

KEEPING BUSINESS GOING IN A TIME OF CRISIS:

Findings from the Dodge Contractor Panel Study on Contractors' State of Business During the COVID-19 Outbreak

INTRODUCTION

The efforts to manage the impact of the COVID-19 outbreak in order to minimize the loss of life have already had a profound effect on U.S. businesses, including the construction industry. However, the impact on construction has been far from uniform. In order to help the industry better understand the implications of this moment, Dodge Data & Analytics launched an online survey of contractors to its contractor panel, which fielded from March 19 to March 31. The findings capture the moment when many companies began to realize the severity of the impact, and demonstrate the degree to which the immediate impacts vary across the U.S.

IMMEDIATE IMPACTS OF THE COVID-19 CONTAINMENT EFFORTS

Two thirds (67%) of contractors report that their projects have experienced delays due to the outbreak. These findings do not vary based on type of company (prime contractor versus specialty trade contractor), size of company or region.

Contractors report the following reasons for the delays:

GOVERNMENT-MANDATED CLOSURES: The highest percentage (29%) states that their projects are delayed because of shutdowns of construction sites. These have generally been limited geographically so far, even in states that have stay-at-home orders, since construction is often deemed an essential business. However, the type of construction that qualifies as essential does vary from one locale to the next.

ISSUES WITH OBTAINING MATERIALS AND EQUIPMENT: Many contractors (22%) also cite concerns about getting materials and equipment in a timely

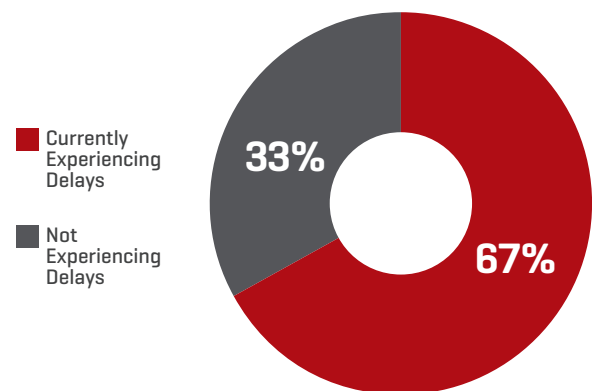
fashion, due to many factors, including issues with international deliveries and lack of truck drivers. Several also worry about manufacturers shutting down, but only 3% of manufacturers in Dodge's survey of that group reports needing to shut down [see page 5 for more information].

WORKER AVAILABILITY: Contractors (20%) also report challenges with having enough workers. Some comment that trade contractors have cut the sizes of their crews to help with social distancing. Others report that workers are concerned about getting sick or needing to be home with schools shut down. A few contractors, though, state that they have been able to shift workers from sites that are shut down to sites that are still operational.

OWNERS DELAYING/CANCELING PROJECTS: Some contractors (14%) report that owners are delaying the start of projects or canceling them, due to health and safety concerns, or due to concerns about the viability of their markets.

PERMITTING AND INSPECTIONS: Several contractors (11%) state that getting the necessary permits and inspections has impacted their projects because government offices have shut down.

Project Delays Due to COVID-19



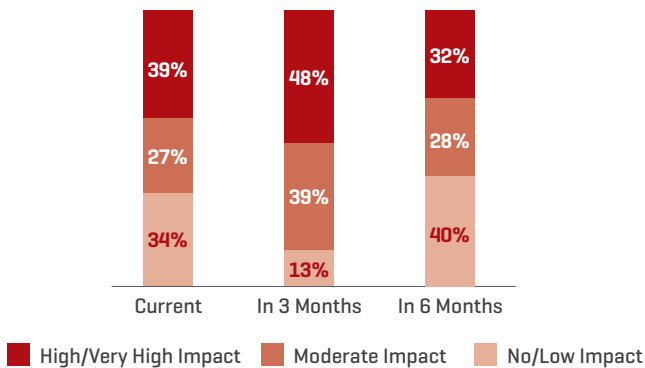
OTHER REASONS: Contractors also report expected project delays due to productivity impacts from social distancing measures, inability to conduct meetings with project team members, challenges with working at existing facilities due to closures or, in the case of medical facilities, projects being delayed to avoid construction impacts on vital virus-response efforts.

