



COGENCE Alliance

Owners + Architects + Engineers + Contractors

Inspire. Educate. Unite.



Mission + Purpose

Cogence *(Latin)*

“To drive together” or “Thinking that is well organized”

The purpose of the Alliance is to bring Owners and Developers, Architects and Engineers, Construction Managers and Contractors, and Allied Industry Professionals together to **advocate** and be a **resource** for improved project delivery.

For more information visit us at www.cogence.org

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Cogence Partner Core Values

Cogence Alliance Partners engage with the Industry to make the work better together for the future.



Each partner is committed to:

- ***Understanding*** diverse backgrounds, experiences, and beliefs
- ***Exchanging*** ideas through conversation and debate
- Being responsible for ***positive outcomes*** over time,

with a lifelong passion to learn, grow, and stay curious – while having fun!



A Glimpse at Purchasing in 2025

Current Supply Chain Conditions & Risk Mitigation Strategies

Presented By: Pete (PJ) Esposito



Agenda

- **Brief Introduction**
- **Current Geopolitical & Macroeconomic Pressures**
- **Domestic & International Freight Trends**
- **Material Price Trends**
- **Long Lead-Time Items**
- **Material Coordination & Risk Mitigation Strategies**



Introduction

- Brief Background
- Today's Goal
- What We're NOT Going to Talk About





Current Geopolitical & Macroeconomic Pressures

- Tariffs [Trade War 2.0]
- Israel & Iran Tensions
- Ongoing Red Sea Disruptions & Reshoring Trends



Tariffs [Trade War 2.0]

Scope	All Countries	China	Canada	Mexico
Baseline Tariff	10% on all imports (April 2025)	10% + 20% IEEPA = 30% current; previously higher (peak ~145%). Scheduled to revert to 34% August 12.	10% on non-USMCA goods	10% on non-USMCA goods
Steel & Aluminum	50% global (no exemptions)	Same 50%	25% (steel & aluminum) with USMCA carve-outs; rising to 35% fentanyl tariff	25% (steel & aluminum) with USMCA carve-outs; to rise to 30% fentanyl tariff
Autos & Auto Parts	25% (global Section 232))	25%	Exempt if USMCA-compliant; otherwise, subject to same as above	Exempt if USMCA-compliant; otherwise, subject to same as above
Lumber	25% threatened (under Section 232)	14.54%, 25% threatened	14.5% (anti-dumping); exempt from 25% reciprocal due to USMCA	Exempt under USMCA
Retaliatory Tariffs	–	~10% on US goods	Retaliated after 25% implementation	Retaliated after 25% implementation
Copper / Semi	Threatened: up to 50% copper & semis	Included	Included	Included
USMCA Exemptions	–	–	Goods meeting USMCA origin rules are exempt from additional 25% historic tariffs, but escaped goods (dairy, lumber, sugar) may face TRQs or IEEPA	Goods meeting USMCA origin rules are exempt from additional 25% historic tariffs, but escaped goods (dairy, lumber, sugar) may face TRQs or IEEPA

**The USMCA, or United States-Mexico-Canada Agreement, is a free trade agreement that replaced NAFTA.*

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Tariffs [Trade War 2.0] Cont.

USMCA Exemptions

- **Steel, aluminum, autos, lumber:** All USMCA-compliant items from Canada and Mexico are exempt from both the 10% baseline and the higher retaliatory tariffs.
- **Lumber:** Canadian softwood lumber remains at 14.5%, avoiding the newer 25–39% reciprocal tariffs due to its USMCA status, though rates may increase later this year via Section 232.
- *Most energy products and construction materials ie. curtainwall and window wall systems, piping and ductwork, mechanical and electrical components, and lumber are USMCA compliant.*

<https://www.tradecomplianceresourcehub.com/2025/07/14/trump-2-0-tariff-tracker/>



Israel & Iran Tensions

- **Disruption of Oil Supply Routes (Strait of Hormuz) = Oil Price Fluctuations**
- **Rising Energy Costs (ripple effect on global economy)**
- **Increased Manufacturing & Transportation Costs Which in Turn Can Push Up Inflation.**



