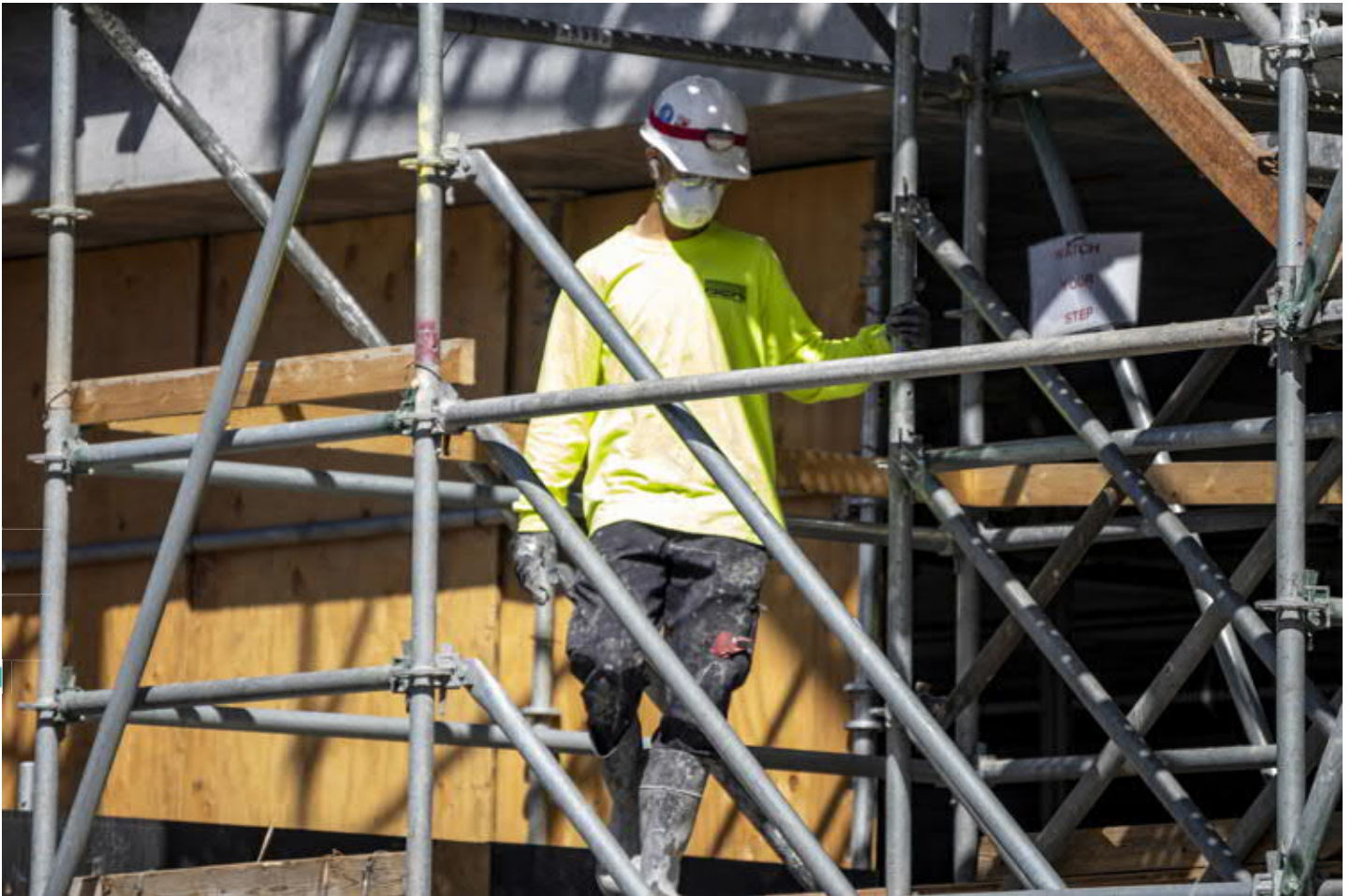


Real Estate (<https://azbigmedia.com/category/real-estate/>) / Could construction lead Arizona's post-COVID-19 economic comeback?



