

Boston Business Journal

Friday, October 15, 2010

Building Confidence

Stimulus, schools and favorable pricing stir construction activity, but rebound still in future

Boston Business Journal - by [Keith Regan](#)

After an 18-month stretch that saw projects frozen by financing woes and pipelines freeze over concern about economic collapse, the **Greater Boston** construction market is showing signs of life, but insiders say a full recovery has yet to take hold.

While builders and others are sounding more optimistic notes, and point to a wave of stimulus-backed road and bridge work, as well as a wave of new school construction, project owners continue to proceed with caution even as construction pricing remains extremely favorable.

“Things are not as bleak as they were in 2009,” said Anthony Bond, a project manager at **Bond Brothers Inc.** in Boston. The summer months saw a surge of work in the institutional sector, he said, as universities pushed through projects before student returned and corporate interior work has seen an uptick as well. “However, there is still a sense of nervousness throughout the construction industry.”

That nervousness stems in part from the fact that public-sector projects make up the bulk of the work on the street.

Matthew Consigli, vice president of **Consigli Construction Co.** Inc. in Milford, said 131 K-12 school projects are currently active across the commonwealth, with \$1.2 billion worth of work put out to bid in 2010 alone.

“There is an unprecedented boom,” in those types of projects, he said. State officials have moved projects forward to capture favorable pricing, he said, which could remain in place into 2011 before costs begin to rise again. Fees are currently down as much as 10 percent to 30 percent, Consigli said.

“The good news for owners is that combined with lower costs, most construction managers have retained their top staff so they are proposing their most qualified teams,” he added. “We see the same for subcontractors. They are better staffed because they have kept their highest performers.”

Some local construction firms saw growth even in the depths of the construction recession. Locally, construction giant **Skanska Inc.** has added 22 workers since 2009 as it has picked up work across a range of sectors, according to Paul Hewins, a Skanska executive vice president who heads the firm's Boston office.

"Things are perking up," said Hewins. "Even in downtimes there is work to be won and completed. The public sector has been active and now we see developers starting to try to get something done as well."

Skanska has positioned itself to partner with those developers, even offering to help finance certain projects when owners are unable to secure backing from other sources. "We do a broad enough mix of projects that we are able to flow with the market," Hewins said, citing current work the firm is handling such as a \$56 million data center being built by the state, school building work, a cogeneration plant at the **University of Massachusetts** and institutional work at **Harvard University**, where Skanska is overseeing projects at the law school and work on the **Fogg Museum**.

Even as work picks up, it's unlikely to return to a rush of work for companies any time soon, said Tim Marsters, a principal and managing director at architecture firm **Perkins & Will** in Boston.

"The recession was so deep and scary that projects didn't just pile up like cars in a traffic jam," he said. "Projects actually ceased to exist as institutions and companies reduced staff and functions and adjusted to a leaner and more efficient way of doing business. There may be a few exceptions to this dynamic, but there is not a line of projects waiting to explode onto the market when the recession ends. There's some, but not a lot."

Project owners that do bring projects to market will likely find an industry that has undergone some changes. Firms are leaner and also leaning on technology more heavily, said Marc Margulies, principal of **Margulies Perruzzi Architects** in Boston. "The people who get hired by general contractors will have a higher level of computer skills because the coordination with sub-contractors and engineers is becoming so much more electronic," he said.

In fact, said Jay Bhatt, senior vice president of architecture, engineering and construction at **Autodesk Inc.** in Waltham, "the industry has changed a lot" since the bottom fell out of the local market.

"There are a lot of smaller projects that are lining up to be going out to bid for 2011," he said, with a heavy emphasis on renovation work that helps conserve energy. Technology that digitally captures existing infrastructure conditions is becoming

important on that type of work, while tools such as building information modeling (BIM) are being leaned on to make construction projects flow more efficiently.

“When you have a market where pipelines have thinned out and you have lost a bunch of participants, profitability becomes more important and firms are definitely looking for ways to remediate waste out of the process,” he said.

All contents of this site © American City Business Journals Inc. All rights reserved.