



Hanscomb

NEWS UPDATE

Escalation Watch

INSIDE:

Page 1
Escalation Watch

Page 2
Statistics Canada
Non-Residential
Construction Cost
Indices for 7 Cities

Page 3
Construction Loan
Monitoring

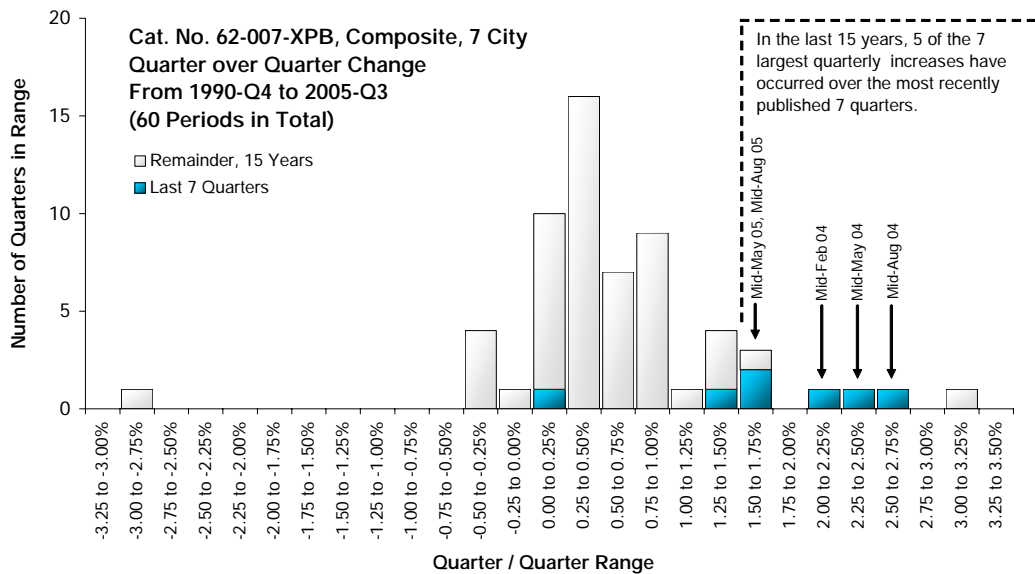
Page 4
Announcements/
Office Contacts/
Services

The mid-August 2005 Non-residential Construction Price Indices are now available from Statistics Canada. Indices for the fourth quarter of 2005 should be available in mid-February 2006.

Nationally, the composite price index has risen from 132.6 to 134.9 or 5.1% over the same period in 2004. The third quarter index rise of 1.7% is identical to the second quarter and continues the national growth trend that took hold in the latter part of 2004.

Third quarter 2005 results for each of the seven cities in the survey are generally in line with the national trend although it appears that growth may be accelerating in Eastern Canada while slowing somewhat in the west. Expressed annually, however, Halifax (3.8%), Montreal (4.1%), Ottawa (3.7%) and Toronto (4.8%) still lag behind the national composite index increase of 5.1% while Calgary (6.3%), Edmonton (6.4%) and Vancouver (6.4%) are still well above the national composite.

It is interesting to note that if we consider the quarterly changes of the past 15 years, 5 of the 7 largest quarterly increases have occurred over the last published 7 quarters. As the histogram that follows confirms, nationally, we are in a period of greater than average growth. Details on recent quarterly and yearly changes for each of the surveyed cities can be found on page 2.



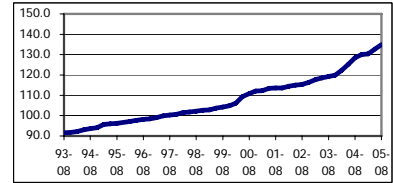
Please note that in the above histogram: **Horizontal scale** represents the range of quarterly increases from -3.25% through to +3.5% per quarter, in 0.25% increments. **Vertical scale** represents the number of quarterly increases that fall within a given range.

