



The coronavirus (COVID-19) pandemic has already had a major impact on the U.S. economy, and certain industries – including construction – are among the hardest hit. Throughout the nation, construction companies are experiencing the disruption of supplies from China, the world’s largest manufacturer. There are more than 150 manufacturing facilities in Wuhan that produce materials used by the construction industry. Construction firms in Singapore, for example, are already experiencing completion delays and project slowdowns because products and deliveries from subcontractors from China have come to a halt.

Nearly 30 percent of products used in U.S. building construction are imported from China, the largest single supplier to the U.S. The slowdown affects a wide range of materials, including stone, steel, plumbing/electrical fixtures, millwork, concrete boards and flooring tiles.

Supply Disruption

It typically takes three weeks to move product to the U.S. from China, where quarantines have shut down work schedules. The lack of output from China could result in widespread shortages of construction equipment and components, resulting in rising costs. The rising number of confirmed cases of the coronavirus throughout the U.S. will wreak further havoc on construction timetables.

Extension of Time Requests

Construction contracts usually put the risk of materials delivery and contract delays on the contractor. Given current circumstances, many firms are considering extension of time (EOT) claims to complete their projects, citing *force majeure* (“acts of God”) as the reason.

Force majeure clauses refer to unexpected events that are outside the control of any of the parties to the contract and provide relief to contractors in meeting their obligations laid out in the contract. In other words, force majeure clauses allow for the suspension of contractual obligations under special circumstances.

Since early February 2020, more than 1,600 companies in China have received force majeure certificates, issued by the government to support business claims and reduce the economic impact of the virus on the Chinese economy.

U.S. construction executives seeking EOT relief from coronavirus disruption through force majeure will need to take actions that comply with condition precedent and have supporting evidence. While there have been other global health emergencies, some argue that the scale and speed of the current lockdown is unprecedented, giving credence for force majeure claims. Construction industry stakeholders should understand their contract arrangements to protect their interests.

While force majeure may be the only option for some companies, a thorough review of contract terms would be prudent to identify any clauses that might allow not only for time, but for increased costs, as well.

Focus on Diversification

U.S. construction executives would be wise to conduct a thorough audit of their global supply chains, including any third parties with which their suppliers do business. Where are there shortages of raw materials? Which costs are most likely to increase the most, and when? An audit can help determine the business's greatest vulnerabilities and make contingency plans, such as sourcing materials from other parts of the world, including Canada and other Asian markets. Whether stemming from escalating tariffs or the outbreak of serious viruses, the diversification of construction supply chains protects construction businesses from bearing the full brunt of measures beyond their control.

Learn More

To learn more about how the coronavirus is impacting the construction industry, please contact Bennett Thrasher by calling [770.396.2200](tel:770.396.2200).