

## SENIORS HOUSING CONSTRUCTION COSTS

The market has seen significant swings in commodity pricing, which is pushing materials costs upwards. However, we are also seeing some softening in subcontractor backlogs, which is putting downward pressure on pricing as subcontractors tighten their margins. Here are a few highlights:

- According to Engineering News-Record (ENR), building inflation is up 4.4% over the past 12 months.
- Lumber is up 43%, but trends indicate it may decrease 10% this coming year, albeit still well above normal.
- Rolled steel is up 63% (used for making metal studs, track and metal deck) and communication from material suppliers indicate further escalation to come this spring.
- Contractor backlog is down 20% over the past year, according to Associated Builders and Contractors.
- Market location makes a difference. The ENR tracks 20 major cities and the escalation range is wide. For example, prices in Los Angeles have fallen -1.6%, while prices in Baltimore have increased 9.5%. As for predictions for the next 6-12 months, some cities will remain flat or slightly lower while others may see a 3-5% increase.

CCRC and Seniors Housing Construction Costs per Square Foot

	Mid-Level		High-Level		Louisville, KY Mid Level/City Index 88.3	
	Low	High	Low	High	Low	High
Independent Living	\$173	\$204	\$196	\$263	\$152	\$180
Cottages	\$138	\$162	\$190	\$235	\$121	\$143
Assisted Living	\$200	\$255	\$268	\$316	\$176	\$225
Skilled Nursing	\$230	\$269	\$290	\$369	\$203	\$237
IL Commons	\$281	\$355	\$367	\$449	\$248	\$314
Under Building Parking	\$99	\$134	\$136	\$173	\$88	\$118
Sitework	Excluded		Excluded		Excluded	

### NOTES

Costs are full burden and include general conditions, insurance, tax, bond and fee, but do not include site costs.

\*The above costs are based on a city index of 100. Each city carries a different index, for example: Louisville, KY has an index of 88.3, which translates to a cost range of \$152-\$180 per sf for Independent Living; Honolulu, HI has an Index of 119.2, which translates to a cost range of \$206-\$243 per sf for Independent Living. These indices coupled with local market conditions are essential when comparing overall pricing.

**This Special Issue Brief was prepared for the American Seniors Housing Association (ASHA) by The Weitz Company. For additional information, please contact one of the following:**

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## DEFINITIONS

Mid-Level projects: generally are of wood-frame construction with standard amenities and finishes, and typically target the 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.

## OTHER FACTORS

RS Means measures commodity and labor rates from various cities to generate its index, but it does not indicate whether the market is busy or slow or what kind of margin subcontractors apply to their cost of work.

## EXPLANATION OF HOW THE INDEX WORKS

We capture the final completed construction costs from all of our senior living projects and historize them in our database, applying the city's index and a time modifier. We extract City Indexes from RS Means, an annual publication. The National Average is derived from compiling material commodities and labor costs from a variety of cities, then indexed to a value of 100. Each city is then given an Index (multiplier) relative to the national average (100).

		Indianapolis		
		Mat.	Inst.	Total
015433	Contract Equipment		87.5	87.5
0241, 31-34	Site & Infrastructure, Demolition	103.1	95.3	97.7
0310	Concrete Forming & Accessories	96.3	88.2	89.4
0320	Concrete Reinforcing	106.5	89.5	98.3
0330	Cast-in-Place Concrete	100.4	88.2	95.9
03	Concrete	97.2	87.6	93.0
04	Masonry	98.7	82.4	88.7
05	Metals	91.7	75.9	87.1
06	Wood, Plastics & Composites	101.7	88.5	94.4
07	Thermal & Moisture Protection	103.8	85.0	95.6
08	Openings	101.4	84.3	97.4
0920	Plaster & Gypsum Board	89.9	88.2	88.8
0950, 0980	Ceiling & Acoustic Treatment	110.0	88.2	95.3
0960	Flooring	94.7	85.7	92.2
0970, 0990	Wall Finishes & Painting/Coating	98.2	83.7	89.6
09	Finishes	94.1	87.5	90.5
COVERS	DIVS. 10-14, 24, 28, 41, 43, 44, 46	95.1	97.1	95.5
21, 22, 23	Fire Suppression, Plumbing & HVAC	101.8	82.4	94.2
26, 27, 3370	Electrical, Communications & Utility	106.1	90.5	98.4
MF2018	Weighted Average	98.8	86.0	93.4

## SNAP SHOT OF ONE CITY'S INDEX

Even though the composite city index for Indianapolis is 93.4, you can expect a little lower cost on finishes and a bit more on electrical. Each system has its own index and is weighted for material and labor (installation). By knowing specific information about a project, the estimate can be refined to fit the proposed building parameters much more closely.

Variables the RS Means does not account for:

- Competitive conditions in the given market
- Contingencies
- Code differences. For example, if the project is in a hurricane zone it will require impact-rated glass and more expensive roofing products than a project in the Midwest, which may have vinyl windows and asphalt shingles.
- Site conditions. Even though site costs are not considered in this report, the impact can affect the building cost. For example, an urban location with difficult site logistics, street closures, requiring coordination of delivery times, hoisting times, lack of staging areas, etc. all impact the overall building cost, compared to a suburban or more rural location with easier access and mobility around the site.
- Impacts due to tariffs, pandemics, and environmental disasters such as hurricanes, fire, earthquakes, etc.

Although the single city index is helpful to derive a high-level estimate, many variables weigh into calculating an estimate. **Knowing a few of these specific variables, the estimate can be refined to generate a more accurate figure.**

