Demountables—

Their Popularity Grows

Demountable partition systems have been around for several decades in one form or another. For the most part, however, they have just become a prominent factor in the commercial partitions market.

There are several reasons for the increased popularity of demountables/ movables. The main reason is that of economics, both long and short term. As the costs of materials for both conventional and demountable walls have risen, they have been affected somewhat equally. But as the costs of labor have risen, there appears to be an increasing gap in the equality of the labor cost for the in-place systems—demountable vs. drywall. As technology and manufacturing systems cost differentials, that have led to a bid or cost/price competitiveness between the two wall systems.

This initial competitiveness of the conventional fixed partition and the demountable partition systems has caught the attention of many owners and developers and caused them to consider using demountables. But what has caused such a fever of renewed interest in the 1980s? It is still economics! The Economic Recovery Tax Act of 1981 (ERTA) has several points that are directly applicable to the demountable partition industry. One is a dramatically increased depreciation schedule and another is the availability of a tax credit.

Conventional walls and accessories
The Installation Benefits—and Tax Advantages—
Put a New Zip into the Demountable Business

are currently depreciated with the building structure housing them—15 years. Demountable partitions, and their respective accessories, are now eligible for a 5-year depreciation schedule. ERTA also now gives a 10% tax credit on the total in-place cost of the demountable system to the developer, owner or tenants. No such credit is available for the use of conventional walls.

The implications of the Economic Recovery Tax Act of 1981 can be seen in the following table:

TABLE 1
FIVE YEAR AFTER-TAX COST

<table>
<thead>
<tr>
<th></th>
<th>Demountable Partitions</th>
<th>Drywall</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Cost</td>
<td>$50,000*</td>
<td>$42,500</td>
<td>($ 7,500)</td>
</tr>
<tr>
<td>After-Tax Depreciation**</td>
<td>25,000</td>
<td>8,288</td>
<td>16,712</td>
</tr>
<tr>
<td>Investment Tax Credit</td>
<td>5,000</td>
<td>-0-</td>
<td>5,000</td>
</tr>
<tr>
<td>Net Cost After Tax</td>
<td>$20,000</td>
<td>$34,212</td>
<td>$14,212</td>
</tr>
</tbody>
</table>

*Concedes a 15% negative cost advantage for extraordinary competitive situations.

What the writers of the brochures have stated, in laymen’s terms, is that while initial cost of the finished wall may be higher (15%) for whatever reason (painted vs. vinyl covered, 5/8” or 3/4” thick gypsum vs. 1/2”, wood frames vs. metal, etc.), the demountable system is less expensive, by a large margin, in less than 5 years. In fact, in the example given in Table 1, the demountable system was actually $188.00 less expensive at the end of the first year, and became increasingly less expensive until at the end of 5 years, it was $14,212.00 less.

These financial considerations, when coupled with the reusability, quickness, cleanliness, reduced maintenance, tenant responsibility, reduced tenant displacement, and other benefits of the demountable partition systems of the ’80s, are some of the major factors in the increased penetration these systems are making into what was once an almost 99% conventional drywall market.

But even with this competitive penetration into the conventional wall market, one good factor still remains. Walls are walls, and they are installed by interior contractors. Drywall, acoustical, general interior—whatever the name—they are still interior contractors as we know them.

“Open Office?”

But what about the “Open Office?” Is this to be the office design of today and tomorrow? Furniture manufacturers are apparently capitalizing on a design movement toward open office planning or work stations. This segment of the furniture industry is now estimated to be in the multi-billion dollar range. How can we as contractors take advantage of this market? It is not so easy.

First, to compete with those presently marketing furniture systems, we must turn our contracting offices into showrooms. Next, we need to inventory those items not available under the manufacturers’ “quick ship plan.” After this, we need a sales force to call on interior designers and tenant/owners to get “our” manufacturers’ product specified along with other furniture. Then, once we have made a sale, we must acquire the people knowledgeable in furniture systems to install it. That was a little difficult, but not impossible—now let’s go a step further.

View of AWCI’s headquarters in Washington, D.C.

Which furniture system do we select as ours to show, inventory, promote, sell and install? There are presently over 150 competitive furniture systems being manufactured and promoted today. You must consider the compatibility of “your” system with the general office furniture and office equipment specified. Yes, in this day of computers and video displays, all systems do not match. Therefore we must learn the ins-and-outs of office equipment.

As you can see, the open office furniture system market is not one we are

Continued on page 94
Yes, demountables have tax and other financial and installation advantages. But systems provide a colorful, attractive interior motif for commercial buildings, and their speed in going up and coming down—while business goes on as usual—makes them a natural for contractors.

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generally accustomed to working in. Considerable expense must be met and knowledge acquired for us to become experts in that field. This is not true of the demountable industry.

All of us who are practicing contractors within the construction industry, interior in particular, are familiar with demountables and conventional walls—their strong points and their weak points, what they can and cannot do. This is already your industry—how an you take advantage of it?

To begin with, there are several major manufacturers of demountable systems. Each of them is unique in its own way—whether it is in marketing philosophy or manufacturing or in the system itself—they are all different.

Some of the items that I would consider if I were a contractor trying to acquire a demountable line are:

*COMPLETENESS OF THE SYSTEM: ONE SOURCE OF LIABILITY. By this I mean that the manufacturer should stand behind the total package. (Some manufacturers of so-called systems simply broker the parts and pieces of other systems and intermix them in order to derive a system of their own. Then they attempt to pass the liability of system failure back to a product manufacturer.)

