



SPECIAL REPORT:

The Way Forward for Post-Frame Builders

A short summary of the issues impacting post-frame construction, based on the surveyed perceptions of post-frame builders.



Prepared by: Centrifuge Research
Sponsored by: Burrow's Post-Frame Supply

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About the Survey

In October 2012, a post-frame market survey developed by Centrifuge Research was broadcast by Rural Builder magazine to the publication's nationwide circulation. Burrow's Post-Frame Supply was the sponsor of the survey and is the sponsor of this follow-up summary report.

The survey posed a wide range of questions to post-frame builders, architects, engineers, inspectors, and suppliers to the post-frame industry. Resulting participants in the study included 181 post-frame builders and 232 other professionals closely related to the industry. The 413 respondents represented a broad geographic cross section of the U.S. with no concentration in any region.

To download the free, original 35-page summary of the entire survey, visit www.burrows-supply.com/survey.

About this Report

This report was developed 10 months after the October 2012 survey to provide for a retrospective evaluation of the concerns raised by the survey. The report identifies those concerns that have since prevailed in the context of evolved market developments.

The purpose of this report is to summarize briefly the topmost issues facing all builders who have a stake in the success of post-frame construction. Those issues can be summarized as follows:

1) Market Complexity, 2) Code Reform and 3) Business Betterment.

It is hoped that the findings summarized here may support further analysis and decision making among builders of post-frame projects, whether acting individually as business leaders or collectively as industry leaders.

This report is available for download at www.burrows-supply.com/survey.

Market Complexity

The dynamic and complex nature of the post-frame marketplace complicates the way forward for many post-frame builders. Asked to identify the most likely impediments to business growth in the coming year, builders reported the following impediments, in the following order:

- Lagging housing market and economy
- Potentially higher material pricing
- Potential lack of materials
- Decline in agricultural construction as a percentage of business
- Increased cost of qualified construction labor
- Lack of availability of qualified construction labor
- Building codes unfavorable to post-frame construction

Lagging housing market and economy:

The projected slow recovery of the housing market and the economy are concerns still felt across many American business sectors, including the broad construction marketplace of which post-frame is a part. However, since the survey was conducted, the housing market is showing signs of recovery. According to the National Association of Home Builders, homebuilder confidence is presently at its strongest level in 7-1/2 years as tightening supply and solid demand is fueling the recovery of home construction. At the same time, mortgage rates have ticked upward since May to reach their highest level in two years, causing concern that this will impede continued housing recovery. Nevertheless, the situation appears to be improving and post-frame builders have reasons to be more optimistic. Since the time of the survey, home prices have risen and demand is higher, having the effect that supply is becoming a concern.

Material prices:

Since the survey was taken, worries over possibly higher material prices seemed warranted this past spring, as prices for steel and lumber rose sharply. Prices have since declined to nominally higher levels than last fall. According to a report from the Associated Builders and Contractors, which cited U.S. Department of Labor figures, construction materials prices decreased 0.1 percent in June. Year over year, construction materials prices were 1.5 percent higher in June. Nonresidential construction materials prices rose 0.1 percent for the quarter and increased 1.2 percent during the last 12 months.



