Jeffrey Hoopes (00:00)

I think AI and these technologies are going to change the entire platform of construction.

And let me explain what I see there. what we're doing is beginning to do more and more design build. there might be ~ an architect, does the schematic, it does the idea design.

Matt Slepin (00:11)

Mm-hmm.

Jeffrey Hoopes (00:17)

And then clients are coming to us, and said, we'd like you to finish the documents and do the construction administration and do a design, build, turnkey project. And we said, you know, you're coming to the right group because what we're wanting to do is change the entire platform. We call it, again, the seamless platform where

They'll come to us, we'll do all the design.

The square footage is kind of laid out, the concept. It's gone to the city for approvals. Then we step in And we basically designed the entire project to go to permit, to get a construction. It'll meet fire codes, structural codes, everything. So we do the whole program.

Matt Slepin (00:49)

Mm-hmm.

Jeffrey Hoopes (00:54)

And as we're doing that with the current technologies for software and AI we can actually do estimating right off of those documents, those 5D, 6D, we can do an estimate by hitting a button and say, price the job.

Matt Slepin_I (01:13)

Hi, this is Matt Slepin and welcome to Leading Voices in Real Estate. Today's episode recorded on October 24th is an interview with Jeff Hoops, the president for the West Region for Suffolk Construction, one of the top GCs in the country. In our eight years of talking about the built environment on Leading Voices, we've not actually spoken with anyone who builds these things, except maybe a few guests from the home building industry, which is a very different business.

So I wanted to have someone from the general contractor side and I'm really excited to have Jeff on the show. We get into a lot in this conversation with maybe two themes. First, since Jeff has been in this business for a long, long time, we talk about present trends of evolution and change from the perspective of someone who's had real context of what change means. Real estate famously is slow to adopt technology, but we think of the construction sector as even further behind.

Jeff and I discussed that real change is happening, but from a wise and long-term perspective, not blinded by shiny objects. And then sticking with that theme, Jeff and I talk a bunch about time of life in this business. As you'll hear, Jeff passed the baton at Swinerton where he was the CEO, retiring in March of 2020, an auspicious date for retiring right as we were all retreating to our homes during COVID. I am myself about to semi-retire.

with emphasis and a smile on both sides of the equation of that word semi, as I've been discussing on the show and the several times I've been recently interviewed myself. My specific circumstances are not that interesting, but the options and pathways that Jeff and I talk about, both for senior people thinking about what retirement means, full or semi, and also how to pass the baton, is important for both those of us planning our next steps and the next generation who are stepping up.

And this might just be Jeff and my personalities, but we had a lot of laughs talking about this too often too sensitive subject.

Success in planning from both of these vantage points is a big part of our work at CRG, both on the recruiting side and our consulting assignments. So if we could be helpful for companies or the people contemplating, let us know. And frankly, we see probably more emotion and challenges on the letting go side of this equation than success stories. The flip side of the skill set that enables a leader to build a strong company is that it's so hard to let go. Again, back to my concept of semi.

The opposite of all or nothing, black or white, that semi thing, kind of hard to get a handle on it.

I also have to plug our team at ZRG that works on both the construction and the facility side of the business since this discussion hits a deep area of our team's expertise. So if we can help you in the business of building or the real estate teams at the kinds of institution that Jeff talks about on the podcast, especially higher ed and healthcare, let us know how we can help. That's a big part of our team's expertise.

If you're enjoying the show, please rate our show on your podcast app and please follow and subscribe to the show and share your favorite episodes with colleagues and friends. I encourage you to visit the archive on your podcast app or on the ZRG website where you can go back and check out the library. If you have comments on this show or you'd like to talk about how ZRG can help your business on the talent side, including search consulting or advisory in the real estate space, please contact me at msleppin at ZRGpartners.com.

I hope that you enjoyed this conversation with Jeff Hoops.

Matt Slepin (04:34)

Jeff hoops. Thanks for joining me on leading voices in real estate This is an exciting conversation for me for a bunch of reasons first I've done 205 episodes of this show all about the built environment and you are the first person who's a general contractor to talk about how these suckers get built So I know so I want to learn some things. So that's number one second is you retired about

Jeffrey Hoopes (04:52)

I'm excited. I'm excited, Matt.

Matt Slepin (04:59)

four or five years ago and you're unretired and I'm about to semi-retire. So retirement, unretirement, semi-retirement, I want to explore all of those to understand it better so I don't screw up. Okay, so that's important. That's right. And it's important to our spouses as well as the people who succeed us and you know my wife Diane and she's intent on this happening.

Jeffrey Hoopes (05:13)

Yeah, exactly. It's easy to screw up.

Yes. Yeah,

she's got to make you. She's a driver for sure. She's great.

Matt Slepin (05:28)

my god, we discussed it

once again this morning. then in addition to all that, I want to get your sense of what's going on on the West Coast. So I can think those are the general topics to talk about today. But why don't we just start with your generally quick introduction of yourself and Suffolk and what the company is and what you do there.

Jeffrey Hoopes (05:44)

~ perfect. Thanks, Matt. Again, great to be here today. I'm really excited about this and to be a lot of fun. So right now with Suffolk, like I said, I did the retirement thing. We'll go back a little further into that in January of 2020. Great timing, right? And then about, I'd say about 18 months ago, John Fish called me, the owner of Suffolk, he's a, Suffolk's the largest.

Matt Slepin (05:58)

Yeah.

Jeffrey Hoopes (06:06)

individually owned construction company in the United States. And he asked me to help him out as an advisor. And I said, sure, I'll be glad to do that. It'd be fun. And then about six months later, he asked me to oversee the Western United States. And I said, well, not too interested in doing that. He said, come on. So I went and talked to my wife. And my wife goes, my wife says, well, your memory will be better. You'll live longer. And I don't have to see as much.

Matt Slepin (06:09)

Mm-hmm.

Jeffrey Hoopes (06:31)

And I was pretty excited about that. She goes, go do it. I go, okay, may I go do this for her. So about one year ago yesterday, I started at Suffolk. So I managed the Western United States overseeing Dallas West. And it's about roughly $4 billion, well, say three and a half billion annually revenue and growing for the Western US for Suffolk. And Suffolk does a lot of vertical construction.

And it's, you know, high-rise apartments, hotels, doing life safety with clients like Gilead, lots of education work. So, and again, just really a combination of lots of different things here in the West United States. In Vegas, doing some big four seasons types, residences, you know, just a real mix and casino work. So it's a real mix of work out here in the West for Suffolk and they're based in Boston. So they wanted somebody out here to help them grow this business and just continue to grow and put the brand out there and continue to grow the brand. So that's what my job is out here.

Matt Slepin (07:24)

You

Cool.

Fair deal. And when you say Suffolk is the largest privately owned contractor, I'm looking at a ~ report here on my other screen, your 24th largest, give some sense of kind of size and scale of, the biggest player is Turner, we hear that name the most, and maybe their volume's twice yours or something, I don't know, just give a sense of size scale and what it means to be.

Jeffrey Hoopes (07:54)

Yeah, it's up

Matt Slepin (08:00)

both where you are and then also the largest privately owned.

Jeffrey Hoopes (08:04)

So this last year in 20, let's call it 25, the company did about over $8 billion in revenue. So substantial growth. So the company will be in the top 10 commercial builders in the United States. This next year, business plans over nine and then in 2028, it'll be over $10 billion. And the backlog is already in place to push that forward. So it's really growing.

So it'll be one of the top 10 commercial builders in the United States by, you know, currently they're there. And that's, huge. It's really big. It's a big company. It is. And like I said, a big commercial company and based in Boston offices, New York, know, Florida, Salt Lake City, Dallas.

