Residential Jobs: THE MIXED BLESSING

There’s a Mountain of Headaches and Challenges in This Largely Untapped Market But a Potential Bonanza For Wall and Ceiling Contractors

After a number of terrible years for the construction industry, it looks like 1984 should really be a banner year for residential construction, thanks to an improving economy and lower interest rates, as well as the good sense of the homebuilding industry, which has learned how to build smarter, more affordable homes.

According to Marsh Trimble, vice-president and publishing director of Professional Builder, the housing start rate for January 1984 was a whopping 1.915 million—“the best since December 1978 and the best for a January since 1973.” The big gain, according to Trimble, was in single-family homes, which accounted for 64.8 percent of the starts. In addition, he notes, housing permit applications for the month of January were up 14.4 percent from December. McGraw-Hill economist George Christie says the total dollar figure for this construction will represent $101 billion, or a lo-percent gain from last year’s total of $91.7 billion. In addition, an estimated two million households, who were priced out of the market during the early 1980s due to exorbitant interest rates, have “simply moved into the growing backlog of potential buyers,” says Trimble. Most of the experts agree: The residential market will stay buoyant until this pent-up demand for housing is satisfied.

What does this mean for the wall and ceiling industry in general and Dryvit contractors in particular?

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As we see it here, it means that there’s never been a better time for contractors to go after residential jobs. The residential market is virtually untapped with regard to similar exterior wall insulation and finish systems. Furthermore, approximately 15 percent of the single- and multi-family market is already predisposed to stucco, according to a National Association of Home Builders survey published by Builder. Considering the advantages of EIFSs over stucco, it shouldn’t be too hard to convince homebuilders and owners to switch to the only residential wall option that actually pays for itself in terms of energy savings and reduced maintenance costs.

It also means that contractors with plastering capabilities that have traditionally concentrated on commercial work should understand the ways of doing business with homebuilders and consumers if they are to compete successfully in this market.

Better Odds . . .

Time and again, contractors and distributors tell us that residential work offers two very distinct advantages over commercial work. One, many times you can negotiate, rather than bid, a residential job. This means that you usually have a better chance of charging a higher rate. Secondly, even when you have to bid the job, there’s usually much less competition.

For instance, there may be six or seven contractors bidding a commercial job, whereas there are often only one or two firms bidding a residential job. In other words, the odds are greater of getting the job in the end and you spend less time chasing jobs and more time doing them. Moreover, with fewer contractors bidding, the competition is frequently less fierce.

Conversely, though, one contractor told us, residential builders often look at wall costs differently than commercial builders; what a shopping-center developer might consider reasonable, a homebuilder might think exorbitant. Residential work, say many contractors, is a perfect way to fill up slack time between big commercial jobs and avoid laying off workers. Residential jobs usually take less time to complete than commercial jobs; plus the construction timetables for residential work are generally more flexible.

Residential work is also ideal for small to mid-sized firms, who can’t compete on the large commercial jobs that require big crews. And one virtually untouched area is the tremendous profit potential of retrofit residential work.

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Involves more detail and “cut-up” work, allowing them to charge more per square foot. In fact, one northeastern contractor revealed that he charged as much as a 20 percent premium for residential work. And the president of a midwestern contracting fixing says that while the volume is generally less on residential jobs, the mark-up is often higher.

A Texas contractor says that all this cut-up work can make residential jobs quite challenging from a technical standpoint. But they also give those “virtuosos with a trowel” the opportunity to really shine. Most everyone seems to agree, that while commercial builders are mostly interested in how cheaply and quickly you can do their building, homeowners are more concerned with quality because they have to live with your work—probably for the rest of their lives!

Much of our residential sales have been in the upscale range, with floor plans typically more than 2000 square feet. People who spend this kind of money on a home can be real nit-pickers. A New England contractor reports that one customer, building a home in a very exclusive oceanside community, had him retype the contract five times before it finally met with his approval. In cases like these, it’s a good idea to have a lawyer go over the contract carefully.

But these perfectionists, aggravating as they may be, can sometimes force you into outdoing yourself on a job. And it’s those exquisitely detailed jobs that passersby, neighbors and prospective clients notice. In fact, almost everyone we’ve talked to says that “word-of-mouth” referrals are their best promotional tool. Others have told us that it’s often the really good commercial job that convinces an owner or general contractor to specify Dryvit on his own home as well.

One of our distributors told us that
sometimes those picky owners, who are out there with their wife and kids looking over your shoulder, inspecting everything and asking a million questions, can actually work to your advantage if you know how to handle them. For instance, when they start asking questions about energy savings, you can explain how R-values are related to the thickness of the insulation board used.

Often, you can sell them two- or three-inch EPS board when they were originally planning to use just one inch. Or, if they ask about application methods, discuss all the options—
curved walls, quoins, etc.—that they hadn’t realized were possible. With commercial work, you rarely, if ever, have the luxury of changing specs in midstream; residential work, on the other hand, is frequently quite flexible.

Patience Required . . .

Most contractors we’ve talked to agree that a generous measure of patience is required when dealing with homeowners; and if they’re paying the bills, you can’t exactly ban them from the jobsite—much as you might like to.

Much of the problem with the consumer can be traced to ignorance of construction procedures and terminology, and unrealistic expectations. As our marketing efforts to consumers intensify, more homeowners will understand the product and its capabilities, and there should be a lot less explaining to do.

That should be welcome news to one contractor, who sometimes makes up to 40 calls on one little residential job, whereas a big commercial job might only take three or four calls.

One thing most everyone seems to agree on: Getting paid in full and on time can be your greatest headache when dealing with homeowners and builders. There are a few contractors who say that it’s actually easier and quicker to get paid on residential jobs because, in their experience, the last 10 percent of the payment on commercial jobs were held for one year to protect the owner. They also note that since commercial jobs usually take longer to complete, it also takes longer to collect your money.

If the owner of a new home won’t pay you, one option is to put a lien on the house. But that won’t get you anywhere until the house is sold. To avoid trouble, experienced residential contractors suggest the following alternatives:

• Check out your clients’ finances very, very carefully—as carefully as if you were making a personal loan.
• Familiarize yourself with a number of local builders and stick with them.
• Some contractors prefer to deal only with certified contractors; you’ll have to decide that for yourself.
• Work out a payment plan with the builder or owner that involves some payment up front.

To sum up, the general consensus of successful residential contractors is “Work smart, do quality work and gain experience in this lucrative market. Once you do this, you shouldn’t have any problem getting more and more residential jobs, and making them work for you.”