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# The Impact of Coronavirus on Construction: How To Prepare



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## Construction

It's becoming increasingly clear that the impact of the novel coronavirus (COVID-19) will affect the construction industry in the United States in the coming weeks and perhaps even longer.

This development should come as no surprise: 30 percent of all construction materials used in the United States come from China, where the disease has resulted in significant numbers of factories to shut down. For example, virtually every lighting product has components manufactured in China. Other electrical products are equally impacted. This supply chain disruption will affect almost every kind of construction since lighting is basic to all projects. We have heard anecdotally about general contractors who have had steel and other products delayed in port for weeks. Even alternative materials such as wood may become harder to ship because of the disruptions in commerce.

As potentially more factories close, there will most likely be shortages of products and resulting increases in pricing. If the problem becomes serious enough, it may also impact labor, as contractors cannot work from home as may be the case in other industries. This is especially true in an industry facing a dwindling skilled labor pool.

While there is little that can be done in the short term to mitigate the consequences of the spread of the virus, we would suggest a few basic steps as best practices:

- Ensuring good communication between subcontractors, suppliers and general contractors, and between owners and general contractors, is key. Much grief can be avoided if there are frank discussions about which materials on a job are likely to be impacted and whether substitute materials can be used. If alternative materials are more expensive or aesthetically less pleasing but readily available, and that alternative is raised early in the process, owners can make educated decisions as to whether completing the project faster, even at a higher cost, or without some of the planned design features, is worth accepting an alternative. Such discussions will also allow the owner to determine if it is better to put the entire project on hold for a period of time or delay a planned move. At a minimum, frank conversations among the team regarding supply chain issues will avoid surprises and allow collaboration in facing a difficult situation. The problem will not get better by ignoring it.
- Parties should also make sure that responsibility for risk is spelled out in the agreement and understood by the parties. While it is likely that widespread disease would be considered an event of force majeure (an act of God), even if not spelled out, it should be specifically addressed. A fair resolution would probably be to allow an extension of time if the widespread disease causes a disruption beyond the control of the contractors, but limit the contractor's remedy to that extension and no other damages.
- Additionally, while it is always good practice to determine how many jobs a contractor has going at a time and how many employees work for the contractor, that determination is even more important when laborers may become ill and not be able to come to the site. Similarly, the use of incentives for meeting completion goals may cause a contractor to prioritize projects when dealing with a limited workforce.

- Reliance on technology will also become increasingly important in the event of a pandemic. It can be used to locate products in a shrinking market, it can serve as a design tool and it can eliminate certain site meetings, among other things.

The bottom line is that those who do best in this difficult situation will be those who communicate well with their teams, have access to the most up-to-date information, are well-prepared in planning and, most importantly, are patient.

*To discuss these issues and any other construction matters, please contact a member of Gould & Ratner's [Construction Practice](#).*