

Post-recession Economy and Its Implications for Facility Costs

DOE Facility Cost Planning Workshop

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Sheraton Fisherman's Wharf Hotel
San Francisco, CA

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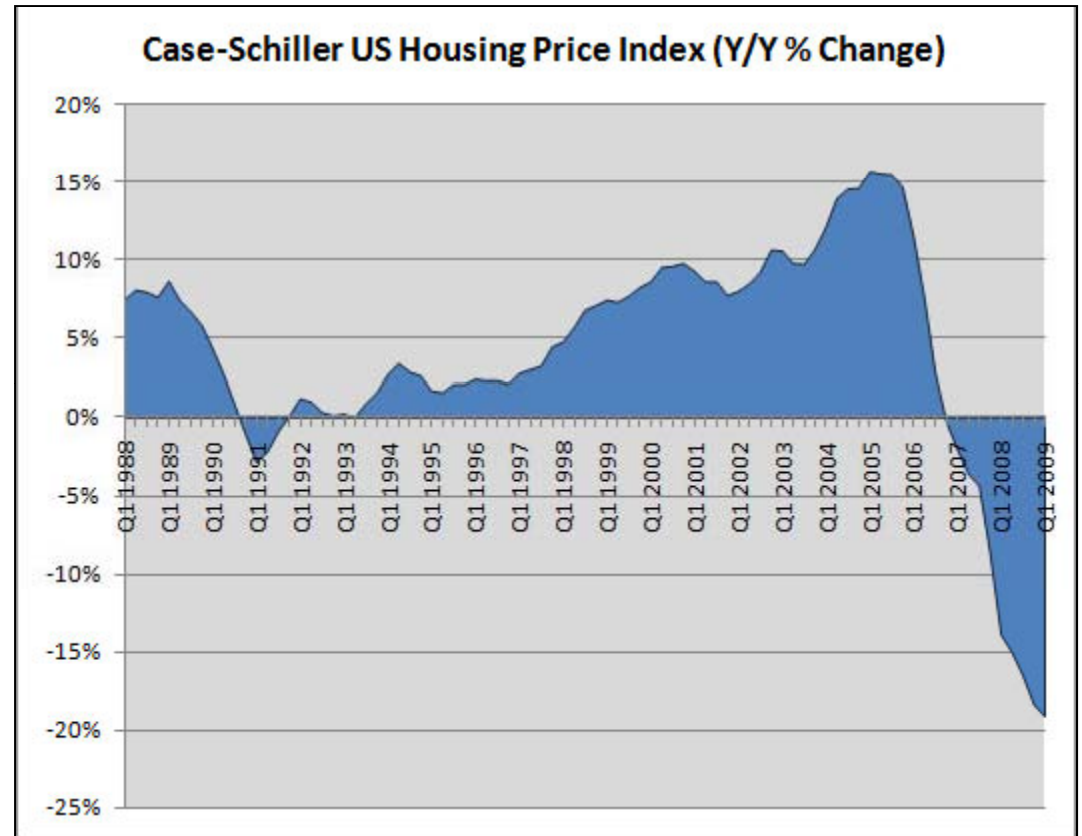
Overview

- The recession of 2008
- Post-recession economy
- Key trends
- Implications for the M&R, construction, and operations industries

