



## What gets stripped out in a down market? An engineer's perspective

April 09, 2010 - Owners Developers & Managers

When we opened the doors of the firm in 1991 we had a mission: to provide comprehensive, best-in-class engineering services that embrace architectural aesthetics, to visualize projects from the client's perspective and implement cost methodologies to deliver superior quality projects on schedule and within budget.. Nineteen years later that remains our mission.

As the marketplace has become more competitive, and fee structures become tighter, we are forced to ask ourselves "what gets stripped out?" We have watched other firms begin to strip out front end services to alleviate some of their bottom line numbers so that they can bid low. The problem with that, if you've been in this business long enough, we all know that those services are necessary but the clients, most of the times do not, and in are faced with unexpected change orders and a sour taste in their mouths. Personally I think the answer should be that proposals should be comprehensive and all inclusive of all necessary services for a successful project. We still have to wake up each day and feel pride in knowing that we are delivering the very best projects we can even if we have had to adjust the way we do business. We have to continue to provide excellent service to our clients and make them feel confident that they have not gotten "stripped" of anything, and build partnerships with them so they understand where their fees are going.

In December of 2008 one of our largest clients arranged a meeting for all of their preferred vendors. As they had always been loyal to us, and we had all benefitted in the good years, they asked if we would come up with special programs, terms and conditions in the short term to allow us to continue to do "business as usual," and help them remain healthy in the coming fiscal year. After a review of the manpower requirements of the various project types coupled with some in house belt tightening and concessions from our sub-vendors, we were able to come up with discounted scope of services that kept the true value and cut minimal 'frills'. This is just one way we chose not to change our core principals, to keep our heads held high and to continue our forward momentum.

As we see an uptick in the industry (no champagne popping just yet), and collectively start to sigh with relief that hopefully the worst is behind us, there is no doubt that we are all still looking around and assessing the damage. We are thankful to be in such good financial standing, but like many others, had to make many tough decisions early on to stay ahead of the curve. The drop off of 20-25% in the commercial industry and up to 50% on the residential side has devastated many companies in our industry. Everyone was given an education on the lien and foreclosure process. And we watched friends and competitors close their doors which has affected us all.

For those of us that survived we have had to put into play many creative solutions. Landlords like SL Green, CBRE, Newmark and W&H Properties spent time creating such solutions as building pre-builts which allowed them to continue leasing and not have an abundance of vacancies. Now, during this modest resurgence, many of those spaces are being turned from pre-builts into

built-to-suit interiors. In the developer's world, we are seeing many of the projects that were placed on hold, been in receivership or foreclosure, change hands and continue. Albeit they have greater restrictions and parameters than before the financial freezing but how does a developer survive if he doesn't develop?

Out of the ashes we are seeing a more cautious industry, a back to basics mentality and a further united front. Strategic hiring of outstanding professionals has ensued again rather than just bodies in seats and we are all moving forward with controlled growth. The economy is still driving the climate of our market, but the percolation of real estate transactions by end-users, who recognize that concessions are as low as they will ever go, make us all hopeful.

In the end we are proud to be standing side by side with other professionals in our industry who chose not to strip anything out in a down market. We look forward to contributing and watching the economy regain strength. We will continue to service our clients with excellence and are thankful to have built, over the last nineteen years, some truly amazing relationships.

Michael Gerazounis, P.E., LEED AP, is a principal for MG Engineering, P.C., New York, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540