

Quarterly Construction Cost Report

2008 Second Quarter Issue



RLB | Rider Levett Bucknall

The Scottsdale Fairmont Princess, a AAA Five-Diamond luxury resort complex, is undergoing an extensive capital improvement program throughout the property. The scope has included renovations to guest accommodations and two new restaurant spaces, Bourbon Steak, an upscale American steakhouse by award winning Chef Michael Mina and the Stone Rose lounge, an indoor/outdoor nightspot created by the Gerber Group. These renovations had to be completed on an expedited schedule in time for concurrent major sporting events in the Phoenix area, one of which was Super Bowl XLII.

Rider Levett Bucknall served as the Owner's Representative for the improvement program. Our role was to provide oversight and direction to the design and construction team; manage the schedule within defined delivery dates; manage costs within a prescribed budget; and liaise with local hotel operations staff to facilitate communication so as to minimize disruption to ongoing operations and keep the Owner, Strategic Hotels & Resorts Inc, apprised of the status of all projects.

Photographs by Brad Reed Photography.

Welcome to the 2008 second quarter issue of our series of Rider Levett Bucknall Quarterly Cost Reports!

Welcome to the 2008 second quarter issue of our series of Rider Levett Bucknall Quarterly Cost Reports! This issue contains data current to April 1, 2008.

Each quarter we look at the comparative cost of construction in 12 U.S. cities, indexing them to show how costs are changing in each city in particular, and against the costs in the other 11 locations. You'll be able to find this information on the graph titled *Comparative Cost Index* and on the *Cost & Change Summary*.

Our *Comparative Cost Index* tracks the true bid cost of construction, which includes, in addition to costs of labor and materials, general contractor and subcontractor overhead costs and fees (profit). The index also includes applicable sales or 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 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.

ACTIVITY: According to the U.S. Department of Commerce, construction put in place during February 2008 was estimated at a seasonally adjusted annual rate of \$1,121.6 billion, 0.3% below the revised January estimate. The February 2008 figure is 3.5% below the February 2007 estimate.

INFLATION: Our research suggests that between January 1, 2008 and April 1, 2008 the *national average* increase in construction cost was 1.77%. Orlando and Boston experienced the greatest increases showing quarterly inflation greater than 2.5%, while construction costs in Portland, Phoenix and Seattle saw less significant increases of just under 1.0%.

FORECAST: The decline in the residential construction market outpaced construction spending gains in the enduring nonresidential markets resulting in a net decrease in construction put in place compared to the same period in 2007. While record high crude oil prices somewhat lessened the effect of the falling costs of materials associated with residential projects, construction inflation during the first three months of 2008 followed the trend of lower quarterly escalation seen in the last quarter of 2007.

