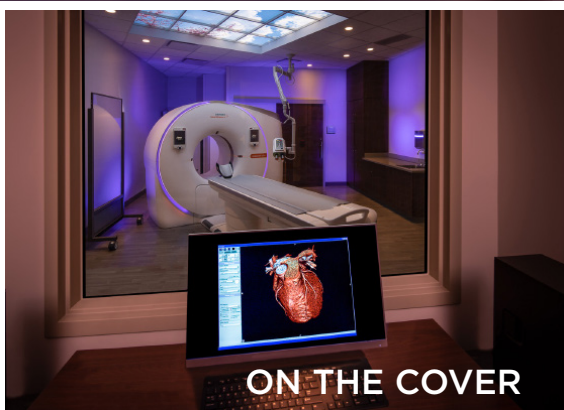


FIRST QUARTER 2024

NORTH AMERICA

QUARTERLY CONSTRUCTION COST REPORT





UCHEALTH CHERRY CREEK MEDICAL CENTER ▲

DENVER, COLORADO

UCHealth, a large, Colorado-based healthcare system serving the general Rocky Mountain area, opened a new medical center serving Cherry Creek and the surrounding integral neighborhoods of metro Denver, bringing much needed primary, advanced, and specialty care to the population.

At the project's inception, UCHealth started as only a tenant planning to occupy 2 floors. Later, the decision was made to occupy the building as UCHealth Cherry Creek Medical Center, becoming a much larger and impactful project.

RLB monitored, amended budget, and schedule concerns from the very first estimate through to completion, ensuring our client had the best information to make key decisions resulting in a successful new medical building built in a busy, crowded section of Denver.

Having the opportunity to assist a long-time client in a remarkable addition to their healthcare system was an opportunity to blend RLB's service lines and tailor them to ensure the best outcome for our client. With our team involved from conception, we were able to add tremendous value to the UCHealth team and project generally.

NORTH AMERICA

AT A GLANCE

Q1 2024

Since 2020, our industry has been riding a rollercoaster of change, complete with economic uncertainty, supply chain issues, and workforce shortages. It'd be easy to say that with all we've faced, it's been akin to 'death by a thousand cuts.' Well, it's probably more like 'painful by a thousand cuts,' but regardless, I am cautiously optimistic about this upcoming year.

When we look at inflation, I see promising indicators that fuel my optimism for the construction industry in the coming year. Our research indicates that the trend of construction cost inflation is gradually decelerating. The quarterly growth of 1.29% mirrors the pre-pandemic levels of 2019, and the year-over-year growth is just slightly higher than five years ago, standing at 5.85% this quarter.

Despite having reached extremely high peaks, prices for construction materials are now on a downward trajectory. With cautious optimism about inflation, construction cost pressures should lessen in 2024, more than in previous years. Prices are still rising as market participants try to reconcile the growing slowdown in private starts with long-term requirements, but overall, this is positive news for construction costs.

In light of this, construction companies must prioritize investment in their existing workforce, as recruiting skilled workers is increasingly challenging. While construction employment has increased in more than two-thirds of metro areas in the last year, there are still a reported 400,000 job openings nationwide. This suggests that many more cities would have experienced employment increases if enough qualified workers were available.

The architecture firms' billings remained soft going into 2024, with an Architecture Billings Index (ABI) score of 46.2 in January. According to the ABI, all regions of the country saw weak business conditions except the Midwest, where three of the last four months saw modest growth. Of all specializations, companies with multifamily residential expertise continue to report the softest business conditions.

That being said, ongoing investment in manufacturing and infrastructure will help offset any decline in privately funded projects in 2024. Overall, construction spending will be driven by public funding for manufacturing and infrastructure projects.

So, while the construction industry may still bear the scars of the recent tribulations, the pain will lessen as we head through the year. Knowing what we know now, I'd describe our current situation as more of a 'rebirth by a thousand adversities,' as resilience has been the hallmark of our industry and is looking up in many ways this year.

