RLB | Rider Levett Bucknall

USA REPORT

QUARTERLY CONSTRUCTION COST REPORT

FIRST QUARTER 2011

PORTLAND

USA REPORT

AT A GLANCE

Construction cost escalation remained tame across the United States in the past quarter even as commodity prices increased resolutely and some material suppliers attempted (yet again) to increase their prices and to make those price increases stick in a sullen market.

The recent – and somewhat surprising – good news is that there may be a change in the air! Conversations with clients and industry friends indicate an almost universal sentiment of cautious optimism that the construction industry may be seeing the first signs of recovery.

In our view, national construction activity should see some modest overall gains in 2011 as interest rates remain low and more markets progressively turn from decline to growth. Increased activity in residential, hospitality and heavy civil projects should help offset continued weakness within the commercial and post-stimulus public sector markets and the general pickup in consumer sentiment should begin to boost investor confidence.

Time will, of course, tell whether the tenuous optimism is warranted but the uptick in the American Institute of Architect's Architectural Billings Index certainly seems to support the general sentiment.

PGE PARK RENOVATIONS
PORTLAND, OREGON

Due for completion shortly before the Portland Timbers' first home game on April 14th, 2011, PGE Park's $31 million renovation and expansion will house the country's newest Major League Soccer (MLS) team. Improvements to the venue will reconfigure the park to MLS requirements and feature a seating capacity of approximately 19,000. New features include a public plaza entrance, a new covered seat stand with sit-down restaurant, family decks, and a 12,000 square foot sports rehabilitation clinic.

Rider Levett Bucknall is providing cost management services to the City of Portland for all pre-construction and construction-related cost verification.

USA REPORT

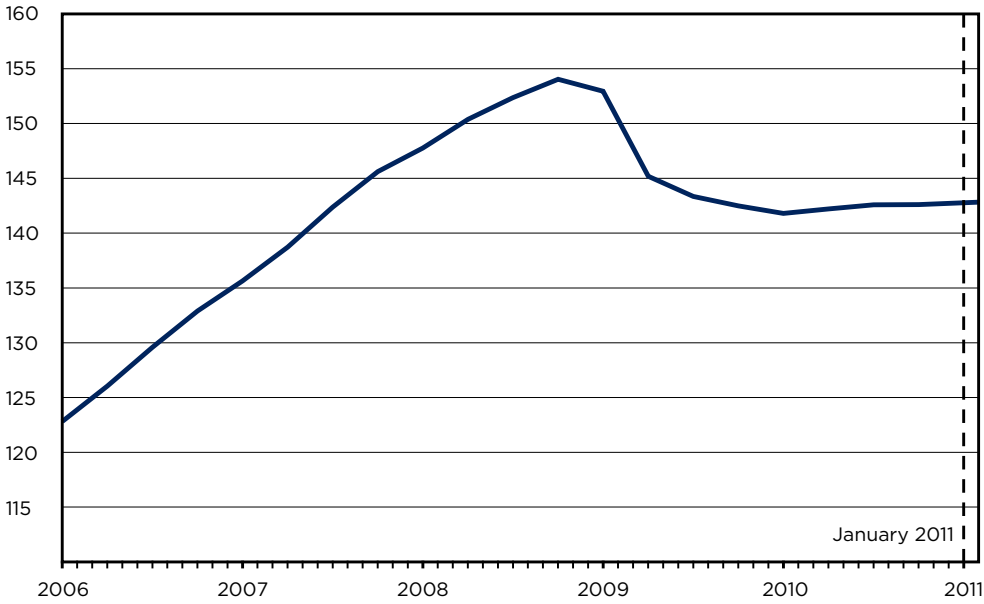
NATIONAL CONSTRUCTION COST INDEX

The National Construction Cost Index shows the changing cost of construction between January 2006 and January 2011, relative to a base of 100 at April 2001.

Date	Cost Index
January 2006	122.83
April 2006	126.06
July 2006	129.57
October 2006	132.89
January 2007	135.63
April 2007	138.74
July 2007	142.38
October 2007	145.63
January 2008	147.78
April 2008	150.40
July 2008	152.36
October 2008	154.04
January 2009	152.95
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

This issue was compiled by Sara Libby with contributions from Julian Anderson, Derek Brown, Paul Brussow, Chris Burris, Martin Grace, Cassie Idehara, Dan Junge, Scott Macpherson, Chris McCarthy, Gus Oppermann, Grant Owen, Evans Pomegas, Graham Roy, Maelyn Uyehara and Nick Wood.