Red Sea Disruptions

• Ongoing Security Concerns

• Rerouted Vessels =

- longer transit times,
- delays, port congestion,
- & increased costs



Domestic & International Freight Trends

Domestic Freight Trends

- **Fuel Tariffs & Diesel Costs:** Diesel prices remain elevated due to fuel taxes and global oil market volatility.
- **Port Congestion & Inland Bottlenecks:** US ports are reporting 300% longer vessel wait times, due to labor shortages, outdated infrastructure, and lingering COVID-era backlogs.
- **Customs & Logistics Delays:** New U.S. customs duties and inspections are slowing clearance times, contributing to schedule unpredictability.



Domestic & International Freight Trends

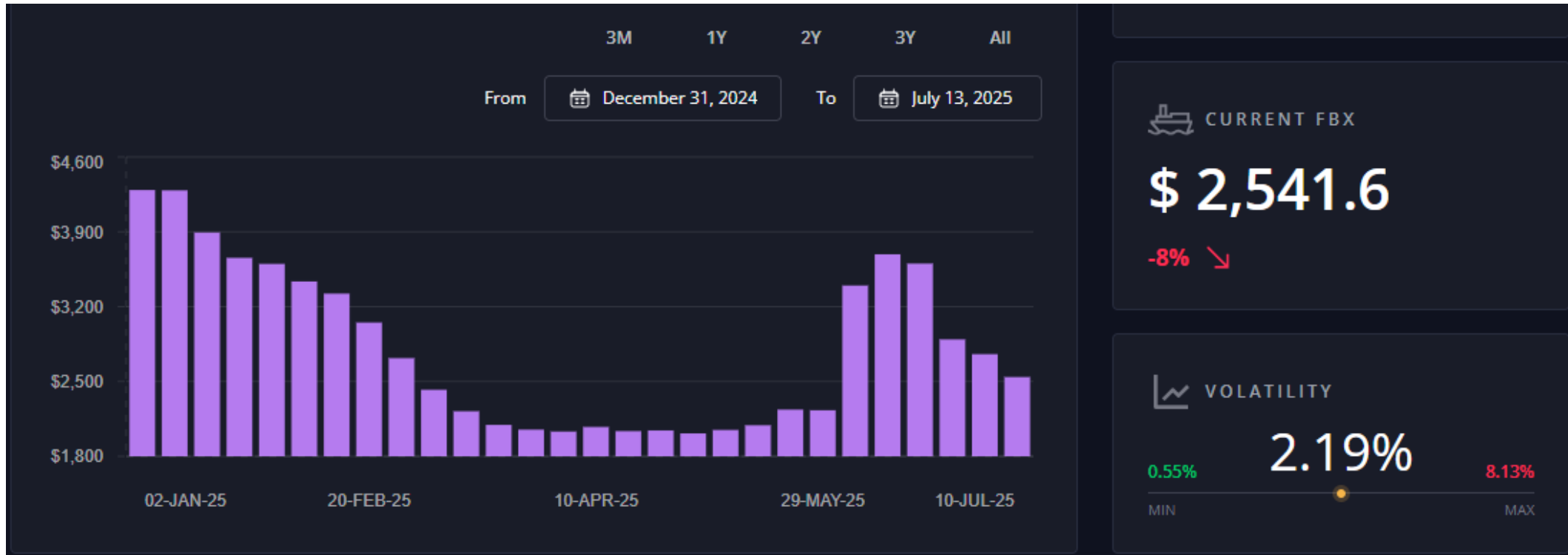
International Freight Trends

- **Geopolitical Disruptions:** Risks like Red Sea shipping interruptions and shifts in carrier routing are contributing to delays and increased freight insurance/premiums.
 - **Port Fees on Chinese Vessels:** New U.S. port fees targeting Chinese-owned or Chinese-built ships will begin Oct 14, 2025—up to \$50–\$140 per net ton, or \$18–\$33 net ton / \$120–\$250 per container, depending on vessel type.
 - **Surcharges on All Foreign Ships:** Additional fees (ie. \$14 per ton or ~\$600k per vessel) are planned for foreign-built ships, including non-Chinese, on the grounds of reviving U.S. shipbuilding.
 - **Ocean Freight Rate Spike:** Transpacific container rates have been increasing month-over-month, averaging \$2,462/FEU to the West Coast and \$3,520/FEU to the East Coast. Ships were removed during high tariffs, but volumes bounced back causing capacity strains.
 - **Global Port Congestion:** Asia, Europe, and North America all face infrastructural strain and labor shortages leading to longer dwell times and demurrage fees.
- **FEU = Forty-Foot Equivalent Unit.*



