Recap of Current Construction Business Conditions

MEMORANDUM

TO: **AGC Members**

FROM: **Brian Turmail, Vice President of Public Affairs & Strategic Initiatives**

DATE: **May 1, 2020**

SUBJECT: **Contextual Information Regarding the State of the Construction Market**

AGC of America has prepared the attached packet of information to help document current market conditions that helped influence many firms' decisions to apply for Paycheck Protection Program loans. The intent of this packet is to provide a snapshot of media coverage starting on March 27th – the launch of the initial round of Paycheck Protection Program loans – covering topics like declining demand, growing layoffs and general worries about market conditions for the construction industry.

In addition to a sampling of national, trade and local media coverage, we also include a summary of the findings from the five editions of the coronavirus survey AGC of America compiled starting in mid-March. These survey results provide an additional data point documenting the many economic headwinds construction firms have faced since the start of the coronavirus pandemic.

Finally, we have included in this packet copies of the various news releases AGC of America issued since the start of the pandemic. These releases provide our analysis of current market conditions and their impacts on the construction industry. These too demonstrate the many negative economic impacts of the coronavirus pandemic on the construction industry.

If you feel it appropriate, please consider including this packet of material in the records you retain relating to your application for a Paycheck Protection Program loan. This packet should provide an overview of the nationwide market conditions the industry faced when firms opted to apply for the loans.

And of course, please do not hesitate to contact me with any questions, comments or concerns you may have. I can be reached at brian.turmail@agc.org.

