



National Association of Industrial and Office Properties, Northern Virginia Chapter

**Mid-Year Forecast 2008
Navigating the Turbulent Waters**

**THE EXPERTS VIEW:
A GENERAL CONTRACTORS
PERSPECTIVE**

24 July 2008

BUILDING & MATERIAL COST INDICES

Based on ENR Magazine's Building Cost & Material Cost Indices

July 2007 – July 2008

Material Cost Index

Up 7.8%

*An annual increase 6.4% increase
in steel prices pushed the
MCI up 4.3%*

Building Cost Index

Up 5.1%

*The BCI's annual increase rose 3.8% in June, to 5.1%,
largely due to steel prices*



24 July 2008

ENR: July 3/7, 2008

Cost Indexes



Construction Cost Index

A 0.6% increase in labor costs added to a 4.3% monthly jump in material costs pushed the CCI up 4.2% above 2007.

20-CITY: 1913=100	JULY 2008 INDEX VALUE	% CHG. MONTH	% CHG. YEAR
CONSTRUCTION COST	8293.05	+1.3	+4.2
COMMON LABOR	17231.45	+0.6	+3.2
WAGE \$/HR.	32.74	+0.6	+3.2

Building Cost Index

The BCI's annual rate of increase rose from 3.8% last month to 5.1%, based mostly on a surge in steel prices.



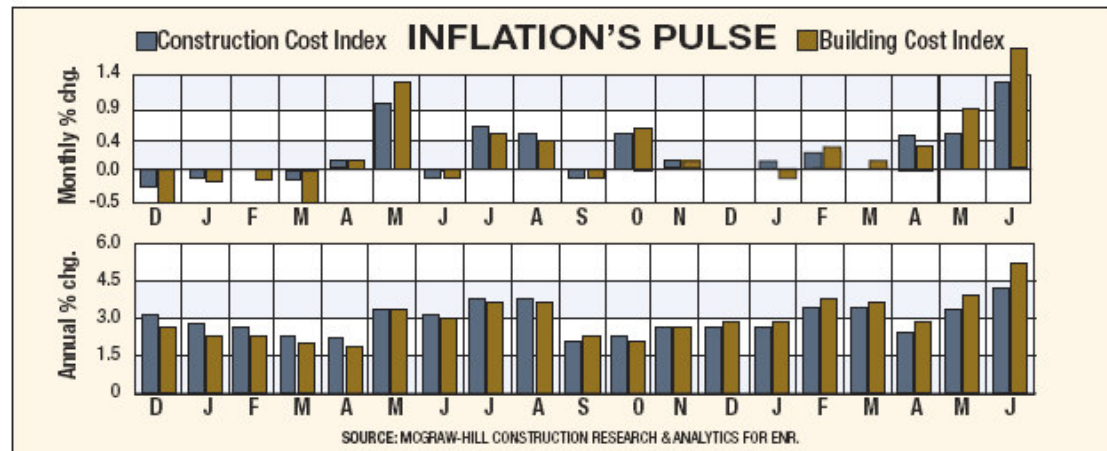
20-CITY: 1913=100	JULY 2008 INDEX VALUE	% CHG. MONTH	% CHG. YEAR
BUILDING COST	4722.80	+1.8	+5.1
SKILLED LABOR	7846.19	+0.4	+3.4
WAGE \$/HR.	43.55	+0.4	+3.4



Materials Cost Index

A 6.4% increase in the steel prices pushed the MCI up 4.3% this month, leaving it 7.8% above a year ago.

20-CITY: 1913=100	JULY 2008 INDEX VALUE	% CHG. MONTH	% CHG. YEAR
MATERIALS	2814.68	+4.3	+7.8
CEMENT \$/TON	100.39	0.0	+0.5
STEEL \$/CWT	46.60	+6.4	+14.8
LUMBER \$/MBF	429.10	+0.5	-3.8



