

Checking in with Those in the Know

Editorial Advisory Board Meeting – Fall 2011

Each year we sit down with leaders in the area’s home building and remodeling industry to get a sense of business in general as well as touching on trends and concerns.

The Editorial Advisory Board of *Home Remodeling Cape Cod, the Islands & the South Coast* includes: Doug Bohannon, president of Mid-Cape Home Centers; Richard Capen, owner of Capewide Enterprises; Matthew Cole, vice president at Cape Associates; Chris Joyce, owner of Joyce Landscaping; Paul Mazzola, owner of GCI Builders; Rob McPhee, vice president at McPhee Associates and Tony Shepley, owner of Shepley Wood Products.

Home Remodeling Cape Cod, the Islands & the South Coast (HRCC): We know the economy is affecting your business, as with all markets. How has it impacted your company? What are you doing to fill the void and have you expanded out to other markets?

Chris Joyce: We’ve been talking about the economy for the past four years. I think it is a lot better. It is very challenging out there and I think many of us in this room have had to make some changes within our operations to cut some overhead. We are not back to the 2007s or 2008s, but we are doing much better due to internal cuts. I look at the end of June as half-time and this is the best position we’ve been in for some time. The fall is falling into place, so I am very optimistic.

Paul Mazzola: I feel the same way. But my main concerns are the future, this winter and what I have on the books. We are doing a lot of custom and specialty cut stuff, but the bidding is a lot tougher. I used to say, “I can’t wait until the winter.” I can

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—Matthew Cole

calm down, take a week off to relax. But, I don’t say that anymore.

Rob McPhee: Historically, in our industry, the building industry, the summer is our quieter time of year because [homeowners] don’t want to lose their summer on the Cape. In the summer it is just sort of finishing up jobs and gearing up for the winter. So when you don’t have projects on the horizon it causes people to worry.

Matthew Cole: The recent economy exposed a few weak points in our operation that we identified, fixed and have learned from. We have always sought to

diversify and both continued that trend and benefited from it. We aggressively pursue every opportunity that we can; our expansion out of our Barnstable office has recently taken a turn for the better.

Doug Bohannon: We have been trying to expand and broaden our penetration to the builders and sell them on more of the products we offer at Mid-Cape Home Centers. This appears to be working according to our itemized sales reports.

HRCC: How would you rate the horizon as compared with a year ago or two years ago?

McPhee: Moving forward, this year has been a better year than the last couple of years for us. There are opportunities out there. They are just slimmer. It’s a lot more competitive.

Capen: This year is our best year ever. I am going into my eighth year. The service business that we have is very, very busy this time of year because of the influx (of people).

Mazzola: Most of our stuff is high-end and there are a lot of breakdowns on the bids. I’ve always done options. But now, it’s 10 options. Now [customers] say, “can you break option one down into three? Can you break option two down into four?” It’s a different species.

Cole: 2011 will be significantly better than 2010. Things really started to improve from an activity level last July (2010). It continues to improve.

HRCC: Thoughts on why business is better this year?

McPhee: People are tired of being pent up. There are a lot of people looking to come



Clockwise from top left: Doug Bohannon, president of Mid-Cape Home Centers; Richard Capen, owner of Capewide Enterprises; Matthew Cole, vice president at Cape Associates; Chris Joyce, owner of Joyce Landscaping; Paul Mazzola, owner of GCI Builders; Rob McPhee, vice president at McPhee Associates and Tony Shepley, owner of Shepley Wood Products.

to the Cape—either they currently own property or they have memories here. So, their equity off Cape is transferring down here and they are going to do something eventually.

Shepley: We have age working in our favor too, with this whole baby boomer thing. That’s the group for whom the clock is starting to tick a little louder. They think: I can’t wait this out. I have to do that remodel.

Joyce: I have seen a trend this summer with a lot of 35 to 45 year olds, young, very wealthy professionals that are just getting into the secondary home market. I’ve seen a phenomenal amount of that work.

Shepley: Chris hit it too. Most of us have fewer employees. And we finally found that leveling off point. So, now it doesn’t take as much business to make you feel better.

HRCC: We talked a couple of years ago about people staying at home and entertaining more at home. And a lot of that had to do with the economy. Has that changed?

Joyce: Their houses are becoming destinations. It is the baby boomers who are driving that to get their grandchildren and their kids to spend time with them. So, outdoor living is really moving forward.

