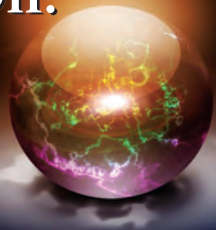


# COMMON GROUND

## Focus On:



### 2012 Construction Outlook

The slow and arduous battle to move beyond the nation's current recessionary economic state is expected to continue through 2012. With the recent drop of the country's unemployment rate to 8.5%, a healthy holiday sales season, and increases in private sector spending and investments, the outlook is now more upbeat than in the past several years.

Today's positive economic forecasts do not necessarily equate to an immediate jump in construction activity and that's why 2012 will yield only slightly noticeable growth. However, industry experts do predict growth in overall construction volume for years 2013 and 2014.

McGraw-Hill Construction advances that 2011 will end with a 4% drop in overall construction compared to 2010, resulting in a market valued at \$411 billion. Analysts forecast that 2012 will remain flat, moving up only slightly to \$412 billion in overall volume.

#### Housing Market Impact

Ken Simonson, Chief Economist for the Associated General Contractors of America, predicts a

## Common Goals – 2012 Construction Cost Forecast

**M**onitoring construction trends and forecasts is a common practice that allows our firm to better inform clients and owners of changing conditions in material prices that affect new construction or renovations.

With the modest economic recovery expected in 2012, construction material prices are being carefully watched, although current predictions indicate that prices will remain steady in 2012, reflecting general inflation numbers. A faster than anticipated recovery (greater than 3% annually) will likely accelerate commercial construction activity and could potentially push material prices higher than the general inflation percentage. However, this more robust recovery is not anticipated through the first six months of 2012 so material prices should remain fairly steady this year.



**Jeff Raday, President**  
McShane Construction

Energy prices pose the most risk to maintaining a modest increase in construction material prices together with the overall health and stability of the world economy. A prolonged and sharp increase in oil prices would negatively impact both consumers and businesses and would likely adversely affect the nation's economic recovery and growth in 2012.

Leveling out the uncertainties, *Engineering News-Record* forecasts a 2.1% increase in its Construction Cost Index for 2012 following the 2.5% uptick experienced in 2011.

Forecasters predict that a steady pace of increase will be the norm until the end of 2013 when price escalations will likely reflect the return of economic growth.

Lumber prices have bottomed out with that industry operating at 70% below capacity. Following the closing of 130 mills, the lumber industry is reeling from the collapsed housing market and the decreased demand for exports.

Cement prices are also skimming the bottom of pricing levels with an

anticipated increase of merely 0.5% in 2012. Hard hit by the ravages of the economy, this industry is operating at just below 60% of capacity after closing 18 plants of which eight represent permanent closures.

Asphalt prices fell 3.2% in the last part of 2011 but still banked an increase of 19% as compared to November 2010. It's anticipated that as the price of oil climbs, the costs for asphalt and other oil-based products will also escalate.

Drywall prices hold some concern as drywall producers have advised customers of price increases as high as 30% in 2012. This cost increase is likely attributed to the expense of re-commissioning mothballed manufacturing facilities to meet the increasing demand from the multi-family sector.

As we enter into a year of typical construction price hikes, we are always available to inform our clients of changing market conditions that should be considered when planning new construction. Allow our professionals to keep your firm ahead of the curve. □

slight uptick in potential activity in 2012. The single-family housing market is anticipated to improve in 2012 to \$104.6 billion, representing an increase of 10% over last year. The shining star within the housing sector continues to be the multi-family component with a robust increase of 18% to \$28 billion projected for 2012.

#### Industrial Market Rebound

The 2012 Dodge Construction Outlook predicts that the distribution sector will enjoy an 8% growth in construction this year. During the past four quarters, larger industrial markets particularly Los Angeles, New Jersey, Houston, Dallas and

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72,000 S.F. Office/Mfg. for DIRTT Environmental

