Market Outlook Construction Forum

Summary

as of November 6, 2020

Presenters

- Laura Sachtleben, Senior Principal, Stantec
- Tom Oehler, Vice President, Stantec
- Peter Capone, Director of Purchasing, Consigli
- Jared Lachapelle, Chief Estimator, Consigli

Getting Back to School, Stantec

- Why School Facilities will continue to be necessary
 - o schools offer more than reading, writing and arithmetic
 - o schools teach soft academic skills like leadership, time management, and social skills
 - o full economic recovery will be difficult without the return of schools
 - o 1 in 5 children are in a food-insecure household, schools provide food for most of these families
 - mental health services are provided through school
 - o families are often not capable of taking responsibility for their children's learning at home
- Post COVID design Considerations
 - o outdoor learning spaces are paying off during this pandemic
 - o designs targeting mental health support are being assessed; providing a smooth transition back to school
 - o providing a flexible learning environment mode e.g. (Collaborative spaces, Socializing Spaces) will be important
 - clients are looking to utilize the most up to date air quality filtration technologies as well as upgrading their existing air filters
 - o hand washing systems will be approached as both an infrastructure issue as well as a behavioral one
 - o health checkpoints throughout new schools are being assessed e.g. (wellness kiosks, shoe sanitation stations)

K-12 Economic Influences

- o record housing starts in some markets
- o most schools transitioned to face to face or hybrid models
- o undue estimate inflation due to uncertainty, some material price increases, and bond delays may lead to a bubble

Market Outlook: Latest in Construction Material Pricing, Consigli

May-June Industry Concerns (based on subcontractor feedback)

- o experienced supply chain issues due to shortages/ shutdowns
- o work backlog was used to fill short term gaps
- safety provisions were in the range of 2-5%

Q3 Feedback (predicting Q4 and 2021)

- o no dramatic cost increases apart from HVAC and Electrical (high risk)
- 56% of subcontractors are not reporting material delays with remaining experiencing delays in the 1-4 week range for the following materials: PVC, electrical switchgear, lumber, copper, and flooring
- o 60% of subcontractors are looking for backlog for 2021 and 2022, receiving very good bid coverage for 80% of trades
- more competitive pricing compared to 2019 and early 2020

Future Agenda

- Cushman Wakefield: COVID 19, How is Retail adapting to the New Normal?
- AEI: Engineering perspective
- DIRTT: Modular and furniture solutions
- Subcontractor feedback





Service Beyond Estimation

Design & Construction Market Outlook

Richard Vermeulen – Co-CEO Blair Tennant – Associate Principal

North America's Construction Economist vermeulens.com

Boston New York Toronto San Antonio Denver Los Angeles

Logistics



- Please mute mics except for those speaking
- Please keep camera function off
- Interim questions and comments via chat
- Thank You: slide deck, audio link
- "Situation Report" (Summary) Along with a Reminder
- Next session Monthly December 4th (First Friday)
- Special Interim Forum 11/20 invite coming soon

Agenda



Getting Back to School: Future of K-12 Stantec – Laura Sachtleben & Tom Oehler

Market Outlook: Latest in Construction Material Pricing Consigli – Peter Capone & Jared Lachapelle

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GETTING BACK TO SCHOOL PONDERING THE FUTURE OF THE K-12 MARKET

Tom Oehler, AIA and Laura Flannery Sachtleben, AIA Stantec



AGENDA

WHY SCHOOL FACILITIES WILL CONTINUE TO BE NECESSARY POST-COVID DESIGN CONSIDERATIONS K-12 ECONOMIC INFLUENCES

WHY SCHOOL FACILITIES ARE STILL NECESSARY

SCHOOLS OFFER MORE THAN READING, WRITING & ARITHMETIC



Full economic recovery will remain out of reach until schools can safely instruct students in person, as parents have to be able to participate fully in the economy -- as consumers and as employees.

- Gallup

Learning in an interactive setting as opposed to a passive one is conducive to the mix of **soft and academic skills** we're looking to develop in our kids

- Madeline Levine





1 in 5 children in the United States are living in a food-insecure household.

- The National School Lunch Program Research demonstrates that students who receive socialemotional and mental health support achieve better academically. 1 in 5 children and adolescents experience a mental health problem during their school years

NASP (National Association of School Psychologists



POST-COVID DESIGN CONSIDERATIONS

DESIGNING FOR THE FUTURE

OUTDOOR LEARNING

CONNECTED







SAFE / INVITING BALANCE



COMMUNAL











VARIETY OF SETTINGS

HOME AWAY FROM HOME

FLEXIBLE

STUDENT-FOCUSED

MENTAL HEALTH DESIGN SUPPORT

AS WE COME OUT OF OUR VIRTUAL-HOME SCHOOL SITUATIONS AND PHYSICAL DISTANCING, HARNESSING THE POWER OF DESIGN TO HEAL GIVES US AN INCREDIBLE OPPORTUNITY TO AID IN PSYCHOLOGICAL RECOVERY



LEARNING ENVIRONMENT MODES



COLLABORATE



FOCUS



SOCIALIZE



LEARN



REJUVENATE

Working with one or more people to achieve a goal, such as collectively creating content, brainstorming, etc.