Summary of Results for AGC Coronavirus Surveys

Question			3/17-19	3/23-3/26	3/30-4/2	4/6-4/9	4/20-4/23				
			Total	Total	Total	Total	Total	Building	Highway	Water/ Sewer	Federal
			909	1640	1296	830	845	548	218	230	201
Q1. Did an owner (including a public owner regarding its own projects) direct or cancel work on any current or upcoming projects? (check all that apply)	**Yes**		**28%**	**39%**	**55%**	**53%**	**68%**	**78%**	**59%**	**73%**	**74%**
		Halted project			**53%**	**41%**	**50%**				
		underway in March					38%	47%	30%	42%	48%
		underway in April					31%	37%	27%	39%	40%
		Canceled project			**7%**	**19%**	**28%**				
		scheduled to start in March					10%	12%	10%	12%	13%
		scheduled to start in April					19%	23%	18%	21%	23%
		scheduled to start in May					16%	19%	19%	18%	20%
		scheduled to start in June or later					16%	19%	13%	17%	20%
	No		**72%**	**61%**	**45%**	**47%**	**32%**	**22%**	**41%**	**27%**	**26%**
Q2. To the best of your knowledge, why did the owner halt construction? (check all that apply)		To comply with state/local order to halt "non-essential" activity					35%	34%	32%	36%	38%
		Owner's concern about covid-19 danger surrounding project					39%	40%	39%	48%	45%
		Owner's expectation of reduced demand for project					24%	28%	24%	22%	24%
		Loss of private funding (for example, from owner/investor/lenders/donors)					19%	23%	20%	17%	19%
		Loss of current or expected tax/fee/toll revenue					9%	9%	10%	11%	9%
		Don't know					13%	11%	14%	11%	13%
		Other					13%	11%	15%	12%	14%
Q3. Are you currently experiencing any project delays or disruptions due to the following (check all that apply):	**Yes**	**Any cause**		**45%**	**59%**	**65%**	**67%**	**71%**	**64%**	**66%**	**70%**
		Shortage of personal protective equipment				39%	33%	34%	34%	30%	34%
		Shortage of const. materials, equip. or parts	16%	23%	35%	23%	26%	28%	23%	24%	27%
		Shortage of craftworkers/subcontractors	11%	18%	28%	26%	28%	33%	24%	28%	32%
		Shortage of government workers	18%	16%	16%	16%	18%	20%	19%	24%	22%
		Potentially infected person visited jobsite	8%	13%	18%	17%	15%	19%	12%	17%	18%
	No			**55%**	**41%**	**35%**	**33%**	**29%**	**36%**	**34%**	**30%**
Q4. Have any suppliers notified you or your subcontractors that their deliveries will be late or cancelled?	**Yes**		**22%**	**35%**	**38%**	**42%**	**49%**	**53%**	**39%**	**48%**	**48%**
	No		**78%**	**65%**	**62%**	**58%**	**51%**	**47%**	**61%**	**52%**	**52%**
Q5. Did you begin working on any new or expanded construction as a result of the pandemic?	**Yes**			**8%**	**13%**	**18%**	**18%**	**20%**	**15%**	**16%**	**19%**
		Medical (e.g. hosp. remodel, screening/testing facility, lab)		**4%**	**9%**	**11%**					
		in March					6%	7%	3%	5%	8%
		in April					8%	9%	1%	6%	9%
		Other building (e.g. manufacturing, distribution, shelter)		**2%**	**2%**	**4%**					
		in March					2%	2%	<0.5%	2%	2%
		in April					3%	3%	1%	3%	3%
		Highway (e.g. more hours or lane closure allowed)		**<0.5%**	**2%**	**3%**					
		in March					1%	1%	5%	1%	3%
		in April					2%	1%	7%	3%	3%
		Utility infrastructure (e.g. new, maint., repair)				**3%**					
		in March					1%	2%	3%	4%	2%
		in April					2%	3%	4%	6%	2%
		Other		4%	3%	3%	4%	4%	3%	4%	5%
	No			**92%**	**87%**	**82%**	**82%**	**80%**	**85%**	**84%**	**81%**
Q6. Has your firm's headcount changed as a result of project delays, cancellations, new federal emergency paid leave requirements, or booking new projects? (check all that apply)		**Furloughed or terminated workers**			**31%**	**40%**					
		in March					25%	29%	18%	27%	27%
		in April					22%	25%	15%	23%	24%
		Added workers			**4%**	**4%**					
		in March					4%	4%	7%	4%	4%
		in April (incl. firms that furloughed/terminated workers in March)					12%	11%	18%	15%	13%
		Furloughed/terminated workers in March; added in April									
		No change in headcount			**66%**	**58%**	**56%**	**53%**	**58%**	**53%**	**53%**
Q8. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) created a new forgivable loan program for businesses with 500 or fewer employees, called the Paycheck Protection Program (PPP). Did your firm apply or intend to apply for a PPP loan?		Yes, applied and received funds				10%	44%	45%	43%	43%	40%
		Yes, approved but did not receive funds yet					15%	16%	16%	18%	15%
		Yes, have applied and are awaiting an answer				54%	8%	8%	5%	9%	9%
		Yes, applied but told no more funds available					7%	7%	5%	7%	7%
		Yes, have applied and been rejected				<0.5%	<0.5%	<0.5%	<0.5%	1%	1%
		Yes, intend to apply				10%	1%	1%	2%	1%	3%
		No; not eligible or not interested				14%	17%	16%	20%	14%	20%
		Wasn't aware of program				1%					
		Don't know/need more information before deciding				11%	7%	7%	7%	7%	8%
Q9. The Federal Reserve announced that is is establishing the Main Street Lending Program to support lending for small- and mid-sized businesses by offering 4-year loans to companies employing up to 10,000 workers or with revenues of less than $2.5 billion. Is your firm:		In need of loans, but not interested in this new lending program					3%	2%	2%	3%	4%
		Not in need of loans at this time					44%	44%	43%	35%	36%
		Currently investigating this new lending program					18%	19%	19%	22%	22%
		Aware of this new lending program, but not interested in it					15%	14%	16%	17%	13%
		Unaware of this new lending program, but interested in learning more					21%	21%	20%	22%	26%
Q10. If Congress takes further action to address the economic fallout from the coronavirus, which of these measures would be helpful to your business? (check all that apply)		No additional legislation is needed				16%	14%	16%	6%	13%	9%
		Multi-year surface transportation reauthorization with higher funding levels				22%	25%	17%	69%	40%	36%
		Larger federal investment in infrastructure (in addition to surface transportation)				41%	43%	36%	75%	62%	58%
		Subsidies for employees utilizing COBRA continuation health coverage				16%	13%	14%	11%	11%	17%
		Addressing the funding shortfalls for multi-employer pension plans				12%	14%	15%	14%	17%	17%
		Funding for direct federal and federal-aid construction projects to compensate employers during project c				33%	27%	26%	34%	30%	45%
		More funding for loan programs to maintain cash flow				48%	33%	36%	22%	26%	36%
		A pandemic risk insurance/covid-19 business and employee continuity and recovery fund					35%	38%	25%	34%	39%
		Other				5%	7%	8%	3%	4%	7%

