



# New York Construction

## Cover Story - April 2007

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### Steady Market

#### Contractors Enjoy Continued Good Times

*The market remains robust for general contractors and construction managers in New York, New Jersey, and Connecticut, with the workload spread across many business sectors. See how the market shakes out further in our 2007 Top Contractors ranking, which includes various breakdowns by region and specialty.*

*by Debra Wood*

There's plenty of public and private work under way throughout the New York metropolitan area to keep construction managers and general contractors busy.

"Business is good," says Dave McWilliams, president of Stamack Construction of New York. "We're starting the year with our biggest backlog ever."

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The strong market is allowing contractors in New York to generally be more selective about the work that they pursue.

“There is, basically, all of the business you could want out there,” says Susan Hayes, president and CEO of Cauldwell Wingate, a construction manager based in New York. “We are in the unique position of being able to focus resources on clients we want to work with.”

Even the heavy construction side is busy in the New York market, says Raymond McGuire, managing director of the Contractors’ Association of Greater New York, citing major mass transit, environmental, and roadway projects in the region that are under way or on the verge of starting.

“And it is trending up,” he adds.

In other parts of the region, such as New Jersey, Connecticut, and Upstate New York, contractors say certain sectors, especially public and institutional, are offering a balanced market of opportunities.

“The market looks pretty good,” says John Farnham, executive director of the Associated General Contractors of Connecticut in Wethersfield. “We’ve had a good, mixed economy in Connecticut in the last two to three years.”

An abundance of health care and education projects in particular is helping the Connecticut market, says Tim Gunn, vice president of operations for the Morganti Group of Danbury.

“We see growth in the Connecticut area in 2007, continuing into 2008,” Gunn says.

New Jersey’s market is also more balanced and diverse than before, says Ben Torcivia Jr., co-president of Torcon, a construction manager based in Red Bank, N.J.

Torcivia says unlike in past years, Torcon has less of its business concentrated in pharmaceutical companies and more in other sectors such as institutional. Among its projects are parts of a \$1.3 billion, 1.6 million-sq-ft terminal for American Airlines at John F. Kennedy International Airport in Queens that it is building in a joint venture with VRH of Englewood, N.J.

Torcon also recently started work on a \$60 million Federal Aviation Administration control tower at LaGuardia Airport in Queens and is building: a \$100 million, 458,000-sq-ft replacement facility for the Greystone Park Psychiatric Hospital near Parsippany, N. J.; a residential complex at Princeton University’s Whitman College; and a geochemistry laboratory at Columbia University in New York.

Upstate, some sectors, such as higher education, health care, process industrial, and manufacturing, remain steady, even though the region is not likely to witness a significant increase in work, says William Goodrich, president and COO of LeChase Construction Services of Rochester.

The market's relative strength is evident as well in the healthier revenue and construction activity reported by respondents to New York Construction's annual Top Contractors survey [see ranking charts]. While the 20th busiest firm in last year's survey reported handling \$198 million worth of construction in 2005, the firm in that spot in the current rankings reported \$256 million worth of construction work in 2006. Indeed, the top 30 firms this year all reported working on at least \$200 million worth of projects in 2006, whereas in 2005, the threshold for the top 30 was \$149 million.

For the New York area in general, the busy market promises both bounty and risk, says Chris Ward, managing director of the General Contractors Association of New York.

"From a general contractor and construction management perspective, we are about to embark on probably the largest public works agenda the city has undertaken since the 1930s," he adds. "While that is wonderful news for the engineering, contracting, and consulting market, it poses difficult and serious questions."

For instance, Ward says he wonders if the various agencies putting out work will efficiently sequence projects in a way that doesn't overload the market, and whether enough people and materials will be available to build everything in a timely fashion.

The staffing challenges may also affect the broader contractor market, says Joe Torcivia, co-president of Torcon, who monitors subcontractor capabilities and backlogs.

"Contractors and subcontractors tend to want to take on more than they can handle," he says.

## Plenty of Private and Public Work

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For building contractors, the workflow is spread across various sectors. While residential has been an especially hot market in recent years, other sectors such as educational, institutional, and commercial construction are generating considerable activity.

Various high-profile building projects are under way, especially in Manhattan, where work continues on the \$850 million, 52-story New York Times headquarters tower nearing completion; the \$2.1 billion, 2.6-million-sq-ft Freedom Tower at the World Trade Center; and the \$1 billion Bank of America Tower in Midtown. Meanwhile, new baseball stadiums are already under construction in the Bronx for the New York Yankees and in Queens for the New York Mets, while in New Jersey, the Giants and Jets are building a new \$1.4 billion football stadium in East Rutherford.

Lower-profile jobs also abound. Cauldwell Wingate, for instance, was wrapping up construction in January on the two-story Rallye BMW dealership in Westbury, N.Y., and a 29-unit conversion of an Apple Bank building in Manhattan into residential condominiums. The firm recently completed preconstruction services and was set to

start on a \$170 million interior and exterior renovation of the Thurgood Marshall U.S. Courthouse in New York.