Flex Learning Areas

Small Group Rooms

Uninterrupted time to concentrate and attend to 'headsdown' work

Workstations/Offices

Quiet Rooms

Outdoor Learning

Informal opportunities to come together and share knowledge

Café

Library

Outdoor Terrace

Building knowledge, whether in a classroom or a structured conversation with peers

Classrooms

Flex Learning Areas

Downtime for your brain and body to refresh and recharge

Meditation/Privacy Areas

Exercise/Fitness Areas

INDOOR AIR QUALITY

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Well-designed, installed, and monitored mechanical and plumbing systems Produce healthy indoor environments where pathogens are filtered, diluted, and removed from the occupant breathing zone.



RESPONSE TO COVID-19: INDOOR AIR QUALITY

HVAC

- Increase Ventilation
- High-Efficiency Particulate Air (HEPA) filtration
- Electrostatic filters
- Ultraviolet Germicidal Irradiation
- Bipolar Ionization
- Photocatalytic Oxidation (PCO)
- Indoor humidity management



HAND-WASHING / TOUCH FREE INFRASTRUCTURE

Hand washing must be approached as both an infrastructure issue as well as behavioral one.



HEALTH CHECK-POINTS

- Automated building entrances
- Directional signage/graphics
- Wellness Kiosks with wellness ambassadors
- Temperature Stations
- Shoe sanitation at entrances



Pearland Junior High West - Additions/Renovations | Pearland ISD - Pearland, TX





K-12 ECONOMIC INFLUENCES

POSITIVE SIGNS

- •Record housing starts in some markets
- Most schools transitioned to F2F or hybrid models
- •November bond elections



OTHER OBSERVATIONS & TRENDS

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- •Undue estimate inflation due to uncertainty
- Some material price increases
 Hunger in the construction market
 Negotiated prices vs CSP pricing
 Bond delays may lead to bubble



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THANK YOU



Consigli at a Glance

HISTORY & LEADERSHIP

Established in **1905**

4тн Generation Family-Led

ANTHONY CONSIGLI Chief Executive Officer

MATTHEW CONSIGLI President

FINANCIAL STRENGTH

\$1.9B 2019 Revenue

\$2.5B Aggregate Bonding Limit

\$450M Single Project Bonding Limit

KEY MARKETS

- > Academic
- > Corporate
- > Government
- > Healthcare

- Hotels & Hospitality
- > Landmark Restoration
- > Libraries
- Life Sciences

- > Multi-family Residential
- Museums & Cultural
- Non-profit
- Special Projects





Consigli at a Glance

Consigli Est. 1905

OFFICE LOCATIONS & PEOPLE 1,200 Albany, New York -Portland, Maine Employees Pleasant Valley, Boston, Massachusetts 350 **New York** Milford, Massachusetts Self-perform ★ Corporate Headquarters Craftspeople Hartford, Connecticut Ronkonkoma, New York 9 New York, New York **Regional Office** Locations Washington, DC

COVID-19: Points of Focus

- National Emergency: March 13th
- Immediate subcontractor outreach collect "real time" information
- Broad solicitations: MA, CT, ME, NY, CT, DC
- Analyze & report client notifications, in-house project teams
- Continued solicitations





Q1-Q2: Initial Industry Concerns



- "Global" material supply chain (China, Europe, Canada)
- Shipping port of call restrictions
- SAFETY (PPE & distancing): How to manage?

HVAC SYSTEM MATERIALS

Parts such as fans, compressors, control boards, control panels, and condensers are largely manufactured in China and South Korea. Also, all VRF systems are produced in China.

ELEVATOR COMPONENTS

Subcontractors are anticipating delays on high rise elevators manufactured by all vendors. Motors for several of the larger elevator manufacturers are produced in China.

PLUMBING MATERIALS

Compression fittings are manufactured in Germany, and materials such as drains, carriers and plumbing fixture components are manufactured in China.

FLOORING MATERIALS

35-40% of porcelain tile, and custom glass tile products are manufactured in Italy and China. Natural stone also is sourced largely from Italy. LVT and rolled rubber materials products that are widely used also come from China.

DIVISION 10 ITEMS

Items such as cubicles, vents, corner guards, G flooring, lockers, shelving should expect extended lead times of 2-3 weeks minimum. Window in treatments items are looking like they will slip out 0-20 weeks after approvals. G

Hardware for lab casework and millwork is delaying supply of these products. Much of this is manufactured and supplied by China.

