

3/23/23

IN THE MATTER OF
ADVENTIST HEALTH CARE
SHADY GROVE MEDICAL CENTER

BEFORE THE
MARYLAND HEALTH
CARE COMMISSION
Docket No. 20-16-2443

RESPONSE TO QUESTIONS REGARDING REQUEST FOR PROJECT CHANGE AFTER CON APPROVAL

CUP Upgrades

The originally approved budget for the CUP was approximately \$11.8 million. SGMC stated in the request that upgrades to the CUP are necessary to bring it up to current code and best practice standards. These proposed upgrades include:

1. *Upgrades to meet current code requirements and best practice standards:*
 - a. *Installing a Life Safety Automatic Transfer Switch for the generators and emergency lighting,*
 - b. *Installing a Critical Branch Automatic Transfer Switch,*
 - c. *Replacing egress lights w/ LEDs fixtures,*
 - d. *Installing an equipment branch dedicated to the heating equipment, and*
 - e. *Replacing generator power wiring.*
2. *Installing 1300-ton chillers to ensure the CUP can serve the new tower and have additional capacity to support future needs.*
3. *Replacing outdated boilers to serve the new tower as well as the rest of the hospital.*

For the CUP upgrades, can you provide an explanation of why these "necessary upgrades" were not accounted for in the original CON request and why the upgrades are necessary now. We also ask that you provide a detailed project budget for this specific part of the project. This detailed project budget should include specific costs for each proposed upgrade and which costs have been obligated to date

Applicant Response:

The SGMC CUP is over 40 years old. The approved CON includes CUP upgrades to support the new patient tower. After the approval of the original CON application the CUP was subject to a facility condition assessment as part of a masterplan update. The facility assessment emphasized a need for additional cooling capacity and highlighted the critical need to replace the over 35-year-old boiler. Recently, major and costly tube repairs necessitated the boiler replacement project be pushed to the top of the priority list as an immediate need. If the facility assessment had been completed prior to the original CON submission, this work would have been included within the project scope. Therefore, we are requesting this work be included within the scope of the project which is also ideal for procurement and execution efficiency. A detailed budget is included in Exhibit 1.

Substantial Project Cost Increases

The project cost has increased from the approved \$180,011,359 to \$247,657,497. This represents an increase of \$67,646,138 or about 37.6%. SGMC states that the substantial cost increases in overall project budget are a result of inflationary pressures and volatile market conditions resulting from the COVID-19 pandemic and its impact on the labor market and international conflicts further disrupting global supply chains. SGMC stated that it received guaranteed maximum price (GMP) proposals from its construction contractor for the construction of Phase 1 of the Project – construction of the new patient tower and CUP upgrades. Based on the information submitted, the applicant does not have a GMP bid on the second contract part of Phase 1 (fit out of interior of Tower) or a GMP bid on Phase 2 (renovation of existing space).

Provide an updated Table E (Project Budget with Uses and Sources of Funds) with the newly proposed budget. A blank Table E is attached. In the newly proposed budget, specify the cost increases due to building costs, materials, and labor costs for each line item. Also, provide a detailed explanation of why each of these specific cost increases are necessary.

Applicant Response:

Table E is attached in Exhibit 2. Cost increases are a result of dramatic changes in the economy: rising inflation, supply chain disruptions, and increased labor costs, all of which have been discussed previously with the Commission. The significant project cost increase resulted from these volatile conditions.

It is impossible to provide detailed explanations for individual line-item cost increases. As mentioned in the initial project modification filing, per the Associated General Contractors of America April 2022 report, the construction industry is experiencing exceptionally steep and fast-rising costs for a variety of materials, compounded by major supply-chain disruptions and worker shortages. For example, steel, gypsum, lumber, electrical and plumbing supplies, and diesel fuel costs increased dramatically between 29% - 300%. Increased shipping costs also contributed to the budget increase. Labor costs also increased significantly across nearly all building trades including concrete contractors, steel erectors, electrical workers, and plumbing and HVAC servicers all seeing 5 - 9% increases since 2020.

The initial budget was based on cost estimates from contractors which were in turn based on market conditions at the time the application was submitted. The increased budget reflects the current cost of the same work. Such volatility in the market is rare and nearly impossible to predict and, in this case, is the result of historic global occurrences.

