

WREB
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SURVEY

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Tracy Hammer (left) and **Roger Ark** are vice president and director of operations, respectively, in McShane Construction Corp.'s Phoenix office.

1) Where is your company's work most concentrated in the West?	Desert Southwest	Over half of our work is in California.	Arizona, Nevada, Southern California and Northern California.
2) Which sector do you see most of your business coming from this year?	Industrial — light and heavy.	Healthcare, hospitality and special projects (i.e., renovations, remodels and tenant improvements).	The office and industrial markets appear to have the strongest momentum and will comprise the bulk of McShane Construction's business over the next year.
3) What's the latest construction buzzword in the West?	Streamlining, going with a true design/build process	Caution regarding capital investment	LEED certification and green construction
4) What new services/amenities are your clients asking you to provide?	We just added a sign division to complement our steel-stud, drywall and paint divisions — giving the customer better service and better pricing by self-performing those trades.	Sustainability and BIM	Interest in LEED-certified buildings is becoming increasingly more popular with our clients. In addition, clients are interested in a more open, honest and frequent dialogue with their contractor in order to eliminate surprises and unexpected results during the construction process.
5) What is the biggest trend you're seeing within the green building movement?	Solar panels are being engineered into the projects' roofs; designing the panels and their size/weight are becoming an important factor in their energy needs. Another trend is building orientation to take advantage of the sun to the benefit of the structure and its inhabitants.	A reduced cost premium. That being said I think our industry's capability to build green far exceeds our ability to demonstrate to our clients its value. We need to get better data to show the value of green.	LEED certification was initially popular with office facilities and governmental buildings. It's now grown to include LEED-certified industrial facilities, which are gaining popularity with private developers and build-to-suit clients.
6) Does a certain property type lead the way in terms of green building business?	Commercial properties are leading the way, specifically office buildings.	Yes. A property that is built by and for an end-user client who will then occupy, maintain and operate the facility long-term.	Office properties have led the popular green building movement since local, state and federal governmental agencies have eagerly embraced the LEED-certification process.
7) What's the latest on construction costs? Is a certain product type more affected than others?	Construction costs have seemed to stabilize. However, the speculative project is harder to fund at this time. Lenders want to see more pre-leasing activity.	I believe we will see cost reduction coming, as more markets slow. We are already seeing signs of cost leveling and of increased subcontractor and labor availability.	Office buildings are particularly vulnerable to rising steel prices. However, the market has witnessed other construction materials and components slightly decrease in cost as a result of the slowdown in the residential markets.
8) What has been the most common reaction/alternative used by developers when negotiating rising construction costs?	Sometimes owners can take advantage of paying their invoices within 10 days of billing. The subcontractors can reduce their carrying costs, and the need for expensive credit lines are reduced.	The first reaction is generally "Okay, the project doesn't work at this cost. What do we do now?" That is when we often find out where the cost needs to be and we can start working toward a budget goal. Sometimes we can do that without impacting the program or scope. Sometimes an adjustment to the scope of work is unavoidable.	Utilizing current market pricing and implementing allowances has assisted in balancing highly-fluctuating material costs and preventing unnecessary surprises throughout the construction process. The market has also experienced more stabilized material costs over the last year due in large part to the slowdown in the residential construction volume.
9) What new industry issue or trend will be a large factor during the rest of 2008?	Being flexible with your product type and building materials will enable smart projects to move forward. The one-time developer will struggle in 2008 while the career developer will forge ahead.	Telecommunications has become more active again. The most important factor, however, will be providing excellent service to our current clients so that they remain current clients. Competition is already getting much tougher out there than it was a year ago.	The economic slowdown will likely have an impact on the commercial construction business as will the presidential election, the rising cost of crude oil and its material by-products.