

The Home Builders & Remodelers Association of Cape Cod's Magazine

COMPLIMENTARY
SPRING/SUMMER 2014
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At Home

HOMEOWNERS' RESOURCE GUIDE

ON CAPE COD

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BUILDERS' FORUM

2014 CAPE COD HOUSING FORECAST

A DISCUSSION WITH BUILDERS, REMODELERS AND SUPPLIERS FROM ACROSS THE CAPE

At Home on Cape Cod asked builders, remodelers and suppliers from across the Cape their views on the housing market for 2014 and beyond. *Here are excerpts from:*



RICH BRYANT
past president,
Home Builders &
Remodelers Association
of Cape Cod



MATT COLE
president,
Cape Associates, Inc.



MIKE DUFFANY
president,
Home Builders &
Remodelers Association
of Cape Cod



PETER KIMBALL
A P Kimball
Construction



LIZ KOVACH
vice president,
Home Builders
Association of
Massachusetts



TONY SHEPLEY
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Products

HOUSING FORECAST

Cape Cod saw home values peak, followed by a long slump and more recently a solid recovery. How would you describe the current housing market? What are your expectations for 2014 and beyond?

MATT COLE: I'm a little concerned about the current housing market. The real estate market slowed during the fourth quarter of 2013, which may be a temporary phenomenon and hopefully isn't the start of a trend. There are still good buys out there, and I suspect 2014 will be strong.

MIKE DUFFANY: The construction business is going in waves. There is an uptick and people get excited that things are turning the corner, and then things quiet down again. We have a lot of work on the books now, we're doing the permitting and we're getting started. I am encouraged by what I see, but we're not running out to hire yet more people. We added some last fall when we had an uptick. We had a good fall, and after a winter lull we look forward to a good spring and summer.

PETER KIMBALL: 2014 looks to be a strong year with a significant number of new, teardown and redo projects in process. Architect and engineering firms

are working on many new projects for 2014; and starts and remodeling markets are improving. Also mid-range clients are coming back online, adding to a strong high-end market.

ELIZABETH KOVACH: Definite improvement is evident. Modest future improvement will occur if flood insurance rates stay low as the flood maps are delayed. After implementation of new flood zones, it is questionable.

TONY SHEPLEY: The current housing market has begun to revive from levels we have seen over the past five years. People are regaining their optimism and starting to move forward with construction and remodeling projects that they weren't able to start during the recession.

NEW CONSTRUCTION

Some single-family homes are going up on the Cape, providing more than 1,000 construction-related jobs. Do you see new construction increasing, declining or staying about the same?

BRYANT: We see new construction staying relatively even with 2013.

COLE: There are 215,000 residents on the Cape; 120,000 are in the work force. The number in construction-related jobs is greater than 1,000, but what is it?

There certainly is a decent amount of an underground component, though we have a sense that is not as significant as it once was. Growing the skilled workforce has been an area of focus for us over the past two years at both our firm and at the association (HBRACC) level. We need to recapture some of those who left the industry when the downturn hit.

The construction industry is an important component of the local economy. Overall we expect the construction market on Cape Cod in 2014 to be flat as compared to 2013, which was a very strong year and represented another step along the economic recovery that we have now seen for 2-1/2 years.

KIMBALL: If you consider tear downs and new homes, it seems that 2014 will continue and be similar to 2013. We are not involved in many new vacant-lot projects.

KOVACH: I see construction of new homes declining with an emphasis on redevelopment of existing properties.



REAL ESTATE

SHEPLEY: Construction activity will continue to increase. There is a lot of pent-up demand. Interest rates still are historically low, and it's a great time to build or remodel. Consumer confidence in the job market last month climbed to the highest level in the past five years. That will help drive home construction and remodeling activity.

REMODELING

Home additions and renovations have rebounded since the recession of 2008-09. Has remodeling been able to fill the gap for builders, and what is your forecast for home remodeling on the Cape?

BRYANT: Additions and remodeling projects have been, and will continue to be, a good niche market for builders. A large percentage of Cape construction involves a remodel or addition to an existing structure, whether commercial or residential.

COLE: What we see of the market on the Cape makes it a very different market than most other places in the country. The Cape is, for the most part, a built-out environment. Many great builders on the Cape have evolved into builder-remodelers over the past two to three decades as a result.

Remodeling work has filled the gap for so many of us during the past couple years. I believe that a piece of the recovery has come from deferred renovation projects put off during the tougher economic times that preceded. In 2014 and beyond, remodeling will continue to represent a meaningful share of the overall construction volume.

