Quarterly Construction Cost Report

2009 Third Quarter Issue

RLB | Rider Levett Bucknall

Westfield LLC recently completed a $260 million, 400,000 square foot expansion to the Galleria at Roseville Mall, bringing the property to a total of over 1.4 million square feet of retail. The expansion featured the introduction of luxury retail space as well as a new upscale dining terrace. The Galleria at Roseville is located 20 miles northeast of Sacramento in one of the fastest growing regions in the entire nation.

Rider Levett Bucknall provided independent cost estimating and budget verification during preconstruction and continued during construction by providing the lender with an independent review of monthly progress and verification of payment requests.

Courtesy of Westfield Design in collaboration with Gensler.
Photography by Jim Simmons.

RLB | Rider Levett Bucknall

Welcome to the 2009 third quarter issue of our series of Rider Levett Bucknall Quarterly Cost Reports!

Now with contributions from Connico, Inc.

Welcome to the 2009 third quarter issue of our series of Rider Levett Bucknall Quarterly Cost Reports! This issue contains data current to July 1, 2009.

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. You'll be able to find this information on the graph titled *Comparative Cost Index* and on the *Cost & Change Summary*.

Our *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 or 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 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.

ACTIVITY: According to the U.S. Department of Commerce, construction put in place during May 2009 was estimated at a seasonally adjusted annual rate of $964.0 billion, 0.9% below the revised April estimate. The May 2009 figure is 11.6% below the May 2008 estimate. During the first five months of 2009, construction spending was 11.7% below the same period in 2008.

INFLATION: Our research suggests that between April 1, 2009 and July 1, 2009 the national average decrease in construction cost was approximately 1.3%. Honolulu, Las Vegas and Phoenix experienced the greatest quarterly drops reporting deflation for the period greater than 3.0%, while construction costs in New York and Seattle moderately increased at a rate just below 0.5%.

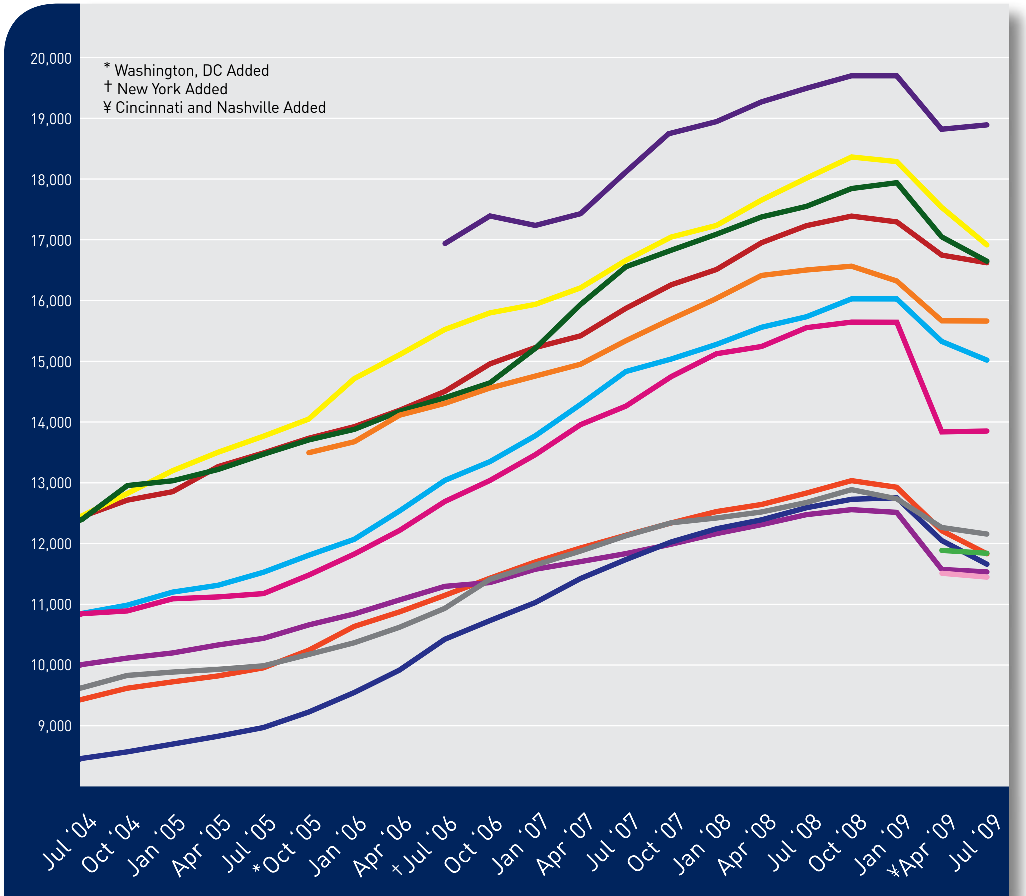
FORECAST: A deflationary trend in national construction costs has become apparent as our *National Construction Cost Index* indicates a third consecutive quarter of decline. The drop experienced in the current quarter can largely be attributed to increasingly competitive bids among contractors as commodities have taken a lesser role in driving construction costs. It should be noted that the percent drop experienced this quarter is considerably less dramatic than the drop in the preceding quarter (-5.07%).

