

Seniors Housing Construction Costs

This *Special Issue Brief* was prepared for the American Seniors Housing Association by Larry Graeve and Amy Burke of The Weitz Company. For additional information, please contact:

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The construction market remains very hot and most contractors are at (or near) backlog capacity. Inflation seems to be playing a tug-of-war game. On one side, tariffs and the labor shortage continue to drive inflation upward. A recent study conducted by Engineering News-Record found that half the contractors and subcontractors believe the shortage of labor has worsened in the past six months. On the other side, is uncertainty that the construction market will continue its record growth with some economists predicting that a recession is just around the corner. According to ENR's Construction Industry Confidence Index, second quarter 2019 has dropped to 58, which is 12 points below third quarter 2018. This lower score indicates more pessimism in future construction markets. In addition, we are nearing an election year, which adds to uncertainty. Given all these factors, it would be wise to assume 3–5% annual inflation for construction projects in most markets.

Construction Costs per Gross Square Foot

	Mid-Level		High-Level		Grand Rapids, MI Mid Level/City Index 90.5	
	Low	High	Low	High	Low	High
Independent Living	\$160	\$190	\$182	\$245	\$145	\$172
Cottages	\$128	\$151	\$177	\$220	\$116	\$136
Assisted Living	\$186	\$239	\$250	\$296	\$169	\$216
Skilled Nursing	\$214	\$250	\$271	\$346	\$194	\$226
IL Commons	\$262	\$332	\$343	\$420	\$237	\$300
Underground Parking	\$92	\$125	\$126	\$161	\$83	\$113
Site Cost	Excluded		Excluded		Excluded	

Notes/Definitions:

- Component costs include full burden of general condition, insurance, tax, performance bond & fee, **but do not include site costs.**
- Costs based on a national average with city index of 100; the means index for a specific city should be used to adjust the data to that particular city. Grand Rapids, MI, for example, has an index of 90.5, which translates to a cost range of \$145 – \$172 per SF for independent living. Newark, NJ has an index of 116.8, which translates to a cost range of \$187 – \$221 per SF for independent living.
- Mid-level projects: generally are of wood-framed construction with standard amenities and finishes, and typically target the more moderate income senior.
- High-level projects: generally are of steel or concrete construction with high-end luxury amenities and finishes, and typically target the higher income senior.

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