American Society of Professional Estimators

"Dedicated to the Promotion of The Profession and The Benefit of The Construction Industry"

Atlanta Chapter No. 14

Volume 15, Issue 4 **February 2008**

ATLANTA CHAPTER #14 FEBRUARY MEETINGS SPEAKERS

P^{2}AD

Pollution Prevention Assistance Division

Sarah Dearman
Partnership for a Sustainable Georgia
Pollution Prevention Assistance Division | GA DNR
404.657.7438 | www.p2ad.org

PARTNERSHIP FOR A SUSTAINABLE GEORGIA

Greener Georgia.
Better Bottom Line

P^{2}AD is a non-regulatory division of the Georgia Department of Natural Resources (DNR). Since 1993, P^{2}AD has provided free, confidential technical assistance in the areas of water conservation, waste reduction, energy conservation, by-product reuse, and recycling. P^{2}AD established the Partnership for a Sustainable Georgia to foster environmental leadership and recognize superior environmental performance. It is free and open to any business or organization that operates in Georgia. The Partnership offers a variety of incentives, including cost savings through increased efficiencies, potential regulatory flexibility, free technical assistance and training, and access to networking and mentoring among peers, state and local officials. For more information about P^{2}AD and the Partnership for a Sustainable Georgia, call 404-651-5120 or 1-800-685-2443 or visit www.p2ad.org.

FEBRUARY MEETING NOTICE

THURSDAY, February 21, 2008

LUNCH MEETING

11:30 a.m. – 1:00 p.m.

Cross Creek Café

1221 Cross Creek Parkway
Atlanta, GA 30327

PRICE: $15.00

Reservations required by February 20th
RSVP to Katreena
Costing Services Group 404/815-9555

ASPE
Professional Estimators
50
1956-2006
Setting Higher Standards
American Society of Professional Estimators

The 2008 ASPE National Estimating Academy & Convention will be held July 9-12 at the Baltimore InnerHarbor Hyatt.

ASPE Code of Ethics
Basic Canons

Canon #1 - Professional estimators shall perform services in areas of their discipline and competence.

Canon #2 - Professional estimators shall continue to expand their professional capabilities through continuing education programs to better enable them to serve clients, employers and the industry.

Canon #3 - Professional estimators shall conduct themselves in a manner, which will promote cooperation and good relations among members of our profession and those directly related to our profession.

Canon #4 - Professional estimators shall safeguard and keep in confidence all knowledge of the business affairs and technical procedures of an employer or client.

Canon #5 - Professional estimators shall conduct themselves with integrity as all times and not knowingly or willingly enter into agreements that violate the laws of the United States of America or of the states in which they practice. They shall establish guidelines for setting forth prices and receiving quotations that are fair and equitable to all parties.

Canon #6 - Professional estimators shall utilize their education, years of experience and acquired skills in the preparation of each estimate or assignment with full commitment to make each estimate or assignment as detailed and accurate as their talents and abilities allow.

Canon #7 - Professional estimators shall not engage in the practice of "bid peddling" as defined by this code. This is a breach of moral and ethical standards, and a member of this society shall not enter into this practice.

Canon #8 - Professional estimators and those in training to be estimators shall not enter into any agreement that may be considered acts of collusion or conspiracy (bid rigging) with the implied or express purpose of defrauding clients. Acts of this type are in direct violation of the Code of Ethics of the American Society of Professional Estimators.

Canon #9 - Professional estimators and those in training to be estimators shall not participate in acts, such as the giving or receiving of gifts that are intended to be or may be construed as being unlawful acts of bribery.