Social Sec. Admin. Bldg. BTS for W.D. Schorsch

Residential Project Award from CISCO

Phillips Swift Creek Apartments Completed

221,619 S.F. FedEx Ground Award from SunCap

## McShane / MetLife Alliance Announce 704,115 S.F. Industrial Spec Building in Redlands, California

The industrial market has returned... at least in certain markets within the United States including Southern California's Inland Empire. In response to the area's positive market activity and on behalf of Clarion Partners, the McShane Development Company / MetLife Real Estate Investments industrial development alliance is launching the development of a 704,115 square foot speculative industrial facility. Located at its 84-acre Redlands Business Center in Redlands, California, the spec facility will be located within one-half mile from Interstate 10 with direct access to West Coast ports, nine miles from the Burlington Northern Santa Fe intermodal container facility and only ten minutes from the YRC Worldwide Inland Empire transit hub. McShane Development Company is serving as developer of the project that is scheduled for delivery in December 2012. McShane Construction Company and HPA, Inc. will provide the design/build services for the project. For additional information on this premier industrial business park, please contact Peter McWilliams, Michael McCrary, Ruben Goodsell and Nicole Page of Jones Lang LaSalle at 213.239.6000 or visit [www.redlandsbc.com](http://www.redlandsbc.com). □



## McShane Completes 100-Unit Transformation of Felton Homes Apartments

Increased public funding for both new construction and renovation/rehab assignments within the affordable housing sector led to McShane's award and recent completion of the comprehensive redevelopment of the Felton Homes Apartments for Felton Partners LP. Owned by the Macon Housing Authority, the 50 single-story duplex building community located in Macon, Georgia was originally constructed in 1941 as military housing and has served as public housing since 1955. McShane Construction led the transformation of the 1940's era buildings that now include new entryways, porches, roof lines, energy efficient windows and attractive siding. The modernized interiors offer low-flow plumbing fixtures, energy efficient heating and air conditioning, Energy Star rated light fixtures and appliances and spray foam insulation. Felton Homes Apartments represents one of the largest multi-family solar projects in the country to date, offering solar generated energy for each of the 100 units constructed in compliance with Enterprise Green Communities standards specifically modified for this unique assignment. The project was funded by the U.S. Department of Housing and Urban Development (HUD) through the American Reinvestment and Recovery Act (ARRA) with additional funding through a bond issuance and Low Income Housing Tax Credits (LIHTC) from the Georgia Department of Community Affairs (DCA). Brittain Thompson Bray Brown Inc. provided the architectural services for this significant affordable housing assignment. □



McShane Construction led the transformation of the 1940's era Felton Homes Apartments in Macon, Georgia into one of the largest multi-family solar projects in the country to date, offering solar generated energy for each of the 50 duplex homes redeveloped within the complex.

## McShane Completes 72,000 S.F. Design/Build Assignment for DIRTT Environmental

The Phoenix office of McShane Construction recently completed construction of a sizable tenant improvement assignment for DIRTT Environmental Solutions. The design/build assignment was completed on a fast-track basis to accommodate the occupan-

cy needs of this growing company. Established in 2004, DIRTT Environmental Solutions specializes in the manufacture and sale of movable walls, and champions environmental design and production throughout its products and business operations. The new tenant suite is situated within a large single-story industrial facility at 836 E. University Drive in Phoenix, Arizona that included 5,000 square feet of office space and 67,000 square feet of manufacturing. The facility offers a 28' clear height, 10 external docks and two drive-in doors.



McShane Construction is providing comprehensive construction services for the new 18,144 square foot, LEED-Silver Social Security Administration Building in Chicago, Illinois on behalf of developer, W.D. Schorsch Commercial Real Estate.

The suite also features a spacious kitchen, a large open-format green learning center for greeting guests, a fitness center and locker rooms. Glass enclosed employee workstations surround the manufacturing operations on four sides allowing employees to easily observe the manufacturing area. DIRTT's space utilizes its own product line for the facility's walls, modular power, data cabling and raised flooring. Butler Design Group and Phoenix Design One provided the architectural services for this specialized tenant improvement assignment. □

## W.D. Schorsch Selects McShane Construction for GSA Build-to-Suit

On behalf of developer, W.D. Schorsch Commercial Real Estate, McShane Construction is currently completing construction of a new single-story, 18,144 square foot Social Security Administration Building in Chicago, Illinois. Located at 9705 S. Cottage Grove Avenue, the facility is being constructed to meet LEED-Silver standards and incorporates numerous sustainable construction materials and techniques. Sustainable initiatives include a construction waste recycling program, a white TPO roof, exceptional water and energy management and the use of local materials among many other green initiatives. The exterior of the building features an attractive concrete and masonry blend of materials together with generous window lines offering abundant natural light into the facility. The interior of the space has been designed to incorporate several private offices, open work areas, conference rooms, employee break room and a welcoming lobby and public waiting area. The new Social Security office will offer parking accommodations

