



MEP EQUIPMENT COST INDEX

THE MEP COST INDEX IS HOLDING AT 239 FOR Q4 2025

The MEP Cost Index increased to 239 in Q4 2025, reaching the highest level on record and representing a 2.7% increase from Q3 2025 (233). The increase reflects continued supplier pricing actions, material cost pressures, and ongoing logistical and tariff-related impacts.

ELECTRICAL EQUIPMENT

Electrical equipment pricing rose approximately 2.3% during the quarter, based on Producer Price Index (PPI) data. Pricing remains firm, despite gradual supply chain normalization. Availability for switchgear, transformers, and power distribution equipment remains constrained, although lead times have improved from 2024 peak levels.

Strong demand from data centers, semiconductor fabrication, and utility-scale renewable energy projects continues to support order volume across medium-voltage and critical power systems. Several OEMs, including Schneider Electric, Siemens, ABB, Hitachi Energy, and Eaton, have announced expanded U.S. manufacturing capacity that may improve availability over the next 12 to 18 months.

Electrical equipment orders increased 2.2%, while shipments rose 1.0%, indicating steady project execution.

MECHANICAL EQUIPMENT

Mechanical systems continue to drive procurement activity. Orders increased 19.6%, with shipments up 22.5%, supported by commercial, industrial, infrastructure, AI, and data center projects. While mechanical lead times improved modestly in Q4 due to increased factory capacity and improved component availability, larger and custom systems, including chillers and air-handling units, continue to experience extended production cycles. Delays in related electrical equipment, such as switchgear and UPS systems, are also contributing to longer mechanical schedules.

Recommendation: Early procurement planning remains advisable for complex or critical systems due to the potential for lead time tightening in Q1 2026.



EQUIPMENT LEAD TIMES: SHOWING IMPROVEMENT

Lead times improved across several equipment categories, most notably cooling towers, air-cooled chillers, and custom and commercial air-handling units. These improvements are primarily driven by increased factory capacity, better component availability, and more consistent supplier allocation practices. Despite these gains, lead times remain highly dependent on equipment size, configuration, and project location. Long-cycle systems such as generators, switchgear, and uninterruptible power supply (UPS) equipment still require proactive planning and carry a higher risk of delay, particularly when integrated controls or custom packaging are involved.

ESTIMATED EQUIPMENT LEAD TIMES

Equipment	Previous	Current	↗ ↘ ↔
Cooling Towers	10 - 25 weeks	7 - 18 weeks	↘
Chillers (Air Cooled)	28 - 42 weeks	8 - 40 weeks	↘
Chillers (Water Cooled)	12 - 47 weeks	10 - 47 weeks	↘
AHU	14 - 55 weeks	8 - 44 weeks	↘
Generators	40 - 130 weeks	40 - 84 weeks	↘
Switchgear (LV)	45 - 80 weeks	40 - 42 weeks	↘
Switchgear (MV)	45 - 80 weeks	46 - 58 weeks	↘
UPS	30 - 42 weeks	16 - 42 weeks	↘
Lighting Fixtures	8 - 16 weeks	8 - 16 weeks	↔
Lighting Controls	12 - 26 weeks	12 - 26 weeks	↔

YEAR	AVG. INDEX	% INCREASE
2025	239	14.4%
2024	209	2.4%
2023	204	10.4%
2022	185	15.1%
2021	161	10.3%
2020	145	2.8%
2019	142	3.0%
2018	138	3.8%
2017	133	3.0%
2016	129	1.5%
2015	127	1.0%
2014	126	2.0%
2013	124	2.5%
2012	121	3.5%
2011	117	2.5%
2010	114	-4.5%
2004	100	Base Year

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2026 OUTLOOK WATCH ITEMS:



- Potential tariff escalation or policy changes affecting imported components
- Continued concentration of demand in data centers and grid infrastructure projects
- Higher labor costs continuing to influence pricing for custom and engineered equipment
- OEM capacity allocation risk during periods of concentrated demand
- Controls and systems integration timelines affecting commissioning and turnover

TARIFFS & SUPPLY CHAIN IMPACTS:

Tariffs and sourcing changes continue to affect how electrical and mechanical equipment is priced and supplied. In Q4 2025, manufacturers reported adding price adjustments, tightening control over production capacity, and shifting more manufacturing closer to U.S. demand centers to reduce cost and delivery risk.

U.S. tariffs on certain electrical components imported from Asia, particularly China, continue to increase costs for select equipment, even as broader Producer Price Index (PPI) trends begin to level out. During Q4 2025, several manufacturers adjusted pricing or applied temporary surcharges to account for higher costs associated with copper components, enclosures, breakers, control devices, and shipping.

On the mechanical side, HVAC manufacturers are shifting more assembly and fabrication closer to U.S. demand centers. While this improves long-term supply reliability, it has created near-term challenges, including component substitutions, additional engineering review, and changes to delivery schedules.

Supply chain risk remains higher for the following equipment types:

- Custom switchgear and power distribution equipment
- Control panels and building management systems
- Large mechanical equipment requiring specialized motors, drives, or sensors

Standard equipment categories, such as lighting, packaged HVAC units, and smaller UPS systems, continue to benefit from improved factory output and shorter lead times. More complex and highly customized equipment, however, remains subject to greater schedule variability and pricing pressure.

Bottom line: Supply chain conditions have stabilized, but tariffs and sourcing complexity continue to influence cost, availability, and project planning. Early coordination with manufacturers remains critical entering 2026.

The Mechanical / Electrical supply chain business relationships include over 400 of the leading manufacturers resulting in nearly \$3 billion in annual equipment and product sales. Through providing direct procurement solutions, the Mechanical / Electrical supply chain has developed high level relationships and communications channels with major mechanical, electrical, and plumbing manufacturers. These 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. This information will allow our partners/clients to make more informed decisions with their project and overall companies visions/goals.

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