



FOURTH QUARTER 2020

NORTH AMERICA

QUARTERLY CONSTRUCTION COST REPORT



ON THE COVER

SAFE CREDIT UNION CONVENTION CENTER ▲

SACRAMENTO, CALIFORNIA

The SAFE Credit Union Convention Center project is part of a \$350 Million landmark program, enhancing and transforming aging cultural facilities into modern and synergistic public congregation centers with refreshed character and improved guest and patron experiences. A main goal of this project is to revitalize downtown Sacramento's Entertainment District, hence active and regular community involvement and support for this program has been playing a particularly important role.

Rider Levett Bucknall (RLB), in association with Conventional Wisdom, are providing a variety of services to the City of Sacramento for the renovations of the Memorial Auditorium, Convention Center and the Community Center Theater. RLB is responsible for overseeing the integrated planning, design and some construction processes as an extension of the City staff. RLB's management approach includes extensive stakeholder and City Council participation, coordination and presentations.

The newly renovated SAFE Credit Union Convention Center will boast over 500,000 square feet of prime event, convention, lobby and support space. Construction began in December 2018 and will complete with the interior fit-out of the second story ballroom in April 2021.

NORTH AMERICA

As we wrap up a year like no other, it would be terrific to turn the calendar on January 1 with the knowledge that 2021 will be normal. There is cause for optimism, of course; the release of Covid-19 vaccine is welcomed by the world, particularly as new waves of contagion break out during the winter months.

But just as the eradication of the coronavirus won't take place overnight, the economic damage incurred over the past nine months will take time to heal, as well. The overall economy is unlikely to accelerate in the first half of the coming year, as the US—under new political leadership—continues to face some formidable challenges, particularly in the job market.

There is growing sentiment that what was once viewed as temporary unemployment is becoming a more permanent condition, especially among small businesses and cities and regions that rely on the travel and hospitality industries to generate revenue. In the fourth quarter, unemployment claims jumped, casting a darker shadow over the economy. When coupled with a slowdown in job creation, confidence in the economy is likely to be shaky at best for some time.

How incoming president Joe Biden's agenda will impact the construction industry is in a large part dependent on how it is received in Congress. At this writing, the makeup of that legislative body is still unresolved; in January, a key Senate election in Georgia will determine if the balance of power will shift or continue to be defined along political partisan lines. In his campaign, Biden proposed a wide-ranging \$1.5-\$2 trillion infrastructure plan that includes rebuilding and expanding highways, bridges, green spaces, water systems, the electricity grid, and broadband service to rural communities. The plan also seeks to upgrade four million buildings, weatherize two million homes, and shift more toward clean energy sources.

There is reason to believe that even if the legislature is divided going into the new year, the Biden plan would receive bipartisan support if it is tied to creating jobs that have been lost due to the pandemic. In 2019, talks between Democrats and Republicans broke down over the issues of how to fund the program and who would benefit from the outgoing administration's infrastructure proposal, as its representatives were not open to compromise on any front. Today, in light of the devastation wreaked by Covid, it's much harder to make the argument that economic assistance—at both industrial and individual scales—should be selectively meted out.

