The overbuilt situation in Hawaii forces ex-tennis pro Gerald Lee to seek out other markets while surviving the economic storm.

On his first job, the owner proclaimed him “...crazy or something.”

But after walking the job that has just been completed in near-record time by the teenage academic whiz-turned tennis pro-turned drywall contractor, the owner agreed that Honolulu’s Gerald K. Lee definitely belonged to the “something” category.

For most of the Hawaiian wall and ceiling contractors who go up against the 35-year-old Gerry Lee the verdict was reasonable: he truly is “something else.”

Born in Honolulu, son of Gordon Lee, a retired Pearl Harbor naval worker and Josephine Kiesel Lee, Gerry Lee was an academic star at Kameha Meha High School where he’d finished his first year of college before completing high school. After a two-year academic scholarship stay at Occidental College in Los Angeles as a mathematics major, Gerry returned to the Islands and the University of Hawaii.

Marriage and a pro tennis career followed. The earnings, though, as a professional tennis teacher were spotty and soon Gerry moved into a drywall and carpentry apprenticeship. That was in 1973 and three years later he got his chance as a contractor—a 22-story office building in the middle of Honolulu.

The job had turned sour and the general contractor went to Gerry with a request: would he like to take a shot at it, starting with a $40,000 basement that needed to be done immediately? Gerry took a crew to the job on a Thursday, forgot all about overtime and long days. Monday morning he
submitted an invoice for a $36,000 payment.
That’s when the owner said something to the effect that his new drywall contractor was “...crazy or something...” A quick walk through the basement had the owner shaking his head. He ordered a check cut immediately and told the new drywall contractor, “Gerry, you give me this kind of performance and you can have every job I do.”

That kind of performance has vaulted Lee’s DJ2, Inc. to the $1-3 million a year class, although the last few years admittedly have been rough going with Hawaii’s building industry in tatters. Specializing in industrial-commercial work, Gerry’s company offers drywall, insulation, acousticals and steel studs. He also holds a general contractor’s license and has recently tested the speculative residential market.

Married to the former Didi Plunkett Lee, after whom his business is named, Gerry is the father of four children, three sons and a daughter. Besides his business interests, he is active in industry affairs.

This year in Anaheim, the Association of the Wall and Ceiling Industries-International named him the “Outstanding Young Member.” As a member of AWCI’S Board of Directors, representing the Western Conference, he is also chairman of that conference and the chartered chapter task force. He had been president for two years of the Gypsum Drywall Contractors of Hawaii.

When Construction Dimensions caught up to the fast-moving Hawaiian, he had just received his international award from AWCI in Anaheim—and was tracking down a new job lead.

DIMENSIONS: It’s reported, Gerry, that construction is in the doldrums in Hawaii. Is this true?
LEE: Currently we’re in the process of absorbing a serious overbuild situation. It’s been that way for the past couple of years and you really have to hustle to keep your company alive.

DIMENSIONS: As an industrial-commercial contractor, that makes it particularly difficult, doesn’t it? What are you doing to survive until things turn up again?

LEE: Scrambling, like everyone else. I’ve taken a try at developing some residential homes on speculation, and we’re working on getting together a team to develop a commercial building.

The main thrust right now though is speculation. The banks have foreclosed on a number of properties and I’ve tied up this land with the objective of either building or re-selling.

DIMENSIONS: Are you selling the homes yourself or working through a realtor?
LEE: I work through a realtor. It’s a tough market here. Besides, I’m looking at quality construction because, tough times or not, I won’t get involved with boxes. With the cost of living and property taxes you have to aim at the rich: they’re the only ones who can afford quality homes here.

DIMENSIONS: Has it been a favorable experience, building homes on speculation?
LEE: Let’s put it this way. I wouldn’t touch this market with a long stick if conditions were normal. I haven’t made the kind of money that justifies the investment and effort, but it is a good way to keep my employees working and my company intact.

DIMENSIONS: I would imagine that the competition is fierce, isn’t it?
LEE: Yes, because other contractors are striving to survive, too. It’s super slow. I normally run anywhere from 5 to 40 men, and you don’t need to ask to figure out what I’m running
“We have to do something about changing attitudes about business here. The taxes, restrictions and regulations, insurance rates—they all combine to make Hawaii a bad business investment. That’s the real reason for the delay in recovery.”

right now. But I’m not alone. Every contractor in Hawaii is hurting. The residential market is the only action right now and there’s not a lot of money in it either.

DIMENSIONS: Earlier you mentioned a shopping complex that you were trying to get moving. What happened? Did it get going?

LEE: No, and it’s cost me a cool $100,000 so far. We were trying to get a commercial complex—a 12-story building—going. It was a slightly precarious, slightly desperate kind of project that we just couldn’t get off the ground.

