With All Segments Growing, the Home Improvement and Repair Market Has Surpassed Its Previous Peak

Sources: JCHS calculations using US Department of Housing and Urban Development (HUD), American Housing Surveys; US Department of Commerce, Retail Sales of Building Materials; US Census Bureau, C-50 and C-30 series; and JCHS Research Notes N10-2 and N16-4.
The Leading Indicator of Remodeling Activity Points to Continued Growth Through the Year

Notes: The former LIRA modeled homeowner improvement activity only, while the re-benchmarked LIRA models home improvement and repair activity. Historical estimates are produced using the LIRA model until American Housing Survey data become available.

Source: Joint Center for Housing Studies.
After Reaching Record Highs During Downturn, Home Improvement Share of Residential Market Settling in at About 50%

Improvement and repair expenditures as a share of total residential construction expenditures

Notes: Total residential construction expenditures include the value of construction put in place for new single-family homes, multifamily homes, and improvements and repairs to owner and rental units.
While Replacement Projects Dominate, Discretionary Spending Accounts for Sizeable Share

Share of total improvement spending, 2015

- Disaster Repairs: 5.0%
- Kitchen & Bath Remodels: 19.7%
- Room Additions: 7.4%
- Outside Attachments: 5.6%
- Systems & Equipment: 17.6%
- Exterior Replac.: 22.3%
- Interior Replac.: 9.7%
- Outside Property: 12.8%

Homeowner improvements = $222.1 Billion

Notes: Outside attachments include porch, deck, patio, terrace, garage, carport. Outside property includes driveways, fencing, detached garages sheds, septic, and landscaping. Interior replacement includes insulation, carpeting, flooring, paneling, ceiling. Source: JCHS calculations of 2015 American Housing Survey.
Owner Spending Levels—Not the Share Doing Projects—Drive Market Growth

Source: JCHS tabulations of HUD, American Housing Surveys.
Homeowners in Western and Northeastern Metros Generally Spend Most on Improvements

Average Per Owner Improvement Spending in 2015

- Less than $2,800 (Down to $2,100)
- $2,800–$3,499
- $3,500 or More (Up to $5,300)

Metro Area Average: $3,400
Report Themes

- Baby boomers continue to dominate home improvement spending, as demographic projections suggest healthy growth for industry over coming decade.

- Industry fragmentation remains a legacy of past downturn.

- Segments projected to generate healthy growth in home improvement spending:
  - Rental improvement activity
  - Younger owners in affordable metros, and
  - Emerging specialty niches
Improvement Spending Increases Sharply After Owners Reach Their Mid-30s

Average Annual Per Owner Improvement Spending, 2011–2015 (2015 dollars)

Source: JCHS tabulations of HUD, American Housing Surveys.
The Changing Demographics of Younger Households Favor Future Growth in Remodeling Spending

Share of Households Headed by 16–34 Year Olds (Percent)

Source: JCHS tabulations of HUD, American Housing Surveys and JCHS 2016 Household and Tenure Projections.
Homeowners Age 55 and Over Will Continue to Expand Their Already Dominant Market Share

Source: JCHS tabulations of HUD, American Housing Surveys and JCHS 2016 Household and Tenure Projections.
Market Spending is Expected to Increase at a More Moderate Pace This Decade as Growth in Per-Household Spending Slows

Real Compound Annual Growth Rate (Percent)

- **Number of Owners**
  - 1995–2015: 0.8%
  - 2015–2025: 1.1%

- **Average Per Owner Spending**
  - 1995–2015: 0.9%
  - 2015–2025: 1.7%

- **Aggregate Spending**
  - 1995–2015: 0.0%
  - 2015–2025: 2.5%

Source: JCHS tabulations of HUD, American Housing Surveys and JCHS 2016 Household and Tenure Projections.
Still, Growth in Homeowner Improvement Spending is Expected to Continue at a Solid Pace This Decade

Sources: JCHS tabulations of HUD, American Housing Surveys and JCHS 2016 Household and Tenure Projections.
Report Themes

- Baby boomers continue to dominate home improvement spending, as demographic projections suggest healthy growth for industry over coming decade.

