

LINBECK

Subcontractor/Supply Chain Pulse



Q3 2024



GAUGING THE MARKETS

Concrete



The challenges with supply and trucking have stabilized as market demand has leveled off. The availability of fly ash is still on a downward

trend as coal-fired power plants are being replaced by alternative power generation sources. Concrete cost escalations of \$6-8 per cubic yard are expected biannually, typically in June and January, aligning with standard industry trends.

Roofing/Enclosure Systems



Roof material prices are stable with no increases expected into first quarter of 2025. Plywood and wood have seen an increase of 5%. Metal prices may have a slight

increase in coming months. Lead-times have normalized. Shortage of qualified roofing and sheetmetal installers. Wages are increasing for both new hires and existing employees.

Elevators



Elevator are still averaging 12-14 weeks. Previous challenges with electronic controls are being managed more effectively. Labor is still stable with the industry relying mostly on union crews.

Flooring, Tile, and Stone



High interest rates and slow manufacturing production of raw goods continue to lead to increases in material costs in the 8% to 10% range this

year. Suppliers are currently only guaranteeing prices through the end of 2024. Further increases are expected in early January to align with hikes in raw goods. Labor rates have increased by 15% to 20% to keep up with inflation and the cost of living. The demand for construction tradesmen remains very high, necessitating these increases to stay competitive. Imported flooring from Europe and the Asia-Pacific has lead times of 12 to 16 weeks due to shipping container availability.

Millwork



Lead times for plastic laminate have started to increase, affecting all brands. Historically, lead times ranged from a few

days to two weeks, but have started to extend from 1 to 2 weeks, and in some cases, up to 12 to 13 weeks. This may be due to changes in production lines. There are also market rumors of potential issues with paper supply chains used in plastic laminates. Typically, we see a 2% to 5% annual price increase, but this year it has reached as high as 8%. Still having issues finding qualified labor to staff projects and shop.

CONSTRUCTION ECONOMICS

ENR's 20-city average cost indexes, wages and materials prices.
Historical data for ENR's 20 cities can be found at [ENR.com/economics](https://www.enr.com/economics)

Construction Cost Index				Building Cost Index				Materials Cost Index			
ANNUAL INFLATION RATE				ANNUAL INFLATION RATE				MONTHLY INFLATION RATE			
SEPT. 2024				SEPT. 2024				SEPT. 2024			
1913=100	INDEX VALUE	MONTH	YEAR	1913=100	INDEX VALUE	MONTH	YEAR	1913=100	INDEX VALUE	MONTH	YEAR
			+1.1%				+2.0%				+0.1%
CONSTRUCTION COST	13632.23	+0.3%	+1.1%	BUILDING COST	8404.89	+0.3%	+2.0%	MATERIALS COST	6334.56	+0.1%	+3.7%
COMMON LABOR	25538.95	+0.3%	+0.5%	SKILLED LABOR	11805.47	+0.5%	+1.5%	CEMENT S/TON	285.29	+11.5%	+38.4%
WAGE S/HR	48.52	+0.3%	+0.5%	WAGE S/HR	65.52	+0.5%	+1.5%	STEEL S/CWT	109.09	+0.4%	+10.0%
								LUMBER S/MBF	935.66	-2.7%	-12.2%

The Construction Cost Index's annual escalation rose 11% while the monthly component is up 0.3%.

The Building Cost Index was up 2% on an annual basis, while the monthly component rose 0.3%.

The Materials Cost Index rose 01% this month, while the annual escalation rate increased 3.7%.

Source and Hyperlink:

ENR News: August 30, 2024

<https://www.enr.com/articles/print/59222-labor-dept-projects-10-year-gain-for-construction-employment>

Subcontractor/Supply Chain Pulse

Q2 2024



Plumbing



Equipment and fixture lead times have gotten better and returned to pre-pandemic levels. Copper is experiencing overall market volatility driven by worldwide economic factors, such as perceived future demand and expected development. Cast iron costs have leveled out from a year ago. Steel materials have been level, but recently started to trend upwards. The shortage of available plumbers will continue to be an issue, so plumbing companies expect to see a labor increase for the next few years.

Metals



Currently, raw materials from the mills are readily available, and buyout products such as joists and metal decks are back to normal lead times and easily accessible. The overall pricing on steel has dropped about 15% in the past 8 months (mostly on tube steel and plate). Wide flange and other structural shapes have maintained their late 2023 pricing levels. Steel pipe prices rose 10% in early September.

U.S. Steel's CEO warns if the sale with Nippon Steel of Japan falls through, the company might close its Pittsburgh mill and shift production to its Arkansas mill, which produces steel from melting scrap, a more cost-efficient process than using iron ore at the Pittsburgh facility. The sale is under two separate reviews by federal agency committees. Both presidential candidates, the Biden administration, and the steel union oppose the sale, advocating for domestic steel.

Linbeck's Quarterly Construction Market Forecast and Subcontractor/Supply Chain Pulse gather data from various local and national suppliers each quarter to keep clients informed about market news.

Fire Protection



Steel pipe prices are still fluctuating with a 10% increase in September. There are long lead times of 4 to 6 weeks for storage-type sprinklers, likely due to raw material shortages such as brass. Fire sprinkler companies are experiencing a lack of skilled tradesmen which has led to rising wages.

Masonry



Demand for masonry materials such as lime and cement from earlier in the year is still high and is completely dependent on the manufacturing plants' capabilities. There appears to be another price increase on cement as a result. A potential strike at the ports in October could further complicate the supply chain if an agreement takes too long to reach. Still seeing labor rates increasing 5% annually.

Framing, Drywall, and Ceilings



Glass-mat gypsum products currently have lead times of 2 to 3 weeks, standard gypsum products have lead times of 2 weeks, fiberglass insulation products have lead times of 2 to 4 weeks, and mineral wool insulation products have lead times of 6 to 10 months. Metal framing lead times are currently at 1 to 2 weeks. Cold-formed metal framing is expected to increase by 10-15% in material costs.

Waterproofing



This market sector is not experiencing supply chain issues, except for mineral wool insulation which is currently at 28 weeks due to raw material shortages and plant shutdowns, resulting in lead times of approximately 28 weeks. Finding skilled workers is difficult, and wages have steadily increased over the past four years.

Mechanical



Large mechanical equipment, such as air-cooled chillers, has extended lead times due to high market demand and limited manufacturing capacity. Most other mechanical equipment have normal lead times. Price increases continue at double the rate of inflation. Wage impacts continue due to market demand and specialty projects, especially in the semiconductor sector, where wage premiums, guaranteed overtime, and per diem fees are affecting the commercial market.

Storefront/Curtainwall



Float glass prices had a 10% price increase in August. Aluminum prices have been steady over the last quarter. Door hardware prices have increased by 5-10% over the past few months. Freight and Fuel costs have also been steady. Spandrel insulation is still in short supply - especially the formaldehyde free -resulting in suppliers placing allocations on orders. Lead times are still 12-16 weeks.

Electrical



There are extreme lead times for manufactured items not made in America due to regulatory policies, with transformers for large projects experiencing lead times of over 102 weeks. Switchgear lead-times are still 50-80 weeks, while large generator sets are experiencing 80-120 weeks. Production rates have decreased, largely due to a lack of skilled workers. Many workers are pursuing higher wages because of inflation, leading to a significant increase in turnover. Additionally, most projects are incurring attractant fees of at least \$3 per hour, with some requiring living expenses of up to \$1,000 per week.