

Revisiting Price Escalation Clauses in a Time of Skyrocketing Material Costs

“Anyone monitoring construction industry trends is aware that the prices of raw construction materials, particularly steel and lumber, have been rapidly increasing since early 2020. Earlier this year, Associated Builders and Contractors reported that iron and steel prices were up 15.6 percent from January of 2020 to January of 2021, and that softwood lumber prices had increased by as much as 73 percent during the same period,” writes Niel Franzese in *Robinson & Cole’s Construction Law Zone*.

“The reasons for these price increases are varied (ranging from supply chain and shipping disruptions to the increased demand for new home construction), and many have their roots in changes introduced to the global economy by the COVID-19 pandemic. Regardless of the explanations for the price increases, the reality is that builders and owners are more frequently facing busted budgets and difficult conversations, sometimes resulting in litigation, about which party is responsible for absorbing the increased costs. As is often the case, the answer to resolving these disputes likely lies in the particular provisions of the contract for construction.”

Read the article.