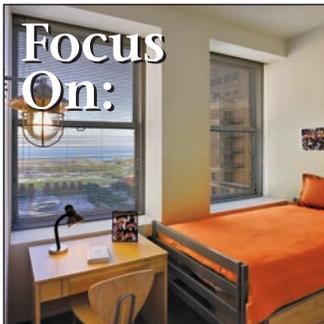




Common Goals – Newton’s Laws of Motion



Student Housing

“Toto, I have a feeling we’re not in Kansas anymore”, is as relevant today as when spoken by Dorothy upon arriving in the Land of Oz. Although many real estate markets have experienced some change and improvement, none have sustained the complete metamorphosis as witnessed within the student housing market.

As the residential housing market begins a slow climb from its devastating collapse, housing for college students has continued to yield solid returns to real estate developers. This has caused the student housing product to become more like an apartment asset than ever before. The product design has changed considerably offering amenity-rich environments with contemporary finishes and technological enhancements that cater to today’s NetGen. The market has also become attractive to large housing developers in order to diversify product and weather future economic downturns with more balance. And, established players in the market

We’ve likely not given much thought to Sir Isaac Newton’s profound revelations in modern math and physics principles, but a closer examination reveals that Newton’s Three Laws of Motion are clearly applicable when examining today’s construction pricing.

While the multi-family sector has flourished, the single-family market, cited as the most influential segment on overall economic impact and construction costs, has finally returned to positive growth. However, certain construction components heavily used within that sector are now experiencing price increases, and Newton’s Laws of Motion are clearly evident.

First Law of Motion

Newton’s First Law states that an object at **rest** tends to stay at rest and an object in **motion** tends to

stay in motion. We have enjoyed this ‘Law’ over the past six years since the market did not experience significant construction price

increases as it was clearly ‘at rest’. With today’s increased activity, the upward ‘motion’ of construction prices is now impacting the market.

Second Law of Motion

Newton’s second law states that the **acceleration** of an object produced by an applied force is directly related to the **magnitude** of the force. Simply stated, if you exert the same force

on two objects of different mass, you will achieve different accelerations. That explains why copper and precious metals (less available) are often more price sensitive and volatile than concrete (more available).

Third Law of Motion

The third law says that for every **action**, there is an equal and opposite **reaction**. The economic principle of supply and demand rests

squarely on Newton’s Third Law of Motion as the market typically reflects changing prices due to the action (demand) and reaction (supply) of material availability.

Impacts on Costs

Through February 2013, the housing market was up 20% from the same period last year following a 15% gain in 2012. Reflecting that activity, the Bureau of Labor Statistics’ Producer Price Index (PPI) for lumber was up 27% from 2012; gypsum products climbed 18%; prepared asphalt, tar roofing and siding products rose 8.6%; and concrete products rose 2.2%. In contrast, diesel fuel fell 6.7% while copper, brass, steel and aluminum mill products dropped nearly 3% from 2012.

Construction costs are dependent upon the laws of nature, economic principles and the global market. The professionals at McShane Construction remain available at your convenience to assist in negotiating these ever-changing ‘Laws of Motion’. □



Jeff Raday, President
McShane Construction

have been purchasing inventory making 2012 a record year with \$3.7 billion of student housing properties traded, up 95% from the previous year.

Over the long-term, amidst rising tuition and growing college loan debt, student housing developers are expecting college enrollment to increase particularly at

large state schools where a significant amount of construction is taking place or is on the drawing board. The U.S. Department of Education predicts that more than three million students will graduate high school each year until the 2021-22 academic year pursuing

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- Springs at Legacy Commons Nears Completion
- Golden State Foods Build-to-Suit Award
- Completion of Oakwood Shores Mixed-Use

McShane Construction Awarded 552-Bed Student Housing Assignment From Developers, Gilbane Development and Optimus, LLC in Columbia, Missouri

McShane Construction has been selected to provide construction services for ‘The Den’, a new student housing complex on behalf of developers, Gilbane Development and Optimus, LLC. The 235,000 square foot contemporary student housing community will be located on Grindstone Parkway south of the University of Missouri campus in Columbia, Missouri. The well-appointed 552-bed student housing complex will be comprised of four separate three- and four-story buildings featuring 158 two- and four-bedroom floor plans. The units will include full furnishings, high-end finishes, big screen flat panel TVs, private bathrooms for each bedroom, Internet access and a full-size washer and dryer. A central clubhouse will host volleyball courts, bocce ball, swimming pool, outdoor kitchen and fire pits together with a café, large club room with lounge seating, projection TV, fitness and tanning center and game room with billiards and shuffleboard. Humphreys & Partners Architects, L.P. is providing the architectural services for the project. The Den will break ground in Spring 2013 with tenant occupancy available in Fall 2014. □



