

Construction Cost Trends for 2011

Source: US Department of Labor, Producer Price Index

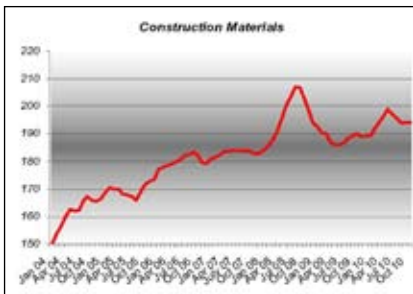
Contributed By: BNI® Building News

This has been a mixed year for costs. Lumber is still in a slide but it has moderated greatly from the precipitous slides of the last few years. Steel is on the rise, with gains of 5 to 6% and cement and concrete are showing gains of 2-3%. Labor increases are outpacing material costs and are in the 4-5% range. Housing is still down but seems to be bottoming out, so maybe there is some hope on the

horizon. One item that may dampen a resurgent housing industry is the possible increase of foreclosures. Keep an eye on them in Q1 and Q2 of 2011. 2010 did not transpire as a good year for construction and we all hope that we have seen the low point. Though the effects of the infrastructure initiative were never really felt in 2010, there are signs we may see some good news come from it in early 2011.

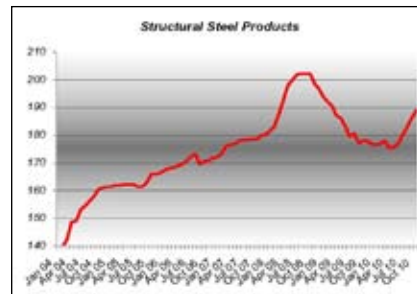
CONSTRUCTION MATERIALS

After increases in the Spring of 2010, prices have slid slightly downward and now seem to be increasing again with the exception of lumber. Lead by steel, the increases for all construction materials are in the 4-5% range for last year, and are up 30% since 2004.



STEEL PRODUCTS

Although not close to its run-away peak in 2008, steel is registering considerable increases in the 5 to 7% since last year. The international consolidation of ore producers and the increased demand from Asia are fueling the fire. Demand is also up compared to last year, further fueling the increases.

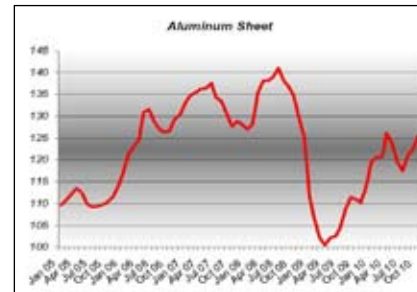
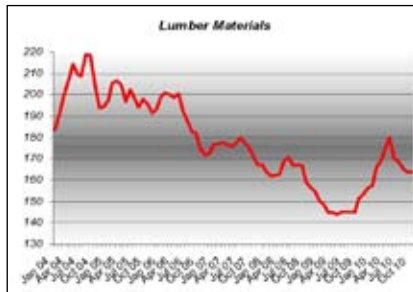


LUMBER

After years of significant decreases, the slide in the price of lumber may have finally ended. Closely tied to the fortunes of the homebuilding industry, lumber prices now seem to be bottoming out. But remember that we've seen this before and then saw it hit rock-bottom in the Spring of 2009. Lumber prices are pretty much flat as compared to last year and down 20% compared to 2006.

ALUMINUM SHEET

With declines of up to 30% in the first 6 months of 2009, followed by increases of 25% since that time, aluminum is truly on a roller coaster ride. The volatility of this product is pronounced as witnessed by its chart. Overall, prices are up 3% this year and up 15% since 2004.



CEMENT AND CONCRETE PRODUCTS

After large increases from 2004 through 2008, cement has now flattened out. Sand and crushed stone have gone a different path with increases of 2-4%. This is probably due to increased energy costs for the hauling of these materials. Just like cement, concrete is flat. Both cement and concrete prices are up 35% since 2004.

COPPER

After losing 40-50% of its value in 2008, and gaining 80% in 2009, copper has now slowed down but still leads the pack with gains of 9-10% year to date. Over the last 6 years, copper is up 244%.

