Construction Cost Trends for 2008

Source: US Department of Labor, Producer Price Index

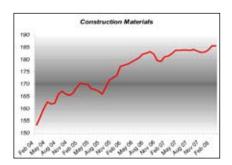
Contributed By: BNi® Building News

The housing slump continues; declines of almost 20% persist. Still led by hospitality, the commercial sector posted double-digit gains in 2007, but could not offset the dramatic downturn in housing. Public

construction seemed to be the savior, but now state and federal construction spending is starting to decrease. This all leads to a 3 to 4% decrease in construction spending as a whole.

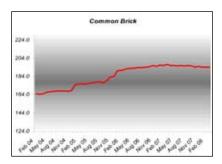
CONSTRUCTION MATERIALS

With structural steel as the primary culprit, construction materials are on the rise again. A decrease in the price of lumber and gypsum products has negated sharp increases until now, but substantial upturns in asphalt and steel prices are contributing to an overall increase of 2 to 3% in construction materials.



COMMON BRICK

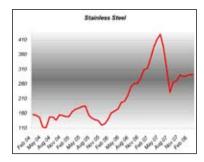
After moderate increases in 2004 and 2005, the price of common brick has remained flat for the last 2-1/2 years. A belief that commercial building construction would fuel price increases has never materialized.





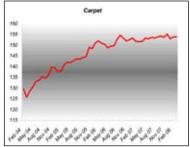
STAINLESS STEEL

After 30% increases in 2006, we saw stainless steel dip dramatically then moderate for the rest of 2007. The one year increase now is in the 2 to 3% range, but nowhere near the highs of late 2006. Although this is an energy-dependent product, the downturn in construction spending is probably holding the price in check.



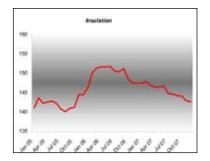
CARPET

The price of carpet moderated in 2006, showed little change for the balance of 2007, and has remained flat for the first quarter of 2008 with slight increases of 1 to 1-1/2 %. Until housing regains some positive momentum, we doubt if we will see much of an increase.



PLYWOOD

Tracking the price of plywood, from record highs in 2004 to now, seems like a bad roller coaster ride. Closely tied to the housing industry, no relief is seen from commercial construction (with the exception of ply-form). A slight increase in the summer of 2007 was short-lived, and we will most likely see a similar pattern in 2008.



PAINT

Paint prices continue to rise on a steady pace of 6% per year over the last four years. In spite of dramatic increases in the price of crude, there is still this steady rise. The slumping housing industry seems to have little or no effect on paint.

