



Hanscomb

Escalation Watch - Fourth Quarter 2008

The mid-November 2008 Non-residential Construction Price Indices were released by Statistics Canada on February 13th. The first quarter indices for 2009 will be available mid-May 2009.

Nationally, the composite has taken a sharp dip, falling 2.8% from the previous quarter and reducing the year over year increase to 8.2% over the same period in 2007. Only Halifax (0.1%) and Montreal (1.1%) posted quarterly rate increases. In Ontario, Toronto (-1.5%) and Ottawa (-1.4%) both gave up some ground and in the west, Calgary (-4.6%), Edmonton (-5.3%) and Vancouver (-4.4%) were all down significantly more than the national average. Although not tracked in the indices, there is anecdotal evidence that construction prices in Manitoba and Saskatchewan are bucking the national trend and remaining relatively stable.

These results, especially in the west, are not unexpected given current economic conditions. In Alberta for example, falling petroleum prices have resulted in the delay or cancellation of many oil projects creating excess construction capacity and sharply increasing competition.

Perhaps of more importance to readers is what the future holds for construction prices across the country. Accurate predictions are, of course, impossible, but there are indications that a continued index retreat may be at least partially offset by increased public sector infrastructure spending as all levels of government seek to stimulate the economy. Currently, we expect that, after a correction that may extend into 2 quarters, the index will resume an upward trend during 2009 for all surveyed cities, albeit at a much reduced rate over 2008.

It bears remembering that the indices prepared by Statistics Canada are intended only to track cost changes in a given city. The index *cannot* be used to compare costs between cities. Further, with this issue, Statistics Canada has rebased the indices from 1997 to 2002. Accordingly, care should be taken when comparing index values from previous newsletters. Year over year, quarterly and cumulative changes indicated in the following chart are expressed in percentage terms and are unaffected by the rebasing.

The source data used to prepare the charts in this newsletter is drawn from Statistics Canada's Capital Expenditures Price Statistics publication – catalogue 62-007-XWE. Specifically, we used the Non-residential Building Construction Price Indexes for the national composite and each surveyed city indicated on tables 7.2 through 7.9.

More information about this and other construction related indices published by Statistics Canada are available online at www.statcan.gc.ca.

Paul Westbrook

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Cost Planning & Control	Litigation Support	Feasibility Studies	Project Loan Monitoring
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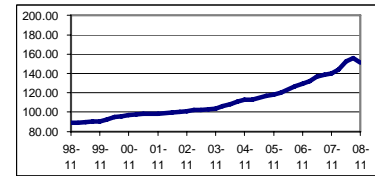
Orders can be placed by calling RSMMeans (1-800-334-3509) and requesting item number 62019, or by submitting the order form available at www.yardsticks.ca

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Escalation Watch

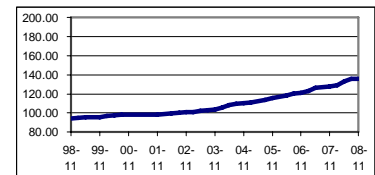
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Statistics Canada
Non-Residential
Construction Cost
Indices for 7 Cities,
Fourth Quarter 2008

STATISTICS CANADA NON-RESIDENTIAL CONSTRUCTION COST INDICES, IN EACH CITY 2002 = 100 (Cat. No. 62-007-XWE)

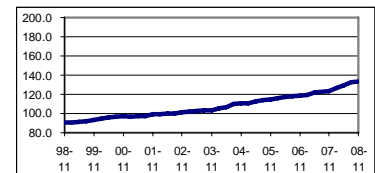
COMPOSITE 7 CITY	2006			2007			2008				
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov
Index	123.4	126.5	129.5	132.1	136.5	138.7	140.0	143.7	152.3	155.9	151.5
Year / Year					10.6%	9.6%	8.1%	8.8%	11.6%	12.4%	8.2%
Quarterly		2.5%	2.4%	2.0%	3.3%	1.6%	0.9%	2.6%	6.0%	2.4%	(2.8%)
Q. Cumulative	0.0%	2.5%	4.9%	7.1%	10.6%	12.4%	13.5%	16.5%	23.4%	26.3%	22.8%



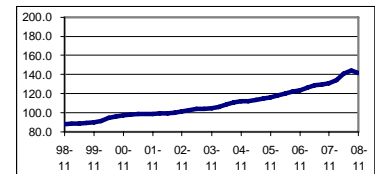
HALIFAX	2006			2007			2008				
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov
Index	118.5	120.2	121.1	123.0	126.3	127.3	127.7	129.3	133.6	136.1	136.3
Year / Year					6.6%	5.9%	5.5%	5.1%	5.8%	6.9%	6.7%
Quarterly		1.4%	0.7%	1.6%	2.7%	0.8%	0.3%	1.3%	3.3%	1.9%	0.1%
Q. Cumulative	0.0%	1.4%	2.2%	3.8%	6.6%	7.4%	7.8%	9.1%	12.7%	14.9%	15.0%



