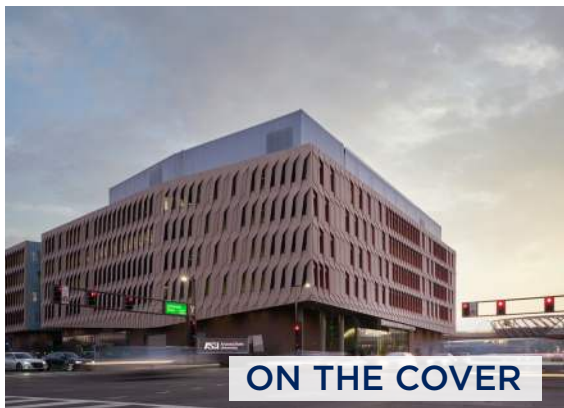


THIRD QUARTER 2024

NORTH AMERICA

QUARTERLY CONSTRUCTION COST REPORT





ON THE COVER

ROB AND MELANI WALTON CENTER FOR PLANETARY HEALTH ▲

TEMPE, ARIZONA

The Rob and Melani Walton Center for Planetary Health, formerly known as the Interdisciplinary Science and Technology Building VII (ISTB7) is a cornerstone of ASU's expanding research neighborhood, dedicated to advancing sustainability within the realms of food, energy, and water.

Designed to reflect the natural beauty of the desert, the building's exterior resembles a geode, featuring a hardened shell that opens to reveal a dynamic and radiant interior. Inside, the facility boasts a range of specialized spaces. Designed for net-zero operations, the building has achieved LEED Platinum certification, highlighting its exceptional commitment to environmental sustainability. It has also been honored with the 2019 Chicago Athenaeum American Architecture Award and the 2018 Best of Design Award from Architect's Newspaper.

RLB provided expert cost estimation and financial oversight throughout the preconstruction phases of the project. Our role involved preparing independent estimates, meticulously reviewing proposals, and ensuring that the project adhered to budget constraints.

Photography © Dror Baldinger, FAIA

NORTH AMERICA

AT A GLANCE

Q3 2024

In what I have dubbed “the year of economic uncertainty,” Jerome Powell’s definitive declaration that “the time has come “ was a welcome message in mid-September. The Federal Reserve’s move to cut interest rates by .5% signals the start of broader economic easing that will likely stimulate new construction projects, especially in the private sector.

The signs and evidence for this move have been growing. For example, our research shows that construction cost inflation continues to decline. The quarterly 1.07% is the lowest in the last three years, and the year-over-year change of 4.91% is the lowest level recorded in more than three years.

The Federal Government’s interest rate cut is essential to our industry. It signals an effort to avert further cooling of the labor market, and new construction will be in demand. As a result, the current soft readings for construction labor will likely reverse in the upcoming quarters, indicating that the underlying lack of skilled labor will probably continue.

There have ongoing signs of economic slowdown this year, including a continuing softness in billings at architecture firms — a difficult lending environment for construction projects — and persistent weakness in commercial property values. On the other hand, manufacturing-related construction continues to be an exception and has seen the fastest growth in construction spending, like massive investments in chip manufacturing facilities and other industrial projects.

While the Architectural Billings Index’s recent score of 48.2 is the 18th consecutive month under 50, it does indicate fewer firms reporting billing declines compared to the previous month. In fact, there’s been a slight increase in inquiries for new projects, particularly in the Northeast, where billings have remained stable for the second consecutive month.

