Demographic forces will work to moderate the pace of growth in homeowner improvement spending over the next decade. In particular, the fastest-growing groups will be older and minority homeowners, as well as single persons and couples without dependent children. Although all of these types of households traditionally spend considerably less on average than families with children, their rising numbers will help to offset some of that drag. In addition, a continued uptick in jobs, household incomes, and home values could also help to bolster growth of the remodeling market in the years ahead.

A MODEST SLOWDOWN IN GROWTH

The Joint Center’s demographically based remodeling projections indicate that real spending on improvements to owner-occupied homes should grow at a 2.0 percent average annual rate between 2015 and 2025, somewhat slower than the 2.5 percent pace between 1995 and 2015 (Figure 6). This largely reflects a substantial slowdown in average per owner spending growth, which will more than offset moderately faster growth in the number of homeowners over the next decade.

Growth in the number of homeowners is projected to pick up from an average of 0.8 percent per year in 1995–2015 to 1.1 percent in 2015–2025, while increases in per owner spending should ease from 1.7 percent to only 0.9 percent. The homeowner improvement portion of the remodeling market will thus grow more slowly in the coming decade, expanding from $221 billion in 2015 to about $270 billion in 2025 after adjusting for inflation.

OLDER HOMEOWNERS IN THE LEAD

Homeowners age 55 and over already generate a little more than half of all home improvement expenditures in the nation. After 2005, the share of spending by these older homeowners increased sharply from 31 percent to about 52 percent by 2015, thanks to strong growth in both the share of owners in this age group and real per owner spending levels. Inflation-adjusted spending by older owners surged by 54 percent over the decade—an increase of nearly $40 billion—while spending by owners under age 55 shrank by more than 35 percent. In fact, real per owner spending by 55–64 year olds has been generally on par with that by 35–54 year olds since 2007.

Not only are older homeowners growing in number and share, but they are also remaining in their homes later in life than members of previous generations. As households age, the
incidence of disabilities increases dramatically. While less than a quarter of owners age 55–64 reported a household member with disabilities in 2015, the share jumps to nearly a third among owners age 65–74 and to more than half among those age 75 and over.

Most of the nation’s existing housing stock lacks the universal design features that make it possible for aging households to remain living in their homes safely and comfortably. As a result, many older homeowners may need to invest in home modifications that improve accessibility. Already in 2014–2015, 2.1 million homeowners age 55 and over reported undertaking one or more projects of this type, or almost one in ten older owners who remodeled their homes during this period.

Over the coming decade, the aging baby boomers and gen-Xers will play an even larger role in the remodeling market. Average per owner improvement spending is projected to increase by more than 10 percent among homeowners age 55 and over, while the number of homeowners in this age group soars at twice that rate. As a result, older households will make up an even larger share of the remodeling market, with their share of spending rising from less than 52 percent in 2015 to more than 56 percent in 2025 (Figure 7). Meanwhile, improvement spending by owners age 65 and over is projected to account for nearly a third of the 2025 total, or more than double their share in 1995–2005.

**THE GROWING MINORITY MARKET**

Homeowners are increasingly diverse. Minorities account for more than 27 percent of owners under age 35, but less than 20 percent of those age 55 and over. As millennials age, the trend toward greater racial and ethnic diversity among homeowners will continue.

Between 1995 and 2015, the minority share of improvement spending rose from 12 percent to 19 percent. As a group, however, minority homeowners consistently underspend on improvements relative to their share of homeowners largely because of their lower average incomes, wealth, and home values. Joint Center projections suggest that this pattern will continue. Although the number of minority homeowners is expected to grow nearly five times as fast as the number of white owners over the decade, per owner spending by minorities is expected to increase at a below-average pace. Despite making up over 28 percent of homeowners, minority households will thus contribute only 22 percent of remodeling spending by 2025.

Even so, thanks to strong growth in the number of homeowners, aggregate spending by minorities is projected to increase by 40 percent in real terms from $43 billion in 2015 to about $60 billion in 2025. This is more than twice the projected rate of spending growth among white owners. Hispanic owners are expected to drive more than half of the increase in total minority expenditures and more than 18 percent of overall market
Improvement spending by Hispanic homeowners will rise in real terms from $16 billion in 2015 to $25 billion in 2025, lifting their share of total remodeling outlays from 7.1 percent to 9.1 percent. While about 40 percent of this growth will reflect higher per owner spending, the majority is due to the large projected increase in the number of Hispanic homeowners from 7.1 million to 9.5 million.

Asian and multiracial homeowners are also contributing to the growth of the minority remodeling market. Although average spending levels for black and Hispanic homeowners rose less than 10 percent from 2013 to 2015, expenditures by Asian and multiracial homeowners were up almost 29 percent from $2,490 to $3,210. These homeowners are much more likely to be concentrated in metros with relatively high incomes and high home values. Indeed, the Asian share of homeowners exceeded 10 percent in nine of the nation’s largest 35 metro areas in 2015, with shares reaching 20 percent or more in Los Angeles, San Francisco and San Jose.

