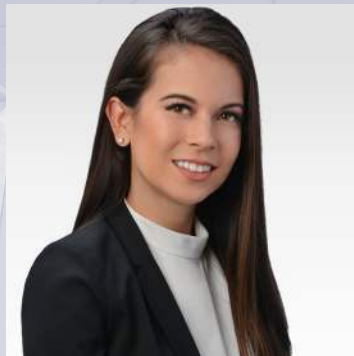


MEET YOUR LOCAL EXPERT



ERIN KIRIHARA
Executive Vice President
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Erin KiriHara is Executive Vice President of Rider Levett Bucknall's North American Practice and Director in Charge of RLB in the Hawaii Region. Throughout her more than 15-year career with RLB, Erin has managed construction ranging from \$1 million to \$800 million in Hawaii and the U.S. mainland, developing an exceptional track record for delivering projects on time and on budget to complete client satisfaction.

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COST CONSIDERATIONS THINGS TO WATCH OUT FOR



CONSTRUCTION CYCLE Hawaii's construction industry has a robust pipeline of work slated to come online, which would drive the local market closer toward a peak in the construction activity cycle. Increased construction activity and owner confidence in the Hawaii market has been enabled by a strong recovery of the local economy, which has been largely fueled by the successful return of tourism to the islands.



MATERIALS Quarterly cost changes for raw material pricing in Honolulu have stabilized somewhat compared to last year and may reflect a slight easing of demand and supply chain issues. Although RLB is not seeing drastic spikes, materials pricing remains elevated in 2022 and has not returned to pre-pandemic-level prices.



BIDDING ENVIRONMENT RLB expects any competitiveness in the local bidding market to dissipate once planned projects begin ramping up toward the end of the year. The increase in overall project volume we are anticipating would impact the availability of local labor, which is shared across all islands, and neighbor islands are already saturated with work. We forecast that the primary driver of cost escalation for the next 12-24 months will be demand for labor.



LOGISTICS Globally, per-container ocean shipping rates have come down from peak pricing observed in 2021, however, current pricing remains higher than the rates were pre-pandemic. For West Coast to Hawaii routes, prices continue to rise due to fuel price increases and surcharges. Additionally, airfreight is still very tight due to limited availability, so proactive planning and strong communication with vendors remain necessary to safeguarding cost and time certainty.

CONSTRUCTION COST DRIVERS

SELECT MATERIALS	APPROX. CHANGE FROM Q2 2022
Rebar	▲ 1.8%
Structural Steel	▼ -2.6%
Ready-Mix Concrete	▼ -1.1%
Lumber	▼ -40.0%
Copper	▼ -2.5%
Plumbing Fixtures	▼ -2.1%
Diesel	▲ 27.0%

Source: U.S. Bureau of Labor Statistics
Producer Price Index

HONOLULU COST INDEX



COMPARATIVE MARKET TRENDS

5.06%
Honolulu YOY
escalation rate

8.28%
National YOY
escalation rate



Source: RLB Quarterly Construction Cost Report,
Q3 2022

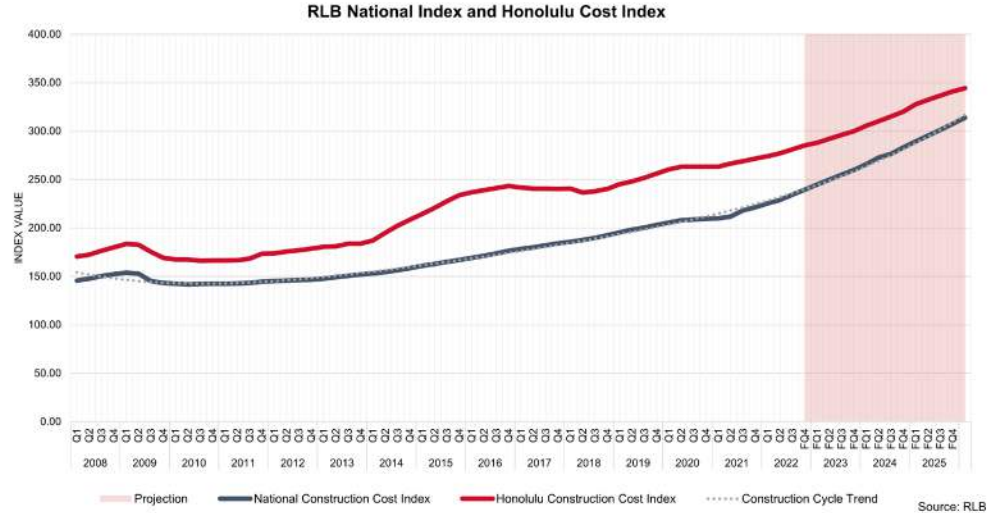
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FUTURE INSIGHTS!**



For more than 20 years, we have published a quarterly construction cost report to provide you with the most accurate and up-to-date construction pricing information in the market.

SCAN TO SUBSCRIBE

CONSTRUCTION COST INDEX, ESCALATION, AND TRENDS



ABOUT THE CHART

Honolulu has been trending behind the rest of U.S. in terms of our annualized rates of cost change, however, the 5.06% change between Q3 2021 and Q3 in 2022 is still slightly higher than the rate of escalation Honolulu would see in a typical year. Historically, RLB data shows that Hawaii will – and always has – caught up to the cycle we see on the mainland. That said, it is key to understand that Honolulu baseline construction costs remain higher than most other North American markets. Neighbor island per-annum escalation is typically 6-8% higher than Oahu since the baseline costs start higher, but will follow a similar trend.

WHAT THIS MEANS FOR YOU

While RLB is forecasting gradual increases to the rate of escalation over the next two years, even a more typical year in Honolulu will see an annual increase, so the longer a project is drawn out, the more expensive construction will be regardless of the economic cycle. Owners should plan wisely, be resourceful and be ready to go so that no matter what happens in the economy, you can catch the optimal timing on your project, and in construction, timing is everything.