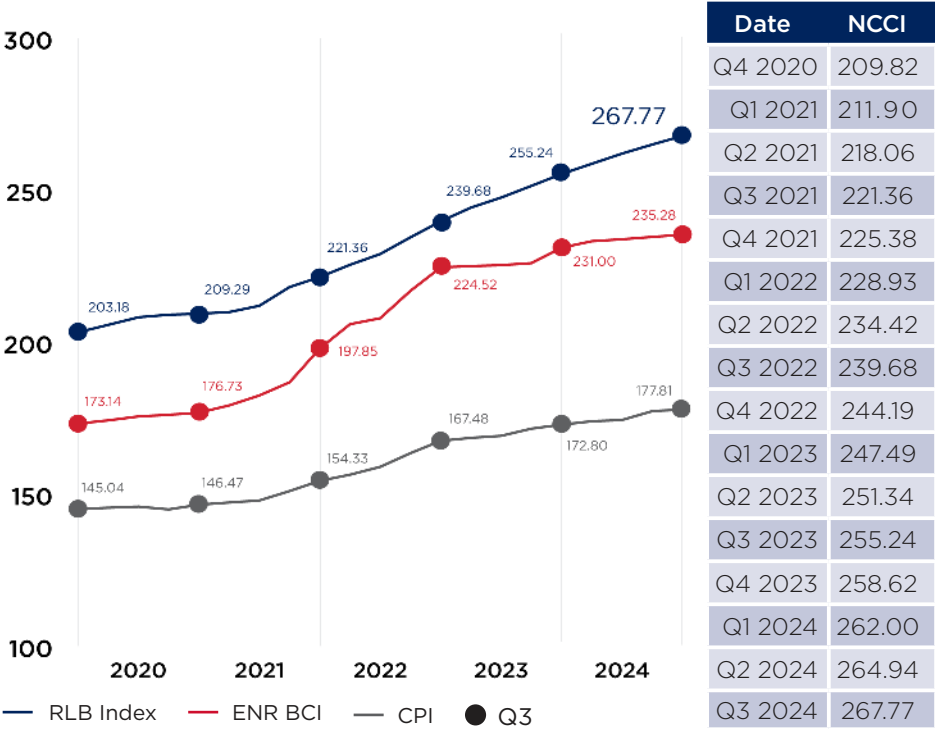
The Federal Government’s rate cut signals positive change for our industry. With declining construction costs, potential growth in private sector projects, and ongoing challenges in skilled labor, RLB continues to inspire confidence in our clients through deliberate advisory actions based on our in-house data and decades of experience. The time has come for all of us to continue to embrace the economic opportunities ahead.

Paul Brussow
President,
North America



UNITED STATES

NATIONAL CONSTRUCTION COST INDEX



Welcome to the third quarter 2024 issue of the RLB Quarterly Cost Report! This issue contains data current to mid-Q3 2024.

\$2,162.7
billion

According to the U.S. Department of Commerce, construction-put-in-place during July 2024 was estimated at a seasonally adjusted annual rate of \$2,162.7 billion, which is

0.3%
below

the revised June 2024 estimate of \$2,169.0 billion, and

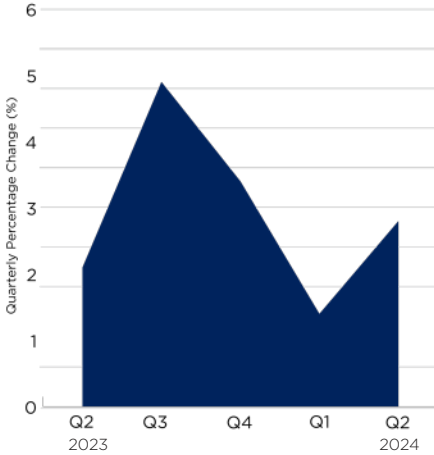
6.7%
above

the July 2023 estimate of \$2,027.4 billion.

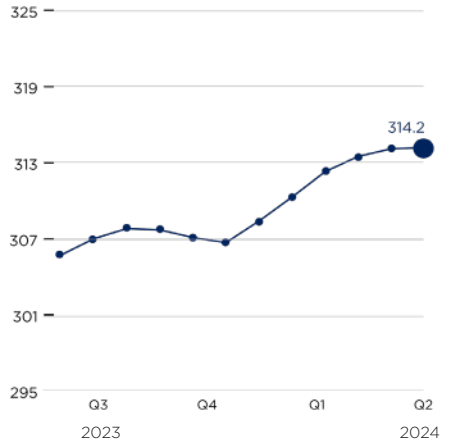
The National Construction Cost Index shows the changing cost of construction between October 2020 and July 2024, relative to a base of 100 in April 2001. Index recalibrated as of April 2011.

