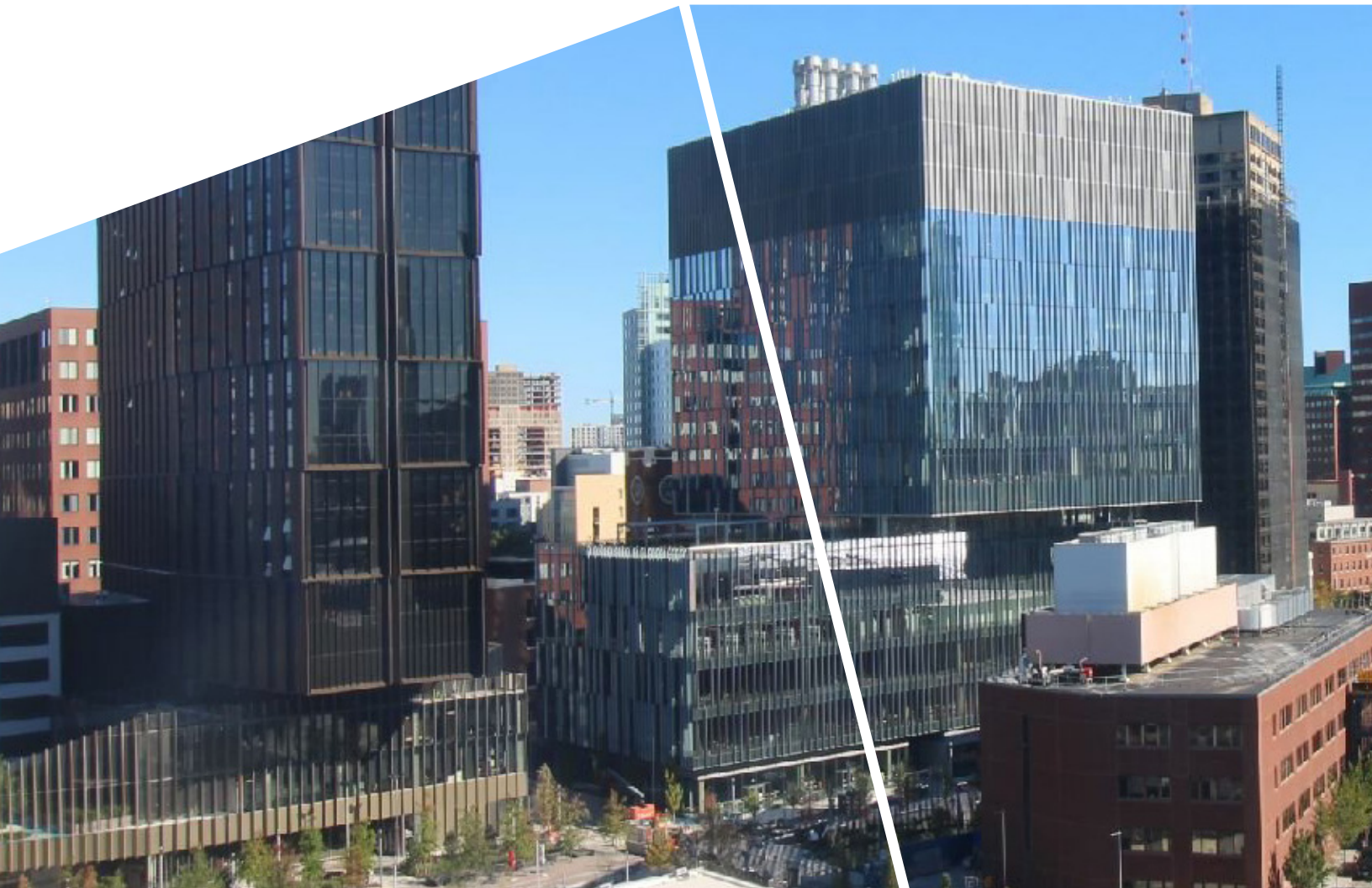


# Turner

## MARKET CONDITIONS

BOSTON  
Q4 2021



**Turner**

# EXECUTIVE SUMMARY

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The second half of 2021 has continued the expansion of the market in the Greater Boston region. This expansion was lead by the lab science sector, both commercial and institutional. This expanding market, along with global and local supply chain and manufacturing challenges, has brought significant challenges to our industry. Further, continuation of the COVID-19 pandemic, variants, and subsequent vaccines have created additional uncertainty to how our industry will react in 2022 and beyond. These challenges and market conditions are described further in this report.

To gain the best possible insight on these conditions and how they impact our markets, we have collected data from owners, architects, trade partners, and equipment suppliers. To further help us understand the current and future climate, we studied job starts, anticipated projects in the future pipeline, material supply chains, and construction price indicators.

2021 had significant escalation in materials and construction pricing, with the market peak of these increases being in late Q3 /early Q4 this year. Although there has been some leveling on the commodities indexes as of late, the very busy subcontractor market currently bidding new projects and forecasted project starts suggest that higher than normal escalation will continue into 2022. The predictability of project schedules will also be challenging with material shortages. The amount of escalation will likely be driven by the number of project starts and the supply chain issues will likely persist with the delayed return to normal. The timeline of recovery will be driven by whether or not there is a tightening of capital driving less demand, and the continuing effect of COVID-19 on manufacturers.

## NEW JOB STARTS - GREATER BOSTON

- In the Greater Boston Area, new job starts in 2021 returned to pre-pandemic levels. The largest volume of construction starts was recorded in 2019 and it will be rivaled by the totals from 2021 and very likely be surpassed in 2022. The new construction starts in 2021 have been driven mainly by the lab science sector. This sector has had a significant increase in its share of the market as compared to other sectors. This will continue in 2022, with the vacancy rate in lab / science properties at 0-1%.
- Other sectors that returned in 2021 were institutional and healthcare work. Though not as strong as pre-pandemic, universities and our local area hospitals had projects return to the pipeline, up from the low points in 2020. Office buildings were more modest compared to previous levels and hospitality and high-end residential remained very limited.

## AIA ARCHITECTURAL BILLINGS INDEX (Northeast Region)

- As 2021 comes to a close, this year marks one of the most dramatic shifts for the architects business volume. During the 12-month period, a shift from the lowest levels recorded to the highest levels since 2006. This busy pace in the design shops further reinforces the rising volume projections for the construction market in 2022 and 2023.

## SOURCEBLUE COST INDEX (formerly Turner Logistics)

- The SourceBlue, formerly Turner Logistics, equipment pricing index continued to show the highest level of escalation since the index was created. This now spans three full quarters of increase, driven by steel pricing, electrical component pricing, and shipping / delivery challenges.

# EXECUTIVE SUMMARY

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## NATIONAL COST INDICES

- Producer Price Index (PPI- WPUID612) = 21.0% from 11/2020 to 11/2021. This number reflects the intermediate demand by commodity type - materials and components for construction. While Lumber has leveled after a very steep increase, steel, aluminum and other building materials have historically high price increases.
- Consumer Price Index (CPI) = 6.8% from 11/2020 to 11/2021. This documents the steepest increase and highest levels of the CPI in the last 13 years.
- Turner's National Cost Index is reporting a national escalation of 1.68% for Q3 of 2021, up from 1.28% in Q2 of 2021. This documents two quarters of significant increase nationally. A pace that would exceed 6% annually.