LONGER-TERM IMPACTS EXPECTED

Contractors were asked to rate the severity of the impact of the COVID-19 outbreak on their businesses in three time periods: currently, in three months and in six months.

Most contractors expect the worst impacts of the COVID-19 outbreak and containment efforts to be in the next three months, with nearly half [48%] expecting a high/very high impact on their businesses and more than one third [39%] expecting a moderate impact.

Impact of COVID-19 Outbreak on Business



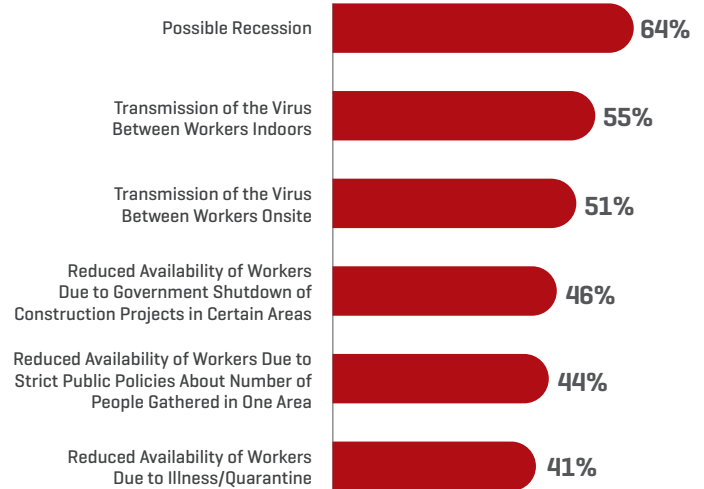
TOP CONCERNS

Contractors were provided with a list of nine challenges they may face due to the virus outbreak and efforts to contain it, and they were asked to rate the degree of concern they have about each factor on a scale of one to five. The chart at right shows the percentage who rate themselves as very [4] or extremely [5] concerned about the top six out of the nine factors measured.

The greatest concern that contractors have is that the current crisis will create a longer-term recession. Contractors are also highly concerned about workers transmitting the virus to each other, whether in the office or in the field.

The other three notable concerns reported by respondents are factors that will reduce the availability of workers, whether due to government shutdowns, public policies about the number of people gathered in one place or workers being ill or quarantined.

Top Contractor Concerns Due to COVID-19 Outbreak (Rated as Very/Extremely Concerned)



Architect Insights from the AIA

The American Institute of Architects [AIA] conducted a survey of their members from March 17 to March 24, 2020 about the impacts of the COVID-19 outbreak on their industry. Their findings are published in a special report, available at www.aia.org/pages/6282364-march-2020-special-report-moving-ahead-cha.

It reveals that many architects are already experiencing business impacts from the response to COVID-19 and expect to experience more challenges in the near future. Findings include:

- **Nearly two thirds [67%] have had prospective projects slow or stop.**
- **Firms anticipate revenue losses of 10% in March and 15% in April.**

VARIATION BY COMPANY TYPE, REGION AND SIZE

COMPANY TYPE: More GCs/construction managers/design-builders are concerned about the difficulty getting materials [41%] and the reduced availability of workers due to school closings, etc. [34%] than are trade contractors [19% for both].

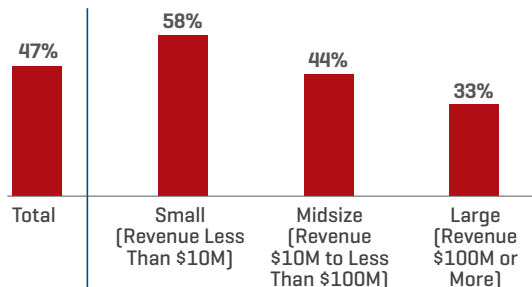
REGION: Many more contractors in the Midwest [53%] are very/extremely concerned about reduced availability of workers due to illness/quarantine than those in the West [22%]. Companies in the Northeast [38%] and South [45%] fall in between.

COMPANY SIZE: Interestingly, only 9% of large companies [revenues of \$100 million or more] have little/no concern about the reduced availability of workers due to illness/quarantine, compared with 33% of smaller companies. This suggests that smaller contractors are more vulnerable to personnel shortages.