The National Construction Cost Index continues to remain flat, reflecting both tame inflation in the wider economy and ongoing depression of construction activity.



Welcome to the first quarter 2011 issue of our series of Rider Levett Bucknall Quarterly Cost Reports! This issue contains data current to January 1, 2011.

According to the U.S. Department of Commerce, construction put in place during December 2010 was estimated at a seasonally adjusted annual rate of $787.9 billion, which is 2.5% below the revised November estimate of $807.8 billion. The December 2010 figure is 6.4% below the December 2009 estimate. The value of construction in 2010 was $814.2 billion (almost exactly the volume which Rider Levett Bucknall predicted at the beginning of 2010). The 2010 figure is 10.3% below the $907.8 billion spent in 2009.

INDICATIVE CONSTRUCTION COSTS

	OFFICES				RETAIL SHOPPING				HOTELS				HOSPITAL	
	PRIME		SECONDARY		CENTER		STRIP		5 STAR		3 STAR		GENERAL	
LOCATION	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
Boston	200	280	175	245	100	180	90	145	210	350	150	220	355	505
Cincinnati	135	205	90	140	85	130	65	120	175	260	105	160	270	350
Denver	140	225	100	150	80	130	65	125	185	280	105	165	330	385
Honolulu	200	375	165	285	140	335	120	305	370	540	230	385	340	550
Las Vegas	160	285	115	185	115	205	65	145	230	460	140	225	285	450
Los Angeles	180	280	120	195	110	195	90	140	250	370	170	245	350	435
Nashville	125	210	80	140	85	125	65	120	175	260	100	160	260	340
New York	205	290	165	230	120	180	115	160	320	450	185	265	380	515
Phoenix	130	220	90	180	90	160	75	135	200	350	120	180	275	425
Portland	165	195	115	150	110	195	90	130	175	265	120	170	320	435
San Francisco	195	300	140	220	115	220	110	165	255	375	190	260	350	500
Seattle	165	205	115	160	115	200	95	135	185	275	140	180	320	435
Washington, DC	175	240	130	185	95	165	75	135	190	285	130	185	455	595

KEY UNITED STATES STATISTICS

	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Gross Domestic Product (GDP)	3.7%	1.7%	2.6%	3.2%
Consumer Price Index (CPI)	217.6	217.7	218.4	219.2
Architectural Billings Index (ABI)	46.1	46.0	50.4	54.2
Construction Put in Place	$824.0	$820.2	$801.0	$787.9
Inflation	0.8%	0.0%	0.3%	0.3%
Unemployment	9.7%	9.6%	9.6%	9.6%
Construction Unemployment	24.9%	20.1%	17.2%	20.7%

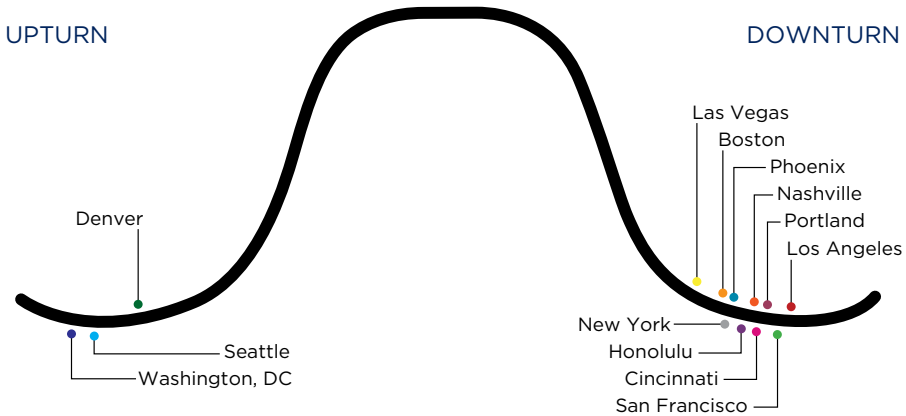
GDP represented in percent change from the preceding quarter, seasonally adjusted at annual rates. CPI quarterly figures represent the monthly value at the end of the quarter. ABI is derived from a monthly American Institute of Architects survey of architectural firms of their work on the boards, reported 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. Inflation rates represent the total price of inflation from the previous quarter, based on the change in the Consumer Price Index. General Unemployment rates are based on the total population 16 years and over. 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

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.

