

A spotlight on

# Materials issues

## Key Spring survey results:

80%

contractors experienced issues with supply of materials/products on their projects in the first quarter

17.5%

contractors had experienced issues with labour supply in the first quarter

44%

contractors said that they had noticed some labour rate increases in the first quarter

88%

respondents saw tender prices increasing in 2021

In our Spring 2021 Market Report, we reported that 80 percent of contractors who responded to our survey said that they had experienced issues with supply of materials and products on their projects in the first quarter.

These issues have continued into the second quarter and are ongoing.

### Issues included:

- Specified materials/products not being available
- Long lead-in times
- Material price increases
- Issues importing materials e.g. border delays

### Other issues noted were:

- Priority being given to NHS projects
- Increased lead-in times for packages due to availability of related materials (e.g. cladding and steel)

## What are the key impacts of the issues currently?

The key issues impacting projects are increased lead-in times and price uplifts. Issues are being seen across all packages and the table below summarises the key issues:

Package	Commentary	Indicative lead-in times
Groundworks and reinforced concrete frame	There are reports of increased costs for groundworks and frame driven from raw materials shortages, and demand for labour and materials for large infrastructure projects such as High Speed 2	<ul style="list-style-type: none"> <li>• Ready mix concrete: up to 2 weeks</li> <li>• Plastic drainage: 3–4 weeks</li> <li>• Concrete/clay drainage: 2 weeks</li> <li>• Bulk aggregates: 2 weeks</li> </ul>
Steelwork	Steelwork prices have increased over the past year predominantly due to global demand as industry has restarted since the pandemic. British Steel has recently announced a temporary halt on new orders, which will mean further pressures as alternative supplies are sought and competition for supply remains. Two price increases have been announced by British Steel in May and it is widely anticipated that there will be a further rise of £100–£150/t in June, bringing steel supply prices over £1,000/t	<ul style="list-style-type: none"> <li>• 14–16 weeks+</li> </ul>
Masonry	As well as materials pressures for masonry support and demand for bricks increasing after slowing during the pandemic, there are also labour pressures related to brick and block layers. The shortage of layers is expected to be seen more later in the year as order books become fuller and also from the reduction in EU labour	<ul style="list-style-type: none"> <li>• Facing bricks: 4–20 weeks+</li> <li>• Engineering bricks: 10–12 weeks+</li> <li>• Ready spread mortar: 3–4 weeks</li> <li>• Brick support: 3–4 weeks+</li> <li>• Insulation: 4–6 weeks</li> </ul>
Facades	Cladding is being impacted by steel and aluminium availability and many suppliers are stating 1Q22 as the earliest date for new orders	<ul style="list-style-type: none"> <li>• Aluminium windows/external doors: 8–10 weeks+</li> </ul>
Roofing	Insulation and roofing material price increases due to demand and raw material pressures	<ul style="list-style-type: none"> <li>• Single ply/hot melt: 8–10 weeks</li> </ul>
Drylining/suspended ceilings	Many reports of longer lead-ins for materials due to demand	<ul style="list-style-type: none"> <li>• Metalwork: British Gypsum on allocation for some products</li> <li>• Plasterboard/plaster: 6–8 weeks</li> <li>• Suspended ceilings: 6–8 weeks+</li> </ul>
Joinery and doors/timber generally	There is global demand for timber (particularly a large increase from the USA); price increases and longer lead-in times are being seen for timber products	<ul style="list-style-type: none"> <li>• Timber door sets: 10–12 weeks+</li> <li>• Ironmongery: 4 weeks</li> <li>• Sheet materials: 2–3 weeks</li> <li>• Trusses: 8–10 weeks</li> </ul>

