

Supply Chain Pain

New Orleans construction industry professionals speak out on price increases, delays

BY RICH COLLINS

PANDEMIC-INDUCED SUPPLY CHAIN SNAGS are affecting every aspect of the construction industry as manufacturers worldwide attempt to rev up production and transportation of goods. In New Orleans, real estate and construction pros are getting creative to deal with unwelcome price increases and delays.

Jordan Gurren Rose, owner and co-founder of GoodWood NOLA, is an example of someone who's had to become a procurement pro in this unprecedented era.

Founded in 2014, GoodWood is a specialty contractor that provides architectural fabrication and custom furniture for restaurants, retail stores, salons, homes and other spaces. The company has created custom wood and metal fixtures for local businesses including District Donuts, Rubensteins and the Hotel Saint Vincent. At this stage of the pandemic, GoodWood's 15 employees are busier than ever, but Rose said he has to be more flexible than ever about the materials he uses due to supply chain woes.

"The biggest problem that we're having is that it is really difficult to get some of the stuff that has been relatively easy to source in the past," he said. "I can work with an increase in price, but if I just can't get the material at all, then I can't do my projects, and that's been the most frustrating thing."

Although Rose said specialty hardwood prices haven't jumped very much, the cost of construction-grade lumber hit historic highs earlier this summer before starting to come down. Aluminum and brass costs have also risen steeply over the last six to eight months, and certain plywoods are hard or impossible to get. Rose said a type of high-quality Baltic birch plywood he orders from Europe is unavailable until next year.

"It's just the best and the flattest," he said of the wood. "It's got 11 layers of lamination compared to the typical Home Depot stuff, which has about five,

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Architect



so it's really high quality and we use it for the interiors of a lot of cabinets. It's completely out of stock so we've had to get the closest thing we can find."

Rose is one voice in a vast chorus of construction pros singing the supply chain blues. Another example is AOS Interior Environments President Shelby Russ, who said pricing and availability for many of the commodities he deals with are incredibly fluid coming out of the pandemic.

"Increased demand for construction materials, limited product inventory and supply chain disruptions are all driving up construction costs and resulting in longer lead times for obtaining materials," said Russ. "We are receiving notifications from our manufacturers almost daily, announcing significant price increases that are being cited as a 'force majeure.'"

AOS is a massive FF&E (furniture, fixtures and equipment) contractor in

Louisiana and Mississippi, so Russ said he is able to maximize the company's "procurement leverage advantage" with manufacturers and suppliers as much as possible. However, he said it's important for clients to understand that ultimately this problem is out of the manufacturers' control as well.

"Most suppliers have absorbed as much of the brunt of the logistical costs as they can and are now being forced to pass on those costs to consumers or fold," he said.

Ryan Mayer, owner of Mayer Building Company, a commercial general contractor, said he's experienced issues with almost all construction and assembly parts.

"Unfortunately, while we monitor the news and take the pulse of the great subcontractors with whom we work, it's hard to see the next domino that will fall. Resin shortages beget paint supply issues and manufacturing issues are slowing down 'built' or 'fabricated' parts like doors and appliances. Today I heard the largest gypsum supplier

in New Orleans does not have any gypsum board to sell right now.”

Architect Michael J. Bell said supply chain problems have affected many of his residential projects. Appliances, in particular, were the first thing to run behind schedule.

“Soon, the biggest problem became window manufacturers,” he said. “Window packages that previously took three weeks climbed to four months. Problems seem to have arisen from both a shortage of labor and of component parts.”

Bell, who has designed homes all over Greater New Orleans, said that although he’s always on the lookout for alternative materials, there are “some quality materials for which we can’t recommend a good substitute.”

“In the custom home arena, most owners want to wait for what they want and are not so willing to compromise,” he said. “We find that owners are proceeding with their projects, although they are more patient than usual, since they know that time is likely on their side as to construction costs.”

GoodWood’s Rose agrees.

“Residential clients are more inclined to delay a project because there’s not a due date on getting money coming in unless they’re flipping their house,” he said. “It’s a dining table, right? It’s worth waiting an extra month to get exactly what they want. Whereas, on the commercial projects, those deadlines are deadlines and there’s no room for delays. So, it is then a matter of finding an acceptable substitute that is of the same quality, but you can actually get in time. It kind of is what it is.”

TALKING IT THROUGH

During these stressful times, it’s important for companies to have clear communication with vendors and clients.

Rachel Porta Theriot with JAT Construction — a specialist in historic renovation, commercial construction and new home construction — came up with a clever solution to explain price increases to customers.

“When you get a framing package for a big camelback addition, there’s been a 200% or 300% increase in cost,” said Theriot, who helps run the company founded by her husband, Brent. “We have to have a long, hard conversation with clients, saying, ‘Hey, you do realize that lumber prices are not where they were just six months ago?’”

To help make the case, Theriot asked one of her lumber suppliers to give her a letter explaining the situation.

“We don’t want our clients to think that we’re trying to capitalize on COVID-19 because that’s not the case,” she said. “We try to hold off on raising prices, but with this one particular client, we said we can’t continue to absorb this; the client was very understanding [when they] saw the letter: ‘OK, well, tell me how much more I’m gonna have to shell out.’ So, of course, here I am as the accountant praying the Rosary that everything’s gonna be OK and, luckily, it was. But that’s not always going to be the case. Who knows how many other general contractors out there have gotten into trouble during this whole thing?”

BIG PLANS

For homeowners or businesses looking to renovate or build, Russ with AOS said the current climate makes it critical to build a trusted team from the beginning.

“More than ever before, it is essential to engage a qualified FF&E project manager early who can provide specific advice based on market conditions for your needs,” he said. “Industry expertise with respect to budgeting, scheduling, procurement strategies, suppliers and effective design scope has gone from added value to critical need.”

Rose agrees.

“Come up with a plan and implement it early and order your things before you think you need them because they will get delayed,” he said. “That’s what we’ve seen.”



Russ said clients also need to prepare for extended timelines and consider alternatives.

“Transportation issues and a scarcity of shipping containers are contributing to longer lead times, with many forms of transportation experiencing delays (some intermittently), including ocean freight, air freight, trucking and rail,” he said. “We are advising clients who cannot absorb extensive lead times in their projects to focus selections on quick-ship offerings and products manufactured domestically for the time being.”

RETURN TO NORMAL?

Bell believes that supply chain issues will start to sort themselves out by the fourth quarter of this year.

“To some extent, prices have likely permanently risen, although some key prices like lumber should continue to drop from the highs they reached,” he said. “We recommend that [clients] move forward with design so that they are teed up to move forward with construction as conditions become more favorable.”

Mayer believes things may take a bit longer.

“The money is leveling out on lumber,” he said. “If that’s any kind of an indicator on supply chain issues, my guess is we will gnaw our way through it for another year or so.” ■

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