

# Construction Cost Trends for 2011

Source: US Department of Labor, Producer Price Index

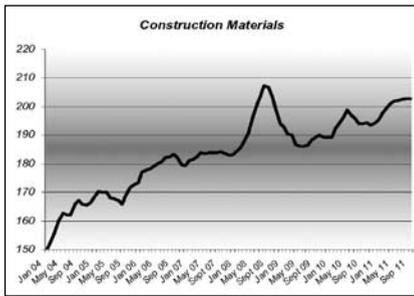
Contributed By: BNi® Building News

Depending on the part of the country, housing is bottoming out and even showing signs of recovery. Nevertheless, fully 20% of home loans are "under water" and the effects of this remain to be realized. So we cautiously say that a further steep decline is probably not going to happen and that we should be starting to crawl out of the housing mess over the next three years. In some key markets, housing prices are actually starting to rise, while in others there seems to be little

hope for the foreseeable future. Public construction, once a bright spot, is down 5%, and with the budget constraints faced by public agencies, public construction seems to be on hold. Virtually all of the sectors of commercial construction are down, and represent a cumulative 6% decrease. Hospitality spending is down a whopping 35-40% compared to last year. The total construction industry is off 5% this year compared to 12-15% last year, so at least the rate of decline seems to be subsiding.

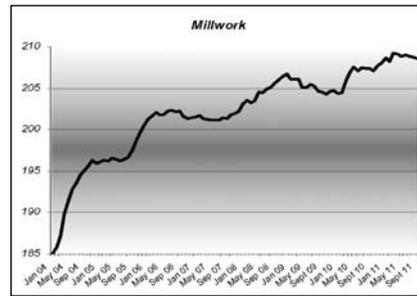
## CONSTRUCTION MATERIALS

Construction material costs continue their rise and are up 4% for the year. Lumber prices are flat compared to last year, and may be finally bottoming out. Steel prices are still increasing and are up 4-5% from last year.



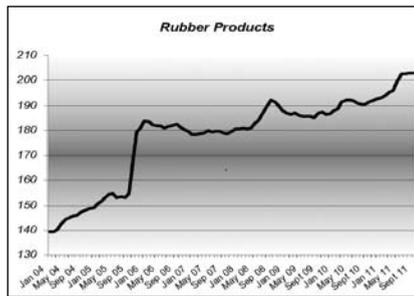
## MILLWORK

The story hasn't changed for the last several years. Due to the weak housing, commercial, and public construction markets, millwork will probably remain flat. After a small upward movement of 2% over the last two years, and a slight decrease last year, we now see gains of just 1%. Until construction returns or lumber prices escalate, millwork can be expected to remain flat.



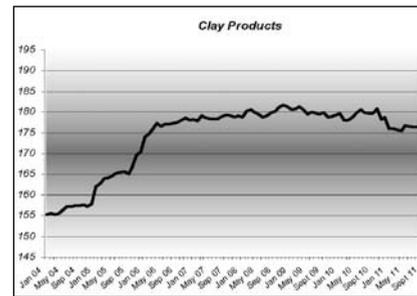
## RUBBER AND RUBBER PRODUCTS

After being flat for several quarters, rubber is registering increases in the 7% range. Stockpiles which were higher two years ago, are continuing a downward move. At publication, the price of crude is in a downward pattern, and may add to the volatility in the price of rubber.



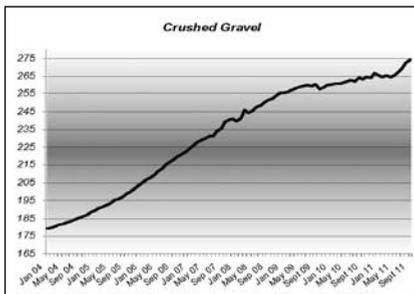
## CLAY AND CERAMIC

Clay and clay products were flat and now seem to be on a downward path. An improved public works sector would positively affect this commodity, but we don't see any signs of this happening or any chance of price increases.



## SAND & GRAVEL

After big gains right after 2004, sand and gravel price increases moderated to 1-2%. Now they are on the rise again. The highway portion of public works construction is causing the demand, and it seems to be one of the bright spots in public spending.



## LIMESTONE

Same story for five years running: limestone is flat. Affected mostly by commercial and public building construction, limestone appears to have no movement at all. Despite increased fuel costs and a lack of new quarries we don't expect any increases in the immediate future.

