

## CONSTRUCTION MGMT. & CONSULTING

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# 2013 - 2014 commercial, industrial, and retail real estate market forecast

**W**hat is your forecast for the commercial, industrial, retail real estate market for the balance of 2013 and first quarter 2014? Although we proceed with cautious



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optimism that recent upticks in construction spending are sustainable, we feel that through the end of 2013 and the first quarter of 2014 the construction market appears to be heading in the right direction. The numbers aren't drastically rising, but the sustainability and continuing upward movement is encouraging.

Federal Government spending on construction and infrastructure is trending downward and the overall public sector has pulled back from recent spending campaigns, with the

exception of funding for higher education projects and recovery efforts as a result of natural disasters, so there is a need for the private sector to get off the sidelines.

All sources point to a 'pent-up demand' in many construction sectors. Corporate America is sitting on large cash balances. Some estimates have these balances in excess of \$2 trillion. Several markets, including healthcare and retail, appear to be poised for expansion, which should translate into construction spending. A factor in this projected move to spend could be that, in general, U.S. businesspeople are simply tired of the downturn and feel that if construction costs remain depressed, the time is right to build.

The healthcare sector has continued to sustain growth with many organizations moving to developing

acute care and express care facilities to lessen the burden placed on Emergency Rooms by non-critical cases.

Educational funding for New Jersey Colleges and Universities tops the list of stimulus packages that have created opportunities for construction. This coupled with ROD grants for K-12 school projects keep the public market moving.

Due to the longevity of the recent prolonged downturn in the economy, many contractors are finding themselves in financial difficulties. The subcontractor market continues to bear the brunt of this as the entity at the end of the payment trail line. As a result, we have seen specialty contractors closing their doors leaving owners with incomplete projects awaiting rescue. If the project is supported by bonding there is some hope that this rescue

is assured. The private sector owners often find themselves at risk without the support of a surety.

In recent years we asked each other how far into the future are we able to project, and the answer has been one quarter at a time, so to be looking two or three quarters out is an improvement and glimpse of optimism we all so desperately need. As the economy turns, and our planning horizons are lengthened, we can begin to focus on more long range growth in the construction sector as we look ahead to 2014....small steps in recovery!

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