

## MEET YOUR LOCAL EXPERT



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James Casey, Associate, leads the cost team in our San Francisco office. He has over 15 years of experience working in the built environment, with the last 5 years being in the San Francisco Bay Area. He has worked on projects of varying scales and types across a broad variety of sectors.

*Let's connect!*

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## COST CONSIDERATIONS THINGS TO WATCH OUT FOR



**OFFICE MARKET** Over the last couple of months, news of tech and biotech sector staff layoffs and hiring freezes across the Bay Area has slowed office and tenant improvement demand and postponed the expansion plans of many companies. Demand for office space is being put on hold resulting in lower demand for tenant improvement work, and office construction in general. This trend is expected to continue into the short term, at least until tech and biotech stock prices become more favorable and therefore office expansions can be justified.



**MATERIAL COST** Prices continue to fluctuate, but generally we see a decrease in construction material cost. If the current trend continues, then most construction material prices will start to level out and better reflect their historical average cost. This does not directly correlate to lower bid pricing just yet, as there are also other factors at play, but a stabilizing of construction material pricing is a good sign for the construction sector in general.

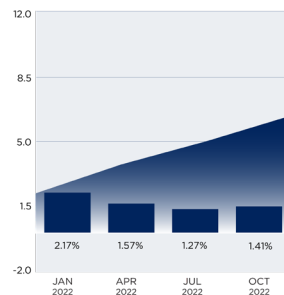


**HOSPITALITY OUTLOOK** It was recently reported that 2022 tourist spending in San Francisco is expected to be double that of 2021, with the uptick in tourists and conferences noted as the main reasons. This trend is having a positive effect on the San Francisco hospitality sector, with RLB noting an increase in hotel renovations, new hotels, and restaurants across the Bay Area.

### CONSTRUCTION COST DRIVERS

MATERIALS	APPROX. CHANGE FROM Q3 2022
Structural Steel	▲ 3.1%
Rebar	▼ -10.0%
Lumber	▼ -28.8%
Copper	▼ -2.2%
Plumbing Fixtures	▼ -4.0%
Diesel	▼ -21.1%
Ready-Mix Concrete	▼ -0.9%

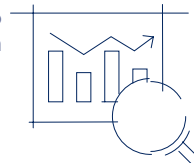
### CITY COST INDEX



### PROJECTED MARKET TRENDS

6.57%  
San Francisco  
YOY escalation

8.35%  
National  
YOY escalation



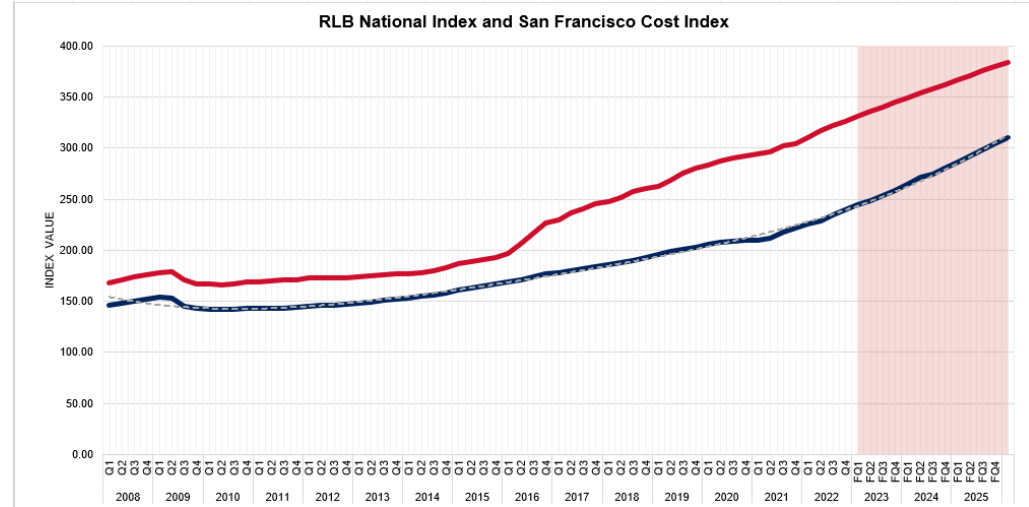
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## CONSTRUCTION COST INDEX, ESCALATION, AND TRENDS



### ABOUT THE CHART

RLB's construction cost indexes track the 'true' bid cost of construction - which includes in addition to costs of trade works - the general contractor and sub-contractor overhead costs and fees (profit). The graph shows a comparison between San Francisco and the National average of costs.

### WHAT THIS MEANS FOR YOU

Construction costs in San Francisco have been on a steady increase over the last 10 years, outpacing the national average. Given the cost escalation experienced over the last couple of years, RLB is forecasting this to continue over the short- to medium-term.