

Commercial contractors tell clients it's good time to build, workforce available

By Ken Datzman

Some of the challenges that have faced commercial general contractors over the last several years have eased a bit of late because of the coronavirus pandemic.

Workforce shortages and material availability, for example, have been thorny issues for contractors and can impact their ability to complete work on schedule.

Contractors have seen such issues play out in the market for at least the last three years, especially with workforce shortages in the construction industry being driven by increasing project demand from private investors, developers, and institutions.

At the start of 2020, many commercial builders seemed to be set for another good year of activity. Then in mid-March the dynamic changed somewhat because of the coronavirus. But now might be the opportune time to stick that shovel in the ground, move forward on a project, and take advantage of greater workforce availability.

"We're seeing a lot of our clients around the state take advantage of current market conditions," said businessman Adam Broadway, the president and chief executive officer of Certified General Contractors Inc., a longtime Melbourne firm that specializes in commercial construction, a powerful driver of the economy.

"They are actually seeing cost savings in some of the construction pricing. There is also considerably more workforce talent available today. We believe it's a great time to build, and so do our clients. They have a positive view of the market and are looking to the future."

Broadway and Ryan Runte, executive vice president and director of operations of Certified General Contractors, are the principal owners of the company. They purchased the firm in 2013 and have grown the enterprise. Certified General Contractors was established 26 years ago by Jim Stivers.

"We had an amazing platform to begin with and we have grown a lot in the last seven years," said Broadway, who started his career with Certified General Contractors in 2008. Runte joined the firm in 2010. They bought the company during the Great Recession.

"We learned how to be lean, how to be efficient, and how to be effective managing the operations during those times, and we continue to do that today," said Broadway. "We take a conservative approach to business and we do not overextend ourselves."

"Our No. 1 goal from day one has been to provide a good experience for our customers," added Broadway. "And we believe that today, especially in the current market, it's more important than ever to be more than a general contractor to your clients."

To just construct a facility for a customer is not enough, said Broadway. "You have to add value beyond construction. For example, if a client needs help finding a lender that fits their needs, we reach out and do that. They may need a CPA firm recommendation or a real-estate broker recommendation. We want their overall experience working with us to be the best it can be."

Certified General Contractors' deep portfolio of construction projects over the decades includes Bishop Moore Catholic High School, Hyatt Place Hotel, Strive at Fern Park Living Center, United Against Poverty Center,



BBN photo — Adrienne B. Roth

Adam Broadway, left, is president and CEO of Certified General Contractors Inc. Ryan Runte is executive vice president and director of operations. Their Melbourne firm specializes in commercial construction, which is a big driver of the economy. They are telling clients it's a good time to build because of workforce availability and cost savings. And a number of their clients are doing just that, sticking the shovel in the ground on new projects as they look to the future.

University Commons Student Housing at Florida Tech, Viera Heart & Vascular Clinic, and Certus Memory Care at Waterford Lakes. Other projects built by the company are Doubles Beachside, designed by DNA Architects Inc., Fresh Market, Brevard Health Alliance, and Clevens Face & Body Specialists.

Certified General Contractors is one of a growing

number of builders that employ advanced technologies to help improve labor productivity on job sites.

Increasingly, general contractors are using equipment tagging, wearable technologies such as sensors, and augmented/virtual reality for their projects.

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Certified General Contractors Inc.

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"It's imperative that industries and businesses adapt to and leverage technology as a way to address workforce challenges," said Broadway.

Contractors consider key project performance indicators like schedules, budgets, and safety measures to be some of the top benefits of investing in technologies, as the commercial construction industry gears up for future growth.

According to the UCF Institute for Economic Forecasting, from 2020 to 2023 professional and business services are expected to be the fastest-growing sector in Brevard County, averaging 4.6 percent annual growth.

Construction will see the second-highest average annual growth rate of 4.3 percent.

Right now, Broadway said his company's clients "are not pulling back. In fact, some of our customers are doubling down on their projects and investments."

A lot of businesses, investors, and other parties are taking a stake in Florida.

There are currently more than 400 commercial construction projects up for bid in the Sunshine State, according to the "Dodge Lead Center" website, a top industry source. Combining both the commercial and residential building markets, there are 3,000 jobs for bid in Florida on that website.

The commercial projects range from \$100,000 to more than \$10 million, and include a Publix GreenWise Supermarket, a Walmart Supercenter, a Courtyard by Marriott and a Residence Inn by Marriott, a Ross Dress for Less store, a 7 Eleven, a Circle K, an office building interior renovation, an elementary school addition, and a new cultural community center.

"We have three hotels that we'll be building," said Broadway. "These are new construction projects. They are not all in Brevard. And we're also seeing some new restaurants go up, which is good news. Florida's population is growing. There's opportunity now for our firm and there will be in the years ahead, we believe."

At the highest estimate, Florida's population is projected to increase to nearly 26 million people by 2030, up from 21.6 million today, according the Florida Chamber of Commerce Foundation, based on data from the University of Florida's Bureau of Economic and Business Research.

Florida can expect that two-thirds of the population growth will occur in just 15 of the state's 67 counties, with Brevard being one of the 15.

The 10 largest populations by county in 2030, according to the forecast, will be: Miami-Dade, Broward, Hillsborough, Orange, Palm Beach, Duval, Pinellas, Lee, Polk and Brevard.

In a recent summary from the Demographic Estimating Conference, Florida's population is expected to grow by an average of 330,605 residents per year, between April 1, 2018, and April 2, 2024. "The roughly 900 new Florida residents each day is the equivalent of adding a city the size of Orlando each year."

While the growth could potentially create greater demand for water availability and increased need for schools and other public facilities, there will be new opportunities in the real-estate market, expansion of businesses, and increased capital investment.