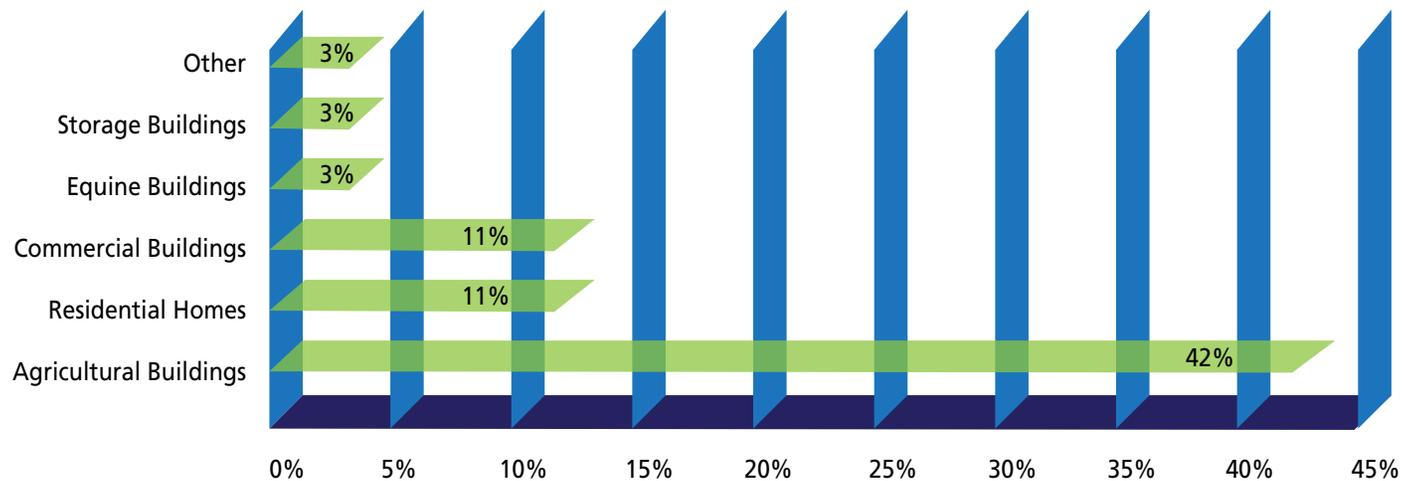
Agricultural construction as a percentage of business:

When asked to rank the types of post-frame buildings being built in their areas, the highest ranked was agricultural, with 43% of respondents ranking this to be the predominant share of their construction revenues. A related concern is whether post-frame's share of market can continue to grow among broader construction applications, and moreover among all single-story applications other than those served by basic "pole barns."

According to data published in May by the U.S. Department of Agriculture, total dollars in agricultural exports for 2013 will reach a record \$139.5 billion, \$3.7 billion higher than FY 2012. Imports were also projected to grow to a record \$111 billion, \$7.6 billion higher than in fiscal 2012. This suggests the overall health of the agricultural market is good. The concern remains however, whether the post-frame construction trade can outgrow its confining pole barn niche image at a pace equal to competing construction methods, notably stud wall and light gauge metal buildings. As an industry and as a profession, post-frame must change the perceptions of buyers who may have entirely different expectations of value delivery, unlike their present perception of "pole barn."

As discussed in an article published in the August 2013 edition of Rural Builder magazine*, post-frame builders who are predominantly builders of more basic pole barn structures are especially caught in a kind of catch-22. For those intent on competing against a range of highly evolved alternative construction methods, even within the agricultural market, image is important. To the extent pole barns conjure up in the buyer's mind the wild frontier image of dirt floors, cowboy contractors and all the imaginable risks of code-free construction, the post-frame trade is at risk. This is an image that needs to be undone by today's generation of post-frame builders and by all builders who stand to gain from a dynamic, positive image of post-frame construction.

* Outlook for U.S. Agricultural Trade, May 2013



Agricultural buildings are the predominant type of post-frame construction, as reported by builders in the survey. In the face of competing and more widely accepted construction methods, post-frame builders are advised to apply their post-frame construction skills to more diverse types of building projects beyond “pole barn”.

The increased use of post-frame for projects other than agricultural “pole barns” will help to evolve the image of the post-frame trade, bringing about greater market awareness and appreciation for the approach.

All builders must now be prepared to consult on the cost/performance comparisons of post-frame and stud wall methods. For more on this, visit www.postframeadvantage.com/pub/Cost-Effective.