Regarding the “guaranteed maximum price proposals” for Phase 1, is the cost of this phase fixed? Please fill out the attached Excel workbook that includes a worksheet for each phase, including all three contracts to reflect the total project cost. Each sheet in the workbook should be consistent with the format provided in the original CON Table E with columns for Hospital Building, CUP Upgrade, and Total. We need to be able to review the project plan for each phase by contract, by construction component, and in total.

Applicant Response:

The worksheet is attached as Exhibit 1. The tower core and shell and cup upgrade GMP is fixed. The scope of work relating to the CUP will be completed along with the construction of the core and shell of the patient tower. The GMP does not apply to the tower fitout. This is part of our strategy to contain costs. There is reason to believe that by pushing out the contract for fit out, SGMC will be able to obtain more favorable prices than what is available on the market currently. The cost of lumber and gas (general market indicators) have decreased significantly in recent months, and there have been smaller incremental decreases to other construction materials as well. SGMC will continue to monitor market conditions and can request proposals for the interior fit out in 12 to 18 months while we progress with the tower shell.

Please submit an updated Table L (Workforce Information).

Applicant Response:

Table L is attached as Exhibit 3. There is no change to Table L from the original application, as the scope of the project is not changing. The original CON application took support positions into consideration at the time of filing. These positions include Environmental Services, Facilities, Security, Transporters, Dietary etc. The clinical units staffing is based on standardized staff to patient ratios, so as volumes fluctuate, that staff will adjust as necessary to maintain these ratios. The increase in labor costs referred to above pertains to construction labor not labor associated with hospital operations.

Provide and describe the budget contingencies on the potential costs for all contract(s) and phases yet to be settled and identify any obligated budget amounts.

Applicant Response:

Since we have a GMP for the tower core and shell and CUP upgrade portions of the project, we included a 3% contingency amount for that work. For the tower fitout and renovation of current hospital space, which are currently not under contract, we included a 10% contingency amount to the construction estimates plus an inflation amount through the midpoint of construction.

In the review of this request, we have not been able to calculate an updated MVS for the proposed new budget based on the information provided. Please resubmit the MVS calculations and provide all updated financial information relied on and the steps taken. Also consider the impact of Condition #2 in the original CON approval which states "Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude \$21,226,090, which includes the estimated new construction costs that exceed the Marshall Valuation Service guideline cost and portions of the contingency allowance and inflation allowance that are based on the excess construction cost." Also, resubmit an updated Table D (Onsite and Offsite Costs Included and Excluded in Marshall Valuation Costs). A blank Table D is attached.

Applicant Response:

Exhibit 4 provides the detailed MVS analysis we have prepared.

The first two pages entitled "Table D Information and MVS Calculations" contain all the information required by Table D, in greater detail than what appears on the Table D form itself.

The third page entitled "MVS Benchmark as Calculated by MHCC Staff Adjusted for Most Recent MVS Information" shows how the MHCC Staff did their MVS calculation for the original CON application. To have an "apples to apples" update of that analysis, SGMC utilized the same approach, and applied the most recent multipliers, adjustments, and other cost refinements as published in the current MVS manual, as will be further explained below. Specific calculations were done for the separate Hospital, Mechanical Penthouse and CUP addition elements, and integrated to result in the final "Total Hospital Building" column reflecting an overall adjusted MVS cost per square foot of \$563.25.

Page 4 contains Worksheet 1 showing the detail regarding the relevant MVS perimeter, wall height and basement categories, adjustment factors and calculations for each of the project elements that is reflected in the aforementioned MVS Benchmark table in which the MVS benchmark calculation methodology was shown.

Page 5 contains Worksheet 2 showing detailed categories, adjustment factors and calculations for each of the Hospital, Mechanical Penthouse and CUP addition project elements regarding differential departmental cost factors that are also reflected in the aforementioned table in which the MVS benchmark calculation methodology was shown.

