

Construction Cost Trends for 2013

Source: US Department of Labor, Producer Price Index

Contributed By: BNi® Building News

The construction landscape is improving with residential leading the way. Total construction is up around 15% over last year, and is headed for even more positive territory for Q3 of this year. However, public works spending continues its decline and will not add to the rise. The economic pressures

on all forms of government spending will negate this segment and put all the pressure for growth on the private sector which is up 20% over last year. Housing starts are still strong and foreclosures seem to be under control. Look for a good year in the construction market.

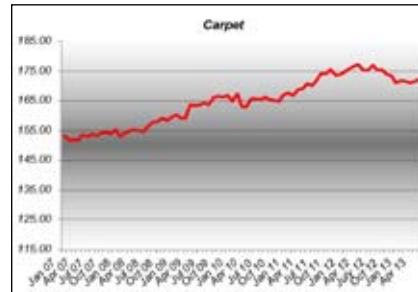
CONSTRUCTION MATERIALS

Lumber is still on the way up and shows no signs of slowing, with increases over last year. Nevertheless, it is still below its highs of 2004, it may take off due to demand, time will tell. Steel is flat, cement is up slightly (3%) and asphalt has a mind of its own (up 5%) most likely due to erratic petroleum prices. The overall increase in materials is in the 2-3% range.



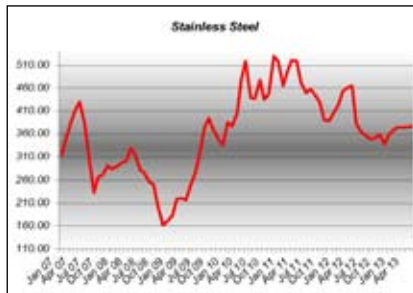
CARPET

After showing hefty gains last year, carpet is now registering decreases and is following the same slow growth pattern of the last 10 years. Carpet may not be affected by a stronger housing market, and commercial construction may not be too much help. We don't see much upward potential for this construction component.



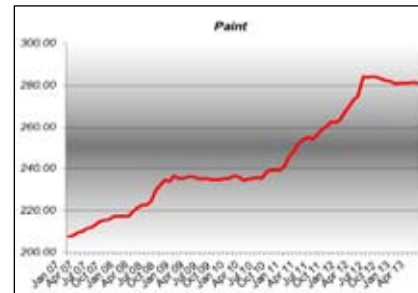
STAINLESS STEEL

After spiking in April of last year, stainless steel is down considerably. Its unprecedented rise from 2009 to 2011 has reversed itself and it has declined 20% since its peak. The demand from other markets may help in moderating this commodity.



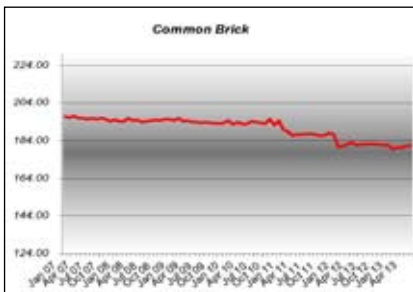
PAINT

After considerable increases in the 6 to 8% range, the price of paint seems to be stabilizing. There doesn't seem to be any reason why the price is moderating, except that after the large increases of the last two years the market for paint might just be catching up with itself.



COMMON BRICK

This component of construction is still going nowhere and is flat for the year. After showing steady declines for several years, we saw increased declines in 2011 and brick is now down 5% over the last 7 years. The ups and downs of the construction industry don't seem to have much of an impact on this construction component, indicating that the demand for its use as a cladding material may be in a slide. The housing resurgence doesn't seem to be helping.



PLYWOOD

Housing is up and lumber is up. Plywood does not usually fluctuate as wildly as framing lumber but is showing increases of 12-20% depending upon what market you are in. Still, plywood is below its peak during the housing boom. Watch for additional increases before the year is out, several of the biggest producers are having trouble keeping up with demand due to plant closings five years ago and are not able to open previously closed plants rapidly enough to keep up with demand which some market experts are saying could rise as much as an additional 20-30%. Let's hold on and see if this increased demand puts upward pressure on prices.

