THE BUSINESS THAT GOES WALL-TO-WALL

Metro Building Supply has built an empire out of the humble gypsum wallboard

By Chris Schauble

Shortly after daybreak, trucks start pulling in at the Gallery at Harbor-place, tractor trailers crammed with metal framing, insulation, ceiling tiles, textured spray, and Sheetrock. Each truck is weighed down by eight hundred sheets of specially cut four-by-eight foot drywall—the boards actually measure a half-inch deeper than the standard eight feet—produced at U.S. Gypsum’s Curtis Bay manufacturing plant. Once on the site, the trucks meet the booms from Metro Building Supply and the sweat work begins.

Crews from Metro unload the Sheetrock pile by pile into construction elevators. From there they ride the loads to one of the twelve floors designated for the day’s work by the foreman for John Hampshire Company, a subcontractor. The Metro crews stack the Sheetrock in the unfinished rooms, ready for Hampshire workers to shape the boards and finish them into the interior walls of the new Stouffer’s hotel.

“There are weeks when we’re there every day with the tractor trailers,” says Russell Smith, manager of the Baltimore warehouse for Metro. “It takes six months of stocking to do a building like that. It’s one of the largest, if not the largest, hotel-office projects ever built in Baltimore.”

Metro is providing the interior building supplies for the ballrooms and 622-room hotel of Rouse’s $180 million Inner Harbor project. That portion of the building alone will use an estimated 62,000 pieces of Sheetrock, 2,000 bags of textured spray, and 55,000 square feet of ceiling tile. Since the building has poured concrete floors that don’t always conform to the exact inch specifications of the plans, it’s easier and cheaper to arrange for the manufacturer to make the size Sheetrock needed, rather than pay construction workers to splice and tape standard sizes, Smith says. And with so much Sheetrock required, it rolls out of the U.S. Gypsum plant onto its trucks, ready for Metro to provide it to the contractor.

Some days Metro crews have emptied one tractor trailer full of Sheetrock. Other days they’ve tried to empty four, which press the six-to-eight man crews for efficiency. If the construction elevator is cranky and distribution goes slowly, they’re faced with reloading the Sheetrock onto Metro trucks, only to bring it back the next day and place it inside. In a few more months, though, this stuff will shape a steel skeleton into an architect’s dream.

A few weeks ago, Mark Elmore, the 36-year-old president of Metro Building Supply, unexpectedly stopped by to watch as his employees unloaded Sheetrock for the hotel. When Elmore and two friends started the building supply company in 1976, he was the one in blue jeans and work boots
“Metro was ‘something that the market needed. We don’t view ourselves as the lowest price in town. But we do consider ourselves superior in service.’”

carrying the gypsum wallboard from place to place. Now, as he watched at the Gallery, other Metro crews were busy in other parts of Baltimore, carrying building materials into the new eight-story Shock Trauma Center and the fourteen-story Rivoli Building, a new city administrative office at Gay and Baltimore streets. Metro also has gone wall-to-wall in The Brokerage, the renovated Munsey building, the new Board of Education building on North Avenue, the Brookshire Hotel, Festival Hall, and Six Flags Power Plant, among many others.

Started with only a few thousand dollars of capital but a complete down-to-earth knowledge of the manufacturing processes of supplies, Metro now considers itself one of the ten largest privately-owned building supply businesses in the United States, according to Elmore. For 1987, sales will approach $130 million—half from the ubiquitous wallboard.

The company is owned in equal shares by Elmore and two original partners, Jimmy Kraft and Charlie Thunell. From corporate headquarters in Vienna, Virginia, they have strategically placed ten warehouses near booming building areas in Virginia, Maryland, Washington, D.C., and Delaware.

While Elmore runs Metro, the huge success of the firm has enabled the other two partners to branch out in other pursuits. They are no longer involved in the day to day running of Metro. Kraft, 42, has put together a shirt-sleeve-informal restaurant called Tony and Joe’s Seafood Place, scheduled to open next month in Georgetown. Thunell, 42, is into real estate development and dreams of sailing around the world when he’s not quite so busy.

“Washington last year was probably one of the biggest building markets in the country,” Elmore says, adding, “Baltimore is a very strong marketplace.” Because of the intense demand for building supplies, the price of gypsum wallboard has doubled over the past five years, tripled over the past ten. In May 1986 it reached a peak of 22 to 24 cents per square foot; it cur-
rently sells at a retail price of 17 or 18 cents per square foot. Relates Elmore, “Our price got so high compared to less active areas that many small operators of gypsum started bringing their boards here” to compete with the major manufacturers—most prominently U.S. Gypsum, whose Sheetrock covers more walls than any other brand of gypsum wallboard.

Gypsum, or calcium sulfate, is a mineral found in many rocks, such as satin spar and alabaster, and in abundant quantities in the Southwest. In nature, it’s roughly 50 percent water. The manufacturing process pulverizes the rock, removes the water, and turns it into the plaster of paris familiar from modeling ceramics in craft classes. For making wallboard, the manufacturer mixes in a few additives to lighten the paper boards, returns the water, and dries the plaster sandwiched between paper.

“It’s the only natural substance that can be restored to its natural state by the addition of water alone,” Smith points out. “It’s the next best thing since Silly Putty.”

But given the abundance of the substance, one wonders what alchemist’s secret enables Metro Builders to turn it into gold, literally obliterating the competition. Elmore insists there is no secret to their success. “My partners and I are not any brighter than anybody else.”