The MVS Benchmark table and Worksheets 1 and 2 taken in the aggregate provide the detail of the MVS methodology we have used resulting in an adjusted MVS cost per square foot of \$563.25. The cost calculations in the "MVS Benchmark" table segregate the project's costs into three categories: Hospital, Mechanical Penthouse, and CUP Addition. The Hospital category reflects the base costs of the five stories of clinical space within the new facility. The segregation of the Mechanical Penthouse costs into a separate category mirrors the methodology that was employed by the MHCC staff in its April 15, 2021 Staff Report and Recommendation related to Adventist HealthCare's original October 2020 CON submission for the project. The CUP Addition costs category memorializes that portion of the new central utility plant needed to provide the steam and chilled water required to meet the utility needs of the new tower.

Further calculations appear at the conclusion of what is presented on the first two pages containing Table D Information and MVS Calculations that show how the projected project costs compare to the MVS benchmark of \$563.25 per square foot. Those calculations show that project costs are projected to be \$908.24/sf after allowable MVS exclusions are accounted for. Subtracting from that figure the MVS benchmark of \$563.25/sf, and further subtracting the \$56.32/sf for an Abnormal Shortage Multiplier results in a project cost that is \$288.67/sf over the MVS standard. Multiplying that excess cost/sf by 153,002 sf of construction results in \$44,166,341 that might be eligible to be disallowed for rate setting purposes.

Also, what actions or considerations have been taken to minimize the scope of the cost overrun?

Applicant Response:

We have proposed a phased execution plan to help contain costs. We will pursue the tower under two contracts. The first contract for the core and shell is already executed. This will allow the project to continue within the required timeframe. The second contract will be for the fitout of the tower and the renovation of the existing hospital space. This will give time for the market to stabilize and for costs to come down from their current high levels. As mentioned earlier, there are reasons to believe this strategy will be successful given the downward trend of market indicators such as lumber and gas. Other cost saving strategies include:

- After initially seeking bids that combined the patient tower Addition, CUP upgrade, and renovation, the project team sought an alternate bid for the CUP Upgrade work. After evaluation, we awarded tower core & shell and CUP upgrade in two separate contracts.
- We utilized Turners GPO, Source Blue for major capital equipment costs.
- We identified energy rebates and received an MEA grant for the Boilers installation.
- We evaluated and executed alternate electrical manufacturing for improved pricing and schedule delivery dates.
- We used value engineering and stacking options to come up with the most cost-effective construction and phasing plan.
- We pre-purchased some major CUP components for savings and just in time delivery as owner furnish-contractor installed.

Originally SGMC's sources of funds for the approved project were approximately \$10 million in cash from its operating budget, \$16 million in philanthropic donations, and approximately \$154 million were to be raised through authorized bonds. The applicant stated that still plans to raise \$16 million in philanthropic donations. It has raised just under \$8 million in charitable contributions to date. The bonds issued for the Project were completed in October 2021. The applicant stated that the remainder of the costs (approximately \$67.65 million) will be funded by cash from operations.

Please specifically identify the entity whose operations will fund the balance, (AHC or SGMC) and provide specifics on the mechanics of how the entity or entities will finance these project costs through operational funds? Please resubmit the Revenue and Expense statement that accounts for this change.

Applicant Response:

As noted in the original CON application, all financial analyses presented as it relates to funding the project is that of AHC consolidated. There is no distinction between SGMC and AHC as SGMC is a division of AHC. The additional funds needed will be generated from the operations of AHC and funded by carving out a portion of AHC's annual capital budget. The tower project will be prioritized to ensure that the total amount of system capital spend is at an appropriate level. A Budget Income Statement for SGMC is attached as Exhibit 5.

Due to the increase in the project budget, SGMC stated that it plans to file a partial rate adjustment application request with the Health Services Cost Review Commission (HSCRC) to help offset the cost of these increases. The applicant stated that HSCRC has been notified that this request is pending.

Is there a contingency financing plan in the event that HSCRC denies or only grants part of the requested partial rate adjustment application?

Applicant Response:

SGMC submitted an updated partial capital rate application to the HSCRC on 11/28/22 based on the current methodology. This resulted in a request of \$10,077,575. There is not a contingency financing plan as the application is consistent with the HSCRC’s stated methodology; therefore, SGMC is eligible to receive this funding. Initial conversations with the HSCRC regarding the rate application support this approach.

