



SECOND QUARTER 2020

# NORTH AMERICA

QUARTERLY CONSTRUCTION COST REPORT



## ON THE COVER

### NATIONAL NORDIC MUSEUM ▲

#### SEATTLE, WASHINGTON

The National Nordic Museum in Seattle's Ballard neighborhood tells the story of the heritage of the Nordic American life and the role it has played in the culture of the Northwest. It is an internationally recognized museum and cultural center where people of all backgrounds can be inspired by the values, traditions, art, and spirit of the Nordic peoples. The facility is designed around a linear "fjord" which takes visitors through both the stories of the homeland and the Nordic American experience.

The museum is 57,000 SF in size and includes both permanent and changing exhibit space, an auditorium for hosting events, a welcoming grand entrance with a public kaffe (café), and museum store. The facility also has classrooms, offices, temperature-controlled collection areas, and a full-size commercial kitchen. Both the active location and a grander interactive experience are meant to engage a new generation of visitors. The museum has been designed and built to achieve LEED Silver.

RLB | Robison has been involved with this project for over a decade, from the program and preplanning stage through final completion, providing project management services for the owner, Nordic Museum.

# NORTH AMERICA

From the beginning of the coronavirus outbreak, medical facilities have been at the front and center of the crisis. Their most public role, of course, has been as a hub for caregiving; during the initial weeks of the outbreak, the torrent of images depicting makeshift treatment rooms and hospital corridors overflowing with patients painted a vivid picture of a system overwhelmed. What was not visible was a behind-the-scenes, critical component of disaster planning: a formal procedure called the Emergency Management Plan [EMP].

In addition to healthcare networks, EMPs are widely used by school systems, local governments, and other organizations where a synchronized, systematic course of action is needed. Specifically designed to reduce the harmful effects of sudden negative events, the plan focuses on four phases of emergency response: prevention-mitigation, preparedness, response, and recovery. Key to lessening the risks posed by the next unforeseen disaster, the EMP calls for both emergency response and planning for recovery to happen simultaneously.

There are takeaways for the AEC industries from this kind of thinking. By going beyond conventional contingency plans, design and construction businesses can position themselves to not only recover from this current situation, but from other events that may—that will—occur. By proactively communicating with stakeholders and working in a coordinated fashion, we can temper the disruption caused by such unexpected incidents. Examples include adopting BIM to maintain the continuity of design and construction documents; embedding the concept of resilience into project definition; identifying viable alternative sources for materials, assemblies, and equipment; revisiting language in contract agreements to better account for current and near-term conditions, as well as new viral and biologic force majeure issues and liabilities; and employing new construction technologies that can maintain project schedules and enhance worker safety.

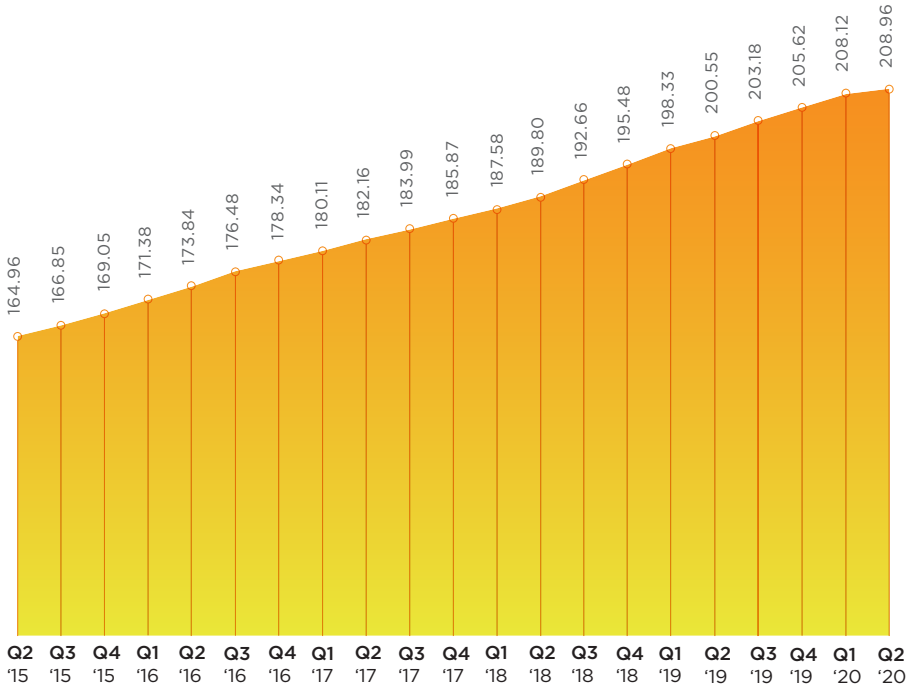
While we continue to face uncertainty about the extent of the pandemic's effects on society, at Rider Levett Bucknall, we are ready to evaluate our clients' future through holistically analyzing present conditions, redrawn priorities, and potential opportunities. Informed by the sweeping changes in the world, we look forward to working with our clients and industry colleagues to shape the future of the built environment, and to create a better tomorrow.



