

Checking in with Those in the Know

Home Remodeling's Editorial Advisory Board 2014

TO STAY CURRENT with the local home building and remodeling industry, every August we invite a select group of local professionals—with expertise in everything from building and landscaping to appliances and supply materials—to sit down with us and share what's on their minds. This year we learned that overall business is good, there are newly improved products worth taking a second look at and, interestingly, this past recession has changed the way the industry does business.

The editorial advisory board of *Home Remodeling* includes: Rich Bryant, vice president of Cape Associates; Richard Capen, co-owner of Capewide Enterprises; Chris Joyce, owner of Joyce Landscaping companies; Rob McPhee, president of McPhee Associates; Dave Murray, general manager of KAM Appliances and Tony Shepley, owner of Shepley Wood Products.

Question 1: We always start with the economy. Is business up, down or relatively the same as last year?

Rich Bryant: I would say for our property management and small jobs division, we've seen an uptick. Our larger residential projects seem to have remained even this year. There is a little uptick in our commercial projects—tenant build-out and deferred maintenance projects.

Chris Joyce: We've seen a good year. Last year was great and this year was even better. We run two departments: a maintenance department and a landscaping installation department, and they both have had good growth.

Rob McPhee: I would agree. It was a busy winter. The summer stayed busy and we have some good projects to start over Labor Day.

Chris: We saw business die right after the Fourth of July for a few weeks and then right when August began, it picked up again as people plan projects for when they are not around.

Dave Murray: Last year I said that we saw an increase in our luxury market, and I would say more residential customers are investing money in their property. Their confidence has improved. This year has been interesting for us because in April and May, we saw some losses as compared to last year. I believe the weather had a lot to do with it. I slowed down projects. Our phones were still ringing and we were still getting questions from online, but I think [the bad weather] slowed down people coming in and buying an appliance. But since the beginning of summer it has been non-stop.

Richard Capen: The year 2013 was our best in 10 years and I didn't think that we would be able to top it. From 2014, headed into the second part of the year, I am on track to beat last year. The winter was very tough. Our projects are running from four to eight weeks behind schedule. Part of our business is snow plowing, so we traded business for less business. This past winter we didn't do a lot of excavation, so those numbers suffered through the first quarter. The pent-up demand sort of blew up in the second quarter as we started into the third quarter. Now people are panicking. They want to

get on the schedule to get their yards taken care of and septic systems installed. It will be a struggle, and then we will be putting the plows on. I hate to say that in August, but that is how it works. I am hoping for a very good last half year.

Tony Shepley: Just like Rich said, crazy winter, but remarkable in that at the end we sort of pulled out even to 2013, which was a banner year. The first half of the year we sort of played catch-up. In 36 years, I have never seen that many days when we literally did nothing. A \$225 sales day was a first for me. But the good news is, in typical fashion, we are cramming it all in in the last six months. So the end of the year is going to be a mad dash for everyone in the building business. How have we not balanced August as the big preparation month when projects get planned out and permitted and against September is as the execution month? We sort of waste a lot of August and September and what happens in October? What little air we have left gets pulled out to make it all happen between October and November and December. Thank God we usually have mild winters.

Rich: We tell our employees that August is a good time to take some time off.

Tony: Wouldn't it be great if someone came up to you, Rich, and said they wanted to start a build in late July? To the readers, if you want a good deal, ask [the builder] what time would be best for him to start the project. Nobody even thinks of this stuff until they show up on your door in late September.

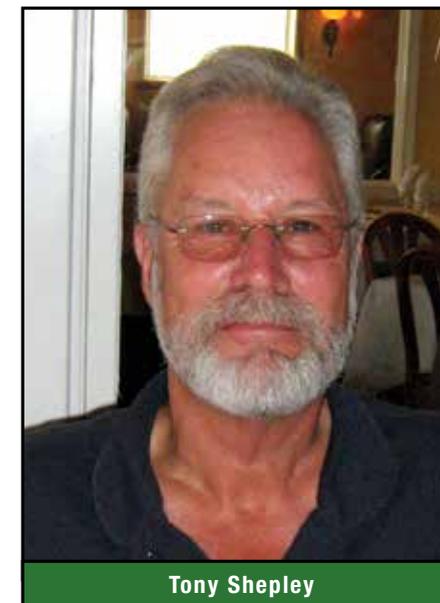
Rob: Yeah, and you are going to get a good product and weather-tight before the bad weather shows up.

