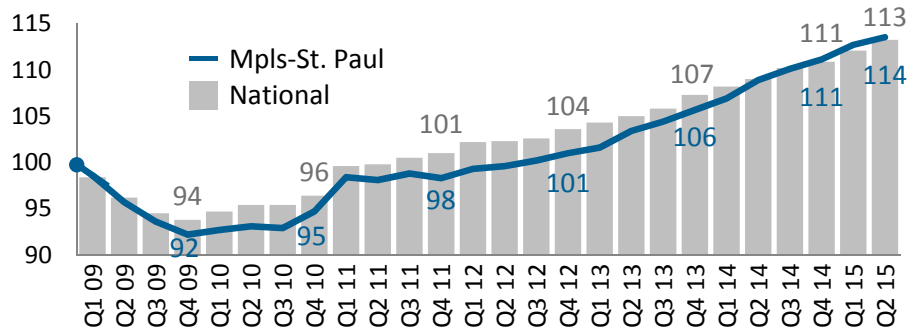
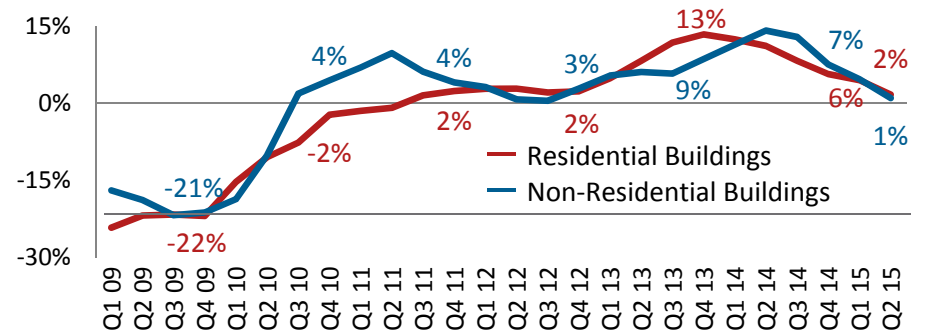


Overall Construction Cost Index (January 2009 = 100)



The Minneapolis cost index continued the recent trend of outpacing the growth of our national cost index and, in fact, has risen above it for the first time since 2009. The Minneapolis index is 5% higher than it was at this time last year.

Mpls-St. Paul Construction Employment (Year-Over-Year Growth)
(an indicator of future wage and activity trends)



Construction activity continues to grow in Minnesota, though at a declining pace in the last year. Employment growth rates for both residential and non-residential projects are down about 10% from this time last year.

Minneapolis Building Component Trends (Q2 vs. Q1 2015)

Highest Growth	<ul style="list-style-type: none"> Floor/Wall Tile (8.3%) Install Reinf. Steel (8.1%) 	<ul style="list-style-type: none"> Steel Framing/Stairs (5.6%)
Slight Growth	<ul style="list-style-type: none"> Gypsum Board (2.5%) Unit Masonry (2.1%) Fire Systems (1.7%) Cast-in-Place Concr. (1.4%) 	<ul style="list-style-type: none"> Finish Carpentry (1.4%) HVAC Systems (1.2%) Plumbing Systems (0.4%) Electrical Systems (0.1%)
Flat	<ul style="list-style-type: none"> Roofing System (0%) Deck Formwork (0%) Traction Elevators (0%) 	<ul style="list-style-type: none"> Structural Steel / Metal Decking Material (0%)
Declining	<ul style="list-style-type: none"> Site Utilities (-1.1%) Earthwork (-1.9%) 	<ul style="list-style-type: none"> Reinforcing Steel (-2.0%) Flooring/Carpeting (-2.7%)
<p>Note: All other components (19% of the index) rose 0.9%.</p>		

Over half of the index components saw an increase in costs in the latest quarter. The largest components, HVAC and Electrical systems, grew slightly at 1.2% and 0.1%, respectively.

Advice for Building Owners

The Minneapolis market has experienced substantial growth with a record volume of construction permits in 2014 and it appears that strong growth in Twin Cities construction costs will sustain through 2015. With many subcontractors and suppliers at capacity and continuing to exercise caution in their pursuit of new work, we recommend that building owners plan for cost increases of 5% over the next year. Projects with complex scopes of work may experience even higher escalation rates.

About this report: The Mortenson Construction cost index is calculated quarterly by pricing a representative non-residential construction project in Mpls-St. Paul and other geographies throughout the country. Local employment figures are from the Bureau of Labor Statistics.

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