Hello, everybody. Dennis Engelbrecht with Digging Deeper.

I was about knocked off my chair last week when I opened up a sort of newsletter study from Moody Analytics. Moody Analytics has a REIS division, which follows real estate investment in a whole bunch of different sectors. I opened it up and they had a section on late project delivery, some just phenomenal statistics. For apartments, and this was basically taking a 200-plus unit apartment, multi-story, 82% of apartment projects over the last 17 years are delivered late. Only 15% delivered early, 3% on time, but 82% late. In the industrial sector, which is warehouse and industrial, 45% were delivered late. Offices, 73%. Retail, 79% delivered late. And I was thinking about that and I was thinking, well, for contractors, if you deliver late, that cuts into your profit because you have extended general conditions. You possibly also have damages and liquidated damages or real damages for that late delivery.

The other part of the statistics that came through in the report, though, was the difference between reality and expectations. On the apartment side, this 200-plus unit building, typically the expectation is for it to be complete in 12 to 18 months. The average reality was 22.2 months. That's basically a 50% fail. Wow. Now, of course there are a couple of issues there. One side is, well, if this is reality and this is the expectation, why are we signing a contract to deliver it in 15 months if it's going to take 22.2 months?

And the problem is there is a difference between expectations and reality. We have our customer expectations and maybe we need an education process to bring that back to reality, but maybe even we think we can deliver it in 15 months. But of course, with our manpower shortage in the industry, all of our companies tapped to their highest capacity here over the last several years, these numbers have gotten worse and worse.

But at some point, we've got to reconcile reality with expectations or we keep setting ourselves up for failure. If we sign a contract that on average, it's going to say, I'm going to deliver this in 15 months and on average it actually takes 22, that's not going to be good for me financially. And it's not just financial. Just think about what does the customer satisfaction look like when I deliver the 15 month project in 22 months? What do my future customer relationships look like? What are my chances for getting repeat work from that client or the next work? So, this impact is far-reaching. It isn't even just on the project itself. That carries forward into your reputation and everything.

Think of some of the other costs. If your project goes from 15 months to 22 months and you're the GC, very likely you have some stressed subcontractor relationships also, and you may have tried to pin this cost of the delay on them, and maybe rightfully so in some cases. But basically, that cost is spread across the whole project team in most cases, so they're not happy, either. And then think about your staff and the stress that's induced when you're running late, and you have that difference between expectations and what's happening. So, your staff gets stressed, and in construction, when we stress your staff, sometimes we lose them. If we don't lose them from leaving the company, we lose them psychologically and we damage them some. So, when you run late projects, that's going to add into your turnover and cut into your staff morale.

What are the solutions here? Well, we already talked about on the front end getting the expectations correct. Are we thinking in a real sense or is it an unreal sense? And from the time we start that communication with the client and the customer and the architect, are we continually pushing toward reality? In the end, obviously we've got to sign a contract and that contract is going to commit to something, so then you've got to make sure that you have contract protections, particularly if you weren't able to reconcile expectations in reality. Then you better have good contract protections.

And then the third is actually the execution. Do I have a great plan, a great project turnover, a great project launch so that I actually can execute this project on time? Am I utilizing all the hours in the day? Seven times 24. What is that, 148 hours a week? But sometimes we think in terms of 40 hours a week on the job site. Am I utilizing the whole day? Am I getting everybody's input to make sure I've compressed the schedule, that I've got people out of each other's way when they need to be out of each other's way? There's a lot that goes into actually making a great schedule and the best schedule, and sometimes it takes talent from management to add to that as well, but you certainly want to be prepared on the front end to deliver to those expectations.

Now we've launched into the project and things happen, so you've got to make sure you protect your contract position. You got to make sure your documentation is great and your communication is great because you might have had 17 rain days this month, but 22 months from now when you finish, is the owner going to remember that and be kind to you and let you go on your LDs? Oftentimes not, so make sure you have put your documentation in, got your change orders, even if there's zero costs change orders, but just extend the time. But hopefully you also get your extended general conditions involved in that.

And then the final thing is as an organization, create excellence in finishing on time. Be the company that delivers on time. How do you do that? Well, it's a whole variety of things, from of course having great expectations or correct expectations, having a great turnover in launch, holding folks, I want to say accountable, but really paying attention to schedule at each stage, make sure management is aware of where that project is. If that project is five days behind, make sure there's a plan to make those five days up and not later, but earlier to make those five days out, because there are surely going to be more things that'll happen that are outside the norm that will tend to try to push it later as well. So be that company that delivers on time and that'll certainly help you.

Once again, just to summarize, projects are being delivered late. They're being delivered late more often than they're being delivered on time. Make sure that you have expectations in line. Make sure you've got a great plan to achieve it. Make sure you deliver on time and you're able to execute.

Again, thank you. Dennis Engelbrecht, Digging Deeper.