COVID-19 Cost Impacts on Commercial Construction

The Top 4 Financial Considerations of Resuming Work During the Coronavirus Pandemic

As commercial construction resumes in the Bay Area, here are the most significant factors affecting project costs.

1 Decontainment

The cost of decontainment depends on the size of the project and the current Department of Public Health Order, but nets out to roughly $1-$2 per square foot.

2 Ongoing Cleaning

The costs associated with ongoing cleaning are dependent on the duration and size of the project. Some projects can utilize on-site personnel as a part of the project, while others will need to bring in a dedicated person. This cost is tracking between $1-$5 per square foot.

3 Loss of Productivity

To maintain site safety during the COVID-19 pandemic, additional measures will be required, such as limiting the number of workers in one space and disinfecting tools at the start and end of each day. These measures will result in a loss of productivity, the extent of which is difficult to predict.

Our teams are anticipating a loss of productivity between 5%-15% depending on site conditions. This does not mean a direct 5%-15% cost increase for projects. Instead, we anticipate a 2%-10% overall cost impact.

4 Supply Chain Delays

Similar to calculating impacts due to loss of productivity, the industry is working to understand the financial ramifications of delays in the supply chain. This is a bigger question based on the economy as a whole and will continue to develop. The longer businesses are/were shut down, the longer manufacturers are going to need to get their production rates back up. This could mean delays for quite some time.

Summary

While the full financial impacts of the COVID-19 pandemic are still coming into focus, we are starting to better understand how construction projects may be affected. **We estimate that projects will see a 5% to 15% overall cost increase, but are hopeful that we can offset these impacts as trade partners – and the industry as a whole – continue to adapt to our new landscape.**