

Steel and Aluminum Prices Make Some Wonder If There's a Bubble

Others think the higher prices are a result of economics 101 and are here to stay for now.

By **Erik Sherman** | October 08, 2021 at 07:21 AM

If you're building with steel or aluminum, you might be wincing with every quote and invoice.

[Iron and steel prices are up 95.2%](#)—nearly double—year over year, according to Associated Builders and Contractors.

“Some of the recent setbacks in global supply chain recovery relate to the dislocating impacts of the delta variant, but there are other forces at work, including government policy and geopolitics,” ABC quotes its chief economist Anirban Basu. “As a growing number of nations around the world increase vaccination rates, the global economic recovery should continue. That will put even more upward pressure on input prices, all things remaining equal. Passage of a meaningful American infrastructure plan would further catalyze price increases.”

[Prices for aluminum](#), another important product in building, are up almost as much: a 63% jump year over year.

Conditions are ripe, in other words, for bubble pricing. Steel prices “have turned into a bubble. So, they go higher because they go higher,” CRU Group analyst Josh Spoore [told](#) *CNBC*.

For developers on the ground, the scarce availability of certain products is more telling.

Stephen Bittel, founder and chairman of South Florida real estate firm Terranova Corp., tells *GlobeSt.com* that his company has a building two-thirds leased out to one client and wants to add a store front for the remaining space.

“We’ve been waiting four months for the steel frames and glass to be available,” Bittel says. “In a normal time, you’d call the storefront guy, they’d come in and measure it and put it in the next week. People are building new multifamily projects and ordering appliances nine months in advance.”

“I think there are a couple of economics 101 issues in play,” adds Bittel. “You go back to the commencement of the pandemic. Whole factories that produce aluminum and steel shut down. When things started to reopen, we continued to put people back to work. When all that happened, the factories that produce all these products, you just can’t start them up. You have to call back all your staff and hope they show up. You have to acquire raw materials before they show up.”

JLL chief economist Ryan Severino doesn’t think this is going to be a frothy bubble that will burst, sending prices falling again. “This feels like a case of

demand running up faster than supply which is a widespread issue right now," he says. "Demand for inputs and final goods has come racing back faster than supply—not just bringing back old capacity but investing in new capacity."

Severino adds that increased prices "could potentially slow some potential projects or cause marginal ones to get scrapped." New project costs could go higher, "if not actually threaten their potential to move forward."

"It doesn't seem like it's going to be driven by something other than the economy," Bittel says. "I think it will get worse before it gets better."