

RLB | Rider Levett Bucknall

USA
REPORT

QUARTERLY
CONSTRUCTION
COST REPORT

SECOND QUARTER 2014





AT A GLANCE

Design Professionals and General Contractors continue to remain optimistic about the construction industry through 2014. Architecture, Engineering and Construction (A/E/C) firms are beginning to hire new staff and have a general view that demand will either grow or remain stable in a range of market sectors.

Although optimism surrounding the construction industry remains, some A/E/C firms have lingering concerns regarding employee shortages, rising employment and construction costs, the impact of new regulations and recent federal budget cuts.

In regards to rising construction costs, our National Construction Cost Index shows an increase in construction cost of 1.15% for the period which is the largest increase recorded since July 2008. Increased construction costs are due to a variety of factors including fluctuations in commodity pricing, the availability of skilled labor and competition within the construction industry.

Even though the construction industry continues to steadily recover and optimism remains high, we expect that it will take some time before a return to the activity and employment levels experienced a decade ago.

EVERETT MUNICIPAL COURT EVERETT, WASHINGTON

The new 25,000 square foot Everett Municipal Court replaces the approximately 5,000 square foot facility built in the 1950s. The new Everett Court facility is conceptualized as the gateway to the Everett civic campus, with a public courtyard serving as a primary feature for encouraging public connection to the function of the courts.

The building has 17,000 square feet on the first floor and 8,000 square feet in a daylight basement. The first floor houses two courtrooms, a reception area, and offices for probation and court clerks, as well as chambers for judges and detention space for prisoners. The basement level contains storage, parking and a secure sally port for bringing in people who are in custody. This project was constructed in two phases allowing for continuous operation of the existing facility while the initial phase was completed. Once the initial phase was constructed and operational, the old facility structure was torn down to complete the second phase.

Opened in June 2013, the Everett Municipal Court was designed by DLR Group and is targeting LEED Silver certification. Rider Levett Bucknall provided construction cost estimating services to the design team.

NATIONAL CONSTRUCTION COST INDEX

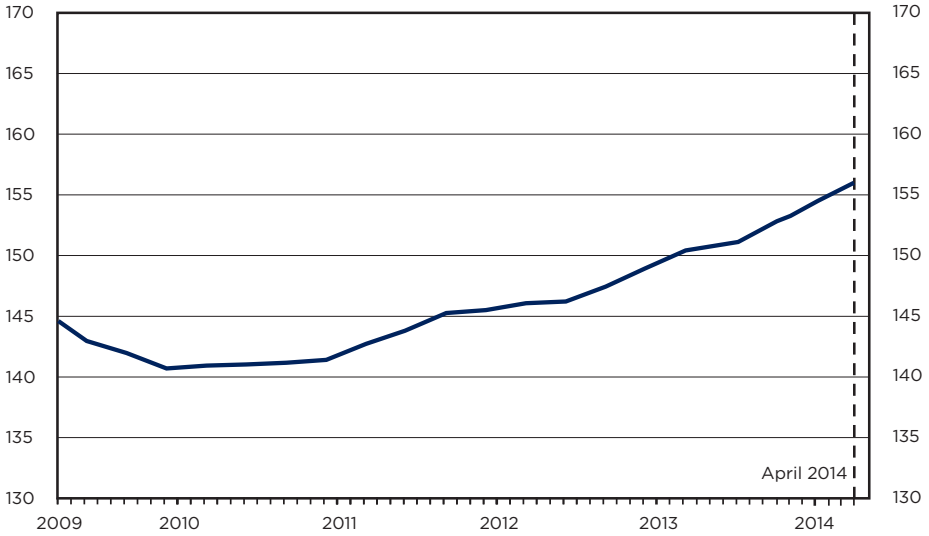
The National Construction Cost Index shows the changing cost of construction between April 2009 and April 2014, relative to a base of 100 at April 2001. Index recalibrated as of April 2011.

Date	Cost Index
April 2009	145.19
July 2009	143.35
October 2009	142.48
January 2010	141.80
April 2010	142.21
July 2010	142.58
October 2010	142.60
January 2011	142.77
April 2011	143.42
July 2011	144.53
October 2011	145.29
January 2012	145.73
April 2012	146.35
July 2012	146.67
October 2012	147.74
January 2013	149.19
April 2013	150.75
July 2013	151.89
October 2013	153.09
January 2014	154.56
April 2014	156.33

Welcome to the second quarter 2014 issue of our series of Rider Levett Bucknall Quarterly Cost Reports! This issue contains data current to April 1, 2014.

