



Anticipating the Next Construction Downturn

March 22, 2017

Panel Discussion

Speakers

Developer

Ginger Bryant, COO/CFO
Sares | Regis
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General Contractor

Ron Paradies, VP Project Development
XL Construction
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Subcontractor

Blaine Flickner, CEO
Silicon Valley mechanical
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Moderator

Jim Untiedt, President
PentaRisk Insurance Services
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About Our Panel

	Developer	General Contractor	Subcontractor
Number of Employees	100	450	400
Volume of Work	\$3 B of combined commercial and residential work	\$650MM	\$150MM
Number of Years in Silicon Valley	32	39	27
Geography	Mainly South Bay and Peninsula	Bay Area, Sacramento, Monterey	Greater Bay Area

Silicon Valley Construction Economy 2017

- Top 3 Construction Markets in USA
- High backlogs
- Full employment
- Infrastructure upgrades coming
- Increasing population and housing
- Construction margins are high
- Interest rates are low

Seems like great news!

Five Recent Recessions in the United States

Since 1850, we have never gone longer than 10 years without a recession.

Dates	Duration	Time Since Previous Recession	Peak Unemployment	GDP Decline	Comments
Nov 1973 – Mar 1975	1 year 4 months	3 years	9%	-3.2%	OPEC increased oil prices 4 times
Jul 1981 – Nov 1982	1 year 4 months	1 year	10.8%	-2.7%	Iranian revolution increased price of oil, Fed raised interest rates up to 15%
Jul 1990 – Mar 1991	8 months	7 years 8 months	7.8%	-1.4%	Federal Reserve increased interest rates
Mar 2001 – Nov 2001	8 months	10 years	6.3%	-.3%	Collapse of .com bubble and 9/11 attacks
Dec 2007 – Jun 2009	1 year 6 months	6 years 1 month	10%	-5.1%	Subprime mortgage crisis, Collapse of housing bubble, AIG, Bear Stearns, Lehman, & auto industry
Next Recession? 2018-2019		10 years?			Europe issues? Brexit? China issues? Fed increase interest rates? Politics?

What are the early signs to look for?

Have you discussed recession in the last year?

What data points do you look at?

- Real estate brokers numbers
- Out of towners coming into our market

Lessons learned from last recession:

- Diversification in business segments and clients
- Know your numbers
- Don't chase bad work!
- Don't chase new/unusual work

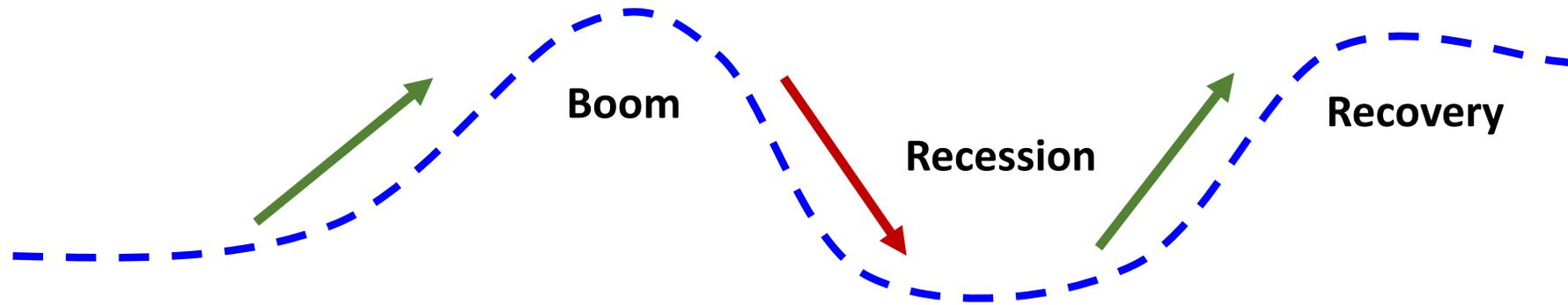
Things to do Differently:

- Strengthen financial ratios to keep bank credit flowing
- Diversify work mix
- Watch change in interest rates more closely
- Keep service mentality for relationships
- Know the manager/chiefs at bank and bonding company
- Keep your good people locked in

What should we be doing today to prepare for the next downturn?