2008 Recession

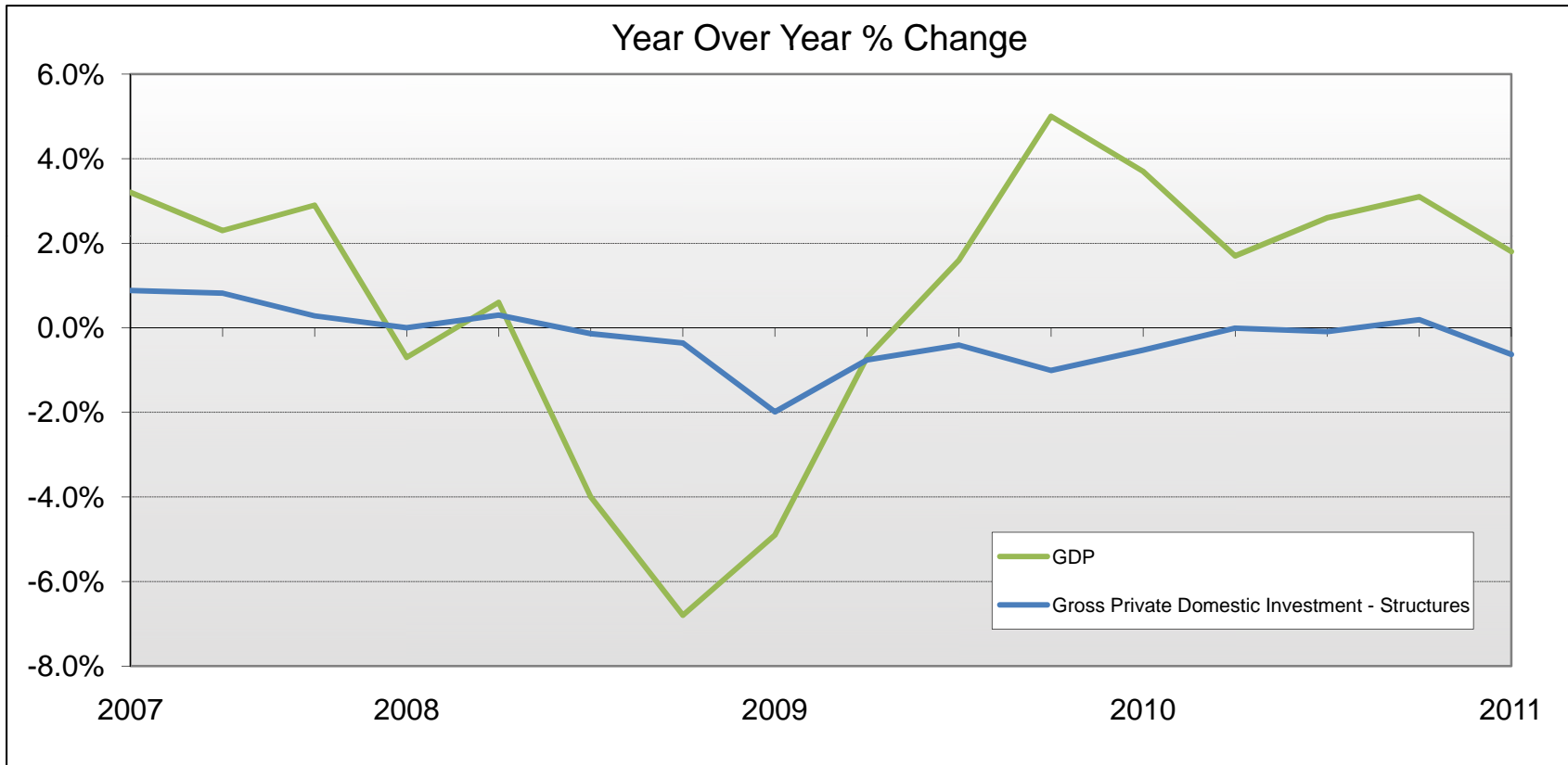
Causes

- Speculative borrowing and the housing boom
- Burst of the housing bubble
- Sub-prime mortgage crisis
- Devaluation of mortgage backed securities
- Collapse in consumer and industrial demand (government spending is only exception)



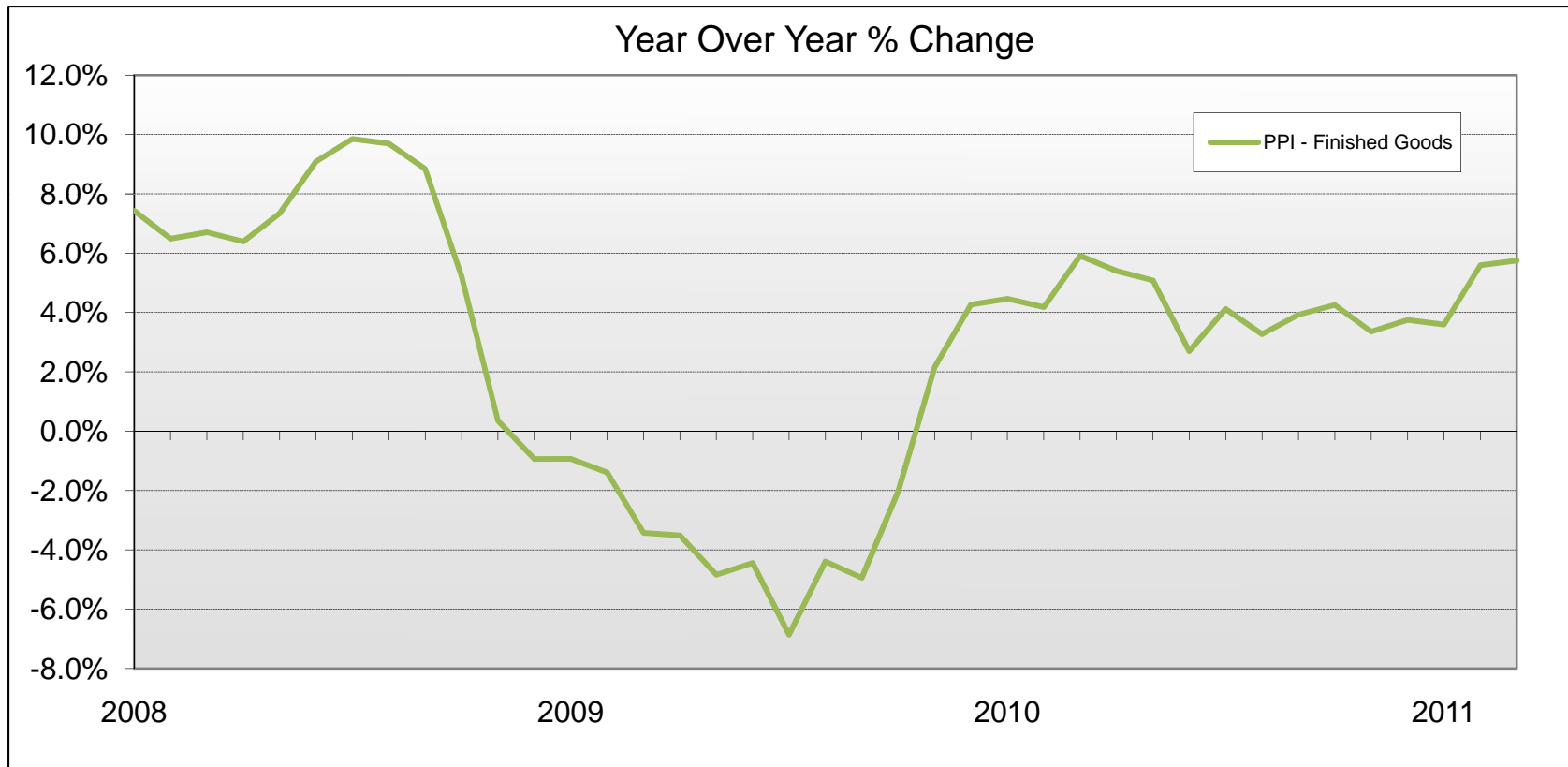
Source: Karl Case, Robert Schiller, and Allan Weiss

