

# US Market Update

In Conversation with KMI International

ISSUE 1, 2021

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On the need to adapt and the case for technology adoption in construction

In this issue:

**John Newton**

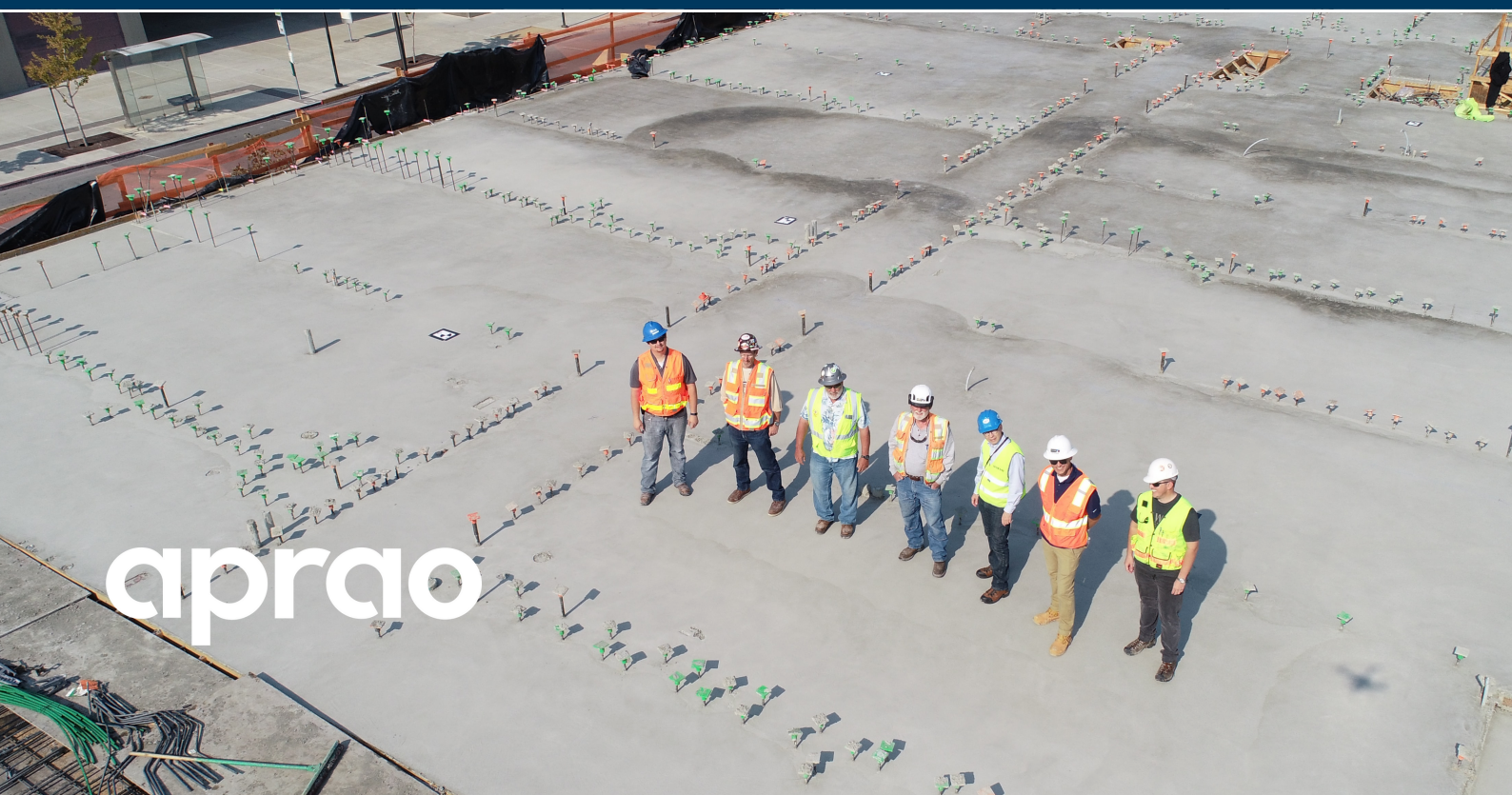
Senior Vice President // KMI International

**Eric Quinn**

CEO // KMI International

Interviewed by  
Tania Chakraborti

APRAO



# Introduction

**Tania Chakraborti,**  
**Content Marketing Manager // Aprao**

How has the pandemic changed the construction industry? How far do we have to go for full-scale technology adoption in construction? In this interview, we sit down with John Newton and Eric Quinn, Senior Vice President, and CEO respectively at KMI International, to delve into the most pertinent trends in the construction sector over the last few years.