Project Profile

McShane Selected for Shops and Lofts at 47 Mixed-Use Development

The day was bright with excitement as co-developers, The Community Builders, Inc., Skilken and Troy Enterprises, hosted a groundbreaking celebration featuring City of Chicago Mayor Rahm Emanuel among other attending dignitaries. The gathering heralded the official commencement of the long-anticipated Shops and Lofts at 47, a 202,000 square foot mixed-use development at E. 47th Street and S. Cottage Grove Avenue in Chicago. The project is comprised of a five-story building that includes 54,200 square feet of ground floor retail, indoor parking for 72 vehicles on the second floor and 72 units of mixed-income housing on floors three through five. The project also features the new construction of three residential flats and the rehabilitation of one existing flat providing 24 additional living units to the development ranging from one- to three-bedroom floor plans. The parcel features an 86-car on-site retail parking area and a ground level retail component that will include nine tenant suites from 1,000 to 2,500 square feet and a 40,800 square foot Walmart Neighborhood Market. The development will meet Chicago Green Homes certification and the Chicago Green Roof initiative. McShane will complete the residential flats in December 2013 with project completion in June 2014. Pappageorge Haymes Partners is providing the architectural services for this mixed-use project. □

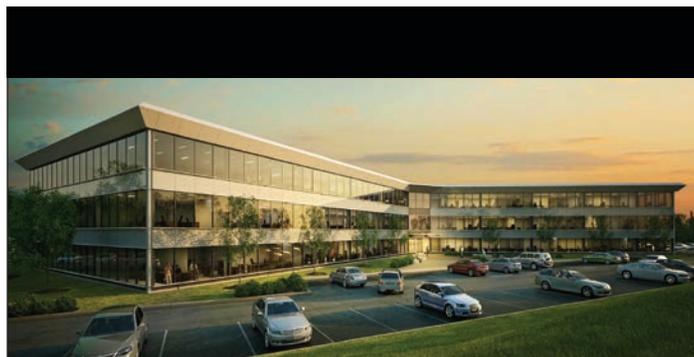


The Community Builders, Inc., Skilken and Troy Enterprises hosted a groundbreaking celebration for the Shops and Lofts at 47, a 202,000 square foot mixed-use development in Chicago including 96 mixed-income apartments, a Walmart Neighborhood Market and ground floor retail.

McShane Awarded 130,000 S.F. Office Building Renovation For Wanxiang

McShane Construction has been selected by Wanxiang America Real Estate Group, LLC to provide comprehensive building renovations to the Bannockburn Executive Plaza, a three-story 130,000 square foot office building at 2275 Half Day Road in Bannockburn, Illinois. Originally constructed in 1978, the facility

will enjoy an exterior upgrade including the modernization of the façade and entrance canopy together with updated lighting, landscaping and signage, new sidewalks and driveway entrances. The assignment also includes 5,000 square feet of interior renovations encompassing the update of the multi-story atrium at the main entrance to the building. The existing elevator will be replaced with a glass and decorative stone clad elevator creating a visual focal point. McShane will also install a new decorative stair and update the skylight to complete the atrium renovation.



Wanxiang America Real Estate Group, LLC has selected McShane Construction to provide comprehensive building renovations to the Bannockburn Executive Plaza, a three-story 130,000 square foot office building in Bannockburn, Illinois with completion scheduled for November 2013.

Additional interior renovations will include new equipment and updates to the customer area in the building's restaurant, The Leaf. The building's three wings will feature an upscale refresh to the floors, walls and ceilings. McShane will begin construction in June with project completion slated for November 2013. Wright Heerema Architects is providing the architectural services for this assignment. □

McShane Completes 39-Unit Myers Place for Daveri Development

McShane Construction recently completed the new 39-unit Myers Place, a supportive housing development for Daveri Development Group located at 1585 W. Dempster Street in Mount Prospect, Illinois. The supportive living development offers a total of 39 units, 21 furnished one-bedroom apartments and 18 fully-equipped studios with services provided by the Kenneth Young Center, a not-for-profit, comprehensive provider of mental health and senior citizens' support services. Each unit will be occupied by an individual who has the ability to live independently, but requires a supportive housing system allowing for assistance, when needed. The 41,715 square foot residential complex was designed and constructed to meet LEED designation and incorporates numerous sustainable features throughout the development. The first floor of the four-story building accommodates office space, laundry facilities, management offices, a computer room, tenant storage areas and a 4,500 square foot commercial retail component. Cordogan, Clark & Asso-

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ciates provided the comprehensive architectural services for this supportive housing assignment. □

McShane Nears Final Completion of Springs at Legacy Commons in Omaha

McShane Construction is nearing completion of the new 211-unit Springs at Legacy Commons apartment complex in Omaha, Nebraska for developer, Continental Properties Company, Inc. Five of the seven apartment buildings have already been completed while the final two properties will be turned over in June 2013. The luxury rental development is located on an 11-acre site and is comprised of a combination of two- and three-story buildings. The fully-featured complex offers studio units together with one-, two- and three-bedroom apartments with a variety of floor plans. The interior living space will incorporate hardwood floors, contemporary appliances and modern finishes.