Matt Slepin (08:31)

Mm-hmm.

Let's be company.

Jeffrey Hoopes (08:46)

Las Vegas, California, so about 14 different offices across the United States and growing. So it's pretty fun. It's exciting to be part of that company. There's larger companies, but a lot of them are civil type companies like the Bechtel's and the Fleurs and they're publicly traded. But the key I think here at Suffolk is it's owned by one person, which is John Fish. And there's nothing like that in the United States. It's an interesting man.

Matt Slepin (08:52)

Yeah.

And what does that mean?

Like, what does that mean for your ability to be flexible or your ability to be beat up or your ability to be creative? What does having one owner mean for you?

Jeffrey Hoopes (09:16)

Yeah.

Well, yeah,

it's really different. I was born and raised in an ESOP employee owned company. So everything we did was geared towards the shareholders and that type of thing. there's lots of companies in United States that are ESOPs are publicly owned or traded. And there's very few or none this size that are privately owned. So the difference here is that as an ESOP or a

Matt Slepin (09:25)

Mm-hmm.

Jeffrey Hoopes (09:43)

publicly traded or a firm like that. They all have boards, boards of directors, policies. You know, it's very difficult to be flexible and get a lot of things done because you have this reporting mechanism. When you have an individual owner and he sees an opportunity to move forward and invest in something, he just says, write the check. And there's the big difference right there.

Matt Slepin (10:06)

Mm-hmm.

Jeffrey Hoopes (10:08)

For example, I'll give you some examples. It's really interesting. Suffolk has gone out there and they put a group together called Suffolk Technologies. And the reality is in construction industry, research and development does not happen. It just doesn't happen. The margins, I mean, if you're making 3 % margins and your overhead's 2.7, there's not a lot of money left in most construction companies to do research and development and just put out capital to do that, right?

Typically a construction company is going to go and buy a piece of software. They're going to spend money just to make it conform to what their needs are. And then they're going to use somebody's software like CMIC or, you know, Procore or whatever it is, right? And that's what they do. There's no R and D involved. It's just take the software, make it work. So John went out, I thought it was interesting. He took his first road check for $20 million and set up Suffolk Technologies. Then he went out and raised over

$200 million in capital to invest in technologies for the construction industry. And right now, it's really interesting. It's a little bit like kind of, they call it the boost program, where every year companies come in and offer their technologies looking for an investment from Suffolk Technologies. And it's kind of like Shark Tank a little bit. It's kind of interesting.

Matt Slepin (11:07)

Mm-hmm.

Jeffrey Hoopes (11:24)

And so people come in and they present what they're doing and they want to, you know, $2 million in early investment into their projects. And the company set up to do that through this boost program where they now have 46 companies that they're sponsoring. And they're everything from robotics associated with construction to ~ different estimating softwares and all kinds of AI technologies. And what the goal is to some of these,

Matt Slepin (11:39)

Mm-hmm.

Jeffrey Hoopes (11:52)

are kept private, a lot of them are actually taken public or sold. Procore just bought scheduling software from Suffolk Technologies and attached it onto the Procore suite of services. And so they pay for that. And that's how this investment, these investors get paid back by taking these things, either selling them or going public. And so, and they're going out for another round of about 150 to $200 million for another round of financing. It'll be almost like $400 million.

invested in technologies. It's amazing what goes on and the cutting edge technologies in AI and that type of thing that happens. Does that make sense?

Matt Slepin (12:24)

Right.

it makes you to a couple different questions about this and I was saving this for later but let's get into it because construction is famously real estate is famously where I spend all my time but construction even more so famously behind the curve you're swinging hammers that's what the view is here and nothing else is much happening and Yesterday was the RG. We had an entire We've had two or three leadership round tables talking about the impact of technology and commercial real estate ownership operations investment

Jeffrey Hoopes (12:58)

interesting.

Matt Slepin (12:59)

Same thing and many, many real estate companies are investing through different vehicles to get to those technologies. And it's really revolutionized how we buy, sell, and operate, hold, report to investors, everything that we do up and down the capital, the life cycle stack of real estate. But in construction, it feels like, again, you have a longer road to get to make change.

So talk about change. So I want to let's talk about change a little bit for that and what those either technologies are. Is it moving the cost curve? Is it moving the speed curve? Is it moving the human capital curve? It is moving the climate change curve. Yeah. Yeah.

Jeffrey Hoopes (13:38)

Well, I'll give you an idea of how this works. It's really interesting because I've been studying this and working on it. And that's one of the reasons I decided to jump on with Suffolk because it's exciting. know, it's enthusiasm and there's money to invest and there's technologies and the way you can change the industry. And that's what we're looking at. So think about this. So right now you've got

Matt Slepin (13:51)

Mm-hmm.

Mm-hmm.

Jeffrey Hoopes (14:04)

You go out and you hire an architect, some engineers, they design all this stuff. And then you do some estimating and do some pre-construction and you try to stay up with the pricing for that design as it evolves. And then you hire these subs and they go buy switch gear. And it's just the process we use. Everybody knows this process. But

I think AI and these technologies are going to change the entire platform of construction.

And let me explain what I see there. We call it the seamless platform. So right now inside Suffolk, there's 84 architects, full-time in Suffolk. And what we're doing there is beginning to do more and more design build. And there's two things. One is that there might be ~ an architect, you know, the Black Cape architect does the schematic, it does the idea design.

Matt Slepin (14:39)

Mm-hmm.

Mm-hmm.

Jeffrey Hoopes (14:55)

And then clients are coming to us, one in San Jose, a big tower, big name architect. They've come to us and said, we'd like you to finish the documents and do the construction administration and do a design, build, turnkey project. It's $250 million. And we said, you know, you're, you're coming right to the right group because what we're wanting to do is change the entire platform. We call it, again, the seamless platform where

They'll come to us, we'll do all the design.

Matt Slepin (15:22)

Now this has

been designed from the outside what the person sees walking up to the building that parts been that's done But getting it finished now, you're gonna figure out how to build this sucker from soup to nuts

Jeffrey Hoopes (15:28)

That's it. That's it. Yeah, it's the beautiful picture. Yeah, so the beautiful picture

is done.

The square footage is kind of laid out, the concept. It's gone to the city for initial permitting, that type of, not permitting, but approvals. Then we step in and go, okay, we'll bring a structural engineer in-house or we have structural engineers in-house. And we basically designed the entire project to go to permit, to get a construction. It'll meet fire codes, structural codes, everything. So we do the whole program.

Matt Slepin (15:52)

Mm-hmm.

Jeffrey Hoopes (15:57)

And as we're doing that with the current technologies for like software and AI is that then we can actually do estimating right off of the documents. So we have a system now called Edify in-house that actually other contractors are utilizing and paying for that was developed inside Suffolk. So basically based on those documents, those 5D, 6D, we can basically do an estimate by hitting a button and say, price the job.

So the job prices, so we've got this concurrent going on where we're designing and pricing and designing and keeping right up on track of the cost of this thing. And then we've created a group called the Freedom Source. So Freedom Source buys materials. And through AI, I think what we're gonna begin to see more and more of is that you're gonna see like a kit of parts.

You're going to see electrical room delivered in a kit of parts. It's just going to roll in. There's your electrical room. Your panels are there. Everything's there. And you'll buy it boxed and ready to go. So you're going to see all this through this design build process, estimating process, this purchasing process. You're going to see modular manufacturing of everything with mechanical bathrooms. You're going to see bathroom kits come in. You're going to see, for example, at Cal Poly,

Matt Slepin (16:47)

Hm.

Jeffrey Hoopes (17:13)

We just ordered a very nice job. We're going to build 3,300 student housing units, all modular. And they're going to be prefabricated. Everything in them, you stack them, close it in, and kids walk in.