INDUSTRIAL		PARKING				RESIDENTIAL				EDUCATION					
WAREHOUSE		GROUND		BASEMENT		MULTIFAMILY		SINGLE FAMILY		ELEMENTARY		HIGH SCHOOL		UNIVERSITY	
LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
70	100	60	80	75	100	135	200	165	250	220	275	240	325	250	350
60	90	40	70	65	95	70	140	65	180	120	150	140	165	170	255
60	90	40	70	60	95	70	185	60	185	115	150	140	175	170	285
95	160	65	100	95	180	135	315	200	550	235	335	250	345	280	515
50	90	50	85	60	150	70	200	90	240	170	300	180	420	235	435
70	95	60	95	85	125	135	215	120	260	215	315	280	410	295	410
60	90	40	70	65	95	70	135	65	175	120	140	135	165	155	230
95	145	65	105	80	115	140	210	155	255	165	240	220	290	240	360
55	85	45	60	65	80	75	175	90	325	130	200	175	260	175	325
75	110	70	85	85	125	110	190	100	240	165	230	185	245	235	335
80	105	70	100	90	135	140	230	140	280	215	320	280	410	300	415
75	110	70	85	85	125	120	235	100	235	205	250	230	300	265	395
70	85	55	80	65	100	80	165	120	200	175	235	200	250	195	280

CONSTRUCTION ACTIVITY CYCLE

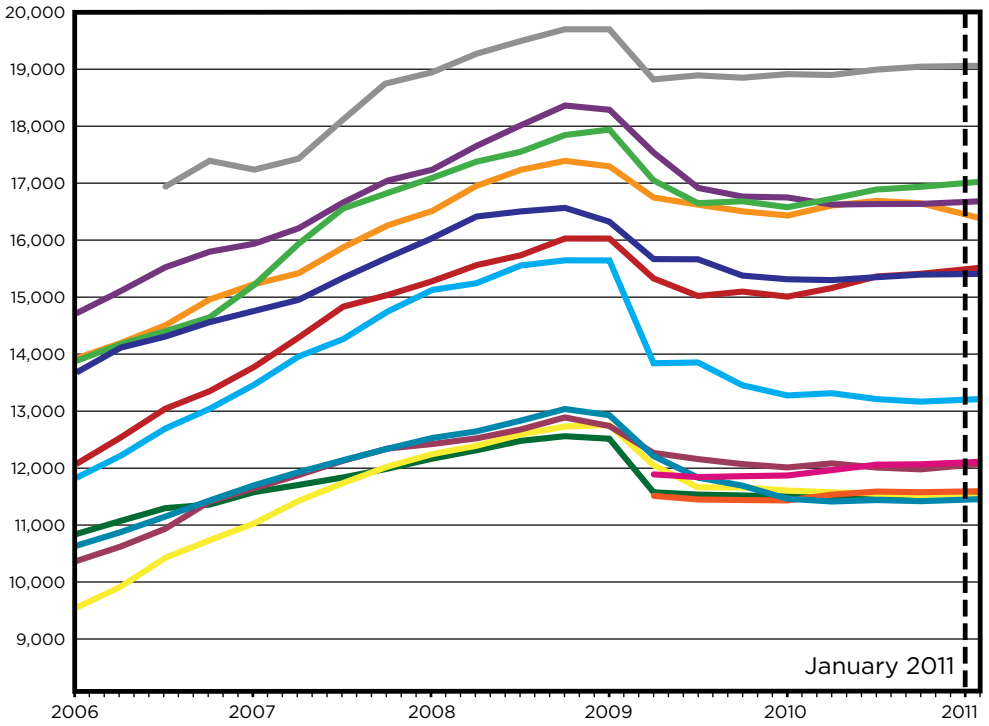


The chart above depicts the position of each city in a theoretical construction industry business cycle. The aim of the chart is to provide an overview of the relative performance of each city in the context of its own economy.

Each city has its own industry business cycle and as such cities' cycles are not strictly directly comparable with each other. As the amplitude and frequency of the cycle(s) are not expressed in this chart, there is no direct parameter of extent of the cycle or of its time period.

