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October – December 2008
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Graham Construction Co.'s growth built on health care

As parent Graham Group expands nationally, construction arm diversifies in the Midwest

BY JOE GARDYASZ

When Steve Hauschilt joined Graham Construction Co. 10 years ago, he observed how employees at all levels adhered to an unspoken policy of doing the right thing for clients.

"No one had really defined it," said Hauschilt, the company's president. "They just said, 'That's the way we do it; that's who we are.'"

Today, Graham Construction has a name for that policy: "the Graham mentality."

"I think what makes it so powerful is that it wasn't something that we tried to force on people," said Hauschilt, who joined the company as a project engineer and was promoted from project manager to president in 2003. "It was something already inherent in our company. We just helped define it and helped to make it something easy to communicate."

John Graham founded the parent company, Graham Group Inc., in Des Moines in 1946. The family-owned company specializes in developing medical office buildings. In 1981, Graham Group launched Graham Construction to serve as an in-house contractor for its Midwest projects.

Graham Construction, which six years ago pulled in \$35 million in annual revenues, this year expects to reach \$80 million. Several factors are fueling the rapid growth, Hauschilt said, among them favorable trends in health-care construction, the company's diversification into other industry sectors and a focused strategic planning process. The company, which employs about 125 people, recently completed a comprehensive, three-year strategic plan. One of the key results of that, Hauschilt said, was defining the Graham mentality of quality. The philosophy was a natural outgrowth for the company, he said.

"When we were building for the parent company, we couldn't build with a one-year warranty period in mind," Hauschilt said. "If we were building a building, it had to be right. So our guys took that philosophy as, 'We're going to build it; we're going to own it. So what's in the best interest of the owner?'"

The Graham Group's commercial real estate portfolio encompasses two dozen major medical complexes throughout the United States, including Midwest properties built by Graham Construction such as Methodist Medical Plazas I, II and III and the Mercy Medical Plazas in Des Moines.

Initially, more than 95 percent of Graham Construction's projects, primarily large medical facilities, were built for its parent company. "But as we were doing work at both Mercy and Methodist here in Des Moines, that turned into doing work for the hospitals," Hauschilt said. Today, less than 2 percent of its construction activity is for Graham Group, which has expanded beyond its Midwest base to develop medical office projects in the Sun Belt states using outside contractors.

"Their markets have changed, and we've stayed here in Iowa and our markets have diversified," Hauschilt said. Graham Construction limits its construction activities to about a three-hour radius of Des Moines to ensure proper control of projects.

The company has a high level of repeat business, and currently has relationships with 23 hospitals in Iowa for which it has completed projects, said Kevin Tubbs, Graham Construction's director of business development. "I don't think there's any



Mike Sullivan, left, and Henry Norman of Graham Construction Co. secure a protective cover to a newly polished concrete floor at a building under construction in Ankeny.

contractor in the state that can come close to that," he said.

"Our company is geared toward customer service," said Mark Hasek, senior vice president. "A huge percentage of our customers are long-term customers. What we strive for is that once we do one project for a customer, we want to do all their projects."

Graham Construction has been profitable, but "we're constantly trying to do better," Hauschilt said. "It's a low-margin business, so you've constantly got to be thinking of ways you can reduce costs, provide more value to your customer. Part of our strategic plan is (looking for) additional services we can provide to existing customers."

The move by many smaller rural Iowa hospitals to become designated to receive federal funding assistance as critical-access hospitals, coupled with the trend toward more outpatient versus inpatient services, has helped drive Graham Construction's success. It has also been beneficial to those rural communities, Hauschilt said.

"Critical-access hospitals in Iowa have really allowed for a lot of facilities that were bleeding a lot of red ink to turn things around and then have the capital to reinvest in the facilities," he said. "So these smaller communities can really have first-class health-care facilities within their community and really be proud of it."

Some current hospital expansion projects on which Graham Construction is nearing completion in Iowa are a \$32 million upgrade at Pella Regional Health Center, a \$26 million renovation and expansion at St. Luke's Hospital in Cedar Rapids and a \$20 million surgery center at St. Anthony's Regional Hospital in Carroll. Broadlawns Medical Center in Des Moines recently selected Graham Construction to complete an \$18 million renovation project.

In Central Iowa, more than half of Graham Construction's projects are now outside the health-care arena, an indication of how it's diversifying into three new sectors: long-term care/assisted living, private educational and private commercial buildings. Among those projects is a \$13 million renovation and expansion of Dowling Catholic High School.

"I think we were one of 10 contractors that interviewed for that project, and we had the least amount of school experience of any of them," Hauschilt said. "We went in and told them, 'We're not a school contractor; we're a health-care contractor,' but because of the things we do every day in a 24-7 operation like a hospital, it made us uniquely qualified to take on their project where we literally gut and renovate their school while they're still in session." □

Some of Graham Construction's past projects:

- \$15.4 million renovation and expansion of Blank Children's Hospital
- Construction of the John Stoddard Cancer Center at Iowa Methodist Medical Center
- A 20,000-square-foot facility for Mercy Hospice
- Construction of a 227,000-square-foot office building for ING/Equitable of Iowa
- New 25 million-gallon-per-day water treatment plant for Des Moines Water Works