

APRIL 2022

WORKSPACE TALK

Connecting People & Workspaces

Articles of Interest on Space Utilization and Management Issues

Thank you for picking out this installment of the State Properties Commission's *Workspace Talk*, a periodic newsletter that shares articles of interest to professionals and agency administrators where space management is a responsibility.

This issue will provide a synopsis of and link to a few articles discussing the trends and forecasts for construction costs, particularly commercial interior renovation costs. For state agencies, these costs are a critical component of space usage, whether through the cost of renovating existing spaces for new work paradigms, or the cost a private landlord would face to construct leased premises for agency usage. SPC takes no position on likely future cost trends, but if the cost and availability of labor and materials are under upward pressure, any agency move is likely to encounter greater costs to execute.

The articles summarized below, and available via the embedded links, provide ideas to consider as administrators make decisions in this regard. If you or your agency leadership would like to discuss this topic in more detail, please do not hesitate to reach out to Lee Nelson, Assistant Director, at 404-656-5550 or lee.nelson@spc.ga.gov.



Soaring Material Prices, Supply Chain Delays Spook Owners & Developers

[Click here to view full article](#)



Scan to read more

Construction Dive | April 2021

Even though almost a year old, this article is a good introduction to the issues being faced by owners, landlords, and contractors who have the responsibility to perform construction projects. It is no secret that construction costs and material lead times have been increasing at a historically high rate. For agencies which are in state-owned space, it affects the cost of any renovation. For agencies in leased space, it affects the rent that landlords must charge to recoup capital costs of occupancy. In both cases, planning ahead takes on a crucial importance.

Findings the article points out include:

- * Project costs that are priced at a certain period, if not executed on in a very timely manner, can be out of date within a short period of time, sometimes less than a month. A rebid may find that the new cost is some 20% higher than the original.
- * Materials are having longer lead times and headed longer. Part of this is the supply chain and part is the pent up demand for construction that had built during the pandemic and is now flowing through the project pipeline. Even shipping taken off line creates deferred maintenance that must be cleared before material can be transported again.
- * Shortages of certain critical items - especially those relying on computer chips - can delay a project that otherwise is set to proceed.

The result is that extra vigilance in finding ways to control construction project costs is going to be even more important for the foreseeable future.



[Click here to view full article](#)

Six Ways to Mitigate Construction Material Costs

Facility Executive | August 2021

Scan to read more

A number of the ways that construction costs can be mitigated are outside the direct reach of state agencies; however, knowing what some of the cost containment measures are can allow agencies to plan any future moves or renovations to allow a contractor or owner to take advantage of them.

Key concepts that a contractor/owner would look at are: 1) assembling the team early, with the execution team being the architect, contractor, and funding source; 2) invest in lean construction techniques, which optimize efficiency and reduce waste during the construction project; 3) amend budgets, which always occurs, but especially now in budgeting for contingent material and labor cost escalations of 10% to 15% per year; 4) explore alternative or unconventional materials, which for agencies may mean accepting a finish or material specification which is not what is typical based on recommendations from the architect or contractor; 5) procure materials well in advance, and 6) manage contracts and partner with contractors, especially in protecting from runaway price increases.

Construction Costs Will Keep Rising — Here's How Much

[Click here to view full article](#)



Scan to read more

Commercial Search / Yardi | October 2021

A more detailed and later look at trends in construction pricing. With 2021 material costs up 23% year to year, noted potential ameliorating factors have not come to pass, so that continued volatility in materials is expected throughout 2022. While labor costs have accelerated less quickly, about 5% - 6% over the year, the expectation is that the gap between these two factors will close over the coming twelve months, but will still remain high.

A worrying aspect is that these increases started before the more generalized inflation that has afflicted the economy over the second half of 2021 and into 2022. Higher general inflation could cause the anticipated increase in construction pricing to be greater than forecast. On the positive side, historically when project costs have outpaced overall inflation, there is a period of recessed costs to bring them more into line with overall inflation.



[Click here to view full index](#)

Fourth Quarter 2021 Commercial Construction Index

U.S. Chamber of Commerce | December 2021

Scan to read more

Lots of statistics and bullet points that relate to many more aspects of the construction industry than are relevant to agencies. These range from general levels of construction activity and contractor confidence — neither of which are particularly germane — to expectations for pricing volatility and availability of labor, which are. Steel, lumber, and roofing are still top availability concerns, and finding sufficient skilled labor is a growing problem. The results are generated by the U.S. Chamber of Commerce Contractor Survey.