

# INSIGHTful DISCUSSIONS

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## COMMERCIAL REAL ESTATE: CHANGES, OPPORTUNITIES



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### What changes are you seeing in the region's commercial real estate market?

We have seen dramatic positive changes in our region's commercial real estate market during the past 3 to 5 years. Among other factors, the changes are due to population growth, income growth and a premium on innovation. There is an atmosphere of optimism throughout the general population and business community about where we are headed economically. Wilmington's desirable location and history of entrepreneurial success attract a high quality workforce in every sector of our business community.

### How does a family run company fit into the future of commercial development in Wilmington?

We think we fit well. We have been a successful family owned general contracting company 45 years. We operate full service divisions in Raleigh, Rocky Mount and here in Wilmington. While generational family involvement helps us with stability, we do not allow our family owned status to restrict our aggressive approach to growing our company footprint, improving our business model and staying ahead of the times. Due to rapid CRE growth, the demands and expectations being placed on the construction industry by our clients require that we brand ourselves as innovative and forward thinking and never appear set in our ways or stagnant. The second generation of our families is taking over more responsibility for the day to day operation of our company. That brings the visions of 35 to 40 year old management into the company's planning.

### What percentage of your work is new build vs. existing space?

Seventy-five percent of our work is new construction. That was not always the case. After the recession, there was ample existing space available for fit up or retrofit. The cost of buying or leasing existing space was at or below replacement costs. Our client base was not as willing to take the risks that new construction can present. Now, the inventory of existing space has been mostly absorbed. The professionals we serve are focused on being seen as innovative and on the cutting edge of their business sector. That is driving more and more new commercial construction.

### What are the different challenges and benefits of the many different types of

### projects you work on?

Our company has long been active in dental, health care and restaurant construction. We call this precision work. Everything must be in its place. Every step of the project must be pre-planned and properly sequenced. Dental, health care and restaurant construction requires that the contractor and his team speak the language of the end user. The general contractor must have a proven team of highly skilled sub-contractors in his camp who embrace the unique challenges. Once you establish yourself as experienced, knowledgeable and successful in these sectors of construction work, the reputation will travel to the architects, bankers and end users. That's the benefit.

### You do a lot of healthcare builds, what are the trends in that sector?

Health care related construction is changing at warp speed. This is due to constant upgrades in technology, changes in service delivery and the ever changing demands and expectations of the consumer. The millennials focus on the experience. They want to know if the medical provider has all the gadgets and does the facility put off a positive vibe. Medical professionals (especially dentists) must adapt to the expectations of the new consumer. The "going to the doctor" experience has changed dramatically. This dynamic is especially prevalent in Wilmington due to the sophistication of our growing population and their willingness to seek out and pay for what they want. This keeps all of us in the medical construction field constantly challenged but also busy.

### How does transportation infrastructure impact the commercial real estate market in Wilmington?

It is critical. You don't have a viable real estate market without it. There are

three factors in commercial real estate that are the lifeblood of successful CRE development. You must have a growing population with a growing income base and a transportation system that can efficiently move the market to the market place. In Wilmington, our public and private investment in transportation infrastructure has not been able to keep up with our rapid growth. That is not unusual. The demand for more and better roads almost always precedes the actual investment in those roads. Fortunately, in Wilmington, we have numerous large roadway projects underway or on the drawing board. Those new and better roads mean that new CRE development will continue. New development results in innovative development which keeps our area up with the times. As a community, our quality of life improves. We reap the rewards of new roadway projects for years to come. As building contractors, it gives our entire industry a steady flow of work which translates into more income into thousands of households throughout our area. That income gets invested right back into the businesses that make up our commercial real estate marketplace.

### In what ways does commercial real estate growth in our region positively impact residents?

I alluded to this dynamic to some degree when I addressed the impact of transportation infrastructure on the commercial real estate market. The key word here is growth. Growth means new. New commercial real estate development results in innovative development. The way that the marketplace provides and delivers its goods and services is constantly changing. Many sectors of business seem to be reinventing themselves every 5-to-10 years or faster. As residents and consumers, we want to experience the most up to date version of everything we do. Commercial real estate growth provides that experience and, in turn, improves our quality of life.