

Construction Cost Trends for 2014

Source: US Department of Labor, Producer Price Index

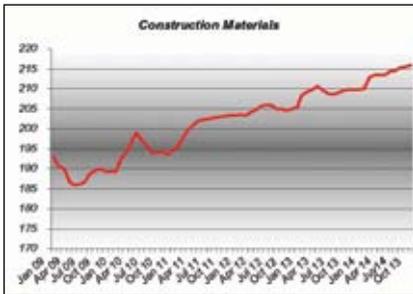
Contributed By: BNi® Building News

Housing is showing growth in some key markets, but on a national basis it is starting to sputter. Multi-family is still growing at a good clip along with hotels/motels. Overall, construction spending is up 5 to 10% depending on the market. Look for sustained growth over this quarter as

long as an unruly stock market doesn't mess things up. Public construction is inching its way back now that tax bases are growing, so there is a little good news in that sphere. We can expect a continuing (but guarded) upturn in both residential and commercial construction.

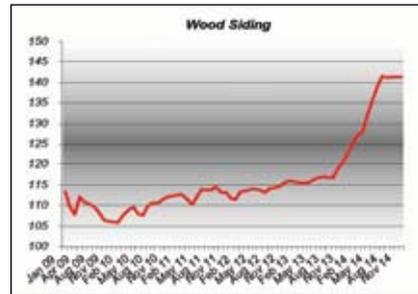
CONSTRUCTION MATERIALS

Construction material costs are now mixed. Lumber and concrete are up while steel and pipe products (plastic and copper) are down. Lumber is headed into a 7-9% increase for the year and steel and copper down to negative 2-3%. China's soft economy is probably the main reason for the downturn in metals, while the increase in lumber and cement products is most likely the result of a stronger domestic market.



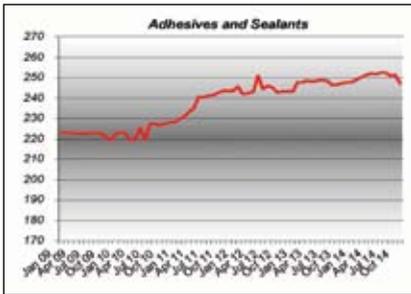
WOOD SIDING

Last year we said "Wood siding has been experiencing ups and downs since Q4 of 2007. After posting both losses and gains since June of 2008, it is up for the year with overall gains of 2-3% but lags the rest of the lumber industry." Soon after we reported that, wood siding took right off and has caught up to the rest of wood products. This year wood siding has registered gains of almost 20%.



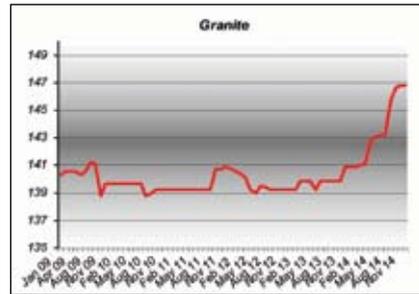
ADHESIVES AND SEALANTS

Again, just like last year, adhesives and sealants had both slight losses and gains, trading in a very tight range, and are now down for the quarter. They seem to have a relationship to the price of oil, which is also down for this quarter. So as we've said before, these components most likely will follow the fortunes of the petroleum industry.



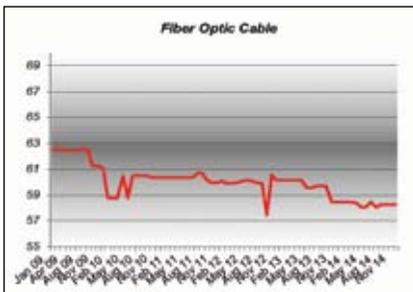
GRANITE

Pretty much flat since the housing collapse, granite seemed to be languishing and showing no gains in spite of a recovering housing industry. Now, just like wood siding (article above), granite seems to be catching up with the rest of the pack. Granite is up over 6% for the year.



OPTIC CABLE

After being up in 2013, optic cable has now been flat for the last 12 months. Since its peak in 2004, optic cable has decreased in price by almost 10% and things don't seem to be changing.



VINYL FLOOR COVERING

Same story, just a year later. Vinyl floor is still flat. Last year we thought that a rising petroleum price would fuel an increase in this component but that didn't seem to pan out, and now oil is down. We will have to wait to see what spurs a price increase here.

