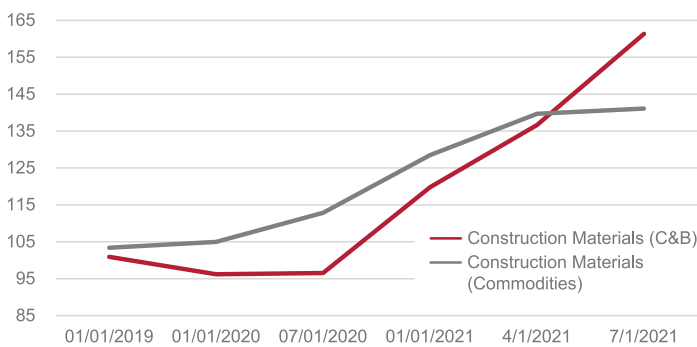


2021 Material Cost Trends: supply shock or here to stay

Construction material costs are continuing their remarkable rise into the third quarter of 2021. The global supply chain is unable to keep up with current demand as it continues to battle with pandemic-related manufacturing slowdowns and struggles distributing goods around the world. We are projecting this imbalance to continue into 2022 before prices and availability begin to normalize.

Recent Material Price Analysis

Construction material price index, nationally

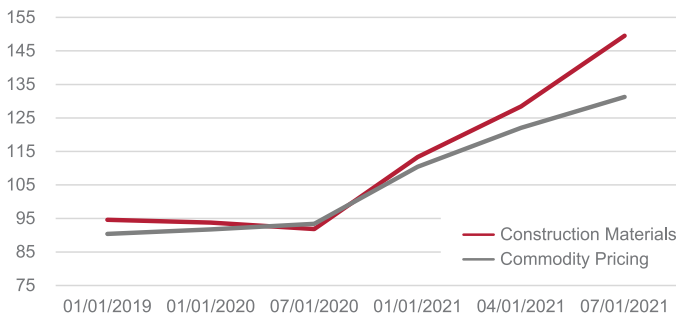


Breaking with the traditional increase of around 2 percent per year, **construction material costs have increased by over 35% over the past 18 months.**

While the entire basket of material goods required for construction projects has increased, some key materials have increased more than others as discussed in the following sections.

Copper

Copper, nationally



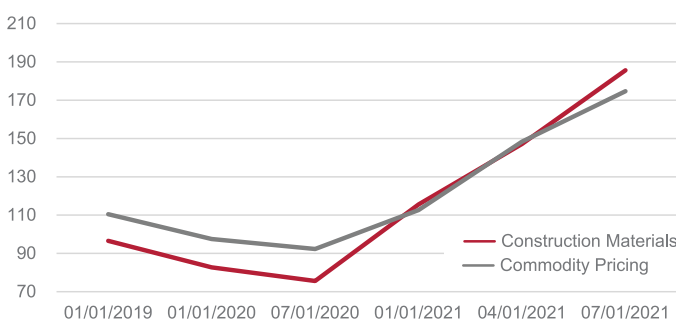
The overall upward trend of copper pipe and wire costs has exceeded copper commodity prices with an **increase of 32% this year.**

According to Currie & Brown's recorded data (red line), copper prices have increased a dramatic 59% in the past 19 months, compared to commodity (grey line) increases of 43% in the past 19 months and 19% year-to-date.

Due to mining disruptions caused by the pandemic and increasing demand, copper costs are expected to remain higher than normal. As the world moves more towards clean energy and transportation, the global demand for copper is only expected to increase in years to come.

Iron and Steel

Iron and steel, nationally

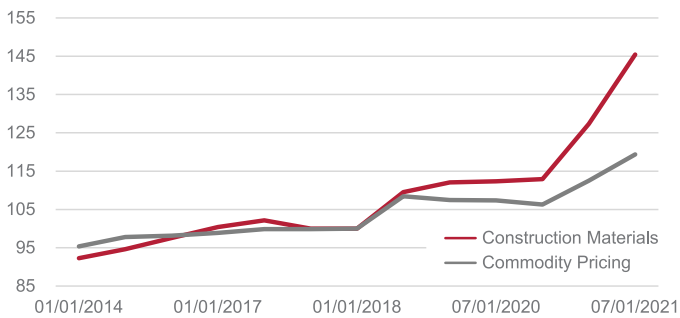


Due to a decline in global demand during the pandemic, iron and steel prices decreased from January 2019 to July 2020. As demand recovers prices have increased dramatically since the low in July 2020.

Year-to-date commodity prices in structural steel and reinforcing steel have increased 55% (grey line), while Currie & Brown has recorded a 59% increase (red line). **Both datasets display costs surging over 71% between January 2020 and July 2021.**

Galvanized sheet metal (ductwork)

Sheet metal



Galvanized sheet metal costs continue increasing as shown in both commodity prices (grey line) as well as costs Currie & Brown has tracked from various construction projects (red line).

Currie & Brown's sourced data indicates that galvanized sheet metal ductwork averaged \$0.85/lb in the past quarter of 2020. **Today, the national average cost is over \$1.10/lb, an increase of approximately 30% in the last six months.**

Supply chain and availability

Material availability continues to challenge the construction industry. More contractors are experiencing material shortages now than in Q1 2021 according to a US Chamber of Commerce survey, with lumber and steel being the primary culprits. Historically high shipping container costs, port delays and trucking shortages are all obstructing material distribution in the United States. Current wildfires further hamper production and transportation of lumber in western Canada, and damage from Hurricane Ida is expected to limit gulf imports and distribution.

Due to these challenges, volatility in lumber availability is expected to continue through 2021. Similarly, many steel-intensive industries – including commercial construction and oil and gas - are seeing good recovery, keeping demand high. Despite a healthy backlog, US steel mills are hesitant to ramp up production, fearing an overshoot of demand. Without a significant increase in production capacity, steel pricing and availability could remain a concern into the first half of 2022.

Is the construction industry in the middle of a pandemic-induced supply shock or will elevated prices and shipping delays become the new normal for the foreseeable future? The answer may be a bit of both. Some raw material prices have shown signs of beginning to normalize but we have yet to see that in finished materials. Looking forward into 2022, we are projecting that material costs decrease from current highs but remain above pre-pandemic pricing.