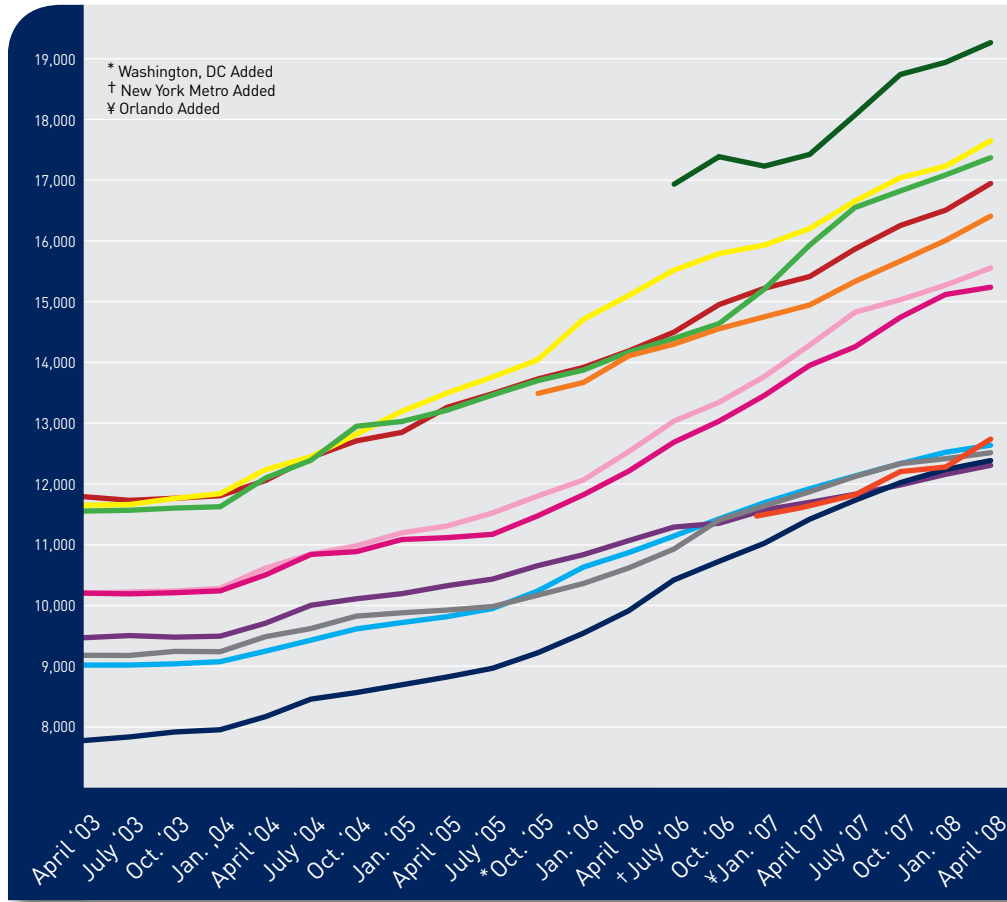
The net effect on the cost of construction materials for the remainder of this year is difficult to gauge as the fall of residential construction material prices is weighed against the volatility of oil prices and the uncertainty about how much the weakness of the dollar will affect costs of imported materials—particularly cement and steel. However, an expected gradual decrease in 2008 construction volumes from the historically high levels of previous years is anticipated to offer some relief on selling prices. We forecast that 2008 construction spending will be subject to continued increases in cost escalation in the coming quarters, albeit at diminished rates compared to previous years.

Please don't hesitate to call if we can provide you with more information or if we can be of service to you in any way.

While the information in this publication is believed to be correct, no responsibility is accepted for its accuracy. Persons desiring to utilize any information appearing in this publication should verify its applicability to their specific circumstances.

This issue was compiled by Sara Janes with contributions from David Barlow, Martin Grace, Ed Jameson, Chris McCarthy, Scott Macpherson, Louise Nunn, Dan Scanlon, Simon Squire, Nick Wood, Anne Marie Woodworth and Jian Zhou.

