



Grassi's Construction Market Outlook continues to provide execs. with industry specific insight/trends

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Grassi & Co.'s construction practice recently launched the results of its 2015 Construction Industry Market Outlook Survey at the firm's Construction Industry Symposium, which was held at the 3 West Club on Thursday, June 4th.

The 2015 Construction Industry Market Outlook Survey, which featured 58 questions in 12 categories, was completed by more than 100 executives from leading construction companies in the New York regional area. Designed as a valuable resource that identifies best practices, emerging trends and industry benchmarks for a cross section of the industry, the Survey's results were categorized into the following respondent segments:

- * General contractors and construction managers (GCs and CMs) with revenue ≤ \$100 million.
- * GCs and CMs with revenue > \$100 million
- * Subcontractors/specialty trades with revenue ≤ \$100 million
- * Subcontractors/specialty trades with revenue > \$100 million.

Key Findings

from the Survey

With executives facing a number of challenges and opportunities in today's market, the survey helps companies navigate through the complexities of the regional construction market and provides a more detailed analysis of the industry's hot topics, including union vs. non-union, compliance, insurance, technology and risk. Some of the key findings from the survey include:

- * 68% of the executives surveyed reported that they expect their company's revenue to be higher in 2015 than it was in 2014 and 53% expect their company's 2015 gross margin percentage to also increase from 2014.
- * 81% of the all participating companies indicated that they are currently a union contractor, but 23% of them reported they are considering operating or investing in an "open shop."
- * 43% of the executives reported that their company's CFO/partner/owner assesses their contractual risk.
- * 88% of all participating companies use mobile devices to access information and integrate data from job sites.
- * Compliance and non-union competition are cited as top challenges facing New York regional companies.
- * 73% of the responding firms reported that 51 - 100% of their work performed is within New York City and 89% of the respondents reported that none of the work they perform is international.
- * 30% of the participating companies reported that none of their work was bonded in 2014 and 66% reported utilizing only 25% or less of their 2014 bonding program.
- * 93% of the participating companies reported that less than 20% of the work they performed in

2014 was subcontracted to a D/MWBE.

* Expansion of business offerings and design build were the top strategies for all participating subcontractor/specialty trade companies, while expansion of geographic reach and design build were the top strategies reported amongst all participating GCs and CMs.

The 2015 survey was sponsored by the Subcontractors Trade Association (STA) and Building Trades Employers' Association (BTEA). To review the complete survey results report, including the industry trends identified, please contact marketing@grassicpas.com.

Grassi & Co.'s 2015 Construction Industry Symposium

The Grassi & Co. Construction Industry Symposium is an industry-specific event for owners and senior executives within the New York metropolitan region. This exclusive, invitation-only event provides industry executives with the opportunity to connect with their peers and other industry thought leaders to share their knowledge and discuss current market dynamics.

The Executive

Panel Discussion

The event kicked off with a dynamic panel discussion on the results of Grassi & Co.'s 2015 Construction Industry Market Outlook Survey. Lou Coletti, president & CEO of the Building Trades Employers' Association (BTEA), moderated an esteemed panel of industry executives, including Samara Barend, senior vice president, AECOM Capital, Ed Harms, managing partner, Island Companies and William Gilbane III, senior vice president, Gilbane Building Company.

Some of the highlights of the panel discussion included:

* Design Build: As competition in the market continues to increase and project owners look to obtain more value, many companies are considering implementing a design build strategy as a way to differentiate themselves and increase revenue. However, this strategy is not an easy undertaking as a design build strategy could expose a company to a tremendous amount of risk and expense. "Getting into it before being prepared can be costly and risky," stated Samara Barend of AECOM Capital. Even if properly prepared, the financial stress associated with this business strategy could be a major disadvantage for companies. "The costs to pursue projects can be exorbitant," said Samara. As such, companies looking to implement design build need to have a detailed understanding of the pros and cons associated with the implementation and operation of such a strategy in order to take the necessary steps to reduce the financial burden and risk exposure inherent in design build.

* Insurance: Expenses for New York regional construction companies continue to increase, especially with regards to insurance. As such, companies are exploring a variety of ways to offset these expense increases. For instance, companies are focusing more on overall safety on job sites and implementing policies and procedures to reduce the number of accidents and keep insurance expenses down. Additional efforts with regards to improving efficiency and financial stability could also assist in counteracting restrictions in the market and reducing a company's insurance expenditures.

* D/MWBE Requirements and Challenges: As state requirements continue to increase with regards to D/MWBEs, construction companies are feeling the pressures of remaining compliant. In fact, many executives question if these state issued requirements are realistic for most construction companies in the area. Harms agrees and states, "The dynamic is essentially where requirements continue to increase to an unattainable level." Meeting these requirements is even more challenging as the difficulty in identifying qualified D/MWBE companies in the area is also increasing. Almost half

(43%) of all survey respondents indicated that the state provided qualified D/MWBEs are not valuable as the entities are neither professional nor have skills to complete projects. Given this, companies need to adopt a robust due diligence approach in order to reduce their overall exposure to risk. Harms advises, "Kick the tires, check the references, go to the facility, see the equipment and meet the people."

An Exclusive Q&A and Closing Reception

The symposium continued with an exclusive keynote Q&A with New York Giant, Tiki Barber and Sports Broadcasting Legend, Al Trautwig. Tiki and Al had a candid and entertaining discussion on teamwork and winning in sports as well as in business.

The night concluded with a cocktail reception on the terrace of the 3 West Club.

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