EXPECTATIONS ABOUT AND ABILITY TO WEATHER EXTENDED JOBSITE CLOSINGS

Nearly half [47%] of all contractors surveyed expect to see jobsites closed for an extended period of time due to COVID-19. This is notably more worrisome to small companies [58%] than large [33%] ones.

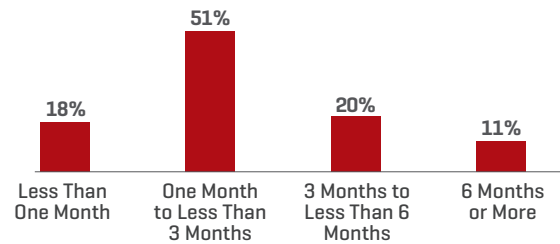
Contractors Expecting Jobsites to be Closed for an Extended Period of Time



The contractors who expect extended jobsite closings were asked about how long they believe their businesses could weather jobsites being closed down without serious concerns about the

viability of their business. Half [51%] say they will face serious risk if shutdowns go as long as 3 months, and about one-in-five [18%] will have difficulty surviving one month.

Amount of Time Companies Expecting Extended Jobsites Closures Believe They Can Weather a Shut Down Before Having Serious Concerns About the Viability of Their Business



SINGLE BIGGEST RISK POSED BY COVID-19

Contractors were asked to identify the single biggest risk that COVID-19 poses to their business. While GCs/construction managers/design-builders and specialty trade contractors report similar concerns, the frequency with which they cite these concerns varies.

GCS/CONSTRUCTION MANAGERS/DESIGN-BUILDERS:

The two concerns GCs/CMs/design-builders cite most frequently are worker availability and a possible recession resulting from the pause in the economy. These issues were also raised by several trade contractors, but only tied for fourth in terms of frequency.

SPECIALTY TRADE CONTRACTORS: Trade contractors most frequently describe concerns over their workers' health as the single biggest risk to their business from the COVID-19 outbreak, and nearly as many state that mandated government shutdown of their projects is the greatest risk. GCs/CMs/design-builders also mention both these issues, but slightly less frequently than do trade contractors. Fewer projects moving into the start phase is also cited frequently by trades and GCs/CMs/design-builders.

INSURANCE AND RISK MANAGEMENT STRATEGIES

INSURANCE

With the unprecedented nature of the COVID-19 outbreak, it is not surprising that many contractors are not certain insurance will cover the risks they face on their projects or in their businesses. The project delays caused by worker shortages, social distancing measures that impact productivity, delays in critical equipment or material delivery, or long-term government-mandated shutdowns of construction sites may create challenges for contractors even after the restrictions are lifted.

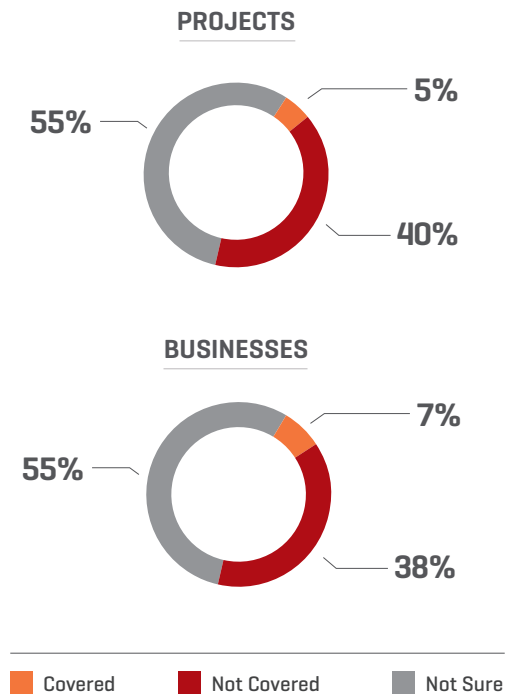
Contractors were asked about whether they believe that their insurance policies will cover the risks they face on their projects and for their businesses. Very few believe they have insurance that will cover either, with only 5% who believe their insurance will cover the impacts on their projects and 7% on their businesses. More than half simply don't know whether insurance will cover them or not, and the remainder are certain that they are not covered.