Note: Results from various surveys may not be comparable due to changes in some questions, mix of respondents, etc. Blank cells indicate question or answer choice was not included in that survey.

FOR IMMEDIATE RELEASE **CONTACT: Brian Turmail**
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PANDEMIC HAS HALTED OR DELAYED PROJECTS FOR 28 PERCENT OF CONTRACTORS, SURVEY FINDS; NEW SENATE RELIEF BILL WILL PROVIDE SOME HELP FOR INDUSTRY

Coronavirus-caused Slowdown Contrasts with January Figures Showing a Majority of Metro Areas Added Construction Jobs; Officials Note New Infrastructure Funding and Paid Family Leave Fixes are Needed

The coronavirus pandemic has caused more than one out of four contractors to halt or delay work on current projects, according to a survey released today by the Associated General Contractors of America. The survey results show how quickly market conditions have changed compared to data showing a majority of metro areas added construction jobs through January. Association officials noted that a relief bill the Senate is considering includes some favorable tax and loan provisions. But they said the bill also needs new infrastructure investments and improvements to the new paid sick and family medical leave measures.

"The coronavirus pandemic has the potential to undermine what had been a very robust construction market, threatening the livelihood of countless workers and the viability of many firms," said Ken Simonson, the association's chief economist. "Providing additional tax credits and loans will help, but contractors also need the certainty that comes with infrastructure funding and improvements to the new paid and family leave measures."

In an online survey conducted by the association between March 17 and 19, 28 percent of the 909 respondents replied *yes* to the question, "Has any owner, government agency or official directed you to halt or delay work on any projects that are either active or expected to start within the next 30 days?" In addition, 22 percent of respondents said a supplier had notified them that deliveries would be late or cancelled.

Contractors listed numerous types of delays and shortages. Nearly one out of five (18 percent) cited shortages of required government actions or personnel, for instance to issue permits or certificates of occupancy, conduct inspections or lettings, or make project awards. Sixteen percent noted a shortage of materials, parts or equipment, including workers' personal protective equipment such as respirators. Eleven percent reported a shortage of craft workers as individuals self-quarantine or stay home to care for others.

Underscoring how rapidly market conditions have changed, the association also released data on construction employment changes between January 2019 and January 2020 in 358 metro areas that showed how strong the market was two months ago. A majority—200 areas (56 percent)—added construction jobs, while 95 areas lost jobs, and 63 metros had no change. Houston-The Woodlands-Sugar Land, Texas added the most construction jobs from January 2019 to January 2020 (12,400 jobs, 5 percent). The largest construction job decline occurred in Baton Rouge, La. (-6,500 jobs, -12 percent).

Association officials said the newly released Senate relief measure does too little to help the increasingly hard-hit construction industry. They noted that the tax and loan provisions in the measure will help offset declining demand. However, they urged Senate leaders to include new funding for infrastructure projects and to protect the retirements and health care of construction workers in multiemployer plans. They also called for additional fixes to measures enacted earlier this week that force employers to front the cost of newly mandated paid family and sick leave measures.

