

# HAWAII CONSTRUCTION MARKET UPDATE



PRESENTED BY RIDER LEVETT BUCKNALL  
Q1 2021



# AGENDA

1. Speaker Introductions & RLB in Hawaii
2. RLB Cost Analysis
3. Construction Market Outlook
4. Recommendations for the Road Ahead
5. Q&A and Discussion

# TEAM INTRODUCTIONS



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# RLB IN HAWAII



# \$3.5B

APPROX. VALUE OF PROJECTS  
AWARDED IN THE LAST YEAR

# 50+

HAWAII-BASED  
EMPLOYEES

# 1991

ESTABLISHED  
IN HAWAII

# 4

HAWAII OFFICES

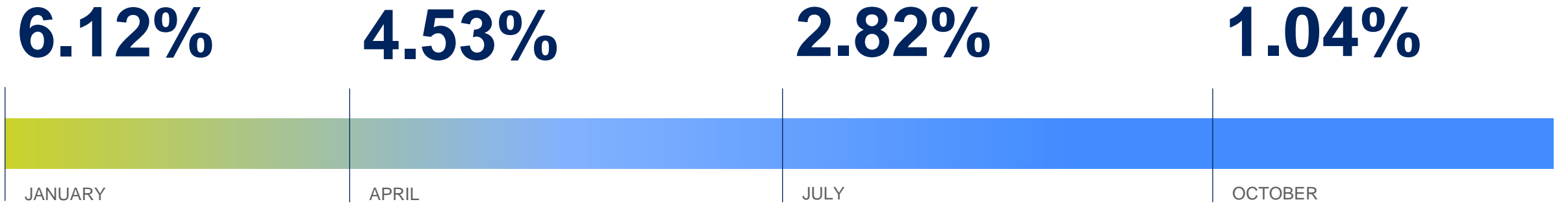


# Tracking construction costs in Honolulu since 2002.



# COST CHANGES IN 2020

## HONOLULU YoY % COST CHANGE IN 2020



**Q1 2021**

CONSTRUCTION COST INDEX

# 1.22%

**Construction Cost  
Increase from Q4 2020**



# Q1 2021 | CONSTRUCTION COST DRIVERS

## COMMODITY PRICING

| Material                           | Approx. Increase from Q4 2020 |
|------------------------------------|-------------------------------|
| Structural Steel                   | 26% ▲                         |
| Rebar                              | 20% ▲                         |
| Lumber<br>Since early 2020         | 40% ▲                         |
| Shipping Costs<br>Continental U.S. | 60% ▲                         |
| Shipping Costs<br>LAX → HI         | 70% ▲                         |





# ABI

ARCHITECTURAL BILLINGS INDEX

# GDP

GROSS DOMESTIC PRODUCT

# COST INDEX

**A score above 50 indicates an increase**

**National figures published by  
U.S. Bureau of Economic Analysis**

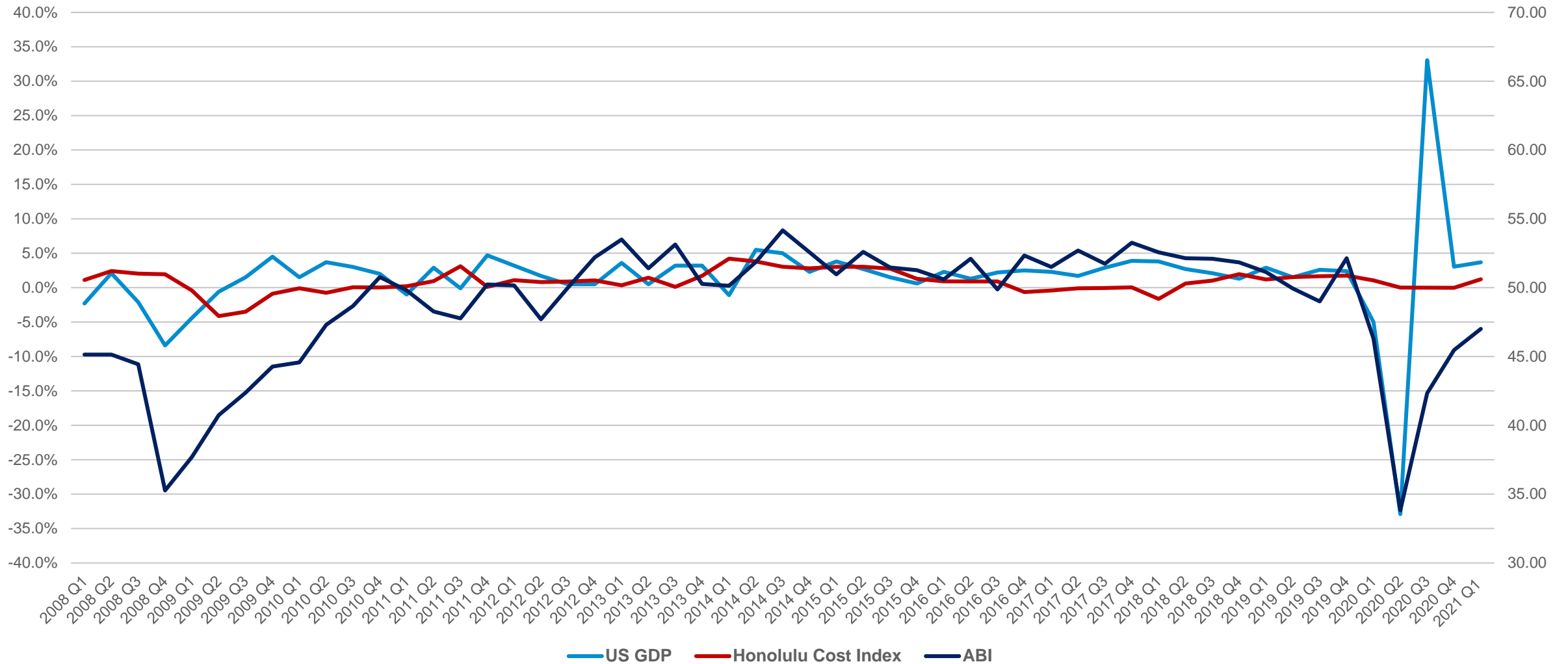
**RLB independent figure tracking for Honolulu**