Matt Slepin (17:19)

Mmm.

Let's pause and I want to think about prefab. How does the prefab? Factory or the place that comes from is that suffix or do you have to get that from someone else? And is it not in is it in your interest or not in your interest that it comes built that way versus on site?

Jeffrey Hoopes (17:41)

Well, let me come back to that. Let me finish this story because it all ties together. It all ties together. I'll tie it all together for you. And so you've got this design build piece. You've got this SMA piece. You've got this purchasing piece. The piece of all. Then you basically have this labor piece, but you still need labor. Just like you said, you still got to pour concrete. You got to build forms and you have to, you know, wire things and plumb things.

But the key for the future is if you can control the design, you can control the estimating, you control the purchasing, and if you self-perform, you control the labor on the job. And by doing this, you can drive the price of the jobs down substantially. You can drive the design cost, you can design everything. you pre-manufacture in an environment not on the job site, you can save a ton of money because your money on the job

Your labor on the job sites is what's so expensive, not your shop labor. mean, electricity is $150 an hour in San Francisco, but you need a shop electrician for 35 to 40. So that's the kind of thing you're happening there. So go ahead, sorry.

Matt Slepin (18:40)

And do the unions

want you to do this? How does that affect the ability to control all of that cradle to grave soup to nuts?

Jeffrey Hoopes (18:50)

And you can do both. A lot of these prefab shops have union labor, but it's shop labor, much cheaper than field labor in journeyman. For example, I've seen some of the prefab manufacturers using union labor in their shops, but it's 30 % of a field labor. So you save a substantial amount of money by doing that.

Matt Slepin (18:56)

Mm-hmm.

And how much is that? I think mostly of how I'm like an apartment guy So I think of okay and we know apartments are delivered at an expense that right now doesn't make sense But can't make sense anyhow because the cost is just so wacky How much does that either bring down the cost or increase your profit margin or help your timing or decrease your risk? All those are related

Jeffrey Hoopes (19:30)

Yeah, yeah. Well, that comes back to the prefab discussion, right? And so right now we're seeing a lot of activity in prefab housing. So for example, especially on the student housing in remote areas, Cal Poly, Humboldt State, yeah, it's gotta be prefab. And you think about that and we're seeing more and more of that where we're basically building in the shop at the labor's 30 % cost of the field labor.

Matt Slepin (19:44)

It should be prefab. Right.

Jeffrey Hoopes (19:57)

and within delivering those units and installing them on the job. We're seeing that almost in everything. It's just not actually housing units. Again, it could be data centers. The switch gear, everything's showing up in a box. It just shows up and plugs in and you're saving all this money on the job sites. That's the concept of this prefabrication. If you can control the design, you control the purchasing, you control the labor, you control the future construction.

Matt Slepin (20:09)

Mm-hmm.

Yeah, and one thing I think of is that that prefab, our startup companies doing a prefab factory, not you doing it cradle to grave. I like having less is more in terms of you have to coordinate 50 different subs and 50 different people and the risk and timing and the inefficiencies of that model have to be huge. What does that mean? Just play with this for another moment. If I think of the student housing project that you're doing with

whatever number of units, what kind of cost delivery does that do per unit and what was it? Like what's the bottom line savings for that?

Jeffrey Hoopes (20:57)

Yeah, you're probably in a prefabrication right now. If you're going to stick frame first, a prefab, you're going to save about 25 % of cost in a prefab unit, let's say a wood unit prefab versus stick frame on site, about 25%. And a lot of that comes from the 25 % is just not construction. A lot of that is from savings of staff and time. You think about that, you can build

Matt Slepin (21:22)

Mm-hmm. Prime is huge.

Jeffrey Hoopes (21:24)

You can build a remote area or any area with a prefab. You can build a building in half the time, half the time on site, which then drives your costs down because you don't have to, your general conditions, everything gets pushed down by being able to basically fabricate in a shop and come out and install. And you'll be able to save substantial amounts of money by doing that. Does that make sense?

Matt Slepin (21:32)

Mm-hmm.

Yeah, yeah in a comment to this we're gonna bounce around all these different subjects at the same time, but I'm thinking I'm retired I've done this for 40 years I met I'm a Jedi Master at this business and now the business is changing to the degree it is the Jedi Master wants to go into the candy store and have some fun and use these tools if that's you It would feel like crap to be watching that from the sideline with this amount of

Jeffrey Hoopes (22:09)

Yeah, it is. That's pretty cool.

Matt Slepin (22:15)

changed to something that hasn't changed in 300 years.

Jeffrey Hoopes (22:18)

Yeah, it's so fun. About 100 % of our work in the last year has come into this design build process where we're managing the design, prefabricating everything we can, that whole process, with mechanical, electrical, the modules. And that's the whole future here. We've got to get, because you think about it, everybody's retiring from construction.

The workforce in the next, I think it's five years, 30 % of the construction workforce is going to retire. All the baby boomers are going home, right? They're 60, 70 years old now, they're all retiring.

Matt Slepin (22:53)

Is that a problem with leadership or is that a problem with people in the field? Not people not coming into this business. Has it not been a business that can attract people and then we're going to get into immigration too? I'm not sure which part of the food chain you're describing, if not every part.

Jeffrey Hoopes (23:07)

It's it all flow.

It all falls together. And it's interesting is the you think about it. Everybody you go to high school and they tell you to go college, right? Go get your four year degree, spend $200,000, go into debt and get your degree. And the counselors you think about it, the counselors should be saying not everybody's fit for a four year degree or a master's degree, but you can make a.

you know a bunch of money being a plumber and electrician or a carpenter and And why not go into those things, but we don't sell that We write it's not a it's not a pretty thing people want to be software engineers or or technology type people constructions Just isn't that appealing to most people right and so we got to begin to change that and and and show people

Matt Slepin (23:40)

Mm-hmm.

Jeffrey Hoopes (23:55)

that this is an amazing opportunity for jobs. You don't have to go to school for six years to go make some really good money. Electricians in San Francisco, I read an article the other day, it said, who are the next millionaires? And there was a Wall Street Journal. And it said, the next millionaires are plumbers and electricians. there's such a shortage of people in those crafts.

Matt Slepin (24:08)

Yeah, yeah.

it can't make that argument for

if the on-site plumbers make a million bucks a year we're in trouble because we can't afford that so it should be a solid middle-class job, which is Whatever it is not a million bucks because then that cost curbs gonna go upside down again

Jeffrey Hoopes (24:27)

It is. Well, that's yeah. No, no.

What it means is that these people are making a good living and that they able to invest in their pension plans and the unions give great pensions. I mean, I mean, really good pensions. get social security. mean, all those things together, you can put away and in your 401ks and savings and become a millionaire by being a plumber electrician.

Matt Slepin (24:36)

They absolutely should.

Mm-hmm.

Okay, now that I will buy and I believe it let's bounce around to some other subjects because you talked about the growth of the business and when you started there was a mix of jobs and We are in a cyclical Commercial real estate downturn where we're not building new apartments We're certainly not building new office buildings But all of the food groups in the commercial world except for data centers are kind of on pause right now

Jeffrey Hoopes (24:55)

Yeah. Okay.

Matt Slepin (25:18)

So if that was half of your business before, it's probably not half of your business now. So you have to replace the kind of business you get to do, but you're growing. And also that's amplified on the West Coast where there's been less building there is, say, in Sunbelt. So kind of talk about the strategy of that and the reality of what I just described.

