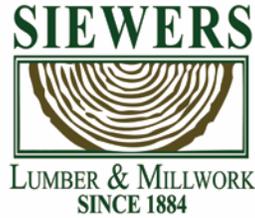


February 19, 2014



“Preserving the Past while Building the Future.”



Celebrating 130 Years of Service

A note from the Siewers Family...

No Snow!

We hope you have been able to survive all the snow that has fallen so far this winter. Although “Mother Nature” could throw more wintry weather our way, we are thinking spring here at Siewers Lumber Company.

This year, Siewers Lumber Company will celebrate its 130th Anniversary! Be sure to keep a lookout for information regarding our *Founder’s Day Celebration* to be held in May. Our founder, Richard Siewers, migrated from Germany and started Siewers Lumber Company in 1884. He founded the business on The Golden Rule – “treating others as you would like to be treated”. We continue to follow this rule today and hope you have encountered this when you have visited Siewers Lumber!

As always, we want to hear from YOU! Please let us know if there is anything you need. We want to continue to be able to better serve you and your needs each and every day!

Thank you again for your patronage to Siewers Lumber!

-The Siewers Family

February 19, 2014

Economic News

Richmond Named One of the Top 10 Hottest Housing Markets for 2014

Good news for homeowner's looking to sell, Richmond was named one of the Top 10 Hottest Housing Markets for 2014 according to CoreLogic Case-Shiller, an index that helps "Securities investors, mortgage banks, servicing operations and government agencies make property valuations and manage risk, mitigate losses and control appraisal quality."

Richmond was listed number 4 on the list.

The area's diverse economy, which include a stable mix of government and manufacturing jobs and low unemployment rates are major reasons for the good listing.

U.S. Dept. of Commerce Reports Chilly Housing Starts

The U.S. Department of Commerce reported that new-home construction dropped 9.8% in December, and Reuters says cold temperatures could be to blame.

The nationwide decline in construction follows a red-hot November and marks the largest percentage slowdown since April 2013.

David Crowe, chief economist at the National Association of Home Builders, says not to worry about the coming months, "As pent-up demand is unlocked and the labor market improves, we anticipate that 2014 should be an even better year for home construction."

Housing Foreclosures Down 26% in 2013

There's light at the end of the tunnel. The National Association of Realtors says the foreclosure crisis that has dogged the housing industry since the financial collapse in 2008 began dissipating in 2013. This figure includes foreclosure filings, bank repossessions, default notices and scheduled auctions.

The 1.4 million properties with foreclosure fillings in 2013 marked the lowest amount since 2008. *See NAR's Daily Real Estate News for more.*

The Market Minute / Central Virginia/Richmond Housing Market /

Figures used come from the Long & Foster Market Minute.

There was a decrease in total units sold in January, with 867 sold this month in Central Virginia/Richmond versus 1,216 last month, a decrease of 29%. This month's total "units sold" was higher than at this time last year, an increase of 1% versus January 2013.

February 19, 2014

Last January, the median sale price for Central Virginia/Richmond Homes was \$169,900. This January, the median sale price was \$187,000, an increase of 10% or \$17,100 compared to last year. The current median sold price is 4% lower than in December.

Contractor News

Double-Digit Rises in Remodeling Spending to Continue in 2014 by Mark Paskell

Spending on big-ticket home remodeling projects will continue to rise at a double-digit pace well into this year, the Joint Center for Housing Studies (JCHS) of Harvard University forecast today. Its Leading Indicator of Remodeling Activity (LIRA) predicts \$153.8 billion worth of expenditures on major remodeling projects over the 12-month period ending Sept. 30.

“The ongoing growth that we’ve seen in home prices, housing starts, and existing home sales is also being reflected in home improvement activity,” said Eric S. Belsky, managing director of the Joint Center, in a JCHS news release. “As owners gain more confidence in the housing market, they are likely to undertake home improvements that they have deferred.”

“However, the strong growth for this cycle may start to ebb a bit beginning around midyear,” added Kermit Baker, director of JCHS' Remodeling Futures Program. Indeed, the newest LIRA says the rolling four-quarter rate of change will show 14% growth through this quarter and a 14.7% increase through 2014's second quarter before slowing to a 9.9% increase for the four quarters ending this Sept. 30.

“By that time, we’ll be approaching the pre-recessionary levels of spending, and with borrowing costs starting to creep back up, growth rates are likely to slow some,” Baker said.

