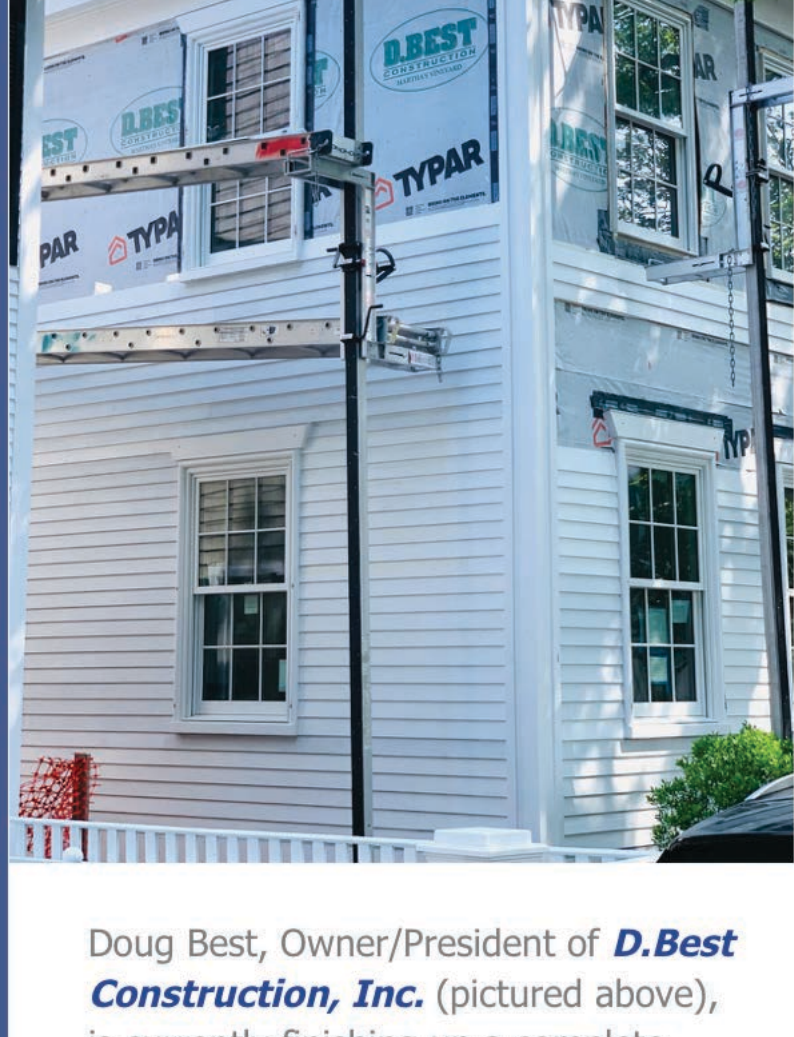


Friday's CLOSING REMARKS

Welcome to Martha's Vineyard Bank's "Friday's Closing Remarks." If you'd like, please share this with your fellow realtors and clients by forwarding this email and directing your colleagues to [sign up here](#). Your ideas are important to us, so please feel free to [email us](#).

Martha's Vineyard Builders: Juggling Supply Chain Challenges, Employee Housing Crises & Increased Client Demands



Doug Best, Owner/President of **D.Best Construction, Inc.** (pictured above), is currently finishing up a complete home restoration on North Water Street in Edgartown, MA.



There is no argument that the local real estate

market is hot, and has been so despite the pandemic. What exactly has this meant for the builders in our community? Are they feeling the pressure with requests for jobs reaching heights never before seen along with unprecedented supply chain issues? Are their employees getting squeezed out of their own housing and are their subcontractors overwhelmed? We sat down with owners of two local building companies - Doug Best, Owner/President of D.Best Construction, Inc. and Gary S. Maynard and Kristina Kinsman Maynard, both principals at Holmes Hole Builders - to get their perspective on the current situation.

It's not that there are no skilled people out there, it's that they have no place to live.



Gary S. Maynard, Principal/Director of Operations, and Kristina Kinsman Maynard, Principal/Director of Human Resources, of **Holmes Hole Builders** on Martha's Vineyard.



