

# Cost News

## Industry Articles Concerning Cost & Estimating

Source Article: AGC - <http://www.agcwa.com/posts>

### Predictions for 2018 Construction Costs

#### Expected Cost of Raw Materials and Cost Drivers ?

Do you expect to see the costs of raw materials such as asphalt, cement, steel and lumber increase in 2018? If so, to what level and what is driving the increases?

##### *National Assoc. of Home Builders*

NAHB: We expect continued gains in building material prices, particularly for lumber given tariffs on Canadian softwood lumber. Rising building material prices was the issue that increased the most as a concern in 2017. While still below the lack of labor and lots, prices for drywall, roofing materials and other building components increased in 2017 due to hurricane repair efforts and the broader growth of the housing market. We expect this pressure on prices to continue in 2018.



##### *Associated Builders & Contractors*

ABC: The past year was associated with noteworthy increases in construction materials prices. After slumping for much of 2014 and virtually all of 2015, global commodity prices stabilized and then began to rise in 2016/17.



A more contentious view on trade, including with respect to Canadian soft lumber, also served to elevate price pressures. During a recent 12-month period, softwood lumber prices surged 15%. Diesel fuel, natural gas, iron and steel and other prices also expanded for much of 2017.

Given the expectation that the global economy will heat up even further in 2018, one would expect that materials prices will continue to rise. However, the rise in materials prices could be quite gradual. Quantity supplied is already responding to higher prices in many categories, which should translate into more gradual price increases in general.

##### *Associated General Contractors*

AGC: Materials costs ended a years-long slide in late 2016 and rose at a moderate rate in most of 2017. Those increases are likely to accelerate a bit further in 2018 as global demand picks up and construction continues to grow, albeit slowly and unevenly. I don't foresee a return to the severe, widespread escalations and occasional shortages that cropped up before the last recession.



NAHB – National Assoc. of Home Builders  
 ABC – Associated Builders & Contractors  
 AGC – Associated General Contractors  
 PCA - Pacific Contractors Association

## Employment and Labor Costs – The Challenges of finding Skilled Workers

### *Associated General Contractors*

AGC: Finding capable workers will remain the leading challenge for contractors in 2018. The job market is continuing to tighten after more than seven years of continuous job gains and ever-increasing retirements of baby boomers. Immigration policies and stepped-up deportations are adding to the competition for workers and threaten to slow the growth in the overall economy as many industries struggle to fill openings.

### *National Assoc. of Home Builders*

NAHB: On the supply side of the construction market, we need additional gains in the labor force participation rate to allow employers to continue filling open jobs. The construction industry is in the middle of a labor shortage and data suggest it will not turn the corner quickly. Without growth in the size of the labor force, it will be difficult for the residential construction industry to continue adding workers at the current pace of a little more than 100,000 per year. Higher wages due to a tight labor market will bring in some additional workers, but will also increase cost pressures on employers. The industry must recruit the next generation of construction workers.

### *Pacific Contractors Association*

PCA: There is no easy fix to the labor challenge. Training programs for skilled workers are great, but they take time and we see companies struggling with labor for several years to come. The labor shortage will continue to be an impediment to company growth. Labor-saving technologies will alleviate some of this, but they can only go so far.

### *Associated General Contractors*

ABC: The lack of skilled workers is apparent throughout the U.S. economy, whether in construction, trucking, healthcare, hospitality, cybersecurity or a host of other industry segments...

The year 2018 will be yet another during which America's low labor force participation rates will continue to hamstring businesses in many segments, including construction. A confluence of factors has led to these circumstances, including cultural shifts, shifts in educational philosophy, the atrophying of apprenticeship programs in much of the nation, and the ongoing large-scale retirement of many of the most talented, skilled and experienced construction workers. The nation's shifting stand on immigration will not help, with employers finding it increasingly challenging to secure both skilled and semi-skilled personnel.

With respect to construction, the impact is to raise the cost of delivering construction services and to stretch out timetables. That makes it less likely that construction projects can move forward because this serves to reduce the predicted rate of return.

