

## Construction Costs Continue To Climb



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While the price of steel decreased slightly (1.4%) in the month of August, other materials commonly used in church construction continued to climb. The largest price increase came in gypsum wallboard. According to the August 15th issue of Engineering News-Record (ENR), an industry standard in construction cost reporting, 5/8 gypsum wallboard, a material very common to church construction increased another 3.6% last month making the material nearly 17% higher than it was a year ago.

All cement based products also continued to climb, raising nearly a full percentage point last month. In spot checks with suppliers we have heard rumblings of as much as \$5.00 a ton increases caused by the escalation in fuel prices. We have already witnessed a significant increase in the delivery charges for crushed stone and can only believe that all building material suppliers will follow suit as oil prices continue to climb.

It was further reported by ENR that construction labor costs increased by 1.2% last month making the increase in labor costs 4.1% so far this year. These increases in labor and material costs, coupled with another increase in the prime rate (the 10th increase in a row) can only mean that the cost of building a new church facility is on the rise.

What does this mean for churches? It makes it all the more important that the church be vigilant in obtaining accurate construction cost estimates during the design and architectural portion of their building program. One of the most common and most tragic mistakes that churches make is not getting accurate pricing information. Because of the longevity that is inherent in church building programs, the estimating taking place during the design of the project is actually trying to calculate building costs that may be in place 18 to 24 months down the road. When the construction market is as volatile as it has been in the past 2 years estimating becomes extremely difficult. For that reason, it is usually a good practice to have a contractor, well familiar with church construction, to estimate the costs of construction instead of leaving the estimating up to the architect alone. When estimating is done incorrectly, the church often times ends up with a set of drawings for a building they cannot afford to build.

Another important task for the church during these turbulent times is making sure the total project costs have been accounted for. When receiving estimates from architects and contractors, items typically considered "soft costs" are often neglected. These items can include construction loan interest and/or closing costs, the cost of building permits,

furnishings, insurances, utility hook-ups, soil testing, inspection fees, etc. and can sometimes add hundreds of thousands of dollars to the actual cost of the project. If these costs are not anticipated, the church may find themselves short of needed funds to complete the project.

So with all of the increases in construction costs, should churches refrain from building? Not at all! If a church needs to build to accommodate growth so people can come to know Christ, costs should not be a factor. A few extra dollars for a ton of concrete is a small price to pay for adding souls to the Kingdom.