

## MEET YOUR LOCAL EXPERT



**MICHAEL O'REILLY** CCP  
Associate Principal  
Boston, Massachusetts

*Michael manages the Boston office. With more than 18 years of industry experience, Michael is responsible for construction cost data research, cost management, project management, and project leadership for both public and private sector clients.*

*Let's connect!*

**T:** +1 617 737 9339

**E:** michael.oreilly@us.rlb.com

**in** /in/michael-o-reilly-b77b6275/

**RLB.com**

## COST CONSIDERATIONS THINGS TO WATCH OUT FOR



**CONSTRUCTION OUTLOOK** RLB's construction cost index for Boston is showing a steady rate of escalation at just over 2.00% per quarter, for a year-over-year increase of 8.87% (slightly above the 8.76% in Q2 2022). The local industry continues to face the same challenges that we've experienced over the past 18 months in terms of materials supply and demand (and delivery) issues, volatile material lead-times, labor shortages – and all continue to have an effect on construction costs. Construction activity remains high and local players – from designers to subcontractors – remain in high demand.



**MARKET TRENDS** Mixed-use, multi-family, and life sciences projects continue to dominate headlines. The Downtown and South Boston districts continue to dominate construction activity, with the South Station Air Rights development in full swing, Winthrop Center, One Post Office Square, Bulfinch Crossing, and numerous key developments in the Seaport. The roll-out of the IJA bears watching, however, give thought to the impact inflation may have on the value of the funding if it continues at its current pace.



**BIDDING ENVIRONMENT** Interest remains in projects that are well documented and right-sized for the market; however bidders continue to be selective with the projects they intend to pursue. Lead-times continue to be a moving target, particularly for those trades that are large cost and schedule drivers (major mechanical and electrical equipment, curtain wall, roofing) and thought should be given to alternate procurement approaches such as bulk-buying, early-release packages, and pre-purchasing. Budgets and schedules should both be developed with these challenges in mind and should ensure that project delivery risks are adequately captured.



**WHAT TO WATCH OUT FOR** For the most part the market seems to have a decent grasp on pricing levels (despite the volatility we're still experiencing with materials availability), however lead-times for construction materials continue to be sporadic. A careful audit of design and construction schedules is important, and building these project delivery risks into the schedule is key; constant communication with the designers, construction team, and materials vendors is crucial for delivering a successful project on-time.

### CONSTRUCTION COST DRIVERS

SELECT MATERIALS	APPROX. CHANGE FROM Q2 2022
Rebar	▲ 2.4%
Structural Steel	▼ -2.1%
Ready-Mix Concrete	▼ -0.6%
Lumber	▼ -39.6%
Copper	▼ -2.0%
Plumbing Fixtures	▼ -1.5%
Diesel	▲ 27.6%

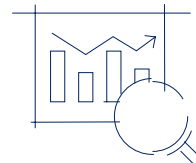
### CITY COST INDEX



### PROJECTED MARKET TRENDS

**8.87%**  
Boston YOY Escalation Rate

**8.28%**  
National YOY Escalation Rate



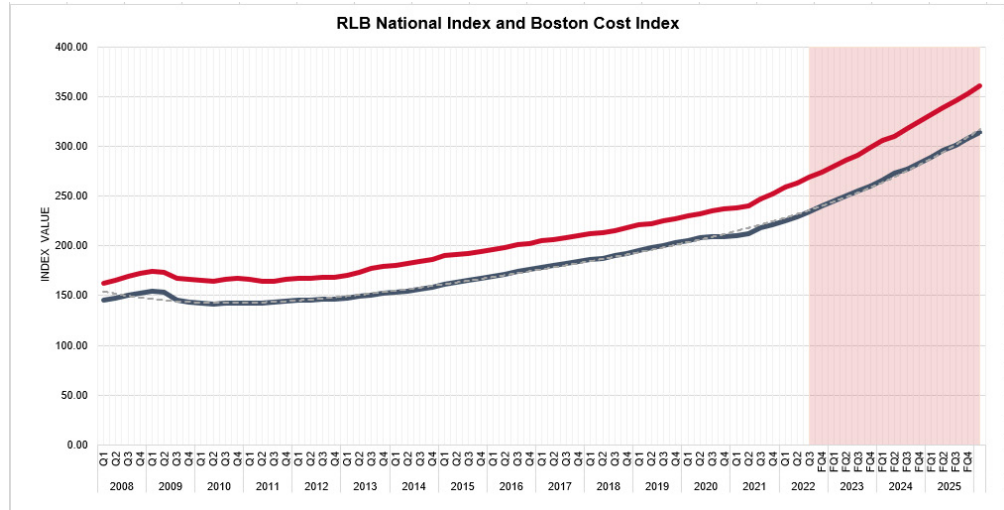
**DON'T MISS OUT ON FUTURE INSIGHTS!**



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**



**ABOUT THE CHART**

This chart compares our National Construction Cost Index with local escalation, the construction cycle trend, and provides our projection through 2025.

**WHAT THIS MEANS FOR YOU**

Despite high levels of construction activity in Boston, the industry remains on the fence whether the region can continue at its current pace. Concern remains of a possible recession and rising borrowing costs, which could ultimately lead to a slowing of construction activity generally. This could mean further improvement in supply chain bottlenecks and an easing of commodity prices and materials escalation. While we expect inflation rates to soften over the next 12 months, we anticipate a slow process. For now, contractor and subcontractor backlogs are filled, and the market continues to thrive.