We anticipate that contractors will continue to put forward aggressive bids as long as there remains a concern about the amount of construction work available. Uncertainty related to when construction volumes may regain a stable footing will likely continue to keep the cost of construction competitive. Recovery of the overall economy and a thawing of the credit markets could be the indicators that the construction industry may anticipate potential improvement in future construction volumes.

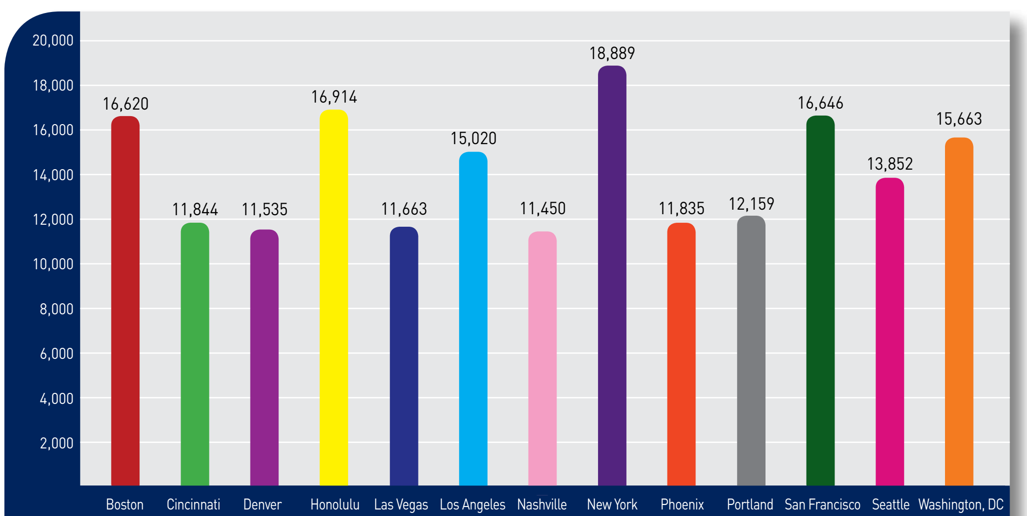
Please don't hesitate to call if we can provide you with more information or if we can be of service to you in any way.

This issue was compiled by Sara Libby with contributions from Sloka Colon, Robert Giles, Martin Grace, Chris McCarthy, Scott Macpherson, Louise Nunn, Dan Scanlon, Simon Squire, Nick Wood and Jay Weisberg from Rider Levett Bucknall and Derek Brown from Connico, Inc.

