

COMPANY DEEP-DIVE

Property Manager at FirstService Residential Sees High Demand for Concrete Restoration Due to Florida Condo Safety Act

DATE PUBLISHED

14 Mar 2024

INTERVIEW DATE

06 Nov 2023

EXPERT PERSPECTIVE

Consultant

ANALYST PERSPECTIVE

Business-Led

PRIMARY COMPANY

PARAGON

Summary

The client is seeking information about the Florida Condo Safety Act and exterior concrete building restoration companies. The Property Manager at FirstService Residential explains that the legislation focuses on milestone inspection reports and structural integrity reports for buildings along coastal properties. They mention that local municipalities now have a larger role in inspections and repairs, with code enforcement responsible for concrete inspections. The Property Manager emphasizes the increase in bringing in professionals to fix exterior concrete due to increased awareness and proactive measures. The client also seeks clarification on the parties involved in a construction project, and the Property Manager explains the roles of property management, code enforcement, structural engineering firms, and concrete restoration providers. They mention the importance of vetting bidders and establishing a formal scope of work. The selection process involves a formal bid process, negotiations, and obtaining permits. The client also asks about the factors that differentiate bids and influence the selection process, and the Property Manager mentions price, trust, familiarity, and the pricing and structure of auxiliary work. Concrete work is the largest expense in restoration projects, and estimating costs accurately is challenging. The Property Manager states that the majority of Florida condos have a significant concrete footprint. The client asks about the impact of the Florida Condo Safety Act, and the Property Manager explains the significant increase in demand for concrete restoration and expects it to remain high. The client and Property Manager discuss the future of the real estate market, with expectations of catch-up work, a decrease in prices, and stricter enforcement of building regulations. The Property Manager believes prices will remain relatively high due to increased work and awareness. The client asks about different types of concrete restoration providers, and the Property Manager explains the roles of disaster recovery specialists, concrete restoration specialists, and big and small providers in the market. They note that R.L. James is more focused on new construction.

TABLE OF CONTENTS

- Introduction And Legislative Overview
- Inspection Processes And Responsibilities
- Roles In Concrete Restoration Projects
- Bid Selection And Project Cost Breakdown
- Market Impact And Compliance Trends
- Concrete Restoration Providers And Market Dynamics

EXPERT BIO

INTERVIEW TRANSCRIPT

Client ⏴ 00:00:00

Hello, thanks for taking the time. I'm trying to learn more about the Florida Condo Safety Act and exterior concrete building restoration companies. And trying to understand what they do, how property managers like yourself use them and how that utilization has been shifted in the last few years? So that's a broad overview. I'll have a lot more pointed questions as we go on throughout this, but I would appreciate just a brief introduction to yourself, your background and kind of how you interact with these exterior concrete building restoration providers.

Expert ⏴ 00:00:30

Absolutely. So let's just jump right into it. I went to the University of Florida, and I've been a career property manager. I've been managing property in the state of Florida for over 12 years now, mostly in the South Florida region, although I did have a regional position where I managed property in Daytona, Orlando, Naples and St. Pete and I had that roving position for over a year. And so I got to try a little bit of the market on the other coast and up and down the coast as well.

I think right now, the focus of your efforts should really be on the new legislation. Like you said, what we call the MIRs and the SIRs, the milestone inspection reports and the structural integrity reports. I think the industry was already going in that direction. But due to the tragedy at SIRs side, it's just kind of been dropped on us, and certainly, all of us as managers and property managers, asset managers are sort of adapting to that and helping our clients deal with that. It's a very big change for us.

Client ⏴ 00:01:21

And I guess if you were to think about all of the condos and high-rise residential that would fall under that new legislation. It's our understanding that those buildings within three miles of the coast, or are three stories or higher. So if you were to think about all the units of housing in Florida, just rough estimation off the top of your head. Is it like the majority of these new buildings are -- the more majority of buildings is falling under this legislation, a minority? Could you kind of give me a general estimation?

Expert ◎ 00:01:49

It's -- so there's a few things to that. The first thing is that, that definition that you referenced was the original legislative definition, a definition that I believe has since been edited because there was a question as to how you define three miles from the coast. Is it three miles driving? Is it three miles as the crow flies? Is it three miles -- there's some intricacies to it. Is it three miles from the ocean? Is it three miles from the intercoastal?

So I believe that that's actually been relaxed a bit. But no matter how you define it, I would say that this is the majority. Most people move to Florida looking for coastal property. So the majority of the wealth and the majority of the units are going to be along coastal properties.

Client ◎ 00:02:27

And then I guess, when do these people come in to take a look at the structural integrity. You mentioned the MIRs and the SIRs. So could you walk me through the process of how this happens and what it looks like?

