

United States – Q4 2020

# Construction Market Overview

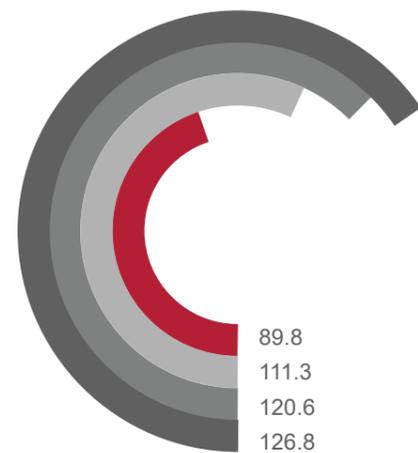
## Coronavirus impacts on the industry remain, but are lessening

The construction industry continues to feel the effects of the ongoing pandemic. Contractors are adapting to new regulations and ways of doing business to keep their workforce safe. Additional personal protective equipment, enhanced cleaning regimens, new safety/compliance personnel and distanced working have increased construction costs.

The global supply chain remains strained, leading to increasing material costs and frequent procurement delays. Lumber costs in the United States have increased dramatically since the beginning of the pandemic, resulting in higher input costs in the residential construction sector.



## Comparative Construction Cost Index



- Austin, TX**  
Tesla purchases 2,000 acres for \$97 million to build their largest auto assembly plant, costing around \$1.1 billion.
- Las Vegas, NV**  
Construction of US UnCommons, a mixed-use development costing \$400 million, has begun. The project, on 40 acres, will feature office, residential and lifestyle space.
- Philadelphia, PA**  
Ensemble Real Estate Investments purchases 366,803 square feet in three life sciences facilities in Philadelphia's Navy Yard.
- Boston, MA**  
New multifamily developments consisting of 100 projects and 20,600 units now represent 1.7% of existing stock, 40 points above the national average.



### Trending up:

Data center construction activity accelerated in the second and third quarters and is expected to continue this trend into 2021 as infrastructure grows to support working and learning from home.



### Trending down:

Commercial real estate construction slows as more companies embrace long-term work-from-home options for employees. Many higher education projects are paused due to uncertainty about in-person learning and enrollment numbers.

Source: Currie & Brown

## Location Intelligence

Currie & Brown's comparative cost indices are derived from current material and labor prices, combined with local knowledge of the market. Construction cost escalation is forecast for over 200 cities within North America based on market saturation, labor rates, commodity pricing and current economic conditions.

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## 2021 Projected Construction Escalation

	Index	Escalation		Index	Escalation
Chicago, IL	125	3.75%	Phoenix, AZ	94	3.50%
Houston, TX	85	3.00%	Portland, OR	105	4.25%
Miami, FL	91	4.00%	San Francisco, CA	134	4.25%
Minneapolis, MN	108	3.25%	Seattle, WA	122	4.25%
New York, NY	136	3.75%	Washington, DC	100	3.25%
			US average		3.50%

Source: Currie & Brown

## 2020 Construction Materials Price Trends

Overall, material costs have trended up, with lumber leading the way. YTD, the PPI for all building materials is +5.0%. Commodity prices are expected to continue their growth heading into 2021.