DUFFANY: We see remodeling continuing to be strong. As in other downturns, people look to improve what they have rather than to buy something new. There is more emphasis on value. Homeowners see value added by doing renovations to an existing house rather than tying up equity to buy something else. People are not so sure they can sell their existing home for what they want and buy something else for what they want to pay. The mainstay of our business is remodeling.

KIMBALL: 2014 looks to be a very good year for mid- and high-end remodeling projects. Kitchens, baths and room additions all are very popular.

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KOVACH: I believe we are in the phase of rebuilding the Cape. I do not see construction returning to its highs, but I imagine it will remain steady as old housing stock needs updating, replacement and expansion.

SHEPLEY: So many projects are hard to type. Are they new construction or are they remodeling? With a lot of housing stock in need of repair, owners often go the full distance and essentially replace what they have with a ground-up replacement. Then they know what they have and buy themselves the peace of mind of having new rather than rebuilt.

REGULATIONS

Official Massachusetts policy is to increase home production, yet new regulations increasingly add to the cost of a home. What's your view? What needs to be done?

BRYANT: Simply put, we need to watch out for, and be part of, the management of all proposed building regulation. Energy-efficiency standards result in increased costs. Proposed mandatory residential fire-suppression systems will effectively squelch the new homebuyer market here on the Cape.

COLE: Building codes have advanced significantly over the last five years. An increase in housing production, especially homes for workers and young families, would be a real boon to the local and regional economy.

Construction spending has a multiplier effect in the economy somewhere in the range of 3 to 4 times (\$3 to \$4 of economic activity for every \$1 spent on construction). Now is a great time for this, while borrowing rates are still reasonable.

I would like to see the state skip a code change cycle and instead increase funding for incentives for those who choose to exceed code minimum energy performance. We have not yet come to fully understand the cost implications of the code changes already in effect - and that will certainly affect the affordability quotient that we are so challenged with on Cape Cod.

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DUFFANY: There are constant increases in regulation in the building code, with additional stretch energy codes, wind-tie requirements [to hold down the roof in a hurricane], wind-borne debris zones that require impact-rated materials. These are pecking away at the buyer, increasing the amount of money they have to put into their home.

We need to tie some incentives for the homeowner into the building requirements. For example, if towns adopt a stretch energy code and force people to build more energy-saving features into their home, there ought to be incentives such as refunds or tax credits.

KIMBALL: Flood maps and flood insurance could be a big problem. If put into effect, these will have a negative impact on building and remodeling due to higher costs for planning and construction, as well as affordability for property owners who will bear high insurance premiums. New energy-code requirements will add costs. I think the cost effect will be similar in scale to the wind-construction requirements.

KOVACH: Regulations in place for years, especially zoning, and now more code implications (hurricane construction, energy requirements, flood zone requirements, fire protection requirements, etc.) all add exponentially to the cost of housing construction, both new and existing.

I believe as we rebuild Cape Cod there should be more emphasis on the village center concept with multi-use three story development and more density permitted. Also, we should allow legal apartments and/or accessory structures on existing properties where it makes sense.

SHEPLEY: Increasing regulation certainly has its share of unintended consequences, and too often we add cost and complexity without thinking through the true gains and losses. A great example is the ever-increasing energy code requirements that don't address the need for proper ventilation.

Tighter houses have more air-quality and moisture issues because they aren't built to breathe. We risk more rather than less energy consumption, if we have to replace major parts of a building envelope because they don't last. We see this with everything from roof shingles, to siding and trim, and even doors and windows.

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STAFFING

During the recession, construction jobs shrank. Now, with the recovery, do you have the skilled workers you need? What's being done to encourage young people to come into the building business?

BRYANT: The need for skilled help is at a premium here on the Cape. Finding young, skilled individuals who can live here and remain in long-term employment is a challenge. Fostering the young workforce, such as recent tech school graduates or other workforce training programs are a few options to fill this gap.

COLE: We are working with HBRACC and the Workforce Investment Board on this. We have been able to find great, skilled workers to fill our need, but we do see less than an adequate number to serve the industry and its growth. Many of the trade (sub)contractors are looking for additional skilled workers.

The first step is to create greater awareness for the great careers that can be found in this industry. You can find and grow a great career by carving out your own niche within this exciting, growing and advancing industry. At present, we recruit at all levels – entry level and more experienced and senior level roles; we do not focus on younger workers specifically.

DUFFANY: Many young folks are seeking employment in other industries that are far more stable in the longer term. Many workers have left the trades. Many workers are older and less inclined to do things like roofing and heavy framing. They are more inclined to do finish carpentry.

KIMBALL: The pool of highly skilled tradesmen is low. High-end finish carpenters, plumbers, mechanical trades and electricians are struggling to keep up with demand. We have been looking at bringing in entry-level laborers and carpenters and working on training for the future. ●



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