Expert ◎ 00:02:38

So I think it goes back to the change, the fundamental change in how business is done in the state of Florida. The state of Florida has a series of covenants and they're applied to all of the legislative bodies is that they try not to regulate unless it's the least intrusive and last option, and that's sort of the philosophy, not just for Florida legislatures, but a Florida businessman in general.

And so the way that things have been approached, it's always been, hey, when a property owner and association or whatever it is, notices deficiencies in the property, he or she would address them accordingly. There are some county level legislations. If you're down here in South Florida, we've got the 30 and the 40-year milestone reports, and that's kind of been the only real pressure that a lot of clients have.

With the MIRs and the SIRs, this is empowering the local municipalities, the counties and the city governments. It's empowering them to have more of a role, and it's putting a little bit of a burden and expectation on the state itself to have inventory of this and to push repairs out through the various municipalities.

Client ◎ 00:03:33

So prior to this rule going into place, it was property managers noticing deficiencies in the structural integrity and then making sure that they were fixed. Is that correct? And now the new present line is that there's inspections going on, on a frequency basis to check that. Is that accurate?

Expert ◎ 00:03:49

Yes. And that's a pretty big deal because what a lot of condos did was just always look to sort of patch things and kick the can down the road. One of the big draws of living in Florida has up until

modern times been a much more affordable cost of living. So people would come down here from California or New York, and they're looking to retire in these condos or they're looking a vacation in these coastal properties. And so there's always a pressure to keep expenses low.

And so there was always sort of that thing of it coming from a manager or a particularly concerned building owner and saying, look, I want to preserve my asset. Now it's been a complete sea change, a cultural change. I don't know of any municipality, any city here in the Tri-County area that isn't actively inspecting properties. If you're in a Surfside or a more stricter city, they're probably sending you courtesy letters and saying, "Hey, look, we saw some cracks in the pool or in the parking lot or whatever."

I see a lot of that, a lot of my colleagues get those love letters and they say, "Hey, look, we're not going to cite you just yet, but we are putting it on the record that we're watching you and that there has to be some movement on this." So that's why it's a big change. It's a different time, and that just didn't used to happen before and it's kind of the way that business is going to be done going forward.

Client ◎ 00:04:58

And then who's coming in and actually, who's doing the inspection? At what frequency are they doing that inspection?

Expert ◎ 00:05:04

What you're finding, I mean there's different things. There's obviously going to be fire codes and different kind of codes. But in terms of what you're focusing on specifically on the concrete side, this is usually being happened, being done by code enforcement. Some cities have already sort of taken the charge and they're hiring people and they're making sort of specific either a point of contact or a division or a department within their division and department that's going to look at structural stuff.

One of the things is that I think these changes were pushed. And I don't know how much you guys care to know about the history, but this legislation was discussed in great detail after the tragedy at Surfside, nothing could be agreed and then the governor signed this back door legislation and just pushed it on everyone. So a lot of the municipalities and the code enforcement and so forth are not prepared either for the workload that's happening, and you're seeing cities have to adjust to that.

And it's been very busy because some municipalities have not been able to deal with the cost of living crisis and the inflation crisis that we've had in Florida or maybe even in the United States, over the last year or two. And so a lot of municipalities aren't properly equipped. But the bigger cities, the better cities definitely are, and they are taking inventory of buildings and doing inspections and all these things.

Client ◎ 00:06:11

And do those inspection rules apply both to foundation/building? Or does it apply both to building concrete as well as surrounding foundational concrete? You mentioned the pool earlier and cracks there. So is all concrete surrounding the building also under the same new legislation laws about integrity of the structure?

Expert ◎ 00:06:29

It's supposed to be, it's supposed to be, but that's another one of those things where if you look at the original legislation that was passed, it had specifically building foundations listed as an item that the property or the association or whatever must reserve and monitor for, and that's since been taken out.

Because a lot of the times building foundations, they're just completely inaccessible and they're not able to be inspected visually and it's just out of the question. So that minor detail has been edited. But even though building foundations have this sort of exclusion that they carved out, definitely all of the concrete is under scrutiny.

Client ◎ 00:07:00

If you were to think about, call it, before this legislation was passed, the properties you're involved with and the amount of times you're bringing in somebody to fix some exterior concretes. How much have you seen a jump in -- from before the bill to after the bill was passed? Or what did that look like?

Expert ◎ 00:07:15

It's been a big change. This was definitely something that as a property manager would often -- you'd oftentimes go to your client or go to your board and say, "Hey, look, this building, the zone here, it has these deficiencies, let's have a conversation about bringing in an engineer. And very often times, the answer would be, if it ain't broke, don't fix it."

Or we're going to fix it when I remember I had a client, the southern guy. And he told me, we're going to fix those balconies when they fall off. That was the mentality. It was like if it isn't actively broken, we're going to go to other priorities. And that was even in luxury high-rise condos where there was money to do that. It's just the priorities were others.

