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MEP EQUIPMENT COST INDEX

THE MEP COST INDEX HAS INCREASED TO 311 FOR THE CURRENT QUARTER.

The MEP Cost Index increased to 311 in Q2 2026, reflecting a modest rise from 307 in Q1 2026 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 continuing to add uncertainty into forward pricing and global supply chain conditions.



EQUIPMENT LEAD TIMES HAVE STABILIZED

Lead times across most equipment categories have stabilized and are generally tracking within predictable ranges. Current data show a combination of unchanged ranges and selective improvement at the lower end, although several categories remain limited or vary by manufacturer.

Risk continues to be concentrated in limited or manufacturer-dependent equipment, including chillers, generators, UPS systems, switchgear, and custom air handling units. 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. Maximum ranges remained unchanged for several equipment types, while the medium-voltage switchgear range widened from 30–44 weeks to 28–48 weeks, indicating continued manufacturer- and configuration-dependent variability.

ESTIMATED EQUIPMENT LEAD TIMES

Equipment	Previous	Current	↗ ↘ ↔	YEAR	AVG. INDEX	YOY % CHANGE
Cooling Towers	6 - 19 weeks	6 - 19 weeks	↔	2026	309	7%
Chillers (Air Cooled)	7 - 52 weeks	3 - 49 weeks	↘	2025	289	38%
Chillers (Water Cooled)	12 - 60 weeks	12 - 60 weeks	↔	2024	209	2%
AHU	7 - 78 weeks	8 - 78 weeks	↗	2023	204	10%
Generators	40 - 66 weeks	28 - 66 weeks	↘	2022	185	15%
Switchgear (LV)	26 - 58 weeks	26 - 58 weeks	↔	2021	161	11%
Switchgear (MV)	30 - 44 weeks	28 - 48 weeks	↘	2020	145	2.8%
UPS	16 - 42 weeks	16 - 42 weeks	↔			
Lighting Fixtures	8 - 16 weeks	8 - 16 weeks	↔			
Lighting Controls	12 - 26 weeks	12 - 26 weeks	↔			

MEP COST INDEX CALCULATION METHODOLOGY

The following PPI equipment categories/products were used in the numerical evaluation of Q1 2026 and Q2 2026 indices.

Where multiple equipment categories are represented by the same PPI series, the series was included once for each applicable equipment category. This calculation is a SourceBlue internal composite developed from selected BLS PPI data and is not an official standalone BLS MEP index. Q2 values marked preliminary by BLS remain subject to revision.

Equipment Category	BLS PPI Product Category	PPI Series ID
Cooling Towers	All other miscellaneous refrigeration and air conditioning equipment	PCU3334153334159
Chillers, Air and Water Cooled	Mechanically refrigerated, self contained heat transfer equipment	PCU3334153334152
Air Handling Units, Custom	All other miscellaneous refrigeration and air conditioning equipment	PCU3334153334159
Air Handling Units, Commercial	All other miscellaneous refrigeration and air conditioning equipment	PCU3334153334159
Generators	Motor and generator manufacturing	PCU335312335312
Switchgear, Low and Medium Voltage	Switchgear, excluding ducts and relays	PCU335313335313A

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ELECTRICAL EQUIPMENT

Electrical equipment pricing experienced modest increases during the quarter, generally aligning with ~1.3% 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 Q2, rather than uniform escalation
- Subcomponents such as switchgear and generators 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 or remained constant across most 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 moderate 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 strong influence on mechanical equipment pricing, though impacts have not yet resulted in broad market escalation.

2026 OUTLOOK WATCH ITEMS

- Implementation and classification impacts of the April and June 2026 Section 232 tariff changes
- Continued demand concentration in data centers and infrastructure projects
- Labor availability and cost impacts on custom and engineered equipment
- Manufacturer capacity and availability for chillers, generators, UPS systems, and switchgear
- Custom-equipment and systems-integration timelines affecting commissioning and turnover
- Continued Strait of Hormuz volatility affecting energy costs, ocean freight, and international material flows

TARIFFS & SUPPLY CHAIN IMPACTS

Supply chain conditions remain generally stable, although availability remains limited or manufacturer-dependent for several major MEP equipment categories. Tariffs continue to present a pricing risk for equipment with exposure to steel, aluminum, copper, and covered metal-intensive industrial and power equipment. U.S. trade actions in April 2026 increased Section 232 duties on covered metals and derivative products, while a June 2026 action subsequently adjusted the treatment of certain industrial equipment and residential HVAC products. Actual exposure varies by product classification, metal content, country of origin, and sourcing.

GEOPOLITICAL CONFLICT

Geopolitical risk remains elevated and active, continuing to create uncertainty for global logistics and material flows. During Q2, conflict materially disrupted shipping and energy flows through the Strait of Hormuz. A June agreement supported increased traffic and partial reopening of the strait, but renewed attacks in July demonstrate that conditions remain volatile, and maritime-security risk remains high. The disruption contributed to elevated energy prices during Q2. However, EIA's July outlook anticipates continued recovery in oil production and trade flows, with energy prices declining from their Q2 peaks. Direct impacts on metals, plastics, and MEP equipment pricing are not yet clearly demonstrated in the PPI and lead-time data reviewed.

The Mechanical / Electrical supply chain business relationships include over 1,300 of the industry's 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. The ability to accurately forecast cost changes and connect them with supply and demand from vendor market is partly how we mitigate supply chain challenges. This report outlines Q/Q price and lead time changes. This information will allow our partners and clients to make more informed decisions with their projects.

This index is created using the average content of the BLS indices. Historic records and interpretations of the national index for local market conditions may be obtained by contacting: Scott Sladeczek at ssladeczek@sourceblue.com



While these impacts may already be partially reflected in current pricing, they can contribute to cost variability, shorter bid validity periods, and reduced overall pricing certainty.

While widespread shortages have not materialized, continued risk remains for petroleum-based inputs, ocean freight, and equipment with significant international supply chain exposure.