USA REPORT

COMPARATIVE COST INDEX



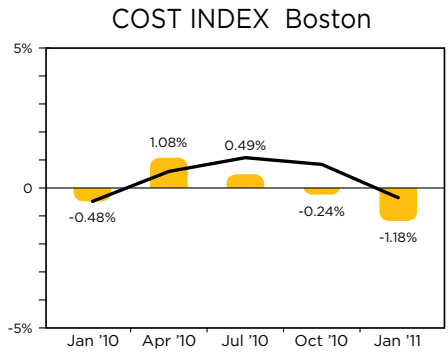
Each quarter we look at the comparative cost of construction in 13 U.S. cities, indexing them to show how costs are changing in each city in particular, and against the costs in the other 12 locations. This Comparative Cost Index tracks the true bid cost of construction, which includes, in addition to costs of labor and materials, general contractor and subcontractor overhead costs and fees (profit). The index also includes applicable sales/use taxes that standard construction contracts attract.

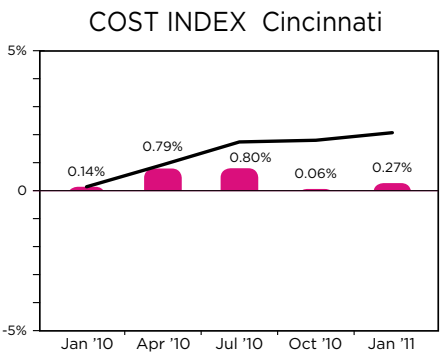
City	January 2010	January 2011	% Change
Boston	16,428	16,450	0.14%
Cincinnati	11,871	12,101	1.93%
Denver	11,498	11,517	0.16%
Honolulu	16,748	16,669	-0.48%
Las Vegas	11,604	11,492	-0.97%
Los Angeles	15,007	15,488	3.20%
Nashville	11,432	11,591	1.39%
New York	18,912	19,056	0.76%
Phoenix	11,459	11,446	-0.11%
Portland	12,011	12,050	0.32%
San Francisco	16,574	17,001	2.58%
Seattle	13,273	13,200	-0.55%
Washington, DC	15,312	15,404	0.60%

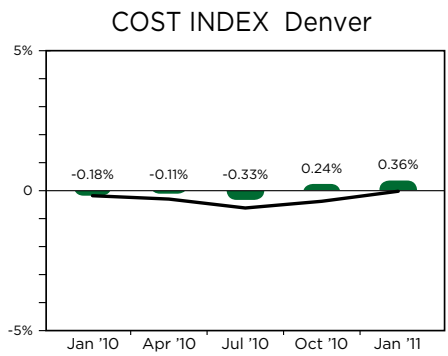
Our research suggests that between January 2010 and December 2010 the national average increase in construction cost was approximately 0.7%. Cincinnati, Los Angeles, Nashville and San Francisco experienced the greatest annual increases showing inflation between 1.4% and 3.2% while Honolulu, Las Vegas and Seattle experienced the greatest annual decreases between -0.5% and -1.0%.

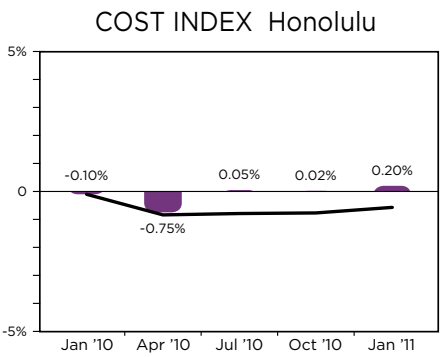
The following escalation charts track changes in the cost of construction each quarter in the cities where Rider Levett Bucknall and Rider Levett Bucknall affiliate offices are located. Each chart graphs the percentage change per period and the cumulative percentage change throughout the charted timeline.