According to the U.S. Department of Commerce, construction put-in-place during March 2014 was estimated at a seasonally adjusted annual rate of \$942.5 billion, which is 0.2% above the revised February estimate of \$940.8 billion. The March 2014 figure is 8.4% above the March 2013 estimate of \$869.2 billion. The value of construction for the first three months of this year was \$196.6 billion, 8.3% above the same period in 2013.

NATIONAL CONSTRUCTION COST INDEX



KEY UNITED STATES STATISTICS

	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Gross Domestic Product (GDP)*	1.7%	2.8%	3.2%	0.1%
Consumer Price Index (CPI)	233.5	234.2	233.1	236.3
Inflation	1.75%	1.2%	1.5%	1.51%
Architectural Billings Index (ABI)	51.6	54.3	48.5	48.8
Construction Put-in-Place (B)	\$883.4	\$908.4	\$930.5	\$942.5
Unemployment	7.5%	7.3%	7.0%	6.7%
Construction Unemployment	9.8%	8.5%	11.4%	11.3%

GDP represented in percent change from the preceding quarter, seasonally adjusted at annual rates. CPI quarterly figures represent the monthly value at the end of the quarter. Inflation rates represent the total price of inflation from the previous quarter, based on the change in the Consumer Price Index. ABI is derived from a monthly American Institute of Architects survey of architectural firms of their work on the boards, reported at the end of the period. Construction Put in Place figures represent total value of construction dollars in billions spent at a seasonally adjusted annual rate taken at the end of each quarter. General Unemployment rates are based on the total population 16 years and older. Construction Unemployment rates represent only the percent of experienced private wage and salary workers in the construction industry 16 years and older. Unemployment rates are seasonally adjusted, reported at the end of the period.

Sources: U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, American Institute of Architects

* Adjustments made to GDP based on amended changes from the Bureau of Economic Analysis.

INDICATIVE CONSTRUCTION COSTS

The data in the chart below represents estimates of current building costs in each respective market. Costs may vary as a consequence of factors such as site conditions, climatic conditions, standards of specification, market conditions, etc. Values represent hard construction costs based on U.S. dollars per square foot of gross floor area.

LOCATION	OFFICES				RETAIL SHOPPING				HOTELS				HOSPITAL		INDUSTRIAL		PARKING				RESIDENTIAL				EDUCATION					
	PRIME		SECONDARY		CENTER		STRIP		5 STAR		3 STAR		GENERAL		WAREHOUSE		GROUND		BASEMENT		MULTI-FAMILY		SINGLE FAMILY		ELEMENTARY		HIGH SCHOOL		UNIVERSITY	
	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
Boston	200	280	175	245	120	210	90	145	250	400	160	250	375	550	70	100	60	90	80	110	135	220	165	325	220	300	240	350	275	400
Chicago	230	360	120	180	115	210	80	130	250	450	120	210	310	580	70	130	65	110	90	130	130	210	120	325	190	350	190	370	250	375
Denver	140	225	100	150	80	130	65	125	185	280	105	165	335	385	65	110	40	70	60	95	70	190	65	355	125	160	145	215	185	305
Honolulu	220	430	190	320	165	400	140	350	415	600	260	440	380	615	110	175	75	115	110	210	155	360	225	615	270	380	325	490	360	580
Las Vegas	140	285	105	190	115	480	65	145	325	465	120	225	285	455	50	100	50	85	60	150	70	400	90	350	180	315	200	455	235	455
Los Angeles	180	290	120	195	110	240	80	140	250	400	170	245	375	575	75	140	75	95	95	140	135	230	130	300	275	375	290	420	300	450
New York	205	350	180	270	140	250	115	160	320	475	185	265	450	600	90	130	65	105	85	125	140	250	175	350	190	340	220	375	275	400
Phoenix	125	230	100	155	105	165	70	125	210	380	110	160	290	420	55	100	40	65	60	100	80	185	100	350	150	200	170	240	210	375
Portland	165	220	115	170	110	220	90	130	175	265	130	170	350	460	75	130	70	90	90	130	110	195	110	260	190	245	210	260	245	350
San Francisco	195	310	140	220	120	240	110	165	265	420	190	270	375	585	80	140	75	100	95	145	145	230	145	320	270	380	295	430	315	450
Seattle	165	205	115	160	115	200	95	135	185	275	140	180	320	435	75	110	65	85	85	125	120	235	100	235	205	250	230	300	265	395
Washington DC	175	240	130	185	95	190	75	135	230	375	150	230	350	500	70	100	55	80	75	100	100	185	120	250	190	250	220	275	250	375