Now we're living in a world where homeowners are very aware of this, homeowners are paranoid, building owners are paranoid. And there's a lot more of -- from their side wanting to have conversations about when do we bring in an engineer, how do we budget for this? How do we get ready for it? Because the concrete project, it's the worst project. It's the most invasive. It's the most subject to delay, very difficult, very scrutinized from the permit perspective.

And very often times, when you're doing concrete, it's the right time to do other major infrastructure repairs on your property. So it's very -- as a manager, it's great because we're finally getting the opportunity to have these conversations. But it's a lot of work.

And I think a lot of managers are looking toward their buildings and saying, hey, we need to have a conversation about bringing in a project manager, creating another position on the staff

because this -- it's no longer just another repair. I think the concrete is now a focal point. And I think a lot of communities are looking at it that way.

Client ◎ 00:08:49

Now you mentioned engineering there. I guess, could you walk me through -- in my mind, there's a few different parties at play. So you have the property manager or the condo association or whatever the group is who owns the building or manage the building. Then we have the code enforcer who's making sure that they're up to code.

Then there's, call it, a structural engineering firm that specializes in how do we make sure the structure is up to code, how do we make sure that it's built correctly. And then in my mind, there's also another person who's actually going in and doing the work, the concrete provider. Are those four parties all at play? Am I missing something? Am I adding an extra people walking through that?

Expert ◎ 00:09:28

So I would say those four parties are there, but I think that you'd be properly served by adding in what we would call the owner's rep and in some communities they may ask the manager to take additional compensation to be the owner's rep. Some condo associations may have an engineer or somebody that lives there and he'll say, I'll be the owner's rep and I'll save my building the money by taking on this role. But the important thing is that there is a specific person that's outlined and legally defined as the owner's rep.

Client ◎ 00:09:52

So let's say that some code enforcement agency comes in and says, you're not up to code in these three areas. What are the steps you are then going to take to make sure that building gets up to code? What does that workflow look like?

Expert ◎ 00:10:04

So the -- this is something else that has improved a lot in recent years. I think there used to be a lot of -- let's get this fixed. And the next time the code enforcement comes by it won't be there, and we'll make this problem go away. And buildings love to do that, whether it's a condo association or a commercial building owner or whatever because they make things go away quickly and cheaply.

That's going away for two reasons. Number one is code-enforcement agencies have gotten a lot smarter and a lot of the citations nowadays, they'll read the way that we close this citation is when there's a corresponding building permit. So you can't just fix it anymore and make things go away. They're making you actually pull a permit and that will require an inspection.

So -- and the other side of that is that, of course, property owners are getting smarter and realizing that cutting corners is not going to work. And in today's market, with today's prices, people are very afraid of spending their money the wrong way because you don't want to be in a

situation where you spend a couple of million on our renovation and that ends up in a lawsuit 18 or 24 months later. So there's a change there.

But as far as the workflow from a property manager's perspective, it's my job to connect my client with the services they need. I'm not an engineer, I'm not licensed to practice engineering. I'm licensed to manage property in the state of Florida. And so I need to get with someone, whether it's an engineering firm or an architect or someone that can guide my client in the direction of how this should be fixed.

And that relationship is key because a lot of the times, the clients are going to try to save money on the administrative costs and rightfully so because that's where they can save money. The price of concrete, the price of concrete and the hard cost will always be just the hard cost. They may have a few percentage points up or down depending on where they buy them, but the price of concrete is price of concrete.

So you understand building owners wanting to save money on the administrative costs. But the reality is they need to partner with someone that can guide them on that. And as a manager, I can help them and I can sort of keep an eye on that professional and let my client know, hey, you're getting overbuilt or whatever it is. But at the end of the day, they need the help of a specialized professional and that is the first step towards getting anything done.

Client  00:12:05

So how do, on one hand, structural engineering firms plan for this versus concrete restoration providers if those are two distinct entities? Are they two distinct entities? Or how are they playing into this together?

Expert  00:12:17

If they're not two distinct entities, you're looking at a situation where there's probably a scam or some kind of hokey-pokey going on. I would never enter into a concrete restoration project with the engineer provided by the vendor. That's asking for trouble. Yes.

Client  00:12:31

So you bring in an engineer and then do they bring in the concrete restoration provider or I guess who is like the decision-maker at each of these steps? So it sounds like, from my perspective, I'm just talking us out live with you here. You kind of work on behalf of the owner. And then you're helping guide the owner to bring in an engineer and you're helping drive that process a bit. And then who then brings in the concrete restoration provider? Is it the engineer? Is it you? Is it the owner?

Expert  00:12:58

Any of the above, what we always try to do just to protect the client is to establish a formal written scope of work. A lot of these structural engineering firms will have wisened up to the process.

