

Trends in Light Commercial Construction



WHITEPAPER

Light commercial construction can be a difficult market segment to define. Noting the obvious differences between a 30-story office tower and a single-story muffler shop, light commercial construction is a segment of the commercial market that includes small structures under four stories and 25,000 square feet or less. These structures include offices, banks, restaurants, fast-food locations, strip shopping centers, daycare centers, grocery stores, auto repair shops, small medical facilities, small warehouse and storage facilities, and free-standing retail locations. The market description varies, and quite often light commercial construction is defined as anything that is not above four stories and is not residential.

MEASURED GROWTH IN COMMERCIAL CONSTRUCTION

According to Dodge Data & Analytics, commercial construction is expected to increase by 11 percent during 2016. While this projection indicates considerable growth, it follows a plateau in non-residential construction during 2015, after a 24 percent increase during 2014.

Office construction is expected to lead the market segment for commercial new construction, with greater involvement of private development, especially in the technology and finance industries. And new construction restaurants have become a rapidly growing market segment, which is not surprising in the wake of a new report, "Rise of the Foodie Nation," produced by commercial real estate and investment management firm JLL, which reveals that Americans now spend more at restaurants than they do at grocery stores.

While commercial new construction is experiencing measured-yet-steady growth, a significant portion of the light commercial market is consumed with repurposing and/or retrofitting empty store fronts and vacant facilities that did not survive the economic downturn that began in 2007. The recession resulted in many business and location closings, from free-standing retailers to strip mall occupants.

AN UNEXPECTED OPPORTUNITY

The misfortune of a few years ago is now a catalyst that is fueling the light commercial construction market today. According to the National Institute of Building Sciences (NIBS), the retrofit market for small commercial buildings is estimated at \$35.6 billion.

The on-going need to turn these properties can mean a quick, cosmetic renovation with new paint, new roofing and new siding, or a complete redesign and reconfiguration. The unusual parameters of this market provided an unexpected opportunity for many residential builders and contractors who crossed into light commercial construction when the residential market slowed.

For builders and contractors, especially those in light commercial markets focused on rapid project completion, it is of particular

importance to identify reliable materials that are suitable for many types of structures, including:

- Materials that are reasonably priced
- Materials that are available quickly with a well-managed supply chain
- Materials proven to perform well in a broad spectrum of weather conditions
- Materials that can be painted or finished easily to reflect branding of new owners or repurposing of existing structures
- Materials that can be quickly and easily worked by contractors and installers based on existing skills and equipment

ON-GOING LABOR SHORTAGES

It is important to note that there is still a shortage of skilled workers in all areas of the construction industry. This places an even greater importance on material selection. Lightweight materials that require less labor and can be installed quickly and easily without learning new skills, such as LP® SmartSide® engineered wood trim and siding, mean reduced project completion times, and often, lower costs, when compared to products such as metal panels, brick or concrete block.

LP SmartSide products provide the impact resistance necessary to perform well on projects such as small warehouses, and are engineered to cut with standard woodworking tools. Designed for both residential and light commercial applications, 16' lengths install quickly and may reduce the number of seams. These product benefits pave the way for quick completion of renovation and repurposing projects for the many vacant store fronts and light commercial buildings dotting the landscape across the U.S. Plus, with on-site installation support from LP's team of architectural advisors, installers can draw on expert advice to help optimize every project.

DESIGN / BUILD AND TECHNOLOGY

A trend that is affecting all segments of the commercial market is the design / build trend. This trend is fueled by the desire to streamline the construction process and reduce costs for all commercial construction projects, especially light commercial, where many projects are owner financed.

As often happens after an economic downturn, project developers and building owners become very budget conscious and put greater demands on builders and contractors to complete projects more quickly, while also building better projects at lower costs. When the economy began to rebound, those expectations did not change.

Technological advancements and easily accessible technology, such as apps available for smartphones and tablets, have facilitated this trend. With digital technology just a “tap” away, the bidding process for projects moves at greater speed and less cost than in past decades. Broadly accessible technology has made the process easier for builders and contractors in the light commercial market to extend their roles and provide design / build services as a means to increase revenue.

Apps like AutoCAD 360 are available to view, edit and share AutoCAD drawings; ARCAT®, for CAD details, BIM objects, specifications and building product information; and the augmented reality viewer, SightSpace Pro, makes it possible to provide a virtual “walk-through” of digital models and project designs. While some of this technology requires financial investment, there are many apps designed for the construction industry that are available at no charge, opening the door for more builders and contractors to compete in the light construction market.

PAPERLESS OPERATION

Paperless operation, which has been well-entrenched in major commercial construction for years, has trickled down to light commercial projects and can be embraced at all levels of the design and construction process. This paperless integration speeds up all areas of the design / build progression by facilitating the transmission of drawings, change orders and other paperwork from office to jobsite and back again. Apps designed for day-to-day construction reporting, scheduling, and sharing photos allow those in the light commercial construction market to operate with the same level of efficiency and professionalism as has been experienced in major commercial projects for nearly a decade. This technology allows even small players competing for and executing build / design projects to execute with the same level of integration in the commercial construction market as the market leaders.

AN UPWARD TREND

The light commercial construction market is expected to stay on an upward trend for the foreseeable future, with commercial construction growing at a faster rate than the overall economy.

It is important to recognize that integrated into this trend is the expectation that more will be accomplished with less and within a shorter timeframe.

Design / build is expected to continue to grow. Builders and contractors in the light commercial market must be willing to give up paper and embrace the technology that provides a streamlined process for estimating, takeoffs, bidding and managing projects. Having partners that understand market trends can contribute greatly to the success of builders and contractors looking to expand with a greater presence in light commercial construction.

Builders and contractors should look for partners, such as product manufacturers and distributors, who:

- Embrace the concept of design / build
- Are committed to manufacturing high-performance products that are tested and proven
- Can help identify products that meet specification
- Are responsive and committed to assisting with a streamlined bidding process
- Have integrated technology in place to facilitate order placement and delivery tracking
- Respect schedules and deliver on a timely basis
- Offer on-site installation support

The need to build better projects faster, at the lowest possible cost, is not a trend. More and more builders and contractors recognize the need to adapt to the market conditions and technology necessary to meet these goals. With the rapid proliferation of new products and practices, the industry needs building materials providers who can not only manufacture top-of-the-line products, but can provide technical know-how to help ensure that the design vision is faithfully executed.

Greater cooperation and cross-organizational collaboration will be the hallmark of the evolving construction industry. As the Light Commercial market continues to pick up speed, ensure that your partners understand the trends, the challenges and the opportunities facing the industry and work closely together through every phase of the design, specification and construction process in order to capitalize on opportunity. Working smarter requires a learning curve, but the dividends will continue to multiply for years to come.

To learn more about the evolution of the Light Commercial market, and how engineered wood products such as LP® SmartSide® are making a heavy impact, contact Michelle Johnson, Architectural Segment Manager at 615-986-5727 or at michelle.johnson@lpcorp.com



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