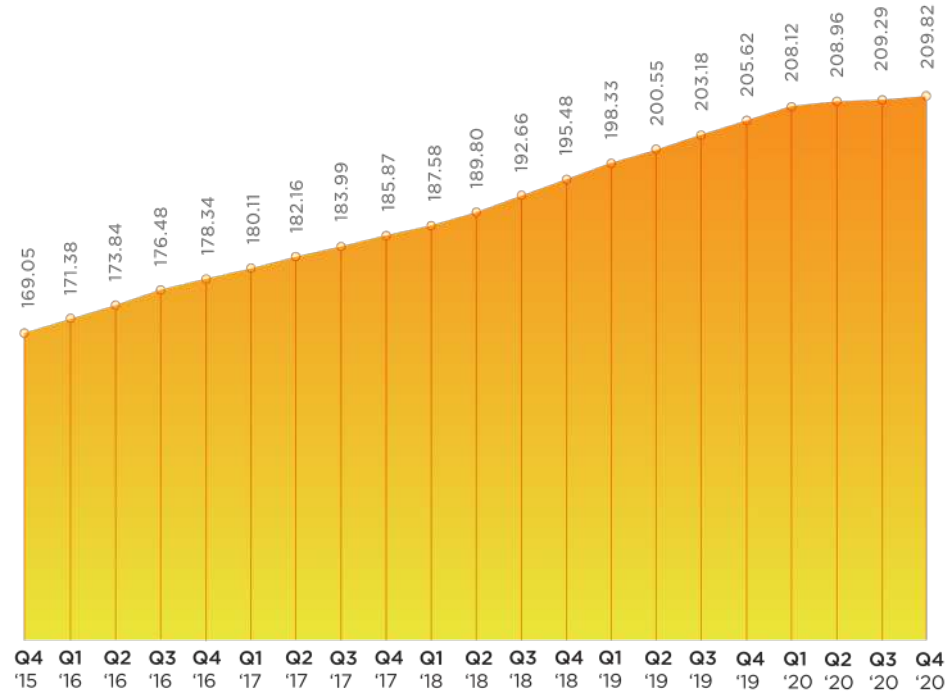
Looking at the longer term, I'm hopeful that the Biden administration will be able to motivate Congress to come together to provide additional support for the economy and fund that infrastructure initiative. If that happens, there is a good chance that the second half of 2021 will see a return to more normal times—and perhaps even profitable ones for designers and contractors.



Julian Anderson FRICS
President,
North America

UNITED STATES

NATIONAL CONSTRUCTION COST INDEX



Welcome to the fourth quarter 2020 issue of the Rider Levett Bucknall Quarterly Cost Report! This issue contains data current to October 1, 2020.

\$1,438.5 Billion

According to the U.S. Department of Commerce, construction-put-in-place during October 2020 was estimated at a seasonally adjusted annual rate of \$1,438.5 billion, which is

1.3% above

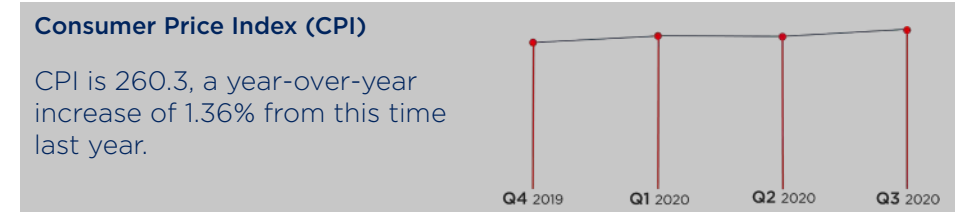
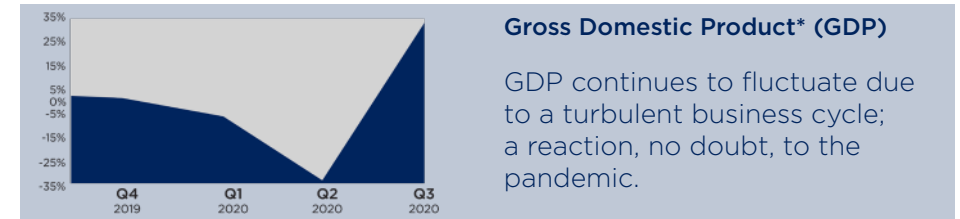
the revised September 2020 estimate of \$1,420.4 billion, and

3.7% above

the October 2019 estimate of \$1,386.8 billion.

The National Construction Cost Index shows the changing cost of construction between October 2015 and October 2020, relative to a base of 100 in April 2001. Index recalibrated as of April 2011.

KEY UNITED STATES STATISTICS



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, reflecting the average of a three-month period.

* Adjustments made to GDP based on amended changes from the Bureau of Economic Analysis. Sources: U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, American Institute of Architects.