"As Florida continues to grow, so will the construction market — particularly the industrial and manufacturing sectors. The industrial sector will likely be driven by e-commerce growth. There will be greater need for distribution and warehouse space. That's what our sources are predicting," said Broadway.

New development in the industrial sector across America increased from 18.5 percent in April to

25.5 percent in May, reports the National Association of Industrial and Office Properties.

The industrial segment remains the most popular investment area. In 2019, for instance, 18.7 percent of all transactions in the U.S. were industrial, representing a major jump from the 9.8 percent figure in 2014, says the Certified Commercial Investment Institute.

Another big boost for contractors could come from President Trump's next stimulus package.

The Trump administration is preparing a big infrastructure plan. It would help uplift the economy with a particular focus on roads, bridges, and 5G wireless infrastructure. During the 2016 campaign, then-candidate Trump called for infrastructure investment.

A proposed House measure, known as "The Moving Forward Act," seeks to invest \$1.5 trillion in infrastructure. "These investments will create needed new construction careers, promote demand for new construction equipment and materials, and ensure that the economy will be more efficient and effective for years to come," according to House leaders.

In addition to investing in transportation systems, waterways, energy, and drinking water, the measures provide funding for modernizing schools, health-care facilities, new housing, and environmental mitigation.

These broad investments will support demand across many different construction sectors.

States like Florida are lagging behind on infrastructure upgrades. Every four years, the Florida Section of the American Society of Civil Engineers compiles and releases a "Report for Florida's Infrastructure." The report grades 11 categories of the state's infrastructure. Florida received an overall grade-point average of "C" on its last scoring.

The 2016 "Report Card for Florida's Infrastructure finds that much of the state's infrastructure needs investment and upgrades to keep up with the growing population.

Of note: As a top destination, "more than 50 percent of Florida's commercial airports will experience demand levels that will surpass their operational capacity over the next 15 years."

About 15 percent of Florida's bridges are at least 50 years old, the report says.

Florida's average daily freshwater demand, including drinking water, is projected to increase by about 20 percent, to 7.7 billion gallons per day by 2030.

Yet another positive sign for the commercial building industry is the growing number of new home purchases in communities. When homes go up in neighborhoods, commercial services generally follow. Strip centers, doctor offices, and restaurants, for example, are constructed to serve the population base.

The Mortgage Bankers Association's "Builder Application Survey" for May 2020 showed mortgage applications for new home purchases increased nearly 11 percent compared to a year ago. Compared to April 2020, applications increased by 26 percent.

"Homebuyer traffic is rising and homebuilders are continuing to ramp up coronavirus pandemic-related restrictions. We expect to see near-term strength in the coming months from the resumption of delayed sales activity caused by the social distancing and stay-at-home orders during March and April."

In addition to full construction projects from the ground up, Certified General Contractors is doing a "lot of façade renovations and repurposing work," said Broadway.

With the changing needs in the office market because of social-distancing and other safety-precaution guidelines, he said his company is positioned to tap the office-renovation strategy market created by the coronavirus.

Offices and buildings will be undergoing changes as

they reopen to employees and to the public.

"We've talked to several architects who are working on new space plans and furniture layouts for businesses. That could be a new market for us. Companies are going to be making space adjustments to better accommodate their employees in a safe environment," said Broadway.

In the future, according to experts, traffic flows in office spaces will be designed to go in one direction to reduce "pinch points" — those crossover points where people may collide.

The American Institute of Architects has released guidelines for reopening that enforce everything from social-distancing to changes in airflow within buildings.

The office of the future perhaps will contain fewer desks, with empty spaces between them, perforated by high Plexiglas walls.

General contractors like Broadway and Runte's company are deemed "essential businesses" by the state of Florida. Their team members have been working at job sites without interruption.

When Gov. Ron DeSantis issued stay-at-home orders, people in the construction trades were given the go-ahead to continue working.

"I had a team meeting when the first coronavirus cases were being reported in the county," said Broadway. "I told the team members that our projects will continue forward. We were fortunate. I personally believe, and I'm not political, that Gov. DeSantis did a great job balancing everything and then reopening the state's economy in phases. If he hadn't done that, our economy would have been devastated."

Broadway added, "If we go home and leave the job sites, that means 650 suppliers, vendors and subcontractors are going home, too. The economic impact of the commercial construction industry — all the people working at job sites around the nation — is huge. They would have all been adversely affected, as well as our clients. So we were able to power through this and we were actually able to pick up the pace of construction during that period."

The impact of new development and of the ongoing operations of existing commercial real estate building in the United States — office, industrial, warehouse, and retail — has grown to support 9.2 million American jobs and contribute \$1.1 trillion to the nation's gross domestic product in 2019. That was an increase from 8.3 million jobs and a contribution of \$1 trillion to GDP in 2018.

The findings are presented in the annual study, "Economic Impacts of Commercial Real Estate, 2020 U.S. Edition," released by the National Association of Industrial and Office Properties Research Foundation.

The study measures the contributions to GDP, salaries, and wages generated, and jobs created and supported from the development and operations of commercial real estate.

Based on the existing stock of commercial buildings — totaling 49.6 billion square feet at the end of the third quarter of 2019 — direct spending on building operations totaled an estimated \$173 billion and contributed \$464 billion to GDP.

Florida was among the top 10 states in 2019 for "direct construction spending" (\$11.7 billion). The Sunshine State, at No. 6 in the ranking, created and supported 227,512 jobs.

Broadway said he expects the commercial building sector in Brevard to continue making advances.

"We're seeing a lot of out-of-area investors looking at Brevard County. It's been going on for some time. There's big construction money at work in the county right now and I expect more to come. We have a number of clients who are bullish on Brevard, as well as other markets in the state," said Broadway.