



Commercial construction costs projected to increase significantly

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As the Oregon economy keeps expanding (reflected in the current unemployment rate of 4.6-4.8% according to the [Oregon Employment Department](#)), businesses are looking to lease office, industrial and retail space for their new employees.

Occupancy rates, especially retail occupancy rates are climbing as the economy rebounds. This is spurring increased development of commercial construction. Just look at the number of tower cranes that dot the landscape in Portland, albeit mostly

positioned for the construction of apartment buildings.

The current boom in apartment construction is creating a shortage of labor (tradespeople) and materials. According to the Wall Street Journal and a new report by Rider Levett Bucknall, a construction consulting company, building costs are rising at their fastest pace in the last six years.

Turner Construction created the Turner Building Cost Index to track construction



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cost increases on a national scale. The Turner Index merges expenses nationally and includes

Quarter	Year	Index	Percentage change
1 st Quarter	2015	927	1.09
4 th Quarter	2014	917	0.99
3 rd Quarter	2014	908	1.34
2 nd Quarter	2014	896	1.24

labor rates, materials and the competitive nature of the marketplace.

Year	Average Index	Percent Change
2014	902	4.4
2013	864	4.1
2012	830	2.1
2011	812	1.6

Mortensen Construction of Seattle also estimates on their website that the costs for commercial construction will increase 5-6% in 2015. Key drivers of these increases are the cost of gypsum board (up 2.3%), increases in finish carpentry (up 8.1%) and more expensive roofing systems (up 4.5%).

According to Todd Burns, staff writer for REJournals.com, the American Institute of Architects Consensus Construction Forecast projects that spending on non-residential construction is expected to increase 7.7% this year.

Bottom line

As the economy revives and we continue to see shortages of tradespeople in all trades we will see continued cost increases as contractors increase pay to lure workers to their job sites. At the same time we continue to see cost increases in raw materials. Taken together we will see significant increases in commercial construction costs in 2015.

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