

Did the Pandemic Slow Commercial Growth in Southwest Florida? How to Face New and Familiar Challenges Over the Next Year

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Does this sound familiar? Here we are six months into “life during a pandemic.” The kids are back in school. No hurricane visited us over Labor Day. And many of us never took a summer vacation. So what do the next six months have in store for us? According to several men on the front line of the Southwest Florida commercial property community, keep that mask on and hold on tight...your workload is not shifting to a lower gear anytime soon.

As many businesses wrestled with reduced workloads or shifted to a work from home environment during the “Great Lockdown,” the commercial real estate and construction industries in Southwest Florida quietly pushed onward with gusto.

“COVID-19 did not impair the demand for our services this summer,” said Greg Bray, Project Manager at Hemmer Construction, “but it did impact our distributors, especially in their customer service departments, and this is still causing some delays.”

Also affected were prices for lumber, including southern yellow pine, which has increased 80 percent since April according to the National Lumber and Building Material Dealers Association (NLBMDA). Builders are also experiencing up to four-weeks before they receive deliveries on many major home appliances and air conditioning units. The lumber problem can be traced to COVID-19 behaviors including reduced tree harvesting, shutdowns at mills and treatment plants, and increased DIY projects by people forced to stay home. The appliance snafu has been blamed on supply chain issues for parts from China as well as temporary closures due to the coronavirus at factories and distributors during the spring.

Bray said some clients postponed their jobs during the pandemic out of extreme caution. “We understood why but had to alert them that the delay may affect prices for certain construction materials, which it definitely did.” Keeping clients in the loop and having escalation price clauses were a lifesaver and eliminated many headaches for him this summer, but Bray said line item cost increases on new jobs moving forward will be unavoidable.

With the pandemic, applications for new home permits were down this year compared to 2019, but commercial construction in Southwest Florida is on the rise. Projects planned a year ago that were temporarily postponed for a few months during the Great Lockdown are moving forward again. And many firms are also reporting an increase in activity from their estimating departments.

However, the pandemic did not create panic in the local commercial construction industry like it did in many northern cities. Unlike a rising sea of vacancies taking place in northern American cities once celebrated for their manufacturing foothold, Florida, and Southwest Florida in particular, is growing at a record pace. And while there might be just a handful of large-scale industrial companies headquartered in the area, the demand for businesses that supply personal services is increasing exponentially.

From new bank branch locations to tire stores, car washes, schools, shopping plazas, and apartment complexes, commercial construction in Southwest Florida does not reflect those scary news headlines that predict excruciating job losses. Private equity firms are not suing commercial lenders here. In fact, commercial lending in Southwest Florida is very robust.

“A client in Cape Coral contacted me recently because his rent was about to increase and he wanted to know what other options were available,” said Wes Kunkle, President and Managing Broker at Kunkle

International Realty. “At first, he thought maybe he’d move his business to Fort Myers because I showed him properties that he could rent for less than his Cape Coral rate. But with interest rates so low, he’s now looking at purchasing property and building a new facility for his business in Lee County.”

Kunkle said small office space is also in high demand. “I’m seeing properties that sat vacant for over a year get multiple offers before they sell now.”

The buzz among several NABOR® affiliate members in the commercial real estate and building industry points to a new trend in response to the pandemic: expanded outdoor living and outdoor amenities. In fact, several local country clubs like Kensington, Esplanade, and Heritage Bay have already increased the capacity of their outside eateries and outdoor venue areas.

“And there are still many jobs waiting to get started as several homeowner and condominium associations finally settle claims with their insurance companies over damage caused by Hurricane Irma,” said Bray.

Builders can also anticipate requests for new technologies as a result of the pandemic like automatic sensor doors and locks, climate systems with high-output germicidal ultraviolet (GUV) to reduce airborne pathogens, antimicrobial surfaces, and architectural features including wide aisles and hallways. Several local businesses have plans to upgrade their communication infrastructure systems to accommodate increased virtual meetings.

With an increased workload on the horizon, there will be a need for not only more workers, but also a workforce that has training in these new technologies. One solution that can work well for builders and subcontractors is to hire a recruit who participated in the Construction Academy, a unique program within the Collier County school curriculum that teaches students the methods, techniques and standards of structurally focused construction technology.

Explore the pool of talent that’s being trained locally by contacting one of the local academies like Lorenzo Walker Technical High School (and College), Immokalee Technical College, or other colleges. Many of them offer job boards and placement services.