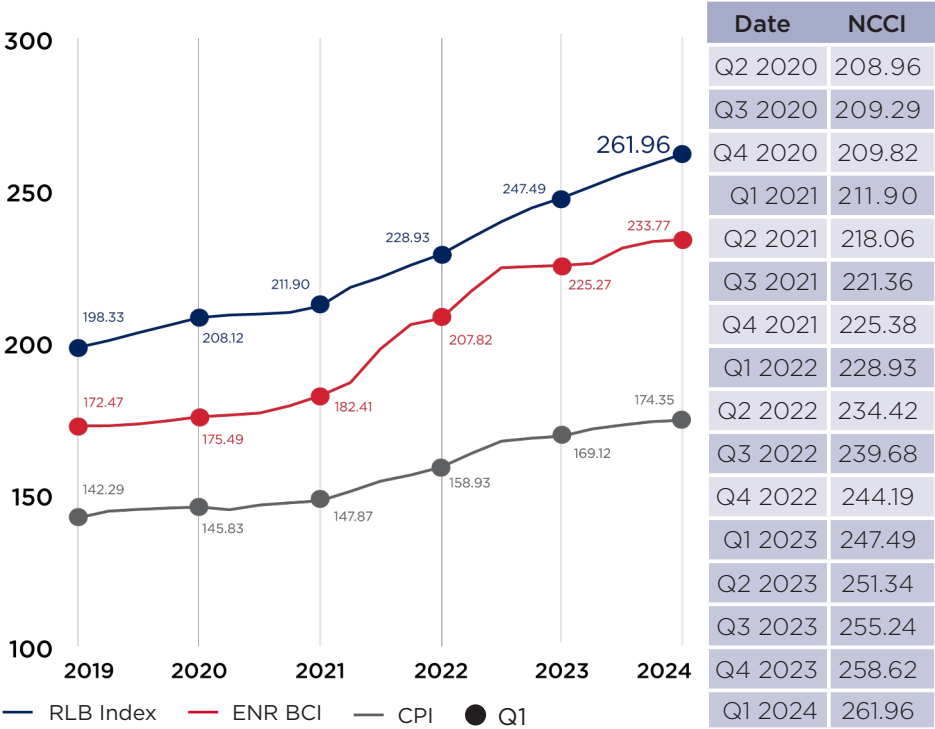
We can confidently navigate the path ahead through disciplined planning, investment in workforce development, and adaptation to market dynamics. So, it's fair to say there is a promising future ahead, not a tragic ending resulting from a thousand cuts.

Paul Brussow
President,
North America



UNITED STATES

NATIONAL CONSTRUCTION COST INDEX



Welcome to the first quarter 2024 issue of the RLB Quarterly Cost Report! This issue contains data current to mid-Q1 2024.

\$2,102.4
billion

According to the U.S. Department of Commerce, construction-put-in-place during January 2023 was estimated at a seasonally adjusted annual rate of \$2,102.4 billion, which is

0.2%
below

the revised December 2023 estimate of \$2,105.8 billion, and

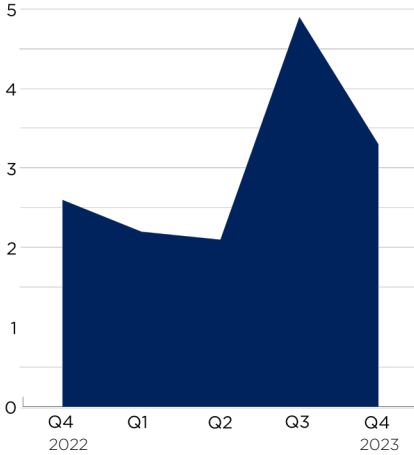
11.7%
above

the January 2023 estimate of \$1,882.2 billion.

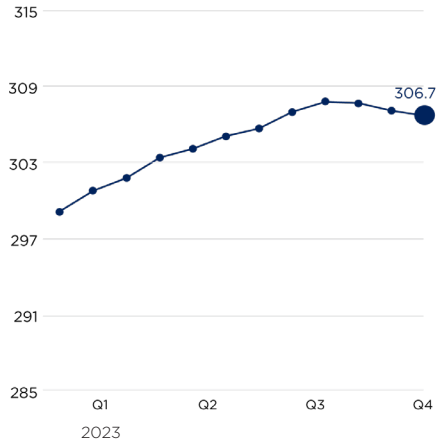
The National Construction Cost Index shows the changing cost of construction between April 2020 and January 2024, relative to a base of 100 in April 2001. Index recalibrated as of April 2011.