Domestic & International Freight Trends

January 1, 2025 - Current



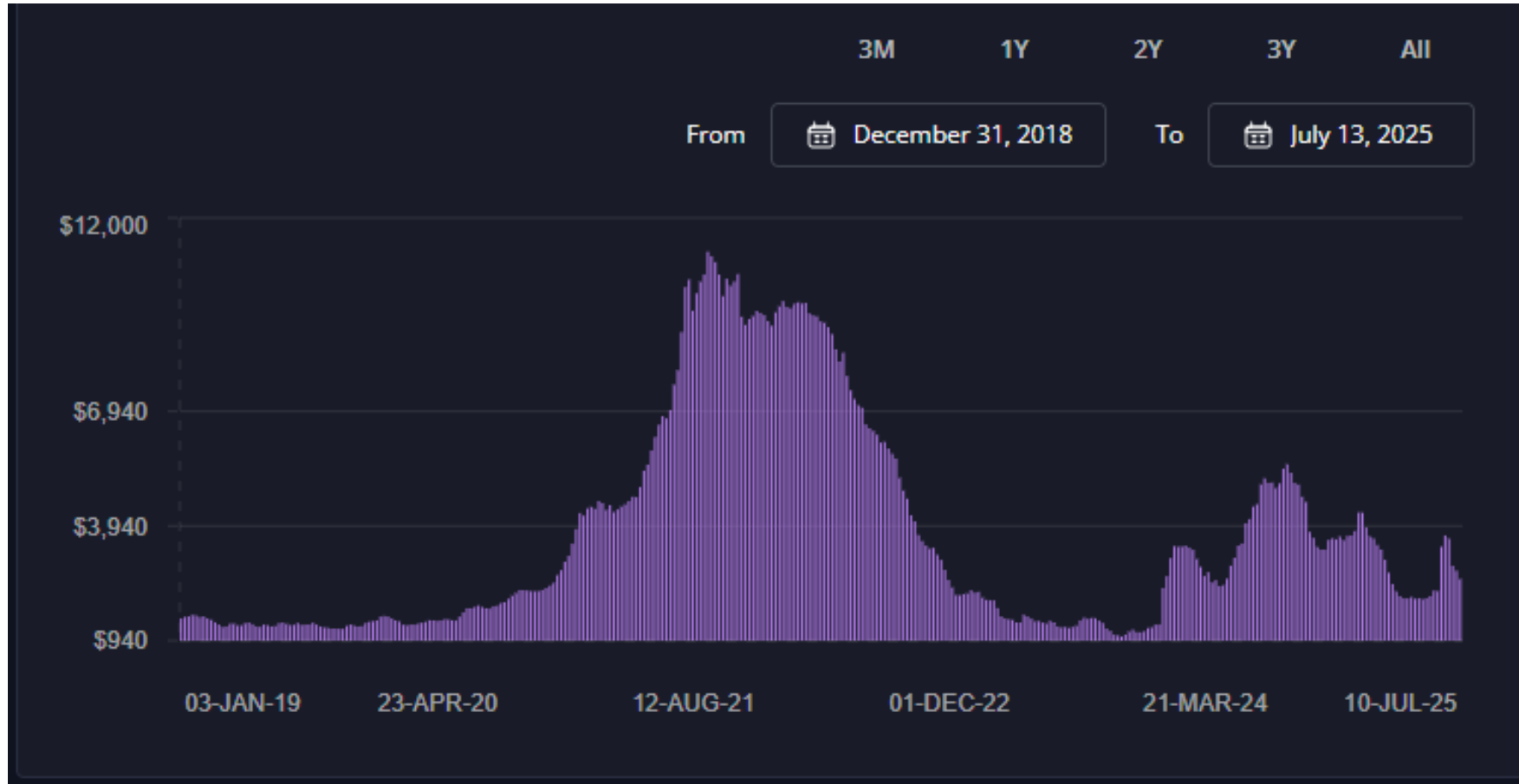
**FBX refers to the Freightos Baltic Index, a leading global container freight index. It provides daily market rates for shipping 40' containers (FEUs) across various global trade lanes.*

