

BUILDERS POINT OF VIEW

THE PRICE OF DOING BUSINESS

By Alex Guthrie

The local economy and in particular the residential construction business is in an unprecedented up swing. What historically has been a seven year cycle of ups and downs is now, in what some economists believe, the 12th year of positive growth. Along the way have been a few blips of slow activity but the overall picture from the early nineties is generally regarded as positive with several years of landmark growth. This positive financial picture is not just local but world wide as evidenced by the rapid growth in many countries that were once regarded as “third world” or undeveloped.

Although this is generally very positive, it is stretching our resources world wide and creating competition where there once was none. Sharing our natural resources with emerging countries and having to compete for the ever shrinking building materials that we've always taken for granted is causing delays and frustrating builders and homeowners alike.

Not too many years ago, lumber companies would call the mills in South America, northwestern U.S., and Canada and order the materials they needed. Now the process is dominated by countries such as China and Japan that are willing to pay higher prices but require the highest quality products. Their processing ships sit outside our boundaries and process our wood for their countries. This has now become a bidding process instead of a buying process where the highest bidder gets the goods, creating not only some shortages but also forcing huge price swings.

Concrete and sheetrock will soon jump in price because of shortages and demand, and the price of oil isn't helping the situation much either.

All products that are petroleum based are increasing in price, and this represents a large majority of building products including roofing, carpet, paint, and anything that contains plastic.

The cost of the copper used in the wiring is fluctuating (mostly up) and transportation costs are causing shipping fees to increase almost daily.

Homebuilders and Remodelors are often caught in the middle, trying to maintain a budget that might have been agreed to weeks or even months prior these increases. Homeowners need some sort of confidence that the price they are agreeing to is somewhat accurate and banks aren't exactly flexible or sympathetic to our plight. So we must work together to ensure the customer gets a fair shake and the contractor makes a fair profit.

Here are some ideas that might help.

Most lumberyards will agree to freeze the price of materials for a limited amount of time. Usually the itemized price that the builder receives will contain a statement that

locks the price in for 10 to 30 days. If the agreement is signed it may guarantee the price. Ask your builder or remodeler if such an agreement exists and encourage them to sign it. Also, most subs will have a similar guarantee in their contracts, ask your builder if they exist and remind him or her to sign the agreement in time.

Window manufacturers are always notifying me of upcoming price increases. Ask your contractor if they're keeping up with these and signing off on them. This can be a large part of your budget.

Salvage companies can be a great place to shop; bulk items and slightly damaged items can save lots of money and be readily available. Be sure to consult with your contractor, I prefer to inspect the items for defects that the client may not notice.

Ask your contractor if he will wave or reduce the contractor's fee on cost overages that are due to pricing increases from manufactures. You might try a percentage approach where the fee is reduced or waved when the increase exceeds a certain percentage of the base price.

Ask your contractor if they will reduce or wave the fee on certain items such as appliances or windows if you buy them directly. I often allow my customers to purchase these items directly from the supplier at my discounted price as long as the customer agrees to accept responsibility for the delivery and warranty. Keep in mind that the warranty will apply to the purchaser, so if you don't want to deal with warranty issues, don't go down this road.

Many homeowners ask me to allow them to purchase some products or materials directly, depending on the circumstances, I may or may not agree. Some things simply need to be handled by the builder who is, after all, still responsible for the final tally.