* August, 2013, *Rural Builder*, *Seeing the Forest for the Trees: Research Guides Post Frame Forward Through Today's Complex Market*

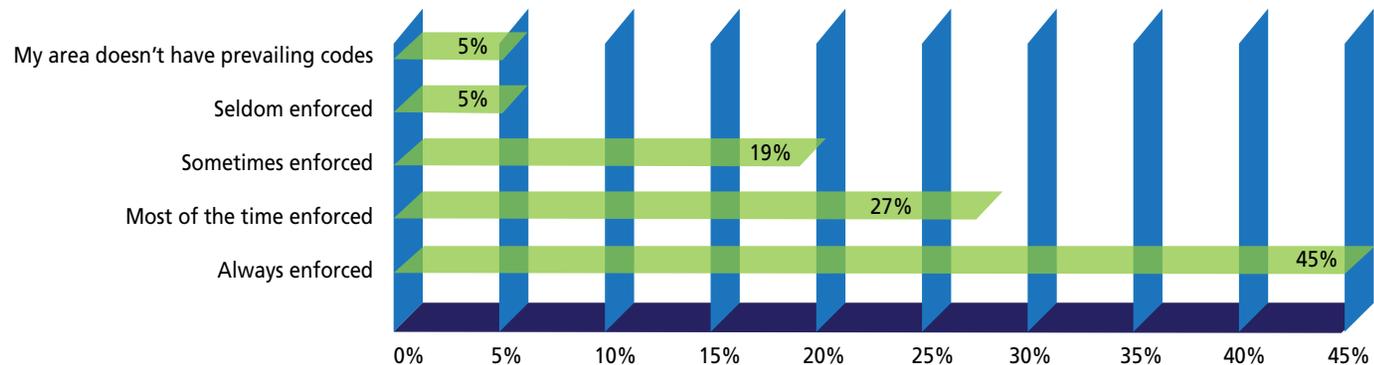
Code Reform

A second challenge identified by the study is the need for code evolution that is more favorable or at least fair to post-frame construction. With the decline in agricultural construction, code change becomes all the more important, because the agricultural building sector has been largely code exempt. So as post-frame builders increasingly seek out alternative types of construction, including opportunities located closer to municipal jurisdictions, they will increasingly encounter unfamiliar codes and moreover, codes that effectively “zone out” the use of post-frame.

According to the survey, 43% of post-frame builders disclosed that they have been prevented from building post-frame at times due to a broad set of reasons, including zone-out ordinances.

Several post-frame builders surveyed raised a related concern regarding codes: To the extent codes are not uniformly enforced, lower-quality post-frame construction can result, and this can reinforce unfavorable images of the trade. According to the survey, 19% of post-frame builders reported that the codes in their areas were “sometimes enforced” and 10% said that codes were seldom enforced or that their areas did not have codes.

Code enforcement is not uniform according to survey respondents...