**McShane Construction Company**  
9550 W. Higgins Road, Suite 200  
Rosemont, IL 60018  
847.292.4300  
847.292.4310 fax  
e-mail: mcccchicago@mcshane.com

**McShane Construction Company**  
3131 E. Camelback Road, Suite 200  
Phoenix, AZ 85016  
602.508.6166  
602.508.6167 fax  
e-mail: mcccphoenix@mcshane.com

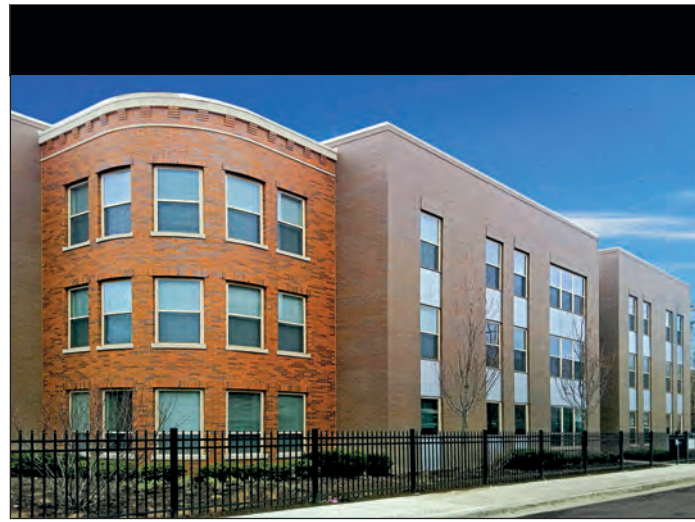
**McShane Construction Company**  
1943 S. College St., Suite A  
Auburn, AL 36832  
334.887.8181  
334.887.8087 fax  
e-mail: mccsoutheast@mcshane.com

**McShane Construction Company**  
2040 Main Street, Suite 175  
Irvine, CA 92614  
949.222.1000  
949.222.9001 fax  
email: mccsocial@mcshane.com

for 80 visitors and staff, including reserved parking stalls designated for low emission and fuel efficient vehicles. Perspective Design, Inc. is providing the architectural services for this government-occupied facility that is scheduled for late Spring 2012 completion. □

## Park Douglas Named Residential Project of the Year by CISCO

McShane Construction was recently honored with the receipt of the 2011 Residential Project of the Year award conferred by CISCO (Construction Industry Service Corporation) for the Park Douglas affordable housing project located in Chicago, Illinois. This prestigious award recognizes excellence in union construction in North-eastern Illinois and was presented at CISCO's Annual Meeting held in late January 2012. Park Douglas is a 19-building, 137-unit multi-family complex located on scattered sites on Chicago's West Side that replaced a portion of the Chicago Housing Authority's demolished Lawndale Gardens complex. Under development by the alliance of Brinshore Development, LLC, Michaels Development Company and Sinai Community Institute, Park Douglas



*McShane Construction was recently named the recipient of the 2011 Residential Project of the Year award conferred by CISCO (Construction Industry Service Corporation) on behalf of the 19-building, 137-unit Park Douglas affordable housing project located in Chicago, Illinois.*

now provides affordable, subsidized and market-rate apartment units. The project has been constructed in compliance with the Chicago Green Homes program and also includes an on-site, single-story LEED-Registered management office. Park Douglas offers one- to four-bedroom rental units ranging from traditional to contemporary design. Funding for this large development was obtained from a variety of sources, including \$10 million in stimulus funds provided by the American Recovery and Reinvestment Act of 2009 (ARRA). Koo and Associates LTD and Pappageorge Haymes Partners

provided the architectural services for this award-winning multi-family construction assignment. □

