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GENERAL CONTRACTORS OPERATE AT FULL THROTTLE

After a prosperous 2016, the outlook for builders in 2017 stays healthy despite labor issues.

By Kristin Hiller

Midwest-based contractors recorded a solid year of business in 2016. Development activity increased across all property sectors, but particularly in industrial.

Many contractors expect the momentum to continue in 2017, and some even project higher revenues for the year ahead. As for challenges, contractors continue to combat rising construction costs and the shortage of qualified labor.

Nationally, construction employment reached an eight-year high in 2016 as firms added 19,000 jobs in November, according to The Associated General Contractors of America

(AGC). But a decrease in public sector investment in construction projects limited employment among heavy and civil engineering construction companies.

Revenues and employment numbers are expected to remain steady in 2017, but the year also brings about several uncertainties due to yet-to-be-determined policy changes from a new presidential administration.

Industry experts anticipate that 2017 will largely be a transitional year, with any policy changes affecting construction not likely to fall into place until 2018.

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Meridian Design Build is currently working on a 421,403-square-foot industrial building for Exeter Property Group at Brewster Creek Business Park in Bartlett, Ill.

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Busy with build-to-suits

Headquartered in Deerfield, Ill., Meridian Design Build is most active in the industrial and food and beverage sectors.

The company has several build-to-suit projects underway in metro Chicago, mostly for food users and package delivery/logistics companies looking to expand and modernize their distribution networks.

Meridian has also been involved in the construction of over 1.4 million square feet of speculative product in 2016 for developers such as Venture One, Prologis, Exeter Property Group, Molto Properties, ML Realty Partners and Scannell Properties.

The company is constructing a 421,403-square-foot industrial building for Exeter Property Group at Brewster Creek Business Park in Bartlett, about 40 miles west of Chicago. Meridian also recently completed a 67,080-square-foot build-to-suit for Traffic Control & Protection at Blue Heron Business Park, also in Bartlett.

Meridian completed design/build renovations at a 115,000-square-foot food plant for Richelieu Foods Inc. in

Wheeling, about 30 miles northwest of Chicago. Richelieu manufactures private label foods.

Howard Green, executive vice president of Meridian, says the business environment over the past few years has been quite favorable. He points out that all of the company's developer clients are in the process of looking for land sites for projects in 2017.

"There are a finite number of greenfield sites available, so we're seeing a trend toward redevelopment of existing sites closer into the population centers that tend to take a bit more time and creativity to develop," he says. "We're also working on quite a few user-driven renovation and new construction projects for 2017."

Green cites 2015 as a record year for Meridian from a revenue standpoint and that the firm posted similar numbers in 2016. Several new employees were added in the last six months. As for 2017 revenue projections, Green says a lot will depend on the size and timing of the projects, but overall the forecast is positive.

"Based on our current backlog and the number of projects in the preconstruction phase, our expectation is that we should be able to maintain or slightly increase revenue levels in 2017," says Green.

The quality and availability of workers presents the biggest challenge in 2017, according to Green. The main issue is finding qualified subcontractors who are capable of delivering on the commitments that Meridian makes to its clients.

"I think this is an issue that we'll be dealing with for the foreseeable future. We've been spending quite a bit more time prequalifying subcontractors, particularly in areas outside our home market, and discussing project schedule and manpower requirements in detail prior to awarding the subtrades," explains Green.

"We've also been proactive about hiring project managers and superintendents as they've become available in order to ensure we have a strong team in place internally to manage our clients' projects in the years ahead." ■