

A photograph of a modern office hallway. The hallway features glass doors with a geometric pattern and a dark wood door. The walls are white, and there are several framed artworks. The floor is carpeted. The lighting is bright and even.

RLB | Rider Levett Bucknall

USA
REPORT

QUARTERLY
CONSTRUCTION
COST REPORT

FOURTH QUARTER 2010



AT A GLANCE

Consensus opinion among those economists who comment on the construction industry seems to be that recovery, while tepid, should begin in the third quarter of 2011. Much will depend on whether the housing market and government revenue streams recover.

Recent activity by the Federal Reserve Bank to kick-start the economy through quantitative easing (the effect of which is to reduce long-term interest rates) should help the prospects for recovery while removing, or at least minimizing, the risk of deflation and a double-dip recession.

In addition, the recent federal election results have led to a power split in Congress, with the Republicans commanding a majority in the House of Representatives and the Democrats retaining a majority in the Senate. While this may lead to legislative gridlock, it should also help the recently elected and re-elected politicians to focus on deficit reduction for the long-term good of the country.

As to construction cost inflation, we expect that lack of available projects will continue to keep the prices favorable, but there will be some inflation as pure labor and material costs continue to slowly increase.

BANK OF AMERICA OFFICE FIT OUT 225 FRANKLIN STREET, BOSTON, MASSACHUSETTS

Spread over six floors of an iconic high-rise in Boston are newly renovated offices for financial services company, Bank of America. Occupying over 200,000 square feet, the reconfigured and redesigned office now provides quality, customer-facing office space, state-of-the-art business support facilities and a new conference center. As the top floor of the lower podium of the building, the windowed conference center provides clear views of the surrounding Boston Financial District.

Rider Levett Bucknall provided cost management services to Gensler throughout the design phase of the project, including evaluation of several design alternatives. The firm prepared independent milestone estimates of the construction cost and reconciled the budget with the project's Construction Manager.

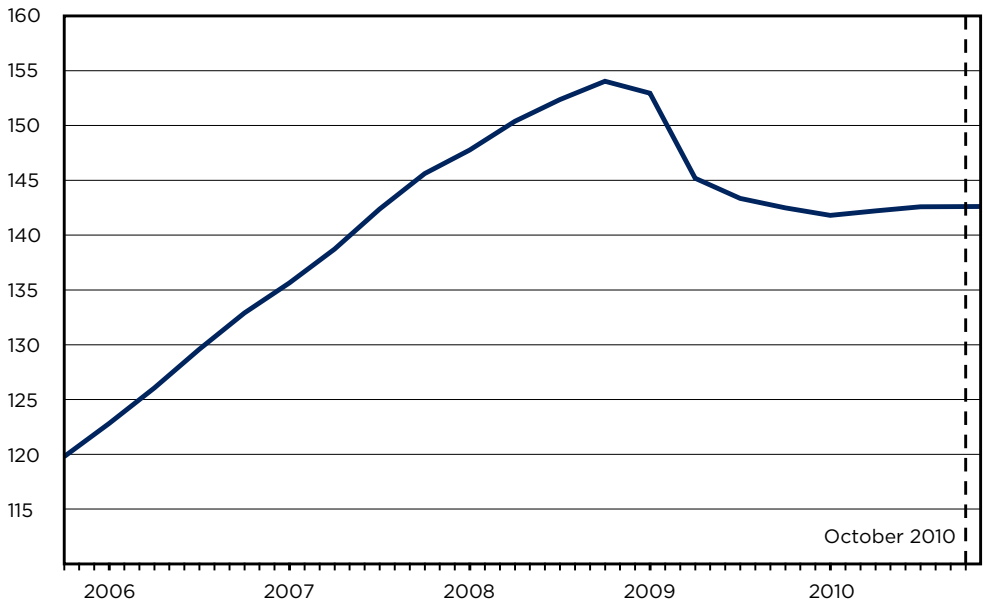
Photography by Andrew Bordwin.

NATIONAL CONSTRUCTION COST INDEX

The National Construction Cost Index shows the changing cost of construction between October 2005 and October 2010, relative to a base of 100 at April 2001.

Date	Cost Index
October 2005	119.83
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

The National Construction Cost Index clearly shows the sustained effect the recession has had on construction prices in the United States.



Welcome to the fourth quarter 2010 issue of our series of Rider Levett Bucknall Quarterly Cost Reports! This issue contains data current to October 1, 2010.

According to the U.S. Department of Commerce, construction put in place during August 2010 was estimated at a seasonally adjusted annual rate of \$811.8 billion, which is 0.4% above the revised July estimate of \$808.6 billion. The August 2010 figure is 10.0% below the August 2009 estimate. During the first eight months of 2010, construction spending was 11.2% below the same period in 2009.

