

Construction Cost Trends

By J. L. E. PRICE,

TWENTY years ago this time, in the Fall of 1927, the Canadian Construction Industry was working to full capacity, just as it is working to full capacity today. Ten years later, in 1937, the same industry was in a state of extreme depression.

The transition from riches to rags in the ten years between 1927 and 1937 came about as the result of inflation—the same inflation that is now threatening to play a devastating part in the scheme of things all over again.

In 1927, building construction was slowly but surely being priced out of the market, just as it is slowly but surely being priced out of the market today. Then, as now, building labor and material costs were climbing beyond the reach of the majority of the potential customers. That in itself was bad enough, but to complete the debacle, in the late twenties a large proportion of the remaining minority who still had the means available to finance their building programs went on a "buyers' strike," with the result that the Construction Industry soon folded up.

Is what happened in the 1927-1937 decade likely to happen all over again in the next decade? Is the Construction Industry now riding for another crashing fall, just as it was willingly doing in 1927?

With the foregoing question in mind it certainly behooves all concerned to read the handwriting on the wall—to recognize how closely the stage as it is set today resembles the stage as it was set twenty years ago, in 1927, when the depression of the thirties was in the making—and to realize what must be done in order to curb the inflation which, if left uncurbed, will inevitably bring disaster not only to the Construction In-

dustry but to the national economy as a whole. See what ever rising building costs have already done to retard the progress of post-war reconstruction.

Already, private enterprise in the construction of living accommodation has bogged down to a most alarming extent. Countless thousands of people of moderate income who aspired to home-ownership have been reluctantly compelled to abandon the idea because building labour and material prices have risen to such an extent that home-ownership is no longer within their reach. For a large proportion of these people, the only hope now remaining lies in securing subsidized shelter of some kind, which implies still another load for the already overburdened tax-paying public to shoulder.

Furthermore, where private enterprise as related to commercial and industrial construction is concerned, more and more projects are now being shelved to await lower building prices, which was precisely what happened in the late twenties. It is true that for the time being this tendency to shelve work is comparatively moderate in extent, but what guarantee is there that it will not suddenly assume panic proportions, as happened at the outset of the last depression?

Looking facts squarely in the face, what is the ultimate outcome likely to be for Canada from the economic, social and political points of view if rising prices now drive private enterprise out of the housing, commercial and industrial fields to the point where the only hope of maintaining a reasonable level of employment in the Construction Industry lies in concentrating the bulk of the industry's activities on subsidized housing and public works programmes. How long would it take to slide from that into another depression? And what would become of the tremendous existing backlog of private enterprise demand for building construction under such conditions?

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It is self-evident that unless ways and means are soon found to stop the creeping paralysis of inflation which now grips the Construction Industry, another slump will inevitably materialize, bringing chaos in its train.

The tabulations on page 227 show the extent to which building labour and materials commonly utilized in house construction actually advanced in price in the City of Montreal between August 1939 and August 1947.

Whilst the tabulations reveal with reasonable accuracy the present labour and material unit price levels in Montreal, they fall far short of telling the full story of increased cost, in that they do not reveal either the extra hours of work now necessary in most trades as compared with 1939, because of the reduced productivity of labour, or the extra overhead expense which the builder or contractor is called upon to incur because the average job now takes so much longer to do than it did in 1939, due partly to slower labour performance and partly to the slower delivery of materials.

What the total cost of any building built in Montreal in today's market is likely to be as compared with 1939 depends entirely upon the kinds of labour and materials needed in its construction. The increase over the corresponding 1939 cost might be as low as 60% or as high as 100%.

Today's high construction costs have materialized in a wide variety of ways but it will be found on careful analysis of the facts that most of them can be either directly or indirectly attributed to one common basic cause: the preponderance of demand over supply.

In any normal market, where demand is in reasonable step with supply, healthy competition is always "the spice of life." On the other hand, in an abnormal boom market like the present, competition is apt to dwindle to the vanishing point.

It requires little imagination to see that the greatest hope of curbing the upward trend of building prices in time to avert another complete crack-up in the

Construction Industry lies in concerted action on the part of labour and management in quickly devising ways and means whereby to restore a reasonable measure of competition.

Firm prices on materials and equipment are a prerequisite if builders and contractors are to get back to a competitive lump sum basis of operation once again, and this will never be possible until organized labour everywhere recognizes the imperative need for labour to place itself in a position to guarantee that once mutually agreed upon, wage rates will hold good for a stated period of time, in order that employers may be placed in a position to determine in advance what their labour costs are going to be. This presupposes that no spectacular changes occur in the cost of living.

Another way in which organized labour could help substantially in the present situation would be to organize speed-up drives within their respective organizations, to stimulate production. There is no good reason why in so many instances average production should be so much lower to-day than it was in 1939. It would be so easy for labour leaders to use their influence to impress upon individual workers everywhere that every man who wilfully refuses to recognize the need to render a fair day's work for a fair day's pay is actually cutting the ground from under his own feet by contributing to the downfall of the industry upon which his livelihood depends.

Organized labour could certainly now be doing a great deal more along the foregoing lines to help stem the tide of rising prices. But what evidence is there that any adequate appeal has ever gone out from management to organized labour for help of this description, excepting in isolated cases? Labour is very proud but it is also very human, and any adequate appeal might succeed where adverse criticism has so obviously failed to bring results.

