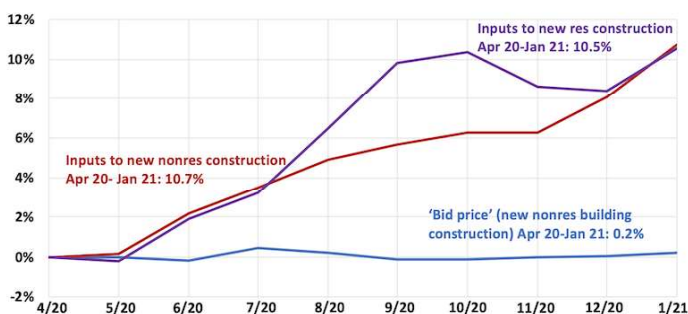


## Pandemic and Building Boom Leads to Spike in Material Prices

Prices of both lumber and steel have been surging over the last year as the global pandemic creates major supply chain issues as residential and commercial construction continue booming throughout much of the country. Residential construction starts in the northeast were up almost 70% at the end of 2020 while commercial construction continues to work through a historic boom.

These factors led to a 73% spike in softwood lumber prices in the last year according to the Producer Price Index from January 2021. Iron and steel scrap has surged 50.8% in the last 12 months, including a 25.8% jump from November to December, followed by another 20.6% jump from December to January.



A recent National Association of Home Builders analysis found that spikes in softwood lumber prices in have caused the price of an average, new single-family home to increase by nearly \$16,000. In addition, the high demand and supply chain issues for building materials have led to price gains in other areas like drywall, copper, steel studs and even vinyl siding.

So how are contractors dealing with this lack of materials? For those struggling with material prices on existing projects, some are attempting to increase efficiency or lower labor costs. Others are seizing the opportunity to try out different materials.

These price fluctuations have increased the need for contractors to be nimble in their bidding and mindful of their contract language. Contractors bidding well in advance of a project's expected start date should make their price quotes valid for a shorter period of time and also build in contract language protecting themselves from major price fluctuations in the event that a spike occurs during a project.