

Construction Cost Trends for 2012

Source: US Department of Labor, Producer Price Index

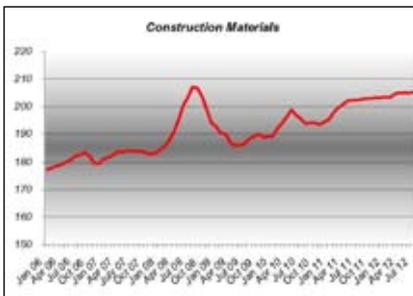
Contributed By: BNi® Building News

Depending on the part of the country, housing has bottomed out and is even showing signs of recovery. "Asking" prices for homes are up for the 5th straight month and is beginning to translate into increased sales prices. Foreclosures are slowing down in a majority of housing markets so the inventory of existing houses is shrinking. So we

again cautiously say that we should start seeing a slight housing recovery over the next two quarters. Both private and public construction are on the move in tandem, another bright spot, both up 6-8% year over year. A little different picture than a year ago, but we are not out the woods yet. Let's see if the upcoming election has an effect either way.

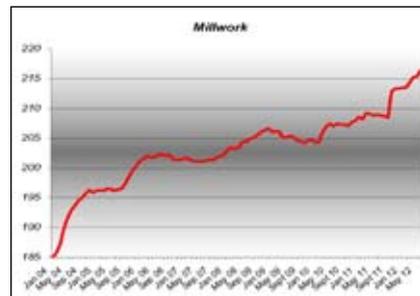
CONSTRUCTION MATERIALS

Construction material costs are still rising, but at a lower rate: just 2-3% for the year. Lumber prices are down compared to last year, and may not have bottomed out. Steel prices are still increasing and are up 4-5% from last year. One observation by leading economists is that commodities may be in a decline and that we in the construction industry will see the effects of this over the next few years.



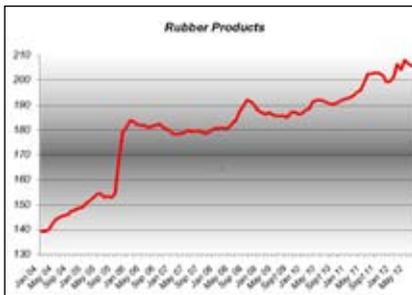
MILLWORK

We now see millwork prices on the move. After lackluster results due to the weak housing, commercial, and public construction markets, millwork is now up 4-5% over last year which is most likely due to the improvement of housing and commercial activity.



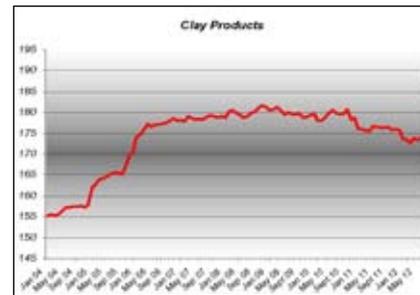
RUBBER AND RUBBER PRODUCTS

After increasing substantially last year, the price of rubber products has slowed down to just 2%. At publication, the price of crude is in an upward pattern and may add to the volatility in the price of rubber.



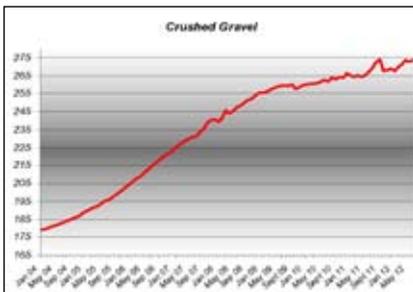
CLAY AND CERAMIC

Same story: just a year later. Clay and clay products seem to still be on a downward path and are now registering declines of 2-3%. An improved public works sector would positively affect this commodity, but we don't see any signs of this happening or any chance of price increases.



SAND & GRAVEL

After steady big gains over the last eight years, sand and gravel price increases moderated to 1-2%. The highway and public works portion of demand is waning, and this component seems to be slowing down with it.



LIMESTONE

Same story for six years running: limestone is flat. One would think that the slight increase we see in commercial building construction would have a positive effect on the price of limestone but it appears to have no bearing at all.

