

Hydronics a good bet

Hydronic dips 'n' swings: To survive and thrive, be smarter than the average Bear Market

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Raise your hand if you think the economy stinks. Alright... a quick hand-count confirms

"We're way behind with profitable jobs lined up as far as we can see..."

"Jammin' on all cylinders on high margin jobs with no rest in sight..."

it: we're in a recession. But wait — the story rests with the folks who don't agree.

You could Read All About It! in every newspaper and magazine, seek enlightenment on network news, or tap every dot com resource on the Web. Yet for every poll taken, for every source of intelligence, there's a contrarian view, a thread of hope. This is one of those.

I agree — the conflicting opinions are baffling. Housing starts are way down, and commercial construction is dipping as well. Sadly, these realities are tied to a mortgage and finance mess that the Feds haven't fixed. And then there's the global market vortex: hey, we're all in this together.

It's through this ugly haze that we focus our periscope on the U.S. hydronics industry. Let's take a look at how things may look in '09.

It's down. I won't win any awards for that call. Many of you are struggling to meet payroll and lease payments. But not all of you. Many manufacturers, reps, wholesalers and contractors are saying, "We see the cloud, but it hasn't affected us yet. Business is up."

Spirited leaders

Only a small portion of the new construction market overlaps with hydronics. It's chiefly at the high end where radiant and hydronics dwell. There's little disagreement that — at the core of it — the technology thrives noticeably only in the northern regions, or in hydronic strongholds like Boston and Rochester.

These are areas — frequently where cold winters and higher incomes intersect — where you're most likely to experience the logic-defying, anti-gravitational pull toward hydronics, both in the residential and commercial markets. Typically, in the residential sector, the higher-end work involves mod-con or geothermal and solar technology connected to extensive, multi-zone radiant heat systems. Also, there's the "re-green" residential retrofit business, no small portion of business on the move today. Commercial use of radiant heat, hydronics and geothermal has slowed, but there are many exciting projects out there.

Remarkably, a disproportionately high number of hydronics projects, large and small, are found where spirited, passionate contracting firms or leading reps and wholesalers energetically champion new technology and comfort solutions. They're creating cozy pockets of hot water!

What are they saying today?

- "Business is great. We have never had more work booked and waiting to go in than we have now. I've just hired three field techs and purchased two new trucks," said ex-RPA president Dan Foley, president of Foley Mechanical in Alexandria, Va.

- "We're way behind with profitable jobs lined up as far as we can see; we're busier than we've ever been," said Greg Jannone, another ex-RPA president, president of Jannone & Sons Plumbing & Heating, Inc. in Bound Brook, N.J.

- "Stretched thin and gave up any notion of vacation this year," said Justin Johnson, president of Sprinter Heating & Hydronics in Idaho Falls, Idaho.

- "Jammin' on all cylinders on high margin jobs with no rest in sight," exclaimed Dave Yates, president of the full-service plumbing and mechanical contracting firm, F.W. Behler, Inc. in York, Pa.

- "We're having trouble keeping inventory of our best equipment," said Rick Meek, vice president of the stocking rep firm, TM Sales based in Denver, Colo.

This stuff is for real, folks. These long-time industry pros are in the

same industry we're in. Yet they've clearly got a different perspective on business and the economic outlook than a majority of others.

This Old House celebrity and master plumber Richard Trethewey, said the hydronics industry has, at last, moved back into the consciousness of mainstream America. "The [push for green] is our best opportunity. Let's make it work."

Key hydronic indices

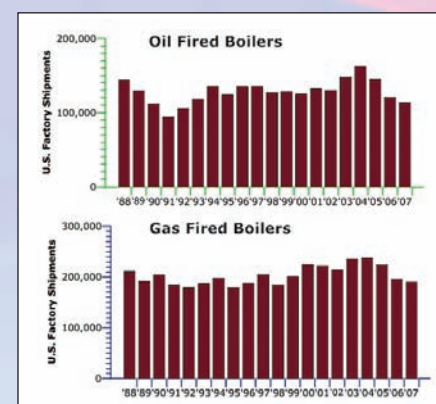
Here are the most current numbers from the Air-Conditioning, Heating, and Refrigeration Institute (AHRI). Overall boiler sales are the ultimate barometer:

- 2007 U.S. factory shipments of gas fired boilers were 190,140, down approximately 5,550 from '06.

- 2007 U.S. factory shipments of oil fired boilers were 113,712, down nearly 7,300 from '06.

And of course there's the influence of new technology:

- Super-efficient variable-speed circulation;
- Elegantly-designed low-loss headers that simplify system design;
- Modulating-condensing boilers that take fossil-fuel systems where they've never gone before;
- Sleek, Euro-designed, low NO_x biomass boilers;
- Geothermal boilers that can pro-



duce 145°F right out'a the ground; and

- Wind, photovoltaic and solar thermal systems are being tied to these über-green systems.

The push for green is on, and a whole new generation of technology is waiting for the next shuttle bus into your customer's home or commercial project. ■