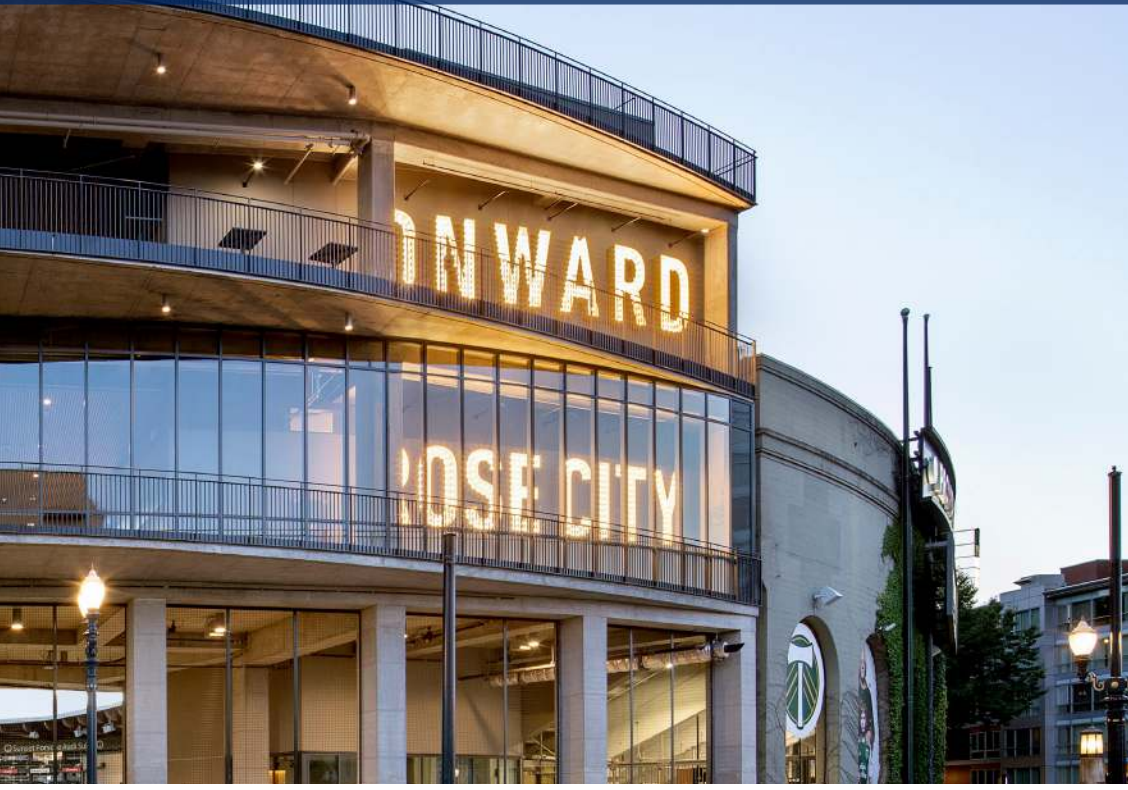
THIRD QUARTER 2020

NORTH AMERICA

QUARTERLY CONSTRUCTION COST REPORT



RLB Rider Levett Bucknall

ON THE COVER

PROVIDENCE PARK STADIUM

PORTLAND, OREGON

Providence Park is home to the Portland Timbers soccer team and lives right in the heart of Portland's downtown. With the recent expansion, more fans will be able to fit in the stadium for each game.

The Portland Timbers planned to spend $50M to add 4,000 seats at Providence Park by 2020. The design added four new tiers of seating to the stadium's east side with a cantilevered roof jutting out over most of the new seats. This expands the stadium's capacity from 21,144 to 25,218. The work also created an arcade-like adjacent to the stadium along Southwest 18th Avenue. RLB served as the cost management team for the project. All involved in this expansion will have a significant effect on the Portland sports community, as the Timbers have sold out every game in their MLS history. They also had a season ticket waiting list of 13,000 names. 80% of the new seats have been dedicated to season ticket holders, and 20% of them will be open as single-game seats. The expansion will ensure that more fans can cheer on their beloved Timbers at every game.