## LOCAL SUBCONTRACTOR SURVEY Q2

- Over the past six months, the subcontractor market spent energy trying to secure backlog for 2022. Many of their estimating departments have gotten busier and they are seeing more project starts than they saw the first half of 2021. A number of them were successful in landing work and are now being selective with choosing the jobs they want. They will do this to fill dips in their backlog and to hold onto their company workers in anticipation for increased workload in 2023.
- The subcontractor market continued to see major increases in materials pricing, as well as impact to lead times. Many that were absorbing these increases in the first half of 2021 are less likely to do so now. Instead, they are passing these increases along without adjusting their OH&P down.

- A few of the trades believe we will continue to see increases in some materials attributed to issues with the supply chain. However, the majority have stated that the major increases have slowed back to historical escalation and have seen some dips in materials costs. We believe the subcontractors will be looking to pass along the material costs and will be qualifying any concerns over availability of certain materials in their proposals.
- Regarding labor availability, many of the union forces are close to 100% working, with not many workers left on the bench. There are a few union agreements that will expire this year and we expect their deals to be similar to the deals finished with the pipefitters and Allied trades earlier this year. As more work is released, we expect that additional travelers will enter the market and that there will be impact to the productivity impacting the way the market prices certain projects.

## LOCAL ESCALATION

- The high escalation we saw in 2021 was due to the impacts of the COVID-19 pandemic on materials and supply chain challenges. We project that the supply chain challenges will continue and the escalation for 2022 will remain high. We will keep an eye on the number of project starts, as this will determine how escalation will change.



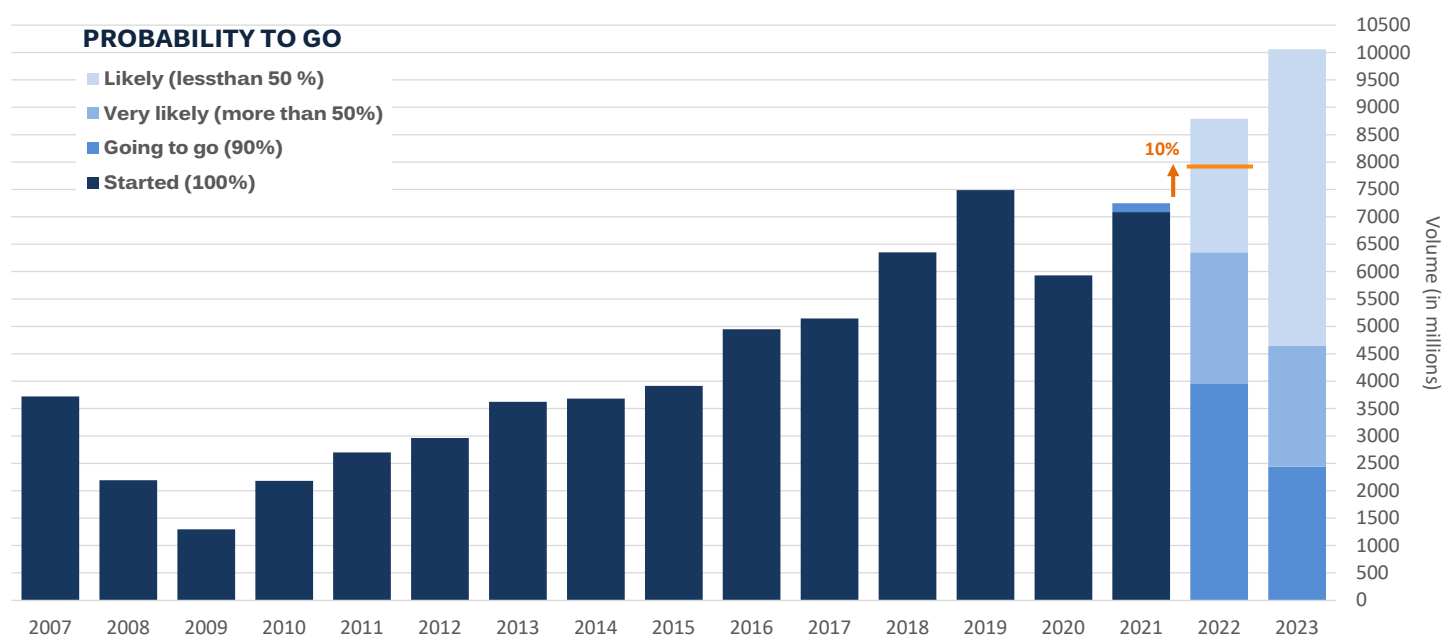
**Massachusetts General Hospital, Cambridge Street Project**  
Boston, MA

# NEW JOB STARTS

## The Greater Boston Area Project-Specific Study

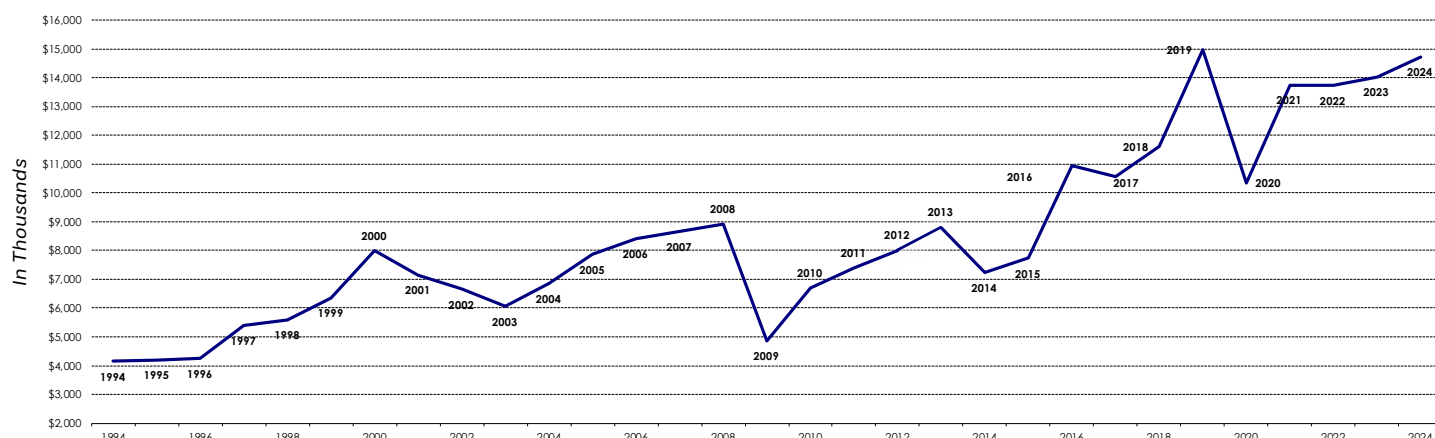
Q4 2021

The onset of the COVID-19 pandemic stalled many construction starts in 2020. In 2021, we saw development fears subside as project starts nearly reached 2019's total. Our regional market has been bolstered by investment in life sciences. With many projects returning from the sideline and a healthy pipeline ahead of us, we see construction starts for the Greater Boston Area returning to pre-pandemic levels.



