

Q4 2022

SWINERTON Quarterly Market Analysis

MARKET ANALYSIS

Since the onset of 2022, the Federal Reserve has remained steadfast in its mandate to stabilize prices. However, inflation remains a significant economic issue. The Federal Funds Rate is anticipated to increase from zero to around 4% by year end. This aggressive policy—the steepest in at least four decades—has taken a bite out of asset and commodity prices, lowering growth expectations across the globe.

Many private sector markets will presumably continue to underperform as a consequence of higher borrowing costs and reduced market liquidity. But opportunity is elsewhere in education, healthcare, mass timber, energy, and the development of manufacturing and data facilities.

Overall, the United States construction industry is healthy. The architecture billings and construction confidence hold steady, construction starts remain strong, material prices are stabilizing, and unemployment remains at historic lows. We hope that you will find this report valuable and wish all of our clients, family, and friends health and prosperity as we close out another calendar year.

MARKET SPOTLIGHT: LIFE SCIENCES

Swinerton has a long history in the life sciences market and we are excited to see such an increase in market growth over the last few years. With 19 offices across the country, Swinerton's team of experts are uniquely positioned to support our life sciences clients on a national level.

A few of our Life Sciences clients include: Healthpeak Properties, Kilroy Realty, Scripps Highland WM2, LLC, BioSplice Therapeutics (formerly Samumed), BioMed Realty, and more.



9455 TOWNE CENTER | SAN DIEGO, CA | KILROY REALTY | SCAN TO LEARN MORE:



REGION SPOTLIGHT: SPOKANE, WA

Swinerton's Spokane office remains one of Spokane Business Journal's Best Places to Work and continues to attract top talent from across the Northwest. The team has a breadth of experience in design-build and alternative delivery methods and regularly exceeds client expectations in the healthcare, finance, aviation, and life sciences markets.

The office was recently awarded a contract for the construction of a new 91,200 square-foot hangar facility for AeroFlite Enterprises which will break ground in late 2023. In partnership with our Portland, Oregon office, the Spokane team was also awarded a new mass timber mid-rise tower which will be built in Boise, Idaho.

The team regularly hosts events for our community partners. Notable events include a summer float event down the Spokane River and a cornhole tournament which raised \$60,000 for the Swinerton Foundation. The Spokane office also recently launched "Timber Talks" which provides an educational conversation about mass timber construction.



Our Spokane team enjoying an evening baseball game.



Scan here to view drone footage!

INNOVATION SPOTLIGHT: 10 STORY SHAKE TABLE

To advance mass timber seismic codes, Swinerton and Timberlab are collaborating on a groundbreaking research, engineering, and construction project that will test the viability of mass timber construction during a large-scale seismic event.

The team is building a 10-story structure wholly utilizing mass timber construction atop one of the largest, most complex earthquake shake tables in the world, the NHERI Large High Performance Outdoor Shake Table.

The remaining structure will undergo the same seismic simulations as a six-story building. It is a unique opportunity to gather data on wood's seismic potential while simultaneously providing data for end-of-life reuse.

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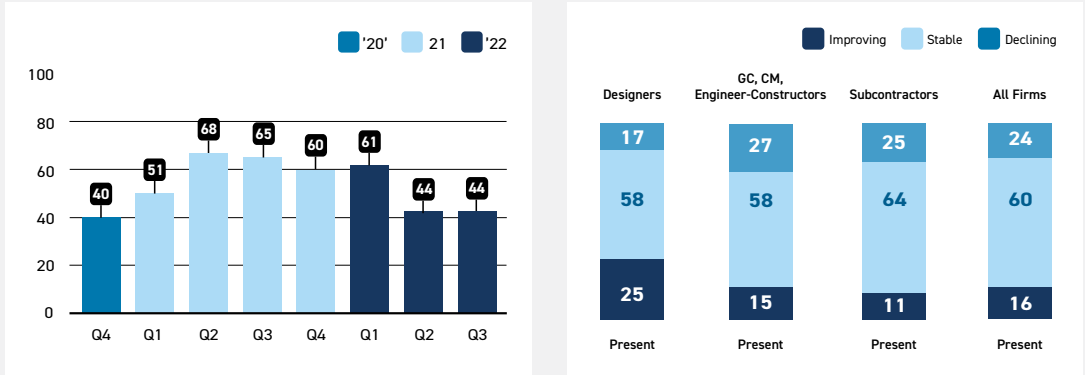
Material Price Inflation
through 2021 & 2022
YTD through November