LIRA focuses on home improvements that cost at least \$500. The \$153.8 billion in expected spending excludes spending on minor maintenance projects as well as all spending by landlords on their rental properties.

Using the Cost vs. Value Report to educate homeowners on budget/cost by Craig Webb

The 2014 Cost vs. Value Report is out and can be a valuable tool to educate homeowners on what they should budget for various types of remodeling projects. As you know, most consumers are reluctant to share their project budget with the contractor out of fear that the number they share may be the price they are charged. You the remodeler or home improvement contractor want to make sure that you don't waste time with a homeowner who doesn't have a realistic budget.

February 19, 2014

Showing them the average cost of projects in their area using a third party neutral resource such as the Cost vs. Value Report can break the ice and get the budget out on the table.

The 2014 report shows that remodeling is very strong in many markets across the nation and the ROI (return on investment) for most projects is higher than the past few years.

Some notable trends include high ROI for Attic Conversions, Finished Basements, Baths and Kitchens. Exterior replacement projects roofing, siding, windows, front doors and decks are also showing very good ROI. Home improvements that take advantage of the existing space and are within the existing footprint are more advantageous than building additions.

How to use the Cost vs. Value Report with your prospects and stop wasting time with homeowners who have unrealistic budgets:

Setting the stage; the homeowner has called and wants you to come out to look at a bathroom project. You or your office manager talks to the homeowner and writes down the pertinent information on your company **lead form** or client intake sheet. You set the appointment and run the lead. You spend the first 10-20 minutes getting to know them before you segway into discussing the project.

You use your **Needs Assessment Questionnaire** that has important questions on it to ask them what they want.

One of the questions is; "**Have you established a set aside target budget range for your project?**"

Whatever the homeowner says, it is likely a mislead or not the true budget. Often time they may say I have no idea, that's why we called you. (Rest assured most homeowners know what their budget is).

Preparing your cost vs. value report support package to be shared with the homeowner

1. Locate the Cost vs. Value report for the Region and then major city near you.
2. Download the PDF report for that city and save it to your computer and your tablet if you use one.
3. Read and Study the projects that line up with the projects you normally focus on. This study should include knowing the scope of work and the average cost published in the report. If you do kitchens and baths, study those projects in both the Mid-Range and Upscale Reports.
4. Compare these projects scope and average costs to your projects. I would recommend pricing up these projects on your estimating program as hypothetical projects. Then you will know where you are in comparison.

February 19, 2014

5. Print off the entire report for your city and insert into plastic sleeves and place it into a thin 3 ring binder. This can be used to show the homeowner when you are with them in person.

Now that you have the prepared the report, study the projects and average costs and priced up these project types on your estimating program you are ready to broach the budget topic with the homeowner.

Word tracks

Let's say the homeowner says "I have no idea what the cost is or what we should budget, that's why we called you".

You can say "no problem let's take a look at the most recent Cost vs. Value Report for bathroom projects in Boston, Ma. (or a city near you)

You would explain that this report is considered the Consumer Report for Remodeling in the United States for over 12 years. It is based upon the average costs obtained from professional remodeling companies in over 100 metropolitan areas. In addition the report includes the Return on Investment for each project. This information is obtained from Professional Realtors.

It is important to explain that the average cost numbers come from Professional Remodelers and Home Improvement Contractors, not Chuck in a Truck, Bubba, Mr./Mrs. Illegal Immigrant, Joe Contractor or your local Town/City municipal worker. And the ROI is based on real numbers from the real estate industry.

Now knowing your numbers and how you compare with the averages in the report for similar projects you should have enough information to know the range that will work for you. Once they see the average budgets in the report for their area then you ask them how that compares to their set aside target budget range. At this point they should share the budget range they are shooting for. If their stated budget is way off the averages it may mean they are not a fit on that project for you. If they are sincere and they are let's say only willing to invest half of the amount needed you can end it there.

Or if you are willing to persevere you can ask two questions

“Could you see yourself increasing your target budget range for this project?”

or **“Would you like to discuss some other options that fit your target budget range?”**

Tips for Maintaining Even Cash Flow

By: Stacey Freed

In the numerous “Top 10” lists of why small businesses fail (51% don’t survive after five years according to the Small Business Administration) cash flow is usually near the top. Entrepreneur Jack Stack has said that a company can get by for a long time without profit, but it can’t get by until the next pay period without cash flow.