# ECONOMIC INDICATORS

## 2008 – PRESENT



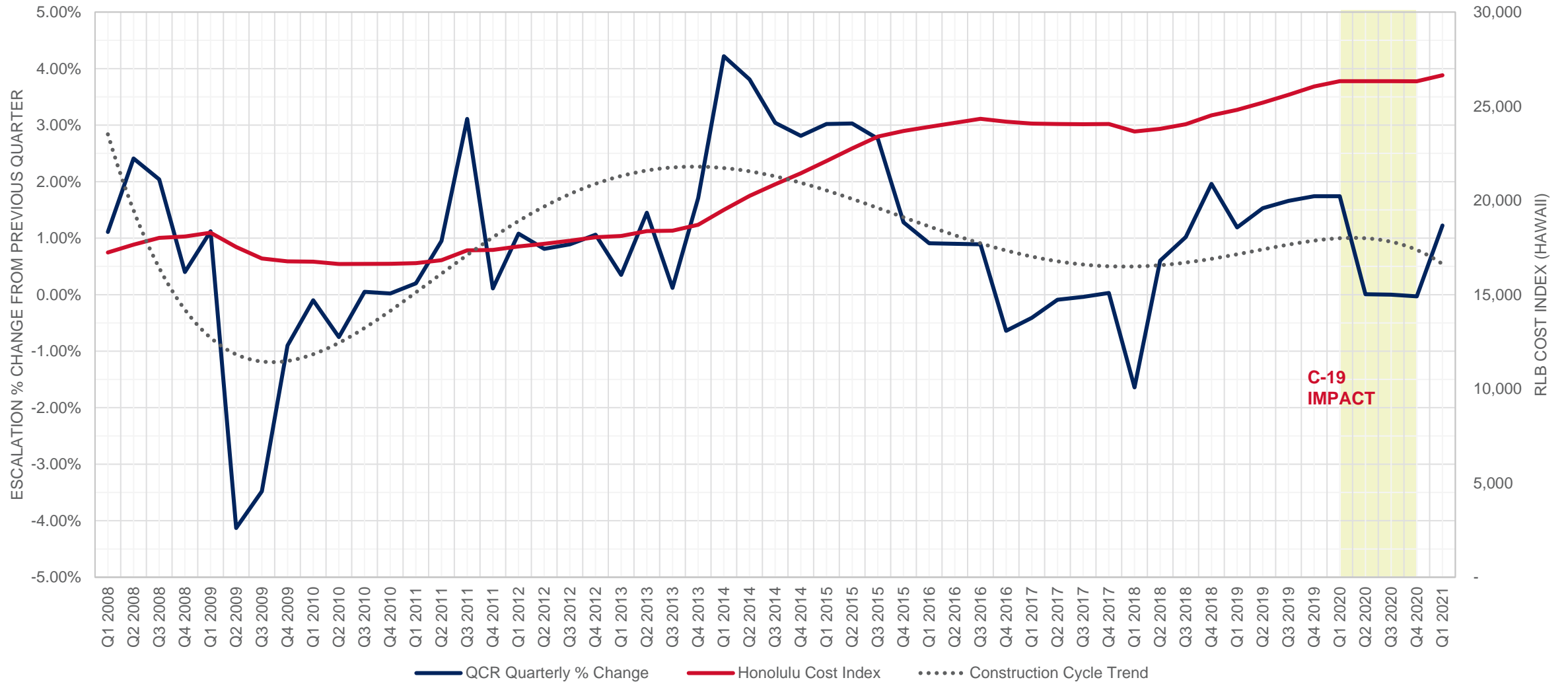
### US REAL GDP | RLB'S HONOLULU COST INDEX | ABI



