



## Q&A regarding the construction industry in New York City

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What is the state of the NYC construction market?

Overall, the corporate interiors sector is still strong. It's true that work has declined in certain areas, with some Fortune 500 companies and large financial institutions shelving projects indefinitely, but others have had the work on the books and will still execute because they need the space for growth or their current lease is expiring. Construction companies that do a large array of projects are OK right now. As for Aragon, we are making our numbers this year, but it's been a little sporadic - some months are off, but others are a lot stronger. We've diversified our business, which is keeping the firm busy. We are now doing airport work and large infrastructure projects, and the landlord work is fast and furious. The hedge fund business is still very strong as well.

How is the construction industry changing?

Clients are dedicated to making a greener work environment, and often they are hoping to achieve some level of LEED certification. We're seeing that shift in the majority of projects we undertake. Since the trend of going green is becoming more popular, the costs of selecting these materials aren't as substantial as they used to be. There is more competition for providing sustainable products, which has driven the numbers down significantly, and a lot of competitors in the material supply business have gotten on board, so there are fewer barriers to entry. You used to see a 50% price difference in the materials for LEED certified projects; now that difference is closer to 30% and it's continuing to come down.

How is Aragon at the forefront of the industry? How are you staying ahead of the curve?

By educating our employees, going to industry conferences and attending networking sessions. Also, we constantly monitor and update our technology - a key to keeping projects running seamlessly. Every one of our supers in the field has a networked laptop, and we are always streamlining software to make it more user friendly. We recently created a unique tracking program that allows the company to operate and communicate even faster. We live on schedules and cannot afford to lose a day in this business. It's important to avoid any mishaps because the resulting costs are endless.

What parts of the city are hot?

As a whole, the city is busy, from midtown to downtown. The downtown neighborhood is starting to become more attractive to the financial community again, which is great to see, and the high rent district on Park and Madison Aves. continues to attract the large financial institutions because they can afford those high rents, and it provides them with a more centralized location for their businesses. All in all, I wouldn't say there is a piece of the city that isn't busy. If you look at the new construction from the World Trade Center site to the West Side Highway to Eighth Ave., these buildings have been underway for a long time and developers are continuing to build them.

Any new legislation affecting construction? How?Â

There are some stricter requirements coming out of the Department of Buildings in terms of inspections, training and safety requirements. The permit process is also changing. We used to have a more centralized commercial market but now we're seeing more residential buildings go up adjacent to commercial buildings, which means more after-hour variances are needed.

What trends are you seeing in terms of materials and finishes - "green" and otherwise? e.g. what's "hot" right now? what's "out"?

White lacquer woods and white Carrera marble are "in" right now as well as more open and detailed ceilings, along with better and more attractive lighting. Clients want to make spaces bright and airy - the clean look is very hot right now. Marble has become more popular than granite as far as countertops are concerned, and you don't see as much wood flooring as you used to; if clients can afford it, they are opting for stone or composite material. Cement flooring is still in - it's clean, funky and affordable. We're seeing more centralized meeting rooms or "think tanks" and landscape, open work environments instead of private offices. Bamboo floors and floors made out of recycled materials are fashionable in green build-outs, in addition to mechanical units that use less energy and have better ventilation systems.

Are costs starting to come down for you, staying the same, or going up? (materials, subs, etc) How will this affect overall construction costs in the next 6 months?

No, our costs are the same if not more because even though the market is such, materials have gone up, and the unions continue to get their raises and benefit packages. Even though the price of oil has come down, it's been up for the majority of the year and trucking costs are continuing to increase. So overall construction costs are not coming down: It is higher than the clients obviously want, but the materials are such, labor is such, and at the end of the day, the numbers are the numbers. You can value certain things out of the job to reduce the cost, but certain costs are required for basic materials to create a vanilla space.

What kind of client requests are you receiving?

Everyone wants you to build it faster and less expensively. We build faster than anyone else in this town, but I always tell a client you have three options. You can focus on budget, on schedule, or on quality. Quality is key, and you can't sacrifice cost or schedule to deliver quality results.

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