February 19, 2014

“You can borrow enough to keep going and you can fool yourself into thinking you’re OK,” says Seattle-based business consultant and remodeling columnist Judith Miller, “but you can’t fool the bank, and you can’t fool the cash flow.”

Like car engine oil, cash flow keeps the machine running smoothly. Without it, the gears won’t turn: you won’t be able to pay the bills, put money into the war chest, pay employee bonuses, or have a cushion.

The challenge: How to keep the money coming in and going out at the right speed.

Bill Early, Bill Often

“Paper profit doesn’t mean you have cash on hand,” says Melanie Hodgdon, president of Business Systems Management, in Bristol, Maine. At the end of a job, if you just have money on paper but won’t receive your actual cash payments for three weeks, and you receive a large materials bill, you won’t have the money to pay it.

When Gary Rochman, owner of Rochman Design-Build, in Ann Arbor, Mich., started out, he did what many remodeling company owners do: asked clients for progress payments based on construction milestones. For example, when framing is complete, the company receives x%; at the end of drywall, another x%; and so on.

A few years later, Rochman made what he calls an “incremental change” and began charging clients at the beginning of a construction sequence rather than when work is completed. “I realized that if you have clients’ trust, they’re willing to give you money; they want their project to go well.” This led him to see that he could uncouple payments from milestones altogether.

Now he takes 10% of the project cost at contract signing, another 10% on the day his company shows up to do the work, and divides the remaining 80% into equal, regularly scheduled monthly payments over the life of the job. (See “Deposit Decisions,” below.)

This means that Rochman must be vigilant about accurate job scheduling and timely job completion, so he continues to earn his clients’ trust. “Clients see that we’re organized,” he says, “and this continues to earn their trust.”

Other remodelers invoice clients weekly or bimonthly. Whatever the schedule, the key for better cash flow is on-time payments and client education:

- Make sure you receive client payments before you pay your subcontractors and suppliers.
- Talk with clients up-front about the importance of quick payment. “It takes some sales skill,” Rochman admits, but clients need to know that if you have money in the bank to pay subs and suppliers, you can pay them promptly. The result: early payment discounts, subs make your jobs a priority, and the client will see lower costs, better results, and higher-quality service. (See “No Shows,” below.)

February 19, 2014

Stagger Big Bill Payments

If your workers' comp is due in March or August and that's the same time as your corporate taxes are due, consider staggering your payments so that you're not getting walloped with multiple charges simultaneously.

Attend to Change Orders

It's inevitable that there will be changes during a job. Charge for these immediately. "We ask for 100% of the change order payment before we start," Rochman says. Hodgdon suggests either charging a higher markup or a change-order fee to cover the additional time and effort required to deal with the domino effect of change work.

And get it in writing because, Hodgdon warns, "If you don't have a signed change order, you might as well wrap up the change order and put a bow on it because legally, it's the equivalent of a gift."

Deal With Punch Lists

The best-case scenario is that you have no punch list. You don't want jobs dragging on with final payments tied to completion of punch-list items. Since there are increased costs associated with picking at punch-list items, get them wrapped up before you get off the site to avoid having to send crews back again, possibly multiple times.

"Take care of punch-list items as they come up," Hodgdon advises. "If a painter leaves a hole in a wall, it's not a punch list item; call in the painter and have it taken care of." Incorporate cleanup as part of your regular work process. When a three-month punch list becomes the norm, there's something wrong." Plus, if your payment schedule is tied to punch-list completion, you won't get that final payment in time to cover that job's cost window. But the insidious additional cost is your good reputation. Delaying your departure can mar an otherwise good relationship with your clients.

But, if you do end up with a short punch list, Les Cunningham, owner of Business Networks, a peer review group, suggests that you make each item worth "x" amount and, upon successful completion of that item, you get paid. "The worst-case scenario is that you lose your last punch-list item payment," he says.

Autopsy Jobs

One side effect of getting swamped by punch-list items is that you may not get back to evaluating how you did on the job until months later. This means you might discover too late that your estimating system is out of whack, and you'll continue to estimate future work incorrectly using the same erroneous assumptions.

This is a profit matter, but it affects cash flow because unless you're pricing jobs correctly, you'll end up trying to cover the Smith's job with the Jones' deposit.

