



STO BUILDING
GROUP

SUPPLY CHAIN

Market Update Bulletin

August 2021

STO BUILDING GROUP CENTER OF EXCELLENCE & INNOVATION

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

INTRO

Our North America group of purchasing and supply chain experts has been tracking the most recent developments in our industry with great diligence, interest, and detail. Our relationships with manufacturers at C-suite level have proved invaluable in being able to recalibrate and refocus efforts of many projects to ensure we maintain control of project schedules and client delivery expectations. Highlighted here you will find the most impactful items and information that we trust you will find informative in gaining a deeper understanding of the current challenges being faced in the construction supply chain.

External Factors

The influence of technology and a confluence of other events has driven a sharp increase in consumer and commercial demand and yet also shown the constriction and weaknesses in many areas of supply.

- **Delta variant** is becoming more impactful daily. We are tracking manufacturer responses.
- **Shipping** costs have continued to increase, port congestion, lack of workers, etc. have only amplified the stress in this area.
- **Consumer demand** has led to a spike in the development and construction of **distribution centers** which has in turn meant certain materials are in very short supply. **Data center** construction has been noted to be a major growth sector and as a result is affecting the supply of generators, AC units, etc.

Financial Impacts

Due to the increased volatility in the material and manufactured goods arena the strain on subcontractors financially has been palpable. Deposits to secure factory slots are essential to ensure lead times are kept to a

minimum. This has meant using capital cost early in the project lifetime to pay dividends in scheduling benefits later.

In the rebound of the economic situation the strain on subcontractor's cashflow is high and needs to be managed, but also underscores the role of Subcontractor Default Insurance as a very necessary function of projects.

Logistics

Still presenting very real and impactful challenges.

- **Ground transportation** – lack of drivers a large issue especially with the increase in demand for drivers due to increased use of companies like Amazon, Grubhub, etc.
- **Shipping** – cost of containers has more than doubled in a year as we reported previously. Container ships are waiting days and sometimes weeks at anchor for a dock due to port congestion. Demand does not seem to be falling yet. Items coming from Asia seem to be most affected so far.



HIGHLY IMPACTED MATERIALS/GOODS

- **Steel** – Open web steel joists running 8-10 month lead times. Most other steel running longer than pre-pandemic levels. Higher gauge metals have a much longer lead time than normal.
- **Tile** – any tile manufactured overseas seeing port congestion as an issue.
- **Insulation** – in very short supply, lead times for certain products running anywhere from (20) to (40) weeks.
- **Metal framing** – running (3–4) week lead time but we hear this may increase quickly.
- **Doors & Hardware** – wood doors running much longer than normal (10-12 weeks in some cases). Hardware, where electrified is dependent on the availability of components which are highly impacted.
- **Flooring** – now running (2-4) weeks beyond pre-pandemic, which averaged (5) weeks. Any overseas product running much longer, typically (10) weeks plus.
- **Electronics and Appliances** – still running on much longer lead times than normal. Some manufacturers are not even quoting lead times making it near impossible to manage.
- **HVAC and Electrical Equipment** – very real lag from manufacturers due to stock of components and issues with supply of components. Lead times now running weeks over normal. CRAC units 14+ weeks, Air handlers 25-30 weeks.
- **Sheet metal** – oval duct typically runs (3) weeks, now running at (6) weeks for standard.
- **Glass** – in recent times imported glass accounted for 30% but due to production and shipping issues this has dropped putting pressure on domestic producers.
- **Paint** – as “catch up” continues following the TX freeze and logjam in logistics, manufacturers are having to fulfill agreements with “big box” retailers first, this has had a large impact on commercial supply levels. Most paint manufacturers did not stockpile so any impacts are very evident.



NOTABLE COST INCREASES

- **Steel - Hot rolled coil, as a “barometer”** – still on the climb even from our last paper, from where we reported \$1700/mt to \$1880/mt today.
- **Structural Steel** – increases across the board, average 10% across all types.
- **Drywall materials** – Steel studs monthly increases of around 10% per month, now up over 100% year over year. Insulation costs still running high due to demand.
- **Lumber** – futures fell through a “floor” of \$400/thousand foot but has rebounded to hover around \$650. These are still well off the highs we saw over the last number of months being in the \$1500 - \$1700 range.
- **Flooring** – increase in last month of around 6-8%, but expedited transportation is driving additional costs as well. Domestic production has helped to keep pricing stable.



CONTRIBUTORS



REBECCA BAILEY

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



GREG COURTMAN

Purchasing Manager, National
Structure Tone Global Services
Gregory.Courtman@structuretone.com
212-251-9579



STEPHEN DENNIS

Estimating Manager, Philadelphia, PA
StructureTone
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, Texas
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
StructureTone
Brian.Lynch@structuretone.com
617-348-2800



DESMOND REA

Purchasing Agent, New York,
Long Island
Structure Tone NY
Desmond.Rea@structuretone.com
917-842-0982



SILVIU STOIAN

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