A.S.P.E. Atlanta Chapter 14
Officers 2007 - 2008

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Madsen Kneppers & Assoc. Inc

Greetings from your President,

Well, the holiday season is over, the bowl games are over, and the super bowl is over. It's now time to come back to reality and get on with our lives. At last month's meeting we discussed some of our thoughts and expectations for the future. As a continuation of that discussion, elsewhere in this issue is an authoritative and illuminating article written by one of our members, Don Boyken, giving his analysis of the future. This article first appeared in Dixie Contractor and I wish to thank Don for graciously permitting us to reprint it here. To quote from Don's article, "Ultimately, cost stability will be achieved, but only when contractors bid realistically.". Realistic estimates can only come from competent estimators and our organization has the most competent estimators in the country. We have our work cut out for us.

Coming up May 14 and 15 there will be a Construction expo here in Atlanta. Through the efforts of our Executive Director, Ed Walsh, we have been able to obtain a booth, which we can use to showcase our organization to both potential employers and potential new members as well as the construction industry as a whole in the Atlanta area. On more than one occasion at national meetings, I have heard us described as the best kept secret in the construction industry. Put it on your calendar to attend and please volunteer to help us man the booth.

Last month I announced that Alex McClendon had assumed the position of membership chair.. Since that time we have received 3 new members. Welcome aboard Monique Alexander, Paul Gorski, and John Helliwell. Thank you Alex. Now I need 1 more volunteer to serve as an activities chair to help us be involved in more than just monthly meetings. Which reminds me, it's not too soon to start planning to attend the national convention in Baltimore in July.

Bob Peppel

WELCOME NEW MEMBER

Adlai Carstarphen
Project Engineer
Austin Commercial
678-805-2600
Adlai882003@yahoo.com

Joan George
Senior Cost Estimator
PB Americas Inc.
404-364-8188
georgej@pbworld.com

Paul Gorski
Chief Cost Estimator
MARTA
404-848-5574
pgorski@itsmarta.com

John Helliwell
Senior Cost Estimator
MARTA
404-848-4444
jhelliwell@itsmarta.com

ATLANTA CHAPTER #14
NOW HAS 70 MEMBERS

Lunch Time Special at Cross Creek Café on Thursday the 21st is sautéed pork loin with dijonnaise sauce, roasted potatoes and broccoli.

The American Society of Professional Estimators

Chapter 14

Minutes of the January 17, 2008 Meeting

The monthly meeting was held at the Cross Creek Country Club. The meeting was called to order by Bob Peppel at 12:05pm

In attendance were: Monique Alexander, Jason Cobb, Ron Craig, Mike Davis, Dan Ergle, Kerron Evans, David Floyd, James Greiner, Luigi Hernandez, Ken Hunnewell, David Laminack, Justin Landry, Kelli Lands, Steve Marks, Alex McClendon, Michael Palacio, Bob Peppel, Susan Smith, Jim Spangler and Brett Withers.

Minutes: The minutes for the November meeting were accepted as printed and approved.
Motion to approve: Ron Craig, 2nd David Floyd

Committee Reports
Treasure's Report: Still in the black and the account is in good shape.

Old Business
Bob is still working with the webmaster for the local ASPE web site. He hopes to have the site moved to another server soon.

New Business
Length of service awards were handed out during the December meeting.
Bob Peppel recommends that all CPE's make a contribution to the CESB Fund. More information on this can be obtained from Bob.
New committee chairs named; Awards – David Floyd, Membership – Alex McClendon

Program

Dan Ergle talked about certification and the status of the revised tests.
A round table discussion about the status of the current market and where everyone sees trends headed for 2008.
Service Awards for 10yrs Dan Ergle, 15yrs Alex McClendon

Adjournment
The meeting was adjourned at 1:05pm
Motion to adjourn: Ron Craig, 2nd Susan Smith

Respectfully Submitted by:
Brett Withers
Secretary

The following article is a reprint from the January 7, 2008 edition of *DIXIE CONTRACTOR*. The article was written by ASPE Atlanta Chapter 14 member Donald Boyken, FRICS , Chief Executive Officer of Boyken International.
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2008 Commercial Real Estate Forecast

How the residential market forecasts commercial construction

By all accounts, the residential construction market for 2007 experienced its challenges – and those challenges will continue into 2008. The collapse in the sub-prime lending market, an abundance of standing inventory, price corrections and an overall lack of consumer confidence have factored into what has become a significant downturn. While there are some aspects of the market that will always remain unique to residential construction, it does provide strong indicators as to how the commercial market will fare in not-too-distant future.

