

Construction Cost Trends for 2011

Source: US Department of Labor, Producer Price Index

Contributed By: BNI® Building News

Housing bottomed out, then inched its way up only to have back-to-back decreases in the last few months. One of the founders of the Case-Schiller Housing Index fears that we may even see a "double dip" recession in housing, let's hope he's wrong. Watch it this year. The commercial sector is now showing some signs of life. Occupancy rates are climbing back up with light manufacturing real estate leading the way. Commercial banks have

a big stake in commercial real estate loans, are dealing with the loan defaults and seem to be trying to avoid a bubble burst like the one in housing. Public construction, which was strong a year ago, has slowed significantly and flattened out compared to last year. Unemployment in construction still hovers above 20% and shows no sign of a rebound. This all leads to another significant decrease in construction spending as a whole.

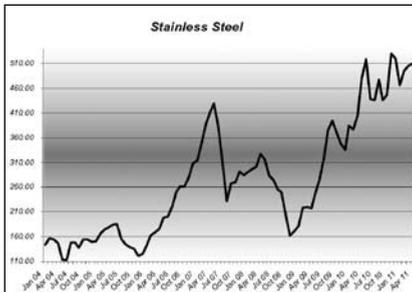
CONSTRUCTION MATERIALS

After 5% increases in 2010, construction materials dipped and then have bounced back in the last several months. Prices were led by jumps in structural steel and lumber. Watch these two commodities for the next few months for market direction. Asphalt is on the way up due to higher petroleum prices while cement seems to have moderated. The increase in construction materials costs is now up 3 to 4% compared to last year.



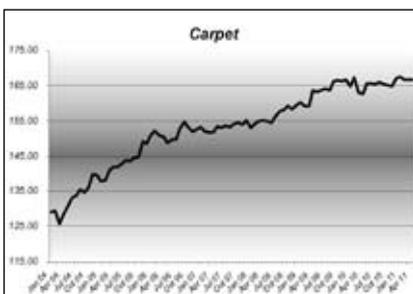
STAINLESS STEEL

Since spiking and dipping dramatically for the last several years, we saw stainless steel continue its upward path of sustained price increases. Overall, the increase year to year is up about 7%, and since 2009 increases of 180%. As mentioned in previous reports, stainless uses nickel in its manufacturing process and nickel is currently subject to wild commodity swings.



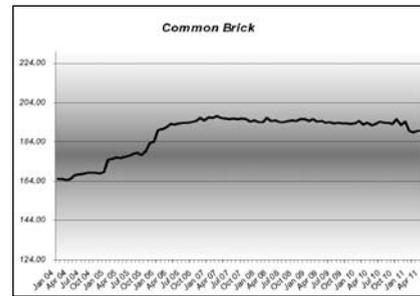
CARPET

Still the same story, just two years later. The price of carpet seems to cruise along steadily at its own rate with consistent increases of 2% per year. Until the housing and commercial industry return, we continue to doubt if we will see much more of an increase.



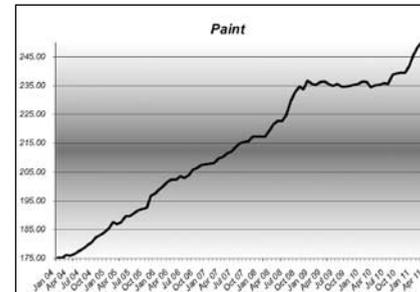
COMMON BRICK

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 14% has remained flat for the last 5 years. After a spurt at the beginning of the housing boom, common brick has settled into a component that almost doesn't need to be watched.



PAINT

Hefty increases in the 6 to 8% range have typified paint prices in previous years. Then came the industry slowdown and paint flattened for 2009-2010. Last year we questioned the effect of the rising price of crude oil on the price of paint. After two years of no increase, we now have a year over year increase of 7% - It could be that the price of crude correlates with this component after all.



PLYWOOD

After good seasonal increases in Q2 and Q3 we saw plywood dip and end up the year flat compared to a year ago. Until housing comes back, this component will most likely follow housing's fortunes.