The source data used to prepare the charts in this newsletter is drawn from Statistics Canada's Construction Price Statistics publication – catalogue 62-007-XPB. Specifically, we used table 5.1 – Non-residential Building Construction Price Indices.

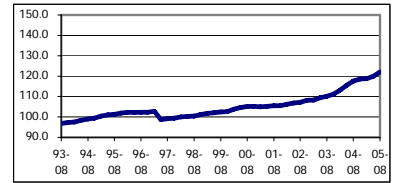
More information about this and other construction related indices published by Statistics Canada are also available on line at www.statcan.ca.

STATISTICS CANADA NON-RESIDENTIAL CONSTRUCTION COST INDICES, IN EACH CITY 1997 = 100 (Cat. No. 62-007-XPB)

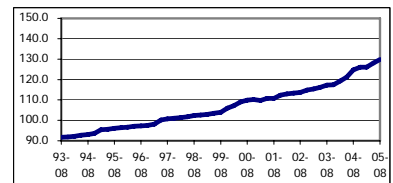
COMPOSITE 7 CITY	2003			2004			2005			
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug
Index	118.5	119.2	119.8	122.4	125.2	128.4	130.1	130.4	132.6	134.9
Year / Year					5.7%	7.7%	8.6%	6.5%	5.9%	5.1%
Quarterly		0.6%	0.5%	2.2%	2.3%	2.6%	1.3%	0.2%	1.7%	1.7%
Q. Cumulative	0.0%	0.6%	1.1%	3.3%	5.7%	8.4%	9.8%	10.0%	11.9%	13.8%



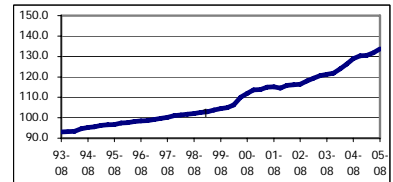
HALIFAX	2003			2004			2005			
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug
Index	109.5	110.2	111.2	113.2	115.6	117.6	118.6	118.7	120.0	122.1
Year / Year					5.6%	6.7%	6.7%	4.9%	3.8%	3.8%
Quarterly		0.6%	0.9%	1.8%	2.1%	1.7%	0.9%	0.1%	1.1%	1.7%
Q. Cumulative	0.0%	0.6%	1.6%	3.4%	5.6%	7.4%	8.3%	8.4%	9.6%	11.5%



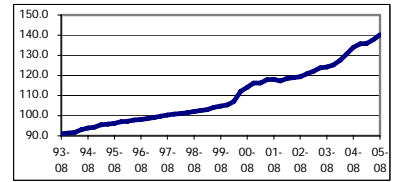
MONTREAL	2003			2004			2005			
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug
Index	116.1	117.3	117.4	119.4	121.3	124.7	126.0	126.0	128.0	129.8
Year / Year					4.5%	6.3%	7.3%	5.5%	5.5%	4.1%
Quarterly		1.0%	0.1%	1.7%	1.6%	2.8%	1.0%	0.0%	1.6%	1.4%
Q. Cumulative	0.0%	1.0%	1.1%	2.8%	4.5%	7.4%	8.5%	8.5%	10.2%	11.8%



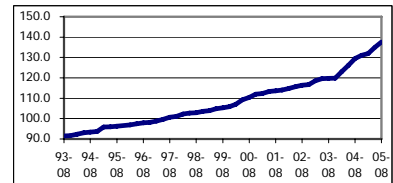
OTTAWA	2003			2004			2005			
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug
Index	120.7	121.3	121.8	124.0	126.3	129.0	130.4	130.5	131.9	133.8
Year / Year					4.6%	6.3%	7.1%	5.2%	4.4%	3.7%
Quarterly		0.5%	0.4%	1.8%	1.9%	2.1%	1.1%	0.1%	1.1%	1.4%
Q. Cumulative	0.0%	0.5%	0.9%	2.7%	4.6%	6.9%	8.0%	8.1%	9.3%	10.9%



