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## Survey: Seattle one of world's most expensive cities for construction

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A new survey from Turner & Townsend ranks Seattle as the sixth most expensive place to build in the world.

The International Construction Market Survey is an annual study of costs for both commercial and residential projects in 43 regions and cities. New York City, where average construction wages have hit \$100 an hour, topped the list.

In addition to NYC and Seattle, two other U.S. cities — San Francisco and Houston — are in the top 10.

A report issued on the survey calls the construction market “hot” in San Francisco and NYC, and “overheating” in Seattle. Houston is “lukewarm” due to the weak oil market.

Turner & Townsend rates markets as cold, lukewarm, warm, hot and overheating. The report said markets that are hot or overheating typically have high cost inflation because of intense competition for resources and labor.



Image from Weber Thompson [\[enlarge\]](#)

**Skanska USA recently signed a \$151.6 million contract to build Nexus condo tower for the Burrard Group of Canada.**

Of the 43 markets in the survey, only Seattle and Bogota, were considered to be overheating. In last year's survey, Seattle and NYC were the only cities overheating.

John Robbins, Turner & Townsend's managing director for the U.S., said Seattle is overheating due to labor and material costs, too few contractors and the pace of work. He said Seattle has caught up with other pricey cities, such as London.

Robbins, who works in Turner & Townsend's Chicago office, said he visited Seattle last week and was impressed by the number of cranes.

"In stark contrast to conditions in many other global regions, most U.S. cities are seeing a major construction boom," he said.

Chris Toher, executive vice president in charge of Skanska USA's Seattle office, said his firm is seeing prices slowly and steadily rise, but no spikes. "We are seeing cost of material going up; we are seeing cost of labor going up," he said.

Toher said subcontractor margins have been rising due to supply and demand, but pricing from many of the trades follows the price of oil, which has been flat for a while. He said some subs are at capacity. Trades in high demand are drywall, elevators and exterior glass.

In the new survey, both NYC and San Francisco passed Zurich as the most expensive places to build.

Average costs in NYC are \$354 per square foot, followed by San Francisco at \$330. Seattle came in at \$280 and Houston was \$233. Costs were determined from six types of construction: high-rise apartments, prestige office blocks, large warehouses, hospitals, primary and secondary schools, and shopping centers.

High-rise office buildings in central business districts are \$500 a square foot in Seattle, \$553 in NYC, \$521 in San Francisco and \$445 in Houston. Large warehouses are \$125 in Seattle, \$161 in NYC, \$132 in San Francisco and \$87 in Houston. High-rise apartments are \$195 in Seattle, \$295 in NYC, \$278 in San Francisco and \$148 in Houston.

The report said labor costs for plumbers and electricians are \$85 per hour in Seattle, compared to \$103 in NYC, \$100 in San Francisco and \$59 in Houston. General laborers are getting \$57 in Seattle, \$80 in NYC, \$52 in San Francisco and \$41 in Houston. Foremen are at \$110 in Seattle, \$140 in NYC, \$109 in San Francisco and \$98 in Houston.

High labor rates and a strong U.S. dollar helped put the four U.S. cities into the top 10, according to the report, which used information from Turner & Townsend's branch offices and other sources.

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### Here's the top 10

1. New York City
  2. San Francisco
  3. Zurich
  4. Hong Kong
  5. London
  6. Seattle
  7. United Kingdom (south)
  8. Dublin
  9. Sydney
  10. Houston
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Average hourly construction wages in North America are \$72.50 per hour. The second highest region, Australia, averages \$56.20. Africa had the lowest wages, at \$4 per hour. Many regions with lower wages also have lower costs of living.

The report said regions with the lowest-paid workers typically use manually intensive methods of construction, while expensive labor regions rely on automation to improve productivity and limit the number of workers on the job.

There's no relief in sight. Turner & Townsend forecasts construction prices in Seattle and San Francisco will jump 5 percent in the next 12 months — outstripping the global average of a 3.5 percent increase for 2017.

In 2016, Seattle saw a 5 percent jump in construction prices and San Francisco had a 4.2 percent rise. The global average in 2016 was 3.7 percent.

Toher said this is an expensive time to build, but owners have projects that need to get done and they still pencil out. He said the last time projects were delayed due to high costs was during the “severe” construction spike in 2006-07.

“Everybody today understands where the market is,” he said.

Toher said Skanska's local office is at “a very good level” and is pursuing work set to start in the second quarter of 2018. “Doors are never closed with contractors.”

The report predicted that U.S. housing sectors will slow eventually as supply increases. It said commercial construction could go higher if the Trump administration manages to bring business headquarters back to the U.S.

Robbins said the future slowdown in housing could affect Seattle, but the market here should be strong well into 2018.

Turner & Townsend said investing in new technologies and construction methods, and better data analysis would help to counter rising costs and a shortage of skills. The report showed labor shortages in 24 markets, including Seattle.

“In common with the majority of developed economies, U.S. construction continues to suffer from an acute skills shortage which is driving up labor costs,” Robbins said. “This is especially relevant in the context of much-needed investment in major infrastructure — which the new administration in Washington has pledged to address.”

Turner & Townsend been surveying construction costs for several years and is adding cities every year to the list, according to Robbins. The London-based company performs project, program and cost management for projects around the world.

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