## Could construction lead Arizona's post-COVID-19 economic comeback?



Above: Wearing a mask, a construction worker helps build the \$100 million Creighton University Health Sciences — Phoenix Campus at Park Central. (Photos by Mike Mertes, AZ Big Media)

REAL ESTATE ([HTTPS://AZBIGMEDIA.COM/CATEGORY/REAL-ESTATE/](https://azbigmedia.com/category/real-estate/)) | 16 Jul | STEVE BURKS ([HTTPS://AZBIGMEDIA.COM/AUTHOR/STEVE-BURKS/](https://azbigmedia.com/author/steve-burks/))

A year that began with so much promise for continued growth in Arizona turned into a year where businesses just wanted to keep their heads above water. The COVID-19 pandemic (<https://azbigmedia.com/business/map-tracks-covid-19-cases-by-zip-code/>) created a huge wave of uncertainty in the national economy and in many industries, the effects will be felt throughout 2020 and even beyond.

In Arizona, the construction industry was deemed an essential service by Gov. Doug Ducey, allowing companies to continue their work on projects around the state. However, due to an increased focus on worker safety, companies had to revamp their safety procedures and establish a new way of working.

AZRE Magazine sat down with six executives from general contractors and subcontractors in Arizona to find out how they managed their way through the early stages of the pandemic, how the Arizona Builders Alliance helped guide the industry and how they feel the industry will ultimately lead Arizona through this unprecedented economic slowdown.

**Lorraine Bergman (LB)**, CEO, Caliente Construction (<https://www.calienteconstruction.com/>)

**Chuck Carefoot (CC)**, Senior Vice President of Construction for the Southwest Region, Ryan Companies US (<https://www.ryancompanies.com/>), Inc.

**Jamie Godwin (JG)**, President, Stevens-Leinweber Construction (<https://stevensleinweber.com/>), Inc.

**Steve Grauer (SG)**, Western District Manager and Vice President, Hensel Phelps (<https://www.henselphelps.com/>)

**Dan Puente (DP)**, CEO, DP Electric (<https://www.dpelectric.com/>)

**Jeff Wheelock (JW)**, President, Spectrum Mechanical and Service Contractors (<https://www.spectrumaz.com/>), LLC

**AZRE:** *How has the current economic state of affairs affected how your company is doing business?*

**CC:** At Ryan, people are our most important asset and keeping our jobsite safe is always our No. 1 priority, which is why we started implementing heightened hygiene and safety protocols in February on our job sites. Our team established rigorous cleaning schedules, mandated social distancing, posted awareness signage, held meetings to coordinate best practices and supplied masks and gloves among other CDC required activities. Our efforts are improving efficiency, quality, and overall safety on our job sites. I expect many of these best practices will become the norm on our job sites.



Developer and builder, Ryan Companies along with joint venture partner University Realty LLC, recently announced the completion of the 84% pre-leased, six-story, multi-tenant office building, 777 Tower at Novus Innovation Corridor.

**JW:** The industry has lost a certain degree of communication and productivity as a result of CDC guidelines requiring social distancing and fear of being affected with COVID-19. The financial burden will be recognized over the next few months. As a result, adjustments to conducting business will need to be put in place until consumer confidence is restored and the economy recovers. There will be costs associated with productivity losses, safety products, tasks and modified work procedures due to the safety measures that have been, or will be, implemented. We have also adopted an option to work from home during the past few weeks and we have started to position ourselves to facilitate our office staff to work from home when necessary. We have adopted all of the new rules regarding the self-check for symptoms and requiring days off if any symptoms are present and/or if tested positive for COVID-19

**JG:** The biggest difference between the last downturn and this one is timing. The Great Recession was a gradual slowdown that, eventually, brought most construction outside of public works projects to a halt. The impact of COVID hit much faster – it feels like almost overnight – but because the construction industry was designated an “essential service” in Arizona, the majority of our projects were able to continue on schedule and we’ve been able to protect a steady pipeline of future work.



I will be closely watching the market this summer and fall. The fact that tenants were not able to actively tour space in March and April has created a void that we may see the results of during the second half of the year. We're still seeing a lot of optimism for ground-up construction, particularly in the industrial sector, but we're waiting to see if the inactivity this spring will create gaps in tenant improvement projects in the coming months.

**LB:** Caliente recognized the impact that COVID-19 was going to have early-on and we were very proactive in ensuring the safety of our employees and the viability of our business operations. "Social distancing", business continuity plans for our owners, enhanced safety policies and procedures for our office and field operations were implemented early. We were able to set employees up to work remotely and now have a mix of people who work in the office or from home. Of course, all our superintendents are still on jobsites, but they also have "virtual" work capabilities for some of their tasks. Unfortunately, we have had some employees exposed to COVID and we have been very proactive in completing risk assessments, making sure testing and isolation measures are taken and being very transparent to others by notifying them of the risk and recommended steps to ensure safe action is taken to prevent the spread of COVID 19. Fortunately, none of our employees nor family members have had a reported positive case.

