

Construction Cost Trends for 2010

Source: US Department of Labor, Producer Price Index

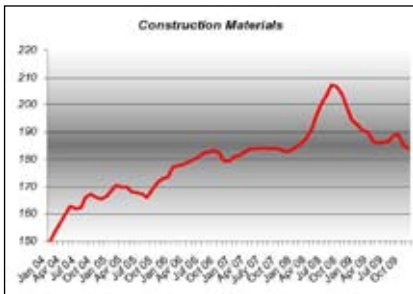
Contributed By: BNi® Building News

This has been a down year for costs. The slide now seems to be moderating and overall, the construction industry's costs are flat over last year. This is a reversal from the increases over the past several years and is despite a labor increase of 2-3%. Housing is still down and new units are at an anemic rate that is approaching 30-50% of

the peak volumes in 2004-2006. Hoping for the non-residential sectors to offset housing has proved fruitless, and with the federal stimulus very slow in coming, no salvation is in sight to 2010. The infrastructure initiative may kick in but it will not be any force until quarters 2 & 3; much slower than anyone expected. So much for "shovel ready" projects.

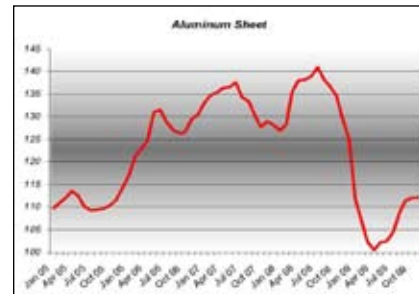
CONSTRUCTION MATERIALS

After peaking in the 3rd quarter of 2008, material prices have slid steadily downward and now seem to be moderating. Lead by lumber and steel, the declines for all construction materials are in the 5-7% range, but are still up 26% since 2004.



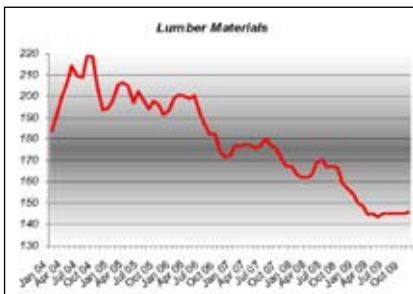
ALUMINUM SHEET

Who knew that after the writing of this article last year aluminum would cascade over 30% in the first 6 months of 2009? After reversing some of its losses it ended up with decreases of 17%. Prices are up 2% since 2004.



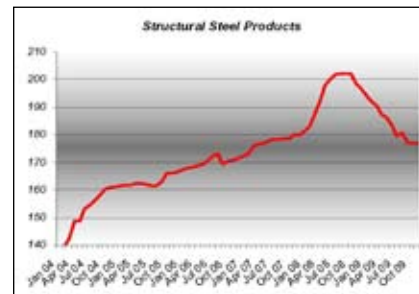
LUMBER MATERIALS

Year after year, the downward trend for lumber continues. Housing is operating at levels that are 30-50% of where they were just a few years ago and will not dramatically change next year. Inventory levels of new homes are decreasing but demand is somewhat static, so expect no relief for lumber in 2010. Just as we quoted last year, prices are down 6-7% for the year.



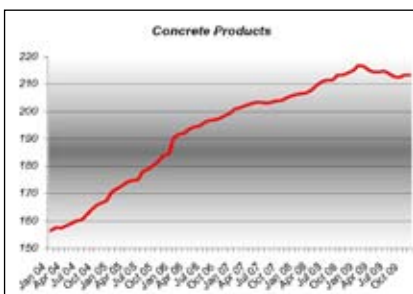
STRUCTURAL STEEL PRODUCTS

After dramatic increases in 2008 of almost 20%, steel has nosedived and is registering decreases of 9-10% for the year. The international consolidation of ore producers into just three major players seems to have had no effect on the price of steel at all. Demand is the only factor now, and it is down from last year; as a result prices are skidding.



CONCRETE PRODUCTS

Cement increases have inched up to 1-2% in 2009 and crushed stone and sand have followed suit in the same period with increases of 3-4%. Concrete rose by the same 3-4%, reflecting some sort of independence from the downward pressures experienced by lumber and steel. Cement and concrete prices were up 2% in 2009 and up 36% since 2004.



COPPER

After losing 40-50% of its value in 2008, copper shot up over 80% this year to the price levels seen in 2006 and 2007. Over the last 5 years, copper is up 175%. As China heats up so do the fortunes of copper.