UNITED STATES

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 of U.S. locations represent hard construction costs based on U.S. dollars per square foot of gross floor area, while values of Canadian locations represent hard construction costs based on Canadian dollars per square foot.

LOCATION	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		
	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
USA																														
Boston	350	550	225	325	200	300	150	240	400	580	275	390	425	675	110	190	85	140	100	160	185	315	260	360	350	475	375	500	375	600
Chicago	280	450	175	280	185	290	135	220	400	660	290	410	380	720	110	185	80	125	125	170	165	400	220	420	265	380	300	405	350	600
Denver	240	325	165	200	95	150	80	175	300	500	250	350	400	550	90	150	100	125	135	175	125	250	115	450	275	320	300	400	325	475
Honolulu	300	545	255	410	220	510	185	450	530	770	335	560	490	785	150	240	105	150	145	275	205	460	295	785	350	490	420	630	460	740
Las Vegas	200	350	135	190	120	480	80	145	350	550	150	300	400	475	70	100	50	85	60	150	100	405	100	350	225	350	250	455	300	455
Los Angeles	240	360	180	265	160	350	135	195	380	560	285	365	615	930	125	190	105	125	135	195	235	370	205	365	365	480	310	550	460	625
New York	350	800	200	500	300	600	190	350	430	650	320	430	540	810	115	200	95	175	135	210	215	405	300	600	460	580	500	640	490	700
Phoenix	200	350	140	195	120	220	90	150	350	550	175	275	425	550	70	100	45	70	70	110	100	250	120	450	250	350	275	425	325	475
Portland	220	300	200	280	200	300	175	250	320	420	250	350	445	590	150	225	115	150	130	215	175	275	155	325	320	400	350	425	365	510
San Francisco	380	600	300	450	290	420	250	360	460	680	400	550	550	850	175	250	140	160	260	300	390	575	325	475	375	450	375	475	475	675
Seattle	300	500	225	325	250	425	225	325	400	600	300	400	440	600	140	200	100	150	175	225	200	450	180	325	300	330	390	500	450	575
Washington	325	500	225	325	175	300	140	225	400	600	265	400	500	765	120	190	65	80	85	135	200	340	260	380	300	410	325	430	385	615
CANADA																														
Calgary	235	300	200	285	225	300	120	170	310	455	200	250	550	730	90	140	80	100	90	130	160	220	135	360	200	270	225	315	300	440
Toronto	230	310	200	285	245	300	130	175	425	530	220	280	530	740	85	110	80	115	120	160	210	250	215	400	225	250	250	290	250	375

ECONOMIC INDICATOR - BALTIC DRY INDEX

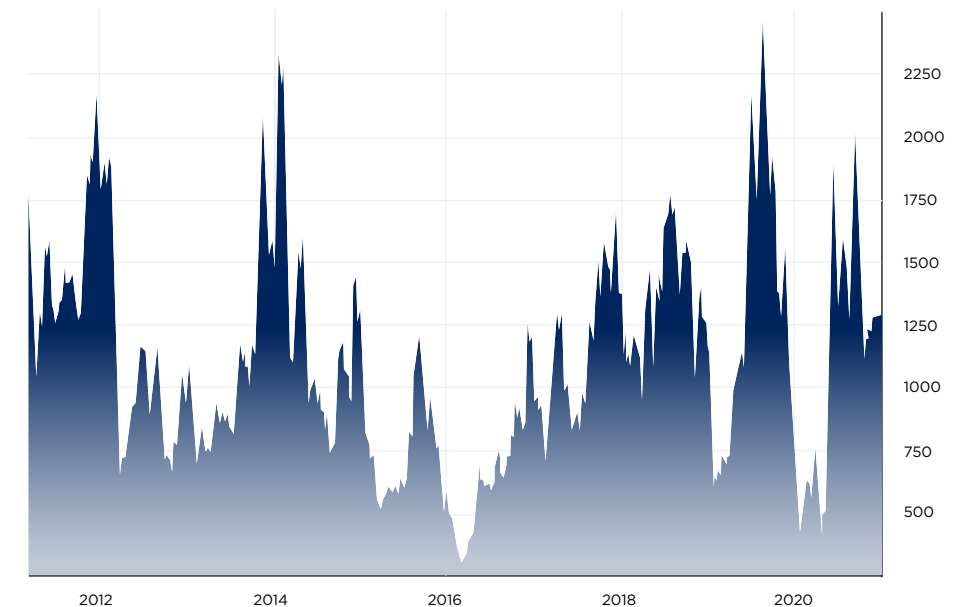
WHAT IS THE BALTIC DRY INDEX?

