



nerej

Reilly of Dacon speaks at SIOR Chapter breakfast October 17th

December 13, 2007 - Spotlights

Continuing with the New England Chapter sponsored featured breakfast, Dacon Corporation spoke to approximately 35 SIOR members and guests in the Newton Marriott on October 17th. Kevin Quinn, president of Dacon Corp., and Chuck Reilly of Dacon Co. spoke about build-to-suit projects. Dacon is a design/build organization that streamlines the build-to-suit process. They have experienced architects, engineers and construction management professionals and focus on state of the art medical, office, laboratory, manufacturing, industrial and other commercial buildings in New England. The company was founded in 1985 and is a corporate member of SIOR.

As a summary of Dacon's presentation, Dacon has a bonding capacity of \$90 million and an annual contract value of \$85 million. 85% of its work is negotiated contract and 65% is "repeat" work. They do not work on residential projects but focus on various commercial projects. The firm does guarantee maximum pricing.

The 2007 market, Dacon is experiencing a big backlog of projects until February 2008, and then Chuck sees a slowdown. There is not much construction after February. As of July 1, 2007, Dacon was chasing 17 BTS projects totaling 1.5 million s/f in Massachusetts and Rhode Island and had five other projects totaling 680,000 s/f under construction. Reilly offered some case studies of recent build-to-suit projects including Sensata Technologies, Medical Beverly Hospital and a manufacturing/R&D, Peabody.

The Sensata Technologies was a 220,000 s/f office/R&D building of masonry and glass and the cost was \$95 per s/f. The Beverly project was \$207.05 per s/f and the Peabody was \$35.70 per s/f as a partial tear down. Generally speaking, the cost to raise a roof is \$15 per s/f to another 5-10 ft. to make a building more functional. Land is too expensive and tight to exploit expansion capabilities. Reilly believes that the industry will see more roof raisings as racking systems are becoming the catalyst.

Reilly has seen construction costs increase 10-20% over the last 2-3 years and could increase another 5% in 2007. Labor costs are not as expensive as there is very little profit on labor. The materials side of construction costs has been increasing. Warehousing costs for flooring with high ceilings is running \$1 per s/f for slab and \$4-5 per s/f for super flat slab. Office build-out on tenant improvement is traditionally \$8-10 per s/f to quality and parabolic lighting and now \$12 per s/f. HVAC is about \$4 per s/f, VAV \$7-12 per s/f, and fire system \$2 per s/f. The last 4-5 years, Dacon did not conduct any office construction in the past but now is experiencing some office development but none of it on a speculative basis. Manufacturing has been a steady activity in the 100-150,000 s/f range but not a lot in the 500,000-1 million s/f size. Lab space and hospital construction has been very active as well.

We would like to thank Dacon Corp. for sponsoring this event and Chapter members Jim Boudrot

and Ned Leeming for organizing this event.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540