

United States – Q3 2021

Construction Market Overview

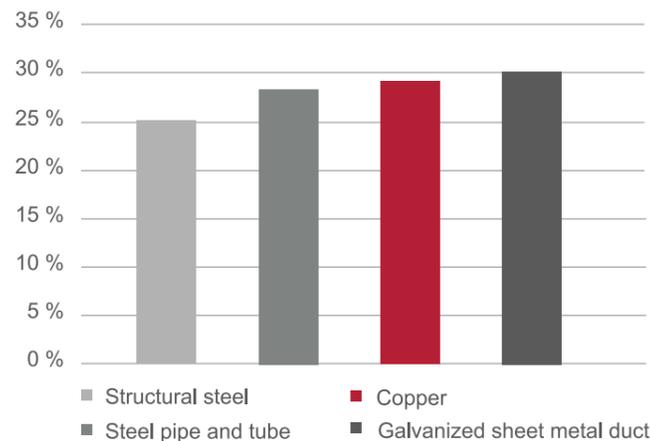
Struggles with the return to normal

Construction demand picks up. Data center, manufacturing and residential sectors are leading recovery, with infrastructure and healthcare in the wings.

While the US economy has largely reopened, material availability continues to be a challenge. Material prices were quick to rise but are showing considerable stickiness on the way back down as demand outpaces supply. Resurgence in Covid-19 infection rates and stagnation in vaccination rates have further slowed recovery in production, particularly in Asia. Combined with global shipping difficulties, material volatility looks to remain a factor into Q4 2021.

Year-to-Date Construction Materials Cost Trends

Construction material costs have not stopped their dramatic rise through the first two quarters of 2021. Pandemic-related disruptions in global manufacturing, difficulties moving goods around the world, and increasing demand are continuing to put upward pressures on material costs. Project teams are being forced to become more flexible with material and product selections to avoid schedule delays. The chart below shows year-to-date trends for key construction materials.



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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Trending up:

Galvanized steel ductwork averaged \$0.85 per pound at the end of 2020. As of July 2021, national average costs are \$1.11 per pound, an approximately 30% increase in seven months.

Copper has experienced a similar increase of approximately 30% in seven months and shows no signs of slowing down.



Trending down:

The time suppliers will hold their prices continues to be lower than usual due to extreme volatility in price and availability.

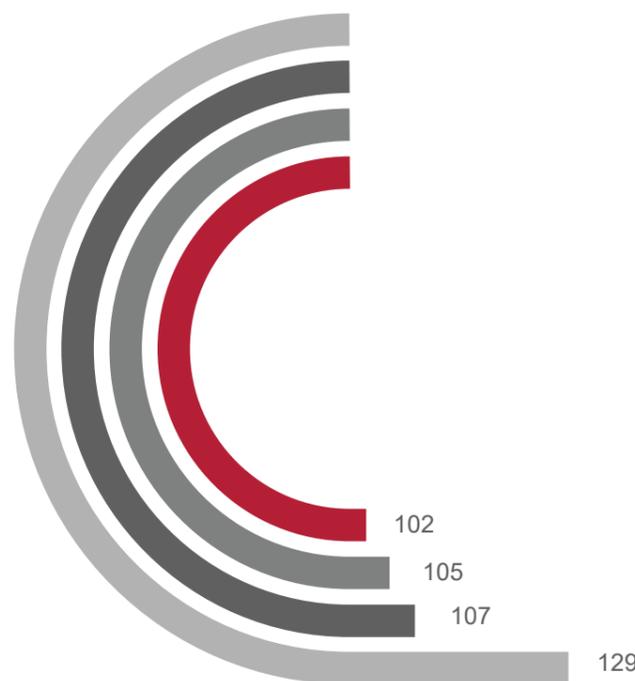
2021 Projected Construction Escalation

	Index	Escalation
Chicago, IL	129	4.50%
Houston, TX	85	3.50%
Miami, FL	92	5.50%
Minneapolis, MN	107	5.00%
New York, NY	140	4.75%
Phoenix, AZ	98	5.25%
Portland, OR	105	4.75%
San Francisco, CA	132	4.25%
Seattle, WA	126	5.50%
Washington, DC	100	4.50%
US average		5.00%



Source: Currie & Brown

Comparative Construction Cost Index



Albuquerque, NM

Theia Group Inc. is planning to build the Orion Center, a satellite assembly and testing facility. Spanning the next decade, this project is expected to cost between \$8 and \$10 billion. BlueHalo, a security and technology company, is planning to invest \$60 million into its new campus with construction starting late summer and will include 200,000 square feet designated to research, manufacturing and innovation for space technology.

Detroit, MI

The manufacturing sector is ramping up construction in Detroit as the city recovers from the pandemic. The former Cadillac stamping plant is being demolished to make room for a new \$48 million manufacturing building. The city is also investing in public and green spaces with the Joe Louis Greenway (\$50 million) and West Riverfront Park (\$100 million), both slated to start construction in 2021.

Minneapolis, MN

Construction on the 37-story RBC Gateway tower in downtown Minneapolis is progressing. The skyline-changing building will become the new headquarters for RBC Wealth Management and a 222-key Four Seasons Hotel, costing \$433 million.

Chicago, IL

A 907,000ft² Facebook data center near Chicago will bring in hundreds of construction jobs to northern Illinois. The building will cost upwards of \$800 million and sits on 505 acres. It is the first Facebook data center built in Illinois.