



GWSF membership feedback on new build supply shortages

June 2021

HA 1 Yes we have experienced and continue to experience issues on some of our contracts (development and planned maintenance). There is a mixture of reasons provided – COVID and Brexit are the main culprits. Material/supply shortages is a current concern. We are also aware of a rise in costs as a result of this material shortage/demand etc. and Contractors are looking to pass this on. Obviously contractually in most cases, we do not have to meet these costs, but there is a general recognition, particularly with COVID, that this was an event that no-one could predict.

Therefore, even though we have not accepted any liability at this stage for extra costs in relation to our ongoing Development project, we are sympathetic to the Contractor's position. We have therefore had ongoing discussions with the Council and have made a submission for lockdown and restart costs at this stage and await the outcome of this. We are probably intent on submitting a further request for additional costs due to COVID at a later stage too. However, I am not completely confident that there will be additional funding made available to cover these costs.

HA 2 We have a large project where the Contractor has advised that they are unable to commit to the fixed price contract envisaged in the procurement, due to the current volatility of the market. They have suggested that Fluctuation clauses are included within the contract (last seen in the late 80s!), where works valuations are inflated by an agreed index figure.

No direct cause has been identified other than the market overheating and it being very difficult to get sub-contractors/suppliers to stick to a price for more than a short period (a few weeks in some instances). This includes steel, timber, mortar and other cement products, windows, bricks as main components. They also want an extended contract period (+16%) to cover for the anticipated lack of brickies being available through the proposed 150 weeks on site, albeit no on-cost has been suggested.

Their view, which is reflected in several recent media articles, is that the market will need to stabilise, but it is uncertain at what level and how long this will take, with 6 months seen as a minimum period.

HA 3 We too have also been getting feedback that Contractors are experiencing trade shortages as well, due to self-isolation. What we are being advised is that there are much longer lead-in times to get materials due to shortages (up to 6 months) and that when Contractors make orders, they are only getting part delivery with a “to follow” order sheet, which is causing delays to programme. The types of material shortages include Timber, Insulation, Windows, Composite Doors and Roof Tiles. We have not experienced an increase in costs or request for an uplift in the contract price as yet but have been advised that Contractors are experience costs increases of the following.

- 20% surcharge on composite GRP doors due to the Suez Canal Crisis earlier on in the year
- Steel lintels – 14.75%
- Imperial chemicals – 3%
- Bathroom products - 5% for fittings, 10% shower enclosures, 5% other bathroom products
- Ibstock brick – 2.65%
- Cast stone – 4.75%
- Silicone sealant products – 4.84%
- Plumbing components - 8%
- B2 & B3 classified foams – 15%
- Cedral soffits and fascias – 3%
- Drainage components – 7.5%
- Catnic lintels – 15%
- Edenhall common bricks – 3.95%
- Plywood doors – 10%
- Insulation – 6%
- Worktops/wall panelling/MDF & MCF particle boards – 6%
- Polypipe products – 12.8%

Currently; subs are only holding their price for 30 days with the exception of steel suppliers who are only holding for a day. This will only give us cost uncertainty going forward.

The market is really volatile just now and prices are likely to go up further we have been told. We are due to re-tender a project next month as the tender period has expired. We are expecting costs to increase but hopefully within the budget we have set. I am happy to share the outcome once complete.

HA 4 The contractor for a development we're working on has flagged up issues with supply of window components and much longer ordering lead in times for many material which I imagine has an impact on cashflows etc.

HA 5 Comment from our contractor:

'Yes this is most definitely the case with all base components for construction proving very difficult to procure. These include wood, gyproc, plastic pipe and steel, with sanitary ware, brassware & some important electrical components(cable) that come from China also proving very difficult to get. This is most definitely causing programme delays and extended lead times for most items on our material schedules.

To compound this, as an example of cost increases, radiator prices have risen 40%, with plastics (pipe, gutters, rainwater pipes) between 10% & 15%, which is a big jump. And as we now use plastic products throughout most dwellings this is adding approximately £1,500 to the cost of our works alone.

