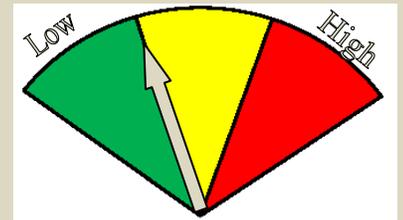


NEWSLETTER

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*Project cost estimating data provided by the
Utah Department of Transportation, Central Preconstruction*



Prices through July

Outlook Through July 2014

Warmer weather usually brings higher bid costs because contractors are beginning to focus more on doing their work and less on innovatively bidding new work. We expect contractors to continue to bid more profit into their projects as Utah's construction economy continues to recover. These margins are still below historical averages so they represent a good value for the Department. We expect bids to remain favorable over the next few months, but bids will not be quite as favorable as what we have seen over the winter.

Larger projects and those projects in areas of the state with plenty of competition should continue to see competitive bids. Some smaller projects and some projects in areas of the state with less competition may see higher bids from fewer contractors.

Factors affecting this outlook include:

- Fuel and crude oil costs, according to *The Kiplinger Letter*, are expected to remain steady through July.
- Material costs:
 - Utah has a surplus supply of asphalt binder and also has the lowest prices for raw asphalt binder in the Intermountain West. This will keep downward pressure on costs for paving projects.
 - Other material costs should not experience substantial volatility according to *Reed Construction Data*, "The impact on construction materials prices is a possible bump upwards with better weather as construction activity rebounds. Following that adjustment, there should be moderate upward pressure on prices in the subsequent months with greater increases in prices towards the latter part of this year and into 2015."

For reference, in calendar year 2013, UDOT construction cost indexes declined 1.8 percent per the *All Average Unit Bid Costs Index* and 5.9 percent per the *UDOT Construction Cost Index*. These two indexes measure UDOT construction cost trends differently.

- ❖ Average low bid of engineer's estimate:
 - ❖ FY 2014: 90%
- ❖ Estimates below 110% of low bid in FY 2014 (goal of 95%):
 - ❖ FY2014: 92.6%
- ❖ Estimates within 10% of low bid for FY 2012 (goal of 50%):
 - ❖ FY2014: 42.1%

More Information and graphs of current economic conditions at:
http://www.udot.utah.gov/main/ucono_wner.qf?n=9804510256831458