

Construction Outlook

It's been a slow recovery for the construction industry as it regains momentum following the 2008 recession. However, recent improvements are positively impacting the volume of construction activity forecasted for 2015.

The U.S. Bureau of Labor Statistics recently reported that the nation's unemployment rate now stands at 5.6%. Furthering this upward momentum is the U.S. Bureau of Economic Statistics' Third Quarter report that anticipates a 5% increase in Gross Domestic Product (GDP) in 2014.

Reflecting those positive statistics, the *2015 Dodge Construction Outlook* cites that new construction starts also rose by 5% last year. Commercial building jumped 14% while manufacturing experienced a 57% increase, driven primarily by the energy sector.



Common Goals – The Long and Winding Road

The nation's long journey toward a more positive economy seems appropriately reflective of a popular Beatles song titled "The Long and Winding Road." At long last, the U.S. is enjoying increased job creation, accelerated Gross Domestic Product growth, continued low interest rates and a growing velocity of new construction starts.



**Jeff Raday, President
McShane Construction**

It appears time to look ahead and reset goals for an improved outlook in 2015. As the sidebar story on the Construction Outlook references, all indicators are improving, setting the playing field for a more robust construction market ahead. With the growth in the market, both pricing and staffing have become increasingly challenging since the industry had significantly downsized over the past five years. Recovering from the downturn and yielding the output that was commonplace in

the robust years of the early and mid-2000's is today's objective.

As we endured the throes of the recession, price stability had become routine. While increases did take place, they were gradual and fairly easy to manage. With material and labor costs increasing sporadically at different rates across the county, it is more important than ever to rely upon the construction professionals at McShane Construction to assist in the preparation or

update of cost budgets for new projects slated to break ground later this year. Counting upon previously prepared budgets, pricing and schedules, even as recent as six months ago, is risky and could lead to unpleasant surprises when reconfigured in today's material and labor environment.

As published in January 2015, *Engineering News-Record (ENR)* is anticipating a 3.2% annual inflation rate for construction costs

and a 3.7% rise in construction material costs this year. As a highly-active contractor within both the multi-housing and industrial markets, McShane carefully watches price changes for products tied to these sectors. On the housing side, it's anticipated that lumber prices will likely increase 4.2% this year, as compared to last year's sharp 16.4% rise. In the industrial market, heavily dependent on concrete floors, driveways and parking areas, cement prices are expected to escalate by as much as 5.2% in 2015, following last year's 4.7% uptick.

Although increased pricing on certain construction components is expected in 2015, our construction professionals will work diligently and creatively with our prospects and clients to provide cost-efficient, value-engineered solutions to moderate these cost increases as effectively as possible. We look forward to working with you to satisfy your budget and schedule requirements in the coming year. □

Construction Industry Forecasts

FMI's *U.S. Markets Construction Overview 2015* predicts continued growth as follows:

- **Multi-Family.** Predicted to grow 13%, since rents continue to increase and vacancies have decreased.

- **Manufacturing.** Manufacturing growth is expected to rise 8% in 2015 reaching \$55 billion in volume.

- **Office.** Growing employment and increased GDP sets the stage for a 7% growth in

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McShane Construction Completes Midtown Square Luxury Apartment Complex in Glenview, Illinois for Trammell Crow Company

McShane Construction Company recently completed the comprehensive construction services for Midtown Square, a 138-unit, 215,000 square foot luxury apartment residence in Glenview, Illinois, on behalf of Trammell Crow Company, through its wholly owned subsidiary High Street Residential. The assignment required the demolition of several existing buildings on this premier 2.7-acre downtown site at Glenview Road and Church Street in order to construct this four-story, mixed-use development. The 101 one- and 37 two-bedroom residences incorporate modern finishes such as quartz countertops, hardwood-style flooring, and in-unit washers and dryers. The complex also offers about 9,000 square feet of ground floor retail space and 5,000 square feet of tenant amenities including a fitness center and Wi-Fi coffee lounge. Midtown Square features an attractive exterior design with numerous outdoor balconies and both covered and on-grade parking for residents and retail clientele. McShane Construction also completed the development's sitework including the construction of driveways, sidewalks and the surrounding landscaping. Fitzgerald Associates Architects provided the architectural services for this well-positioned, luxury multi-family development. □



Project Profile

Progress Continues on Oasis at Scholars Landing Senior Complex in Atlanta, GA

McShane Construction, in partnership with IBG Construction Services, LLC, continues its on-time schedule for developer, UH Senior Partnership II, LP, for Oasis at Scholars Landing, a new 60-unit affordable assisted housing residence for seniors. The three- and four-story, 65,193 square foot complex is being constructed on a 2.1-acre site at 134 John Hope Drive in Atlanta, Georgia. McShane is completing 60 one-bedroom apartment units together with numerous tenant amenities including a fitness center, beauty salon, commercial kitchen and dining room, activity rooms and covered outdoor patio. When completed, the exterior finishes will incorporate a classic design scheme utilizing a combination of brick and fiber cement panels. Sitework has also advanced including on-site parking for 30 vehicles and the public improvements to the portion of John Hope Drive where the building will be situated. The multi-family assignment has received partial funding through the Georgia Department of Community Affairs Low Income Housing Tax Credit program. The project is being constructed to meet EarthCraft Certification through the use of integrated green building design elements, wood panelized framing, material recycling and Energy Star appliances, among others. Kitchen & Associates is serving as the architect for this affordable housing residence that is slated for completion in Second Quarter 2015. □



In partnership with IBG Construction Services, LLC, McShane Construction continues its on-time schedule for developer, UH Senior Partnership II, LP, at the 60-unit Oasis at Scholars Landing senior living residence in Atlanta, Georgia, that is slated for completion in Second Quarter 2015.

