

A nighttime photograph of a city street, likely in New York City, featuring a mix of modern and historic architecture. A semi-transparent white box is overlaid on the upper portion of the image, containing the report's title and date. The street below is illuminated by streetlights, and a blurred light trail from a moving vehicle is visible on the right side.

USA REPORT

QUARTERLY CONSTRUCTION COST REPORT

SECOND QUARTER 2016



USA REPORT

AT A GLANCE

Construction unemployment in March 2016 sat at 8.7% after nine straight months of increasing construction employment (239,000 jobs added in that time). By May 2016, the overall unemployment rate had fallen to 5.2%, the lowest level since October 2006, even though 20,000 jobs were lost during April and May, possibly reflecting the skepticism that some workers have for the stability of construction as a trade / profession.

For the important housing segment of the market, RLB is of the view that housing construction has finally returned to equilibrium with construction activity matching population driven demand. Interestingly, while construction of single family homes represented about 2/3rds of new housing in the years 2000 through 2011, by 2015 the number of single family units and '5 or more' multi-family units was roughly the same. There are a variety of theories that have been advanced to explain this trend including a general move towards urban core living, rising rents / affordability, and life style. The question is whether this is just a trend or a new normal?

Meanwhile, construction cost escalation nationally continues at a robust annual rate of 5.7% with no sign of this easing in the months ahead. Unless the vote by the United Kingdom to leave the European Union, or some other external economic shock, depresses real estate investment.

THE PALACE HOTEL SAN FRANCISCO, CALIFORNIA

Established in 1875, the Palace Hotel, a Luxury Collection Hotel, is an icon in San Francisco. The legendary hotel recently revealed a new look after undergoing an extensive renovation. Keeping true to preserving the integrity of the hotel, a classically inspired contemporary design complements the historic architecture. Amenities, custom created for the comfort of the savvy traveler, boast beauty and functionality.

Rider Levett Bucknall was proud to provide project management services for the 2015 transformation of the Palace Hotel. The major renovation of 556 guest rooms included the addition of three new suites. The Garden Court, a San Francisco landmark, received soft modernization. The lobby, promenade and guest reception areas were redone and the Palace Collection gift boutique was added. The hotel's sky lit indoor swimming and fitness center were remodeled - expanding the overall square footage of the workout facility. In addition, structural improvements were made to the parking garage originally built in 1925 and ADA services were upgraded throughout the hotel.

NATIONAL CONSTRUCTION COST INDEX

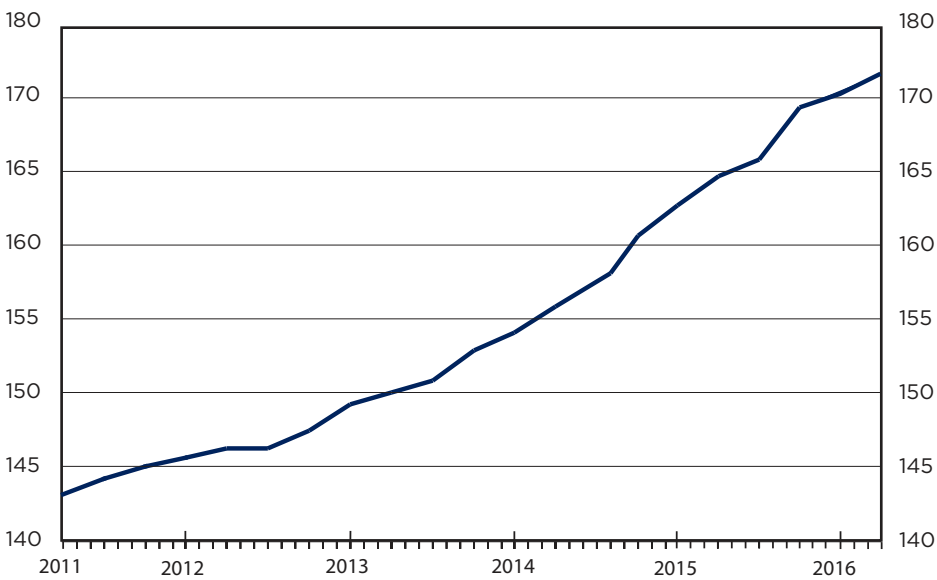
The National Construction Cost Index shows the changing cost of construction between April 2011 and April 2016, relative to a base of 100 in April 2001. Index recalibrated as of April 2011.