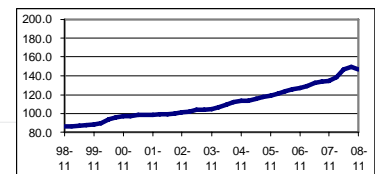
MONTREAL	2006			2007			2008				
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov
Index	117.0	118.2	118.6	118.9	122.0	122.2	123.4	126.3	129.3	132.2	133.6
Year / Year					4.3%	3.4%	4.0%	6.2%	6.0%	8.2%	8.3%
Quarterly		1.0%	0.3%	0.3%	2.6%	0.2%	1.0%	2.4%	2.4%	2.2%	1.1%
Q. Cumulative	0.0%	1.0%	1.4%	1.6%	4.3%	4.4%	5.5%	7.9%	10.5%	13.0%	14.2%



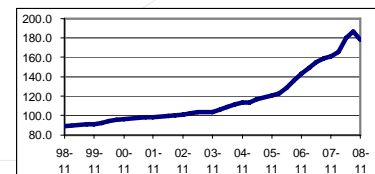
OTTAWA	2006			2007			2008				
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov
Index	119.8	121.9	123.5	125.7	129.1	129.8	130.4	134.0	140.6	143.8	141.8
Year / Year					7.8%	6.5%	5.6%	6.6%	8.9%	10.8%	8.7%
Quarterly		1.8%	1.3%	1.8%	2.7%	0.5%	0.5%	2.8%	4.9%	2.3%	(1.4%)
Q. Cumulative	0.0%	1.8%	3.1%	4.9%	7.8%	8.3%	8.8%	11.9%	17.4%	20.0%	18.4%



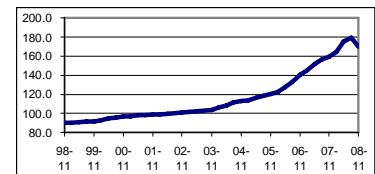
TORONTO	2006			2007			2008				
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov
Index	123.4	125.6	127.0	129.1	132.7	133.7	134.7	138.4	146.5	149.2	147.0
Year / Year					7.5%	6.4%	6.1%	7.2%	10.4%	11.6%	9.1%
Quarterly		1.8%	1.1%	1.7%	2.8%	0.8%	0.7%	2.7%	5.9%	1.8%	(1.5%)
Q. Cumulative	0.0%	1.8%	2.9%	4.6%	7.5%	8.3%	9.2%	12.2%	18.7%	20.9%	19.1%



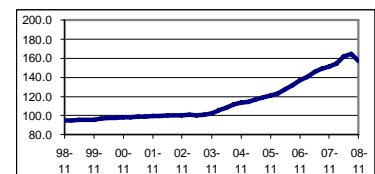
CALGARY	2006			2007			2008				
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov
Index	128.6	135.5	143.6	149.2	155.0	158.8	161.3	165.5	179.9	186.6	178.1
Year / Year					20.5%	17.2%	12.3%	10.9%	16.1%	17.5%	10.4%
Quarterly		5.4%	6.0%	3.9%	3.9%	2.5%	1.6%	2.6%	8.7%	3.7%	(4.6%)
Q. Cumulative	0.0%	5.4%	11.7%	16.0%	20.5%	23.5%	25.4%	28.7%	39.9%	45.1%	38.5%



EDMONTON	2006			2007			2008				
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov
Index	127.7	132.9	140.3	144.9	151.8	156.8	158.9	164.4	175.1	179.7	170.2
Year / Year					18.9%	18.0%	13.3%	13.5%	15.3%	14.6%	7.1%
Quarterly		4.1%	5.6%	3.3%	4.8%	3.3%	1.3%	3.5%	6.5%	2.6%	(5.3%)
Q. Cumulative	0.0%	4.1%	9.9%	13.5%	18.9%	22.8%	24.4%	28.7%	37.1%	40.7%	33.3%



VANCOUVER	2006			2007			2008				
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov
Index	128.2	132.0	137.3	140.3	145.6	149.6	151.3	154.4	161.9	164.6	157.3
Year / Year					13.6%	13.3%	10.2%	10.0%	11.2%	10.0%	4.0%
Quarterly		3.0%	4.0%	2.2%	3.8%	2.7%	1.1%	2.0%	4.9%	1.7%	(4.4%)
Q. Cumulative	0.0%	3.0%	7.1%	9.4%	13.6%	16.7%	18.0%	20.4%	26.3%	28.4%	22.7%



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