



Quarterly Construction Cost Insights Report

Q3 2025

Construction Costs Hold for Now — But Tariff Pressures Are Building

Contractors are navigating uneven material pricing as new trade policies, sector demand and labor constraints shape the Q3 outlook

Executive Summary

While national material costs showed relative stability in Q3, underlying volatility is beginning to resurface. Tariffs on imported metals (including copper, steel and aluminum) have already triggered price increases across several categories, with more expected in the months ahead. As contractors prepare for a turbulent finish to 2025, strategic sourcing and flexible procurement are becoming more important than ever. Contractors are also exploring alternate material specifications, placing early orders and reevaluating long-lead equipment strategies in light of regulatory shifts.

This Q3 2025 Construction Materials Cost Report combines national cost data and expert perspectives from Gordian with additional insights from supply chain leaders at Skanska USA Building. Together with economic indicators from the Associated General Contractors (AGC), the Associated Builders and Contractors (ABC) and the U.S. Bureau of Labor Statistics (BLS), the Q3 report provides a look at material pricing trends, risk factors and sector-specific dynamics

BUILDING MODELS USED TO CALCULATE PRICE DATA

Gordian's data team researches material, labor and equipment prices and quantities in cities across the U.S. and Canada to create a composite cost model, which is weighted to reflect actual usage in the building construction industry. To capture the types of construction activity typically performed across North America, researchers merged nine building types, which represent those most commonly found across America and Canada. They are:

- 1. **FACTORY** (one story)
- 2. **OFFICE** (two to four stories)
- 3. **STORE** (retail)
- 4. **TOWN HALL** (two to three stories)
- 5. **HIGH SCHOOL** (two to three stories)
- 6. **HOSPITAL** (four to eight stories)
- 7. **GARAGE** (parking)
- 8. **APARTMENT** (one to three stories)
- 9. **HOTEL/MOTEL** (two to three stories)

shaping the current construction environment. Meanwhile, owners are showing greater interest in escalation clauses, collaborative risk-sharing and more flexible procurement language in contracts.

Early signs of disruption are already noticeable in metals, HVAC equipment and electrical gear, while labor shortages and shifting demand across geographic markets continue to influence pricing behavior. Not surprisingly, contractors who stay agile and forward-looking will be best positioned to manage what's ahead.

Tariff Impacts and Cost Drivers

Even as overall material pricing trends remain relatively stable in Q3, mounting pressure from tariffs is beginning to influence several core product categories. According to Skanska USA Building, tariffs on steel and aluminum — which were raised to 50% in June under Section 232 — have already resulted in price increases across electrical gear, HVAC equipment and metal components such as studs and curtain wall assemblies.

These increases are also affecting derivative products, such as flashings, boxes and wire devices, where aluminum or copper content plays a role in pricing. While structural steel pricing remained flat from Q1 to Q2, Tom Park, Vice President, National Strategic Supply Chain Group, and Steve Stouthamer, Executive Vice President, Project Planning at Skanska USA Building, noted this may be temporary, attributing the stability to sufficient domestic supply, which could shift moving forward.

Copper products, however, are already showing sharper impacts. Ahead of the new 50% copper tariff which went into effect August 1, prices for copper pipe and wire surged to record highs, with Skanska reporting year-to-date increases of 30–40% for copper pipe and 15–18% for copper wire. Adam Raimond, Gordian's Program Manager, Construction Indices, added that copper prices rose 12% from Q2 to Q3, even before the tariff was announced — a trend driven by supply constraints and anticipated demand from renewable energy projects.

In Gordian's national dataset, other metals showed signs of movement as well. Wide flange beams increased slightly, while open web joists jumped nearly 12% nationwide. Aluminum and conduit pricing also turned upward in Q3, breaking a long stretch of flat quarters. The Associated

HOW NATIONAL AVERAGE MATERIAL COSTS ARE DETERMINED

Gordian's team contacts manufacturers, dealers, distributors and contractors all across the U.S. and Canada to determine national average material costs. Included within material costs are fasteners for a normal installation. Gordian's engineers use manufacturers' recommendations, written specifications and/or standard construction practice for size and spacing of fasteners. The manufacturer's warranty is assumed. Extended warranties and sales tax are not included in the material costs.

Note: Adjustments to material costs may be required for your specific application or location. If you have access to current material costs for your specific location, you may wish to make adjustments to reflect differences from the national average.

General Contractors (AGC)^[1] and the Associated Builders and Contractors (ABC)^[2] both noted rising input costs for nonresidential construction materials in June, with the latest Producer Price Index from the Bureau of Labor Statistics (BLS)^[3] reflecting broad increases in steel mill products and nonferrous wire and cable.

Both contractors and suppliers are watching tariff timelines closely, with many anticipating broader impacts in Q4 as material already in the pipeline turns over. While domestic producers may benefit in the long term, the near-term effect is likely to be price volatility as markets adjust. For categories with limited domestic sourcing, such as certain electrical components and HVAC equipment, lead times may also be affected.

Supply Chain Adjustments and Procurement Strategies

Procurement strategies are evolving in response to both material-specific disruptions and wider market uncertainty. At Skanska USA Building, teams are navigating challenges related to the refrigerant transition mandated by the federal

government. As of January 1, 2025, the shift from R-410A to R-454B has caused delays and cost increases for HVAC equipment, compounded by a shortage of the new refrigerant and its cylinders.