Rider Levett Bucknall provided cost estimating services for the famous Providence Park Stadium, home to the Portland Timbers; helping to begin a new era for Portland Timbers fans and for the entire neighborhood near the stadium.

NORTH AMERICA

As noted in this quarterly cost report, economic indicators are showing deep drops since our last quarter, and in some cases have reached historic lows. While this is hardly surprising, it's clear that charting the recovery will be a complicated process.

The impact of the COVID-triggered downturn was immediate, with none of the typical warning signs that a troubled economy would typically display, such as a credit crunch or a bursting asset bubble. The abrupt slowing of economic activity makes it challenging to forecast what a recovery might look like. Indeed, there is an alphabet soup of possibilities when discussing the possible trajectories: Z-shape, V-shape, U-shape, W-shape, L-shape, K-shape, and more. Some models, such as the Z, V, L scenarios, have already been eliminated from consideration.

Should a second wave of the pandemic occur in the fall and winter (as some health experts fear), and lock downs resume, a W-shape recovery could be on the cards. The U.S. experienced this kind of double-dip recession in the early 1980s. After weathering an oil crisis and elevated inflation in 1979, the economy fell into a brief recession in 1980, then rapidly started growing again. The Federal Reserve was still concerned that inflation was too high and raised interest rates to combat it, an action that pushed the country back into another recession in mid-1981, which lasted until steady growth resumed in late 1982.

In the aftermath of the 2009 housing crisis, we experienced a U-shape recovery: a sharp downturn followed by an extended climb, which, at that time, lasted about two years. Now, if high virus caseloads and hospitalization rates persist, the country could be slow to get back to normal business; as a result, we won't exit the trough of the U quickly.

A variation on the U is the swoosh. In this model, the economy takes a sharp downturn, then gradually improves as lockdowns are eased more gradually than they were imposed. The recovery period is longer than that of the V-shape yet faster than the U-shape. This response is exacerbated by emerging uncertainties, such as consumers opting to save rather than spend or if businesses curb investing in urban areas.

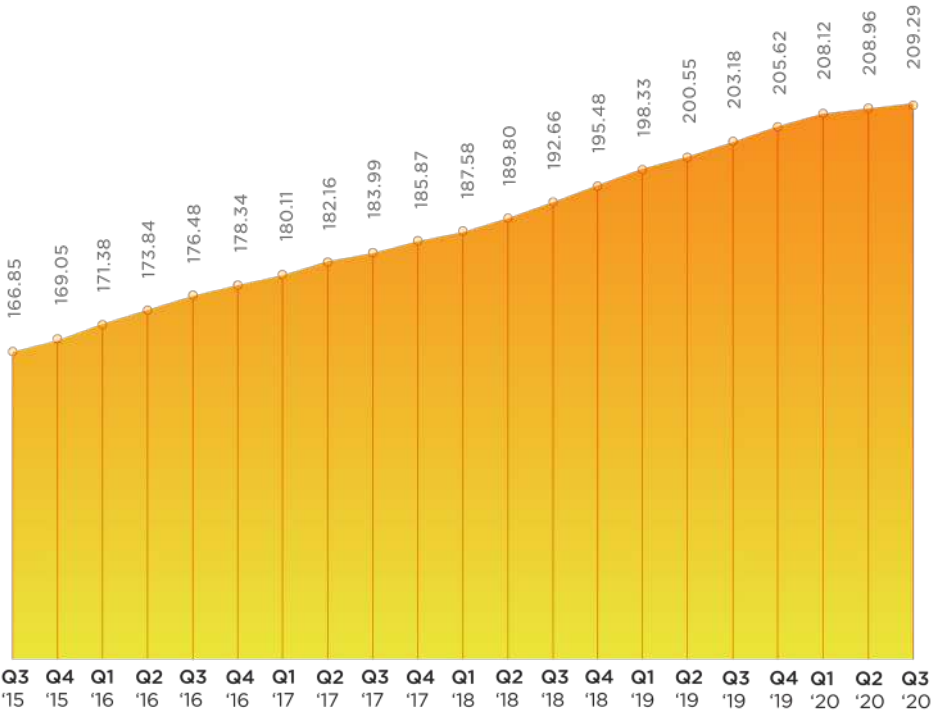
The prospect of a K-shaped recovery is currently gaining traction. This scenario depicts an uneven growth that is split between industries and income groups. Reflecting the inequality in society, the ascending leg of the K represents the investor class of Wall Street, while the descending leg represents Main Street. The K's divergent paths are troubling for the long-term outlook.

