



CONSIGLI MARKET UPDATE: APRIL 2022







Peter Capone, Director of Purchasing & Jared Lachapelle, VP of Pre-construction

The hopeful trend towards price stabilization and supply chain improvements in early 2022 is now complicated by new challenges. The war in Ukraine has reduced the supply of raw materials, port congestion from China to Los Angeles continues to delay shipments on all goods, while new COVID-19 variants have continued, leading to a **forecasted overall escalation of 7-9% in 2022**. But our industry has proven resilient. To support appropriate, proactive planning, we compiled the following information from our subcontractors and vendors across all of our regions, as well as trusted data from the industry.

CURRENT TRENDS

- ▶ **Product Availability** - Overall demand for materials will remain high with supply moderately low.
 - A recent Covid-19 outbreak in China is slowing chip manufacturing due to reduced labor resources.
 - The war in the Ukraine has reduced the supply of manufacturing materials such as aluminum, iron ore, nickel, and copper sourced from Ukraine and Russia. It has also put a strain on the production and delivery of materials manufactured throughout Europe, such as security glass from Germany. Normal shipping routes from Asia to Europe have been altered to avoid the war zone, which is adding time to deliveries.
 - Port congestion is showing little signs of improvement. West Coast ports appear to be improving, but this is primarily a cause of shipping vessels diverted to ports on the East Coast. Shipping analysts are reporting that a high volume of vessels are scheduled to depart from Asia within the next couple months which will further add to delays.
- ▶ **Pricing Challenges** - Contributing factors to the rising costs of construction pricing include the increased fuel prices raising the cost of production and transportation of materials, sanctions on Russia are affecting the commodity market by driving up prices of raw materials, and wage increases are increasing overall labor costs due to inflation.
- ▶ **Labor** - The construction industry continues to stay strong with no immediate signs of slowing. Acquiring workforce, the Northeast in particular, remains an area of concern. Currently, Boston union pipefitters, sheetmetal workers, and insulators are employing upwards of 480 travelers from other states on the east coast from as far as Florida. Many subcontractors, Union and Non-Union, are booking up to capacity for 2022 and focused on 2023 and beyond. These strong backlogs will challenge workforce availability and continue to drive prices up.

MATERIAL LEAD TIMES

Material	4/1/2022 (fabrication after release)
Mechanical Equip. (Large) 	8 - 11+ months
Mechanical Equip. (Small) 	4 - 6 months
Electrical Equipment (Large) 	11- 13 months
Electrical Equipment (Small) 	4 - 6 months
Roof Materials & Insulation 	6 - 8 months
Electrified Hardware 	8 - 10 months
Elevators	6 months
Lab Casework	4 - 5 months
Steel Joist	3 months
Appliances	4 months
Steel Deck	3 months
Structural Steel	3 months

 Significant delays

MATERIAL COST INCREASES

Critical Material	Expected Escalation 2022
Roofing Membranes & Insulation*	10 - 15%
Electrical Equipment	10 - 15%
Mechanical Equipment	8 - 12%
Ductile piping	15%
Lumber	5 - 10%
Gypsum Wall Board & Associated Materials*	5 - 10%
Aluminum	5 - 10%
Finish Door Hardware	3 - 5%
Structural Steel	5%
Copper Wiring/Cabling	5%

*Large manufacturers are not willing to take the risk of price escalation & are refusing to hold prices. As a result, subcontractors are being charged market increases at the time of delivery.

ITEMS TO WATCH

- ▶ **ILWU Contract Negotiations** - International Longshoreman Warehouse Union Contract Negotiation could further disrupt U.S. freight markets. Contract negotiations scheduled for July of this year will affect 22,000 long shoreman working at 79 ports of call.
- ▶ **Infrastructure Bill** - The incoming \$1 billion, Federal Stimulus funding will place additional burden on the labor workforce. The Economic Development Administration (EDA) will ultimately award 20-30 regional coalitions across the 50 states between \$25 and \$100 million each to invest in the future of their regional economy. Something to keep an eye on for late 2022 and beyond.
- ▶ **Field Labor** - Approximately half of our larger subcontractors are noting that they have 85% of their backlog secured for 2022 and quickly filling for 2023. Understanding windows of availability will become extremely important in order to successfully staff projects with qualified subcontractors. Making it a priority to frequently discuss backlog with preferred subcontractors is recommended.

STRATEGIES FOR RISK MANAGEMENT

THOUGHTFUL PRE-QUALIFICATION.

Conduct pre-bid conversations with subcontractors to assess current capacities and increase the interest in upcoming bid opportunities early.

PRE-PURCHASE & STORE MATERIALS.

Identify high risk materials that should be pre-purchased early to avoid price increases. Negotiate off-site storage with suppliers or increase on-site storage areas. If necessary, consider leasing off-site storage facilities.

PRIORITIZE AND EXPEDITE APPROVALS.

Collaborate with the design team to identify materials that require expedited approvals due to long-lead times or volatile pricing. This will assist in early procurement of materials.

PARTNER THROUGH DESIGN-ASSIST.

Consider using design-assist trades to secure labor, materials, and a collaborative partner to work through current market risks early in the process.

SOURCE ALTERNATE SUPPLIERS.

Collaboratively work with design partners to broaden range of suitable manufacturers and products to insure on time deliveries.

LEVERAGE BUYING POWER.

Bulk purchase and package projects whenever possible to avoid costly piece-meal cost premiums and material delays.

BUY DOMESTIC.

Purchase materials manufactured in the United States to minimize supply chain delays.

MATERIAL DELIVERY VERIFICATION.

Focus on weekly on-site and off-site material verification utilizing technology and plant visits to ensure quality and schedule certainty.

IDENTIFY PEAK MANPOWER.

Define schedule and workforce requirements with subcontractors to receive firm commitments to staff projects.

UTILIZE PRE-FABRICATION.

Identify opportunities to maximize pre-fabrication strategies to take labor off-site and lock in resources and materials earlier in the project.