RIDER LEVETT BUCKNALL IS EXPANDING

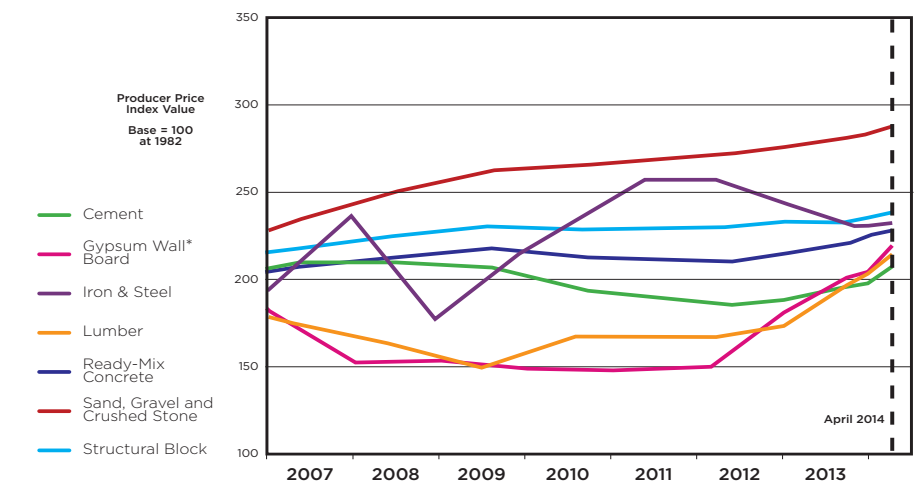
Rider Levett Bucknall is expanding! We are pleased to announce the opening of two new office locations in Austin, Texas and in Kihei, Hawaii on the Island of Maui.

Leading the new Austin office is Senior Manager Ruben Rodriguez. Ruben has over 40 years of construction industry, real estate development and business development experience in both the public and private sectors. He is based in Texas but has worked on a variety of projects across North America, Asia, Europe, the Middle East and North Africa.

Our new Maui office is lead by Principal Brian Lowder. Brian has over 30 years of construction industry experience and has worked with a variety of clients across all sector types in Hawaii and across North America.

We are excited to share news of our expansion as these new offices will allow us to better serve our valued clients by extending our current service offerings to new geographic markets.