This shift is also prompting mechanical subcontractors to reevaluate equipment selections mid-project, as available inventory doesn't always match original specifications. Some teams are pivoting to alternate brands or split-system solutions to avoid delays. According to Skanska, these pressures have prompted earlier engagement with suppliers and more attention to product lead times.

To manage unpredictable pricing, particularly in tariff-sensitive categories, Skanska is also working with clients and subcontractors to build risk-sharing provisions into contracts. These strategies help protect project budgets when material costs become difficult to guarantee. Additionally, the firm continues to monitor timber and metal pricing trends, particularly as wood substitution grows more attractive in light of rising costs in conventional materials. Skanska reports that in some projects, teams are evaluating wood framing in place of steel, and vice versa, depending on regional market conditions and labor availability. While substitution isn't always feasible, the ability to pivot is increasingly built into project planning.

IN THIS QUARTERLY CONSTRUCTION INSIGHTS REPORT:

In this Quarterly Construction Cost Insights Report, we will be examining key data points surrounding construction material pricing. We will look at the Historical Cost Index, offering a retrospective lens on pricing trends, and the City Cost Index, providing a granular view of localized market variations. In addition, we will thoroughly explore the pricing trends of six key building materials:

- **STRUCTURAL STEEL**
- **FRAMING LUMBER**
- **CONCRETE BLOCK**
- **CONDUIT**
- **COPPER ELECTRIC WIRE**
- **FIBERGLASS INSULATION**

On the data side, Gordian reported that supply shortages are particularly evident in lumber categories, where both production slowdowns and reduced Canadian imports have driven availability to the lowest level since 2019.^[4] As a result, prices for boards, framing lumber and plywood increased between 4% and 7% from Q2 to Q3. Contractors are responding by preordering long-lead items earlier in the design phase and using digital procurement tools to identify alternative vendors in real time.

Across the industry, firms are leaning more heavily on scenario planning and flexible sourcing models. These approaches, which are validated by ABC's recent reporting on cost control trends, are helping teams stay responsive and resilient in a market defined by ongoing uncertainty.

Market Signals and Owner Behavior

As material markets adjust to tariff pressures and shifting supply dynamics, contractors report that owners are becoming more engaged and proactive in addressing pricing risk. According to Skanska USA Building, clients are increasingly requesting escalation clauses and allowances as a way to buffer against unpredictable material cost swings.

"We're helping them incorporate escalation clauses and adjust contract language to better protect budgets when pricing is uncertain," said Tom Park. These discussions are happening earlier in the design phase, giving teams more time to adapt procurement strategies in real time.

The refrigerant transition, which took effect at the start of 2025, provides a case in point. In response to delays and cost spikes tied to the mandated switch to R-454B, some owners are reevaluating mechanical design choices or accelerating purchase decisions for HVAC equipment to mitigate risk. Even before final designs are complete, clients are often placing early orders to secure critical materials.

Gordian's Adam Raimond noted that lumber categories are showing earlier ordering patterns, as buyers try to stay ahead of shortages and regional price swings. He added that conduit and other metals saw upward price shifts in Q3, with procurement likely influenced by supply constraints and changing market expectations.

More broadly, firms are leaning into flexible design and specification pathways. Where appropriate, structural systems or assemblies are being evaluated for potential substitutions. This isn't just a cost-saving strategy; it's about

project viability in a dynamic market.

While not every client is fully tuned in to the bigger economic picture, the feedback suggests growing awareness of construction-specific cost swings. That awareness, paired with collaborative planning and procurement strategies, may prove critical in navigating the next phase of material market uncertainty.

Regional and Labor Trends

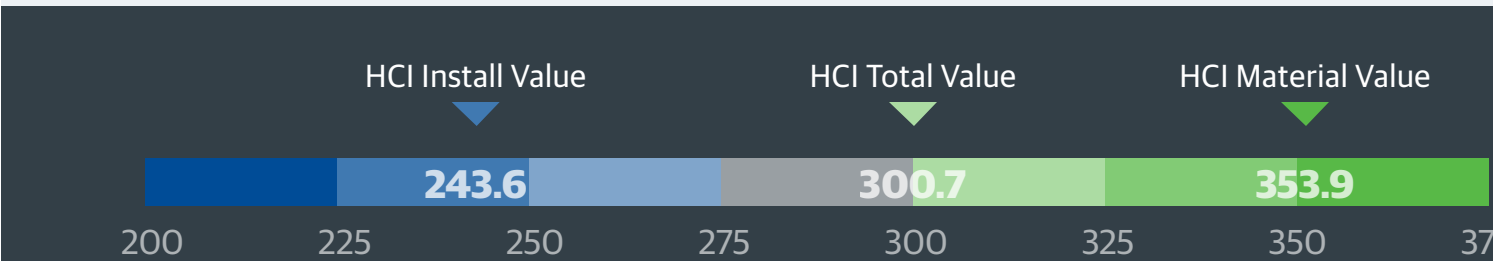
While national averages suggest general stability, regional cost variability and labor conditions continue to shape how those trends play out on the ground. According to Adam Raimond of Gordian, Canadian index values rose from Q2 to Q3 across most provinces, and the U.S. showed a similar trend. He attributes some of Canada's movement to the strengthening Canadian dollar, which increased from 0.70 to 0.74 USD between April and July. Shifts in currency, along with localized market demand, are contributing to regional pricing gaps that impact firms working across multiple markets.

