

2015 Construction Material Cost Trends

Source: US Department of Labor, Producer Price Index

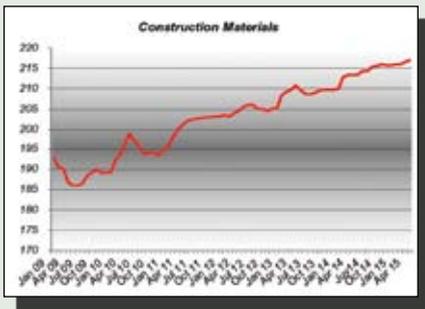
Contributed By: BNi® Building News

The construction industry is now on a good track. Housing construction is still strong and showing gains of 15-20%. Housing starts are up to over 1 million (adjusted) and show signs of sustainable momentum. This bodes well for the remainder of the industry which traditionally lags

two years behind housing. Commercial construction should show gains in the 5-10% range, with certain segments such as hotels and offices leading the way. Institutional construction is mixed, with schools and hospitals down from last year.

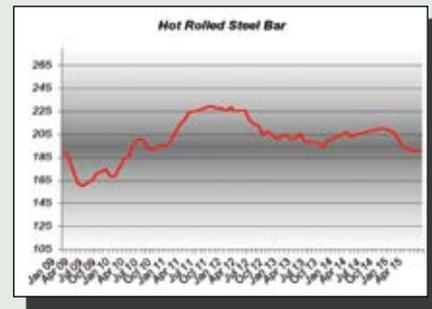
CONSTRUCTION MATERIALS

The increase in construction material prices is moderating and may actually be slowing down. Many economists feel that this is the beginning of a decade of soft commodity prices. At publication they are up over 2% compared to last year – but not across the board. Lumber is again up 6-8%, cement up 2% and steel is up 1-2%. The areas to watch are copper – still down, crude oil is up (but still down from last year) and iron is very soft. The prices for all construction materials are up 2% and labor is up 1.6% - so maybe inflation is not quite on the way yet.



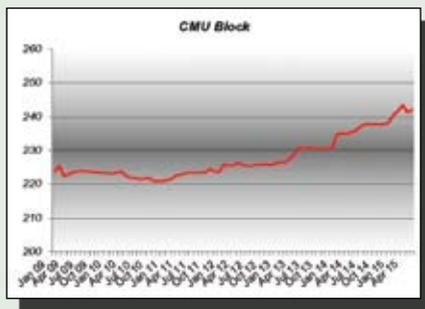
HOT ROLLED STEEL BAR

Sooner or later the price of iron ore has to affect steel. It seems that this is beginning to happen now, so watch for a considerable decrease in the price of this component. From its highs of 2011, the slide just keeps on going. The continued slowdown in Asia is probably still the culprit. Re-bar should continue its slide for the rest of the year.



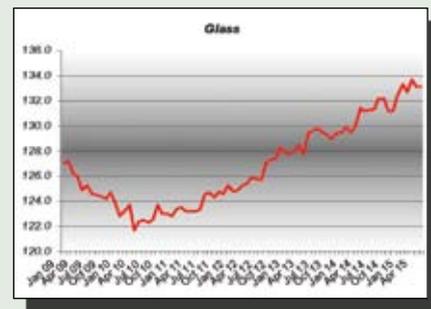
CONCRETE BLOCK (CMU)

Over the past few years, we said that the price of CMUs should follow the housing market. Housing is now doing well and concrete block is following suit, just at a lower level. After being up 2% last year, concrete block has sustained its rise at 2% and is showing signs of increases in the 3-4% range.



GLASS

The price of glass is showing signs of increasing with the industry. After lows in 2010, glass has moved consistently along with the fortunes of construction. Glass is up 8% over the last 5 years for a consistent average of 1.6% per year.



CRUSHED STONE

After dipping and flattening out last year, crushed stone has returned to an increasing path. The rate of increase picked up in Q3 of 2013 and seems to be on a positive upward trend. As commercial construction improves, watch this component follow suit.



PRECAST CONCRETE

After spiking in Q3 of 2014, precast moderated and showed gains of 2-3% for the year. We see that it has pretty much maintained a slow but steady growth for the past 5 years.