The Baltic Dry Index (“BDI”) is a weighted index, calculated daily, measuring the supply of bulk dry carriers and considers shipping routes and volumes for four different categories of cargo ships. It does not consider ships carrying containers or ships carrying “energy liquids”.

BDI is considered to be a ‘leading’ economic indicator because it measures the transportation cost of materials used in finished goods and is therefore a gauge of short-term economic activity.

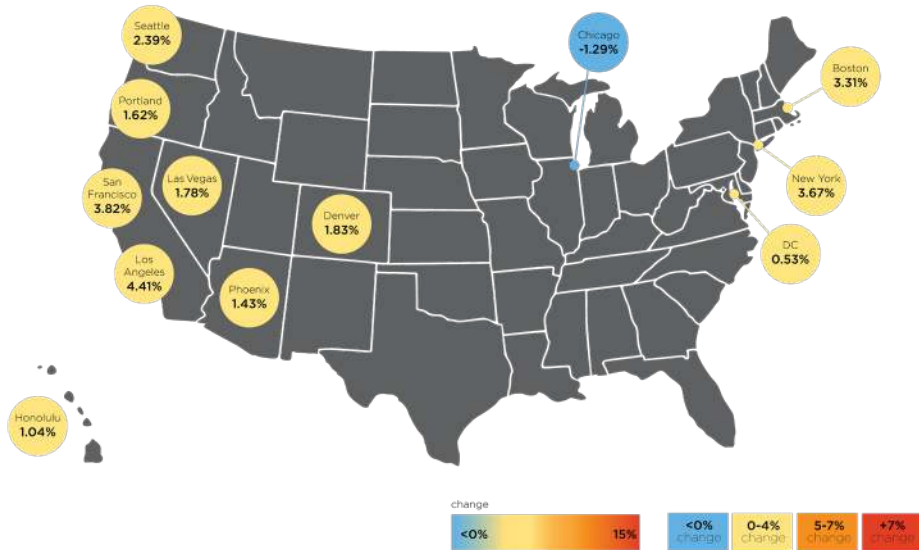
WHAT DOES BDI TELL US?

The BDI is seasonal and has well observed annual peaks and troughs so short that term trends can be challenging to interpret. Despite these short-term fluctuations, BDI does prove to be a key insight when measuring global demand for commodities. Significant fluctuations in the BDI from late-2019 to present day reflect economic activity, as changes to the index are indicative of supply and demand for important manufacturing materials.