Business projections can be optimistic or pessimistic. At Rider Levett Bucknall, we remain focused on the forecast that truly counts: the realistic one. We recognize that managing risk is more than a financial concern; at its core, it's about the long-term goals of creating stability and building trust.

Julian Anderson FRICS
President,
North America

UNITED STATES

NATIONAL CONSTRUCTION COST INDEX



Welcome to the third quarter 2020 issue of the Rider Levett Bucknall Quarterly Cost Report! This issue contains data current to July 1, 2020.

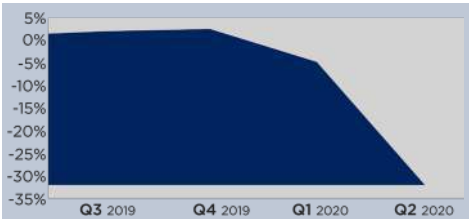
$1,346.6 Billion According to the U.S. Department of Commerce, construction-put-in-place during July 2020 was estimated at a seasonally adjusted annual rate of $1,346.6 billion, which is

0.1% above the revised June 2020 estimate of $1,362.8 billion, and

0.1% below the July 2019 estimate of $1,366.0 billion.

The National Construction Cost Index shows the changing cost of construction between July 2015 and July 2020, relative to a base of 100 in April 2001. Index recalibrated as of April 2011.

KEY UNITED STATES STATISTICS

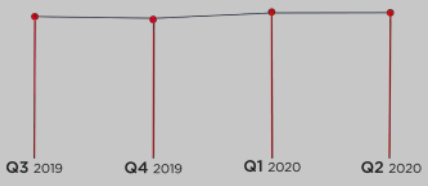


Gross Domestic Product* (GDP)

GDP reports its largest quarterly drop on record; the second quarter annualized rate saw a 32.9% decrease.

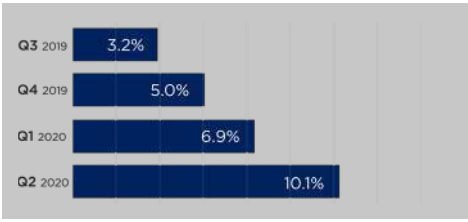
Consumer Price Index (CPI)

CPI continues to increase modestly, up from 256.1 in Q2 2019 to 257.8 in Q2 2020.



Architectural Billings Index (ABI)

While the ABI is improved from the previous quarter, reporting 40.0 during Q2 (compared to 33.3 in Q1), a score below 50 indicates a decrease in billings.

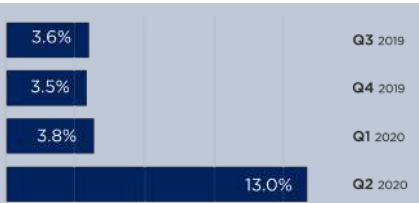


Construction Unemployment

Construction unemployment reports a rate of 10.1% during Q2, in response to many construction sites shutting down, due to COVID-19.

National Unemployment

The national unemployment rate sees a spike; reporting at 13.0% during the second quarter of 2020.



GDP represented in percent change from the preceding quarter, seasonally adjusted at annual rates. CPI quarterly figures represent the monthly value at the end of the quarter. Inflation rates represent the total price of inflation from the previous quarter, based on the change in the Consumer Price Index. ABI is derived from a monthly American Institute of Architects survey of architectural firms of their work on the boards, reported at the end of the period. Construction Put-in-Place figures represent total value of construction dollars in billions spent at a seasonally adjusted annual rate taken at the end of each quarter. General Unemployment rates are based on the total population 16 years and older. Construction Unemployment rates represent only the percent of experienced private wage and salary workers in the construction industry 16 years and older. Unemployment rates are seasonally adjusted, reported at the end of the period.

* Adjustments made to GDP based on amended changes from the Bureau of Economic Analysis.

Sources: U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, American Institute of Architects.

