

April 17, 2014



*“Preserving the Past while Building the Future.”*



*Celebrating 130 Years of Service*

*A note from the Siewers Family...*

### Spring Is Here

Finally, spring is here and we are so fortunate to have had several weeks with plenty of sunshine, minimal rain and NO snow! We are so excited that warm weather has arrived and with it a sense of confidence for a busy summer season to follow!!!

Please mark your calendars for Thursday, May 22<sup>nd</sup> from 11:00 am to 1:00 pm as we celebrate Founder's Day. This year marks our 130<sup>th</sup> year of service to the Richmond area and we want you to join us for the celebration. Cox Wood Preserving and Simpson Strong Tie will be on hand and will help us with a cook out for lunch! We will even be serving birthday cake, so be sure to register with us at 358-2103 or [laurenf@siewers.com](mailto:laurenf@siewers.com).

Thank you for reading our newsletter and for your feedback on ways of making it better. As always, thank you for your business!

*-The Siewers Family*

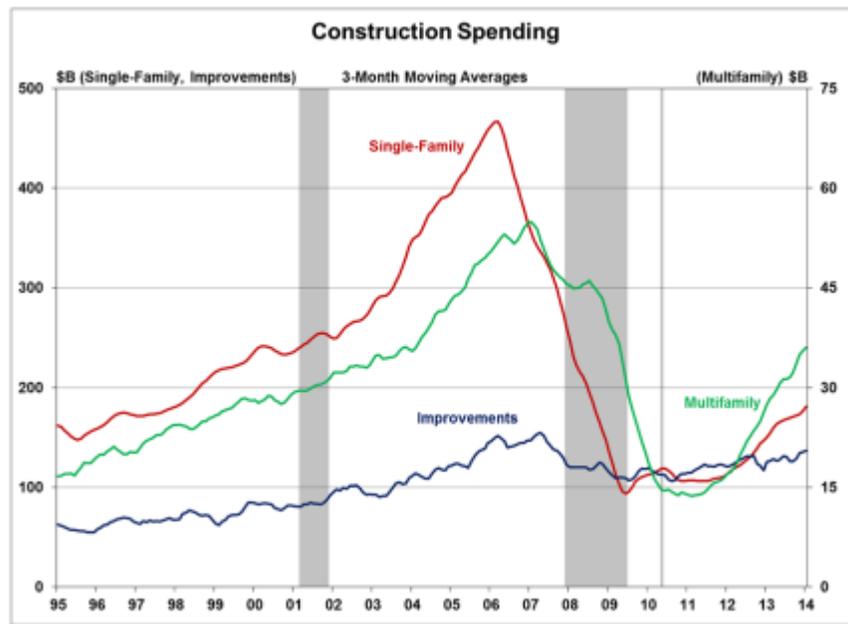
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## Economic News

### Residential Construction Spending Increases for Third Month

According to Census estimates, total private residential construction spending increased to a seasonally adjusted annual rate of \$359.9 billion during January. The current reading is an increase of 1.1% from the revised December estimate and 14.6% higher than one year ago. Total private residential construction spending increased for the third consecutive month.

Single-family spending registered an increase of 2.3% for the month, while the multifamily category saw an increase of 1.0%. The home improvement category saw a slight decrease of 0.4% for the month.



The figures are well below their respective peaks but the data shows significant improvements in residential construction spending for all categories from the recent lows and the prior year. From January 2013, on a 3-month moving average basis, single-family spending increased by 20.6%, multifamily increased by 31.7%, and remodeling increased 9.4%.

### Economist see Growth Later this Year

WASHINGTON, D.C. (AP) - With the pace of U.S. economic growth seen speeding up later this year and next, many business economists expect the Federal Reserve to end its bond purchases this fall or even earlier.

The consensus of the 48 economists surveyed by the National Association for Business Economics is that bad weather cut first-quarter growth to a weak annual rate of 1.9

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percent, but that growth could exceed 3 percent by year's end. NABE's report, released Monday, covered a survey period from Feb. 19 through March 5.

Their forecast for average U.S. economic growth of 2.8 percent this year is better than the 2.5 percent rate they predicted in NABE's December survey. Those surveyed expect consumer spending to now increase 2.6 percent in 2014, not 2.4 percent, as hourly wage growth is forecast to rise faster than inflation. GDP is expected to grow an average 3.1 percent in 2015.

"Conditions in a variety of areas — including labor, consumer and housing markets — are expected to improve over the next two years, while inflation remains tame," NABE President Jack Kleinhenz, chief economist of the National Retail Federation, said in a statement.

Given the stronger growth forecast, 57 percent of the economists surveyed believe the Federal Reserve will end its bond purchases in the fourth quarter, as the central bank has signaled it plans to do. Another quarter think it will happen even before that, though 17 percent think the Fed will keep buying bonds into 2015.

