

Checking in with Those in the Know;

Editorial Advisory Board Meeting—Fall 2012

We sat down with several leaders in the region's home building and remodeling industry. Not surprisingly, our conversation once again included the effects of the current economy. We also discussed the industry as a whole and the trends of the day.

The Editorial Advisory Board of *Home Remodeling* magazine includes: Richard Bryant, vice president of Cape Associates; Richard Capen, co-owner of Capewide Enterprises; Chris Joyce, owner of the Joyce Companies; Rob McPhee, president of McPhee Associates; Dave Murray, director of business development at KAM Appliances; Jeff Plank, owner and president of Mid-Cape Home Centers and Tony Shepley, owner of Shepley Wood Products.

Home Remodeling (HR): Once again, let's start with the economy. Is business overall better than it was when we met last summer? How about compared to two years ago...a notable improvement?

Jeff Plank: Business is notably better than two years ago. Early summer was slower than last year, which was mostly due to the warm weather.

Tony Shepley: I keep reading that this is the slowest recovery (since the Depression). I think that when you see people deciding whether or not to build a house based on what the Dow Jones did that day, that's not a good thought process. Business is definitely better this year than the past two years. But, here's the problem, too: When things finally do come back, guess what? Things are going to cost more. The best time to build a house is when you need one.

Richard Bryant: Perfect example of that today was that I met with a couple this morning in Chatham that had put their project on hold. They were going to do it a couple of years ago and then the downturn in the stock market happened and, lo and behold, here they are today getting ready to do the project.

Dave Murray: Business is slightly better this year and we contribute it to an improvement in our housing market.

Chris Joyce: I've sat in this meeting for three or four years now; I think we've all seen it improve. I've definitely seen an uptick, but people are still very cautious. You have to be very versatile to work in this market. The big difference I see is when the economy was striving, you could plan better because you had a better backlog and understanding and we just aren't able to have that backlog.

Richard Capen: I would agree with what Chris said. I don't see a big difference from last year and this year. Thankfully I was busy last year and I am staying busy this year. My company's diversification is helping us out, but we have to really hold the customers hands through the design process.

Rob McPhee: I would echo what a lot of these guys have said. There are a lot more inquiries this year than last year, but the backlog is not there though.

HR: If it is better this year, how so: higher volume of customers or is it a relatively similar number of customers who are willing to spend additional money?

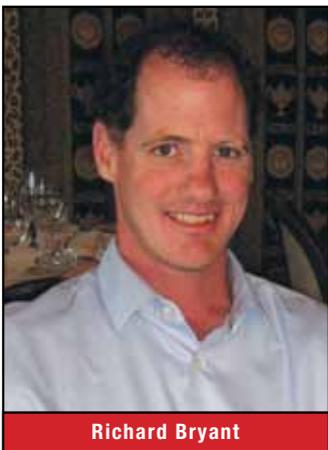
Bryant: It's a higher volume and I think that's borne from the economy and people being a little more frugal and doing their due diligence and getting multiple contractors out there. So what that does is invites more opportunity for us that we otherwise wouldn't have had.

McPhee: I would agree. A higher volume, but also one of the trends I've seen in the last couple of years, during the downturn, is the jobs were a lot smaller. Some of the jobs that we are getting in now are a little bit more sizeable.

Plank: Business is slightly better than last year. There are some bigger projects surfacing.

Joyce: We're busy. I just think there is just more opportunity out there. And the leads that we are getting are a little more realistic. We are starting to see less pricing on the jobs. Last year there were numerous bids for each project. The leads we are getting now are ready to go.

Capen: I'm seeing an upswing in the smaller \$50,000 to \$75,000 jobs. I find that if we give people a fair price, they aren't going to look anywhere else. Customers have a number in the back of their mind, sometimes they share it with us and sometimes they don't. And, if we meet the number, then we get the job. When you work with somebody, you have to set them up to have realistic goals. Spend more time asking questions at the beginning. What kind of finish are they looking for?