KEY UNITED STATES STATISTICS

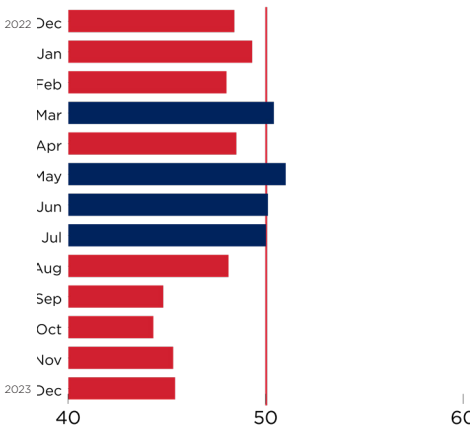
Gross Domestic Product* (GDP)



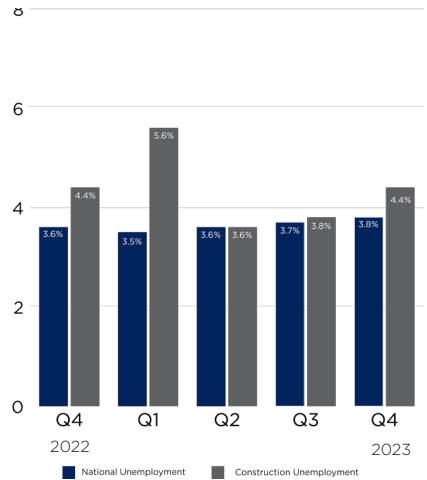
Consumer Price Index (CPI)



Architectural Billings



Unemployment Comparison



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. National 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

LOCATION	OFFICES				RETAIL SHOPPING				HOTELS				HOSPITAL	
	PRIME		SECONDARY		CENTER		STRIP		5 STAR		3 STAR		GENERAL	
	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
USA														
Boston	415	670	255	365	225	335	170	270	450	655	310	440	515	1030
Chicago	330	550	200	330	200	440	160	270	490	765	360	490	420	875
Denver	350	500	250	350	200	350	170	230	425	625	285	425	675	900
Honolulu	360	595	220	350	280	575	260	435	685	830	395	625	525	890
Las Vegas	265	460	185	250	160	630	145	340	410	760	245	415	520	625
Los Angeles	255	385	195	285	175	375	150	215	410	635	295	390	655	995
New York	390	905	225	565	340	675	360	710	485	730	360	485	610	920
Phoenix	250	425	160	225	200	335	115	195	395	620	210	315	480	675
Portland	275	365	250	340	260	360	250	325	485	630	360	470	800	1100
San Francisco	430	740	330	530	315	520	240	410	550	900	390	650	700	1100
Seattle	345	615	230	325	260	415	195	320	455	690	325	455	605	860
Washington	335	555	230	365	180	325	150	245	430	665	280	440	510	915
CANADA														
Calgary	280	420	240	285	235	315	140	200	305	470	230	260	685	925
Toronto	295	480	245	340	220	465	180	230	420	785	255	305	615	960

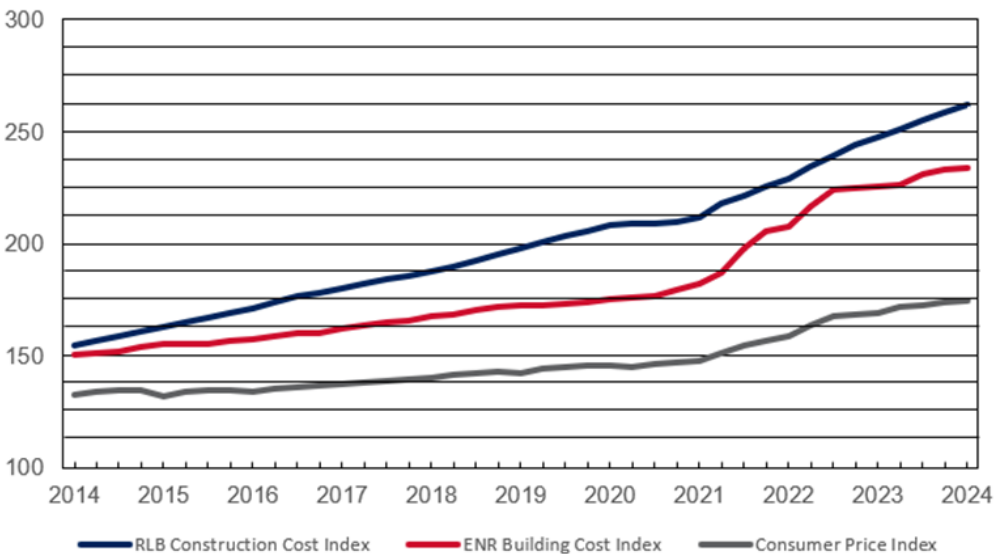
INFLATION INDEX COMPARISON

The chart on the following page demonstrates the relative differences in inflation between the cost of general goods and services (represented by the U.S. Bureau of Labor Statistics' Consumer Price Index), the cost of construction materials and labor (represented by Engineering News-Record's Building Cost Index) and the bid cost of construction (represented by Rider Levett Bucknall's National Construction Cost Index).