Historically, we have found that the residential construction market leads the commercial market by 12 to 18 months. By most measures, the residential market began its downturn around the end of the first quarter or start of the second quarter of 2007, meaning we should see the commercial market impacted sometime between spring and fall of 2008.

The Labor Market

One of the first indicators of a commercial decline is the shift in trade contractors from residential to commercial. There are many trades that simply cannot transition from one to the other due to the unique demands of commercial work, but others can shift more easily.

Site work crews are typically first to transition to commercial work, and do so as early as three to four months into a residential decline. In fact, we are already seeing this trend. As the residential market tightens, site work crews that typically handle site clearing, grading, and paving begin seeking commercial work, resulting in increased competition for the contracts. Residential trade contractors typically work at a lower cost structure than full-time commercial crews, often resulting in lower bids which drive down pricing. The simple economic principle of supply and demand takes over.

Other trades follow the shift to commercial. Drywall contractors, mechanical trades and electricians begin to transition as residential work slows. Some of these trades must focus on light commercial as opposed to heavy commercial, but the shift still has a significant impact on the market as a whole.

Owners and project managers will need to increase their scrutiny of trade contractors as market dynamics change. Some of the contractors now entering the market, while having applicable skill sets, are not accustomed to the requirements of commercial work. Using earthworks as an example, the requirements for compaction and backfill services are far more rigid on the commercial side. The same level of inspection simply does not exist in residential construction industry. Because of these factors, the low price doesn't always equal best value.

Owners will often leap at a lower price to eliminate the prospect of having their project thrown off schedule or over budget. As the commercial market completion drives lower pricing owners should set aside some of their budget for testing and inspection because the cost of correcting improper work can be crippling to a project.

What we will likely see in 2008 may best be described as a correction in the commercial construction labor market. In the fall of 2004, commercial labor costs began trending upward. The rise was dramatic and continued over the last several years. Simply put, there was more demand for construction labor than existed in the market place. Contractors became more selective about the work on which they bid, and resulting in higher pricing. That is all now changing.

Materials Production and Availability

2004 also brought a run-up in material costs that have impacted both residential and commercial business. New housing starts continued to grow year over year and the commercial side followed suit. Materials producers had a hard time keeping up with the demand. Supply and demand dictated that pricing would rise as producers' output had a hard time keeping pace with the need.

There were other major influencers that drove materials price increases such as major hurricane damage across the southeast and unprecedented foreign demand, but simple growth across the board led the trend.

As we look to 2008 downturn, manufacturers will shift production to match the changing marketplace. For example, drywall manufacturers will shift production from 1/2 inch used for residential to the 5/8 inch size used for commercial construction. As a result, prices decrease as manufacturers flood the market with additional product.

Lumber has already experienced a significant drop in price. Because it is used predominantly in residential construction, there simply isn't the same level of demand from the commercial side. Light construction relies on lumber in some degree, but lumber producers do not have the same opportunities ease to shift production to commercial uses.

One of the major saving graces for the lumber industry in light of the residential downturn is the boom in apartment construction. Traditionally when mortgage interest rates increase, the rental demand for apartments also increases. The resulting effect is an increase in apartment construction.

The Lending Market

There's little doubt that the downturn in residential construction was heavily impacted by the lending market. Lenders are often accursed of operating in what can best be described as a herd mentality. When a new loan product is introduced, good or bad, other industry players follow suit. It is always a race to remain competitive, and too often they make available, what now seem to have been questionable products. At the heart of the problem, as the bubble began to burst, lenders could no longer collateralize mortgages.