Jeffrey Hoopes (25:37)

Yeah. And you've called out, you're, you spent a lot of time in the Bay area. So you understand what's going on there. There's a one tower crane up downtown and it's a affordable housing job that's federally funded. And it's the only way it's going to million bucks a unit, exactly what it is. know exactly what it costs. without the government funding, they don't get done. Cause right now you build an apartment and it, it's, you know, cost more to build it than you can go buy a replacement for. I mean, that's the reality of it. And you're in this every day and you see that. So.

Matt Slepin (25:47)

Mm-hmm million bucks a unit right

Mm-hmm. Mm-hmm.

Jeffrey Hoopes (26:05)

What we've had to do is, you know, a year ago we were mostly doing apartments, affordable housing, commercial work, right? So we've began to diversify and bringing in different skill sets and utilizing skill sets across the nation to support us. And we began a, you know, a very large cancer research facility down in Foster City. We've picked up a lot of education type work over a billion dollars worth of education work.

Matt Slepin (26:12)

Mm-hmm.

Jeffrey Hoopes (26:30)

which is student housing, just work on campuses. And then we're also beginning to do a lot more healthcare. So we're doing healthcare at UCLA and different, know, there's lots of healthcare associated with educational campuses like UCSF and all that type of thing. So we're doing more of that healthcare. And then also a lot of tenant improvements. It's just in the cycle, Matt, where you,

Right now we have all these office buildings, right? And in San Francisco, we're starting to see AI take space and we're starting to see the AI movement. So we're starting to see tenant improvements. We're starting to see tenants move. And it's funny in San Francisco, from the 12th floor above and all the high rises, they're pretty full, but the 12th floor to the ground floor, there's nobody in them. So everybody's moving right now and they're moving up to cheaper prices with better looks, right? And better views.

Matt Slepin (27:12)

You

You

Jeffrey Hoopes (27:21)

And we're starting to see a lot of tenant improvements and movement in the market, which is also a good piece of business on the commercial side is that tenant improvement. And every building seems to be putting in a small bar, a fitness center, you know, kind of for their building. You're seeing that too, right?

Matt Slepin (27:36)

for the AI

people who spend 20 hours a day, six and a half days a week.

Jeffrey Hoopes (27:41)

Yeah, exactly. Exactly

right. So that's what we're seeing there. And so between those markets, and then we're seeing some civic work too, where the cities are starting to spend money on mental health, a lot of mental health type work right now in the different communities, which is great. so those are the kinds of things we're seeing out there, keeping people busy. Because when the private work begins to drop off,

The government usually begins to spend money, right? And that's what's happening now. We're seeing a lot of bond monies come through for the community colleges. We're seeing money come through for the cities and counties.

Matt Slepin (28:17)

So, Hal, what did you replace the business with? Because when you came back to the company, particularly on the West Coast, and you're Dallas and West, so Dallas is better than the Bay Area and the West Coast, but commercial construction's really slowed down, you've replaced that commercial construction with

Jeffrey Hoopes (28:17)

feeding it out.

Matt Slepin (28:36)

more civic or health care, what kind of mix is there now?

Jeffrey Hoopes (28:40)

Well, it's interesting and it's a little bit different by market. So you go to San Diego, for example, and there's still high rise rental buildings going up. It's just shocking. If you go down there, there's 20 or 25 towers going up in San Diego. It'll blow your mind.

Matt Slepin (28:44)

Mm-hmm.

Mm-hmm.

And that's because it's such an attractive or it's a better market or they're. Also, the cost is curve is different, right?

Jeffrey Hoopes (29:02)

Well, it's interesting.

Both, yeah. So right now, the highest rental market in California is San Jose for rentals. The second is San Diego. And so they're the second highest rental rate and they're 40 % cheaper than San Francisco to build.

Matt Slepin (29:23)

Why is that?

Jeffrey Hoopes (29:23)

because of the labor market. And they have a great labor market and they have busloads of labor coming across the border every morning. So they come over at 3.34 in the morning, the labor comes across and both Hispanic labor, Mexican labor and US labor, a lot of US labor lives down in Mexico that comes across.

Matt Slepin (29:41)

Right. I've been across

the border there. It's like, you know, it's the same as San Diego.

Jeffrey Hoopes (29:46)

They just come in, they work, they go back. That's what they do every day. so there's lots of good labor.

Matt Slepin (29:52)

Is that

labor legal? Is that labor unionized? So how does that fit into those two buckets?

Jeffrey Hoopes (29:59)

It's both. In San Diego, most of the towers go up. Most of the labor is union, especially on the concrete side. Almost all labor there is concrete. There's a mix when you get into the, typically your concrete will be union because the carpenter is strong. Your drywall studs will be union, but then the painting, the tile, all the other stuff will be

a lot of non-union in that market. And that's where lot of that craft comes from is out of the country or they just live locally there.

Matt Slepin (30:27)

And are they legal coming over because we don't, you know, we got a thing going on.

Jeffrey Hoopes (30:32)

They are legal coming over. have work visas or green cards or citizenship and they just, it's, yeah.

Matt Slepin (30:36)

And it's just the cost curve is different because it's people who live in a more affordable place and you can pay them less and it all works out. So 40 % less you have more skyscrapers in going up right now.

Jeffrey Hoopes (30:43)

It all works out.

Yeah, it's really amazing there. there and then also, so there's a lot of work there. And then there's also some, a lot of college university type work going on there and a lot of medical work. But most of our work has been the towers and we're doing more and more of the medical now at this time as those towers begin to slow, which is beginning to happen. Things are catching up a little bit. And then in LA, you think about LA is a massive market. It's the biggest market in United States.

Matt Slepin (30:49)

Okay, that mark.

Mm-hmm.

Jeffrey Hoopes (31:13)

And there's always something going on there. So there's lots of opportunities for us there. We're doing, like I said, lots of healthcare, a lot of education type work, things we didn't do a year ago where we brought in key resumes and we've hired people to bring in resumes with them. And then we're qualifying for projects and really diversifying where the majority was commercial. And now I would say over 50 % of the work is either education or healthcare.

Matt Slepin (31:13)

Mm-hmm.

And not data centers. Are you doing data center work?

Jeffrey Hoopes (31:41)

We are doing a lot of data centers, but you know, Matt, it's kind of funny. There's so much data center work out there, but the data centers, 99 % of them are built in the middle of nowhere. You think about it, right? So we're in Iowa and building $2 billion data center. so, but in California, the cost of labor is so high, the land, the availability of power is a big issue.

Matt Slepin (32:05)

Mm-hmm.

Jeffrey Hoopes (32:06)

How do you get more

power in San Francisco? It's already overloaded or LA. So most of the data centers are, you know, there's some up in the Oregon area because you have the hydro power, uh, in, up along the river up there and the dams. And then you have them up out by solar plants, by nuclear power plants, by whatever that is so they can get the power. So you're not going to see a lot. We're building one now for about a million dollars in San Francisco, a data center, but it's a

Matt Slepin (32:20)

Right.

Jeffrey Hoopes (32:34)

fourth phase of five, because it's for, local distribution and, and, and, know, local work. but most of the data centers are way out there, but we're doing about, 4 billion, annually in revenue right now in data centers and growing. can do a lot more with the overall company. We do a lot more, but it's, it's gotta be a balance and everything. you'd

Matt Slepin (32:48)

Uh-huh, with the overall company. Yeah, yeah.

Have you

ever been to Ashburn Village, Virginia? Like suburbs of, my God, well, it's like, I think half of the residents are power plant, you know, are data centers. Yeah, it's unbelievable. Tomorrow I am riding my age on a bike ride tomorrow here in the DC and I'm riding to Ashburn Village at back, which about gets to my age. Thank God it's flat. But you get out there and it's spooky because you almost hear the hum.

Jeffrey Hoopes (32:57)

No.

At the data centers, yeah. I've heard there's a bunch.

