

ASK THE

Insight from industry aces & answers to construction's biggest questions

In which areas of the industry have you seen the most growth this year?

// Construction companies have grown the most in the following areas:

1. Today, more than ever, contractors are holding project managers and field supervisors accountable to finish their projects on time and on budget. Business owners and managers got tired of tolerating poor performers who didn't achieve the results they were responsible for accomplishing. Now they have clearly written job descriptions, project goals and regular scorecards with which to update their crews and field supervisors on the actual jobsite progress happening weekly.
2. Market areas experiencing growth are warehousing and manufacturing building construction. The big national distributors and companies have been building huge 1-million-square-foot facilities all around the U.S. This requires contractors to be more technically competent, professional and responsive to the demands of the end users to meet schedule, budget and safety requirements.
3. Retail construction has also been improving since pivoting during the COVID-19 shutdowns of many brick-and-mortar facilities. Because of the slowdown, new retail construction has begun to grow as companies restructure their operations, product offerings and customer experiences.
4. There is now an increase in the number of construction companies requiring their employees to work from their company offices to improve communication, teamwork and collaboration. //

- **George Hedley, CSP, LPBC**, Certified Speaking Professional, Licensed Professional Business Coach
(Hardhat Presentations)



// 2022 was a banner year for most organizations, but halfway through 2023, many organizations are beginning to see signs of a change on the horizon. Construction spending ended last year on a high 8%, and several segments in the market had double-digit growth. However, there has been the constant specter of a recessionary market.

There are many construction market segment winners so far in 2023 — heavy civil, health care, multifamily and industrial, to name a few. Bolstered by trends and policies, such as infrastructure spending, renewable energy focus and affordable housing demands, it is not shocking to see these near-term building phenomena. While certainly solid winners in the short term, the smartest organizations are asking the question about 2024 and beyond. Are these the segments that will support our businesses both now and in the future? //

- **Gregg M. Schoppman**, Partner
(FMI Corporation)

EXPERTS



// The construction industry has truly been a tale of two markets over the past year.

On the upside, it has been a strong year for public infrastructure contractors, and I see no sign of that abating anytime soon. The Infrastructure Investment and Jobs Act (IIJA) — also known as the Bipartisan Infrastructure Bill — is pumping federal dollars into public works projects nationally, and the funding stream will continue through the 2026 fiscal year. Bridge, road, power grid, airport and transit projects are all benefiting from the IIJA. Other bright spots in the industry include increased data center construction, manufacturing in some geographical areas and health care.

Elsewhere, significant challenges do exist in several sectors of the industry. Post-pandemic, retail facilities, office buildings and hospitality venues continue to struggle to return to previous volumes, much less see any signs of meaningful growth. Other sectors that are reliant on private funding (e.g., multifamily housing) are struggling, as interest rates have climbed and banks have tightened their loan underwriting criteria. //

- **Roger Cornett**, Senior Vice President & Construction Leader
(Holmes Murphy)



// To answer this question thoroughly, one must address different aspects of the industry and even use a few interpretations of the term “growth.”

With respect to revenue generation and the nature of the work that’s moving forward today, manufacturing and infrastructure projects appear well positioned for growing the bottom line.

From another angle, the industry in general is experiencing new forms of growth driven by competition. Today’s market rewards those running more effectively or efficiently, as well as those successfully collaborating to accomplish more with shared resources. Small and mid-sized construction companies are entering joint ventures to take on projects together — an interesting development with huge ramifications for the industry’s short- and long-term future.

Looking at each organization on its own terms suggests an unprecedented incentive for growth in terms of business sophistication. However, firms are now up against all the usual competitors — plus joint ventures — so they need to be asking where they can improve accounting processes and financial standing, as well as how they can put their best foot forward to win bids and secure financing. //

- **Joseph Ntarelli, CPA**, National Construction Services Leader
(Marcum LLP)

What’s your take?

We want to hear from you! To submit a response to next month’s question, scan this code and complete the form.