Similarly, Stamack is renovating the Ethical Culture Fieldston School in Riverdale, N.Y. The \$10 million project entails structural work and replacement of HVAC, plumbing, and telecommunications systems, all while students occupy the classrooms.

DHL Express of Plantation, Fla., recently awarded Stamack a \$20 million renovation of a 150,000-sq-ft distribution facility on 10th Avenue in Manhattan.

In Connecticut, Morganti recently started a \$33 million addition and renovation of a high school in Bethel as well as a \$31 million phased renovation of another high school in Brookfield.

Connecticut's education market is not just active on the public school side. Farnham says there is also a fountain of work programmed in the coming years for the University of Connecticut's planned \$1.3 billion 21st Century UConn capital program. One of the early projects set to start soon and open by 2009 is an \$86 million classroom building that will replace two existing facilities and eventually house social science and humanities programs. Current plans also call for demolishing the existing pharmacy building to make way for a \$1.3 million landscaped plaza with terraces, trees, and meeting areas.

Civil construction contractors also have experienced a busy period, with a warm winter giving road builders in particular a chance to run through much of their backlogs, says Brian Tobin, executive director of the Associated General Contractors of New Jersey and the New Jersey Asphalt Pavement Association.

Farnham also expects more road building in Connecticut as well as the promise of significant work for water-sewer contractors who will benefit from the start of a multiyear \$1.6 billion upgrade program for the Hartford region's sewer system.

Giant public works projects are also on the agenda around New York, McGuire says. He cites the \$1.24 billion Croton Water Treatment Plant in the Bronx and major mass transit projects that include the Metropolitan Transportation Authority's \$6.3 billion East Side Access program, which will bring Long Island Railroad trains into Grand Central Terminal; the \$3.8 billion first leg for the Second Avenue Subway; and the \$2.1 billion extension of the No. 7 line from Times Square to the Jacob K. Javits Convention Center.

### **Monitoring Manpower and Materials**

As the activity levels stay up, contractors are watching the impact on fees, the subcontractor market, and materials.

Hayes and Gunn say continued competition in the marketplace for projects has kept their fees down. McGuire, however, says he has seen fees inch upward as better

contractors have become more selective and can charge marginally more.

The availability of more work is lifting all boats generally. Farnham reports that some smaller general contractors have stepped in and bid on trade packages that used to only go to larger construction managers.

“They are seeing this as a viable market,” Farnham says. “Everybody is trying to do everything.”

Subcontractors have more on their plates, too, allowing some of the better ones to be choosier, driving prices up. McGuire says excavation and foundation subcontractors are in limited supply and high demand.

Hayes cautions that companies must keep an eye on subcontractor activity to ensure they can truly handle more business.

The same alertness applies to the Upstate market, Goodrich says.

“Currently we are working with subs in our area to understand present market conditions better, including their workloads, interests, and needs, so that we may all work more efficiently together,” he adds.

While most of the contractors report sufficient labor for jobs, with unions bringing in out-of-state craftsmen when necessary, finding management talent has proven more challenging. McGuire says everyone is looking for superintendents, estimators, and draftsmen.

In New York, Cauldwell Wingate has expanded by hiring senior project managers from developers and owners that have completed a project, Hayes says, rather than trying to entice people from competitors, which drives up salaries.

In Connecticut, Gunn says Morganti currently has openings and is aggressively looking for people. And the tight market for construction professionals also stretches to New Jersey, where Joe Torcivia says Torcon struggles to retain and recruit talented management personnel.

Despite the healthy market, materials scarcities of a few years ago have all but disappeared, though materials costs remain high, Goodrich says.

Hayes says certain products, in particular curtain wall, still require greater order lead times.

“There continues to be greater demand than supply, which contributes to price increases,” she adds.

## **Safety, Green Work More Prominent**

Contractors across the three-state region are stepping up the focus on project site safety, a push driven by owners, insurance firms, and contractors' own desire to limit construction accidents that cause injuries and slow down progress.

One of the bigger initiatives is the Build Safe NYC program, a series of self-imposed safety guidelines that leading New York City firms in the Building Trades Employers' Association adopted last year.

Ward says the safety push is highlighting the divide between union and nonunion contractors in New York City. He adds that nonunion work has moved into commercial projects, and "that's where you see tragic accidents where worksites are not maintained and workers have not been trained."

The other clear change in how contractors do business is the hold that green construction now has on the market. Building green, sustainable structures has evolved from a trend to a permanent fiber of design, Hayes says.

Green knowledge is now mandatory in the contractor's toolbox, says Steve Mauer, vice president of Torcon.

"We can now look at it as something that has firmly planted itself as a part of construction," he adds.

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