The biggest change felt by all, is the personal interaction that has helped us build our success. Caliente is used to a high level of collaboration between our team members, our clients, subcontractors, and consultants. Not having everyone in the office and not being able to interact as freely is hard on us as humans and team members, but we are doing our best to maintain our relationships.



In March, Lincoln Property Company joined with local dignitaries and guests to break ground on the first building at Park303, a major industrial master-planned development that at build-out will accommodate up to 4.5 million square feet of ultra-modern, freeway-fronting Class A industrial space in Glendale, Arizona. (Photo by Pete Pallagi)

**SG:** As a company, we are following all CDC guidelines and providing updates on a COVID-19 tab on our employee website. We are also abiding by Governor Ducey's Executive Order and updates then communicating with our employees and trade partners. Governor Ducey gave our industry a "gift" when he deemed construction an essential service. This allows all 175,000 construction workers in our state the ability to keep working. Our people and project teams are practicing responsible social distancing,

wearing masks and other proper PPE, washing hands as well as non-project site-specific staff are working from home. We are doing more video conferencing and learning how to communicate and share information with our team through technology in many new ways we did not use before.

**AZRE:** *Describe the guidance and assistance that ABA has provided during this crisis and how valuable it is to you and other ABA members?*

**DP:** The ABA is the Arizona chapter of two national associations the Associated Builder and Contractors (ABC) and the Associated General Contractors (AGC) these organizations have important political connections across the US. This relationship has allowed the ABA to get the most up to date and reliable information to our members. In addition to the national presence, there is a dynamic group of business leaders within our community that are sharing best practices and resources to help our industry navigate this unprecedented time.

**CC:** The ABA has provided general guidance, helpful articles and webinars for our industry which has been a great resource during this challenging time. Having ABA as a resource that directly focuses on how to navigate through this crisis within the construction industry is invaluable.

**LB:** The ABA has been outstanding. They were instrumental in working with our Governor to designate construction as an essential industry and after achieving this they lead the way in helping construction companies navigate the "new normal." The informational webinars they have put together on short notice have been very helpful, informative and have provided perspective for the AEC industry. It has been great to see the AEC community come together and share ideas, thoughts, and inspiration and ABA has been the conduit to bring all of this together.

**SG:** Erica Lange and her team do a fantastic job of creating timely topic webinars and informative video conference calls the members can join and listen in on. There have been two specific video conference/webinars wherein the President of the ABA Dan Puente and other Board Members provided insight and answered questions regarding COVID-19 protocols, proactive measures and shared some best-practice ideas. Additionally, there were a couple of webinars focused on the economy, outlook and impact COVID-19 may have. The guest speakers from Wells Fargo, Sage Policy Group, and Ken Simonson of the AGC have been a great resource for the membership to see where we have been over the last two months and where we might be headed going in to the summer months.

**AZRE:** *What advice is being shared by your fellow ABA members on how they are navigating these challenging times?*

**CC:** Overall, constant-communication, safety protocols and staying informed have been three areas ABA members are hyper-focused on. Members have shared how to cope during this time, hot topics to know about and implications for construction. This membership activity helps our team stay aligned with expectations and proper procedures.

**JW:** Some of the most valuable advice is to keep thinking forward, keeping in mind that this situation, while it will alter how we think about projects and the health/safety of our team members, will eventually subside and construction will resume. We need to take advantage of this opportunity to, adjust processes to be prepared for future unforeseen issues, invest in quality talent and prepare our company for the bright future ahead.

**JG:** Collaboration is definitely happening in our industry. I've had calls with executives from many competing construction companies to compare notes on things like PPP, protective equipment and just generally what we're seeing from a deal and jobs perspective. We've also been sharing our workforce resources in ways that we've never done before. There was a recent scenario where a colleague needed someone with a specific certification to assist on a site-specific requirement. I had that resource and was able to help.

**LB:** Construction seems to attract people with amazing work ethic and determination, which is what we need to get us through crisis. There is also a great sense of community within the industry and so many firms are working to share their stories, and information. Despite construction's reputation for sometimes being too traditional and not always eager to change, the current situation has really shown the resiliency of the industry and their eagerness to figure out a better way to do things. In the coming

months and years our industry will continue to adapt, embrace new technology and be aggressive in finding innovative ways to renovate and build healthier environments. We will be more efficient as “social distancing” measures slow down our usual processes and will continue to provide quality and exceptional outcomes.

