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How Smart General Contractors Are Handling Contingency, Escalation & Subcontractor Coverage in Mid-2026

A plain-English guide to protecting your bids and your bottom line in today's volatile materials and labor market.

Prepared For
General Contractors, Developers & Project Owners

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What's Happening in Construction Right Now

Construction costs are rising faster than they have in years. Here's what's driving it.

+7.1%	+22.5%	+40.5%	+18.4%
Overall input costs	Steel	Aluminum	Copper (up to +36%)

Cost Category	How Much Prices Rose (vs. Last Year)
Overall Construction Input Costs	+7.1%
Steel	+22.5%
Aluminum	+40.5%
Copper	+18.4% (some markets up to +36%)
Lumber	+9.9%
Cement	+7.7%

The Main Driver: The government now charges a permanent 50% tax (called a "tariff") on imported steel, aluminum, and copper. That's not a temporary spike — it's the new normal, so these higher costs are here to stay.

What this means for you: if you're still pricing jobs using 2024 or early-2025 numbers, you could be underbidding by 15–40% on any job that uses a lot of these materials.

1 Contingency: Your Safety Net

Contingency is the extra money you set aside in your budget for surprises — price jumps, small scope changes, anything unexpected once work starts.

What Industry Leaders Recommend for 2026

Project Type	Recommended Contingency	Why This Amount
Structural (lots of steel & concrete)	15–20% minimum	Steel and concrete prices swing a lot; tariffs make it worse
MEP-heavy projects (mechanical, electrical, plumbing)	10–15% base + 5–8% set aside just for price hikes	Copper and electrical parts are hard to predict right now
Early design phase	25–40%	Too many unknowns — the design will still change a lot
Mid design phase	10–15%	Design is more settled, but changes are still likely
Final design phase	3–8%	Design is locked in — only small tweaks left

A simple way to explain it to your owner: "Our estimate includes 15% contingency to protect against material price swings. That's standard for 2026 given tariffs and supply issues. Without it, we risk change orders or delays down the road."

2 Escalation Clauses

A contract clause that protects you if material prices jump after you bid.

An escalation clause is a simple line in your contract that says: if material prices go up after you submit your bid, you're allowed to raise your price to match. Without one, you're stuck at your original price no matter how much the market moves.

Industry Standard for 2026

Element	What's Standard in 2026	Why It Matters
Trigger threshold (when it kicks in)	Once prices rise more than 5%	Ignores small, normal price wiggles
Bid validity period (how long your price holds)	30 days max; 14–21 days for steel/copper jobs	Supplier quotes don't last long right now
Materials covered	Steel, copper, lumber, aluminum, electrical	These prices move the most right now
Proof you'll need	Supplier invoices, dated quotes, published price indices	You need paperwork to back up any increase

Sample Escalation Clause (Ready to Use)

Copy this into your contract template — it's written in standard legal language your client will recognize.

> **Material Price Escalation —** The Contract Price is based on Contractor's documented material costs as of [Bid Date], evidenced by supplier quotations attached as Exhibit A. If the actual cost of any listed material increases by more than five percent (5%) above the documented baseline, the Contract Price shall be adjusted by the amount exceeding the 5% threshold. Contractor shall provide written notice within 21 days of becoming aware of the increase, with supporting supplier documentation. Applies to steel, copper, lumber, aluminum, and electrical components only.

How to Use This

- [ ] Add this clause to every 2026 bid — even small jobs. It only helps you, and costs nothing to include.
- [ ] Keep your bid price valid for 30 days max (14–21 days if the job is heavy on steel or copper)
- [ ] Spell out the exact materials covered — steel, copper, lumber, aluminum, electrical — don't just say "materials"

> *Pro tip: use this clause any time more than 60 days will pass between signing the contract and actually buying the materials.*

3 Subcontractor Coverage

Making sure the subs you hire actually show up — and stay in business — for the whole job.

Subs are stretched thin right now. Experienced tradespeople are retiring, labor is harder to find, and the data-center construction boom is soaking up electrical and mechanical crews. As a result, subs are bidding 20–30% higher than in 2024 just to cover their own risk. If a sub runs out of money mid-project, you're the one stuck re-bidding the work and explaining the delay.