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The Number of Remodeling Businesses Continued to Expand During the Downturn

Residential Remodeling Establishments (Thousands)

Notes: Data include payroll establishments with more than 50% of receipts from remodeling activity including maintenance and repair, and self-employed remodeling contractors with annual revenues of at least $25,000.

General Contractors with Payrolls
Specialty Trade Contractors with Payrolls
Self-Employed General Contractors
Self-Employed Specialty Trade Contractors

Notes: Data include payroll establishments with more than 50% of receipts from remodeling activity including maintenance and repair, and self-employed remodeling contractors with annual revenues of at least $25,000.
High Failure Rates Contributed to Industry Fragmentation During Market Bust

Share of 2007 residential remodeler payroll establishments no longer operating in 2012

2007 Receipts (in thousands of dollars)

Source: US Census Bureau, Business Information Tracking Series.
During the Housing Downturn, The Number of Residential Remodeling Firms Contracted Significantly

Change in Number of Residential Building Establishments with Payrolls (Percent)

Source: US Census Bureau, Business Information Tracking Series.
However, the Net Difference in the Number of Residential Construction Businesses Is Dwarfed by the Absolute Changes

Change in Number of Residential Building Establishments with Payrolls (Percent)

Source: US Census Bureau, Business Information Tracking Series.
Report Themes

• Baby boomers continue to dominate home improvement spending, as demographic projections suggest healthy growth for industry over coming decade.

• Industry fragmentation remains a legacy of past downturn.

• Segments projected to generate healthy growth in home improvement spending:
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  - Younger owners in affordable metros, and
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Apartment Owners Have Ramped Up Property Investments Since 2010

Average Per Unit Spending for Professionally Managed Rental Properties (2015 dollars)

Notes: Sample includes individually-metered properties with 50 or more units and stabilized operations. The sample size in 2015 was 2,575 properties and 699,488 units.
Younger Households are Largely Shut Out of Homeownership in Expensive Markets

Homeownership Rate Among Households Under Age 35 in 2015

Average for top 50 metros = 31.3%

Note: Data includes largest 50 metro areas ranked by population. Source: JCHS tabulations of US Census Bureau, American Community Survey (ACS).
Most Owners Age 65 and Over Have Lived in Their Current Homes for at Least Two Decades

Share of Homeowners by Length of Tenure (Percent)

Age of Homeowner

<table>
<thead>
<tr>
<th>65–69</th>
<th>70–74</th>
<th>75–79</th>
<th>80–84</th>
<th>85 and Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10 Years</td>
<td>25.2%</td>
<td>22.2%</td>
<td>18.2%</td>
<td>14.5%</td>
</tr>
<tr>
<td>10–19 Years</td>
<td>26.1%</td>
<td>24.7%</td>
<td>23.7%</td>
<td>21.2%</td>
</tr>
<tr>
<td>20 Years and More</td>
<td>48.6%</td>
<td>53.1%</td>
<td>58.1%</td>
<td>64.4%</td>
</tr>
</tbody>
</table>

Younger Households Spend Substantially More on Improvements When They Own Older Homes

Average Improvement Spending for Owners Under Age 35 in 2015

Year Homes Built

- 2000 and Later: $1,520
- 1980–1999: $2,200
- Before 1980: $3,460
- All Homes: $2,620

Source: JCHS tabulations of HUD, American Housing Survey.
Home Automation is Emerging as a Strong Growth Opportunity for Remodelers

Share of Contractors Reporting Increased Revenue from Specialty Segment (Percent)

- Aging-in-Place: 41.2%
- Energy Efficiency: 33.8%
- Home Automation: 28.4%
- Outdoor Living: 28.4%
- Healthy Home: 22.5%
- Home Security: 17.2%