

A New Year's Resolution That Shouldn't Wait



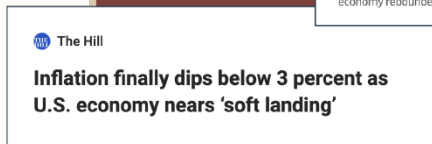
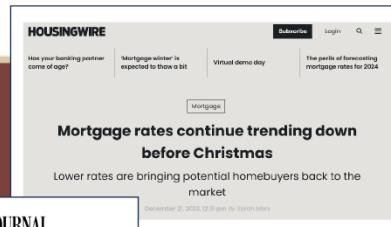
BULLETIN

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Home Update on Your Horizon? Here's Why it Should Top Your Resolution List.

Currently, MasterWerks is seeing an uptick in inquiries from clients about prospective projects. While that's always a great feeling, we've been in business long enough to recognize an unusual pattern for this time of year.

Rationally, we can cite multiple forces behind the growing economic headwind. Recent reports claim that inflation is starting to slow, and market gurus are predicting that the Central Bank is likely to pivot towards interest rate cuts in 2024. Many homeowners who refinanced or paid off their mortgages when rates were low are sitting on substantial, untapped equity.





They may not be comfortable trading up to a \$2.2M home—the staggering average for new construction in Edina—nor are they drawn to purchasing another home at a higher price and interest rate that may still require improvement. Instead, more homeowners are downsizing their expectations and finding the idea of remodeling their existing homes to be an appealing option. (Better the devil they know than the devil they don't, in effect.) By renewing their living spaces to reflect changing needs, tastes, and aspirations, they enhance relevance for their families, as well as potential future owners, while conserving capital.

However, although many are drawn to this sensible, solution-based approach, they still feel trapped and confused by the prevailing economic conditions. Instead of acting decisively, they are continuing to procrastinate and do nothing.

The net effect is that at some point—MasterWerks can't predict exactly when or why, but we've seen it before, and we know it's coming—there will be a triggering event, and people's pent-up demand for home improvements will burst forth in the proverbial flood. Suddenly, everyone who's musing about some type of project will snap out of their long lethargic stupor and start calling.

So, a word to the wise: You want to get ahead of that bandwagon! Start planning now, because it takes at least six to eight months to organize the front end of any project, including financial evaluation, design, costing, adjustments, financing, permitting, and scheduling, before beginning construction. Once the plans are in place, you can select your optimum timing, but if you wait until the rest of the world wakes up, you'll typically face higher costs and delays, due to the increased demand for materials and labor.

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**Pick your timing by
preparing now.**

**The rush may be coming
sooner than you think!**

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Heightened Demand Dictates Slower, Costlier Projects

From our perspective inside the industry: There are always multiple challenges affecting labor, costs, and timelines, especially projects performed to MasterWerks' exacting quality level. Right now, there's a post-Covid illusion that that supply lines are returning to normal. In fact, there are still plenty of issues affecting suppliers' labor and materials, but because the demand is currently lighter, there's an appearance of availability: Problems are easier to mask and smooth over when demand is slow. But once demand heats up, those hidden problems start bubbling to the surface like a pot on the boil. Supplies become tighter, delivery times get extended, and prices increase.

For example, there might be a supply line problem such as delivery times for doors and windows extending from eight to 12—even 16—weeks. Or there might be a mistake, such as an assistant forgetting to put mesh underneath a newly tiled floor with replacement tile eight weeks out. Incidents like these happen all the time in construction, and taken individually, they are not hard to rectify and can usually be worked around. But when the pressure is on—with multiple projects competing for corrective actions and reorganized timelines and schedules—it's a whole other story. There are reasons why situations like these will be getting tougher, not easier, over time as demand increases.





The Shrinking Pool of Quality Tradespeople Causes Backlogs

The underlying issue, affecting the entire construction sector, is that the labor force is shrinking dramatically as the older generation of skilled tradespeople begins to enter their retirement years. Some of them are training talented assistants who are likely to take over their existing businesses, but there's still no quick way to replace half a century of expertise in problem solving and applications with people who have markedly less experience and capabilities.

In addition, there simply aren't that many young people committed to careers in traditional skilled trades such as carpentry, plumbing, and electrical. As a result, we're seeing a smaller replacement labor force, many of whom are differently motivated than their predecessors, less collegial and concerned with "a job well done" and more focused on simply earning enough money to meet their needs, as they jump from project to project. We hope this scenario will change over time—true expertise in the trades provides people with a rewarding livelihood—but for now it's forcing quality-driven companies like MasterWerks and our select tradespeople and suppliers to double-down on supervision and plan longer timelines and potential rework.

One thing we can all count on: This evolving transformation in society is not going to lead to better work for fewer dollars, certainly not in the short-term. That's why is why we highly recommend moving forward, not waiting, with your prospective home improvement projects.

Manufacturers' Prices Continue to Rise, Creating a Ripple Effect

In addition to the heated discourse about interest-rate reduction, we hear increasing speculation about inflation moderating and prices stabilizing. Although that would be a cause for celebration in the retail sector, unfortunately, the building industry appears headed in the opposite direction.

Case in point: Here's a recent notice—one among many—we just received from one of our suppliers, alerting us to price increases by various manufacturers of siding and trim. Starting January 2, 2024, their products will increase by 5-9%. Since the notice was sent December 28th and is effective on January 2nd, it's not possible for us or our supplier to preorder to beat the increase, making the ripple effect to clients inevitable.

So, for anyone waiting and hoping for more moderately priced building materials, the main takeaway is that you're waiting in vain. For the foreseeable future, the homeowner's best bet for cost moderation will come from interest rate reduction.

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December 28th, 2023

To our Valued Customer:

Due to recent price increases by manufacturers, the following price increases will be on all orders placed after January 2nd, 2024.

Please see the products/price increase:

Products:

- James Hardie:
 - Dream & Magnolia Collections – Decrease of 7-8%
 - Statement – No Change
 - Primed – Increase of 5-6%
- H&B Columns – Increase of 4%
- Sherwin Williams – Increase of 5-8%
- LP – Increase of 5-9%

We appreciate your business and thank you for your continued support. Please feel free to contact your sales representative or myself, if you have any questions.



CNN BUSINESS Audio Live TV

Mortgage rates drop for the ninth week in a row



Take Control of Your Timing By Preparing Plans Now

You've heard the phrase: "Strike while the iron is hot." In this case, because of the ongoing realities of the tight labor force we just described and the backed-up supply chain, you want to strike quickly—before the mass of would-be remodelers perceives an upswing in the economic conditions.

By getting the planning stage of your project figured out in advance, you'll be ready to go when the time is right for you. Today, we are all facing a situation where the first in will reap the greatest advantage, while those who snooze will most definitely lose.

So, call MasterWerks today, and get your project into the pipeline. Given that time is of the essence, you have everything to gain and nothing to lose by taking that first step.

A Cautionary Note

One of the problems afflicting all of us in today's Information Age, (a term we use advisedly), is the sheer amount of commentary on any major topic, generated by an array of sources with differing, often questionable expertise. Whether the opinions are well-founded or not, the noise volume heightens the public's perception, often setting up more hyperbolic expectations than the facts actually warrant. Few pundits accurately predict the future with any detail, even with the support of advanced technology; at best, they develop a generalized, inexact picture. Also, when considering prospective economic developments, it's best to keep in mind that 2024 is a presidential election year, which can significantly alter the pace and timing of events.

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