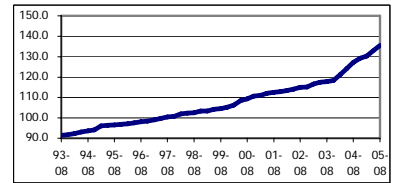
TORONTO	2003			2004			2005			
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug
Index	123.7	124.2	125.2	127.6	130.7	133.9	135.7	135.8	137.7	140.3
Year / Year					5.7%	7.8%	8.4%	6.4%	5.4%	4.8%
Quarterly		0.4%	0.8%	1.9%	2.4%	2.4%	1.3%	0.1%	1.4%	1.9%
Q. Cumulative	0.0%	0.4%	1.2%	3.2%	5.7%	8.2%	9.7%	9.8%	11.3%	13.4%



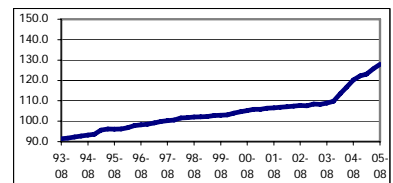
CALGARY	2003			2004			2005			
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug
Index	119.5	119.7	119.9	123.0	126.1	129.4	131.1	131.9	135.0	137.6
Year / Year					5.5%	8.1%	9.3%	7.2%	7.1%	6.3%
Quarterly		0.2%	0.2%	2.6%	2.5%	2.6%	1.3%	0.6%	2.4%	1.9%
Q. Cumulative	0.0%	0.2%	0.3%	2.9%	5.5%	8.3%	9.7%	10.4%	13.0%	15.1%



EDMONTON	2003			2004			2005			
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug
Index	117.4	117.7	118.3	121.3	124.2	127.2	129.2	130.3	133.0	135.4
Year / Year					5.8%	8.1%	9.2%	7.4%	7.1%	6.4%
Quarterly		0.3%	0.5%	2.5%	2.4%	2.4%	1.6%	0.9%	2.1%	1.8%
Q. Cumulative	0.0%	0.3%	0.8%	3.3%	5.8%	8.3%	10.1%	11.0%	13.3%	15.3%



VANCOUVER	2003			2004			2005			
	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug	Mid-Nov	Mid-Feb	Mid-May	Mid-Aug
Index	108.3	108.9	109.7	113.5	116.8	120.2	122.2	123.1	125.8	127.9
Year / Year					7.8%	10.4%	11.4%	8.5%	7.7%	6.4%
Quarterly		0.6%	0.7%	3.5%	2.9%	2.9%	1.7%	0.7%	2.2%	1.7%
Q. Cumulative	0.0%	0.6%	1.3%	4.8%	7.8%	11.0%	12.8%	13.7%	16.2%	18.1%



Construction Loan Monitoring

Where residential, commercial, industrial or residential building projects involve borrowed funds; lending institutions often require the services of a Construction Loan Monitor (CLM). Lending agreements usually require that the borrower retain a CLM who then reports directly to the lender. The Role of the Construction Loan Monitor is to provide the lender with independent assurance that:

- the requirements of the loan agreement are being met
- the project is properly funded
- the project budget is adequate to complete the work
- the work is proceeding on schedule
- payments due to trades and suppliers are being made
- the construction is in compliance with the drawings and specifications.

The Construction Loan Monitoring professional must be experienced in construction and contract administration practices and have a clear understanding of the scope of a project and the makeup of the project budget – hard costs, soft costs and land costs.

Construction Loan monitoring services are typically delivered in two stages; an *Initial Project Review* completed prior to the start of work on site and then regular (usually monthly) *Progress Draw Reports* during construction.

Initial Project Review:

The purpose of the Initial Project Review is to provide commentary on the project's readiness for construction, including scope, documentation and budget.