Comparative Cost Index



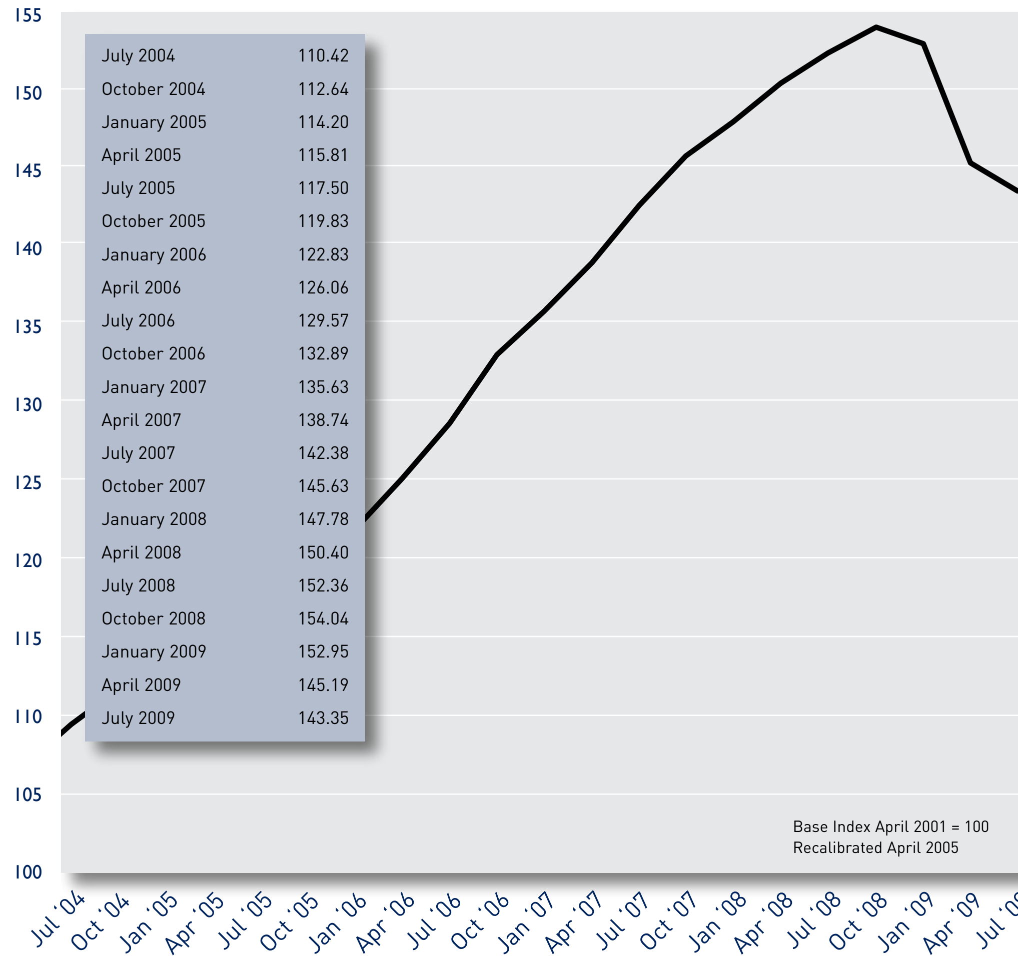
Third Quarter Comparative Cost Index



Cost & Change Summary

	Cost Index	Percentage Change in Quarter
Boston	16,620	-0.74%
Cincinnati	11,844	-0.38%
Denver	11,535	-0.33%
Honolulu	16,914	-3.51%
Las Vegas	11,663	-3.20%
Los Angeles	15,020	-1.99%
Nashville	11,450	-0.55%
New York Metro	18,889	0.36%
Phoenix	11,835	-3.08%
Portland	12,159	-0.84%
San Francisco	16,646	-2.34%
Seattle	13,852	0.11%
Washington, DC	15,663	0.00%

National Construction Cost Index

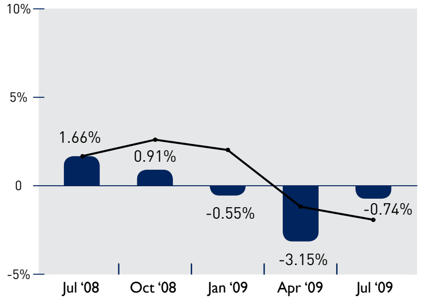


July 2004	110.42
October 2004	112.64
January 2005	114.20
April 2005	115.81
July 2005	117.50
October 2005	119.83
January 2006	122.83
April 2006	126.06
July 2006	129.57
October 2006	132.89
January 2007	135.63
April 2007	138.74
July 2007	142.38
October 2007	145.63
January 2008	147.78
April 2008	150.40
July 2008	152.36
October 2008	154.04
January 2009	152.95
April 2009	145.19
July 2009	143.35

