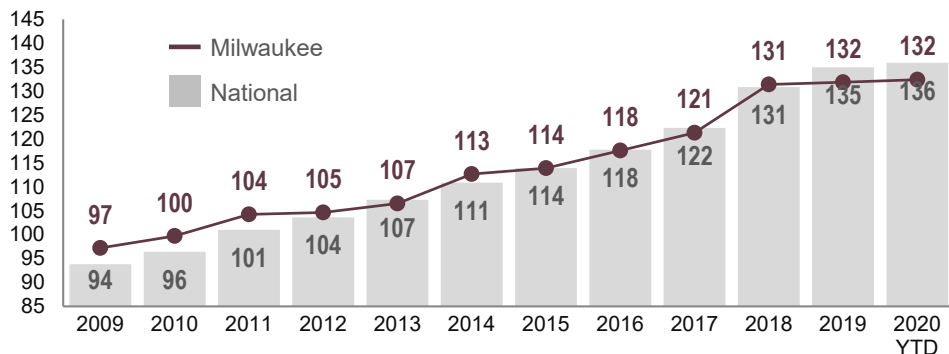


### Construction Cost Index

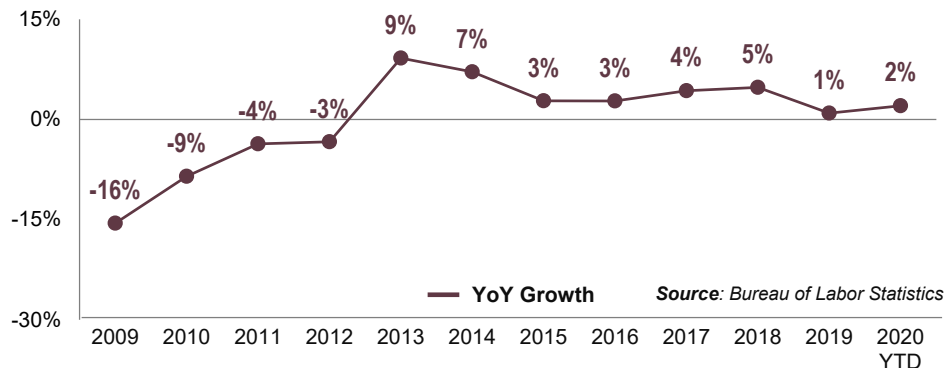
(January 2009 = 100)



Both our Milwaukee and national cost index have been essentially flat through the first half of 2020. Compared to this time last year, costs have increased less than 1% in Milwaukee and 1.5% nationally. Our Milwaukee cost index is four points below our national index.

### Milwaukee Construction Employment

(an indicator of future wage and activity trends)



Construction employment in the Milwaukee area continued to increase through the first half of 2020, likely driven by a continuation of activity underway in the market. Looking ahead, we expect construction employment will hold steady or decrease over the remainder of the year.

### Building Component Trends

(Q2 2020 vs. Q1 2020)

- |                 |  |  |
|-----------------|--|--|
| <b>Increase</b> | <ul style="list-style-type: none"> <li>Steel Framing/Stair Erection (5.6%)</li> <li>Floor &amp; Wall Tile (2.1%)</li> </ul>  | <ul style="list-style-type: none"> <li>Gypsum Board Systems (1.6%)</li> <li>Electrical Systems (1.3%)</li> </ul>   |
| <b>Flat</b>     | <ul style="list-style-type: none"> <li>Cast-In-Place Concrete</li> <li>Plumbing Systems</li> <li>Earthwork</li> <li>Alum. Entrances &amp; Storefronts</li> <li>Electric Traction Elevators</li> <li>Deck Formwork</li> <li>Roofing System</li> </ul> | <ul style="list-style-type: none"> <li>Resilient Flooring &amp; Carpeting</li> <li>Site Utilities</li> <li>Finish Carpentry &amp; Millwork</li> <li>Unit Masonry</li> <li>Fire Protection Systems</li> <li>HVAC Systems</li> </ul> |
| <b>Decline</b>  | <ul style="list-style-type: none"> <li>Structural Steel &amp; Metal Decking (-2.1%)</li> <li>Asphalt Paving (-2.5%)</li> <li>Steel Doors &amp; Frames (-2.5%)</li> </ul>   |  |

All other components (14% of the index) were flat.

Costs for the majority of the building components in the Milwaukee index were flat in the most recent quarter. Four components in the experienced cost increases, the most notable being steel framing and stair erection. Costs for three building components declined.

### Advice for Building Owners

The COVID-19 pandemic had an immediate negative impact on commercial construction activity nationwide, including both upward and downward pressure on pricing. Wage increases from previously-negotiated collective bargaining agreements, productivity losses caused by new COVID-19-related procedures, and supply chain disruptions due to governmental orders were offset by a more competitive atmosphere. While earlier tariff-driven disruptions are largely resolved and the most recent employment numbers remain healthy, the current economic uncertainty has caused our industry to take pause and proceed carefully. **We anticipate the potential for a reduction in construction costs through the remainder of 2020.**

*About this report:* The Mortenson Construction Cost Index is calculated quarterly by pricing a representative non-residential construction project in Milwaukee and other geographies throughout the country. Local employment figures are from the Bureau of Labor Statistics.

For a more specific update or questions regarding this report, please contact:



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