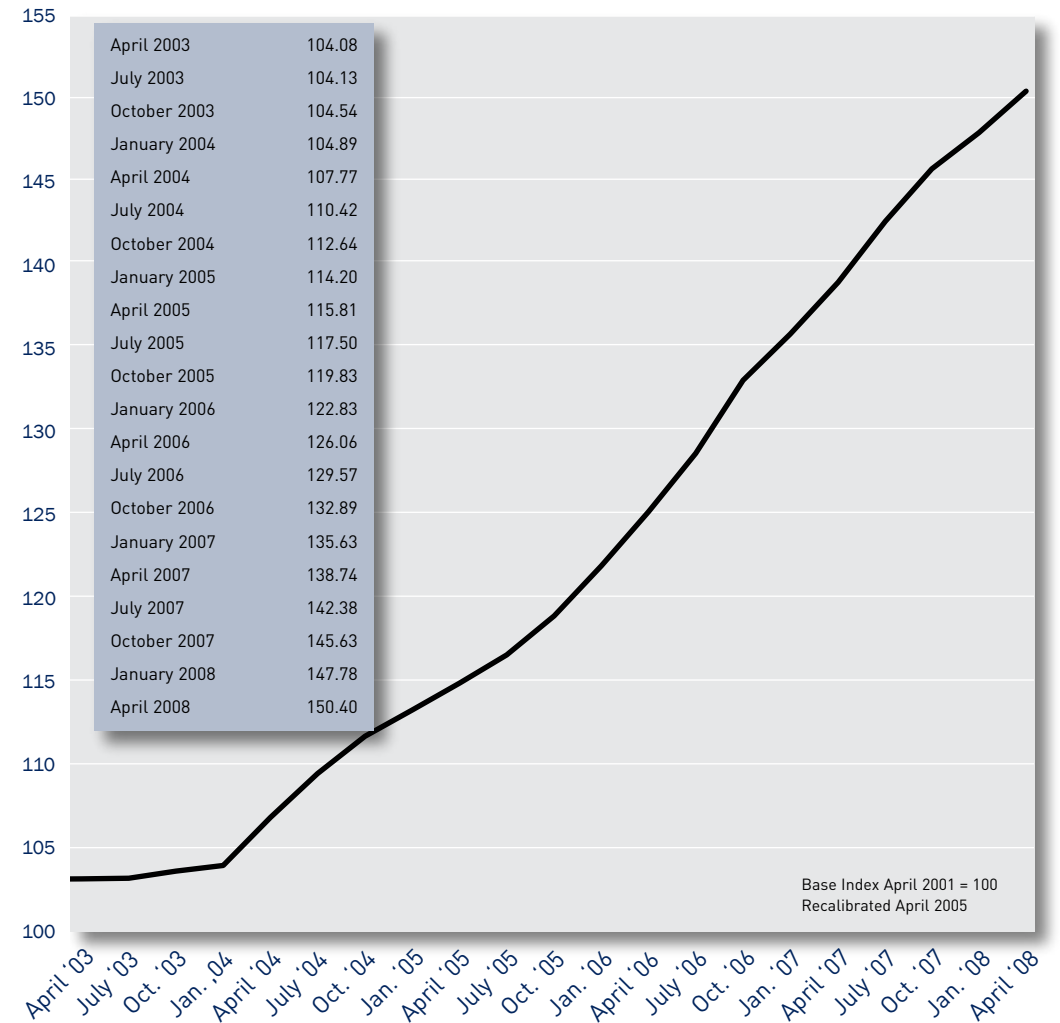
Comparative Cost Index



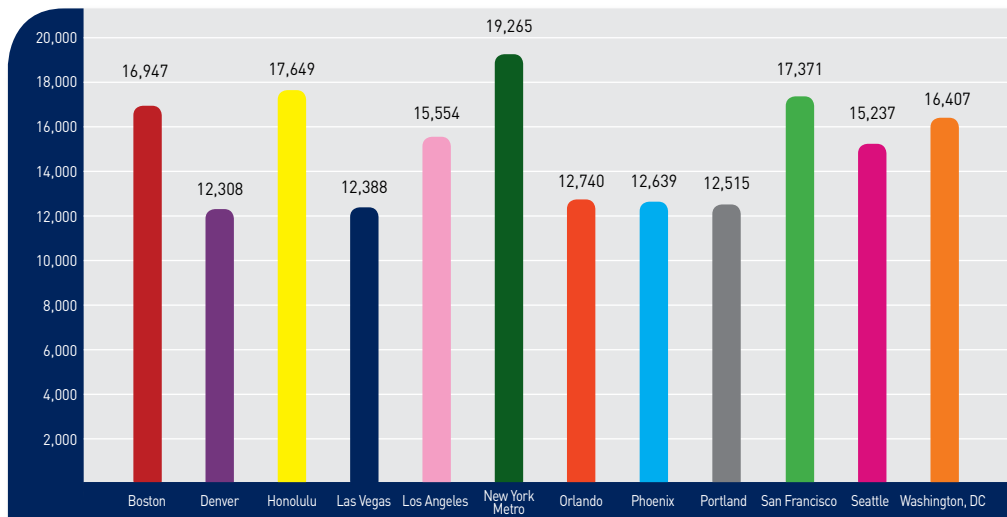
Cost & Change Summary

	Cost Index	Percentage Change in Quarter
Boston	16,947	2.65%
Denver	12,308	1.20%
Honolulu	17,649	2.41%
Las Vegas	12,388	1.20%
Los Angeles	15,554	1.82%
New York Metro	19,265	1.71%
Orlando	12,740	3.72%
Phoenix	12,639	0.89%
Portland	12,515	0.76%
San Francisco	17,371	1.64%
Seattle	15,237	0.75%
Washington, DC	16,407	2.48%

