

RLB | Rider Levett Bucknall

USA  
REPORT

QUARTERLY  
CONSTRUCTION  
COST REPORT

THIRD QUARTER 2010





## AT A GLANCE

The rate of decline in year-over-year national construction activity has slowed in the past quarter, in part due to increased Federal government spending via the American Recovery & Reinvestment Act (ARRA), funding from which is now moving through state budgets.

However, ARRA funds are being exhausted and states are still facing revenue shortfalls across all categories leading to inevitable downward pressure on public construction spending. By the start of the 2011 fiscal year, many states will face a real gap between their available capital and their capital needs. Beyond the direct capital spending impact, the revenue shortfall is also beginning to be felt in the states' ability to provide secondary or incentive funding to municipal government and private development.

After eighteen months of economic turmoil, the American economy finally appears to be moving ahead again, slowly; however the biggest concerns for construction in 2010 remain the glacial pace of job recovery, the speed of healing in the credit markets and whether the specter of a 'double dip' recession will emerge.

## LIFE SCIENCES BUILDING PHOENIX, ARIZONA

In August of 2009, Maricopa Community Colleges opened the doors to a new Life Sciences building on the Paradise Valley Community College campus to house the institution's anatomy, physiology, general biology, biotechnology, microbiology, marine biology and environmental biology programs. The 35,000 square foot facility includes seven classrooms, six biology labs and two anatomy/physiology labs, one of which is equipped to serve as a cadaver lab. A series of informal exterior collaboration pods located under the large portico provide welcoming collaboration and gathering spaces. Facing a major future campus green, the large east-facing portico shades a gently sloped walkway/bridge which connects to the campus and weaves the building into the fabric of the campus.

Rider Levett Bucknall provided milestone cost estimates to Marlene Imirzian & Associates Architects throughout all phases of design.

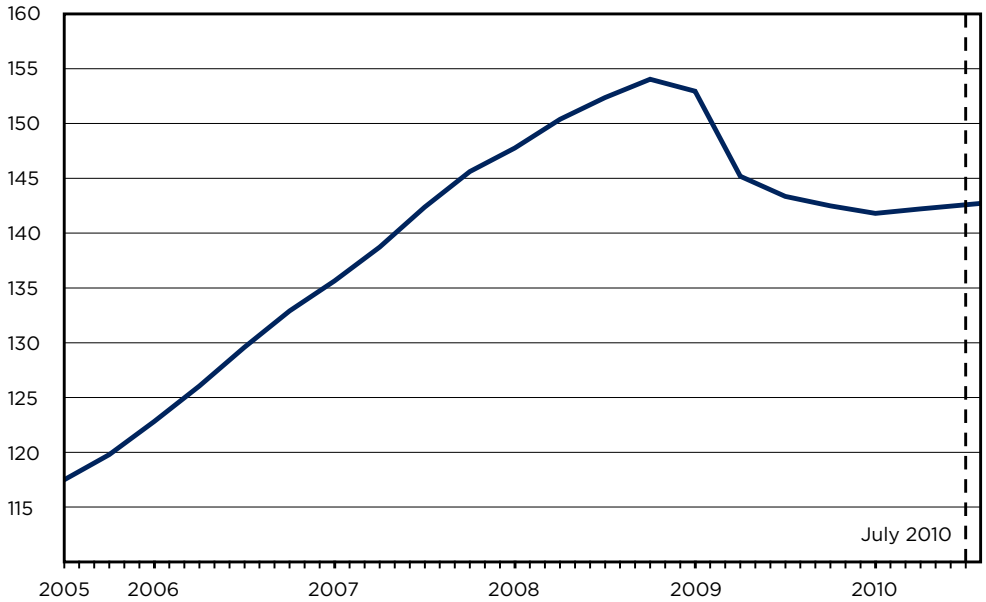
*Images courtesy of Marlene Imirzian & Associates Architects  
Photography by Bill Timmerman.*

## NATIONAL CONSTRUCTION COST INDEX

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

Date	Cost Index
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
October 2009	142.48
January 2010	141.80
April 2010	142.21
July 2010	142.58

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



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

According to the U.S. Department of Commerce, construction put in place during May 2010 was estimated at a seasonally adjusted annual rate of \$841.9 billion, which is 0.2% below the revised April estimate of \$843.3 billion. The May 2010 figure is 8.0% below the May 2009 estimate. During the first five months of 2010, construction spending was 12.0% below the same period in 2009.

