

# RHarper Consulting Update

## Program Management – The Next Generation

We are now seeing clear signs of recovery in the real estate and construction industries. The opportunities for new projects – greenfield, re-positioning or remodels - while not abundant, are emerging. The design and construction firms which are surviving the recession are now positioned to fill their pipelines and, as volume increases, to begin rebuilding their staffs. Owners are seeing less uncertainty, more availability of capital, and attractive construction costs.

My firm is currently working on two new projects and proposing on several others. These early-stage engagements have given rise to some new thoughts on program management and highlighted emerging opportunities for advances in technology to bring greater value to the overall project development process. In addition, pursuing these engagements has provided a great opportunity to rethink and reset the value equation on program management and owner representation services.

Some recent observations:

**Collaboration is King** – When the pipelines emptied out for design and construction firms, the survivors quickly figured out that they needed each other. We have seen more mutual referrals between architects and contractors as we have gone through the architectural and construction manager qualification process for one of our new projects; both professions realize that their survival is inexorably linked. Together, they present a team of greater value to the owner. Integrated Project Delivery (IPD), where the owner, architect, and contractor “partner” the project, is being implemented in the vast majority of projects currently underway, even in the public sector. Having a full design and construction management team at the table from conception through final completion has demonstrated value, and owners are looking for teams with histories of successful cooperation on past projects.

**Technology Rules** – The question (for architects and contractors!) has quickly shifted from “Have you used BIM (building information modeling)?” to “How large is your BIM department?” During recent selection interviews for construction managers, all of the firms talked about their commitment, investment and ongoing integration of BIM into estimating, sub-contracting, scheduling and production. We have also recently completed design firm interviews on the same project, and the use of interactive 3-D modeling in the presentations was absolutely amazing. These are not just business development gimmicks - they represent a true change in the way we do business as an industry. BIM and 3-D modeling present vital information simply and effectively; use them, or get left behind.

**Owners Still Want a Good Deal** – Project budgets are extremely tight; financing is very difficult; lenders and equity sources are exhibiting a remarkable level of caution and pursuing their due diligence at a remarkable level of detail and intensity. There is still a great deal of uncertainty with respect to the economic recovery. All of these factors are driving owners to push value and pricing even harder.

Since projects are experiencing a longer development cycle prior to financing, owners are taking advantage of the time to develop documents more fully, price a wider range of alternates, and generally use every means available to get the best value with the least amount of risk.

**Liability is Shifting** – In general, not only are owners pushing toward greater value, they are using the market environment to shift more liability to design and construction service providers. Greater use of dispute review boards or other forms of embedded neutrals is quickly gaining ground as a means of minimizing the cost and delay of claims, as well as of rapidly determining the cost of a potential claim and more practically considering alternative solutions.

Owners are more sensitive to the “hidden costs” of a construction project, and are addressing those risks by shifting them to other project participants.

Today's environment is certainly more active than it was just six months ago. The national indices and leading indicators point toward a slow but sustained recovery, but everyone expects some bumps along the way. Let's take advantage of the lessons learned during the recession - no boom lasts forever, value wins, and always keep some “dry powder,” and use this wide array of new tools available to bring more value to our projects.

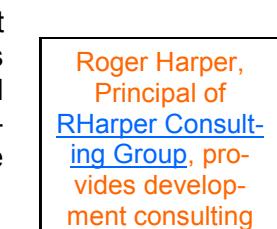
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