Muted Recovery Since Mid 2009



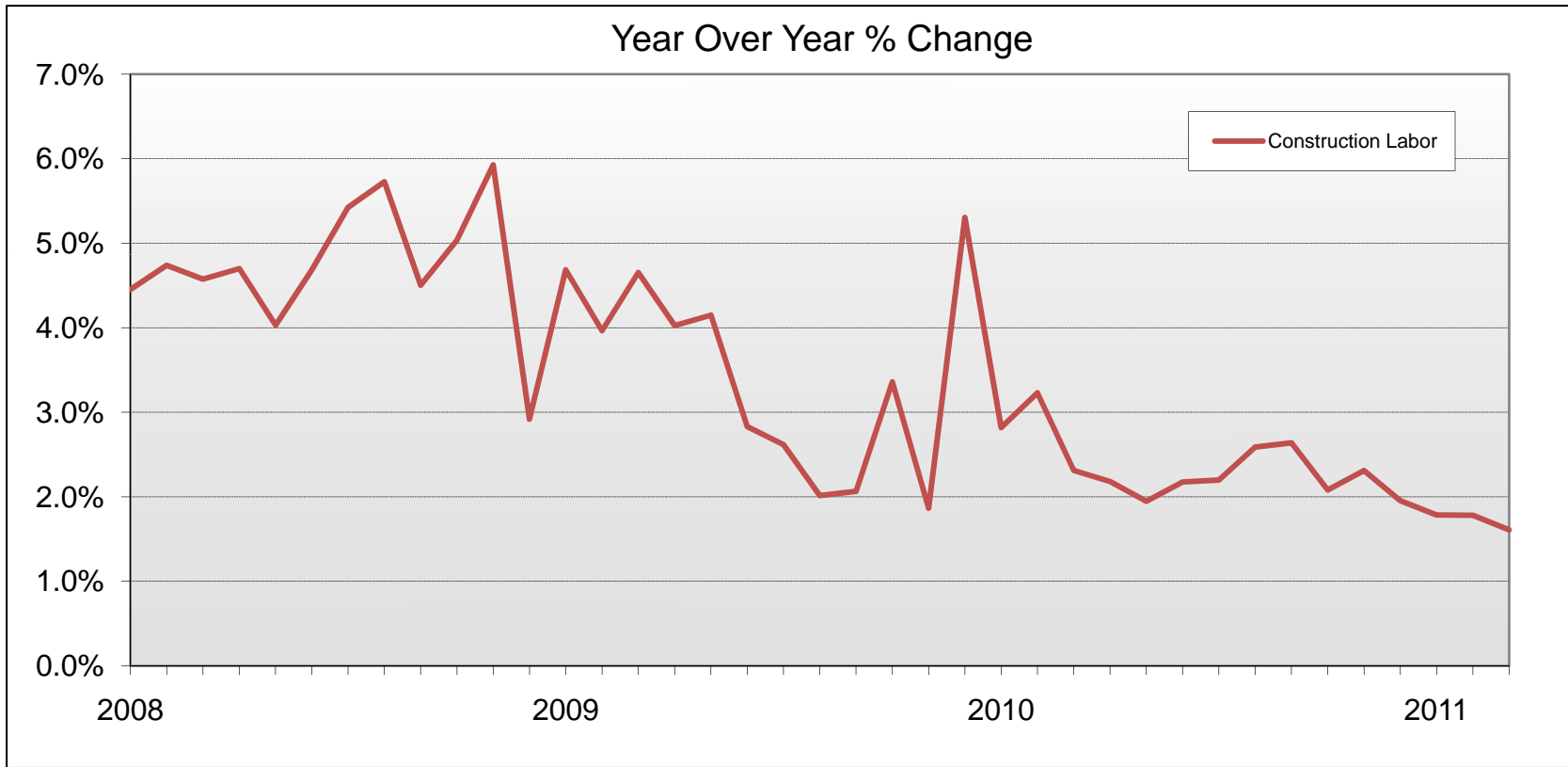
Sources: US Bureau of Economic Analysis.

Producer Prices Stabilized a Little Later



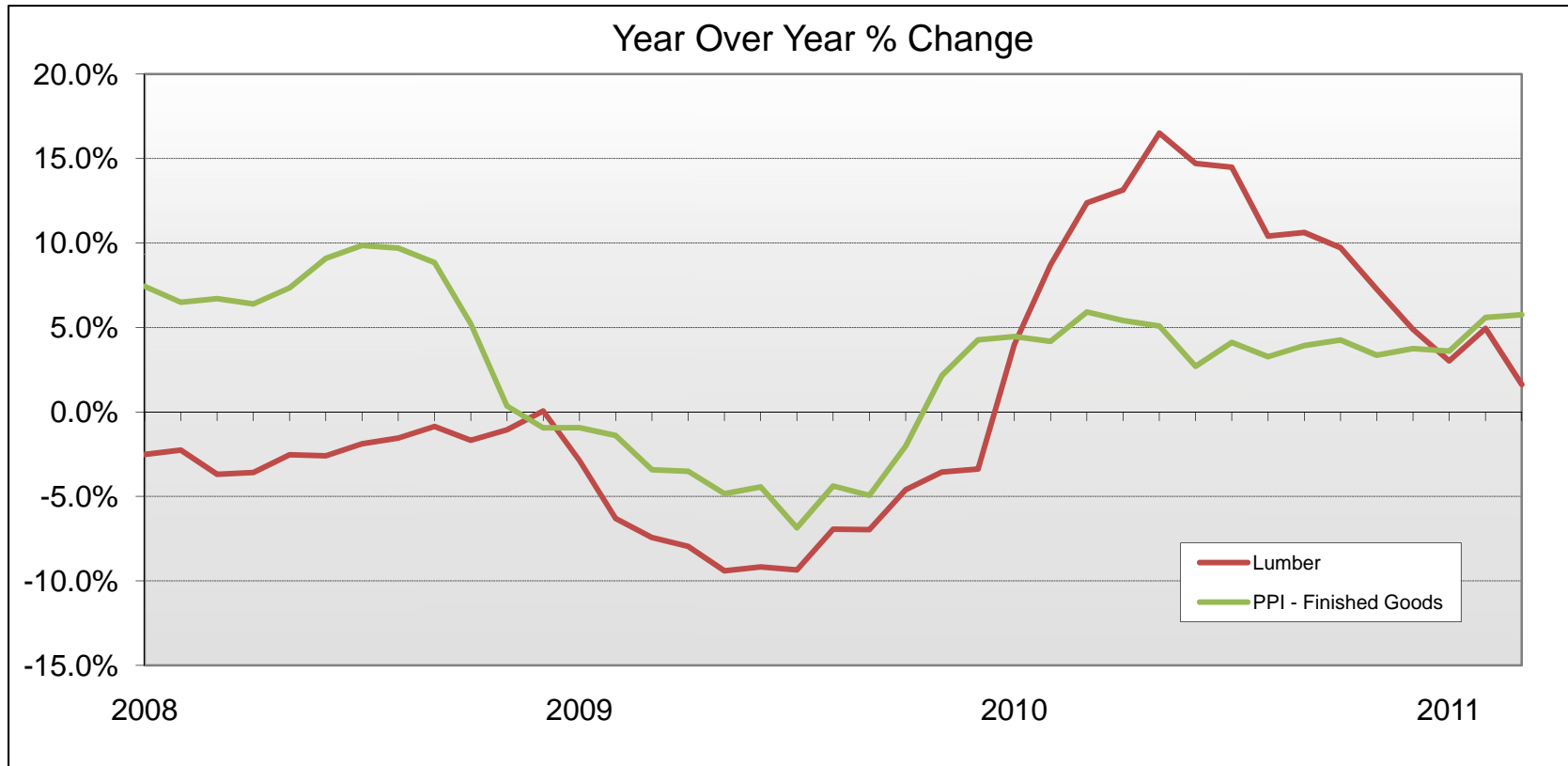
Sources: US Dept. of Commerce, Dept. of Labor, and Whitestone.

