

Construction Cost Trends for 2010

Source: US Department of Labor, Producer Price Index

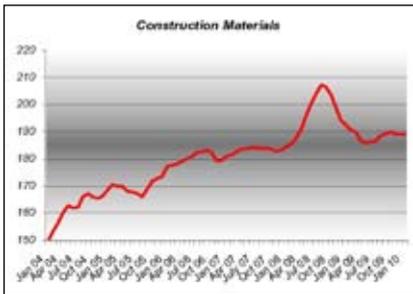
Contributed By: BNI® Building News

The ongoing slide in construction costs moderated in Q4 of 2009, with overall yearly decreases in the 2% range. At one point mid year they decreased as much as 8%. For the year, housing construction was down approximately 30% after similar decreases in 2008, so that's back-to-back years of 30% declines. The commercial sector no longer

provides any help and cannot offset the downturn in housing. The one glimmer of hope is that housing may have bottomed out, as it actually grew slightly in Q4 of 2009. Overall construction is now down by 10-12% and federal spending programs are not materializing as the savior. Look for another year of soft construction activity.

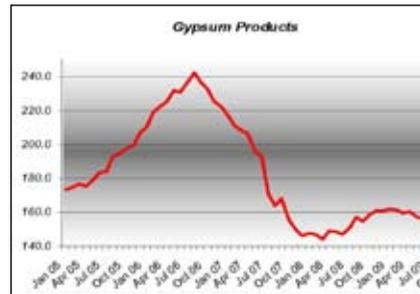
CONSTRUCTION MATERIALS

Lumber's continued six year slide, continuing decreases in steel, and now additional decreases in other construction products have resulted in a combined decrease of over 3% for 2009. Material prices will probably moderate this year.



GYPSUM BOARD

After a year (2008) of moderating prices, gypsum wall board is now taking another nose dive. This is probably due to the continued record slide in housing. We are now 40% off of the record prices of 2006 and 12% off of February of 2009.

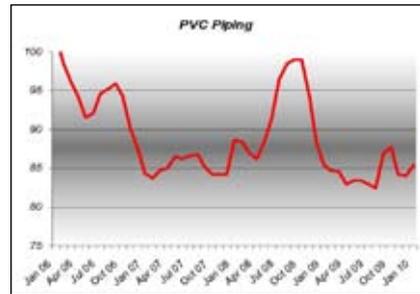
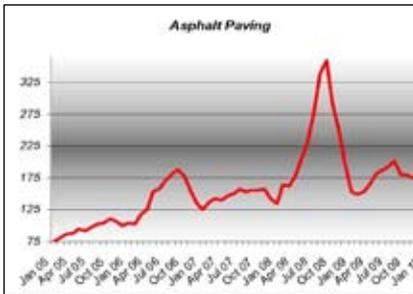


ASPHALT

After a precipitous drop in 2009, we see asphalt climbing out of the record decreases with gains of 6 to 10%. As the economies of the world start to improve watch for this petroleum-dependent product to work its way back to higher levels.

PVC PIPING

After runaway price increases in 2008 and corresponding steep slides in Q1 & Q2 of 2009, we now see that plastic pipe is moderating. This petroleum-dependent product continues to have its own curve, and seems for the moment, to be independent from oil. PVC pipe is down 18% since 2006 and flat for 2009.



BATT INSULATION

The price of insulation seems to be moderating. After following the fortunes of housing for the past several years, insulation showed moderate decreases of 1-2% in 2009 and now exhibits signs of gaining in 2010. An improved housing market will probably raise prices. Insulation prices were down 2% in 2009 and flat since 2005.

DUCTILE IRON PIPE

As mentioned last year, iron pipe is very dependent on the price of iron ore. After mirroring the steady increases of iron ore in 2006 through 2007, and the large increases in 2008, prices now seem to be moderating for this public works product. As a result of the continued slowdown in the demand for ore, we will probably see a reduced price for this pipe. Ductile iron pipe was up over 35% for 2006 and down 10% for 2009.