UNITED STATES

INDICATIVE CONSTRUCTION COSTS

	OFFICES				RETAIL SHOPPING				HOTELS				HOSPITAL	
	PRIME		SECONDARY		CENTER		STRIP		5 STAR		3 STAR		GENERAL	
LOCATION	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
USA														
Boston	350	550	225	325	200	300	150	240	400	580	275	390	425	675
Chicago	280	450	175	280	185	290	135	220	400	660	290	410	380	720
Denver	235	300	165	200	95	150	80	175	300	500	225	325	400	550
Honolulu	300	545	255	410	220	510	185	450	530	770	335	560	490	785
Las Vegas	180	295	135	190	115	480	80	145	350	550	150	300	400	475
Los Angeles	240	360	180	265	160	350	135	195	380	560	285	365	615	930
New York	400	600	300	400	275	425	175	300	400	600	300	400	500	750
Phoenix	200	325	140	195	120	220	80	150	350	550	175	275	425	550
Portland	220	300	165	220	170	270	155	225	320	420	250	350	445	590
San Francisco	380	600	300	450	290	420	250	360	460	680	400	550	500	750
Seattle	210	255	145	205	140	310	115	165	275	390	230	260	430	550
Washington	325	550	225	325	175	300	140	225	400	600	265	390	500	750
CANADA														
Calgary	235	295	190	285	220	310	110	160	300	450	190	245	550	720
Toronto	225	295	200	285	245	295	125	170	425	530	215	280	530	740

CONSTRUCTION INDUSTRY CONFIDENCE INDEX

ENR's Construction Industry Confidence Index (CICI), launched in 2009, is a survey of different types of firms (Design Professionals, General Contractors and Subcontractors) and represents their overall view of the current and future construction market. The Q2 2020 CICI is 36, the lowest rating since Q3 2010. This index reflects a drop of 20 points from the previous quarter, and down 22 points year-over-year. It is worth noting that the threshold for negative sentiment regarding industry growth is 50.

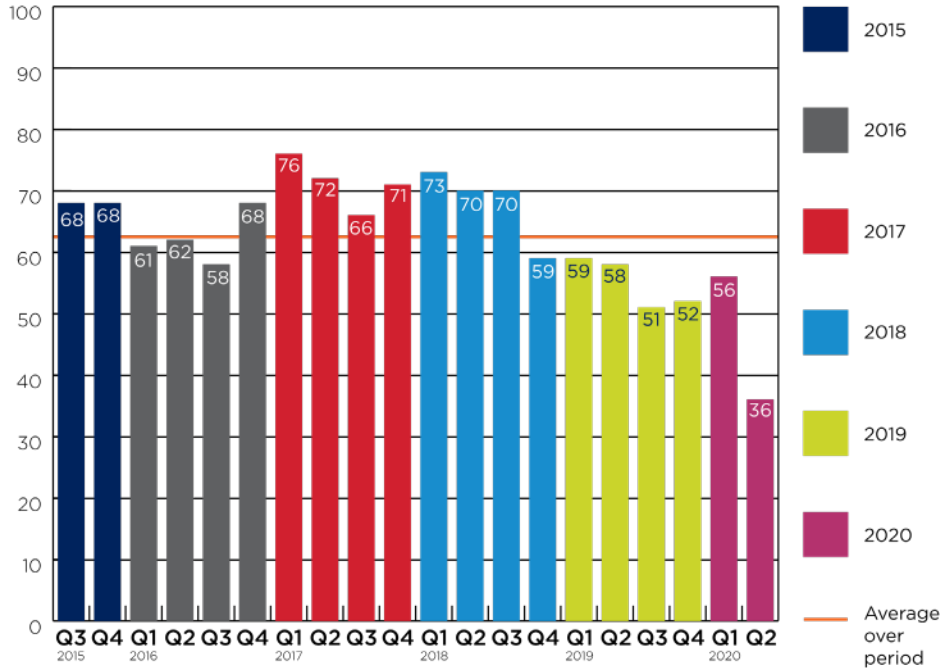
In the main, ENR reports a decline in confidence in most market sectors. As of September 2020 sources such as ENR, the U.S. Bureau of Labor Statistics, the Bureau of Economic Analysis, among other entities that monitor economic statics, begin to report on what we are now calling the COVID-19 recession.