As attention shifts to the commercial side, lenders are becoming more conservative in supporting commercial construction. For example at the start of 2007, most hotel projects could easily be financed. Now equity requirements are being increased as the market tightens.

One of the best ways to account for the lag between residential market performance and that of the commercial market is the impact of the financial industry. A typical commercial project takes 12 to 18 months to construct. Once a project has started, the money most often remains available throughout the construction cycle. As the residential market moves into a downturn, the financial market becomes conservative, however previously secured financing is still disbursed creating the lag in the commercial construction market.

Recession-Proof Sectors

Even in an economic downturn, there will always be those sectors that will continue to perform. While the overall market will experience a downturn in 2008, a handful of exceptions do exist.

Government work will continue throughout 2008 and beyond. Whether at the municipal, state or federal level, governments will be in the best position to capitalize upon the reduction in material costs and the rise in available labor. Because governments are less reliant on the lending market, they are in a position to better weather the downturn. The effect of government spending is greater market stability and the potential for more contracts to be let as spending dollars go further.

Another solid sector will be healthcare. The demand for healthcare facilities is on the rise and we project it will continue for years to come. The market place has nowhere near the capacity to meet the healthcare needs of aging baby boomers. The need exists for hospitals, clinics, outpatient services and assisted living facilities.

One of the major challenges of working within each of the government and healthcare sectors is the unique expertise required. The nuances of managing government contracts and the highly technical requirements of working within the healthcare sector mean that not all contractors can easily make the transition.

Managing Projects through the Downturn

Program management companies such as Boyken International will ultimately experience greater demand during what most view as a downturn in the market. Because there will be expanded focus on certain sectors such as government and healthcare, specialized expertise is required to have projects delivered on time and on budget.

Beyond increased demand from the program management side, lenders will begin turning up the heat on developers whose projects fall behind, or look to be headed toward falling behind schedule. The risk of having developers default on loans will increase throughout 2008 as a function of a tightening market, yet lenders are in no position to allow construction loans to remain outstanding – especially following the residential downturn. They simply cannot take on the added risk. Boyken anticipates a significant increase in its mid-project intervention work in which lenders will require that projects get back on or remain on schedule.

Managing the Contractor's Business through the Downturn

Smart contractors will adjust their expectations for the next two years and manage their business accordingly. They cannot expect to achieve the same year over year growth that many have enjoyed over the last several years.

What that means is streamlining staff levels and slowing reinvestment in new equipment expenditures. The decision must be made between bidding on work to keep crews productive often reducing profit margins just to obtain the work or cut overhead and staff. Projects are of little value to a company if they don't cover their costs. Additionally, such practices will continue to depress the industry as a whole. Ultimately, even in a downturn, cost stability will be achieved, but can only occur if contractors are bidding realistically.

Gazing Into the Crystal Ball

It's believed that the commercial industry will experience a downturn in 2008. What the general and trade contractors do now will determine how successfully they weather the downturn. There are significant factors that give us insight as to how the residential industry will fare in 2008, including the presidential election, consumer confidence, dynamics of evolving global demand for materials and a rebounding residential mortgage industry. We believe the single greatest factor on the residential market reaction in this upcoming year is consumer confidence. If the general consumer confidence levels out or rises, the market will rebound and the commercial market will follow in 12 to 18 months.

Donald Boyken, FRICS is Chief Executive Officer of Boyken International, a leading program management company providing management and claims expertise to the construction industry. He can be reached at (770) 992-3210, dboyken@boyken.com or www.boyken.com.

Construction Estimating 101

The Atlanta Chapter #14 of American Society of Professional Estimators is once again offering "construction estimating 101" at the Georgia Branch of Associated General Contractors. This has been a very popular course in the past.
Our goal is to have Two Instructors for each class, as you see from the following ad we still need some help. This is not only a chance for you to give back to the Construction Community, but you can also obtain ASPE Certification Credits for teaching. We are not looking for Professional Teachers but Professional Estimators to share your working experience with the next generation of Estimators. Please give this some consideration. If you are willing to give 3 hours to assist an already experienced instructor, please contact me.