Moreover, Asian and multiracial households are the only minority group whose share of improvement spending is proportional to their share of homeowners. In 2015, Asian and multiracial owners accounted for 5.8 percent of all homeowners, but 6.3 percent of overall improvement spending. These homeowners are expected to have a growing presence in remodeling markets, increasing their spending from less than $14 billion in 2015 to almost $19 billion in 2025.

CHILDLESS HOUSEHOLDS GAINING MARKET SHARE
Families with dependent children (including married, single-parent, and unmarried partners) traditionally outspend all other household types by a considerable margin. In 2015, per owner improvement spending for families with minor children averaged $3,500, or 9 percent more than the average outlay for married couples without dependent children and fully 60 percent more than the average outlay for homeowners who live alone.
Even though households with dependent children still posted the highest average per owner spending, their share of total spending continued its steady decline, dropping from over 40 percent in 1995–2005 to less than 30 percent in 2015. Meanwhile, married homeowners without minor children increased their market share by over 7 percentage points in 2005–2015, from 35 percent to almost 43 percent.

Joint Center projections indicate that both the number of married owners without dependent children and their per owner spending will grow faster than average over the coming decade with the aging of the baby boomers (Figure 9). The combined impact will increase aggregate improvement spending by these homeowners 2.6 percent per year on average from 2015 to 2025, compared with 2.0 percent growth overall. As their numbers rise and their average expenditures grow, couples without young children at home will further increase their share of the total improvement market to about 46 percent in 2025.

**YOUNGER HOUSEHOLDS POISED FOR MARKET EXPANSION**

Aggregate improvement spending by homeowners under age 35 was flat in 2013–2015 at $18 billion, holding at about 40 percent below the previous peak for this age group. The market share of younger homeowners also notched down to a 20-year low of 8.3 percent in 2015. At the same time, though, their per owner expenditures increased a strong 27 percent in real terms, from $2,060 in 2013 to $2,600 in 2015.

This jump in per owner spending is partly due to the changes in the number and characteristics of young homeowners today. Before the housing crisis and Great Recession, homeowners under age 35 accounted for about 14 percent of all owners. But the number of younger homeowners fell from 10.6 million in 2005 to less than 7.0 million in 2015, steadily reducing their share of all homeowners to 9 percent. In 2013–2015 alone, the number of younger homeowners dropped almost 22 percent while the total number of homeowners declined less than 2 percent.

Given the affordability challenges they face in many parts of the country, younger households able to enter into—and sustain—homeownership today are therefore more likely to be higher-income households than at any other time in the past 20 years. In 2015, fully 46 percent of homeowners under age 35 had real household incomes of at least $80,000, the largest share on record since 1995 and an increase of 7.5 percentage points in just the previous four years.

The Joint Center’s latest demographic projections suggest that younger households could make some headway in the home remodeling market in the next 10 years. In 2015, households
under age 35 were much less likely to be married, have children, or be homeowners than they were in 1995 or 2005. By 2025, however, the Joint Center expects household formations among 15–34 year olds to increase slightly and that more households in this age group will be married and/or have children.

Indeed, the share of younger householders who are married and/or have children is expected to increase 2.1–2.4 percentage points between 2015 and 2025 (Figure 10). In turn, higher shares of married couples and households with young children should translate into higher homeownership rates among the under-35 age group, and thus into increased remodeling activity. Of course, ongoing affordability concerns, student loan debt, and other challenges may keep homeownership rates among this age group more depressed than their changing demographics would suggest.

Assuming no meaningful change in their homeownership rate, both the number of owners under age 35 and their average real improvement spending are expected to increase only modestly over the coming decade, with overall spending by this group rising to about $20 billion in 2025. Even with this growth, however, their remodeling expenditures will still be almost a third lower than the pre-recession peak for their age group. Younger owners will therefore represent a yet smaller segment of the remodeling market, with their share of improvement spending falling from 8.3 percent in 2015 to 7.6 percent in 2025.

THE OUTLOOK

The residential remodeling market should continue to see healthy growth in the coming years even as trends in key household characteristics—including age, race/ethnicity, and household composition—become less favorable for home improvement spending. According to Joint Center projections, the three major demographic groups of homeowners that will lead growth in improvement spending over the next decade are older (age 55 and over) households, minority (particularly Hispanic) households, and married couples without dependent children at home.

On average, the numbers of older and minority homeowners are expected to grow at annual rates of 1.9 percent and 2.6 percent per year, respectively, through 2025—well above the national rate of 1.1 percent. The real per owner spending levels of both groups will grow more or less in line with the 0.9 percent rate for all owners. At the same time, the number of married couples without dependent children is projected to increase 1.3 percent per year on average, while their per owner improvement expenditures rise 1.4 percent.

And as members of the millennial generation start to move into their peak spending years over the coming decade, their decisions to form households, get married, start families, and buy homes will increasingly set the pace of the remodeling market expansion.