The Fed has been buying bonds for the past several years with the aim of driving down long-term interest rates to stimulate spending and economic growth. Now that the economy is slowly but steadily improving, it has been tapering those purchases. At each of its last three policy meetings, including last week's, the Fed cut bond purchases by \$10 billion to the current pace of \$55 billion a month. There are six meetings left in 2014.



Focus On: Central Virginia/Richmond Housing Market – March 2014

<u>Units Sold</u>	<u>Active Inventory</u>	<u>Median Sale Price</u>	<u>Days on Market</u>
950	6,280	\$196,000	78

### Contractor News



#### *Seven Ways Contractors Can Get Paid Faster*

**Wouldn't it be great if you always had the ability to pay your bills on time?**

**Even better if you could pay them early when a discount is offered for doing so?**

To improve cash flow at your construction business, consider these **seven strategies to help you collect project related payments from your customers much faster.**

1. First, during the sales process, discuss upfront in a businesslike manner your desire to finance the project with their money. Let them know your cost of doing business, and therefore the cost of their project will be much higher if you have to

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- finance the job using your business' line of credit rather than their money to pay for their project as it progresses.
2. When creating a project's payment schedule, use project milestones to determine when payments will become due. If when doing your estimate you list your tasks and related costs for each task in critical path order, you can then add the marked up cost of each milestone's tasks to make sure the amount collected for each payment will adequately finance each phase of the project. Then, add a little extra money to create a cushion of safety (front loading).
  3. When writing up those payment schedules, make payments due for example "When ready to start drywall" rather than "At start of drywall". This way you will have the money you need before you start a phase to pay for that phase. By using this wording, if you are having problems, you can delay returning to the project if your customer doesn't give you the money when it's due. Be sure to explain how this works to your customers while they are still prospects and before they sign your agreement!
  4. Make it company policy (in your contract) and indicate in your payment schedule that the final payment is due at substantial completion. This is the point at which the project can be used for its intended purpose. So even if you are waiting on the customer to provide the kitchen cabinet door pulls as the last item to wrap things up, you can still call the project substantially complete, invoice your customer for the balance due and expect the final payment.
  5. Also make it company policy that your contractor's warranty starts at substantial completion of the project. Clarify however that no warranty work will be completed until the final project balance has been paid in full.
  6. Make sure you bill your clients as soon as the job is substantially complete. Experienced contractors have learned that if you take two weeks to bill your customers; they will assume they have at least two more weeks to pay you.
  7. In your contract, and on your invoices, let customers know when interest charges will start on late payments. If for example they have a 30 day grace period to make payment on a final invoice and they make their payment late, will the interest due start at the 30 day mark, or start back on the original date of the invoice? If interest will start at the date of invoicing, customers will be more likely to pay within the 30 days grace period. Again, be sure to explain how this works to your customers while they are still prospects and before they sign your agreement!

### **Being proactive will help contractors collect project payments on time.**

For some business owners, dealing with and or talking about money with clients and prospects is scary. When I discuss this subject with them many tell me they don't want to alienate their customers. This certainly can be a valid concern. However, if you discuss your policies related to making progress and final payments before you let them sign your contract, and you do it in a professional manner and tone, most good customers will toe the line. There is definitely a difference between being aggressive versus being firm and sincere with purpose. After all, the best results for the contractor as well as the homeowner come when there is a mutually beneficial relationship.

*Paul Winans, a veteran remodeler, now works as a facilitator for Remodelers Advantage and as a consultant to remodeling business owners. paul@remodelersadvantage.com*

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## **10 Steps to Building a Successful Construction Company in This New Economy**

*By Shawn McCadden*

For the last five years or so, many construction business owners were operating their businesses in survival mode. Now, with the economy improving and residential construction activity picking up, many contractors will be looking to grow their businesses again. If you are looking to grow your business here is my list of 10 steps contractors should take to make the switch from surviving to thriving.