Date	Cost Index
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
July 2014	158.48
October 2014	161.11
January 2015	162.98
April 2015	164.96
July 2015	166.85
October 2015	169.05
January 2016	171.38
April 2016	173.84

Welcome to the second quarter 2016 issue of Rider Levett Bucknall's Quarterly Cost Reports! This issue contains data current to April 1, 2016.

According to the U.S. Department of Commerce, construction put-in-place during April 2016 was estimated at a seasonally adjusted annual rate of \$1,133.9 billion, which is 1.8% below the revised March estimate of \$1,155.1 billion. The April 2016 figure is 4.5% above the April 2015 estimate of \$1,085 billion. The value of construction for the first four months of this year was \$334.8 billion, 8.7% above the same period in 2015.

NATIONAL CONSTRUCTION COST INDEX



KEY UNITED STATES STATISTICS

	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Gross Domestic Product (GDP)*	3.7%	2.1%	1.4%	0.8%
Consumer Price Index (CPI)	238.6	237.8	236.5	238.1
Inflation (Quarter)	1.07%	-0.34%	-0.60%	0.68%
Architectural Billings Index (ABI)	55.7	53.7	50.9	51.9
Construction Put-in-Place (B)	\$1,064.6	\$1,094.2	\$1,116.6	\$1,133.9
Unemployment	5.4%	5.1%	5.0%	4.9%
Construction Unemployment	6.3%	5.5%	7.5%	8.7%

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. 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.

*Indicative Construction Costs were amended August 2016.

	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	
LOCATION	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	275	450	180	275	150	250	100	150	350	500	225	350	375	600	100	175	70	100	90	150	175	300	250	350	275	375	285	400	300	450
Chicago	230	360	140	200	130	210	105	130	290	450	190	240	330	595	100	130	65	110	90	140	130	210	150	325	220	350	220	370	250	375
Denver	160	255	115	175	90	145	70	135	200	310	150	185	370	455	90	150	50	70	90	120	85	190	90	400	245	300	260	310	285	400
Honolulu	285	530	245	400	210	495	175	435	515	745	325	545	475	760	145	225	100	145	140	265	195	445	280	760	340	475	405	610	445	720
Las Vegas	140	295	105	190	115	480	65	145	350	465	150	275	285	455	50	100	50	85	60	150	70	405	90	350	180	315	200	455	235	455
Los Angeles	210	315	145	220	130	295	105	170	315	470	210	290	420	630	100	170	100	120	115	165	160	260	160	325	325	430	340	470	360	515
New York	350	550	275	375	250	400	150	250	375	550	275	375	450	650	115	200	90	150	125	200	200	375	275	400	290	400	300	450	300	450
Phoenix	150	275	110	175	110	170	75	130	275	425	150	250	300	450	55	100	40	65	60	100	90	185	100	400	150	220	170	250	210	375
Portland	180	250	130	180	140	240	120	180	190	275	150	190	380	525	90	150	85	105	110	150	150	240	125	280	235	295	250	310	280	400
San Francisco	200	350	180	275	195	325	225	325	300	500	250	350	400	525	140	190	100	130	165	190	280	425	200	400	320	400	300	375	250	375
Seattle	190	235	130	185	130	230	110	155	215	315	160	210	370	525	90	125	80	100	100	145	140	250	115	270	235	290	265	345	305	455
Washington, D.C.	250	400	175	275	125	250	100	150	325	475	225	325	375	600	90	150	65	100	80	125	175	300	250	350	275	350	275	375	300	450