## Dodge Study Regional Study (MA, NH, ME, RI)

Q3 2021





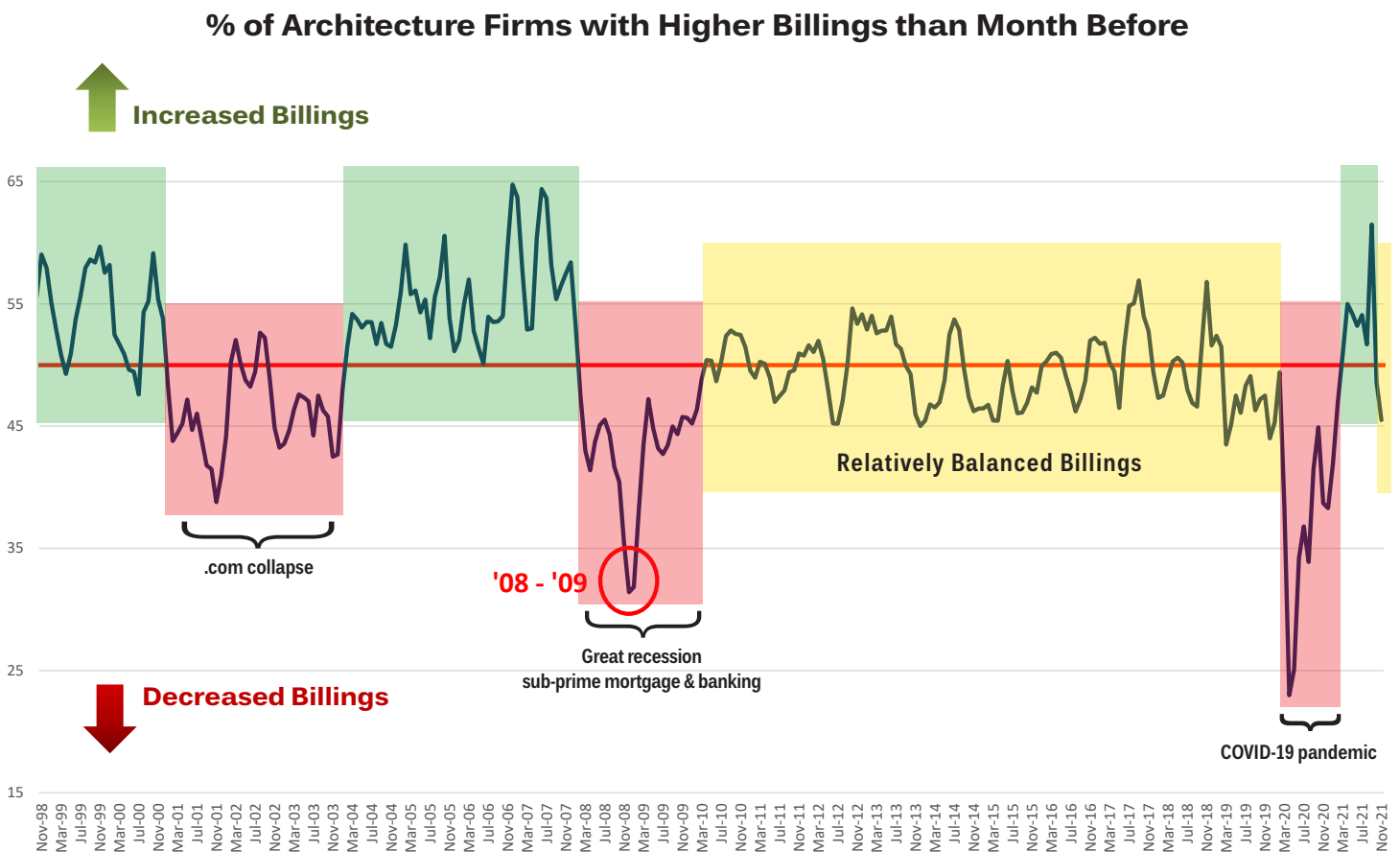
**Boston Properties, 325 Main Street**  
Cambridge, MA

# ARCHITECTURAL BILLINGS INDEX

## Northeast Region

 **AIA November 2021**

The business volume for architectural services and engineering services has increased significantly in 2021. From historic industry low points in 2020 the increase has been dramatic. This dramatic increase will likely settle into a steady pattern of continued project designs. This is both depicted by the chart below, and from feedback from our local design partners. This design business volume is a significant leading indicator to a busy and well funded construction market. It backs up our project by project construction volume study on the previous pages.





**WS Development, L4 Tower**  
Boston, MA

# SOURCEBLUE COST INDEX

(FORMERLY TURNER LOGISTICS)

**SourceBlue is increasing its 2021 Cost Index from 155 to 157. This represents an increase of +7.5% in equipment pricing over 2020.**

MEP equipment manufacturers continue to publish price increases. Some recent announcements have been in the +10% to +15% range. Factors contributing to this increase are due to the continued elevated demand from the large data center market segment, significant increases in raw material costs (most notably steel, copper, aluminum, and petroleum products), and increased pricing for global transportation and freight.

Lead times for electrical and mechanical equipment continue to increase across most product lines. Supply chain issues and component shortages are largely responsible for manufacturing delays and missed delivery commitments. HVAC equipment manufacturers are reporting significant production delays due to long lead times of both plastic and stainless steel piping, motor, ECM fans, and PLC components. Similarly, electrical distribution equipment manufacturers and generator manufacturers are extending lead times and quoting price increases due to alternator, microchip (touch panels, displays, amplifiers, microphones), and lug shortages. Light fixture manufacturers are beginning to indicate delays in components from China, particularly drivers. Battery manufacturers are quoting longer lead times from China – lithium ion batteries manufactured in Japan currently have slightly better lead times. Electrical and mechanical equipment field technicians for on-site services such as equipment start-up continue to be in short supply, and we have seen increases in daily rates for these services. On site resources required for complex projects should be secured and scheduled as early as practical.

Year to date industry data for 2021 versus the same time period in 2020 shows electrical equipment orders decreased (-3.3%) and shipments also decreased (-2.3%). For the same time period, mechanical equipment orders increased (+14.7%) and shipments increased (+11.1%).

We will continue to provide updates on price increases and any significant supply chain information as it becomes available.



**Q3 2021**

## Estimated Equipment Lead Times (Varies due to Equipment Sizing)

	Previous Report	Current Report
Cooling Towers	10 - 14 wks	10 - 18 wks
Chillers	20 - 30 wks	16 - 28 wks
Air Handling Units	14 - 42 wks	14 - 45 wks
Generators	18 - 46 wks	19 - 40 wks
Switchgear	14 - 32 wks	20 - 52 wks
Uninterruptible Power Supply	14 - 22 wks	16 - 20 wks

Year	Avg. Index	% Change
2021 (Projected)	157	↑ 7.5%
2020 (Corrected)	146	↑ 2.8%
2019 (Corrected)	142	↑ 3.0%
2018 (Corrected)	138	↑ 3.8%
2017 (Corrected)	133	↑ 3.0%
2016 (Corrected)	129	↑ 1.5%
2015 (Corrected)	127	↑ 1.0%
2014 (Corrected)	126	↑ 2.0%
2013 (Corrected)	124	↑ 2.5%
2012 (Corrected)	121	↓ 3.5%
2011 (Corrected)	117	↓ 2.5%
2010 (Corrected)	114	4.5%
2004	100	Base Year

This index is created using the average content of mechanical and electrical equipment on a new construction project. This index does not necessarily conform to other published indices. Historic records and interpretations of the national index for local market conditions may be obtained by contacting Torry Guardino, [tguardino@sourceblue.com](mailto:tguardino@sourceblue.com) or by phone (201) 722-3809.



