

WEST VALLEY CONSTRUCTION

Will skilled labor keep up with massive West Valley construction demands?

By Ilana Lowery

WESTMARC

Construction in the West Valley is booming, and nearly all industries are benefiting from the growing list of projects taking shape. But just like in the late 2000s, the No. 1 issue facing the construction industry is a lack of skilled labor.

That means while major development activity continues across the region, builders are scrambling to find workers. The good news, though, is that the West Valley's workforce pipeline is getting a much-needed boost from companies and educational institutions offering training and development programs to help fill the gap.

"This problem is industry-wide. From landscapers to electricians, everyone looks for quality people to join their ranks," said Anthony Camacho, training manager at Kitchell.

But interestingly, Camacho said the pandemic's effect on the labor shortage was not about people leaving construction.

Instead, he said, "it was the reluctance of people to take positions that required them to be around others and the learned experience of upskilling in 2008.

"A skill gap was created by the 2008 recession between tenured employees working past their desired times and new employees who were three years or less inexperienced," Camacho said. "Mid-level employees were the ones who left and upskilled themselves. This is the labor shortage that we are currently experiencing."

According to Sintra Hoffman, president and CEO of WESTMARC, construction was added to the list of target industries as identified through the West Valley Pipeline because of the need for skilled trades workers specific to construction as a result of the continuing growth and development in the West Valley.

"The West Valley has all the right ingredients for our quality growth," Hoffman said. "However, keeping the focus on construction and trade workforce is key to getting this accomplished."

Finding a solution

Camacho, who manages the recruiting efforts for Kitchell, said the builder has increased its community outreach reach efforts, actively engaging with universities, community colleges, AZ Workforce, Skillbridge and Hiring our Heroes for veterans.

"(Kitchell has) positions that can be staffed by nontraditional talent, i.e., educators, public sector, veterans, and have created a pipeline for those employees to grow and flourish in construction," Camacho said.

“There have been a few creative ways in Arizona that the construction industry can inform and educate people about the stability, growth opportunities, and extraordinary life you can build by being part of this industry,” he added. “There are programs like AZ Workforce, which finds internships for high school students interested in construction. High school programs are conducting direct outreach to construction companies to build relationships and seek guidance.”

The state also has Construction Days, a high school construction program-oriented event to share construction careers with high school students.

“Industrywide, we see increased outreach to a younger demographic (mid to high schoolers) to entice them into the building industry,” Camacho said.

With regard to training, people who work in the trades usually are hired by subcontractors, so they have the freedom to move their workers from job to job as needed, said Judi Butterworth, senior vice president of ORION Investment Real Estate sells land to commercial developers.

“Many trades have apprenticeship programs that are part of the labor unions. My understanding is that these programs pay the students to learn the trade and take about three years. This would apply to electrical, plumbing, etc. which involves a longer learning cycle,” she said.

Butterworth, who also leases new projects to retail tenants and sells existing retail buildings and shopping centers, said workers often can learn the skills they need on the job for things like drywall and roofing, but builders usually hire subcontractors and not individual construction workers.

“The key, Butterworth said, “is getting to the subcontractors, which have to number in the thousands, to get training centers set up. But, she added, “who has the manpower to do that?”

New projects on the horizon

There is a tremendous need for construction workers in the West Valley because activity hasn't slowed. Ongoing large construction projects include Taiwan Semiconductor Manufacturing Co. (TSMC) northwest Phoenix facility, Goodyear's new Civic Square and Village at Prasada, an outdoor shopping center in Surprise, among others. Additionally, a number of West Valley cities soon will be home to office and mixed-use projects all now under construction.

The most notable project taking shape is the semiconductor manufacturing plant being built on 1,128 acres near Loop 303 and the 43rd Avenue alignment in north Phoenix. The project has already begun to create a ripple effect in the area with supplier sites beginning to pop up.

TSMC began construction in 2021 and will continue through 2022. The shell of the building is expected to be complete in the middle of this year, and then the year-long process of establishing clean rooms will begin, Phoenix officials said.