Given the request to change the approved performance requirements, please update the project timeline given the potential for a multiphase construction plan.

Applicant Response:

The requested project change will not affect the project timeline as indicated below:

Phase	Scope	Const. Start Date	Estimated Construction Completion Date / Occupancy Permit	Activation	Construction Duration
1A	Tower Core & Shell	Nov 2022	Dec 2024		36 Months
	CUP Upgrade	Jul 2022	Apr 2024	May 2024	20 Months
1B	Tower Fitout	Jun 2024	Oct 2025	Dec 2025	18 Months
2	Renovations	Jan 2026	Jul 2027	Sep 2027	18 Months

CURRENT COST MULTIPLIERS

(Section 99, Page 3) are the multipliers for bringing costs published on the preceding pages up-to-date. This page is republished monthly and is based primarily on the Building Cost Indexes.

LOCAL MULTIPLIERS

LOCAL MULTIPLIERS (Section 99, Pages 5 thru 10) reflect local cost conditions and are designed to adjust the basic costs to each locality. They are based on weighted labor and material costs, including local sales taxes and the Canadian GST, but do not include any new construction rebate where applicable. Local multipliers apply to all costs in the manual but not to the total replacement cost multipliers. The local multipliers, when applied to the total replacement cost, will adjust for variations in component costs as a whole for a particular geographical area. Multipliers may not adequately adjust when applied to specific components or Unit-In-Place costs, e.g., in the case of a specific piece of equipment which may be national in scope requiring no significant localization. For most Unit-In-Place costs, the predominant building or material Class factor can be used (e.g., wood, Class D; masonry, Class C) or an average of all Classes may be appropriate. In some cases, local building problems and practices must be considered, in the best residential neighborhoods, costs are often higher than those for identical construction in a lower-cost neighborhood. These pages are republished every January, April, July and October.

SPECIAL LOCAL CONDITIONS: Normally, smaller cities and suburbs near larger cities fall under the same cost influence as the larger city; however, local wage scales, inspection practices, licenses, codes and fees may vary, and the valuator should consider these possible deviations. Within a large city, costs will often vary by distance from sources of materials, such as ready-mix plants, and the local multipliers apply only to typical conditions prevailing. The state multipliers are merely weighted averages of the various cities and do not have any other significance. They may fit quite closely to many of the cities in the state which are not listed, but some localities may vary appreciably.

SEISMIC AND WIND: In high wind (over 90 mph) and earthquake (zones 2, 3 & 4) prone areas, you can have additional structural elements which will affect the overall building costs. Lifeline structures, such as Hospitals, Governmental and Data Centers must meet stringent building and life safety codes. See Section 85 for further information. Individual components can be priced using the Segregated Method.

NATURAL DISASTERS: Widespread major natural disasters can create isolated materials and/or labor shortages requiring some upward adjustment to the multipliers. Some specific materials, such as roofing, can temporarily increase 30% to 50% or more above normal repair estimates.

ABNORMAL CONTRACTOR'S PROFIT: In areas of high growth, contractors are able to take higher than normal profits due to an increased demand with limited contractors and/or workforce availability.

ABNORMAL SHORTAGES: If temporary supply-demand imbalances caused by events other than major catastrophes—such as factory closures, strikes, inadequate inventories, environmental legislation, trade embargoes, commodities speculation, etc., may require upward adjustment to the multipliers.

NOTE: Even though a particular material or trade may increase dramatically in a short span of time, it may only be a small part of an entire structure, and valulators should use caution.

COMPLEX SITES: Hillside construction will be much more expensive, due to added foundation and sitework. Downtown buildings are usually somewhat more expensive than outlying buildings. Sidewalks must be barricaded or roofed for the protection of pedestrians. Due to the lack of adequate space, material storage and handling is often more costly. Bordering property must often be protected. Such expenses are a part of construction costs.

GREEN BUILDINGS: High performance sustainable construction that is LEED certified can be more expensive, requiring some upward adjustments to the base costs.

WEATHER EXTREMES: Extreme cold, heat or wet weather may require temporary enclosures or covers, or special storage handling and wrapping of materials. Added costs may require some upward adjustment to the multipliers.

