



Tips for Your Business's Next Build

By Jason Sleeman, United Community Bank

As you probably know, construction is currently expensive and slow (August 2022). We've seen recent projects double in cost from initial plans. Timeframes for getting architecture drawings and GC contracts have been up to 90-120 days. Right now, if you're looking to complete a construction project, I'd recommend a timeframe of 6-12 months, depending on the scope of your project.

There could be some good news on the horizon. Construction spending fell .8% in May—the first drop since September of 2021. Lumber prices have also fallen over 50% from their January peak, bringing the price per thousand feet from \$1,329 to \$651.

With all of this in mind, there are a few things you can do to ensure your next project is a success:

- **Consistent communication:** Make sure you're in constant contact with your partners, including your architect, general contractor, bank, equipment provider, etc. You need to know what's going on with your project, what each partner's timeline is, and whether or not they're still on track. Without frequent communication, you could experience further delays and ultimately lose revenue for your business.
- **Be flexible:** Before you start, decide what's essential for your project and what is just nice to have. As prices rose this year, we saw things like fireplaces, kitchens, patios, and offices all cut from budgets. Essentials like trench drains, increasing a cooler size, taproom space, and forklifts remained. Make sure you know what would have a negative impact on your business if it didn't make it in the project.
- **Prepare for construction overruns:** Because construction overruns are so common, the bank will add a cushion to your loan request of about 10-20% of your project costs. To be safe, you may also want to build a cushion in your business reserve funds to cover any costs that exceed the bank's cushion.
- **Ask for recommendations:** If other businesses in your area recently completed an expansion, ask them for vendor recommendations. I hear all the time from clients, "when we do our next expansion, we won't use that vendor again" or "we have to use this vendor, they did a great job last time." Save yourself the headache and find out in advance who's good and who's not.

Tips for Your Business's Next Build

(page 2)

- **Stay organized:** A new construction project is not for the faint of heart. If project management isn't your thing, there are plenty of good small business-focused project managers that can help you oversee your project. Even still, you'll need to stay involved and aware of every element of your project so that you can answer questions that come from the bank or any other partners during the process.

As rates continue to rise and inflation continues to fall, we should see some of these challenges subside. Construction costs should fall, and timelines should shorten. At the same time, hopefully the rising demand for your brand means that an expansion is in your future. If you are thinking about expanding in the next year or know someone who is, now's the perfect time to get that conversation started.



Contributing Author

Jason Sleeman

VP, Craft Beverage Lending, United Community Bank

Jason funded his first brewery 9 years ago and enjoyed the challenge of providing the right funding for the project to ensure long term success. Following his passion, Jason has now worked on many brewery, winery, and distillery projects developing an understanding of the specific needs of these businesses and what roadblocks can happen in the lending process.