The CLM can also prepare an independent project cost estimate and reconcile it with the proposed project budget. Any apparent budget anomalies or shortfalls identified can then be addressed and rectified prior to proceeding to construction.

Progress Draw Reports:

Progress Draw Reports are typically submitted to the lender on a monthly basis. The work of the CLM for each report includes a visit to the site to record the status of construction. The CLM then prepares an independent assessment of the value of work completed to date, change order work completed to date and the estimated cost to complete the project.

The CLM's assessment of the value of work completed to date is then reconciled to the contractor's claim for payment and architect's certification, if applicable.

Each Project Draw Report typically includes commentary on:

- hard and soft costs spent to date
- retained and released holdback amounts, as required under the Construction Lien Act
- changes to the scope of work noted since the previous inspection and any corresponding changes to the project budget
- status of hard and soft cost contingencies and highlighting of any projected shortfalls
- construction progress relative to the project construction schedule
- status of funding received from the various project funding sources should be maintained

The report also includes copies of any applicable consultant certificates, statutory declarations that previous payments have been made, copies of statutory holdback release documentation and progress photographs indicating status of construction.

Hanscomb's Construction Loan Monitoring Group – Hanscomb Loan Monitoring Inc. (HLMI) – has been providing Construction Loan Monitoring Services for more than 25 years in support of more than a billion dollars worth of residential, commercial, industrial and institutional building projects.

HLMI has access to the full range and depth of cost planning expertise and resources of the Hanscomb Limited organization.

For more information about Hanscomb's Construction Loan Monitoring please contact Paul Westbrook at (416) 487-3811 or westbrook@hanscomb.com

Hanscomb
Loan Monitoring Inc.

ANNOUNCEMENT

2006 Hanscomb Yardsticks for Costing

Hanscomb Limited is the source for *Hanscomb's Yardsticks for Costing - Cost Data for the Canadian Construction Industry*, a publication that provides costing for 8 major regions coast-to-coast - the only book of its kind! This unique annual publication provides 2006 budget unit costs in both metric and imperial for:

- *over 2,600 construction components,*
- *300 installed systems, and*
- *34 typical buildings.*

The 2006 edition of Hanscomb's Yardsticks for Costing is in production and will be available in the coming weeks. To order of your copies, please contact RSMMeans at 1-800-334-3509.

WORLD WIDE OFFICES AND CONTACTS

Vancouver	Peter Moore	(604) 685-1241
Edmonton	Mike Swick	(780) 426-7980
Calgary	David Crane	(403) 234-9490
Winnipeg	David Crane	(204) 775-3389
Toronto	Paul Westbrook	(416) 487-3811
	Dale Panday	
Hamilton	Susan Neil	(905) 525-5777
Ottawa	Art Maw	(613) 234-8089
	Grant Mercer	
Halifax	Ray Murray	(902) 422-3620
St. John's	Wayne Fitzpatrick	(709) 722-0505
Abu Dhabi	Stephen Keigwin	9714-3244557
Dubai	Stephen Keigwin	9714-3244557
Muscat	Steve Bale	968-24481664
Doha	Ron Butler	974-4673808
Applied Research	Jason Gallant	(416) 487-3811
Value Management	Paul Westbrook	(416) 487-3811
Loan Monitoring	Raymond Murray	(902) 422-3620
	Michael Shackell	(416) 487-3811
Mech./Elec. Services	Al Wright	(416) 487-3811

SERVICES

Cost Planning & Control

- Quantity surveying
- Construction cost planning
- Construction cost estimating
- Master plan cost estimating
- Construction claims analysis
- Bills of quantities
- Bills of materials
- Replacement cost estimates
- Final accounts preparation

Value Management

Applied Research

- Life cycle costing
- Cost/benefit analysis
- Construction price indexing
- Cost research
- Cost publications
- Risk analysis

Construction Loan Monitoring

Feasibility Studies

Time Management

- Design scheduling
- Construction scheduling
- Schedule analysis

Litigation Support