HARDWARE MATERIALS

FIRE PROTECTION MATERIALS

Long lead items such as pumps, controllers, pressure switches, water flow switches, tamper switches and grooved fittings are sourced from China.

GLASS, ALUMINUM MATERIALS

Glass and aluminum products manufactured outside the U.S. for the most part are being impacted, in addition to glass from Italy, Lithuania and Spain. Windows and curtain wall materials are mostly sourced from Italy.

SPAIN Glass, Aluminum Materials

Glass, Aluminum Materials Flooring Materials GERMANY

Plumbing Materials

LITHUANIA

Glass, Aluminum Materials

CHINA

HVAC System Materials Elevator Components Plumbing Materials Fire Protection Materials Electrical Materials Hardware Materials Flooring Materials

SOUTH KOREA

HVAC System Materials

ELECTRICAL MATERIALS

Lead times on switchgear are sliding from the typical 10-12 weeks to 20 weeks, and lead times on lighting fixtures are pushing out to at least 12 weeks from 6-8 weeks. Additionally, components such as microchips for LED drivers, lighting controls and fire alarm parts and pieces come from China.

Q2 Subcontractor Feedback

MAY/JUNE INDUSTRY CONCERNS

- National Supply Chain Issues (assemble parts & pieces)
- Pricing increases due to supply shortages / shut-downs
- Work backlog fill short term gaps
- Manpower availability get people back to work
- SAFETY (PPE & distancing) cost uncertainty (2-5%)

CONSIGLI **COVID-19 IMPACTS: SUBCONTRACTOR AND** SUPPLIER SURVEY RESULTS Insight from Poter Capone, Consight Director of Purchasing The current situation regarding COVID-19 and its impact on our industry continues to avolve, in an elfort to better understand these project impacts we universed over 250 footest subcontractor and version partners from across the Northeast, DC, and W. Erlinw we summarize the trends and key takenways MATERIAL SUPPLY ITEMS TO CONSIDER: 25% · Watch for spikes in pricing. Due to a surge is projects coming back on line, there's a EY TAKEAWA potential that demand will vicrease in the short term. This could cause chail tokes in provid and further lengthen predicted delays. · Shorten supply chain when possible. Eliminate the potential mix of incremed alrephic costs and potential delays caused by buying from distant suppliers. Understand fabricator lead times. Many fabricators have taken advantage of delays and project closures and fabricated everything in their pipeline. Fabricators are eager to begin new projects. Prefabrication of materials. Advantages include improved quality, expectible installation schedules, and lowering safety risk in the field. Consigle is currently prefabricating everythin from doors preinstalled with hardware, to full bathroom gods in an effort to save time and reduce the number of on-site workers



- Talent pool availability. Sabcontractors are anosas to get key employees back to work There is an open opportunity to obtain talented teams of sabcontractors are provided with immediate opportunities to start work.
- Workload hesitations. Some subcontractors are uneasy about booking new work that coincides with the restarting of existing projects due to a cohestial heavy workload as they figure out the new guidelines.

 Price reductives only offsetting COVID-19 related costs. There are work ranging costs from 0-15% due to lost time and inefficiency associated with new protocols that balance out near leng new reductions. Nevereus, price reductions due to bidder argenision to severe backlog are resulting in reducted overall proving.

COVID-19 IMPACTS: SUBCONTRACTOR AND SUPPLIER SURVEY RESULTS

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Q3 Subcontractor Feedback

PRICING CONCERNS

- Material pricing generally stable
- Copper
- PVC
- Switchgear
- Lumber
- Flooring

Trade	Predicted Cost Increase Of Materials	Predicted Cost Increase Of Labor	Trade Percentage of Overall Project*	Risk Level
HVAC	3%	2%	16%	high
Electrical	6%	4%	12%	high
Sitework	2%	2%	9%	moderate
Drywall	2%	2%	8%	moderate
Concrete	1%	2%	8%	moderate
Steel/Misc	1%	2%	7%	moderate
Aluminum & Glass	2%	2%	6%	moderate
Plumbing	3%	2%	6%	moderate
Flooring	7%	2%	3%	moderate
Lumber/Carpentry	5%	2%	3%	moderate
Specialties 10,11,12	2%	2%	3%	moderate
Remo/Abatement	0%	2%	3%	- Jow



Q3 Subcontractor Feedback

MATERIAL SUPPLY CONCERNS

- PVC unplanned production disruptions
- Electrical Switchgear manufacturer's slowdown
- Lumber residential demand
- Copper shortages rumored
- Flooring overseas supply



Takeaways for Q4





Visit <u>www.consigli.com/covid-19-management-plan/</u> to learn more.

Upcoming Forums



- Cushman Wakefield Future of Retail
- AEI Engineering Perspective
- DIRTT Modular and Furniture Solutions
- Subcontractor Feedback