Now is the time to bring our industry out of this crisis and put construction at the forefront of the recovery. We need to ensure that we are learning the lessons of this crisis so that we are fully prepared for any future crisis, or indeed, additional waves of the current pandemic.

Source: 2020 Q2 Engineering News Record Confidence Survey

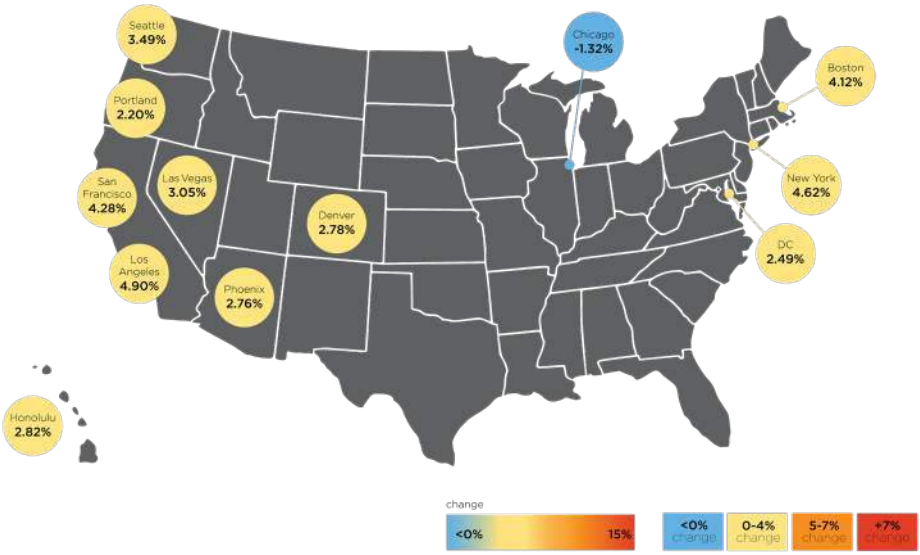
The data in the chart below represents estimates of current building costs in each respective market. Costs may vary as a consequence of factors such as site conditions, climatic conditions, standards of specification, market conditions, etc. Values of U.S. locations represent hard construction costs based on U.S. dollars per square foot of gross floor area, while values of Canadian locations represent hard construction costs based on Canadian dollars per square foot.

INDUSTRIAL		PARKING				RESIDENTIAL				EDUCATION					
WAREHOUSE		GROUND		BASEMENT		MULTI-FAMILY		SINGLE-FAMILY		ELEMENTARY		HIGH SCHOOL		UNIVERSITY	
LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
110	190	85	140	100	160	185	315	260	360	350	475	375	500	375	600
110	185	80	125	125	170	165	400	220	420	265	380	300	405	350	600
90	150	75	100	135	175	115	235	115	450	275	320	300	400	325	450
150	240	105	150	145	275	205	460	295	785	350	490	420	630	460	740
60	100	50	85	60	150	100	405	100	350	225	350	250	455	300	455
125	190	105	125	135	195	235	370	205	365	365	480	310	550	460	625
115	200	95	175	125	200	200	375	275	400	425	550	465	600	450	650
60	100	45	70	70	110	100	250	120	450	250	350	275	425	325	450
110	175	115	150	130	215	175	275	155	325	320	400	350	425	365	510
175	250	140	160	260	300	390	575	275	440	375	450	375	475	475	675
100	130	100	120	140	200	165	275	170	290	300	330	390	500	440	550
120	190	90	130	110	140	200	350	300	400	300	400	325	420	350	500
85	145	75	95	75	120	140	215	125	315	185	260	220	310	300	450
85	105	80	115	120	160	200	245	210	395	225	250	250	290	245	370



