

# Construction Cost Trends for 2012

Source: US Department of Labor, Producer Price Index

Contributed By: BNi® Building News

We are now seeing a slow and consistent upward movement in the construction industry. Private construction, the major component of the industry is up at all levels with the exception of hotels. Housing is on the up-tick led by apartments and condos. There are even signs that single family homes are on the move. The lending institutions and the government are still reluctant to write down troubled mortgages and until they do we won't see healthy growth. Some state

court systems are also adding to the troubled housing industry with antiquated foreclosure laws and this is why we are seeing a spotty recovery nationally. The stimulus is sputtering and public works will not carry the day. Commercial construction is helping, but without a strong housing industry we are going to have a long wait. Construction costs are slowing but are up 2-2.5% for the year, with labor now outstripping material (2.5% labor vs. 1.5% material).

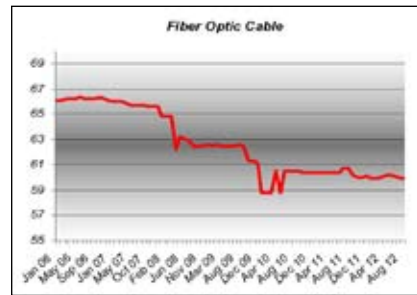
## CONSTRUCTION MATERIALS

What a difference a year makes. Lumber prices are going up, though only slightly but this is after 5 years of declines. Steel is headed down which is probably due to the slowed growth in China and corresponding recession in Europe and the general world-wide downturn. Commodities may not be king for much longer. After an almost 10 year run in commodities, we may see a reversal.



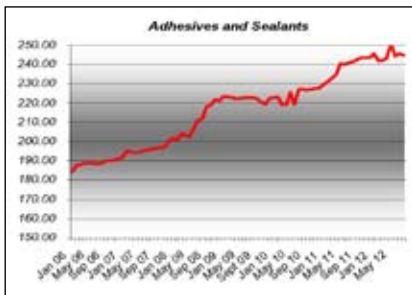
## OPTIC CABLE

After being up slightly last year (3%), optic cable is now down for the last 12 months. Since its peak in 2004, optic cable has decreased in price by almost 10%.



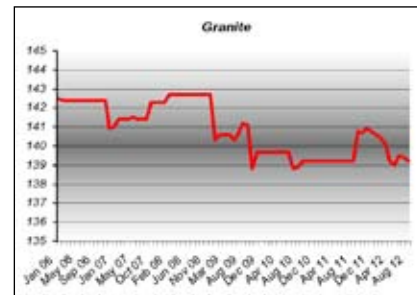
## ADHESIVES AND SEALANTS

Adhesives and sealants had slight gains in Q1 & Q2 and then flattened out for the 12 month period. We should watch this in relation to the price of oil, which since June is moving upward.



## GRANITE

After flat results since 2004, granite is still in negative territory for the past 3 years. Q1 of this year saw increases that were reversed in Q2, and the net effect over the last 3 years is that this component is down about 1%.



## WOOD SIDING

Wood siding has been experiencing ups and downs since Q4 of 2007. After posting losses gains since June of 2008, it has been flat to slightly up for the year with overall gains of 1% over the 4 year period.



## VINYL FLOOR COVERING

Vinyl is flat for the year, but since petroleum is now on the rise, watch for it to continue its steady 8 year rise of 6%.

