

# INDUSTRY INSIGHTS

May 2010

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## PARKING STRUCTURE COST OUTLOOK FOR 2010

By Joey D. Rowland, P.E.

**National Median  
Parking Structure  
Construction Cost 2010**  
**\$16,167 per space**  
**\$48.54 per square foot**

2009 was a dismal year for the construction industry. Hit by a variety of unprecedented forces, the decline

in construction was steeper and faster than anyone could have predicted. Construction activity was down in all sectors of the industry with most economists agreeing that last year was the worst on record. In fact, the Engineering News-Record (ENR) reported in their year-end cost report that the dollar value of all non-residential construction starts fell 30% in 2009.<sup>1</sup>

The news gets worse for the parking structure market. The Prestressed Concrete Institute (PCI) reported in their 2010 construction outlook that parking garage construction fell 49% from 2008 levels and is expecting another 7% decline for 2010. They also report that "no region of the country seems poised for an upturn" in 2010. PCI's outlook predicts a robust 38% increase in parking structure projects in 2011, but that number is still down 34% when compared to the 2008 peak.<sup>2</sup>

The sharp decline in construction can be attributed to the general weakness in the economy, but more directly to the near collapse of the banking industry and the resulting reluctance of banks to finance construction projects. At the same time, many public sector construction projects were held up while waiting for the effects of the stimulus funding or due to budget cutbacks. Although easing a bit, banks will likely continue their conservative trend and will be reluctant to finance commercial construction projects even as the general economy recovers.

The good news is that most economists agree that the worst of the recession is behind us and a "double-dip" recession is less likely. The rebound in the construction market is slowly under way and should pick up somewhat in the latter part of 2010 and into 2011. In this transitional year, construction

cost estimates will be even more challenging than usual - which brings us to the main point of this article. Predicting the construction costs for parking structures this year will be more difficult because of the uneven and sporadic recovery. The rebound effect will differ by region and material costs are likely to vary widely throughout the year.

### Methodology

**Carl Walker, Inc.** began reporting on the construction costs of parking structures in 2004 and has continued on an annual basis. We reported on the extraordinary one year spike in construction costs from 2004-2005 and noted more consistent construction inflation from 2006-2008. We reported on the cost impacts of design features such as enhanced architecture, higher levels of service, mixed use, and non-parking functions on the ground level. We made adjustments to our model over the years based on feedback from the industry and performed statistical analysis to further enhance the predictability of parking structure costs. (For past copies of our reports, please contact the author.)

Our methodology has remained consistent over the years. Our definition of construction cost is "the cost of work plus contractor fees." Our data is limited to above-grade parking structures and we do not include A/E fees and back-end services such as geotechnical engineering and material testing. Soft costs such as land acquisition or debt service are also not included, since these costs are highly variable. When using our data, one should consider that the total project cost will likely be 15-25% higher than the construction cost, excluding land costs.

Our cost data is based on **Carl Walker** projects constructed over the past 25 years. We index our data to the *Building Cost Index* (BCI) published by ENR based on the month and year the project was constructed. To account for regional cost differences, we utilize *Location Factors* published by *RS Means*. Using these indexes allows us to scale past projects

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in different locations to derive a uniform national median construction cost for a new parking structure.

**2010 Market Conditions**

After a disastrous 2009, many expected the construction market to bottom out in early 2010 and slowly rebound as the year progresses. For this reason, we delayed our cost report to see what the first quarter of 2010 would reveal. With the first quarter reports trickling in, we are starting to see a rise in construction commodity prices after a year of virtually no change. This would seem to indicate that the market has indeed reached bottom and a slight recovery may be underway. However, the global impact of construction (i.e. China, India, etc.) activity on material costs makes it difficult to make domestic market predictions based on material costs.

In their year-end report, ENR forecasted that the Building Cost Index (BCI) would increase by 1.3%.<sup>1</sup> Since our cost projection model is based on BCI, we used an inflation factor of 1.3% in our database. Therefore, for 2010 we are projecting a statistical cost for a new above grade parking structure at **\$16,167** per space and **\$48.54** per square foot. The table on the right gives projected parking structure costs in various US cities.

**But Wait...**

The numbers on the right may not tell the whole story. The ENR Building Cost Index is based on labor rates and raw material costs, not what the contractor actually bids. With fewer projects available and stiff competition, contractors are forced to cut project management expenses, administrative costs, and profit margins. Thus, it is entirely conceivable that the cost projections above are over-stated by five to ten percent or more! We have seen some projects bid more than 30% below 2008 costs.