The Consumer Price Index (CPI) and the ENR index indicate a flattening trend in 2023. The RLB's Index shows a slower rate of increase in construction costs. The Consumer Price Index (CPI) climbed 3.1% in Q1 2024, the lowest increase since Q2 2021. During the same period, the ENR's index rose by 3.8%, which is almost a quarter of the staggering increase of 14.9% recorded in Q4 2021, while the RLB's index increased by 5.8% which is its lowest rate in nearly three years.

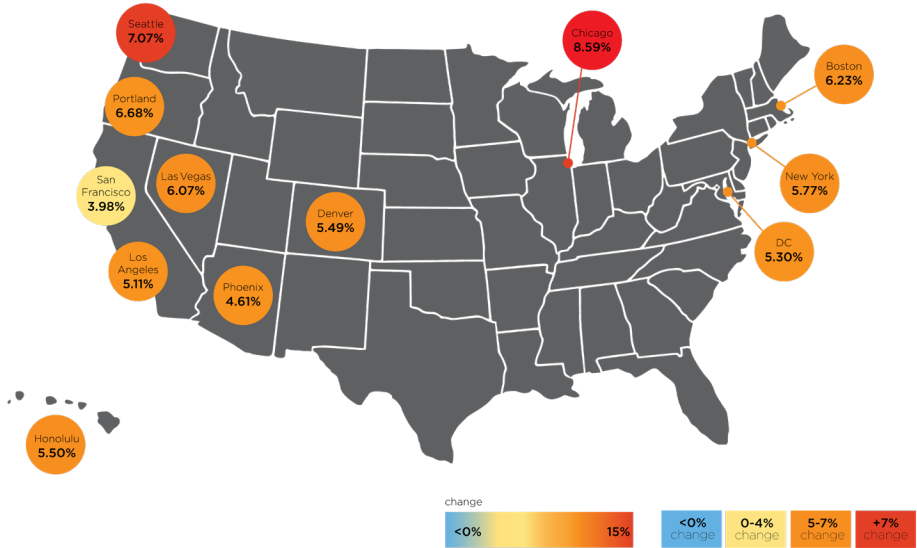
The data in the chart below represents estimates of current building costs in each respective market. Costs may vary as a consequence of factors such as site conditions, climatic conditions, standards of specification, market conditions, etc. Values of U.S. locations represent hard construction costs 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.

INDUSTRIAL		PARKING				RESIDENTIAL				EDUCATION					
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
125	210	100	160	130	180	260	360	295	410	415	570	465	725	515	775
135	225	95	140	150	270	200	460	275	550	310	460	350	490	435	875
125	195	125	200	165	250	185	355	230	465	310	475	400	575	600	850
125	265	155	210	180	290	275	470	310	580	525	870	540	740	675	995
80	155	80	105	100	185	195	465	230	460	425	530	505	690	655	870
135	205	115	140	155	210	250	410	220	390	390	510	335	590	490	665
135	225	115	195	155	235	235	460	340	675	520	655	565	720	555	795
80	145	55	105	85	155	180	275	190	515	280	395	310	480	425	650
200	285	200	240	220	295	275	385	275	420	460	570	510	650	550	700
150	255	130	205	250	350	400	625	310	520	390	570	440	750	570	1000
170	240	125	190	200	295	270	455	250	380	420	630	355	630	555	760
130	210	75	100	90	155	210	355	265	390	385	585	400	600	450	725
110	165	90	125	95	150	195	275	300	430	255	350	260	360	335	510
130	185	120	160	155	220	255	325	320	635	270	330	270	350	310	545



