

For Immediate Release

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Pictured: Image of a Couple Reviewing a BLS Report Covering the PPI for Building Materials

Report Shows the Cost of Building Materials is Continuing to Fall Going Into 2023

December 5, 2022 (Foley, AL) — According to a [Producer Price Index \(PPI\) report](#) by the [US Bureau of Labor Statistics](#) and some further analysis provided by the [National Association of Home Builders](#), the cost of building materials decreased by 0.2% in October following a .5% decline in September. Softwood lumber (seasonally adjusted) also fell 1.7% in October following 5.5% and 3.1% declines in August and September, respectively. The prices of ready-mix concrete and gypsum building materials have continued their climb dating back to early 2021. The PPI for ready-mix concrete (RMC) increased 0.4% in October, however like steel mill products, the pace of these increases for RMC has slowed for the past three months which may signal either a settling in price or a potential decrease before 2023. The PPI for gypsum building materials shrank by 0.2% in October, which is only the second monthly decrease since September 2020. While the price of gypsum building materials shrinking slightly is a welcome sight for many, this particular index is still 45.6% higher than its January 2020 level.

This is the first time that the Producer Price Index for building materials has decreased in four of five months since 2015. The Producer Price Index program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services. This downward trend the market is witnessing is a major contrast to the increase in pricing for construction materials in 2021. In fact, earlier this year [CBRE predicted](#) that construction prices would continue to rise following those same trends from 2021. Even with some prices beginning to fall, the cost of building is expected to increase by 14% in 2022 from the year before, according to the [Construction Cost Index from CBRE](#). CBRE originally predicted that costs will remain volatile, potentially rising 5.4% in 2023 before they eventually settle

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again, even though long lead times and material shortages will continue in the short term. While the market is always going to display some semblance of unpredictability, this downward trend in price is a welcome one for many prospective developers and construction leaders planning ahead for next year.

As 2022 closes, the findings in this report will undoubtedly encourage a surge in prospective projects and developments in 2023. With the costs of goods for construction and building-based materials finally showing a downward trend, The Highland Group is ready to build and continue to exceed construction demands going into next year. While the price of materials is declining at a steady rate with some outliers starting to settle, this current decrease in price marks a prime time for developers to begin preconstruction and planning for any potential construction projects. If you are interested in building into next year or preparing to begin construction, [Highland offers a broad range of services](#) to our clients throughout the Southeastern US. Utilizing time-tested practices in preconstruction and construction management services Highland is prepared to assist our clients in managing any building phase in a project. With the overall cost of construction continuing to decline, it is a perfect time to [schedule a consultation](#) and start the conversation on how Highland can help you navigate this unprecedented period of potential growth in the construction industry.

[Producer Price Index:](#)

The Producer Price Index (PPI) is a family of indexes released by the [Bureau of Labor Statistics](#) that measures the average change over time in selling prices received by domestic producers of goods and services. About 10,000 PPIs for individual products and groups of products are released each month. PPIs are available for the output of nearly all industries in the goods-producing sectors of the U.S. economy — mining, manufacturing, agriculture, fishing, and forestry — as well as natural gas, electricity, construction, and goods competitive with those made in the producing sectors, such as waste and scrap materials. Producer Price Indexes are usually made available during the second full week of the month following the reference date. The release dates for the data are marked in the BLS [online release calendar](#). The data acquired from PPIs are commonly used in adjusting sales contracts, capturing price movement on the retail level, assisting businesses in adjusting for price changes, measuring price movement in particular industries, and in providing accurate forecasting for potential large-scale economic events.

[About The Highland Group:](#)

The Highland Group is a real estate development and commercial construction firm that specializes in real estate development, preconstruction services, general contracting, construction management, and design-build delivery. Their mission is to develop leaders committed to higher standards who have an impact on their firm and the communities in which they work and live by developing trusting relationships and building quality projects. The Highland Group has offices located in the Gulf Coast Region (501 South McKenzie Street, Suite 2, Foley, Alabama, 36535), the Tennessee Valley Region (415-H Church Street NW, Suite 201, Huntsville, Alabama, 35801), and the Florida Panhandle Region (130 Richard Jackson Blvd., Suite 104A, Panama City Beach, Florida, 32407). They have been proudly serving clients throughout the Southeastern United States since 2005. Learn more at www.HighlandGroup.org