

ULI Chicago's Front Stoop Series "Construction Trends & Costs"

A Conversation With:

Bethany Crispin, *Senior Vice President, Residential Business Unit, Clayco*

Paul James, *Senior Vice President, Lendlease*

Susan Uhlarik, *Project Executive, McShane Construction Company*

On April 15th, ULI Chicago members convened virtually for the Front Stoops Series to discuss "Construction Trends & Costs" The conversation was held between Bethany Crispin, *Senior Vice President, Residential Business Unit, Clayco*, Paul James, *Senior Vice President, Lendlease*, and Susan Uhlarik, *Project Executive, McShane Construction Company*. Highlights from the conversation are presented below:

Current Bottlenecks in the Market

There has been 6-month lead times for windows, lumber, copper, and steel creating overall project delays. As the costs have increased exponentially, subcontractors are absorbing the price increases to accept orders and keep busy, with hopes that future projects will outweigh current losses. In addition to cost, supply remains an issue as GCs have trouble in securing fixtures. For example, a bathtub could take 6 months as all of the acrylic is getting bought up by companies and schools to build partitions to enhance social distancing, but that is a key product in tubs/other fixtures so they cannot finish them. It is hard to predict when the volatility will end.

There is also a huge shipping problem as goods are not getting into or across the country. COVID outbreaks and recent natural disasters have been affecting dock workers as well. Also, there have been national delays with permits due to short staffed municipalities. GCs are struggling to get approvals to begin projects, any licensing, or Certificate of Occupancies for any non-healthcare related projects.

Workforce

Initially, when orders dropped layoffs occurred market wide. As construction has been deemed essential, it is lucky that they have been able to continue to work. Now, there has been an increase of employment in the field and they still do not have enough workers to support the demand. Some say that their workers make more off bonus unemployment benefits that they have chosen to not come back to work. Others, such as union workers of Chicago, benefit from staying at work.

There are strict CDC and OSHA regulations followed at job sites, with nurses on staff and social distancing when possible. As people are getting vaccinated, owners are hopeful those costs can be moved elsewhere, but current GCs will follow guidelines through the year.

Looking Forward

The importance of transparency between GCs, ownership and LPs has prevented major internal issues. GCs work closely with their architects to find available cost-effective alternatives. The preconstruction process has become a vital portion of planning and budgeting with ownership to prevent future delays. GCs work to get contracts out as soon as possible, with the discussion of escalations included, in order to get materials earlier than necessary.

Costs for goods are not likely to go back to pre-pandemic levels, but there will at least be stability in the market to know what the new baseline is. In the office market, landlords are building spec spaces if they already have the financing. Class B office spaces are looking to renovate and modernize. As for future office construction, there has been a lot of discussions revolving around live-work environments.

Summary written by Nisha Mishra, Associate, CBRE