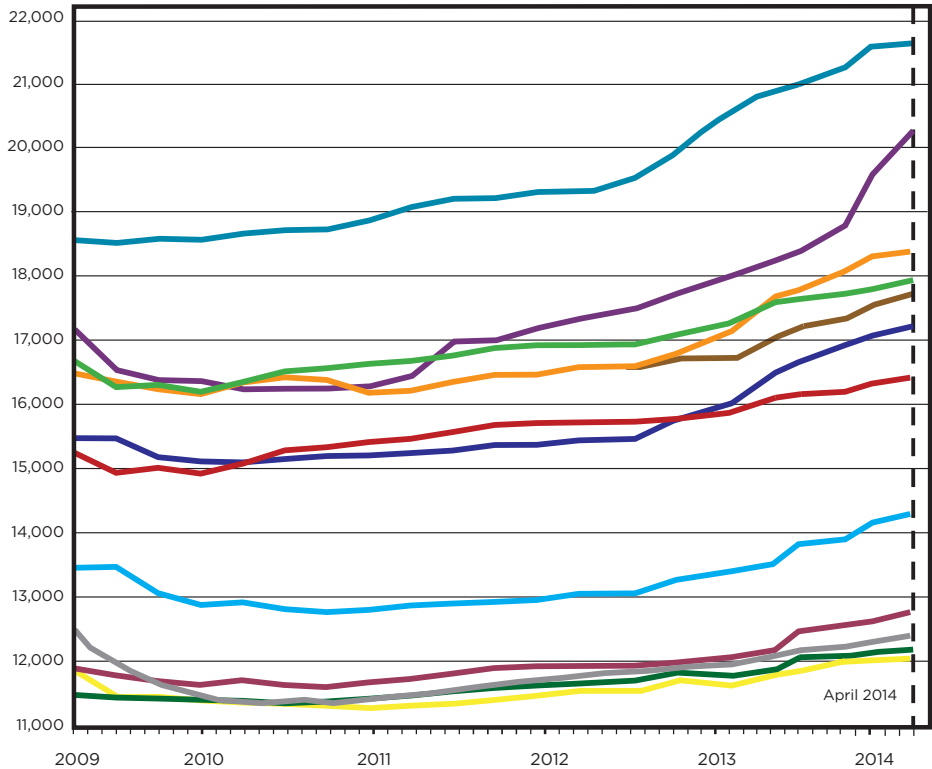
MATERIALS PRICE INDEX



*For Gypsum Wall Board only, Base= 100 at 1994

Source: Bureau of Labor Statistics

COMPARATIVE COST INDEX



Each quarter we look at the comparative cost of construction in 12 US cities, indexing them to show how costs are changing in each city in particular, and against the costs in the other 11 locations. You will be able to find this information on the graph titled *Comparative Cost Index (above)* and on the *Cost and Change Summary (right)*.


Our Comparative Cost Index tracks the 'true' bid cost of construction, which includes, in addition to costs of labor and materials, general contractor and sub-contractor overhead costs and fees (profit). The index also includes applicable sales/use taxes that 'standard' construction contracts attract. In a 'boom,' construction costs typically increase more rapidly than the net cost of labor and materials. This happens as the overhead levels and profit margins are increased in response to the increasing demand. Similarly, in a 'bust,' construction cost increases are dampened (or may even be reversed) due to reductions in overheads and profit margins.

City	*January 2014	April 2014	% Change
Boston	18,251	18,381	0.72%
Chicago	17,646	17,814	0.95%
Denver	12,191	12,288	0.79%
Honolulu	19,500	20,243	3.81%
Las Vegas	12,025	12,098	0.61%
Los Angeles	16,215	16,362	0.90%
New York	21,568	21,709	0.65%
Phoenix	12,260	12,359	0.81%
Portland	12,621	12,808	1.48%
San Francisco	17,776	17,955	1.00%
Seattle	14,114	14,255	0.99%
Washington, DC	17,047	17,220	1.01%

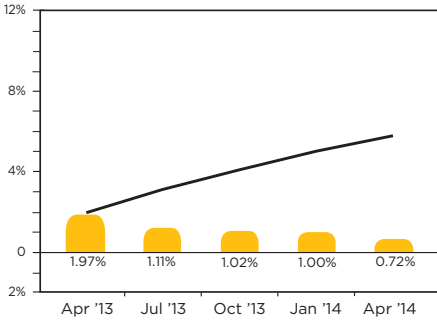
*January 2014 figures corrected as of June 13, 2014.

Our research suggests that between January 1, 2014 and April 1, 2014 the national average increase in construction cost was approximately 1.15%. Honolulu, Portland, San Francisco and Washington DC all experienced increases of 1.0% or greater for the period. All other locations experienced gains ranging from 0.65% in New York to 0.99% in Seattle. The national average increase in construction cost of 1.15% for the period was the largest since July 2008.

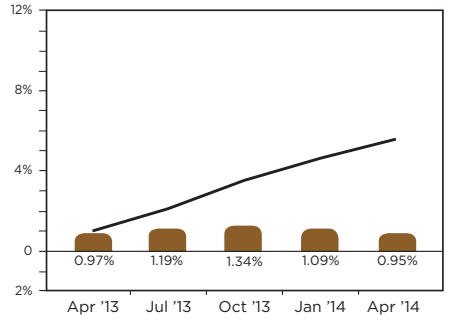
The following escalation charts track changes in the cost of construction each quarter in many of the cities where Rider Levett Bucknall offices are located. Each chart graphs the percentage change per period and the cumulative percentage change throughout the charted timeline.