Construction Labor Rate Growth Declines



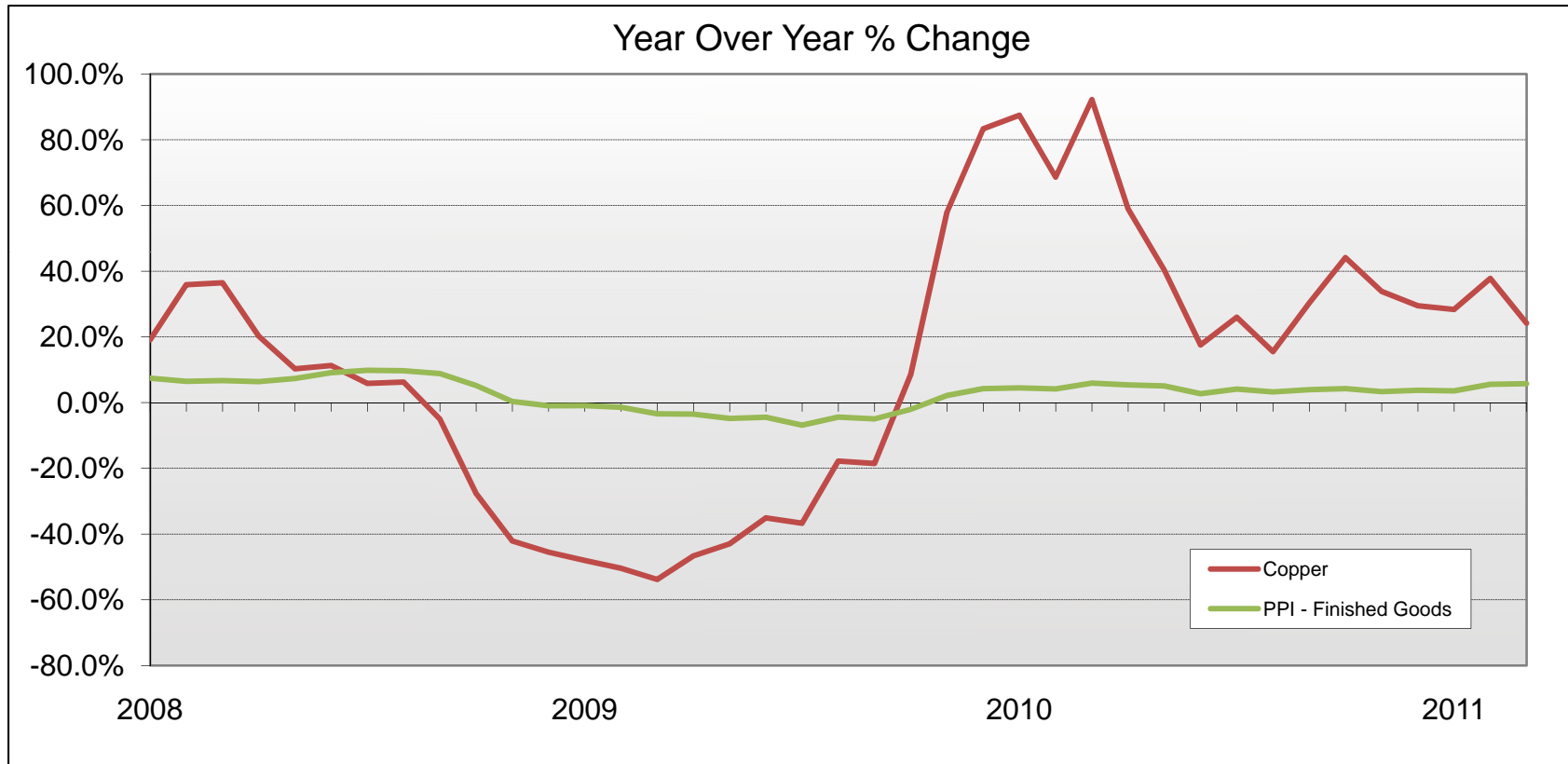
Sources: US Dept. of Commerce, Dept. of Labor, and Whitestone.

