

SUPPLY CHAIN

Market Update Bulletin

Feb 2022

STO BUILDING GROUP CENTER OF EXCELLENCE & INNOVATION

Lead Author: David C. Hamilton, *Vice President, Dir. of Purchasing*

Introduction

As we emerge from the specific challenges of the last two years, it seems that some supply chain issues are easing—for which we are thankful—and yet others are becoming even more entrenched. Keeping a flexible approach to specified materials and adjusting as needed with project team "buy in" has been key to ensuring schedule delivery over the last number of months. Utilizing "design assist" from qualified specialist subcontractors has proved invaluable too. With our purchasing and procurement leaders' constant communication, broad geographic reach, and relationships within the manufacturing community, we are exceptionally well positioned to be able to report to you our current market findings that we trust you will find useful.

Logistics

There really seems to be no improvement in logistics challenges. The number of ships waiting to enter port again increased, reaching into record territory at over 100 (at LA). Localized virus infection among port workers is being blamed. Container pricing remains constant at near historic highs. With so many products come from the Far East, the impact of the Lunar New Year will be felt in electronics and other items containing microprocessors, which are mainly manufactured there.

Mitigation strategies

To off-set lead time and cost issues, much research and diligence is required to trace substitute materials. We have found that "cost VE" has been replaced with "lead time VE." Also assisting design teams with using temporary measures, which can sometimes become permanent solutions, has been successful and cost effective (for example, with some types of roofing solutions). Hyper vigilance is needed in diligently tracking materials and equipment, and use of tracking logs daily is essential.

Our team has also published a white paper to help strategically work around issues: "Supply Chain – Methods of Approach." Feel free to request a copy.

Financial considerations

We can attest to what has been a pretty tumultuous financial market in the last number of months. Adding to that recently have been the concerns of inflation beginning to gain traction. Manufacturers are becoming more vocal about raw materials increasing in cost, impacts of logistics issues, etc. and are targeting raising the price of their products more significantly in the short term. We are already noticing a hardening of supplier's credit terms coupled with an average 7–10% bump in material costs that we have been told is only the beginning of more substantial increases (specific materials can be as high as 20–30%). Cashflow management strategies such as utilizing deposits to lock in material costs and factory "slots" are becoming more necessary than before. This leads to a significant outlay of capital early in projects and also a need for warehousing, thus adding cost but mitigating the risk of continual cost creep and lead time issues.

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





HIGHLY IMPACTED MATERIALS/GOODS

- **Electronics & Appliances** – Continued and hardening issues with all items containing microprocessors. Appliances were gaining some momentum, but in very recent weeks have fallen back to being very unpredictable.
- **HVAC Equipment** – Standard AC units now running a 20-week lead time and growing. Any specialty equipment is running much longer, in the ~30 week range.
- **Electrical Equipment** – GFCI breakers are proving to be very difficult to source. This is having a large impact in that projects are not able to test and turn over to “permanent power” at inspection stage. Larger pieces of electrical gear such as ATSS, etc. now running into 40 weeks and more.
- **Steel** – Thankfully lead times have improved somewhat. For larger quantities, it is best to lock in with distributors early.
- **Glass (office fronts)** – Large variables in lead times of different systems. Some providers have stocked on extruded aluminum and have little or negligible lead times while others are running much longer.
- **Doors & Hardware** – Manufacturers are running very long lead times, in the 15–20 weeks range unless local distributors are holding their own stock.
- **Roofing** – Lead times remain at 20 to 40 weeks, depending on material. Roof insulation products are still fraught with issues. Most insulation is running 12+ months.
- **Lighting** – Much angst recently from lighting distributors...to quote one, it’s “as bad as it’s ever been.” Many components and parts are made overseas, and port congestion and logistics issues have had deep impacts. Tracking logs and constant communication with suppliers is essential.



NOTABLE COST INCREASES

- **Lumber** – Over the last number of months, pricing has been steadily increasing back towards pandemic highs. A drop has been noted in last couple of weeks that could signal at least a leveling off or decline in the near future.
- **Roofing** – Due to raw material pricing and its volatility manufacturers are only pricing at time of shipping and not at time of order. Recent pricing is climbing well past 10% as much as 35% on certain products.
- **Drywall & Ceiling Goods** – Standard ceiling and drywall material has stabilized for now. We anticipate a 10% increase coming soon from major manufacturers. Specialty ceilings are running around 15% increase.
- **Concrete / EFIS** – Inflationary conditions, labor shortages and raw material increases are creating another 7–10% increase for concrete set to take place next month.
- **Labor** – Still a concern is specific areas, such as TX and Canada. As the construction workforce can be transitory in nature, this is not a surprise but should be borne in mind.
- **Electronics** – Pricing for many products is highly volatile and no pricing guarantees are available. Budgets for these items should be evaluated in a very short-term manner (under two-week span).



CONTRIBUTORS



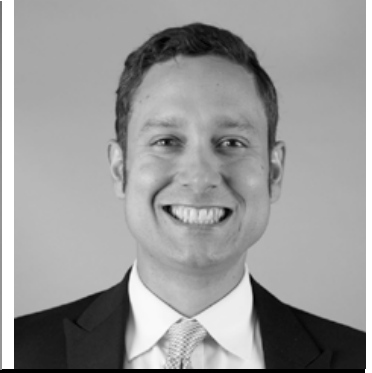
JUSTIN ACQUAVIVA, LEED® AP
Purchasing Manager,
Woodbridge, NJ
Structure Tone
jacquaviva@
structuretone.com
609-658-6347



REBECCA BAILEY
Preconstruction Manager, SE
USA (FL, GA, AL, SC, NC)
Ajax Building Company, LLC
Rebecca.Bailey@
ajaxbuilding.com
678-365-3153



GREG COURTMAN
Estimating Manager,
National Structure Tone
Global Services
Gregory.Courtman@
STOBuildingGroup.com
347-491-2813



STEPHEN DENNIS
Estimating Manager,
Philadelphia, PA
Structure Tone
Stephen.Dennis@
structuretone.com
215-563-7875



BRET FIELDS
Director of Preconstruction, CA
BCCI
Bret.Fields@bcciconst.com
415-817-5116



JASON FRENCH
Director of Purchasing, TX
Structure Tone Southwest
Jason.French@
structuretone.com
214-525-5142



**DAVID HAMILTON
(Group Lead)**
Director of Purchasing,
National
STO Building Group
David.Hamilton@
structuretone.com
212-251-9389



BRIAN S. LYNCH
Purchasing Manager,
Boston, MA
Structure Tone
Brian.Lynch@structuretone.com
617-348-2800



SILVIU STOIAN
Vice President, Estimating,
Toronto, Ontario, Canada
Govan Brown & Associates
Sstoian@govanbrown.com
416-703-5100



ROSS ALLEN, LEED AP®
Senior Estimator
Layton Construction
ross.allen@layton.com
801-563-3847