UNITED STATES

COMPARATIVE COST INDEX



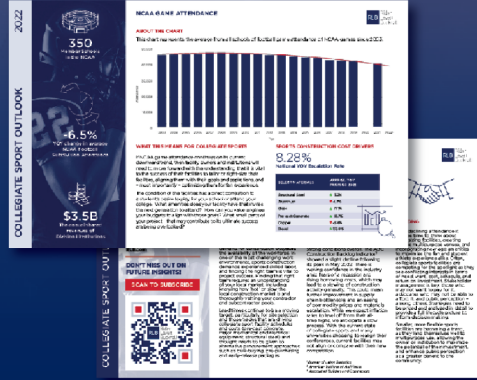
City	January 2023	April 2023	July 2023	October 2023	January 2024	Annual % Change
• Boston	28,741	29,165	29,574	30,048	30,530	6.23%
• Chicago	28,947	29,595	30,103	30,749	31,432	8.59%
• Denver	18,236	18,632	18,898	19,005	19,237	5.49%
• Honolulu	29,106	29,402	29,895	30,293	30,707	5.50%
• Las Vegas	17,932	18,289	18,583	18,809	19,021	6.07%
• Los Angeles	26,585	26,929	27,263	27,541	27,943	5.11%
• New York	33,456	33,924	34,496	34,922	35,386	5.77%
• Phoenix	18,993	19,253	19,503	19,706	19,870	4.61%
• Portland	20,949	21,263	21,741	22,081	22,348	6.68%
• San Francisco	33,679	34,202	34,425	34,741	35,019	3.98%
• Seattle	23,641	23,991	24,651	25,042	25,312	7.07%
• Washington, DC	26,857	27,169	27,428	27,883	28,282	5.30%

Comparative Cost Map Indicates percentage change between January 2023 to January 2024.

INTRODUCING

SECTOR MARKET INSIGHTS

*A Companion to the QCR
Providing Expert Insights and
Construction Cost Drivers
Impacting the Future of the Sector.*



WHAT IS A SECTOR MARKET INSIGHT?

A companion to the Quarterly Cost Report, our sector market insight offers clients the certainty they need to make critical, real-time decisions to ensure the commercial success of their projects.

The sector market insight takes a deep dive into:

- state of the market,
- what cost drivers are likely to affect material prices,
- industry trends, and
- what information like this means for the future of the sector.

What sectors are included?

The Sector Market Insights will feature Aviation, Convention Centers, Data Centers, Healthcare, Hotels & Leisure, Infrastructure, Sports & Events, and Federal/Government. For Q1 2024, we'll be highlighting:



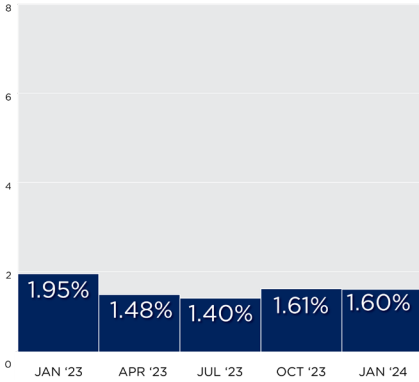
HEALTHCARE



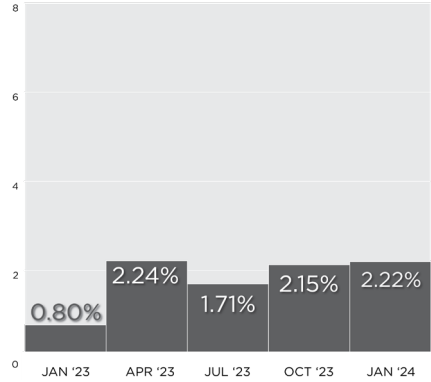
INFRASTRUCTURE

UNITED STATES

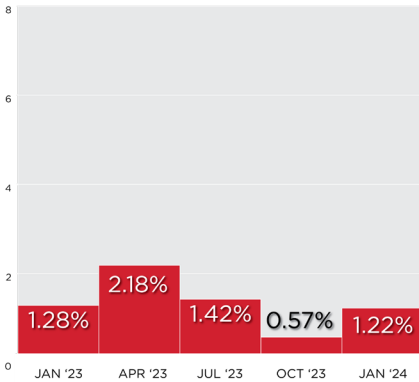
The following escalation charts track changes in the cost of construction each quarter in many of the cities where RLB offices are located. Each chart illustrates the percentage change per period.



