



**Master the
Commercial
Construction
Process**

What are the Key Steps in the Commercial Construction Process?

Are you a business owner or developer looking to hire a commercial construction company? This month, we turn to commercial construction expert Scott Truehl to offer insights into this sometimes challenging process. As commercial brokers we have seen plenty of budget and planning disasters in commercial real estate. It really is a breath of fresh air to listen to Scott explain their process at Friede & Associates. A great commercial construction experience starts with finding a contractor you can trust. Scott's contact information is below.

What questions do you typically ask your clients before you get started?

One of the first questions I typically ask potential commercial clients is whether they built their own home and if they did, whether they would do it again. You'd be surprised how often I hear "Yes, I built and no, I'd never do it again." Honestly, that reaction shouldn't come as a surprise since commercial construction is much more than just pounding nails or finishing concrete. Most people don't realize how many decisions must be made and how many opportunities there are for things to go wrong. It's a process that starts with defining your needs, what your budget is and how much time it will take to get it done. In other words, it's about the project scope, budget and schedule.

Project Scope

A clearly defined project scope is the most important aspect of the entire construction process. Whether you're a commercial developer working on a new tenant build-out or you're the tenant negotiating what that new space will look like when completed, you need to have similar expectations about where you are starting and what the finished space will look like and include. Too often, I hear both parties talking about starting with a "white box" or having a generous "tenant improvement build-out allowance" while acting like what's included is somehow still clearly defined.

In reality, there is a wide variety of what is included by each development. So clearly defining the scope of the project, through both lease documents and the plans and specifications, is vital to its success. Ensuring both parties understand what's on the plans and in the documents, is a step that's often overlooked. We typically have a preconstruction meeting before we finalize our contracts with our major subcontractors and the owner or tenant to go through exactly what each player will contribute to the project.

This type of clear communication allows our subcontractors to ask the client questions. This ensures that what they are proposing meets the client's needs. This helps remove expensive change orders later in the process. We also avoid subcontractors installing products that don't meet the client's needs. No one wants to hear subcontractors saying, "they were what was specified," when it was clearly the wrong product. We often tell our clients that we need to "start slow to go fast." This means making sure we're all on the same page when we start—greatly increasing the likelihood that we're still on the same page when we finish.

Budget

No one wants to spend more than necessary, especially in construction, so being honest about what you can afford or want to spend is vital to the construction planning process. It does us no good to design and develop a project that a developer or tenant can't afford. We understand human instinct is to not tell the team what our actual budget is, fearing that we'll be taken advantage of or pay more than we should.

Do your research first, pick a contractor that you can trust and then honestly work together to make your project a reality. I'd ask you to treat us like you would your accountant or attorney as we provide a professional service just as they do. And rarely do I hear anyone bragging about how they picked the cheapest corporate attorney or accountant possible. At Friede & Associates, over 90% of our work is done on a pre-select and open-book method, meaning that we begin the process with our client's budget in mind and that we work to design a project to meet that budget.

Good Communication is Essential

We'll tell you early on if we don't think we can build what you are asking for within your budget. When we work with some of our development partners, this often becomes a process of reverse engineering. The developer identifies what a marketplace can afford for rent. We then develop a commercial construction budget that meets the developer's proforma goals. The question then becomes, "what can you build for X dollars per square foot and of Y size?" The project must still meet municipal approval guidelines. Then we design and price the building from the outside in (site and civil, building shell, etc.) and provide the developer with choices of finishes and mechanical systems to meet their budget.

Schedule

Last, but certainly not least, is the project schedule. I've heard for years that clients must choose two of the three legs of construction—quality (scope), price or time. Many contractors say you can rarely have all three. Most buyers of construction services focus on price. A smaller group focus on quality (scope). Fewer still focusing on the schedule. Oddly enough, the Wisconsin Dells makes up a major part of our market and it's nearly all about schedule there.

We know that when building or remodeling a restaurant, attraction or hotel, the work can't start until after Labor Day. We must complete construction by Memorial Day to reach required revenue projections. Too often, I see other clients forgetting the importance of the project schedule as they proceed through the planning process. The schedule can cost the client extra money from things like winter conditions and material price increases. A delay can also add extra loan financing costs. Extra rental expenses for a client not able to move into a new space or building can add up too.

We avoid issues by developing milestone schedules that include architectural design, municipal approval, project financing and building construction. Working together, we will take care of you. We hope to change your answer to the question of whether you would build again to a resounding "Yes."

To speak with Scott directly about Friede & Associates pre-construction services, site analysis, financing, approvals, permitting, cost control, scheduling, and much more:

Scott Truehl
Executive Vice President
Friede & Associates
(608) 768-9802
sgtruehl@friede.com
www.friede.com