FACILITY EQUIPMENT COST INDEX

Q3 2024 UPDATE

SourceBlue

The MEP Cost Index is rising to **210**.
This represents a projected increase of **2.9%** between 2023 and 2024.







SourceBlue has raised the MEP Index to account for high market demand, raw material availability, and energy costs for fourth quarter of 2024.

The past two weeks have created intense speculation and reactions on the impacts to the equipment supply in reaction to the US East / Gulf Coast port strike and recovery from Hurricane Helene. As the supply chain continues to recover from these events, it is imperative for stakeholders to explore strategies to enhance resilience and mitigate the impact of future disruptions.

Year to date industry data for 2024 versus the same time in 2023 shows electrical equipment orders increased (+.7%) and shipments also increased (+1.7%). For the same time period, mechanical equipment orders increased (+8.8%) and shipments increased (+9.1%).

Year	Avg. Index	↔ ↘ ↗ %
2024	209	2.9%
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

REFRIGERANT CHANGES

With the refrigerant change happening 1/1/25 for chillers and unitary products, clients and contractors need to be aware of the one (1) year after delivery or 1/1/26 deadline for installation of this equipment. Legislation to extend this deadline is currently up for votes in several states and the federal EPA. Review of the construction schedules related to installation of the equipment is recommended.

ELECTRICAL INDUSTRY DEMANDS

The UPS and ATS product lines have lines have not changed much in lead time due to high demands and capacity. This trend is expected to continue through the end of this year with UPS lead times peaking at 40-45 weeks and ATS with Bypass at 50-54 weeks. Generator lead time for 3- 3.5 MW generators has slightly increased to 125- 140 weeks due to the very high demands. Switchgear has stabilized at 52- 80 weeks depending on voltage rating and complexity.

ESTIMATED EQUIPMENT LEAD TIMES (VARIES DUE TO EQUIPMENT SIZING)

Equipment	Previous Report	Current Report	
Cooling Towers	14 - 32 wks	16 - 30 wks	↘
Chillers	30 - 85 wks	20 - 85 wks	↘
Air Handling Units	20 - 50 wks	20 - 50 wks	↔
Generators	60 - 156 wks	52 - 140 wks	↘
Switchgear	32 - 80 wks	30 - 80 wks	↘
Uninterruptible Power Supply	18 - 45 wks	20 - 45 wks	↗
Lighting Fixtures	10 - 12 wks	10 - 16 wks	↗
Lighting Controls	14 - 24 wks	12 - 26 wks	↗

This index is created using the average content of mechanical and electrical equipment on a new construction project. This index does not necessarily conform to other published indices. Historic records and interpretations of the national index for local market conditions may be obtained by contacting Suzanne Bennett, sdbennett@sourceblue.com.

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PORT STRIKE

Although the port strike was resolved with a tentative agreement after three days, manufacturers were well prepared for the initial impact stocking essential components and raw materials needed to maintain manufacturing levels. **The largest impacts showing are the surge demand of bookings for rail, airfreight, and cross country trucking.**

This reactionary modal shift combined with the disruption of routes in the southeast due to the hurricane will have ripple effects. **This has led to higher air freight rates and capacity constraints, as the industry recovers and processes the influx of rerouted cargo.**

Rail and trucking sectors also felt the strain as goods were rerouted from ports to inland terminals. Similarly, trucking companies saw a spike in demand as businesses scrambled to move goods overland, particularly for time-sensitive shipments. **This surge in demand for trucking services led to increased trucking rates and shortages of available trucks and drivers, compounding existing logistical challenges.**

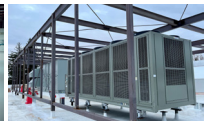
Although the strike ended after three days, the disruption to these sectors combined with 4th quarter demand underscore vulnerabilities in the broader logistics network. Challenges, such as increased demand for repair and replacement equipment, further stretch resources in the mechanical and electrical sectors. This combination of factors still leads to project delays and cost increases, though less severe than initially feared.

HURRICANE HELENE

The longer-term impacting event was Hurricane Helene. **This event has and will continue to have a profound impact on the manufacturing industry, disrupting operations across a wide range of sectors.** The storm caused extensive damage to manufacturing and assembling facilities with flooding and high winds destroying infrastructure, equipment, and warehouses. The destruction of power lines and utility infrastructure has created widespread outages, making it impossible for factories to resume operations even after the storm passed. For many facilities, restarting production will be delayed as the ability to access roads to reach it and restore power will exceed two weeks. Followed by time needed to assess and repair damage, replace lost equipment, and ensure worker safety.

The human impact is devastating. Many workers are displaced from their homes, facing personal losses and challenges that made it difficult to return to work immediately. **The labor shortage, combined with damaged roads and transportation networks, will delay the return to normal operations.** Restarting factories require not only repairs to physical facilities but also ensuring component supply chains, which were disrupted by the hurricane, could reliably deliver materials and components. This will lead to longer recovery periods, production backlogs, and increased costs, further slowing the industry's return to full capacity.







The Mechanical / Electrical supply chain business relationships include over 400 of the leading manufacturers resulting in nearly $2 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.