RISK MANAGEMENT STRATEGIES

The survey ended with an optional, open-ended question about general risk management strategies. However, respondents are so focused on the issue of COVID-19—due to the previous questions and due to the general, universal focus on this issue—that most responses address specific risk management strategies for this moment, whether they are ones that they implemented previously or are ones that they are implementing now to deal with the current crisis.

Despite the shared focus on the risks to be mitigated, there is wide variation in the responses. The most common ones deal with measures taken for social distancing onsite, telecommuting by office staff, implementation of increased sanitation and other health and safety measures, and

Insurance Coverage for Events Like COVID-19 Outbreak for Projects and Businesses



attention to insurance. A few also highlight frequent client communication, generally maintaining a low overhead and drawing on external expertise to evaluate risk and make recommendations.

However, there are several unique responses that may be of interest to others in the industry:

- “Big investment in network systems”
- “Frequent in-person communications with clients”
- “Continuing to pay my employees who can't come to work—want them to be back as soon as we reopen, so that we may be responsive to our clients' needs”
- “Established reserves for 90-day downtime”
- “Keeping employees informed on a daily basis, with government and AGC recommendations, monitoring employees' health, sending anyone home if there is a potential for transmittal”
- “Try to submit pay applications on all work and stored material more quickly”

Insights of Building Product Manufacturers

An online survey of 154 building product manufacturers (BPMs) conducted from March 31 to April 3 by Dodge Data & Analytics included questions on the impacts of COVID-19 on their businesses.

An open-ended question about the current and expected impact of the outbreak on their business now and in three months reveals that moderate impacts are being felt or are expected by many BPMs.

- Only 3% of the BPMs have shut down their businesses due to the restrictions and mandates to contain the virus, and only 4% report that they have furloughed, laid off or cut the wages of employees.
- Almost one third [32%] are currently experiencing a reduction in business, and slightly more [37%] expect to see business reduced over the next three months.
- While a few [6%] report a recent increase in demand for their products, due to greater demand from the sectors they serve [e.g., warehouses, healthcare] or to customer attempts to stockpile because of supply chain concerns, 10% state that they expect a surge in demand once restrictions lift.
- Only 5% regard the inability to deal with customers directly as a major challenge, suggesting that electronic communication is already widely used for this purpose.

Like the contractors, BPMs were also asked to rate how concerned they are about several factors that could impact their businesses over the longer term.

- Most are concerned about work continuing in the construction industry, including 63% who are very/extremely concerned about a recession, 62% worried jobsites are closing down for extended periods of time, and 61% fearing a major reduction in the pipeline of upcoming projects.
- As major employers, about half [51%] are very/extremely concerned about transmission of the virus among their employees, yet fewer are concerned to that degree about the availability of workers due to either illness [34%] or school closings [17%].
- From their perspective as industrial manufacturers, only 28% are very/extremely concerned about the availability of raw materials to produce their products.

METHODOLOGY

DODGE CONTRACTOR PANEL


In order to enable reliable market research in the construction industry, Dodge Data & Analytics maintains a panel of more than 2,200 decision-makers that includes general contractors, construction managers, design-builders and trade contractors. This panel allows Dodge to provide findings that are representative of the entire U.S. construction industry by geographical location, size and type of company.

DEMOGRAPHICS

172 contractors from the Dodge Contractor Panel responded to the online survey conducted from March 19 to March 31.

TYPE OF COMPANY: General contractors [42%], construction managers [12%], design-builders [5%], specialty trade contractors [41%].

SIZE OF COMPANY: Revenues under \$10 million [38%], revenues from \$10 million to under \$100 million [37%], revenues over \$100 million [25%].



ABOUT DODGE DATA & ANALYTICS : Dodge Data & Analytics is North America’s leading provider of analytics and software-based workflow integration solutions for the construction industry. Building product manufacturers, architects, engineers, contractors, and service providers leverage Dodge to identify and pursue unseen growth opportunities and execute on those opportunities for enhanced business performance. Whether it’s on a local, regional or national level, Dodge makes the hidden obvious, empowering its clients to better understand their markets, uncover key relationships, size growth opportunities, and pursue those opportunities with success. The company’s construction project information is the most comprehensive and verified in the industry. Dodge is leveraging its 100-year-old legacy of continuous innovation to help the industry meet the building challenges of the future. To learn more, visit www.construction.com.