Skanska's Steve Stouthamer noted that while material pricing hasn't varied dramatically between regions, local labor capacity has. Some markets remain saturated with work, while others have slowed in response to policy or permitting changes. Skanska continues to monitor project volume in regional markets to time execution around workforce availability. In some cases, local policy changes, such as electrification mandates or city-specific wage requirements, are also affecting both project timing and labor dynamics. Stouthamer noted that in several markets, changes to permitting processes have delayed construction starts, further tightening labor allocation and making scheduling more complex.

Labor costs remain one of the biggest drivers of construction budgets nationwide. Gordian data shows labor rates have been increasing steadily at 2-3% annually since 2021, a trend that has persisted through 2025. These pressures, combined with ongoing skilled labor shortages, have continued to extend schedules and push firms toward more agile project planning.

Both the Associated General Contractors and the Bureau of Labor Statistics have reported elevated construction employment levels in recent months. Yet the gap between demand and available labor, especially in skilled trades, is still creating cost and timeline challenges for contractors, notably in high-growth metros and remote markets.

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Historical Cost Index Overview

The HCI (Historical Cost Index) is an invaluable tool to track changes in the cost of construction materials and labor over time. The HCI Total Index Value represents the overall change in construction costs, including materials, labor and installation expenses. The HCI Material Value tracks the change in the cost of raw materials, such as lumber and steel. The HCI Install Value measures the change in the cost of installation labor, including plumbing, electrical and HVAC. These indices provide valuable insights, helping building industry professionals to anticipate and plan for changes in construction costs and make informed decisions about project budgets and timelines.

- NOTES:
- The index values are based on a 30-city national average with a base of 100 on January 1, 1993. The three numbers are the total, material and install index numbers, respectively, for the 30-city national average in 2025.
 - The Historical Cost Index (HCI) applies the quarterly City Cost Index (CCI) updates to a historical benchmark and allows specific locations to be indexed over time. These indexes with RSMean Data are a vital tool for forecasting construction costs and can be a valuable source of information for comparing, updating and forecasting construction costs throughout the United States.

City Cost Index Overview

The City Cost Index is a quarterly data product designed to answer the question, "How much higher/lower are costs in my city relative to the national average?" The CCI can be used to better reflect localized pricing in construction estimates. Each quarter, Gordian's RSMeans™ Data research team collects prices from cities across the United States and

Canada, which are then compared to the national average and the current year's annual release data to create the CCI. The City Cost Index shows a factor for Material, Installation and Total with rows representing multiple CCI divisions. Additionally, the CCI shows a Material Total, Installation Total and a Total Weighted Average.

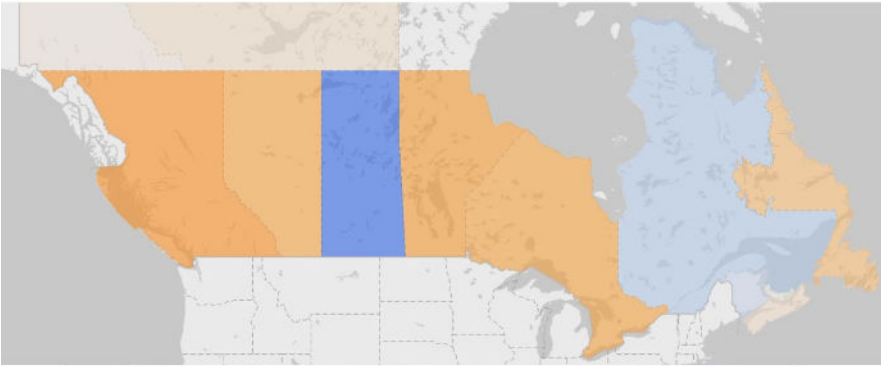
State/Province-Level Cost Trends

Quarterly Cost Changes

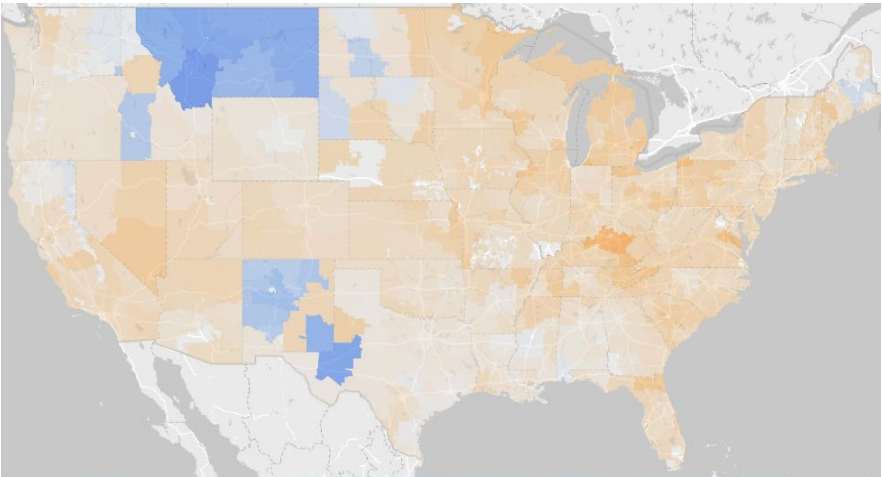
Q2 2025 to Q3 2025

Material costs are on an upward trend in both the U.S. and Canada. This is an atypical trend, as costs for the neighboring nations often move in different directions. One possible explanation for Canada's upward trajectory is the strength of the Canadian dollar relative to its U.S. counterpart. As recently as April 1, the conversion rate was \$0.7 to 1 CAD. Three months later, 1 CAD is now worth \$0.74.