SOURCES: IHS GLOBAL INSIGHTS, ENR, AND BLS

NOTE
ESCALATION ARE ANNUAL AVERAGES

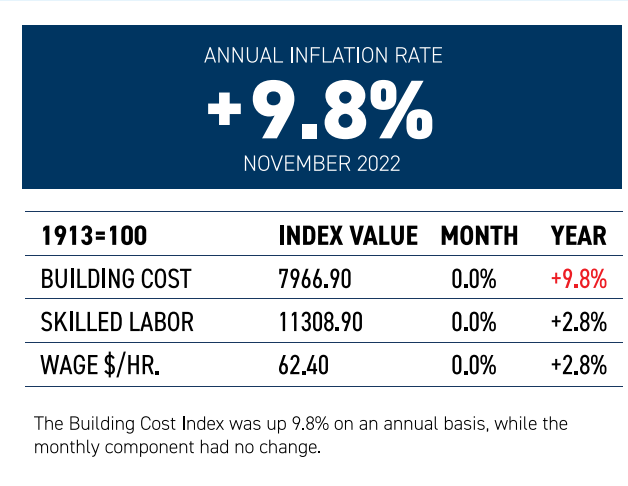
Construction Confidence

SOURCE: ENR/BNP MEDIA



Building Cost Index

SOURCE: ENR

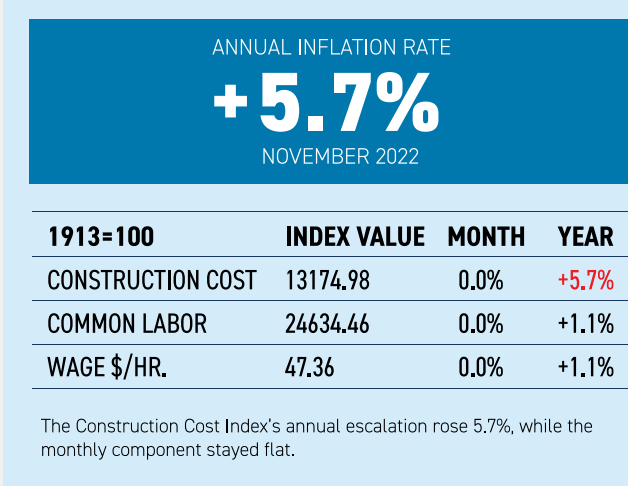


HOW ENR BUILDS THE INDEX

68.38 hours of skilled labor at the 20-city average of bricklayers, carpenters and structural ironworkers rates, plus 25 cwt of standard structural steel shapes at the mill price prior to 1996 and the fabricated 20-city price from 1996, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board ft of 2 x 4 lumber at the 20-city price.

Construction Cost Index

SOURCE: ENR



HOW ENR BUILDS THE INDEX

200 hours of common labor at the 20-city average of common labor rates, plus 25 cwt of standard structural steel shapes at the mill price prior to 1996 and the fabricated 20-city price from 1996, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board ft of 2 x 4 lumber at the 20-city price.