**Julian Anderson** FRICS  
**President,**  
**North America**

# UNITED STATES

## NATIONAL CONSTRUCTION COST INDEX



Welcome to the second quarter 2020 issue of the Rider Levett Bucknall Quarterly Cost Report! This issue contains data current to April 1, 2020. **Please carefully note, not all of the data included in this report indicate the effects of the COVID-19 pandemic.**

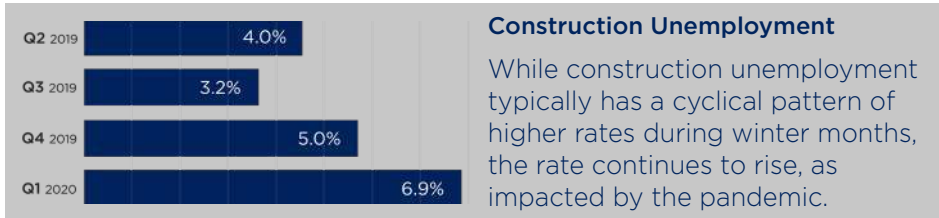
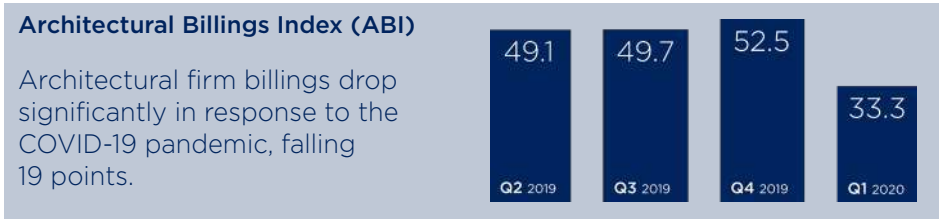
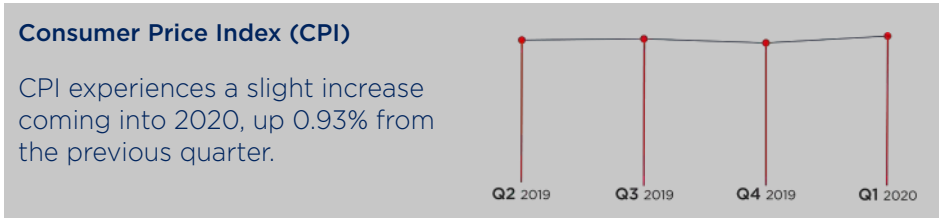
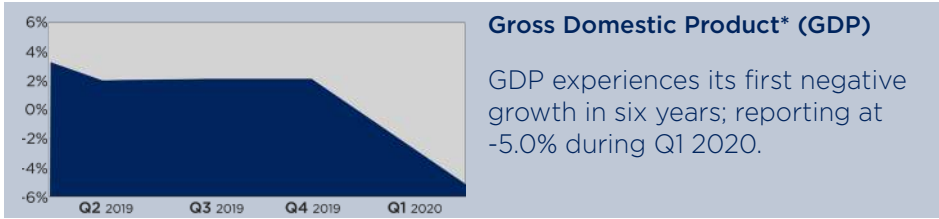
**\$1,346.2 Billion** According to the U.S. Department of Commerce, construction-put-in-place during April 2020 was estimated at a seasonally adjusted annual rate of \$1,346.2 billion, which is

**2.9% below** the revised March 2020 estimate of \$1,386.6 billion, and

**3.0% above** the April 2019 estimate of \$1,307.1 billion.

The National Construction Cost Index shows the changing cost of construction between April 2015 and April 2020, relative to a base of 100 in April 2001. Index recalibrated as of April 2011.

