

Caught in the Crunch: Slowest year in decades for construction trades

This is an ongoing series providing local views on the nation's financial crisis.

By Staff reports

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Charles Silva has been in the construction business for 40 years. He specializes in new construction and additions. But lately he has been specializing in looking for business.

Today's economy has had a drastic affect on his Carver-based business, he said.

Has it slowed down considerably? "Slowed down? No," Silva said. "It's like a joke. There's nothing happening out there."

Before the crisis hit and the economy tanked he had two to three employees plus a few subcontractors. He has not been able to utilize them much at all this year.

"If I get the work, I call them," he said. "But not this year. Normally business slows down in the winter, now it's been slow all year."

Tight financing and the fact that his customers can't sell their current homes add to the problem.

"If they can't sell one house they can't buy another," he said. "People have to be able to sell in order to build. Some people can't get financed. Oh, I see a trend in the business; I see a trend of nothing. I'm not in the boat alone; everybody else is in this boat with me."

Silva is one of the lucky ones. He's financially stable enough to get by for a while, but he's still being more cautious about spending. "I'm not starving, but I'm cautious. Everybody is," he said.

The economic downturn has compelled Bay View Builders owner Tim Hickey to return to the work site in addition to handling his company's administrative responsibilities.

Hickey started Plymouth-based Bay View Builders in 1981. He specializes in historic restoration and residential remodeling and additions. He said he has a pretty good customer base, but overall the past year has been a slow one. "I would say that it's been the slowest year in 27 years of business," he said. Although business is usually good year-round, Hickey said this time of year, after the summer and before the holidays, is usually the best time for his business. Hickey said it's hard to tell how long this will go on, but he's optimistic business will pick up for folks in the building trades, including licensed general contractors like himself and the subcontractors and tradesmen he works with. He anticipates an upward turn by the middle of next year. Hickey enjoys his work and remains committed to producing quality work for his customers. And in some ways, he said, it's kind of nice to be back in the field. "You have to do what you have to do to keep your business going," he said.

Mulligan Real Estate in Plymouth has also felt the effects of the slow housing market. The company has built neighborhoods in Kingston, Bourne, Wareham and Plymouth, but is now feeling the decline, according to Michael Mulligan.

The company has taken cost-cutting measures, he said, not only to save money, but to sell less expensive houses as well. "I save money wherever I can and pass the savings on to the customers. I have to sell a better produce than the other guy and do it for less," Mulligan said. "Back when there were lots of houses to build, I subcontracted all the work...Now I am out in the field, clearing the lots, framing the houses and cleaning the job sites," he explained. "When building was booming, the subcontractors were able to charge what they wanted. It's supply and demand. But now on the subs, we are able to keep them at a fair rate. Green is also very big. Anything I can do to make a home more cost effective and energy efficient will attract buyers."

Though times are tough now, Mulligan said, the future will be brighter.

"The U.S. is going through the largest baby boom ever," he said. "People are starting families at a young age, as well as later in life. People need somewhere to live." The mortgage crisis will serve as a lesson for homebuyers and mortgage outfits, he said. "People will learn from it and will buy what they can afford. Starter homes will be big, as you can grow the house as you grow your family, as opposed to buying a monster and growing into it."

Rory Kelleher, business manager for Emerald Excavating in Cedarville, said Wall Street's nosedive hasn't hurt his family's 30-year-old business nearly as badly as it's hurt some. The residential housing slump of late 2006 and early 2007 took a worse toll but also positioned the company to withstand the recent declines.

Less than two years ago, the company pared its staff by a third, going from 60 to 40 employees. Today, the general contracting firm is back to 55 employees, but is also doing business differently. The company that James and Ingeborg Kelleher started in 1978 has always taken on a full range of projects, from site work and concrete foundations to marine seawalls and subdivision development. But the company tended to find most of its business in the residential construction market, Kelleher said. He now runs the business with his parents and brother, Sheamus.

When the housing slump started two years ago, the company started repositioning itself to take on more commercial projects. That meant developing new relationships in a sector with more overhead. But it paid off as the company broadened its market just in time for this year's credit crunch.

Today's business model sees Emerald ranging farther afield to secure work, and bidding on a wider assortment of projects.

"We had a reduction in the number of really large contracts we had, and we don't ever see them being bid anymore, so we took a higher volume of smaller jobs. We're spread out a bit and also traveling more," Kelleher said.

“We’ve done jobs in Salem, Chelsea, Brookline and as far south as Kingstown, R.I., whereas three years ago we tried to stay within 45 minutes of our shop. The only time we ventured farther was if we had a prospect of doing a large job. And, then, it was only five or 10 minutes farther...We’ve basically taken the attitude you go where the work is.”

In an industry that demands major investments in equipment, Emerald was lucky to have few notes outstanding when the market tanked and has shifted from paying off loans quickly to staying liquid.

“It certainly helps to have been around for more than four or five years because the last thing you want in a time like this is to have most of your equipment with notes on it,” Kelleher said.

“Our biggest positive tactic was that we really opened the doors to what we were willing to bid. Right now, we take the attitude we’ll bid anything, from the smallest job to the hugest. If it’s something we’ve never done, we’ll invest in the research and hire someone with the expertise. We’ve pretty much opened the floodgates,” Kelleher said.