Matt Slepin (33:21)

Okay, well, and one other question about this and then let's move on is at ZRG, we have a group that does facilities, people for universities and for health care institutions. So they're at the other side of the table of you at, you know, the university that's building a new health center.

Jeffrey Hoopes (33:22)

Yeah. OK.

Yeah,

got it.

Matt Slepin (33:41)

or that's

building a new dormitory. So we have your counterparty, we're hiring, but that hiring has slowed down under the Trump cutbacks to universities and healthcare and research. Do you fear that as part of this new strategy or do figure commercial comes back in time so you're fine?

Jeffrey Hoopes (33:58)

Yeah, and that's a great point. So what we're seeing though, it's different types of results on the different campuses. For example, if it's a campus like UCSD that does lots of research. So that money, I heard this statistic the other day that 25 % of every grant dollar goes to facilities. So.

Matt Slepin (34:18)

Mm.

Jeffrey Hoopes (34:18)

That's why you're seeing a real slowdown. In fact, some of the jobs, one of our competitors had a job going at UCSD and they actually stopped the job. They're in the hole. So, but that's the type of work. It's going to be, I think more of the research work slow down. But the other funding is for example, infrastructure, power plants, student housing. That's a revenue producing thing. So there's lots of student housing and classrooms. So that type of work is funded differently and continues. And the health side is funded very differently.

Matt Slepin (34:25)

Mmm.

Jeffrey Hoopes (34:46)

But you're right on the research side, we're seeing a slowdown in anything associated with research and development because that money is really slowing down and those federal dollars slowing down slows down construction. There's no funding for it. So that's a great point.

Matt Slepin (34:57)

And you don't

you don't do infrastructure because your vertical infrastructure is horizontal But our country does need to spend a bunch on infrastructure because it is aging and and ugly and dangerous But but you don't do that,

Jeffrey Hoopes (35:08)

Absolutely, a bunch.

well, we are, we're doing, for example, central utility plants. There's work at Berkeley, there's work at, you know, lot of the big campuses around UCLA. And so we will do those because it, it entertains all kinds of different subcontractors, mechanical, electrical, it takes a general contractor to coordinate that. And that's where we get involved in. So we're doing a lot of the ECUP work.

and with private clients too, because you're exactly right. The infrastructure on the campuses, mean, are they doing gas? Are they going to go all electric? I mean, all these things are going on, right? It changes. And so we do see a lot of that work coming and we're positioned for it.

Matt Slepin (35:44)

Right.

Cool. So I want to change the subject. I want to go back to your retirement and then I want to come back to work. So let's go retirement to work. And, but I want to think about so many people don't retire or can't retire or don't do it well and they don't have a planned retirement. And you were the CEO of Swinerton and ESOP and how did the baton passing go? Then I'll talk about your retirement not working, but I want to think about the baton passing working or not.

Jeffrey Hoopes (35:52)

man.

it worked. ~

It worked. It's not quite right.

Matt Slepin (36:19)

Exactly, but but think

about the baton passing and was that How much planning went into that when you did that with your company, which is still successful and still out there?

Jeffrey Hoopes (36:22)

Yeah.

yeah, Sweaterton is a great company. My philosophy is different than some, right? My philosophy is I didn't like surprises at the boardroom or strategy or people understanding what their role is. So I was very clear about this and I built org charts and the person that replaced me, Eric Foster,

Matt Slepin (36:36)

Mm-hmm.

Jeffrey Hoopes (36:51)

I had the discussion two years in advance with that. So he knew that he was the next anointed CEO to run the company. And there was a couple of people that were disappointed and we had discussions about it, but he was the right person at the time to do that. And the other folks got on board and then said, we agree, but it took a little bit of time to do that. But it was done two years in advance. And then we had succession for five years lined up. It actually, I started looking,

Matt Slepin (37:05)

Mm-hmm.

Jeffrey Hoopes (37:17)

know, for 10 years, who's going to be out there in 10 years to run that company? Because it's an ESOP company. It's not owned by a person. It's owned by 5,000 shareholders. And you have to be, you know, very focused on continuing the continuity and the stability of the company and that type of thing. And so we've spent years planning that. And it was easy. And then like I said, I said, I'm leaving. And I told everybody, you know,

Matt Slepin (37:21)

Right.

Mm-hmm.

Jeffrey Hoopes (37:43)

Two years in advance, I gave him a date. I was leaving. And so that's how it worked.

Matt Slepin (37:45)

Right. Well,

I want to double click on that just for a moment and kind of congratulate you because so many don't do that well in companies where they are the, they hold on too long or they don't have a good succession plan. Not that succession has to come from internal. doesn't mean success or failure, but that it is planned and we're not skipping a beat.

Jeffrey Hoopes (37:58)

way too long.

Matt Slepin (38:09)

And there's a next gen to run a perpetual company that is a success.

Jeffrey Hoopes (38:13)

And that's the key. know, sweater has been around 135 years, 137, something like that. Um, and so that's all about continuity. No surprises. Employees own it. I mean, that, that's the whole, the, the way to do it here. There's, and you brought up a great point. I see it right now. There's some of the competitors, uh, in the Bay area market, for example, their ownership has hung on way too long. I mean, there's people that are.

Matt Slepin (38:17)

~ huh.

Jeffrey Hoopes (38:40)

call themselves executive chairman and should have left probably five years ago, right? And let the younger people step in. And that's part of the discussion is, you know, there's a lot that goes on. It's not fair. So.

Matt Slepin (38:51)

Yeah, and it's interesting for me, this is not a conversation about me, but as we think about it, my plan, and I use this and my wife Diane and I are debating this word all the time, I'm calling it semi-retirement. And semi means to me, half on the work side, half on the personal side, and I'm not defining maybe it's 60-40, 40-60, and then I'm not defining what's in each bucket. So we have a lot of fun to think through all that stuff.

If it became 100 % on one side or the other, it would be a failure and it wouldn't work. So you have to, and I like ambiguity, so it's okay to get there. But I can imagine for me that if I did a full retirement, even at my age, which is older than when you retired, that could be, my God, like what's going on here? And I have so much to offer. And we talked about the candy store and the ninja Jedi that you are. That could drive one nuts.

Jeffrey Hoopes (39:43)

I'll drive you crazy.

It's a, you, yeah. With COVID too. I'll tell you a little story. So like I said, I retired, planned this for years. And in my mind, I didn't do a good job. probably should have read 10 more books on how to retire because I didn't do that well. And my mind, I got to the point where, you know, I wanted to get out of the way and I don't want to be that person to stick around 10 years too long.

Matt Slepin (39:47)

with COVID.

Jeffrey Hoopes (40:07)

but I wanted to get out of the way. I had enough money. I had the dream of laying on the beach drinking Mai Tais. And you know, that was my vision of retirement. I didn't think about it too much. then, so in January, 2020, I retired and I was actually in Canada on March 15th, fly fishing with some of my colleagues and friends, which one of my highlights is fly fishing with my friends. And ~ they shut the border down.

And Canada, we were in Canada and we had to charter a plane to get out because of COVID. Yeah. It was Sunday. We started getting the texts that your flights canceled. Don't come to the airport. Everything's done. So we chartered a plane and flew into Seattle, then down to Portland and got home. Luckily, and that was it. We wouldn't go anywhere for two years. sat at home, right? And it just, ~ I was in the Bay area in Marin and doing that. And then I moved up towards our lake house.

Matt Slepin (40:31)

Because of COVID, this was COVID. Yeah.

Mm-hmm.

Right. And where was home then?

Jeffrey Hoopes (40:56)

~ part way through that, but I spent just a lot of time with nowhere to go. mean, I canceled trips around the world. mean, I was just sat home, right? And I started, and it made me begin to think a little bit about retirement and you know, it's funny because, I think I'm, I'm with you on this is the semi retirement thing is probably the right way to do this because I just tried to shut it off. Like one day I was.