Key Commodities for Facilities: Lumber



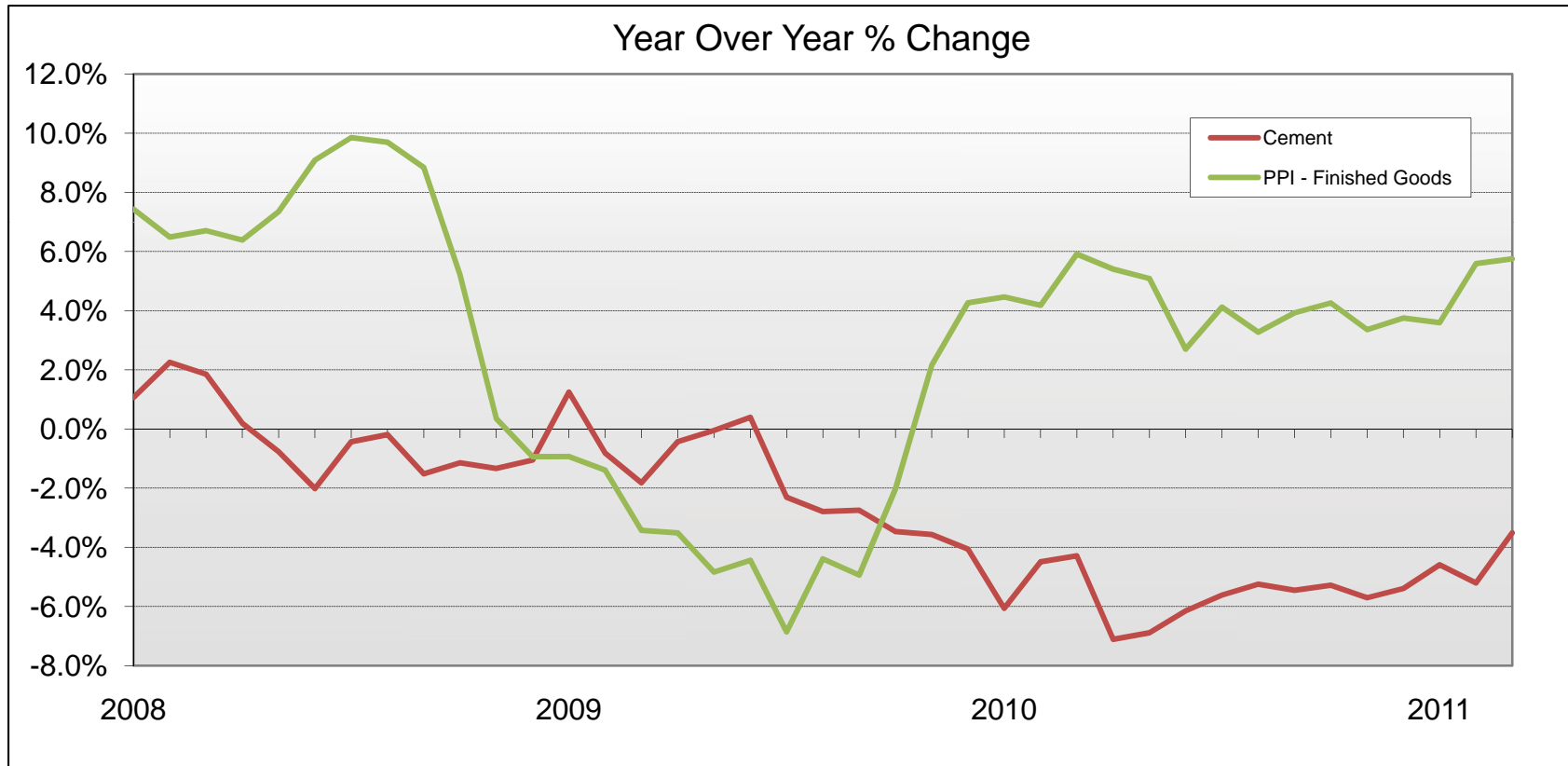
Sources: US Dept. of Commerce, Dept. of Labor, and Whitestone.

Key Commodities for Facilities: Copper



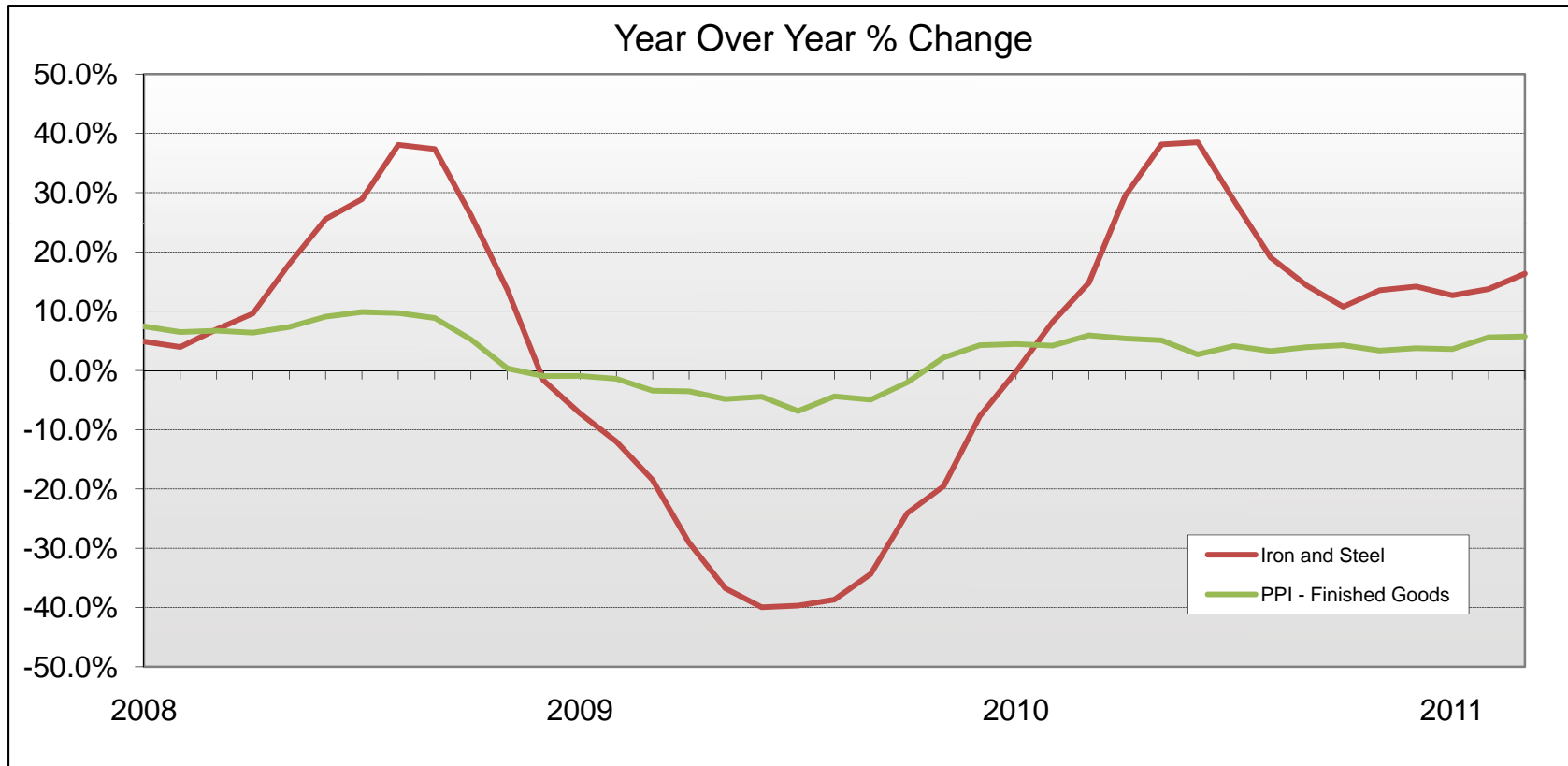
Sources: US Dept. of Commerce, Dept. of Labor, and Whitestone.