# KEY UNITED STATES STATISTICS



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. Unemployment rates are seasonally adjusted, reported at the end of the 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
<b>USA</b>														
Boston	350	550	225	325	200	300	150	240	400	580	275	390	425	675
Chicago	280	450	175	280	185	290	135	220	400	660	290	410	380	720
Denver	235	300	165	200	95	150	80	175	300	500	225	325	400	550
Honolulu	295	540	250	405	215	500	185	440	525	760	330	555	485	775
Las Vegas	160	295	105	190	115	480	80	145	350	550	150	300	375	475
Los Angeles	240	360	180	265	160	350	135	195	380	560	285	365	615	930
New York	400	600	300	400	275	425	175	300	400	600	300	400	500	750
Phoenix	200	325	140	195	120	200	80	150	350	550	175	250	425	550
Portland	220	300	165	220	170	270	155	225	320	420	250	350	445	590
San Francisco	350	550	300	400	290	420	250	360	460	660	400	550	500	750
Seattle	210	255	145	205	140	310	115	165	275	390	230	260	430	550
Washington	325	550	225	325	175	300	140	225	400	600	265	390	500	750
<b>CANADA</b>														
Calgary	235	295	190	285	220	310	110	160	300	450	190	245	550	720
Toronto	220	295	200	285	240	295	125	170	420	525	215	280	525	735

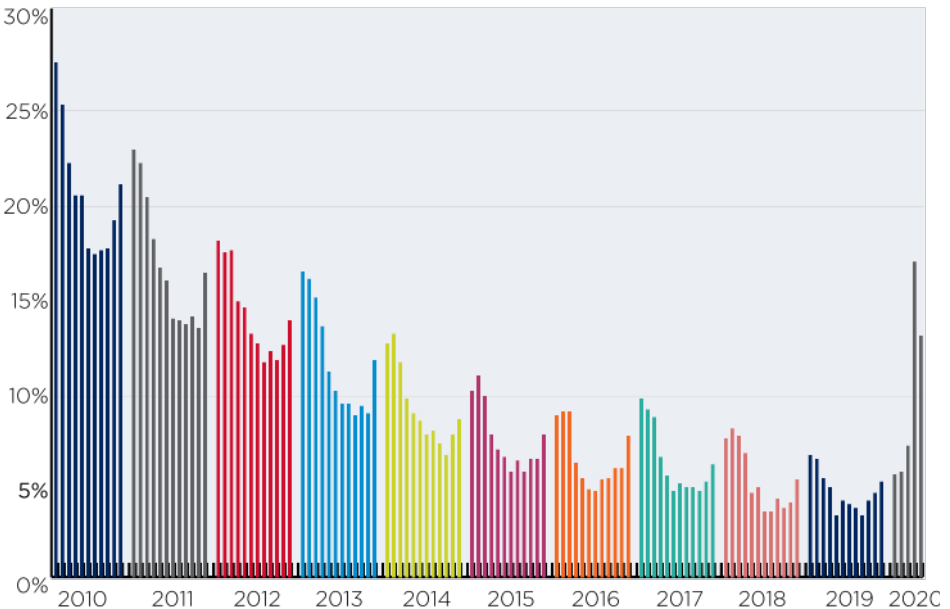
## CONSTRUCTION UNEMPLOYMENT - AT A GLANCE

As we witness the effects of the COVID-19 pandemic, Rider Levett Bucknall is working to keep a pulse on the market. As of the release of this publication, construction unemployment rates, provided by the U.S. Bureau of Labor Statistics, have been published through May 2020. In the accompanying chart, a cyclical trend is apparent, where construction unemployment sees a rise during the first few months of a new year, typically as a result of harsh weather conditions during winter months. Over the last decade, the peak of this trend dialed down consistently as each year passed. However, at the onset of the coronavirus, we saw construction unemployment rise to 6.9% during March; a higher rate than expected despite the anticipated cyclical peak. The rate continued to rise in April to 16.6%; the highest rate since March 2012. This dramatic influx of unemployment came as a result of construction job sites shutting down and trades being furloughed or laid off until it became safe to work again. As stay-at-home orders began to lift, more job sites opened back up and the construction unemployment rate reported at 12.7% in May 2020.