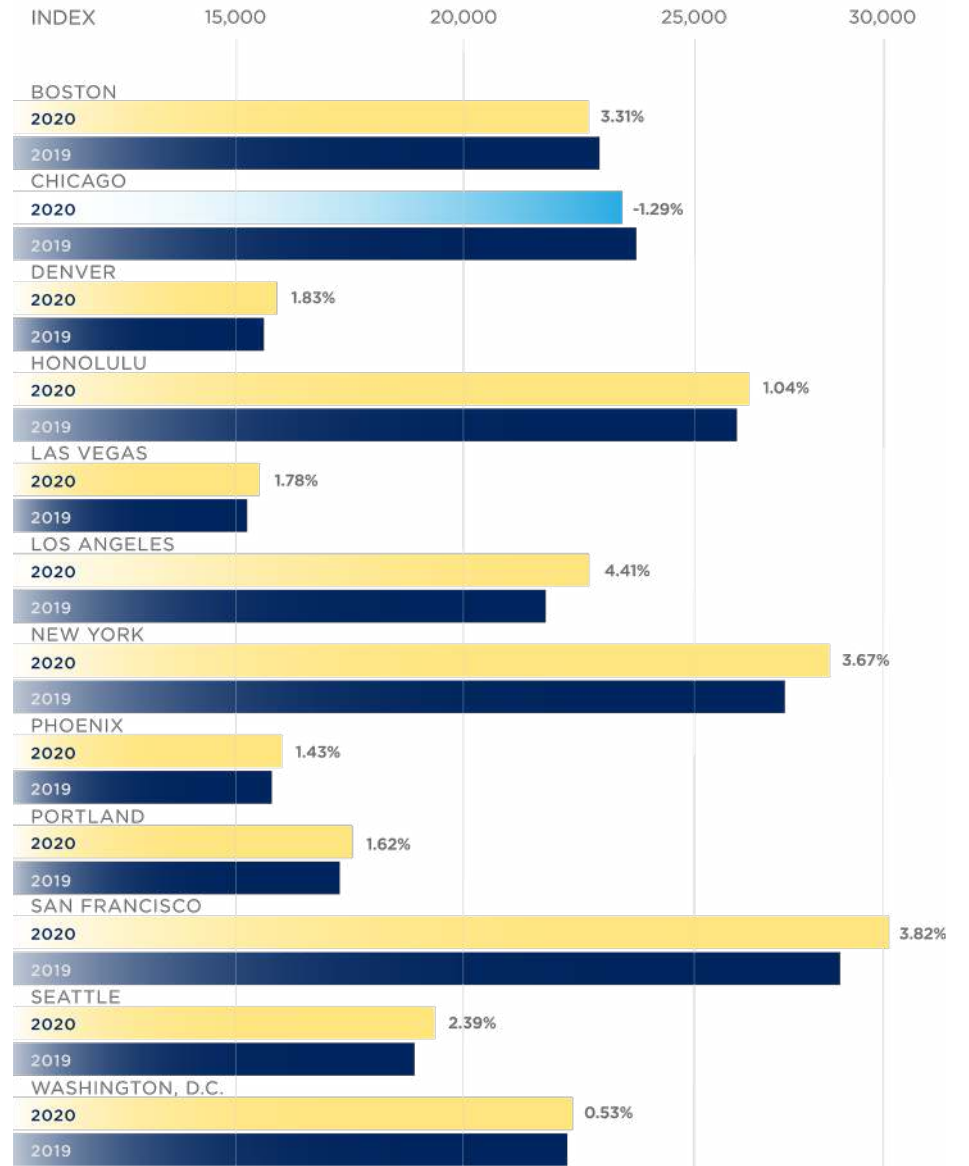
UNITED STATES

COMPARATIVE COST INDEX



City	October 2019	January 2020	April 2020	July 2020	October 2020	Annual % Change
• Boston	23,012	23,241	23,534	23,677	23,773	3.31%
• Chicago	23,826	24,055	23,596	23,340	23,518	-1.29%
• Denver	15,578	15,711	15,804	15,835	15,864	1.83%
• Honolulu	26,055	26,331	26,333	26,333	26,325	1.04%
• Las Vegas	15,209	15,394	15,459	15,480	15,480	1.78%
• Los Angeles	21,819	22,221	22,706	22,835	22,781	4.41%
• New York	27,116	27,658	27,734	28,008	28,112	3.67%
• Phoenix	15,754	15,922	16,004	16,008	15,979	1.43%
• Portland	17,259	17,472	17,357	17,397	17,539	1.62%
• San Francisco	28,341	28,781	29,040	29,230	29,423	3.82%
• Seattle	18,915	19,127	19,318	19,342	19,367	2.39%
• Washington, DC	22,299	22,450	22,518	22,389	22,418	0.53%

Comparative Cost Map and Bar Graph Indicate percentage change between October 2019 to October 2020.



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).