KEY UNITED STATES STATISTICS

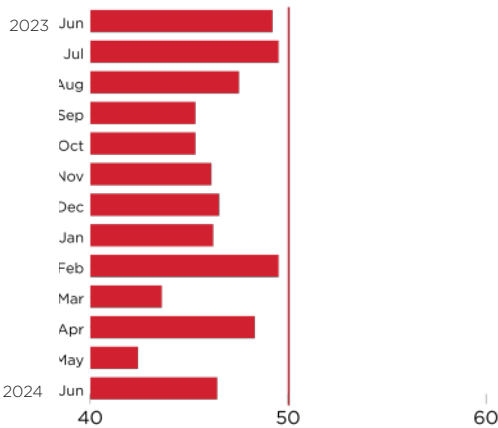
Gross Domestic Product* (GDP)



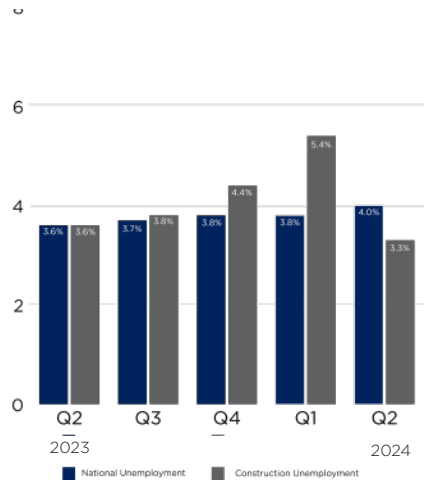
Consumer Price Index (CPI)



Architectural Billings



Unemployment Comparison



GDP represented in percent change from the preceding quarter, seasonally adjusted at annual rates. CPI figures represent the monthly value at the end of the quarter. 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	425	685	260	375	225	325	170	270	465	675	320	455	525	1050
Chicago	335	560	205	335	205	450	165	275	500	780	370	500	430	895
Denver	350	575	250	350	200	350	185	275	460	625	320	425	685	950
Honolulu	365	605	225	355	285	585	265	440	695	840	400	635	535	905
Las Vegas	270	470	190	255	165	640	150	345	420	775	250	425	530	635
Los Angeles	260	395	200	290	180	385	155	220	420	650	300	400	670	1015
New York	400	925	230	575	345	690	365	725	495	745	365	495	620	940
Phoenix	255	435	165	230	205	340	115	200	405	630	215	320	490	690
Portland	305	400	285	375	300	400	250	325	485	630	380	500	900	1200
San Francisco	440	750	340	540	320	530	250	420	560	920	410	660	720	1200
Seattle	350	630	235	330	265	425	200	325	465	705	330	465	620	880
Washington	335	555	230	365	180	325	150	245	430	665	280	440	510	1000
CANADA														
Calgary	285	425	245	290	240	320	140	205	310	480	235	265	695	940
Toronto	300	490	250	350	225	475	185	235	425	790	260	310	620	970

ABC CONSTRUCTION BACKLOG INDICATOR

The chart on the adjacent page shows the average construction backlog in months, by quarter, as represented by the Associated Builders and Contractors, Inc. Construction Backlog Indicator (CBI).

