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## Plots & Ploys

Updated Feb. 10, 2015 10:43 p.m. ET

### Survival of the Fittest

Construction costs are rising, but only partly because labor and material are getting more expensive.

Another culprit: the high business-failure rate among contractors during the downturn. The ones left standing have been able to charge more because there is less competition.

That is one of the conclusions of a cost survey regularly conducted by Minneapolis-based M.A. Mortenson Co., a construction company that had about \$2.5 billion in 2014 revenue.

The index, which started at 100 in the first quarter of 2009, hit 111 in the fourth quarter of 2014. "In most markets, we're advising customers to budget 5% to 6% increases in construction costs on an annual basis," said Greg Clark, vice president of estimating for Mortenson.

Mr. Clark said the cost of materials—with the exception of glass—has seen only moderate increases. Labor costs have been rising at 2.5% to 3.5% a year, he said.

Mr. Clark attributed much of the rising in cost to less competition. "If there are only four people to do the work and two are busy, the two that are left are going to ask a higher cost to do the work," he said.

—Peter Grant

### Building Momentum

The nation's biggest publicly traded home builders are telling investors that new-home sales picked up during the second half of January, reflecting rising consumer confidence, low interest rates and an improving economy.

But it still is too early to forecast a strong spring selling season, which typically hits its stride in March and April. Indeed, builders were bullish on the eve of last spring's season, but the market sputtered to deliver results roughly flat with 2013.

Take [Standard Pacific Corp.](#), which on Friday reported a 27% gain in January net sales from one year earlier to 463 new orders. In an interview Monday, Chief Executive Scott Stowell said the January increase was the result of recent months of job and wage gains, low interest rates and other factors.

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Standard Pacific, based in Irvine, Calif., saw more prospective buyers making repeat visits to its model homes in January, Mr. Stowell said. Applications for prequalified mortgages were 65% greater than a year earlier, he said.

What's more, Standard Pacific's visitors now are more deliberate than in past months, asking for tours and about construction time frames.

Still, Mr. Stowell wouldn't handicap the coming spring season, especially after last spring fell flat. "It's too early to draw any longer-term conclusion from one month of sales," he said.

—Kris Hudson

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