"The Senate proposal offers a good start to helping offset the sudden drop-off in work many contractors are experiencing," said Stephen E. Sandherr, the association's chief executive officer. "But without real investments in new infrastructure, compensation for contractors' lost work and up-front funding for paid sick and family medical leave, it does too little to help the industry and its nearly eight million employees."

View the metro employment data, rankings, top 10 and map. View AGC's coronavirus resources and survey.

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SHARP JUMP IN OWNERS CANCELING OR DELAYING CONSTRUCTION PROJECTS ACROSS THE COUNTRY, NEW SURVEY FINDS, PUTTING MANY JOBS AT RISK

After 42 States Added Jobs in February, Coronavirus is Taking a Swift and Severe Toll on the Industry, Prompting Association Officials to Call for Additional Measures to Help Workers and Firms Recover

Thirty-nine percent of contractors report that project owners have halted or canceled current construction projects amid deteriorating economic conditions, according to a survey released today by the Associated General Contractors of America. Association officials warned that these cancellations mean massive job losses are likely soon unless Congress passes targeted recovery measures to boost infrastructure funding, compensate firms for lost or delayed federally funded work and provide needed pension relief. The project cancellations are particularly severe in light of new data showing that 42 states added construction jobs through February.

“The abrupt plunge in economic activity is taking a swift and severe toll on construction,” said Ken Simonson, the association’s chief economist, noting that only 18 percent of respondents have been ordered to halt work by elected officials. “The sudden drop in demand stands in sharp contrast to the strong employment levels this industry was experiencing just a few weeks ago.” Click here for additional video comments from Mr. Simonson.

In the association’s latest online survey, conducted between March 23 and 26, 45 percent of the 1,640 respondents reported experiencing project delays or disruptions. Shortages of material, parts and equipment, including vital personal protective equipment for workers such as respirators, were reported by 23 percent of respondents. Eighteen percent reported shortages of craftworkers, while 16 percent said projects were delayed by shortages of government workers needed for inspections, permits and other actions. Thirteen percent said delay or disruption had occurred because a potentially infected person had visited a jobsite.

The survey also found that 35 percent of firms said suppliers had notified them or their subcontractors that some deliveries would be delayed or canceled, the economist added. He noted that only 22 percent reported similar supply chain challenges last week. That survey was conducted between March 17-19. However, eight percent of firms did report they have added new work expanding health care and other facilities needed to respond to the growing health crisis.

In contrast to the rapidly deteriorating current market conditions, the association also released new construction employment data showing that most states – 42 – added construction jobs between February 2019 and February 2020. Industry employment declined over the year in eight states and the District of Columbia. From January to February, 37 states and D.C. added construction jobs, while 11 states shed jobs and two states had no change.

Association officials warned that while the coronavirus relief measure scheduled for a vote in the House today will provide some immediate help for construction workers and their employers, Congress must do more to protect high-paying construction jobs. They said new investments in infrastructure, relief from losses incurred on delayed or canceled federally funded projects and protections for multi-employer pensions will help the industry recover from the economic impacts of the pandemic.

“The steps firms are taking to protect workers from the coronavirus unfortunately won’t be enough to save many of them from the economic damage the pandemic is creating,” said Stephen E. Sandherr, the association’s chief executive officer. “Construction workers and employers need more than a lifeline, they need a recovery plan.”

View the state employment data, rankings, and map. View AGC’s coronavirus resources and survey.

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FOR IMMEDIATE RELEASE
Friday, April 3, 2020

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TWENTY-SEVEN PERCENT OF CONSTRUCTION FIRMS REPORT LAYOFFS SINCE THE CORONAVIRUS AS NEW JOBS REPORT OFFERS EARLY SNAPSHOT OF THE LOSSES

Association Survey Conducted This Week Suggests Industry's Job Losses are Spreading Rapidly; Officials Call for Additional Federal Measures to Help Avoid Further Layoffs and Economic Pain

The fast-worsening covid-19 pandemic has triggered layoffs at more than a quarter of construction firms responding to an online survey released today by the Associated General Contractors of America. The finding, based on responses from earlier this week, contrasts with the government's monthly employment report for March, which found that construction employment declined by 29,000 as of mid-March.

