

Construction Cost Trends for 2013

Source: US Department of Labor, Producer Price Index

Contributed By: BNi® Building News

Housing is showing signs of recovery in many parts of the country. "Asking" prices for homes are up for the last year and a half and are translating into increased activity and sales prices. But just to dampen this "good" news, adjusted starts of single-family homes are at an annually adjusted rate of 600,000 units, compared to 1,500,000 units at the height of the market in 2006. We will probably not see those lofty numbers again in the foreseeable future. Though the

600,000 starts represent a 20% increase over last year, you can see that we still have a long way to go. So again we cautiously say that we should start seeing a slight housing recovery over the next two quarters. Commercial and public construction are mixed, public is down from last year and commercial is up, in the 2% range respectively. Look for a continuing upturn in both residential and commercial and let's hope that increasing interest rates don't ruin the party.

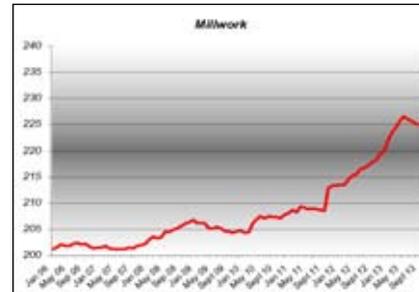
CONSTRUCTION MATERIALS

Construction material costs are still rising, but at a lower rate: just 2% for the year. Lumber prices are up compared to last year, and had a spectacular run in the early spring only to be tempered to an increase in the 6-8% range (in Q1 and Q2 the increase was 15-17%, and more). Steel prices are still down to flat from last year. Copper and precious metals are down, so keep an eye on some sort of adjustment here.



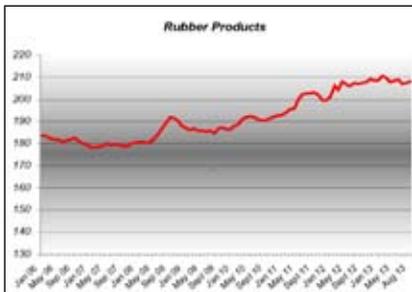
MILLWORK

We now see millwork prices outpacing the rest of the components by a slight bit and are in the 3-4% range. Following the housing upturn and the increasing price of lumber, millwork is now up but not at the rate of last year which was 4-5%.



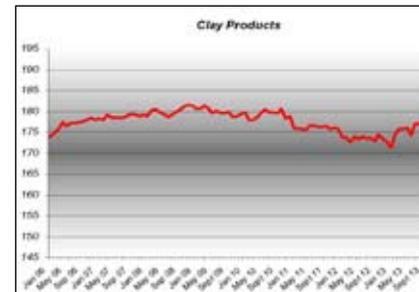
RUBBER AND RUBBER PRODUCTS

After a somewhat flat year in 2012, the price of rubber products has slowed even further to just 1%. It may be related to the price of crude, which may add some volatility to the price of rubber.



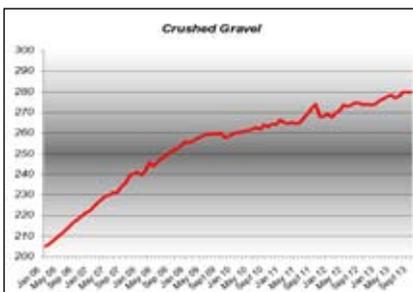
CLAY AND CERAMIC

Same story: two years running. Clay and clay products seem to still be trading in a very tight range and are up 2% since last year but flat over the last two years. An improved public works sector would positively affect this commodity, but we don't see any signs of this happening yet.



SAND & GRAVEL

After steady big gains for eight years, sand and gravel price increases moderated to 1-2%. The highway and public works portion of demand is waning, and these components seem to be slowing down with it. Commercial construction doesn't seem to have much of an affect on this component.



LIMESTONE

After for six years of flat prices, limestone is on the move with a 2-3% increase. The slight increase we see in commercial building construction may finally be having a positive affect on the price of limestone.

