



# CONSTRUCTION NEWS

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA  
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## CONSTRUCTION FACES TUMULTUOUS YEAR FOR PROJECTS, PRICES, LABOR, SAYS AGC ECONOMIST

**Las Vegas**—Nonresidential construction will experience wide variance in demand, materials cost and labor availability, according to the Construction Inflation Alert released today by the Associated General Contractors of America (AGC).

“In 2008, some nonresidential segments will continue to grow, including power and energy, but others such as lodging will slow or decline,” said AGC’s Chief Economist Ken Simonson. “Diesel, copper and steel are among materials costs likely to accelerate, while others remain benign.”

The large increase in diesel fuel prices compared to a year ago, along with the importance of diesel fuel to highway construction, makes it likely that highway costs will go up even more. Conversely, the slumping demand and rising supply of gypsum products may mean nonresidential and multi-unit residential building costs go up a little less than 6 percent.

“These cross-cutting trends make it likely that the PPI for construction inputs will accelerate from the 4.5 percent rate of increase that prevailed in 2006 and 2007 to a 6-8 percent range by the end of 2008,” commented Simonson.

Looking beyond 2008, there are two factors that make it likely that a 6-8 percent growth rate for construction input prices will be sustained. First, many construction inputs, such as diesel fuel, steel and copper are in demand worldwide. Second, construction will always be dependent on physical delivery of heavy, bulky, relatively low-value materials for which transportation and fuel costs are a major part of the delivered price.

Labor accounts for roughly half the cost of a construction project. In 2007, despite the high level of nonresidential activity, contractors were generally able to find enough workers, thanks to a massive redeployment of specialty trade contractors from residential to lighter nonresidential projects.

“In 2008, I expect labor shortages will worsen for a few crafts, pulling average wage rates higher, but in other segments such as residential specialty trades, the supply of some crafts will be plentiful,” noted Simonson. “Wage increases in nonresidential construction may rise to the 4.5-5.5 percent range in 2008, despite the slowdown in overall activity, and to 5-6 percent in 2009, when residential work begins to compete again for some specialties.”

For a complete copy of AGC’s Construction Inflation Alert, visit [www.agc.org/cia](http://www.agc.org/cia).

The Associated General Contractors of America (AGC) is the largest and oldest national construction trade association in the United States. AGC represents 33,000 firms, including 7,500 of America’s leading general contractors and 12,500 specialty-contracting firms. More than 13,000 service providers and suppliers are associated with AGC through a nationwide network of chapters. Visit the AGC Web site at [www.agc.org](http://www.agc.org). AGC members are “Building Your Quality of Life.”

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