The shortage of skilled labour is serious but at long last—after so many years of deplorable neglect—apprentices are

BUILDING COSTS 1939 AND 1947.

LABOUR

	1939	August 1947	% Increase
Bricklayers and Masons.....	.80	1.40	75 %
Carpenters.....	.70	1.06	51.4 %
Plasterers.....	.80	1.17	46.2 %
Cement Finishers.....	.55	.89	61.8 %
Painters.....	.66	.95	44 %
Electricians.....	.75	1.11	48 %
Plumbers and Steamfitters.....	.75	1.11	48 %
Truck-drivers.....	.30	.62	106.6 %
Labourers.....	.40	.67	67.5 %

MATERIALS

Concrete:			
Cement, Bbl.....	1.85	2.30	24 %
Crushed Stone, Ton.....	1.00	1.50	50 %
Sand, Ton.....	1.35	1.70	26 %
Brickwork:			
Face Brick, Avg. M.....	27.27	37.00	35.5 %
Common Brick, Avg. M.....	18.63	27.50	47.5 %
Hollow Tile Block, Avg. M.....	110.00	160.00	45 %
Concrete Block, Avg. 100 pes.....	10.25	12.90	26 %
Lime, Ton.....	16.15	19.00	17.5 %
Framing Lumber:			
Studs, Joists, Rafters, Avg. MFBM.....	33.50	72.00	115 %
7/8" T. & G. Boarding.....	30.34	70.00	130.5 %
Hardwood Flooring—MFBM.....	70.00	142.00	102.5 %
Millwork.....	.....	.....	Avg. 51.5 %
Plastering:			
Hardwall Plaster, Ton.....	21.60	21.60	No Change
Finish Coat (Lime), Ton.....	24.60	24.60	—do—
Gypsum Lath, 3/8" MSF.....	21.50	27.50	28 %
Gypsum Wallboard, 3/8" MSF.....	38.00	40.50	6.5 %
Roofing:			
210 lb. Asphalt Shingles, Sq.....	5.90	6.75	14.5 %
Painting and Glazing:			
Paint, General Average, Gal.....	3.12	4.35	39 %
Glass, 18 oz. 100 s.f.....	3.15	7.78	147 %
Hardware.....	.....	.....	Avg. 15 to 33 %
Mineral Wool Insulation:			
3" Thick, MSF.....	65.00	65.00	No Change
Plumbing:			
Roughing—Pipe aF.....	.....	.....	Avg. 50 %
Fixtures..... and fittings.....	.....	.....	Avg. 18 %
Heating:			
Furnaces.....	.....	.....	Avg. 31.5 %
Radiators.....	.....	.....	Avg. 40 %
Electrical:			
Wiring.....	.....	.....	Avg. 30 %
Fittings, Switches, Etc.....	.....	.....	Avg. 25 %
Fixtures, Wall and Ceiling.....	.....	.....	Avg. 23 %

once again being trained in large numbers in almost every part of the Dominion. The influence of this new blood has already begun to make itself felt in the building trades, particularly where veteran trainees are concerned, and there is no question but that these newcomers can be relied upon to play an important and steadily increasing part in raising the average level of efficiency of the entire Construction Industry.

Another reliable expectation is that the further development of pre-fabrication and pre-assembly methods and improvements in mechanization techniques will do much to reduce today's high factory and "on site" labour costs, particularly as related to house construction.

Generally speaking, it is apparent what the Construction Industry needs most of all to-day is a re-vitalizing incentive spirit which can be created only by providing fixed price targets to shoot at. There would be no insurmountable difficulties standing in the way of the setting up of these targets, provided they are set up through the joint action of labour and management. Why is so little being done to this end?

The setting up of these fixed price targets would mark the turn of the tide and costs would immediately start to decline rather than to go on rising. The decline would in all probability be a whole lot slower in action than was the rise but there would always be the

satisfaction of seeing things headed the right way instead of going in the wrong direction. Moreover, confidence would be restored.

Just how low costs may be expected to go below today's high levels once they do start to decline is purely a matter of conjecture. If anything like the present standard of living is to be maintained, it would appear to be unreasonable to believe that building costs would ever be likely to drop back on the average more than half way to where they were in 1939, at the very most.

The hope is that the high building cost tide will turn ahead of the development of any recession which might so easily prove to be the forerunner of another depression.

It has long since been accepted as axiomatic that the Construction Industry functions as a barometer in the field of national economics. Events have gone to prove time and time again that there can never be any general prosperity without a high level of activity in construction. This being the case, any sustained recession in the building business serves as a storm signal for business generally.

If high prices now wreck the Construction Industry, our hopes for post-war reconstruction will go by the boards. This is the cold, hard fact of the matter and it behooves all who have the interest of Canada at heart to never lose sight of that fact.

Technical Progress: A Factor in the Housing Program

By D. C. SIMPSON

THE problem of producing houses within the economic reach of the mass market has vexed housing technicians for more than a decade. This problem is not confined to Canada alone, but constitutes an increasingly acute need all over the world today. It must

be realized that this housing problem is not entirely war-created but is partially the result of the ever-increasing inability of the construction industry to meet the demands of the great majority of people for well-constructed homes within their means to pay for them. The inability is, of course, a complex product of many factors—economic, social, and to no small degree, technical—and progress in