- Keep your regular meetings with your key financial partners
- Maintain your relationships with clients
- Come to more CFMA meetings

Construction Boom / Recession / Recovery Cycle



BOOM

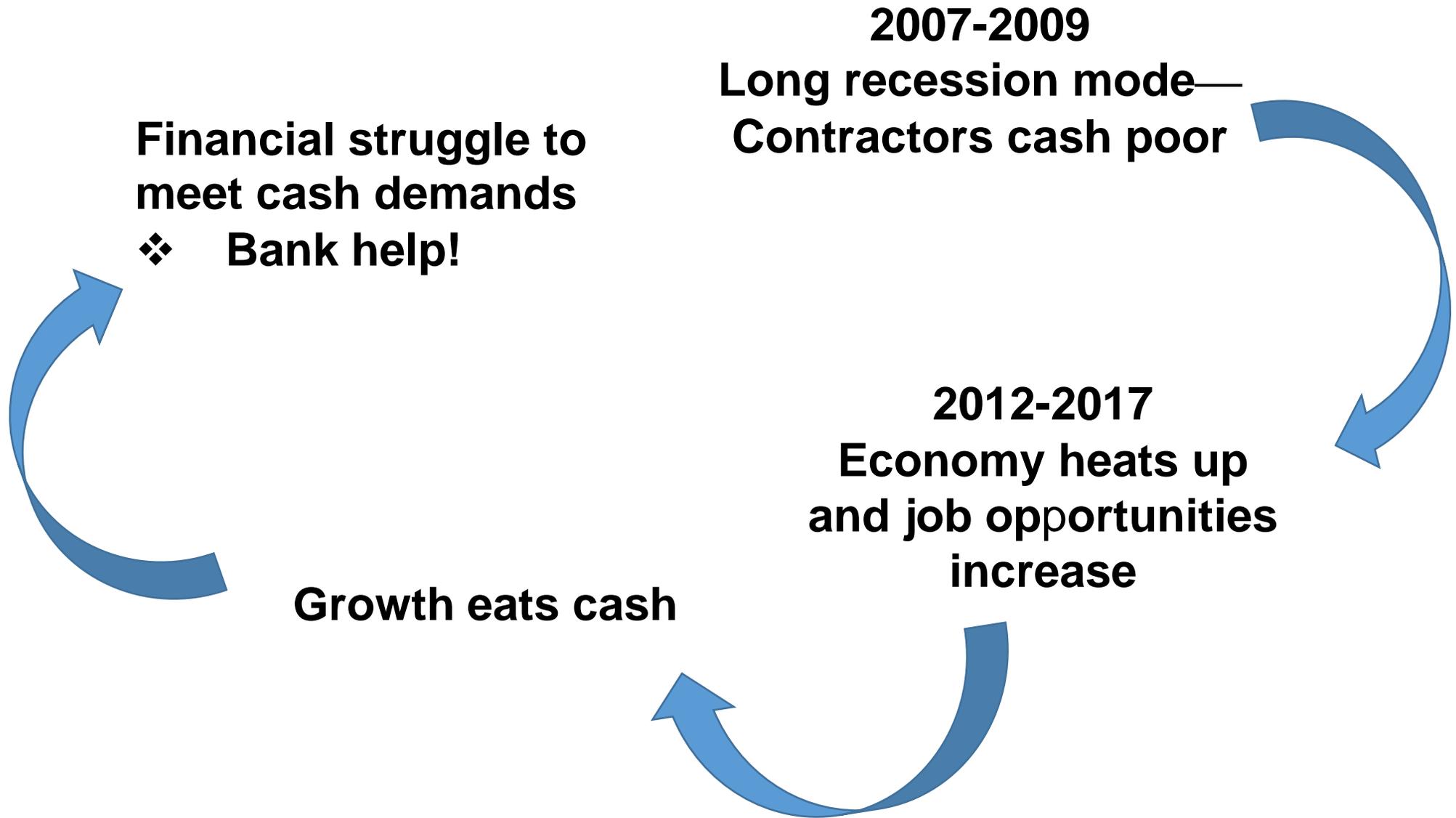
- ADD overhead to support growth
- Choice of work/job opportunities
- Margins increasing
- Profits increasing

RECESSION

- Not sure how long it will last
- Budget for 10% decrease in overhead/should have used 25%!
- Lose money due to excess overhead
- Lower margins, uncollected A/Rs

RECOVERY (RISKY TIME)

- Margins slow to recover
- Unprofitable jobs still in backlog
- Cash needs to support growth are high



Contractor failure rate is three times more during recovery than recession.