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Domestic & International Freight Trends

January 1, 2019 - Current



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Material Price Trends

CONSTRUCTION MATERIALS PRICE MOVEMENT IN 2025		NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY
AGGREGATES	MONTHLY % CHG.	+0.0	+0.2	+4.0	+0.5	-0.1	+0.3	+0.2
	ANNUAL % CHG.	+7.9	+7.8	+7.7	+7.9	+7.5	+7.4	+7.3
ALUMINUM SHEET	MONTHLY % CHG.	+3.0	+0.6	0.0	—	—	—	—
	ANNUAL % CHG.	-9.7	+10.7	+12.0	—	—	—	—
ASPHALT PAVING	MONTHLY % CHG.	-0.4	+0.3	+15.3	+0.6	+0.1	-11.3	-2.2
	ANNUAL % CHG.	+1.5	+2.4	+6.9	+7.2	+7.8	+1.9	+1.3
CEMENT	MONTHLY % CHG.	0.0	+0.1	+1.1	-0.1	+0.5	+0.6	+0.1
	ANNUAL % CHG.	+4.5	+4.5	+2.3	+2.1	+1.9	+2.1	+1.9
CONCRETE PIPE	MONTHLY % CHG.	-1.4	+2.9	+2.3	+1.3	-1.8	+0.1	-0.1
	ANNUAL % CHG.	+5.8	+8.1	+7.8	+9.2	+7.2	+7.9	+7.6
COPPER PIPE	MONTHLY % CHG.	+0.2	-1.5	+0.9	+1.9	0.0	+3.6	-1.8
	ANNUAL % CHG.	+12.9	+9.8	+10.1	+11.8	+10.3	+8.9	-0.4
DIESEL FUEL	MONTHLY % CHG.	-2.0	-5.6	+3.7	+2.4	-7.5	-1.3	+1.8
	ANNUAL % CHG.	-20.8	-13.9	-6.6	-18.4	-24.7	-27.8	-8.8
FABRICATED STEEL	MONTHLY % CHG.	0.0	0.0	+0.2	+0.8	+2.2	+0.7	+0.3
	ANNUAL % CHG.	0.0	-1.1	-1.5	-0.6	+4.3	+4.9	+4.8
GYPSUM PRODUCTS	MONTHLY % CHG.	+0.5	+0.1	-0.1	+1.1	+0.3	-0.5	0.0
	ANNUAL % CHG.	+5.3	+5.7	+5.5	+4.5	+3.2	+3.4	+1.6
LUMBER, SOFTWOOD	MONTHLY % CHG.	+3.4	+1.1	-1.8	+2.8	+4.7	-2.6	-3.2
	ANNUAL % CHG.	+11.8	+12.9	+9.5	+10.9	+12.6	+8.6	+9.1
PLYWOOD	MONTHLY % CHG.	-0.1	-0.6	-0.9	+1.9	+1.8	-1.0	+0.2
	ANNUAL % CHG.	-4.6	-6.1	-6.9	-4.1	-2.2	-4.3	-2.0
PVC PRODUCTS	MONTHLY % CHG.	-0.3	0.0	+0.1	-1.0	0.0	+0.5	0.0
	ANNUAL % CHG.	-1.1	-0.7	-1.1	-1.7	-1.7	-1.8	-1.6
READY-MIX CONCRETE	MONTHLY % CHG.	+0.6	-0.4	+1.1	-0.2	-0.1	+0.2	+0.1
	ANNUAL % CHG.	+3.9	+4.9	+3.7	+2.4	+0.7	+1.7	+1.6
SHEET METAL	MONTHLY % CHG.	-0.1	-0.3	+0.4	+0.7	+1.4	+1.1	0.0
	ANNUAL % CHG.	+0.9	-0.4	+0.7	+0.6	+1.2	+2.5	+2.3
EQUIPMENT	MONTHLY % CHG.	+0.2	-0.2	0.0	+0.1	+0.1	+0.9	+0.7
	ANNUAL % CHG.	+1.4	+1.3	+0.7	+0.6	+0.8	+1.4	+2.0