And so when I, as a manager will call one of these engineering firms that I've done business with and I'll say, look, now I'm at this building, and we're looking to do a project. A lot of them will come to you and they'll say, we have a package deal. And we'll put together the scope of work. We'll guide you in the RFP, whether the manager brings the bidders or the engineering company brings the bidders or the owner brings the bidders, that may change depending on the project.

Most of the time, it's going to be either the manager or the engineering firm. It's -- building owners want to know that the people bidding on the project have been vetted at some level. And if the manager and/or the engineer have worked with them before, that's going to help a lot in terms of the clients feeling comfortable working with these people.

Client  00:13:47

So we've heard that engineering firms are kind of heavily involved with deciding who they want to work with. So how likely -- if an engineering firm comes to you and says, "Hey, we would like to work with these guys. This is who we want to work with." How likely are you to go with the suggestion of that structural engineering firm?

Expert  00:14:05

Like I said, because of the fact that Florida is a far and away, a leader in fraud in all types of, shall we say, contractual disputes and, of course, a leader in insurance claims. People will want to put themselves in a situation where they can minimize problems or at least feel like they're doing everything possible to minimize problems.

And so if a structural engineer comes in and says, I've had a lot of success with this firm, that's going to -- that's worth a lot. And I can almost guarantee that the owners, whether it's a condo association or a big business or whatever, are going to put a lot of stock in that recommendation.

Client  00:14:38

Thank you. That's helpful. And then in terms of final sign-off for how you guys select the final one, is it -- who's involved with thing, all right. This is a firm we're going to bring in for the concrete restoration and what does that look like?

Expert  00:14:51

So I think -- and this goes back to the last question as well. Remember that in Florida, there's a bid requirements. So when you're talking about a concrete project, you can't just be like, this is my guy. There has to have been a formal bid process. There isn't a law that requires you to take the lowest bid. There isn't a law that requires you to take this bid over the other one or define how you select it, but you do have to get bids. So there always has to be at least a couple of bids on the table.

How does that process work? It usually works -- hopefully, your client has some money or at least a game plan of how they're going to get money because funding these projects has changed a lot, too. Banks are getting smarter. Certainly, the macroeconomic pressure of interest rates has made

things more difficult. And it's a different landscape out there. There's a lot of people that want to do work. Cash bidders are going to get priority and people know that.

So it's -- the money side of it plays a lot of it. And the contractor's willingness to give you good terms is going to play a lot of it. But the way that it should go is once that bid process goes out, ideally, the engineer, the architect has helped you and the client is happy with the scope of work, a bid process will go out. Firms will be invited to bid. This is going to be like a multi-month thing. And all the bids will be submitted. They're going to be analyzed, they're going to be tabulated. And then at that point is when the negotiations actually begin.

And the owners will come together and -- or the Board or whatever it is, and they'll say, look, we really think it's going to be this firm and let's have a specific dialogue with that firm. And your engineer at that point will say, okay, if this is what we want, this is what it will look like and hopefully, you can codify that into a contract. And once everybody is happy, we'll run it by legal. And hopefully, at this point, everybody is ready, and we can sign, get a deposit done and start to pull permits and actually do things.

Client  00:16:37

And you mentioned that three people are -- there are three companies who are going to at least be open to build during bid, during the RFP. You mentioned price wasn't necessarily what was going to separate them. There's no law in place about who to select and I understand that. But could you walk me through maybe the three most important differentiators between different bids and who you end up selecting. So if you're looking at three different bids, what's going to distinguish them and what are the three biggest selection criteria between them?

Expert  00:17:05

So we can't ignore the price. The price is definitely going to be a huge deal, whether it's condo association that is flexed with cash or whether it's a small, little building and they're struggling. Everybody is looking at the price, especially because with the inflationary climate, the price has changed so much, and they gave you these quotes and the quotes are only going to be good for whatever, 30, 60, maybe 90 days on the high side. And so everybody is looking at the price because it's time sensitive.

The other thing that goes a long way, I think people like to go with the vendors that they know that they trust. I remember I did a job in Fort Lauderdale Beach. Obviously, I won't tell you the name, but I remember the Board was really impressed because the neighboring building had been done by this firm.

And so they had invited them to bid and there was a strong preference for this person to get the job because they had seen the work, they had seen how they managed the project, and they were impressed. And so there was a heavy preference for that person to get the job.

The other thing that goes a long way that can really help a firm get a job is how you price and how you structure the auxiliary work that goes on because like I said, when you're talking about the concrete work, it's never just the concrete. If we're talking about this building is falling and we need to replace rebar and do concrete restoration, well, that means that we're probably going to

have to paint at the end of it.

