

Construction Cost Trends for 2012

Source: US Department of Labor, Producer Price Index

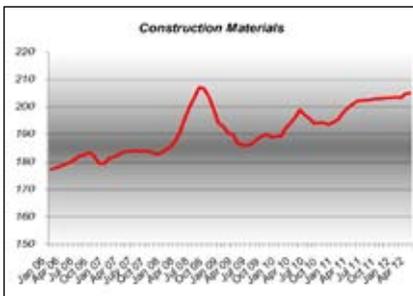
Contributed By: BNi® Building News

Things are still stabilizing and construction professionals are guardedly optimistic. Total construction is up around 2% over last year, and is headed for some more positive territory for Q2 of this year. Some notable increases to watch are a continuing surge in manufacturing, educational and healthcare. However, public works spending, once the shining light, is off considerably

(-6%) with almost all segments, except public healthcare, showing decreases. Housing starts for January have now translated into increased construction spending in several markets. The decline in the commercial sector seems to have stopped, and considerable gains have been seen in Q1. Let's hope that it continues into Q2. Look for continuing stability in the construction market.

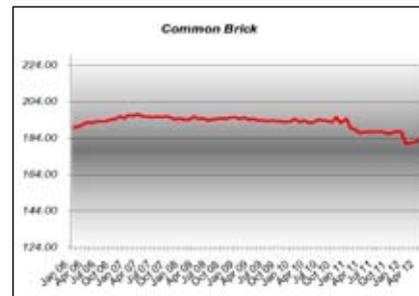
CONSTRUCTION MATERIALS

Last edition we reported increases of 5% over last year. Now with lumber down 3% and steel up 6%, we see the overall increase in the 3% range. Again, as in our last report, watch these two commodities for the next few months for market direction. Asphalt is still on the way up due to higher petroleum prices and cement seems to have reversed course and is on the way up as well.



COMMON BRICK

This component of construction is going nowhere but down. After showing steady declines for several years, we saw increased declines in 2011 and brick is now down 5% over the last 6 years. The ups and downs of the construction industry don't seem to have much of an impact on this construction component, so maybe the demand for its use as a cladding material is in a slide. Let's see if an increase in housing construction helps.

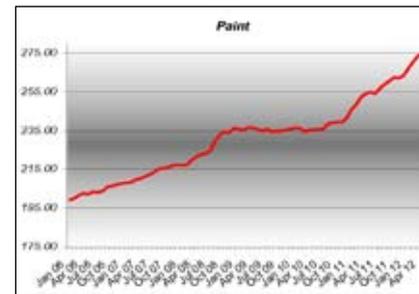
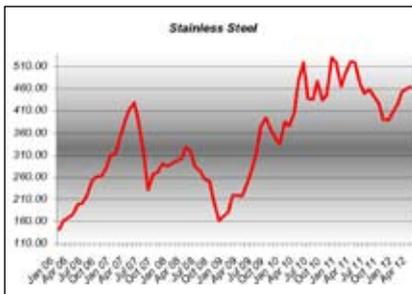


STAINLESS STEEL

After years of sustained price increases, followed by a period of dramatic spikes and dips, stainless steel has finally begun to moderate. However this may not last because, as mentioned in previous reports, stainless uses nickel in its manufacturing process and nickel is currently subject to wild commodity swings. If precious metals go down considerably, watch for downward movement in stainless.

PAINT

Hefty increases in the 6 to 8% range have typified paint prices in previous years. Then came the industry slowdown and paint flattened for 2009-2010. Last year we questioned the effect of the rising price of crude oil on the price of paint. After two years of no increase, we now have two years of back-to-back increase of 7% and 8%.



CARPET

Carpet is now registering increases in the 5-6% range, after years of marginal increases in the 2% range. Because we are now seeing positive movement in construction spending we should expect a sustained increase in the price of this material.

PLYWOOD

Unlike framing lumber, which is down 3%, plywood seems to be holding its own and remains flat over the last two years. Until housing comes back, this component will most likely not fluctuate much.