SOURCE: BUREAU OF LABOR STATISTICS. MONTHLY AND YEAR-TO-YEAR PERCENT CHANGES FOR PRODUCER PRICE INDICES FOR LATEST EIGHT-MONTH PERIOD.

Q1 to Q2:

- **Concrete Materials & Aggregate:** 4-6% increase due to a global shortage and unprecedented rise in the cost of raw materials.
- **MEP Equipment:** 5-15% increase due to standard increases from suppliers and tariff reactions. Also increase in demand from mega advance tech projects and data centers.
- **ACT, Gypsum, Finishes & Accessories:** 5-20% increase due to raw material inflation, macro-economic drivers, and increased fabrication costs.
- **Steel, Aluminum, & Copper:** 10-25% increase due to raw material inflation, macro-economic drivers, and increased fabrication costs.
- **Framing Lumber:** Rose around 3-5% mainly due to Canadian and Chinese tariffs.
- **Copper Electric Wire:** 4% drop from Q1 but still 14% higher than last year.



Material Price Trends

Q2 Outlook:

- We see a lot of reports that contractors are anticipating increased volatility in the 2nd half of 2025 as the effects of the recently reinstated tariffs begin to ripple through procurement and pricing structures.
- My Findings



Material Price Trends

Steel: sensitive to shifts in trade policy however I feel prices will be mostly slow and steady for the remainder of 2025. Tariffs caused hikes to flat steel and rebar early in the year, and another dose when boosted from 25% to 50%, but it is now mostly priced in. Also, on June 13, President Donald Trump issued an executive order clearing the \$14.9-billion acquisition of U.S. Steel Corp. by Tokyo-based Nippon Steel. This will help keep costs down.

Lumber: Things cooled down. SPF Lumber (Canada) a concern. LVL from Finland calmed down. 2nd half- no risk aversion already happened. 15% on Spruce- already built in. Pine is domestic. Freight was high in Q1 (largely due to produce!). Trucking bottlenecks cause more issues than product availability. Subtle moves remainder of year. Outlook- 15-day bids. Volatility in lumber and wall panels expected.

Appliances: Many manufacturers stopped buying due to uncertainty. Still backorders on microwaves, dishwashers, and a lot of ADA appliances. Cost went up about 7-9% across all vendors – 3 of those main brands hit in July (delayed effect). Beginning of Q2 had increased LTs, improving. Mid to end Q3 back to normal availability. Stable right now. Nothing major.

Cabinets: 10-15% March-April. May USMCA exemptions were announced, May-June took back. Overstocked on product. Outlook: freight uncertain, MDF is from Canada (may see increase), hardware will increase but overall positive outlook remainder of year.

Countertops: few suppliers, few % points.. Nothing drastic. Laminate 3%. Quartz 15% but pulled back to 5%. Post form PLAM from Canada could be an issue.



Material Price Trends

D/F/H: Commercial D/F/H- pricing went up 13%, dropped to about 5-6%. See some stability but jobs aren't cutting loose right now, they all cut loose we could see a bottleneck and could take 2x. LTs currently fine: wood (5), metals (8), hardware (5-6).

Resilient Flooring: Forecasting & planning has been difficult. Supply chain volatility and longer lead-times, nothing drastic though. High inventory levels. Assigned but not released inventory is very high.. need to get products moving. Heavy increase on domestic post covid.