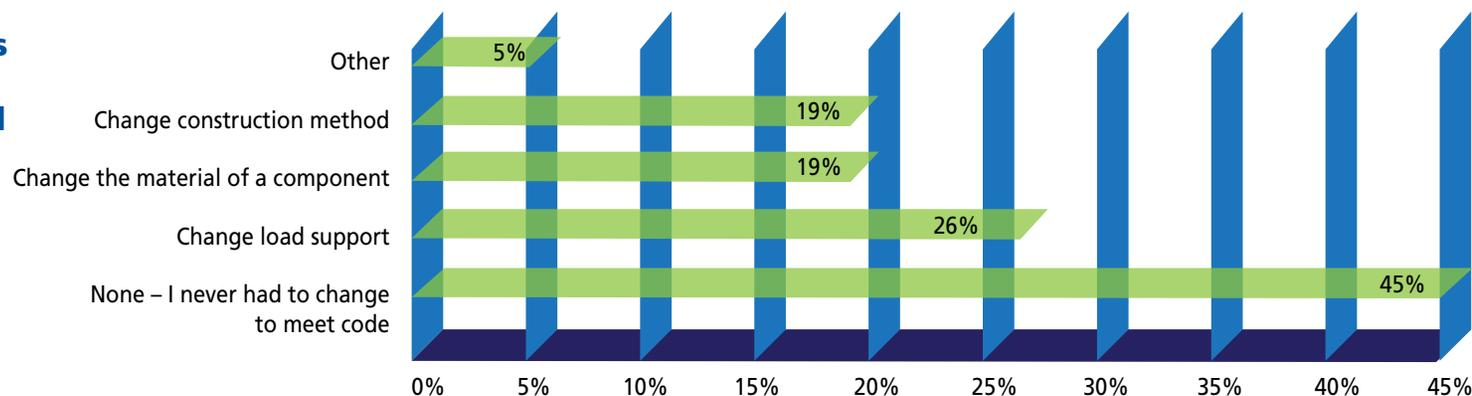


A step forward will be the establishment of codes where they are lacking and the uniform enforcement of codes that are fair to post-frame construction. As several survey respondents commented, this would help build the professional image of post-frame construction, because it would work to remove less professional builders and would reward builders that are able to hold the line on quality. In addition, were the codes fairly written and enforced to permit higher-end post-frame building construction, buyers would more consistently learn that post-frame buildings can rival alternative methods in attractive ways, including high quality construction.

When asked what sources they looked to for information about codes, 47% of post-frame builders said they look to government sources and otherwise they used the internet to learn about codes. Fewer than 10% said they look to suppliers, trade magazines or the National Frame Building Association (NFBA) for information about codes. Yet the NFBA in particular has increasingly sought to publish information about codes and is becoming much more proactive about monitoring those codes and undertaking an advocacy role.



55% of the builders surveyed said they have been required to change their construction to meet a code...

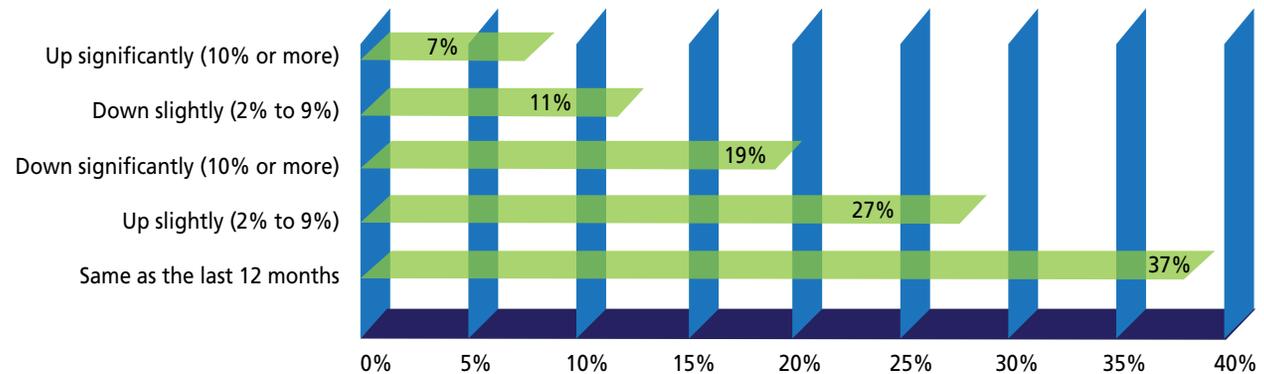


- To help bring about code reforms fair to post-frame, the NFBA is working to engage the International Code Council (ICC), the International Residential Code (IRC), the American Society of Agricultural and Biological Engineers (ASABE), and representatives of the insurance industry.
- NFBA members can access for free the code and information databases of The American Society of Agricultural and Biological Engineers, and the MADCAD e-libraries. The information is located in the members-only section of the NFBA website: www.nfba.org.
- For more information on codes, including the effort to evolve codes that are fair to post-frame construction, contact your NFBA chapter, visit the NFBA website or www.postframeadvantage.com.

Business Betterment

The post-frame builders surveyed were generally optimistic about their revenue projections for the coming year, as 66% predicted their sales would be the same or somewhat less than the past 12 months; 37% predicted revenues to be the same, and 19% predicted revenues to be down by 10% or more.

The majority of post-frame builders surveyed predicted their revenues would be about the same as last year...

