



The State of Our Industry

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With the certainty that the U.S. economy could be contracting, and the global economy slowing, one must ask deep questions as to what the near future will bring us.

For myself, I am not being an alarmist, or a dream slayer. I consider myself a realist. I believe it is far more prudent to see things as they are and be prepared accordingly, then to be wrong and caught unprepared. I lost my rose-colored glasses many years ago as a young contractor. I seek only the correct truth. Even in the Great Depression, the smart survived and thrived. Please remember this as you read this blog.

When I read the press releases of the so-called experts and national associations, they paint an overly optimistic colored picture, one that clearly points to an upward trend. However, my own analysis sees a different take and one that might be true to form for the existing economy and our industry. You may agree or disagree; I ask that you only keep an open mind and digest it for yourself.

Many say that the housing industry has bottomed out, and they point to their facts that new home pricing has surged to its highest since 2005. However, it is still below any figure that could sustain a long-term impact on the industry, especially when inventory has remained unchanged. Even one national organization Chief Economist himself states that the 'razor-thin supply' of new homes for sale is about the half-way back to what could be considered a 'normal' level of activity. Just the use of the word 'about' raises questions of certain uncertainty in his statement.

This points to many of my earlier statements that we are in a sluggish crawl out of a very deep hole. And because it is such a lethargic crawl, it may be too early to make a valid call.

My main point is to be safe rather than sorry. Instead, I urge my fellow contractors to digest the real problems that need to be overcome before we think that we have bottom-out and invest heavily in rebounding with great vigor.

I see some problems, maybe I'm wrong, but I do believe they warrant consideration and attention. Allow me to present them to you.

Employment-





One cannot ignore the indisputable fact; too many Americans are out of work. You can distort the unemployment figures with voodoo math all you want. However, you can't ignore the real number. The employment force is at its lowest. The true number may even be greater when one formulates the rise in our population into the equation (something that appears to be lacking in the present calculation). Too many Americans are out of work, and too many are becoming addictive to government entitlements.

For us in the construction industry, we must face the facts. Experienced labor is almost unavailable, at least in large numbers. Many of those have long since retired, sold their tools or moved to other areas or different careers, and I believe an immediate up-tick in construction activities would be quickly suffocated by the lack of skilled labor. Our only recourse may be to open the flood gates to illegal workers to satisfy the demand, thereby doing more harm to a fragile recovery, populace and costly support system.

This is a problem. A real problem and I believe it needs to be addressed by the contractors themselves. Somehow, someday, they must reach out to our young and convince them that learning a trade may be better than spending foolish amounts of money trying to get a college education that no jobs exist for. The course of action would have to be initiated at a local level by the contractors themselves. The time is now before the need arises.

The Economy-

Our economy took an injurious turn when the Democrat's initiatives of a home for everyone were forced on the banks to give loans to unqualified people. This in itself set the banks up for failure by forcing them to find a way to deal with the bad loans. The result was derivatives and the bursting of the housing bubble. All of which was fed by the greed and stupidity of the individuals perpetuating and participating in it.

The result is another problem that was created for the economy, a working class of poor people. With hundreds of billions of dollars thrown stupidly into the winds, with failed initiatives that produced nothing but more pain and misery, a greater dependency class and the deepening of financial wounds, where is the job-growth that was promised when the politician screamed the need for stimulus, bank bail outs, green initiatives and quantitative easing? Instead, we are saddled with almost 33% of all working families struggling at the poverty rate of income. The rising number of 'working poor' in this country in itself, proves the lack of leadership and failure of this government's policies.





It appears to me, that all of these initiatives have benefited no one except the big banks, the large campaign contributors, and those on the inside of the beltway in the 'Land of Oz' that we call Washington, D.C. Job growth and job creation appears to be nothing more than misleading talking points of the politicians that they spoon feed the populace, so they can keep their mystical lives of opulence and overabundance alive and well at our expense in their Wonderland. When will enough be enough?

The truth is, the U.S. economy is on life support. It will require extensive changes in order to be pronouncing it a survivor. The average American is suffering. Many are being forced to tap into their retirement in order to get along. With savings deteriorating and prices moving up, the problem created by this lack of leadership will only get worse. It cannot be corrected by printing more money, increasing the national debt or big government. Someone needs to take a chainsaw to this government's out-of-control spending and slash it profusely. In a remake of the words of Marie Antoinette, "Let the politicians eat the cake!"

The Housing Recovery-

Is the so-called housing real or make believe? What is driving the rise in pricing?

I believe it is in itself something that has never been seen before. It is not the purchasing of homes by individuals as it is instead the surge in the purchasing of homes by institutions.

Institutions are purchasing existing homes and turning them into rentals. The Blackstone Group itself has bought \$2.5 billion worth of homes --- over 16,000 units with cash.

With this surge of institutional home purchasing and turning them into rental units, other institutions are doing the same. Why not? Investments in other sectors are producing slim pickings. However, this isn't an actual recovery; instead it is a 'shift' in home ownership from individuals to renters. The question of any verisimilitude is what happens when these investors see a better rate of return somewhere else?

First-time home buyers are declining, and that is not something you want to see in a recovery. We need jobs, good-paying jobs in order to reverse this effect.

Where do we stand?





Reality is real; there is no doubt about it. As contractors, we must take care of our businesses and families. That means accepting reality and adapting to the changes that are taking place around us.

There will be opportunities, maybe not in great number, but it will be what you make of it. This will require a re-invention of your business and mindset. You must no longer wait for your phone to ring, instead, make yourself competitive and innovative in this economy.

Earlier, I said that even in the Great Depression, there were those that survived and thrived. I believe that a "Street-Smart" contractor can and will do the same in this Great Recession. The question this economic picture has painted for you is this, are you capable of becoming that "Street-Smart" contractor?