Index Review

BASE YEAR	CONSTRUCTION COST		BUILDING COST		SKILLED WAGES		COMMON WAGES	
	1913	1967	1913	1967	1913	1967	1913	1967
2007 MARCH	7856.27	731.38	4411.25	652.94	7464.32	748.18	16520.53	810.04
APRIL	7864.70	732.17	4415.50	653.57	7466.49	748.40	16533.68	810.68
MAY	7942.00	739.37	4474.64	662.33	7579.13	759.69	16693.95	818.54
JUNE	7938.58	739.05	4471.23	661.82	7579.13	759.69	16693.95	818.54
JULY	7959.17	740.96	4493.34	665.10	7590.90	760.87	16701.71	818.92
AUGUST	8007.07r	745.42r	4514.83r	668.28r	7651.11r	766.91r	16831.32r	825.28r
SEPTEMBER	8049.65	749.39	4532.74	670.93	7701.38	771.95	16946.45	830.92
OCTOBER	8045.14	748.97	4534.52	671.19	7717.96	773.61	16946.45	830.92
NOVEMBER	8091.81	753.31	4557.53	674.60	7793.15	781.15	17083.82	837.66
DECEMBER	8089.45	753.09	4556.15	674.39	7795.74	781.40	17083.82	837.66
2007 AVERAGE	7966.91	741.68	4485.36	663.91	7604.24	762.21	16756.40	821.60
2008 JANUARY	8090.06	753.15	4556.76	674.48	7795.74	781.40	17083.82	837.66
FEBRUARY	8094.28	753.54	4555.98	674.37	7795.74	781.40	17096.97	838.30
MARCH	8109.00	754.91	4570.70	676.55	7795.74	781.40	17096.97	838.30
APRIL	8112.45r	755.23r	4574.15r	677.06r	7795.74r	781.40r	17096.97r	838.30r
MAY	8140.61	757.86	4599.19	680.76	7818.08	783.64	17127.50	839.80
JUNE	8184.94	761.98	4639.93	686.79	7818.08	783.64	17136.97	840.26
JULY	8293.05	772.05	4722.80	699.06	7846.19	786.46	17231.45	844.90

CURRENT INTERIOR FIT-UP PRICING

In Washington, DC Area: from Early 2005 to Early 2006

	5,000 SF	25,000 SF	50,000 SF
Subtotal	\$419,460 / \$83.91	\$1,556,725 / \$62.27	\$2,888,900 / \$57.78
GC's & Fee	\$67,000 / \$13.40	\$225,725 / \$9.03	\$390,000 / \$7.80
Total	\$486,560 / \$97.31	\$1,782,450 / 71.30	\$3,278,900 / \$65.58

Note: Expected inflation for 12 months is 5-6%

SPECIFIC EXAMPLE OF PRICE INCREASES

Washington, DC Office Building
Originally Bid in 1/04, Re-Bid in 11/05

Trade	Percent Change
Cast in Place Concrete	+ 29.7%
Precast Concrete	+ 42.1%
Roofing	+ 92.3%
Glazing	+ 32.1%
Elevators	+ 48.3%
Sprinklers	+ 25.4%
Mechanical	+ 28.6%
Electrical	+ 18.0%
Net Effect on this Office Building	+ 28.1%

SAMPLE PROJECTED CONSTRUCTION PRICE INCREASES FOR 2006

Item	Annual % Change in 2006
Diesel Fuel	+ 22%
Plastic Construction Products	+ 18%
Concrete Products	+ 15%
Ready-Mix Concrete	+ 10%
Gypsum Products	+ 25%
Copper	+ 60%
Metal Stud Materials	+ 40%
Construction Trades Labor	+ 3% - 5%
Net Effect on Typical Office Building	+ 7% - 9%