**The Fallon Company, Fan Pier E | MassMutual**  
Boston, MA

# TURNER NATIONAL COST INDICES

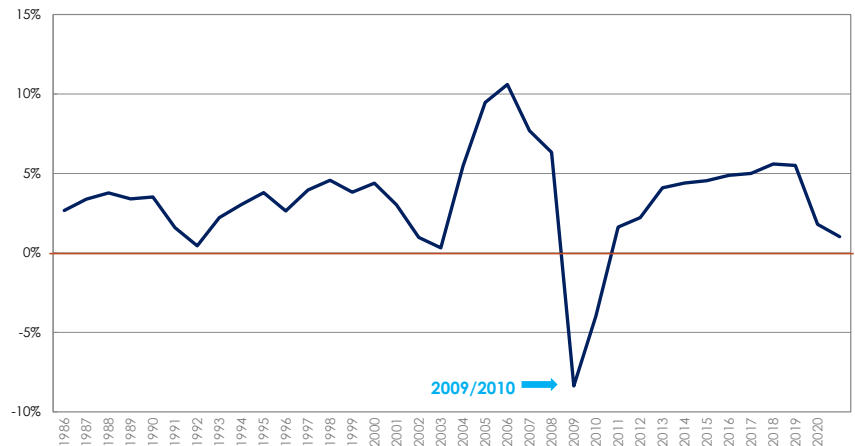
## Turner National Report

**Q3 2021**

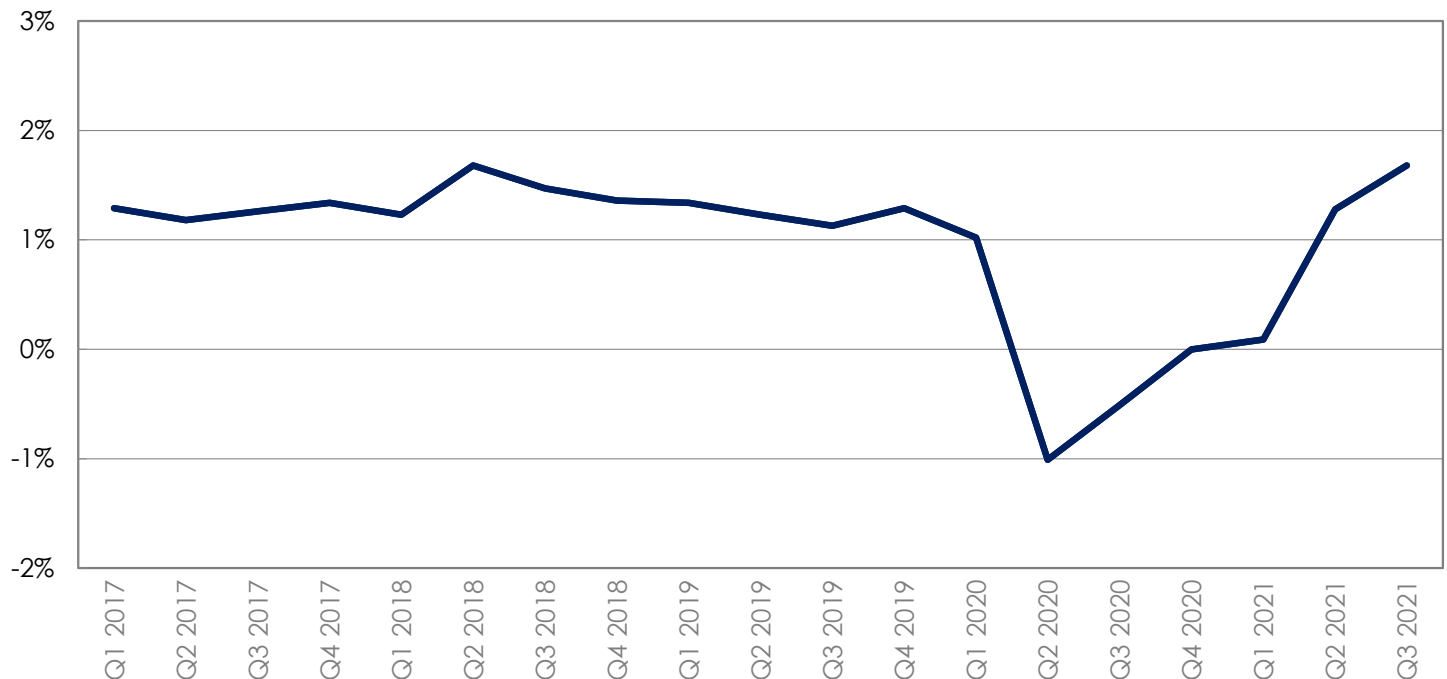
### Percent Change in Commercial Vertical Construction

Quarter	Cost Index	Δ %
<b>3<sup>rd</sup> Quarter 2021</b>	<b>1207</b>	<b>1.68</b>
2 <sup>nd</sup> Quarter 2021	1187	1.28
1 <sup>st</sup> Quarter 2021	1172	0.09
4 <sup>th</sup> Quarter 2020	1171	0.00
<b>Total for last four quarters</b>		<b>3.05</b>

Year Average % Change in Commercial Vertical Construction Cost






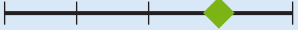


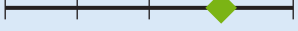



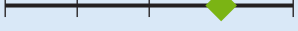





Quarterly Average % Change in Commercial Vertical Construction Cost



For a complete Cost Index Report please go to: [www.turnerconstruction.com/cost-index](http://www.turnerconstruction.com/cost-index)

# TURNER LOCAL SUBCONTRACTOR SURVEY

Q4 2021

Trade	Trending Escalation	Cost Drivers
Earthwork & Foundations	5-7%	Material: 10% Labor Rates: 3-4% Aggressiveness to Bid: Less  More Estimating Activity: Slow  Busy
Concrete	8-10%	Material: 8-12% Labor Rates: 3-4% Aggressiveness to Bid: Less  More Estimating Activity: Slow  Busy
Structural Steel	6-8%	Material: 10% Labor Rates: 2-3% Aggressiveness to Bid: Less  More Estimating Activity: Slow  Busy
Glass & Glazing / Curtainwall	5-7%	Material: 5-10% Labor Rates: 2-3% Aggressiveness to Bid: Less  More Estimating Activity: Slow  Busy
Drywall / Exterior Framing	6-8%	Material: 5-10% Labor Rates: 2-3% Aggressiveness to Bid: Less  More Estimating Activity: Slow  Busy
Elevators	4-6%	Material: 5% Labor Rates: 3-4% Aggressiveness to Bid: Less  More Estimating Activity: Slow  Busy
Mechanical (HVAC, P, FP)	10-15%	Material: 10-15% Labor Rates: 4-5% Aggressiveness to Bid: Less  More Estimating Activity: Slow  Busy
Electrical	7-9%	Material: 10+% Labor Rates: 2-3% Aggressiveness to Bid: Less  More Estimating Activity: Slow  Busy

# TURNER LOCAL SUBCONTRACTOR SURVEY

Q4 2021

## Cost Drivers (more details)

In 2021, the Earthwork trade saw pricing increases in PVC pipe, ductile pipe, sheeting, and other steel products. Many of these items doubled in price over the past 12 months. Steel sheeting lead times vary depending on roll dates and availability. On many jobs we are looking to obtain design information early in order to pre-purchase the sheet prior to an earthwork award. Earthwork subcontractors anticipate additional increases of around 10% in 2022 in cost of ductile and PVC products. As the operating engineers and laborers union agreements expire this year, we believe they will be looking to get increases similar to the Allied Trades and MEP trade agreements. Estimating departments are steady and they are looking to secure additional backlog in 2022 and into 2023.

While there have been sizable material price increases to rebar, lumber, and accessories over the course of 2021, subcontractors are reporting that material pricing has begun to stabilize over the past month. Bidders are rolling potential material escalation into their bids, but are not changing their OH&P drastically to be more aggressive. Estimating departments are busy, but not overwhelmed, and are picking favorable jobs to go after. Bidders are pursuing work mostly for the second half of 2022 and into 2023. Currently, the expectation is that material pricing will continue to level out, with only a few confirmed price increases already relayed from vendors. Lead times have mostly stabilized, with some subcontractors noting long leads for larger orders of wire mesh products.