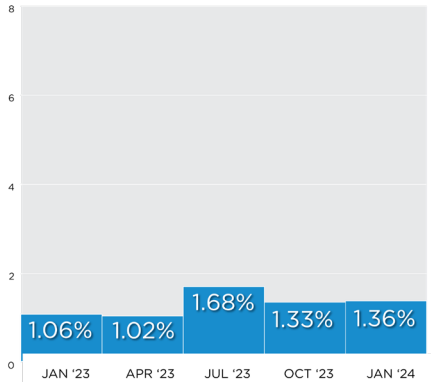
Boston Cost Index



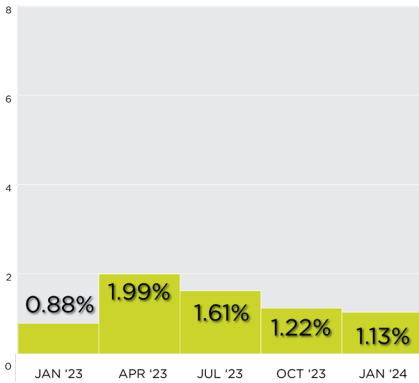
Chicago Cost Index



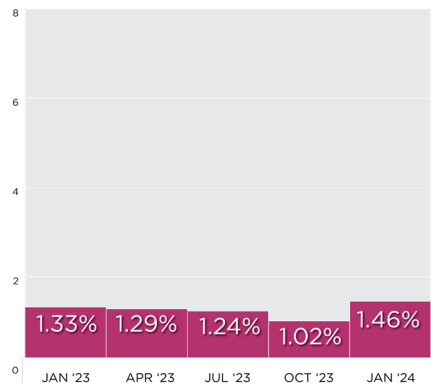
Denver Cost Index



Honolulu Cost Index

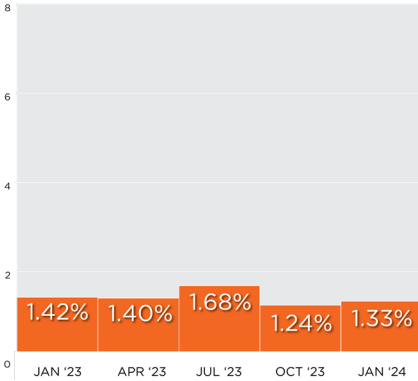


Las Vegas Cost Index

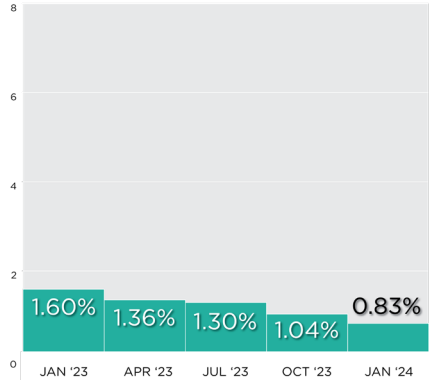


Los Angeles Cost Index

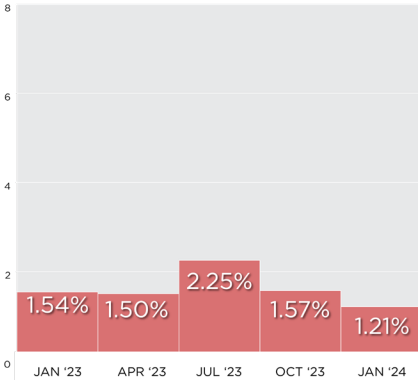
Our research suggests that over the course of 2023, the national average increase in construction cost was 5.85%. Boston, Chicago, Las Vegas, Portland, and Seattle all experienced increases above the quarterly national average during Q1 2024. Locations below the national average included Denver, Honolulu, Los Angeles, New York, Phoenix, San Francisco, and Washington, D.C.



