

## IMPACT OF COVID-19 ON CONSTRUCTION MATERIALS



### 2020 - the Year We've Seen It All

By now, we're all a little "newsed out" about the oddities that are 2020. From fake news to political debate to media overreaction, chances are you've heard more than enough about how COVID-19 has impacted the world.

Yet...new challenges and surprises come up every day. And we're getting more questions and experiencing more issues with construction materials than ever before. So we thought it best to go right to the source...our trade partners on the front line of the material and supply shortage.

Joining us via blog are Bryan Komas of Grand Appliance and TV, Ben McCarty of Drexel Building Supply, and Ryan Krueger of L.H. Krueger and Son. Each has a unique perspective on the challenges the industry is facing, and have experienced their own ups and downs as they navigate this uncertain year.

"I've never experienced something like this - not in 21 years in the business," Bryan shared. "The biggest problem we have right now isn't getting appliances. It's good communication. Delivery dates, backorders and production schedules from the manufacturer used to be fairly reliable. But now it is hard to trust the information we receive. That, of course, puts us in a very hard place managing expectations with our builder and homeowner clients."

With 25 stores, Grand Appliance has the benefit of being just large enough to have a strong manufacturer direct relationship, and yet smaller than the big box stores so they can provide an exceptional customer experience. But even now, that niche is being threatened. Their ability to buy truckloads and containers of products direct from the manufacturer has helped them fare better than the small independent appliance company, and that buying power has helped some.

"There really are a few issues at play in the appliance market. First...there was an initial time that manufacturing plants were shut down. Production lines had to be retooled for social distancing. Second, we've actually experienced an ultra-high demand the past few months. It's a great problem to have, but with a decimated supply chain...filling 20% more orders has been a challenge," Bryan shared.

He went on to explain that the appliance industry is unique...and there is very little vertical integration. In a common refrigerator there could be more than 1000 components...all manufactured and supplied to a "parent brand" like Frigidaire to assemble and market. If just one of those parts gets hung up...the entire appliance can't go out the door. Bryan shared that certain manufacturers, such as LG, have done a good job with vertical integration, making their own plastics, compressors, etc., and this has positioned them better off in this unprecedented shortage.

The role of the manufacturer is critical in supply chain management. Ryan Krueger, of L.H. Krueger and Son actually commended the roofing industry for their response to COVID-19. "We've had exceptional luck with our main shingle supplier, GAF. They planned well through this crisis, ran a responsible company, and didn't shut down their plants in a knee-jerk reaction," Ryan shared. "Other suppliers who did cease operations are struggling now - only producing a handful of colors, experiencing double the lead times they used to. But companies like GAF have been good to us through the pandemic...allowing us to keep business moving as usual. More than ever, this year has shown me that partnering with strong, reputable business vendors is critical."

While GAF and roofing products have been in strong supply, Ryan and his crews have experienced several shutdowns due to metal shortages. "Nearly 90% of our gutter metals are recycled product. If you've heard anything about the aluminum can shortage, we're in the same boat," he added. In fact, the lapse in the recycled aluminum market caused a six week delay on a job site recently for the L.H. Krueger team. Waiting on metal for a soffit and fascia meant the entire project came to a screeching halt, because the building envelope could not be closed up to start insulation and mechanicals inside the home.

Ben McCarty of Drexel Building Supply echoed the comments about supply and demand, adding price changes to the mix of concerns our industry is facing. "Lumber is at an all-time high. Mills that shut down over initial Covid-19 concerns are just now coming back to full production, and box stores are consuming 300% more product than typical due to all the DIY remodeling projects happening as people stay in their homes," Ben explained. "While we've seen a slight leveling off, I expect that the lumber market will not rebound until Q2 of 2021. That's a long ways off...and it trickles down to so many areas of construction...not just rough carpentry. Millwork. Cabinetry. Flooring. If it's a wood product, it's going to be delayed."

Regrettably, Ben also shared some marked pricing increases since the beginning of COVID-19. Primarily attributed to supply and demand economics, Drexel has seen increases of 25% in trim, 35% in trusses, and many other increases across the board.

In such a volatile climate, what can you do as a homeowner to help? How can you partner with your builder and their trade partners to prevent as much "unexpected" schedule and budget creep as possible?

[Our team](#) shared the following advice.

- Don't sell your freestanding appliances with your existing home. While it's a hassle to move them, it's a much bigger hassle to be without a refrigerator, washer or dryer. Sell them on Craigslist or Facebook Marketplace after your new appliances come.
- Move quickly through the decision-making process. Whether it's selections or design changes, time is no longer on your side. Availability, delivery dates, and pricing is changing so quickly, the best way to lock in your options and control your costs is by committing early.
- Simplify design and architectural approvals. Many municipalities are meeting less frequently for plan reviews and approvals, as are developers and HOA's. The virtual meeting world we live in means any indecisiveness in your final home plans could push your place



back to the next plan approval meeting.

- Choose a builder with a track record for relationships. While this year has not been easy, it's relationships that are making or breaking the building process. Years of loyalty and vetting suppliers for strong business practices have resulted in better delivery times and pricing for Demlang Builders, and we know that wasn't built overnight.
- Be flexible. While you might have that certain dream refrigerator or window preference in mind, your builder and their partners can help guide you to a brand that is delivering the best lead times and pricing. It's not that you don't have options, it's that your builder wants to provide the most seamless building experience and that starts with knowledge.
- Keep open lines of communication. The more we talk, the more we can share and sort through frustrations instead of fueling them. Sometimes all you can do is laugh - Like that time a perfectly good ocean tanker full of beautiful new appliances was sunk in a typhoon, and another major delivery derailed on a freight train the very next week. Who could have seen that coming? (We all should have...it's 2020 after all!)