REMOTE LOCATIONS: Upward modification of the multipliers is appropriate if a building or other structure is far removed from supplies of labor and material, if its location is accessible with difficulty requiring higher freight charges on material, contains noncompetitive conditions for labor or materials, disproportionate crewing or labor per diem charges, or unusual climatic conditions occur. Examples are island, mountain, desert or resort locations and others not enjoying reasonable and adequate transportation facilities, for which no local modifier has been computed. When using the Mountain and Resort Cottage costs in Section 12, normal erection in remote areas is already included.

QUANTITY OR DEVELOPMENT CONSTRUCTION: There are usually cost savings in quantity or duplicate construction, which may or may not be passed on to the prospective buyer. Usually, only part of the savings are passed on. Since costs in this manual will be based to some extent on such construction, the costs may require small, or

no percentage reductions to reflect actual sales conditions in the area. Large industrial projects, using multiple lift-up or residential modular construction can have savings based on the listed averages.

AMATEUR WORKMANSHIP: All costs in this manual are based on professional labor supervised by a contractor or job foreman. For amateur workmanship or work done by farm or ranch help, costs should be decreased to reflect the proper wage rate and lack of contractor and architectural supervision relative to the quality of the work.

REPAIR AND REMODEL: All costs in this manual are based on new construction. Typical repair work will run 10% to 20% higher because of restricted area, movement of materials, temporary supports, shoring, etc., and other contingencies not encountered in new construction, excluding demolition and removal. For detailed costs we would recommend using our repair and claims products.

MODIFYING ADJUSTMENTS

The following are rough overall percentage ranges to apply for certain unusual conditions, which can be cumulative:

ADD FOR THE FOLLOWING:			
Abnormal contractor's profit	5%	to	25%
Abnormal shortages	2%	to	10%
Complex/congested areas	2%	to	5%
Hillside buildings	5%	to	20%
Remote areas	5%	to	15%
Resort locations	15%	to	30%
Weather extremes	2%	to	6%
Seismic or high wind	2%	to	5%
Lifeline occ., high event	5%	to	10%
(Zone 3/4)			
ADDITIONS - CONTINUED			
Green Buildings, Commercial	0%	to	7%
Residential	3%	to	20%
SUBTRACT FOR THE FOLLOWING:			
Quantity or Development construction	1%	to	5%
Abnormal labor surplus	1%	to	5%
Amateur workmanship	15%	to	30%
Architects' fee adjustments:			
see discussion below and on Page 2.			

ARCHITECTS' FEES

The architects' fees listed on the next page are based on averages of fees actually charged or recommended. Actual fees, (based on the size of the project, technical difficulty, artistic requirements, and the reputation of the architect and his willingness to accept the assignment), vary greatly, and the estimate of the fee is a matter for the valuator's judgment. Architects' fees will normally include part or all of the following:

1. Plans and specifications including consultations, estimates and engineering studies.
2. General administration and overall supervision of construction, not including superintending construction.
3. Approving payment vouchers to the contractor.
4. Approval and acceptance of completed construction.

Regardless of the size and type of construction, all of these services must be performed by someone. On some projects, the owner or general contractor may supervise. On governmental projects, many services are performed by government employees; however, in replacing the building, the cost of these services, whether performed by the architect or others, must be included.

The architects' fee percentages given here are only a guide. On a simple pre-engineered structure or residence, stock plans and specifications may be purchased for under \$300, plus \$50 for each additional set. On a large housing development, the architect may get full fees for each individual design and payments as low as \$325 per unit for additional uses of the plans, perform work as a corporate employee. Also, many shed, farm and utility buildings are commonly built without plans or from standard plans which can be obtained free, or at a small price. To add a full architects' fee would be unsuitable.

In actual practice, architects' fees are normally based, by contract, either on a percentage of the entire cost, a multiplier of the technical payroll plus incidental expenses, or on a fixed sum plus listed expenses.

In the final analysis, the architect's function, when fully performed, is a proper cost of construction. A well-considered matching of structure to land may enhance the end value by more than the fees involved. However, when poorly performed, the cost of design and drafting work may be wasted and result in functional obsolescence in a brand-new structure. This determination is a matter of judgment.

