

Construction Cost Trends for 2012

Source: US Department of Labor, Producer Price Index

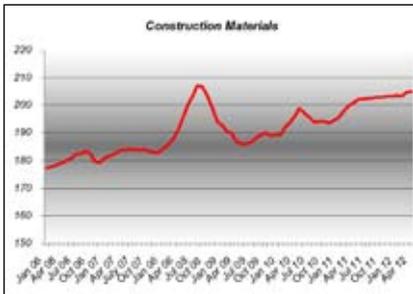
Contributed By: BNi® Building News

Construction spending is up over 8% compared to this time last year. After a strong finish last year, the first quarter of 2012 slowed but still showed a healthy increase for the last 12 months. Housing seems to be bottoming out, or flattening. We've said this before, but the industry is handling delinquencies

and foreclosures on a realistic basis and once these are dealt with, the housing market should improve. Watch for stabilization over the next year. Overall, construction spending is up 8% with most segments (with the exception of hospitality and religious) showing moderate gains.

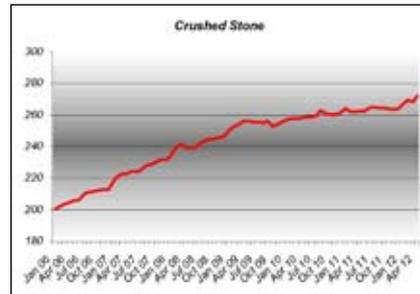
CONSTRUCTION MATERIALS

After heavy increases in 2011 of 8%, construction materials have slowed down to 3-4%. This is the third straight year of increases after 5 years of declines. Steel prices are leading the way, with an increase of 6%, while lumber again surprised us all and posted a decline of almost 5%. Asphalt continues to be an inflationary item following the fortunes of crude oil, while copper and stainless have moderated and still mirror the fortunes of precious metals.



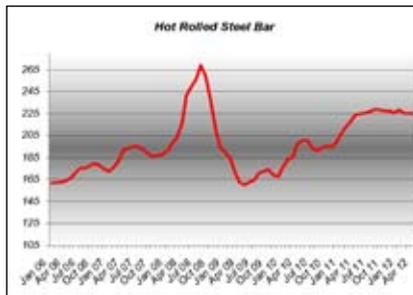
CRUSHED STONE

Crushed stone is up 25% over the last 5 years. The rate of price increase has slowed, but it is still on the rise. Public works projects are still being awarded, but slow to reach the marketplace and the high price of fuel continues to be a factor. Look for increases of 2-4% for this year.



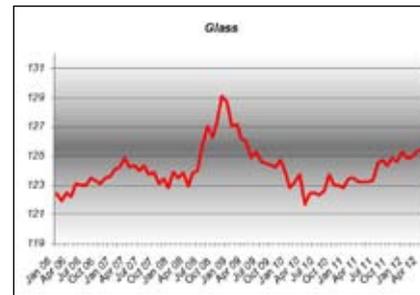
HOT ROLLED STEEL BAR

After falling precipitously in late 2008 through 2009, and rebounding in 2010, rebar registered an increase of 4-5% for the last 12 months. Look for some spikes this year due to the overall price of steel. Although reinforcing steel continues to inch up, its price is still considerably off of the highs of 2008.



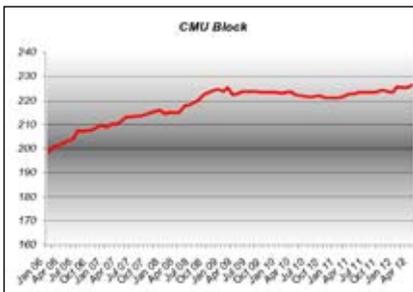
GLASS

The price of glass has been flat over the last 24 months. Except for a brief spike of 4-5% in early 2009, this component has languished within a tight range since before the recession began.



CONCRETE BLOCK (CMU)

Same story, just a year later. For the past four years the price of concrete block has been flat. Its main components, cement and stone continue their rise, but demand is just not there. Don't look for any increase in the price of CMUs until the housing downturn ends.



PRECAST CONCRETE

After following the fortunes of concrete block, precast concrete seems to be finding its own way and may be tied to a somewhat improved commercial building industry with sustained price increases for the last 36 months of 3-4%.

