



MEP EQUIPMENT COST INDEX

THE MEP COST INDEX IS HOLDING AT 233 FOR Q3 2025

The MEP Cost Index rose to 233 in Q3 2025, continuing its steady upward trend from 227 in Q2. The increase reflects material cost escalation, persistent sector demand, and supply chain volatility from tariffs and shifting logistics.



ELECTRICAL EQUIPMENT

Electrical equipment pricing rose approximately 2.3% during the quarter, according to the latest Producer Price Index (PPI) data. The market continues to show pricing resilience even as supply chains gradually normalize. Switchgear, transformers, and power distribution equipment remain areas of tight supply, with lead times still elevated but trending slightly lower than 2024 peaks.

Demand for electrical infrastructure continues to be fueled by data center development, semiconductor fabrication, and utility-scale renewable projects. These sectors are driving sustained order volume across medium-voltage and critical power equipment. OEMs such as Schneider Electric, Siemens, ABB, Hitachi Energy, and Eaton have announced new or expanded U.S. manufacturing capacity to help meet this surge - moves that are expected to improve availability over the next 12-18 months. However, specialty gear, control systems, and integrated assemblies remain capacity-constrained, and price escalation persists for components with imported subassemblies affected by tariff policy.

On the demand side, electrical equipment orders increased 2.2%, with shipments up 1.0%, indicating steady project flow. Mechanical systems remain the standout performer, with orders up 19.6% and shipments up 22.5%, reflecting robust project volume and sustained procurement activity across commercial, industrial, and infrastructure sectors. Despite this surge, overall lead times have shortened slightly, which may seem counterintuitive. Lead times don't always move in sync with demand they often lag unless supply chains are heavily strained.

MECHANICAL EQUIPMENT

Mechanical demand has strengthened alongside AI/data-center and infrastructure work, driving higher orders for HVAC and refrigeration equipment through late Q3. While some manufacturers are catching up and standard HVAC units are shipping faster, larger or custom systems such as chillers and air-handling units continue to face longer production cycles. Delays in related electrical gear (including switchgear and UPS equipment) are also extending some mechanical project schedules. Teams should maintain additional procurement buffers, especially for complex or critical projects, as lead times may tighten again as demand peaks.

YEAR	AVG. INDEX	% INCREASE
2025	233	11.5%
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

ESTIMATED EQUIPMENT LEAD TIMES

Equipment	Previous	Current	↗ ↘ ↔
Cooling Towers	12-25 weeks	10-25 weeks	↘
Chillers (Air Cooled)	12-75 weeks	28-42 weeks	↗
Chillers (Water Cooled)	12-75 weeks	12-47 weeks	↘
AHU	12-60 weeks	14-55 weeks	↘
Generators	40-130 weeks	40-130 weeks	↔
Switchgear	45-70 weeks	45-80 weeks	↗
UPS	30-42 weeks	30-42 weeks	↔
Lighting Fixtures	10-16 weeks	8-16 weeks	↘
Lighting Controls	12-26 weeks	12-26 weeks	↔

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.



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OEMS EXPANDING DOMESTIC MANUFACTURING

Major manufacturers such as Schneider Electric, Siemens, Eaton, ABB, and Hitachi Energy are accelerating U.S.-based production in response to rising tariffs, supply chain risk, and elevated global freight costs. In Q3 2025, Schneider announced over \$700 million in new domestic manufacturing investments focused on AI infrastructure, electrification, and energy management systems, while ABB and Hitachi Energy continue to expand production capacity for transformers, switchgear, and grid equipment to meet surging power demand.

These moves are already reshaping procurement strategies and lead times, as OEMs work to localize key product lines including switchgear, transformers, controls, and distribution assemblies to reduce dependence on imported subcomponents. The result is a shift toward regionalized production networks and tighter coordination between contractors, distributors, and OEMs during project planning.

Looking ahead, OEMs are expected to prioritize early purchase commitments and long-term volume agreements as they balance higher domestic production costs with the need for supply reliability. This reshoring trend should gradually stabilize lead times and availability, though pricing pressure is likely to persist until new capacity and supply lines are fully established through 2026.

TARIFFS DRIVING RAPID PRICE ADJUSTMENTS

With tariff coverage expanding across electrical and mechanical components, manufacturers aren't waiting to react. Surveys this quarter show over 90% of OEMs are planning price increases in the next 6 months, many in the 5–10% range. Copper, aluminum, and key component costs are all trending up. The window for holding prior pricing is narrowing fast. We should anticipate and plan for mid-cycle escalations, especially on longer lead equipment.

DATA CENTERS AND DEFENSE SUSTAIN MARKET MOMENTUM

Even as some private-sector segments show signs of softening, data center and defense projects continue to drive exceptional demand across the MEP market. AI-driven infrastructure, federal grid modernization, and mission-critical defense programs are fueling a sustained surge in procurement activity through late Q3 2025.

These projects are exerting upward pressure on lead times and pricing for key electrical and mechanical systems, including switchgear, UPS units, power distribution gear, cooling systems, and battery backup equipment. In many cases, OEMs and distributors are prioritizing capacity allocations to these high-criticality sectors, leaving longer waits and tighter availability for general commercial and institutional projects.

Looking ahead, the intersection of AI data center buildouts and federal defense funding is expected to keep the MEP supply chain under pressure well into 2026, sustaining elevated demand for both electrical infrastructure and advanced mechanical systems. Early coordination and advance purchasing remain essential to secure delivery slots on large or complex projects.

EQUIPMENT LEAD TIMES: STILL LONG, STILL VOLATILE

Despite continued talk of normalization, many critical-path MEP equipment categories remain unpredictable. Lead times for cooling towers, chillers, generators, and switchgear continue to fluctuate widely especially when tariffs, component substitutions, or sourcing realignments are factored in.

While some standard product lines are shipping faster than in 2023, custom-engineered and large-capacity systems still face extended manufacturing cycles, and availability can shift month to month as OEMs rebalance global production. Several major manufacturers are in the midst of reshuffling production footprints, moving select lines closer to U.S. ports or domestic assembly hubs, while phasing out models dependent on hard-to-source imported parts.

For now, planning buffers remain essential. Procurement teams are advised to validate lead times at bid stage, build in contingency windows, and coordinate early with suppliers particularly for mechanical and electrical packages that share subcomponents or control systems susceptible to international sourcing risk.

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:

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