There is, however, a difference in the degree of change. Canadian prices hopped just 2.2% on the high side and tumbled a mere 1.6% on the low end. Material changes were far more volatile in the U.S., spiking as much as 5.7% and falling as much as 3.5%.



CANADA



USA

CITY	STATE	CURRENT QUARTER TOTAL INDEX	QUARTER OVER QUARTER TOTAL DIFFERENCE	YOY TOTAL DIFFERENCE	CURRENT QUARTER MATERIAL INDEX	QUARTER OVER QUARTER MATERIAL DIFFERENCE	YOY MATERIAL DIFFERENCE	CURRENT QUARTER INSTALL INDEX	QUARTER OVER QUARTER INSTALL DIFFERENCE	YOY INSTALL DIFFERENCE
ATLANTA	GA	0.914	0.76%	1.44%	1.022	1.41%	1.39%	0.749	-0.59%	1.57%
BALTIMORE	MD	0.971	2.91%	2.07%	1.054	3.46%	2.13%	0.843	1.85%	1.97%
BOSTON	MA	1.163	3.61%	3.22%	1.05	4.85%	3.15%	1.338	2.15%	3.30%
BUFFALO	NY	1.056	1.82%	1.40%	1.054	2.70%	1.14%	1.058	0.49%	1.81%
CALGARY	AB	1.225	0.81%	3.98%	1.422	1.45%	1.35%	0.921	-0.68%	10.84%
CHICAGO	IL	1.179	0.55%	2.16%	0.995	1.52%	1.39%	1.463	-0.44%	2.98%
CINCINNATI	OH	0.929	1.92%	2.79%	1.017	2.90%	3.10%	0.794	0.04%	2.19%
CLEVELAND	OH	0.965	2.47%	2.86%	0.989	3.00%	3.26%	0.926	1.62%	2.20%
COLUMBUS	OH	0.957	2.24%	3.74%	1.019	2.74%	3.76%	0.861	1.33%	3.71%
DALLAS	TX	0.856	0.46%	0.74%	0.987	0.89%	0.33%	0.653	-0.53%	1.73%
DENVER	CO	0.938	1.35%	3.66%	1.047	1.53%	3.80%	0.769	0.99%	3.37%
DETROIT	MI	1.007	4.17%	3.50%	1.012	6.81%	5.25%	0.999	0.29%	0.88%
EDMONTON	AB	1.22	0.85%	3.70%	1.418	1.54%	1.30%	0.914	-0.79%	9.94%
HAMILTON	ON	1.191	2.17%	3.52%	1.335	3.66%	2.81%	0.969	-0.85%	5.09%
HOUSTON	TX	0.846	0.19%	-1.75%	0.965	0.05%	-3.23%	0.663	0.52%	1.75%
INDIANAPOLIS	IN	0.944	2.18%	3.38%	1.008	2.89%	4.32%	0.845	0.90%	1.69%
KANSAS CITY	MO	0.997	1.72%	1.80%	0.986	1.62%	1.59%	1.014	1.87%	2.12%
LONDON	ON	1.183	1.73%	3.47%	1.332	3.05%	2.63%	0.954	-0.99%	5.35%
LOS ANGELES	CA	1.16	0.87%	0.95%	1.037	1.20%	-1.37%	1.349	0.47%	3.84%
MEMPHIS	TN	0.896	1.27%	0.83%	1.013	1.33%	0.54%	0.714	1.14%	1.46%
MILWAUKEE	WI	1.021	1.42%	1.13%	0.977	2.34%	0.33%	1.089	0.17%	2.26%
MINNEAPOLIS	MN	1.105	2.72%	4.03%	1.024	3.90%	4.40%	1.23	1.25%	3.56%
MONTREAL	QC	1.12	-0.42%	-0.56%	1.274	-0.42%	-2.23%	0.883	-0.41%	3.36%
NASHVILLE	TN	0.906	1.24%	0.98%	1.023	2.10%	0.70%	0.725	-0.56%	1.60%
NEW ORLEANS	LA	0.88	0.53%	0.48%	0.991	0.74%	-0.08%	0.71	0.09%	1.71%
NEW YORK	NY	1.269	1.03%	1.15%	1.021	1.60%	0.84%	1.653	0.50%	1.45%
OTTAWA	ON	1.169	-0.69%	2.04%	1.29	-0.89%	-0.27%	0.982	-0.30%	7.07%
PHILADELPHIA	PA	1.144	2.05%	1.68%	1.008	2.49%	1.76%	1.353	1.54%	1.60%
PHOENIX	AZ	0.926	0.97%	4.19%	1.04	1.72%	4.54%	0.749	-0.60%	3.47%
PITTSBURGH	PA	1.042	2.16%	2.31%	1.054	3.48%	2.53%	1.023	0.13%	1.95%
QUEBEC	PQ	1.132	-0.38%	0.28%	1.291	-0.30%	-0.99%	0.887	-0.55%	3.26%
SAN ANTONIO	TX	0.843	1.02%	-1.12%	0.963	0.62%	-2.36%	0.659	1.94%	1.81%
SAN DIEGO	CA	1.136	1.79%	3.13%	1.046	2.88%	3.24%	1.274	0.44%	2.98%
SAN FRANCISCO	CA	1.298	0.90%	1.55%	1.066	1.70%	-0.57%	1.656	0.12%	3.74%
SEATTLE	WA	1.091	1.77%	2.12%	1.025	1.56%	0.80%	1.192	2.05%	3.93%
ST. LOUIS	MO	0.999	1.65%	2.49%	0.992	3.31%	4.44%	1.01	-0.78%	-0.32%
TORONTO	ON	1.218	2.15%	3.76%	1.332	3.31%	2.55%	1.042	-0.07%	6.24%
VANCOUVER	BC	1.199	1.42%	4.26%	1.368	1.94%	1.51%	0.937	0.26%	11.05%
WASHINGTON	DC	0.97	1.75%	2.58%	1.027	2.06%	3.00%	0.881	1.19%	1.83%
WINNIPEG	MB	1.107	1.16%	1.13%	1.402	1.65%	0.62%	0.65	-0.44%	2.88%

