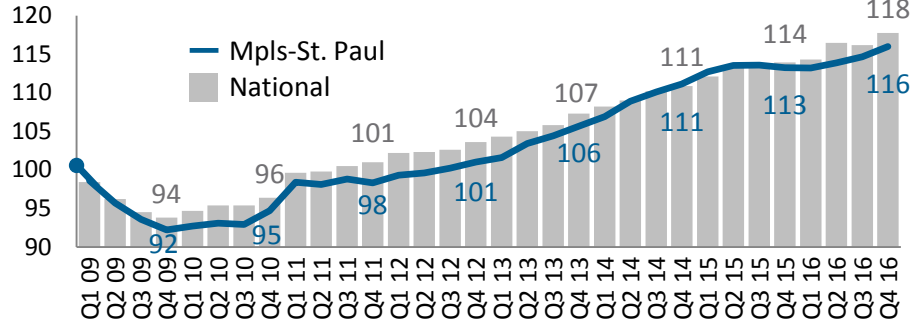
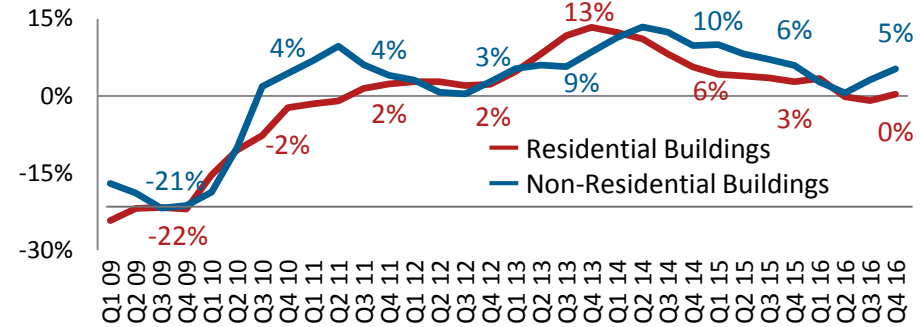


**Overall Construction Cost Index (January 2009 = 100)**



In Q4-2016, the Minneapolis cost index increased 1.1% vs. Q3. This is the strongest growth the index has seen in over a year, and hints at a possible acceleration of growth moving forward. For all of 2016, the Minneapolis index increased 2.7%.

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



Construction employment growth has been mixed. Non-residential construction grew 5% in Q4, while residential growth remained stagnant. This suggests moderate wage growth increases as we look ahead.

**Minneapolis Building Component Trends (Q4 vs. Q3 2016)**

<b>Highest Growth</b>	<ul style="list-style-type: none"> <li>Gypsum Board (6.2%)</li> <li>Traction Elevators (5.8%)</li> <li>Metal Wall Panels (5.0%)</li> <li>Roofing (5.0%)</li> </ul>	<ul style="list-style-type: none"> <li>Electrical Systems (3.1%)</li> <li>Struct. Steel/Deck (2.9%)</li> <li>Plumbing Systems (2.7%)</li> <li>HVAC (2.5%)</li> </ul>
<b>Slight Growth</b>	<ul style="list-style-type: none"> <li>Earthwork (1.4%)</li> <li>Paint/Wall Covering (1.2%)</li> </ul>	<ul style="list-style-type: none"> <li>Fire Protection (1.3%)</li> </ul>
<b>Flat</b>	<ul style="list-style-type: none"> <li>Cast-in-Place Concrete</li> <li>Entrances/Storefronts</li> <li>Steel Framing/Stairs</li> </ul>	<ul style="list-style-type: none"> <li>Deck Formwork</li> <li>Unit Masonry</li> <li>Carpentry/Millwork</li> <li>Fire Protection</li> </ul>
<b>Declining</b>	<ul style="list-style-type: none"> <li>Flooring/Carpeting (-1.2%)</li> </ul>	<ul style="list-style-type: none"> <li>Reinforcing Steel (-3.0%)</li> </ul>
<p>Note: All other components (15% of the index) rose 0.3%.</p>		

Seven building component categories experienced growth of 2.5% or more in the most recent quarter. This includes large categories such as electrical systems, HVAC and Gypsum Board. Only two categories saw declines.

**Advice for Building Owners**

After leveling off somewhat in 2016, Minneapolis construction cost growth appears to have accelerated at the end of the year. This suggests that 2017 growth may be slightly higher than what we experienced last year. We therefore recommend that owners plan for annual cost increases of 3.0%-3.3%.

**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.

For a more specific update or questions regarding this report, please contact:



Frank Kosmach  
Chief Estimator  
763-287-5641  
frank.kosmach@mortenson.com



Darin Knapp  
General Manager  
763-287-5690  
darin.knapp@mortenson.com