

Construction Cost Trends for 2012

Source: US Department of Labor, Producer Price Index

Contributed By: BNi® Building News

Things are stabilizing. The worst may be over. Total construction is still down (2-3%), with most segments up or down slightly, though a few segments are still in double digit decline (hotels and churches). Material costs seem to be inching up to the 3-5% range, with the exception of lumber which is 3% below last year at this time. Housing construction was down ever-so-slightly and now seems to be looking at some sort of

stabilization and eventual recovery, with a slight increase in starts for January. The foreclosure situation has moderated and some hope for the overall market is seen. The decline in the commercial sector has abated to the 2-3% range and new contracts are on the horizon. Public construction spending is now down more than private construction with declines in the 5 to 7% range. Look for a year of a soft but stabilizing construction market.

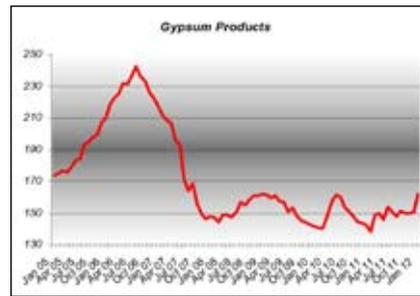
CONSTRUCTION MATERIALS

Last year we said that lumber had seen its bottom, but we were wrong. It slid yet another 2-4%. Steel is still on the rise (5-8%) which may be due to industry consolidation and scrap steel inventories which are still down. Other construction products have registered moderate gains of 2 to 4%. Look for material prices to go up this year.



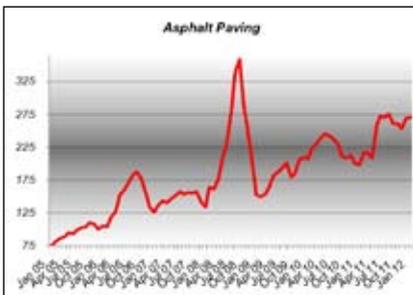
GYPSUM BOARD

Pretty much flat since 2008, gypsum wall board is down slightly this year. Right now, it doesn't look like we will get back to the price levels of 2006 any time soon.



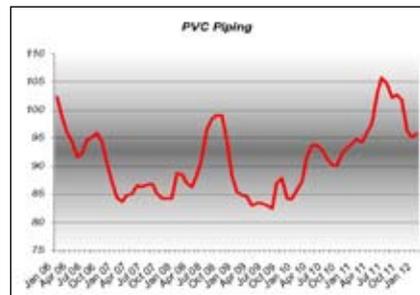
ASPHALT

Asphalt is now up 6% over last year and seems to be flat for the last 6 months. So all of the increase occurred in Q2 and Q3 of last year. This is in the face of dramatically increasing petroleum prices (10%) which took place in Q4 of last year and Q1 of this year. This shows us that the price of oil doesn't always dictate the price of asphalt and that down construction activity also plays a major role.



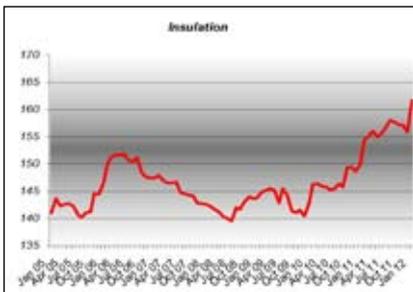
PVC PIPING

Plastic pipe showed record prices in mid-2011, only to lose momentum and register a gain of 1-2% for the year. This fluctuation in price cannot be from demand for the product and may be more closely tied to the price of petroleum.



BATT INSULATION

After languishing between 2006 and 2009, we now see sustained gains in the price of insulation in the 2 to 3% range, down from an increase of 4 to 5% last year but still rising in spite of a down housing market.



DUCTILE IRON PIPE

Although water and wastewater construction is down, ductile iron pipe is up. After peaking in January of 2009, ductile iron pipe then dove downward. 2010 and 2011 saw some increases, but then flattened out for the last 4 months. Recently, we are noticing some possible major increases. Keep tuned.