We saw increases in steel products over the past 6 months, however not as substantial as the increases we saw from the end of 2020 to the middle of 2021. The backlog for both fabricators and erectors is close to booked for work requiring steel on the job in 2022. Employment is between 90% and 100%, with only a few iron workers on the bench and erectors are holding onto company guys. They are expecting they will be able to maintain good productivity with their current crews on upcoming work. More aggressive pricing will be focused on projects that require fabrication of materials in late 2022 and a start in the field in the middle of 2023 and later.

In 2021, we saw cost increases of roughly 10% for glass and 20-30% for steel and aluminum. Over the past few months, metals have held steady, but other costs (transportation & costs to convert raw metals into steel/alum shapes) have continued to increase. The curtainwall trade should be procured 18-24 months prior to product needed on site, as lead times for custom extrusions, paint, and glass continue to rise. Subcontractors do not see issues with labor availability and productivity on projects in 2022. For a number of curtainwall subcontractors, estimating departments are steady and have the ability to bid on more work. A number of the fabricators are looking for additional backlog and will be pricing certain projects aggressively.

Drywall contractors saw 10-20% increases in GWB every few months, 20% increases for metal stud every month for the past 6 months, and a cumulative increase of 30-40% for mud, batt insulation, and mineral wool. More standard increases are anticipated over the next 6 months, as contractors are seeing the start of a leveling off going into 2022. Lead times have fluctuated in both directions, some showing a trend towards normalcy. Some products remain harder to get as the housing market has a high demand for drywall and mineral wool. Fluctuations in material pricing have resulted in a more conservative approach to bidding in the short-term, but for real opportunities, bidders are attempting to off-set by reducing labor and overhead in order to remain competitive. We may be trending towards normalcy, but bidders are wary of conditions sliding back due to logistics and the evolving COVID situation.

While the elevator trade has seen some supply chain disruptions for materials, the factories have been able to react accordingly to avoid any impacting lead time increase. However, the high-rise traction elevator equipment out of China has a current lead time of 30 weeks. For our region, overseas equipment has been shipping to east coast ports, avoiding disruption on those products. Pricing and lead times are expected to remain stable over the next 6 months, but a labor contract renewal starting in Q3 of 2022 has not yet been finalized. The labor pool is fully employed and many significant projects are currently booked, but larger elevator contractors are aggressively bidding while smaller ones have consistent backlog and are more selective for the short term.

In 2021, we saw overall HVAC/Plumbing/FP escalation approaching 20-25%, led mainly by a cost increase in and scarcity for materials. As we head into 2022, most subcontractors are in agreement that as demand remains strong, future escalation will be in the range of 10-15%, influenced mainly by supply chain issues, labor shortages, and increase in profit margins. We expect continued escalation for equipment to be around 20-30% for 2022, and expect lead times for all equipment to continue to rise for all of 2022 until all vendors are 3x pre-pandemic lead time durations. Pipe fitters and plumbers union halls are currently operating at close to 100%. In 2023, we expect to see increased labor costs due to a decrease in productivity.

Substantial pricing increases were seen in 2021; equipment (generators, gear, switchboards), light fixtures/controls/components increased 15-25%, while steel pipe/fittings, wire, boxes, and fittings saw 60-65%. PVC products saw the most significant increase, more than doubling in price the past 12 months. Estimating departments remain busy and most have work for 2022 and are looking to fill backlog on projects for 2023 and 2024. With the Local 103 hall close to empty, they are looking to win work to hold onto their company workers in preparation for the increase in volume expected in 2023 and beyond. By maintaining their company workers they believe they can maintain the current productivity and continue to provide competitive pricing. A major concern is the long lead times on equipment, as well as products from overseas (Chinese components), as the shipping and transportation timeline remains unstable.

# TURNER CONSTRUCTION MARKET LEAD TIME STUDY

No delays to <2 weeks

2 to 4 week delays

4+ weeks of delay

Q4 2021

Item Description	Typical Lead Time	Current Lead Time
<b>CONCRETE</b>		
Wood Materials	1 week	1-2 weeks
Wire Mesh Products	2 weeks	2-3 months
Formwork Accessories	1 week	2-3 weeks
Stud Rails	3-5 weeks	5-8 weeks
Reinforcing Material	5 days	15 days
Post Tension Material	3-5 weeks	5-8 weeks
Cement	1 week	1 week
<b>STRUCTURAL STEEL</b>		
Decking	16 weeks	26-32 weeks
Small Joists	16 weeks	40-50 weeks
Large Joists	16 weeks	50 weeks
W-Sections (fab'd)	5 - 6 months	7-8 months
Steel Plate	4 - 6 weeks	10 - 26 weeks
<b>EARTHWORK &amp; SPECIAL FOUNDATIONS</b>		
Steel Sheeting (Domestic)	1-2 weeks	cold rolled: 8-10 weeks   hot rolled: 26-28 weeks
Steel Sheeting (Overseas)	12 weeks	cold rolled: 8-16 weeks   hot rolled: 26-28 weeks
Ductile Iron Pipe/Fittings	1 week	8-16 weeks
Plastic Conduit/Pipe	1 week	12-16 weeks
ADS (HDPE Pipe)	1 week	8-16 weeks
Precast	1-2 weeks	2-4 weeks
Casting (Frame & Covers)	2-3 weeks	4-8 weeks (except for Handhole covers - maybe several months)
<b>ROOFING</b>		
Insulation	4-6 weeks	8-9 months
TPO Membrane	1-2 weeks	2-3 months
EPDM Membrane	2-3 weeks	3 months
PVC Membrane	2-3 weeks	3 months
Adhesives	1-2 weeks	2-3 months+
Fasteners	1-2 weeks	6 months
<b>DOORS, FRAMES &amp; HW</b>		
Stile and Rail Wood doors	3-6 weeks	14-18 weeks
Flush Wood Doors	4-6 weeks	15-16 weeks
Residential Grade Doors and Prehungs	7-9 weeks	up to 22 weeks
Hollow Metal Frames	4-5 weeks	19 weeks
Finish Hardware	5-6 weeks	8-10 weeks
<b>EXTERIOR WALL &amp; INTERIOR GLASS</b>		
Aluminum Extrusions	10-12 weeks	18-30+ weeks
Glass	12-16 weeks	16-18 weeks
Laminated Glass	3 weeks	7 weeks
Mineral Wool	2-3 weeks	30 weeks
Steel Shapes & Coil	4 weeks	18-20 weeks
PVC Extrusions	10-12 weeks	16-18 weeks
Silicon Gaskets	6 weeks	10-12 weeks
Cladding (Alum Plate + Sheet)	4-6 weeks	10-12 weeks
Silicon, Hardware, General	4-6 weeks	8-10 weeks
Paint	2-3 weeks	10-12 weeks