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		MULTIFAMILY		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	100	180	90	145	210	350	150	220	355	505	70	100	60	80	75	100	135	200	165	250	220	275	240	325	250	350
Cincinnati	135	205	90	140	85	130	65	120	175	260	105	160	270	350	60	90	40	70	65	95	70	140	65	180	115	145	135	160	165	250
Denver	140	225	100	150	80	130	65	125	185	280	105	165	325	380	60	90	40	70	60	95	65	160	60	185	115	150	140	175	170	285
Honolulu	200	375	165	280	140	335	115	305	370	540	225	385	340	545	95	155	60	95	90	180	130	315	195	550	235	335	245	345	280	510
Las Vegas	160	285	115	185	115	205	65	145	230	460	140	225	285	450	50	90	50	85	60	150	70	200	90	240	170	300	180	420	235	435
Los Angeles	180	280	120	195	110	195	90	140	250	370	170	245	350	435	70	95	60	95	85	125	135	215	120	260	215	315	280	410	295	410
Nashville	125	210	80	140	85	125	65	120	175	260	100	160	260	340	60	90	40	70	65	95	70	135	65	175	115	145	130	160	150	225
New York	205	290	165	230	120	180	115	160	320	445	185	265	380	515	95	145	65	105	80	115	140	210	155	255	165	240	220	290	240	360
Phoenix	120	220	90	180	90	160	75	135	200	350	120	180	275	425	55	85	45	60	65	80	75	175	90	325	130	200	175	260	175	325
Portland	165	195	115	150	120	195	115	155	175	265	120	170	325	390	80	110	70	95	85	125	110	190	125	195	170	230	195	245	235	335
San Francisco	195	300	140	220	115	220	110	165	255	375	190	260	350	500	80	105	70	100	90	135	140	230	140	280	215	320	280	410	300	415
Seattle	115	175	110	140	75	140	70	120	185	260	140	180	320	485	55	80	70	85	115	140	120	235	100	265	205	270	250	355	265	395
Washington, DC	175	240	130	185	95	165	75	135	190	285	130	185	455	595	70	85	55	80	65	100	80	165	120	200	175	235	200	250	195	280

KEY UNITED STATES STATISTICS

	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Gross Domestic Product (GDP)	5.0%	3.7%	1.7%	2.0%
Consumer Price Index (CPI)	215.9	217.6	217.7	218.4
Architectural Billings Index (ABI)	45.4	46.1	46.0	50.4
Construction Put in Place	869.9	845.9	820.2	—
Inflation	0.0%	0.8%	0.0%	0.3%
Unemployment	10.0%	9.7%	9.7%	9.6%
Construction Unemployment	22.7%	24.9%	20.1%	17.2%

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 END IS NIGH?

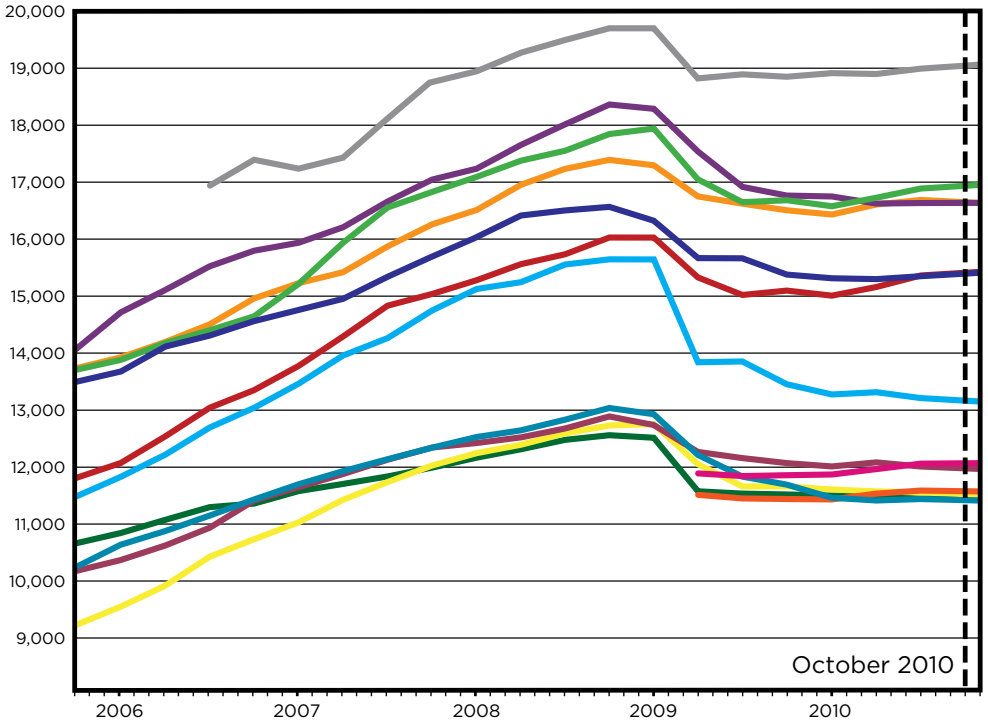
It is hard to think back to the booming days of 2006 and 2007 and, even with all the explanations given since by bankers, politicians and economists, it is hard not to wonder why the boom (especially in housing) was allowed to run as long it did and why this recession has dragged on and been so terrible.