Package	Commentary	Indicative lead-in times
Finishes	Some increased delivery costs/materials costs being seen	<ul style="list-style-type: none"> <li>• Ceramic tiling: 4–6 weeks</li> <li>• Paint: some instances of 4 weeks+</li> <li>• Carpet: depends on product but some reports of 4 weeks+</li> </ul>
M&E services and lifts	Availability of raw materials is causing volatility for cabling and containment and some longer lead-in times generally	<ul style="list-style-type: none"> <li>• Radiators: 3–4 weeks</li> <li>• Air conditioning: 2–3 weeks</li> <li>• Lighting: 6–8 weeks+</li> <li>• Sprinklers: 6–8 weeks+</li> <li>• Ventilation ducts and fittings: 6–8 weeks+</li> <li>• Lifts: 16–20 weeks</li> </ul>
Fitted furniture, fittings and equipment	Some increased delivery costs/materials costs being seen	<ul style="list-style-type: none"> <li>• Fitted furniture: 10–12 weeks</li> <li>• White goods: 3–4 weeks</li> </ul>
Site cabins/skips	Due to demand, increased lead-in times are being seen	<ul style="list-style-type: none"> <li>• Site cabins: 8 weeks+</li> <li>• Longer turnaround for skips</li> </ul>



## Why are there issues?

There is a perfect storm of factors behind the materials issues:

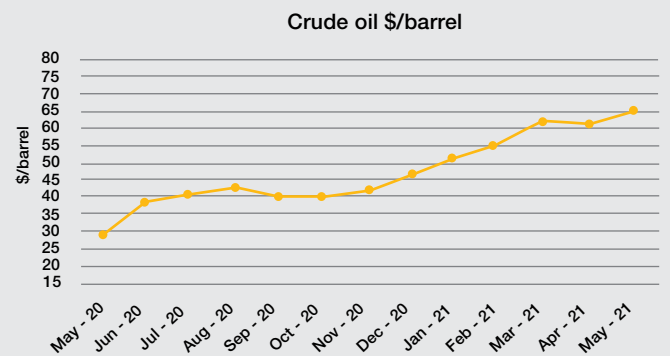
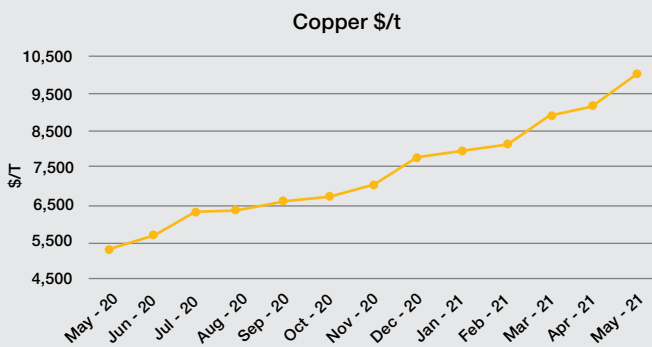
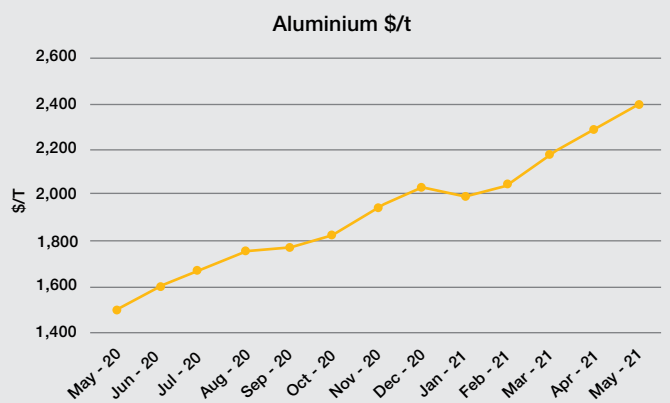
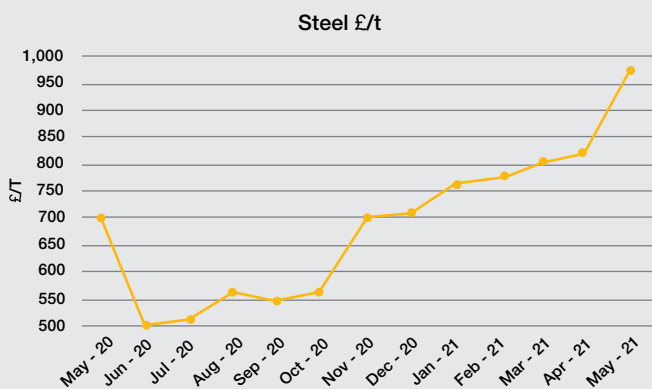
- Weather has had an impact for example timber production in Scandinavia has been affected by a warmer winter and the cold winter weather in Texas affected the production of chemicals, plastics and polymer
- Commodity price increases have been seen as industry around the world has restarted following lockdowns during the pandemic
- Major economies have seen increases in demand as they try to revive their economies e.g. timber (USA), steel (China), which has contributed to shortages and price inflation
- Lockdowns have seen a dramatic increase for DIY and garden project materials across most G7 countries
- COVID-19 cases are continuing to have an impact with operating restrictions and interruptions where workers need to self-isolate
- Delays from materials imports, and time and cost to fill out customs and due diligence paperwork stemming from Brexit
- Shortages in shipping containers driving up shipping prices and shipping issues have been exacerbated by the week-long blockage of the Suez Canal
- With a shift to renewable energy and electrical vehicles there is increased demand for materials such as copper and aluminium.