The have refined their company as smooth as sanded wallboard, however. The three partners met at the then-Metro Builders, a subsidiary of a contracting company, National Applicators. Thunell was in charge of the building supply subsidiary when Kraft came to work in middle management in 1972. Meanwhile, Elmore traveled about as a salesman for Gold Bond, a Sheetrock rival made by Buffalo’s National Gypsum Company. He landed in Washington and called upon Thunell and Kraft to buy his products. “They didn’t buy anything from me, but they offered me a job,” he laughs. He accepted.

“Two years later, in 1976, through working together we had gotten pretty close, and we figured if we’re going to work so hard, we’d better work for ourselves,” Elmore says. “We were treated well, but we’d work sixty to
seventy hour weeks at straight salary, not share in the profits.”

For a few months the three talked about starting their own business from scratch. Within days of formalizing the plans, someone called to tell them a small family operation called Fairfax Distributors was for sale for about $300,000. “We had three days to work out the deal,” Elmore says. “We had a couple of thousand dollars here and there, but it [the financing] was going to be a mirror act, we were going to do it all with mirrors. Only in America . . .”

Thunell was the only one married and with a child at the time; Elmore and Kraft were not too worried about other responsibilities. Now that he has a 3-year-old daughter and another child on the way, Elmore says, “I have to admit, if I had the same decision to make today, it would be a lot more difficult.”

At the start, the partners made sure they collected for the sales of materials several days before their supplier bills came due. The warehouse they had bought in Vienna was too small—8,000 square feet—to hold both the wallboard and other supplies, so plaster and ceiling tiles went inside, wallboard went outside. “We kept it outside for two years,” Elmore says, noting that water doesn’t affect the quality of the product since it’s part of the processing.

“We were digging it out of the snow in the winter,” Elmore remembers, “to load it on the trucks. Charlie and I drove the trucks and played mechanic at night. Jimmy answered the telephones, and did the bookkeeping and saleswork. We had just enough time to drive the trucks and fix them. We were up a 6 a.m. typically, and worked till 9 p.m. and all day Saturday and Sunday if need be.”

Doing everything themselves held down the overhead. At the end of that first year, “we thought it was successful, we made it through the year,” says Elmore. Sales totaled $1992,000: “$8,000 shy of $2 million, that’s how I remember.”

Over the next decade, the partners parlayed their profits into expanding the business at Fairfax. They open warehouses in southwest Washington and Norfolk and Yorktown in Virginia. Their old company, Metro, was branching out as well, setting up warehouses in Capitol Heights and Linthicum Heights in Maryland, in Selbyville, Delaware, and in Sterling, Virginia.

“That’s where we stood on acquisition day,” Elmore says. In January 1985, the former Metro employees bought their old company, Metro was larger than Fairfax—its largest competitor, in fact. But Elmore had heard the company was on the block, and asked for the chance to bid.

“We had let it be known for a year or two if they ever wanted to sell out we wanted to be told first,” says Elmore. Before the buyout, Fairfax had been doing about $30 million in annual sales, Metro about $40 million. To take over the larger company, the partners had to borrow heavily. While he declines to disclose the purchase price or terms, Elmore notes that “When we bought Metro, the debt was very heavy. But it’s now well within the parameters of a well-run business. Sales and profits have been good.”

In 1986 the combined companies did $95 million in sales; this year should see a 35 percent increase. “The current growth in the building industry has been the longest since World War II,” says Elmore. But he knows the expansion cannot continue indefinitely. “It’s a cyclical industry; we fully accept the fact of downturns. We think we’re prepared for it.” The fledgling company weathered the recession of the early ’80s; if anything, says Elmore, the tough times helped. “I don’t want to sound ruthless, but there are still opportunities to make money during a recession.” Companies that weren’t prepared for the building slump struggled; a well-run outfit like Elmore’s could pick up business handily.

The sheer size of the combined companies—the name Metro over Fairfax was kept because it had no geographic restrictions—allows it to respond more quickly and efficiently to major construction projects. “The building supply business has always been fairly fragmented,” Elmore says. “Ma and Pop hardware store types.
But nowadays you have to have the personnel and expertise to stock a twenty-story highrise. It’s evolved into a business of large suppliers, dominant players. It’s a lot more capital intensive than ever before.’

Smith, the 28-year-old manager of Metro’s Baltimore warehouse, says that the company always has offered a “full-line supply yard, and there were probably no others before us who did.” A number of companies specialized in single products, such as insulation, lumber, ceiling tiles, or wallboard, but few combined all the products and support services in “one-stop” shopping, which was on our logo for years,” Smith says. Metro was “something that the market needed. We don’t view ourselves as the lowest price in town. But we do consider ourselves superior in service.”

The company takes time to train people and spends time delving into research of new products and cost-saving tricks for a contractor, Smith says. Sales personnel know all the building regulations and fire codes for their areas. When a new product is introduced, they’ll learn to install it so they can show how it’s done.

“We don’t just wait until someone asks for a product,” Smith says. “They go out and sell it and help the contractor, rather than sit by the telephone. It’s a selling strategy, understanding what you need to do and when to do it. Mark is one of the finest salesmen I’ve ever known and he instills that in others. He brings you up through the ranks and sends you out to the facilities. And we’re all at an age the company is extremely young and we get responsibility early-that we are here to make money, and run with it.”

When not running between his ten warehouses and delivery sites, Elmore can be found in Metro-supplied buildings. “I know the ones we won and the ones we lost,” he says. “I usually don’t go in the buildings we lost.” And for someone who’s made a fortune in supplying what most people don’t give a second thought, Elmore can be excused for his habits. “Wherever I go I look at the walls and the ceilings,” he admits. “It drives my wife batty.”

Chris Schauble wrote about the law firm Kraman & Graham in the June issue.

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