 Percentage change per quarter  Cumulative percentage change for the period shown

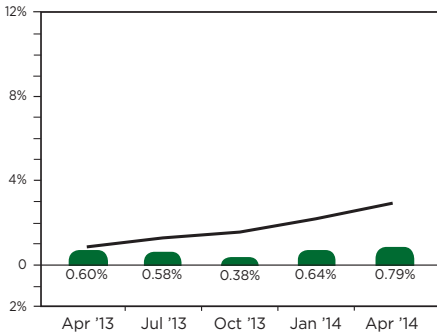
COST INDEX Boston



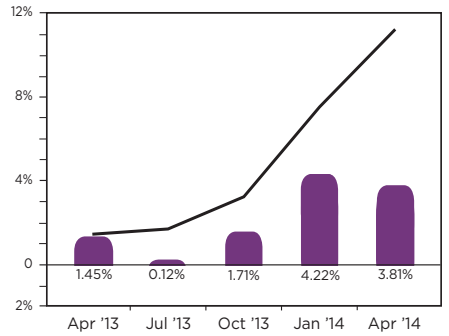
COST INDEX Chicago



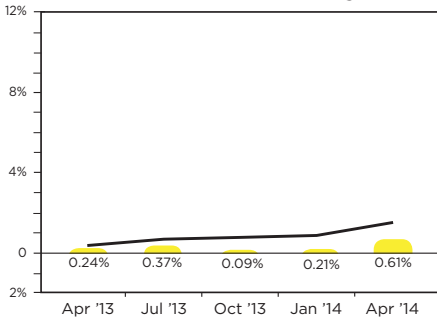
COST INDEX Denver



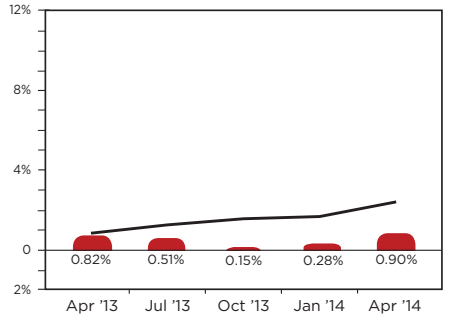
COST INDEX Honolulu



COST INDEX Las Vegas

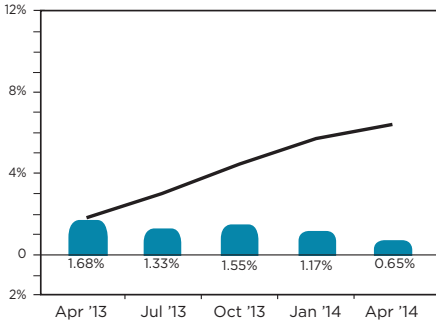


COST INDEX Los Angeles

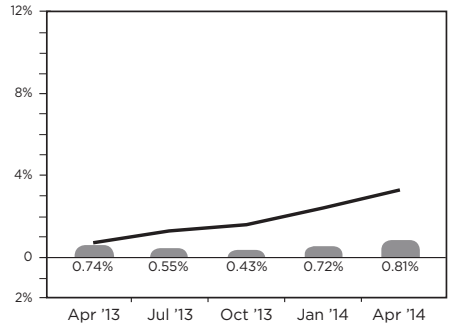


USA REPORT

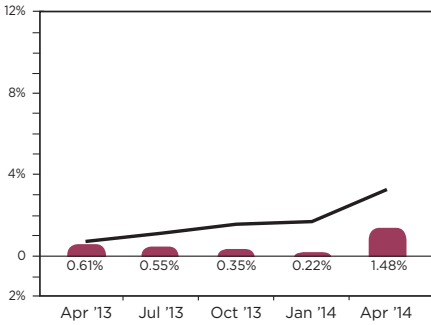
COST INDEX New York



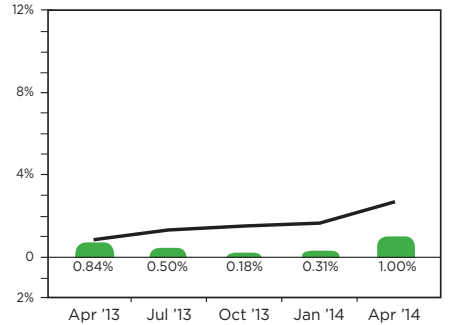
COST INDEX Phoenix



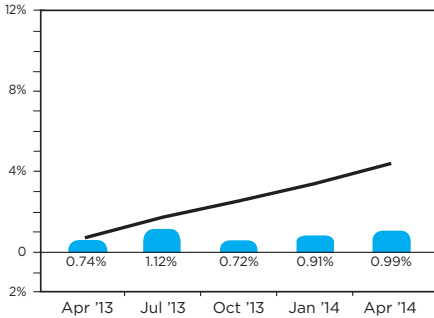
COST INDEX Portland



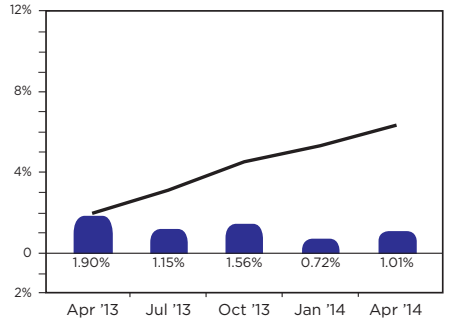
COST INDEX San Francisco



COST INDEX Seattle



COST INDEX Washington, DC



While the information in this publication is believed to be correct, no responsibility is accepted for its accuracy. Persons desiring to utilize any information appearing in this publication should verify its applicability to their specific circumstances.