- Higher debt
- Slower pay on retentions
- Aging receivables
- Back charges

Bios

Ginger Bryant

Chief Operating Officer

Sares Regis Group of Northern California

Ginger Bryant has been instrumental in guiding the financial management of commercial and residential real estate development companies in Northern California for more than 25 years.

She joined Sares Regis Group in 1993 with responsibility for the Bay Area commercial property portfolio. As CFO and COO she oversees Finance, Accounting, Treasury, and MIS activities for the company. She serves on the investment committees for development acquisitions and the Sares Regis Multifamily Value-Add Funds. In addition to corporate responsibilities, she closely monitors the performance of all active development and operating assets, and guides the portfolio management team for the Funds.

Ginger attended the University of Missouri-Columbia, earning a B.S. in Business Administration and an M.A. in Accountancy. She began her career in Denver, where she was part of the audit staff for Ernst & Young.

She moved to the San Francisco Bay Area in 1985 to work for Prometheus Real Estate Group where she eventually became Chief Financial Officer. During her time at Prometheus, Ginger met Rob Wagner and Mark Kroll, who would go on to found Sares Regis Group of Northern California (SRGNC).

Ginger is dedicated to advancing the success and achievements of women in the real estate industry and has been active in Commercial Real Estate Women (CREW) since 1992, holding numerous leadership positions on the board of directors, including president of the San Francisco chapter (2000) and CREW's National Network (2005), a trustee of the CREW Foundation, and has been recognized as a CREW Woman of Vision. She remains actively involved in various mentoring programs and is a member of the committee responsible for educational programming for the 2017 convention.

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Jim Untiedt
President
PentaRisk Insurance Services, LLC

Since 1982, Jim has provided Risk Management advice, business plan support, claim advocacy and insurance program negotiation for the construction and development industries. He is a member of United Contractors, CFMA and AGC and is a frequent speaker on insurance and risk issues. Jim is a graduate of U.C. Berkeley with degrees in Economics and Political Science, and holds the Chartered Property and Casualty Underwriter, Associate in Risk Management, and Construction Risk Insurance Specialist designations. Jim spends 80% of his time with clients to help build their businesses and reduce risk.

Jim is passionate about golf and wine tasting, and frequently assembles friends, colleagues and clients to network and taste wine.

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Blaine Flickner
CEO
Silicon Valley Mechanical, Inc.

As CEO, Blaine oversees all phases of business development, estimating, and construction.

Blaine Flickner was born and raised in the Bay Area. He graduated from Cal-Poly San Luis Obispo in 1990 with a degree in mechanical engineering. He started his career in the HVAC industry as a controls engineer for a large energy management system company. In 1997 his career path changed and started working as a Project Manager for a state-wide design build HVAC contractor. He has remained in the design build HVAC industry as an engineer, project manager, project executive and Vice President. In January 2014 Blaine became a Partner and CEO at Silicon Valley Mechanical where he is still actively involved in Engineering and project management.

Blaine Specializes in the design/build construction of office R&D buildings, corporate campuses, Data Centers, clean rooms, biopharmaceutical facilities, and architecturally intricate projects. Blaine has an accomplished track record on a vast number of projects and a reputation as a solution oriented team member.

Twenty years' experience:

Silicon Valley Mechanical	2014-present
United Mechanical	2006-2014
Cal-Air, Inc.	1997-2006
Johnson Controls	1990-1997

Blaine graduated from Cal Poly in 1990 with a BS degree, and ETAC accreditation.

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Ron Paradies
Vice President of Project Development
XL Construction

As Vice President of Project Development, Ron provides industry knowledge, oversight and guidance to the project team during all phases of construction.

Ron has 30+ years of construction experience, including:

XL Construction	2003-present
South Bay Construction	193-2003
MAI Industries	1989-1992
Vanderson Construction	1985-1989

Leader, partner, mentor, friend. Ron fits the bill on all counts. His understanding of client needs, his talent for focusing his team on them and his creative solutions make him an ideal leader. Long lasting relationships with his clients and the respect and dedication of his project teams are testament to his ability to deliver great results.

Graduated from Hartwick College with a BA degree in business.

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