Let’s face it, the economy for Hawaiian contractors is down and will remain that way for awhile. I even tried to diversify by investing in property in Houston and Las Vegas. With conditions the way they are in those two cities you can understand why I’m getting everything back in Hawaii.

DIMENSIONS: This Hawaiian downturn, though, has been going on for the past three or four years, hasn’t it?

LEE: That’s right. I used to enjoy the construction business, but now it’s brain wracking. It’s not enjoyable and many of us are forced to conduct our business in ways that we wouldn’t even have considered a few years ago—

DIMENSIONS: —for instance?

LEE: Well, any prudent contractor seeks to be selective. Today, if you’re too selective you lose the job. We’ll bid anyone now with no restrictions. The objective is get the job-then monitor every step of the job to make sure you’re getting paid. You can’t allow yourself the luxury of hanging out too far.

DIMENSIONS: That makes for business in an antagonistic atmosphere—and everyone gets chewed up a bit when that happens? Is that acceptable to you?

LEE: I don’t like to do business in that kind of atmosphere. I prefer the softer approach, giving a client the benefit of the doubt. Some I win, some I lose. That kind of attitude and treatment makes a customer for life—but you still have to be extra careful.

DIMENSIONS: Let’s talk about your accounts receivables. Do you personally take responsibility for bringing in the money?

LEE: Absolutely. That’s how any contractor keeps his finger on his company’s pulse. My accountant does my finances, but I have the responsibility for seeing that money owed to me comes in.

DIMENSIONS: Why has this recession lasted so long in Hawaii? And there’s no end in sight yet either, is there?

LEE: The answer to your first question involves a number of elements. We have this serious overbuild situation, yes, but Hawaii is also not a pro-business state. It has the best location
for serving the Far East and the U.S.—but nothing happens.

DIMENSIONS: What’s the answer to the Hawaiian predicament then?

LEE: The answer is that we have to do something about changing attitudes about business here. The taxes, restrictions and regulations, insurance rates—they all combine to make Hawaii a bad business investment. That’s the real reason for the delay in recovery.

DIMENSIONS: Have you looked into the possibility of asbestos? A lot of retrofit must be going on regardless of the economic situation in construction. Anytime you punch into a wall you’re dealing with asbestos. Wouldn’t this be a good diversification move?

LEE: I want no part of asbestos abatement at this point. The money and liability problems are just too great.

It could be a profitable business but first it has to be made clearer, a more cut and dry situation. Now I agree that every contractor is involved in asbestos the minute someone cuts into it.

But we haven’t reached that point of concern here either. If a real and present danger is perceived then the jobs should be monitored and safety steps taken—

DIMENSIONS: —face masks, suits, vacuums, negative air . . . the whole bit?

LEE: Right. But right now none of us know what we’d be bidding on a retrofit job where a high asbestos concern is in effect. Every contractor must know what he’s bidding . . . what a job involves?

What do you do if one contractor bids a lower asbestos involvement than the other—and these numbers have nothing to do with the job itself. You could lose a job on the face mask item—and then run into a more serious asbestos problem than you originally planned. Who pays for this difference? You can’t bid it, can you?

DIMENSIONS: But you will indeed run into that problem when contractors begin doing the work of Hawaii’s new sprinkler ordinance. All hotels must be retrofitted with sprinkler systems, right?

LEE: Yes, that’s the new ordinance. And we will need to puncture ceilings because we’re talking about some big jobs, one of which is running $500,000 just in patching. That means some asbestos will be involved, but I’m not certain how they’ll handle it.

DIMENSIONS: Without an end to economic misery in sight, what are contractors doing? Casting marketing glances at the mainland—or closing up shop?

LEE: I think we’re involved here in a wash-out period. Some pretty good contractors have already gone down and there will probably be more. Tough years wash out contractors without a good handle on their costs.

Plus, it’s a volatile market and we’ve also had contractors go down because of this, too. This recession has been especially long and severe. I’ve tried to keep expanding but the opportunities just aren’t there now.

As for looking elsewhere for work, I don’t really think that works. It’s a bit tough to expand your management, and you just have to know your crews and what they’re capable of producing.

DIMENSIONS: A few of the mainland’s trouble spots should generate travelers. Have you had that problem here, contractors moving in from elsewhere?

LEE: A contractor would have to be unbalanced to try and start up here now. We always have a few who feel they’d like to come here and work. Most deeply regret trying to crack the Hawaiian market.

DIMENSIONS: Well, there’s always tennis, isn’t there?

LEE: Hah! I gave it a bit of a try the other day—and that’s gone, too. Now I play golf—and pay attention to my contracting business. That’s where my future is.