

Charlotte Business Journal - September 29, 2008

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CHARLOTTE BUSINESS JOURNAL

Friday, September 26, 2008

Suppliers feel crunch of housing downturn

Plants closed, jobs cut as firms await rebound

Charlotte Business Journal - by [Katy Finger](#) and [Bea Quirk](#)

The national housing-market collapse is hitting home at **National Gypsum Co.**

The locally based wallboard giant has closed two plants, cut production, eliminated 400 jobs and seen sales slip 35% since mid-2006.

But it's faring better than many other local building-supply companies that have been forced to close as the housing downturn ripples through the economy.

In the second quarter, new-home construction starts in Mecklenburg County fell 67% to 6,584 from the same period last year, according to national housing-research firm Metro-Study. That hurts every business that supports and supplies the construction industry, including wallboard producers such as National Gypsum, lumberyards and brick suppliers. And with less work to go around, companies are laying off workers and looking for any way possible to cut costs.

"I think everybody in the building-supply industry is in hunker-down mode like there's a hurricane coming," says Ray Price, president of the Smithfield-based **Independent Builders Supply Association Inc.**, a co-op of nearly 240 members that distributes in 16 states. "We've looked at everything and turned over every stone to see if we could cut something — anything that will cut a few pennies here or a few pennies there."

National Gypsum is trying to pinch pennies by running its plants five days a week instead of seven. It is also cutting back on advertising, selling raw materials to other companies and introducing specialized products with higher profit margins.

"We're struggling to stay above the break-even line," says Craig Weisbruch, National Gypsum senior vice president of sales and marketing.

Wachovia Corp. senior economist Mark Vitner says it's tough to know exactly how many jobs in the industry have been lost in North Carolina because some are categorized as wholesale and others as retail. But he expects the employment decline to be significant. "Because we went into the housing downturn later than most of the country, construction has been hit harder faster lately," he says.



photo NANCY PIERCE

Jim Frieze, Southern Cabinet Co. president, has cut the company's work force to 27 from 51 in early 2007.

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Some local building-supply companies that have been hit hard by the recent housing downturn include:

- The Building Center Inc.**, which is based in Pineville and has six locations in the Carolinas. It slashed its work force 22% to 300 after two rounds of layoffs.

- H&S Lumber & Glass Co.** on Monroe Road is down eight employees to 24 since last year.

- Pennsylvania-based **84 Lumber** has closed several locations in the Charlotte area.

- GreenFiber**, which makes insulation products from recycled fibers, has laid off workers at its Charlotte headquarters and at its 11 plants, which are no longer running at full capacity.

- Southern Cabinet Co. Inc.** has reduced its head count to 27 from 51 in early 2007.

Several other companies have recently gone out of business, including **The Lumber Depot Inc.** in Mooresville and **Boozer Lumber Co.** in Columbia, S.C. — a big supplier to the Charlotte market — which had been in business more than 40 years.

Southern Cabinet President Jim Frieze says the bathroom and kitchen cabinet distributor has seen revenue fall almost 50% since its peak year in 2006.

Harold Pinkston, GreenFiber marketing director, would not be specific, but says sales at GreenFiber are down by “a significant percentage.” Pinkston’s not sure what the next step is for the company.

It can’t readily cut its prices because the cost of raw materials — notably paper — has been increasing as demand in China grows.

“Analysts are saying we’re close to rock bottom, and that we should see some growth in the first or second quarter of 2009,” Pinkston says. “But it’s going to take several years for a full recovery.”

Mike Walden, an economist at N.C. State, says it makes sense that industries that supply the construction market are taking a hit. “They will certainly be under pressure. Cutbacks and retrenchment are certainly in order. Their sales will certainly be hurt.”

Faltering sales at **Stock Building Supply**, a Raleigh-based company that distributes to stores throughout Charlotte, have caused the firm’s parent company to consider a sale. For the fiscal year ended July 31, sales fell 25% to \$3.47 billion.

British parent company Wolseley plc has already cut 40% of the company’s 11,000 jobs since 2006.

“We’ve all buckled our belts,” says Rick Parris, manager of H&S Lumber, who is looking for ways to cut costs. The store has switched to a programmable thermostat, which has cut its electric bill in half. H&S Lumber has also turned off its water heater and stopped allowing overtime.

And the employees at H&S recently voted to cut their daily coffee service, which was costing the company about \$3,000 per year.

“You wouldn’t think it would affect the coffee guy,” Parris says. “It affects everything.”

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