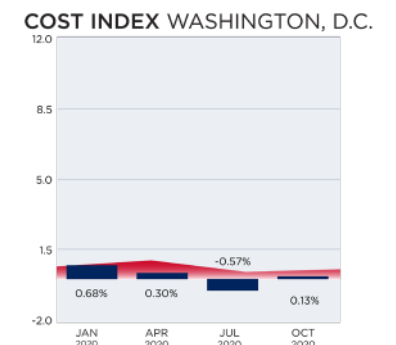
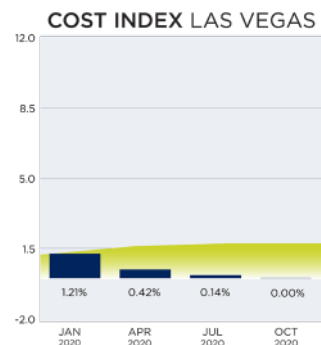
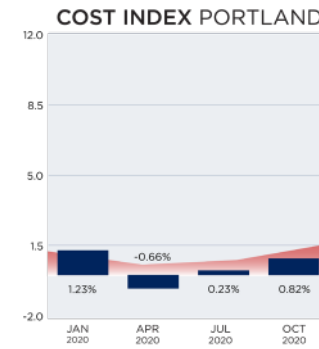
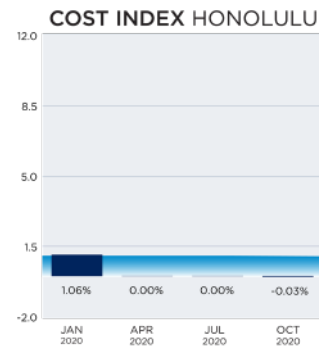
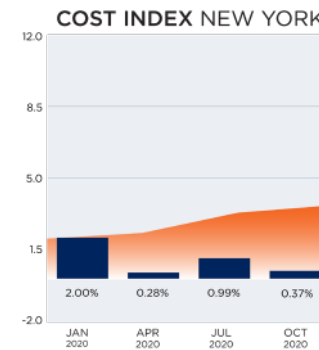
Our Comparative Cost Index tracks the 'true' bid cost of construction, which includes, in addition to costs of labor and materials, general contractor and sub-contractor overhead costs and fees (profit). The index also includes applicable sales/use taxes that 'standard' construction contracts attract. 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.

UNITED STATES

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

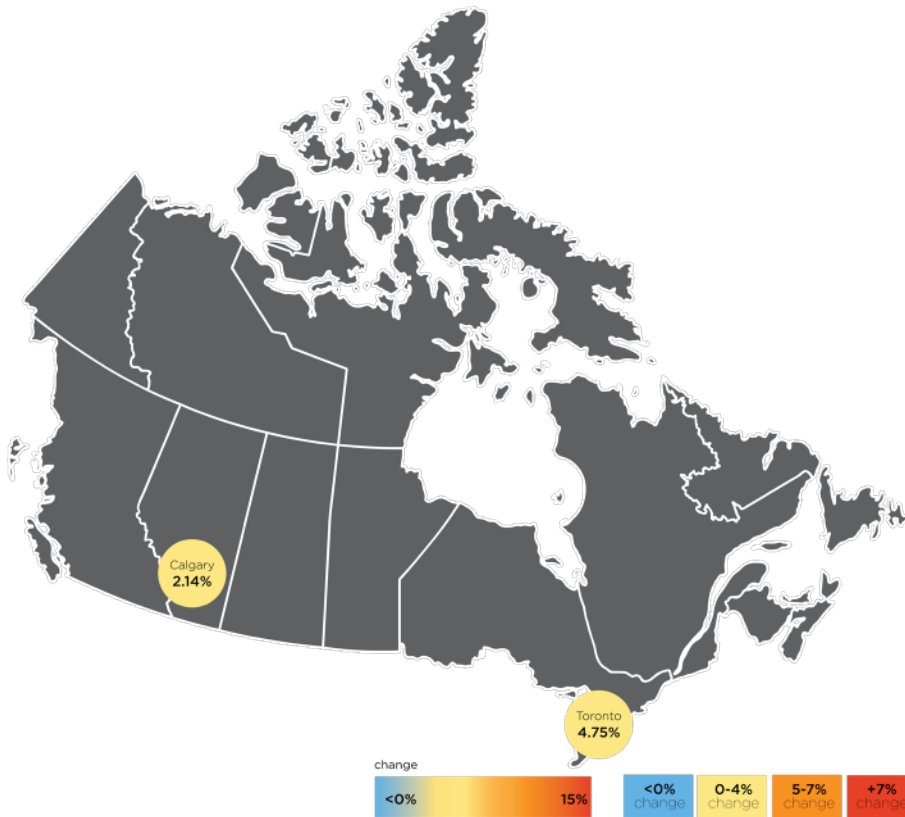
■ Percentage change per quarter — Cumulative percentage change for the period shown