## INDICATIVE CONSTRUCTION COSTS

LOCATION	OFFICES				RETAIL SHOPPING				HOTELS				HOSPITAL	
	PRIME		SECONDARY		CENTER		STRIP		5 STAR		3 STAR		GENERAL	
	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	140	210	95	145	85	130	65	120	175	260	105	160	270	350
Denver	140	225	100	150	80	130	65	125	185	280	105	165	325	380
Honolulu	200	375	165	280	140	335	115	305	370	540	225	385	340	545
Las Vegas	165	285	120	185	110	205	65	145	230	460	145	225	285	390
Los Angeles	180	280	120	195	110	195	90	140	240	350	170	245	325	405
Nashville	130	215	85	145	85	125	65	120	175	260	100	160	260	340
New York	205	290	165	230	120	180	115	160	320	445	185	265	380	515
Phoenix	120	220	90	180	90	160	75	135	200	350	120	180	275	415
Portland	165	195	115	150	120	195	115	155	175	265	120	170	325	390
San Francisco	195	300	140	220	115	220	110	165	240	360	190	260	350	500
Seattle	115	175	110	140	75	140	70	120	185	260	140	180	320	485
Washington, DC	175	240	130	185	95	165	75	135	190	285	130	185	455	595

## KEY UNITED STATES STATISTICS

	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Gross Domestic Product (GDP)	-0.7%	2.2%	5.6%	3.0%
Consumer Price Index (CPI)	215.7	216.0	215.9	217.6
Architectural Billings Index (ABI)	37.7	43.1	45.4	46.1
Construction Put in Place	945.1	910.5	869.9	845.9
Inflation	1.4%	0.1%	0.0%	0.8%
Unemployment	9.3%	9.7%	10.0%	9.7%
Construction Unemployment	17.4%	17.1%	22.7%	24.9%

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	115	145	135	160	165	250
60	90	40	70	60	95	65	160	60	185	115	150	140	175	170	285
95	155	60	95	90	180	130	315	195	550	235	335	245	345	280	510
50	90	50	85	60	150	70	200	90	240	170	300	180	420	235	420
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	115	145	130	160	150	225
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	170	325
80	110	70	95	85	125	110	190	125	195	170	230	195	245	235	335
80	105	70	100	90	130	140	230	140	280	215	320	280	410	300	415
55	80	70	85	115	140	120	235	100	265	205	270	250	355	265	395
70	85	55	80	65	100	80	165	120	200	175	235	200	250	195	280

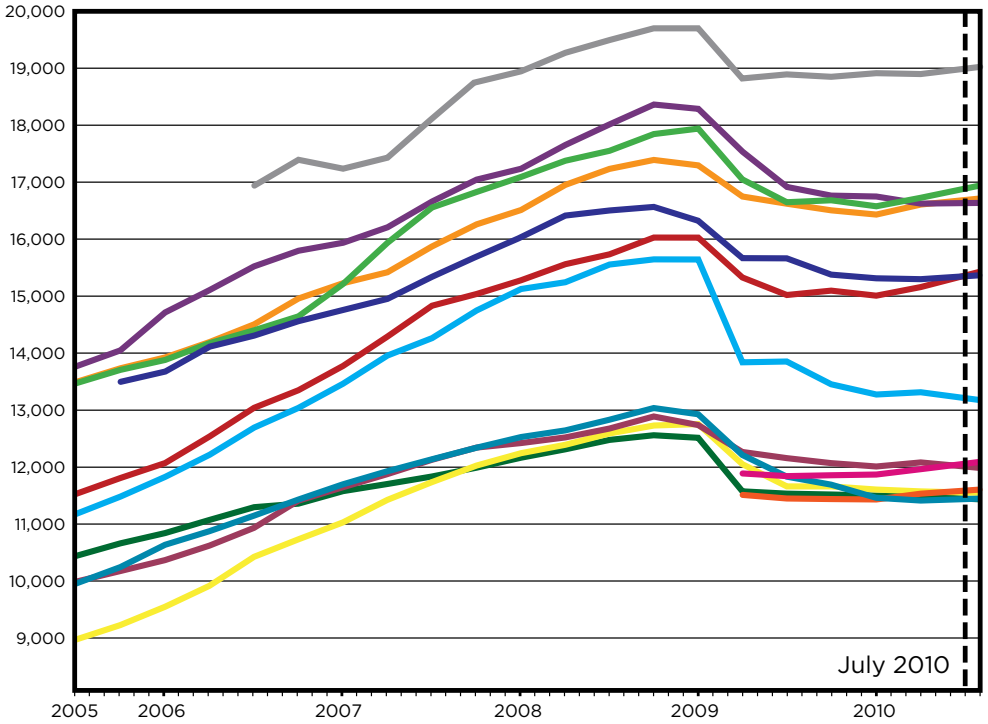
## CONSENSUS CONSTRUCTION FORECAST

According to the latest American Institute of Architects' Consensus Construction Forecast for the latter half of 2010, the overall economic improvement seen of-late is not translating to the nonresidential construction sector. A panel made up of individuals from McGraw-Hill Construction, IHS-Global Insight, Moody's Economy.com, FMI and Reed Construction Data, further projected that the sector will continue to show weakness well into 2011.