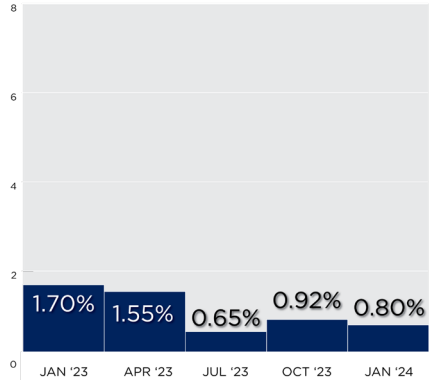
New York Cost Index



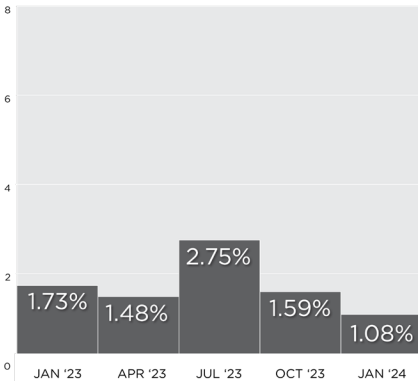
Phoenix Cost Index



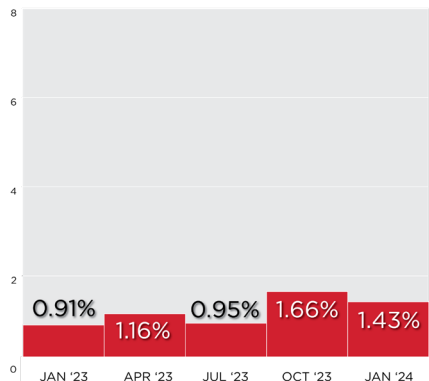
Portland Cost Index



San Francisco Cost Index



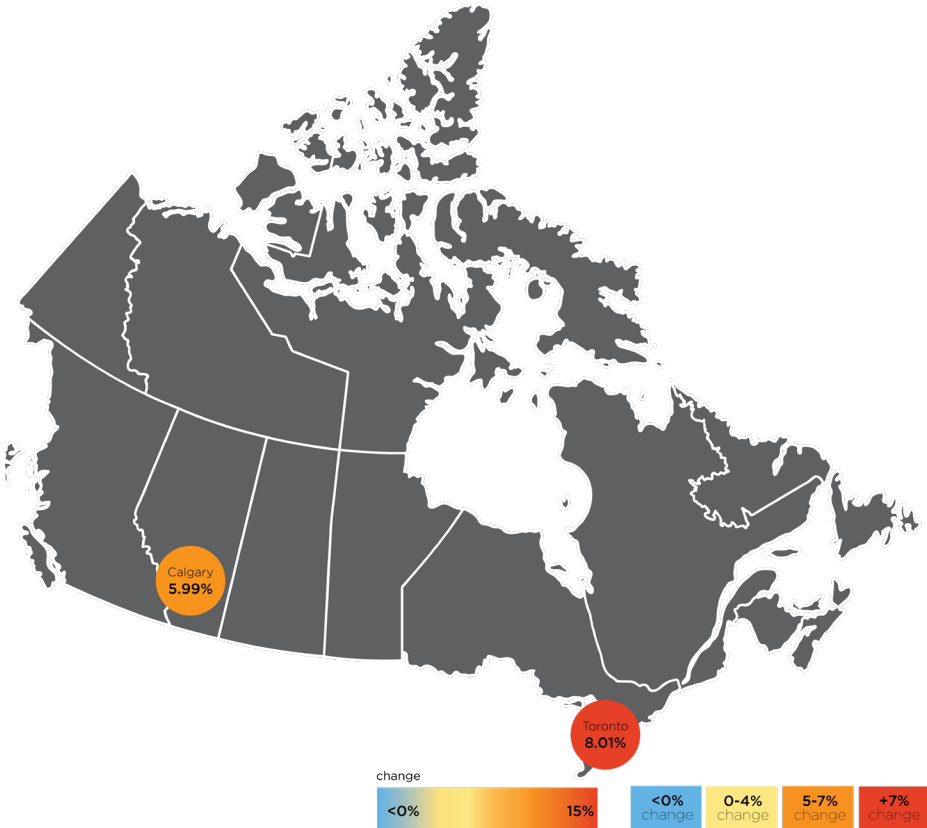
Seattle Cost Index



Washington DC Cost Index

CANADA

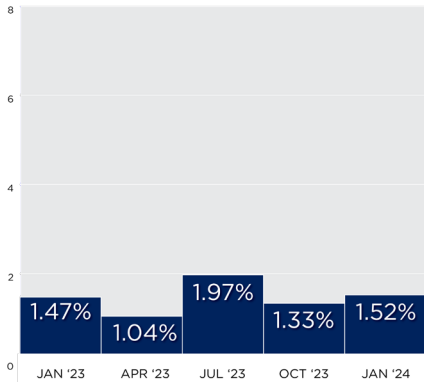
COMPARATIVE COST INDEX



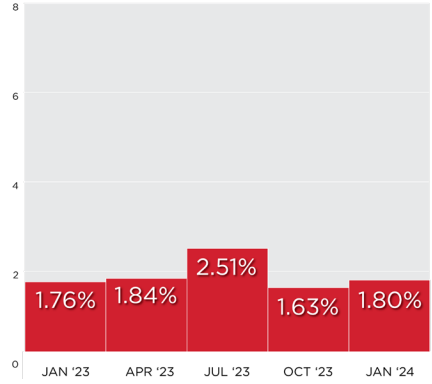
City	January 2023	April 2023	July 2023	October 2023	January 2024	Annual % Change
• Calgary	24,477	24,732	25,220	25,555	25,944	5.99%
• Toronto	32,028	32,619	33,437	33,981	34,593	8.01%