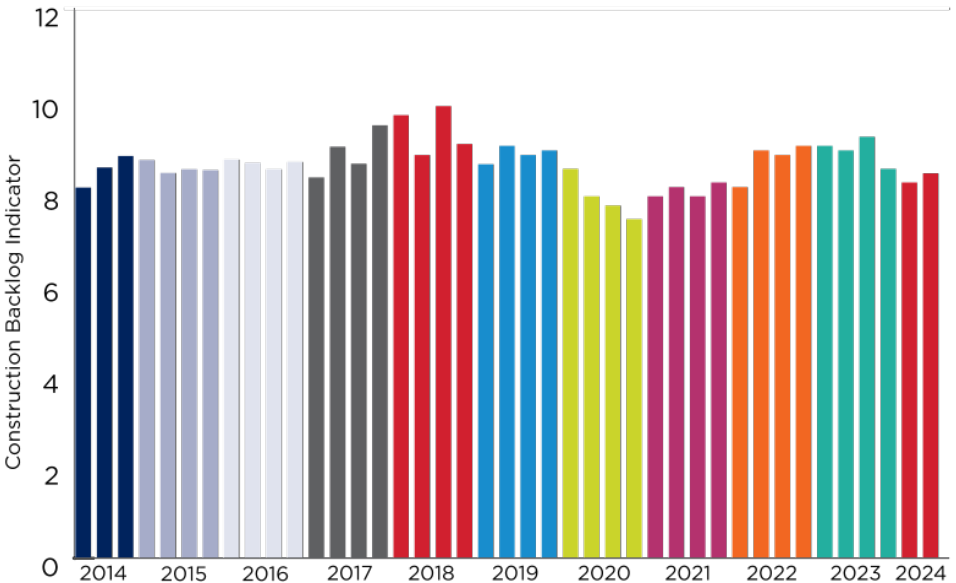
The CBI is a national economic indicator that reflects the amount of work that will be performed by commercial and industrial contractors in the months ahead. This national economic data set offers a level of specificity focused on the U.S. commercial and institutional, industrial and infrastructure construction industries.

The indicator increased to 8.4 months in Q2 2024, down 0.5 months from Q2 2023. Despite economic challenges, the backlog remains strong. The impact of elevated interest rates on privately financed construction segments and the broader economy has been significant. Despite lower inflation, construction material prices remain high. Moreover, construction spending decreased at the end of Q2 2024, and the industry hopes for lower interest rates. It appears possible that the Federal Reserve will start cutting interest rates early in the fall due to the combination of declining inflation and slower growth. This could positively impact sectors like office and commercial construction, as lower borrowing costs and more relaxed lending standards could boost project backlogs.

Although there are still obstacles to overcome, the construction industry's overall outlook is still favorable. However, there is still uncertainty regarding the impact of upcoming elections, changes in the Fed Rate, and economic factors.

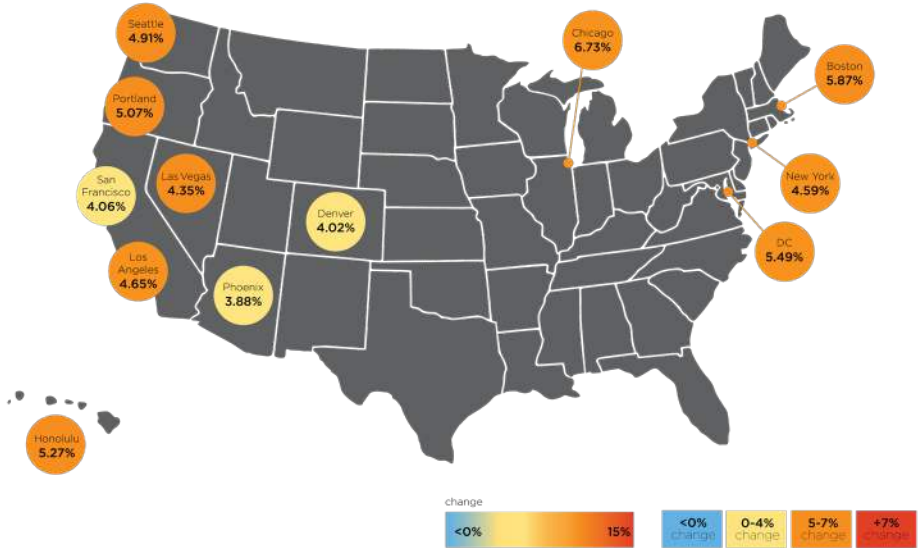
The data in the chart below represents estimates of current building costs in each respective market. Costs may vary as a consequence of factors such as site conditions, climatic conditions, standards of specification, market conditions, etc. Values of U.S. locations represent hard construction costs 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
130	220	100	160	135	185	275	375	295	410	525	650	550	750	550	800
140	230	95	145	155	275	205	470	280	560	315	470	360	500	445	895
125	195	125	200	175	280	200	355	230	465	325	475	400	610	625	700
130	270	160	215	185	295	280	480	315	590	535	885	550	750	685	1010
80	160	80	105	100	190	200	475	235	470	435	540	515	705	670	885
140	210	115	145	160	215	255	420	225	400	400	520	340	600	500	680
140	230	115	200	160	240	240	470	345	690	530	670	575	735	565	810
80	150	55	105	85	160	185	280	195	525	285	405	315	490	435	665
220	305	220	260	240	315	275	385	295	440	490	600	530	700	600	800
150	255	130	205	250	350	400	625	330	550	450	800	485	1000	630	1100
175	245	130	195	205	300	275	465	255	390	430	645	365	645	565	775
130	215	75	100	90	155	210	355	265	390	385	585	400	600	450	725
110	170	90	125	95	150	200	285	310	445	260	355	265	365	340	520
135	190	125	165	160	225	260	330	325	640	275	340	275	360	315	560