If we're doing balconies, then that means we're doing screens. And so when a firm that bidding on this job is saying, "Hey, look, this is our price. But when you look at the bottom of the proposal, it says we're going to give you really, really good pricing on the screening closures." Are we going to give you really, really good pricing on this other part of the job that we know you're going to need? That helps a lot.

And Boards or private building owners like that idea of, hey, we're going to spend this money. Let's spend a little more and lump something else in there that we need. And it's logical. Because if you know you're going to need the screening closures, and this vendor has a really good subcontractor and they can pass that savings on to you, then it's a win, win, win because we're going to sign this big deal. The subs are going to get a big deal, the GC is going to get a big deal and the association is going to have a cost savings or whatever it is.

Client ◎ 00:19:06

Now it would be helpful for me if we could kind of jump into a little bit more granularity there with the other services. So if you were to think about your average restoration, reconstruction projects. It would be helpful to know like what you'd expect your general overall project cost to be?

And then how that broke down under concrete restoration versus painting versus any of those other ancillary services you also mentioned? And I understand this is -- every project is very different. But if you were to put your stab at what you think the average one would be in what you've seen, that would be helpful?

Expert ◎ 00:19:38

When I think about every dollar that's going out on a concrete restoration project. The concrete work is definitely going to be the bulk. There's going to be \$0.50 or \$0.60 out of every dollar there are going towards concrete work.

That is a lot of times the case whether the clients like it or not because what happens with concrete, as I'm sure you guys have had other people tell you is that you've got the best engineers and architects in the world and stuff, but it is very difficult to estimate exactly how much a concrete job is going to be worth because you don't really know until you start opening up, it's going to be a type one, a type two repair.

Is it going to need a whole new rebar? Every project is different, whether it's the post-tension cable, blah, blah, blah. Every project has these different things, and it's difficult, a lot of the time to estimate exactly what something is going to cost. And so even when you do have a good plan in place, it's normal for there to be cost overruns and the concrete takes priority.

Once we've got swing stages on a building, once we've got permits, once we've got safety procedures in place, we really need to hurry up and do the concrete. It's something that it's not going to get bumped down in priority. The next thing, always you don't want to do this concrete work and not paint the building.

I mean those things go hand in hand. Some money is going out there. And then there's going to be a lot of money that gets lost in these other things of swing stages and days that get lost because it starts gusting too hard and then there's delays and now we have to pay cost overruns on labor or whatever it is.

That's always part of the job, and that's the importance of having a good engineering firm that's going to help you put together a realistic budget that has a realistic contingency because all these jobs, there's always changes and sometimes it's good. Sometimes we can find really good deals and their synergies by doing things together. But very oftentimes, it's -- those two are the bulk. The concrete and the paint are really where the majority of that dollar is going to be spent.

Client ◎ 00:21:23

And then are -- I don't even know what all of these buildings are even made out of. My assumption is that the vast majority are you have a significant concrete component. But if you were to think about all of these condos that fall under the Florida Condo Safety Act, I guess if you were to put a stab at the percent that have a significant concrete in the footprint, what would you estimate that at?

Expert ◎ 00:21:42

I mean it's hard to really define that. But I would say the overwhelming majority -- I mean, it's going to be very rare -- yes, it's going to be very rare to have -- would really need to be like a unique property that would have -- yes.

Client ◎ 00:21:54

Thank you. We touch upon this a little bit earlier in terms of how it's changed the market. And I think we've got some good qualitative feedback. But I think what I'm trying to understand is, if I look at kind of the market for concrete restoration in Florida. So before the Florida Safety Act, it was, I don't know, whatever it was, call it steady at like \$1 or something.

And then this act passed and there seems to be a whole flurry of activity where all these condos, and associations were rushing to get work done to make sure their work is up to code, and I think that's still going on. So it's jumped up since then.

And I guess I'm trying to understand how much has it jumped up? And how long is this going to be continued to stay at this elevated case? Is this going to stay elevated for the next three years and then go back down a little bit? Is this going to go on forever at the same heightened and I just appreciate your feedback or your input on that?

Expert ◎ 00:22:46

I mean let's -- I guess, so I'm hearing a two-part question there. I mean I'm hearing, one is it sustained? And two, how has it gone up? And so to talk about the sustained aspect, I don't know where you guys are based out of. But if you look at the older markets, Chicago, New York, L.A. and

stuff, it never goes down.

It's not comparable because when you look at the New York code and they're having an inspection every five years and Florida is talking about doing every 30 you can see there's a gap there. But it doesn't matter what it's legally mandated as the salt air and the hot -- humidity and the hot air and the hot sun. The degradation in Florida is just, it's higher and it's very advanced.

