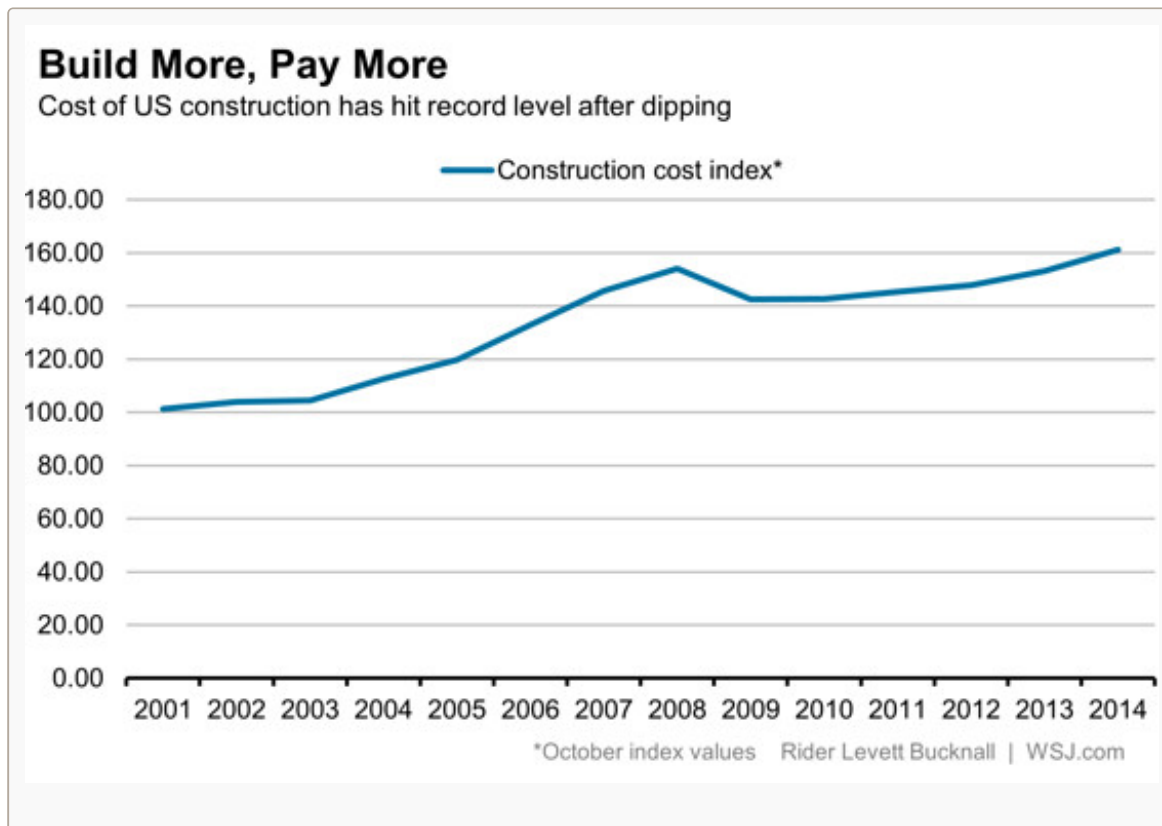


Construction Costs Rising as Economy Improves

- By
- [Peter Grant](#)



Building costs are rising at the fastest pace in six years, according to a new report by Rider Levett Bucknall, a property and construction consulting firm.

The firm—which tracks the costs of new commercial, residential and other buildings—said its index of construction costs in the U.S. increased 1.66% between July 1 and Oct. 1, the largest three month increase since early 2008.

The firm's report attributed the increase to the improving construction financing climate and stronger commercial and residential development markets. Experts say that as markets improve, demand increases for labor and construction material, driving up their costs. The report points out that—according to the US Commerce Department—the value of construction put-in-place in the first nine months of 2014 was \$710.1 billion, up 6.1% from the same period in 2013.

The report predicts that construction starts in 2015 will rise about 10%, almost double the estimated growth rate of 2014. "General optimism with the construction sector has continued to rise," the report says.

Since 2001, Rider Levett Bucknall has been tracking construction costs by studying the price tag on labor, materials, overhead and other expenses. The firm, whose North American headquarters is based in Phoenix, has used that data to prepare a quarterly index.

The index, which started at 100 in April 2001, hit a record 161.11 in October, up from 158.48 in July. It was at 153.09 in October 2013.

The index, which isn't adjusted for inflation, shows that construction costs are rising faster than the inflation rate. The Labor Department earlier this month said its index of consumer prices was just 1.3% above its year-earlier level in November. The construction index was up 5.2% during that same time period.

But Julian Anderson, president of Rider Levett Bucknall North America, says he doesn't expect the pace of growth of construction costs to put a damper on activity because the price tag on real estate is rising faster than construction costs. Indeed, he said: "I would expect that costs would have gone up faster at this point in the cycle than they actually have."

According to the firm's report, Honolulu and San Francisco led the 12 major U.S. markets that it tracks with prices rising 2.8% and 2.3% respectively in those two cities between July 1 and Oct. 1. The lowest increases were in Las Vegas, Denver and Phoenix, where costs rose 0.93%, 1.03% and 1.04% respectively.

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