"Halfway through the year, prospects have deteriorated [for nonresidential building projects], with the current consensus predicting a 20% decline this year. The worst economic downturn in several generations, a fragile financial sector, excess commercial space, and unease in the international economy all share the blame for the current situation."

Despite the less-than-rosy outlook for the construction sector this year, the panel expects some relief to occur in 2011, with projections for growth in nonresidential construction spending reaching just over 3%. Strongest growth is expected in the hotel, amusement/recreation, retail, commercial and health facilities sectors.

## 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.

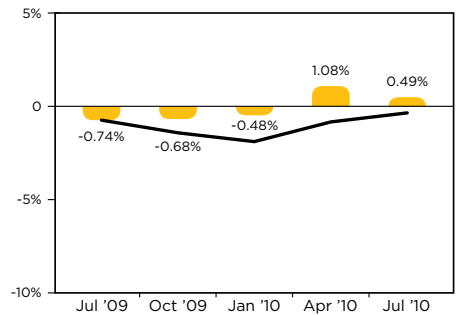
City	April 2010	July 2010	% Change
Boston	16,605	16,686	0.49%
Cincinnati	11,965	12,061	0.80%
Denver	11,485	11,448	-0.33%
Honolulu	16,623	16,632	0.05%
Las Vegas	11,572	11,556	-0.14%
Los Angeles	15,157	15,362	1.35%
Nashville	11,531	11,588	0.49%
New York	18,894	18,991	0.52%
Phoenix	11,411	11,438	0.24%
Portland	12,082	12,010	-0.60%
San Francisco	16,724	16,888	0.98%
Seattle	13,312	13,211	-0.76%
Washington, DC	15,294	15,349	0.36%

Our research suggests that between April 1, 2010 and July 1, 2010 the national average increase in construction cost was slightly less than 0.3%. Los Angeles and San Francisco experienced the greatest quarterly inflation with overall construction costs rising by close to 1.0%. Construction costs continued to decline in some markets; Denver, Las Vegas, Portland and Seattle, reported deflation of between 0.1% and 0.8%.

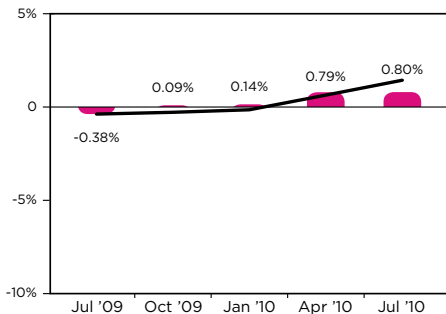
The following escalation charts track changes in the cost of construction each quarter in the cities where Rider Levett Bucknall and Rider Levett Bucknall affiliate offices are located. Each chart graphs the percentage change per period and the cumulative percentage change throughout the charted timeline.