UNITED STATES

COMPARATIVE COST INDEX



City	July 2023	October 2023	January 2024	April 2024	July 2024	Annual % Change
• Boston	29,574	30,048	30,530	30,920	31,309	5.87%
• Chicago	30,103	30,749	31,432	31,865	32,130	6.73%
• Denver	18,898	19,005	19,237	19,384	19,656	4.01%
• Honolulu	29,895	30,293	30,707	31,095	31,471	5.27%
• Las Vegas	18,583	18,809	19,021	19,224	19,391	4.35%
• Los Angeles	27,263	27,541	27,943	28,258	28,532	4.65%
• New York	34,496	34,922	35,386	35,663	36,079	4.59%
• Phoenix	19,503	19,706	19,870	20,055	20,260	3.88%
• Portland	21,741	22,081	22,348	22,605	22,844	5.07%
• San Francisco	34,425	34,741	35,019	35,571	35,822	4.06%
• Seattle	24,651	25,042	25,312	25,559	25,861	4.91%
• Washington, DC	27,428	27,883	28,282	28,617	28,934	5.49%

Comparative Cost Map Indicates percentage change between July 2023 to July 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 Q3 2024, we'll be highlighting:



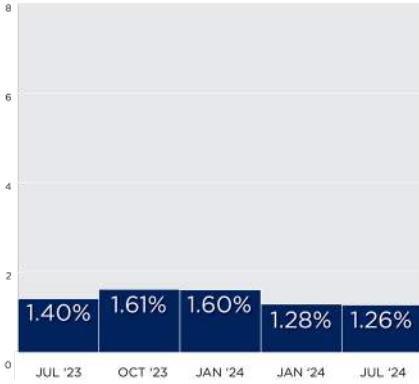
HOSPITALITY



INDUSTRIAL, MANUFACTURING,
AND LOGISTIC

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.