Key Commodities for Facilities: Cement



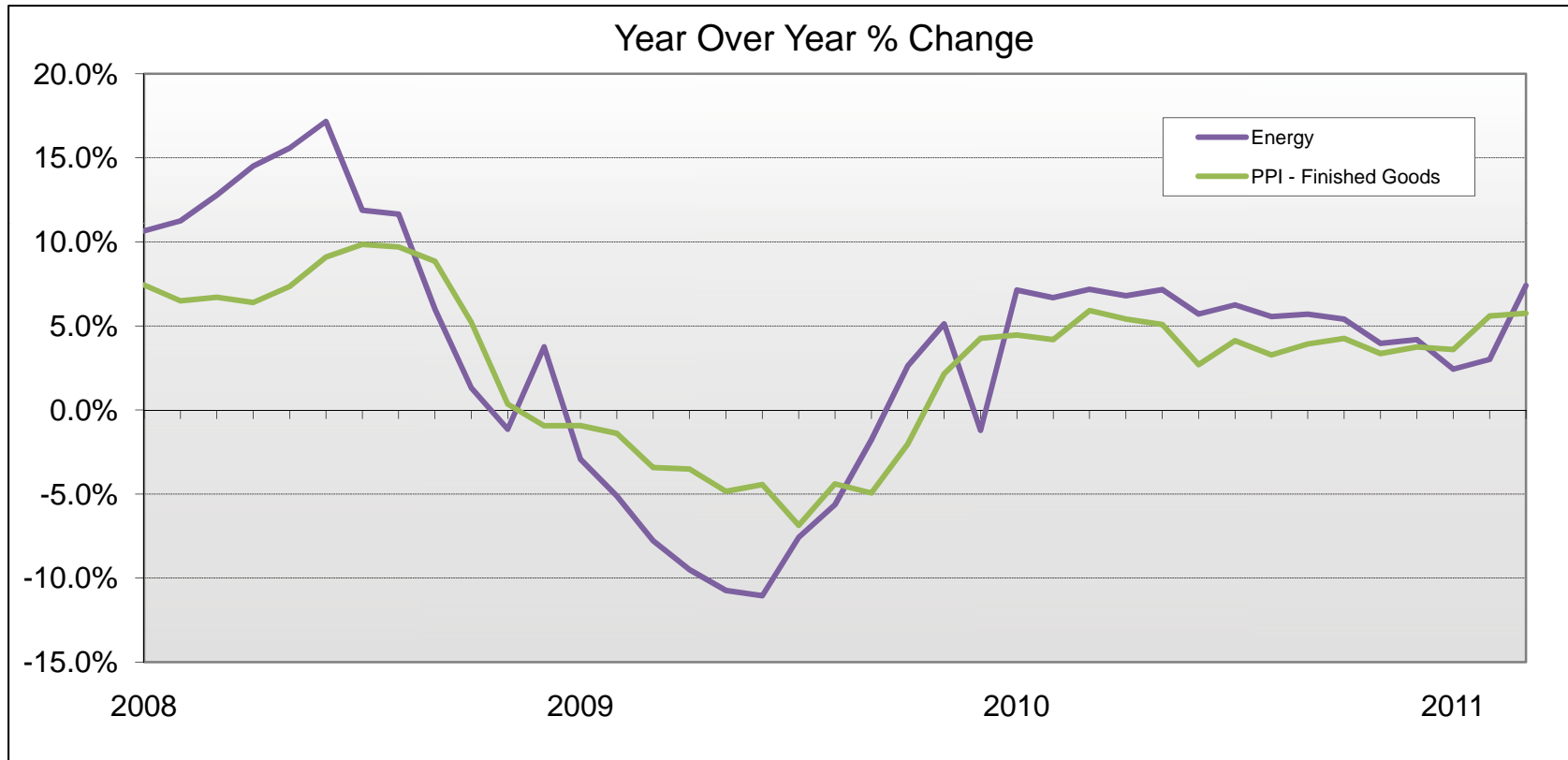
Sources: US Dept. of Commerce, Dept. of Labor, and Whitestone.