SAMPLE DOWNTOWN PROJECT**BUILDING AREA 325,333-SF**

Trade	Bid 1 Jan-04	Bid 2 Nov-05	% Delta	Current Value	% Delta	Projected 1-yr Value	% Delta
Dewatering	\$200,000	\$158,700	-20.65%	\$190,440	20.00%	\$198,058	4.00%
Sheeting and Shoring	\$1,048,600	\$1,216,400	16.00%	\$1,605,648	32.00%	\$1,701,987	6.00%
Earthwork	\$1,000,000	\$1,500,000	50.00%	\$2,070,000	38.00%	\$2,214,900	7.00%
Site Utilities	\$69,700	\$68,000	-2.44%	\$88,400	30.00%	\$92,820	5.00%
Site Concrete	\$203,915	\$240,000	17.70%	\$288,000	20.00%	\$296,640	3.00%
Miscellaneous Division 2	\$124,166	\$130,523	5.12%	\$156,628	20.00%	\$161,326	3.00%
Concrete	\$7,939,000	\$10,300,000	29.74%	\$13,184,000	28.00%	\$14,238,720	8.00%
Precast	\$950,000	\$1,350,000	42.11%	\$1,687,500	25.00%	\$1,788,750	6.00%
Masonry	\$625,000	\$350,000	-44.00%	\$427,000	22.00%	\$439,810	3.00%
Stone	\$1,300,000	\$1,350,000	3.85%	\$1,593,000	18.00%	\$1,640,790	3.00%
Miscellaneous Metals	\$562,969	\$893,151	58.65%	\$1,250,411	40.00%	\$1,350,444	8.00%
Ornamental Metals	\$676,750	\$960,672	41.95%	\$1,489,042	55.00%	\$1,652,836	11.00%
Rough Carpentry	\$78,000	\$65,000	-16.67%	\$71,500	10.00%	\$73,645	3.00%
Millwork	\$67,000	\$48,800	-27.16%	\$54,656	12.00%	\$56,842	4.00%
Roofing and Waterproofing	\$454,207	\$635,000	39.80%	\$889,000	40.00%	\$951,230	7.00%
EIFS and Sealants	\$122,679	\$323,033	163.32%	\$387,640	20.00%	\$399,269	3.00%
Doors, Frames and Hardware	\$121,175	\$141,484	16.76%	\$176,855	25.00%	\$185,698	5.00%

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SAMPLE DOWNTOWN PROJECT

BUILDING AREA 325,333-SF

Trade	Bid 1 Jan-04	Bid 2 Nov-05	% Delta	Current Value	% Delta	Projected 1-yr Value	% Delta
Glass	\$3,900,000	\$5,150,000	32.05%	\$7,210,000	40.00%	\$7,786,800	8.00%
Drywall	\$1,300,000	\$1,422,022	9.39%	\$1,706,426	20.00%	\$1,757,619	3.00%
Ceramic Tile	\$147,385	\$166,362	12.88%	\$196,307	18.00%	\$202,196	3.00%
Carpet and Resilient	\$57,706	\$66,271	14.84%	\$86,152	30.00%	\$91,321	6.00%
Painting	\$135,000	\$160,496	18.89%	\$184,570	15.00%	\$190,108	3.00%
Specialties, Equipment and Furnishings	\$275,808	\$277,136	0.48%	\$327,020	18.00%	\$340,101	4.00%
Elevators	\$1,556,500	\$2,308,341	48.30%	\$3,047,010	32.00%	\$3,290,771	8.00%
Mechanical/Plumbing	\$4,900,000	\$6,300,000	28.57%	\$8,820,000	40.00%	\$9,525,600	8.00%
Sprinklers	\$480,000	\$601,930	25.40%	\$752,413	25.00%	\$797,557	6.00%
Electrical	\$2,500,000	\$2,950,000	18.00%	\$4,248,000	44.00%	\$4,587,840	8.00%
Subtotal	\$30,795,560	\$39,133,321	27.07%	\$52,187,619	33.36%	\$56,013,679	7.33%
General Conditions	\$3,193,829	\$4,356,727	36.41%	\$5,396,763	23.87%	\$5,544,807	2.74%
TOTAL	\$33,989,389	\$43,490,048	27.95%	\$57,584,382	32.41%	\$61,558,486	6.90%
	\$104.48	\$133.68		\$177.00		\$189.22	

Inferred Escalation by Year	2004	2005	2006	2007	2008
	16%	10%	10%	9%	5-6%

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DAVIS has provided construction services continuously in Washington, DC, Virginia and Maryland since the firm's founding in 1966. During its impressive 42-year history, the firm has earned a position of leadership in the Washington Metro Area construction industry, highlighted by the following achievements:

Honored by the Metropolitan Subcontractors Association with *Outstanding General Contractor Awards* for the years 2005, 2004, 2003, 2002, 2000, 1996, 1995, 1993, 1988, 1982 and 1975.

Honored by GWCAR as the recipient of the 2007 Best In the Industry Contractor

Ranked in the metro area by the *Washington Business Journal* in 2008 as both the third largest locally based General Contractor and third largest Interior Contractor.

Ranked by the *Engineering News Record* number 19 among the Top 50 National Green Contractors, making DAVIS the highest rated locally based general contractor.