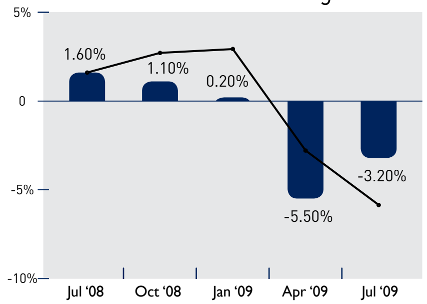
Material Supply Prices & Indicative Construction Costs

			BOSTON	CINCINNATI	DENVER	HONOLULU	LAS VEGAS	LOS ANGELES	NASHVILLE	NEW YORK	PHOENIX	PORTLAND	SAN FRANCISCO	SEATTLE	WASHINGTON, DC
MATERIAL SUPPLY PRICES															
Asphalt Paving		ton	76.00	52.00	43.00	110.00	70.00	70.00	59.00	64.00	46.00	55.00	77.00	33.00	47.00
Gravel 1 ½" to ¾"		ton	18.00	13.00	27.00	28.00	16.00	43.00	16.00	61.00	18.00	12.00	49.00	20.00	20.00
Crushed Stone Base Course		ton	18.00	13.00	9.00	30.00	11.00	27.00	11.00	27.00	12.00	12.00	30.00	14.00	16.00
Sand-Concrete		ton	28.00	9.00	20.00	63.00	20.00	53.00	11.00	29.00	18.00	11.00	54.00	24.00	18.00
Cement		ton	110.00	101.00	162.00	226.00	118.00	105.00	120.00	245.00	128.00	143.00	107.00	164.00	85.00
Concrete Ready-Mix	3,000psi	cy	135.00	91.00	109.00	159.00	96.00	94.00	80.00	148.00	96.00	102.00	106.00	103.00	90.00
	4,000psi	cy	139.00	94.00	115.00	167.00	99.00	100.00	84.00	153.00	104.00	110.00	111.00	109.00	98.00
	5,000psi	cy	146.00	100.00	120.00	174.00	105.00	106.00	90.00	154.00	113.00	117.00	117.00	115.00	105.00
Concrete Blocks - 8"x8"x16"		C	152.00	124.00	144.00	189.00	170.00	150.00	95.00	166.00	130.00	176.00	175.00	174.00	105.00
Standard Modular Bricks		M	735.00	341.00	461.00	623.00	670.00	595.00	317.00	754.00	480.00	583.00	720.00	543.00	450.00
Rebar		ton	1,400.00	546.00	710.00	1,779.00	775.00	800.00	721.00	1,520.00	1,060.00	1,069.00	890.00	1,200.00	1,000.00
Structural Steel		ton	3,000.00	2,250.00	2,135.00	3,526.00	2,950.00	3,050.00	2,300.00	3,910.00	2,300.00	1,798.00	3,125.00	1,540.00	1,850.00
Lumber		bft	0.95	0.45	0.40	1.11	0.38	0.30	0.46	0.93	0.60	0.51	0.30	0.47	0.72
INDICATIVE CONSTRUCTION COSTS															
Prime Office Bldg.	Low	$/sf gfa	200	140	145	200	165	180	130	205	140	165	195	125	175
	High	$/sf gfa	280	220	230	355	285	280	215	290	240	195	300	190	240
Secondary Off. Bldg.	Low	$/sf gfa	175	95	100	165	120	120	85	165	100	115	130	115	130
