

Checking in with Those in the Know

This August we held our annual advisory board meeting, where we sit down with local home building and remodeling experts to discuss everything from new products and regulations to trends and the challenges associated with the industry.

Weighing in at this year's meeting was: Richard Capen, co-owner of Capewide Enterprises; Chris Joyce, owner of Joyce Landscaping companies; Rob McPhee, president of McPhee Associates; and Tony Shepley, owner of Shepley Wood Products.

Question 1. Over the past few years, you've reported in our annual editorial advisory board meetings that business has steadily improved in the home remodeling/building industry. How was business this year? Did our harsh winter increase the need for home repairs?

Chris Joyce: I have found this year to be extremely busy, and I don't know if the winter is the cause of the additional work. The winter definitely slowed the landscape industry. We definitely got a much slower start this year. Instead of hitting it hard really quickly at the end of March, it took us until May before we really had the machine moving because we didn't get out of the "snow" part of the business until almost April. It took us a long time. For landscaping, even though the season for us started later, we were as busy in August as we were in June, which is usually not the case.

Rob McPhee: We've found the same thing. We've been really busy and I wouldn't attribute it to the winter. But, it did put a late start to the spring work. There have been a lot of opportunities. And if it continues this way, the winter has the potential to be a very good winter. We have a lot of irons in the fire.

Tony Shepley: Business was tremendously challenged in the first quarter of 2015, when after a good January, the non-stop snows of February and March hit. Record snowfall and cold temperatures really stifled business for the second winter in a row. Unlike 2014, which took all year to make up for first quarter of lost business, however, 2015 rebounded and stayed strong right through the summer, when construction would normally slow. I think the economy is just doing a little bit better. But if you look at it nationally, we're still, in terms of housing starts, at where they thought the theoretical minimum was. The good news is that this is a nice and steady recovery.

Rich Capen: Business has been steady this year. But the winter was very difficult for our construction business. Even though we did well with plowing and sanding, all additional revenue was eaten up in repairs to trucks and equipment. The lost time really impacted our late spring/early summer deliveries. Due to the pushed back start, our fall workload is heavy.

Question 2. The U.S. Census Bureau reports that 35 percent of homes on the Cape are seasonal. What percentage of your clients are

year-round residents versus second-home owners? Are Baby Boomers still a big segment of your clientele, as reported in previous years?

Capen: Seventy percent of our work comes from second- and third-home owners.

McPhee: I would be guessing on a percentage. But the majority of people we work for are seasonal homeowners. And if they are not here full time, they are getting ready to retire, so they will become year-round. It seems like everyone we are working with now is not a year-round resident at this time. The majority is seasonal. And we still have a lot of Baby Boomers, but what we've found over the years is that the young professionals who have been very successful in their careers are buying houses here. They may have come here when they were kids and now they want to share it with their family, and they are putting money into their homes. I've found more of that transition with the young professionals. They are still seasonal homeowners; it's just been a generational change.

Shepley: I think it also depends on the area, too, because if you think about Osterville, Chatham, Nantucket, MV—they all have

my color [gray] hair. The expensive places tend to be a little more advanced in age. They've moved up. And Rob's right, a lot of this stuff is transitional. Yeah, it's a summer house now, but they are thinking about retiring here.

Joyce: So, I would say 80 percent of our customers are seasonal—and, again, that is a guess. As Rob says, we are seeing a shift as well. We still do a fair amount of work for Baby Boomers, but we are starting to see younger professionals building these unbelievable properties. They grew up here, or summered here, and now they want to come back. In towns like Osterville, like [Tony] mentioned, you are seeing younger people that come there and build these really beautiful homes. They are young families with school-age children. It is pretty interesting.

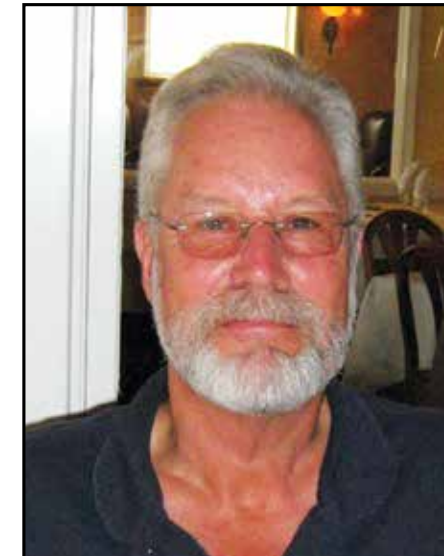
Question 3. What are second-home owners looking for in a remodel/landscape? What are the most common projects requested by year-round residents? Have trends changed?

