

Real Estate Challenges and Opportunities in 2022 Part 2

Paying attention to your surrounding business environment will require full time focus because change is happening from all directions

PALM BEACH GARDENS, FLORIDA, USA, July 5, 2022 /EINPresswire.com/ -- In Real Estate Challenges & Opportunities in 2022 (part 2) we will discuss Material shortages, poaching and holding on to land to get through the lean inventory times. Part 2 explores these ideas caused by the disruption of COVID and its aftermath.



Take advantage of market disruptions. That's where opportunities abound.

Material Shortages– This phenomenon caught everyone off guard early and even now. With COVID early on before the prescribed protections (masks and social distance) factories began losing up to half of their work force because of sickness and mandatory quarantines. In our industry I saw first hand the loss of production, generally 25% of workers out at any given time, in truss manufacturing, appliances, flooring, roofing materials, paver materials, trim/mill work, windows and drywall. Most all revolved around plant level manufacturing where workers were in close contact.

“

Treat your best employees well and pay them well, because if you don't some one else will. It's called "poaching.”

Stephen Gravett

Today months after COVID peaked we are still battling shortages and higher prices. Understandably in the early

day's shortages would happen, but no one predicted the onslaught of demand in the middle of a global pandemic in our industry. Yet, here we are today and not enough adjustments in ramp up to feed demand is still forcing us to deal with long lead times and higher pricing.

Poaching– This has always been a problem in our industry ever since so many people left construction and real estate jobs after the great recession 12 years ago. However, now poaching has reached absurd levels with demand and workload high and the same basic universe of

people left to support this higher demand. It is not just talent in the upper-level jobs, laborers, piece workers, secretaries, office and field support, and junior executives are moving around to higher paying jobs.

The raises and new salaries plus bonuses are sizable and not meager. I have lost a couple of people recently but we were fortunate to find replacements (at higher salaries and bonuses) and actually saw an upgrade in talent. Fortunately, some older very experienced workers have been coerced into staying longer- but not nearly enough. Friendship among developer peers is no longer an impediment to poaching from that friend. So, it's best not to take it personally.

Holding on to your land inventory- This is also new to the times. We recently sold some lots to a national builder in a subdivision we started and had built out about two thirds of the homes. They sold and built 5 of the 8 lots and put the others on hold. Why would they do that? It is also happening elsewhere with other builders. There are a couple of good reasons. First- the price of materials and the shortages of materials have made builder's backlogs a dangerous dynamic. If you sell a house at a fixed price today and cannot deliver in a timely manner you are on thin ice. Price increases and delays are eating away at profit margins greater than ever.

Also, builders have sold much faster than originally planned thereby eating up land inventory. Pausing to catch up and improving your pricing makes a lot of sense. With the average entitlement time in Florida for vacant land at around 18 months, you could be out of sale-able product and would need to reduce staff levels that will be hard to replicate when new lots are ready. Keeping sales and backlogs at reasonable levels gives you stability and sensible margins.

Stay alert for market disruptions- Now more than ever a close eye must be kept on your entire business. For Builders and Developers this is extremely important and time consuming. Truss shortages one day and concrete delays the next. Forget about price stability. Be prepared to switch suppliers, order in bulk to protect positions or do construction processes out of sequence. Expect the journey from start to finish to take much longer. Have a back up plan instead of complaining. Never before have Builders had to operate so unexpectedly as today.

[Stephen Gravett](#) has been a real estate developer for over 45 years and was most recently CEO of Kennedy Homes for the past 11 years and is still CEO of Kennedy Development Partners (KDP) and full time Director of Operations for 5 Star Developers. He is also a state licensed broker and since 1980 a State licensed General Contractor Unlimited. He flew B-52's in the US Air Force during the Vietnam war.

Stephen Gravett
Kennedy Homes LLC
+1 561-789-3194
[email us here](#)

This press release can be viewed online at: <https://www.einpresswire.com/article/579175028>

EIN Presswire's priority is source transparency. We do not allow opaque clients, and our editors try to be careful about weeding out false and misleading content. As a user, if you see something we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.

© 1995-2022 Newsmatics Inc. All Right Reserved.