Matt Slepin (41:03)

world.

Jeffrey Hoopes (41:20)

working and then January 4th, I wasn't working anymore. then pretty soon, no one calls. You don't call anybody because they don't want to hear from you. And your whole life, your work life just shuts off. And I think there's a real balance here between social life, work life, and how all this plays together to go forward. Some of the highlights of my life is I wanted, I was fishing with my friends for years, 20, 25 years, fly fishing. And these were my clients and friends really close. And

Matt Slepin (41:26)

Yeah.

Mm-hmm.

Jeffrey Hoopes (41:48)

then all of a sudden you're not invited to those things because they're company sponsored things and you're not the company anymore, right? So you begin to think about that. And Min, what's really strange, you know, I talked a little bit about this is you have a lot of friends and you're outgoing. I ran a company as CEO chairman for years and I didn't have a lot of friends. I mean, I had work friends and clients and social friends, which I enjoyed doing things with. Yeah, I don't have

Matt Slepin (41:54)

Right.

Sounds familiar, yeah.

Jeffrey Hoopes (42:15)

Men don't do well with friends. And personally, I didn't have any friends. I had a couple of friends that were high school friends, but both had passed away about 10 years before from different problems. So I didn't have close friends to hang out with. My wife is my best friend and will always be my best friend since we met in high school. But I just didn't have that outlet. So I missed that social thing because my social thing was work and I didn't have it anymore.

And then the work thing, no one calls for advice anymore. It's like, wow, I I built this company from nothing to $6 billion and no one wants to hear from me anymore. it's kind of, it's that real balance. I think by like you're doing is as having a semi retirement, I think what you want to do is, you know, have that interaction with your friends and people at work. And then also have them that home or social interaction.

with your wife and your family and stuff. There's gotta be a balance in all this thing. You just can't shut it off. It doesn't work.

Matt Slepin (43:05)

Right.

It doesn't work, also part of it is that, I say this a little bit tongue in cheek about you and I'll say it about me, is you're like this Jedi master and you get to this place of wisdom and you're in your mid sixties and you have wisdom and you're contributing and then you shut that down to say, okay, I'm just going to contribute on bike riding from here, you know, playing guitar where I'm no Jedi at guitar. But what do you do with that? And there's a way to

Concentrate the Jedi moments. This sounds really silly, but the wisdom moments that you now have and you've built for a lifetime, at least for me, I'm hoping that 90 % of my work minutes in that semi will be Jedi minutes instead of the silly minutes that don't really add that much value. And if I couldn't add that, I would be sad because it took me a long time to get there.

Jeffrey Hoopes (43:52)

Yeah.

Yeah. I think my advice for, you know, everybody contemplating this is you need to be involved in something. You just cannot go home. I fished and fished, but you certainly don't want to fish anymore. So, but you got to have something. So I started doing a lot of consulting work and that's what got me back to meet with John and getting back with

Suffolk because I did about a year's worth of consulting work where I sat on different boards and advisory boards and

Matt Slepin (44:05)

Yeah.

Jeffrey Hoopes (44:25)

started coaching young CEOs of family-owned billion-dollar construction companies. They asked questions that were so easy to answer, but they just didn't know any better about how to set up a captive insurance company. Would you do that? Well, sure. This is how you do it. Just simple things to us because we've lived through it enough times, but that's fun. I really enjoyed that piece. I'll probably continue that when I retire from Suffolk.

Matt Slepin (44:34)

Uh-huh.

Again,

Jeffrey Hoopes (44:50)

Again, I'll probably do

Matt Slepin (44:50)

second time, yeah.

Jeffrey Hoopes (44:51)

some board work and some just to keep me going for the next 10 years because it's fun, you know, talking with older, you know, young people and helping and coach them. I think that's important. People really got to think about retirement just because you have the money and you have the time. It doesn't mean anything.

Matt Slepin (44:57)

free.

Yeah.

My dad sold his company to an ESOP and he retired at 68, 70 something like that. And, he didn't do anything. It wasn't on any boards into any consulting he did. And they didn't call him from the company very much. He found Fox news. That's what he found as his, his time. And that's a dangerous place to put your time in there. Okay. It's dangerous for, you know, a whole host of reasons. Um, so let's, let's go back to construction because I have a bunch of questions that kind of wrap us up here.

Jeffrey Hoopes (45:23)

there and watch it. That's a dangerous.

yeah.

Matt Slepin (45:34)

But I want to think of a couple things. So one thing you talked about and you mentioned it a little bit here, but is self-performance. And when we spoke the other day, it was an industry where originally it was self-performing and then it was all subs and then the bigger companies had gone back to self-performing, totally integrated. What does that mean and how does that change the loop?

Jeffrey Hoopes (45:41)

Yes.

Well, it's kind of back to that original discussion we had on kind of the seamless platform and where the industry is going. Right. So my, and I tell everybody in my company, I said, the future is labor. The future is labor. Everybody, every AI, it's all going to level out here in the next five, 10 years. Everybody's going to have this tools and I think it's all going to level out.

key is to have the labor to put everything in place because you still got to do concrete, drywall. You still got to do the work. You can prefabricate, but you still got to do the work. So it's funny because 40 years ago, everybody did all their own work. They did masonry, concrete. They did everything. They had their tools. They had yards with equipment. They did all that stuff. And then in the 80s, the CM at risk thing started where everybody says, well, we don't want you. We want you to sub it all out and get three bids and we don't want you to self-perform.

So everybody started doing that for 30 years. And then all the contractors finally realized that with the price structures, you get 3 % fee, you have a 2.7 overhead and you make 0.3%. And that's crazy. Why would you do that? So the only way you can really make money in this business is by self-performing and by doing, like I said, if you can do the design, if you can buy all the materials, if you can control the labor.

Matt Slepin (46:53)

Mm-hmm.

Mm-hmm.

Jeffrey Hoopes (47:10)

You can make a good margin in this business, but you got to do all three to be really successful in the future. And most contractors might do one of them. They don't do all three of them very well.

Matt Slepin (47:19)

Right. So, but, but if you build the infrastructure to do that in a famously cyclical business, then you have a lot of risk of overhead. How do you deal with managing that?

Jeffrey Hoopes (47:30)

So not really, you think about it. So you have, let's say drywall. Drywall is a great one to start with, And drywall, in fact, I had one big drywall company come to me two years in a row, a friend of mine, says, can you buy our company? And I said, let me think about this. After the second year, I finally said, said, why would I spend $10 million and buy a drywall company? said, I well, get chopsaws, guns, and liabilities. That's all I get.

Matt Slepin (47:36)

Mm-hmm.

I just do it.

Jeffrey Hoopes (47:57)

So I said, why don't you come to work for me and bring some guys with you? So we did and we did really well. So what I think happens here is that you don't have to spend a ton of money. I mean, like I said, it's some small tools to go do drywall. And so you can start business units like that, doors, frames, hardware, there's things you have to do. When you get into concrete, if you're going to buy farm systems, you can still rent farm systems. There's things you can do.

that don't have to spend a lot of money on. But if you're really going to get into it, you probably won't own all your own fly farms, your systems, you're have to spend some money. But the returns are 20, 25 % returns on these things too. So you can make really good money over time by self-performing. You can make more money by self-performing than being a general contractor.

Matt Slepin (48:21)

Mm-hmm.

Yeah, so, okay, that's self-performing. And then one of the things you mentioned before is talent coming into this business and there's a different talent pipeline than you might want to have. Your son has joined the business and we'll come and let's think about that in 30 seconds, but also what you're describing of knowing how to run this company, that the running of this that you've described is incredibly sophisticated with a lot of risk and a lot of moving parts and a lot of understanding.

