

# Market Conditions

## Sound Transit Capital Committee Briefing



# Overview

- Real Estate Forecast
- Construction Cost Trends
- Sound Transit Performance
- Program Cost Management





# Real Estate Market

2012-2015

Property values continue to appreciate

- Residential market fueled by strong local employment
- Foreign investments contribute to both commercial and residential growth
- Growing regional population continues to push property values upward

# Real Estate Forecast

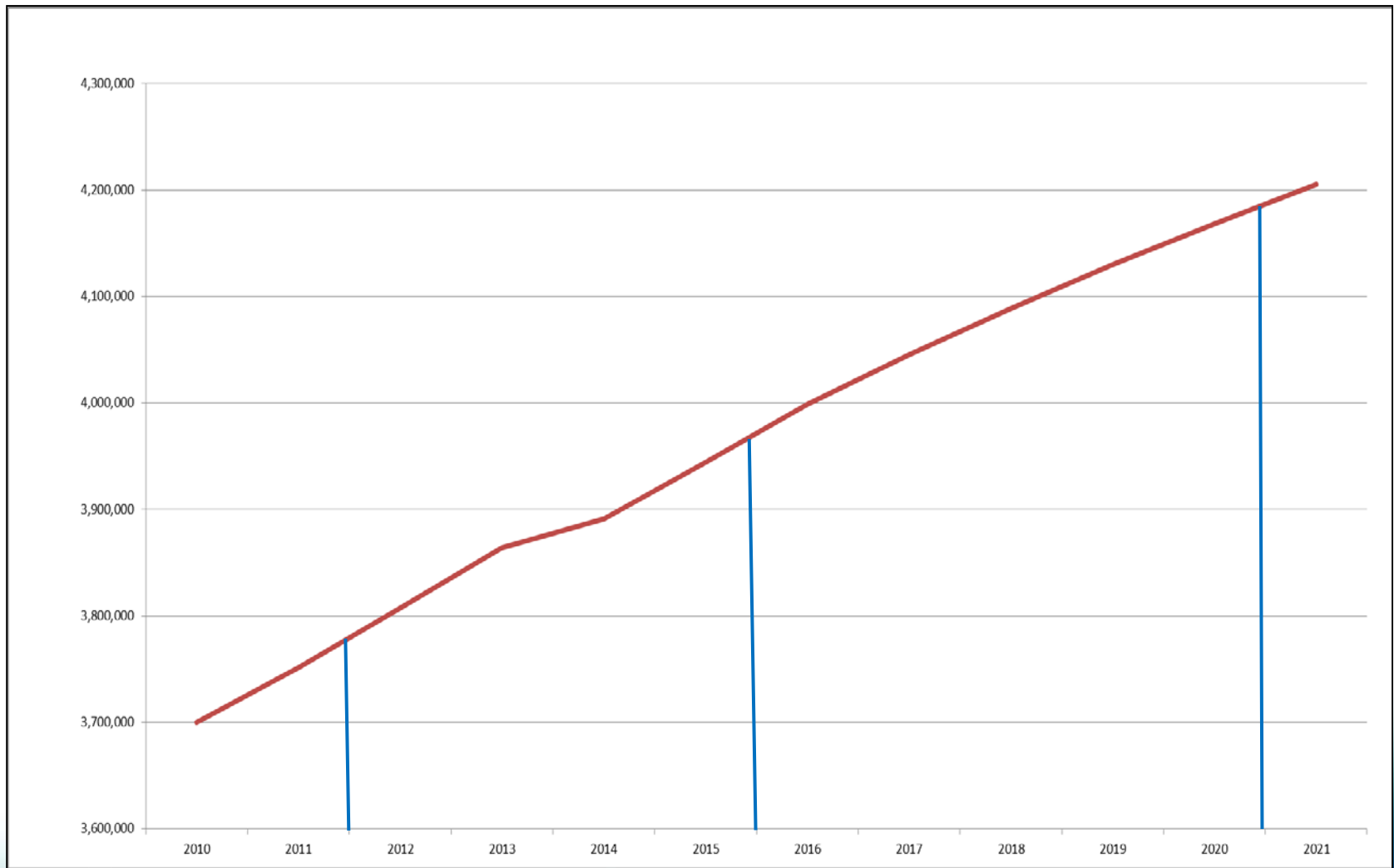
2016-2021



Property value growth will slow

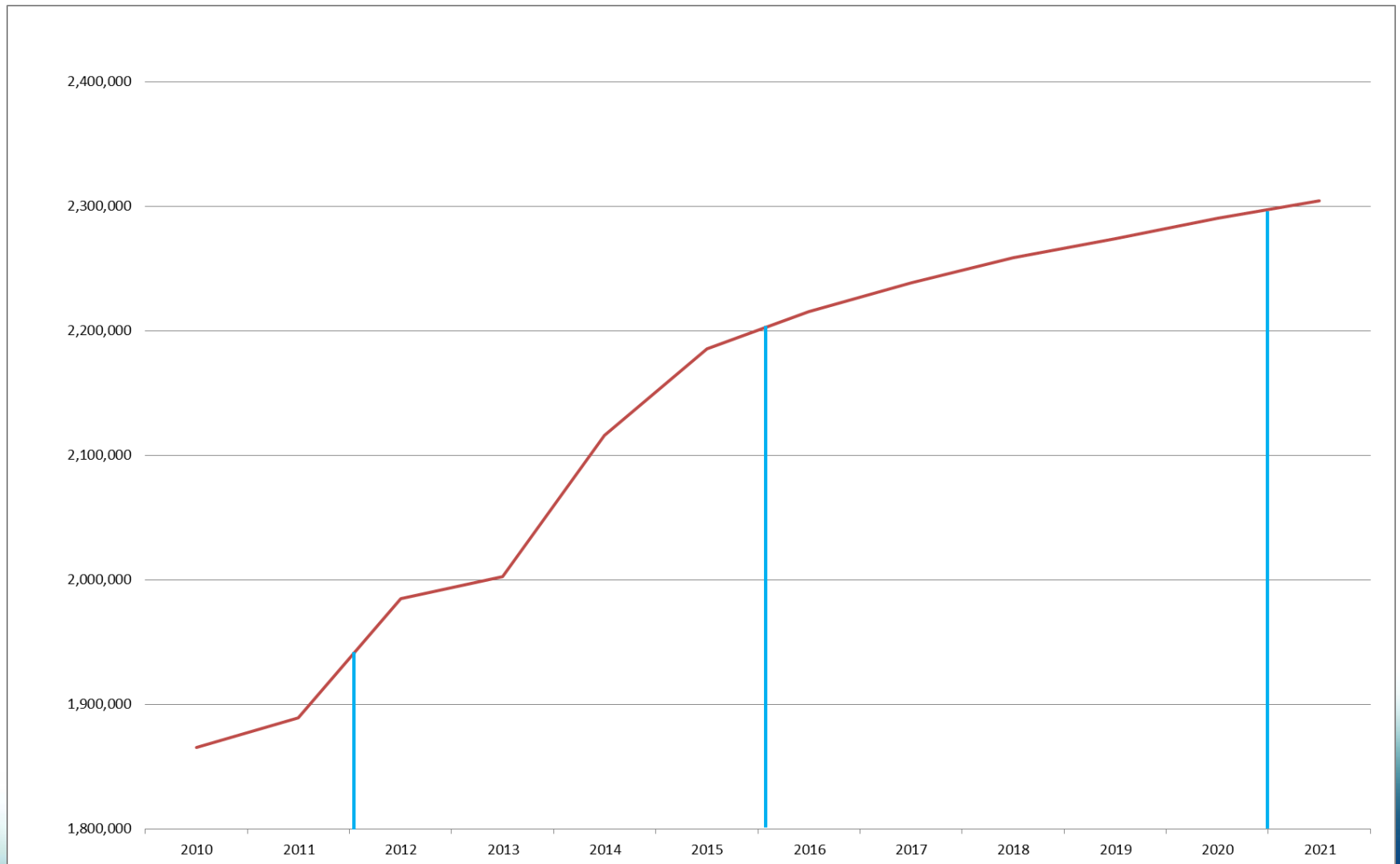
- Building starts and MLS data indicates slow return to balanced market
- Employment anticipated to grow at ~1% for 2016-2021
- Population growth forecast slightly lower for 2016-2021

# Puget Sound Population Growth



Source: Puget Sound Regional Council (PSRC)

# Puget Sound Employment Growth



Source: Puget Sound Regional Council (PSRC)

# Construction Trends

- Inflation weighted average 2.9% to 3.5%
- Raw material costs are flat
  - Concrete, Steel, Fuel
- Equipment costs increase 1.0% to 2.0%
- Labor
  - Labor contributes >50% of final construction cost
  - Craft labor increasing 3.5% to 4.0%
  - Salaried labor increasing 3.5% to 5.0%



# Sound Transit Bid Results 2015 / 2016

- 9 Construction contracts awarded in the last 20 months
- Values range from \$2.5M to \$365M
- Minimum 2 bidders per contract, average of 4 bidders
- 6% to 27% below Engineer's Estimate





# Managing Program Cost Impacts

- Project management tools
  - Contract provision adjustment clauses to isolate volatile commodities
  - Regular assessment of risk
  - Independent cost reviews
- Strategic partnerships with AGC to identify regional trends
- Budget appropriate level of escalation based on projected trends.



# Conclusions

- Sound Transit budgeting has been accurately accounting for inflation
- Puget Sound Region is in a period of sustained growth
- Real Estate prices will continue to increase
- Sufficient supply of qualified labor is a growing issue
- Regional market is currently stable