*BACK-UP. What kind of services or back-up does the manufacturer offer. This can range from nearly nothing at all to a very broad spectrum including field representation, availability of an architectural staff, an engineering staff, shop drawings,

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**TABLE 2**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DEMOUNTABLE PARTITIONS</th>
<th>BEFORE TAX DEPRECIATION</th>
<th>AFTER TAX DEPRECIATION</th>
<th>INVESTMENT CREDIT</th>
<th>CASH OUTLAY</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>$50,000</td>
<td>$7,500</td>
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<td>2</td>
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<td>( 5,500)</td>
<td></td>
<td>( 5,500)</td>
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<tr>
<td>3</td>
<td>10,500</td>
<td>5,250</td>
<td>( 5,250)</td>
<td></td>
<td>( 5,250)</td>
</tr>
<tr>
<td>4</td>
<td>10,500</td>
<td>5,250</td>
<td>( 5,250)</td>
<td></td>
<td>( 5,250)</td>
</tr>
<tr>
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<td>10,500</td>
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<tr>
<td></td>
<td>$50,000</td>
<td>$25,000</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DRYWALL</th>
<th>BEFORE TAX DEPRECIATION</th>
<th>AFTER TAX DEPRECIATION</th>
<th>INVESTMENT CREDIT</th>
<th>CASH OUTLAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$42,500</td>
<td>$2,125</td>
<td>$1,062</td>
<td>$ -0-</td>
<td>$41,438</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>4,250</td>
<td>2,125</td>
<td></td>
<td>( 2,125)</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>3,825</td>
<td>1,913</td>
<td></td>
<td>( 1,913)</td>
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<tr>
<td>4</td>
<td></td>
<td>3,400</td>
<td>1,700</td>
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<tr>
<td>5</td>
<td></td>
<td>2,975</td>
<td>1,488</td>
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<tr>
<td></td>
<td></td>
<td>$16,575</td>
<td>$8,288</td>
<td></td>
<td>$34,212</td>
</tr>
</tbody>
</table>

**Assumes Tax Rate of 50% (State and Federal)
take-off and bill of material recap, custom services, and custom project development.

**FULL LINE MANUFACTURER.**

Today it is becoming more and more important that a demountable partition manufacturer offer a full line of partition systems. In any one system there needs to be the capability and availability of parts necessary to install the product ceiling high (8' and 9' are common), slab to slab (10' to 14' are common), cornice high (7' and 8' without ceiling attachments), and rail height (3'6" and 5' are common).

### Accessories Important

Once the scope or range of the partition systems is defined, your attention should turn to the accessories, accessory systems, and trim. To compete, the accessories of any partition system must be considered. Does the manufacturer offer all the accessories and systems necessary for a complete walk-away/turn-key job?

**Doors** — solid and hollow core, vinyl covered and high pressure laminated?

**Door frames** — aluminum and steel, full height and mitered, with finishes to match the trim?

**Hardware** — a top quality line including locksets, latchsets, passageways with matching colors to the trim? Hinges, door closers, etc., should also be considered.

**Accessory systems** — Is a complete line of parts available that are necessary to erect a fully glazed wall, half glazed wall, windows, door side lites, etc?

**Trim** — Is the trim available in a number of options, such as satin and bronze annodized aluminum, painted aluminum and steel, PVC?

If painted trim members are offered, what is the quality of the paint job? Is it electro-statically applied, baked on, or is it sprayed and air dried?

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**ABOUT THE AUTHOR**

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Now that the system itself has been considered, what about the manufacturer’s promotion? Does he have a national media advertising campaign to promote the system you are interested in? Are there local programs, such as direct mail available, and local ad formats? Does the manufacturer participate in news releases and other promotions for you? A further consideration is sales aids. What is available? Can you get brochures, pamphlets, charts, pictures, and specification information? Are hand samples and mock-ups available?

When you have answered these questions, you must then consider a
manufacturer’s competitiveness. Are the systems you are considering competitive both in material price and cost for labor per lineal foot or production per man day consideration?

The list of available systems manufacturers that you are considering should be getting smaller now. So let’s ask the big question. How much is it going to cost me and can I get into the business? Let’s consider these points one at a time—first, cost and second, entry into the business.

Cost — Today’s manufacturers have, when considered as a whole industry, many variances with regards to stocking, inventory, promotion expense, and general requirements for use of their products. Some manufacturers require an initial stock upon sign-up, some require it in 30 days, some as the business increases (yours or theirs?). Maintaining an inventory of products is also usually required. The question becomes how much and when? As for the promotion of the products or systems, some manufacturers require participation in their advertising campaigns. Make sure that you are a direct beneficiary of this expenditure. Will you be listed by name and territory?

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**Easy to Enter**

It is easy to see that interior contractors would find it simpler to get into the demountable market than it is for them to get into the furniture systems market—at least for the large interior contractor who would purchase and inventory the systems, participate in advertising promotion, and run his own local campaign as well.

But what of the medium and smaller sized contractors working with a smaller budget or limited capital availability? How can he get into the business or at least bid the smaller jobs, the remodeling jobs, in his area of coverage? This company would need to work with the manufacturer’s local distributor (this is usually difficult if the distributor is a large competitor of his) or the manufacturer’s local service center if one is available. (The availability of back-up and services become just that much more important also.)

As you can see, you are in the same business as conventional wall contractors. With demountables you are installing a product you understand and generally promote anyway — walls. And on every project there are walls of one type or another. At least that is the way it has been in the past, and until the designers and furniture systems manufacturers design us out, that is the way it will be. Let’s service the commercial market as it should be — with walls!

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