

HOTEL BUSINESS®

Top Construction Companies

Construction downturn not yet at hand, but firms leery

BY DENNIS NESSLER

NATIONAL REPORT— Much like the hospitality business it services, the construction industry is not yet feeling the full effect of the country's economic downturn, as many firms report little or no slowdown in projects in 2008.

However, many of the very same companies acknowledge that they expect business to soften considerably more in 2009, as a good portion of the projects that they are now involved in were started before the downturn really took effect.

Robert Flanders, vp of construction operations for Woodstock, GA-based IDC Construction, LLC— which maintains a strict focus on hotel projects primarily east of the Mississippi, the majority of which are in Florida— detailed the firm's level of activity. "Actually '08 is a better year than '07 for us, but '09 probably is going to be a little softer," he said.

Tim Cromwell, vp and director of business development for Irvine, CA-based R.D. Olson Construction— which does most of its work on the West Coast and primarily California— noted that the company is just now starting to see a slight impact on job volume because of economic conditions. "It seems to have settled a little bit, but it's pretty much about the same as last year," he said, adding, "We have noticed some projects have been delayed."

But with conditions just now beginning to show signs of softening, some construction firms have altered their approach to adding new projects. Peter Tuma, vp of Cypress, CA-based Taisei Construction Corp., noted that the company cannot necessarily rely on repeat business anymore. "Now we're proposing more. The market's getting a little more difficult," he said.

Issues such as the availability of financing and raw material price increases currently pose the greatest threats to new projects. However, there are some positive factors that counter the aforementioned obstacles. One of those factors is the decreased price of land. "The real estate has gone down," said Tuma.

Another factor potentially working in the favor of hotel projects, and particularly new construction projects, is the increased availability of subcontractors and, as such, a related decrease in labor costs.

"The subcontractors are having people calling us to see if we have work for them. The cost of the labor is lessening up a bit," said Flanders, who added, however, that it's not completely offsetting the increase in materials.

While Cromwell anticipated labor prices, and specifically the prices for subcontractors, will come down



The newly renovated Boca Raton Resort & Club in Boca Raton, FL, now features the Palm Court, which was built by IDC Construction.



A future Cambria Suites in under construction in San Antonio.

eventually he hasn't seen much of it yet. "I thought when the residential market dried up the [subcontractors] prices would come down. But a lot of subs are not hungry enough yet," he said.

When it comes to lack-of-financing issues, while most construction firms stated they have not been impacted

ing prices of raw materials. The most dramatic increases figure to be in petroleum- or oil-based product, according to hotel construction company executives. They specifically pointed out materials such as copper, asphalt and rebar have become far more costly of late.

While projects figure to be impacted by all the aforementioned factors, renovations seem to be representing the lion's share of opportunities, at least for now.

For example, one of IDC's major projects right now is a complete renovation of the Boca Beach Resort in Florida, which Flanders said is expected to be completed by the end of 2008. Flanders noted the company is also involved in the renovation of several Embassy Suites hotels.

R.D. Olson, similarly, has a full slate of renovations. The company led the repositioning of the recently opened Hotel Palomar Los Angeles— Westwood in Westwood, CA, which was formerly a Doubletree. R.D. Olson has also worked on a number of Marriott's time-share products as well as the recently opened Renaissance ClubSport Aliso Viejo in Aliso Viejo, CA.

Meanwhile, Taisei, which does most of its work in California as well as Hawaii, has worked on the addition of a new tower at an Embassy Suites in Garden Grove, CA. The company has also done a good deal of work on the conversion of office buildings into hotels.



IDC Construction, LLC built the boutique Reach Resort in Key West, FL.

much by it thus far, they all noted that conditions have changed and the owner/developer is being asked to put more hard money up front than in previous years. Other conditions that have changed include the ris-