Price It Right

It should go without saying that you need to add in your ongoing business expenses to your project estimates, but too often new remodelers in particular don't price appropriately. Let's say your annual overhead is \$52,000, or about \$1,000 per week. If a job is estimated at \$50,000 in costs and is scheduled to take three weeks, then pricing the job at \$53,000 would theoretically cover (barely) the overhead. But there's no allowance for profit in that price, and if there are cost overruns, you'll go into the red. Each month you continue this practice means you're losing thousands of dollars because you don't have enough gross profit to cover your overhead.

Prepare for Added Costs

Along with staggering your big bills, you need to consider large expenditures you'll be making in the near future—new employees, another truck, and so on. “If you want to hire an estimator in May, change your pricing structure now,” Hodgdon says. You want the dollars there when they will be required, otherwise you can run out of cash because of those new demands.

Establish a Line of Credit

It's good to have a line of credit, just in case—but you can't wait until you need one to get one. Your business must be healthy before you approach the bank. Your books should be in order and your balance sheet should show a healthy current ratio, Hodgdon says, i.e., total current assets divided by total current liabilities should be 1.25 or higher. And you should have a healthy debt-to-equity ratio (total liabilities ÷ total equity) of less than 1. “The lower the better,” Hodgdon says.

And get to know your bankers. Developing a personal relationship with lenders can make the difference between appearing as a set of numbers or having somebody on staff go to bat for you. Knowledge of personal integrity and the circumstances leading to the need for a line of credit during tough times can make the difference between a thumbs up and denial.

Michael McCutcheon, owner of McCutcheon Construction, in Berkeley, Calif., adds this caveat: “Remember that credit-line terms can be canceled with virtually no notice. It's not like a home mortgage where, just because you make the payments, the bank keeps it open. They can look at your financials and yank it at any time.”

Share and Share Alike

Bartering with a strategic ally might seem to be a way to improve your cash flow, but the terms of a barter have to be carefully worked out, and there are tax implications. This is the sort of gray area that should be discussed with a qualified tax accountant. Hodgdon outlines an example this way:

February 19, 2014

A remodeler has a plumber who is a subcontractor. The remodeler hires the plumber to do work on the Jones' job in exchange for doing a remodeling project at the plumber's office. To make things simple, assume that the estimated cost for both projects is identical, and that both parties use the same markup for pricing. The terms could be charted like this:

	Remodeler	Plumber
Project	Plumber's Office for plumber	Jones Project for remodeler
Actual costs	\$15,000	\$15,000
Typical markup applied	45%	45%
Amount to invoice	\$21,750	\$21,750
Who would be invoiced	The plumber	The remodeler
How much is paid?	The plumber pays nothing. Instead, he provides \$21,750 of services (at a cost of \$15,000) in exchange.	The remodeler pays nothing. Instead, he provides \$21,750 of services (at a cost of \$15,000) in exchange.
Income to record	\$21,750	\$21,750
Costs to record	\$15,000	\$15,000
Theoretical profit	\$6,750	\$6,750

Obviously, no cash is saved. The remodeler actually gets his markup (he spends \$15,000 on the plumber's office project, avoids paying the plumber, and yet still collects \$21,750 from the Joneses). The plumber gets (for \$15,000 spent working on the Jones job) \$21,750 in value on his office upgrade. The tricky part is showing the appropriate amount of costs, income, and profit on the part of each of them so that appropriate income taxes can be paid. "Be sure that all parties are not only satisfied, but—if audited—are singing the same song," Hodgdon says.

Deposit Decisions

Be aware of the laws in your state regarding up-front deposits for construction work. Some states, such as Maryland, Pennsylvania, and Maine, restrict a deposit to 33% or less of the total job cost. In California it's 10% or \$1,000, whichever is less, "unless you bond around it, which most people don't do," says D.S. Berenson, an attorney in the home improvement industry and a REMODELING columnist.

A common problem, he points out, is that some contractors will take a deposit for a window job, for example, and then return and re-measure a week later and then take more money. "If you take a payment on a re-measure in California," Berenson says, "you've arguably violated the law because you haven't done any actual new work."

February 19, 2014

Quick Contractor Tip

Building Better Eaves

By [Brendan Rimetz](#)



Roof overhangs, also known as eaves, can be finished in a number of materials—including PVC, wood, or aluminum. They can add a unique touch to a home exterior and are often a critical part of effective roof venting.

Structure matters. When building in a hurricane zone, you will want to focus on the substructure, not just the finish. Dr. Tim Reinhold and builder Richard Reynolds discuss the importance of soffit installation in "[Securing Soffits.](#)" The two authors pitted manufacturer installation instructions against real-world techniques, and tested which ones held up best. The experiments found that the overhangs and soffits were vital to keeping water out of attics.

