

Parking Structure Cost Outlook for 2014

By Gary Cudney, P.E. - President/CEO

National Median Parking Structure Construction Cost 2014

\$18,038 per space
\$54.05 per square foot

It's that time of year again when **Carl Walker, Inc.** prepares a statistical analysis of parking structure construction costs and provides a market forecast for the remainder of the year.

At **Carl Walker, Inc.**, we specialize in parking structure design, structural engineering, parking studies, parking operations consulting, and restoration of parking structures, plazas, facades, and other buildings. Thus, we maintain a database of completed parking structure projects and have developed a methodology to analyze the historical cost information to assist our clients and the industry.

Our construction cost database contains a list of hundreds of completed parking structures of various sizes, scopes and locations. The cost data is assigned a factor based on the time of bidding and location. The time factor is based on the Building Cost Index (BCI), published by

Engineering News-Record (ENR). The location factor is taken from the yearly edition of the RS Means Building Construction Cost Data. Applying these two factors to actual construction cost data adjusts the cost to a current national basis and from that we determine the national median, which can then be re-adjusted to reflect a median construction cost in almost every American city.

As of March 2014, our statistical data indicates that the median construction cost for a new parking structure is \$18,038 per space and \$54.05 per square foot. This is the first time the median cost has exceeded \$18,000 per space, increasing 2.9% from 2013 when the median cost was \$17,533 per space based on our historical database. This relatively minor increase is reflective of the fact that while construction markets are beginning to recover, material price increases were very low due to foreign competition and labor rates were stable as the competitive market place continued. The table below lists the 2014 median cost in various U.S. cities.

Median Parking Structure Construction Costs 2014

City	Index	Cost/Space	Cost/SF
Atlanta	87.5	\$15,783	\$47.29
Baltimore	92.8	\$16,739	\$50.15
Boston	117.6	\$21,212	\$63.56
Charlotte	80.8	\$14,575	\$43.67
Chicago	117.6	\$21,212	\$63.56
Cleveland	99.4	\$17,930	\$53.72
Denver	93.3	\$16,829	\$50.42
Dallas	85.2	\$15,368	\$46.05
Detroit	102.8	\$18,543	\$55.56
Houston	86.6	\$15,621	\$46.80
Indianapolis	92.6	\$16,703	\$50.05
Kansas City	103.8	\$18,723	\$56.10
Los Angeles	107.3	\$19,355	\$57.99
Miami	87.6	\$15,801	\$47.34
Minneapolis	109.0	\$19,661	\$58.91
Nashville	87.5	\$15,783	\$47.29
New York	131.1	\$23,648	\$70.85
Philadelphia	113.9	\$20,545	\$61.56
Phoenix	88.7	\$16,000	\$47.94
Pittsburgh	102.3	\$18,453	\$55.29
Portland	99.1	\$17,875	\$53.56
Richmond	86.7	\$15,639	\$46.86
St. Louis	103.1	\$18,597	\$55.72
San Diego	104.1	\$18,777	\$56.26
San Francisco	122.5	\$22,096	\$66.21
Seattle	103.5	\$18,669	\$55.94
Washington, D.C.	97.2	\$17,533	\$52.53
National Average	100	\$18,038	\$54.05

PARKING INDUSTRY CONSTRUCTION ECONOMIC FORECAST

According to McGraw Hill Construction's 2014 forecast "we will see 2014 as another year of measured expansion for the construction industry."¹ Further, they report that while the construction spending in the institutional sector (higher education, hospitals, government) industry is down about 32% below 2008, the "five-year decline for the institutional building market is finally reaching its end" with a slight 2% increase projected for 2014.¹

Digging out of the deep construction industry recession has been sluggish and hampered by uncertainty. After a nearly 50% plummet in volume in the non-residential building market, and very slow growth for the past five years, current predictions by industry experts point to greater optimism for 2014 and 2015:

- The American Institute of Architects (AIA) chief economist Kermit Baker, PhD stated that "2014 looks to be a better year with non-residential building activity increasing 5.8%" and that the "recovery will continue into 2015 with spending increasing 8%." While there has been fluctuation and regional differences in the AIA Architectural Billings Index (ABI), Baker further reports that the "ABI has risen in vast majority of the last 16 months. With such sustained growth in design activity, continued improvement in construction activity will follow suit".² Unfortunately, the AIA Architectural Billings Index for March 2014 of 48.8 indicates the year is getting off to a slower start than expected.³
- The AIA also compiles a Consensus Construction Forecast based on predictions of seven leading non-residential construction forecasters in the U.S. According to the Consensus Construction Forecast, the non-residential construction industry is expecting better growth than the past five years, with increases in activity projected for the office sector of 9.2% (2014) and 10.8% (2015), healthcare sector of 5.2% (2014) and 7.8% (2015), education sector of 2.8% (2014) and 5.8% (2015).²