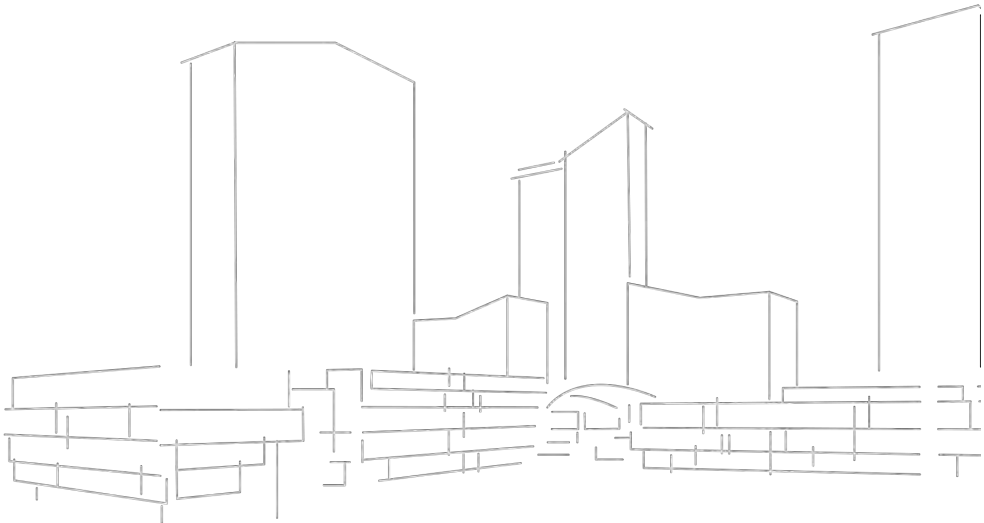
# COVID-19 IMPACT

## COST COMPARISON

### OVERALL CONSTRUCTION COST INDEX, ESCALATION, AND TRENDS



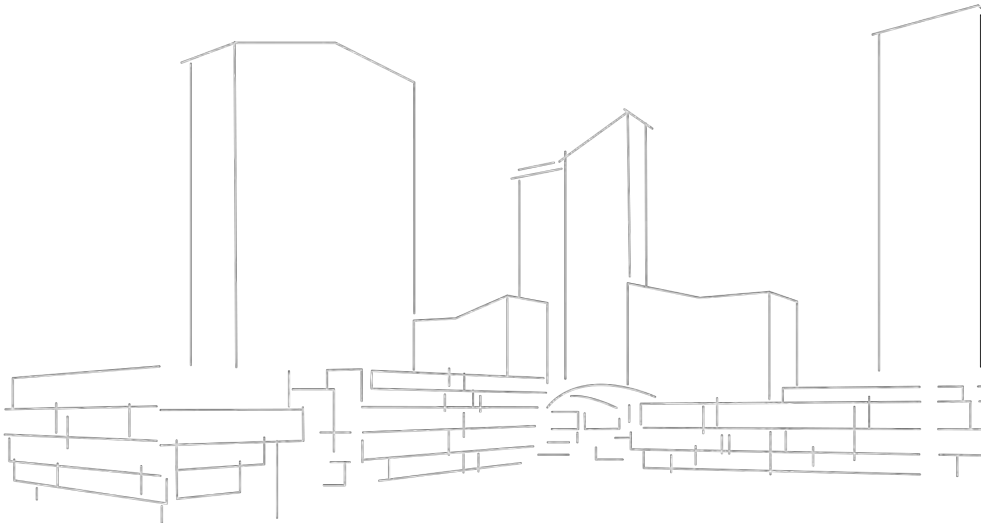
# Projected Trends



## NEAR TERM

- After a correction period, we expect escalation to resume at a normal rate
- Projects are currently bidding and large planned projects are restarting / back on the table
- Smaller and medium-size construction firms starting to normalize as construction demand increases
- More State and Federal projects anticipated with additional funding, especially with COVID-19 relief bill