	High	$/sf gfa	245	145	150	280	185	195	145	230	180	150	205	160	185
Shopping Center	Low	$/sf gfa	100	85	85	140	110	110	85	120	95	120	115	65	95
	High	$/sf gfa	180	130	135	335	205	195	125	180	160	195	220	150	165
Strip Shopping	Low	$/sf gfa	90	65	65	115	65	90	65	115	85	115	110	70	75
	High	$/sf gfa	145	120	125	300	145	140	120	160	140	155	165	120	135
5 Star Hotel	Low	$/sf gfa	210	175	185	370	230	240	175	320	205	175	240	185	190
	High	$/sf gfa	350	260	280	520	400	335	260	445	325	265	340	265	285
3 Star Hotel	Low	$/sf gfa	150	105	105	225	145	170	100	185	140	120	190	140	130
	High	$/sf gfa	220	160	165	385	225	245	160	265	190	170	260	195	185
Above Ground Pkg.	Low	$/sf gfa	60	40	40	65	50	50	40	65	45	70	65	70	55
	High	$/sf gfa	80	70	70	95	85	90	70	105	60	95	95	85	75
Basement Pkg.	Low	$/sf gfa	75	65	60	85	60	85	65	80	65	85	90	115	70
	High	$/sf gfa	100	95	95	160	100	125	95	115	80	125	130	175	100
General Hospital	Low	$/sf gfa	355	270	285	330	285	310	260	380	305	325	320	340	455
	High	$/sf gfa	505	350	370	520	390	395	340	515	430	390	405	485	590
Warehouse	Low	$/sf gfa	70	60	60	95	50	60	60	95	55	80	70	55	70
	High	$/sf gfa	100	90	90	155	90	85	90	145	85	110	100	80	85
Multifamily Res.	Low	$/sf gfa	135	70	65	120	70	125	70	145	80	110	125	120	80
	High	$/sf gfa	200	140	160	280	190	215	135	215	180	190	230	235	165
Single Family Res.	Low	$/sf gfa	165	65	60	195	90	100	65	160	95	125	120	100	120
	High	$/sf gfa	250	180	185	530	240	245	175	260	325	195	280	265	200
Elementary School	Low	$/sf gfa	220	115	115	235	170	215	115	165	140	185	215	205	175
	High	$/sf gfa	275	145	150	310	300	315	145	240	200	235	320	280	235
High School	Low	$/sf gfa	240	130	140	245	180	280	130	220	180	205	280	250	200
	High	$/sf gfa	325	160	175	315	420	410	160	290	265	250	410	360	250
University Building	Low	$/sf gfa	250	160	165	275	235	295	150	240	185	235	300	265	195
	High	$/sf gfa	350	240	280	495	420	410	225	360	325	335	415	395	280