Item Description	Typical Lead Time	Current Lead Time
<b>GWB / ACT</b>		
Paint & Caulking	1 - 3 days	2 - 3 weeks
Drywall	1 week	4 weeks
Mud	2-5 days	4 weeks
Wood	2-4 weeks	2-4 weeks
Metal Studs	1 week	4 weeks
Batt Insulation	1-2 weeks	4 weeks
Ceiling Grid & Ceiling Tiles	2-4 weeks	2-4 weeks
Specialty Products - Metal Tiles, Linear Metal, Wood Ceilings	12 weeks	18 weeks
<b>SPECIALTIES</b>		
Toilet Partitions	4 weeks	4 weeks
Accessories	4 weeks or Less	4 weeks or Less
Shades	3-4 weeks	3-4 weeks
Fire Extinguishers	1-2 weeks	1-2 weeks
Operable Partitions (Corbin Hufcor)	8 -10 weeks	12 - 16 weeks
Appliances	2 - 4 weeks	10- 12 weeks
Metal Based Products (Handrails, wall protection)	3-4 weeks	6-8 weeks
Shade Pockets	3-4 weeks	6-8 weeks
Lockers	8-10 weeks	12-16 weeks
Access Flooring (with finished floor)	5 - 6 weeks	16 weeks+
<b>ELEVATORS</b>		
MRLs	14-16 weeks	16-24 weeks
High Speed	24-28 weeks	24-34 weeks
Low Rise	12-14 weeks	14-16 weeks
<b>PIPE &amp; FITTINGS</b>		
Copper Pipe & Fittings	1-2 weeks	Depends on size can be 4-weeks
Steel Pipe & Fittings	1-2 weeks	4 weeks
PVC Pipe	1-2 weeks	6-8 weeks
<b>HVAC EQUIPMENT</b>		
AHU's (custom)	16-20 weeks	48-52 weeks
Pumps	6-8 weeks	12-14 weeks
Valves	1-2 weeks	8 weeks
Major Equipment (Chillers, Boilers, etc...)	8-10 weeks	20 weeks
<b>PLUMBING FIXTURES &amp; EQUIPMENT</b>		
Plumbing Fixtures / Specialty Valves	6-8 weeks	20 weeks with imports extended
Water Heaters	2-4 weeks	20 weeks
Drainage Pumps / Ejectors	10-12 weeks	20 weeks
Fiberglass/ Acrylic Showers	10-12 weeks	18-20 weeks
Kohler Toilets (fancy / residential)	6-8 weeks	15-20 weeks
Touchless Faucets & Flush Valves	6-8 weeks	20 weeks
<b>FIRE PROTECTION &amp; EQUIPMENT</b>		
Fire Pump	8-12 weeks	16-20 weeks
Steel Pipe & Fittings	1-2 weeks	2-4 weeks
Valves (FCVA's, FDV's, Dry valves, PA valves)	1-4 weeks (depending on valve)	2-8 weeks (depending on valve)
PA Panels & Detection Devices	2-4 weeks	16-20 weeks
Flexible Sprinkler Heads	1 week	3-6 weeks
<b>ELECTRICAL</b>		
Lighting (Standard Fixtures)	4-6 weeks	6-10 weeks
Lighting (Custom / Linear Fixtures)	8-10 weeks	16-20 weeks
Lighting Controls	8-10 weeks	10-12 weeks
Generator	10-20 weeks	24-30 weeks
ATS	10-20 weeks	18-24 weeks
Fire Alarm Components	2-5 weeks	6-10 weeks
Gear	6-10 weeks	12-20 weeks
Steel Pipe & Fittings	A few days	2-4 weeks
PVC Pipe	A few days	2-4 weeks
Wire	A few days	3-6 weeks, MI 20 weeks
Boxes and Fittings	A few days	2-4 weeks
Switchboards	6-10 weeks	12-20 weeks

# LOCAL ESCALATION

## Material Escalation



November 2021

The Bureau of Labor Statics shows an average material escalation of 21.0% change over the past 12 months. This number reflects the intermediate demand by commodity type - materials and components for construction.

The all items index rose 6.8% for the 12 months ending November, the largest 12-month increase since the period ending November 1990. The index for all items less food and energy rose 4.6% over the last 12 months, the largest 12-month increase since the period ending August 1991. The energy index rose 30% over the last 12 months, and the food index increased 5.3%.

These historic increases bring the possibility for broad based inflationary pressures. With the CPI and PPI at highs not seen in 30+ years, it is likely that in 2022 the federal reserve will increase interest rates to take on inflation. While this threat of inflation can create rising interest rates and a tightening of investments, we have not experienced a change in business fluidity. Again, this is driven locally by heavy investment in lab science.

BLS Series ID	Material	12-month % Change
WPU102501	Aluminum mill shapes	41.1%
WPU1311	Flat glass	8.4%
WPU102502	Copper & Brass Mill Shapes	37.8%
WPU1017	Steel mill products	141.6%
WPU133	Concrete products	8.4%
WPU137	Gypsum products	20.9%
WPUS1004011	Lumber and plywood	12.2%
WPU1394	Paving mixtures (asphalt)	6.2%

### Producer Price Index (WPUID612)

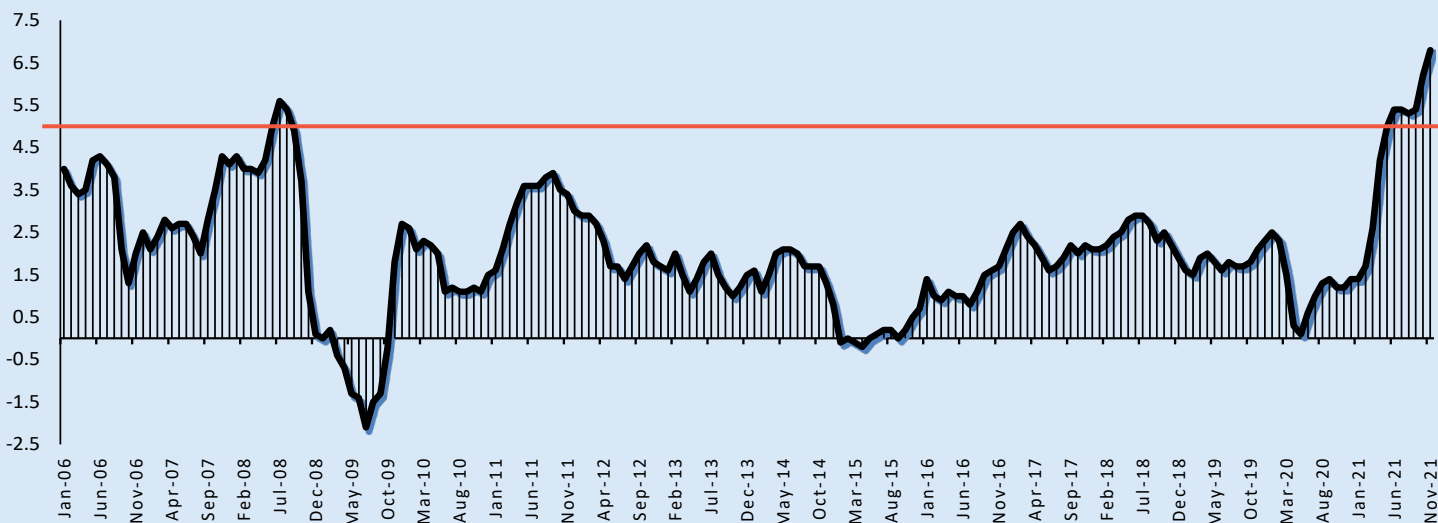
Average Material Escalation: 21.0%

### Consumer Price Index (CPI)

6.8% / year escalation

## Consumer Price Index Over the Past 15 Years

Consumer prices accelerated at their fastest pace in nearly 40 years with the CPI hitting 6.8% in November. Over the last month the Federal Reserve has changed its stance on inflation and retired it's description as transitory. The tapering of asset purchases has increased and they are now projecting a minimum of two rate hikes in 2022.



