

Construction Cost Trends for 2009

Source: US Department of Labor, Producer Price Index

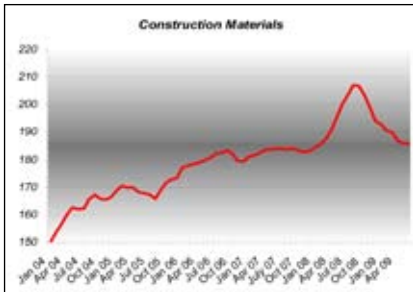
Contributed By: BNI® Building News

Housing is showing slight glimmers of hope. The prices are still down but sales activity of both new homes and resales is inching up. After a slow start this year, public construction still continues to be the bright spot. It is up 5% but not enough to counteract a combined industry slide of 10%. Except for the small sectors of power plants and manufacturing, all of commercial is down overall by 10%. Hospitality spending, once the darling of this

segment, is now suffering the same as other sectors and is down 5-7% and we should watch for further decreases. At publication, the total construction industry is 8-10% off of last year's mark. The good news, however, is there are signs that the slide is now stopping and once the stimulus money finally hits the street (only 3-4 billion dollars of the allocated 150 billion has been spent to date) we should see some marked improvement.

CONSTRUCTION MATERIALS

What a difference a year makes. Construction material costs are still in decline and are in the 5% range. Lumber prices continue their five year decline and are down 4-5% over last year, but watch for this to slow down. Steel prices are still weak, and are down 7-8% from last year. Petroleum based products will probably start their upswing soon as oil is now on the rise climbing over 40% in the last few months.



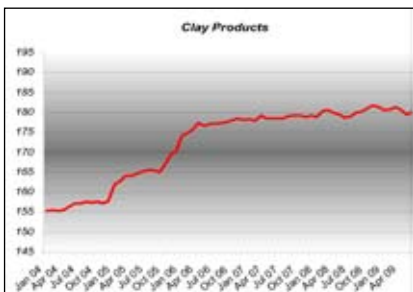
SAND & GRAVEL

After a big gain in 2008, sand and gravel are moderating to 2-3%. Public Works construction is causing the demand, with increased energy costs a factor. New pits and their licensing are still a problem, with no one wanting a quarry in their back yard. This all contributes to a probable ongoing increase over the next year.



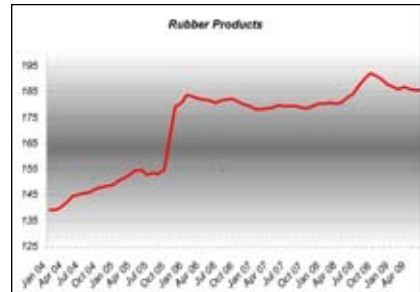
CLAY AND CERAMIC

Clay and clay products are still moderating and remain flat. An improved public works sector should positively effect this commodity.



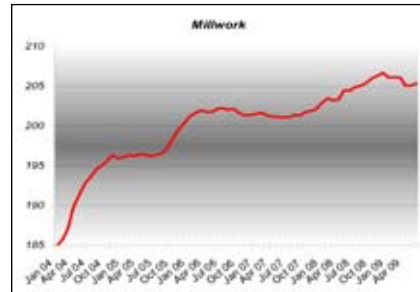
RUBBER AND RUBBER PRODUCTS

After a sharp spike in 2008, rubber is now down 2%. Stockpiles were up so far this year, but in the past few weeks they are now beginning to point downward and signal a possible increase coming for the rest of the year. At publication, the price of crude is increasing and may effect an upward movement in the price of rubber.



MILLWORK

This story is the same as last year. Due to the weak housing and commercial market, millwork will probably remain flat. After small movement of 2% over the last 2 years, we now see a slight decrease. Until housing returns or lumber prices escalate, millwork can be expected to remain flat.



LIMESTONE

Limestone is still flat. Affected mostly by commercial construction, decreases in demand should decrease prices, but in this case limestone remains flat with no movement at all. Fuel costs and a lack of new quarries seem to be the governing factors for this commodity.