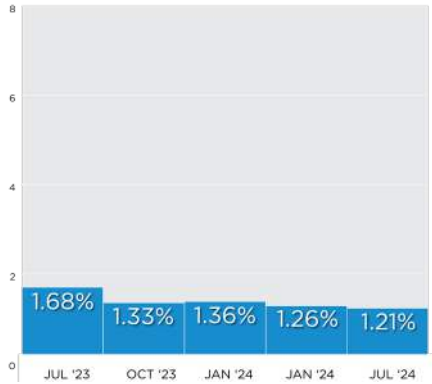
Boston Cost Index



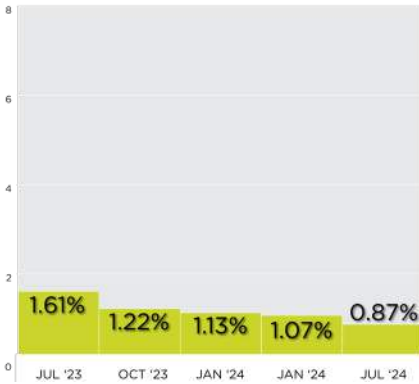
Chicago Cost Index



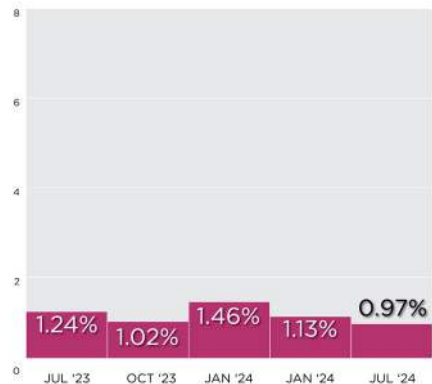
Denver Cost Index



Honolulu Cost Index

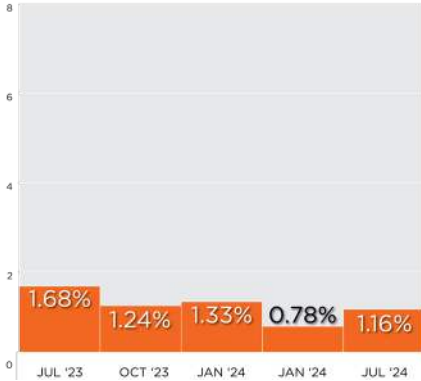


Las Vegas Cost Index

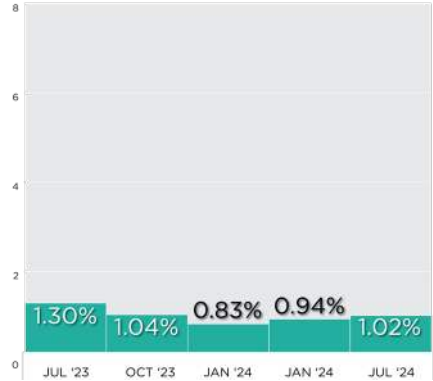


Los Angeles Cost Index

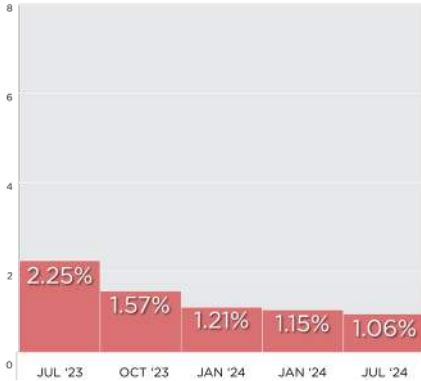
Our research suggests that between April 1, 2024 and July 1, 2024, the national average increase in construction cost was 1.07% (4.28% annualized). Boston, Denver, Honolulu, New York, Seattle, and Washington, D.C experienced increases above the quarterly national average during Q3 2024. Locations below the national average included Chicago, Las Vegas, Los Angeles, Phoenix, Portland, and San Francisco.