# LOCAL ESCALATION

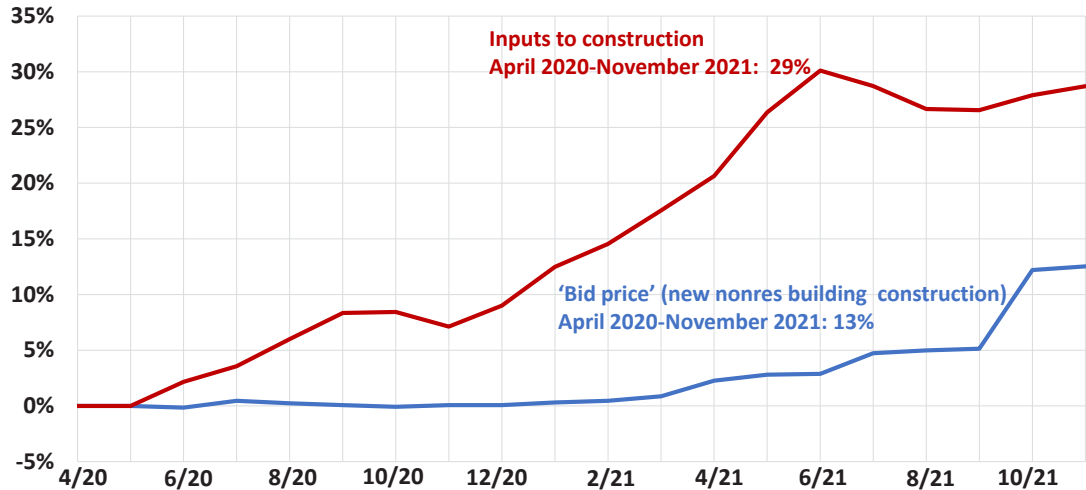
## Commodity Index & Construction Pricing

November 2021

**13%**

Input costs for general contractors have soared by 13% from April 2020 to November 2021. This chart shows the input costs have been absorbed prior to March 2021.

cumulative change in PPIs, April 2020 - November 2021 (not seasonally adjusted)

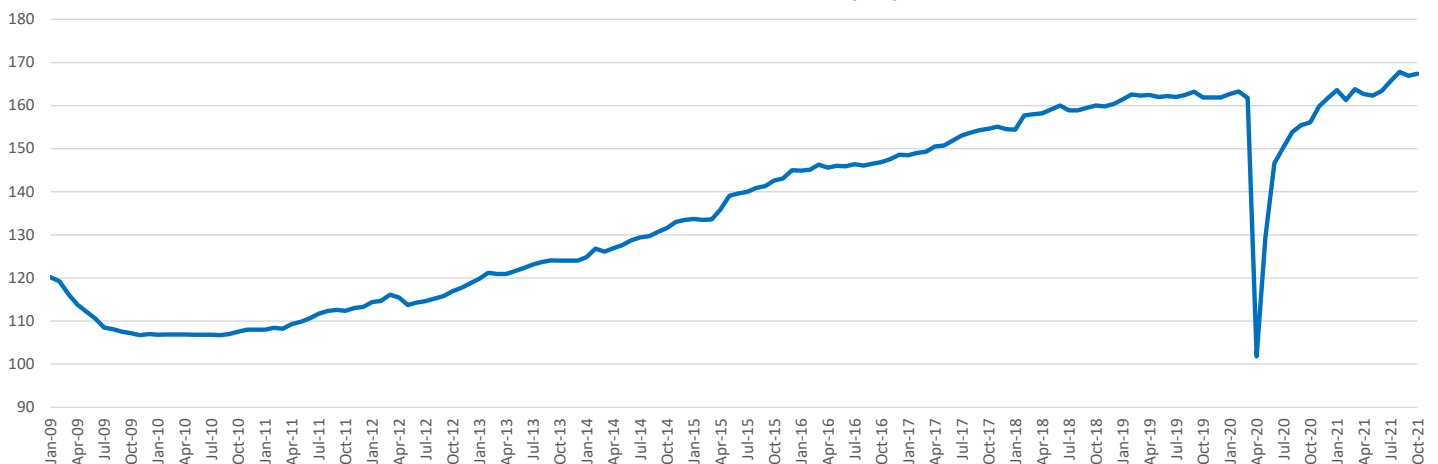


1 | Source: Bureau of Labor Statistics, producer price indexes, [www.bls.gov/ppi](http://www.bls.gov/ppi)

## Construction Employment

Construction employment has been dramatically effected by the COVID-19 pandemic. In 2020, we were focused on how this workforce “comes back to work.” There has been increased demand and increased work, which has resulted in the highest construction employee numbers we have seen in quite some time, just above what they were prior to the pandemic.

### Massachusetts Construction Employment



# LOCAL ESCALATION

## Local Market

Q4 2021

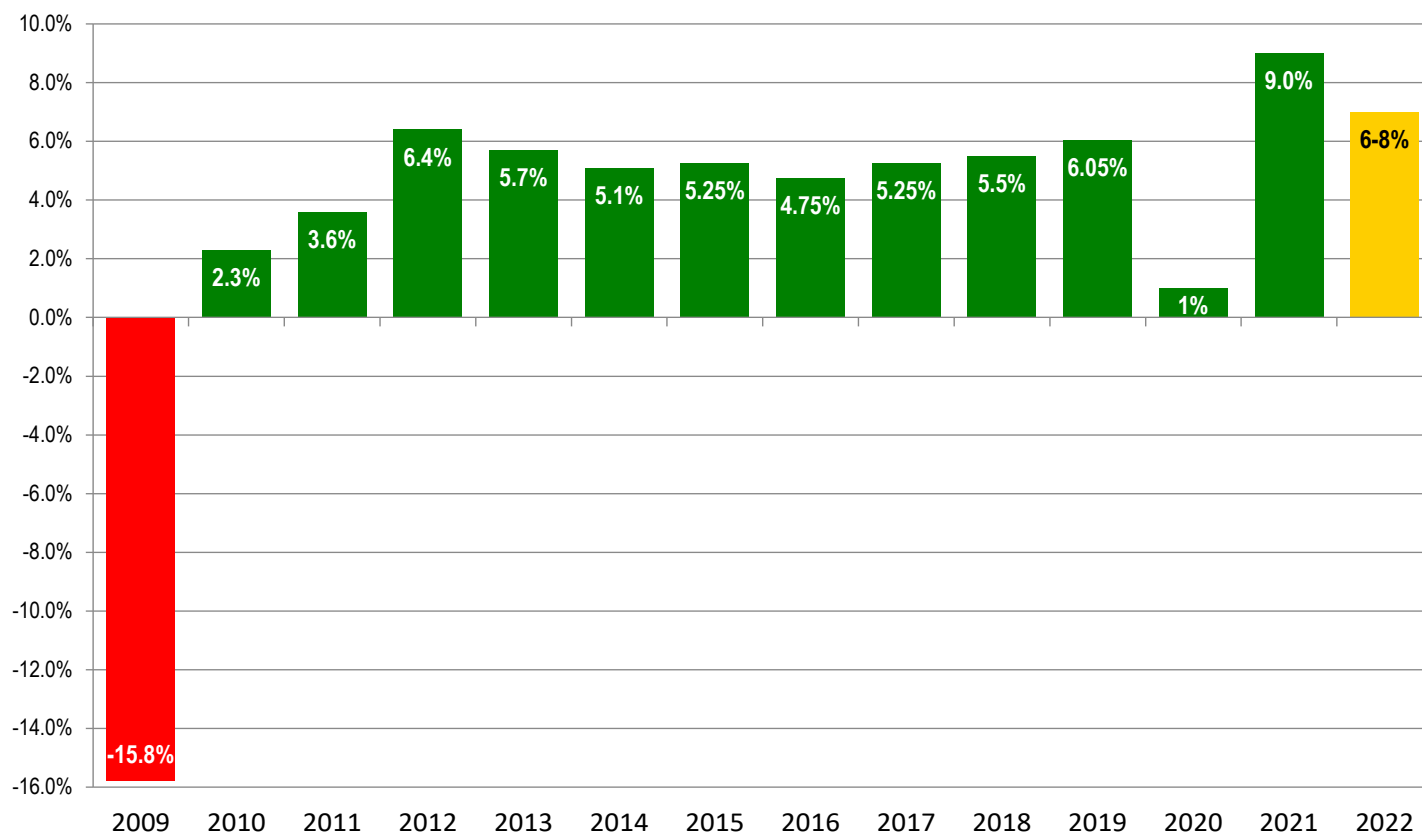
In 2021, we experienced the highest escalation documented in the last decade. This is due to the impacts of the COVID-19 pandemic on commodity materials that become products in the construction industry, along with supply chain challenges, and the increasing construction volume in our market. The projection looking forward is for this to continue. The supply chain challenges will continue and the increasing volume will challenge the industry's ability to supply the necessary workforce. This will stress productivity, and the future pipeline of projects will keep trade contractors full to capacity.