National Construction Cost Index

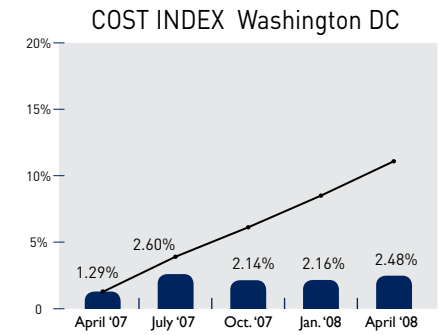
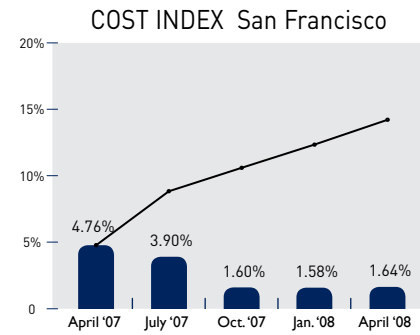
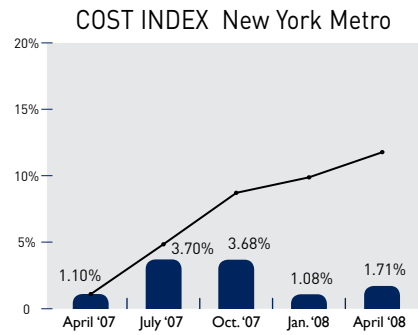
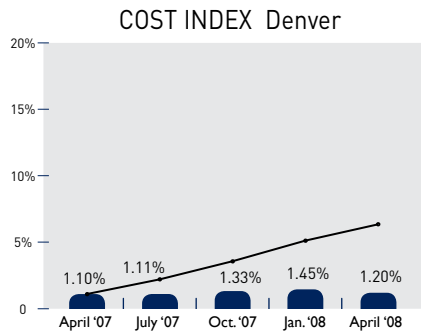
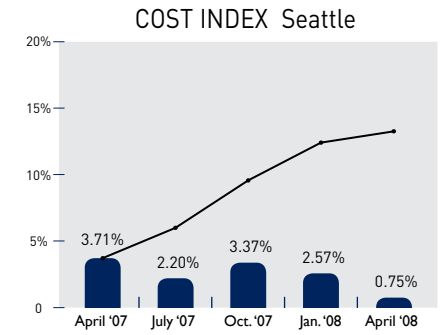
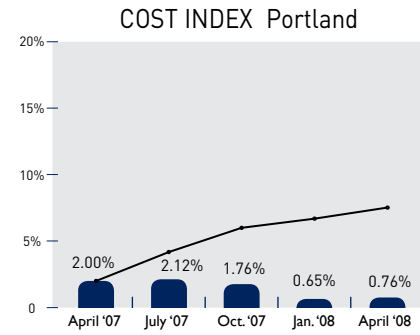
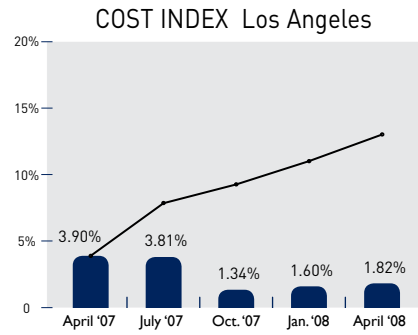
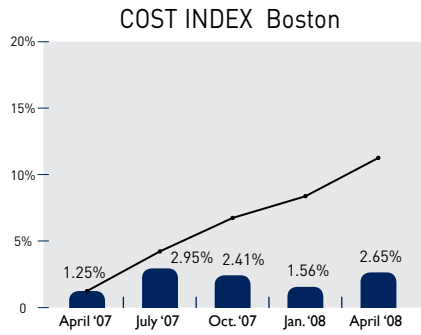