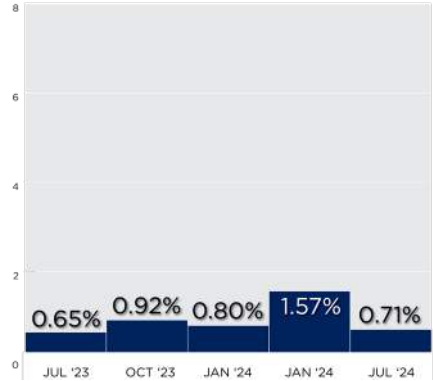
New York Cost Index



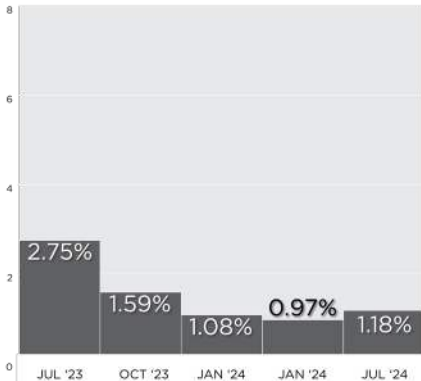
Phoenix Cost Index



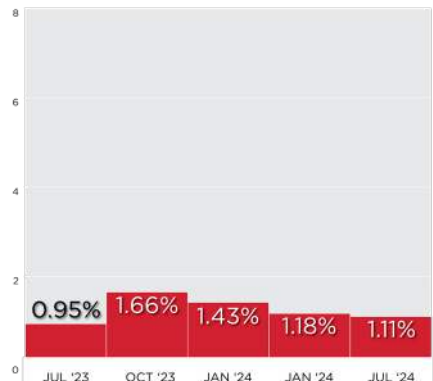
Portland Cost Index



San Francisco Cost Index



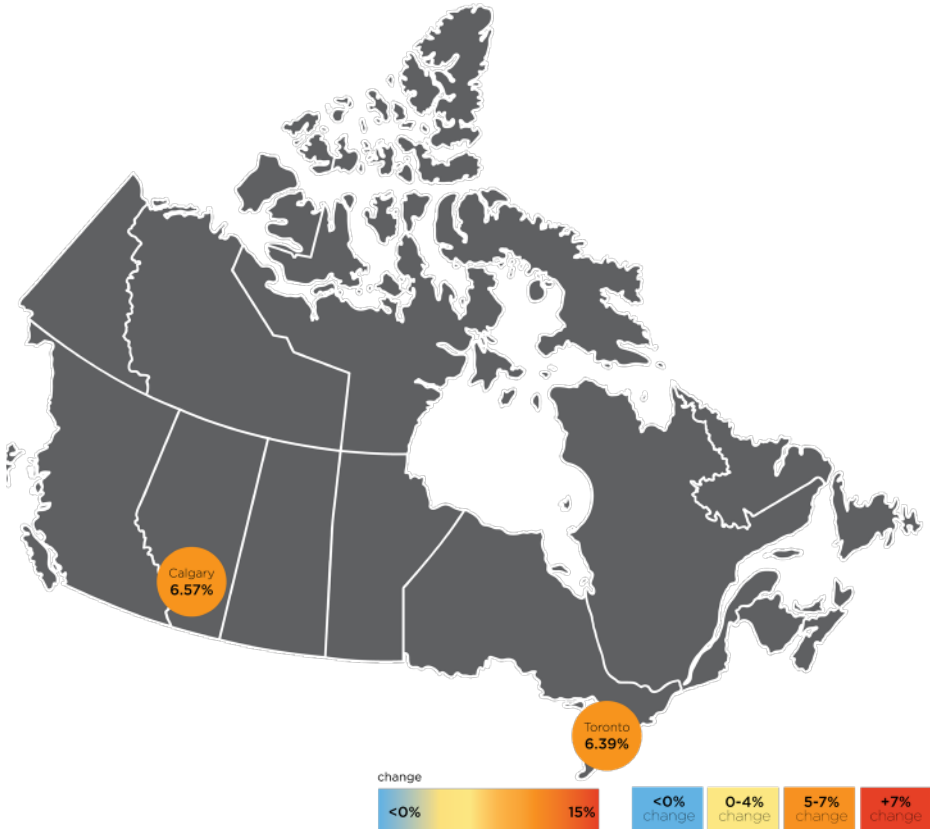
Seattle Cost Index



Washington DC Cost Index

CANADA

COMPARATIVE COST INDEX



City	July 2023	October 2023	January 2024	April 2024	July 2024	Annual % Change
• Calgary	25,220	25,555	25,944	26,383	26,876	6.57%
• Toronto	33,437	33,981	34,593	35,209	35,573	6.39%

Alberta is poised to lead Canada in economic growth in 2024, with a projected GDP growth of 2.5% in 2024 and 2.7% in 2025, surpassing national rates. This growth is driven by an expanding energy sector, heightened by increased export capacities and rising oil prices. Despite challenges from high interest rates and consumer prices, Alberta's population rise boosts housing demand and economic spending, with a notable recovery in residential construction forecasted. Specifically, housing starts in Alberta have surged by 53% year-over-year as of the second quarter of 2024, with significant developments like the \$1.2 billion Scotia Place in Calgary.

Meanwhile, Ontario's construction sector in 2024 will benefit from substantial public and private investments, including \$970 million for water infrastructure and Honda's \$15 billion in EV factories. Infrastructure Ontario reports 25 significant projects underway, totaling over \$30 billion. Additionally, the Toronto City Council has approved a \$351 million investment to expedite the construction of 18 affordable housing projects, creating nearly 6,000 new rental homes.