Lighting Fixtures: A lot of international manufacturing in this world and a lot of price increases in Q1, slowed down. Fixtures not too bad aside from full import companies (10-20%). Stocked a lot of product. Controls had 30-40% threats but cut to 8-12%. Drivers and Boards are 90% imported. Fuses, Gear, Medium Voltage Cable long lead-times. Data Center growth (supply & demand).

Plumbing Fixtures & D10 (Bath Accessories): Tariffs allowed vendors to increase even when not a direct impact. Copper up 30% since January.. Getting worse. PVC and pipe are currently stable. No crazy long LT items as most diversified and stocked. Not a tone of reversals.. Once they hit, they hit. Private Label items heavily affected. Outlook: MEP world is good, just slow to get going. Cleveland has some large opportunities, if one goes it's feast or famine. Increase letters stopped. Shorter increase notices from Vendors. Aside from copper, feel like we're in a good spot.

Windows: Steady increases, nothing crazy to report.



Long Lead Time Materials

Material	Lead Time	Cost	Explanation
Switchboards	35-60 weeks (longer for larger/complex)	Slightly Increasing	Manufacturers' schedules have seen slight improvements generally. There is the expectation of additional price increases.
Panelboards	12-26 weeks (longer for larger/complex)	Slightly Increasing	
Pad Mounted Transformers	40-80 weeks (lead times continue to improve)	Slightly Increasing	
Switchgear LV	35-60 weeks (slight improvement in deliveries)	Slightly Increasing	
Switchgear MV	45-70 weeks (still steady, slight improvements)	Slightly Increasing	
Generators	40-70 weeks (longer for larger generators)	Slightly Increasing	
Chillers (Water Cooled, <500 tons)	20-34 weeks	Stable	Some manufacturers are implementing price increases. Tariffs are increasing costs and tariff surcharges are being applied to some quotes.
Chillers (Water Cooled, >500 tons)	20-34 weeks	Slightly Increasing	
Chillers (Air Cooled)	18-28 weeks	Slightly Increasing	
AHUs (Commercial Grade)	16-20 weeks	Slightly Increasing	
AHUs (Custom)	24-40 weeks	Slightly Increasing	
RTUs (<50 ton)	12-20 weeks	Slightly Increasing	
RTUs (>50 ton)	16-26 weeks	Slightly Increasing	

Material	Lead Time	Cost	Explanation
Packaged Rooftop Heat Pumps	15-25 weeks	Slightly Increasing	
Modular Air-to-Water Heat Pumps	20-33 weeks	Slightly Increasing	
Computer Room A/C Units - Air Cooling	14-18 weeks	Stable	
Cooling Towers	13-21 weeks	Slightly Increasing	
Lab Exhaust Fans	14-24 weeks	Slightly Increasing	
Energy Recovery Units	16-27 weeks	Slightly Increasing	
Exhaust AHUs	12-16 weeks	Slightly Increasing	
Heat Recovery Skids	20-24 weeks	Slightly Increasing	
Steel	15-25 weeks (shorter for mill cycle)	Increasing	
Millwork	11-19 weeks	Stable	
Elevators	22-36 weeks	Slightly Increasing	
Curtainwall	19-32 weeks	Increasing	
Roofing	13-22 weeks	Stable	

- Electrical gear, switchgear, generators, elevators, curtainwalls, and HVAC units continue to lead long lead times.
- Per ENR, Electronic Components, Plastic Resin, and Semiconductors are the materials and commodities most reported as in short supply by the purchasing executives.



Material Coordination & Risk Mitigation Strategies

- Reevaluating Design Flexibility
- Alternative Material / Supplier Flexibility
- Tariff Scenario Forecasting
- Stockpiling Common Materials
- Early Submittal Review Process
- Strategic Sourcing Diversification
- Scheduling Buffers
- Total Cost Analysis
- Early Buyout Strategies
- Contract Negotiation Strategy & Risk Allocation (ie price escalation agreements, cancellation clauses, etc)
- Warehousing Options: Vendor-bill & hold, Conex, Onsite Area, Offsite temporary or permanent storage, 3rd Party Warehousing
- Increased Communication & Transparency by All Parties



Questions