And not to say that New York doesn't have a lot of degradation too, of course, they do with freezing temperatures and stuff, they do too. But Florida, definitely, it's a place that has just a lot of environmental factors. And there's jet fuel, and there's a lot of things to think about. And so do I see the demand going down in that sense? No. Do I see it changing over time? Kind of. I do definitely think there was a COVID boom, but I don't think that there'll be less work going forward.

I think that the -- people forget that we were in a crisis before Champlain Towers and that was the environmental crisis. And Miami Beach had spent just five or six years ago, \$400 million in pumps. Brickell, downtown Miami had just passed the bond a few years ago, also for hundreds and hundreds of millions of dollars of climate change adaptation.

And so there's not going to be any less construction, any less modifications happening in the South Florida area. As a matter of fact, you may see new kinds of installations because it's -- we're right by the ocean. And if we weren't doing that kind of investment, South Florida would have been underwater long ago. So as long as there is a South Florida there will be an investment.

Client ◎ 00:24:28

I think that's a fair case. If you were to think prior to the bill, say, it was \$1 per year for this market. How much do you think it jumps with after it past the last few years? Did it jump up to like \$5? Is it 5x? Is there 5x more work happening? Or what does that look like?

Expert ◎ 00:24:46

So it's -- it is at least -- it's hard to quantify, but yes, three to 5x.

Client ◎ 00:24:51

And then my mind would say, all right, there's got to be a ton of work that's going to happen for a period of time, all right? And because people have to catch up to what they did not do in the past. And then in my mind, I'm thinking after x number of years, those places have all caught up. And so it seems to me like it might go back down a little bit.

And I -- but I don't think it's going to go back to the original point, but I think it might go back down a little bit and reach a new equilibrium. Do you think about it in the same way? Or do you think about it in a different way than myself?

Expert ⏴ 00:25:22

So that's -- obviously, there's going to be some of that. There was definitely a boom. There's a lot of properties out there. I have a friend that owns an engineering firm, and he's seen that. A lot of these maybe not the A buildings, but the C buildings and the D buildings. They're going to get caught up and then they're going to go right back to saving money. And so it's absolutely necessary to spend it.

The counter there, the balance there is going to be what's going to happen construction-wise. We're used to particularly in South Florida, just having cranes constantly everywhere. There isn't as much land as there was five or 10 years ago. There's no more colonial land in Broward County or Miami-Dade County, and they've just issued a special permit to drain the Everglades and build what may be the last major master-planned community in this part of the country.

And so how much new construction is there going to be, that's key. If the values in Florida continue to grow as they've grown historically, there will be because these five and 10 and 15-floor condos are going to get taken down and they're going to be 25 and 35 and 45-story condos. And so there's going to be that. There's going to be a change. There's now what people want out of a community is completely different. Everybody wants a mixed-use property.

People are looking at these condos and they're seeing opportunities to rebuild and relandscape differently. So there's going to be work in that sense. But from the restoration perspective, obviously, that's going to come down when these older buildings get caught up. When will that be was also an interesting question. Because there's thousands and thousands of buildings and there aren't thousands and thousands of contractors. So and if.

Client ⏴ 00:26:51

If you were to take a jab at when you think it's going to start coming down from this three to 5x kind of heightened market, what would maybe your -- and I know, again, you might not know, but off the top of your head, any number come to mind in terms of time line?

Expert ⏴ 00:27:04

So I think that the last year that buildings will really be able to play games will probably be '25. After '25, everybody's got to have full reserves. Everybody's got to have submitted these reports. Everybody's got to have already submitted permits for repairs. So I think there'll be strong or heightened demand at least through '25 and '26. After that, we'll see now that buildings have been caught up. It's very hard to know.

Client ⏴ 00:27:27

Just a quick question. You mentioned that around '25, '26, I guess all buildings have to have their permits in order and all the restoration has to be done in order. I guess, is there a provision in the law that specifically mandates like that by that time, all these buildings need to be fully inspected? Sorry, I'm just a little confused there.

Expert ◎ 00:27:46

So I think next year is the year that you have to have had at least the initial report inspection commissioned. And then '25 is the last year that you can have partial reserves. And obviously, we know that some buildings won't be done by '24 just because there's not enough bandwidth for every single building to have hired a contractor and done the permits and stuff.

So I think you'll see leniency in '25. And I think you'll see stragglers in '25. But I think that the point of this legislation was to start clamping down. So I think as time goes on, the communities and the code enforcement will get stricter and stricter.

Client ◎ 00:28:17

And then if you were to think about -- okay, call it, one was before the code is passed were at three to five after in this current time? And then, call it, after, call it, '27, '28, where you think it will be at? Do you think it will be at two? Do you think it will be one, like relative to those, what would you estimate that?