Wayne D. Smith, CPE
Chief Estimator
Metro Atlanta Transit Team (MATT)
404-848-6058
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Construction Estimating 101

April 21st and consecutive Mondays ~ AGC Office ~ Atlanta

The Georgia Branch AGC / Atlanta ASPE *Estimating 101* is a basic estimating course developed for estimators with limited experience. If you are beginning your career as a construction estimating professional, this is a can't miss opportunity for education and networking with many Atlanta area estimating professionals. If you are an employer, here is a great opportunity for improving the knowledge and skill level of your estimating staff. **Ten- 3-hour sessions (4:00 to 7:00 pm) will be held.**

Instructors are ASPE members and ASPE National Education Board approved all specialists in their fields.

Cost: $299.00 for ASPE, PCEA, & Georgia Branch AGC members and $399.00 for non-members.

Register on line at www.agcga.org or call Cherri Watson 678-298-4104

LEARN HOW TO …
Review bid documents, Develop a bid scope of work, Evaluate project complexity to determine labor pricing, Complete a quantity takeoff, Determine components that make up unit costs, Understand and calculate production rates and crew costs, and how to put it all together on BID DAY. Bring your own calculator and Architect and Engineer Scale.

Monday-4:00P.M. to 7:00P.M.	Instructors	Topic
April 21,2008	Wayne D Smith CPE Dan Ergle CPE	Introduction to Estimating General Requirements
April 28,2008	Robert W. Peppel CPE	Earthwork and Site work
May 5, 2008	Alan J. Manno CPE	Concrete
May 12, 2008	R. Brett Withers CPE Charles Cofer	Structural Steel, Joist & Misc Steel
May 19, 2008	Walter B. Elliott John Devine	Masonry
June 2,2008	G. Garland Stewart CPE Wyatt Alex Laney	Wood and Plastic Doors, Windows and Hardware
June 9,2008	J. Richard Porter Bob Kovacs	Finishes (part 1- drywall, flooring & ceilings)
June 23,2008	Michael D. Palacio CPE	Finishes (part 2- painting, wall covering & tile work)
June 30,2008	Ron Craig Alex McClendon CPE	Basic Electrical
July 7, 2008	Reed Thomas	"A Contractor's Perspective on Pricing and Building Green"

THE POSITIONS: (1) Senior Estimator – Civil/Structural/Architectural (CSA) & (2) Electrical Estimator

*** FOCUS – ARMY CORPS OF ENGINEER'S BUILDING PROJECTS**

Location: Atlanta

Our search firm has been retained by our client, a global project delivery company, to help them fill very key openings for a Senior Civil (CSA) & Electrical Estimators in their Government Facilities and Infrastructure Group. These jobs are located in Atlanta. Base compensation is up to $120,000. The job is bonused, and overtime is paid. Relocation expenses may also be provided.

These important roles will focus on Army Corps of Engineers building projects in the U.S. Projects include: headquarters, maintenance facilities, hangars, training facilities, barracks, and industrial-type facilities.

Our client was recently awarded four regional MATOCs through the Mobile District of the Corps of Engineers. The aggregate value of these Task Orders is $1.6 billion, over a 5-year period. Additional MATOC pursuits are under way in both the Mobile District and Savannah District. In addition to these MATOCs, the company is pursuing large, one-off projects managed by various Corps districts.

If you know someone who may benefit from this recruitment, we would like to ask you to contact us at your first convenience, and/or share the attachment with them. Our firm will gladly pay you a $2,000 fee for a referral that results in a hire.

Should you have any questions, or need additional information, please let us know.

We appreciate your time and consideration.

Kind regards,

Michael Woodruff
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