LINBECK

Subcontractor/Supply Chain Pulse

Q4 2024

Concrete

Regarding the supply chain, we have not encountered any issues outside of the typical seasonal challenges, such as the high demand for fly ash during the power plant maintenance cycle in the spring. The labor market remains tight, with competitive wages continuing to be a critical factor in attracting and retaining qualified personnel. We anticipate ongoing pressure in the concrete market, particularly as demand increases for lower Global Warming Potential mixes. This demand is expected to outpace the current capabilities of the local market. Ultimately, the cost of producing these lower-carbon mixes will likely become a pass-through expense.

Millwork

Lead times for plastic laminate have begun to increase, affecting all brands. Historically, lead times ranged from a few days to 2 weeks but have begun 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 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 8%. Still having issues finding qualified labor to staff projects/shop.

Masonry

Lead times for brick veneer are impacted by sourcing materials from non-local suppliers. Currently, standard brick veneer lead times are 6 to 10 weeks, while some specialty brick options are experiencing significantly longer delays of 18 to 25 weeks. The most critical lead time issues are with Concrete Masonry Units (CMU), where delays are unavoidable. Burnished CMU typically takes 10 to 12 weeks, with the potential for longer delays depending on color selection. Colored split-face CMU has an average lead time of 8 weeks, but this can extend based on specific color choices. Starting in 2025, burnished CMU will no longer be produced at plants in the North Texas area, resulting in higher shipping costs due to increased transportation distances. On a positive note, labor conditions have remained stable, with no issues related to wages or turnover.

Waterproofing

Lead times for mineral wool remain extended at 28 to 30 weeks, with steady costs. Currently, there are no issues related to labor for installers and general laborers. However, the talent pool for project managers and estimators is limited, presenting a challenge for staffing needs.

Metals

Currently, lead times for material shortages have been minimized. Nationally, there are concerns regarding the new administration's tariffs on imported raw steel. In 2018, following the implementation of Section 232, domestic steel mills increased prices by 30%, and similar challenges could affect the Steel Market if these tariffs are implemented. Regarding labor, there are no significant issues with the current backlog, although finding skilled workers remains a challenge. Workforce development is being accomplished through internal training programs. Additionally, securing workers willing to work night shifts remains a key focus area. Looking ahead to early 2025, a slight wage increase is planned in response to the volume of upcoming projects, ensuring competitiveness in attracting and retaining talent.

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.

Subcontractor/Supply Chain Pulse

Q2 2024

Roofing/Enclosure System

Roof material prices remain stable, with no price increases anticipated through the first quarter of 2025. TPO is readily available, while Modified Bitumen (Mod-Bit) is currently 1 to 2 weeks out, and Sarnafil has a lead time of 4 to 6 weeks. Plywood and wood materials have experienced a 5% price increase. Metal prices may see a slight rise in the coming months. Lead times for most materials have normalized. However, there is a shortage of qualified roofing and sheet metal installers, which remains a challenge.

Storefront/Curtainwall

Raw aluminum and insulated glass unit (IGU) prices have remained stable over the past 6 months. Raw material suppliers closely monitor tariff requirements for the upcoming year but are not anticipating any significant price increases. Insulation continues to be in short supply, particularly formaldehyde-free insulation, which, if required, may have lead times of 15 to 20 weeks.

Framing, Drywall, & Ceiling

Metal pricing is stable through Q4, then increases by 5% starting Q1 2025, another 3% starting Q3 2025, and another 2% starting Q1 2026. Gypsum board pricing will be stable through Q4, then increase by 3% beginning Q1 2025, another 3% starting Q3 2025, and another 3% starting Q1 2026. Labor is up 4% starting Q1 2025 and another 4% beginning Q3 2025. Lead times for materials are as follows: glass mat gypsum 2 to 3 weeks, standard gypsum 2 weeks, fiberglass insulation 2 to 4 weeks, mineral wool 8 to 10 months, metal framing 1 to 2 weeks.

Flooring, Tile, & Stone

Supply chain issues related to resilient flooring have stabilized, as most major suppliers have transitioned to sourcing materials from non-China locations and have expanded their U.S. manufacturing capacities. For customers who are flexible with their choices, options are generally available within 14 days across all flooring categories. Manufacturing and shipping lead times are 4 to 6 weeks for domestic products and 10 to 14 weeks for foreign-made, made-to-order products. No price increases are expected for products in any category shortly. Over the past 24 months, installer wages and labor costs have increased significantly, driven by higher insurance costs and investments in improving quality, training, and workforce experience.

Elevators

Supply chain issues are easing, with previous challenges in obtaining wiring materials showing improvement. Projects are generally budgeted for longer timelines to accommodate potential delays. Labor conditions remain stable, with the industry relying predominantly on union crews.

Fire Protection

Currently, there are no supply chain issues affecting material costs or availability. Labor continues to be an issue, and as a result, wages for new and inexperienced workers are increasing to remain competitive.

Low Voltage

Material availability has largely normalized, except for lead times for high-end explosion-proof or custom AI cameras, which remain extended. To retain a skilled workforce, wages have been adjusted accordingly.

Mechanical

The primary supply chain impact currently stems from the refrigerant change in rooftop units (RTUs) and split systems, transitioning from R410A to R454B. Most manufacturers will not ship units with R454B refrigerant until January 1, 2025. This change has led to a 5% to 10% price increase for RTUs and split systems. Lead times for RTU equipment have remained steady at 12 to 15 weeks. Labor conditions are stable; however, the high demand for equipment in data centers is another concern. This demand has significantly impacted lead times for critical equipment such as chillers, pumps, and CRAC units. The lead time for air-cooled and water-cooled chillers and pumps is at least 35 to 40 weeks.

Electrical

Vendors are keeping medium stock supplies amid political party change in the White House. Generators are 12 to 14 months out. Switchgear and equipment are approximately 12 months out. Toward the end of August, copper was hovering around the Comex $4.20 mark when a 5% increase was announced. However, the future of copper depends on whether China's slowing demand continues to drive down prices or if potential Federal Reserve interest rate cuts could provide relief. Production rates have decreased, mainly due to a lack of skilled workers. Many workers are pursuing higher wages because of inflation, leading to a significant increase in turnover.

Plumbing

Most equipment deliveries have now returned to regular schedules. However, the shortage of available plumbers is expected to remain challenging with the upcoming projects. As a result, a labor increase is anticipated over the next few years to address this ongoing issue.