**AZRE:** *What do you feel will be the lasting impact that this pandemic has on the construction industry?*

**CC:** Several new safety protocols, crisis management plans and even technologies have come out of this pandemic that I believe will have a lasting impact on the construction industry. Supply chain monitoring and contingency plans will be enhanced, and procurement of materials will be better planned. Lastly, contractors and suppliers will be recertified more often to ensure financial capacity.

**DP:** I believe that this year we will continue to operate under these added precautionary measures as the “New Normal” until a vaccine is developed or another way to mitigate the risk is discovered. These changes will likely decrease the need for office capacity as companies have begun operating remotely and many have realized that some parts of the business are just as productive from home as they were in the office. It is also apparent that certain economic sectors will have a tougher road reopening and will be required to change their business models to continue to be profitable in this new environment. The risk is just too large not to consider the effect of another pandemic in the future.

**SG:** Several impacts will not go away soon. The first is fear of the unknown and second-guessing it. This fear affects so many aspects of a person's life if they allow it. Secondly, financial defaults, both personal and business. We may see numerous small companies, suppliers and trade partners go out of business and some will change the way they do business to be more fiscally conservative to weather future storms. Individuals will change their purchasing decisions thus creating what economists are starting to term “behavior economics”. Behavior economics will have a ripple effect in what we buy, how much we buy and how often we buy in the future. This will also create stronger trends in online purchasing. Lastly, I think it will have a huge impact on pent up demand from capital markets that were strong and vibrant as COVID-19 hit the scene. This pause we have been going through will create a stronger demand for future projects in certain vertical market segments while a few others lag due to fear and changes in behavior as previously mentioned.

**AZRE:** *Have you seen a slowdown in the amount of work your company is doing and the number of new projects you are bidding on?*

**LB:** A few of our projects have been put on hold and a couple of small projects have been canceled. Some projects were temporarily put on hold but have since started back up. We are still busy estimating and responding to RFQs but perhaps not at the pace we would have expected when 2020 began. Interestingly, we are seeing some clients who have not been very active in recent years, coming out with some significant projects, so we are looking forward to those. Caliente is fortunate to have a diverse mix of clients and have many clients for whom we perform continual work. While some of this activity has slowed as our clients navigate their positions in this environment, we are still working on projects for these clients.

**AZRE:** *How confident are you that the construction industry will lead the way in helping Arizona's overall economy rebound?*

**JG:** The construction industry is one of the bright spots of our economic engine right now. We continued through the shutdown, which kept people employed and allowed the businesses that support construction to continue to operate positively. I expect that momentum will continue and I also expect our recovery will happen relatively quickly. The fundamentals of this downturn versus the last are completely different.

**LB:** The construction industry has in many ways, been the backbone of the Arizona economy and construction will be hugely important as we return to normalcy. There are going to be changes in how every business operates and how work, entertainment and shopping environments will look in the future. Construction firms will be the ones to reconfigure and build those new spaces. Additionally, many people are predicting a huge economic boom for the southwest, with a large growth in population and construction will, as usual, be at forefront of that growth.

**SG:** Strongly confident. The construction industry has been busy working through the COVID-19 pandemic completing contract obligations on our projects. There will be pent up demand in certain vertical markets such as manufacturing, healthcare, data centers and government work moving forward. The fact that we have been stable and consistent through the pandemic with little change to construction job loss has served us well through it and to lead out of it into a strong economic rebound.

**JW:** The construction industry will have a major role in helping Arizona's economy rebound. When people return to work, new job opportunities are created, consumer confidence in the economy is restored, manufacturers and related industries implement safety policies for COVID-19 to ensure employees feel safe in the workplace. We believe there will be construction opportunities created to facilitate social distancing for COVID-19 as well as any other possible virus.

**DP:** I am confident the AEC industry will help lead the way in Arizona's economic rebound. As an industry, construction is always adapting to change, innovating, and thinking outside the box. I have personally been through several recessions and am always impressed by how our industry can quickly adjust and adapt to new challenges through active leadership. There is always construction and it is important to be diversified in your capabilities so your company can navigate to different sectors that continue to thrive despite current challenges. The real estate industry has always been one of the largest drivers of our economy and is directly tied to the success of other large drivers such as healthcare and technology.

**CC:** I am extremely confident. Arizona's economy is more diverse than ever. The continued migration into Arizona will support our diverse and capable business environment to flourish. Construction will enable Arizona's growth creating direct jobs, income and tax revenue for the state while driving demand for building materials, heavy equipment and labor. Our industry is known for our great impact on the economy and I am very confident that we will help pave the way to enable the overall expansion of Arizona's economy.

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