



SUPPLY CHAIN ISSUES

Material pricing increases continue to be offset by lingering recession-level pricing lows. Lack of manufacturing labor slows the fabrication of goods. Schedule and budget sensitive projects remain at high risk in the short term.

As a reeling commercial office market picks itself off the ground, a nasty slew of shortages and logistical nightmares create barriers for vendors looking to keep up with an uptick in demand. The dramatic shift in consumer behavior caused by COVID-19, coupled with labor shortages in the manufacturing and shipping sectors have created unreliable supply chains for essential building materials.

Much like the feelings brought on by the pandemic, the basic questions of “what’s affected” and “for how long” are fluid.

Office tenants who are preparing for any kind of

real estate change, whether it’s a turnkey deal, new construction space, or adaptive reuse, will see the effects of this issue.

Razer thin margins caused by the recession continue to offset the cost of these material increases. However, as the market rebounds, bottom line pricing will inevitably increase as well.

“WE ARE BEARING THE RISK OF MATERIAL VOLATILITY TO KEEP STAFF BUSY, BUT AS THE MARKET BOUNCES BACK, AND WE ARE NO LONGER IN SURVIVAL MODE, WE WILL BE PASSING THIS THROUGH IN PRICING INCREASES JUST LIKE OUR SUPPLIERS.”

- PRESIDENT, LOCAL ELECTRICAL SUBCONTRACTOR



IMPACTS BY TRADE

Schedule increases are shown in number of weeks increased over standard lead times, factoring additional time to find material suppliers with availability. Cost increase percentages are on a material-only basis, factoring raw material costs, availability costs, and shipping costs.



MILLWORK

STOCK WOOD MATERIALS

+2 Weeks +60% Cost

STEEL FABRICATIONS

+2 Weeks +100% Cost



GLASS AND GLAZING

TEMPERED GLASS

+2 Weeks +10% Cost

STOCK METALS

+2 Weeks +10% Cost



DOORS FRAMES HARDWARE

WOOD DOORS

+8 Weeks +10% Cost

HOLLOW METAL FRAMES

+2 Weeks +50% Cost

ALUMINUM FRAMES

+0 Weeks +10% Cost

SOME HARDWARE

+4 Weeks +15% Cost

SOME DEMOUNTABLES

+6 Weeks +15% Cost



PAINT

SOME WALLCOVERINGS

+4 Weeks +10% Cost



FLOORING

CARPET AND LVT

+4 Weeks +15% Cost



ACOUSTICAL CEILINGS

CEILING TILE AND GRID

+4 Weeks +20% Cost



DRYWALL AND FRAMING

METAL STUDS

+3 Weeks +75% Cost

DIMENSIONAL LUMBER

+1 Weeks +50% Cost

PLYWOOD

+1 Week +120% Cost

DRYWALL

+0 Weeks +15% Cost

INSULATION

+8 Weeks +30% Cost



IMPACTS BY TRADE

Schedule increases are shown in number of weeks increased over standard lead times, factoring additional time to find material suppliers with availability. Cost increase percentages are on a material-only basis, factoring raw material costs, availability costs, and shipping costs.



APPLIANCES

SOME KITCHEN APPLIANCES

+10 Weeks +15% Cost



PLUMBING

COPPER PIPING

+0 Weeks +15% Cost

FIXTURES

+0 Weeks +10% Cost



FIRE PROTECTION

PIPING

+2 Weeks +60% Cost



HVAC

EXHAUST FANS

+4 Weeks +0% Cost

PUMPS

+4 Weeks +0% Cost

PIPING

+0 Weeks +100% Cost



ELECTRICAL

LED FIXTURES

+2 Weeks +0% Cost

SPECIALTY LIGHTING CONTROLS

+6 Weeks +0% Cost

CONDUIT AND BACKBOXES

+0 Weeks +20% Cost

WIRE

+0 Weeks +100% Cost

PANELS AND GEAR

+0 Weeks +10% Cost



FURNITURE

SOME TASK CHAIRS

+3 Weeks +0% Cost

SYSTEMS FURNITURE

+2 Weeks +10% Cost

ANCILLARY FURNITURE

+2 Weeks +5% Cost

INTERNATIONAL PRODUCT

+6 Weeks +10% Cost



HOW TO REDUCE IMPACT

Strategies that are good for schedule, are often times bad for pricing. Create a tailored plan as soon as possible to better manage costs and risks. Prioritizing release of material and planning for pricing escalations are key.

STAY ON TOP OF PRICING

Request pricing updates at critical milestones and time intervals to establish a pulse on your project's pricing.

SPECIFY LOCAL

Request the specification of locally manufactured products from architects & engineers.

EXPEDITE APPROVALS

Expedite the review and approval of contracts & submittals to receive ship date confirmations as early as possible

PRE-PURCHASE MATERIALS

Create early release packages for your projects for troublesome trades (HVAC, Electrical, Appliances, Drywall, ect.)

HAVE A PLAN IN PLACE

Have a temporary installation plan ready for troublesome materials.

KEEP AN EYE ON...

Landlord Turnkeys that are turning over in the next 3-6 months.

Projects with a negotiated delivery model that were budgeted in the last 6 months.

Projects with a lump sum bid delivery model that are turning over in the next 3-6 months.

CONNECT WITH US

Lumen is a group of owner's representatives and project managers, specializing in commercial real estate projects.

Our purpose is to lead. We are industry leaders that reset the standards for project management and created a new way of procuring and managing projects.

Lumen offers the full range of services clients need to reinvigorate or change their space: project management, cost consultancy, move management, change management, workplace strategy, and workplace wellness, all under one roof.



Loredana Perri

Founding Partner

847-254-3415

loredana@thinklumen.com



Isaac Chinwalla

Founding Partner

312-241-2689

isaac@thinklumen.com



WWW.THINKLUMEN.COM