As mentioned above, the recovery is likely to be uneven. This means that a particular region or a market sector will recover differently than others. The southwest, mountain states, southeast, and great lakes regions suffered the worst of the recession whereas the midwest and northeast experienced a relatively mild recession. The hardest hit areas will likely recover at a slower rate than the others.<sup>3</sup>

In summary, the median costs reported in the table below represent statistical probability. Conditions may be very different in certain parts of the country and changes may occur rapidly as the year progresses. The parking professionals at **Carl Walker** will be happy to assist with budgeting of your next parking structure. If you have any questions or would like specific cost information for your area, feel free to contact Joey Rowland at jrowland@carlwalker.com or 704-716-8000.

**Median Parking Structure Construction Costs 2010**

City	Index	Cost/Space	Cost/SF
Atlanta	90.2	\$14,583	\$43.78
Baltimore	93.1	\$15,052	\$45.19
Boston	115.4	\$18,657	\$56.02
Charlotte	80.0	\$12,934	\$38.83
Chicago	114.9	\$18,576	\$55.77
Cleveland	99.5	\$16,087	\$48.30
Denver	95.0	\$15,359	\$46.11
Dallas	85.4	\$13,807	\$41.45
Detroit	103.2	\$16,685	\$50.09
Houston	88.3	\$14,276	\$42.86
Kansas City	102.1	\$16,507	\$49.56
Los Angeles	108.3	\$17,509	\$52.57
Miami	90.3	\$14,599	\$43.83
Minneapolis	109.8	\$17,752	\$53.30
Nashville	88.0	\$14,227	\$42.72
New York	130.7	\$21,131	\$63.44
Philadelphia	113.2	\$18,302	\$54.95
Phoenix	89.0	\$14,389	\$43.20
Pittsburgh	97.6	\$15,779	\$47.38
Portland	101.0	\$16,329	\$49.03
Richmond	88.4	\$14,292	\$42.91
St. Louis	102.9	\$16,636	\$49.95
San Diego	105.1	\$16,992	\$51.02
San Francisco	123.8	\$20,015	\$60.09
Seattle	103.9	\$16,798	\$50.43
Washington, D.C.	99.7	\$16,119	\$48.40
<b>National Avg.</b>	<b>100</b>	<b>\$16,167</b>	<b>\$48.54</b>

References:

1. "Little Room for Costs to Move", by Timothy Grogan, Engineering News-Record, December 21, 2009, pp.22-24.
2. "The 2010 Construction Outlook", by Sidney Freeman, Precast/Prestressed Concrete Institute, March 16, 2010.
3. "Regional Cost Inflation Now Varies Widely and Widens Further in 2010", by Jim Haughey, E-Newsletter from RS Means, March 23, 2010.

## News about our projects...



The 873-stall Lake Street Parking Garage at Colorado State University in Fort Collins recently opened and has been well received by all segments of the CSU community. The parking operations group is currently

moving into their new office space in the garage, which incorporates approximately 18,000 sq. ft. of retail and office. More than 9,000 sq. ft. of solar panels are currently being installed on the roof of the parking structure. The facility is

expected to receive Leadership in Energy and Environmental Design (LEED®) Gold certification later this year in recognition of its many sustainable features. The project team includes

**Carl Walker, Inc.** (Structural/Functional Design); H+L Architects (Lead Designer); Tetratex (Civil); Shaffer Baucom (MEP); Shaw Construction (Contractor); and Long Energy (LEED®).



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## MESSAGE FROM THE PRESIDENT

If you are reading this message, it means you received our newsletter via email and not a printed copy sent by snail mail as typically done in

the past. We hope you find our eNews as relevant and useful as our prior printed copies. PDF versions of past newsletters can be found on our website at [www.carlwalker.com](http://www.carlwalker.com). We will continue to provide news articles to our clients/friends in the parking world with relevant information pertaining to parking facility costs – an annual tradition – and other parking trends and insights. If there is a particular topic that you would like us to address, please contact me at [gcudney@carlwalker.com](mailto:gcudney@carlwalker.com).

Going electronic with our “mailings” is one of our many steps towards being a more sustainable oriented business. Included is our focus on designing and restoring parking facilities with sustainable features, some receiving LEED® Certification as noted in the article above, and incorporating recommendations on sustainable parking operational strategies into our parking

studies.

Going electronic and going green are a couple of the many areas of change we faced in 2009. The economic upheaval of the past couple of years has made “business as usual” obsolete. During 2010 and beyond, we at **Carl Walker, Inc.** look forward to continuing to serve you and the parking industry while achieving our company purpose which is to provide creative parking and engineering solutions of superior value in an environment that promotes professional growth and values quality of life.

Gary Cudney, P.E.

P.S. Look for the 5<sup>th</sup> Edition of The Dimensions of Parking, just published by the ULI and National Parking Association (NPA) now available for purchase at [www.npapark.org](http://www.npapark.org). The book is written by the Parking Consultants Council (PCC) of the NPA of which I am the Chairman this year. I think you will like the enhancements made to this popular parking planning, design, and management guide.