

Are You Ready for the Post-COVID Boom?

By Jay Bowman

Here are four key trends that are shaping the built environment and helping engineering and construction firms reposition and prepare for a post-COVID expansion.

The onset of pandemic-related shutdowns in the second quarter of 2020 sent the U.S. economy into a sharp contraction, but the residential construction sector has already righted itself and strengthened. Low housing inventory and optimistic builder sentiment¹ fomented a boom that pushed up home sale prices by double digits² and created a lumber bubble.³ Some of the standout markets right now include:

- **Manufacturing:** As domestic demand climbs and recognition of critical supply chain challenges leads to manufacturers looking for domestic partners or onshoring.
- **Highway and street, transportation and water/wastewater:** Amid a massive government stimulus supporting infrastructure spending.

¹ [NAHB/Wells Fargo Housing Market Index \(HMI\)](#). National Association of Home Builders. Apr. 15, 2021.

² [Monthly New Residential Sales](#). U.S. Census Bureau. June 2021.

³ Lambert, L. "[Biden Administration Could Double Canadian Lumber Tariffs Even As Wood And Construction Costs Soar](#)." Fortune. May 29, 2021.



- **Health care:** Driven by an aging population and increasing geographic footprint.
- **Education:** As aging and insufficient facilities are repaired and expanded.
- **Conservation and development:** As climate change impacts coastal infrastructure and water supply.

The \$1 trillion infrastructure bill passed by the Senate in July 2021 will reach large metropolitan centers and rural communities alike, with earmarks for roads and bridges (\$110 billion), passenger and freight rail (\$66 billion), broadband (\$65 billion), electric and power infrastructure (\$73 billion), and environmental remediation (\$21 billion). While there will be a lot of competition bidding on these projects, contractors who understand the dynamics of their regional markets will be poised to capture work.⁴

⁴ "[The Senate Approves \\$1 Trillion Bipartisan Infrastructure Bill in a Historic Vote](#)." NPR. Aug. 10, 2021.



Four Trends Shaping E&C in 2021...and Beyond

To get a comprehensive view of the near term, FMI worked with Construction Industry Roundtable (CIRT) members to consider which changes are temporary and pandemic-related, and which of them will be long-lasting. Enduring shifts present a huge opportunity for firms capable of catering to affected sectors and regions. These four persisting trends illustrate the scale of the shift taking place right now:

1. The growth of retail medical facilities. The urgent care sector experienced 9% year-over-year growth, according to the Urgent Care Association, expanding to more than 10,000 centers nationwide (not including those in grocery stores or pharmacies). Sector growth appears even more dynamic when you look at the expansion in retail medical services.

The COVID-19 pandemic revealed the gaps in health care infrastructure and highlighted the role that retail stores can play in community health. The indispensability of in-store and stand-alone retail medical clinics points to a shift in consumer behavior: You can find a Walmart within 10 miles of 90% of the U.S. population, and demand is not saturated.⁵ Walmart has now opened a handful of

stand-alone health centers in Georgia, Illinois and Arkansas, offering primary care, dental, diagnostic and behavioral services, with plans to expand into Florida and other markets.

2. Remote learning. The pandemic demonstrated the costs of remote schooling for young children, with the Centers for Disease Control noting the importance of on-site learning to avoid worsening inequities late in the 2020-2021 school year.⁶ Over the past year, demands on class space and a growing learning gap underscored the need for improved facilities in K-12 schools.⁷ More than half of public school districts need to update or replace multiple building systems, including HVAC systems, and more than a third are using portable buildings due to a lack of capacity within existing facilities.⁸ The higher education sector is a different story. Given the sky-high cost of tertiary education and the burden of student loan debt, many students deferred or decided not to enroll during a year of remote learning.

⁶ [“Operational Strategy for K-12 Schools through Phased Prevention.”](#) CDC. May 15, 2021.

⁷ [“The Importance of School Facilities in Improving Student Outcomes.”](#) American Journal of Evaluation. Jun 7, 2015.

⁸ [“ASCE’s 2021 Infrastructure Report Card: Schools.”](#) American Society of Civil Engineers. 2021.

⁵ [“Our Mission to Bring Affordable Care with Walmart Health.”](#) Walmart. June 17, 2020.

3. The decentralization of the American workforce.

The pandemic undoubtedly disrupted office culture, prompting a year of ad hoc remote work, sometimes successfully and sometimes less so. Just 13% of American workers say they want to return to working full time on-site after the pandemic, and 87% want to work from home at least one day a week, according to a survey by Morning Consult for Prudential.⁹ However, coverage of this shift has often focused on white-collar work. An analysis of Bureau of Labor Statistics (BLS) data published in the [American Journal of Public Health](#) found only 25% of jobs can be performed remotely. This bifurcation will drive the office sector in the years ahead. The viability of remote work and lower costs of living outside key metropolitan areas will create demand for new or upgraded satellite workspaces in fast-growing areas.

4. The return of the American suburb. Supply shortages and residential construction backlogs speak to a huge demographic shift out of city centers to cities with lower populations and to single-family homes in the suburbs. The CoreLogic Single-Family Rent Index saw a 5.3% year-over-year increase in April 2021, up from a 2.4% year-over-year increase in April 2020.¹⁰ This has been driven by a shortage of housing stock and a move away from expensive coastal hubs like San Francisco and Boston to smaller cities like Phoenix, Tucson, Atlanta and Provo, Utah. Residential construction spending climbed 28% in May 2021 from the previous year, according to the U.S. Census Bureau.¹¹ Private housing starts climbed 29% in June 2021 from the

previous year.¹² A majority of [CIRT survey respondents](#) anticipate moderate or significant growth in nonresidential construction in the next quarter, and 46% are optimistic about residential growth.

Three Questions to Ask Yourself Now

The effects of the pandemic will shake out for years, but the post-pandemic era has already arrived, and contractors need to position themselves for that reality. Factoring in your company's key value proposition and specialty areas, consider how the trends outlined above apply to your market position by asking yourself these three questions:

1. Does the recovery look durable or fragile for my line of work?
2. Will growth in my sector and region result in expansion or contraction?
3. Are the challenges or opportunities for our work pipeline temporary or permanent?

Once you determine there is a solid recovery taking place within your market segment, consider how to optimize your bidding. For best results put the time into the research phase and pay attention to the emerging data, which will help point you in the right direction of viable opportunities in any business conditions.

⁹ "[Pulse of the American Worker Survey: Is This Working?](#)" Prudential Financial Inc. March 2021.

¹⁰ "[Single Family Rent Growth Rate More Than Doubles Year Over Year in April](#) CoreLogic Reports." CoreLogic. June 15, 2021.

¹¹ "[Monthly Construction Spending, May 2021.](#)" U.S. Census Bureau. July 1, 2021.

¹² "[Monthly New Residential Construction, May 2021.](#)" U.S. Census Bureau. July 20, 2021.

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