To paint or not to paint. In "[Three Ways to Vent a Soffit,](#)" author and contractor David Hanson discusses the ways that roof overhang soffits can be vented. Whether the eaves will be painted is key to deciding what type of material he plans to use: Aluminum vents don't hold paint very well. When trim will be painted, fiber-cement usually works best.

Efficient return. Wood is a traditional choice for exterior trim, especially on classic homes. Builder Matt St. Martin shares how he made custom eaves that included vents for the 130-year-old home he was working on in "[Cornice Returns, Production Style.](#)" St. Martin used trim materials to build mockups and capped the overhangs with sheathing. He and his crew pre-assembled as many of the trim parts as possible on the ground, which cut down on installation time and reduced trips up and down the ladder. (Note: St. Martin was matching the "poor man's return" on the existing house.)

Venting solution. Whether they are wood or composite or aluminum, soffits often contain vents that provide airflow to eliminate moisture from attics and cool roofing materials. However, those vents don't always fit with a traditional look-and-feel. Mattituck, N.Y.-based builder John Seifertis writes about how to build a subtle vent that can be hidden behind molding in "[Backfill: Subtle Soffit Vent](#)" from JLC's July 2004 issue. Seifertis installs the vent behind a 3 1/2-inch to 5 1/2-inch-wide crown molding, which he says is "a nice looking detail that provides plenty of roof ventilation without calling attention to itself."

Protect the insulation. As a note of good practice, whenever installing soffit vents, be sure to install insulation baffles, [such as those from AccuVent](#) to keep airflow from short-circuiting the insulation and degrading R-value.

How would you like to be published in a future issue of Siewers Newsletter?

Be sure it is a quick tip that can help another contractor and one that is simple to understand ("Even I need to understand it!") It also must be economical to create. Submit your tips to us at laurenf@siewers.com.

February 19, 2014

Feel Lucky!

Be sure and bring your business card next time you visit Siewers. Just drop it into the glass fishbowl on the counter to enter a monthly drawing.

Good Luck!!!

Congratulations to Kenneth Pace your February winner!



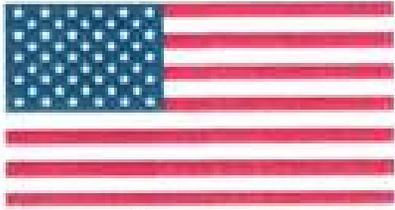
*Spring Forward – Set Your Clocks Forward
March 9th*

Happy St. Patrick's Day

March 17th

February 19, 2014

OPERATION ENDURING FREEDOM XIV



Certificate of Appreciation to Siewers Lumber & Millwork



Personal Security Detachment
Task Force Bayonet



Economy Snap Shot.....

	<u>Unemployment Rate – Entire U.S.</u>	<u>Consumer Confidence (Indexed to value of 100 in 1985)</u>	<u>Total Housing Starts/Seasonally Adjusted Annual Rate</u>
Jan. 2014	6.6%	80.7	880,000
Prior Month – December, 2013	6.7%	78.1	1,048,000
Prior Year – Jan. 2013	7.9%	58.5	898,000
	Gallon (\$)	Existing Home	

February 19, 2014

	<u>Of Gas</u>	<u>Sales</u>
January 30, 2014	\$3.28	N/A
Prior Month – Dec. 2013	\$3.31	4,870,000
Prior Year – January 2013	\$3.46	4,900,000

Market Summary

	<u>February 19, 2014</u>	<u>1/01/14</u>	<u>2/01/13</u>
DOW	16,130	16,576	13,860
NASDAQ	4,272	4,176	3,142
S&P 500	1,840	1,848	1,498

Company Mission

To serve the needs of contractors and do-it-yourselfers.



**“We often miss opportunity because it’s dressed in overalls and looks like work.”
Thomas Edison**

**Siewers Lumber & Millwork
1901 Ellen Road
Richmond, VA 23230**

**Visit our website for product and general information.
www.siewers.com**

Phone: (804) 358-2103 Fax: (804) 359-6986

**Hours:
Monday – Friday
7:30 a.m. – 4:30 p.m.**

Share with others.

***If you know someone that would like to receive our “Siewers Newsletter”,
have them email us at laurenf@siewers.com and we will add them to our
distribution list.***

....Next issue March 18th