The new seven-building, 211-unit Springs at Legacy Commons apartment complex in Omaha, Nebraska under construction for developer, Continental Properties Company, Inc., is slated for a June completion. The complex also includes a fully-featured clubhouse, garage and abundant surface parking, and three on-site emergency storm shelters.

Springs at Legacy Commons also features tenant amenities such as a swimming pool, sun deck, grilling areas and a clubhouse offering a business center, laundry room, exercise room and multi-purpose rooms. McShane has also completed the construction of three NEMA (National Emergency Management Association) storm shelters, four detached garages, additional surface parking for 464 vehicles and all sitework and landscaping. Wisconsin-based Kahler Slater provided the architectural services for this multi-family assignment. □

Oakwood Shores Mixed-Use Development Completed by McShane in Chicago

McShane Construction is pleased to announce the completion of the new 89,630 square foot Oakwood Shores Terrace Apartments and Mercy Medical Center assignment for The Community Builders, Inc., The Granite Companies, and the project's community partner, Ujima, Inc., an orga-

nization providing a continuum of services for successful resident re-housing and housing stability in Chicago. This mixed-use, mixed-income development is located at 3753-3755 S. Cottage Grove Avenue in Chicago's Bronzeville neighborhood and is part of the Chicago Housing Authority's Plan for Transformation. Representing the newest phase of the Oakwood Shores community, the project recently completed by McShane incorporates 48 apartment units, 36 of which are affordable housing and a 28,000 square foot medical office component on the first two floors of the building operated by Mercy Hospital and Medical Center. The third through sixth floors include 26 one-bedroom units, 18 two-bedroom units, and four three-bedroom residential units. McShane constructed the project to meet Chicago's Green Homes Program and incorporated numerous sustainable systems throughout the complex. McShane also completed the site parking lot as well as an enclosed greenscape courtyard equipped with outdoor pergolas. NIA Architects, Inc. and Stull and Lee Incorporated provided the design services for the assignment. □



McShane Awarded 152,670 S.F. Build-to-Suit for Golden State Foods in McCook, Illinois

McShane Construction was selected by Golden State Foods to provide comprehensive design/build construction services for a new LEED-Gold registered food distribution facility that will be situated on a 15-acre site at 8901 West 47th Street in McCook, Illinois. The 152,670 square foot facility will feature a cross-dock configuration with a 40' clear height, 52 truck docks, 30,000 square feet of office space, 51,800 square feet of dry storage space and a separate maintenance building totaling 7,500 square feet. The building also incorporates 4,000 AMPs of power and a cascade refrigeration system that maintains 42,563 square feet of cool dock and cooler storage at 34° F and 23,865 square feet of freezer storage at -10° F. Golden State Foods is one of the largest diversified suppliers to the foodservice industry, servicing over 50 customers and 25,000 restaurants from three continents. Groundbreaking will take place in June 2013 with completion scheduled for May 2014. Ware Malcomb is providing the comprehensive architectural services for this prominent food distribution assignment. □

Golden State Foods has selected McShane Construction to provide comprehensive design/build construction services for a new 152,670 square foot LEED-Gold registered food distribution facility in McCook, Illinois featuring office, dry storage, cool dock and cooler, and freezer storage with completion scheduled for May, 2014.

Projects in Progress



BRINKER ELEMENTARY SCHOOL – PLANO, TX



DOGAN SCOTT ELEMENTARY SCHOOL – HOUSTON, TX



MYERS PLACE – MOUNT PROSPECT, IL



VETERANS AFFAIRS HEALTHCARE CLINIC – GILBERT, AZ

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RIATA VISTA – AUSTIN, TX



GOLDEN TRIANGLE MALL – DENTON, TX



CHERRY LOGISTICS CENTER – NEWARK, CA



CENTRAL STATION APARTMENTS – EVANSTON, IL

CONTINUED FROM FRONT PAGE Student Housing

higher education along with rising enrollment from foreign students.

According to research conducted by consultant Michael Gallis & Associates, American colleges are short between 1.5 and 2.15 million beds with many lacking the funds to upgrade current dormitories or build new ones. The reliance upon the private sector to fill that gap is growing.

In the housing arena, student housing environments often require more maintenance and management oversight than typical apartment housing. Students are fickle

and move frequently from property to property and leave behind more wear and tear than most residents. Each bed in a dormitory typically turns over annually, and if a bed is empty when school starts, it often remains empty for the entire semester.

Although precise construction numbers are limited, about 40,000 off-campus beds are in the pipeline for 2013, with 71 projects under way, up from about 40 last year according to the American Rental Association. And, to entice students to pay top dollar, developers are adding upscale amenities including tanning beds, resort-style pools and even ice-skating rinks.

New developments provide students with their own bedroom and bathroom, allowing more monthly rent to be charged nearing \$1,000 per bed depending on the configuration.

A big reason why companies are diversifying into student housing is that they believe the sector is recession-resistant. It's been cited that in almost all cases of new student housing development, the new beds are just catching up to match the growing demand.

As construction professionals within the student housing and multi-family markets, call upon the members of McShane Construction and Cadence McShane

to provide "Emerald City" returns on your next development investment. □

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