Shepley: I think trends evolve, but outdoor living is huge.

Joyce: It's massive.

Shepley: I see a lot more hardscape now and more emphasis on decks. People want stone.

Joyce: On the landscape front, for seasonal [residents], everyone wants patios and fire pits and after-the-beach activity areas. We are also seeing a lot of pools for seasonal people. We built a tremendous amount of fire pits this year with patio setups. We are seeing with our year-round residents who are doing an



Tony Shepley



Rob McPhee

outdoor living project, they all want pools. Even though they live on Cape Cod, pools are stronger now than ever. We are seeing more gas fire pits than wood because of the smell.

McPhee: For us, echoing the outside living trend, we are seeing a lot of screened porches, outside decks that take advantage of the view, and AV systems. A lot more cameras are going into houses these days. And open floor plans. It is all about entertaining. You have a place on the Cape and everyone wants to come in the summer.

Capen: Adding more room for family—either through studios, great rooms or bedrooms, if possible—is another trend we are seeing.

Question 4. The Federal Reserve meets in September to decide if interest rates should be increased. If rates are increased, do you foresee an immediate impact on the building and remodeling industry?

Shepley: Can we make the sound of screeching brakes? The fact that inflation has not surged in a long-term, virtual-zero-interest-rate environment is a sign that, although we're better than we were, we still have a fragile economy. What country in the world today doesn't? Increasing interest rates in September should be very carefully considered. There could be an immediate impact on building activity if rates go up.

McPhee: What I've found is a lot of the people we've worked with over the years are paying cash or transferring an asset from another place. So, I think that interest rates will have a larger impact on the resale market than on those who are doing a project on the Cape. It seems like over the years—with the costs of all the regulations and everything that you have to put into a home today—[building a house] has gotten so expensive that less people are doing it.

Joyce: I agree that a lot of customers are not borrowing money to do projects, but I do

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think that any major change in the interest rates, even if it won't affect our clients directly, will have a major impact on the economy as a whole.

Capen: No, for the most part. Our customer base knows that rates cannot stay flat forever, and for the economy to improve further, rates will need to rise.

Question 5. What is the difference between the Stretch Energy Code and the new International Energy Conservation Code? Has it altered your methods of construction? Have architects adopted these changes into their drawings? Has it increased the cost of construction?

Shepley: The Stretch Energy Code was added to the building code on July 24, 2009. It uses provisions of the International Energy Conservation Code 2009 (IECC 2009), but provides a more energy-efficient alternative to the standard energy provisions of the code that a municipality may adopt. The current standard energy code in Massachusetts is the IECC 2012, as of July 1, 2014, which is more stringent. As you can see, the code is always an older code year. There have been no updates to the stretch code since the enactment of the IECC 2012. The stretch code will continue to be based on amendments to the IECC 2009, until such a time as the stretch code is updated. So, the current standard code is more energy efficient at this time. And, yes! It has altered construction methods. HERS rater/blower door test, increased insulation value, increased air infiltration control, more HVAC standards as examples of aspects that have changed. The project needs to be looked at as a system to achieve standards and there are various methods to achieve the goals.

McPhee: And, yes, with these new energy codes, the cost has continued to increase. We are making the houses tighter, the air quality poorer, so we are making fresh air come into the house from the outside to condition it with mechanical systems, so that we stay healthy and are saving energy on our tighter houses.

Shepley: And we see housing envelopes begin to fail sometimes. [After] 10, fifteen years, if you take off the siding, underneath the house wrap, which is a whole other issue, it's just total rot, moisture and mold.

McPhee: They do testing, but there is only so much testing until you put it in the real world. As Tony says, you build a house and 10 years later you pull it apart for something and you are amazed at what you find and how things are failing or not.