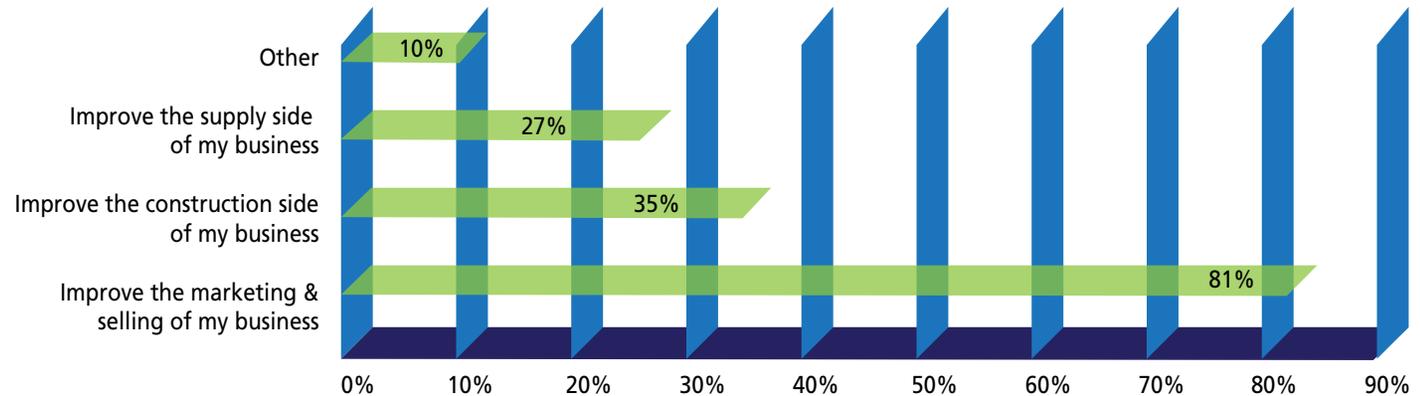


When asked what steps they will take to grow their businesses in the coming year, 81% of post-frame builders said they will improve the marketing and selling side of their businesses; 34.9% said they will improve the construction sides of their businesses; 27% said they will improve the supply sides of their businesses; and 9.5% said they will undertake other steps to grow their businesses. These other steps included looking for ways to speed up their businesses, looking for new transformational methods of construction, purchasing construction vehicles instead of renting, and training employees.

An impediment to business betterment is the fact that many post-frame builders are short on time and long on responsibilities. When asked to rank the activities where owners and top managers spent their time, 38% said sales was their most time consuming activity, 36% said estimating and quoting was their most time consuming activity and the balance said construction oversight and purchasing dominated their time. Effectively, all of these activities equally dominated their time, leaving little time for such priority objectives as improved marketing, improved construction practices, or the development of more skilled project consultancy.

For the latest market information, construction best practices, and business growth ideas, about 30% said they looked to trade magazines. For material options, 38% said they looked to their suppliers. Others said they have also resorted to other ways to better their businesses, such as hiring business consultants, attending builder conventions, and participating in professional associations.

81% of builders surveyed said they intend to improve their marketing and selling...



As to how post-frame builders intended to specifically go about improving their businesses, whether through more consultative selling, expanded construction practices, or broader uses of materials, builders surveyed did not convey an awareness of any particular resource to help them in their efforts.

- Post-frame builders are advised to seek relationships that are favorable to the business in ways that are not only transactional (such as price), but also transformative (quality, availability, reliability).
- Post-frame builders are advised to especially look to their suppliers for relationships that are not purely transactional, but are of a higher quality so as to support the business in other ways.

