



Quarterly Newsletter
Spring 2011, Vol. 2, No. 1



Dear Edward,

Welcome to our periodic newsletter. We'd like to share some exciting news with you. Our new website focusing on Cost Segregation services has just been launched. If you are not familiar with Cost Segregation, please see the article below to learn more about it. We believe that it's a huge opportunity for property owners to enhance the financial well being of their businesses.

Please read the article and follow the link here www.concordcostsegregation.com to our website. Also, please let us know what you think about our newsletter and what you are interested in hearing about from us.



The Concord Group

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Contact us at any of our offices.

Recent Projects

The Moderne
Milwaukee, WI
Loan Review Services

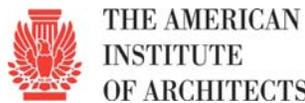
VA Hospitals
Multiple Locations
Cost Estimating Services

Cook County Dept. of Corrections
Chicago, IL
Cost Estimating Services

Argonne National Lab Advanced Protein Crystallization Facility
Argonne, IL
Cost Estimating Services

Billing Trends

The American Institute of Architects announced that at the end of February the Architecture Billing Index had remained above 50 for the fourth month in a row. That score was 50.6. This index tends to predict trends in actual construction activity anywhere from 8 to 12 months out. The September index or score was just above 50. October saw a slight decline, November moved back into the up side of the range with a score of 52, December was 54.2 and January scored at an even 50.



Inquires also headed back up as the year ended giving some sense of optimism in the market.

Jennifer Riskus, author of the ABI report, noted however that while inquires and billings are steady or slightly improved the industry has continued to shed staff. In addition, 25% of the firms surveyed for the ABI report indicate that they have been awarded projects funded through the American Recovery and Reinvestment Act (ARRA). [Link to article.](#)

Recent Midwest Bid Indicators

By Eamon Ryan - Vice President/Principal

Recent cost data indicates that the period of deep decline in construction spending is over. However, there is very little growth projected in the industry for 2011 and we are expecting to see construction costs remain relatively stable for the remainder of the year and overall construction volumes remaining at their current depressed levels. The ongoing states and local governments budget difficulties continue to have a major impact on the industry as projects continue to be put on hold. The states and local governments budget issues coupled with the continued uncertainty about federal funding for long-term infrastructure projects continues to contribute to the very competitive market which has existed for the past 30 months.

The Association of General Contractors recently issued a report indicating that the construction industry has added 33,000 jobs nationally during the month of February and this is a potential positive sign that a rebound in construction activities is underway. However, it is still too early to make that determination as seasonal factors have yet to be accounted for.

Locally, in Chicago and Milwaukee we are seeing the bidding environment remain competitive with many (average of 8 plus) contractors bidding on all projects. Local bid data indicates that the period of severe cost cutting may be over as construction costs start to show signs of increasing. The cost of copper, steel and petroleum based products continues to rise and we are starting to see the impact of this in recent bidding. The ongoing unrest in North Africa may further affect the cost of petroleum based products as the year progresses.

We continue to recommend that any project being budgeted for construction during the second half of 2011 should include a 2-3% escalation factor. If the expected recovery continues into 2012, we expect to see continued material/labor price increases along with more construction spending/starts. In addition, economists are now predicting that due to the increasing demand in the emerging markets for commodities such as steel and copper that these will soon have an inflationary impact on construction materials here in the United States. Therefore, we recommend carrying an annual escalation factor of approximately 6% for projects scheduled to begin construction in 2012 or after.

COST SEGREGATION SERVICES

By Steve Van Slyke, P.E. - Regional Vice President

What is Cost Segregation?

Edgewater Library - Public Building Commission
Chicago, IL
Cost Estimating Services

University of Wisconsin Integrated Dairy Phase 3
Madison, WI
Cost Estimating Services

WFHC Family Care Center
Milwaukee, WI
Owner Representation Services

University of Wisconsin Interdisciplinary Research Center
Milwaukee, WI
Cost Estimating Services

University of Wisconsin Student Union Master Plan
La Crosse, WI
Cost Estimating Services

University of Illinois College of Medicine - Rockford Lab
Rockford, IL
Cost Estimating Services

Chicago Public Building Commission Gateway Harbor
Chicago, IL
Cost Estimating Services

Cost Segregation Studies
Fast Food Restaurant
Retail Facility
Industrial Facility
Stand Alone Restaurant
Medical Office

New Staff Members

Josh Houston
Cost Estimator
Chicago Office

Suzanne Moloney
Assistant Project Manager
Chicago Office

Lis Lembrich

Cost Segregation is a beneficial and commonly accepted tax planning strategy utilized by property owners and tenants who have constructed, purchased, expanded or remodeled any kind of real estate. Its purpose is to increase cash flow by accelerating depreciation and deferring federal and state income taxes. This is accomplished by reclassification of assets from the standard depreciation period of 39 or 27.5 years to as few as 15, 7 or even 5 years. The IRS defines a properly prepared Cost Segregation Study as an engineering based analysis, utilizing personnel competent in estimating building construction costs.

Who Can Benefit From a Cost Segregation Study?

Almost any commercial property owner, including tenants, can benefit from a Cost Segregation Study as long as they have a tax liability or expect to have one in the near future. This includes:

1. Newly Constructed Buildings
2. Newly Acquired Building
3. Existing Real Estate where a study has not been performed
4. Tenant improvements - both building owner and tenant can benefit from the Study

Why The Concord Group?

We differ from other organizations that offer Cost Segregation services because of the unique skill set of our team which includes engineers, cost estimators and accountants specializing in construction cost valuation. Our team has significant experience and expertise in the preparation of quality Cost Segregation Studies and meets all IRS standards based on real cost estimating knowledge and skills. Each of our studies is reviewed in-house by Certified Public Accountants keeping us up to date on all tax regulations and court rulings as they pertain to cost segregation. See our website for more information at

www.concordcostsegregation.com.

New Regulations:

Our staff continuously monitors changing regulations and legislation. Several recent changes occurred that we think you may want to know more about. [They are the Small Business Act of 2010](#) and the [Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010](#). For more information about these please go to our website and click on the "Resources and Links" page where you can download more information about them.

2011 is off to a good start and we hope it continues as such for all of our clients and friends. We welcome your suggestions on topics or issues that you might find interesting in future editions. Please do not hesitate to share this newsletter with friends and colleagues and we look forward to working with you in the future.

Sincerely,

The Concord Group



Office Manager
Project Coordinator
Milwaukee Office

Relocation

Patrick Condon
is now based in our
Milwaukee Office

Upcoming Events



The National Restaurant Association

The Concord Group will be exhibiting at the National Restaurant Association trade show and exhibition. This event will be held at Chicago's McCormick Place from May 21 through May 24. Our focus will be on Cost Segregation services for the food and hospitality industries.

Ed Stritch
Chairman and CEO

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