Shepley: Two years ago people were like what is the bottom line? And it was all about squeezing and grinding the last dollar out. I think a lot of these people were shown that that really wasn’t the answer. So now, I think people listen a little bit better to what you guys are saying, so they are making more informed choices.

HRCC: What’s on your mind? Meaning—is there some trend or issue in the industry that you’d like to discuss? Have at it.

Shepley: The economy is on my mind. I hope that we can really learn from what has happened. Although everyone is quick to criticize the Federal Government for its profligate spending without regard to budget, isn’t it just a reflection of the behavior of so many individual Americans? Let’s make saving fashionable again and bring back stigma to running up credit cards without limit. Let’s practice what we preach.

Joyce: I have a concern about continually getting a work force as we move forward. I am in the position where I hire a lot of 18 to 28 year old employees. They are a different group of people than they were and kids of today want instant gratification. We have to attract people to get into our industry and I think we are going to have a major challenge as we move forward.

McPhee: Everyone goes to school thinking that they are going to come out with a job with a suit, and go sit at a desk. The trades are good viable way to make a living.

Capen: I would go along with Chris. I have tried very hard for the last three months in hiring quality young men and it is not easy. I look at my workforce and I am getting ready to bid my insurance and the average age is in the mid-forties. Recently I have tried to bring in young men in their early twenties. How much longer do you think you can go out and work in the hot sun with a shovel? Forty-six, 47, 48 years old, digging holes. I help to get people trained. Get them their licenses. I will sponsor them. I don't want anyone who just wants a job. I want someone who wants a career. I want to have these people be successful. Almost all of my employees own a home. They have a family. These are guys who are driving a septic pump truck or installing septic systems, plumbing, carpentry.

Cole: The cost of living on Cape Cod isn't going to decrease in the foreseeable future. It would seem that the course we are on is unsustainable. We need good, smart regulatory change that would help make it more affordable to live here. We need to focus on strategies that encourage the young talented workforce to stay here or to move here. Smart zoning strategies that allow pockets of higher density developments in the right areas of town will help the affordability quotient.

Bohannon: There is a movement toward energy efficient products such as replacement windows, A/C for cooling and heating savings, etcetera. The stimulus packages being offered kicks this off.

HRCC: Any words of wisdom for homeowners on how best to spend their building and/ or their remodeling budget?

Shepley: The best wisdom for spending your building or remodeling budget is to spend it in the right places and to concentrate less on trying to find the absolute lowest price and more time on looking for the builders, remodelers and suppliers who will give them the best value for their money. Price is the easiest part of the whole equation.

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McPhee: In addition to where people should spend their money, they should take into consideration what they want. Don't worry about the guests and all the kids. Take care of where they are going to live on a routine basis. Kitchens and baths tend to be the biggest payback.

Bohannon: Review wisely any decisions regarding energy efficiency and the products being offered. They do not always work the way they are marketed.

Mazzola: Let's do the main project and then we can come back and do all the detail stuff, the built-ins. We can come back next year and put the moldings up, the panels up.

Cole: Take a hard look at where you can spend “smart” money to save operating and maintenance cost down the road. Don't be so quick to jump at short-term savings for items that may cost you more down the road.

HRCC: What is your vision for the industry in the next 12 months?

Shepley: An election year usually bodes better for our industry. An interesting consequence of an improving economy will be the failure of businesses that have made it this far, hanging on by their fingernails, but who won't have the capital or credit to gear back up with inventory or infrastructure to meet increased business demands. In some cases you will have lenders who won't want to go any deeper with a marginal borrower because they will feel they can find better business with new borrowers than they can by propping up the old ones. So, as business improves, I think there will be a re-shuffling of the supply chain. It's still a great time to buy, build and remodel. Interest rates will likely stay historically low and contractors and suppliers are hungry for business.

Bohannon: I feel it will be a very sluggish winter with an up-tick in the spring. People are doing only what they need to for projects to protect their assets and property. Both sides of the election will dictate where we are headed and where the consumer confidence will be.

Capen: I think we are a ways from seeing a swing in home value.

Cole: We need to join together to push back against the onslaught of regulatory change that has plagued our industry at an increasingly rapid pace in recent years. Some of it makes sense; a lot doesn't and the timing is all wrong. It has been challenging to keep up with the building code, energy code, stretch code and EPA regulatory changes. I would love to see Massachusetts impose a 3 to 5 year moratorium on building code changes. Consumers should not have to face higher costs at a time like this. •