



## 2018 Real Estate and Construction Industry Report Now Available

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### 11th Annual Survey of Northeast Ohio's Real Estate and Construction Industries

What is the state of Northeast Ohio's real estate and construction industries heading into 2019? As we've done for over one decade, Skoda Minotti's Real Estate and Construction Group surveyed industry leaders in our region to learn about their challenges, threats and opportunities. While the concern about the lack of skilled workers presses on as a major challenge, respondents continue to be cautiously optimistic about their industries in terms of overall growth.

We invite you to learn more by reading the executive summaries of each report and to [download the entire survey results](#).

#### **Construction Summary**

According to survey respondents, the industry remains strong. At the same time, the cautious optimism we reported in 2017 continues into 2018. While there is plenty of work to do, respondents are increasingly concerned about finding skilled labor to meet their needs for a qualified workforce.

Recent studies show that nearly three-quarters of Ohio's construction firms are experiencing difficulties hiring qualified workers. The labor shortage has led to wage increases, and companies that don't have the means to absorb the costs will try to pass them on to their customers.

Material costs, a major concern of survey respondents since 2014, continue to be a primary concern among this year's survey respondents. Price inputs for construction materials increased 2.2% in May 2018, representing the largest monthly increase in 10 years. It also represents an 8.8% year-over-year increase.

The problem is further exacerbated by the threat of tariffs. When respondents took this survey, tariffs were being threatened against China. Now that U.S. tariffs have been put in effect for China and for many U.S. trading partners, retaliatory tariffs – especially those on steel, aluminum and lumber – are likely to escalate concerns among those in Northeast Ohio's construction industry. Looking long-term, these compounding problems could eventually lead to putting projects on hold or even discontinued.

On the bright side, the backlog of construction projects will keep commercial construction companies busy in 2018, and respondents also report optimism about their industry's performance in the next few years.

In response to a new question about the effect of the Tax Cuts and Jobs Act, we can report that most survey respondents think tax reform will have a positive effect on cash flow, and are therefore investing more money in their companies to achieve greater profitability.

### **Real Estate Summary**

The results of this year's survey tell us that there is a more cautious optimism among survey respondents.

For the third consecutive year, the lending environment remains positive with a continued loosening of equity requirements. In fact, after being viewed as one of the top barriers to development for five consecutive years, lending is now viewed by respondents as one of the least significant barriers.

Rents continue to increase across the residential, commercial and industrial sectors, with each market performing more favorably than what was expected by 2017 respondents.

Conversely, our respondents continue to view property valuations and construction costs as top barriers to development. They also chose the cost of land as one of the top three barriers for the first time. With interest rates on the rise, almost half of all respondents expressed concern that further increases may eventually slow development.

Finally, we were curious to learn what impact tax reform had on our respondents' business. With the new policies in place for just a short time, positive responses were balanced with a wait-and-see approach.

[Download your free copy of Skoda Minotti's 2018 Real Estate and Construction Survey](#) for strategic insights on the real estate and construction industry and the chance to see how your company stacks up.