COMPETITION, AND SUPPLY CHAIN ISSUES/ FAILURES IN DELIVERING ON COMMITMENTS.

RESILIENCY

When thinking about creating a resilient business in 2024, excluding labor concerns, CIRT members prioritized profitability and backlogs, followed by a focus on market share in existing segments and geographies, investments in core products and services, and adaptability. The least selected priority was investments into growing or expanding new ventures (i.e., segments or markets).

EXCLUDING LABOR, WHEN THINKING ABOUT CREATING A RESILIENT BUSINESS GOING INTO 2024, HOW WOULD YOU RANK THE FOLLOWING ON IMPORTANCE? (RANK 1-6, WITH 1 BEING THE MOST IMPORTANT)

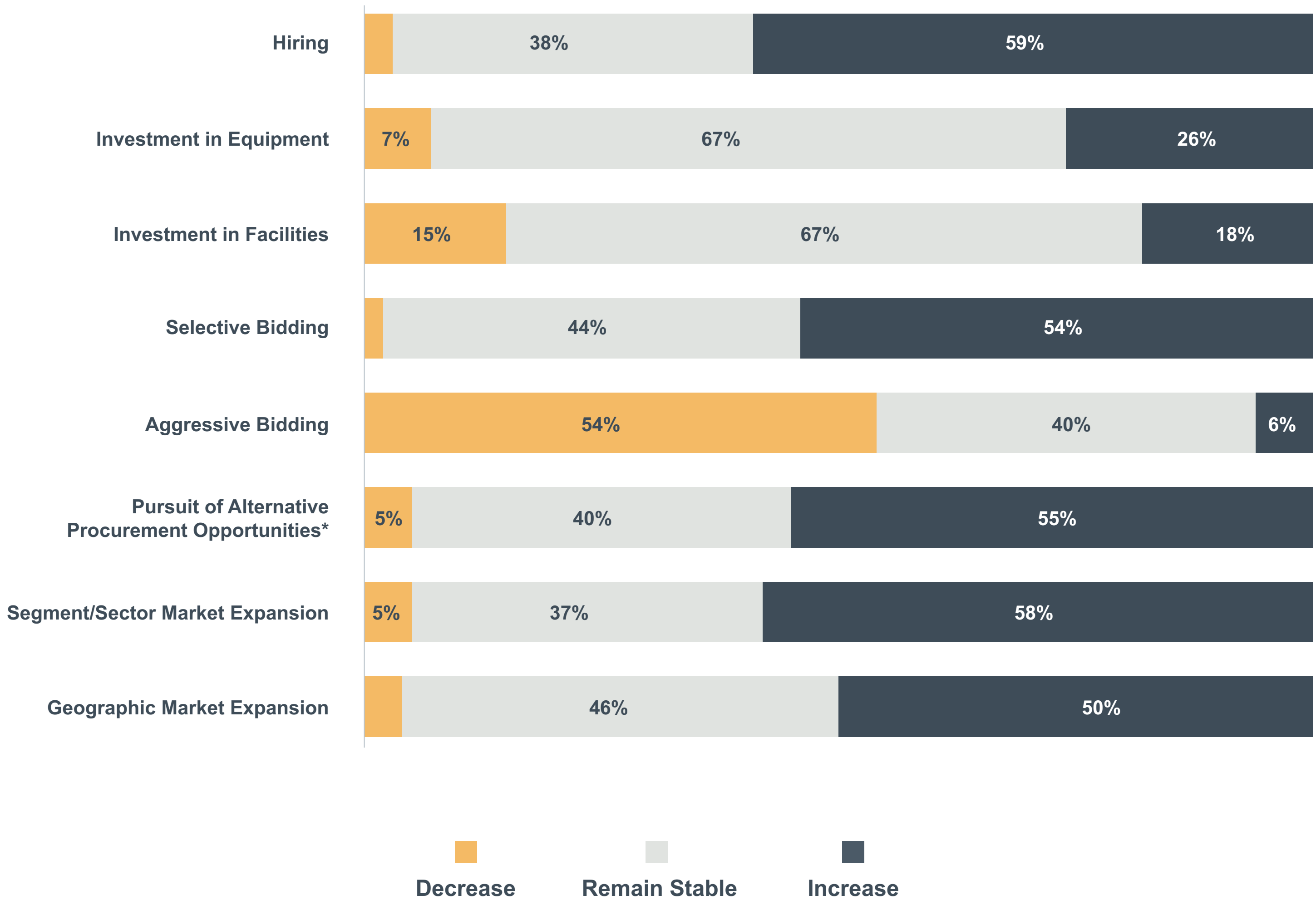
MOST IMPORTANT FACTORS BASED ON FREQUENCY OF TOP RANKINGS



TOP CHALLENGES

Strategic shifts for the year 2024 indicate that most CIRT members will be increasing hiring; become more selective on bids; and increase pursuits in alternative procurement, move into new segments or sectors, and expand geographically. In alignment with strong backlogs, most CIRT members said they will become generally less aggressive with bidding this year.

HOW IS YOUR ORGANIZATION PLANNING TO ADJUST STRATEGIC DECISIONS THROUGH 2024 CONSIDERING THE BELOW LISTED FACTORS?



*DEFINED AS PUBLIC PROJECTS AWARDED ON SOMETHING OTHER THAN PRICE ALONE, SUCH AS QUALIFICATIONS-BASED SELECTION.

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. Darker colors indicate higher optimism.

DESIGN OUTLOOK

Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	2.75	2.94	3.06
Consulting Planning	3.30	3.30	3.40
Education	3.33	3.33	3.53
Health Care	3.56	3.56	3.69
Heavy/Civil	3.70	3.70	3.90
Industrial	3.62	3.69	3.69
International	3.86	3.86	4.14
Pre-Design Work	3.72	3.67	3.78
Residential	2.89	2.67	2.89
Transportation	4.07	4.07	4.13

CONSTRUCTION OUTLOOK

Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	2.93	3.07	3.14
Education	3.33	3.36	3.50
Health Care	3.43	3.51	3.63
Industrial	3.50	3.56	3.72
International	3.00	3.00	3.22
Lodging	2.74	2.70	2.83
Manufacturing	3.54	3.68	3.75
Office	2.55	2.55	2.88
Public Works	3.74	3.74	3.85
Transportation	3.57	3.65	3.83

Darker shades indicate higher optimism.

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

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