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Striking Gold in Apartment Renovation Business

By Carmen Nobel | 08/25/10 - 08:30 AM EDT

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NEW YORK (TheStreet) -- Hard lessons and savvy gambles -- both based on an open mind, confidence and quality -- have taken Rory McCreesh from electrical engineering in Northern Ireland to head of **Duce Construction**, a high-end residential renovation firm with 44 full-time employees and partnerships with hundreds of subcontractors.

In 1985, he was a tourist in New York, a city he fell for while watching old episodes of *Kojak*. A background in electrical engineering helped him land a construction gig, where he quickly realized he needed to ramp up on roofing, masonry and plumbing. "It was amazing going from electrical engineering, where that's all I did, to becoming a jack of all trades," McCreesh says.

McCreesh managed to garner a steady stream of work by joining the local carpenters' union, and soaked up knowledge by keeping an eye on the industry veterans. (He recalls breaking a huge sweat trying to jam an ill-fitting door into a door frame, then noticing a man who was decades older calmly performing the same job by using a piece of drywall as a wedge.)

"Watching old-timers is how most of my trades were learned," McCreesh says. "They would achieve such difficult tasks with ease."

In 1990, he married an American woman he had met at a Halloween party, affording him U.S. citizenship. The couple returned from their honeymoon only to find McCreesh's main employer had filed for Chapter 11 bankruptcy and had no more work for him.

"I thought, my goodness, I have no control over my destiny; everyone else is controlling my destiny," he says. "And that kind of freaked me out."

McCreesh had some savings, and his wife had a steady job. So he decided to buy a truck and make a go of it himself, persuading some former work pals to go into the apartment renovation business with him. Duce was born. Initial advertising consisted of sticking fliers into letterboxes in apartment buildings. Initial market analysis consisted of realizing that the swankier the building, the more money residents could spend on renovations.

The firm's big break came when designer **Eric Cohler** hired Duce for a high-end renovation project that involved moving the wood floor from an old Thom McAn shoe showroom in Long Island and installing it in a swanky Manhattan home. McCreesh decided to invest thousands of his own dollars into the project, knowing that if he did a stellar job, he'd have a good shot at a long-term partnership with a renowned designer -- winning a stable gig and good publicity that would lead to other gigs.

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The problem was that while McCreesh and his team excelled in carpentry, none knew anything about the paperwork involved in managing multiple jobs. They quickly learned that big customers cared about keeping exact track of how their money was spent, and the firm was losing out on big bids simply because its management system was subpar. McCreesh remedied the situation by taking out a loan, leasing an office, building the furniture for the office and hiring a few project management experts. (To those considering careers as construction entrepreneurs, he recommends construction project management software tools including Primavera from **Oracle (ORCL)** and Timberline from **Sage Construction and Real Estate**.)

His biggest lesson came from teaming up with an investor on an indoor soccer stadium project, only to have the investor steal the project. As a small-business owner, McCreesh says he couldn't afford the legal fees necessary to sue a bigger business. So he chalked one up to learning the hard way that business plans should be firmly in place before a project starts, and not written like a diary as the project goes along.

Duce dedicates a division of the business to green building. McCreesh says this is based more on personal interest than on customer demand -- "I was always one of those little freaks who said, 'Don't put garbage in the street' and 'Please recycle.'" The recent **bad publicity about Chinese drywall** did draw some customer questions about environmental concerns. But for the most part, McCreesh finds that customers often don't ask about green materials until he tells them they should. The company does a fair amount of business installing solar panels, but often the greenness is more subtle -- using denim insulation instead of lung-hating fiberglass, for example. "We like to educate them," he says. "Living in a healthy environment is important."

The company took a big recession hit, McCreesh says, largely because even wealthy customers were less willing to pay top dollar for top-quality work than during boom years.

"The entire company had to take a pay cut," he says. "We brought everyone into the warehouse and kind of told everyone the situation that was at hand: We were still pricing work, but we were losing every proposal that we sent out. The reason for that was the cost. There was a period, for a year, that people were completely blind -- they saw nothing else but the cost. The risk of timelines, the risk of safety, none of that mattered to them. It was price, and that was it."

Things are looking up, though, as New York hasn't been as hard-hit by the housing crisis as many other geographical markets. The firm is capable of doing \$30 million of work annually with current staff, and McCreesh is optimistic about hiring next year. "People are now more conscious about the quality," McCreesh says. "And the best thing about New York is there's a lot of old real estate that needs a complete makeover."

-- Reported by Carmen Nobel in Boston.

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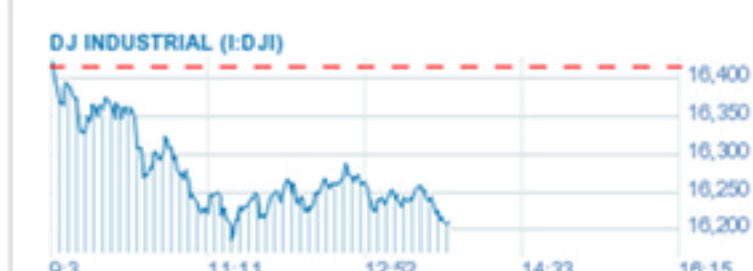
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