KMI International is a full-service construction consultancy headquartered in Florida, which covers a range of expertise spanning project management, project controls, property condition assessments, dispute resolution, litigation support and troubled project turnaround within a variety of specialisms. These include hospitality, themed entertainment, marine construction, aviation, commercial and mixed-use developments. KMI's projects over the last 22 years have involved working on NBCUniversal Orlando, The Ritz-Carlton in St Thomas, and Cruise Terminal 3 in Port Canaveral and have amounted to the successful delivery of hundreds of projects globally for both public and private owners.

Spearheading many of these projects have been John Newton and Eric Quinn. John has over 40 years of experience in the real estate industry working in various roles from project manager to Chief Executive. Prior to becoming CEO, Eric led the business operations for construction management at KMI, including driving innovation as COO. Join us in this discussion to hear John and Eric's expert opinion on the effects of the pandemic on the supply chain shortage, the role of technology in the industry over the last few decades and a look to the future generation of construction. We also explore why KMI uses Aprao to run accurate development feasibilities to provide onward value for its clients.



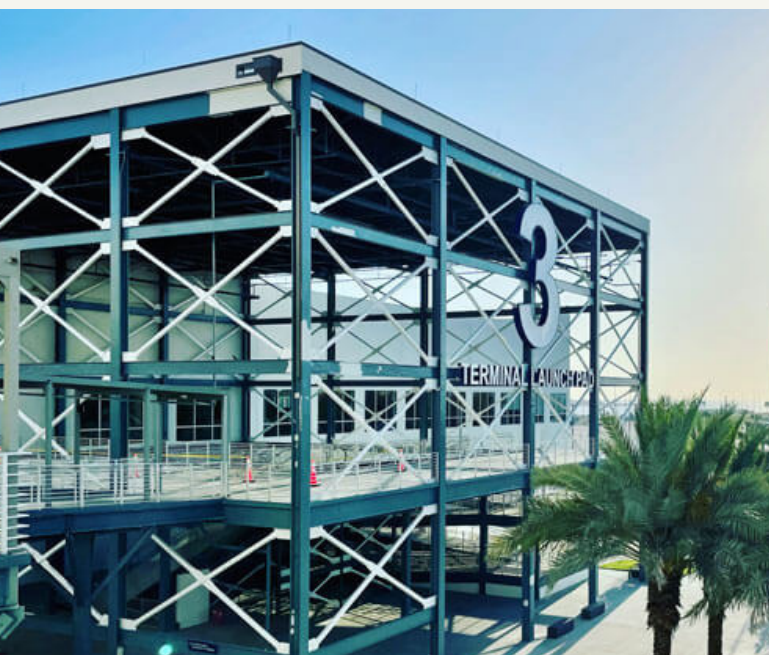
*Image: KMI provided project and construction management for the Ritz-Carlton in St Thomas.*



**To start with, it's clear the pandemic has had a large impact on the supply chain. What aspects of the industry have been most affected - is it labor, procurement, pipeline management? What materials have been most hard-hit?**

**John:** "There's actually a very easy answer to that question at the moment. Unfortunately, it's all the above. Because it's affecting literally anything and everything. However, the things that are particularly hurting us are material shortages in general, for example - roofing materials, electrical cables and conduits, and anything specialized. To put it into context, there are hundreds of very large container ships sitting off the West Coast of America and we can't unload them. We're also finding roofing materials are being pushed out eight to ten weeks and electrical cables can be anywhere from twelve to almost twenty weeks in some cases, so that's causing huge headaches within the construction industry."

"But one thing that is pretty obvious is that if you can't get your materials, your project is delayed. And if you take that to the next level, you may have to bring in the lawyers, and it gets even uglier. Because when a project is delayed, somebody has to pay for that extension in time."



"The contractor looks to the client, and the client says 'it's not my fault', and it then may escalate to the question 'is COVID-19 Force Majeure'? If it is so, then it may be covered under the contract. If it isn't, it gets into a contested situation. And it looks like that's where the industry may be heading."

