



MEP EQUIPMENT COST INDEX

THE MEP COST INDEX IS HOLDING AT 302 FOR THE CURRENT QUARTER.

The MEP Cost Index increased to 302 in Q1 2026, reflecting a modest rise from Q4 2025 and continued stabilization across the broader market. Upward pressure remains concentrated in electrical equipment, driven by sustained demand across data centers, grid infrastructure, and advanced manufacturing. Mechanical systems continue to show more moderate pricing movement, with most categories stabilizing following prior periods of escalation.

Overall market conditions remain largely normalized, supported by improved equipment availability and more consistent lead times. However, evolving tariff policies and emerging geopolitical risks are beginning to introduce additional uncertainty into forward pricing and global supply chain conditions.

ELECTRICAL EQUIPMENT

Electrical equipment pricing experienced modest increases during the quarter, generally aligning with ~1% movement based on recent PPI trends, though results varied by subcategory.

- Monthly PPI data for electrical equipment showed small, inconsistent increases and flat periods during Q1, rather than uniform escalation
- Subcomponents such as switchgear and controls equipment experienced slightly higher movement, while other categories remained stable

Demand remains strong across data centers, grid infrastructure, and advanced manufacturing sectors, continuing to support firm pricing conditions. Availability has improved across categories, with the majority of equipment aligning with expected lead times. Constraints remain limited to select equipment types, particularly switchgear, power distribution equipment, and controls systems, where integration complexity and component availability continue to influence pricing and delivery. Order volume and shipment activity remain steady, indicating consistent project execution and stable demand conditions.

MECHANICAL EQUIPMENT

Mechanical systems continue to support overall procurement activity, with pricing increases moderating compared to prior quarters.

Most standard equipment categories, including packaged HVAC systems and smaller air handling units, are available within normal lead time ranges. More complex systems, such as custom air handling units and chillers, continue to experience variability in both pricing and schedule. These impacts are primarily driven by project-specific requirements, labor availability, and controls integration, and remain targeted rather than systemic. Material and energy input costs remain a secondary influence on mechanical equipment pricing, though impacts have not yet resulted in broad market escalation.



ESTIMATED EQUIPMENT LEAD TIMES

Equipment	Previous	Current	↗ ↘ ↔
Cooling Towers	7 - 18 weeks	6 - 19 weeks	↘
Chillers (Air Cooled)	8 - 40 weeks	7 - 52 weeks	↘
Chillers (Water Cooled)	10 - 47 weeks	12 - 60 weeks	↗
AHU	8 - 44 weeks	7 - 78 weeks	↘
Generators	40 - 84 weeks	40 - 66 weeks	↘
Switchgear (LV)	40 - 42 weeks	26 - 58 weeks	↘
Switchgear (MV)	46 - 58 weeks	30 - 44 weeks	↘
UPS	16 - 42 weeks	16 - 42 weeks	↔
Lighting Fixtures	8 - 16 weeks	8 - 16 weeks	↔
Lighting Controls	12 - 26 weeks	12 - 26 weeks	↔

EQUIPMENT LEAD TIMES HAVE STABILIZED

Lead times across most equipment categories have stabilized and are generally tracking within predictable ranges. The majority of materials are being delivered as scheduled, with delays remaining infrequent, short in duration, and limited to specific equipment types rather than widespread issues.

Risk continues to be concentrated in electrical equipment and highly engineered systems, including switchgear, controls, custom air handling units, and chillers. These categories remain more sensitive to integration complexity, component availability, and project-specific requirements.

While overall conditions reflect improved supply chain performance, lead times have not uniformly improved across all categories. Several equipment types continue to show extended upper ranges, indicating ongoing variability in worst-case delivery scenarios.

YEAR	AVG. INDEX	% INCREASE
2026	302	4.5%
2025	289	14.4%
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%



MEP EQUIPMENT COST INDEX

2026 OUTLOOK WATCH ITEMS:



- Potential tariff changes or policy shifts affecting material costs
- Continued demand concentration in data centers and infrastructure projects
- Labor availability and cost impacts on custom and engineered equipment
- OEM capacity allocation during periods of concentrated demand
- Controls and systems integration timelines affecting commissioning and turnover
- Global logistics disruption and geopolitical instability impacting energy, freight, and material pricing

TARIFFS & SUPPLY CHAIN IMPACTS

Supply chain conditions remain stable, with most equipment and materials delivering within expected timeframes.

Tariffs continue to influence pricing, particularly for equipment with exposure to steel, aluminum, copper, and imported electrical components. Recent U.S. trade policy updates in April 2026 reinforced tariffs on these key materials, sustaining cost pressure across both electrical and mechanical equipment.

While these impacts are largely embedded in current pricing, they continue to drive cost variability, shorten bid validity periods, and reduce overall pricing certainty.

GEOPOLITICAL CONFLICT

Emerging geopolitical risks are introducing new uncertainty into global logistics and material flows.

Ongoing instability in the Middle East has disrupted key shipping corridors, particularly the Strait of Hormuz. This has resulted in reduced vessel traffic, shipment rerouting, increased freight costs and insurance premiums, extended transit times, and continued volatility in energy pricing.

While widespread shortages have not materialized, risk is increasing for equipment with high exposure to global freight, petroleum-based inputs, and international supply chains. Manufacturers are adjusting sourcing and production strategies, but these changes have not yet led to broad supply disruption.

These conditions are beginning to influence upstream material costs, including metals, plastics, and electrical components, and may impact equipment pricing in future quarters.

The Mechanical / Electrical supply chain business relationships include over 1,300 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.

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: Purvesh Shah, VP of Global Sourcing, pshah@sourceblue.com