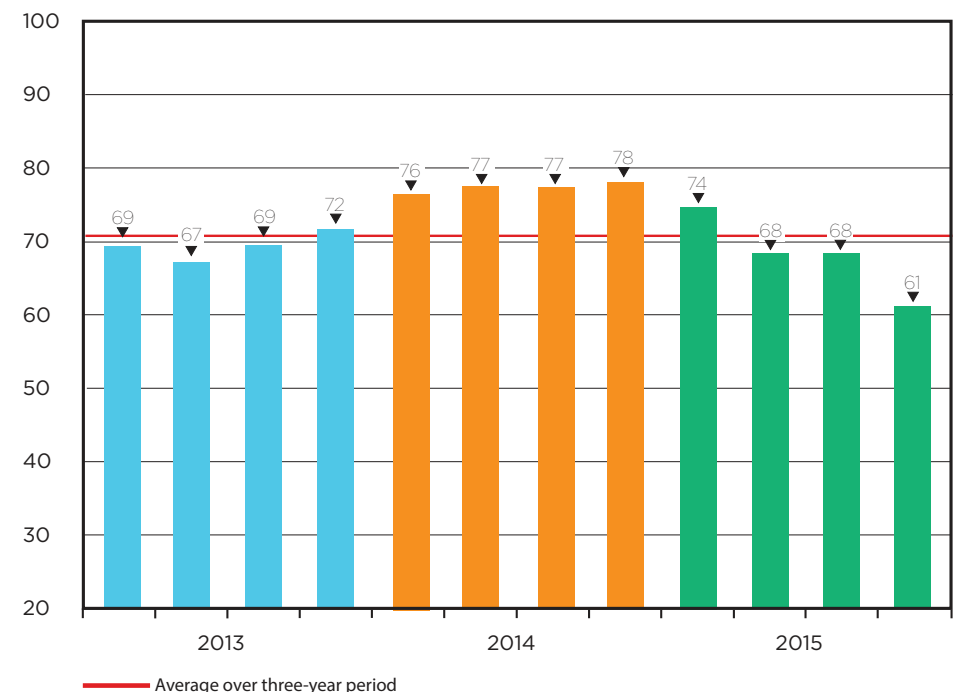
CONSTRUCTION INDUSTRY CONFIDENCE INDEX

Recovery within the North American construction market has been continual since the crash in 2009. ENR's Construction Industry Confidence Index (CICI), launched in 2009, has crept from an index of 25 (in 2009) to as high as 78 (in 2014), in the years since. This progressive increase conveys a confidence in industry growth, but as the gradual increase begins to steady and taper down, it begs the question – how long will confidence in the construction market last?

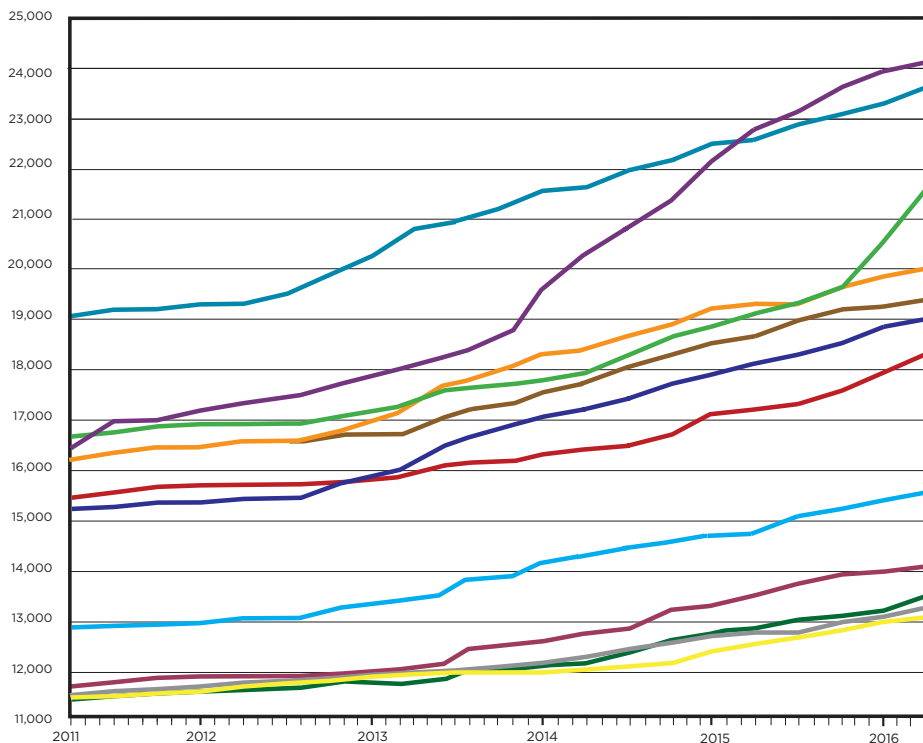
While current economic circumstances are promising, the CICI indicates the industry's reservations when considering uncertainties within the market; such as the status of the global economy, the stock market, and the upcoming presidential election.

ENR surveyed different types of firms (Design Professionals, General Contractors and Subcontractors) for their overall view of the market, and while it would appear that many firms agree there will be a decline in market growth within the next three years, the general consensus expects market stability through 2017.

