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Issue: 06/30/2014

## Coastal Construction Rides High on South Florida Surge

06/25/2014

By Scott Judy

[ Page 1 of 3 ]

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Three years ago, when Coastal Construction Group CEO and Chairman Tom Murphy Jr. predicted to ENR Southeast readers that an "unprecedented" building boom was coming to Miami, skeptics scoffed. "Everybody laughed," says Dan Whiteman, Coastal president.



Slide Show

Photo by Angel E. Valentin

The Miami-based contractor ranked first in the state of Florida, according to the Southeast Top Contractors ranking. Pictured here: Chairman and CEO Tom Murphy Jr. and his sons Thomas C. Murphy (left) and Sean Murphy, both executive vice presidents.

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Whiteman—who adds that Murphy "has a stronger sense of the market than any individual I have ever met"—is exaggerating slightly about the reaction. After all, contractors who know the well-connected Murphy would be reluctant to dismiss his insider perspective.

Still, back then there was reason for skepticism, if not a few laughs. In the summer of 2011, Miami's construction economy was still hung over from what had seemed a once-in-a-lifetime boom, fueled notably by condominium projects. Public and private budgets were tight, and banks were showing little appetite for residential construction loans. How was an even bigger surge of construction about to happen?

Today, Murphy's forecast is proving spot on. South Florida multifamily developers, adopting the international practice of requiring buyers to pay mostly upfront, are connecting with global investors to fund a wave of condo projects more lavish than the last—and attracting plenty of attention to Miami.

"The so-called starchitects are everywhere," Murphy says. "Everybody's trying to outdo each other."

Right now, at least, it's Coastal that's outdoing the competition. The contractor's 2013 total of \$443.2 million in Sunshine State revenue earned the company the No. 1 position in ENR Southeast's Top Contractors Florida state ranking—despite the fact that Coastal works almost exclusively in Miami-Dade, Broward and Palm Beach counties, along with some jobs in the Keys.

That number is likely only going higher. "[The market is] building momentum as we speak," Murphy tells ENR Southeast. "Our [2014] numbers are even larger." Right now, for instance, he estimates total contracts at just over \$2.5 billion and current backlog at roughly \$1.65 billion. Through the first half of 2014, he adds, Coastal landed more than \$800 million in new work.

But those impressive numbers are just part of the reason that ENR editors selected Coastal Construction Group as this year's Southeast Contractor of the Year.

**Poised for Success**

Coastal's 2013 revenue more than doubled from 2012, when it reported \$206.8 million to ENR Southeast. While such growth might cause outsiders to guess the firm is taking on as many contracts as it can, Coastal is actually

turning down most job offers, says Murphy and others outside the firm.

"We've turned down more work [this year] than we signed last year in negotiated work," Murphy says.

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"They're relentless in their prequalification process," adds Richard Ferrucci, senior executive vice president and managing director for Alliant Insurance Services. Ferrucci, who provides surety bonding for Coastal, agrees that the firm is rejecting most job offers. "The project has to make sense, the owner has to make sense and the designer has to make sense," he says.

The price has to make sense, too. "We don't lowball to get work," Murphy says. "We stay away from those." In short, he says, Coastal takes on projects that it's confident will be successful, and profitable.

One way the firm tries to stay profitable is by going to great lengths to manage the risk of building a condominium, considered one of the riskiest project types for builders. Murphy—who claims his firm has never faced a client in court in 45 years—says his firm deals with the inherent risk by using a painstaking system of third-party review and quality-assurance testing and documentation on all jobs. At job's end, Coastal keeps a set of the materials and even provides duplicate sets to clients and condominium associations.

**Keywords:** [Coastal](#); [Construction](#); [Contractor of the Year](#); [Southeast](#); [Miami](#); [Florida](#)



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[ Page 2 of 3 ]

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As for profit margins, Murphy says: "We've never had a growth spurt where we didn't grow the margin. We will not have any margin fade with this growth."

The 65-year-old Murphy admits he's been approached by parties interested in acquiring his profitable, family-owned firm—and quickly denies interest.

"I'm not interested in selling," he says, adding, "We're not trying to build volume to sell the company."

Coastal's current lineup of projects is a bold one. There's the Mansions at Acqualina project in Sunny Isles Beach, which boasts a 47th-floor penthouse unit—which listed at \$50 million—that includes a glass pool that overhangs the building. Also under construction is the "six-star" Saxony condominium project, designed by Norman Foster. At the 1930s-era Surf Club in Surfside, Coastal is renovating the existing structure and surrounding it with a 12-story, glass-enclosed Four Seasons Hotel and Residences designed by Richard Meier and Kobi Karp. There's also developer Gil Dezer's \$217-million Porsche Design Tower, which features what Murphy says is the world's first robotic car elevator system that auto-parks vehicles within individual condominium units. And there's the \$400-million SkyRise project, a 1,000-ft observation tower proposed for a dot of land on Biscayne Bay.

