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Survey: Subs keep getting harder to find in hot market

- *Subs and suppliers can take the survey online until Friday at www.surveymonkey.com/r/RL2FT6J.*

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OAC Services is doing a survey of subcontractors and suppliers that so far shows fewer bids on public and private projects, and what OAC calls a “surprise” uptick in the cost of construction services.

“While we recognize how busy the local market is, our general contractor and cost estimating partners have still (been) surprised by the rate of cost increases in the past few months,” OAC principal Dan Chandler wrote in an email.



Image courtesy of Renton School District [\[enlarge\]](#)

Only one bid was received for Sartori Elementary School in Renton.

The Western Washington Construction Market Survey was sent to 1,900 subs and suppliers that work with OAC clients Lease Crutcher Lewis, Skanska USA, BNBuilders, Lydig Construction and Cornerstone General Contractors. Other subs and suppliers can take the survey online until Friday at www.surveymonkey.com/r/RL2FT6J. Participants will be entered to win prizes.

Chandler said they have been disappointed in subs' availability and pricing, especially on school projects. OAC represents several school districts and is working with Lake Washington School District on a \$400 million bond program.

Chandler pointed out some recent “disappointing” school bid results: Covington Elementary replacement (Kent), estimated at \$24 million, had two bidders and a low bid of \$27 million by Neeley Construction; Sartori Elementary (Renton) only had one bid, \$34 million by Forma Construction Co.; and Magnolia Elementary renovation (Seattle) will likely have only two competitors when bids are opened Tuesday on the estimated \$23 million project.

Chandler said it's hard to gauge bid outcomes when there are only one or two bidders because a bidding error could skew the results. A balanced market would see three to five bids per project, he said.

According to Chandler, there are two main factors driving up construction costs: fewer subs bidding and higher prices from those that are. He said bids are running 5-10 percent higher than expected on recent projects.

And there's no relief in sight for at least two years, he said, because of big projects in the works at Sound Transit, Washington State Convention Center, Sea-Tac Airport and several school districts.

One of the survey respondents submitted this comment: "Owners have relied upon engineers' estimates from two years ago, and they now are going over budgets by 15-20 percent. Just like buying a new car, the price has gone up."

Subcontractors are apparently becoming more selective in what they pursue. A survey question that asks how selective subcontractors are compared to two years ago has 66 percent marking "more selective" or "highly selective."

Another survey question asks if profit margin targets have changed versus two years ago. About 64 percent of respondents said "increased modestly" while only 3 percent said "increased significantly."

"Price increases today are different than they were in 2007 and 2008," Chandler said. Back then oil prices were rising quickly but now commodity prices are moderating. The two big drivers today are declines in labor productivity and increases in profit margins, he said.

Labor productivity is being affected by a lack of skilled workers, according to Chandler.

Another survey respondent commented: "We're focused on educating, recruiting and retaining quality workers because quality labor is and will continue to be the scarcest resource."

Chandler said some contractors from Eastern Washington are starting to bid work in Western Washington, but areas in that market, especially Spokane, are also starting to tighten up. Other firms are coming from out-of-state.

Anchorage-based general contractor Neeser Construction is finding Seattle more attractive because of Alaska's weaker economy.

Neeser Construction has operated a Des Moines office for about six years and is slowly ramping up operations there, according to owner Jerry Neeser. That office is building the \$15 million Klahowya Secondary School in Silverdale and a \$5 million classroom addition at Shaw Road Elementary School in Puyallup.

Neeser said they will bid on more public works jobs here and hope to break ground in 2019 on two private projects that he is personally developing: a \$70 million mixed-use building in Des Moines and an apartment building in Burien.

Neeser said they work with many vendors that cover both Alaska and Washington, and will build more relationships with local subcontractors.

“Subcontractors are always looking for good general contractors to work for, so they can get in and get out and make money,” he said.

Chandler said his advice for general contractors is to reach out early to subcontractors and treat them fairly.

OAC is a project and construction management consulting firm in business since 1955 in Seattle.

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