A completed Vineyard dream home by Holmes Hole Builders. Gary & Kristina started Holmes Hole Builders 20 years ago, previously involved in wooden boat restoration and sailing.

What segment of the local market do you cover as a builder?

Gary: We are a high-end builder and we build primarily architect-designed residences. We build an eclectic variety of structures and we build things that are challenging, cutting edge, demanding, and require a superior-level of detail and construction management. We employ 30 people. I have been on the Vineyard since 1985 and Kristina and I started Holmes Hole Builders 20 years ago.

Doug: An inception-to-completion contractor, we fill more to the "middle range" – which is why we can do more projects at any one time. Our projects generally range from \$50,000 to \$3.5 million. We employ 60 people – 20 full time on the payroll and 40 are 1099 on a daily basis. I came to the Island in 1987 and have had D.Best Construction for 20 years.

Have you ever seen a market as demanding as it is today?

Gary: No, this is unprecedented in terms of the volume. We're under a lot of pressure to satisfy our clientele and our architects, but we're unable to predict what the schedule is going to be (due to supply chain issues) – in a way that we have never experienced. And all the builders are in the same boat.

Doug: We've been feeling the pressure for four or five years, but COVID really brought about a sea change in the attitude to most people as to where and how they want to spend their lives – especially older people, who have the affluence to make meaningful changes. Some wanted to escape the city, get greener spaces, and with the ability of work-from-home options, many people chose to make the change. It's unprecedented. I've been on the Island for 34 years, and I've never seen anything like it.

Are subcontractors overwhelmed?

Gary: The limited pool of local subcontractors have felt the pressure, and I think it also puts pressure on subcontractors on the Cape and in the Boston-area that may have supplemented their workload in the past by coming to the Vineyard – but now they have enough work off-Island, so they are not here as much. Subcontractors are overwhelmed and over-scheduled. They are trying to satisfy builders like us, and we are trying to satisfy the architects (who are our bread and butter). We build our cabinetry in our own cabinetry shop, so that is helpful.

Doug: The subcontractors are maxed-out right now, and we use more of them than anyone else on-Island. We have our own paint crews and we have our own drafting in-house, but we still keep more people busy than anybody else that I know of. With the high demand for people, labor prices are also going up.

How far out are you booking projects now and how long does an average project take?

Gary: We're booking out 2-3 years for projects that are finishing 3-5 years from now, and most of our projects take between 18-24 months. In terms of the current home buying spree, there is a lag – we might not feel the effects until a year or two from now. Buyers have to go from purchase, to hiring an architect, to designing, engineering, and permitting – that process takes months-to-years before we get involved. We're not even feeling the purchases that have been made in the last six months. This current real estate boom could be affecting our business for the next decade.

Doug: Most of our projects have a year lead-time. It's not just us, everyone is so backed-up. It's the permitting, the surveyors, the architects, the engineers – everyone is overwhelmed and everyone has a full plate. It takes up to three months, minimum, just to get a survey. People are often surprised that their project start is a year out – they say, "but I have the money," and I joke with them that that is the easy part! Jobs take 6 months to a year – if you come to me and you have your plans all done, you have your money, and all we have to do is permit it, then it's between 3-to-6 months.

How many projects do you have going at the same time?

Gary: We were on ten job sites this spring, 3-to-4 of which were big jobs. The demand is huge - it's exciting because we can choose projects that are a good fit for us in a way that we didn't have before.

Doug: We have over 35 jobs going right now. We have ten jobs in various stages of the planning process for 2022-2024. We're getting 1-to-4 calls a day for new work and we have to turn people away. I have 30 people waiting who we have to get back to and see if they want to do their projects in 2022, 2023, or 2024. People don't like to be told "no," and that creates even more of a frenzy in the marketplace. People are having a hard time finding builders and architects. The constant challenge is "how soon and what can be done."

How are the serious supply chain issues affecting your business?

