

Construction Costs Rise in November for 22nd Straight Month



In November construction costs in North America rose for the 22nd consecutive month as labor costs continued to increase as companies struggled with a shortage of skilled workers.

The Engineering and Construction Cost Index (ECCI) registered 53.2 percent in November, up from 52.6 percent in October, according to IHS Inc. (NYSE: IHS) and the Procurement Executives Group (PEG). The ECCI indicates that construction costs in North America have been on the rise for nearly two years since January 2012.

Construction expenses have increased almost 15% in the past six months alone, with labor and materials become increasingly expensive as the industry rebounds, said Philip J. Spiegelman, who with International Sales Group partner, Craig Studnicky, has generated more than \$8 billion in sales for leading real estate developers.

The index divides construction costs into two major categories: materials/equipment and subcontractor labor. Although materials/equipment on the index has remained near 50 for eight months, labor costs have caused the increase for the month.

In the recent past China's economic boom drove materials costs higher for North American construction firms. This trend is likely to continue as spending on construction in the U.S. rises at the same time that skilled workers are aging. The result will be a tighter labor market. With many investing in training and mentoring programs to be prepared for this next wave of activity, the wage inflation is expected to rise at a slower rate.