

Construction Cost Trends for 2011

Source: US Department of Labor, Producer Price Index

Contributed By: BNi® Building News

We've now had almost five years of a housing downturn, and some major markets (Phoenix and Las Vegas) may not return for at least another decade. The rest of the country has a few bright spots and the economists predict a slow and steady uptick over the next three years. The lending institutions are reluctant to write down troubled mortgages and until they do we won't see healthy growth. In addition, credit score and down payment require-

ments for borrowers will have to be adjusted to stimulate the industry. Once these issues have been settled, we may see the beginning of a return to normalcy, but not to the levels of 2005-2006. Public works and commercial construction will not carry the day. A strong housing industry is the tonic needed. Construction costs are again up 3-3.5% for the year, with increases in materials outstripping labor (2% labor vs. 5% material).

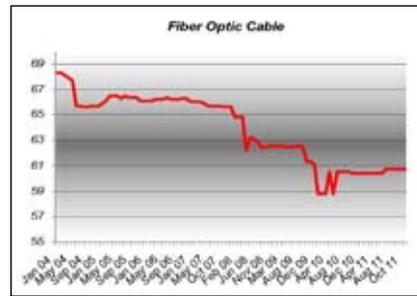
CONSTRUCTION MATERIALS

After price increases last year, material costs are continuing on the way up again with steel and concrete leading the way. Lumber prices, which had been in an unprecedented slide, leveled off last year and are now running slightly ahead of last year. Steel is up 7 to 8%.



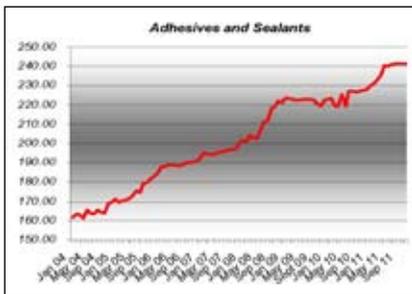
OPTIC CABLE

After being up slightly last year (3%), optic cable has been flat for the last 12 months. Since its peak in 2004, we see a decline that seems to be consistent with the lack of world-wide demand of this once hot component. Over the last 6 years, optic cable has decreased in price by almost 10%.



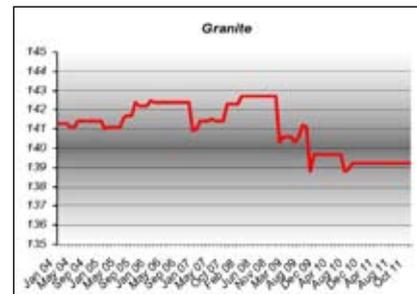
ADHESIVES AND SEALANTS

Adhesives and sealants had slight gains of 2-3% last year and have further increased 5-6% this year, all realized in the first 6 months of 2011. We should watch this in relation to the price of oil, which since May is on the downturn, and see if oil is affecting this component.



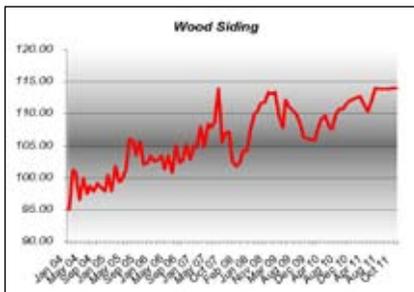
GRANITE

After flat results since 2004, granite is still, after 3 years, in negative territory. In the past granite seemed to be independent of demands or downturns. Now we see that this component is becoming susceptible to a down market.



WOOD SIDING

Wood siding has been experiencing ups and downs since Q4 of 2007. After posting gains of 5% in 2010, it has been flat to slightly up for the year with overall gains of 2%. On average, the price of this component has remained flat for the last 4 years.



VINYL FLOOR COVERING

After increasing at its own steady rate of 6% per year since 2004, the price of vinyl floor covering flattened out a bit in Q3 of last year only to return to its steady 6% clip.