Shepley: How many old houses when you take them apart are in perfect shape because

they breathe? There is a lot of ventilation. Not a lot of insulation. I think I've told you my theory: by the time you comply with the energy code, we may actually be costing ourselves energy because of the energy cost of rebuilding and remanufacturing and transporting stuff all over the country. And, if you look at it over a 20-year period, I wonder if you would've utilized more energy? Sort of like putting preservatives in food. Maybe your food lasts longer, but maybe it wasn't worth it.

Question 6. What are your thoughts on solar panels? What are the drawbacks and what type of long-term effects do you see for roofing?

Shepley: We love solar panels! We own 6,000 of them. Most of ours are ground mounted for easy service and cleaning. Panels are pretty low maintenance with no moving parts. The technology keeps improving and panel cost has kept drop-

ping with a lot of international competition. Panels typically have a 30-year life expectancy, so make sure, if you put them on a roof, that it's a new roof. Solar roof shingles are another interesting alternative to panels, though still fairly rare.

McPhee: We've done some, but there hasn't been a huge demand for them. As long as there are tax incentives out there, and if they are going to stay in their home for awhile and they are saying, "I am tired of these electric bills," then invest in the panels and take the tax credit and in seven years or so the investment is paid off, or however long it might be. But there is maintenance involved.

Shepley: I am a ground-mount fan. Roofs are tough to service them. But getting the right contractor is key.

To learn more about solar energy systems, read "Going Solar" on page 78.

Question 7. Are more building and remodeling companies offering interior design to their roster of services?

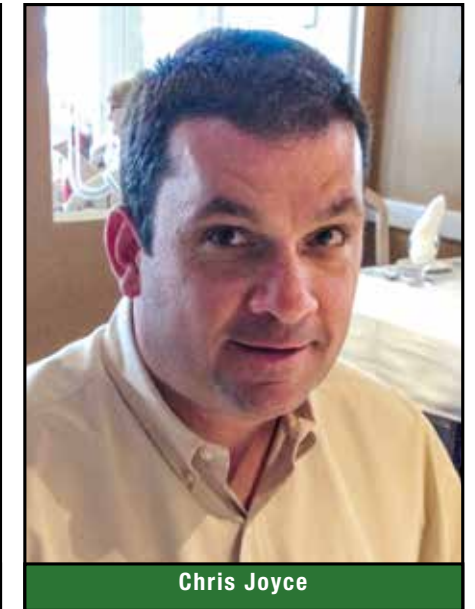
McPhee: Personally I am not familiar with this. We have people that we work with when clients ask for interior design. And some clients come with their own. We have a lot of people we work with, and we have a system for that process. We take them out and work with them on the selection and design coordination, but we are not interior designers per se.

Question 8. Is there anything on your mind that you would like to discuss?

Shepley: Yes, the need for sensible market-



Richard Capen



Chris Joyce

rate housing that helps young people move out on their own and provides seniors with comfortable, affordable and accessible housing. Standardized language between our 15 towns to help create more Accessory Dwelling Units (ADU's) can really take pressure off our housing supply and provide the lowest impact, additional housing units we need on Cape Cod. Whether it's a room over the garage, a studio apartment, or an in-law apartment, this is how we have managed rental-housing stock for centuries—until the past 30 or 40 years, when we started to impose regulations on ADU's. How about the young couple who could rent out an ADU on their property to help make their mortgage payment each month? We need to promote ADU's in Southeastern Massachusetts. There are a lot of would-be renters who could use them.

Joyce: Tony and I talked about this earlier: the skilled labor force in this industry is aging. I just think that the whole industry is going to go through a major change in the near future because the average age of those

skilled installers is late forties to fifties, and we are not backfilling those positions. It's going to change the whole industry.

Shepley: What about training [trades people]? Do you think that is what we have to do? In the old days you had an apprenticeship and people tended to stay somewhere and you would train them. I think we've gotten away from that. Now, the way you remedy this, and we are doing this in our business, is to find people who want to learn. So we start with good, decent people and we can teach them the business, which is a commitment. But, the good news is, when you teach someone how to be a mason, he's your type of mason. So, you really have him. We have to stop complaining about not being able to find good people. What we have to do is make good people.

Joyce: We have a motto at our company: hire for attitude and the rest will fall into place. To get from a new hire to a skilled worker is so long and challenging that we hire for attitude.