Richard Bryant



Richard Capen



Chris Joyce



Rob McPhee

HR: Any opinion on which is the better way for a homeowner to approach a builder; reveal what they're looking to spend up front or hold back and see what the estimate looks like?

Bryant: I think that's rare, at least for me, that someone has come right out and said 'here's my number.'

Bryant: I think it is beneficial. I think that there are a lot of potential clients that don't have a realistic number, whether it is a number that they developed themselves in their head or numbers that the architect gave them. If that is talked about early enough, it could radically change what their plans are.

Capen: When you know what they want to spend a lot of times it makes the job a lot easier.

Joyce: We are finding that people are just talking to too many people. They are so confused because everyone has a different approach. I think that homeowners have to do their homework, align themselves with someone they like and make a couple of decisions.

McPhee: Chris, you've made some good points. It does come down to that relationship and trust. It's a big responsibility, whether it is a whole house or a project, there's a lot of money transferring between people. Who's going to stand behind it when it is done if there are any warranty issues or pickup service calls? Also,

backing up, Rich made a comment about homeowners volunteering what their budget number is; human nature is that no one wants to volunteer what they want to spend. So, we as a contractor have to do our best to educate.

Bryant: Some of the best projects are when you can get involved with the homeowner and the designer-architect early on. Then you are in on a process early and you are working parallel with the homeowner and architect and as a builder you can give that input early on for costing. By the time you are done with that process, you've got a client that knows what they are getting and their expectations are going to be better met.

Shepley: Everybody has eloquently said what needs to be said. If you start the whole thing purely on price, where do you think it's going to end up? It's going to end up unhappy because you are arguing with someone who is a building professional, saying 'I want to pay less,' and this is what the person does for a living, so they are in a better spot to advise you as to what is realistic. The best thing is that you trust the person, you know their reputation, and you've done your homework and then you can start the dialogue about where would you like to go.

Capen: Your question, should the customer give up the goods: Telling me what they really want to spend really isn't going to change the project. When

building a house, how much money do you have to spend? How much money do you want to spend?

HR: We're continually receiving press releases on new technologically-advanced products such as composite materials and more energy-efficient appliances and lighting. How much is availability of these products affecting consumer choices?

Murray: These newer options definitely drive consumers into our stores. Knowing that technological and efficiency benefits are built into even the most basic appliances at affordable prices has helped to stimulate consumer spending.

Bryant: With respect to the green trend, you've got the people who are really adamant about having it and then you have the people who don't care. Then you've got these products that are high-tech and people either love them or they don't. The electrical advances that have been made as far as switching and lighting and command control, some people love to be able to use their iPad to integrate all that. Some people can't stand it, they want the toggle switch.

Shepley: Glass technology has come a long way. When I first started selling windows the standard warranty on an insulated window was 5 years; now 20 is routine.

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HR: How are consumers opting to spend their building and remodeling dollars: are they being especially cost conscious? Are they concerned with the investment value? Is the 'multi-generational' aspect of the Cape's second homeowner market guiding decisions?

Bryant: Yes, yes and yes.

Joyce: Cost is huge at the beginning. It doesn't become as important once the relationship is made. Rich just said 'yes, yes and yes' because everyone's intention is different for their project. I think that the big thing that we are seeing is the multigenerational aspect. People want to create a destination for their families. Outdoor destinations have been huge in our market—the pools and the putting greens and the swing sets, the outdoor spaces—it's just massive. I call them destination homes.

Bryant: You've got playrooms and bunkrooms, home offices and outside living.

Capen: Aging in place, we think about that with our customers. If you're 62 years old, you might start thinking about what is going to happen in 10 years. You might want to think about getting a grab bar.

Shepley: People are still cost conscious to the point of sometimes being penny-wise and pound-foolish. Price is important, but short cuts don't save money and miracles don't exist in the world of construction. If something is a lot less money, you really need to look into why it is a lot less money. As far as multi-generational decision-making, we live in one of the oldest counties in the country so we have a wide range of age in decision makers.