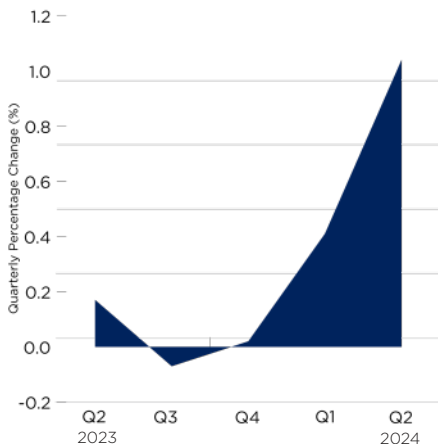


Calgary Cost Index

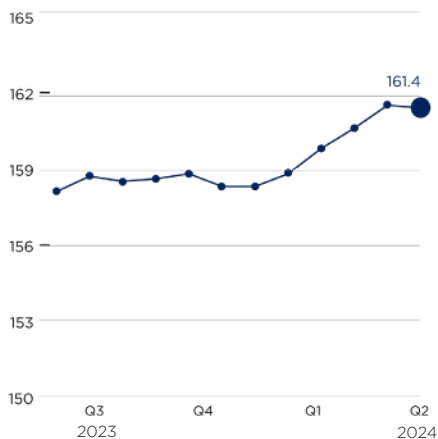


Toronto Cost Index

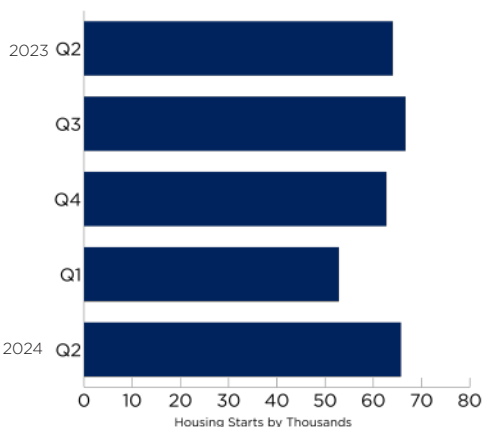
KEY CANADIAN STATISTICS



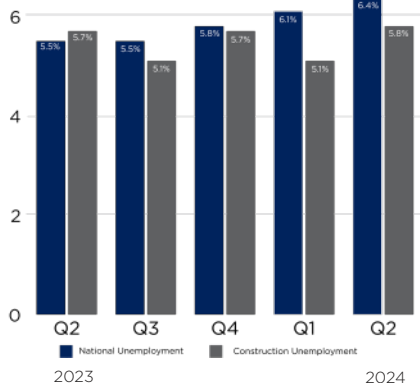
Gross Domestic Product* (GDP)



Consumer Price Index (CPI)



Housing Starts



Unemployment Comparison



ABOUT RIDER LEVETT BUCKNALL

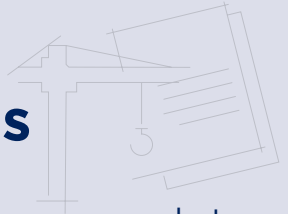
Rider Levett Bucknall is an award-winning international firm known for providing project management, construction cost consulting, and related property and construction advisory services – at all stages of the design and construction process.

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, 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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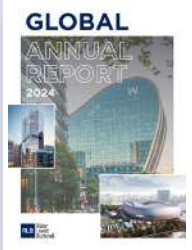


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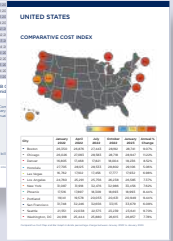
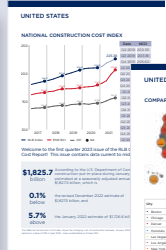
PERSPECTIVE



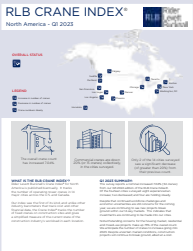
GLOBAL ANNUAL REPORT



CONSTRUCTION COST REPORT



CRANE INDEX



SECTOR MARKET INSIGHTS



HEALTHCARE MARKET INSIGHTS

WHAT'S HOT AND WHAT'S NOT

HEALTHCARE MARKET INSIGHTS

WHAT'S HOT AND WHAT'S NOT

HEALTHCARE MARKET INSIGHTS

WHAT'S HOT AND WHAT'S NOT

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