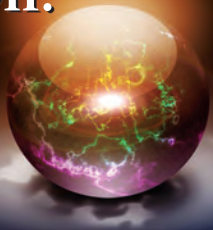




Common Goals – 2012 Construction Cost Forecast

**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

Monitoring 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.



Neal L. Harper, President
Cadence 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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- Clark High School Addition for Plano ISD

Cadence McShane Marks Timely Progress at New VA Specialty Outpatient Clinic in Corpus Christi, Texas

Summer 2012 is the scheduled completion date of the new Specialty Outpatient Clinic located in Corpus Christi, Texas that is currently under construction by the Cadence McShane construction team. The new 42,236 square foot medical services facility is situated at Bear Lane and South Padre Island Drive within the 100 South Padre Island Business Park. When completed, the new clinic will enhance the current medical service offerings provided at the nearby Corpus Christi Outpatient Clinic located at 5283 Old Brownsville Road. The Specialty Outpatient Clinic is being constructed to meet LEED-Silver standards with features such as a glass curtainwall entryway providing generous natural light to the interior and an exterior façade that utilizes locally sourced materials, such as brick and Texas limestone. Cadence McShane will complete medical service areas within the facility including cardiology, pulmonary, dermatology, endocrinology, urology, ophthalmology, dental, podiatry, pharmacy, laboratory, mental health, physical therapy, prosthetics and orthopedics. Rees Associates, Inc. is providing the comprehensive architectural services for this new medical office facility. □



Project Profile

Cadence McShane to Construct 78-Unit Legacy at Bear Creek Senior Living Complex

Co-developers, PinPoint Commercial, L.P. and The 410 Group, have selected Cadence McShane to complete the construction of Legacy at Bear Creek, a new 78-unit assisted living and memory care facility. The new 51,000 square foot assisted living complex will be located on 6.8 acres at Keller Smithfield Road in Keller, Texas, situated within Keller Town Center, a 340-acre mixed-use planned development. The expansive two-story complex will be constructed of an attractive masonry, natural stone and cedar Portico-Chere exterior. The interior will incorporate upscale furnishings and finishes that are designed to meet the needs of today's generation of seniors. Common areas at the Legacy at Bear Creek will include technology stations that feature web cam computers, allowing residents to keep in touch with family and friends, and individual suites offer wireless care management and tele-medicine systems. Additional amenities at Legacy at Bear Creek include a retention pond, outdoor seating areas and lush walking trails safely enclosed within two courtyards. Wakefield Beasley & Associates is providing the architectural services for this new senior housing assignment that will be completed in December 2012. □

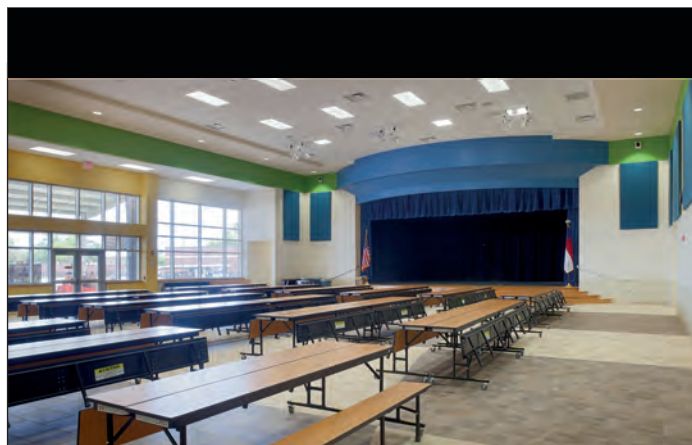


Cadence McShane has been selected by co-developers, PinPoint Commercial, L.P. and The 410 Group, to complete the construction of Legacy at Bear Creek, a new 78-unit assisted living and memory care facility located within Keller Town Center, a 340-acre mixed-use planned development in Keller, Texas.

Cadence McShane Completes New Edgewood Elementary School in Houston

Heralding the start of the new school year in Fall 2011, Cadence McShane delivered the completed 110,160 square foot Edgewood Elementary School on behalf of Spring Branch Independent School District (ISD). The ISD serves over 32,000 students and employs over 4,500 educators and support staff throughout 46 schools in the

district. Located at Hollister Road and Kempwood Drive in Houston, Texas, the new single-story school replaces an existing elementary school originally constructed in 1960. The new elementary school features 38 classrooms, science lab, library, full-service cafeteria and kitchen, practice gymnasium, administrative areas, music and choir room, art instructional space and performing arts areas. The aesthetically pleasing exterior was constructed using stone and masonry façade components and is complemented by large windowpanes allowing for abundant natural light within the facility. A striking clock tower placed above a



The new 110,160 square foot Edgewood Elementary School completed on behalf of Spring Branch Independent School District features 38 classrooms, science lab, library, full-service cafeteria with kitchen, practice gymnasium, administrative areas, music and choir room, art instructional space and performing arts areas.

stone partition contributes an additional element of architectural interest. Cadence McShane also completed site-work and landscaping, including a surface parking lot featuring 138 vehicle spaces. PBK Architects provided the architectural services for this sizable educational construction assignment. □