Structural Steel

What the data says:

The national average price for structural steel rose to \$2,653.03 per ton in Q3 2025, an increase of 1.85% from Q2 and 2.06% year-over-year, reflecting slight upward movement following several quarters of decline.

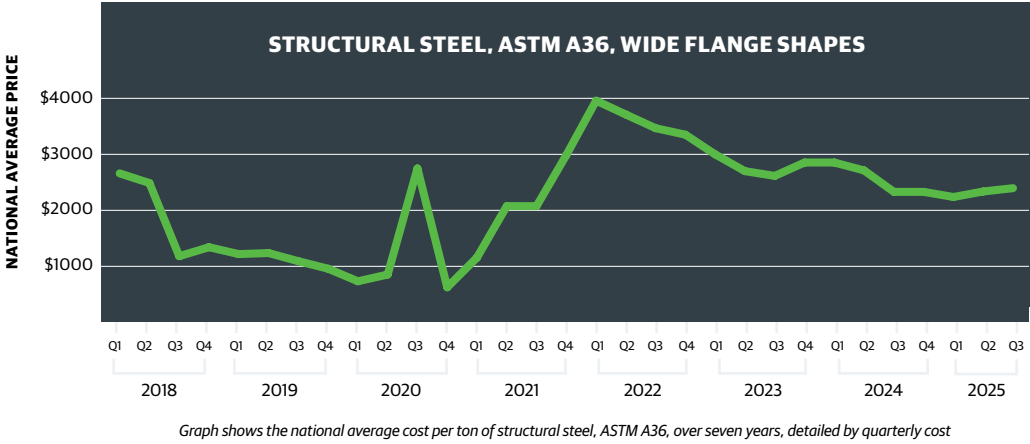
Read more on what the data says about steel

View from the field:

GORDIAN: "Some steel items, such as wide flange beams, saw small increases in the last three months. But others, like open web joists, increased almost 12% nationwide."

SKANSKA USA BUILDING: "Even though steel tariffs increased from 25% to 50% on June 4th, pricing for structural steel remained relatively flat from Q1 to Q2. Much of this we attribute to available domestic capacity, a trend which may adjust in time."

Material Description: Structural steel, ASTM A36, wide flange shapes, two-story office building, beams and columns, field bolting.
Measurement relative to this data: National average cost is per ton of structural steel, ASTM A36.



Concrete Block

What the data says:

The national average price for concrete block edged up to \$2.40 per unit in Q3 2025, a 0.42% increase from Q2 and just 0.84% higher than one year ago. After a sharper increase earlier in the year – most notably between Q1 2024 and Q1 2025 – pricing has remained stable for three consecutive quarters.

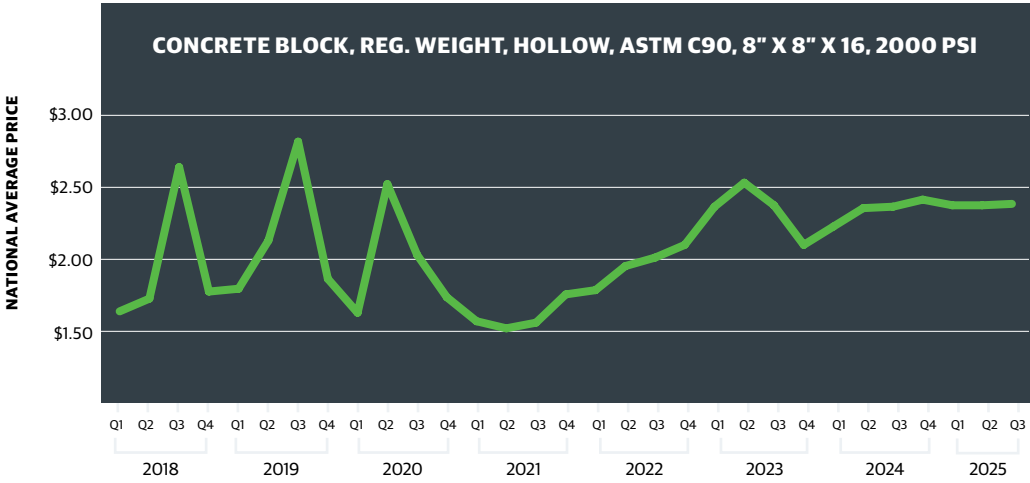
Read more on what the data says about concrete block

View from the field:

GORDIAN: "[Concrete block] has continued to remain steady for the last year."

SKANSKA USA BUILDING: "PPI for structural concrete block jumped from 186 to 191.5 in January of this year. Since that time, the index has remained flat."

Material Description: Concrete block, reg. weight, hollow, ASTM C90, 8" x 8" x 16", 2000 psi (pounds per square inch).
Measurement relative to this data: National average cost is per square foot of the material costs. National average cost noted is per one block of concrete, ASTM C90.



