Q2 2022

HONOLULU OUTLOOK

MEET YOUR LOCAL EXPERT

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COST CONSIDERATIONS
THINGS TO WATCH OUT FOR

RLB Rider Levett Bucknall

ECONOMIC RECOVERY RLB continues to see positive economic indicators in Hawaii that allow for far more construction projects to commence in 2022, moving the local industry closer toward a peak in the construction activity cycle, when we are forecasting gains of approximately 1% each year to the annual aggregate rate of escalation through 2024.

MATERIALS We have observed some stabilization in pricing compared to 2021, however, there is still volatility in certain materials (such as lumber, steel and rebar). Persisting supply chain disruptions and demand for commodities drive costs and we don't expect this to completely recover in the next 3-6 months.

BIDDING ENVIRONMENT Despite rising costs of construction in Hawaii, some general contractors remain eager to fill their backlogs as several major projects have been completed or are nearing completion, and new projects are moving from inception and into the design phase in the next 3-6 months. Since some of these projects are not shovel ready, we are still seeing some competitiveness in received bids, although not all general contractors are hungry. We expect any competitiveness in the bidding market to dissipate once planned projects begin ramping up over the next 12 months.

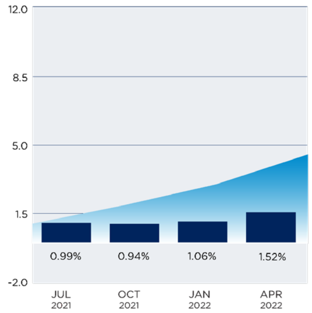
LOGISTICS While a logistics partner has reported a more than 60% average increase in per-container shipping prices from pre-COVID to Q1 2022, shipping prices have remained steady to Q2 2022. From one perspective, this may indicate that the logistical picture is seeing improvement; however, persisting supply chain disruptions and demand for commodities drive costs and we don't expect this to completely recover in the next 3-6 months.

CONSTRUCTION COST DRIVERS

SELECT MATERIALS	APPROX. INCREASE FROM Q1 2022
Rebar	▲ 9.9%
Structural Steel	▼ -1.3%
Ready-Mix Concrete	▲ 1.1%
Lumber	▲ 39.5%
Copper	▲ 2.9%
Plumbing Fixtures	▲ 42.1%
Diesel	▲ 43.6%

Source: U.S. Bureau of Labor Statistics Producer Price Index

HONOLULU COST INDEX



PROJECTED MARKET TRENDS

4.59%
Honolulu YOY escalation rate

7.50%
National YOY escalation rate

Source: RLB Quarterly Construction Cost Report, Q2 2022

DON'T MISS OUT ON FUTURE INSIGHTS!

For more than 20 years, we have published a quarterly construction cost report to provide you with the most accurate and up-to-date construction pricing information in the market.

SCAN TO SUBSCRIBE

CONSTRUCTION COST INDEX, ESCALATION, AND TRENDS

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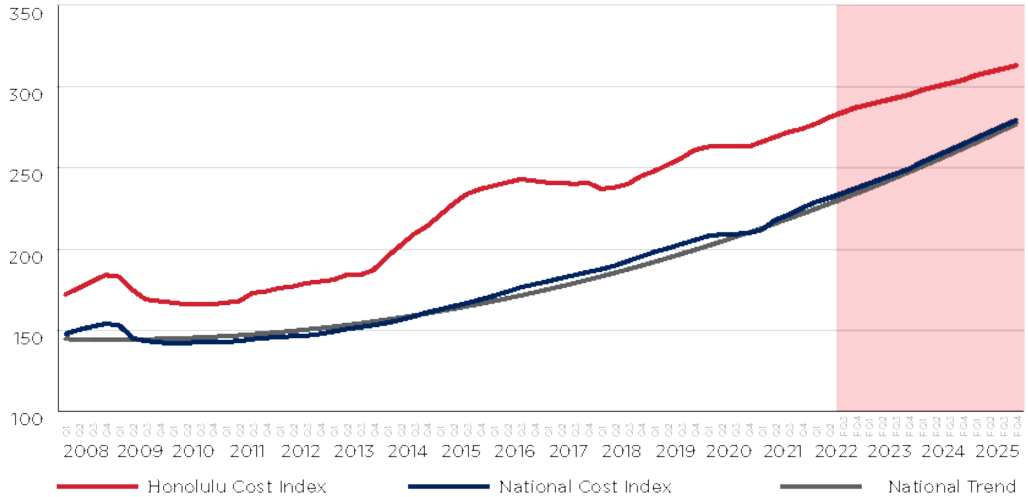

ABOUT THE CHART

Honolulu is trending behind the rest of U.S. when comparing annualized rates of cost change across North American regions, as reported by RLB in the Q2 2022 QCR. Historically, our data shows that Hawaii will catch up to the contiguous U.S. We typically trend about a quarter or two behind, but it is key to understand that Honolulu baseline construction costs remain higher than most other North American markets.

WHAT THIS MEANS FOR YOU

RLB in Hawaii is beginning to see the impacts of inflation to the rate of cost escalation we are reporting in Q2 2022 as all materials, goods and commodities, such as diesel, are costing more. While this is not necessarily market driven, but rather a result of general economic conditions beyond Hawaii, the Islands will experience more significant impact when the labor market becomes saturated with new work. The rate of escalation will be primarily driven by demand in the next 12-24 months.