

Construction Cost Trends for 2008

Source: US Department of Labor, Producer Price Index
Contributed By: **BNi® Building News**

Construction costs are moderating with overall increases in the 2-3% range. Housing starts are still at a lackluster pace and the housing industry is girding itself for yet another down year. The non-residential sectors which have propped up the overall construction industry will probably not be able to continue to offset the bad news from housing. Overall, look for a softening in most segments and a strong possibility of a decline in construction as a whole.

CONSTRUCTION MATERIALS

The decline in the price of lumber is no longer offset by dramatic increases in other key materials. This may translate to a combined decrease in prices for 2008. General Construction prices were up 3% for 2007 and up 22% since January 2004.



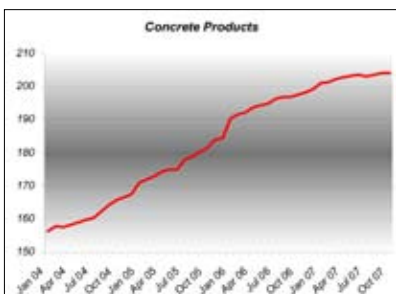
LUMBER

After near-record decreases in lumber in 2006, the trend continued in 2007. Until housing returns, lumber will probably languish at these levels or even continue its decline through 2008. Prices are down 3-5% for the year and down 7% since January 2004.



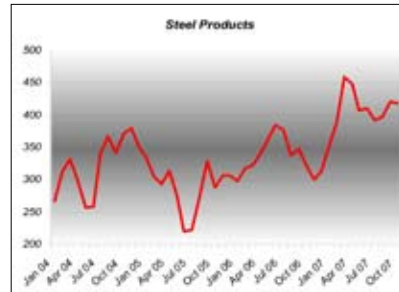
CEMENT AND CONCRETE PRODUCTS

Cement continued its raise into 2007. Crushed stone and sand increased 10-12% in the same period. In spite of this, concrete rose only 5%, maybe reflecting a softening of the construction industry. Cement and concrete prices were up 5% in 2007 and up 31% since January 2004.



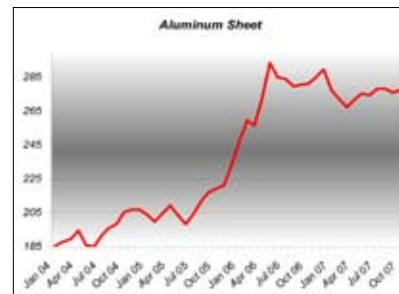
STEEL PRODUCTS

In 2007 increases in steel products cooled and registered increases in the 3-5% range. After two to three years of increases in the double-digits, a moderate year was welcome. There has been a further consolidation in the iron ore industry and huge increase in the iron and steel scrap segments. Only time will tell if this will translate into the increases that we have seen in the past.



ALUMINUM SHEET

After hefty increases in 2004, 2005 and part of 2006, aluminum sheet flattened and has remained flat in 2007. Overall they have been up 35% since January 2004. Usually dependant on energy costs, this item may be reflecting the downturn in the housing industry.



COPPER

Copper prices have finally slowed down. After runaway increases of 20-30% per year for the last several years, the industry can now take a breath. This correction may continue as the construction industry slowdown progresses. Wire prices up just 5% in 2006, compared to the 108% increase since January 2004. Copper pipe was up just 5% in 2007, while it had increased 125% since January 2004.

