

Construction Industry Battles Combination of Winter Slowdown, Rising COVID-19 Cases

Winter months are often accompanied by a slowdown in construction where companies revert their efforts to accommodate the cold weather. This year will add a new hurdle for the industry amid the coronavirus pandemic as the case count rises once more, causing an earlier and potentially more impactful slowdown in the sector. Construction credit professionals around the country have found business to ebb and flow during the course of the pandemic, some preparing for the winter slowdown and the possibility of state and/or federal shutdowns.

An Associated General Contractors of America (AGC) survey conducted in mid-October began sparking concerns of dwindling construction business—78% of respondents experiencing project delays or disruptions. The majority of respondents said such occurrences were caused by a shortage of construction materials, equipment or parts, followed by others sharing woes of craftworker/subcontractor shortages or potentially infected people on jobsites. Meanwhile, more than half of respondents said their suppliers notified them or their subcontractors that deliveries would either be late or cancelled.

In an interview with Construction Dive, AGC chief economist Ken Simonson described the current climate as “green light, yellow light, red light” in nature, therefore, creating hesitation among investors.

“... The months-long pandemic is undermining demand for projects, disrupting vital supply chains and clouding the industry’s outlook,” Simonson said in the article. “There had been a hope that people would start returning to facilities, using the airports and attending conventions, going on vacations. And now all of that seems to be delayed.”

Credit professional Roberta Ortiz-Montoya said Wagner Equipment Co. in New Mexico, is also staying afloat amid the pandemic, despite some projects being put on hold due to restrictions on public land use. The company specializes in Caterpillar equipment, sales, parts and service and also experiences slow business during the winter months.

“The combination of the normal winter slowdown and COVID-19 does create a new hurdle,” Ortiz-Montoya said. In addition to operating in cold weather, COVID-19 makes it “difficult to do business over the phone when our industry depends a lot on face-to-face contact.” At this time, she said the company is moving forward with current projects and will start up delayed projects once more areas are open for business.

Kilgore Architectural Products Vice President and CFO Sheryl Rasmusson, CCE, said although her company has done relatively well since the virus reached the U.S., it hasn’t been without its struggles. Kilgore is a commercial specialty subcontractor that furnishes and installs custom metal and translucent panels and skylights as well as sunshades and specialty glass windows.

“Our biggest struggles have been obtaining critical material from suppliers who can’t get material and don’t have full employee capacity to build our products, potentially creating delays,” said Rasmusson, who served as the NACM-National chairwoman in 2019. “The other issue we are having are jobsites being shut down due to positive COVID-19 testing, also creating a delay and loss in productivity. Mobilizing and demobilizing is costly to the overall outcome of the project.”

Slight improvements were noted in recent months following the modification or lifting of state

restrictions, but Rasmusson and her team continue to closely monitor the impacts from suppliers and general contractors and frequently meet to discuss any project delays so contractual obligations and schedules are met. Any new projects that are bidding and any subcontract agreements Kilgore receives are also examined to verify the company's ability to meet critical schedule deadlines.

Rasmusson said Kilgore will not slow down for the winter, instead, carrying a significant backlog throughout 2020. The company's team of installers frequently work through most weather issues, with minimal impacts unless there is larger than normal snowfall in the region. However, if restrictions are tightened because of COVID-19, she said, Kilgore has a plan that begins with its safety task force assisting in preparedness efforts, including the availability of proper PPE and resources for obtaining items such as large quantities hand sanitizer, face masks and Plexiglas.

Supply shortages are also creating a stir at Rew Materials, where credit manager Tony Lappas, CBA, said they are experiencing longer lead times from manufacturers for many of the products they sell, including drywall, steel framing and related materials. Some customers have had jobs temporarily shut down due to workers getting the virus. Efforts to address ongoing issues are underway, he said, specifically keeping customers aware of changes and pushing for more advance planning of material orders.

"We anticipate the usual seasonal slowdowns so far," Lappas added. "We do recognize the recent increase in COVID-19 cases may have a negative impact, but we have not seen it impact scheduled jobs we are supplying at this point."

At Rosen Materials, director of credit Pat Grimm said the allocation of drywall, shingles and lumber are hurting sales. Specializing in interior and exterior products, Grimm said Rosen Materials is actively searching for other sources of supply with limited success.

"You can't plan for an allocation. It's easier to try and time the stock market," he said, adding that the company anticipates business won't return to pre-pandemic levels within the next six months, but rather, when there's the return to free supply on primary products.

—Andrew Michaels, editorial associate