Our research suggests that between July 1, 2020 and October 1, 2020 that the national average increase in construction costs was approximately 0.25%. Boston, Chicago, New York, Portland, and San Francisco all experienced increases greater than 0.25% in the quarter. Denver, Seattle, and Washington, D.C. experienced increases less than the national average. Other locations, including Honolulu, Los Angeles, and Phoenix saw a slight decrease in construction costs this quarter.



CANADA

COMPARATIVE COST INDEX



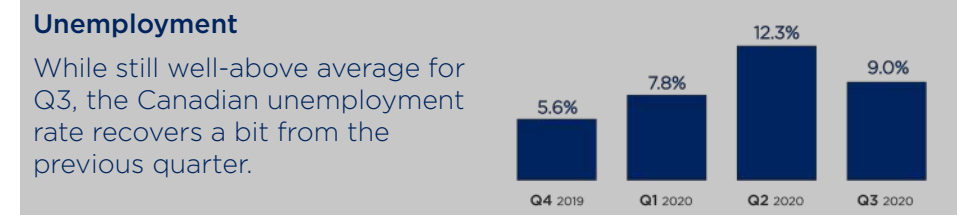
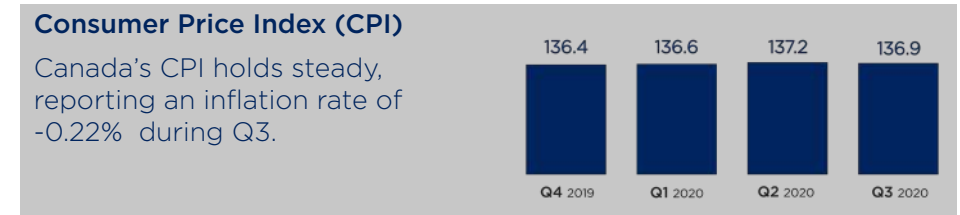
City	October 2019	January 2020	April 2020	July 2020	October 2020	Annual % Change
• Calgary	19,567	19,587	19,685	19,646	19,985	2.14%
• Toronto	23,303	23,653	23,595	23,873	24,409	4.75%

In Eastern Canada the Ontario market continues to be quite strong despite the overall economic slowdown due to Covid 19. Government is still spending on infrastructure and the \$30 billion public transit program announced by the Province of Ontario is proceeding as planned. The residential market will continue to grow although growth will not be as strong as recent years due to a big drop in immigration in 2020 and 2021.

Alberta's economy tells a bit of a different story, as construction has slowed to about 75% of 2019. However, due to the increased spending on infrastructure, that sector is up 25% in activity from this time last year. We anticipate that in 2021 there will be a greater emphasis on institutional infrastructure markets, with growth in mining and agriculture.



KEY CANADIAN STATISTICS



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. 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 15 years and older. Unemployment rates are seasonally adjusted, reported at the end of the period.

Sources: Statistics Canada



ABOUT RIDER LEVETT BUCKNALL

Rider Levett Bucknall is an award-winning international firm known for providing project management, construction cost consulting, and related property and construction advisory services – at all stages of the design and construction process.

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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