Key Commodities for Facilities: Iron and Steel



Sources: US Dept. of Commerce, Dept. of Labor, and Whitestone.

Key Commodities for Facilities: Energy



Sources: US Dept. of Commerce, Dept. of Labor, and Whitestone.

Indexes as a Tool for Facility Management

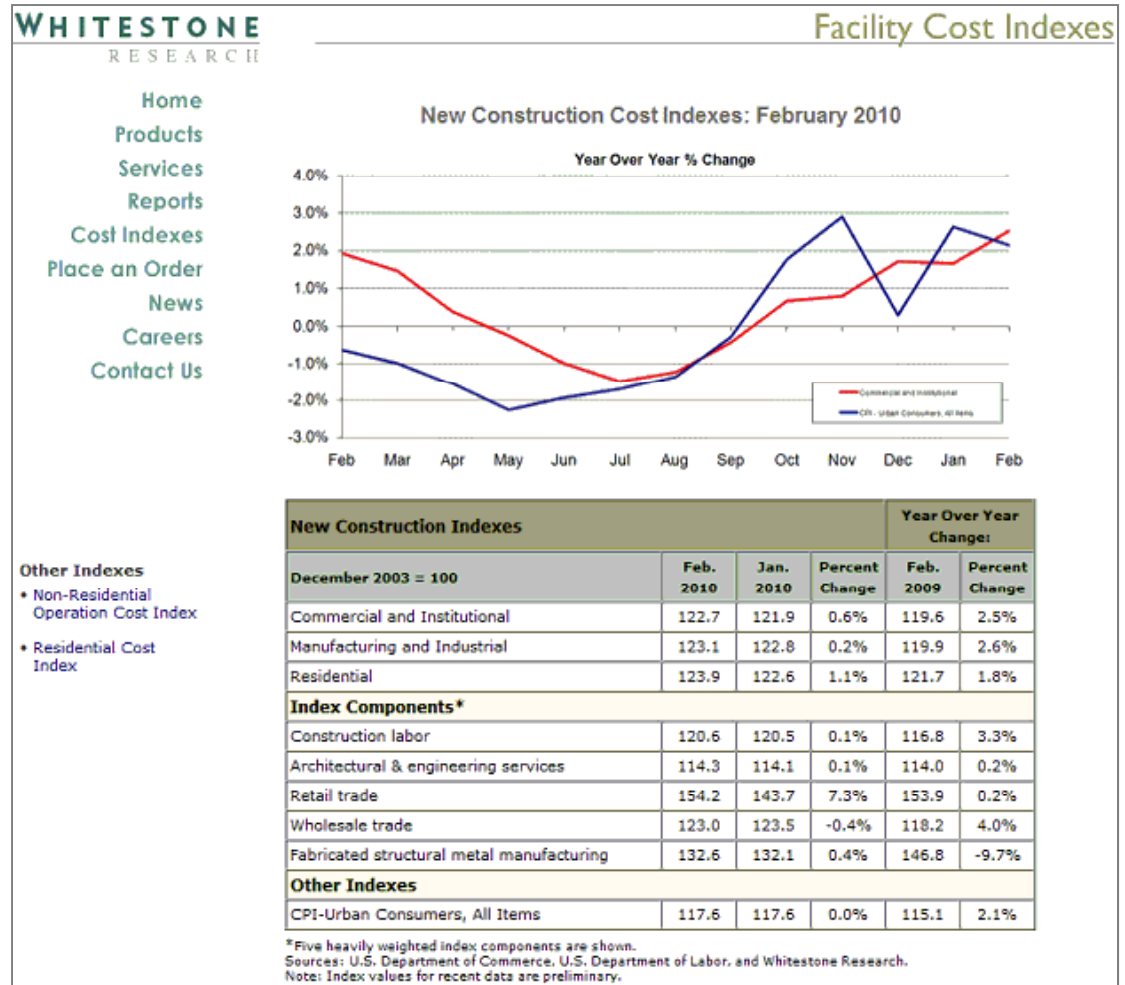
- Pull individual cost trends into a simpler perspective
- Extend historical costs trends into the future
- Calculate true purchase power
- Modify production decisions: delay purchases or substitute away from relatively high cost items; accelerate consumption of low cost items
- Whitestone focuses specifically on key trends important for management