But how badly has the construction industry been hit? Just a few figures tell the tale;

- o According to ADP, between January 2007 and July 2010, the construction industry lost approximately 2.275 million jobs nationally.
- o The US Bureau of Labor Statistics noted that by August 2010 unemployment in the construction industry nationwide stood at 17%; architecture firm employment in the U.S. reached a peak in July 2008 of 220,500 but at August 2010 was at 166,700 — a decrease of 24.4%
- o According to the American Institute of Architects (AIA), billings by American architectural firms declined in August 2010 for the 30th consecutive month — a record!

However in the last few days there has been some good news from the AIA; the September Architectural Billing Index "...registered a score of 50.4 for September. Any score above 50 signifies growth at U.S. architecture firms." A tepid result no doubt but perhaps a signal that the end (of the decline) is nigh.

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.

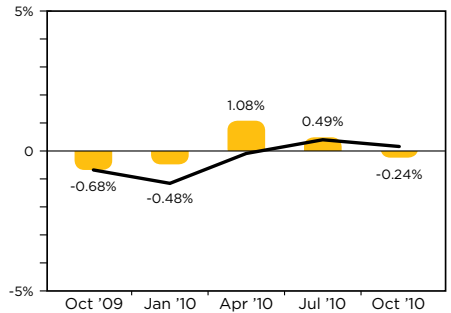
City	July 2010	October 2010	% Change
Boston	16,686	16,646	-0.24%
Cincinnati	12,061	12,068	0.06%
Denver	11,448	11,475	0.24%
Honolulu	16,632	16,635	0.02%
Las Vegas	11,556	11,527	-0.25%
Los Angeles	15,362	15,410	0.31%
Nashville	11,588	11,577	-0.09%
New York	18,991	19,044	0.28%
Phoenix	11,438	11,419	-0.16%
Portland	12,010	11,979	-0.26%
San Francisco	16,888	16,935	0.28%
Seattle	13,211	13,166	-0.34%
Washington, DC	15,349	15,395	0.30%

Our research suggests that between July 1, 2010 and October 1, 2010 there was a minimal increase in the national average construction cost. Denver, Los Angeles, New York, San Francisco and Washington DC experienced some quarterly inflation with overall construction costs rising by nearly 0.3%. Construction costs declined in Boston, Las Vegas, Phoenix, Portland and Seattle markets, with deflation of between 0.1% and 0.4%.

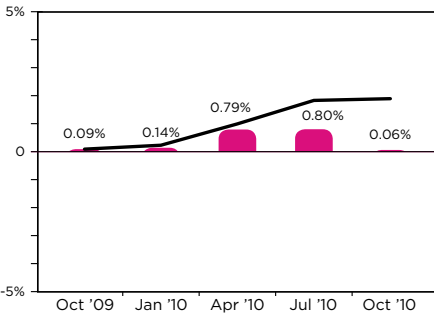
The following escalation charts track changes in the cost of construction each quarter in the cities where Rider Levett Bucknall and Rider Levett Bucknall affiliate offices are located. Each chart graphs the percentage change per period and the cumulative percentage change throughout the charted timeline.

-  Percentage change per quarter
-  Cumulative percentage change for the period shown