HR: But that is different for you, Chris, for landscaping?

Chris: It's funny. We do hit a wall in August as well. For us, it is Memorial Day; that is a big deadline for maintenance and then for construction it is July. Then there are always small projects that lead you through to August. But August for us is predominantly slow because if the project is not done by July, then the homeowner doesn't want to start anything. We have work right now, but it is not that busy. The Tuesday after Labor Day it is so busy it is insanity.

Question 2: What types of projects are people most interested in now? Are you seeing a lot of teardowns, kitchen remodels, outdoor kitchens? Any trends emerging? What are homeowners looking for?

Rich: They are looking for quality at the lowest price. I can tell you that. So, yes, yes and yes to all those projects. We've been seeing an awful lot of 1980s structures that have been kicking around that people are looking to update. Updating old kitchens and baths generally leads to a larger renovation to create more of an open living concept in their house.



Tony Shepley



Rob McPhee

“Last year [business] was great and this year was even better.”

—Chris Joyce

HR: Is it common that someone will hire you for one job and then discover that they want a larger renovation?

Rich: Yes. And I think Chris can speak to the outdoor living aspect. A lot of the projects showcased in remodeling magazines are outside-living oriented. So, the outside is generally tied into the inside with a kitchen area, fire pits, etc.

Chris: Most of our customers are baby boomers and they are trying to create destinations for their families. So when it comes to the outdoors, they want the outdoor kitchen, the fire pit, a crazy swing set area for the grandkids. They are trying to create a destination that everyone comes back to. We are even seeing outdoor spacing at more moderate homes today. People are really saving and spending money on the

outside; decks are coming off and we are seeing a lot more stonework. We have done a lot of fire pits this year. We are definitely seeing that that outdoor space is becoming so much more popular. It seems every high-end project has a pool.

Question 3: Have you been seeing a larger volume of smaller projects, both in size and cost?

Rich: In my territory, from Brewster to the bridge, our small jobs division is receiving twice as much work as last year.

HR: What constitutes a small project?

Rich: There is no real formula to it. A small project is something that obviously wouldn't fall to the builders division, say under \$30,000 dollars, typically. It would be a small bathroom—they want to replace a tub with a custom tile shower and then end up renovating the whole bathroom; something along those lines.

Richard: We've always concentrated on smaller jobs in the \$30,000 to \$40,000 range. I am seeing people doing more with the size of the project—just coming in and doing the bathroom, but the dollar amount has risen.

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There are people now who are less budget conscious, more along the lines of: “This is what I want; tell me how much it costs and then we will do it.” As opposed to a few years ago when somebody would come in and say, “I want to redo my bathroom and I don’t want to spend more than \$12,000. Can I do it?” We are seeing the smaller jobs, but the price-point has gone up.

Rich: I bet Dave could tell you that your average kitchen used to have a dishwasher, a range and a refrigerator; now it has a wine cooler, an ice maker and a separate fridge and a separate freezer side-by-side.

Dave Murray: Two dishwashers, two sets of laundry machines—maybe one downstairs and one upstairs! Another thing, in keeping with an open floor plan, people don’t want to necessarily see all these accessory appliances, so they are



Richard Capen

custom paneling. The trend is to try and hide that from view. There are two other things that I have noticed: people are looking for something that is built to last, especially with stoves. If they are going to invest all that money in doing a project, why stop there with cooking appliances?

“Those simple but more industrial appliances are growing in our business.”

—Dave Murray

You can buy a range that you can hand down to your children. Those simple but more industrial appliances are growing in our business. And the other thing that I have noticed is that there is more input from both spouses on making these decisions on kitchen appliances. Just as many questions are coming from each side of the table. They want the whole family to use the house. For us, I think it is the Cooking Channel and the Food Network that have made it more mainstream.