Launched in July 2009. On a scale of 100, an index rating of 50 would represent a neutral market.



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 in the graph titled *Comparative Cost Index (above)* and in the *Cost and Change Summary (right)*.

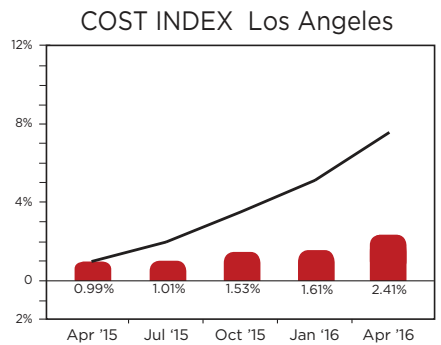
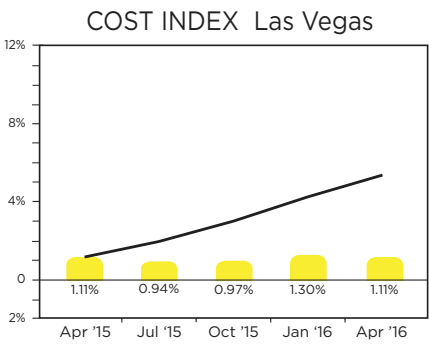
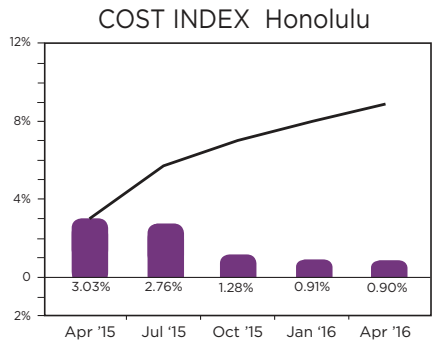
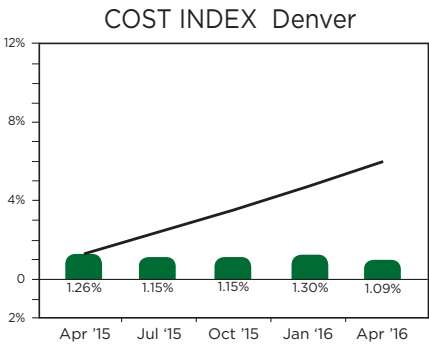
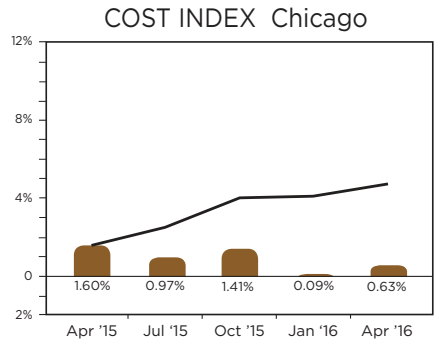
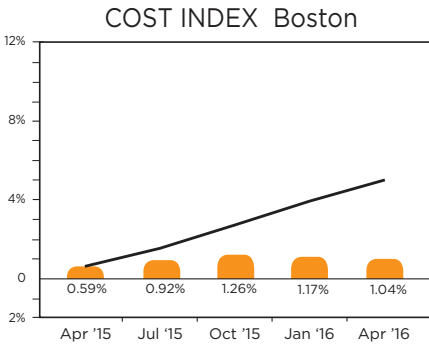
Our Comparative Cost Index tracks the 'true' bid cost of construction, which includes, in addition to costs of labor and materials, general contractor and sub-contractor overhead costs and fees (profit). The index also includes applicable sales/use taxes that 'standard' construction contracts attract. 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 2016	April 2016	% Change
• Boston	19,868	20,076	1.04%
• Chicago	19,266	19,388	0.63%
• Denver	13,321	13,466	1.09%
• Honolulu	23,906	24,122	0.90%
• Las Vegas	13,011	13,155	1.11%
• Los Angeles	17,901	18,332	2.41%
• New York	23,395	23,617	0.95%
• Phoenix	13,178	13,318	1.07%
• Portland	13,997	14,162	1.17%
• San Francisco	20,639	21,659	4.94%
• Seattle	15,470	15,613	0.93%
• Washington, DC	18,777	18,961	0.98%

Our research suggests that during the first quarter the average national construction cost increased approximately 1.4%. Los Angeles (2.4%) and San Francisco (4.9%) experienced the greatest increases. Other locations experienced inflation between approximately 1.0% and 1.2% with Chicago, Honolulu, New York, Seattle and Washington DC all experiencing less than 1.0% change in the quarter.