So that's why you've had to come back to the business, because there was no one to figure this sucker out. How do people get trained for that now? Is there school for that? How does your son fit into this story? And kind of think about the labor, particularly the sophisticated labor that it to run businesses.

Jeffrey Hoopes (49:24)

Yeah, that's a good question. Well, ~ no, that's a really good question. For me, I got a civil engineering degree and then got an MBA. At first, I didn't think my MBA, I thought that was kind of silly. don't know if, and I went back into construction, right? I had offers at Bain and McKinsey and

Matt Slepin (49:30)

Sorry.

Jeffrey Hoopes (49:45)

wanted to be a big hot rod, hot, hot, powered consultant and they went into construction. At first I didn't think that would help me, but the key to success in this business is think of it like a business and construction. And, and I looked at it like a ~ business of businesses is how I see construction. I have a business, but I have a whole bunch of businesses that make up that business. And so I've learned over the years to, you know, I'll, I'll

Matt Slepin (49:48)

Mm-hmm.

Mm-hmm.

Mm-hmm.

Jeffrey Hoopes (50:11)

set up an office or I'll start a business and I run it that way, right? I'll have people running those businesses and all of a sudden it adds up into being a very large business and very successful. the only, there's no, you just got to go do it. You got to make mistakes and you learn from doing this stuff. I don't think there's any path.

that you can write down and say, do this path and you'll be successful. I think there's a lot of luck involved. think timing's important. If entering the right job and the right business at the right time, bringing on good support people that are talented. There's just so many steps into making a business successful. And I think it comes from experience, ~ a good education, know, business acumen. There's just a lot to it. And there's no,

Matt Slepin (50:37)

Mm-hmm.

Mm-hmm.

Jeffrey Hoopes (50:57)

There's no panacea.

Matt Slepin (50:58)

Yeah, the thing that I'm taking from the conversation, though, is run it like a business of what what does a business mean? I can't fall in love with head hunting. I love head hunting. I couldn't run my head hunting business. guy, Larry Hartman, and they know how to build my business and grow it to be a profitable large business. And doing the thing is different than running the business that this is all across the board in commerce. Now you need someone to run the business who's not just generic but understands the business.

Jeffrey Hoopes (51:18)

That's right.

Exactly.

Matt Slepin (51:25)

So you

grow up in it, you have an MBA, so you know where to take it. we're doing work, we do a lot of work in property management in the apartment business, which is almost like construction because you have a ton of people who are not paid that well, they get into this, they rise up in the world, but running that business is different than knowing that business. So you have to have both perspectives.

Jeffrey Hoopes (51:28)

Exactly.

Exactly.

That's a perfect way to say it, Matt, because it's having the business acumen to understand that if you're going to start up a mass timber business, you need somebody that understands mass timber. And you get the right people in there to run the shop, to run the floor, to, you know, if you're a good manager, you're putting the right people in place. It's not you. It's the people. And the best ideas I've ever had came from other people. I didn't come up with those ideas. I mean, we built this solar business and

Matt Slepin (51:57)

Mm-hmm.

Mm-hmm.

Jeffrey Hoopes (52:13)

it turned into a multi-billion dollar business and we're having a beer in San Diego and a young man came up to me and said, hey, this solar guy called me and wants to borrow a superintendent and show him how to use a crane to hoist some panels on a school. And I go, let's go meet with him. And so we did the research, we went to the board and got approval of some money and I put the right people in place and it became a billion dollar, multi-billion dollar business that was massive.

Matt Slepin (52:39)

Well...

Jeffrey Hoopes (52:40)

And it just started from putting the right people in place, having that, you gotta have the fill of what is, is it real or not? And does it make sense to invest in it? That's the business acumen of the business side of this thing is you're willing to invest, but then you gotta put the right people in place. You can't do it yourself. There's no way.

Matt Slepin (52:57)

Yeah, you what I want to get so here's a question your son now works for you So what is it like to have your son there?

Jeffrey Hoopes (53:02)

Yes.

it's interesting because it's complicated to have your children work with you. think the group that I made mistakes starting doing this, and then I'm on a board for company up in Wisconsin, they're really good builders, and they have a family policy is that when

Matt Slepin (53:09)

Yeah.

Jeffrey Hoopes (53:24)

you graduate college, you have to go away for five years and work for somebody else. Great policy. And I told him that I said, that's brilliant. Yeah. Go away, come back with skills. You're going to contribute. it's wonderful. So, what I did is my kids started with me right out of college and it was very difficult because they were, I don't think they were treated very fairly and cause they were the boss's son. You know, you know how that goes. And

Matt Slepin (53:29)

Great policy. Many, many do this. Yeah.

Jeffrey Hoopes (53:49)

It shouldn't have been that way. It should have been the opposite where they treated them better, but they didn't. treated them worse. So the smartest thing is when your children go away and get smart and work for other great companies. And then they come back. My son Preston is just began working with us a few weeks ago at Suffolk. He's now the regional manager, Preston Hoops, the regional manager of Northern California. And he spent several years at Swinerton and several years at Suffolk. I mean, McCarthy.

Matt Slepin (54:14)

Mm-hmm.

Mm-hmm.

Jeffrey Hoopes (54:15)

And he was doing special projects and he set up a drywall group and started self-reformed groups. So he's doing all the things we want to do at Suffolk. And I did not put his name out there. They actually tracked him down. And then John Fish, the owner called me up one day and said, I'd to talk to Preston to run the region there. I said, well, John, I'm not sure.

And he goes, well, I think he's really talented. We'd like to talk with him. said, okay, then go ahead and here's your cell number. And so they talked with him and, and, I stayed out of it, tell you the truth. And I let them go through the interview process. It's because I had to do that. I can't do it as the dad. And so they interviewed him and very excited. He's very talented. Uh, he's been in the business now for 20 years. I keep thinking of these guys as little kids. That's the, that's the funniest thing, right? It's my son, but he's 40 years old and he's been in the business for 20 years.

Matt Slepin (54:42)

Mm-hmm.

Of course.

Jeffrey Hoopes (55:06)

And he's very talented. So he's going to bring a lot to Suffolk in the region. He's got a lot of good connections in Silicon Valley. We'll open up an office in Silicon Valley in January. And we'll be pursuing then the technology clients, the Googles and the Lambs and that type of thing. So that's where we're going with this. And I'm excited to have him on board and ~ we'll figure it out as we go. But it's fun. He's a great guy.

Matt Slepin (55:26)

That's wonderful.

There's so.

Cool, there's so many benefits to our children coming into the business and it happens a lot because they've been learning the business at the dinner table. I could tell what your dinner tables like same with mine, so they they come to the business at 25 years old, but they've kind of been there for 10 years already or whatever. So that and there's nothing wrong with it because also there's some warmth of familiarity of contacts and it's a contact business so.

Jeffrey Hoopes (55:48)

I grew up with it. Exactly right.

Matt Slepin (55:57)

Relationships matter a couple of other questions. What about green? What about climate change in your business? Concrete's one of the worst climate change issues that we have the built environment causes 40 % I think this is the number quoted it before in the podcast of Climate change. So how can we bend that curve in what you guys do? But I think concrete is the largest part of that. Is that changing?

Jeffrey Hoopes (56:21)

that is right now. part of it's interesting. Part of the Suffolk technology is they've been investing in a company that will do zero emission concrete and with new technologies. So there's been a lot of money on it. In fact, signed up for delivery of most of the materials for this zero emission concrete.

