

SourceBlue

MEP EQUIPMENT COST INDEX

THE MEP COST INDEX IS HOLDING AT 227 FOR Q2 2025

Price trends are holding steady: the Producer Price Index (PPI) shows a 2.55% increase for electrical equipment manufacturing and a 1.71% rise for HVAC and commercial refrigeration systems. On the demand side, electrical equipment orders are up 2.2% with a 1.0% increase in shipments, pointing to stable project flow. The mechanical side continues to outperform, with orders jumping 19.6% and shipments up 22.5%, driven by high project volume and continued procurement strength.

NEW TECHNOLOGIES: COOLING TECH & AI DEMANDS

The data center market continues to ramp up with demand, and Cooling Distribution Units (CDUs) is the new way to cool high density, heat intensive AI applications. Many vendors not typically in the space have started offering a version of these units. Lead times will increase significantly in the next couple of quarters. Most of the major players are sitting around 25 weeks currently.

ESTIMATED EQUIPMENT LEAD TIMES

Equipment	Previous	Current	↗ ↘ ↔
Cooling Towers	14 - 30 wks	12 - 25 wks	↘
Chillers	20 - 85 wks	12 - 75 wks	↘
AHU	16 - 50 wks	12 - 60 wks	↗
Generators	40 - 130 wks	40 - 130 wks	↔
Switchgear	45 - 90 wks	45 - 70 wks	↘
UPS	30 - 42 wks	30 - 42 wks	↔
Lighting Fixtures	10 - 16 wks	10 - 16 wks	↔
Lighting Controls	12 - 26 wks	12 - 26 wks	↔

This index is created using the average content of mechanical and electrical equipment on a new construction project. Historic records and interpretations of the national index for local market conditions may be obtained by contacting: Purvesh Shah, VP of Global Sourcing, pshah@sourceblue.com

TARIFF IMPACTS

Tariffs and trade policy continue to create significant challenges across the supply chain. Recent U.S. actions, including the introduction or expansion of tariffs on key components from China, have ongoing pressure on trade relationships with the EU and other global partners. In response, manufacturers are adapting by shifting sourcing strategies, relocating some assembly operations to the U.S., or, in some cases, absorbing increased shipping and logistics costs. These adjustments are contributing to greater price volatility, extended lead times, and added uncertainty around product availability. We anticipate limited clarity until late 2025 at the earliest, with HVAC and electrical packages currently experiencing the most significant impact.

POWERING PROJECTS WITH INTELLIGENCE AND FLEXIBILITY

SMARTER, DECENTRALIZED POWER IS HERE

To protect orders, bids, and project timelines, many teams are leaning more heavily on firm pricing contracts, tighter contract management, and proactive risk planning. Amid increasing grid pressure, ESG mandates, and rising peak loads, more projects are incorporating on-site generation or battery storage into their designs. That's shifting demand toward smart switchgear and power controls equipment that doesn't just sit there, but adjusts in real time, manages loads, and provides better system visibility.

In parallel, legacy manufacturers are working to modernize, but demand for IoT and hybrid-ready gear is contributing to longer lead times and added sourcing challenges.



SourceBlue's strong relationships provide us insight and market information to forecast equipment costs. These forecasts are validated annually through our aggregated purchasing to determine this cost index. The ability to accurately forecast cost increases and connect them with supply and demand from vendor market is how we mitigate supply chain challenges. This report outlines Y/Y costs changes as well as supply and demand data directly from our vendor partners.