Framing Lumber

What the data says:

The national average price for framing lumber climbed to \$936.05 per MBF (thousand board feet), up 6.42% from Q2 and 10.46% year-over-year. The increase continues a trend of pricing volatility tied to production cuts, shifting demand, and tariff-related pressure.

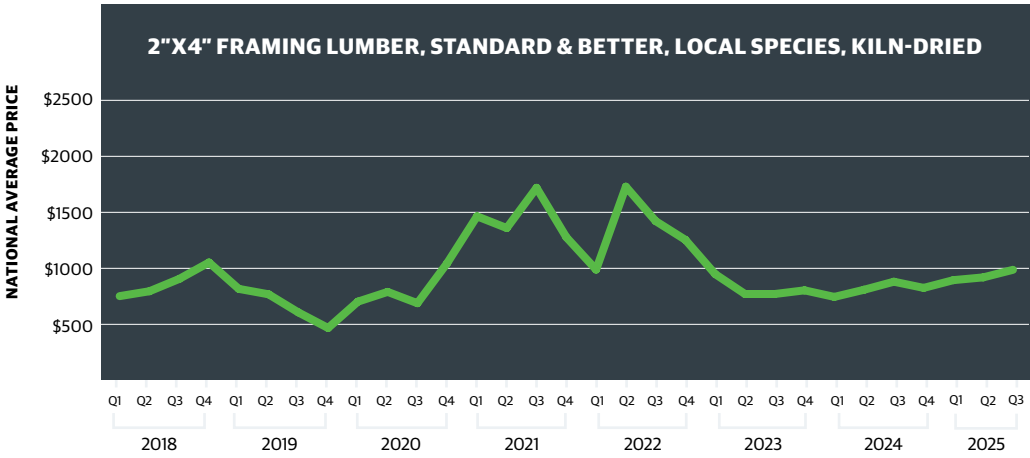
Read more on what the data says about lumber

View from the field:

GORDIAN: "Lumber costs increased around 6% from Q2 to Q3. Most areas saw these increases to some extent, but prices increased the most in the Midwest and Pacific Northwest regions."

SKANSKA USA BUILDING: "Lumber pricing has remained stable throughout the first half of 2025. Weak single-family housing starts will keep pricing in check. One key factor to watch going forward is lumber tariffs. The current U.S. administration is studying lumber trade and may implement increased tariffs on lumber."

Material Description: 2" x 4" framing lumber, standard & better, local species, Kiln-dried
Measurement relative to this data: National average cost is per square foot of the material costs. National average cost noted is per MBF (thousand board feet) of 2" x 4" framing lumber.



Conduit

What the data says:

The national average price for 3/4" electric metallic tubing (EMT) rose to \$134.04 per CLF (hundred linear feet) in Q3 2025, up 6.80% from Q2 and 8.11% year-over-year. After several relatively flat quarters, this marks a more notable increase, though prices remain below their 2022 peak.

Read more on what the data says about conduit

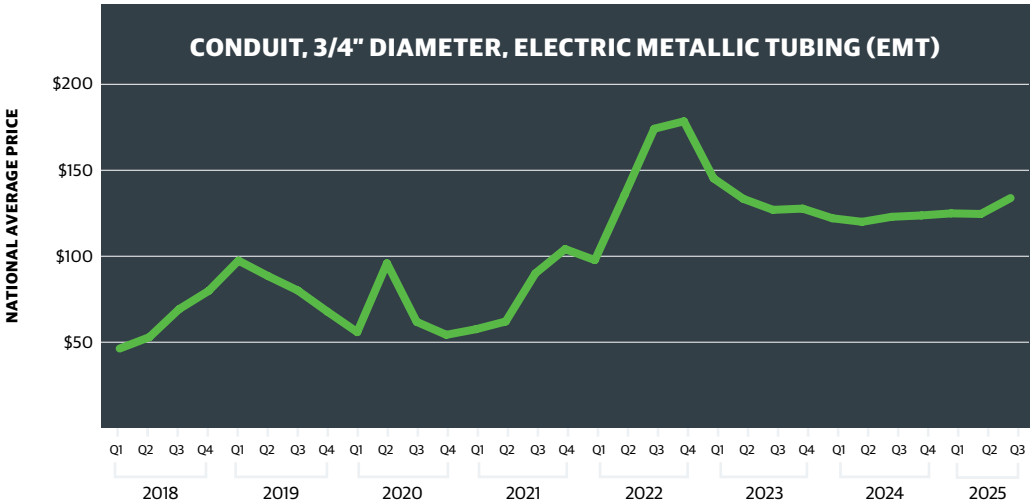
View from the field:

GORDIAN: "For the first time in over two years, conduit prices have seen a notable increase, going up almost 7% from Q2 to Q3. Even though this is rare to see, it also wasn't surprising, because the increase is in line with the increases also observed

in other steel and aluminum products."

SKANSKA USA BUILDING: "Year to date, we've seen steel conduit prices increase 22% on average across all sizes; however, PVC conduit prices have decreased about 12% for all sizes."

Material Description: Conduit, 3/4" diameter, electric metallic tubing (EMT).
Measurement relative to this data: National average cost is per square foot of the material costs. National average cost noted is per CLF (hundred linear feet) of EMT (electric metallic tube) conduit.