Cadence McShane Completes J.C. Thompson Elementary for Northwest ISD

A new elementary school has joined the growing roster of educational facilities operated by the Northwest Independent School District (ISD). Northwest ISD is one of the fastest growing school districts in Texas and attracts more than 1,400 new students each year. Cadence McShane provided an on-time completion of the new 83,099 square foot J.C. Thompson Elementary School to support its opening for the 2011-2012 academic year. J.C. Thompson Elementary is situated on an 11-acre campus at 440 Wishbone Lane in Haslet, Texas, a growing community situated directly north of Fort Worth. The single-story educational facility features an attractive masonry exterior and generous, over-arching window lines throughout. The interior of the new school includes 32 classrooms, an expansive cafeteria with a full-service kitchen, a modern library as well as a gymnasium. Cadence McShane also completed the site work, landscaping and a surface parking lot offering 134 spaces for visitors and staff. Plano, Texas-based SHW Group provided the architectural services for this educational assignment. □

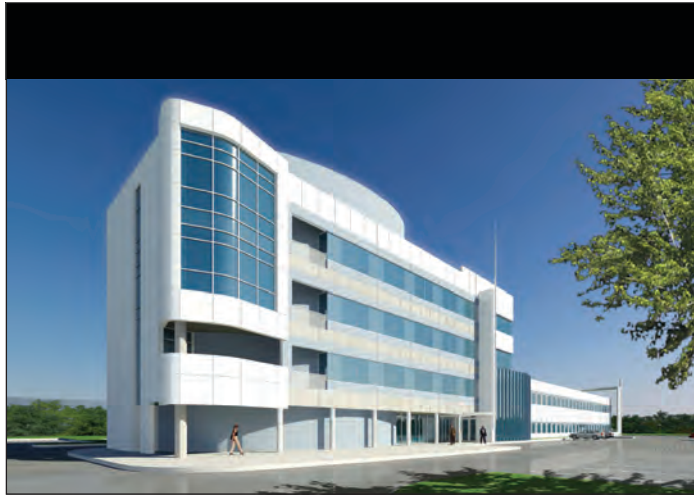
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Cadence McShane Awarded 45,000 S.F. Office Assignment for EagleBurgmann HQ

Freudenberg Immobilien Management and The Mathis Group, Inc. recently selected Cadence McShane for the comprehensive 45,000 square foot headquarters facility expansion and interior renovation assignment for EagleBurgmann Industries LP located at 10035 Brookriver Drive in Houston, Texas. Cadence McShane will complete a new four-story addition to the existing two-story facility utilizing similar tiltwall and glass components to provide a seamless integration of the design scheme. Together with this sizable new construction portion, Cadence McShane will also complete comprehensive interior renovations including contemporary private offices, open workstation modules, updated conference rooms, a training room and testing laboratories, in addition to employee amenities such as employee locker rooms and break rooms. Founded in 1977 as a subsidiary of EagleBurgmann Germany of Wolftrathshausen, Germany, EagleBurgmann Indus-



Cadence McShane was recently selected by Freudenberg Immobilien Management and The Mathis Group, Inc. to complete a comprehensive 45,000 square foot headquarters expansion and interior renovation assignment for EagleBurgmann LP in Houston, Texas.

tries LP focuses on high-end sealing applications for the oil and gas industry. Since launching manufacturing operations in Houston, Texas in 1986, the company has firmly established itself in the U.S. mechanical seal market with additional investments in a second Houston manufacturing facility. Construction began this January and will reach completion in December 2012. The Mathis Group, Inc. is providing construction management services and Powers Brown Architecture is serving as project architect. □

Cadence McShane Wins 45,612 S.F. Repurposing Assign- ment for Santa Fe ISD

Cadence McShane was recently awarded a new construction assignment from Santa Fe Independent School District (ISD). The project includes 45,612 square feet of reconstruction and conversion of the existing Cowan Elementary School, located at 4133

Warpath Drive in Santa Fe, Texas into the District's new Elizabeth Yaws Cowan Educational Center. Located southeast of Houston, the ISD serves students at four elementary schools and two secondary schools. With project completion set for April 2012, Cadence McShane will equip the center with an updated boardroom and expanded office space for teaching staff as well as the construction of a new technology center and a technology training component. Cadence McShane's project team will also implement energy efficient upgrades to the mechanical and electrical systems and the existing roof. Santa Fe ISD recently selected Cadence McShane to complete a 108,800 square foot new classroom addition and campus renovation assignment in 2011 at the Santa Fe Junior High School. Numerous modernization updates at that school facility incorporated upgrades to hallways, restrooms, MEP systems, the athletic field house, landscaping and parking lots. SBWV Architects, Inc. is providing the architectural services for this expansive repurposing construction assignment. □



On behalf of Plano Independent School District, an August 2012 completion is scheduled for the new two-story 22,000 square foot science and classroom addition to Clark High School located in Plano, Texas that features eight new classrooms and four new science laboratories.

Plano ISD Selects Cadence McShane For Clark HS Addition

Continuing its long track record of successful construction assignments on behalf of Plano Independent School District, Cadence McShane was recently awarded the construction of the new Clark High School science and classroom addition located at 523 Spring Creek Parkway in Plano, Texas. With construction underway on the two-story, 22,000 square foot addition, the new expansion will incorporate the masonry façade utilized on the existing two-story building to ensure a seamless design aesthetic. The interior of the modern educational environment will include eight new classrooms on the first floor and four new science laboratories that will be completed on the second floor of the expansion offering student workstations, equipment storage space as well as traditional learning areas. Additional safety precautions will be implemented by Cadence McShane to secure the construction areas allowing on-going construction activities for the expansion assignment while students are in class throughout the Spring session. Corgan Associates is providing the architectural services for this educational assignment scheduled for an August 2012 completion. □

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 Cadence McShane and McShane Construction 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. □

COMMON GROUND is published in January, May and October of each year by:

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