LEAD TIMES OVER 12 WEEKS

TREND: UP DOWN NO CHANGE

B SHELL	
B10 Superstructure	
Typical Wide-Flange	up to 12 weeks
Metal Decking	up to 12 weeks
B20 Exterior Vertical Enclosures	
CMU	up to 12 weeks
Window wall	up to 18 weeks
Curtain wall	up to 18 weeks
Glass handrail	up to 10 weeks
Metal panel, custom color	up to 10 weeks
B30 Exterior Horiz. Enclosures	
Roofing	up to 32 weeks
Polyiso Insulation	up to 48 weeks
C INTERIORS	
C10 Interior Construction	
Insulation, Mineral Wool	Up to 33 weeks
C20 Interior Finishes	
Acoustical Tile	up to 12 weeks
Acoustical Grid	up to 12 weeks
D SERVICES D10 Conveying	
Traction Elevators	up to 36 weeks
Hydraulic Elevators	up to 22 weeks
D30 HVAC	
Cooling Towers	up to 30 weeks
Air Cooled Chillers	up to 32 weeks
Centrifugal Chillers	up to 23 weeks
Air Handling Units	up to 55 weeks
VRF Systems	up to 12 weeks
Humidifiers	up to 15 weeks
Pumps	up to 10 weeks
VAVs	up to 12 weeks
FCUs	up to 12 weeks
FSDs	up to 12 weeks
High Plume Lab Fans	up to 20 weeks
Utility Set Fans	up to 19 weeks
Inline Fans	up to 14 weeks
VFDs	up to 40 weeks
D50 Electrical	
MV = 4160V and higher LV = up to 480V	
Generators	up to 54 weeks
MV Switchgear	up to 52 weeks
LV Switchboards	up to 35 weeks
Substations	up to 60 weeks
Distributions Panelboards	up to 36 weeks
Wall Mounted Panelboards	up to 22 weeks
MV Liquid-filled Transformers	up to 54 weeks
MV Dry Type Transformers	up to 38 weeks
LV Transformers	up to 38 weeks
Uninterruptible Power Supply	up to 32 weeks
E EQUIPMENT AND FINISHING	
E10 Equipment	
Appliances	up to 52 weeks
G SITEWORK G30 Site Utilities	
DI Pipe	up to 32 weeks
DI Fittings	up to 16 weeks
Valves	up to 24 weeks
Hydrants	up to 24 weeks
DD Checks	up to 32 weeks
RCP	up to 10 weeks
Site Energy & fuel	up to 16 weeks

Total Construction Spending

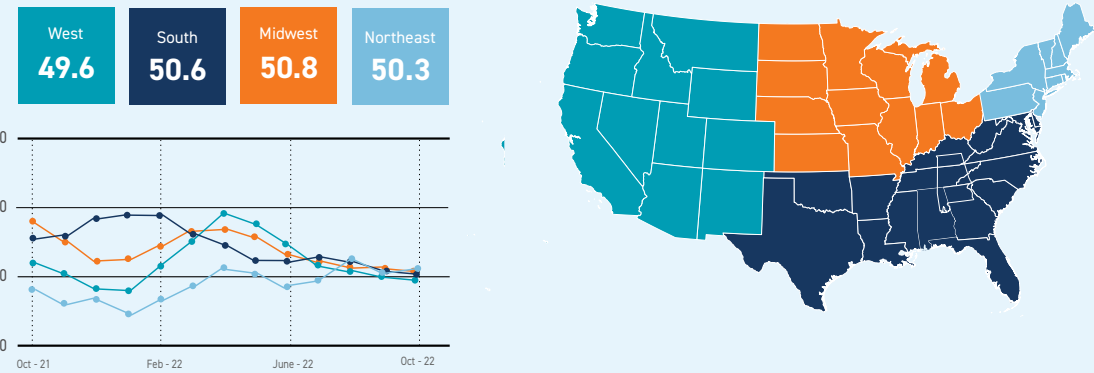
SOURCE: U.S. CENSUS BUREAU, NOVEMBER, 1, 2022

Seasonally Adjusted Annual Rate (SAAR)
Millions of Dollars

TOTAL
PRIVATE
PUBLIC

AIA Architectural Billings Index (ABI)

SOURCE: AIA



The Architecture Billings Index (ABI) is a leading economic indicator that leads nonresidential construction activity by approximately 9-12 months. A score of 50 equals no change from the previous month. Above 50 shows increase; below 50 shows decrease. 3-month moving average.