Second Quarter Comparative Cost Index

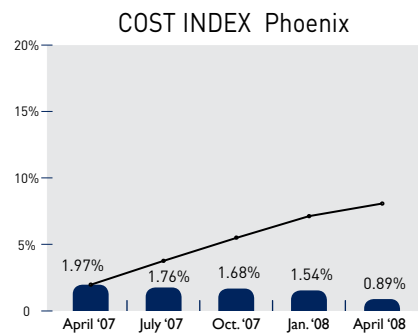
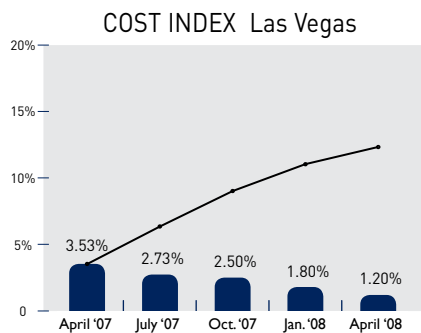
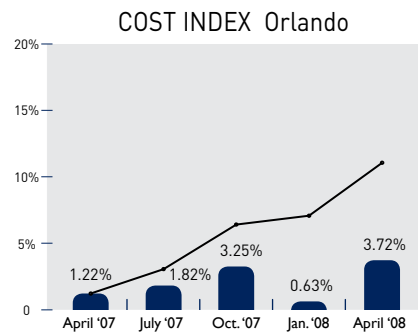
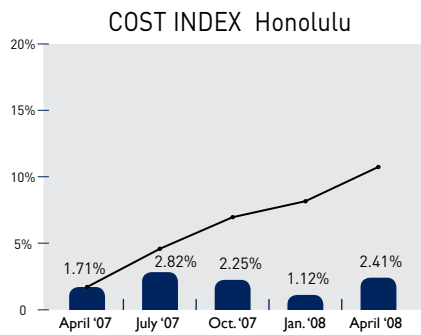


