

Time to Improvise

Remodeling the answer for struggling builders

By Eric Smith

The past couple of years have been brutal for homebuilders as demand for new houses plummeted and companies did what they could to cope.

2009 was especially bad for Shelby County builders, who filed just 529 new home permits all year, a 43.7 percent decline from 940 permits in 2008 and a staggering 80 percent decline from 2,643 permits in 2007, according to the latest data from real estate information company Chandler Reports, www.chandlerreports.com.

What's become clear is the companies that survive this downturn – one of the worst for builders since Chandler Reports began tracking permit data in the mid-1980s – will be those that have adapted to the dearth of home starts and refocused their attention on other business avenues, such as remodeling.



While new home construction has stalled, remodeling projects have flourished, such as this Midtown home being remodeled by Pat Mahoney of Remodeling Consultants Inc. Photo: Lance Murphey

Making that shift was an important one for [David Clark](#) of [David Clark Construction LLC](#), a company that had specialized in new home construction until the market all but dried up.

But for Clark, a third-generation builder, moving into the remodeling niche was a no-brainer.

“I’ve kind of changed gears and headed toward remodeling,” he said. “People are reading the news and seeing that home values are declining, so instead of making that move and losing value on their house when they go to sell it or not making the profit they thought they were going to make, they just stay in it a little bit longer and upgrade it to what they wanted.”

After the demand

Tommy Byrnes, vice president of Byrnes/Ostner Investments and president of the Memphis Area Home Builders Association, said member builders have spent the past year retooling their business plans to go after renovation and remodeling contracts.

Byrnes said companies like his that already focused on remodeling jobs were at an advantage when the new home market slowed, but even those businesses had to adapt.

Byrnes/Ostner Investments during the past four or five years shifted from 70 percent new home construction and 30 percent remodeling to 70 percent remodeling and 30 percent new home construction.

“Builders have to come up with new and different ways to do things, not the old way,” Byrnes said.

“For my company, remodeling has always been part of it. The remodeling side has really helped us in the last few years, there’s no question. It helped us because we were already doing it. We’re trying to keep that side of the business going.”

[Pat Mahoney](#) owns [Remodeling Consultants Inc.](#) and chairs the Memphis Area Home Builders Association’s Registered Remodelers Council, which holds informational meetings for builders

interested in remodeling. He said demand for help with remodeling tactics has risen as home starts dwindled.

“The last couple of meetings I’ll look up and say, ‘Hey, we’ve got a full house again, and then I can look around and see that there are four or five people who are usually here that couldn’t make it,’” Mahoney said.

Mahoney has been in the homebuilding business since 1974, with an emphasis on new construction and renovation. He noted that the remodeling business commands a different approach, mostly because the projects take place while the homeowners are still in the home and therefore requires more interaction with clients.

“There’s more communicating with the people,” Mahoney said.

Permanent fixtures

Mahoney said remodeling projects typically are anything from kitchen and bathroom upgrades to room additions to complete overhauls.

Projects can range from a few thousand dollars to six figures, sometimes even the price of a new home.

Also, many homeowners are tapping in to the green building craze. Mahoney said it’s important for builders and remodelers to educate the public about the environmentally friendly tax credits that exist, and how eco-friendly improvements can make homeowners money on the front end and save them money in the long run thanks to reduced utility bills.

More than that, a builder who has shifted from exclusively building new homes to balancing their work between starts and remodeling can become a more diversified company when the market turns.

“When things get back and they start to be building more houses than they are now, a lot of them will still keep their remodeling because there’s a lot of contacts that way too,” Mahoney said.

“It’s good for companies to have it where you can do both.”

Clark said once the building climate improves and new home permits rise, he won’t go back to exclusively building new residences. Instead, he will try to balance his company’s business model to perform half remodels and half new construction.

“We shied away from it mainly because we didn’t want to do it, but I’m enjoying it,” Clark said.

“If it weren’t for the remodeling, I would have no business. New construction has completely dried up for me. I’m probably going to start something here in the spring, but as far as remodeling, that’s what’s been keeping us busy. I’m fortunate and thankful to have it.”

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