

Construction Industry Challenges: What Should We Do Now?



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Unless you've been living underground for some time, you've surely heard, read or experienced the challenges impacting our local market and overall construction industry related to everything from commodity pricing, lead times and supply chains to wage pressure, permitting back-ups and diminishing labor resources. Is the end in sight? The short answer is: probably not.

Some of the headwinds presented themselves prior to the pandemic and have only become more evident since. As an example, according to the Associated General Contractors of America, construction employment in August remained below the levels reached before the pre-pandemic peak in February 2020 in 39 states.

Some suppliers have tried to reduce demand by increasing pricing, but largely this has been an ineffective strategy. The pending government infrastructure bill will only apply further pressure to commodity supply and labor resources. In addition to increases in materials and labor costs, transportation and fuel costs spiked year over year, further adding to the budgeting challenges for our industry.

As a tightknit real estate, design and construction community, what should we do? How can we proactively improve this unpredictable climate, keep our people passionate and engaged, while delivering exceptional spaces and environments

for our clients on time and – ideally – on budget?

- **More modular and off-site solutions on the horizon.** One approach that could alleviate a portion of our collective challenges is an increase in off-site/modular/prefabricated/manufactured construction solutions. This method is not new to our industry but only has been adopted in pockets, most frequently in health care and public-sector projects. These solutions lessen the required coordination between multiple trades on a construction site, offer increased predictability of lead times and greater price certainty. At times, there is a premium price compared to conventional construction practices from a material-to-material comparison. However, when considered more holistically while incorporating aspects such as construction timelines and ability to meet project milestones, there is a larger return on investment proposition to consider.

- **Harnessing the power of the design-build model.** We often find ourselves in a design-bid-build model, but we see a lot of potential in a design-build approach that combines construction, architecture and engineering under the same contract – as essentially one entity – from the beginning, unifying workflow and ensuring alignment from concept to completion. Bringing a knowledgeable team with specific expertise on board at the beginning of the design phase will streamline coordination of all trades, allowing the project team to hit the ground running after the permit is in hand and construction can begin. A

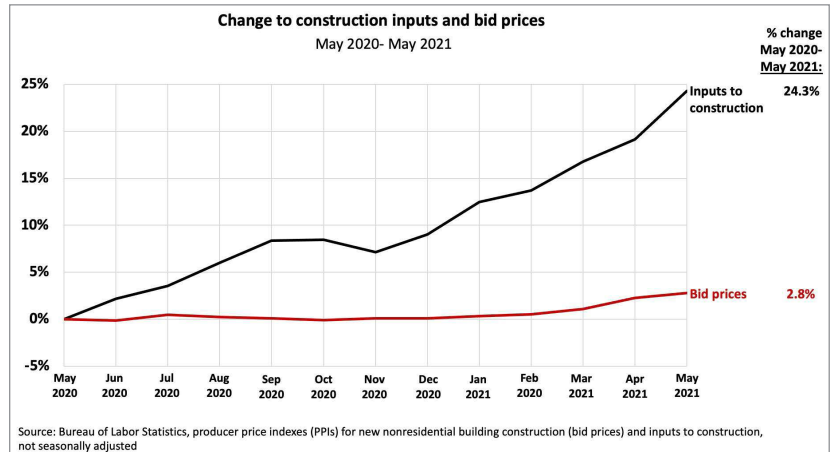


Customized prefab health care solutions improve safety and speed up construction.

design-build model should also help alleviate the late scramble of value engineering and schedule shifting and pushing.

Design-build additionally would assist in minimizing the challenges of our industry in product lead times, permitting timelines, labor resources, overall construction schedule and price uncertainty. As those who have been part of a team within a design-build process can attest, it tends to result in a much stronger, more authentic sense of partnership. The model provides time for proactive measures and creates an environment where we are able to overcome challenges together before there are issues during construction. There is a common goal that all parties are working together to achieve.

- **Embracing new possibilities.** Is design-build the ideal method for every project? Unlikely, but why has our market not embraced this method more frequently? Many of the benefits outlined above can be accomplished without a true design-build contract, as long as the project team is brought on board early and has alignment in the goals and vision for the project. In our estimation, fear of “getting burned” on pricing across many layers, as well as a lack of trust to negotiate work, leads to pressing the easy button of bidding work in the traditional way. The design-bid-build model is easy; it’s what we know. It’s what makes us feel we’re getting a fair deal, and provides a process that allows us to compare pricing, often awarding to the lowest qualified bid. The problem is that this method is often less collaborative and results in unforeseen costs and coordination challenges. Bidding does not ensure fairness of pricing, and it certainly does not



ensure you get the highest quality solutions and skilled labor.

- **Creating transparency and trust.** Lack of trust, and specifically a lack of trust in pricing, is another reason why design-build is not more commonplace in our market. We commonly hear owners ask, “If I bring in a team early, how will I know I’m getting the best pricing for my spend?” If the budget is established and communicated early and all parties represented in the project agree to transparent and open-book pricing, we can put the lack of trust among owners and project stakeholders to bed. Financial benchmarks and incentives within a design-build process also can be put into place to ensure all parties are “rowing the boat” together and are incentivized to work collaboratively to overcome project challenges.

FMI Consulting’s research forecasts that spending for design-build construction put in place will grow at a compound annual rate of 7.6% over the years 2021 through 2025, and hit \$406.7 billion in 2025, or 47% of the total construction spending that year, vs. 42% of the total in 2021.

The winds of change will continue to modify how we design and build. Within an industry typically resistant to change, many factors are pushing this industry – traditionally slow to adapt – to truly consider new approaches. New opportunities to infuse technology into the process, in combination with new generations and demographics entering the industry, will all be catalysts for improvement. This not change for the sake of change. This is about being more open to shifting our perspective on the construction process because it just might solve or at least alleviate our current inability to control costs, schedules, quality and risk. What if our community considered a better way to build, a better method, a better model? Our people would benefit, our clients would benefit, and we might even have a more rewarding team experience along the way.\



Canvas Credit Union: Prefab solutions include insulated, prefinished solid walls with embedded technology; glass walls with branding/graphics; sliding barn doors; and swing doors.