Industry Best Practices (2026)

What to Require	What to Ask For	Why It Matters
Financial statements	2–3 years, reviewed by a CPA	Shows they're financially healthy
Bonding capacity (the size of job their insurer will back)	A letter from their bonding company	Confirms they can actually get bonded for a job your size
Bank references	Credit line worth 20%+ of their current workload	Shows they have cash on hand for payroll and materials
Safety record	Their safety score for this year + the last 2 (see below), plus 3 years of OSHA injury logs	A worse safety score means more accidents and more risk for you
Backlog (work they've already committed to)	Should be under 8–9 months of their annual revenue	Too much on their plate means no crew left for your job

Safety score = their "EMR," short for Experience Modification Rate. Think of it like a credit score for job-site safety: 1.0 is average, below 1.0 is better than average, above 1.0 is worse.

Financial Vetting Checklist (Subcontracts Over $500K)

Ask for these documents before you sign anything over $500K.

- [ ] 2–3 years of financial statements (audited or reviewed by a CPA)
- [ ] A current balance sheet, no older than 90 days
- [ ] Last year's income statement
- [ ] A reference letter from their bank
- [ ] A bonding capacity letter from their surety (bonding company)
- [ ] Their current list of active jobs and what each one owes/earns (a "WIP schedule")
- [ ] A report showing which bills they still owe and for how long
- [ ] Confirmation there are no unpaid-work claims filed against their recent projects

Red Flags — Walk Away If You See These

- ! They have less short-term cash than short-term debt — a sign they may struggle to pay their bills
- ! They've already committed to more work than they make in a year — they may not have the crew for you
- ! Their safety score is above 1.0 — a worse-than-average safety record
- ! They won't share financial statements at all — ask for a payment bond instead, or don't hire them

4 Procurement Tactics

Simple ways to buy materials smarter while prices keep climbing.

1. Buy Early

Figure out your 15 most expensive materials during preconstruction, and lock in pricing 60 days earlier than you normally would.

Result: one project saved 8% on structural steel just by locking prices early.

2. Shorten Quote Validity

Keep your price good for 30 days max on most jobs — 14–21 days if it's heavy on steel, copper, or aluminum.

Suppliers aren't holding prices for 60–90 days anymore, so match your bid to theirs.

3. Have Backup Suppliers

Build relationships with 2–3 suppliers for every material that matters, and try to negotiate bulk pricing or locked-in rates.

If one runs short or raises prices, you've got somewhere else to turn.

4. Buy Right After Award

As soon as you win the job, order the materials with long lead times and lock in your equipment rental rates for the whole project.

Every week you wait, prices have a chance to climb.

⚠ Red Flags to Watch (Next 3–6 Months)

Risk	What It Means for Your Projects
New round of tariff changes possible after July 24	Tariffs could shift country by country; some material prices may jump with little warning
Canadian lumber tariffs may rise to 50% (Aug 19 deadline)	Could add $10–15K to the cost of an average wood-frame home
Copper prices keep swinging	Electrical/mechanical bids running 20–30% over budget; check prices every week
More subs going out of business	A low-bid sub can't finish the job; expect re-bids and delays

What to do: Go through your open bids and active contracts and check whether tariffs could hit your costs. If your escalation clause doesn't cover new tariffs, tell the owner in writing now — don't wait until next month.

Quick Wins — Do This Week

Five small changes you can make right away to protect your margins.

1 Update your contingency template

- Structural jobs: 15–20% minimum
- MEP-heavy jobs: 10–15% base, plus 5–8% set aside for price hikes

2 Revise your escalation clauses

- Kicks in once prices rise 5%
- Name steel, aluminum, copper, fuel, and aggregates by name
- Bid stays valid 30 days (14–21 for steel/copper jobs)

3 Shorten how long your bids stay valid

- General work: 30 days
- Steel/copper-heavy work: 14–21 days

4 Pre-qualify your subcontractors

- Ask for 2–3 years of financial statements
- Get their bonding letter, safety score, and OSHA logs

5 Lock in key materials early

- Identify your top 15 materials by cost
- Get quotes with a set expiration date and tariff terms in writing

Forecast — Next 6 Months

Material	Expected Trend	Recommended Action
Steel	Flat to +5%	Lock it in now if your project starts before Q1 2027
Aluminum	+10–15%	An escalation clause is a must
Copper	Hard to predict — stays volatile	Give it its own escalation clause; check prices weekly
Lumber	Holding steady	Good time to lock in wood-frame projects
Cement / Concrete	+5–7%	Build in a 4–6% cushion for price increases
Labor	+8–12%	Lock in your subs early; retention bonuses help keep crews

Have Questions About Your Specific Project?

Let's talk through your contingency, escalation, and procurement strategy.

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Recommendations are based on industry best practices and 2026 market data from AGC, JLL, ENR, and construction consulting firms.
Specific percentages may vary by region, project type, and contract structure. Next Update: November 2026.