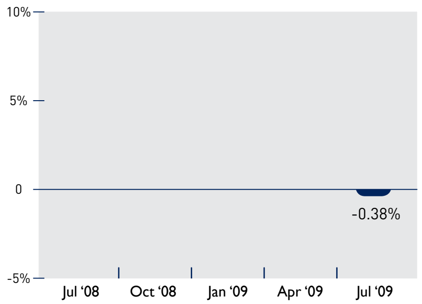
COST INDEX Boston



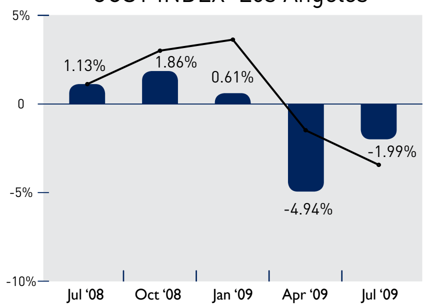
COST INDEX Las Vegas



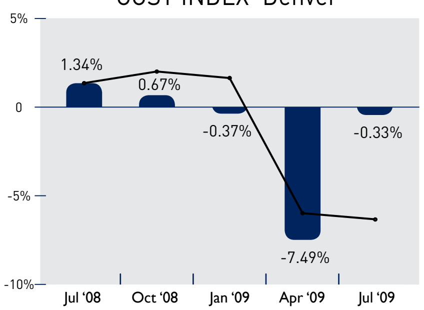
COST INDEX Cincinnati



COST INDEX Los Angeles

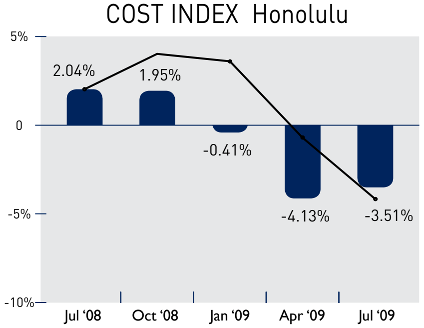


COST INDEX Denver

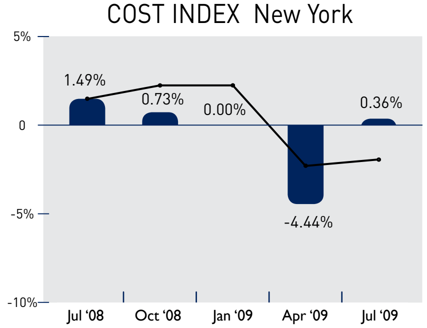


COST INDEX Nashville

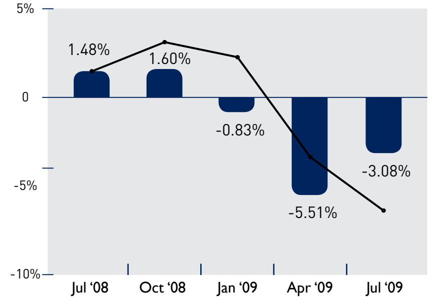
COST INDEX Honolulu



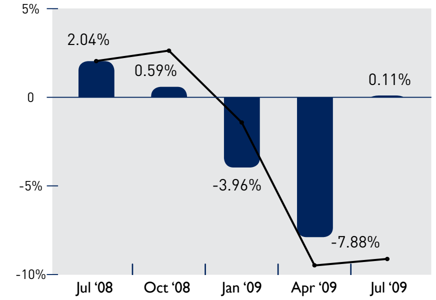
COST INDEX New York



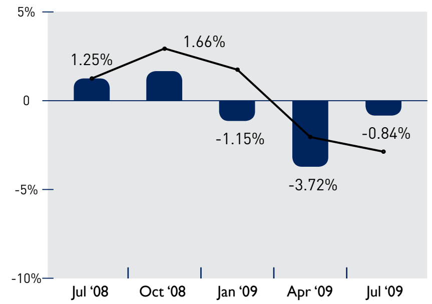
COST INDEX Phoenix



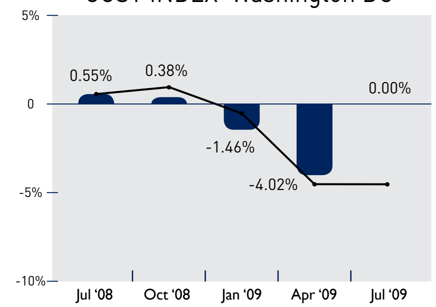
COST INDEX Seattle



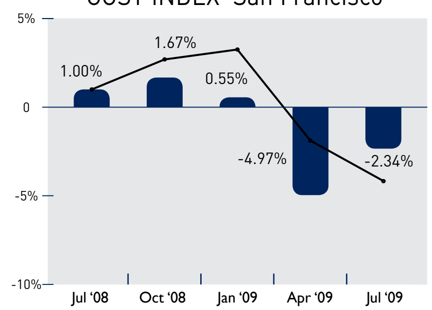
COST INDEX Portland



COST INDEX Washington DC



COST INDEX San Francisco



Percentage change per quarter
Cumulative percentage change for the period shown

CASTING A WIDER NETWORK

Once a quarter since 2002, Rider Levett Bucknall has been collecting, analyzing and interpreting U.S. construction cost trends in our Quarterly Construction Cost Report. Its layout and design have taken many forms; its charts and graphs have accurately represented the industry's dramatic price fluctuations throughout the years.

Guided by efforts to ensure that the content of our document is satisfying our clients' need for current, comprehensive and relevant construction cost commentary, you'll notice that this report contains data from two new cities—Cincinnati, Ohio and Nashville, Tennessee—graciously provided by Connico, Inc., a member of the Rider Levett Bucknall Group of companies. Please take note that, in addition to including data from several more cities, we plan to make further improvements to the reporting structure and analysis in the coming quarters.

