

Q&A

Building boss: handling the boom

Bovis CEO sees 3- to 5-year pipeline of major projects

PETER MARCHETTO has been chief executive of Bovis Lend Lease Americas since 2004. He graduated from the University of Maryland with a degree in architectural engineering in 1978 and has spent his entire career with firms that were acquired by Bovis. *Crain's* editor Cynthia Rigg interviewed Mr. Marchetto about the building boom, rising costs and the outlook for construction.

Q: *What is the state of the construction industry in New York City?*

A: This is by far the busiest I've ever seen the construction industry in New York City. As a matter of fact, for the most part, it's extremely busy worldwide. In New York, the activity isn't just in one particular market sector but across all of them.

Q: *Why is that?*

A: Residential obviously is a huge component, but so are health care, education, commercial, public works and infrastructure. Usually, one market is extremely busy and the other ones are slow. But consider sports facilities. We have not built new ones in almost two decades; now, we have the Mets, the Yankees, the Jets and Giants in New Jersey, the Devils in New Jersey and the Nets in Brooklyn.

Q: *Have you actually had to turn down projects?*

A: Yes, we have. We're very cognizant about not overextending ourselves so we can fulfill our contractual obligations. That's probably the single most important thing we look at right now when any new work comes in—whether or not we have the appropriate staff to handle it.

It's a struggle, because sometimes we're looking at clients that we have built for on multiple occasions and unfortunately have to say no.

Q: *How long will this boom last?*

A: That's a question that we ask ourselves twice a year, when we do our planning and forecasting. Our guess is it looks like it's going to remain strong for another three to five years.

If you look at the work that's already in the pipeline and you look at the work that's coming out of downtown just at Ground Zero—the Freedom Tower, Goldman Sachs, the new office towers, the memorial, the PATH station—that one area alone represents probably several billion dollars' worth of work that will run for the next three years, if not longer.

The Farley Square and the

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GLOBAL DEMAND: Peter Marchetto says development worldwide has strained material supplies and raised prices.

CEO Q&A: major projects, rising costs

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Farley Post Office project over on the West Side—all indications are that it seems to be getting a lot of momentum, along with the convention center and Hudson Yards. That would be a springboard for multiple projects in and around the 34th Street corridor.

Q: *Why are construction costs continuing to climb?*

A: Supply and demand. For years, construction management companies, along with developers, have really done a good job of creating a competitive atmosphere for subcontractors. Now, the shoe's on the other foot. Consider residential towers. There are three, four, maybe five residential concrete companies that can do those projects. If you have 15 already going, and five or 10 more

are on the horizon, the concrete companies can ask for more money.

We do the best we can to try to negotiate for our clients. We're in a situation where a lot of clients want us to lock up some of the better subcontractors. They know they're going to pay a premium; the question is how much. It's important they find the right contractor that's capable of doing

and there is a huge demand for supplies, and it's at a premium these days.

Q: *How long will prices keep rising?*

A: I think some of the adjustments have already been made. For example, I know there have been several major new drywall plants built in the United States that have really helped ease demand. So I think drywall prices either leveled off or are starting to come down slightly.

the work safely and on time. As a result, you have a demand for certain contractors.

Then there's a demand for materials, whether it's raw materials like cement and concrete, structural steel, curtain wall, drywall, ceramic tile, or copper and pipe. It's a worldwide demand. As a result, the manufacturers are pressed and raising their prices to all the vendors. You put that all together

Q: *But many projects have seen significant design changes?*

A: Not so much in New York City, but certain places outside of New York, developers have gone with a less sophisticated exterior facade. Obviously, a project with brick that's laid up individually will need to have a lot of bricklayers. If they're not available, it's a very big premium, so sometimes owners have to have a precast system where they have lower manpower requirements. They build it in a factory, bring it to the job site and assemble it with a crane.

Q: *What about all the headlines about accidents at construction sites?*

A: One thing the industry has tried to do is push for job safety. There are more apprentices coming into the business. We're really trying to raise the level of awareness of working safely on job sites, with more training and better means and methods.

Q: *How would you assess the impact of the green building movement?*

A: There has been a real movement toward sustainability in New York City. You're going to see a lot more here with respect to sustainability over the next five to 10 years. Five years ago, people were experimenting with it.

When we price a project, we understand what that additional cost would be to go to the different levels of certification in terms of sustainability. More buildings have been done, and more engineers and architects understand what those building systems are. As a result, there's more history that we can use when we do design and construction of buildings.

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