The escalation for 2022 will remain high. How high will depend on the number of project starts, and the very hard to predict anomalies that can occur in such a fragile supply chain.

### Variance from Previous Quarter

Material	↗
Labor	↔
Market Conditions	↗
Overall	↗

### Greater Boston Area Year to Year Local Escalation



# COLLIERS INTERNATIONAL MARKET STATISTICS

Q3 2021



## OFFICE MARKET

Submarket/Class	Total Inventory SF	Direct Availability	Sublease Availability	Availability Rate	Availability Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rent (FSG)
<b>Boston</b>										
Back Bay	13,379,652	838,391	308,524	8.6%	10.0%	196,496	199,180	-	-	\$67.60
Downtown	34,251,697	4,700,798	1,296,382	17.5%	17.2%	(113,773)	(706,001)	772,422	-	\$64.33
Allston / Brighton	758,521	33,952	47,056	10.7%	10.7%	-	(6,862)	-	-	\$55.00
Charlestown	2,067,701	274,395	265,956	26.1%	27.6%	29,641	(208,846)	-	-	\$47.14
Crosstown	504,000	40,230	10,997	10.2%	11.0%	4,243	2,950	-	-	\$41.00
Fenway / Kenmore	1,918,948	36,854	16,940	2.8%	3.1%	6,059	88,037	275,000	-	\$53.00
North Station	2,245,004	292,162	134,663	19.0%	21.2%	48,475	100,502	1,715,212	-	\$54.26
Seaport	9,556,423	992,891	509,092	15.7%	16.7%	98,594	(485,305)	730,000	-	\$60.80
South Station	1,256,141	209,971	7,367	17.3%	20.3%	37,510	(9,855)	660,000	-	\$53.47
<b>TOTAL</b>	<b>65,938,087</b>	<b>7,419,644</b>	<b>2,596,977</b>	<b>15.2%</b>	<b>15.7%</b>	<b>307,245</b>	<b>(1,026,200)</b>	<b>4,152,634</b>	<b>-</b>	<b>\$62.66</b>
<b>Cambridge</b>										
Alewife Station / Route 2	1,681,993	163,141	92,972	15.2%	12.6%	(44,752)	(2,353)	-	-	\$74.12
East Cambridge	8,842,083	428,176	263,673	7.8%	9.5%	150,477	116,135	420,000	-	\$90.51
Harvard Square / Mass Ave	1,817,408	95,127	72,170	9.2%	9.2%	-	(27,783)	-	-	\$79.71
<b>TOTAL</b>	<b>12,341,484</b>	<b>686,444</b>	<b>428,815</b>	<b>9.0%</b>	<b>9.9%</b>	<b>105,725</b>	<b>85,999</b>	<b>420,000</b>	<b>-</b>	<b>\$85.12</b>
<b>Suburbs</b>										
Inner Suburbs	5,377,085	653,256	168,047	15.3%	15.8%	25,656	54,689	379,312	-	\$36.51
Route 128 North	7,056,551	1,244,690	61,151	18.5%	16.5%	(15,835)	(1,573)	220,000	154,000	\$23.24
Route 128 Northwest	17,595,526	2,297,656	263,677	14.6%	14.2%	(59,686)	(237,366)	-	-	\$30.91
Route 128 Mass Pike	20,726,606	2,866,143	608,663	16.8%	16.4%	(69,199)	108,515	253,810	-	\$38.23
Route 128 South	16,159,772	2,217,015	325,652	15.7%	15.6%	(17,257)	(134,789)	116,334	-	\$24.85
Route 495 North	18,740,522	4,062,098	542,466	24.6%	25.5%	175,340	(61,591)	220,000	-	\$19.62
Route 495 West	19,435,736	3,691,436	656,048	22.4%	23.1%	145,681	43,897	-	150,000	\$20.19
Route 495 South	3,196,097	432,791	90,623	16.4%	16.6%	7,308	(98,071)	-	-	\$20.68
Worcester	1,988,183	352,702	100,000	22.8%	21.8%	(20,000)	11,291	-	-	\$23.47
<b>TOTAL</b>	<b>110,276,078</b>	<b>17,817,787</b>	<b>2,816,327</b>	<b>18.7%</b>	<b>18.8%</b>	<b>172,008</b>	<b>(314,998)</b>	<b>1,189,456</b>	<b>-</b>	<b>\$25.81</b>
<b>TOTAL</b>	<b>188,555,649</b>	<b>25,923,875</b>	<b>5,842,119</b>	<b>16.8%</b>	<b>17.1%</b>	<b>584,978</b>	<b>(1,255,199)</b>	<b>5,762,090</b>	<b>304,000</b>	

## LAB MARKET

Market	Square Feet (SF) Supply	Direct SF Available	Sublease SF Available	Vacancy*	Current Absorption	YTD Absorption
<b>Boston</b>						
Financial District	102,567	-	-	0.0%	-	-
Allston / Brighton	203,922	-	-	0.0%	32,811	19,000
Charlestown	773,475	-	-	0.0%	-	57,781
Crosstown	521,000	-	-	0.0%	-	-
Fenway / Kenmore	2,339,047	-	-	0.0%	-	-
Seaport	1,843,511	18,048	-	1.0%	231,408	533,185
South Station	59,000	-	-	0.0%	-	-
<b>Cambridge</b>	<b>12,804,859</b>	<b>1,272</b>	<b>-</b>	<b>0.0%</b>	<b>27,617</b>	<b>233,621</b>
Alewife Station / Route 2	1,358,621	-	-	0.0%	28,889	148,783
East Cambridge	11,364,151	1,272	-	0.0%	(1,272)	84,838
Harvard Square / Mass Ave	82,087	-	-	0.0%	-	-
<b>Suburbs</b>	<b>13,414,878</b>	<b>142,330</b>	<b>130,182</b>	<b>2.0%</b>	<b>570,089</b>	<b>1,125,805</b>
Inner Suburbs	1,524,906	-	8,000	0.5%	49,674	120,387
Route 128 North	515,850	-	-	0.0%	-	-
Route 128 Northwest	3,774,697	46,196	96,050	3.8%	109,899	218,558
Route 128 Mass Pike	2,265,782	28,595	-	1.3%	205,385	350,621
Route 128 South	440,927	7,299	16,531	5.4%	8,817	(16,531)
Route 495 North	1,838,794	31,363	-	1.7%	109,915	340,515
Route 495 West	1,927,925	28,877	9,601	2.0%	73,910	99,766
Route 495 South	200,000	-	-	0.0%	-	-
Worcester	925,997	-	-	0.0%	12,489	12,489
<b>TOTAL</b>	<b>32,062,259</b>	<b>161,650</b>	<b>130,182</b>	<b>0.9%</b>	<b>861,925</b>	<b>1,969,392</b>



# Turner

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