

SUPPLY CHAIN

Market Update Bulletin

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STO BUILDING GROUP CENTER OF EXCELLENCE & INNOVATION

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Introduction

Following our last update, we had hoped to report a sense of optimism and more favorable circumstances, but unfortunately that is not yet the case. Volatility has deepened, due mainly to the Russia-Ukraine conflict, and has had ripple effects on raw material production, oil, logistics, etc. Lead times have continued to grow, in some cases surged, with manufacturers being increasingly selective on the release of products. We are also learning that the construction industry has been “protected” from what other industries are currently experiencing, due mainly to the inventory levels construction material producers typically hold. As inventory levels burn off, we could be faced with an even worse situation. This all underscores the need for critical attention to be paid to the management of materials in the selection, approval, ordering, and delivery stages. In this issue, our team seeks to highlight the most impactful areas and provide insights and suggestions in navigating through them.

Logistics

Ports – Reports of the backlog at West Coast ports are receding as many shipping companies and manufacturers explore using East Coast ports. The contract between the companies that manage the West Coast ports and dock workers is due to expire on July 1; we could potentially face more disruption and are following the developments closely.

Fuel – Steep price increases have necessitated manufacturers raising prices, along with inflationary pressures.

Air cargo – Has been impacted as Ukraine and Russia were home to extra-large cargo airline fleets. Reassignment has stressed other countries’ fleets.

Mitigation strategies

The need for better visibility into the supply chain has been stressed before. Construction material supply chains are not inherently transparent; we are continuing to work on technology to help enhance this. Diligence in tracking all jobsite materials is paramount to ensuring schedules can be met. Our teams constantly communicate findings in the market and share information on new issues daily. Read more strategies to address this challenge in our white paper linked on this page. Copies also available upon request.

Financial considerations

Material cost increases are heavily influenced by the current market. In certain cases, lack of raw materials and issues with logistics of moving materials has given rise to steep upsurges in cost that are hard to control. This has led to volatility, and the need to constantly update budgets with the most recent information. Many manufacturers are predicting increases to continue, and even grow, through the next couple of months. Material pricing seems to have an ever-shorter expiration date. Manufacturers are revising on a biweekly basis in some cases. Selecting and ordering materials early is essential to locking in both lead times and cost. Late changes of material or holding selection decisions has detrimental effects on project schedules and can present prohibitive costs when faced with trying to accelerate schedules with additional labor that is in short supply to begin with too.

Scan or [click to link](#)
to our **White Paper**
here:





HIGHLY IMPACTED MATERIALS/GOODS

- **Electrical Equipment** – Probably the most impacted material group. A fire in January in a copper bus-duct factory had a large impact. Shortage of both chips and raw materials to make breakers is wreaking havoc with lead times running 12–30 weeks. Also, switchgear, generators, UPSs, etc. are all running a minimum of 30 weeks, and some much more than that.
- **HVAC Equipment** – Computer room AC units heavily impacted and running well over 20 weeks, some brands as high as 40 weeks. Fans for custom air handlers are now running 50 weeks. These lead times, which we had hoped would decrease soon, only seem to be growing.
- **Roofing** – Lead times are currently at 30 to 40 weeks, depending on material. Roof insulation products are still fraught with issues. Most insulation (as well as adhesive and mechanical fasteners) are running at a minimum of 40 weeks.
- **Metals** – Most metals seem to be impacted as many source countries have political or geological issues. Extrusions of aluminum are proving to be problematic and need attention.
- **Doors & Hardware** – Continuing to be a source of issues. Manufacturers have very long lead times for new stock, in the 15–20-week range. Local distributors' own stock tends to be sporadic and unreliable.
- **Lighting** – No let-up; rather increased issues with lighting lead times since metals and microchips tend to impact light manufacturing. However, the vast array of lighting manufacturers means some are not as severely impacted.
- **Electronics** – All items containing microprocessors are still impacted. Any electronics coming from China seem to be the greatest issue due to further virus outbreaks.
- **Appliances & Specialty Items** – Certain brands of higher-end appliances are running 30–40 weeks. A significant uptick in amenity spaces being built has contributed. Toilet partitions and accessories are now running anywhere between 6–22 weeks with stainless partitions running 24 weeks. Also note that some manufacturers are discontinuing items indefinitely.



NOTABLE COST INCREASES

- **Metals** – Last week the US and UK made a deal to drop tariffs on imports of UK steel and aluminum. While this may help, we are still experiencing 30% increases in some types of steel piping.
- **Roofing** – Manufacturers are only pricing material at time of shipping and not at time of order due to volatility. Recent pricing has climbed well past 10% and as much as 35% on certain products.
- **Drywall & Ceiling Goods** – Steel stud manufacturers have raised pricing and calling it a “minimum” raise for now. No doubt more to come.
- **Concrete** – increased fuel cost, logistic issues, and limited raw materials have increased concrete pricing an additional 4–5% in March alone. Inbound rock and sand materials have been impacted greatly with rail delays. Suppliers are not honoring or holding existing pricing until conditions become more stable
- **Appliances & Specialty Items** – Still highly volatile, 30% pricing increase since start of 2022.
- **Glass** – Specialty manufacturers have jumped in price very recently. This is only for specific manufacturers and not widespread yet.



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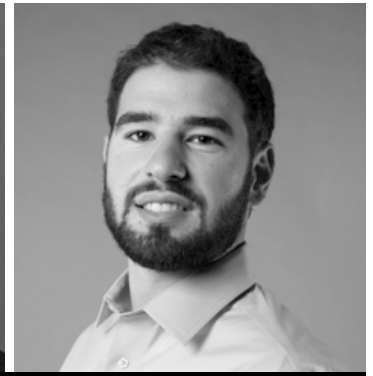
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