We anticipate that construction unemployment will continue to decrease as job sites open back up, though we do not expect that the rate will get as low as it was, pre-pandemic.

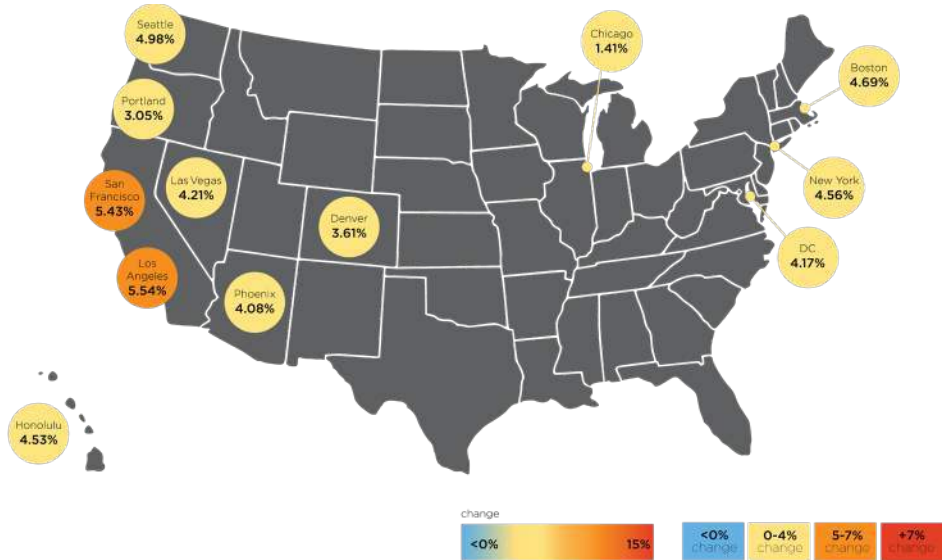
The data in the chart below represents estimates of current building costs in each respective market. Costs may vary as a consequence of factors such as site conditions, climatic conditions, standards of specification, market conditions, etc. Values of U.S. locations represent hard construction costs 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
110	190	85	140	100	160	185	315	260	360	350	475	375	500	375	600
110	185	80	125	125	170	165	400	220	420	265	380	300	405	350	600
90	150	75	100	135	175	115	235	115	450	275	320	300	400	325	450
150	235	105	150	145	270	205	455	290	775	350	485	415	620	455	735
60	100	50	85	60	150	100	405	100	350	200	315	225	455	275	455
125	190	105	125	135	195	235	370	205	365	365	480	310	550	460	625
115	200	95	175	125	200	200	375	275	400	425	550	465	600	450	650
60	100	45	70	70	110	100	250	120	450	225	350	275	400	325	450
110	175	115	150	130	215	175	275	155	325	320	400	350	425	365	510
175	250	140	160	260	300	390	575	275	440	350	430	375	475	475	675
100	130	100	120	140	200	165	275	170	290	300	330	390	500	440	480
120	190	90	130	110	140	200	350	300	400	300	400	325	420	350	500
85	145	75	95	75	120	140	215	125	315	185	260	220	310	300	450
90	110	80	115	120	160	200	240	310	395	225	245	245	290	240	370