The Way Forward

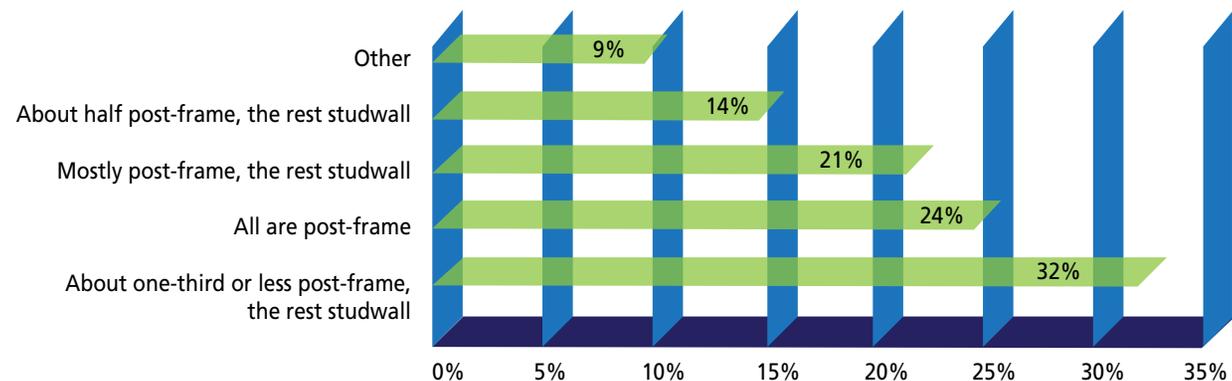
As disclosed by the post-frame builders surveyed, the challenge of business betterment is closely tied to the issues of market complexity and code reform. Improved marketing and selling were the first objectives cited by the post-frame builders surveyed, and these objectives are directly related to competing construction methods and any limiting perceptions around “pole barn” construction.

The challenge then is for post-frame builders to expand into other perhaps less familiar segments, to market and sell value in different ways to a possibly different set of customer expectations. These expectations may include highly skilled post-frame design assistance, a customizable portfolio of building styles, and more diverse building treatments. Access to these buyer segments may require a higher level of sales consultancy, backed by a higher level of expertise in the areas of design and product application.

The ability to consult on different construction methods is a clear approach disclosed by the survey. Among the post-frame builders surveyed, only 24% said that all of their wood frame construction projects were post-frame. The majority said they were constructing buildings made of stud wall to some degree, as 32% said that about one-third of their projects were post-frame and the rest stud wall; 14% said that about half of their projects were post-frame and the rest were stud wall; and 21% said that most of their projects were post-frame and the rest stud wall.

24% of builders surveyed said all of their projects were post-frame.

The majority build projects using either post-frame or stud wall.



Given that the majority of builders offer either post-frame or stud wall construction to their prospective customers, it is important that builders understand when post-frame construction is most suitable and that they are able to effectively and objectively advise prospective customers who may be unfamiliar with post-frame.



For all builders, especially those whose businesses are almost entirely based on post-frame construction, there is a sense of urgency around the need for buyer education regarding the possibilities of post-frame design and construction. Yet all builders stand to gain by an expanded use of post-frame construction. Post-frame is a viable alternative, not only to stud wall, but to light gauge metal and concrete construction methods. In this regard, it may be that the first customers needing to be made aware of the greater possibilities of post-frame are builders themselves.

The way forward for post-frame builders and the post-frame industry at large is to individually and collectively address what is centrally a problem of brand identity for post-frame construction. Many progressive post-frame builders have demonstrated the far greater potential of post-frame construction. These project stories need to be told on behalf of all builders.

Now is the time for all involved to proactively build positive awareness and preference for what is an underdeveloped construction technique, one that is applicable to agricultural buildings and beyond.

An excellent guide to post-frame construction, and its greater project potential, was published for design professionals by the NFBA. The downloadable pdf and other post-frame builder information resources are available at www.burrows-supply.com.

Closing Note:

This survey summary document was developed based on the information provided expressly by builders of post-frame and so the summary is focused on their perceptions and issues. The survey on which it was based was broader in scope, encompassing the views of others related to the trade, including engineers, inspectors, consultants, related trade professionals, manufacturers, architects and educators. To download the free, original 35-page summary of the entire survey, including responses by non-builder professionals, please visit www.burrows-supply.com.