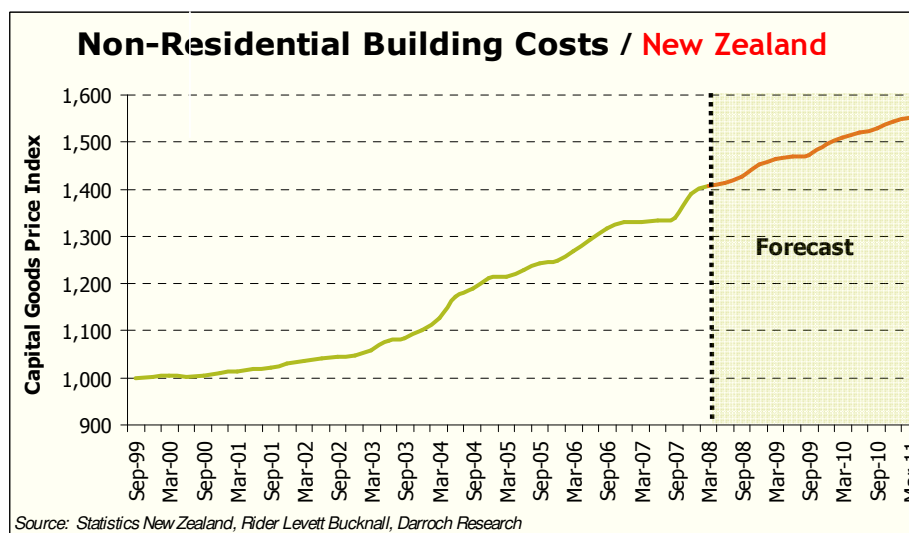


Building Costs Set to Rise Again

⇒ Insurance Cover Likely to be Affected

Commercial building costs have risen dramatically in the past five years and are expected to rise even further according to latest forecasts. Darroch Valuations is advising all building owners to check that their current level of insurance cover is adequate for reinstatement of their property asset. Auckland Manager John Darroch says "It's astonishing how quickly building costs have escalated in the past few years and the impact this has had on reinstatement cost. Owners need to ensure they stay abreast of rising construction costs".

The *Capital Goods Price Index* (CGPI) provides an official measure of cost movements in the non-residential building sector. It is tracked by Statistics New Zealand and according to their latest analysis the index currently stands at 1340 points. Rising costs in structural steel work and fit out of electrical services are cited as two key factors behind escalating building costs. Looking forward, international company Rider Levett Bucknall (RLB) are forecasting non-residential building costs to rise to 1465 points by March 2009 and over 1500 points by March 2010.



This means that a non-residential development which hypothetically might cost \$1,500 per square metre today will rise to \$1,650 psm to replace by 2010 (index = 1500). An average building of 400 square metres costing say \$600,000 to build today, will cost \$660,000 in two years time. Mr Darroch believes that most owners try to keep an eye on costs and generally seek out expert assistance. He says Darroch clients are in good hands "Our advanced systems activate reminder letters to our clients that an insurance update is due. This way, our clients are able to manage their assets effectively. Our clients are always appreciative of this important reminder. It's part of our dedicated service."