

United States – Q2 2021

Construction Market Overview

Semiconductor Shortage and the US Construction Industry

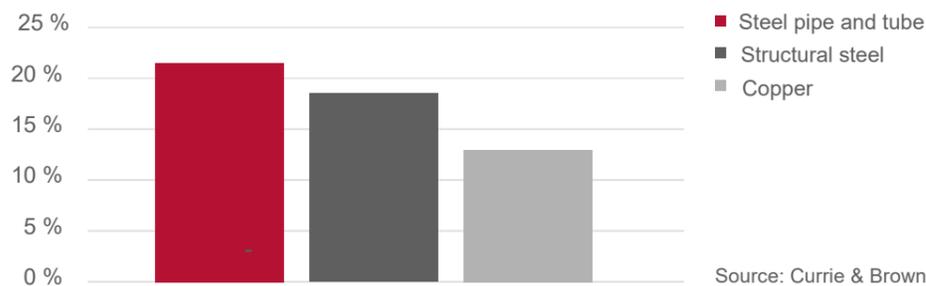
The current semiconductor shortage and the United States' reliance on international countries to supply computer microchips could combine to catalyze an expansion of domestic chip production.

Chip manufacturers could be the recipients of \$50 billion in production and research and development incentives based on the current infrastructure proposal. If passed, we could see multiple new semiconductor manufacturing facilities, also called “fabs”, built across the country. This expansion could intensify the ongoing shortage of mechanical, piping, and electrical labor, potentially driving up costs for those trades. Fabs also require immense amounts of concrete, which could apply upward pressures to the cost of concrete and related materials.



2021 First Quarter Construction Materials Cost Trends

Costs for construction materials have continued their dramatic rise through the first quarter of 2021. Pandemic-related disruptions in global manufacturing and difficulties moving goods around the world are creating upward pressures on material costs. In addition to materials increasing in cost, we are seeing suppliers shorten the time for which their bids are valid, and project teams becoming more flexible with material and product selections to avoid schedule delays. The chart below shows year-to-date trends for key construction materials.



Trending up:

Structural steel costs are continuing their dramatic rise through the first three months of 2021. Costs for steel-related materials such as EMT conduit are following a similar trend. We expect these costs to remain high as the global supply chain struggles to recover from the pandemic.



Trending down:

After an astronomical rise in 2020 and the first quarter of 2021, lumber costs appear to be beginning to plateau in April 2021. While we have yet to see a decrease, we expect costs to begin trending down by the end of 2021.

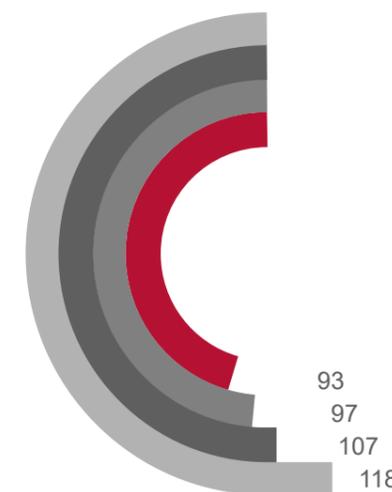
2021 Projected Construction Escalation

	Index	Escalation
Chicago, IL	129	2.75%
Houston, TX	85	3.00%
Miami, FL	92	4.00%
Minneapolis, MN	107	2.75%
New York, NY	140	2.75%

Source: Currie & Brown

	Index	Escalation
Phoenix, AZ	98	3.00%
Portland, OR	105	3.25%
San Francisco, CA	132	3.25%
Seattle, WA	126	3.00%
Washington, DC	100	2.75%
US average		2.75%

Comparative Construction Cost Index



Miami, FL

Construction of Ludlam Trail, a \$17 million residential project in downtown Miami will start this year. The first phase will consist of 84 units and will be completed early next year. The second phase will consist of 230 units and will be completed next fall.

Columbus, OH

Columbus City Council accepts \$54.3 million tax break for the construction of an upcoming data center. This new development will rest on 500 acres, costing \$300 million to build. Despite only creating 20 full-time jobs, the city of Columbus will give \$2.7 million in tax revenue for each job created.

St Louis, MO

A new 95,000 square foot hospitality project in St Louis will cost \$26.4 million to build. The 192-key Hotel St Louis Central West End will use BIM and prefabrication.

Sacramento, CA

UC Davis Health announces its plan to invest \$3.75 billion in the expansion of a 16-story inpatient hospital and a five-story pavilion, expected to take three years to complete. This project will also ensure the campus meets California's new earthquake safety mandates that will take effect in 2030.

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.

cbi@curriebrown.com