Chris Joyce

Question 4: Have LEED and “green building” slowed down due to the economy or have they increased in hopes of saving money for the consumer over the long run?

Rob: I have people ask about it every once in a while, but they will use the term loosely.

They may say that they are interested in green, but it is certain things.

HR: Like bamboo floors...

Rob: Yeah, that or maybe they are tearing the place apart and they hate to see a lot of good stuff go—they want to salvage it. They either give it away or make use of it in some way.

Tony: There was a lot of green washing, too, where people would claim that things were green, but in fact, they weren’t. The flip side is that people have standardized some green approaches that used to cost more, like Maibec shingles, which are FSC-certified, so you can trace the chain of custody all the way back to the stump. LED lights are finally starting to look good and we are using them on all of our vehicles because they last longer. They cost a little more up front, but it is worth it. I am just waiting for better retrofit opportunities.

Rich: We just finished a house that isn’t certified yet but we are hopeful that it will attain a silver LEED certification. I agree with Rob that there is a much larger set of homeowners who are interested in incorporating just certain aspects of green building practice, like deconstructing a part of their building and donating it to an organization like Habitat for Humanity’s ReStore. It gives people a good feeling. They are not sending something to the landfill and somebody else is benefitting from that. Chris does a lot with green. The big green aspect for him right now is no fertilizer.

Chris: The big issue is that everyone is fighting you on nitrogen base, but if you don’t have a healthy turf grass, you are going to send more nitrogen into the estuaries than if you do. And there are studies throughout the country.

Question 5: Has material cost and availability affected your work, if so, in what ways?

Rich: I think availability has become an issue and has remained one since the downturn years ago. [Stores] stopped readily stocking items that we normally would have picked up off the shelves. It seems like they make these things—like electrical fixtures—as you order them. So the lead times have increased. I waited eight weeks for a recessed light. This just means that you have to plan further in advance.

Richard: I experienced that on one of my recent projects. We had to order so far in advance and then we had to warehouse every phase of the job.

Rich: I know. When you put in windows you know that you are going to wait at least four weeks for them. So it is something that is always ingrained in us builders. It is a given, and we have learned to build that into our construction schedule. And the other specialty items, they take forever and a day.

Tony: But the initiative to reduce that four weeks to two weeks has never quite come about. Before the recession, that was a big topic of conversation. What happened was, everyone has been forced to become more efficient. Right now it is interesting. Cross-country truck drivers have been cut back so much in the recession that now there is a shortage. So we struggle with it from a freight perspective because sometimes the product is sitting there waiting and now we have to be really creative in how we find someone to go get it.

Chris: We’ve seen since the economy has improved that plant materials have been in a major shortage. And the weather has caused some problems with getting plant materials. We are finding ourselves handling stuff more, so we are buying out jobs months in advance and then nursing them at our shop. Back when things were moving, you



Richard Bryant

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—Rich Bryant

could direct ship to the job site and set up a temporary nursery there. And there has been a change in how we do business. We’ve had to hold and manage large quantities of plant materials in order to deliver projects on time.

Rich: It is a whole other business.

Chris: We are lucky that we have the land and we are able to buy out a job and bring the material to the site. If you knew what you needed for spring, and you hadn’t put those orders in for the bigger jobs by



Dave Murray

March or April, you weren’t getting that plant material—with a big job, that is. You are always going to be able to do the smaller jobs.

Dave: Now you can buy something online with Amazon and have it shipped in a day. With the appliances, it is not a big issue for us; but on the service side, it is. If you have a circuit board or a sensor act up and we get a service tech out there, and we don’t have it in stock and have to order it, not all of these parts are made in the USA, or even by places that are still in business. A lot of production over the past ten years has been done overseas and it complicates the parts business for us. For our business structure, figuring out the availability of appliances and parts really affects the bottom line. Being aware of availability and being able to explain it to a contractor or homeowner is really important.

Rob: I think the onus, as you were saying, falls on the contractor. We need to know those timelines—if your window time is averaging four weeks (or specialty lumber, or steel beams, whatever), put it into your job calendar early enough and place the order based on your flow chart for an entire job. You know that you need it by a certain day.