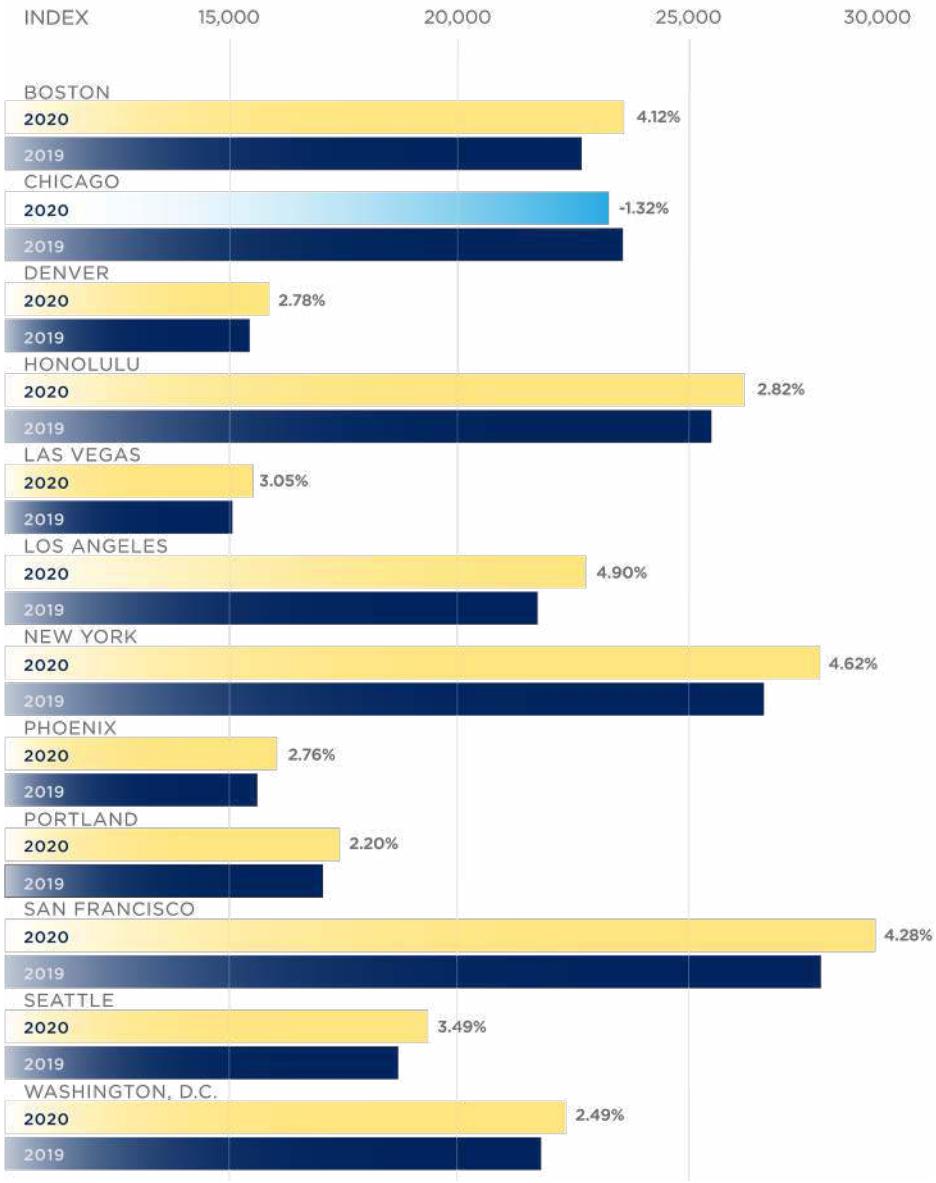
UNITED STATES

COMPARATIVE COST INDEX



City	July 2019	October 2019	January 2020	April 2020	July 2020	Annual % Change
Boston	22,741	23,012	23,241	23,534	23,677	4.12%
Chicago	23,652	23,826	24,055	23,596	23,340	-1.32%
Denver	15,407	15,578	15,711	15,804	15,835	2.78%
Honolulu	25,609	26,055	26,331	26,333	26,333	2.82%
Las Vegas	15,023	15,209	15,394	15,459	15,480	3.05%
Los Angeles	21,769	21,819	22,221	22,706	22,835	4.90%
New York	26,771	27,116	27,658	27,734	28,008	4.62%
Phoenix	15,578	15,754	15,922	16,004	16,008	2.76%
Portland	17,023	17,259	17,472	17,357	17,397	2.20%
San Francisco	28,030	28,341	28,781	29,040	29,230	4.28%
Seattle	18,690	18,915	19,127	19,318	19,342	3.49%
Washington, DC	21,846	22,299	22,450	22,518	22,389	2.49%

Comparative Cost Map and Bar Graph Indicate percentage change between July 2019 to July 2020.



