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Construction FINANCE, REAL ESTATE, LAW

Assembly Line

Pre-fab construction offers speedier route from point A to B

▲ **Workers construct** panels in a factory, allowing for shorter construction schedules.

Pre-fabricated panels, constructed in the factory rather than on site, are in demand. That's because 'they take time out of a project and increase our speed to market,' says one franchisee with more than 300 stores.

By Beth Mattson-Teig

Factory-constructed buildings that are made to order are giving a whole new meaning to the term "quick serve."

Anyone who has built a new store location from the ground up knows that the construction process is fraught with

unexpected hiccups. Bad weather alone can delay a building project for days or even weeks.

Avoiding those headaches, shortening the construction schedule and adding quality control and consistency are just a few of the reasons franchise groups are looking to manufacturers rather than construction crews to kick off their next development project.

Pre-fabricated construction has been used in the retail and restaurant industry since the early 1980s. However, the demand for pre-fabricated building systems, namely factory-made building exteriors, has been gaining traction in recent years. "We are seeing it grow,

particularly from the corporate client," says Dave Walock, president and CEO of Fullerton Cos. The Plymouth, Minnesota-based company manufactures panelized building systems for retail and restaurant clients through its subsidiary, Fullerton Building Systems.

Traditional "stick built" construction typically involves building a wood frame exterior shell. Specialty manufacturers such as Fullerton create pre-fabricated panels. Essentially, the frame work typically done in the field is done in a factory setting.

The different panels are pre-fabricated in sections, put on a truck and shipped to a job site where they are assembled.

Fullerton also applies finished veneers, such as stucco and brick, to the panels in the factory. "We are using the same exact materials that you would see in the field, only in a factory-controlled setting," says Walock.

The pre-fabricated construction option is creating a loyal following among large franchise operators such as Westlake, Texas-based Falcon Holdings. The company owns more than 300 stores across a number of brands such as Church's Chicken, Long John Silver's, Dunkin' Donuts and A&W Root Beer among others. "We prefer to do the pre-fab if it is a cost-neutral move for us," says David Fabian, chief development officer at Falcon Holdings.

Across his career in the restaurant industry, Fabian has worked with pre-fabricated panels for more than 15 years. At Falcon Holdings specifically, there are 50-plus projects in the company's portfolio built using the panelized system. "One of our biggest challenges in the industry now is to figure out how to get from point A to point B a little bit better, faster and cheaper," says Fabian. "We are a firm believer in the learning curve and figuring out how to take time out of a project and increase our speed to market."

Quick-serve construction

A big incentive of panelized building systems is the time savings. Pre-fabricated panels—the walls and roof—can be assembled on site in four to five days. In comparison, traditional framing on site requires three to four weeks.

At his client's request, general contractor Jim Lange recently used the pre-fabricated panelized building system to construct a new 4,800-square-foot Perkins restaurant this company built for a franchisee recently in Hastings, Nebraska. One of the big selling points for the client: It would cut a significant amount of time on the construction schedule, says Lange, CEO of J.H. Hesper Co. in Norfolk, Nebraska.

Lange estimates using the factory-made panels shortened the construction schedule by about 45 days. Despite adverse weather conditions, including rain and high winds, the Perkins restaurant opened on schedule in July. Although it did cost more to order the manufactured panels, the higher costs were offset by the shorter schedule, which created savings on labor.

"What the owner is realizing on top of that is that the 45 days is going to equate to six weeks of income occurring that he would not have had," says Lange. Getting operations up and running that much quicker is a big incentive for clients, he adds.

Using the manufactured panels allows Falcon Holdings to reduce its construction schedule by about 20 to 30 days depending on the brand. For example, the company just built a new Taco Bell in San Antonio that was completed 30 days ahead of the typical 90-day schedule. Another aspect Falcon Holdings likes about the panelized building systems is the instant marketability. On traditional stick-built projects, construction is usually eight to

nine weeks in before the exterior finishes can be put on the building. During that time everyone in the area is wondering what's going to go there and what is it going to look like, notes Fabian.

In its Church's Chicken stores, for example, the manufacturer has been able to install the signage directly to the panels. So as soon as the panels are erected, the consumer instantly knows that it is going to be a Church's Chicken restaurant. "Little things like that that you cannot do in a conventional construction job we have found to be unbelievably important as we try to roll out different concepts," says Fabian.

The higher cost of the pre-fabricated panels can be offset by savings in labor due to the shorter schedule. Using pre-fabricated panels tends to be more attractive in areas where labor is more expensive, or areas of the country where there is a shortage of labor, such as in the oil boom towns of North Dakota. Pre-fab construction also tends to be more attractive in the Northeast and other spots where labor costs are often higher.

Another important consideration for Falcon Holdings is how much the company saves in carrying costs on the project. By the time the company enters the last 30 days of construction, the firm has committed \$1 million-plus to the project for acquiring the site, construction, purchasing furniture, fixtures and equipment and also paying debt service. So, there is a big incentive to get the business open and operating 30 days earlier, notes Fabian. FT



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