The average fees listed for buildings do not include fees for design of furniture, built-in equipment or appliances, plant or off-site, utilities or subdivision layout, or other detailed special items designed for a specific trade or personal use.

COST AND VALUE

KEEPING UP TO DATE

REPLACEMENT COST – The replacement cost of a building is the total cost of construction required to replace the subject building with a substitute of like or equal utility using current standards of materials and design. These costs include labor, materials, supervision, contractors' profit and overhead, architects' plans and specifications, sales taxes and insurance. The major portion of the *Marshall Valuation Service* is devoted to the development of Replacement or Reproduction Costs by various methods.

REPRODUCTION COST – The reproduction cost of a building is the total cost of construction required to replace the subject building with an exact replica in all salient characteristics or components. With newer structures, the terms 'reproduction' or 'replacement' will be somewhat synonymous, while with older structures, a reproduction approach endeavors to replace with like kind where possible and is more akin to the Segregated Method. In the case of totally obsolete or unavailable components, a true reproduction in its strictest sense may not always be possible or desirable.

PRINCIPLE OF SUBSTITUTION – An economic principle stating that the price of a commodity tends to be no higher than the price of a substitute having equal utility, available without undue delay. This is the basis of the Replacement Cost approach to value, where the costs found in the *Marshall Valuation Service* are obtained directly from the construction market. No system, whatever its degree of sophistication or detail, can be better than the market-derived information on which it is based.

VALUE – Value has many classifications and meanings for various appraisal purposes. A few of these are Actual, Cash, Amenity, Assessed, Book, Capitalized, Market, Economic, Depreciated, Historical, Intangible, Caprice, Loan, Physical, Salvage, Leasehold, Tangible, and many others. In any kind of appraisal work, it is necessary to know the value which is sought and to be sure that the value concept used is in conformity with sound practice and general understanding. Section 3 has a discussion of some concepts of value which may apply to a given property interest. The *Marshall Valuation Service* deals primarily with the development of Replacement Costs which may be used as an approach to any of several concepts of value.

JUDGMENT

No book or service can be more than a guide to the appraiser. Each cost must be considered in light of actual conditions encountered in a specific appraisal. For example, the demand for a particular occupancy is so strong that a premium is paid for the privilege of immediate occupancy or for the chance of speculation. The fact that some owners are willing, or are forced, to pay extreme prices may not indicate true value. Speculators are building and buying on the premise that someone will pay an even higher price. This does not necessarily mean that building costs have gone up to the extremes indicated by the prices paid, but simply that a larger economic profit is being made. Conversely, a distressed market where temporary losses or foreclosures have forced prices to a depressed level does not necessarily mean that building costs have gone down to the extremes of auction prices, etc. If recent, reliable, actual costs of construction for a particular building are obtained, they may be brought to date with the Comparative Cost Indexes or Multipliers.

Where superior or complex construction is found, costs should be modified upward, remembering that the costs represent group averages. Similarly, where inferior or unusually simple or spartan construction is found, costs should be reduced. Do not hesitate to modify costs in the manual if such procedure seems logical; however, good judgment is backed by experience and tempered by logical reasoning. This service, as with any data source, can only be a guide to the thought processes of the appraiser, who alone is finally responsible for the finished estimate of cost or value. A sound report is predicated on a thorough and systematic inspection, which is discussed further in Section 3.

The monthly valuation service consists of:

- (1) Monthly green supplements, including the Current Cost Multipliers, which are used to bring costs on previously published pages up to date. This supplement will also include the monthly Building Cost Indexes, by district and type of construction.
- (2) Green supplements, including the Local Multipliers, published quarterly to convert average national costs to the locality. If the local cost changes follow the district trend, these multipliers do not change.
- (3) Replacement pages providing new base costs to keep up with changing construction practices and techniques and to add new building types to previously published pages.
- (4) New pages to increase the value of the service to the subscriber with a wider range of structure and miscellaneous improvement costs.
- (5) The Comparative Cost Indexes and Multipliers, published quarterly. These include 113 individual City, Ten Regional and three District Building Cost Indexes and Equipment Cost Indexes for 47 industries.
- (6) The buff supplement, Comparative Cost Multipliers, including multipliers computed from our District Building Cost Indexes to bring Historical Costs up to date. This quick-use supplement page is issued quarterly with the Building and Equipment Cost Indexes. Individual city and region factors must be computed separately.

