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Rider Levett Bucknall releases First Quarter 2014 USA Construction Cost Report - Predicts big increase this year and beyond

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Rider Levett Bucknall (RLB) released an optimistic U.S. construction industry outlook, with large increases in project starts anticipated for 2014 and beyond. The firm published its findings in its newly released First Quarter 2014 USA Construction Cost Report. According to RLB's research, the housing market will continue to fuel increases in new construction throughout the calendar year 2014. It states that the National Association of Home Builders (NAHB) anticipates an increase in total housing starts from approximately 924,000 in 2013 to 1.15 million in 2014. Additional sectors expected to see gains in new construction include educational and institutional buildings; commercial buildings; healthcare; and manufacturing facilities.

The construction market in Boston continues to strengthen, and the recent boom in residential construction is likely to bolster the ongoing redevelopment of the Seaport district. "Construction costs in Boston have steadily increased over the last 2 years," said Grant Owen, senior VP and director of the Northeast Region for RLB. "This trend appears set to continue as the amount of new projects coming on line continues to grow. With a number of potential sky-rise projects slated to proceed, and the development of the Seaport district gaining steam, construction costs in the city could rise significantly over the next 2 years"

RLB tracks construction costs in 12 major U.S. cities, all of which experienced a positive change between January 1, 2013 and December 1, 2013: Boston, Chicago, Honolulu, New York and Washington, D.C. experienced the greatest annual escalations of between 4.7% and 7.7%; Denver, Phoenix, and Seattle experienced modest annual increases between 2.2% and 3.5%; and Las Vegas, Los Angeles, Portland and San Francisco experienced annual increases below 2%. RLB's 2013 National Cost Construction Index showed signs of steady growth. The firm's findings suggest that construction put in place during December 2013 was estimated at a seasonally adjusted annual rate of \$930.5 billion, an increase of .1% above the revised November 2013 estimate of \$929.9 billion. The cost of construction for the year was \$898.4 billion, up 4.8% from 2012.

The improved forecast for these market sectors is bolstering general contractors' optimism, with many firms planning to begin hiring again. According to the U.S. Bureau of Labor Statistics, "Employment in the construction sector is projected to grow 2.6% annually. This equates to 1.6 million new jobs over the 2012-22 decade, the most among goods-producing sectors and the third most among all major industry sectors.

Despite expected fast growth, construction sector employment in 2022 is projected to be below the peak level (7.7 million; 2006)."

However, although the construction industry expects to gain these additional jobs over the next eight years, the lack of available skilled labor in the workforce could be a concern. "There might actually

be periods of labor shortages within the time frame," said Julian Anderson, president of RLB's North American practice and chairman of its CCS group of companies. "Many workers left the construction industry during the recession; this was true for skilled young people, in particular. As the industry pushes forward, a lack of skilled labor could put a brake on new construction and cause upward pressure on construction costs."

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540