January 8, 2024

2024 Construction Outlook

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Construction

Throughout the past few years, the construction industry has been plagued with myriad issues, including supply chain constraints, labor shortages and material procurement problems, among others. Although some issues subsided as the economy emerged from the pandemic throughout 2023, forecasts predict its lingering effects will continue to impact the construction industry through 2024. This article addresses some of the bigger challenges the industry faces in the year ahead.

Labor Shortages Continue

If previous economic downturns coupled with the pandemic were not enough to put pressure on the construction workforce, some industry analysts are estimating that approximately 40% of the construction workforce will retire in the next decade.

Simply maintaining your current workforce will likely not be enough to combat these significant reductions in an aging workforce. The question then becomes how to attract (and retain) new, younger individuals to the construction industry? Many companies are implementing internal training programs that not only educate younger employees, but also provide the necessary tools to excel and grow professionally within the company for many years to come. Others are working on recruitment efforts that focus on the well-being of employees, promote time off, and provide tuition assistance and other attractive benefits.

Insurance Limitations

Natural disaster events continue to occur throughout the country. This, in connection with an overall decrease in risk appetite and increased internal scrutiny from the insurer's perspective, has caused an overall "tightening" of the broader market. As a result, policies are not only more difficult to obtain, but ensuring the necessary limits for specific project constraints has also become an increasing concern.

Although many general contractors have been able to weather these coverage issues with little to no issue, the problem has become increasingly difficult for lower-tier trades. This not only can result in increased risk from an owner's perspective, but increased project costs as well.

One way to deal with these increased risks is to have an early handle on what trades are being subcontracted versus what work is being self-performed and then assess the risks associated with each scope of work on a case-by-case basis. Alternatively, procuring a project-specific policy or OCIP policy to address coverage gaps could be a good option.

Supply Chain Concerns: How to Adapt

As we have detailed in previous articles, supply chain disruptions continue to subside from their peak throughout 2021 and 2022. However, constraints still exist (namely with electrical components) and the uncertainty of consumer demand and certain

geopolitical issues across the globe (along with the uncertainty associated with a U.S. Presidential election year ahead) may continue to impact procurement of materials and equipment in 2024.

That said, a successful construction team must adapt both internally and externally. From an internal perspective, teams should understand project requirements as early as possible and implement the necessary software to track and identify issues in real time. Externally, teams should assess the relationships they have built with vendors (and sub-vendors if possible), understand exposure to underlying global disruptions and identify lead times for delivery as it relates to the construction schedule.

Although it cannot be emphasized enough, planning early and adapting through real time monitoring and contingency plans can be extremely valuable from a supply chain perspective and can be the main factor determining whether your project is delayed or completed on time.

Technology Advancements

A topic on everyone's mind in 2023 – and now in 2024 – is artificial intelligence (AI), begging the question of how AI will be effectively incorporated (if at all) into the construction industry and at a project level? Since the use of AI is still relatively new to construction, its effects more broadly on the industry are still unclear.

However, knowledge is always key to having a successful project. Knowing when something occurs on a project, or before the event, can alleviate expensive costs and even delays stemming from safety incidents or coordination issues on a project.

This means that in addition to setting up the right team and protocols early, having the right monitoring devices and data analytics in place to understand how a project is performing will be essential. Advancements with remote sensors can guide the team through potential pitfalls, along with the use of wearable technology to track workers onsite to promptly alert of any safety issues.

Whether AI programs possessing the capabilities to provide the information a project team requires in 2024 will soon be reality or not, having and understanding the right technology and corresponding data on a project will most certainly be beneficial for projects going forward in 2024.

For more information or to discuss any of these topics, please contact a member of Gould & Ratner's Construction Practice.