



general market trends

The general market trends impacting construction for 2023 / 2024 appear to be moderating with some remaining pressure on cost and supply chain.

The construction industry lags leading indicators, and the general construction industry has begun reacting with a pullback on capital investment in some sectors, most notably development activity. Other sectors appear to remain stable and the overall industry volume for 2023 is forecasted to be flat or slightly down compared to 2022. With 2022 demand at a strong level, 2023 will remain robust even with a potential slight decline in activity.

Labor remains saturated in many sectors and the capacity of subcontractors continues to be challenged with manpower and schedule commitments. Nearly 40% of the continental United States is experiencing average, above average, or high growth in construction. Only four (4) states expect a shrinking market this year. Volatility remains high with construction at 3.7% above the all-time high.

inflation

As of May 2023, ENR's Construction Cost index (CCI) and Building Cost Index (BCI) indicate an annual construction inflation rate of 2.2% and 3.5% respectively. The Construction Cost Data Report indicates construction labor escalating at 2.2% for common labor and 3.5% for skilled labor. Material prices remain at elevated levels but will moderate this year. The May 2023 materials inflation rate fell by 0.9% while the annual escalation rate increased 2.2%.

supply chain

Like the cost of construction, supply chain issues appear to be moderating in 2023. By way of example, the majority of a large international contractor's project leadership indicate there are fewer issues.

escalation

While the construction inflation rate appears to be moderating our market resources are recommending projects carry a 4.0 to 6.0 annual escalation rate for the remainder of 2023.

long lead materials and products considerations

The national objective to convert from fossil fuels to electricity as an energy source is creating an increased demand (read HUGE) for electrical equipment. The current lead time for electrical equipment is 80 weeks or approximately 1-1/2 years. With electrical components being a key consideration for projects, they will play a significant role in the pre-planning, planning, design, and construction process. Long lead time frames for electrical equipment are here to stay.

The following is a summary of lead time and price forecast for the major construction materials categories.

Note: The lead times expressed in this summary represent the procurement / delivery time post fully approved submittals.

Categories with excessive lead time are highlighted **Red**. Categories with lead times that are product / specification dependent are highlighted in **Green**.

CATEGORY	LEAD TIME	PRICING
Appliances	8 to 12 Weeks (specialty items longer)	Increasing
Architectural Interiors	8 to 12 Weeks	Stable
Doors and Hardware	8 to 20 Weeks	Stable
Electronic Access	30 Weeks	Increasing
Electrical Commodity Materials	Stock	Stable
Lighting	6 to 8 Weeks	Stable
Medium Voltage Cable	30 to 45 weeks	Increasing
Switchgear & Large Transformers	70 to 80 Weeks	Increasing
Panelboards, busway & Small transformers	10 to 40 Weeks	Increasing
Generators	65 to 75 Weeks	Increasing
ECM Motors	50 to 80 Weeks	Increasing
Chillers	45 to 65 Weeks	Increasing
Air Handling Units	10 to 65 Weeks (spec dependent)	Stable
Condensing Units	11 to 13 Weeks	Stable
Lab Casework	8 to 12 Weeks	Increasing
Fume Hoods	8 to 12 Weeks	Increasing
Plumbing & Fixtures	Stock	Stable
Roofing Products	2 to 4 Weeks	Stable
Structural Steel	6 to 10 Weeks	Increasing
Concrete	4 to 6 Weeks	Increasing
Masonry	8 to 12 Weeks	Stable
Asphalt	4 to 6 weeks	Increasing
Metal Panels	8 to 10 Weeks	Stable
Curtainwall	4 to 6 Weeks	Stable
Precast	20 Weeks	Stable



about the author



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Steve has over 40 years' experience with business leadership and project management. Prior to co-founding emersion DESIGN, he was the President and CEO for a 100-person architectural/engineering firm with offices in Ohio and Florida. He has an extensive 30-year history of managing projects such as campus master plans, office buildings, computer centers, research and testing facilities, healthcare facilities, labs, university academic buildings, and engineering centers. He has been the lead Project Manager and Principal for projects ranging from \$100,000 to \$250 million and has managed the design of over \$1 billion in construction.

emersion DESIGN, located in Cincinnati, Ohio is a collaborative architecture, interior design, planning, structural engineering and sustainable design firm driven by a passion for exceptional designs that advance clients and society.