So that's ongoing. we are looking for the, there are solutions coming out. Initially there's fly ash, there's all kinds of additives, there's things to reduce the carbon emissions. And, but I think in the next four or five years, and like I said, Suffolk's actually writing millions, millions of dollar checks to figure out how to do that reduced or zero emission concrete. And you'll see that happen. I agree with you. That's the number one thing.

Matt Slepin (57:05)

No.

When that now the cost is prohibitive, when that gets to scale, is it about the same price? Is it cheaper? Is it much more expensive? What's it look like when it becomes a product that's established?

Jeffrey Hoopes (57:18)

Yeah, that's the idea. You called it exactly right. Right now, we're paying a premium for it. But universities, hospitals, some groups are willing to pay that premium right now because of the environment. And the whole idea, though, is to get it to scale and use it across the United States and try to drive it to the same price if we can. And that's the whole idea. And that's what we're trying to get. So eventually, I think it'll

might not ever get to the point where it's at scale with lime and cement, but I think we can drive it down to it's competitive. That's what we're trying to do. And again, this is an investment there's putting millions of dollars into right now. Yeah, that's really good.

Matt Slepin (57:53)

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with the current administration, two headlines of the policy are tariffs and immigration. And both of those affect the construction business a lot. Now, maybe they affect home building even more than they do you, which is all in construction. But how does that affect your business? How does that affect you with promises you've made at a cost price at a price that might now have to be changed?

Any comments on those two things?

Jeffrey Hoopes (58:19)

Got it.

Those are really hot topics for sure. the tariff, let's take them separately and then back together. Does that make sense? The tariffs right now are adding about two and a half to 3 % on the cost of a project. And that's the range we're seeing. And you can calculate that out. Let's say that 60 % of a project is materials.

Matt Slepin (58:29)

Okay, yep.

Mm-hmm.

Jeffrey Hoopes (58:42)

Let's say that 25 % of those have been impacted. And let's say that the price has gone up 20%. You're right about 3 % in cost of the job. And that's kind of what we're seeing. We went out and bid a job the other day and we went to every sub and we said, how much do you need to cover the tariff risk? And it came back. We added all of us, two and a half percent, about a hundred million dollar job. So that's kind of what we're seeing on tariff, but it seems like a small amount, but that's a lot of money on a.

Matt Slepin (59:02)

Sure, now.

Jeffrey Hoopes (59:08)

500 million, I mean a $500 square foot job, it's $15 a square foot and it's already overpriced. It just adds on to what's happening, right? It makes it tough. And the other problem we have here is capitalism. the American companies are taking advantage of the tariffs also for steel. Steel is a great, great example. So they put a 25 % or 50%, I think it's 50%, it changes all the time, 50 % tariff on

Matt Slepin (59:17)

Mm-hmm.

else sir.

Jeffrey Hoopes (59:35)

imported steel. So all of a sudden, the US steel companies increase their prices. They just jack them up. So all of a sudden, the US steel price is 5%, not 50 % cheaper, and they're making bigger margins. And the prices change on steel every day. I mean, you go to the futures markets and they change every day. all of a sudden, it runs up because people perceive there's going be a shortage and they're willing to pay more and the companies charge more.

Matt Slepin (59:46)

Mmm.

Jeffrey Hoopes (1:00:00)

And so it's capitalism. So we're not seeing the results that the administration wants to see by driving more manufacturing locally, all those types of things, because US companies are taking advantage of it. That's a problem too with the tariffs, because there's nothing that says you can't raise your prices in the US, right?

Matt Slepin (1:00:17)

Right. Prices find their level and so you're agnostic to where you get it from. So therefore if it's five cents less, you're going to go there or go.

Jeffrey Hoopes (1:00:19)

Exactly.

I'm going to go five cents.

Yeah, I've set 50 cents. I'm still going five cents less. I'm to go there and they're just going to make bigger margins. That's how it works, which is kind of disappointing that US companies would take such advantage of it. It's capitalism. That's what's going to happen, right? Yeah, free market. Then the other thing is, like you said, is immigration. it's interesting because people are going to hurt the worst in immigration are the home builders.

Matt Slepin (1:00:31)

Mm.

Free market, yeah.

Jeffrey Hoopes (1:00:52)

and the non-union apartment type builders. Because most of their labor, think 69 % of all construction labor is from immigrants. And 29 % of that is illegal. So those are the stats I read the other day, again, from a report out of New York. And I go, wow, so that means like 20, 25 % of the whole workforce is illegal for construction.

Matt Slepin (1:00:54)

Mmm.

Right?

Jeffrey Hoopes (1:01:17)

But you think of the jobs we do, we're unions typically, where we hire direct, we have carpenters, laborers and stuff, and they've got it, they've sourced it pretty well. There's social security cards, taxes paid, green cards, know, whatever's required to work. But on these home builders, for example, they're paying cash, a lot of them, and their piecework and they're, they're not, they don't have the requirements. So what happens when.

you know, ice shows up or, you know, something happens in the market and these people don't come to work. I think that's where you see the biggest hit is the lack of labor and availability of labor on those home builders and those small multifamily deals. The other one's going to get hit the worst with immigration. ~

Matt Slepin (1:01:59)

It's interesting

because at the same time, we're fighting hard to get more housing built because we have the housing shortage that is directly affecting the middle class who's pissed off. But the answer is supply. But that's the place that the price is going to hit from immigration to make it harder to do supply, which will then just increase the cost again.

Jeffrey Hoopes (1:02:08)

Exactly.

Exactly.

So it's double whammy. So you have tariffs on lumber. have Canada. Canada just cut off this morning any discussion with Canada, right? So what does that mean? I don't know. Let's all see. Yeah. The blue J's. But that's what was going to get hurt. It's really a double whammy of tariffs and immigration is really going to hit that at the same time we're trying to do single family homes and

Matt Slepin (1:02:20)

Yeah.

But they're in the World Series, so that solves it. They're going to be happy.

Jeffrey Hoopes (1:02:41)

And that type of thing is really gonna hit that market, continually to hit it. It's tough.

Matt Slepin (1:02:43)

Yeah, cool.

We need to wrap up. Last question on leading voices is your advice to young person entering the real estate business, but let's be more specific. The young person entering into your business and the construction side of the real estate business. We have to build the buildings if we're developing them. So how are we going to get that done?

Jeffrey Hoopes (1:03:02)

Yeah, I think I just want to say that construction business, like I I graduated from my MBA and I interviewed with all these hot companies, right? McKinsey, I was going to do all this stuff. I love construction. I've never been bored one day in my entire life in this business. And I'll tell you what, if I had a choice and there's such a shortage of people in this business and it pays really well, it's great because

Matt Slepin (1:03:14)

Yeah.

Jeffrey Hoopes (1:03:26)

I mean, it pays well. It's such a great profession. I'd say come into construction, go to school and get a construction management degree or come to work and become a carpenter and become a superintendent, you know, that type of thing. But there's a huge future here in construction. It's a great...

Matt Slepin (1:03:43)

I

bet there is, and at all levels. mean, you're hitting it at the middle and then we also need those business leaders who understand the business but also understand how to run a business.

Jeffrey Hoopes (1:03:45)

all levels.

Exactly. It's such a, there's a huge opportunity here from top to bottom, from the CEOs to the, to the plumber on the job site. There's just so many opportunities in this market. There's unlimited for jobs. It's, you'll love it.

Matt Slepin (1:04:06)

Sounds great. Well, your comments here are infectious. Your attitude and your wisdom about this is really inspiring. And when you're ready to semi-retire, we'll compare notes about that as well. So Jeff, thank you so much for being on the show. This is totally cool. Yeah, this is great.

Jeffrey Hoopes (1:04:16)

Yeah. Thanks, Matt. All right. Appreciate it, Matt. That was a real lot of fun. Thank you.