# UNITED STATES

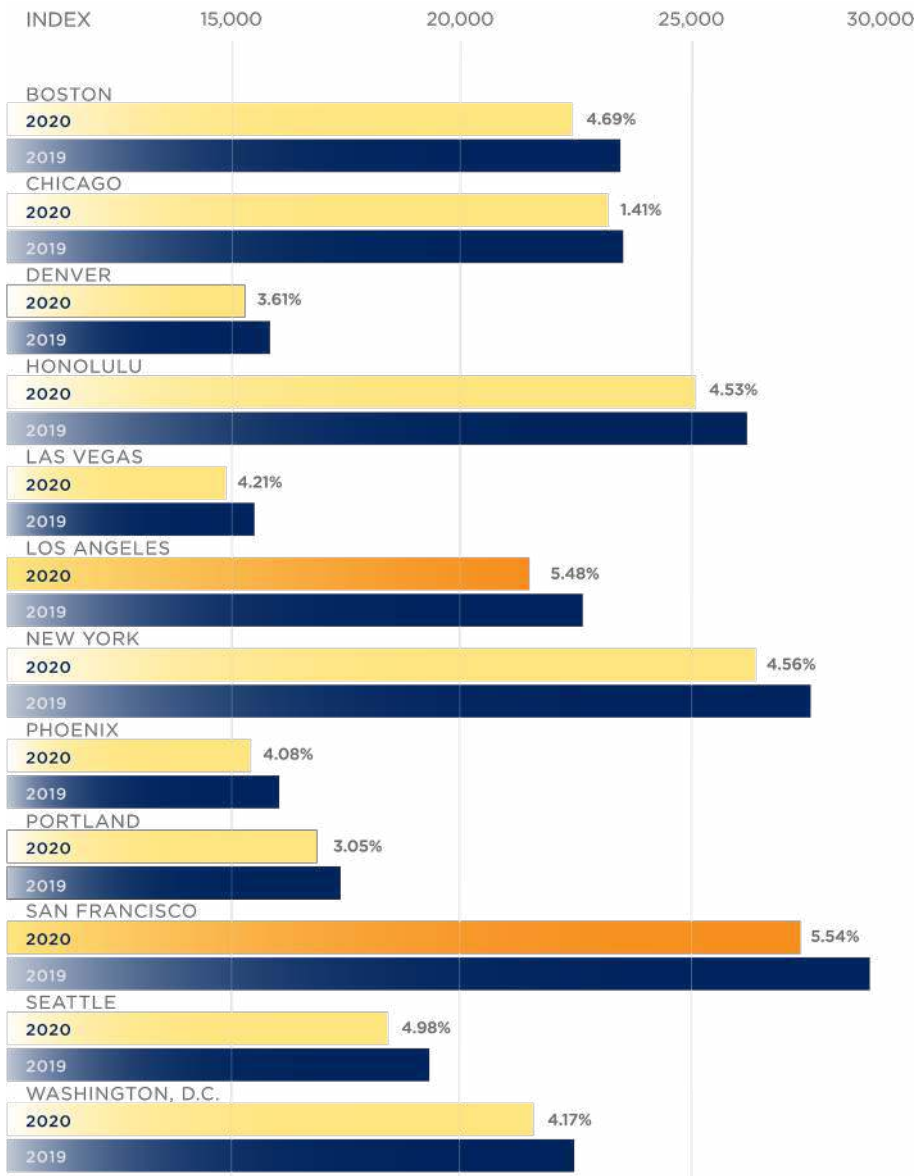
## COMPARATIVE COST INDEX



City	April 2019	July 2019	October 2019	January 2020	April 2020	Annual % Change
• Boston	22,480	22,741	23,012	23,241	23,534	4.69%
• Chicago	23,269	23,652	23,826	24,055	23,596	1.41%
• Denver	15,253	15,407	15,578	15,711	15,804	3.61%
• Honolulu	25,192	25,609	26,055	26,331	26,333	4.53%
• Las Vegas	14,834	15,023	15,209	15,394	15,459	4.21%
• Los Angeles	21,526	21,769	21,819	22,221	22,706	5.48%
• New York	26,524	26,771	27,116	27,658	27,734	4.56%
• Phoenix	15,376	15,578	15,754	15,922	16,004	4.08%
• Portland	16,843	17,023	17,259	17,472	17,357	3.05%
• San Francisco	27,516	28,030	28,341	28,781	29,040	5.54%
• Seattle	18,402	18,690	18,915	19,127	19,318	4.98%
• Washington, DC	21,617	21,846	22,299	22,450	22,518	4.17%

Comparative Cost Map and Bar Graph Indicate percentage change between April 2019 to April 2020.