# Projected Trends



## **LONGER TERM**

- 2022 – correction period may drive spike in annualized escalation rate
- 2023 – even more pent-up demand may stretch local labor pool shared across the islands & Pacific
- There will be an eventual boom
- 2014 saw approx. 14% aggregate escalation
- Consideration of political influence on economy, i.e. tariffs
- \$2 Trillion American Jobs Plan

# Neighbor Islands

- No measurable decline in bid pricing
- Travel restrictions
- Contractor backlog, bid pricing & escalation
- Recent bid market activity



# Recommendations for the Road Ahead

## Risk

### Project Responsibility Organization



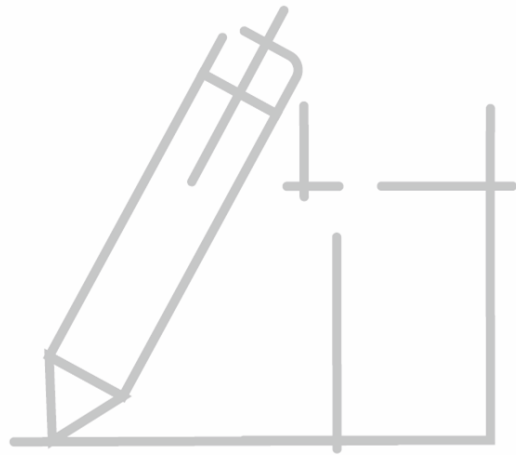
## Recommendations

- Develop clearly defined organizational, scope and communication protocol
- Assist the Owner/Developer with “filling all gaps” for services



## Risk

### Project Manual



## Recommendations

- Renewed focus on Division 01 and Supplemental Conditions for COVID 19 schedule and cost impacts of safety, delay, and material procurement provisions

## Risk

### Product Selection



## Recommendations

- Advise your client or design team on any known difficulties with material supply chain issues and cost increases
- Request procurement schedule from GC early in the process
- Earlier-than-typical engagement of interior designer
- Limit proprietary product specifications

## Risk

### Contract Administration

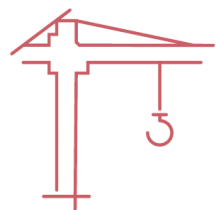


## Recommendations

- Change Orders:
  - Do not accept “TBD” in schedule extension field
  - Do not accept exculpatory language for future cost associated with pandemic
  - Force majeure provisions for delay ineffective as basis of claim due to failure of the “unforeseeable” criteria
- Value Engineering – proceed with caution

*“Anything you say, or more importantly write, can be held against you in a court of law”*

# Summary



- Hawaii has likely experienced the extent of de-escalation in construction pricing due to COVID-19.
- Material supply disruptions may impact project cost and schedule.
- A return of previously suspended projects and new demand for construction is driving the construction economic recovery quicker than initially forecasted.

# REFERENCED PUBLICATIONS



## Quarterly Cost Report

For nearly 20 years, RLB has published a quarterly construction cost report that has provided its clients with a 360° view of the current state of the industry. RLB continues to evaluate our clients' future through holistically analyzing present conditions, redrawn priorities, and potential opportunities as we move forward from impacts of the COVID-19 pandemic.

[Access the Q1 2021 Quarterly Cost Report for North America here.](#)



## COVID-19: Global Survey

Our rolling global survey provides a snapshot of the developing impact of COVID-19 on the built environment. It also includes viewpoints from colleagues around the world on how their markets are evolving in response to the ongoing global pandemic.

[Access the latest release of the report here.](#)



## RLB Intelligence App

The RLB Intelligence provides the latest location-specific cost data from information gathered from RLB's global network.



# REFERENCED PUBLICATIONS



## Architecture Billings Index (ABI)

The Architecture Billings Index is an economic indicator for nonresidential construction activity, with a lead time of approximately 9–12 months.

Investment groups like Wells Fargo, media outlets, firms of all sizes, and business leaders rely on this leading monthly economic indicator to assess business conditions and predict and track the market.

[Review the latest ABI releases here.](#)



## U.S. Bureau of Economic Analysis | Gross Domestic Product

The U.S. Bureau of Economic Analysis is your source of accurate and objective data about the nation's economy.

A comprehensive measure of U.S. economic activity. GDP is the value of the goods and services produced in the United States. The growth rate of GDP is the most popular indicator of the nation's overall economic health.

[Access current and historic data here.](#)

# CONNECT

*Scan to subscribe to RLB's quarterly construction cost updates*



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