**Are there other ramifications of supply chain breakdown to consider?**

**John:** "Yes these can be substantial. For example, we're doing a job at one of Florida's international airports. The airport carrier is scheduled to fly up to seven Boeing 787s into the airport starting at the end of March 2022. That first plane will be arriving full of tourists on holiday so the airport has to be ready to receive them. At this time, we currently do not have a roof covering due to market delays. So it is highly likely that an out-of-sequence work order may be required by the contractor to allow him to work in a structure that may not be watertight. Needless to say, any delay in the aircraft industry can run into a substantial financial penalty, so the implications are quite profound. It is our belief that this situation could prevail for the next 10 years, where people in construction will be fighting COVID-19-related claims."

**Eric:** "It's really a three-headed monster. You have the cost rising for various reasons and you've got the supply chain crisis, so you have a delay. People talk about the 'delay', but it's really 'uncertainty' that they mean. Because when your typical lead time is a week or two weeks and now somebody quotes you thirty-five weeks for equipment or material, that really means 'I have no idea'. And if they say 'it's on the water', it means nothing if it can't be unloaded, and it can't get on a truck, and there's no driver for the truck. So the labor shortage is the third head of the three-headed monster that isn't being discussed as much in correlation with the three. It becomes a perfect storm."

*Image: KMI provided project management services for Cruise Terminal 3, image courtesy of Canaveral Port Authority.*

## What is the appetite for technology adoption to speed up and support construction management?

**John:** "It's an interesting question. I've been highly focused on the construction industry, and it's one of the last adopters of technology. For the first half of my career, nobody had a computer. For my final year university dissertation I wrote a paper which I named 'Clicks and Mortar', as opposed to 'Bricks and Mortar', and the paper was about the intervention of computers in the construction industry. I graduated from the University of Westminster in 1985 and I recall the majority of the responses to my paper said that 'this is crazy. Nobody will ever have a computer in the construction industry - it's a waste of time'. Of course, we now know that's not the case.

"Technology has done so much for everything, and particularly the construction industry - we're just a late adopter. Schedules and spreadsheets are one great example of this. I used to draw schedules longhand with a piece of paper. And now, of course, you can do a Microsoft project in a heartbeat. We also used to do estimates on bespoke estimating paper. Now you can do estimates and schedulers on technology platforms more efficiently and more accurately than ever before. So, as the next generation is coming through, the understanding of how important it is, and the reliance on technology is massive, which is a great thing as long as we do not become over-reliant upon it.

"But, at the end of the day, the construction industry does require a man in the field to lay bricks and hang joists. It's still a manual industry, unlike the financial market for example, which is an industry that has changed beyond all recognition. The construction industry is moving forward at a fast rate, but a bit like in my university paper where I advocated for technology 35 years ago, it still needs to get between the physical need of having to do work in the field and the application of technology. You have to adapt, but still bear in mind that at the end of the day, we are a people industry, and it requires people to get up on a cold November morning at seven o'clock to go out in the field and build something."



"You have to adapt, but still bear in mind that at the end of the day, we are a people industry and it requires people to get up on a cold November morning ... and build something."

*Image: KMI provided project controls and project management at Universal Studios Theme Parks, including the Wizarding World of Harry Potter.*



**So, do you feel like there's a long way to go before tech solutions are widely adopted by all players in the real estate market?**

**John:** "To answer that, it's important to remember that there are many divisions within the construction and real estate industry. On one hand, there is property development which is kind of a sexy industry, because you are able to wear a nice suit in an office somewhere, get your appraisal and do your numbers - and it's all a clean hands industry where you can make a lot of money. On the other hand, the construction industry is the complete antithesis.

"Construction has never been an exciting industry. Unfortunately, kids don't leave school and say, 'I want to go and be a carpenter', so there is a massive shortage of skilled labor."

*Image: KMI provided property condition assessment services for Hilton Grand Vacation, Crane Resort Barbados.*

**Eric:** "To add to that, the construction industry is slow to adopt as we also have a disparity in generations. Due to the financial crisis in 2008, we lost a generation in our industry - we had the 'baby boomers', as we call them, and some a little younger than that, that stayed in the industry. But because of the massive impact on our industry in 2008, that generation behind them left the sector and never came back. So we have older, and we have younger, but we don't have a middle. There's a huge gap in the middle, which is a vacuum.

