

Construction Cost Trends for 2010

Source: US Department of Labor, Producer Price Index

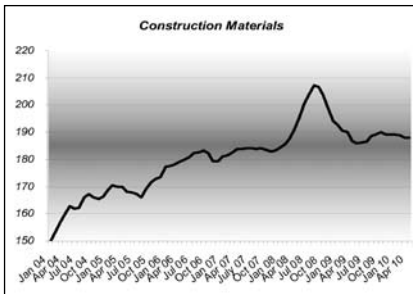
Contributed By: BNI® Building News

The housing slump continues but it may be bottoming out. We'll see later on this year. The commercial sector is in the midst of a slowdown. Occupancy rates which were shrinking by as much as 10% in some markets are now down 15%. We will have to see how the effects of a downturn in this sector affect local commercial banks and

hope it's not a replay of the housing bubble burst. Public construction, which was strong a year ago, has slowed down significantly and has flattened out compared to last year. Unemployment in construction now hovers above 20% and shows no signs of a strong rebound. This all leads to a 10 to 15% decrease in construction spending as a whole.

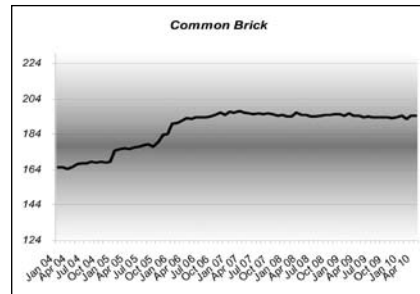
CONSTRUCTION MATERIALS

After sharp increases in 2008, structural steel has now returned to 2007 levels. Lumber and gypsum products still remain weak although they show signs of finally bottoming out. However, we've said this before so let's see how this unfolds for 2010. Asphalt and cement are on the way up. The decrease in construction materials is now 2 to 3% compared to last year.



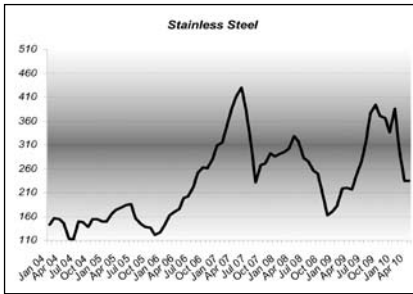
COMMON BRICK

The ups and downs of the construction industry don't seem to have much of an impact on this construction component. Over the last six years, the price of common brick has risen just 15% has remained flat for the last 4 years.



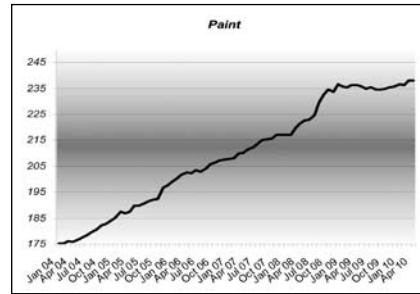
STAINLESS STEEL

Since spiking dramatically in the first quarter of 2008, we saw stainless steel spike again in the fourth quarter of 2009 only to start a steep slide until now. Overall, the increase year to year is up about 10%, but during that same time frame, just like in 2009, we saw swings of over 40%. Again, another roller coaster ride.



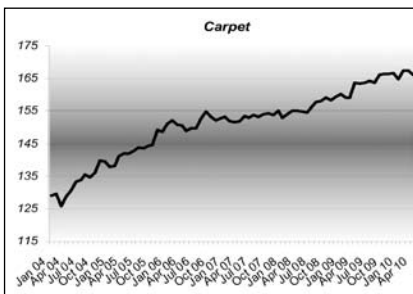
PAINT

Hefty increases in the 6 to 8% range have typified paint for the last six years. Now we see a slowdown and no increases for 2010. We will have to see if the rising price of crude oil has anything to do with the price of this component.



CARPET

Same story, just a year later. The price of carpet seems to cruise along steadily 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.



PLYWOOD

Last year we said that plywood had bottomed out and would regain some of its momentum. We were wrong and plywood has sunk to a 6 year low. Watch for seasonal increases in Q2 and Q3 and just wait to see if plywood regains some of its lost ground.

