

# HOW TO MITIGATE CONSTRUCTION RISK IN A VOLATILE MARKET

Project & Development Services



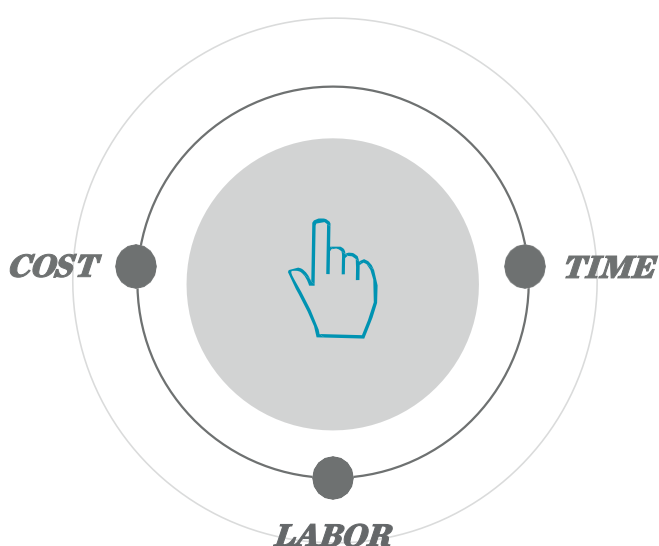
CUSHMAN & WAKEFIELD



## TENANTS AND OCCUPIERS MUST ANTICIPATE UNCERTAINTY IN CONSTRUCTION PRICING AND TIMELINES THROUGH THE FIRST HALF OF 2022

Engaging a Project Manager early will help set the scope, manage expectations and create “realistic” budgets and timelines based on current market conditions.

ENGAGE



\$	PRICE INCREASES YOY
✓	Diesel Fuel <b>+148%</b>
✓	Lumber <b>+101%</b>
✓	Copper <b>+77%</b>
✓	Steel <b>+30%</b>

U.S. BLS, Moody's Analytics, 2021.

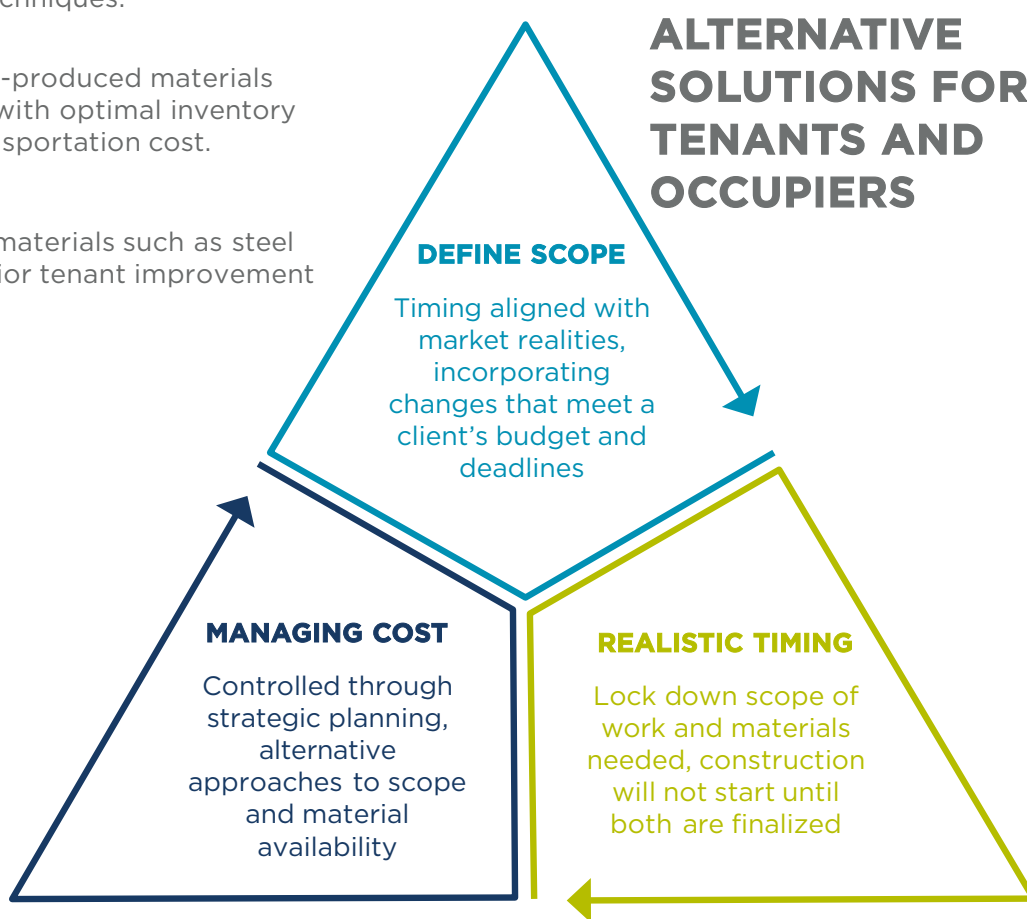
Expectations for future demand is likely to remain strong with the value of construction put in place forecasted to rise by 10% in 2021 and by over 20% in 2022.