This issue was compiled by Ariel Eversoll with contributions from Evans Pomegas, Grant Owen, Jim Bergstrand, Jason Schultz, Paul Brussow, Maelyn Uyehara, Cassie Idehara, Simon James, Scott Macpherson, Graham Roy, Daniel Junge and Chris Burris.

© June 2014 by Rider Levett Bucknall Ltd.

Please do not hesitate to contact us if we can provide you with more information or if we can be of service to you in any way.

AUSTIN

Phone: +1 512 704 3026
E-mail: AUS@us.rlb.com
Contact: Ruben Rodriguez

BARBADOS

Phone: +1 246 432 5795
E-mail: robert.hoyle@bb.rlb.com
Contact: Robert Hoyle

BOSTON

Phone: +1 617 737 9339
E-mail: BOS@us.rlb.com
Contact: Grant Owen

CALGARY

Phone: +1 403 571 0505
E-mail: YYC@ca.rlb.com
Contact: Peter Knowles

CAYMAN ISLANDS

Phone: +1 345 946 6063
E-mail: martyn.bould@ky.rlb.com
Contact: Martyn Bould

CHICAGO

Phone: +1 312 819 4250
E-mail: ORD@us.rlb.com
Contact: Robert Garrison

DENVER

Phone: +1 720 904 1480
E-mail: DEN@us.rlb.com
Contact: Peter Knowles

GUAM

Phone: +1 671 473 9054
E-mail: GUM@us.rlb.com
Contact: Emile le Roux

HILO

Phone: +1 808 934 7953
E-mail: ITO@us.rlb.com
Contact: Kevin Mitchell

HONOLULU

Phone: +1 808 521 2641
E-mail: HNL@us.rlb.com
Contact: Tony Smith
Paul Brussow
Maelyn Uyehara

KENNEWICK

Phone: +1 509 735 3056
E-mail: PSC@us.rlb.com
Contact: Chris Burris
Michael Pollock

LAS VEGAS

Phone: +1 702 227 8818
E-mail: LAS@us.rlb.com
Contact: Simon James

LOS ANGELES

Phone: +1 213 689 1103
E-mail: LAX@us.rlb.com
Contact: Graham Roy

MAUI

Phone: +1 808 875 1945
E-mail: OGG@us.rlb.com
Contact: Brian Lowder

NEW YORK

Phone: +1 212 952 1300
E-mail: EWR@us.rlb.com
Contact: Grant Owen

ORLANDO

Conventional Wisdom Corp.
Phone: +1 407 905 0002
E-mail: ideas@cwisdom.com
Web: www.cwisdom.com
Contact: David O'Neal
Rick Schmidt

PHOENIX

Phone: +1 602 443 4848
E-mail: PHX@us.rlb.com
Contact: Julian Anderson
Scott Macpherson
John Jozwick

PORTLAND

Phone: +1 503 226 2730
E-mail: PDX@us.rlb.com
Contact: Graham Roy

SAN FRANCISCO

Phone: +1 415 362 2613
E-mail: SFO@us.rlb.com
Contact: Graham Roy

SEATTLE

Phone: +1 206 223 2055
E-mail: SEA@us.rlb.com
Contact: Chris Burris

TUCSON

Phone: +1 520 202 7378
E-mail: TUS@us.rlb.com
Contact: Scott Macpherson
Joel Brown

WAIKOLOA

Phone: +1 808 883 3379
E-mail: KOA@us.rlb.com
Contact: Kevin Mitchell

WASHINGTON, DC

Phone: +1 202 457 1450
E-mail: DCA@us.rlb.com
Contact: Grant Owen

RLB | Rider Levett Bucknall

A map of North America, including the United States, Canada, and Mexico, is shown in a light gray color against a dark blue background. Numerous small white dots are scattered across the map, representing various office locations. The dots are concentrated in the United States, with a few in Canada and Mexico. The dots are distributed across the continent, from the West Coast to the East Coast, and from the northern to the southern regions.

LOCATIONS

RIDER LEVETT BUCKNALL

Austin | Barbados | Boston | Calgary | Chicago
Cayman Islands | Denver | Guam | Hilo | Honolulu
Kennewick | Las Vegas | Los Angeles | Maui | New York
Phoenix | Portland | San Francisco | Seattle
Tucson | Waikoloa | Washington, DC

CONVENTIONAL WISDOM

Orlando

www.americas.rlb.com