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

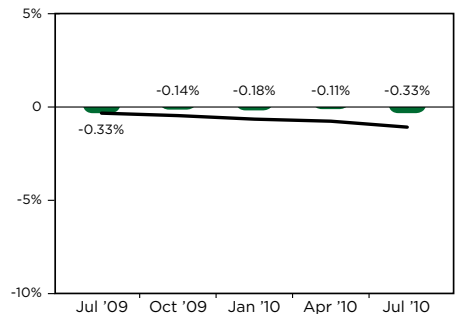
COST INDEX Boston



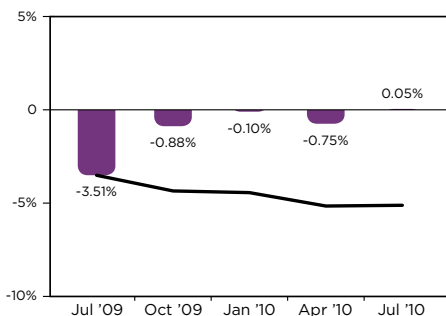
COST INDEX Cincinnati



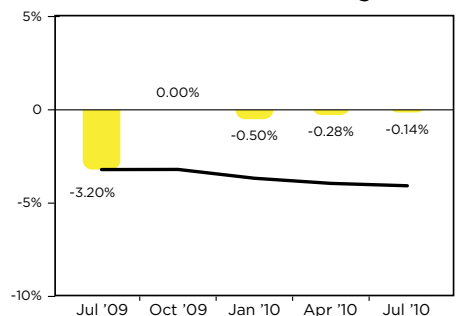
COST INDEX Denver



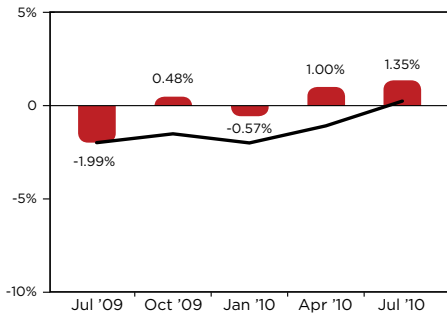
COST INDEX Honolulu



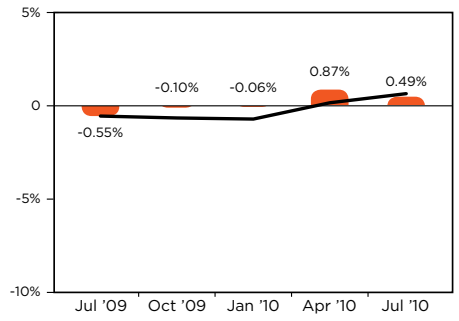
COST INDEX Las Vegas



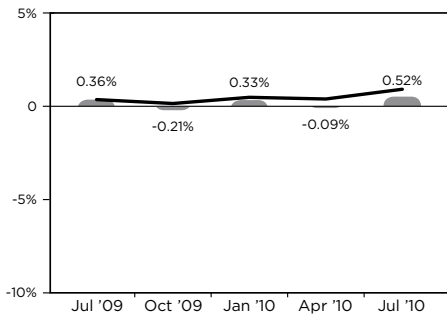
### COST INDEX Los Angeles



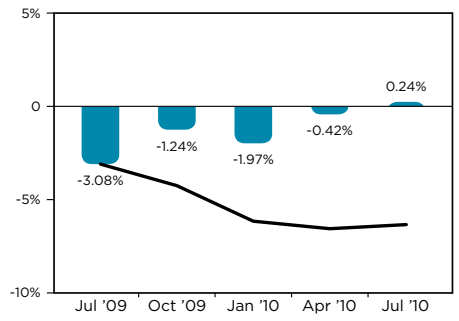
### COST INDEX Nashville



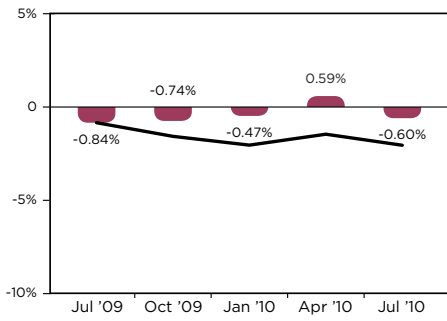
### COST INDEX New York



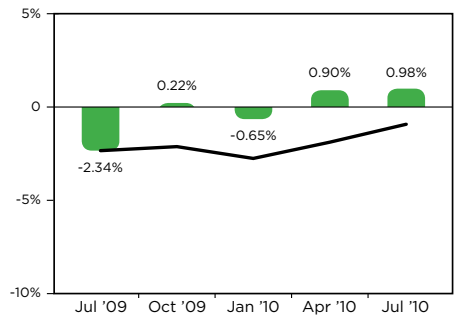
### COST INDEX Phoenix



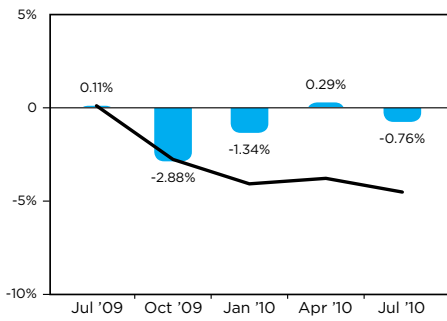
### COST INDEX Portland



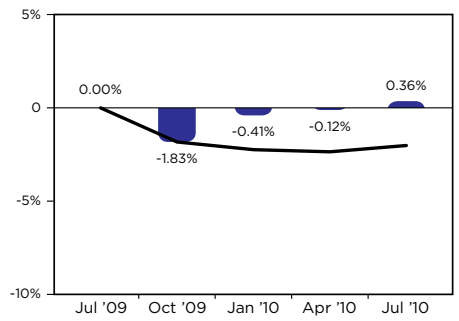
### COST INDEX San Francisco



### COST INDEX Seattle



### COST INDEX Washington, DC



Please don't hesitate to contact us  
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# RLB | Rider Levett Bucknall



## LOCATIONS

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Portland | San Francisco | Seattle | Washington, DC

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