Material Supply Prices & Indicative Construction Costs

		BOSTON	DENVER	HONOLULU	LAS VEGAS	LOS ANGELES	NEW YORK METRO	ORLANDO	PHOENIX	PORTLAND	SAN FRANCISCO	SEATTLE	WASHINGTON, DC
MATERIAL SUPPLY PRICES													
Asphalt Paving	ton	55.00	39.00	109.00	54.00	63.00	56.00	83.00	65.00	52.00	74.00	37.00	50.00
Gravel 1 1/2" to 3/4"	ton	16.00	25.00	35.00	17.00	35.00	58.00	34.00	21.00	16.00	42.00	28.00	11.00
Crushed Stone Base Course	ton	16.00	9.00	26.00	11.00	25.00	26.00	24.00	18.00	12.00	28.00	19.00	14.00
Sand-Concrete	ton	29.00	18.00	59.00	22.00	32.00	27.00	15.00	22.00	16.00	40.00	25.00	16.00
Cement	ton	105.00	166.00	209.00	140.00	135.00	231.00	141.00	130.00	140.00	140.00	160.00	90.00
Concrete Ready-Mix 3,000psi	cy	104.00	110.00	156.00	113.00	102.00	141.00	108.00	100.00	103.00	116.00	98.00	88.00
Concrete Ready-Mix 4,000psi	cy	108.00	116.00	163.00	116.00	109.00	146.00	114.00	104.00	110.00	122.00	104.00	96.00
Concrete Ready-Mix 5,000psi	cy	115.00	121.00	171.00	119.00	116.00	149.00	120.00	110.00	122.00	128.00	110.00	99.00
Concrete Blocks - 8"x8"x16"	C	145.00	141.00	177.00	169.00	180.00	146.00	210.00	125.00	163.00	195.00	170.00	136.00
Standard Modular Bricks	M	600.00	460.00	673.00	680.00	700.00	743.00	550.00	540.00	510.00	740.00	533.00	450.00
Rebar	ton	1,250.00	1,015.00	1,867.00	1,050.00	1,000.00	1,352.00	804.00	1,050.00	1,120.00	1,100.00	1,080.00	1,195.00
Structural Steel	ton	2,700.00	2,220.00	3,591.00	3,400.00	3,200.00	3,608.00	1,836.00	2,750.00	1,960.00	3,300.00	2,241.00	2,128.00
Lumber	bft	1.00	0.50	1.18	0.40	0.50	0.90	0.54	0.60	0.52	0.55	1.15	0.77
INDICATIVE CONSTRUCTION COSTS													
Prime Office Bldg.	Low \$/sf gfa	195	140	205	175	185	205	125	140	160	200	140	180
	High \$/sf gfa	275	225	365	245	300	285	225	220	195	315	215	250
Secondary Off. Bldg.	Low \$/sf gfa	170	95	170	130	130	160	110	110	105	140	130	135
	High \$/sf gfa	240	150	295	180	200	225	160	180	145	210	200	200
Shopping Center	Low \$/sf gfa	100	85	145	120	120	120	85	95	90	125	80	100
	High \$/sf gfa	175	135	345	165	200	180	140	160	165	230	170	170
Strip Shopping	Low \$/sf gfa	90	65	120	95	90	110	65	85	75	110	80	80
	High \$/sf gfa	140	125	310	130	140	155	120	140	120	160	135	140
5 Star Hotel	Low \$/sf gfa	185	180	360	235	245	225	165	205	165	250	210	195
	High \$/sf gfa	300	270	495	300	330	345	255	300	260	345	300	295
3 Star Hotel	Low \$/sf gfa	130	105	235	155	175	155	105	135	115	195	155	135
	High \$/sf gfa	185	165	400	200	245	225	165	185	160	265	220	195
Above Ground Pkg.	Low \$/sf gfa	60	40	65	55	50	65	45	55	60	60	65	60
	High \$/sf gfa	80	70	100	85	90	105	80	85	80	100	85	80
Basement Pkg.	Low \$/sf gfa	75	65	90	65	85	80	65	65	75	90	75	70
	High \$/sf gfa	100	95	165	100	130	110	95	95	115	135	125	100
General Hospital	Low \$/sf gfa	350	275	275	295	330	375	265	305	310	340	330	430
	High \$/sf gfa	500	355	505	360	400	510	340	430	370	420	550	560
Warehouse	Low \$/sf gfa	65	60	100	60	65	95	60	55	50	70	50	75
	High \$/sf gfa	90	90	165	90	85	140	95	80	80	100	85	90
Multifamily Res.	Low \$/sf gfa	125	70	125	90	130	145	70	80	100	140	135	85
	High \$/sf gfa	190	145	295	145	215	210	140	210	180	235	265	170
Single Family Res.	Low \$/sf gfa	150	65	200	100	110	155	110	95	110	125	115	135
	High \$/sf gfa	235	185	565	210	245	255	195	325	185	305	290	225
Elementary School	Low \$/sf gfa	195	115	215	180	195	165	115	155	170	205	215	175
	High \$/sf gfa	240	150	320	265	290	240	150	200	220	315	310	235
High School	Low \$/sf gfa	200	135	230	190	255	200	130	180	185	260	220	200
	High \$/sf gfa	265	170	330	310	370	285	165	250	230	375	400	250
University Building	Low \$/sf gfa	200	165	255	245	255	240	160	185	220	270	290	195
	High \$/sf gfa	280	280	515	330	385	355	250	325	325	400	405	275



 Percentage change per quarter
 Cumulative percentage change for the period shown



ARCHITECTURAL BILLINGS INDEX HITS LOWEST SCORE IN 12 YEARS

Prepared through a monthly survey of a large group of architecture firms, the Architectural Billings Index (ABI) is an excellent way to predict nonresidential construction activity and demand in the near term. Among other information, two groups of data are provided by the participating firms, monthly billings for the previous month and inquiries for new work during the same period. This information is then compiled by the American Institute of Architects as an index, which displays the change in billings and inquiries each month after necessary seasonal adjustments.

As a reflection of the overall cooling of the general economy and the architecture and construction industry across the nation, this past month the ABI fell to 39.7, which is the lowest score recorded since it was instituted in 1995. Inquiries for new work also slowed in March, dropping below 50 for only the second time in the history of the index. This indicates that clients are reluctant to commit to new work until they see some signs that business conditions are strengthening.

While billings for firms specializing in the residential sector continue to decline, with commercial/industrial and mixed firms' following suit, firms with an institutional specialization still recorded a score above 50 for March, which denotes growth in this sector.

Rider Levett Bucknall will be anxiously watching the findings of future ABI monthly surveys to keep tabs on short-term, nonresidential construction volume movements and will consider the movements in the ABI when making our forecast of construction price trends over the forthcoming few years.

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