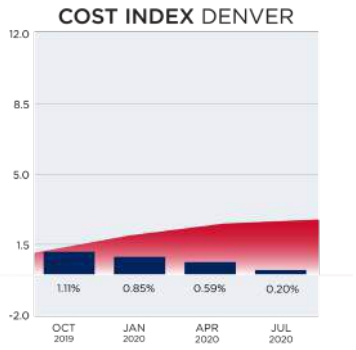
Each quarter we look at the comparative cost of construction in 12 US cities, indexing them to show how costs are changing in each city in particular, and against the costs in the other 11 locations. You will be able to find this information in the graph titled Comparative Cost Index (above) and in the Cost and Change Summary (right).

Our Comparative Cost Index tracks the 'true' bid cost of construction, which includes, in addition to costs of labor and materials, general contractor and sub-contractor overhead costs and fees (profit). The index also includes applicable sales/use taxes that 'standard' construction contracts attract. In a 'boom,' construction costs typically increase more rapidly than the net cost of labor and materials. This happens as the overhead levels and profit margins are increased in response to the increasing demand. Similarly, in a 'bust', construction cost increases are dampened (or may even be reversed) due to reductions in overheads and profit margins.

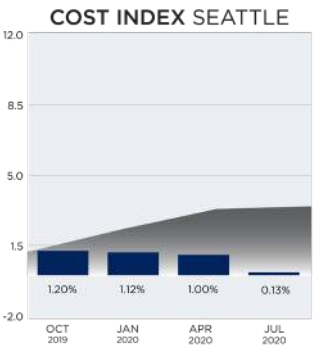
UNITED STATES

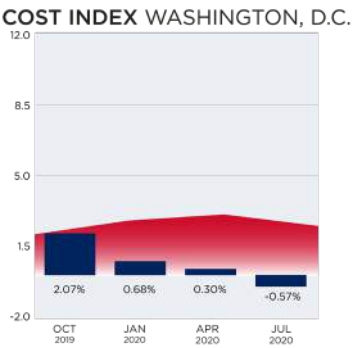
The following escalation charts track changes in the cost of construction each quarter in many of the cities where RLB offices are located. Each chart illustrates the percentage change per period and the cumulative percentage change throughout the charted timeline.

Percentage change per quarter — Cumulative percentage change for the period shown



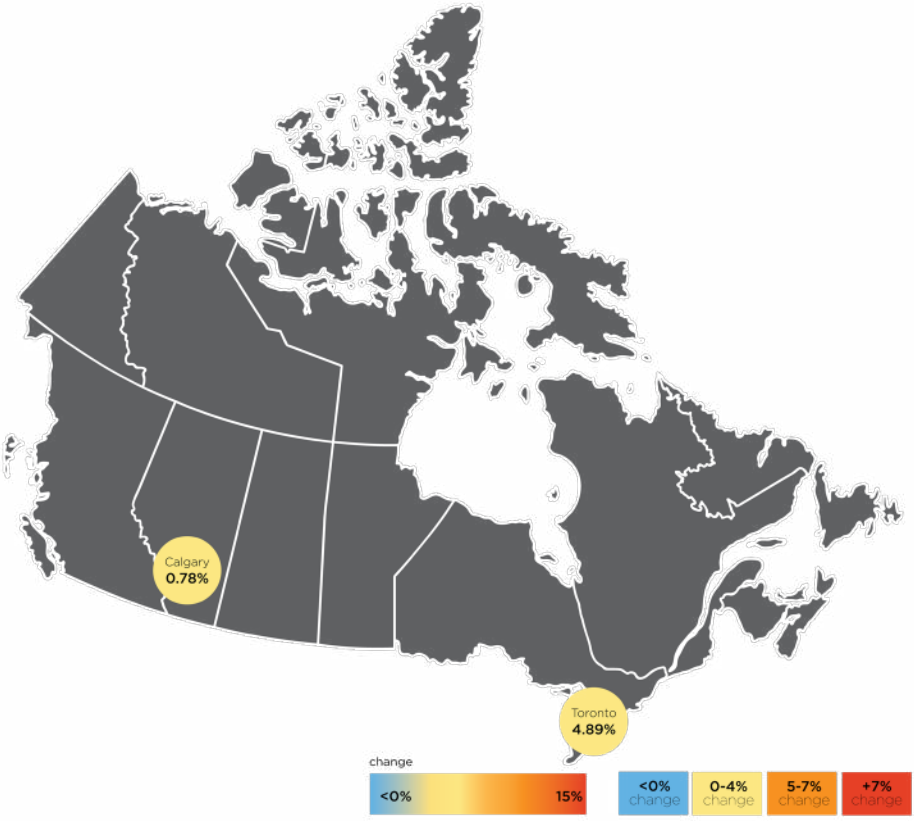
Our research suggests that between April 1, 2020 and July 1, 2020 the national average increase in construction cost was approximately 0.16% (compared to 1.3%, this time last year). Boston, Denver, Los Angeles, New York, Portland, and San Francisco all experienced increases over the national average in the quarter. Las Vegas, Phoenix, and Seattle experienced minimal gains, while Chicago and Washington, D.C. experienced a downturn in construction costs.