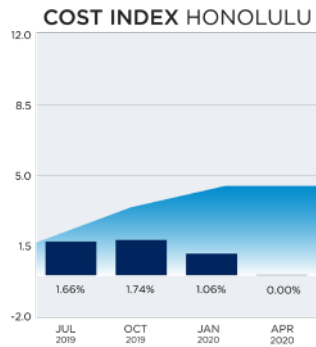
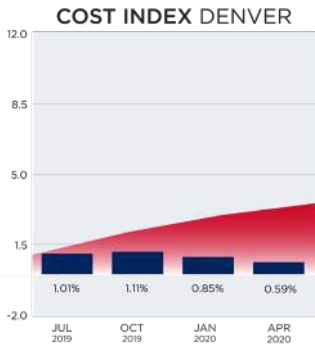
Each quarter we look at the comparative cost of construction in 12 US cities, indexing them to show how costs are changing in each city in particular, and against the costs in the other 11 locations. You will be able to find this information in the graph titled Comparative Cost Index (above) and in the Cost and Change Summary (right).

Our Comparative Cost Index tracks the 'true' bid cost of construction, which includes, in addition to costs of labor and materials, general contractor and sub-contractor overhead costs and fees (profit). The index also includes applicable sales/use taxes that 'standard' construction contracts attract. In a 'boom,' construction costs typically increase more rapidly than the net cost of labor and materials. This happens as the overhead levels and profit margins are increased in response to the increasing demand. Similarly, in a 'bust,' construction cost increases are dampened (or may even be reversed) due to reductions in overheads and profit margins.

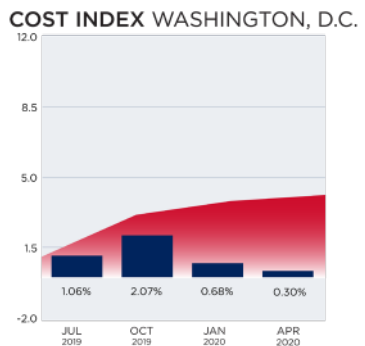
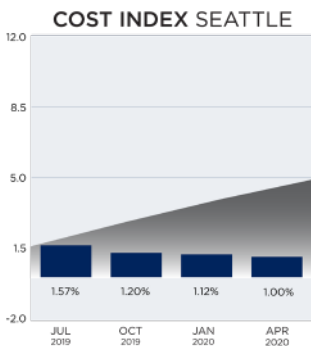
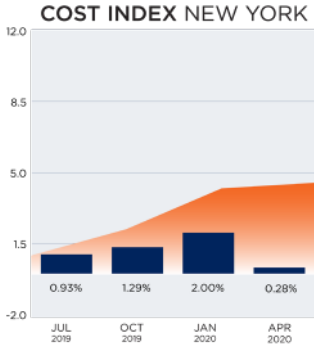
# UNITED STATES

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 and the cumulative percentage change throughout the charted timeline.

