

Why your repair costs are going up and what we are doing about it

The real estate market over the past 12 months has resembled this century's version of the Gold Rush! Housing demand and activity in many markets across the nation have experienced an incredible BOOM, and the impact is significant, for better or worse (better = significant increase in your home equity value | worse = well, that's part of what this article is about). For property owners all over the U.S., the housing boom includes significant swings in inflation, shortages, and supply chain delays affecting the cost and timing of maintenance and repairs. At Chambers Theory, we take specific measures to minimize the risks and negative outcomes for our clients and we appreciate your patience as we provide you with an overview of the factors that have altered your costs, abstract investment structure, management services, and contractor process as it relates to your property.

Delayed Goods and Soaring Prices

Shortages have become a frequent headline in the news. Last year it was toilet paper, and in May people in Virginia were fighting at gas stations for limited supply of gas due to shortages caused by a cyber-attack shutting down a pipeline. Speaking of pipelines, that term is being used a lot when talking about shortages. The pandemic shut or slowed down the movement of goods around the world. That doesn't even take into account the dramatic block of the Suez Canal that put the entire world in a holding pattern, waiting for the cargos that couldn't get through. There is a global semiconductor chip shortage that has slammed production and supply chains for home appliances, and the issues fell particularly heavily on the auto industry (and that was before hurricane season destroyed tens of thousands of vehicles in the southeast stirring demand for new and used vehicles to further exacerbate limited supply).

The construction industry was particularly hard hit by shortages. According to an article in [Forbes](#), "lumber futures have increased an astounding 375% between April 2020 and April 2021." Not only has the commodity price of wood increased, the price to purchase has also tripled since 2020. As if the past year wasn't hard enough, around the country, there are reports of [paint](#) shortages as well as [appliances and furniture](#). Shortages spell a spike in prices as competition for available inventory increases.

What does this mean for you and the properties we manage?

The cost of repairs has gone up, and delays may impact your or your tenant's ability to fully utilize and enjoy your home. Whether its replacing a few boards on a deck, replacing a bathroom faucet, or even just painting a fresh coat in the bedrooms, the costs you might have expected have gone up... Way up. And when it comes to delays in appliances, or functional contingencies, if your property is rented and there's a delay in a replacement stove, guests/renters may start demanding rent credits or even express frustration and anger in order to be sure their needs are heard and met promptly.

Labor Delays & "Ghosting" Added to the Mix

Even if the materials are available, labor is in high demand and low availability mode. Tenants (and home owners) who have spent more-time inside the residence during the pandemic are seeing all the things wrong around the house and have increased demand for contractors, scheduling anything from a small repair to a major remodel. Renters spending extra time at home have led to additional use, wear and tear, which spells calls for fixes. If there is a new tenant in your home, the old property management cliché concerning property repairs, "The first 60 days of a new tenant are the most expensive" (referencing the new living pattern by someone else in your home prompting thirty to sixty days of new use-patterns, new perspective and observations of property condition, and repairs that are

“expectedly unexpected”), is now more likely to have added pressure on costs, prep/transition timelines, and further extends the strain on supply & demand dynamics with contractors. Residential construction is booming, and contractors are often booked months out. “Handymen” are just as busy and scheduling weeks in advance for anything but emergencies. These contractors and handymen are also experiencing the same inflationary pressures in their own cost of living necessitating their need to charge more to achieve the same lifestyle as before (in other words, the housing market boom has made it more expensive for contractors and handymen to buy or rent their homes too, and the pressure and stresses of the aforementioned supply & demand strains directly affects contractor pricing availability). **Contractors are less available, and more expensive than they were a year ago.**

Cases of “ghosting” have become more and more “common with contractors under these market conditions (“Ghosting” - when contractors don’t come back to finish the job to completion or puts your repair on the schedule and then doesn’t show up for the appointment). We know time means money. Whether it’s repair or maintenance you need for your home while you are there, or prepping a property for rent, or tenant occupied... we are seeing potential extended estimate and work delivery timelines and that can lead to rent abatement issues.

What are we Doing About It?

Good property management = Good vendor management

In addition to the integrity of calling your pre-determined preferred contractors (as long as they are licensed and insured), we ensure we don’t have a single-source solution for our repair needs. We derive HVAC vendors, appliance repair people, landscapers, general maintenance, and anything that we need to maintain the properties in our management portfolio and we have depth ratios in relation to the number of properties we have in each geographic region. Having the appropriate match of service providers to the anticipated needs based on properties in each area, we are pre-positioning you for more efficient repair results.

Our approach to creating good vendor management solutions also includes:

- We become the best customer of the contractors/vendors via communicating effectively, understanding their pain points, paying them promptly for services provided, respecting and promoting the quality of their work (when they are deserving of it). The “go to contractors” we recommend and do business with earn this through the effectiveness of their service relationship with you through us.
- After we have good rapport and are established as a good customer of a vendor, we also demand to be treated as the very good customer that we are – Why would a respectful high-volume customer not demand this?
- We have an escalation contact at each vendor – normally the owner of the company, yet someone that has an economic interest in our relationship and thus they are mindful about the delivery and cost of their services to you. This also greatly reduces “ghosting” from contractors (when there is more accountability and responsibility in the long-term value of the property management connection).
- ***We have no markup, revenue partnership, nor any financial incentive regarding any work proposed or scheduled through any contractors. Our property management process has integrity and pure intention to represent your interests, and does not create alternative revenue streams in our repair coordination process.***

For non-emergency repairs that cost over \$1,000, we believe it is wise to get a second estimate from another vendor (without the 2nd vendor having the benefit of knowing what the first vendor quoted) to see how the vendors scope of work and pricing contrast. Competition can help keep a rein on the prices, and we are doing this systematically, yet with the context of the necessity of the cost of delays in achieving the necessary solution.

To keep the delays and costs to a minimum, we are proactively planning in advance via having parts information and access specific to your home systems through CentriQ – allowing work to get done as quickly as possible and creating more transparency between you and the vendors on the cost of sourcing the parts directly from the manufacturer that match the make and model of your specific home systems.

Although there are many variables to consider, as a landlord, many of you have heard us recommend a repair budget to you in the past, something along the lines of: “You should budget \$1 per sqft per year in repair costs.” Some years you might have half-that, others years it might be triple that amount, yet on average most property owners that budget \$1 per sqft per year will find that is a normal level of property repairs and expenses averaged out over three to five years. When we get to the end of 2021, and you look back to see that you spent less than \$2 per sqft for your property this year, then I would call this year an “efficient year” of expenses for you, because the market dynamics have suggested that this year is more costly for the same-level of repairs. If your have a home of 2500 sqft, normally I would expect that your annual repair expenses will range from \$2000 to \$3000 on any given year – Don’t be surprised if this year you spent \$4000 to \$6000 in repairs for your home this year (***the good news is that your home value is likely up 15-20% since January 2020***).

[Contact](#) us to discuss and review how we are making sure you get the most effective results in the management of your home, and... thank you for your continued compassion and patience as these market stresses stretch and strain not only your landlord experience yet also your property manager’s capacity to deliver to you the optimized outcomes they work hard to create! We not only want you to know the market dynamics and obstacles that affect you, we also care enough to serve you by navigating and guiding you to success through them.

*Real Estate with Intelligence...
Property Management RE-Inspired!*

The Chambers Theory Team