

News You Can Use



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Construction

Spiking Materials Costs Imperil Building Projects

CONSTRUCTION FIRMS are reeling from snowballing costs of building materials due to spiking demand and supply chain snarls, which are resulting in massive budget cost overruns.

This is especially affecting construction businesses that are managing apartment or commercial projects. These cost overruns are imperiling profits – and risking red ink – on the projects after the contractors won carefully constructed bids.

Building materials and labor costs are going through the roof. According to the U.S. Census Bureau, construction costs spiked 17.5% year-over-year from 2020 to 2021, the largest increase in this data from year to year since 1970. And 2021's costs were more than 23% higher than pre-COVID-19 pandemic 2019.

Many of the materials used in the construction of apartment and commercial buildings, including concrete, flat glass and steel products, are affected by volatile prices, with steel seeing a more than 123% increase in costs in the past year.

The fallout

With the prices of materials climbing rapidly, it's easy for project costs to quickly exceed expectations and sink a project if those costs break the profit margin and force a loss.

To avoid this fate, construction firms need to be proactive and put in place procedures for dealing with materials cost increases, supply chain disruptions and a shortage of capable manpower. It could mean the difference between turning a modest profit or losing their shirt.

There are steps that contractors can take to avoid that fate. In an article on the website *Construction Dive*, Ripley Bickerstaff related what Hoar Construction, where he works as director of business development in Nashville, is doing to reduce the risks of price shocks and materials shortages so that builders can keep projects on track and in the black.

Verify materials

Builders should visually verify large orders, like 700 bathroom washbasins or 500 kitchen countertops, in person before they ship. That way, they can make sure that all of the items are built to specifications and that they aren't faulty.

Inspecting orders well in advance of shipment can reduce the chance of faulty or improperly sized items and having to reorder new product. With the woeful state of supply chains, that could mean having to wait months for a replacement order.

"You have to walk in and actually make sure supplies work for the job and then have face-to-face conversations with production teams to ensure adjustments can be made in real time," Bickerstaff writes.

Don't delay

Bickerstaff also recommends ordering items as early as possible, not just when needed. Due to supply chain issues, some items require a year lead time from order to delivery.

This way, you can lock in the price ahead of time. Even if it's an item you'll need for later in the project, considering the rapid pace of price increases, it's best to order in advance so you avoid being hit with higher prices later. This can protect your profit margin.

Additionally, the general contractor should work with architects and designers of the project to identify which materials they should order and which ones make sense in the current cost environment.

See 'Workforce' on page 2

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Employers Contributing to Distracted Driving

A NEW study has found that many people who interact with their mobile phones while behind the wheel do so because of pressure from their bosses to answer calls, e-mails and text messages even if they are not on the clock.

Employers that pressure their staff to respond quickly to work-related messages and calls can be held partially liable for any accidents their employees cause due to distracted driving.

While the employee's personal auto coverage would cover the cost of accidents they cause, if an incident results in serious injury or property damage, the injured third party may go for deeper pockets, like your business.

According to the report by The Travelers Companies, almost nine in 10 business managers expect their employees to at least occasionally respond to work-related phone calls and texts outside traditional office hours. A third of them expect employees to take or participate in work phone calls while they're driving.

Forty-two percent of drivers take work calls and read work texts and e-mails while driving, according to the report.

Of those who do:

- 42% say it's because there may be an emergency at work.
- 39% believe they must always be available for their employers.
- 19% believe their bosses will become upset if they don't answer.



Another study found that 86% of people who drive for their jobs had used a mobile device for work purposes while driving during the prior three months. An astounding 29% participated in video calls while driving.

These behaviors put the health and lives of the drivers at risk, along with those of their passengers and the motorists with whom they share the road.

In addition to unnecessary pain and suffering, resulting accidents can incur thousands or even millions of dollars in legal liabilities for the drivers and their employers.

Employers can take action

- Include in your employee handbook policies discouraging use of mobile devices while driving on company business;
- Make safe driving part of the company's culture so that employees will have an expectation that they must drive safely;
- Explicitly state that no work phone call, e-mail or text message is so important that it cannot wait until the employee has stopped driving;
- Explicitly state in your workplace policies that no employee will be expected to participate in video calls while driving; and
- Discourage managers from calling, texting or e-mailing employees outside of stated hours or when they know employees are driving.

What to do

Also, employees should find safe places to stop their vehicles if they feel it necessary to check messages or respond to calls or texts from work.

Your staff should feel secure enough in their positions that they can also refuse to respond until they are safely parked.

Distracted driving causes avoidable, tragic accidents. These are bad enough when people make voluntary irresponsible decisions. They are worse when drivers feel they have no choice.

If employers and employees change their attitudes, they can make the highways safer for all. ❖

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Book Your Workforce Early Amid Tight Labor Market

This can also give the builder time to shop around and find deals on similar or comparable items made of different materials to save money.

Contractors that order materials early will have to arrange for storage as well. So securing warehouse space should be a priority.

Secure your workforce, subs early

With demand for construction workers and contractors exceeding supply, general contractors have to get in line and book them early.

For example, in some markets, electrical contractors are booking projects as far as a year out. Builders should secure subcontractors in advance to give them time to book their crews

and order the materials they'll need.

"Many builders are now shooting to lock in 70% of costs prior to construction documents, which should minimize the chances of double-digit material price hikes after a developer closes their loan," Bickerstaff writes.

The takeaway

Working on a large construction project now requires greater foresight and planning.

You'll need to price in factors you normally may not consider to ensure that you can meet your project budget and turn a profit. ❖