McShane Awarded Second Assignment for Continental Properties in Oklahoma City

McShane Construction is underway with its second multi-family project for Continental Properties, Inc. in Oklahoma City. The firm was awarded the 304-unit Springs at May Lakes luxury rental development for this national developer located at 9900 South May Avenue, just south of the Oklahoma City Community College and one mile

east of the Will Rogers World Airport. The site features three existing lakes serving as a complementary backdrop for the new development. McShane broke ground in September with initial delivery of the clubhouse and leasing office in June 2015 and final turnover of the entire complex in First Quarter 2016. The garden-style development will be comprised of 14 residential buildings with multiple apartment configurations offering modern appliances, in-unit washers and dryers, and contemporary fixtures and finishes. Abundant on-site parking is available for 482 vehicles together with 88 parking



McShane Construction is underway on the 304-unit Springs at May Lakes, a multi-family development for Continental Properties, Inc., representing McShane's second luxury residential project in Oklahoma City for this national developer.

spaces in both attached and stand-alone garages. McShane will also complete the fully-featured clubhouse offering direct access to an outdoor swimming pool overlooking the largest of the property's three lakes. McShane is simultaneously constructing the new 224-unit Springs at Memorial apartment complex for Continental Properties, Inc. that broke ground in August 2014 with scheduled completion in Third Quarter 2015. Phillips Partnership is serving as project architect for both assignments. □

470,000 S.F. Nearing Completion at 650 Commerce for Cabot / Quadrangle

McShane Construction continues to meet its scheduled milestones in order to provide an on-time completion of 650 Commerce for developers, Cabot Properties and Quadrangle Development Company. The 470,000 square foot, Class A speculative industrial property is under construction at 650 Commerce Parkway East Drive within the Precedent South Industrial Park, located just 14 miles from downtown Indianapolis in the business-friendly community of Greenwood, Indiana. The nearly completed project provides a strategic position along the Interstate 65 corridor and is located just 20 miles from the Indianapolis International Airport and the FedEx sorting hub. The building's cross-dock configuration is enhanced by a 36' clear height, 48 loading docks (expandable), two drive-in doors (expandable), 50' x 50' column spacing with 50' x 60' staging bays, T-5 lighting and an ESFR sprinkler system. McShane is also completing the project's site work that includes access for tenants

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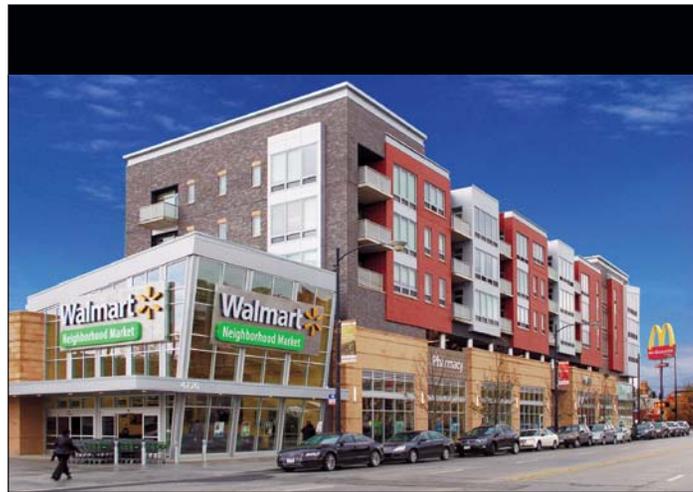
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from four points on the property, on-site parking for 280 vehicles and 51 trailers, and site fencing and gates that offer additional security. Tenant occupancy is slated for First Quarter 2015. JRA Architecture, Inc. is serving as architect on the assignment. □

McShane Completes 96-Unit Mixed-Use Complex in Chicago

The Shops and Lofts at 47, a mixed-use development of The Community Builders, Inc. and Mahogany Ventures, a joint venture of Skilken and TROY Enterprises, was recently completed by McShane Construction. Chicago's Mayor Rahm Emanuel presided over the development's ribbon-cutting celebrating its completion at 747 East 47th Street, transforming an under-performing area of Chicago's Bronzeville neighborhood into a vibrant mixed-income and retail venue. The five-story, 202,000 square foot development includes 55,000 square feet of retail space on the ground floor featuring a new 41,000 square foot Walmart Neighborhood Market. Indoor parking for 72 vehicles