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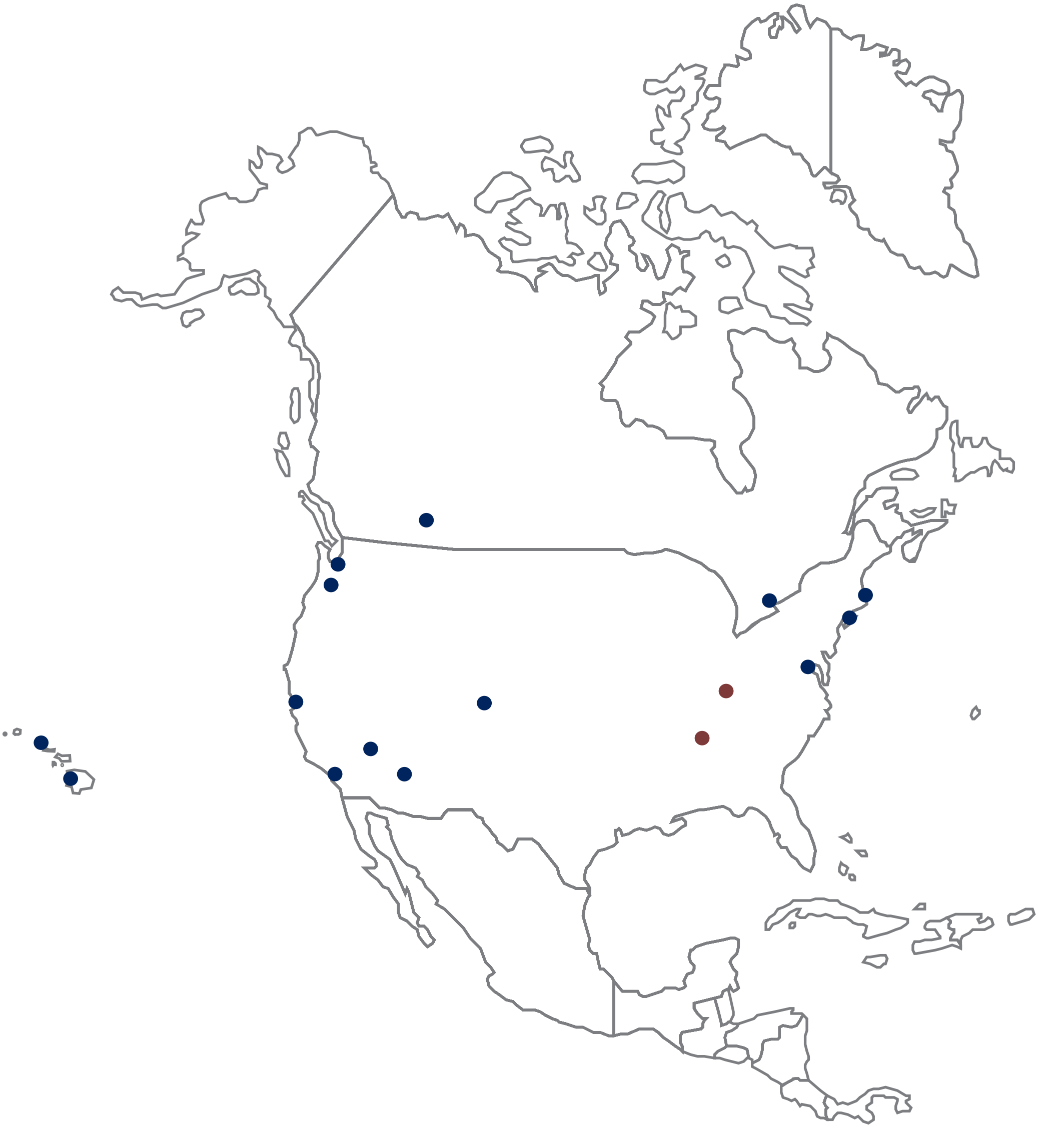

LOCATIONS

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CONNICO

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