

THE PARLIMENT PAGES

July 2019

Tariff Update

There is now a 25% tariff on all the products we buy from China, and as stated in our April 2019 pages there is still a very real threat of anti-dumping and/or countervailing duties that could be retroactive to some unknown date. An example of that, several years ago one of our brokers got hit with a countervailing duty on four containers of nails that cost them tens of thousands of dollars. Almost two years had passed before the countervailing duty was enforced. Another country we buy from regularly is India, an ally to the US. There is now a tariff on them and a threat of countervailing duties and anti-dumping. Mexico and Canada are off the tariff list. Unfortunately, we do not buy anything from Canada and very little from Mexico. With that said, our government at any time could rescind the current threat of tariffs, etc. on all named countries. We will strive to keep you in the loop as things progress. It sure is a moving target.

Housing News

Homebuilding is not weak; sales are up 4% with potential for more. According to John S. Tobey, in the Pro Sales news, “ignore all those articles about homebuilding. They suffer from many flaws. Beneath the flaws is the mistaken notion that the latest monthly reading (a preliminary number) when compared to the previous month (a now revised number) defines homebuilders health and growth, or lack of it. However, homebuilding runs in longer-term cycles. The actual state of homebuilding in 2019 is continued growth with indication of potential increase.” One way to track homebuilding is to use a 12-month rolling average. Note, we use the same measure at Parliment for tracking many stats such as inventory turns, accounts receivable days, sales etc. Here is how the measure works: You average the 12-month stats and as one month drops you add the next month giving you results that take a lot of the variables and seasonality out of the equation. Current results show growth on the 12-month rolling average charts for housing.

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Interest Rates

In our last edition we predicted a .50% drop in the fed rate. All our sources suggest a .25% decrease at July FOMC meeting and another .25% decrease in October. We also believe there will be another decrease of .25% the first quarter of 2020. This will make homes more affordable to more people. A win, win for them and the homebuilding community. We could see 30-year fixed mortgages below 4% and possibly below 3.5% in the next year.

Generation Z

According to David Mele, President of Homes.com, Generation Z is moving into the housing market in a big way. Move over Millennials, it's time to focus on Generation Z in the housing market.

“Millennials still make up more than a third of the US home buying market, but Generation Z, defined by Mele as those under the age of 24, will be the largest group of home buyers by 2026, with about 82 million consumers.” Their demographic is larger than the Millennial age group, more radically and ethnically diverse, and has come of age in a different time period. While the Millennials entered the home buying market right after the largest financial crisis since The Great Depression, Generation Z is entering during a time of economic prosperity, full employment and a healthier economy. They have not seen bad times, so they have less fears about the future.

According to Homes.com survey presented by Mr. Mele, about 87% of Generation Z expects to own a home by the age of 35. That's 23 points higher than the overall home ownership rate in the US, which is about 64%. Most people believe they need to save 11% or more as a down payment on their first home. More than a quarter of the under 24 survey respondents think they need to save at least 20%. These are really big numbers. It's motivating saving on behalf of Generation Z.

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Second Chances Matter

We had a non-profit group come by our office to discuss the opportunity for Parliment Building Products to give people a second chance. Participants in the Ready 4 Work program are vetted and drug free. They engage in a 4-6-week career development course, preparing them for interviews and providing them with a workplace skill set. Additionally, Ready 4 Work follows each participant for one year providing them with a case manager, job coaching, mental health, and often a life coach for their continued support. Some of the bottom-line benefits would reduce your cost to hire, federal bonding, and work opportunity tax credits (WOTC). Doing our homework, we found those credits range from \$9,000 to \$14,000.

In reading an article in The Jacksonville Business Journal, writer Leah Hughey “states around a third of American adults have been arrested and one hundred percent of us have made mistakes. With 650,000 Americans re-entering society each year, and many eager to work, this a large pool of talent waiting to be engaged. If everyone of us were permanently labeled for the rest of our lives by our worst decisions, how would our lives be different?”

The Society of Human Resources Management conducted a recent study and heard from executives that 82% of their second chance hires have been at least as successful as their average hire. Consider giving people a second chance. It is the right thing to do.

New Products

We are proud to announce our newest addition to our ever-growing product offering. We are now stocking ***Xtreme Vapor Barrier*** by Tex-Trude, LP. Tex-Trude Xtreme Vapor Barrier/Retarder is a high-performance film designed for use under concrete slabs to stop moisture migration and to control radon gas, methane, and other soil gases or contaminants. Xtreme Vapor Barriers/Retarders are extruded in a single sheet of material composed of the latest generation of virgin polyolefin resins. This high puncture resistant Vapor Barrier/Retarder has superior performance to other materials in the industry and is available in 10 mil, 15 mil, and 20 mil thicknesses. 10 and 15 mil are in stock and available for immediate shipment!

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Observations from Chuck

Some call me the dinosaur of the industry and the truth is they are probably right. We had a great response to the first two of my 40 life lessons. With that said we will continue to share my business and personal life observations in the future Parliment Pages.

- 1.) Embrace fear and overcome it. There was a study done several years ago that ranked people's biggest fears. In the following order, public speaking, dying, and change. As we all know we might be able to avoid public speaking, however, we all are going to die, and surely change is inevitable. So, you must embrace change and always find a way to cope with that change and make the best of it. There is always a silver lining in every cloud. Look for it. Change is good.

- 2.) End every meeting with the following question. What did I not ask or discuss, that I should have? You might have to ask that question again. They do not always get the question the first time around. Let the next words fall out of the other person's mouth first. Please do not try to answer the question for them. It is an interesting question and will keep the conversation going. I have found in my experience there is always something I forgot to ask, again don't forget to wait for their response.

We had a little room left so you are getting a bonus observation this newsletter.

- 3.) Say good morning and goodnight to everyone possible, every day. When we started Parliment Building Products in September 2002, two key employees told me they wanted to work with us because of the above tip. They said it showed respect towards them for me to take the time to say good morning and goodnight. It shows you care about their well-being and welfare, thus improving employee's overall outlook and attitude.

Well, that is now five secrets divulged, only 35 to go. Have a great summer. We appreciate your business.