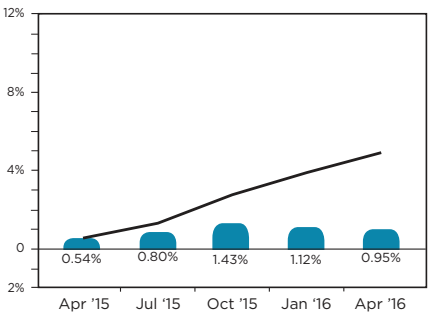
The following escalation charts track changes in the cost of construction each quarter in many of the cities where Rider Levett Bucknall offices are located. Each chart illustrates the percentage change per period and the cumulative percentage change throughout the charted timeline.

■ Percentage change per quarter — Cumulative percentage change for the period shown

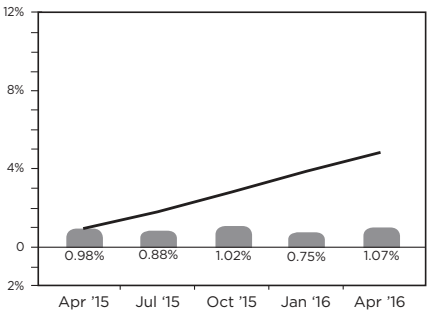


USA REPORT

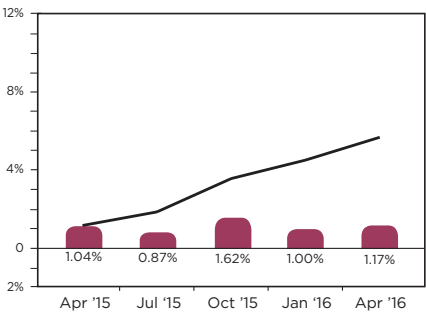
COST INDEX New York



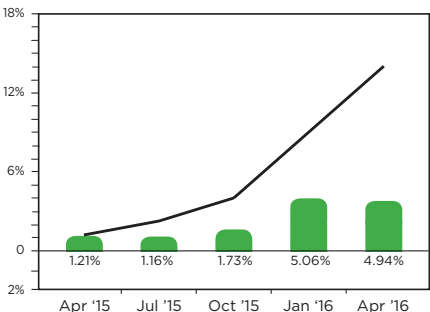
COST INDEX Phoenix



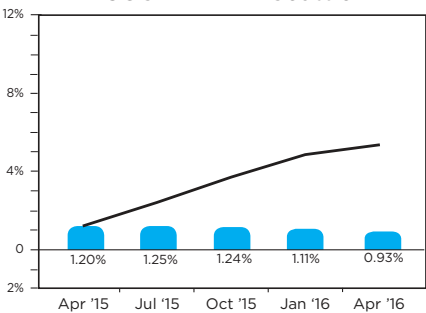
COST INDEX Portland



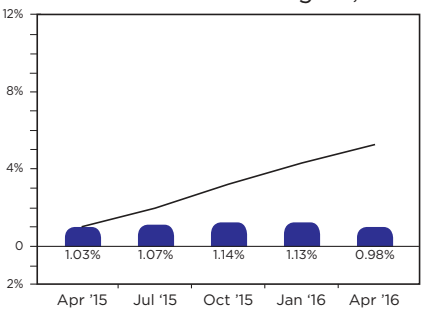
COST INDEX San Francisco



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.

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A stylized map of North America, including the United States, Canada, Mexico, and the Caribbean. The map is light gray and set against a dark blue background. Numerous small white dots are scattered across the map, representing various locations. The dots are more densely clustered in the eastern United States and the Caribbean, with fewer dots in the western United States and Canada.

LOCATIONS

RIDER LEVETT BUCKNALL

Austin | Barbados | Boston | Calgary | Chicago
Cayman Islands | Denver | Guam | Hilo | Honolulu
Las Vegas | Los Angeles | Maui | New York | Phoenix
Portland | San Francisco | Seattle | St. Lucia | Toronto
Trinidad & Tobago | Tucson | Waikoloa | Washington, DC

CONVENTIONAL WISDOM

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