Expert ◎ 00:28:36

No. I mean, it's going to go down, but it's going to be like two to five. I mean it's just -- it's grown. There's a lot of buildings that would have been happy to scart or to just do band-aid repairs, and that's increasingly not going to be allowed to continue to happen. And there's just more work. And it's -- people are aware that this is going on. You can't just cut corners anymore. There's just more work now.

Client ◎ 00:28:58

If you think about -- I'm trying to understand this leniency question. So 2024, people are supposed to submit, 2025, they're stragglers, like what does -- what do you think the law is going to look like in terms of leniency? Like how willing are people -- like how are people going to be able to extend this? And what does the punishment look like?

Expert ◎ 00:29:18

It's -- that's a question I think all of us as building managers are very worried about. The municipalities right now are talking the talk, and they're all saying we're going to come down on you and be prepared for fines and leans and will revoke your certificate of occupancy, and we're not going to give you new permits and stuff.

Everybody right now is the big bad guy. But what we've learned from seeing the Miami-Dade and Broward County, we've had 30- and 40-year inspections here for decades. And what we've learned is that the county wasn't doing a very good job of forcing these people's hands.

And there was quite a few, and I know even from having had clients that have been able to finagle their way out of some of these county-mandated things. And there's a lot of -- there's always going to be a lot of who you know, I mean what's convenient. It's county-level thing. And people have friends, people have elections and needs to get elected.

And what I've learned from having managed properties that both Miami-Dade and Broward had ways, the property owners, whether they're condo associations or whatever that maybe didn't do a good job of keeping up with the requirements had found ways to get away with the minimum and get out of situations and clients that maybe took a year or two after they were supposed to have been done with something oftentimes got away with little or really no penalties for delaying.

Client ➔ 00:30:24

And then where are we at in terms of the compliance adoption curve? So I guess what I'm trying to understand is what percent of condos were complaints when the bill was initially passed or right before the bill? How many do you think are in compliance nowadays? And then I guess my assumption is then we'll be at 100% theoretical compliance in '25, '26 whenever that time frame is. But what does that breakdown look like in terms of where we're at in the process?

Expert ➔ 00:30:49

I -- it's tough to say because I think here in Miami and South Florida, people were aware of the requirements in a way that you just didn't have in other places. I've managed property in Daytona and other places where you'd be surprised how little awareness there was, how little enforcement there was at a local municipal level, and it was literally just these buildings out here fending for themselves.

And so I would say it's -- the adoption curve is going to vary a lot by market. I would say that in the Tampas and the Miamis and stuff, buildings probably 60%, 70% were in compliance or at least on a path to being in compliance. In the smaller markets, a lot of these little buildings, three stories, four stories. It's the Wild West, and they weren't. I would say, if anything, the majority of those B buildings in smaller markets were not. So I think there's going to be a huge adoption in those markets and a lot of work in those markets.

Client ➔ 00:31:38

Thanks. That's very helpful. Just a quick question on the kind of providers that you used to perform this concrete restoration. We've been doing some research, we found like broadly speaking, three different kinds of providers. Like, one, is your sort of disaster recovery specialist that comes in after the hurricane and along with concrete restoration provides all these other services to restore your property.

two is like basically the concrete restoration specialist that focuses mostly on like driveways, as you mentioned, like the concrete around the pool, the foundational concrete of the building. And three, we have your concrete restoration specialists with regards to like the actual concrete in the building itself along with, as you mentioned, like the slight doors installations and painting as ancillary services.

I guess when it comes to performing the restoration work with regards to the bill or regards to just general maintenance I guess what kind of providers would you normally use? Would you

use like the disaster recovery specialist or just your general concrete restoration special? Is that -- just kind of curious.

Expert ⏴ 00:32:40

So this is a very common thing. Clients will come to you and they'll have a name in mind. And they'll say, I really like this company or so and so just -- "Oh, my neighbors have his driveway done by XYZ foundations, and I think they should do work on our condo." And very often times, that's just not going to be a possibility. So just to go through that, you talked about the first one as being the disaster relief.

The disaster recovery vendor is somebody that makes his money by really, really -- I mean, I don't want to say taking advantage because when your lobby is flooded, you're going to pay whatever it is to get that water pump. It just is what it is. But in reality, the margins, [the nut -- their nut is best].

It's taking advantage of somebody that's in an emergency need and they're going to send 50 guys to your property, and you're going to end up with a \$20,000 bill for one night, and that's where he wants to work. He doesn't want to work in this process of dealing with an engineer and using his GC license to do all this stuff, and that's -- you're not going to find providers that are going to do that or are going to do that willingly anyway.

And then you have the other bucket of foundation guy, the concrete guy, the sidewalk guy, same logic there. If there's a guy and he works and what he does is he reports sidewalks and it could be a huge concrete business or it could be just a mom-and-pop. That's their bread and butter, and they're good at making sidewalks, so they're good at making driveways and there's a lot of margin in selling somebody a new driveway.

