

Construction Cost Trends for 2008

Source: US Department of Labor, Producer Price Index

Contributed By: BNI® Building News

Construction costs are moderating with overall yearly increases still in the 2-3% range. Housing starts are off and residential construction is down almost 20%. It still remains to be seen if the interest rate reduction will stop the slide. The remaining commercial sectors are generally up by double-digits and still show signs of strength. A word of caution: even

though commercial construction shows significant strength, housing accounts for almost 50% of the construction industry and we wonder if the commercial industry can continue to offset a 20% slide in housing. Overall, construction is down slightly, and all are looking to see if the Federal Reserve rate decrease will stem any future declines.

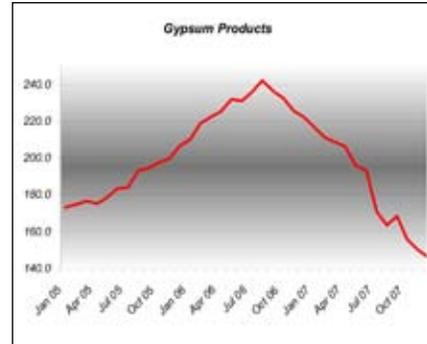
CONSTRUCTION MATERIALS

Lumber's slide is still affecting the total cost of construction materials. This continues to translate into an overall decrease for this quarter. As in previous years, look for seasonal increases in Q2 & Q3. Material prices were flat for 2007 and up 3% since January 2006.



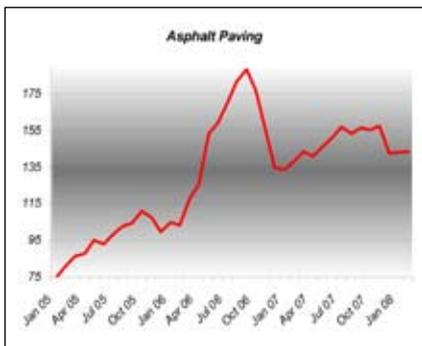
GYPSUM BOARD

The housing slowdown has affected gypsum wallboard significantly. After record prices in 2006, the price of wallboard has dropped almost 40%. It seems as though only increased demand from housing could stop the slide for this construction component.



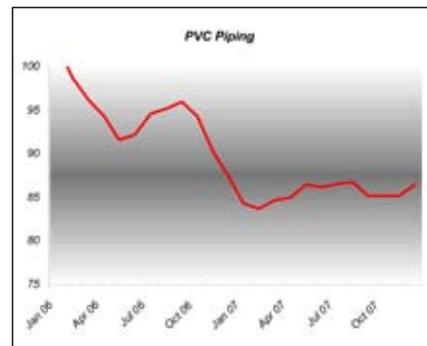
ASPHALT PAVING

After record increases in asphalt, we saw a moderation of prices in January 2007 followed by increases in Q2 & Q3, then a decrease in Q4. Now we are seeing another hint of increases in 2008. As long as petroleum price increases and demand are present, we see no slackening in the rise. Asphalt was up 7% for 2007 and 40% since 2006.



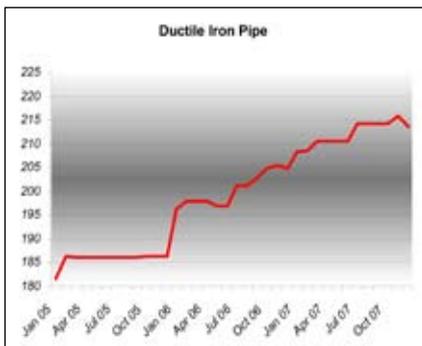
PVC PIPING

After hefty increases in 2004, 2005 and part of 2006, we now see a dramatic downward trend for this product. PVC pipe has shown a dependency on the housing market, and in spite of a strong commercial market, PVC pipe continues its slide. Overall it is down 15% since January 2006. Usually dependant on energy costs, this item is reflecting the downturn in the housing industry.



DUCTILE IRON PIPE

After significant increases in 2006 and 2007, we now see a leveling of prices for this public-works-oriented product. Ductile iron pipe increases for the last two years have been due primarily to demand and the ever-increasing price of iron ore. Ductile iron pipe was up 2% for 2007 and 10% since 2006.



BATT INSULATION

The downturn in insulation prices seems to mirror the housing slump. Prices are down from last year and only a resurgent housing industry could bring back increases. Insulation prices were down 3% in 2007 and down 3% since 2006.