Just as a foot note, we anticipate significant wage increases across the construction sector shortly too as there are discussions with trade bodies and unions currently ongoing.'

HA 6 One thing we have noticed is contractors qualifying their tenders so that the price for some items (eg steelwork) is not guaranteed for the duration of the tender acceptance period. This can become critical since tender reports can't always be concluded quickly given tenders frequently contain omissions and qualifications due to supplier/sub-contractor problems. So you may find yourself making a submission to the Government or LA when you know that the price is no longer fixed.

HA 7 All of the contractors we are dealing with are complaining about material shortages and price increases. Specific materials which seem to be causing problems include timber, cement, block paving and insulation and this has reportedly been attributed to both the Suez Canal being blocked amongst other factors such as Covid and Brexit.

HA 8 Some literature attached on material shortages/cost increases attached and some lead in times below:

Block – 5-6 work days

Builders Metalwork – 4-5 work days

Catnic Lintels – On Allocation, May/June allocation exhausted, now July delivery

Concrete Lintels – See attached from Robeslee – 8/9 weeks !!!

Mortar – 3-4 weeks

PIR Insulation – Allocation – new orders 9-10 weeks

Insulation – 4-6weeks

Plasterboard- On Allocation - 2 weeks

Metal Stud – On Allocation - 3 weeks

Machined Timber (Finishings) – 3 weeks

General Timbers/Plywoods – 3-4 days if schedule in place, timber merchants are 6-7 weeks from their sources. OSB/Chipboard 10 weeks from manufacturer ! See attached statement from Timber Trade Federation.

HA 9 Reasons given from some organisations for price increases include: -

- Plant being shut down during lockdown – and now working on reduced capacity resulting in shortages
- Construction work picking up post lockdown as there was legacy projects and now projects commenced post lockdown progression
- Price of materials have increased due to import costs as a result of Brexit

HA 10 We are on site at the moment - 60 unit Design and Build. The contractor actually came to us a few months ago claiming increase in costs and how the project was haemorrhaging money. We did point out it was a D+B. ... and would he be offering us a discount if there had been a reduction in costs!! Needless to say, the conversation ended with his begging bowl still empty.

But there is very definitely a materials shortage. We have run out of bricks three times in the last three months, and this is in the context of having a really excellent Site Agent and Contracts Manager. Fortunately there is enough room on the site for them to be ordering materials well in advance and storing them on site: don't know what the situation would be on a tight site.

The lead-in times are extreme by the sounds of it: rumour is big national private housebuilders are stockpiling, combined with slower production due to COVID. No mention of Brexit so far but I do think the main players in Glasgow have tended to move to British-produced materials and components where possible.

Also, anecdotally, problems with keeping squads (particularly bricklayers) on site... they will walk off site to another job if it pays, such as the demand for their skills.

HA 11 No price increases as yet but we have had a shortage of bricks for our new development. We have changed the brick type to ensure that the project can continue on time.

HA 12 Certainly a few issues around material shortages - roof tiles and accessories being a case in point for us at the moment. Shortages like these are usually followed by cost increases caused by market supply and demand issues. We will not see these increases passed onto us anytime soon because our contracts are already on site or have been fixed for the first year. We are most likely to see the increases filter through at the end of the year when contractors refresh their framework prices.

HA 13 I'm picking up on real shortages, and hence price increases, being seen for timber, steel, concrete, plaster. Also issue with getting screws – apparently most made in India and situation there having a real impact.

Appears to be a mix of reasons:

- Covid – production stopped for varying lengths of time due to lockdowns, and reduced capacity with safe working requirements. Delay in impact due to stores stock, but now running out.
- Brexit – hassle and cost of exporting, and anti UK sentiment.
- Demand – apparently America is buying everything and paying any price so ships bound for UK being redirected as much more profit to be made.

Guess UK needs to start manufacturing rather than service providing?

From our perspective we are not doing new build but this is also now having knock-on effects on planned, cyclical and reactive maintenance works: contractors struggling to get supplies from merchants and told will not improve anytime soon.