February 2018

JOINING ASPE CHAPTER 55:
WWW.ASPENATIONAL.ORG

The American Society of Professional Estimators serves construction estimators by providing education, fellowship, and opportunity for professional development. Education, Ethics, Standards, Certification, Fellowship... these lead to the ultimate goal: Professionalism. We think you’ll agree... If all estimators were more professional, budget and other problems of the construction industry would be greatly reduced.

If you are interested in learning more about the Chapter please contact Alan Jacobs, at (408) 244-7100 or email at Alan.jacobs@blach.com

<table>
<thead>
<tr>
<th>Reminders: Dates for upcoming Meetings</th>
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<td>February 26 at Santa Clara Builders Exchange</td>
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President’s Message:

February 2018

As the Super Bowl is now over, it now not too much longer to Baseball Season and the coming of Spring. The weather is like spring, but we could use more rain, but the beautiful weather is great for construction.

ASPE Chapter 55 has many events on the horizon as follows:


American Society of Professional Estimators
Chapter 55

Double Nickel Newsletter

Founded 1984

2017-18 CHAPTER OFFICERS

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March 26th Estimator Roundtable- How Can We Better Reconcile Estimates Link to follow shortly

June 21st Joy of Bocce

November 8th  2nd Annual Poker Tournament

ASPE National 2018 Steel City Summit Developing the Next Estimator June 27th-20 2018

I am looking forward to attending the above summit as we all should be interested on how to develop the next estimator. Any thoughts on how you should think we need to develop the next estimator, please drop me a note so I can convey at the Summit.

Also we have included a wonderful article from our cost consultants from TBD about the cost trends in construction.

We are also looking for suggestions on interesting subjects for upcoming meetings so if you have any suggestions, please do not hesitate to let me know.

We would also like to hear from you! If you have any articles you’d like us to add to our monthly ASPE, Chapter 55 newsletter, please send it to Chapter Secretary, Shawna O’Donnell at: shawna@odonnellplastering.com.

I am always available if you have any questions or feedback.

Thank you,

Alan S. Jacobs CPE
President, ASPE Chapter 55

Have you registered yet for the next Annual Bocce Event to be held on June 21 2018?? It will be another sell out!

ASPE Chapter 55 Bocce Event
The American Society of Professional Estimators, Silicon Valley Chapter #55 hosted its 10th Annual "Joy of Bocce" Fundraising Tournament at Campo di Bocce in Los Gatos, California on June 22, 2017. Again, we raised over 10K with Proceeds for this event going towards providing Construction Scholarships.

The coveted trophy went to AGC this year!

There were 16 teams and 12 sponsors represented. A HUGE “Thank you” to everyone!!

Mark your calendars for the Annual "Joy of Bocce" Fundraiser on June 21, 2018! To register, please click on the Eventbrite link below. Register NOW—This event will sell out early-

Why you need to belong to ASPE…..The American Society of Professional Estimators serves residential, commercial and civil construction estimators by providing Education, Fellowship, and the opportunity for Professional Development. The proper Education, Ethics, Standards, Certification and Fellowship lead to the ultimate goal of Professionalism. Join today and contact us with any questions you may have about membership.

Share, Collaborate, Exchange and Grow.

If you submit numbers on bid day, then you belong in ASPE.

RENEW YOUR ASPE MEMBERSHIP TODAY!

SAVE THE DATE!!

- Meeting Location: Santa Clara Builders Exchange- 400 Reed Street
- Meeting Date: 4th Monday of the month
- Meeting Time: 3:00pm Social | 3:15 Program

Have you read the latest ASPE Connection??

Click here to read the latest edition… →
http://www.aspenational.org/?page=EstimatingToday

Have heard? Or do you have any interesting Construction related articles to share with our ASPE members…We are always looking for great content…

CONFERENCES

2018 Steel City Summit: Developing the Next Estimator
Pittsburgh, Pennsylvania
June 27 - 30, 2018
Wyndham Grand Hotel

Want to Sponsor or Exhibit - Click Here

Currently, ASPE has certification offered in the following categories…Click link to read more
https://www.aspenational.org/…/377526/Certification-Categor…
Bay Area Current Market Conditions – January 2018

In mid-2017 we reported on factors driving the construction market forward. There was discussion at that time over the possible “bubble” we were in and when it might end. The stock market which is always an indicator has been on an upward trajectory, long enough to have all knowledgeable gurus predicting a significant correction (most considered equities to be overvalued). However there appears to be a “Goldilocks scenario” of above average growth and below average inflation. That portends the Stock Market bull run still has some legs especially now that the new Federal Tax Bill has passed.

The Bay Area construction market is humming along with record low unemployment.

The current factors that continue to drive the Bay Area construction market:

1) Areas close to San Francisco, which hitherto may have been moving at a slower pace, are now on the front burner e.g. Oakland is now a market that is very active.

2) Lack of competition especially at the subtrade level. All trades are very busy, however certain trades have been more troublesome than others including concrete, glazing, drywall, casework and MEP. Finding two or more bidders for each sub-trade is an ongoing challenge.

3) Lump Sum Bidding: In this market many contractors do not need to find work in the Lump Sum bidding world. There is an abundance of work they can negotiate in some form of GMP, often with Design/Build components. Profit margins are higher and risks lower than in the typical Lump Sum bidding world.
4) Lack of experienced construction personnel is becoming acute especially as the baby boomer generation retires. The current immigration crackdown may aggravate this shortage.

5) Schedules: In this economy it will be difficult to work to tight schedules. With Subcontractors at capacity and juggling many projects expect extended durations or delay.

6) Public sector projects: We can expect a relatively small number of bids even on new projects. Client should carry bidding contingencies on all projects with a heavier weighting on renovation.

7) Housing: The cost of renting or buying is a major impediment to attracting or retaining staff. Living in the outer periphery of the Bay Area and commuting is no longer attractive given the extended commute time and traffic congestion.

8) Material costs: Certain material cost have risen in the last year partly as a result of new tariffs and a weaker dollar. e.g. Lumber with double digit increases.

**Escalation and TBD Index**

The TBD index is published on our website, www.tbdconsultants.com, and monitors the in-place construction cost escalation for a simple new construction building.

Our TBD Cost Index has shown an escalation rate of 80% since the first quarter of 2010 through end of 2017 - that equates to an average annual escalation of 7.6% compounded over the last eight years.

Historically escalation has been in the 3.50% - 3.75% range. This current high level of construction cost escalation is not sustainable in the long term. It does suggest a correction is overdue, and careful monitoring is warranted. However, this coming year has started as the last year ended, and accordingly we expect this heated market to continue through 2018.
Bidding Contingency

Following on our recommendations of July 2017, we again have looked at a broad band of public sector projects to advise clients on the percentage market factors and would recommend the following to be added to any estimate. These ranges are broad to cover the various added factors e.g. renovation, phasing, schedule, number of alternates, etc., which will have a compounding effect on bidding responses. As in our last Market Report we recommend the following bid contingencies:

1) Projects in the $1m-$5M range  
   Recommended Bidding factor  20-50%

2) Projects in the $5m-$10M range  
   Recommended Bidding factor  20-35%

3) Projects in the $10m-$20M range  
   Recommended Bidding factor  15-25%

4) Projects in the $20m-$50M range  
   Recommended Bidding factor  10-15%

At this stage, most public clients are aware of the current heated market and the difficulty of obtaining competitive bidding. Even if bids from General Contractors are tightly grouped there is no guarantee the response from the sub-trades was competitive in nature. (or how many sub bids were received).