"The March employment data does a better job reflecting market conditions before the pandemic than it does the widespread disruptions that have occurred during the past few weeks," said Ken Simonson, the association's chief economist. He noted that the federal employment figures are based on payrolls as of March 12, when relatively few states or individual owners had directed contractors to stop work. "Our survey, meanwhile, indicates rapidly deteriorating labor and market conditions for the construction sector." Click here for additional video comments from Mr. Simonson.

Simonson added that 27 percent of respondents to the survey reported that they have furloughed or terminated construction workers. The share of firms that said they had been directed to halt or cancel projects by their clients had jumped to 55 percent from 39 percent the week prior. Over one-quarter of respondents reported they had been directed to stop construction activities by government officials.

In addition, 59 percent of respondents in the latest survey reported a variety of problems causing project delays or disruptions, compared to 45 percent last week. The most common source of delay or disruption, cited by 35 percent of respondents, was shortages of material, parts and equipment, including vital personal protective equipment for workers such as respirators. Twenty-eight percent reported shortages of craftworkers, while 16 percent said projects were delayed by shortages of government workers needed for inspections, permits and other actions.

The government employment data showed employment as of mid-March totaled 7,605,000, an increase of 162,000 (2.2 percent) from a year earlier. The March total followed a mild winter in which industry employment hit an 11-year high in February.

Association officials said the new employment and survey figures indicate that more needs to be done to prevent broader job losses and economic hardship for the construction sector as demand continues to shrink. They urged federal officials to begin working on new recovery measures, including greater investments in infrastructure, compensation for pandemic-related losses on federal projects and measures to protect pensions for many construction workers.

"We are just beginning to appreciate the severity of the economic impacts of the pandemic for construction workers and their employers," said Stephen E. Sandherr, the association's chief executive officer. "Washington officials have an opportunity, however, to use the construction industry as the vehicle for rebuilding our economic once the pandemic passes."

View AGC's coronavirus resources and survey. View comparative data here.

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FOR IMMEDIATE RELEASE
Friday, April 10, 2020

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FORTY PERCENT OF CONSTRUCTION FIRMS REPORT LAYOFFS AMID WIDESPREAD PROJECT CANCELLATIONS AS ECONOMIC IMPACT OF CORONAVIRUS GROWS

Survey of Construction Firms by the Associated General Contractors of America Finds More Than Half of Firms Have Had Projects Halted as 74 Percent Seek New Paycheck Protection Loans to Retain Staff

With the covid-19 pandemic worsening by the week, an ever-increasing share of contractors are reporting cancellations of upcoming projects and shortages of equipment or materials, forcing nearly 40 percent of firms to lay off employees, according to an online survey released today by the Associated General Contractors of America. Association officials added that 74 percent of firms are seeking new Paycheck Protection Program loans and urged Congress to quickly add more funding for the over-subscribed program, among other recovery measures needed.

"Owners are not only halting many current construction projects but are canceling a growing number of projects that have not yet started," said Ken Simonson, the association's chief economist. "Inevitably, that has caused a growing number of contractors to furlough or terminate jobsite workers." Click here for additional video comments from Mr. Simonson.

Simonson noted that that 53 percent of firms report they had been directed to cancel current projects or ones scheduled to start within 30 days in this week's survey, which was conducted April 6-9.There was a steep increase in the share of firms reporting that an owner canceled an upcoming project – from 7 percent a week ago to 19 percent this week. In a question asked this week for the first time, 11 percent of the survey's 830 respondents reported that an owner had canceled a project that was still in the preconstruction phase.