Alberta’s economy has experienced steady growth, driven by the oil and gas sector, increased exports to the US, and a focus on green energy. Residential building construction investment is on the rise despite higher borrowing costs. In January 2024, Alberta marked a 47.9% increase in housing starts. The province is expected to continue experiencing substantial gains in residential investments, supported by tight resale markets. Building construction investment in Alberta reached \$2.6 billion in Q4 2023, up 13.4% from the previous year, with Calgary alone issuing building permits valued at \$1.5 billion. However, the growth of Alberta’s workforce is being constrained by factors such as population growth and retirements, leading to shortages in training and hiring opportunities.

In Ontario, total investment in ICI building construction rose by 13.2% in Q4 2023, with the industrial sector showing the most significant growth. The provincial government has committed to constructing 1.5 million new homes in Ontario over a ten-year period, currently in its third year of implementation. Recent data from the Canada Mortgage and Housing Corporation indicates a 13% year-over-year increase in housing starts nationwide, driven by a notable surge in multi-unit starts in Toronto. January 2024 marked the second-highest number of housing starts since 1990, with Toronto contributing significantly to the national increase, recording a 49% year-over-year growth in actual starts. Ontario’s total seasonally adjusted annual rate (SAAR) of housing starts saw a 17% monthly increase.



Calgary Cost Index

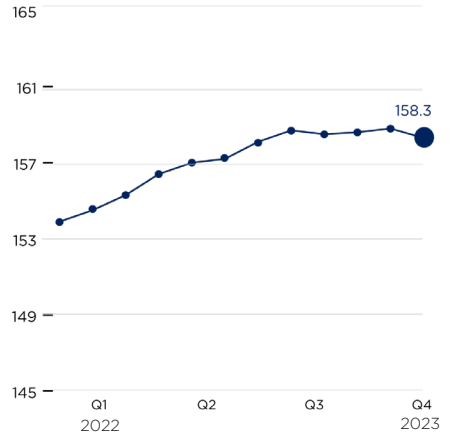


Toronto Cost Index

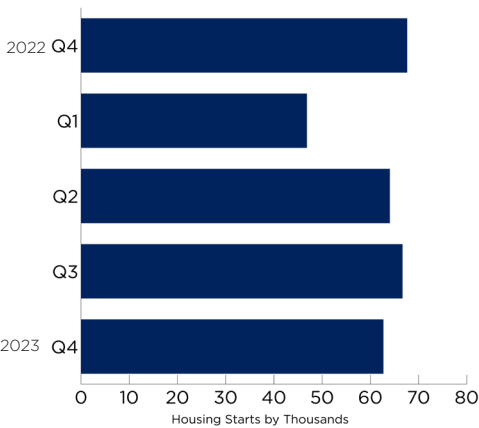
KEY CANADIAN STATISTICS



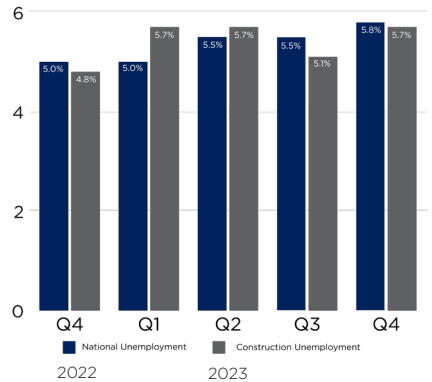
Gross Domestic Product* (GDP)



Consumer Price Index (CPI)



Housing Starts



Unemployment Comparison



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.

This issue was compiled and designed by Taryn Harbert and Kaylie Lu with contributions from Antonio Gonzalez, Cassie Idehara, Charlie Andrews, Daniel Junge, Evans Pomegas, James Casey, Julia Flores, Kirk Miller, Lucy Liu, Maelyn Uyehara, Paul Brussow, Paraic Morrissey, Peter Knowles, Peter Vavaroutsos, and Scott Macpherson.

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