

Hit Bottom Yet?

Jordan, Knauff & Co. Provides Information to Help Plan for the Future

by Samantha Carpenter

DWM columnist Michael E. Collins of Jordan, Knauff & Co., an investment banking firm in Chicago with a specialization in the door and window industry, presented the Fall 2007 Window and Door Industry Update. The webinar was held November 28, and more than 200 door and window industry professionals attended.

Collins highlighted a number of areas in his presentation, including the current homebuilding market, different products on the market and trends among them, green building, competition from Chinese companies and more.

Hit Bottom Yet?

“The homebuilding market has reminded me of a concept that was popularized during the dot-com bust—the concept of capitulation (for more on this concept, see page 10 of this issue),” Collins said. Capitulation represents a time at which a deluge of bad news and panic selling helps mark the bottom of a market downturn. He says that recent news, such as the fact that Ryan Homes no longer builds new homes in Michigan, Pulte’s report of its \$1.3-billion loss, U.S. Gypsum’s 95-percent decrease in earnings, etc., are possible signs

that the market is at or near the bottom. He did, however, remind listeners that the consensus among building forecasters is that the homebuilding market will not improve until the end of 2008 and will not see an honest recovery until 2009 (*for more on the state of the housing market, see page 30 of this issue*).

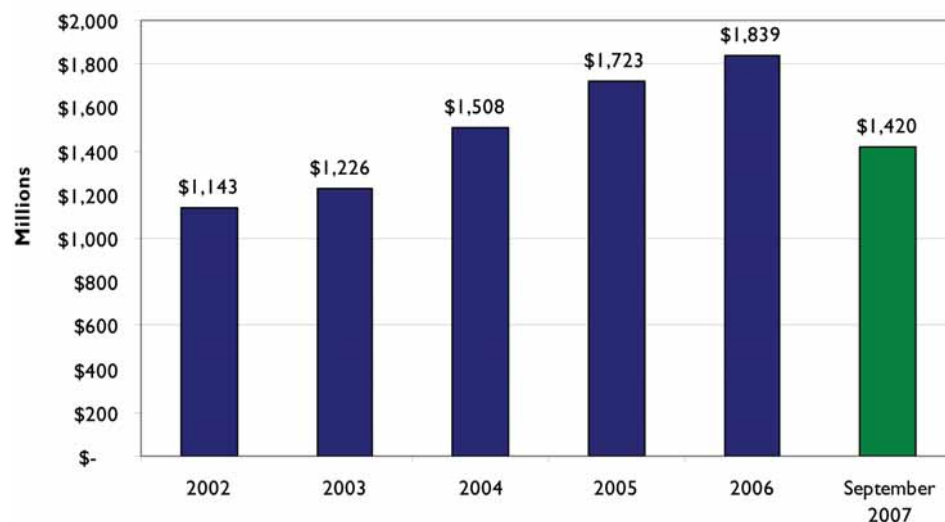
Some Industry Trends

“Many window manufacturers are being pinched by fuel prices and energy surcharges,” Collins said. He said that another suspicion his company has had is that many manufacturers are contem-

plating an investment in the garage door area, and while the market is down, many companies are still looking to acquire other window companies. “We are seeing companies wanting to purchase other companies that have excess capacity, and this is a very positive sign,” he said.

As far as remodeling and renovation, Collins said that homeowners aren’t as eager to invest in their homes. “Many homeowners are reluctant to put money into their homes because they see them as declining in value,” he said. He

Total Door & Window Imports into the U.S. (2002–Sept '07)



Data Source: U.S. Census Bureau, Foreign Trade Division

also cited an NAHB study that indicated that remodeling will be flat in 2007 and 2008, but will recover in 2009.

Collins next discussed the door industry. "Some of the challenges this market faces are that some companies are self-labeling products in order to give the appearance that they are certified when, in fact, the label may just look like an AAMA label and say, 'I certify that this is the best door on the market,'" Collins said.

He also pointed out that the door industry needs to develop some stringent water penetration tests, and composite-based certification standards should not require door pre-hangers to test each door configuration (*read more about the side-hinged exterior door standard in the January issue of DWM*).

Collins also touched on the subject of garage doors. He said that buyers are looking for an economical way to set their homes apart from others on the block and one way to do that is with their garage doors. Garage doors are grossly undervalued as compared to a home's entry door on a cost per square foot basis. Garage storage and organization is becoming a multi-billion dollar industry.

When Things are Slow

Collins had a number of suggestions for companies when the market is slow. He said that companies should be proactive about marketing. "Manufacturers should visit distributors that may have dropped off and ask, 'How happy are you with your current manufacturers?'" he said.

He encouraged companies to accelerate the use of green prod-

ucts, develop their websites and combine plants to make business more efficient.

A Fragmented Green Movement

Collins spoke about green products as well saying the build-

Many window manufacturers are being pinched by fuel prices and energy surcharges, but we are seeing companies wanting to purchase other companies that have excess capacity, and this is a very positive sign.

ing industry needs to avoid fragmentation, meaning that right now there are differing opinions of what green is. He said that there needs to be some standards put in place so everyone knows what constitutes a green product.

Chinese Competition

Collins also warned manufacturers about the rising competition from Chinese companies. He said many U.S. labor unions are trying to unionize Chinese workers. An average Chinese worker starts out making 43 cents per hour, where an average U.S. worker starts at \$11 per hour.

"If unions can unionize

Chinese workers then their wages would increase, which would increase the price of products from China," he said.

Collins did note that 60 percent of all exported Chinese products are produced by companies that have foreign funding.

Some other points made about China included the fact that if U.S. companies push a Chinese supplier too much on price, quality will likely suffer. He also said that many product knock-offs coming from China are driven by U.S. companies that take a competitor's product to a Chinese company and asks them to make a knock-off.

Jordan, Knauff & Company has made available a free download of its Fall 2007 Window & Door Industry Update webinar to DWM subscribers.

Please visit the following link to request a complimentary copy of the presentation: <http://www.jordanknauff.com/webinar-request/>.

For more information on future webinars, e-mail Michael Collins at mcollins@jordanknauff.com. ■

Samantha Carpenter is a contributing writer for DWM magazine.

Growth of Green Building

- Recent surveys indicate overwhelming agreement that green building is increasing in prevalence:
 - NAHB survey found that 66% of builders have participated in some form of green building.
 - McGraw-Hill survey indicates that green building will be a \$19-38 billion industry by 2010.
- Greatest concern is regarding first costs of green building projects:
 - The green building industry's key challenge will be refocusing consumers on life cycle costs.
- Limited willingness to pay more for green buildings (in most cases, less than 10% more).
- Renovating an existing building is more green than the greenest new construction.

Source: Jordan, Knauff & Co.