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- Gilbane Building Company, in their Market Conditions in Construction report, predicts a 7.4% upturn in non-residential building spending in 2014. Construction cost escalation will be higher than normal as spending continues to increase. Labor and material costs will increase as fees and margins expand 4-7% for 2014 and 5-8% for 2015. Gilbane also reported that the "construction workforce is still 25% below the peak and it will take a minimum of four more years to return to peak levels."⁴
- Turner Construction's Turner Building Cost Index rose 4.65% during 2013. Their 2013 Fourth Quarter Forecast states that "growing demand is fueling optimism in the design and construction industries. Private sector building construction work continues to grow, offsetting reductions in the public sector. Labor costs and material prices are inching up as demand increases."⁵ Additionally, the Turner 2014 First Quarter Forecast indicates a 0.80% increase in costs for the quarter, a "reflection of constrained availability of labor, stability in commodity prices and competition in the market."⁶
- The Engineering News-Record (ENR) recently reported their first quarter 2014 Construction Industry Confidence Index (CICI) increased to a record 72 points on a scale of 100, which represents a growing market. The vast majority of the 414 executives of large construction and design firms responding to the survey believe that the market is stable and growing.⁷ The ENR also reported "the U.S. Economy's CICI rating is five points lower than the overall construction market's rating, showing continuing economic concerns".⁷
- Dale Denda, Parking Market Research Co.'s Director of Research, presented at the Parking Industry Exhibition (PIE) in March 2014 on the parking structure construction market. He estimated an 8.5% increase in project commitments/starts in 2013 over 2012 and predicts about a 5-7% gain nationally in 2014. The parking structure construction market strength will vary greatly by regional and local

geographic area.⁸

SUMMARY

The projected improvement in the architectural firm backlog reported by the Architectural Billings Index (ABI) and the record-high Construction Industry Confidence Index (CICI) are positive signs for the construction and parking industries. In absence of any major economic event or additional federal government budget/debt ceiling debacles, construction activity should be at the highest levels since the market collapse.

With the improved construction activity, project costs are expected to escalate to a greater level than the small projected increase in material and labor costs would indicate. Further, shortages of skilled construction workers who left the industry during the downturn could restrain market growth and raise costs. Thus, there may be a small bubble of pent-up demand that could spring loose as owners seek to have their projects bid ahead of the competition.

Carl Walker's parking professionals will be happy to assist with budgeting of your next parking structure. If you have questions or would like specific cost information for your area, contact Gary Cudney at gcudney@carlwalker.com or 800-FYI-PARK (800-394-7275).

References:

1. "Housing Leads Construction Industry to Moderate Growth in 2014, According to McGraw Hill Construction," McGraw Hill Construction Press Release, October 25, 2013.
2. "After a Year of Moving Sideways, Nonresidential Building Activity Poised to Resume Recovery in 2014," by Kermit Baker, PhD, The American Institute of Architects AIArchitect, January 24, 2014.
3. "Architectural Billings Index Mired in Slowdown," Press Release by Scott Frank, The American Institute of Architects, April 23, 2014.
4. "Market Conditions in Construction – December 2013," by Gilbane Building Company.
5. "Turner Building Cost Index – 2013 Fourth Quarter Forecast," Turner Construction Company.
6. "Turner Building Cost Index – 2014 First Quarter Forecast," Turner Construction Company.
7. "Industry Executives Expect Growth to Accelerate in 2014," by Gary J. Tulacz, Engineering News – Record, March 24/31, 2014.
8. "Behind the National Forecast – Multi-Year Trends in Local Markets Parking Garage Construction," by Dale F. Denda, Director of Research, Parking Market Research Company, Parking Industry Exhibition (PIE) – March, 2014.

PROJECT HIGHLIGHTS

PARKING STUDY AT LSU HEALTH SCIENCES CENTER WRAPS UP

NEW ORLEANS, LA - Carl Walker, Inc. recently wrapped up a parking study at Louisiana State University Health Sciences Center (LSUHSC), assessing current and future parking needs as well as providing options for improving the management and operation of existing parking supplies. Another key objective was to maximize the effective utilization of existing parking resources. Opportunities to add on- and off-street surface parking spaces were identified and cost estimates of proposed options were prepared.



CARL WALKER, INC. EXPLORES FEASIBILITY OF UNDERGROUND PARKING IN SOUTH ARENA DISTRICT



GRAND RAPIDS, MI - The City of Grand Rapids (City) and Downtown Grand Rapids Inc. (DGRI) (DDA) retained **Carl Walker, Inc.** to explore the feasibility of underground parking in the South Arena District, an area currently occupied by four publicly owned surface parking lots. The underground parking analysis was the recommendation of the recently completed Arena South Visioning Plan, which recommends reclaiming scarce downtown land for people by improving pedestrian connections, adding green space, and supporting mixed-use development that provides residential, office and commercial uses. The study will help the city, DGRI, and developers decide whether the anticipated higher financial returns and improved downtown experience for pedestrians will justify the added cost of underground parking.



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MESSAGE FROM THE PRESIDENT

Our current feature article, *Parking Structure Cost Outlook for 2014*, indicates 2014 and 2015 should have better growth than recent years. However, the first quarter was slower than expected, perhaps due to the

harsh winter many of us experienced. Hopefully, the economist's predictions will come true this summer.

The median national parking structure cost is now \$18,038 per space, based on average national construction costs, and will vary depending on geographic location and project features. Our historical cost database goes back over 30 years when our firm was founded. Interestingly, more recent projects have a higher median cost than older projects as the "quality" of many parking structures has improved.

Projects in the median cost range typically include many amenities and features desired by owners and

users. However, if enhancements that are becoming more common nowadays are used, such as wider parking spaces, fancier façade treatments, LED lights with computerized occupancy sensor controls, 75- to 100-year service life, painted ceilings, underground construction, advanced sustainability features (solar panels, storm water detention, lighting, green roofs, etc.), parking space guidance, etc. then costs will likely exceed the median. However, our understanding of project costs means we can design a parking structure to whatever the project budget allows!

We welcome the opportunity to assist you in evaluating plans for parking development and how to achieve the best balance between function, aesthetics, first-cost, and life-cycle costs!

A handwritten signature in blue ink that reads 'Gary Cudney'.

Gary Cudney, P.E.