

Construction Cost Trends for 2009

Source: US Department of Labor, Producer Price Index

Contributed By: BNI® Building News

The housing slump continues and will persist into next year. Consolidation in the housing industry signals a bottoming out with recovery beginning in 2010, but don't expect the levels that we saw just a few years ago. The commercial sector is starting to show signs of a slowdown, occupancy rates are shrinking by as much as 10% in some markets. One has to hope that a downturn here will not be as severe as the housing industry,

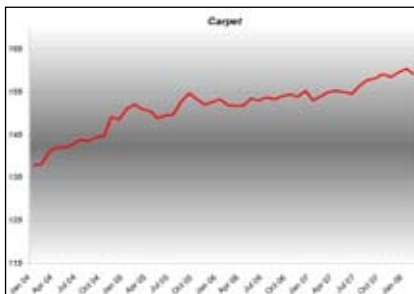
CONSTRUCTION MATERIALS

After dramatic increases a year ago, structural steel is now on its way down. Lumber and gypsum products still remain weak, and the price of asphalt is finally returning to levels of two years ago. Even though we are now seeing large reductions in materials over the last few months, it will take several more months of continued decreases just to offset the dramatic increases in steel and asphalt a year ago. The overall increase in construction materials is 2 to 3%.



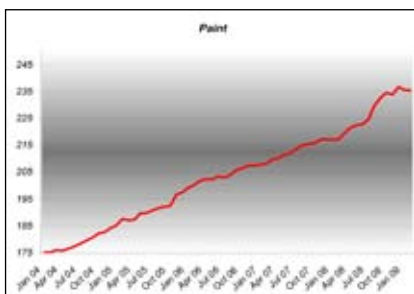
CARPET

The price of carpet seems to steadily cruise along at its own rate with consistent increases of 2 to 3% per year. Until the housing and commercial industry return, we continue to doubt if we will see much more of an increase.



PAINT

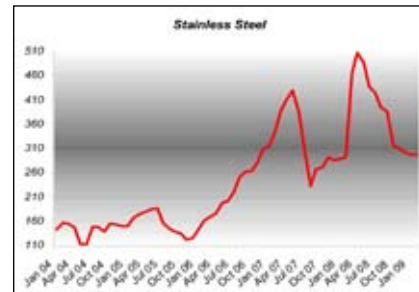
After rising steadily for four years at 6%, the price of paint increased 8% for the one year period. Not effected by sharp spikes and downturns in crude, or by the crippled housing industry, this material seems to go its own way, we'll see more as this year unfolds.



but with overbuilding in places such as Florida, California, New York and Nevada, we are guarded about the effects of a severe downturn in this sector. Public construction remains strong, with backlogs in many areas, but at one third the market size of private construction, this healthy sector can only diffuse the problem and not really lead the way. This leads to a 5 to 6% decrease in construction spending as a whole.

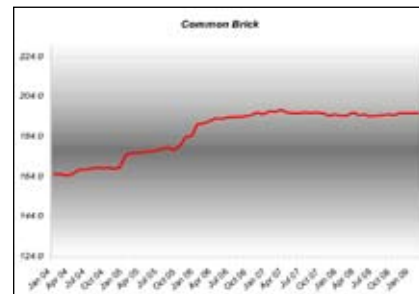
STAINLESS STEEL

Since spiking dramatically in the first quarter of 2008, we saw stainless steel start a steep slide for the rest of the year and continue to now. Overall, the increase year to year is about 1 to 2%, but during that same time frame we saw swings of over 50%, a classic roller coaster ride. Because this is an energy-dependent product, cheaper costs may be helping the decrease but certainly the main cause is lack of demand.



COMMON BRICK

After moderate increases in 2004 and 2005, the price of common brick has remained flat for the last 3 years. A belief that commercial building construction would fuel price increases has never materialized, and this material seems to be tied to the housing market.



PLYWOOD

This year looked like plywood had bottomed out and would regain some of its momentum. After slight increases in 2008, plywood returned to its losing ways and ended up 5% down from a year ago. As before, watch for season increases in Q1 and Q2.

