

# MANN REPORT

September 1, 2007

## Aragon construction critique

### Real Estate And Construction Outlook

by Alex L. Getelman  
Aragon Construction

The New York metropolitan construction industry is in for a booming year and beyond. With the economy doing well, the stock market going up and industries making money, businesses are expanding and spending more on their build-outs. Also, many foreign companies – those that had put their New York expansion plans on hold post 9/11 – are now opening up offices here. Their trust in the safety of the city has returned.

But as we move further into 2007, the dominant trends and issues I see will be the enormous need among mid-size businesses for affordable office space in New York City, the continued expeditious growth of technology infrastructure, and the return of “Dot-Com” era aesthetics. All of these factors will impact our work.

#### *Huge Need For Commercial Office Space*

With occupancy nearing the high 90% range, commercial rents through the roof, and the limited available office space between 10,000 – 100,000 sq ft, there are increasingly fewer options for mid-sized companies. Not everybody is moving to Class-A properties at 1 Bryant Park and 1095 6th Avenue. By late 2007, we'll begin to see this enormous need filled as landlords, who don't see occupancy happening quickly enough in their new condos, start moving towards commercial use.

Because of the difficulty involved in finding office space, the excessive rent costs, and clients wanting to take advantage of their free rent period, companies need to get into their space as quickly as possible. So, the priority for the commercial interior contractor is – and this is just going to become even more essential – maintaining aggressive schedules and strict budget requirements. In short, construction companies will be asked to build faster than ever. A few years ago, the typical schedule was 12-14 weeks; now the average build-out we do is 8-10 weeks. It is not uncommon for a client to ask us to deliver in excess of 50,000 sq ft of space in as few as 6 or 7 weeks.

#### *The Expansion of IT*

Information Technology has become the heart of companies. Technology, as far as the infrastructure, is really the priority now – and from where the entire construction process has to follow.

Five years ago, small and mid-sized businesses were getting by on one server; today, these same companies require multiple servers, including separate servers for wireless devices and printing. Everybody's biggest fear is crashing, so companies put in so

much redundancy and safety measures to ensure they will never go down. Cooling these systems properly means HVAC costs, and electrical and cabling costs are going up (years ago, with one server, one simple exhaust fan was enough to keep things cool.) All of this technology needs more space. What used to be a small 8x8 room is being replaced by multiple rooms. If there is more than one floor to house the company, there is the need for Intermediate Distribution Facilities (IDF). So the bulk of money today is being spent on technology and proper ways to house it.

#### *Return to “Dot-Com” Era Aesthetics*

Fortune 1000 companies are back to spending more on their build-outs. Certain elements of design that were becoming popular in the Dot-Com era are resurfacing now that companies seem to have the extra money to spend on aesthetics that once seemed frivolous. Specific trends are specialized ceilings, whether it's metal, glass, or curved with perforations and nicer finishes such as glass, stainless steel, and coppers mixed with wood. Companies are recognizing the need to make the workplace more enjoyable and requesting recreation rooms, some complete with bars or pool tables, shower facilities, and gyms.

#### *So, When Choosing a Construction Company...*

Given the outlook for the year ahead, this cannot be emphasized enough: an adept firm should have a proven history of delivering projects on time and within budget. Aggressive schedules, strict budget requirements, limiting change orders, and completing a punch list quickly make for a great project.

Sourcing long-lead materials during the pre-construction phase is key, and expert coordination is required to make certain these pre-purchased materials are delivered to the correct location and in the time necessary to remain on schedule. Also vital is communication among team members – architect, engineers, owners' representatives, and subcontractors.

For my own company in 2007 and beyond, Aragon will continue to deliver the best product available on a great schedule at a fair number. As one of my mentors once said to me, “Stick to what you know best”, and that has always been my motto. We will stay with our interiors, providing unsurpassed quality and focusing on the client and their needs.

Alex L. Getelman  
Aragon Construction  
142 West 57th Street, 9th Floor  
New York, NY 10019  
Tel: 212-937-9600  
Fax: 212-937-9606  
alexg@aragonllc.com