# How long are issues expected to continue?

Materials issues and price increases are expected to continue for at least the remainder of this year, as a result of pent-up demand, and economies investing in infrastructure to support economic recovery.

## Raw materials prices are continuing to rise



Raw materials prices 2020-2021 - Trading Economics and London Metal Exchange

## Labour rate increases

At the moment, the key focus is on materials. However, some labour rates are reportedly starting to increase. As construction activity increases over the course of the year, it is expected that labour issues will become more noticeable. According to the Construction Products Association (CPA), there were 28 percent fewer EU-born construction workers in the Q320 than in the same period a year earlier. There is a danger of price spikes if there is particular demand for packages.

# What is the impact on projects?

## Pre-construction

- Materials availability and price increases are affecting project budgets. For projects tendering to start on site later in the year, a 2–3 percent plus increase is generally expected to tender prices, as a result of inflation. As always, inflation on projects should be considered individually, taking into account the particular factors and make-up of the project
- Depending on the materials make-up of projects, the impact may be greater (e.g. for projects with large proportions of steel)
- Lead-in times are increasing and may push back start dates
- Quote validity is reducing and main contractors may reduce the period that tenders are open for acceptance
- Main contractors will be cautious on projects with longer programmes, and will carefully consider risk premiums, particularly for fixed price, and may look for contract amendments/liquidated damage holidays, etc.

## Construction

- Materials availability may impact site progress and programme
- Some subcontractors and contractors may be under pressure due to material price increases if they have given a fixed price for a project.



## Are there any ways to mitigate issues?

### Advanced orders

Advanced orders can be placed to secure key materials ahead of project start.

### Understanding lead-in times

Information on lead-in times can be factored into programmes, to give contractors an extended period to place orders and consideration of float in programmes.

### Be open to alternative suppliers

Supply chain engagement and collaborative working can help to establish alternative suppliers for products, to reduce some lead-in time issues.

### Fluctuations

For projects with a long programme, fluctuations can be considered to reimburse the contractor for price escalation during the contract.

## Summary

There are significant pressures currently being seen with materials. These are expected to continue until at least the end of the year, due to large global demand as infrastructure is used to support economic recovery. It is important to understand the issues and to consider strategies to mitigate these, where possible. Collaboration across the supply chain will be important to ensure best project outcomes and to minimise the impact.

## Talk to an expert



**JAMES GARNER**  
SENIOR DIRECTOR,  
INSIGHTS & ANALYTICS

**M:** +44 (0)7957 464 880  
**E:** james.garner@gleeds.com



**NICOLA HERRING**  
ASSOCIATE DIRECTOR,  
INSIGHTS & ANALYTICS

**M:** +44 (0)7588 695 054  
**E:** nicola.herring@gleeds.com