When you receive a replacement page, remove the old page from your book and discard it or file it in a separate file to prevent the accidental selection of obsolete figures. Additional binders for storing historical pages can be ordered at a nominal cost.

Pages are numbered on the outside top corner with the Section number, Page number and date of publication, where the date is pertinent to the data. Where the date does not affect the data on the page, the date may be omitted.

Newly published material will reflect the results of the most current research on the subject. Each republished page is an effort to improve the service and the fact that it gives added accuracy does not invalidate any prior appraisals you have made. It simply means that your future surveys will be even more accurate.

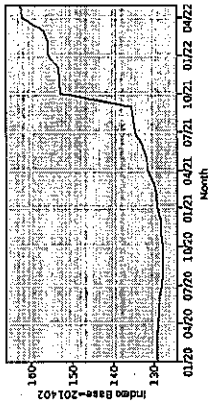
To use the service to the greatest advantage, it is of value to know the basis of the published data. This is best explained by saying that the base costs and cost ranges given are more or less running averages of actual costs. Each time a page is republished, additional actual costs for the buildings or other improvements listed are weighted and added to the sample, discarding some of the older samples already in the group.

The data is received by us from sources we believe to be reliable, but no warranty, guaranty or representation is made by Marshall & Swift as to the correctness or sufficiency of any information, prices or representations contained in the *Marshall Valuation Service*, and Marshall & Swift assumes no responsibility or liability in connection therewith.

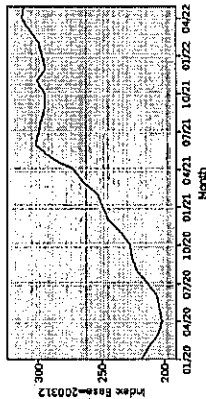
Construction Market Conditions, Oct. 2020 – Present*

(* - Source U.S. Bureau of Labor Statistics)

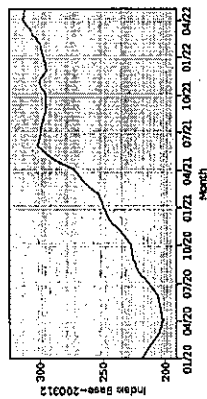
MATERIALS COSTS



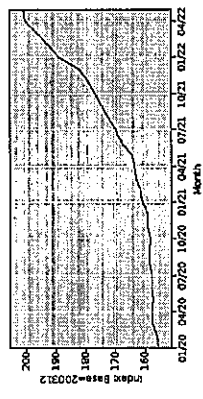
Concrete
+ 27.26%



Fabricated Steel
+ 79.46%

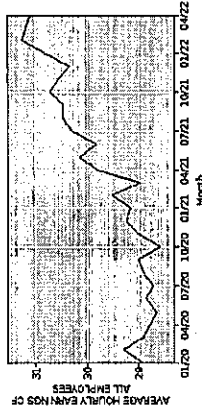


Copper Wire
+ 37.43%

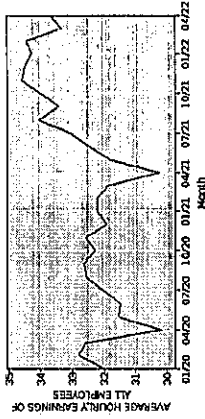


HVAC Equip.
+ 26.91%

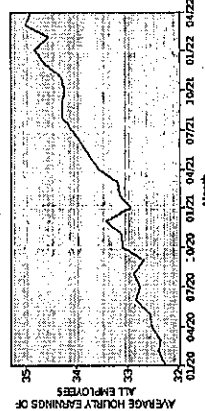
WAGES BY TRADE



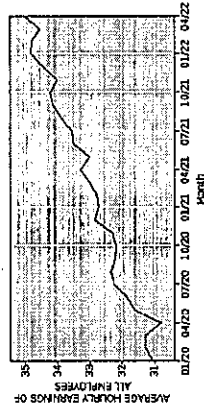
Concrete Contractor
+ 8.89%



Steel Erector
+ 4.34%



Electrical
+ 5.47%



Plumbing & HVAC
+ 8.86%

A Adventist HealthCare
Shady Grove Medical Center

Supply Chain Issues Affecting Construction Materials

(* - Source U.S. Department of Transportation, Supply Chain Disruptions Task Force)

A Number of containerships awaiting berths at U.S. ports began to decrease in Jan. 2022. Change mainly due to improvements at Port of LA – Long Beach, not at East Coast ports.