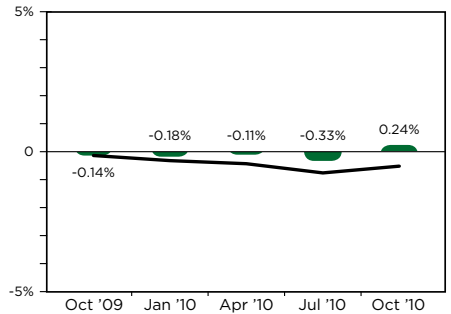
COST INDEX Boston



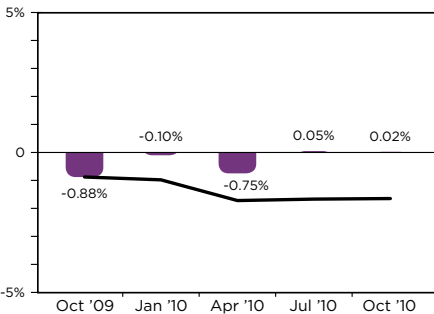
COST INDEX Cincinnati



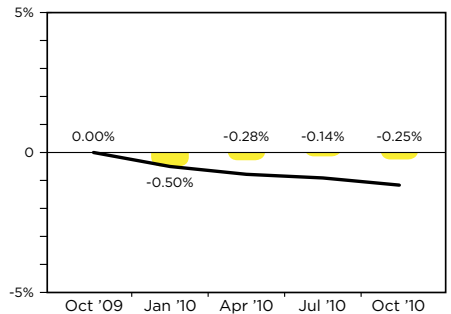
COST INDEX Denver



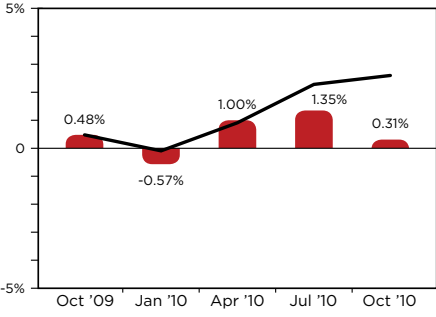
COST INDEX Honolulu



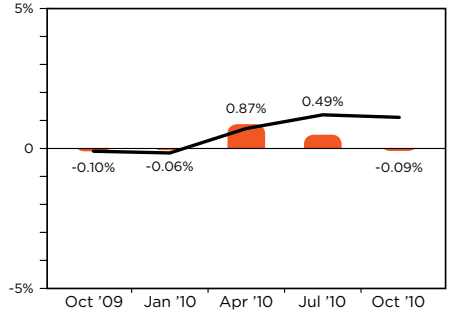
COST INDEX Las Vegas



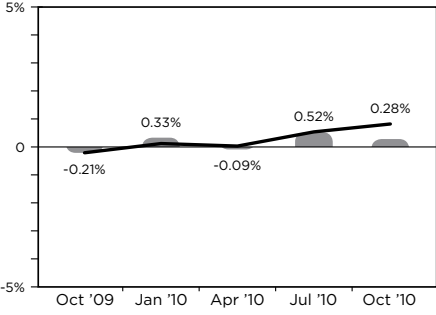
COST INDEX Los Angeles



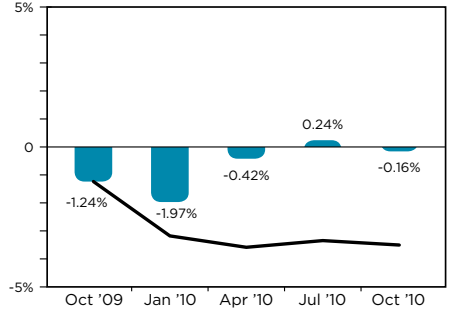
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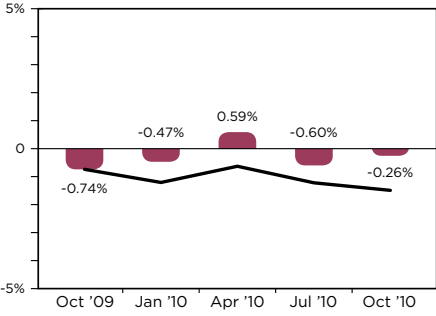
COST INDEX New York



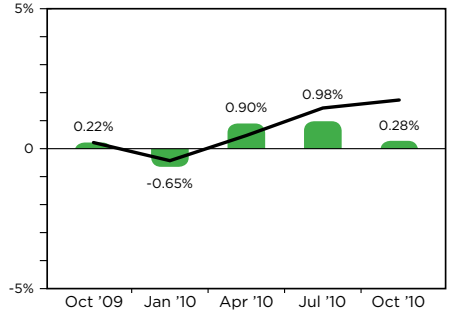
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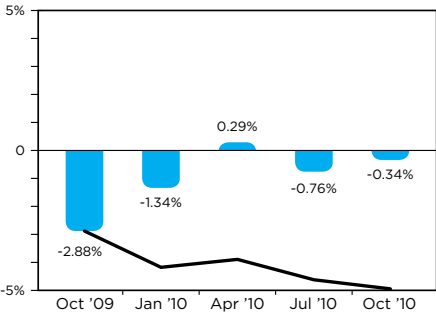
COST INDEX Portland



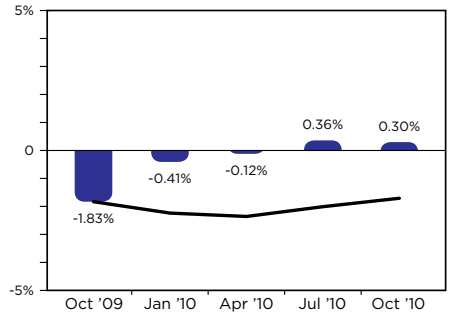
COST INDEX San Francisco



COST INDEX Seattle



COST INDEX Washington, DC



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LOCATIONS

RIDER LEVETT BUCKNALL

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

CONNICO

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