Whitestone Indexes

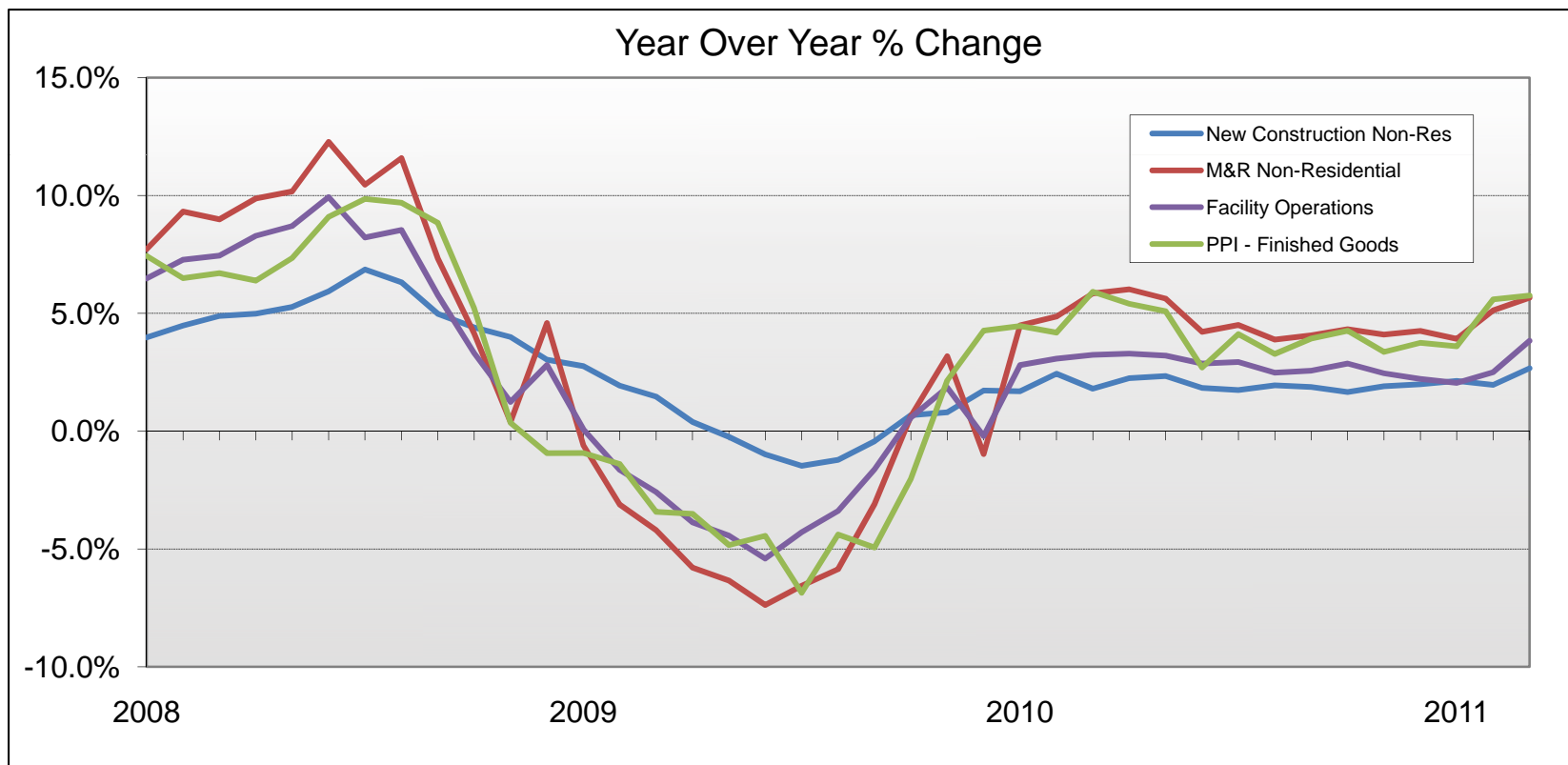
- A collection of national-level economic indicators for facility construction, maintenance, and operations costs
- Whitestone tracks roughly 150 commodities and services
- Indexes weights are consistent with the National Input-Output Accounts
- Unique measures for M&R, operations, and new construction

Revised monthly on whitestoneresearch.com

- New construction (3 indexes)
- Construction labor
- A&E services
- Retail trade
- Wholesale
- Fabricated metals
- CPI all items
- Non-residential operations
- Custodial services
- Energy
- Real estate management
- Security
- Telecommunications



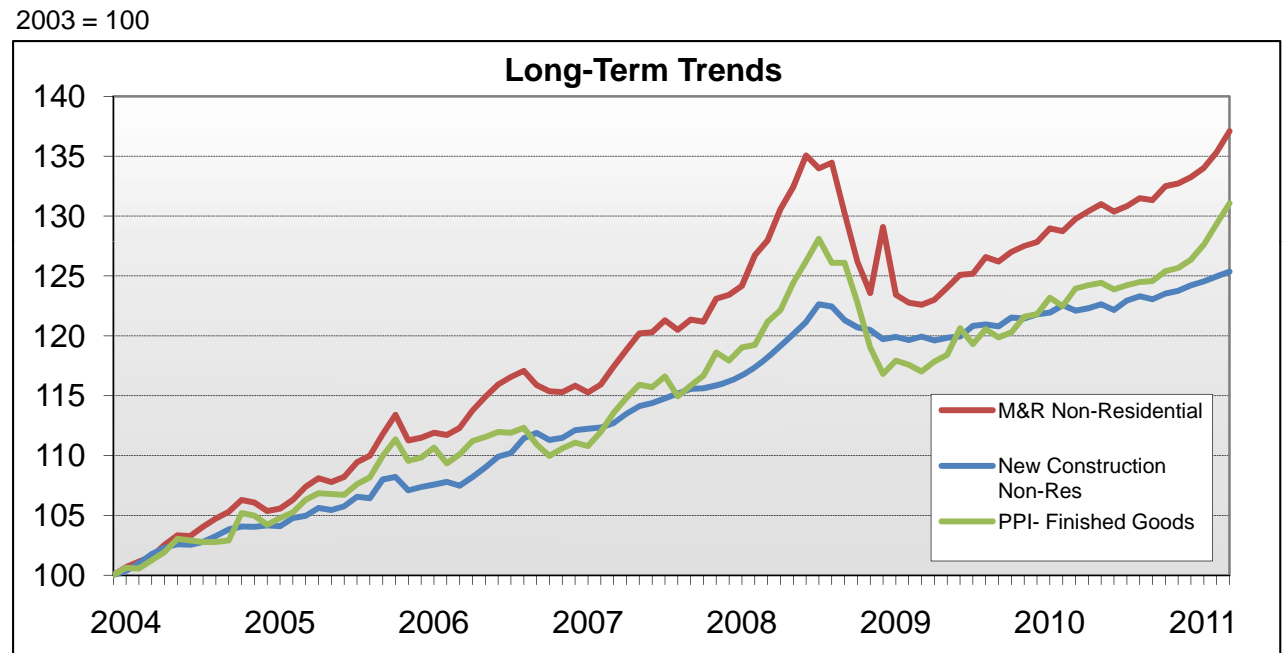
M&R and Operations Costs had Deeper Trough than Construction Costs, but More Sustained Recovery



Sources: US Dept. of Commerce, Dept. of Labor, and Whitestone.

U.S. Cost Trends, 2004-2011

- M&R construction outpaced PPI and new construction since 2004
- Non-residential M&R costs increased 37%
- Non-residential new construction costs increased 25%



Sources: US Dept. of Commerce, Dept. of Labor, and Whitestone.

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