

CBRE

PJM STRATEGIC SUPPLY CHAIN
MATERIAL COST OUTLOOK FOR 2021

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RAW GOOD COMMODITIES ARE EXPERIENCING HISTORIC SPIKES IN PRICING!

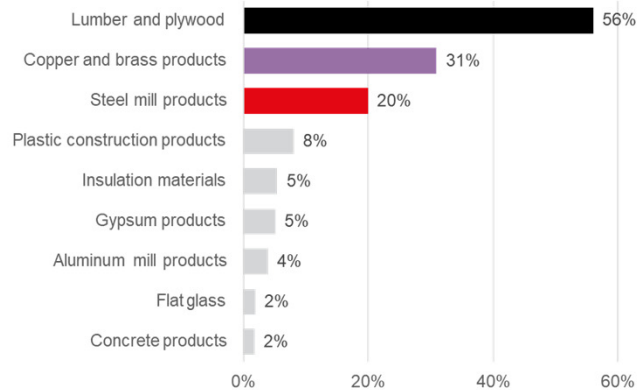
What's being impacted:

- Steel (at historic highs \$1,500 per ton, \$500 same time last year)
- Lumber
- Concrete
- Copper and Brass

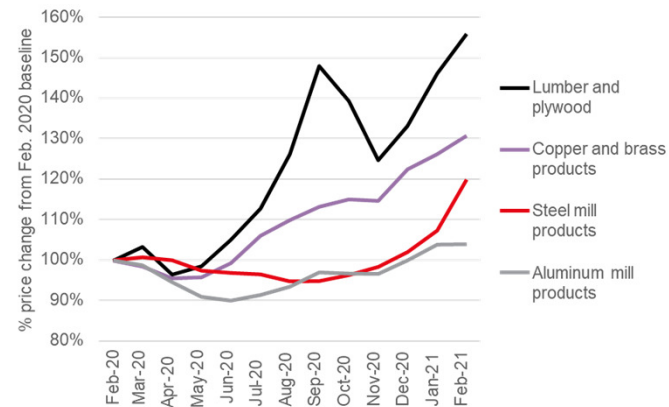
What's Causing these spikes?

- Driven by “shock” to the supply/demand balance due to nation-wide recovery
- Insourcing becoming more prevalent, “Buy American” is coming back...
- Booming housing market (lumber)
- “Amazon Effect” is real!

12-month price change, all construction materials
(Feb. 2020 – Feb. 2021)



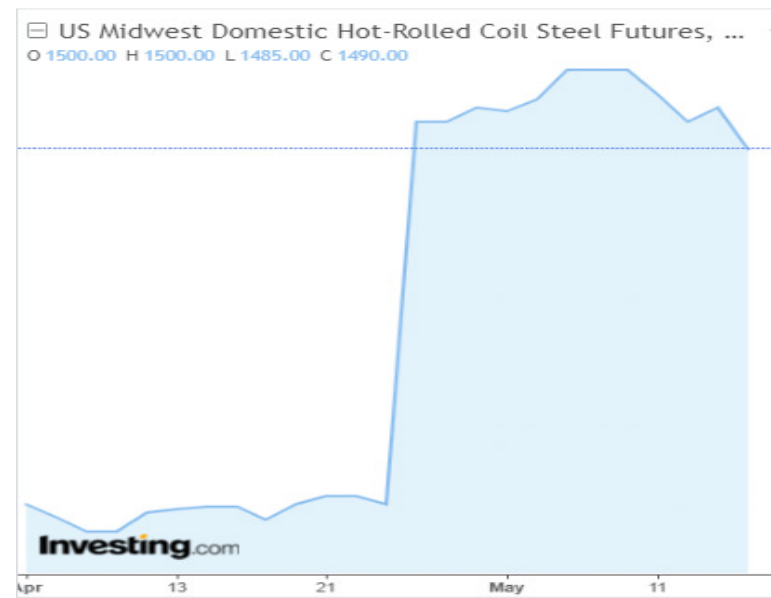
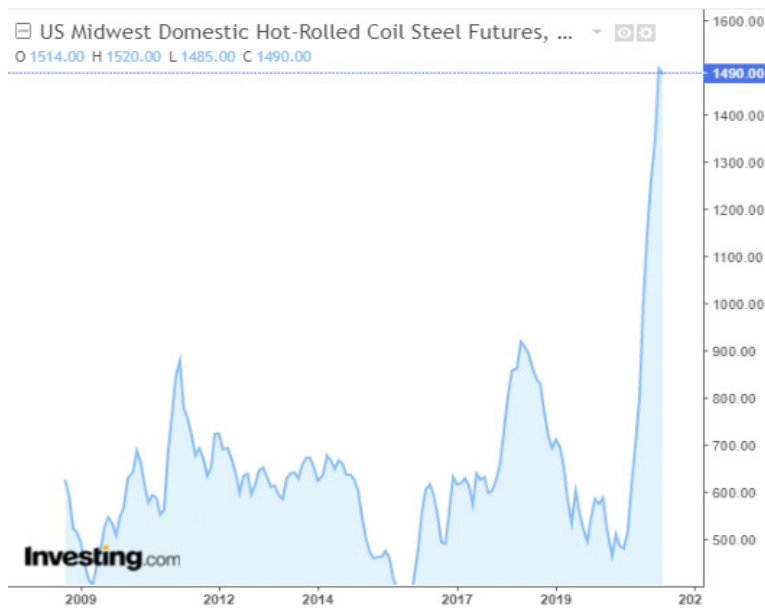
12-month price chart, lumber and metals only



STEEL FUTURES-2021

Outlook for 2021

- Most analysts agree that supply will experience recovery during 2nd half of 2021
- Supply still available but with longer lead-times
- Optimistic signs on steel futures



LUMBER FUTURES-2021



- Peak driven by surge in demand in housing market
- Recent prices indicated peak likely has plateaued (early May)
- Analysts predicting recovery 2H 2021

WHAT CAN YOU DO?

What can you do?

- Early engagement with you General Contractor is key! (Planning & Visibility)
- Get those PO's placed as early as possible - Suppliers providing quotes for no longer than 15 days
- GC's are NOT pre-buying (hedging) commodities due to cash flow management and price instability
- GC's using alternate materials to substitute long lead-time items (Mexican sourced alternatives)
- Increase in GMP-type contracts to manage pricing risks (vs. Fixed Price)