In addition, 39 percent of respondents in the latest survey said they had encountered project delays or disruptions due to shortages of personal protective equipment such as masks for jobsite workers, while 23 percent reported shortages of construction materials, equipment or parts. In the previous survey, which had combined those questions, only about one-third (35 percent) of respondents had reported equipment shortages.

The share of respondents who reported furloughs or terminations rose to 40 percent in the latest survey from 31 percent a week earlier. More than one out of three firms (36 percent) had furloughed or terminated jobsite workers, while 18 percent had laid off office or other workers.

In a sign that contractors are eager to maintain their payrolls if possible, three-fourths of the respondents said they had already applied or intend to apply for the new Paycheck Protection Program loans. However, only 10 percent said they had already received a loan through the program, which began on April 3. Association officials noted that 48 percent of respondents said they wanted Congress to increase funding for the federal loan program, given the widespread demand for the program.

They called on Congress to quickly inject more capital into the loan program. Association officials also urged Washington leaders to begin work on broader recovery measures that include new funding for infrastructure programs, among other measures to rebuild the economy. "The construction industry is ready to rebuild our economy, but that can't happen without strong federal support and investments," said Stephen E. Sandherr, the association's chief executive officer.

View AGC's coronavirus resources and survey. View comparative data here.

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PAYCHECK PROTECTION PROGRAM IS ALLOWING CONSTRUCTION FIRMS TO ADD AND RETAIN EMPLOYEES DESPITE DECLINING DEMAND, NEW SURVEY FINDS

Nearly Half of Firms Have Received Loans, But Growing Number of Project Cancellations, Delays and Delivery Problems Imperil Industry; Association Leaders Call for Immediate Infrastructure Funding

A large share of construction firms promptly received loan funds under the new Paycheck Protection Program, enabling many of them to hire or retain employees despite a surge in project cancellations, according to a survey released today by the Associated General Contractors of America. Association officials said the job-saving measure appeared to be working but cautioned that longer term recovery measures, like new infrastructure funding and establishing a recovery fund, are needed.

"Most contractors report they have applied for the new federal loans, which are intended to enable small businesses to keep employees on their payrolls," said Ken Simonson, the association's chief economist. "This program has already delivered funds to nearly half of the survey respondents, and many of them have already brought back furloughed workers or added employees, even though more clients are halting and canceling projects." Click here for additional video comments from Mr. Simonson.

Simonson noted that 44 percent of the 849 firms responding to the survey reported they had already received funds through the loan program, which began on April 3. Another 15 percent said their applications had been approved but they had not yet received funding, while 8 percent were awaiting a reply to their applications and 7 percent had applied but been told no more funds were available. Partly as a result of the loans, 13 percent of respondents said they had added workers.

"Although the loan program has helped, it will cover only a limited part of company expenses and is not enough to offset the huge drop in projects," the economist added. He noted that half of the respondents report that clients have ordered a halt to projects underway, and more than one-fourth report that clients have canceled projects that had been expected to begin as far out as June or later.

In addition, 67 percent of respondents in the latest survey, which was conducted April 20-23, said they had encountered project delays or disruptions. Moreover, 49 percent said suppliers had notified them or their subcontractors that deliveries would be late or canceled. That percentage has risen each week since the association's first survey, conducted March 17-19, in which 22 percent of respondents reported delivery woes.

Association officials added that 43 percent of firms would benefit from larger federal investments in infrastructure, while 35 percent would benefit from a pandemic risk insurance/COVID-19 business and employee continuity and recovery fund. They called on federal officials to begin work on new infrastructure investments, explore ways to establish pandemic insurance and a recovery fund to help offset expected declines in construction demand because of the coronavirus.

"The new federal loans are helping protect many construction jobs for now, but those funds are likely to run out well before demand for construction rebounds," said Stephen E. Sandherr, the association's chief executive officer. "The President and Congress need to start putting in place measures to revive our economy by rebuilding our infrastructure and restoring private-sector demand for construction."

View AGC's coronavirus resources and survey.

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