

# HEARTLAND REAL ESTATE BUSINESS®

The Midwest's Real Estate Source

## GOOD TIMES FOR GENERAL CONTRACTORS

Revenues rise amid increasing construction activity, but challenges remain.

By Susan Fishman

**G**eneral contractors have experienced significant revenue growth during the past few years, but business is still not back to pre-recession levels. A growing shortage of skilled labor, the rising cost of materials, plus just-in-time processes present challenges for commercial real estate construction companies as they work to keep pace with increased user demand.

New technologies and smarter, more efficient ways of doing business are helping general contractors stay ahead of the game, particularly in the areas of multifamily and industrial, leading to a bright outlook for 2014.

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Opus Design Build LLC is constructing Nic on Fifth, the first high-rise luxury apartment development in downtown Minneapolis in nearly three decades. The development will feature 253 units, including 26 penthouses.

## 'IT IS A GREAT TIME TO BE A LENDER'

Rising sales transactions, improving fundamentals create new opportunities, say mortgage bankers.

By Rachel Goff

**L**enders in the Midwest will stay busy this year as they compete for opportunities to finance prime assets — such as urban multifamily properties — and refinance a significant number of loans that have reached their maturity.

"2014 will be very aggressive and competitive for assets in prime areas like downtown Chicago," says Dan

# GOOD TIMES FOR GENERAL CONTRACTORS AS REVENUES RISE

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Minneapolis-based Opus Design Build LLC, a subsidiary of The Opus Group, has experienced tremendous growth since the recession, says president and CEO Dave Bangasser.

"We've seen roughly a 30 percent growth in revenues each year for the last couple of years, and we project 2014 is going to be similar, possibly even a bit better," he says. "But the construction industry experienced such a deep drop back in 2008 and 2009, I think our industry has a ways to go before it fully recovers."

The Opus Group has seven regional offices in Kansas City, Chicago, Denver, Des Moines, Milwaukee, Indianapolis and St. Louis. Since restructuring in 2010, the company has executed more than \$1 billion in signed contracts across a variety of sectors nationally.

While concerned about overbuilding in some markets, Opus is seeing opportunities in others, particularly in multifamily, transit-oriented projects.

The company is currently working on a project in downtown Minneapolis, known as The Nic on Fifth, a 26-story luxury apartment complex on the light rail station at 5th Street and Nicollet Mall. Construction started in December 2012, and project completion is slated for summer 2014.

"It's urban core, and the barriers to entry are a bit more challenging than suburban apartments, but we think the transit-oriented developments are where people want to be," says Bangasser.

Industrial construction is another area of opportunity. For the last several years, industrial activity has been well below historical norms, but is now picking up, says Bangasser.

Opus has several industrial projects



McShane Construction was selected by Trammell Crow Co. to build Midtown Square, a four-story, 138-unit, mixed-use development located in Glenview, Ill. The project will feature 101 one- and 37 two-bedroom floor plans on the top three floors with 10,500 square feet of retail space and 4,800 square feet of common area. The scheduled completion date is fourth-quarter 2014.

under construction, including Airwest 12 and 14, two speculative industrial buildings totaling 924,530 square feet at the Plainfield Business Center near Indianapolis International Airport. Construction began in summer 2013 with completion expected this May.

McShane Construction Co., based in Rosemont, Ill., also has a strong portfolio of multifamily and industrial properties, representing 50 percent and 35 percent of the company's current workload and total revenues, respectively. The company's construction revenues jumped from \$562.4 million in 2012 to \$569.6 million in 2013, and are projected to reach \$625 million in 2014.

"We're definitely a stronger company as a result of surviving the Great Recession, and our revenues are again approaching the levels we achieved prior to 2008. However, general con-

tractor profit margins have not yet fully recovered," says company president Jeffrey Raday.

"Financially challenged subcontracting firms can place currently slim profit margins in jeopardy, furthering our requirement to be diligent in the firms that we select for our clients' projects," adds Raday.

In the industrial sector, McShane Construction sees opportunities within the food and beverage industries and other more complex manufacturing/distribution segments.

In the multifamily arena, Raday says demand for Class A rental properties within high-profile and desirable locations, particularly those considered transit-oriented sites, remains strong.

McShane is currently constructing four major multifamily residential communities situated within a three-mile radius in Chicago's North Shore

communities:

- Tapestry Glenview is a 290-unit luxury apartment community that is currently under construction for Lennar Corp. at the I-294 and Willow Road interchange in Glenview, Ill.

- Trammell Crow Co.'s Midtown Square is a 138-unit, mixed-use, luxury rental development that is prominently situated on an infill site in downtown Glenview, Ill.

- McShane recently began construction on Phase II of The Lodge of Northbrook, adding another 20 high-end, luxury independent senior living residences to the 58-unit Phase I component in Northbrook, Ill. The developer is Essex Communities.

- Also in progress is Woodview Apartments, a 248-unit luxury apartment building located at I-294 and Deerfield Road in Deerfield, Ill., constructed on behalf of co-developers Ravine Park Partners and Conor Commercial Real Estate.