2015 union or non-union: Narrowing the cost gap in the construction industry

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One of the major issues that will confront our industry in 2015 will be the narrowing of the cost gap between union and non union work.

One has already seen some owners cross back to the union side of the fence, accepting the increase cost, to get a guaranteed schedule and delivery.

As absorption rates increase, bringing new product to market timely becomes more important than construction dollars.

Not only will schedule delays and/or the extended delivery times in the non union construction environment impact product pricing negatively but it will also result in an increased cost in financing for the extra "carry" duration.

Non union costs have been steadily rising due to demand; worker and management shortages. The "40%" difference has been severely abated by non union price increases; unions PLA agreements; extended non union time frames and change orders that result from construction miscues.

Add to this the lessons learned by many of the union to non-union "crossover" developers that the short fall of non-union cm's in regard to management services such as scheduling, budgeting, procurement and depth of infield construction management has led their organizations to do more thus increasing costs, and exposures on their part by augmenting their in-house team to fill the gaps of non-union construction management.

It will be interesting to assess that cost gap as owners start pricing projects both ways since the delivery delay factor; instead of resulting in passive revenue benefit due to price increases because of project demand in a hot market becomes a revenue "hit" as the demand decreases as more product hits the market.

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