**C&W COMMODITY VOLATILITY IMPACTS ON CRE & CONSTRUCTION REPORT**

## ESTIMATE

- 1 Consider alternatives to traditional in-demand building materials depending on availability, cost and local capabilities/techniques.
- 2 Specify locally-produced materials and suppliers with optimal inventory and lower transportation cost.
- 3 Pre-purchase materials such as steel studs for interior tenant improvement buildouts.

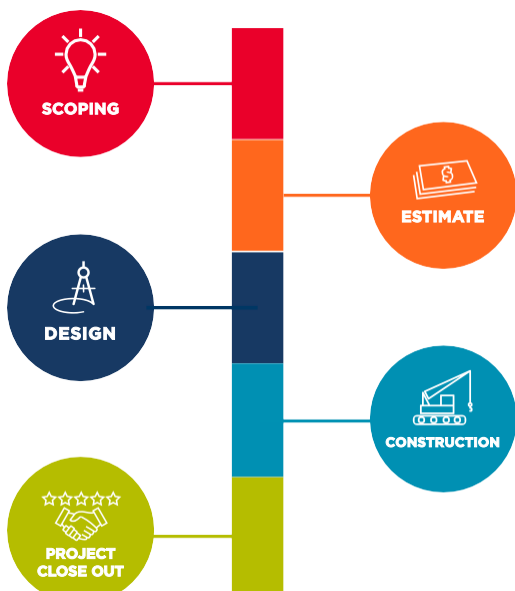


DESIGN

## CONSTRUCTION

### PRE-COVID TIMELINES FOR NEW CONSTRUCTION ARE NOT ACHIEVABLE TODAY

Tenants and landlords are both having to modify deal terms. For interior buildouts, besides labor availability by contractors and backlogs in permitting, the uncertainty of when materials will be available directly impacts when space will be ready for tenants to move in.



### CRITICAL TAKEAWAYS FOR MANAGING CONSTRUCTION PROJECTS IN TODAY'S VOLATILE MARKET

- **ENGAGE A PROJECT MANAGER EARLY**  
Execute GC contract based on Fee + General Conditions, providing for early pricing and release of materials
- **BE FLEXIBLE**  
Lock down scope early, be open to changing specifications to align with materials that are readily available, or of equal status
- **ANTICIPATE CONSTRUCTION DELAYS**  
Schedules may need to be adjusted for more realistic timelines with the knowledge of shortages and long lead times for commodities
- **EXPECT HIGHER CONSTRUCTION COSTS**  
Occupiers can expect higher build-out costs and developers can expect higher budgets for inputs

Cushman & Wakefield can help. We have seasoned construction project managers who can assist in navigating the challenges of today's market.



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CLOSE OUT