Murphy traces some of Coastal's current success to the downturn of 2008, when the bottom started dropping out of the South Florida construction market. During roughly the first three quarters of 2008, the company landed an estimated \$650 million in new contracts. But within a span of roughly 90 days that fall, owners halted roughly \$750 million worth of contracts that were still in preconstruction.

Quickly realizing that the coming decline "wasn't going to be a joke," Murphy reopened the just-completed company budget and made a dramatic move, revising the 2009 estimate for new sales to a single digit: \$0. "By November, we were cutting this place apart," he says. Some people were let go, and those who remained—except for the lowest-paid workers—saw their salaries cut while their responsibilities grew, including Murphy.

Coastal ended up beating its 2009 budget for new contracts, agreeing to build one \$25-million project. The firm could have landed about \$300 million worth of work that year, but turned it down, Murphy says. Exhibiting such discipline during lean times can be challenging for contractors and their employees.

The move required extreme confidence, says Ferrucci. "Because you're challenging your people to either believe or leave."

"When they saw what was getting ready to happen, they didn't go into denial," adds Hank M. Harris, president and CEO of industry consultant FMI and an adviser to Coastal for the past 15 years. "They shrunk the company dramatically and did not waste any time."

Keeping that \$750-million backlog of stalled projects viable would be another key for Coastal. One way Coastal kept ready to go was by retaining all of its key executives, and even adding five top officers during 2011 and 2012—sufficiently in advance of the upturn.

"We kept radiating confidence to [clients] and let them know when they're ready to go, we'll be ready," says Whiteman. As a result, "When the market started to come back, we were positioned to take on the volume quickly. [So] we're now in a position where we can selectively pick the best projects."

Coastal's current lineup highlights a South Florida trend toward designs that incorporate unusual—or even unique—elements, such as the Porsche Design Tower's robotic car elevator.

"It seems like we're getting the higher-end, more complicated projects right now," says Sean Murphy, executive vice president for construction. "Some of the projects we're getting into are really incredible."

"Everyone wants something unique," adds Thomas C. Murphy, executive vice president for preconstruction. As a result, he adds, "it takes a lot more understanding and effort to put these [projects] together." But clients see Coastal as up to the task.

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[ Page 3 of 3 ]

Text size: **A** 

"For complicated buildings, they are my first choice, by far," says Alan Ojeda, president and CEO of Miami-based Rilea Group, developer of the 44-story Bond luxury condominium that Coastal is building in the Brickell area.

"The main things they bring to the table are honesty and quality," Ojeda adds. "They are transparent people. To me, they are investing with their clients with a very long-term mentality. They are not for the quick buck."

Due to demanding designs, Thomas C. Murphy says Coastal is adding in-house staff with expertise in specialized fields such as curtain wall, stone and millwork. "Having expertise in [certain] areas is critical now."

The firm obsesses over having the "right team," a phrase that numerous Coastal leaders repeat often. The obsession pays off, says FMI's Harris, who observes that Coastal executives don't let egos get in the way, and that the company is "uniquely good at teamwork."

"Somehow [their executives] mesh well," he says. "They have an ability to play very effectively together as a team, and to execute accordingly. They put their work priorities and the result they're trying to accomplish way ahead of any individual ego."

Also, Coastal staff at various levels practice a culture of near constant peer review, both formal and informal, says Thomas C. Murphy. "We constantly challenge each other."

### Improving Quality, Safety

Building these high-end projects requires a heightened degree of attention to quality—a key skill set for a firm holding a portfolio filled with luxury projects.

Whiteman—a former professor at the University of Florida whose dissertation addressed total quality management—says that attention to quality comes from a formalized focus and commitment to continuous improvement in all areas. And that includes safety.

Leading improvements in the company's safety practices is David Wessin, vice president for safety and loss control. A longtime leader of the AGC of South Florida's safety committee, he joined the firm in 2008 after his former firm, Coscan Construction, shut its doors. Currently, Wessin oversees 16 full-time safety managers—a number he believes is the highest of any firm working in South Florida.

About 18 months ago, partly at his suggestion, Coastal began mandating that all subcontractor workers have OSHA 10-Hour training certification, a requirement that Wessin believes is unique for the area. Additionally, all staff, including office workers, must take five hours of safety training each year.

Also, in 2012, Wessin helped launch an OSHA Alliance group in Miami, the Safety Alliance for Excellence (SAFE). Wessin, the group's first and current president, credits his employer for aiding the effort.

"I don't think SAFE would exist" without the company's backing, he says. "Coastal has given me the support and resources to create an organization to foster the free exchange of ideas to make our entire industry better."

**Keywords:** [Coastal](#); [Construction](#); [Contractor of the Year](#); [Southeast](#); [Miami](#); [Florida](#)

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