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Staff gap pumps up expenses

Key workers, subcontractors MIA during boom; projects delayed

BY STAN LUXENBERG

A FIELD SUPERVISOR applied for a job at Aragon Construction in 2004, requesting a salary of \$65,000. Alex Getelman, president of the Manhattan-based firm, was convinced that \$50,000 was the appropriate salary. So he passed on the applicant, who would have handled the day-to-day oversight of a project.

The supervisor recently reapplied for the same job at Aragon, this time seeking \$110,000.

"There is a shortage of experienced supervisors, and the best ones can demand big raises," says Mr. Getelman. "We are seeing top people making more than \$150,000."

With a boom in building projects all over New York, construction companies face a shortage of skilled employees and subcontractors—which, along with increases in prices for materials, is driving up costs. Real estate company Jones Lang LaSalle estimates that construction costs climbed 1% a month in 2006.

"Four years ago, you could build quality residential projects for \$300 a square foot," says Mitchel Maidman, president of Townhouse Management Co., a Manhattan de-



veloper. "Now, it costs at least \$400."

Big New York commercial projects are usually overseen by major companies such as Bovis Lend Lease, Tishman Construction and Turner Construction. For a single job, such companies may hire more than 30 subcontractors, including electricians, plumbers and other specialists.

When construction activity slowed after the Sept. 11 terrorist attacks, subcontractors eager to find

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PAYING THE PIPER: Aragon's Alex Getelman sees top supervisors getting more than three times what he would have paid for a similar position three years ago.

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work lowered their bids. As business picked up—especially work on residential towers throughout the city—subcontractors began raising prices.

Now they often are unavailable. The situation is expected to get worse as momentum builds on a number of giant projects, including work on Ground Zero, a new subway station in lower Manhattan, and stadiums for the Yankees, the Mets and the Nets.

One trouble spot is the lack of availability of subcontractors that handle concrete for foundations.

Weighted down by concrete

MR. MAIDMAN SAYS a project may have to wait in line for four months before a foundation contractor is available. That can slow the whole job, as other subcontractors wait their turns to begin work. Such delays can be extremely expensive.

“If you have a \$100 million construction loan, every month of delay adds \$1 million in financing costs alone,” says Barry LePatner, a Manhattan lawyer specializing in construction.

Finding field supervisors is also especially difficult. Supervisors must make sure that various subcontractors arrive on time and cooperate with other specialists on the site—a task that requires judgment and diplomacy.

In general, construction companies are loath to staff up for booms,

A month's delay adds \$1M to the cost of a \$100M construction loan



because new employees often don't adhere to a business's quality standards, and they're frequently less productive.

“If you use less-skilled workers, it takes more people and time to get a job done,” says Mr. LePatner. “Subcontractors who hire second-rate workers wind up raising their bids to cover the extra salaries.”

Smoothing out the cycles

TO AVOID the effects of boom-and-bust cycles on personnel, F.J. Sciamè Construction Co. takes on only a limited number of projects. The Manhattan-based company, which has 125 employees, recently completed enlarging The Morgan Library & Museum, on Madison Avenue between East 36th and East 37th streets.

“We learned a long time ago that the best way to maintain profitability is by delivering high-quality work,” comments President Frank Sciamè. “We don't want to take on a job and build it with untested talent.”

Kenneth Levien, president of Manhattan-based construction manager Levien & Co., notes that the city has just 120,000 unionized workers in the building trades.

“All of them will be busy for some time,” he says, “and we are going to need to find new workers.”

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