

Construction Cost Trends for 2012

Source: US Department of Labor, Producer Price Index

Contributed By: BNi® Building News

This has been an up year for costs. Lumber seems to have stopped its slide and there are some slight signs of housing bottoming out. However, with 29% of existing mortgages still "under water," we still have a way to go before we can see a real recovery. Throughout the year, materials have been on the rise, but they seem to be moderating this month. Lets see what Q1 and Q2 hold in store. Labor increases have slowed con-

siderably and are in the 2 percent range. 2011 was not a good year for construction with some segments down considerably. Municipal bonds, which traditionally would pump in massive funds for infrastructure projects, are now going to refinance existing debt. Therefore, what would have been a 200 billion dollar shot in the arm is now reduced to 150 billion, a decrease of 25% at a time when we really don't need it.

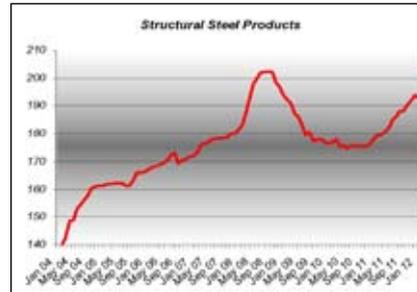
CONSTRUCTION MATERIALS

All of the major components of construction have shown increases this year with steel leading the way. Lead by concrete, copper and steel, the increases for all construction materials are up 5% for last year, and are up 35% since 2004.



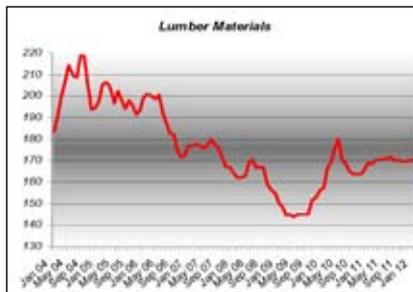
STEEL PRODUCTS

Steel is now within 4% of its historical high in Q3 of 2008. Although the international demand since then has subsided, consolidation of ore producers is most likely the reason for the increase. It will be interesting to watch the economics of this component in the face of slow world demand.



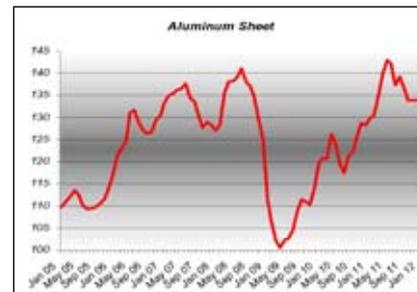
LUMBER

After years of a downward roller coaster with significant decreases, the slide in the price of lumber may have finally ended - but we have said this before. Closely tied to the fortunes of the homebuilding industry, lumber flattened out over the last eighteen months. Lumber prices are flat as compared to last year and down 22% compared to their high point of September 2004.



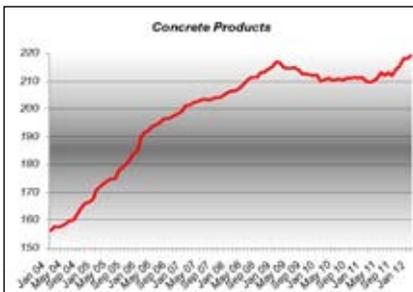
ALUMINUM SHEET

Aluminum spiked to record levels in Q2 of 2011 and then started a downward dive to Q4 and finally flattened out to a yearly gain of 3%. At mid year, prices were up as much as 12%. The volatility of this product is pronounced as witnessed by its chart. Overall, prices are up 3% this year and up 22% since 2004.



CEMENT AND CONCRETE PRODUCTS

The components of concrete - sand, stone, labor and cement are all up just 2% while the price of the assembled product, concrete, is up 5%. This may be caused by environmental issues forced on the ready-mix industry, which has to comply with stricter guidelines from now on. Concrete prices are up 5% for the year and 40% since 2004.



COPPER

After losing 40-50% of its value in 2008, and gaining 80% in 2009, copper seems to be hovering at record levels in spite of a reduced world demand. Copper is up 5% for the year and since 2004, copper is up over 300%.

