

# Construction Cost Trends for 2009

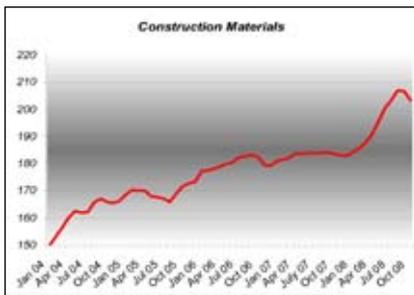
Source: US Department of Labor, Producer Price Index

Contributed By: BNi® Building News

After a year of significant increases, costs are moderating with overall increases in the 5% range. This is down from rates of 6-8% during midyear. Housing is still in the doldrums and will most likely have another down year - this will be the third year in a row. As in previous

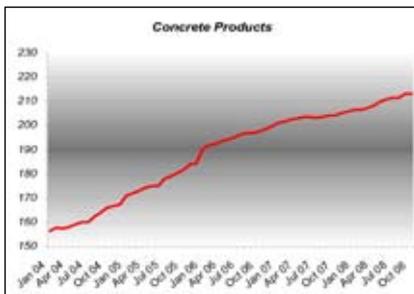
## CONSTRUCTION MATERIALS

Dramatic increases pervaded the first half of the year; now material prices are falling. The decline in the price of lumber is joined by declines in asphalt, copper and now steel. After runaway inflation in the first 8 months of 2008, we will probably see reductions in 2009. Construction prices were up 10% for 2008 and up 36% since January 2004.



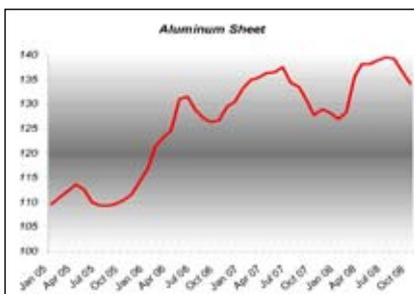
## CEMENT AND CONCRETE PRODUCTS

Cement increases slowed to 1-2% in 2008. Crushed stone and sand had increases of 2-3% in the same period. Concrete rose by 1-2%, reflecting a softening of the construction industry as a whole. Cement and concrete prices were up 2% in 2008 and up 36% since 2004.



## ALUMINUM SHEET

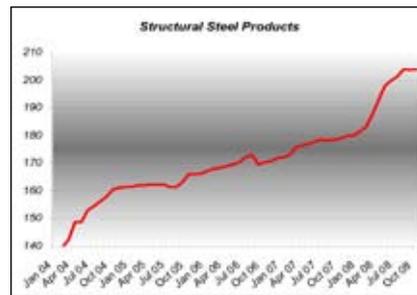
After reversing increases in 2007, aluminum sheet took off in the spring of 2008 and then just as quickly reversed its upswing and closed at a 5-6% increase for the year. Prices are up 22% since 2005.



years, the non-residential sectors have not offset the decline in housing this year. Overall, look for a softening in most segments and a decline in construction as a whole. The infrastructure initiative by the incoming administration will take several quarters before it begins to help.

## STRUCTURAL STEEL PRODUCTS

In 2008, increases in steel products heated up again, registering increases in the 15-18% range. After moderating in 2007, steel went through the roof this year. It seems to be slackening at time of publication due to reduced demand, but time will tell if the consolidation of the ore industry into just 3 worldwide players will keep prices high.



## LUMBER

The downward trend still continues for lumber. Housing has not reversed its fortunes, and most likely will not in 2009. Until inventory levels of existing housing decrease, there will be no relief for lumber. Prices are down 6-7% for the year and down 38% since 2004.



## COPPER

After peaking in April 2008, copper did a nose dive of 40-50% in the fall. This correction may seem drastic, but copper is still up 125% over the last 4 years. China uses 80% of the world's copper production, so when this manufacturing giant falters, the industry seems to feel it.

