

Construction Cost Trends for 2011

Source: US Department of Labor, Producer Price Index

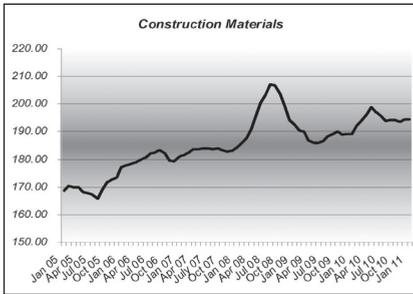
Contributed By: BNI® Building News

Although there are signs in the marketplace that the worst might be over, the cumulative statistics for construction over the last 12 months are abysmal. Some segments, such as office and hotel construction are showing declines of 30-50%. However, the ongoing slide in material costs seems to have stopped and even lumber has bottomed out. Overall, across all construction materials there have been modest gains of 2-3%. Let's hope we can now put the past behind us. Housing construction was down approximately 2% and the double-digit

declines of the last several years have stopped. After the pending home foreclosures are cleared up (hopefully this year), watch for a resurgence in homebuilding. The commercial sector is now having its own problems and is registering declines in the 10 to 15% range. As previously mentioned, some segments are even higher. No segment of commercial construction is showing any gains to date. Public construction spending is down but not to the same degree as private construction with declines in the 3 to 5% range. Look for yet another year of soft construction activity.

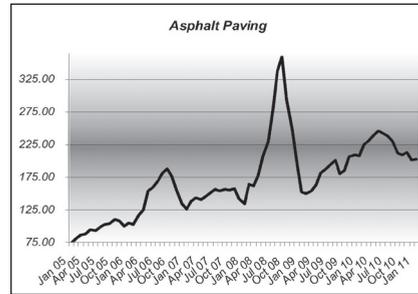
CONSTRUCTION MATERIALS

Lumber seems to have stabilized. We have said this before but now we feel that this construction component's slide may be over. Steel is on the rise and reports of scrap steel inventories dramatically shrinking will fuel additional increases in the price of steel. Other construction products have registered moderate gains of 1 to 3%. Look for material prices to continue moderate gains this year.



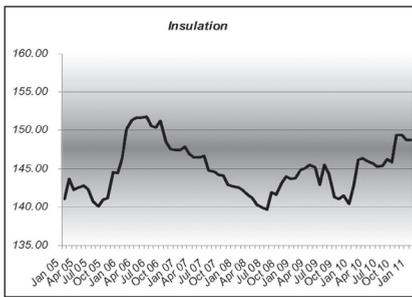
ASPHALT PAVING

After peaking mid way through 2010, asphalt ended the year with a 2% decline. Last year we predicted gains of 6 to 10%. While these increases indeed transpired from March through August they all were erased in Q4. All this was independent of the price of petroleum which has risen.



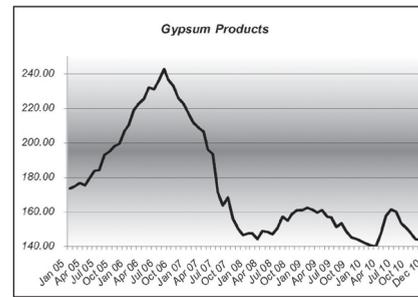
BATT INSULATION

After peaking at the height of the housing bubble in 2006, and then languishing for the next 3 years, we now see gains in the price of insulation in the 4 to 5% range. An improved housing market will probably continue to raise prices.



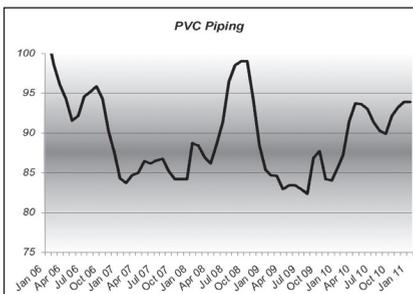
GYPSUM BOARD

Gypsum wall board rebounded this year in Q2 and Q3 with increases in the 10% range only to give back in Q4 and end with a slight gain of just 1% for 2010. We are still 40% off of the record prices of 2006.



PVC PIPING

Plastic pipe showed gains of 10% in 2010 but is still 8% off of its high of 2006. This component may be affected by a resurgence in housing so watch for parallels.



DUCTILE IRON PIPE

After peaking in January of 2009, ductile iron pipe then dove downward and ended up down 33% for 2009. 2010 saw rapid increases and finished 18% ahead for the year. This may have been an effect of increased spending in the infrastructure segment of the industry.