 Percentage change per quarter  Cumulative percentage change for the period shown

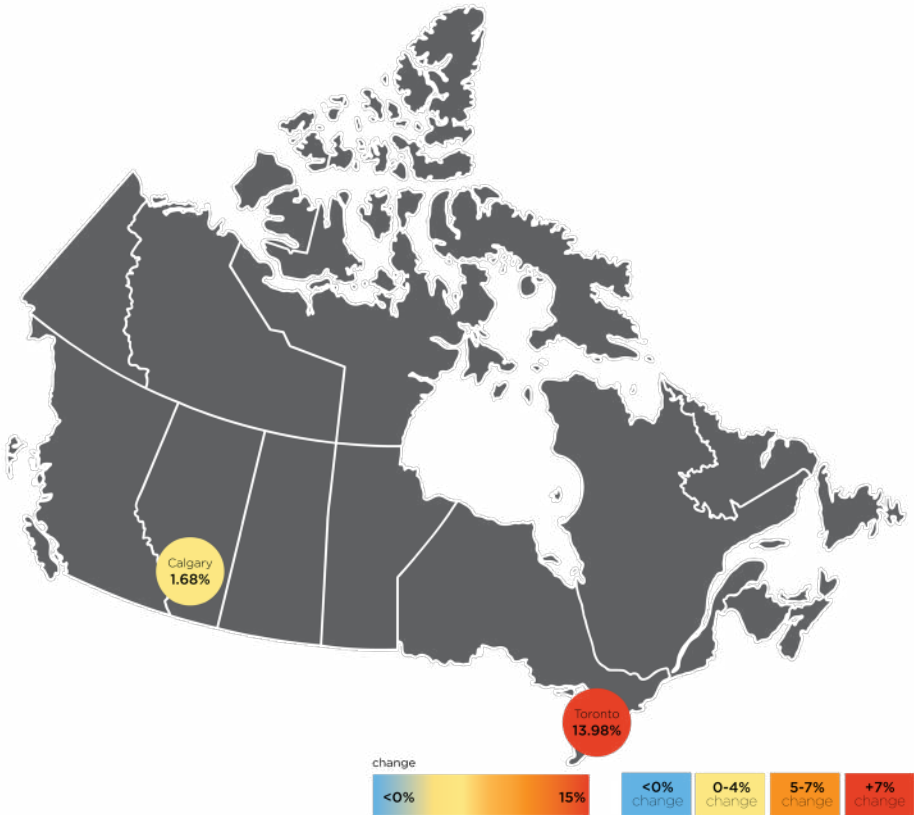


Our research suggests that between January 1, 2020 and April 1, 2020 the national average increase in construction cost was approximately 0.41% (4.13% annualized). Boston, Denver, Las Vegas, Los Angeles, Phoenix, San Francisco, and Seattle all experienced increases above the national average during the second quarter. Other locations have construction costs below the national average, including Chicago, Honolulu, New York, Portland, and Washington, D.C.



# CANADA

## COMPARATIVE COST INDEX



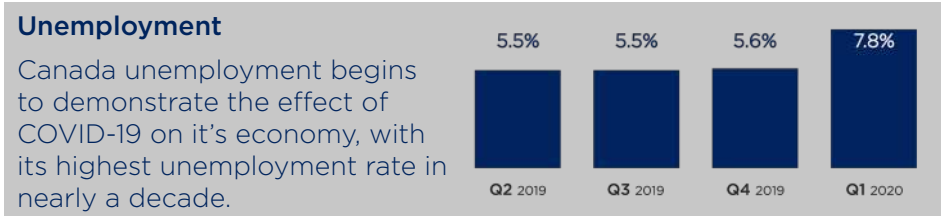
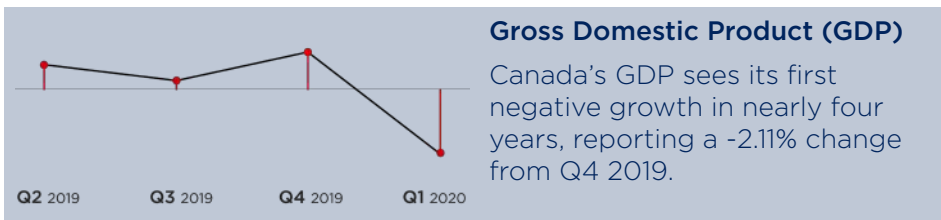
City	April 2019	July 2019	October 2019	January 2020	April 2020	Annual % Change
• Calgary	19,379	19,493	19,567	19,587	19,685	1.68%
• Toronto	20,909	22,759	23,303	23,653	23,595	13.98%

The Canadian market slowed down considerably in late March as the COVID-19 pandemic saw the closure of all non-essential construction projects. The industry is recovering slowly and we are expecting a busy market in Toronto for the rest of the year as infrastructure spending, particularly in transit and roads continues.

Many project schedules have slipped and there will be a push to get them back on track. Immigration to Canada is expected to drop by 50% this year from previous record levels and this may result in a slowdown in residential construction starts. Activity remains slow in western Canada due to low oil prices with many resource projects curtailed or cancelled.



## KEY CANADIAN STATISTICS



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. 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 15 years and older. Unemployment rates are seasonally adjusted, reported at the end of the period.

Sources: Statistics Canada



## 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.

**VOTED #1  
COST CONSULTANT**  
IN WORLD ARCHITECTURE  
MAGAZINE 2016-2019



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