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Contact:

Michael Stark
703-677-3361
mstark@cmaanet.org

New CMAA Study Explores CM/PM Fees, Costs

McLean, VA—Fees earned for construction management (CM) and program management (PM) services increased from 5.0 percent of a typical project budget in 2000 to 5.7 percent in 2007, but operating income for CM/PM firms dropped during that period, reflecting costs rising more quickly than fee income.

Those are among the key findings of a new study titled “2007 Comparison of Construction Management and Program Management Costs” executed by FMI on behalf of the Construction Management Association of America (CMAA). This is the first such study since 2000 and represents the industry’s only source of reliable data about fees and costs among CM/PM practitioners.

The survey drew detailed responses from 67 organizations, including owners, CM/PM firms, architect/engineer firms, and others providing CM/PM services. Data was collected about nearly 500 different projects of all kinds. The average firm responding to the survey was a CM-only provider, employing about 50 people and handling 17 projects annually, with yearly revenues of about \$20 million.

Median CM/PM fees, the report says, are “very consistent around the country,” but vary among market sectors. Healthcare and education offer the lowest median fees, while highway and bridge construction in general produces the highest medians. This sector also shows the greatest variability in fee levels between the 25th and 75th percentile, the report says.

Operating income among survey respondents declined from 14 percent of revenues to 10.5 percent, the study found. However, the report also notes that “overall, the results demonstrate no measurable change in median direct labor costs (34.3 percent) compared to the 2000 survey. The remaining costs, however, indicate a significant increase as a percent of annual revenue, a near doubling in some cases.” These other costs include payroll burden, general administrative, and non-labor expenses.

“Market conditions have changed considerably from 2000 to present,” the report says. “We have experienced the dot-com bubble, 9-11, the war in Iraq, a faltering home-building market and a mild economic recession. The labor market has become exceedingly tight as well. The combination of these factors is also impacting reported increases in direct and indirect costs and a decline in operating income as a percent of revenue.”

A tightening labor market is one factor cited by the CMAA research study as contributing to a growing reliance on outsourced CM/PM services. Other factors include:

- Aging of the professional construction management workforce is creating increased demand for construction management and program management services to extend the reach of the owner.
- Aging of all types of infrastructure, particularly highway, bridge, power, education, and water/sewer, building greater demand pressure.

- Increased interest and use of alternative project delivery and financing schemes changing the landscape for design and construction service providers.

In this context, the study projects that “beyond 2007, demand for construction and related services is significant due to aging infrastructure, general economic growth, general population growth and migration/immigration patterns in the United States. It is perhaps not too bold to predict a period of unparalleled demand for construction services and particularly construction management/program management services for the foreseeable future.”

CMAA is North America's only organization dedicated exclusively to the interests of the professional construction and program management industry. On behalf of its twenty-five regional chapters and more than 4,000 public and private firms and individuals throughout the Nation, CMAA promotes the construction management industry and provides professional resources, advocacy, professional development, certification, and business opportunities to its members. CMAA's national headquarters is located in McLean, Virginia and the Association's website is www.cmaanet.org.

(Note: The CMAA “2007 Comparison of Construction Management and Program Management Costs” study may be purchased through the CMAA Bookstore at www.cmaanet.org/publications.php.)

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