They're not going to want to get involved with this very technical, very time consuming massive liability, massive insurance requirements, massive technical knowledge, it's really going to be that third basket. Nowadays, if you bring in a GC, it pretty much has to be a concrete guy. They're just -- they're not going to be able to withstand the bid process and they're not going to have an appetite for it either.

Client ⏴ 00:34:19

I see. So I guess from your experience are there -- can you just maybe just break down to your knowledge of the competitive landscape for me? Are there big providers who everyone knows that specializes in this concrete restoration? Or is it just a collection of smaller providers that they all compete with the same kind of work? Are there a lot of them? Are there only a few of them to your knowledge? And if so do you have any like names on the top of your head, you could list off for us?

Expert ⏴ 00:34:45

Yes and yes. I think that that's one of the things that it's gotten a bit more competitive because there's big time firms, the Moriarty and stuff that they probably could do the work, but they're focusing on new construction and other things. The industry has shifted to big either specialized concrete providers or big time painting companies that have that side of the business as well.

Because remember, painting, although in Broward County, there is a separate license for painting on a state level, painting and waterproofing and concrete restoration is all done under the GC license. So you got to have a GC license. When you have the GC license, it just gets into are you going to focus on making decks or are you going to focus on painting? And there's a huge glut of companies out there that are focusing on the concrete restoration now. And there's quite a few.

Client ➔ 00:35:28

And then presumably, those kind of providers typically offer your waterproofing, I mean you're painting as a service or you have providers who specialize in painting but also do concrete restoration. I guess, for like your Moriarty, your big like new construction GCs, is there any instance in which they would provide concrete restoration at that level? Or it's just so low dollars not worth any of their time?

Expert ➔ 00:35:51

That would happen on a big commercial project. You probably wouldn't see that on the condo because when you're talking about the condo HOA side, it's a very different line of work. It's dealing with Boards even in high-end condos. It's a different thing. It's a relationship business. It's very much on managers that know engineers and engineers that know bidders and bidders that know Boards, and it's a completely different swing, I think. So that's why it kind of tends to stay in this group of bidders.

And there's a specialty thing because a lot of these swing stages and stuff, they're rented to the same guys over and over. So a lot of the concrete restoration companies that focus on doing B building, just focus on doing B buildings. And the guys that do the A buildings, they focus on that. It's more subdivided than you might originally think.

Client ➔ 00:36:34

So I guess, among the concrete restoration providers that work on condos, you've heard of some companies like Joss Contracting, R.L. James, Blanchard, Caulking & Coatings. Can you maybe just name up -- I don't know if you recognize any of those names? Or can you just maybe name off the top of your head, like four to five big providers in your sort of market that work on that sort of concrete restoration?

Expert ➔ 00:36:56

Hartzell Painting, and they go all the way from the tiny little buildings all the way up to the big condo high-rise. Percival Construction is a smaller one. Bengoa is another one that tends to target A bigger building.

There's Coastal Painting, Coastal Painting is huge in our area. S.R. Construction and S.R. Construction has done -- I've worked with them, and it was one of the things that helped them, you talked about differentiators. One of the things that S.R. Construction does really well is they focus on trying to do the building in and out.

So they can do a lobby renovation and a concrete restoration and having the skill set to do that, it's worth points when you can put that on the scoreboard and you can say, I'm the one-stop shop and I'm a concrete guy. That's -- there's value in that. Snapp is also one.

Client ◎ 00:37:38

You mentioned that certain restoration providers do condos and then other restoration providers work on commercial properties. Is there any overlap from providers who do kind of both kinds of properties?

Expert ◎ 00:37:48

Oh, yes. Yes, yes. And that's the thing -- I mean, I know we're wrapping up on time here, but there is definitely an overlap. It's not just the MIRs and SIRs and stuff. This is going to be like heavily targeting condos and these type of buildings, a different kind of building. But commercial buildings, whether they are offices or shopping centers and stuff will need this kind of work, too. And it's -- like I say, it's just the conditions here in Florida, just necessity restoration and renovation. So.

Client ◎ 00:38:18

Yes. That's helpful. We keep on hearing about this player in the space for condo, specifically R.L. James. Just wondering if you've heard of them?

Expert ◎ 00:38:27

I believe they are more on the new construction and don't quote me on that.

Client ◎ 00:38:30

Don't worry about it. Yes, I was just wondering, we just keep on hearing them a lot, but yes.

Expert ◎ 00:38:35

Well, the thing is -- and I know that we're on time here, but one thing about these firms is they -- some of them like Hartzell has been around for like 50 years or more probably. But a lot of them, it's the same guys, new names. You know what I mean.

Client ◎ 00:38:49

Totally understood. This is super helpful conversation for us. Take care.