

# Construction Cost Trends for 2011

Source: US Department of Labor, Producer Price Index

Contributed By: BNi® Building News

After an 8% slide over the last 12 months, it appears that housing may finally be bottoming out. We've said this before but delinquencies on home mortgages are lessening and, as a result, foreclosures will slow down. Once the foreclosed houses are

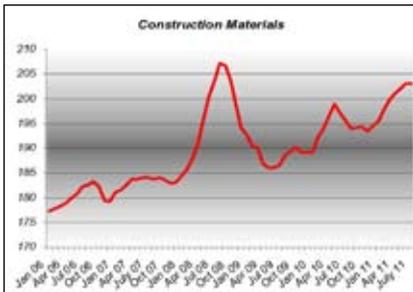
cleared out, we should finally see an increase in new home construction. Don't count on it right now but watch for improvement over the next 6 months. Overall, construction spending is down 7% with some segments showing slight signs of life.

## CONSTRUCTION MATERIALS

After slight increases in 2010 there has been an 8% increase in the price of construction materials over the last year. This is the second straight year of an increase after 5 years of declines. Lumber and steel prices are leading the way, with increases of 3 and 8% respectively. Drywall has reversed its trend of last year and is up slightly in some markets. Asphalt continues to be an inflationary item following the fortunes of crude oil, while copper and stainless mirror the increase in precious metals.

## CRUSHED STONE

Crushed stone is up 35% over the last 5 years. Public works projects are there but still slow to reach the marketplace and fuel has increased over where it was 12 months ago. It's interesting to see that even though the price of fuel has been on a tear, crushed stone continues to increase at the same steady rate as its had over the last few years.

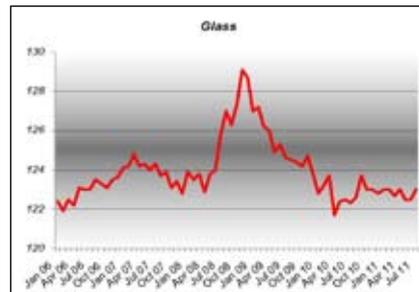
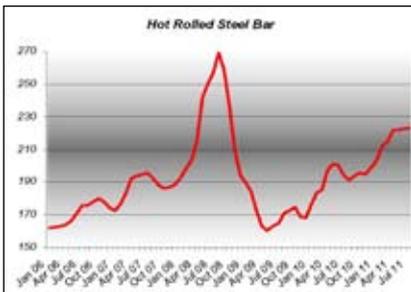


## HOT ROLLED STEEL BAR

After falling precipitously in late 2008 through 2009, and rebounding in 2010, rebar registered an increase of 4-5% for the last 12 months. Look for only moderate increases (or no increases at all) for the rest of this year. Although reinforcing steel is inching up, its price is still 15% off of the highs of 2008.

## GLASS

The price of glass has been flat over the last 12 months. Except for a brief spike of 4-5% in early 2009, this component has languished within a tight range since before the recession began.



## CONCRETE BLOCK (CMU)

Same story, just a year later. For the past twenty four months the price of concrete block has been flat. Its main components, cement and stone are up, but demand is just not there. Don't look for any increase in CMUs until the housing downturn ends, and as mentioned above, it won't be this year.

## PRECAST CONCRETE

Last year, the fortunes of precast pretty much mirrored concrete block, with slight gains and losses. Now precast concrete seems to be finding its own way and may be tied to a somewhat improved public works industry with increases of 3-4%.

