

Construction Cost Trends for 2013

Source: US Department of Labor, Producer Price Index

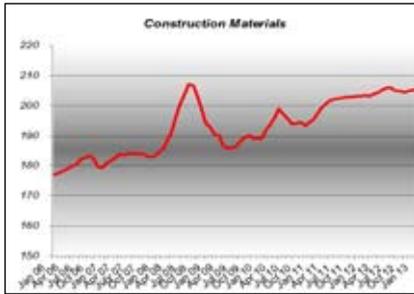
Contributed By: BNi® Building News

Things are getting better and we are hearing talk about construction helping to lead the economy out of recession. The worst may be over, but... we have to put the gains of 20% in housing and an improving market in perspective. Total construction is up, but it is up from historic declines. The heady days of 2002-2006 will not be seen again, so

the "good" news is tempered with the reality that we will have to deal with a construction market that is developing its own new normal. Although the private sector is up, the public sector is down due to demands on government spending. Material costs seem to be holding at 2% range, with the exception of lumber which is 8% above last year.

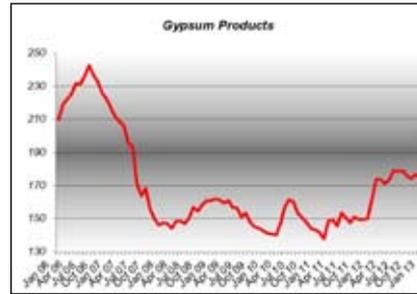
CONSTRUCTION MATERIALS

Lumber appears to have bottomed out and, due to the resurgence in housing, is posting gains of 7-9%. Steel is no longer on the rise and is flat with last year. This may be due to a lack of demand from foreign markets. Other construction products have registered moderate gains so far. Overall, look for material prices to go up 3-5% this year.



GYPSUM BOARD

Flat since 2008, gypsum wall board took an upward swing and registered 8% gains for the year. The 20% increase in home building should help to sustain this direction. It is important to remember that several plants closed during the unprecedented seven year decline. If shortages are experienced, watch for double-digit increases. Gypsum wall board is still 40% lower than it was in 2006, so there is a lot of room for price increases.

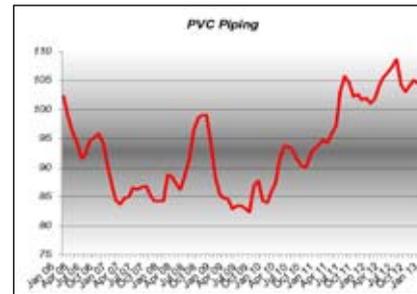
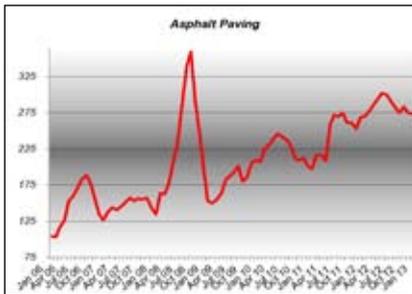


ASPHALT

Since May of 2012 asphalt had been in a significant decline but that may soon be over. Petroleum is on the rise and until the U.S can benefit from the new domestic oil fields, the price of asphalt will be dependant of imported oil. Watch for significant increases in asphalt prices for at least the next two quarters.

PVC PIPING

Plastic pipe prices spiked in June of 2012 and moderated to overall gains of 4% for the year. As with asphalt, the component will not stabilize until America shakes its dependence on foreign oil. In addition, increased demand from the housing sector will only add to the rate of increase.



BATT INSULATION

Since 2010 we see continued sustained gains in the price of insulation in the 4 to 5% range, up from an increase of 3% per year. The improving housing market should only feed this upward momentum and a continued national awareness of energy-saving should also add to its upward trend.

DUCTILE IRON PIPE

Public spending is down but ductile iron pipe is on a 3% rise. Overall, steel products are flat this year but this component seems to be bucking the trend. Ductile Iron pipe should soften this year to reflect what is happening with other steel-based products.