1. **Build your team.** You can't do it all; no matter how much you try. Find the right people with the right attitudes, skills and personalities to be part of your team.
2. **Be ready to take advantage of opportunities for growth.** Hire and properly train employees before you already need them and their required skills.
3. **You are not the Energizer bunny!** Make sure you have a plan for recharging your batteries and keeping up the motivation you will need to make your dream business happen.
4. **Be the leader you need to be.** Work on your leadership skills and make sure you understand the difference between leadership and management, and when to use one versus the other. Good employees want to be lead, not supervised.
5. **Be careful about and watch your overhead expenses.** Many construction businesses failed during the recession because they could not cover the cost of the overhead they were committed to when volume and or gross profits dropped.
6. **No Wild Ass Guesses (WAG)!** Know the costs of doing more business before you do more business so you can use the right markup to price your jobs profitably.
7. **Dip your toe in the water before you dive in.** Before you actually increase your overhead costs, test the marketplace you plan to work in to make sure you can sell at the increased pricing you'll need and can sell enough work at that price. Consider if you are in the right market to do business but also if you have the right marketing and sales skills in place.
8. **Don't be blind-sighted by increased job costs.** If you like the idea of an extended backlog of work, find a way to protect your planned profits from escalating costs. Labor and many material costs are expected to go up dramatically before the end of the year. Be sure to price your work for the actual costs you will incur at the time you produce it.
9. **Know your limits.** Do what you can yourself but get the professional help you need to do things right; to avoid costly mistakes, increase the likelihood of success and maximize the results for all your efforts.
10. **Think things through first and create a written plan to guide you.** Successfully growing your remodeling business or construction business takes much more than just selling more work and adding employees. Without a plan to commit to, business success might only be a short lived dream for you and your employees.

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## OSHA's War on Silica Dust

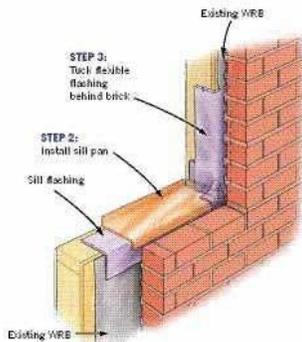
The Labor Department's Occupational Safety & Health Administration (OSHA) has proposed a rule limiting workers' exposure to airborne crystalline silica dust, which in the construction industry can be generated by activities that include dry-sawing concrete or stone and installing or ripping out drywall.

The rule would require contractors to use "engineering controls" to minimize dust; these might include using wet saws or vacuum dust collection and/or isolating dusty areas. Any worker exposed to silica dust for more than four hours per day would need a half-mask respirator. Those using the respirator for 30 or more days per year would need to be offered a medical exam.

Public hearings on the rule run through Friday, April 4<sup>th</sup>, at the Labor Department's Frances Perkins Bldg. in Washington D.C.

### Quick Contractor Tip

## Avoid Leaks, Avoid Liability



Most of the time when you see leak-proof window flashing details, they are for new construction. The [step-by-step slideshow "Flashing a Flanged Window"](#) and the [article and slideshow "Flashing and Trimming a Window"](#) are classic examples that cover the gamut of today's state-of-the-art flashing materials.

Replacement windows are a different animal altogether. Integrating tape flashing with the weather barrier (if there is one), is no small trick when the building is already sided. But that's no reason not to try. The result of leaks can be a legal mess, and it's always better not to involve your insurance company (see "[Legal Adviser: Liability Insurance](#)").

Leak-proof replacement windows in wood-frame walls rely either on a good quality sealant strategically placed (see "[Installing Replacement Windows](#)") or peel-and-stick flashing tape (see "[Flashing Replacement Windows](#)").

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In a brick veneer home, peel-and-stick flashing is a critical ingredient. Getting it in the right place, however, is the tricky part (see "[Replacing Windows in Brick-Veneer Homes](#)").

Stucco is just a bear. The ferocious part is patching in stucco so it's not painfully obvious afterwards. It is possible to avoid an unsightly stucco patch around the window (see "[Replacing Windows in Stucco Walls](#)"), but getting it right will still be difficult. If you really want the patch to disappear, plan to stucco the whole wall, corner-to-corner, and no one will be able to tell the difference when you're done. *Article found in Replacement Contractor Magazine - March 24, 2014.*

**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](mailto:laurenf@siewers.com).

**Feel Lucky!**

*Be sure and bring your business card next time you visit Siewers. Just drop it into the glass fish bowl on the counter to enter a monthly drawing. Good Luck!!!*

**Congratulations to Jeff McKinney our April winner!**

**May 22<sup>nd</sup> Siewers 130<sup>th</sup> Anniversary**  
**Reserve your spot today by calling us at 358-2103**



**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>
March, 2014	6.7%	82.3	946,000
Prior Month – February 2014	6.6%	78.3	920,000
Prior Year – Mar. 2013	7.6%	61.9	1,005,000

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	Gallon (\$) <u>Of Gas</u>	Existing Home <u>Sales</u>
March 31, 2014	\$3.54	N/A
Prior Month – Feb. 2014	\$3.46	4,600,000
Prior Year – March 2013	\$3.65	4,960,000

### Market Summary

	<u>April 17, 2014</u>	<u>1/01/14</u>	<u>4/01/13</u>
DOW	16,392	16,576	14,578
NASDAQ	4,067	4,176	3,267
S&P 500	1,856	1,848	1,569

### Company Mission

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



“The way you position yourself at the beginning of a relationship has profound impact on where you end up.” Ron Karr

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