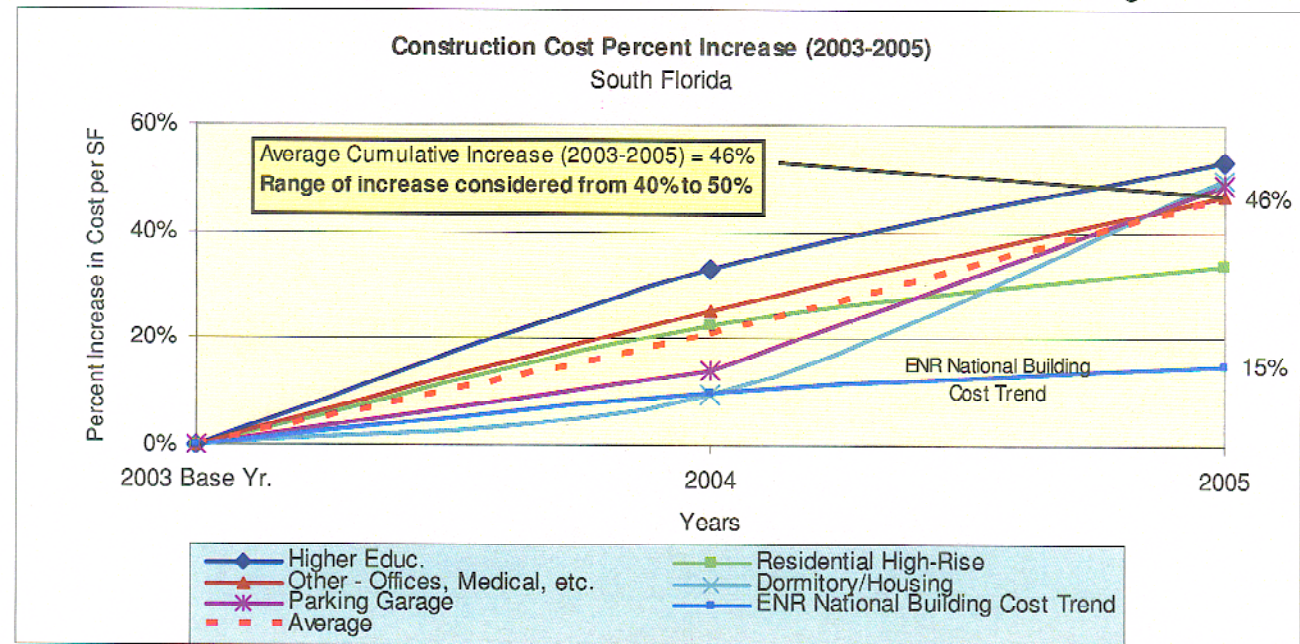


South Florida Construction Costs Analysis

A. EXECUTIVE SUMMARY

The following graphics depict the results of the study of the change and trends in construction costs based on actual data of various types of buildings in South Florida during the years of 2003 to 2005. Graph No. 1 below demonstrates the cumulative construction cost increases of various types of projects in South Florida as compared with the Engineering News Record (ENR) National Building Cost Trend.



Graph No. 1 – Construction Cost Percent Increase (2003-2005) (based on data collected)

The “dotted” line in Graph No. 1 is an average of the increases in the various types of building categories noted, and results in an average cumulative increase of 46%. Since the above chart was developed with a sample cost data of various types of facilities, it is recommended that the cost increase be represented as range averaging from 40% to 50% from 2003 through 2005. The significance of this increase can be demonstrated by the following:

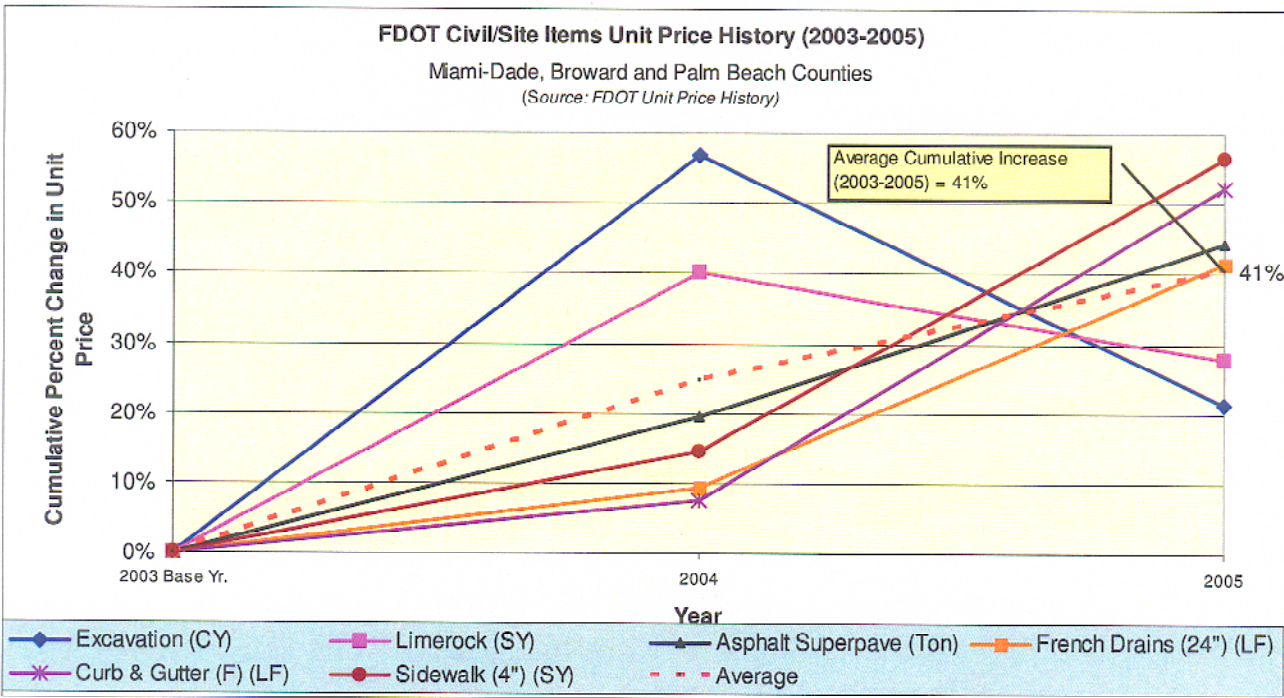
Assume a typical 100,000 SF building awarded for construction in 2003 with a cost of \$100 per SF:

- Cost of building if bid & awarded in 2003: \$10 Million
- Cost of same building if bid & awarded in 2005: \$14 to \$15 Million
- Total cumulative increase from 2003 to 2005: \$4 to \$5 Million (40% to 50%)

The significant increase in construction costs during this period has impacted the entire construction market in South Florida, and has resulted in cost increases both in the public and private sectors.

These increases have not only impacted costs of buildings, but have been felt throughout the entire local construction industry. An evaluation of the average bid costs for Florida Department of Transportation Roadway and Bridge projects for the South Florida region is shown in the following Graph No. 2. This graph demonstrates that the average increase in price for major FDOT construction commodities is approximately 41% from 2003 to 2005 demonstrating that cost increases were prevalent throughout the construction industry.

South Florida Construction Costs Analysis



Graph No. 2 – FDOT Unit Price History for South Florida Region

Specific Factors Impacting South Florida

Multiple factors have influenced this major increase in South Florida construction costs from 2003 through 2005. Some factors have been consistent with what has increased costs nationally at over 15% during this time frame. The specific South Florida factors have included the following:

- Multiple hurricanes in 2004 and 2005 that required many of the same construction resources already being utilized on projects for cleanup and reconstruction. These events also led to a shortages of materials such as roofing, plywood, and transformers resulting in increased costs to Owners
- Strong housing market (single, multi-family and high rise) throughout South Florida (in Miami-Dade county alone it is reported that there are 60,000 condominium units being constructed)
- Large Capital Improvement Programs for Schools (new schools, class size reduction program, etc.), Public Works Infrastructure, Major Improvements at the South Florida Airports, Rail & Transit, Roads & Bridges, Water & Sewer and other County and City improvements, Performance Arts Center in Miami, etc.
- Aging infrastructure resulting in upgrading and replacing with high investments
- Significant material price increases, most notably oil, cement, and steel
- Limited pool of qualified, bondable contractors and subcontractors, which lessens competition and drives up profit margins and overall project costs
- Limited pool of qualified construction trade workers which increases labor costs
- Increased insurance costs, particularly Builder's Risk, which impacted overall project costs.

These factors, combined with multiple other worldwide demands on construction materials and nationwide construction cost trends have come together to result in a significant impact, much greater than the national impact, for construction cost increases in South Florida.