

Construction Cost Trends for 2009

Source: US Department of Labor, Producer Price Index

Contributed By: BNI® Building News

A major component of the industry, housing, continues to seek its bottom and is down 30% from last year. Public works projects no longer carry the day and are down 15% since January. The stimulus package is now hitting the engineering and design firms,

but will probably not hit the streets until later this year. There are very few bright segments that could possibly stem the tide, so look for a difficult next six months. Overall, the construction industry is 10% off of last year's mark.

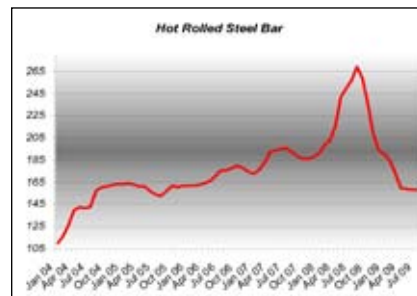
CONSTRUCTION MATERIALS

After gains year after year, construction material costs are now in decline. While we know that this is short-lived, the declines are in the 1-2% range. Lumber prices continue their five year decline and are down 4-5% over last year. Drywall continues its downturn and is 2% off. Steel, asphalt, and copper are no longer inflation villains, but that could change quickly, while most of the other components are flat or showing moderate gains.



HOT ROLLED STEEL BAR

After spiking last year, reinforcing is now in decline and is posting decreases of almost 20% over the last 12 months. Like all structural steel products, this component has to be watched for dramatic swings. This volatility is exacerbated by the fact that there are only three major iron ore producers in the world. The government of China is actively pursuing a stake in one of the three companies, and if successful, will only add to the volatility of this product.



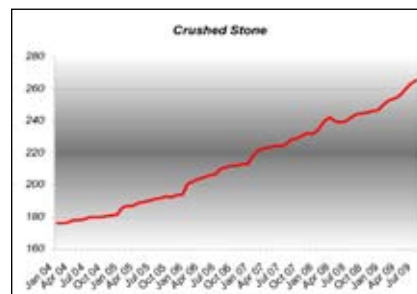
CONCRETE BLOCK (CMU)

After years of slow-and-steady gains, concrete block is now suffering the same demise as many of the other components with declines of 1-2%. Cement and stone are up, so the decrease in block prices may be tied to a diminished demand.



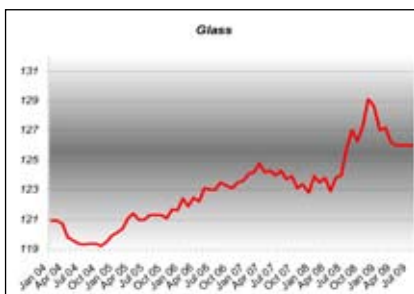
CRUSHED STONE

After 10% increases over the last five years, crushed stone seems to be slowing down. Public works projects are now in decline and the price of fuel is off of historic highs. These factors contribute to a 5% increase over last year.



GLASS

After a moderate increase over the last 5 years, glass now shows a slight decline of 1%. With the commercial and public works industries experiencing flat growth, this component seems to be suffering as well.



PRECAST CONCRETE

Over the last five years precast concrete posted moderate increases as the commercial industry grew. After peaking in April of last year, precast leveled out and has posted no gains. As long as the commercial sector is in decline this component will probably follow suit.