Copper Electric Wire

What the data says:

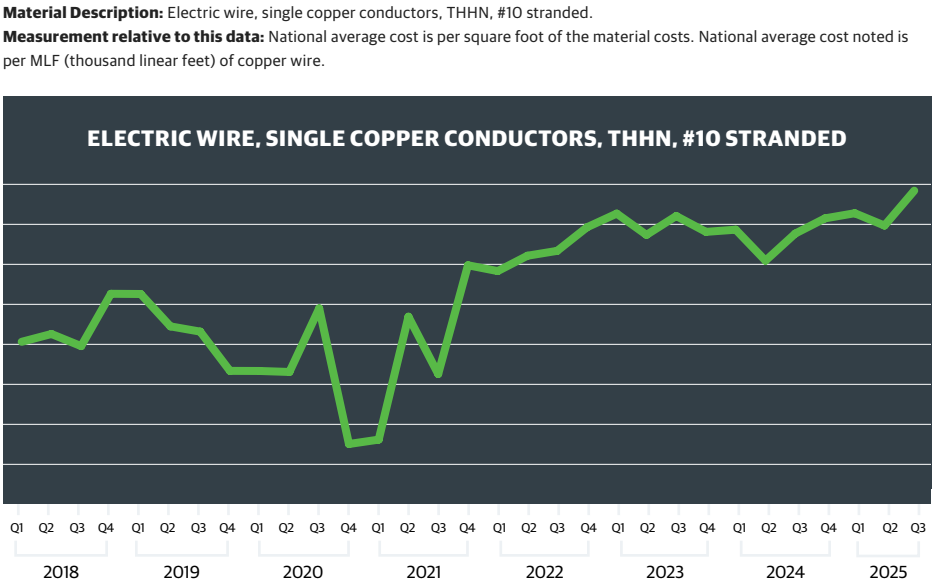
The national average price for copper electric wire rose to \$393.64 per MLF (thousand linear feet), up 12.03% from Q2 and 15.20% year-over-year. The increase reflects growing pressure on copper markets amid tariff concerns and global supply constraints.

Read more on what the data says about copper electric wire

View from the field:

GORDIAN: "Copper prices increased 12% from Q2 to Q3. This increase occurred even before a 50% tariff on copper was announced in July. This increase isn't unexpected, as it was believed that copper was going to simultaneously face supply

shortages and additional demand from renewable energy projects."
SKANSKA USA BUILDING: "Year to date, copper wire prices are up 15-18%. In addition to copper wire, aluminum wire is up about 40% year to date."



Fiberglass Insulation

What the data says:

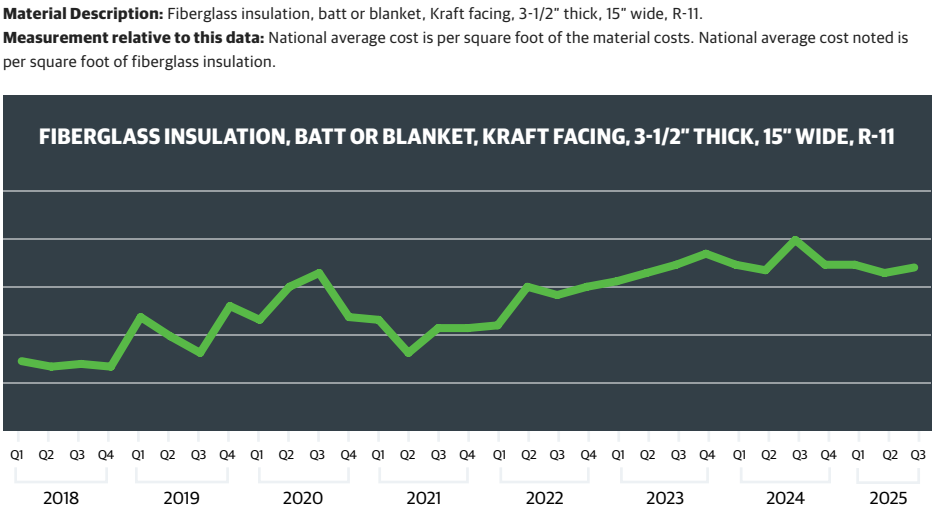
The national average price for fiberglass insulation rose to \$0.67 per square foot in Q3 2025, up 3.08% from Q2. However, pricing remains 12.99% lower than a year ago, following a steady decline that began after peaking in early 2024.

Read more on what the data says about fiberglass insulation

View from the field:

GORDIAN: "Prices ticked up slightly into Q3, but that is likely only due to seasonal demand. Fiberglass insulation production is mostly domestic only, so we don't expect this item category to be impacted much by any tariffs."

SKANSKA USA BUILDING: "Fiberglass increases were taken by the market at the start of 2025. These increases ranged from 5 to 8%. No further increases have been announced so far this year."



...Continued from page 4

Sustainability and Spec Shifts

While sustainable materials and lower-carbon alternatives remain a long-term priority across the industry, expert feedback this quarter suggests that few clients have made significant changes to their procurement priorities in Q3. According to Skanska's Steve Stouthamer, sustainability goals are still present but have not materially changed the mix of products being specified.

However, some indirect effects are emerging. As tariffs on steel have made timber a more attractive structural option, the pricing and availability of lumber could take on greater importance. Skanska is closely watching potential shifts in lumber tariffs, which could dampen that interest. With rising interest in substitution, particularly for structural elements, contractors may begin revisiting specification flexibility to allow for alternative materials that meet code while aligning with both cost and sustainability goals.

