

by Lauren Kramer



Profits drop, expenses soar

Despite struggles, construction companies remain hard at work

Dick Nord, owner of Nord Northwest Construction, oversees the progress at the 12th Street Village in Fairhaven. He said every condo at this site sold months ago and some of the new residents will move in by mid-April. Behind him is the commercial space his company built on the corner of Old Fairhaven Parkway and 12th Street.

It's tough to be a builder today – Just ask Dick Nord, owner of Nord Northwest Construction. “Insurance is the biggest issue,” he says. “The building industry has been struck hard by the insurance industry, which was struck hard by the legal industry in their attempt – sometimes legitimately – to find fault with condominium developments.”

The cost of insurance for builders has become exorbitant, rising from approximately \$3,000 per unit five years ago, to a whopping \$30,000 per unit today, according to Nord.

“Builders are not making the percentage of profit today that they were making 10 years ago,” he laments. “It doesn't matter what kind of construction you're in – all our costs have gone up dramatically, and it's a very difficult place to be.” These days, Nord is grateful to make a 10 percent profit, but estimates it's more like six-to-seven percent. “It becomes a real challenge to be in business today,” he says.

That said, Nord is hard at work in Whatcom, Skagit and Snohomish counties, where his company specializes in

commercial real estate and building condominiums. “Right now, the demand for new housing is strongest in Bellingham, but there's a strong demand for residential and commercial in Skagit, too,” he says.

“We're working on a 20,000-square-foot commercial building in Bellingham on 12th and Fairhaven, with 28 condominiums surrounding it,” he adds. “We're also building condominiums in Mount Vernon.”

Nord has been working on a commercial project in the same city, but has had to put the skids on it because the authorities are in the midst of changing the 100-year flood elevations in Skagit County.

“When they raise the level of the floodplain, it means every home or commercial development in that area has to meet new requirements,” says Nord. “This is a pretty substantial project, right on the river, and I can't even build it because I don't know where the floodplain will fall.”

Another company building in Mount Vernon is Quadrant Homes, which is in the throes of constructing a community of 500 single-family homes. “When



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Quadrant Homes

we were offered this opportunity, initially we were very nervous about its distance from our normal operations in Snohomish, King and Pierce counties,” says Peter Orser, company president.

“But we did some due diligence and found the freeway access is good and the community is strong and focused on future growth, so it made sense to go ahead.”

Affordability key

These days, he’s glad he did, given the fact that his waiting list in Mount Vernon is 800-people strong. “There’s a pent-up demand for new housing in the Mount Vernon marketplace, and people are looking for affordability,” Orser says. “In our community you can own a house for under \$200,000, and a really big house for \$300,000. That’s just not available in the core marketplace of King County.”

Quadrant builds all along the I-5 corridor, from Bellingham to Portland, Ore. Orser says he’s noticed that people are willing to travel further away from the core in order to find affordable housing. “We call it driving until you qualify,” he explains. “The communities in the northwest are still offering high quality, affordable housing, and as a result, the demand is still very strong for that kind of product.”

Arlene Sanders, co-owner of Credo Construction, agrees, but focuses her attention on the I-5 corridor between Bellingham and Ferndale. “I think the I-5 corridor north of Bellingham has extreme potential in the commercial market, because it offers easy access, and it’s



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On the road again

Crews will be out in force for “construction season” this spring and summer. The following are some of the largest road projects in Skagit, Whatcom and Island counties scheduled for this year.

Cable Barrier Task:

Crews will install approximately 38 miles of new cable median guardrail in 11 separate locations in the Puget Sound area to reduce head-on collisions and save lives. Six of the 11 locations and 24 of the 38 miles are along I-5 in Skagit and Whatcom counties.

- Estimated total project cost: \$4.6 million
- Begin construction: Fall 2005; Estimated completion: Summer 2006

SR 9, Sumas

SR 9, Nooksack Road to Cherry Street Task:

State Route 9 will be realigned, widened and repaved from Nooksack Road to Cherry Street. Three 90-degree turns will be removed. Four inches of crushed rock will also be placed below the highway to prevent the asphalt from buckling and cracking in the winter.