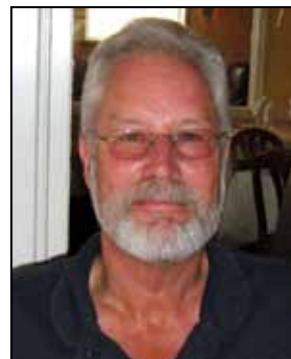
Murray: The market is still strong for our luxury brand appliances. However, customers who had easy access to credit lines are scaling back on the total purchase price of a new kitchen appliances package.



Dave Murray



Jeff Plank



Tony Shepley

Plank: The consumers are very cost conscious. There are multiple builders quoting the same jobs. We are seeing some million dollar jobs with lower cost components.

HR: We discussed the property management division in a recent conversation with Matt Cole (Cape Associates). Is this a service you offer, property management or landscape maintenance, and if so, is it recently added and is that division seeing growth? Any additional or alternate services or product lines you've added recently?

Joyce: We are a lawn care and landscaping and maintenance business. Our maintenance department is growing. It's about 50 percent of our business with a lot of the customers coming from our landscaping jobs. One thing great about the landscaping business is that we can work on a property and when it is sold, we usually continue our work there with the new owners.

Bryant: The relationship is transferrable.

Joyce: Absolutely. Most times it's just a lay-up. We maintain over 600 properties. The maintenance business is the future of what we do.

Capen: Our focus right now is on making what we have better. We have so many different things going on.

HR: Mr. McPhee, what came first, the building or the maintenance?

McPhee: Building; it started 40 years ago. We began the maintenance division seven years ago. What was happening was that we were doing maintenance informally for years and some of the things were just out of kindness. You could write that off as marketing expense because our customers told everyone and their brother about what we do for them. But then the market got busier and more and more people who we were building for were asking for it. Builders were already starting to offer it. It was obvious that there was a need for it.

HR: Tony, any new major direction for you for product lines?

Shepley: What's different for us at Shepley is that we have gotten re-involved in a business we started in 1980 and operated until selling it in 1989, Classic Kitchen Design, in Hyannis. There is a natural synergy between Classic and Shepley because of a common customer base, shared business philosophy, and the ability to integrate resources. We're excited to be back in the kitchen business with Classic!

HR: Have at it: what's new? What's on your mind? What's the next big trend?

Murray: In our industry the outdoor living product lines are the next big trend. We've been suggesting this for several years now but companies are creating

luxury living outdoor appliances at lower price points. What was once just “dreaming” or “well wishing” will be possible for most consumers soon enough. The industry is trending that way!

Shepley: Richard, Rob and I always talk about increased regulation. Stretch energy codes; that’s new.

Bryant: Staying on top of how our industry is regulated. We need to be in the forefront of these special interest groups that want to come in and over regulate. It’s going to be an ongoing battle but through the various HBAs and state HBA and I think we have a great group of people.

Shepley: I don’t know if these guys get credit for the amount of work as builders that they do to protect the interests of homeowner clients without the activity of the Home Builders Association. People who are pushing these regulations aren’t thinking about cost or convenience. Builders are very tuned in to what’s coming and frankly work really hard to try and keep it sensible.

HR: If you took away all the government restrictions, what do you think it would do to your business?

Bryant: For it all to go away tomorrow, I don’t think you would see a huge spike. I think the best scenario would be for regulations to stay even. I think there can be a lot of things that could improve building here on the Cape with relieving some of the zoning restrictions, looking towards smarter growth, denser housing developments, cluster developments, mixed-used developments. We are a peninsula, we have limited space but there is a tremendous amount of space that will never be developed.

Shepley: We need to worry a little bit more about what we do want and a little less about what we don’t want because that is sort of a bad way to drive the car, looking out the back window. We should be saying “what should we look like?” •