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Opinions

Examining natural disaster impact on construction

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After a natural disaster hits, recovery efforts can be a long road. Labor and materials become scarce while costs skyrocket. Here's a look at the impacts and how to navigate the process.

By Warren Feldman

Looking back on last year's construction cycle, one thing that seems to get overlooked is the impact of natural disasters. From wildfires to hurricanes, 2017 had its fair share of disasters to overcome.

During the 2017 Lodging Conference, a question came from the audience to three brand representatives about the impact of the recent hurricanes on hotel construction. The disparity in the answers given was shocking. One person said there was little to no impact. Another said construction pricing rose 20%. A third said it was a relatively minor impact only in select areas. Their range of answers created another question: Could they all be right? Examining the impacts, it would appear that there is significant bearing directly and indirectly on construction labor and certain construction materials following a natural disaster.

Hurricanes Katrina, Sandy, Harvey and Irma had a dramatic impact not only on the hotel owners directly hit by the hurricanes, but also hotel owners across the country. There are several factors that should be determined when understanding the impact the hurricane will have on the property.

- How close is the project to the impact area?
- Where are you in the bid process?
- How much of the materials have been purchased?

Clearly, those properties in the direct line of the hurricane will be highly impacted and have a greater, and more immediate, need for materials and labor to make their hotels safe and operational again. However, there are hidden effects of a hurricane that are more subtle, yet in many ways more far-reaching for the hotels in the rest of the country. The location of the hurricane can have a tremendous impact on where materials are made or where product is traveling through. Ports throughout Florida and in New Orleans are always busy with shipments of materials and furniture, fixtures and equipment; but when these ports can't operate due to the conditions, delivery times get delayed negatively influencing schedules across the country. The Houston market is home to not only petroleum products, but by-products like PVC and roofing materials. Hurricane Harvey affected the production and delivery of these items.

In the aftermath of a hurricane, people want to rebuild as quickly as possible. If you were in the process of building or renovating the hotel before the hurricane hit, you are in good shape because the labor has already been allocated for your project. Those that need to rebuild or renovate because of the hurricane are at a disadvantage.

Suddenly contractors and trades are busy, increasing the cost of labor and lengthening schedules. In isolated places, like the Caribbean islands, there are also long-term impacts resulting from infrastructure damage. Puerto Rico is drawing utility workers from all around the country due to the increased wages being offered. There are stories of Oregon utility crews traveling to Puerto Rico to work. This dissemination of resources can lead to increased labor prices in the areas where the crews originated, creating extra strain on your project.

The compounding of major hurricanes, like what happened last year, also increases the impact on construction material pricing as well. Materials such as drywall, lumber and roofing supplies are in peak demand. Many stores can't stock their shelves fast enough and need to rely on shipments from unaffected areas to restock. A number of years back, we had to purchase drywall in Maryland and truck it to Florida for our project because of the lack of drywall available following a hurricane. Adversely, natural disasters in other parts of the continent can compound the materials problem. The wildfires in California and in Canada drastically raised the cost of lumber.

Hurricanes tend to impact employment in non-construction fields in a negative manner that results in higher unemployment. Displaced homeowners are staying in hotels or rentals, which impacts the housing pricing and causes inflation in those areas.

So, could they all be right? The answer is yes. It all depends on where your hotel is located, the materials used to build it and where you are in the design/bid/build cycle. There are direct and indirect impacts to the construction pricing and schedules, whenever a natural disaster occurs, no matter the location. It is nearly impossible to plan ahead for these instances. Having an adequate contingency fund for your hotel will help mitigate these potential impacts to your construction project.

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