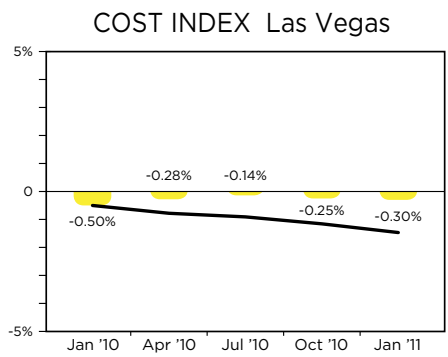
Percentage change per quarter
Cumulative percentage change for the period shown



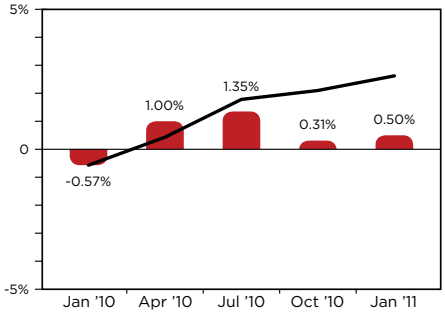




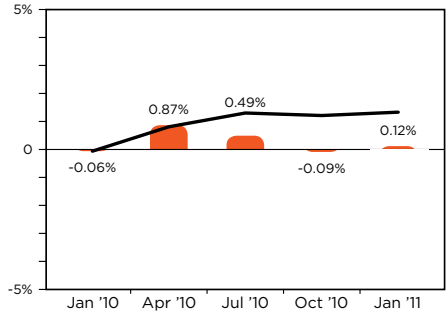




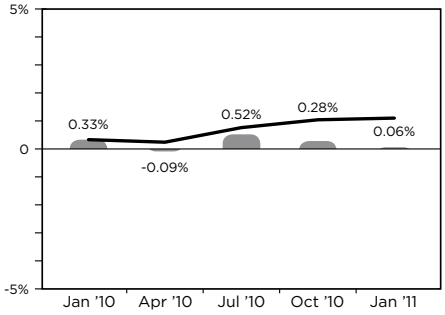
COST INDEX Los Angeles



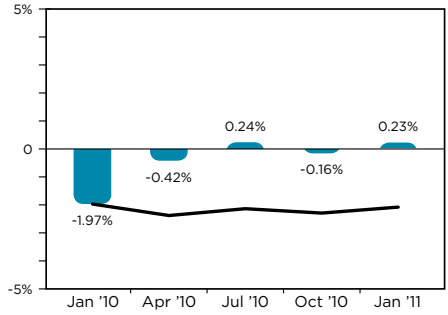
COST INDEX Nashville



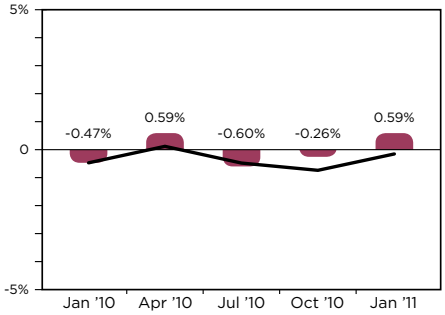
COST INDEX New York



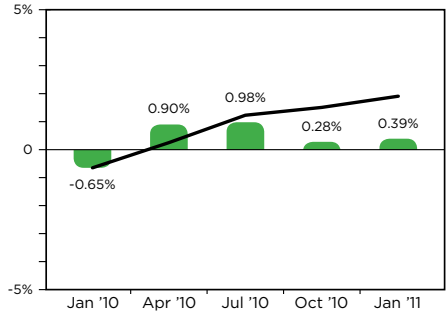
COST INDEX Phoenix



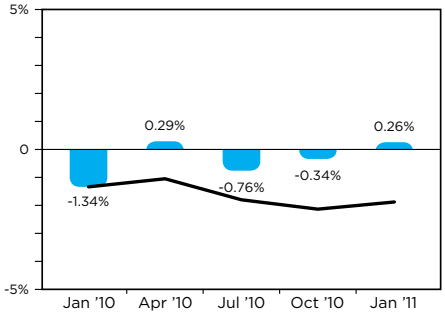
COST INDEX Portland



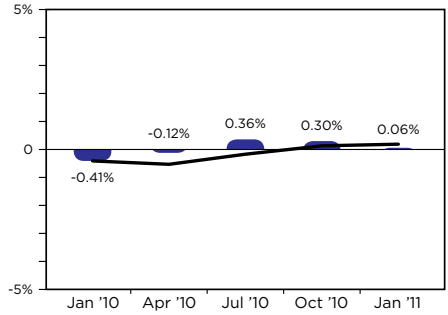
COST INDEX San Francisco



COST INDEX Seattle



COST INDEX Washington, DC



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