



**Are you optimistic about the country turning around the current economic situation?**

**Gray:** Capitalism depends on periods like this for adjustment, innovation, and change, and contractions like this stimulate capitalism in the way it was intended. If the federal government intervention is just enough — but not too much — I think we can still see these market forces work in a meaningful way. This will allow the inventiveness and innovation of the American people to emerge. The engineering and construction industry is very competitive, so we have to demonstrate that we are building quality into every dollar that is invested by our customer.

**When selecting a site for new construction, what are companies looking for today?**

**Gray:** For distribution, the key drivers for a site location decision are distance to marketplace and the cost of transportation. If you look on the manufacturing side, it's the availability of skilled labor. The proximity to raw materials is also a big deal because transportation costs are a big deal.

**Are some parts of the country more suitable for site location right now?**

**Gray:** The South continues to lead the way. It has a good balance of labor and a lower-cost of doing business. It has a good solid work force available.

**How important has alternative energy design been in construction?**

**Gray:** The new President's energy agenda has moved the needle quickly. Alternative energy, wind, and solar are now on the radar, but the jury is still out on demand versus cost of production. Still, we're seeing big bets by major players in alternative energy. At one point people didn't believe that airplanes, or railroads, or cars would be a big deal in transportation. There has always been that period of disbelief in any maturing technological change, and that's where we are with alternative energy. There remains tentativeness to it — but billions are being channeled in this direction.

**Do you believe that green development and design are here to stay?**

**Gray:** It's becoming more than just fashionable; it's becoming an expected part of the building process. We've seen this move into the private sector within the last couple of years with unexpected speed, and this surprised us. We thought at first that it would be more fashionable than practical, but now that verifiable numbers for reduced costs over the lifecycle of buildings are available to us, we are seeing much more attention to it. In my view, the model is here to stay.

**Is this occurring more in some regions of the country than in others?**

**Gray:** It has swept across the United States, and, for the most part, it is a mandatory business practice in all regions of the country. A few years ago we were competing on a project for Nike. During that process, we learned what we didn't know about LEED (Leadership in Energy and Environmental Design) certification; we were educated in a hurry. We got up to speed quickly as a result of that process, and it has benefited the company tremendously.

**Gray Construction has been doing business since 1960. Tell me a little bit about the company.**

**Gray:** Our company is very egalitarian. We have no private offices; it's all open plan. That itself translates into a transpar-

## THE ASSIGNMENT

With offices in Lexington and Bowling Green, Kentucky; Richmond, Virginia; Birmingham, Alabama; Anaheim, California; and Tokyo, Japan, **Gray Construction** is a leader in providing engineering, design, and construction services to a variety of customers throughout the United States and the world. CEO Jim Gray took some time to share his insights with *Area Development* on what the current economic climate means to the construction industry and to site selectors.

ent work environment, and we believe there is added value in that. We also believe it translates into a culture that's going to embrace change more readily, flexibly, and more willingly. We picked that up right out of Toyota's playbook.

#### What do you mean when you talk about Toyota's playbook?

**Gray:** Toyota has been a customer of ours for the past 22 years. We have built more Japanese plants than any other U.S. contractor. What we've done is taken Toyota's playbook and production system — the Asian management system — and translated that quality model into problem solving, commitment to continuous improvement, and commitment to customers for life.

#### What are some of the challenges that Gray Construction is facing right now?

**Gray:** There has been no escaping that green-light decisions have almost been frozen right now. We're starting to see a little bit more of a heartbeat because of the "giant defibrillator," which is what I call President Obama's stimulus package. Our customers are delaying their decisions and trying to figure out what to do after they see to what extent the "giant defibrillator" will move consumer behavior back into purchasing.

#### Any other challenges?

**Gray:** One of the issues we're going to battle is the large number of available buildings or available space on the market. Once things start getting back in shape, it's going to take awhile for the market to catch up and absorb that space.

#### Is there an upside to the current market conditions that you are seeing?

**Gray:** Commodity and raw material prices have dropped substantially to a generational low. If I needed a big distribution center, a new manufacturing plant, or a new office building, and I could pull the trigger, I would do it. If you couple the raw material price reductions of steel, cement, and copper with the labor that is available, you'll realize it's a good time to build.

#### So what would you advise those with location or expansion plans?

**Gray:** We've spent the last three to four years educating our customers and buyers as to the reasons why prices were escalating so much.

Material costs were spiking on a monthly and quarterly basis, and that has since corrected itself and gone in a different direction. I'd say, right now, it's a fantastic time to construct a new facility.

Where rising economics and  
growing opportunity  
thwart the basic laws of gravity.

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