"I predict that there will be an acceleration for the younger millennial generation and Gen Z to move up and fill in that vacuum - those generations are tech-savvy. While the older generation has historically been slow to adopt, and be open-minded to technology, this new generation that is coming - like a freight train - if they want to bring technological evolution into our industry, they will be fast to adopt. But there is still a big need to educate the market on the need for tools."





## How has Aprao helped you navigate this need to be adaptable?

**John:** “Here’s the thing - sector activity fluctuates. For example, hospitality three years ago was booming as everybody was building hotels, whereas post-COVID, that’s not the case. You have to be nimble, and having the ability to navigate different sectors is really important. Aviation and Marine are two of our primary disciplines at KMI International, which, as we know, have taken a substantial hit due to Covid. For example, before the pandemic, we built Cruise Terminal Three for Canaveral Port Authority, which is the home location for The Mardi Gras - one of the largest cruiseliners. But now, nobody will be building a cruise terminal any time soon - but as this market has slowed down, KMI International focused more on property development.

“Therefore we needed to look at choosing the best form of appraisal software, and we chose Aprao, which is ideally suited to the growing market of residential and commercial mixed-use, particularly within city centers. This is particularly prevalent in our own backyard in Orlando, as there is a huge housing demand, as there is in many other cities. Developers are doing a lot of brownfield sites and so with the benefit of Aprao, we are able to provide the services they are looking for.”

**Eric:** “It’s the combination of Aprao and KMI, and the market right now. Obviously, it is no secret that one of the top issues globally is the inflation of building materials. The other is supply chain interruptions, which adds time and cost to your project. So we believe very strongly internally, that the need for accurate forecasting, costing and return-on-investment analysis is more essential than ever, because of the uncertainty and the rising costs and delays in our market right now. So the need for a tool like Aprao to make ‘go’, ‘no-go’ decisions and adjust project scope and budget, is essential in our opinion, and a huge ROI potential for our combined services.”

Learn more about KMI’s full range of services [here](#).

**"This new generation that is coming - like a freight train - if they want to bring technological evolution into our industry, they will be fast to adopt."**

*Image: KMI provides services for many different areas of construction, including marine construction.*



# About us

Thank you for reading this interview, we hope you enjoyed it!

Aprao is a cloud-based financial modelling tool for real estate development. It's used by property developers, land teams, valuers, agents, development finance lenders and property professionals to efficiently create and share development feasibilities.

[Get started free](#), no credit card required.

# With many thanks to...

John Newton  
SENIOR VICE PRESIDENT



Eric Quinn  
CEO



# Have you tried Aprao recently?

Transform your development feasibility process  
with Aprao.

Get started for free. No credit card required.

The image shows a hand holding a tablet displaying the Aprao software interface. The interface is titled 'Personal board / 12 Portugal Street, London (E) / Initial appraisal'. It features a sidebar with 'Boards', 'Personal', and 'Team' options. The main content area is divided into several sections:

- General**: Includes a description of the purchase and a table for 'Purchase of the existing building'.
- Revenue**: Includes a table for 'Revenue'.
- Build**: Includes a table for 'Build'.
- Other Costs**: Includes a table for 'Other Costs'.
- Finance**: Includes a table for 'Finance'.
- Site Purchase**: Includes a table for 'Site Purchase'.
- Cashflow**: Includes a table for 'Cashflow'.

The 'Purchase of the existing building' section includes a table with the following data:

Description	Value
Residual value	£ 4,449,018.67
Purchase price*	£ 4,500,000
Current use class	Residential
Legal fees	0.5 % £ 22,500
Agent fees	1.5 % £ 67,500
Effective SDLT rate	13.08 %
Total	£ 5,178,750

The 'Summary' section includes a table with the following data:

Item	Value
Total purchase cost	£5,178,750.00

The 'Key Metrics' section includes a table with the following data:

Metric	Value
RoC	19.46%
RoGV	15.94%
RoE	144.17%
GIA (ft²)	23,720
NIA (ft²)	19,650
Project IRR	26.16%
Equity IRR	159.59%
Units	28

The 'Summary Appraisal' section includes a table with the following data:

Item	Value
Gross Development Value	£16,290,000.00
Costs	£351,500.00
Net Development Value	£15,938,500.00
Purchase Cost	£5,178,750.00
Build Cost	£6,920,500.00
Other Cost	£607,900.00
Finance Cost	£634,581.50
Total Costs	£13,341,731.50
Target profit	£2,668,346.30
Profit	£2,768.50
Residual Site Value	