

COVID-19 Northeast Construction Round Table Situation Report

Summary

as of April 1, 2020

Session Presenters

- James Vermeulen, Vermeulens
- Richard Vermeulen, Vermeulens
- Bill Higgins, Full Spectrum Benefits
- Dave Slomsky, Suffolk
- Greg Williamson, Bond Brothers

Health Insurance Perspective

- Insurance carriers are:
 - Covering anything COVID related
 - Working with companies and individuals to provide coverage
- Recommend communication with employees regarding:
 - Acknowledging fears: reassure value of employees and the future of business
 - Work with management and key employees to ensure questions are answered

Construction Economics

- Vermeulens construction cost index has shown **rapid decreases** below the long-term trend line in past recessions
- Currently the **cost index is well above** the 34-year historical trend line
- The 2008 downturn was due to **economic fundamentals**
- The current **downturn is different** as it is starting from solid economic fundamentals
- The depth of this downturn will depend **on time to flatten the curve** and slow the pandemic
- Unemployment has **increased by 3.3M** however it was starting from 20 year low
- **2008 saw 8.7M job losses** compared to the 3.3M lost in the current downturn
- Stock markets dropped 60% in 2008 compared to a **current decline of 30%**
- Stimulus packages of **\$2 trillion and interest rate cuts** will soften the downturn by increasing money supply
- Federal Reserve is also providing Quantitative Easing by purchasing up to **\$4 trillion in financial assets**
- **March jobs data** will be published on April 3rd and will be discussed during the next round table

Construction Administration and Logistics

- Boston/Cambridge 'non-essential' projects on hold
- Preconstruction
 - Currently the pace continues
 - Few projects have slid, but the understanding is that can change at any time
- Subcontractors
 - Competition (read: number of bidders) is increasing on projects out to bid
 - May begin getting more aggressive with pricing due to supply and demand/confidence in the market
 - In the Northeast we have not yet seen 'COVID language' in proposals / bids



Other Considerations

- Procurement
 - Construction manager vs. competitive bid (lump sum)
 - '90-105' strategy for design alternatives in order to flex to market conditions
 - Should early release packages consider including enclosure and headend mechanical due to lead times
- Outlook
 - Design partners seeing projects in early stages of design sliding/on hold
 - One design firm has gone to 4 day weeks at 80% pay
 - Schools losing money on 'room and board'
 - Downturn may be an opportunity for some companies
- Potential shifts in the market
 - Academia teaching on-campus or remote?
 - Pandemic preparedness projects?

Future Meeting Agenda Items

- Real-time solutions for architectural/construction protocol (temporary or long-term)
- Subcontractor responsiveness

Corona Virus Clauses

- Starting to appear in subcontractor proposals in TX (see attached) and likely elsewhere

Due to the unprecedented situation happening around the world with the COVID-19 virus and the potential for follow-on impacts arising from reactions to the outbreak, it is uncertain as to the impact this event will have on manufacturing and supply lead times, shipping, as well as vendor and contractor services and construction activities moving forward. Accordingly, please understand that our quotation today is conditioned upon an acknowledgement and your agreement that, in the event the COVID-19 virus directly or indirectly delays or impacts our ability to perform, including our ability to obtain requisite materials, equipment, or furnish sufficient labor or supervision, the vendor shall not be deemed in default and the parties shall agree to negotiate a modification of the contract scope, schedule or method of performance to appropriately address the impacts of such event. We will notify you promptly in the event of such an impact and provide our best estimate as to the impact and will continue to update you as the circumstances evolve.

Additionally, if awarded this project, the vendor will require an amendment to any and all contract terms & conditions with the following statement: Neither Party shall be liable or in breach of its obligations under this Agreement to the extent performance of such obligations is delayed or prevented, directly or indirectly, by causes beyond its reasonable control and without its fault or negligence, including acts of God, fire, terrorism, war (declared or undeclared), severe weather conditions, earthquakes, epidemics or pandemics (including but not limited to COVID-19), material shortages, insurrection, acts or omissions of contractor's suppliers or agents, any act or omission by any governmental authority, national epidemics or pandemics (including but not limited to COVID-19), strikes, labor disputes, acts or threats of vandalism or terrorism (including disruption of technology resources), transportation shortages, or vendor's failure to perform (each, an "Excusable Delay"). The delivery or performance date shall be extended for a period equal to the time lost by reason of such delay, including time to overcome the effect of the delay. The Party experiencing Excusable Delay shall use reasonable efforts to continue performance whenever such causes are removed. However, in the event an Excusable Delay continues for a period two (2) continuous months or more, then either party may, upon 30-days written notice to the other terminate the affected part of this Agreement for convenience.