- Estimated total project cost: \$17.4 million

- Begin construction: Spring 2006; Estimated completion: Fall 2007

SR 20, Whidbey Island

SR 20 -Troxell Road to Cornet Bay Road Task: Crews will widen both the shoulders and lanes of State Route 20, build a new southbound lane for slower traffic, install left and right turn lanes, straighten the highway and install a new guardrail. A cul-de-sac at Old Cornet Bay Road will close access to 20.

- Estimated total project cost: \$9.2 million
- Begin construction: Spring 2006; Estimated completion: Fall 2006

SR 20 - Monkey Hill Road to Troxell Road Realignment Task:

Improve the Monkey Hill/State Route 20 intersection; add a right turn lane from southbound Monkey Hill Road to westbound State Route 20; widen the traffic lanes and shoulders; improve the Northgate Way/State Route 20 intersection; and realign the highway to improve motorists’ sight distance and safety. This project will improve safety and reduce the number, severity and risk of accidents.

- Estimated total project cost: \$5.7 million

- Begin construction: October 2005; Estimated completion: Spring 2006

Additional Whidbey Island projects:

Between now and 2008 WSDOT will complete seven projects totaling \$35 million to enhance safety and relieve congestion on Whidbey Island between Coupeville and Deception Pass. Island County traffic increased by 17 percent on state highways as the population grew by approximately 7,000 people between 1996 and 2004.

SR 543, Blaine

SR 543/ I-5 to International Boundary Widening Task:

We will widen SR 543 from Boblett Street to the border; build a grade separated interchange at “D” Street; and install a new signal at Boblett Street.

- Driver Information: Drivers should expect closures and delays during some of this work.
- Estimated total project cost: \$34.6 million
- Begin construction: Fall 2005; Estimated completion: Summer 2007

Source: Washington State Department of Transportation



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an area that’s been overlooked,” she says. “Between here and the border – that’s what you should have your eye on.”

Credo, in business since 2004, specializes in tenant improvements, commercial developments and fine-quality family homes. “Right now we’re working on some commercial buildings between Slater and Bakerview on the I-5 corridor called Pacific Industrial Park,” she says.

The revitalization of downtown Bellingham bodes well for Credo, as it will mean a constant stream of tenant

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Arlene Sanders, part owner of Credo Construction, stands in the window of a current project, contracted by Sam Boulos. The site, located near the Slater Road and Walton Beverage, is zoned primarily for commercial and industrial use.

improvements. But Sanders isn’t worried about the years ahead. “There will definitely be an increase in growth in this community, because it’s a nice place to live and has lots of potential for commercial development,” she predicts.

Ken Reinschmidt, general manager of Saratoga Commercial Real Estate, has also noticed the buzz downtown. “There’s a lot of optimism on the development of downtown, and a great deal of interest in the construction of office space, retail space and mixed use,” he says.

For Saratoga, that represents both challenge and opportunity. “The challenge is finding the parcels of land downtown that have a lot of development potential for clients,” he explains. “The opportunity is that as these developments are built, they’ll need real estate services to manage them and to find tenants for their commercial spaces.”

Like Sanders, Reinschmidt agrees that a key area to watch out for in terms of growth is the I-5 corridor in Whatcom County, specifically between Ferndale North and Birch Bay. “The land prices there haven’t gone up as much as they have in Bellingham, and the population is increasing,” he says. “I think a lot of people are also looking to that area for development and marketing.”

The reason the construction industry is so hot right now is thanks to the inflation of house prices, which has created an awful

lot of wealth in America right now. So says Nord, adding that houses have doubled in value over the last five-to-10 years.

“All of a sudden, people who had a \$200,000 house have a \$400,000 house. It’s an incredible amount of wealth that’s been generated,” he says. “That’s why you see so many advertisements for sec-

ond mortgages now, trying to encourage people to take advantage of their equity. There’s more demand for goods as there’s more capital for people to buy things. But, I wonder, where does it all end? And how do our children afford to buy a new home?”


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