The Shops and Lofts at 47, a five-story, mixed-use residential and retail development in Chicago featuring a new Walmart Neighborhood Market, was completed by McShane Construction for developers, The Community Builders, Inc. and Mahogany Ventures, a joint venture of Skilken and TROY Enterprises.

comprises the second floor while 72 apartment units are artfully arranged on floors three to five. McShane also completed 24 additional apartments in four residential flats adjacent to the development. The project includes a total of 96 rental units offering 29 one-, 60 two-, and seven three-bedroom floor plans together with an 85-vehicle parking area. The development was constructed to meet Chicago Green Homes certification and meets the Chicago Green Roof initiative. Pappageorge Haymes Partners served as architect for the mixed-use portion of the assignment

while BRR Architecture, Inc. provided the architecture for the Walmart Neighborhood Market. □

McShane Awarded Phase III of The Lodge of Northbrook for Essex Communities

After successfully completing the construction of the original 58-unit Phase I and the new 20-unit Phase II at The Lodge of Northbrook, McShane Construction was

selected by developer, Essex Communities, to complete the third phase of this luxury, active senior living community. Located at 2220 Founders Drive in Northbrook, Illinois, the Phase III expansion will incorporate 18 additional fully-featured one- and two-bedroom units and two-bedroom with den configurations, each complete with upscale finishes and fixtures. The new addition to this popular development will provide direct access to the main building as well as to the integrated underground parking garage completed by McShane in the first and second phases of development. The Phase III component incorporates an additional elevator, a new informal dining room and an underground parking expansion. The exterior of the new phase will seamlessly integrate into the existing residential complex by utilizing the same masonry façade, window systems and color scheme. JSSH Architects, Inc., architect of Phase I and II, will provide the architectural services for Phase III of the development that will be completed in December 2015. □



The rapid construction progress on the 256,880 square foot Building Three at the Union Pointe business park, that features a 135,213 square foot tenant space for Kellogg Company, has been highly-visible along I-355 in Woodridge, Illinois.

Design/Build Construction Progress at Union Pointe's Building Three is Gr-r-reat!

McShane Construction continues its accelerated schedule on the 256,880 square foot Building Three at Union Pointe in Woodridge, Illinois. Selected by Conor Commercial and Gallagher and Henry to complete the third phase of development at this 80-acre business park, McShane Construction's activity has been prominently visible to drivers along I-355. With a late Fall start, McShane rapidly completed grading and underground utilities while executing an amazing eight-day schedule to stand the 227 precast panels for the exterior of the building. Following the swift completion of the wall panels, steel erection and the subsequent installation of the building's roof, the structure was fully-enclosed allowing concrete and interior work to proceed throughout the impending winter months. The shell building, together with a 135,213 square foot tenant space with 4,500 square feet of office and 20 dock doors that was leased to Kellogg Company, will be completed in March 2015. The 32' clear facility features T-5 lighting, 2,000 amp electrical service, ESFR sprinkler and parking for 255 vehicles and 41 trailers. Ware Malcomb is serving as architect for the assignment. □

Projects in Progress



650 COMMERCE – GREENWOOD, IN



REDLANDS LOGISTICS CENTER – REDLANDS, CA



RIATA VISTA – AUSTIN, TX



L-3 LINK SIMULATION & TRAINING – ARLINGTON, TX



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SPRINGS AT MEMORIAL – OKLAHOMA CITY, OK



TAPESTRY GLENVIEW – GLENVIEW, IL



LEGACY AT CRYSTAL FALLS – LEANDER, TX



VOLTABOX OF TEXAS, INC. – CEDAR PARK, TX

CONTINUED FROM FRONT PAGE Construction Outlook

the office sector for 2015, rising to \$43.6 billion.

“Construction firms are clearly ramping up their hiring to keep up with the swelling demand for construction,” stated Ken Simonson, Chief Economist for the Associated General Contractors of America (AGC). Simonson notes that total construction spending in 2014 was 5.7% above the same period in 2013 with private residential spending growing nearly 5% and private nonresidential construction increasing nearly 11%.

“The construction expansion should become more broad-based in 2015, with support coming from more sectors than was often the case in recent years,” said Robert Murray, Chief Economist and Vice President for Dodge Data & Analytics. Dodge predicts a 9% improvement in construction volume, reaching \$612 billion in 2015 and offers the following 2015 forecast:

- **Commercial building** will increase 15% with office leading the sector's rebound and hotel and warehouse activity also improving.
- **Institutional building** will grow 9% with increased activity

in K-12 school construction and healthcare facilities.

- **Multi-family housing** is anticipated to grow 7% or 405,000 units this year with single-family housing rising 11%, adding 700,000 units in 2015.

• **Manufacturing plant construction** is forecasted to rise, notwithstanding a 42% increase in 2013 and a 57% jump in 2014 due to massive chemical and energy-related project starts.

Based upon the insightful observations of the construction industry's well-respected forecasters, it appears that the darkest days of the nation's recent recession are behind us. We are enter-

ing 2015 with a decidedly more positive outlook strengthened by an economy that forecasts steady growth and improvement throughout the coming year. □

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