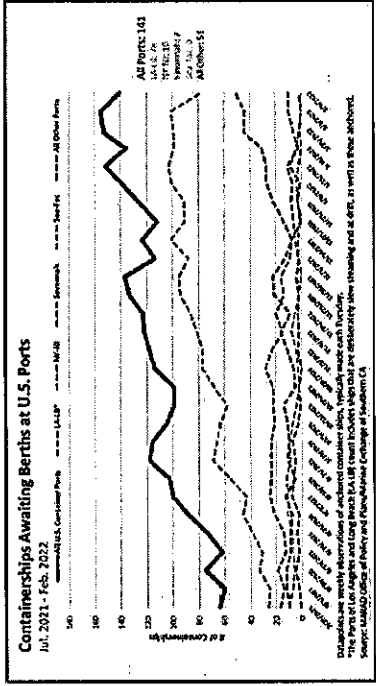


Chart depicts the total number of container ships waiting for an available dock at U.S. ports overall (solid line) and select major port complexes (dashed lines).

B

New monthly job openings in the Transportation, Warehousing, & Utility Sector increased approx. 60% between Jan. 2020 to Jan. 2022. Most went unfilled.

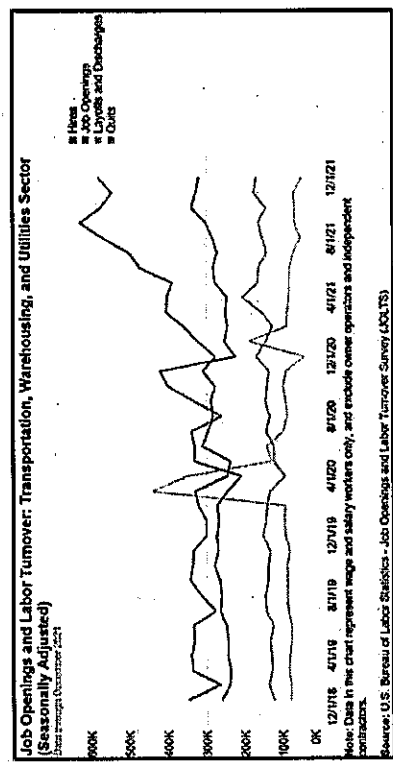


Chart depicts job openings and labor turnover in the Transportation, Warehousing, and Utilities sector of the economy, by month.

C Number of intermodal containers shipped in U.S. decreased approximately 15% during Q3 & Q4, 2021.

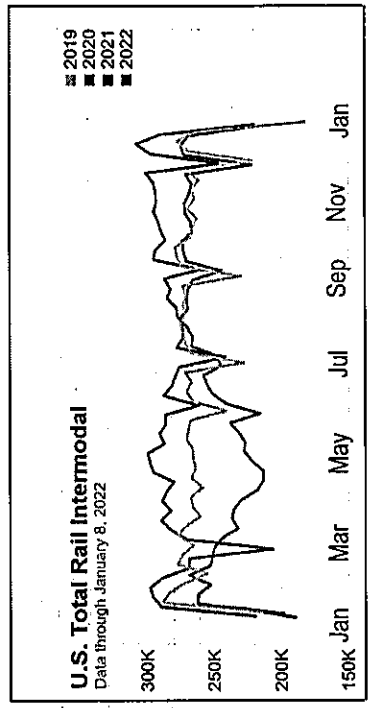


Chart depicts how many shipping containers and truck trailers are moved on rail cars in a given week on U.S. Class I Railroads. Approximately half of all railroad carloads are intermodal.

