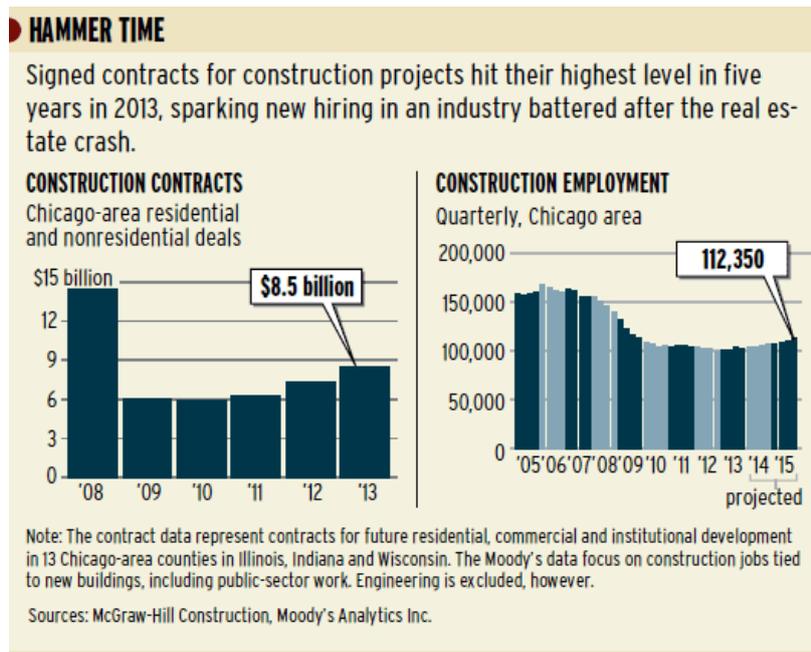


Residential sector boosting construction comeback

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http://www.chicagobusiness.com/article/20140208/ISSUE01/302089989/why-chicagos-construction-industry-is-looking-up?utm_source=ISSUE01&utm_medium=rss&utm_campaign=chicagobusiness



When Tom Gilbertson starts fielding calls from builders fretting about falling hammers or two-by-fours, the construction market is getting healthier. You don't need to worry about shielding pedestrians from items dropped from above when there's nothing to build.

Mr. Gilbertson's Gilco Scaffolding Co. is getting calls these days. Revenue at the Des Plaines-based company grew about 15 percent last year, in part because of deals to install canopies over the sidewalks along 111 W. Wacker Drive, where Related Cos. is completing a 60-story luxury rental tower. "It's a little too early to say what's going to happen in 2014, but I think it's going to be a good year," he says.

Signed contracts for development hit their highest level in five years in 2013. And those in the industry think this year could top that. The expansion is a welcome turn for executives who had to scramble to find work during the lean years, suppliers sunk by the dearth of new building projects and workers who got up each morning with no reason to put on a hard hat.

"I don't think the bounce-back . . . is going to be as steep as some of the previous bounce-backs," says John Russell, president of general contractor W.E. O'Neil Construction Co. in Chicago. "I think it'll be a little longer, a little slower recovery, but it's definitely real."

Last year, contractors inked \$8.5 billion worth of deals for development in the 13-county metro area, up 16.5 percent from 2012 and a full 44 percent above the post-crash 2010 trough of \$5.9 billion,

according to data from New York-based McGraw-Hill Construction. It was the third straight year of rising contract volume. Signed contracts hit \$14.5 billion in 2008.

The residential sector, which suffered a brutal shakeout after the housing crash, is nursing the industry back to health. Contractors inked \$2.2 billion in deals in 2013, a 36 percent increase from the year before. Builders of the apartment towers sprouting downtown and other rental projects signed \$1.3 billion in contracts, a 53 percent gain versus 2012.

W.E. O'Neil, for example, is now bidding for \$40 million to \$60 million of work instead of chasing \$10 million to \$12 million contracts during the recession's depths, Mr. Russell says. Companywide revenue, including deals outside the region, hit about \$600 million last year, he says. That's still far less than the \$800 million level of 2005 and 2006, but Mr. Russell foresees a rise of up to 15 percent in 2014.

Firms are starting to see long-dead sectors spark to life. Last year, about 10 percent of Naperville-based Showalter Roofing Service Inc.'s \$8.2 million in revenue came from new residential construction, says company founder and President Dale Showalter. The market had disappeared by 2010.

The firm also billed more than \$100,000 for roof maintenance work at retail, condo and rental buildings in 2013, up from \$75,000 three years ago, but still well below pre-crash peaks of \$200,000 annually.

“When the recession hit people said, 'I don't have any tenants in that building; I want to stop doing maintenance; I can't afford to pay it,' “ he recalls. Now, property managers that hire his firm are trying to make sure roofs are in shape, Mr. Showalter says.

Yet as the market returns, contractors are carefully picking their spots to hire. In the fourth quarter, 102,260 workers were employed on property-related construction projects in the region, according to Moody's Analytics Inc., a consulting firm based in West Chester, Pa. The number excludes civil engineers working on larger infrastructure projects, but public works are included.

The fourth-quarter number represents a 2.7 percent gain from the year-earlier period, when 99,550 people here worked in the field, but it's still down 39 percent from the peak in early 2006, when 166,830 were employed on building projects.

Construction employment has “definitely been getting better, incrementally, year over year,” says John Boske, president of the DuPage County Building Trades Council, a coalition of 15 unions. “But again, it's happening at such a small increment you hardly notice.”

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