While Gordian did not report major pricing changes in recognized sustainable categories this quarter, the firm continues to track demand growth in low-carbon alternatives, especially as owners look ahead to 2026 and beyond, when ESG (environmental, social and governance) standards may begin to influence pricing behavior more directly.

Outlook

Looking ahead to Q4 and the start of 2026, the construction industry is grappling with persistent uncertainty, as material pricing, labor constraints and trade policy shifts remain in flux. Both Gordian and Skanska expect continued volatility in metal pricing – particularly for copper and steel – driven by recent tariff actions and tightening global supply. Additional pricing pressure could follow if more tariffs are enacted or availability remains constrained.

Gordian expects copper prices to climb further as the market adjusts to the 50% tariff which began August 1.^[5] Futures markets have already reacted, signaling that additional increases are likely. Steel prices may also rise depending on how well domestic capacity offsets rising import costs.^[6]

RETHINKING PROCUREMENT IN A VOLATILE MARKET

With rising costs and evolving trade conditions, procurement strategy is increasingly focused on managing risk, securing timelines and maintaining flexibility.

Skanska USA Building reports a noticeable shift in how owners and contractors are approaching materials procurement, with more attention on lead times, risk exposure and contract adaptability. That proactive posture is also reshaping how teams handle vendor engagement. Teams are initiating orders earlier in the design process, particularly for long-lead or high-risk items like electrical gear and HVAC equipment. The refrigerant transition, which took effect January 1, added further complexity. Limited supply of the new refrigerant (R-454B) and its compatible equipment is causing delays and price hikes, reinforcing the need to lock in orders as early as possible.

Gordian data backs up this early-ordering trend. Contractors are placing orders sooner and expanding their vendor lists, particularly for materials like lumber, where availability has dropped to its lowest level since 2019.

Even material substitutions are being explored more aggressively. With tariffs driving up the cost of copper, steel and aluminum, some teams are monitoring market shifts that could favor alternative assemblies or lower-cost structural systems. Substitution isn't just about cost; it's also a way to safeguard project momentum amid uncertainty.

Digital procurement tools and sourcing analytics are also becoming increasingly valuable. Gordian reports that these platforms are helping contractors respond in real time to shifting regional availability. While no system can fully neutralize volatility, the ability to pivot and adapt when market conditions shift has become essential.

Key Takeaways

Labor availability remains a challenge, especially in high-demand and remote regions. While national hiring levels have held steady, firms continue to report difficulty securing skilled trades. Gordian data shows labor rates have been rising 2-3% annually since 2021, a trend likely to extend into 2026.

Despite these pressures, many contractors remain cautiously optimistic. Firms are leaning into early planning, flexible procurement strategies and specification reviews to stay ahead of cost risks. For the remainder of 2025, adaptability and strong regional insight will be essential for maintaining project momentum and protecting margins. Both Gordian and Skanska emphasized the importance of clear communication across design, procurement and construction phases. Whether through forecasting tools or stronger supplier ties, staying responsive to real-time market signals can help firms minimize late-year disruptions.

Conclusion

This quarter's data shows relative stability in material costs, but signs of stress are beginning to surface. Tariffs on metals and copper are starting to influence pricing and sourcing, while regional supply shifts and labor variability continue to complicate planning. Contractors and owners are responding by adjusting procurement strategies, expanding vendor networks, and revisiting contract language to account for cost fluctuations.

As Q4 approaches, teams that plan and stay flexible will be better positioned to manage budgets, secure materials in advance and keep projects moving.

ADDITIONAL RESOURCES

[Gordian Construction Data and Insights Hub](#)

^[1] [Associated General Contractors of America \(AGC\)](#)

^[2] [Associated Builders and Contractors \(ABC\)](#)

^[3] [U.S. Bureau of Labor Statistics \(BLS\)](#)

^[4] [National Association of Home Builders \(NAHB\)](#)

^[5] [Reuters](#)

^[6] [New York Times](#)

1

TARIFFS on steel, aluminum and copper are beginning to drive pricing shifts in key material categories.

2

PROCUREMENT STRATEGIES now emphasize early ordering, risk-sharing provisions and vendor diversification.

3

LABOR COSTS CONTINUE TO RISE, with regional capacity constraints affecting project timelines.

4

THE REFRIGERANT TRANSITION is contributing to HVAC delays and pricing instability.

5

MATERIAL SUBSTITUTION IS GAINING TRACTION, especially in response to tariffs and price pressure.

6

CONTRACTORS are increasingly using digital tools and regional data to manage sourcing volatility.

7

OWNER ENGAGEMENT IS INCREASING, with more clients requesting contract adjustments and early cost planning.

THE FOLLOWING SUPPLY CHAIN, PRECONSTRUCTION AND SUSTAINABILITY SUBJECT MATTER EXPERTS CONTRIBUTED THEIR VIEWS FOR THIS Q3 2025 ANALYSIS:

GORDIAN

• Adam Raimond, Program Manager, Construction Indices

SKANSKA USA BUILDING

• Steve Stouthamer, Executive Vice President, Project Planning

• Tom Park, Vice President, National Strategic Supply Chain Group

• Rob Cantando, National Director, Strategic Supply Chain Group



Gordian is the leading provider of Building Intelligence™ Solutions, delivering unrivaled insights, robust technology and comprehensive expertise that fuel customers' success during every phase of the building lifecycle. Gordian created Job Order Contracting (JOC) and the industry standard RSMeans™ Data. We empower organizations to optimize capital investments, improve project performance and minimize long-term operating expenses.