## 196-Unit Phillips Swift Creek Apartments Completed in Cary, North Carolina

On behalf of developer, Phillips Development & Realty, McShane Construction recently completed the new 196-unit Phillips Swift Creek

apartment complex in Cary, North Carolina, providing convenient access to both the Raleigh and Durham markets and centrally located to the world renowned Research Triangle Park. This large-scale rental development totaling 239,196 square feet includes seven three-story buildings and one split-level building, offering one-, two- and three-bedroom apartments in a variety of configurations. Each building was constructed of an attractively-designed masonry and fiber cement siding with interiors featuring stainless steel appliances, granite countertops and a patio or balcony. Additional amenities completed by McShane Construction include laundry facilities, enclosed garages, a car wash, outdoor grilling area and abundant walking and biking trails. The luxury apartment complex also includes a resort-style swimming pool and a clubhouse with a fitness center, media room and party area. Developer, Phillips Development & Realty, utilized financing through the HUD 221(d)(4) program to develop this market-rate, Class A apartment community. The Preston Partnership, LLC provided the architectural services. □



*SunCap Property Group selected the design/build team of McShane Construction and Ware Malcomb to provide comprehensive design/build construction services for a new 221,619 square foot FedEx Ground facility in Windsor, Connecticut, that includes 99 truck docks and six drive-in doors.*

## McShane Awarded 221,619 S.F. FedEx Ground BTS from SunCap Property Group

SunCap Property Group recently selected McShane Construction to provide comprehensive design/build construction services for a new 221,619 square foot FedEx Ground facility. This sizable build-to-suit will be located on a 61-acre site in Windsor, Connecticut, a town situated just six miles north of Hartford, providing equal distance from the markets of New York City and Boston, and within minutes of Bradley International Airport. McShane will construct the single-story package distribution facility to provide 209,310 square feet of distribution space and 12,309 square feet devoted to office use. The project will include 99 truck docks and six drive-in doors to facilitate package sorting and distribution operations. McShane will also complete all sitework, landscaping and generous parking areas for 344 vehicles. Ware Malcomb has been selected to provide the architectural services for the facility, which is slated for completion in November 2012. □

# Feature Department

## Projects in Progress



ADELFA BOTELLO CALLEJO ELEMENTARY SCHOOL – DALLAS, TX



LAS BRISAS MANOR SENIOR APARTMENTS – DEL RIO, TX



FIRST SOLAR – MESA, AZ



PHILLIPS MALLARD CREEK APARTMENTS – CHARLOTTE, NC

  
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Pictured are current projects under construction by McShane Construction and Cadence McShane that include build-to-suit, design/build and general construction projects for the multi-family, senior living, healthcare, office, educational and industrial markets.



VA ROCKFORD OUTPATIENT CLINIC – ROCKFORD, IL



SENS ROAD DISTRIBUTION CENTER – LA PORTE, TX



MEMORIAL ELEMENTARY SCHOOL – PLANO, TX



ATHERTON ELEMENTARY SCHOOL – HOUSTON, TX

### CONTINUED FROM FRONT PAGE 2012 Construction Outlook

Chicago, have reported strong absorption prompting a return of new construction. Increased build-to-suit activity and speculative industrial construction starts in certain markets, serves to demonstrate a return to better market conditions for 2012.

#### Commercial Market Forecast

A 6% uptick in commercial construction activity was reported in 2011, representing about \$43.9 billion in new construction. The commercial market is expected to continue this trend in 2012 with improving volume levels reaching \$47.4 billion.

#### Government Spending to Lessen

There's nothing like a Presidential election year to influence activity (positively or negatively) within construction markets and spending levels on a national basis. State and local governments are also reeling from the downturn in property tax revenues over the past five years. Until federal, state and local tax revenues can improve, government construction spending levels will continue to shrink.

#### Healthcare to Become Healthier?

Construction activity in the health-care market remained nearly flat in 2011, marking a slight increase of 2%. This \$22.8 billion sector is

poised to return to a healthier outlook in 2012 as compared to previous years. Financing in the hospital construction arena has thawed allowing new projects and sizable renovations to take place in 2012.

#### Looking Ahead

As the economy lumbers toward a slow but eventual recovery, 2012 is shaping up to be the year of preparation, planning and implementation. The economic recovery will reawaken several markets including industrial, commercial and multi-family that will contribute toward the resurgence of activity. With construction pricing anticipated to remain steady in 2012, now is a perfect time to begin new construction to take advantage of pre-recov-

ery pricing providing a timely, cost-efficient and proactive solution to your business' new construction or renovation program. □

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#### McShane Construction Company

9550 W. Higgins Road, Suite 200  
Rosemont, IL 60018  
847.292.4300  
847.292.4310 fax

[www.mcshane-construction.com](http://www.mcshane-construction.com)  
[feedback@mcshane.com](mailto:feedback@mcshane.com)