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### **RE: Rising Construction Costs and Supply Chain Challenges**

As a CISCA member, you are an industry leader in interior construction, acoustical ceilings, specialty ceilings, and acoustical treatments. Unfortunately, we know you are experiencing rising material costs, material delays and challenges with material deliveries. As a result, CISCA would like to make you aware of current industry-wide concerns and help you understand the crisis going on.

Our members are getting hit hard due to unprecedented jumps in the prices of goods used in the construction industry. When this is combined with the current supply-chain disruptions, the interior construction industry is in a crisis. CISCA's research reveals that it does not matter what material our members need, the prices are significantly higher.

The following materials are near or already at all-time highs: metal products and steel studs, suspended ceiling grid, fiberglass insulation, drywall and wallboard, interior finishing products, lumber and plywood, diesel fuel (made worse by the temporary shutdown of the Colonial Pipeline), and many other products. Some prices are increasing on a daily or weekly basis.

The headlines confirm the current challenges for our members:

*"Widespread Commodity Shortages Raise Inflation Fears"*, New York Times, May 3, 2021

*"Rising Materials Prices and Supply Chain Disruptions Are Hurting Many Construction Firms Already Struggling To Cope With Pandemic Impacts"*, AGC of America, March 12, 2021

*"Hurting in the Material World: Supply chain, increasing costs creating havoc with construction industry"*, The Spokesman-Review (Spokane Washington), March 14, 2021

The Associated General Contractors of America conducted a survey and released its findings on March 12, 2021, stating: "Today's producer price index report documents just some of challenges contractors are experiencing with fast-rising materials costs, lengthening or uncertain delivery times, and rationing of key inputs," said Ken Simonson, the AGC's chief economist. "These problems threaten to drive up the cost and completion time for many vital projects and potentially set back the recovery in construction employment." Both the monthly and yearly increases were the highest recorded in the 35-year history of the series, he noted. Meanwhile, the producer price index for new nonresidential construction—a measure of what contractors say they would charge to erect five types of nonresidential buildings—increased only 0.5 percent last month and 1.7 percent over the past 12 months. "These material cost increases—steep as they are—tell only part of the story," Simonson added. "They are based on prices the government collected a month ago, and they fail to capture the notices contractors are receiving daily about longer lead times, shipments held to a fraction of previous orders, and other challenges."

Supply chain problems are also rampant, and it is creating a perfect storm of problems, whether due to the COVID pandemic, tariffs, shut down of manufacturing plants, shipping issues, transportation, or other logistical issues. Our members are not immune from these challenges and are seeing unprecedented supply constraints and delays on projects. Delivery times have lengthened, and some materials have been put on allocation or simply become unavailable. Our members are reporting that they are sending and receiving numerous vendor notices about these challenges.

CISCA notes its members should expect these material delays and challenges to last for some time. Delivery dates will need to be flexible through the rest of this year as production and availability of materials cannot be guaranteed. We urge you to ensure that proper timelines are established, and your clients are made aware of these challenges.

We know there will be frustrated clients as we all work through these challenges, and it may get tougher before it gets better. During this unprecedented time, please plan ahead and work with your trade partners months out to get your materials in and allocated.

Thank you.

Shirley Wodynski  
Executive Director