CANADA

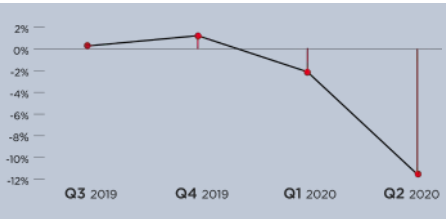
COMPARATIVE COST INDEX



City	July 2019	October 2019	January 2020	April 2020	July 2020	Annual % Change
• Calgary	19,493	19,567	19,587	19,685	19,646	0.78%
• Toronto	22,759	23,303	23,653	23,595	23,873	4.89%

The Toronto construction market remains quite busy, driven by a very strong high-rise residential sector and government spending on infrastructure especially transit projects. Although there was a slowdown in the spring and early summer due to the COVID-19 pandemic, the market has recovered. A shortage of materials has led to a slowdown in the low-rise residential market throughout Canada and a spike in lumber and masonry prices. Despite a significant drop in immigration to Canada, residential sales remain strong indicating a busy year in 2021. As working remotely becomes more of a permanent arrangement for many workers, we expect to see a downturn in office development and other commercial construction projects. Western Canada is struggling, although infrastructure is doing well. The natural resource sector has not recovered and government spending has been increased to help stimulate the economy.

KEY CANADIAN STATISTICS



Gross Domestic Product (GDP)

Canada's GDP experiences a significant drop of 11.5% from the previous quarter.

Consumer Price Index (CPI)

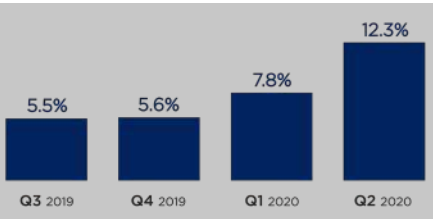
Canada's CPI grows at a steady, but nominal pace, indicating a variance of 0.66% from this time last year.

Housing Starts

Housing starts are up 28.3% from the previous quarter. This is reminiscent of a cyclical trend between the first and second quarter of each year.

Unemployment

Canada's unemployment rate sees the effects of the COVID-19 recession, as the rate spikes to 12.3% during the second quarter.



GDP represented in percent change from the preceding quarter, seasonally adjusted at annual rates. CPI quarterly figures represent the monthly value at the end of the quarter. Inflation rates represent the total price of inflation from the previous quarter, based on the change in the Consumer Price Index. General Unemployment rates are based on the total population 16 years and older. Construction Unemployment rates represent only the percent of experienced private wage and salary workers in the construction industry 15 years and older. Unemployment rates are seasonally adjusted, reported at the end of the period.

Sources: Statistics Canada

ABOUT RIDER LEVETT BUCKNALL

Rider Levett Bucknall is an award-winning international firm known for providing project management, construction cost consulting, and related property and construction advisory services – at all stages of the design and construction process.

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