During the first half of this year, Coeur d'Alene, Idaho-based KORE Power Inc. starts construction on its 1 million-square-foot, 12 gigawatt-hour domestic battery gigafactory in Buckeye. The massive facility will be built on about 214 acres near State Route 85 and MC 85 and is expected to start production by the end of 2023.

Construction also is underway for Crystal Lagoons Island Resort, a mixed-use entertainment project near 95th Avenue and Cardinals Way in Glendale. The project will be anchored by an 11-acre lagoon and also be home to Mattel's first themed Adventure Park.

The 978,000 square-foot development costs about \$260 million to construct. The project will also include more than 600 new hotel rooms. It is expected to open in October 2022. A 62-acre parcel near State Farm Stadium and the amusement park will be developed into 600,000 square feet of new, class A office space, 60,000 square feet of retail, restaurant and entertainment space, additional hotels and 230 apartment units.

Then there is the construction of health care facilities across the region like the \$135 million Phoenix Children's Hospital Southwest campus in Glendale and Abrazo Health's recent purchase of 27 acres near the southwest corner of Interstate 10 and Verrado Way in Buckeye. Plans for the new campus include a medical office building, ambulatory services and an acute care hospital.

On the industrial front, about 73% of the projects in metro Phoenix are going up in the West Valley. There is a need for 300 million square feet of warehouse space, according to WESTMARC.

Industrial activity remained strong in the entire metro Phoenix market throughout 2021 with 27.5 million square feet under construction at the end of last year. This is the most construction activity the Phoenix area has seen on record to close the year, according to CBRE's Phoenix Market Industrial Report for Q4 2021. Of the 27.5 million square feet under construction, 18.3 million square feet, or 67%, of the construction pipeline is in the Southwest Valley. Six percent was in the Northwest Valley.

One such project is Houston-based Lovett Industrial, which has plans to build 1.7 million square feet of industrial space in the West Valley. Called NorthPark Logistics Center, the Class A industrial campus includes two buildings along Northern Parkway within the Woolf Logistics Center, a massive industrial park north of Luke Air Force Base.

Meeting residential demand

In addition to bringing jobs to the region, these and other construction projects in the pipeline for the West Valley will bring additional housing options. Over the next five years, the West Valley will see growth at two times the national rate, making the need for homes, infrastructure, commercial development and services significant.

To meet the growing demand, there are dozens of homebuilders launching plans for new communities within the West Valley. For example, the Howard Hughes Corp. paid \$600 million

late last year to develop Douglas Ranch, a master-planned community on 37,000 acres in Buckeye that is expected to have 100,000 homes, 300,000 residents and 55 million square feet of commercial development.

Projects like these provide thousands of construction jobs, which means the need for workers in all areas of the construction trades will continue to be significant.

And Kitchell's Camacho said the problem is affecting all areas of the Valley.

"The unique issue that our industry faces is the locations of worksites and the employees' proximity and means of transit to those locations," he said. "If you use the housing projects under development in the East Valley as an example, hiring someone who lives in Buckeye to work in Apache Junction for the project's life is asking a lot of current and prospective employees."

Additionally, different projects require differing degrees of skilled labor and are suffering from a worker shortage. Residential and industrial or commercial differences are noticeable in the level of skill and compensation, Camacho said, adding that before 2008, residential crews would be poached from a competitor's project site for \$1 or \$2 more an hour, and residential construction slowed considerably. The skill level required to perform the commercial or industrial work helps insulate these skilled laborers from external recruiting efforts.

ORION's Butterworth added that in the past, the number of workers changed depending on what part of the real estate cycle was going on at the time, but that no longer holds true.

"Starting about eight years ago, virtually every commercial real estate seminar that I attended spent time on the shortage of construction workers. Now we are also hearing about the extreme rise in material costs, too."

According to WESTMARC data, roughly 75% of the Valley's construction workers already reside in the West Valley.