Gary: There are tremendous supply chain issues with everything from windows and doors to appliances and hardware...they are all doubling and tripling their lead-times. We are ordering way in advance and warehousing an unusual amount of goods. As soon as we get a job, we start purchasing items that we would normally be purchasing a year later. We never know on a day-to-day basis what item is going to be unavailable. One day it's shingles, another day it's electrical cover plates. We just don't know what the supply chain is going to bring us on a daily basis. We order a window package within weeks of signing a contract because it can take six months to get.

Doug: The supply chain pressures are tremendous. Appliances can take anywhere from three months to a year. Side wall shingles are back-ordered six months right now, for example, so we can't finish houses. Also affecting project planning is that the civil engineers cannot answer all the calls they get every day from new customers and it affects permitting and planning for renovations and expansions. Permitting, in general, can be very complicated on the Island – and the excavators are months out for scheduling.

Do you have any staffing issues?

Kristina: We actually gained staff during this period. But hiring new staff to meet demand is very difficult. It's not that there are not skilled people out there, it's that there is nowhere to house them. Homeowners are selling their homes to take advantage of today's high prices – leaving less rentals available. The housing crisis on Martha's Vineyard is affecting everyone on a very personal level. Unless we address that issue, I really don't know what's going to happen.

Doug: **It's a crisis. I'm the Vice President of the Builder's Association and we're trying to get a bill passed to get a 2% tax on purchases over \$1 million – just like the Land Bank - for affordable housing.** People are deciding not to rent their homes, and instead to move into them. We've seen many of our employees lose their homes. Some have been fortunate with local affordable housing initiatives, but others are in dire need. There is a housing crisis and there is a housing shortage – it's the lowest inventory that's ever been seen – and a minimum home price here hovers at \$1 million.

Builders are in such high demand, once a client has you, will they let you go?

Gary: After 20 years of clientele, we have maintenance, expansions, and improvements with existing clients that we feel we should support – so we have started a service department. People today also want features they didn't anticipate pre-pandemic, such as indoor gyms. The demands on the house are greater now, as in the off-season people tend to stay home more.

Doug: Once a client has a builder, they don't want to let them go. Some clients we are currently doing the third project for. We may finish their house and then we're doing a garage. The clients jokingly say, "We've got you, don't leave."

Is there more new land available now than in the past?

Gary: We see tear-downs, as the value of the land outstrips the value of the homes that were built 20, 30, or 40 years ago. Oftentimes the houses that are built now are made to take advantage of the value of the land – such as water views. Just as in the 19th century a house was oriented to the road, which was of value.

Doug: You're seeing more of that happen now because of the high land values and people's concern that we may be living on a bubble – so some are subdividing or selling off parcels of their property. On the flip side, every decade we pretty much had a recession – but I don't see that happening unless there's some sort of global crisis. That said, there will always be money that wants to be on the Vineyard.

What are your closing thoughts?

Kristina: The pandemic has changed a lot of people's thoughts about how they want to live their life, and people are less concerned about their wage and more concerned about their quality of life. Gary and I want to have a company where we want to go to work. We create a family friendly environment and we are all about "the team." We were the first builder to shut down during the pandemic with automatic paid leave. We pay "athletic incentives," during the pandemic, where we give employees to buy a bicycle (or something else they may need), and everyone got a significant raise. We are hiring now.

Gary: We get to build extraordinary, creative ideas – such as a Nautilus-shaped outdoor shower. We are mindful, however, of the pressure on the infrastructure on the Island now to service many more people. Various industries cannot keep up with the demand – from waitressing to lawn mowing to gas pumping, as well as in our industry – to service general life demands. People come here for the paradise, but for Islanders it's an intense economic environment.

Doug: People now want everything they have at their primary home – granite counter tops, air conditioning, and outdoor showers – so things are a little different than they used to be. On Martha's Vineyard - unlike metropolitan areas - where you spend so much time driving job to job and commuting and getting materials - here, our clients come to us and it's easy to have supervisors manage multiple jobs simultaneously. The economies of scale and efficiencies are better, and you are able to establish long-term relationships.