

RESEARCH UPDATE

Joint Center for Housing Studies

Summer 2009

REMODELING FUTURES PROGRAM

Graduate School of Design

Harvard University

Harvard Kennedy School

DIFFERENCES IN KEY DEMOGRAPHIC CHARACTERISTICS HAVE SIGNIFICANT IMPLICATIONS FOR IMMIGRANT REMODELING

With the remodeling market in the midst of its worst downturn in decades, it is not always easy to keep in mind that the industry will eventually, if not gradually, transition into a recovery. Yet several sources of new demand for this industry are expected to provide a boost to home improvement spending in the years to come, with one of these sources of growth being immigrant homeowners.

Immigrants have become a major force in U.S. housing markets in recent years. From 2000-2005 the foreign-born share of total household growth was 40.5%, up from less than 16% in the 1980s. Over the past decade immigrants have made up a growing share of homeowners from 8.4% in 2001 to 10.1% in 2007. And since immigrant owners are disproportionately younger, tend to have larger families and typically are more mobile than natives, immigrant homeowners and their children can be expected to play a major role in the remodeling market moving forward.

Current research by the Remodeling Futures Program on immigrant remodeling trends will more fully explore improvement spending by foreign-born homeowners by analyzing key demographic and socioeconomic characteristics, such as household composition, age, income, location, mobility, and length of time in the U.S. This last measure in particular is striking. Overall, foreign-born homeowners who have been in the country for less than 10 years spend an average of just over \$2,000 annually, while those in the U.S. for 20 years or more spend almost 30% more. This could be because older immigrants have been in the U.S. longer, and therefore have had a chance to establish themselves

financially. Yet, regardless of the current age of the householder, we still find that immigrant homeowner remodeling spending increases greatly with more time spent in the U.S. This means the significant spending increase is independent of the age of the householder, and this difference is dramatically larger for young foreign-born homeowners (under 35), with more recent arrivals spending fully \$1,200 less than immigrants in this same age range who arrived in the U.S. as young children or teens.

Clearly, the more time immigrants spend in the U.S. acculturating and moving up the economic ladder, the greater the impact immigrant homeowners will have on remodeling activity. Even though immigrant homeowner incomes tend to rise with time spent in the U.S., their more moderate income growth does not fully explain their much stronger growth in remodeling spending. For example, the average income of immigrant owners who have been in

UPCOMING REMODELING FUTURES CONFERENCES

Tuesday, September 22, 2009

Taubman Center
Harvard Kennedy School
Cambridge, Massachusetts
9:00 AM - 4:00 PM

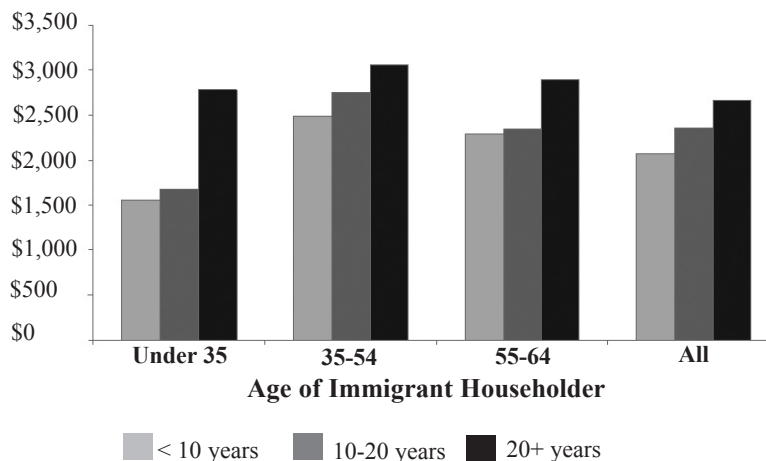
Future Committee Meetings:

Tuesday, April 13, 2010
Tuesday, November 9, 2010

the U.S. for 20 years or more is only 4.0% greater than those who have been in the U.S. less than 10 years, while improvement spending is almost 30% more. This pattern holds true for immigrant homeowners of all age groups. Certainly, with more than half of immigrant homeowners currently in prime remodeling ages (35-54), we can expect strong prospects for future immigrant remodeling spending.

IMMIGRANT HOMEOWNERS SEE GAINS IN IMPROVEMENT SPENDING WITH MORE TIME IN THE U.S.

Average annual improvement spending (2007\$) by years in the U.S.



Source: JCHS tabulations of pooled 2001-2007 American Housing Survey.

Research Update

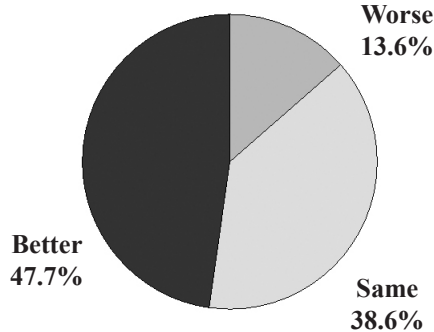
RECESSION CREATING SALES OPPORTUNITIES FOR GREEN REMODELERS

From a business perspective, perhaps the most important question is how green remodeling products perform relative to the overall remodeling industry now that the economy is in recession. One possibility is that the operational savings for some green remodeling products increases their demand during times of financial distress. Another is that these products are a luxury and a discretionary expenditure that will be abandoned during hard times.

From a survey of remodeling contractors conducted last winter by the Remodeling Futures Program, 32 percent of respondents said their green projects were faring worse than their regular business, with 9 percent saying much worse. In comparison, 18 percent said better, with only 2 percent who said much better. However, the experience was just the opposite for green remodeling specialists. Nearly half (48 percent) of green specialists said their green projects were doing better, compared to 14 percent saying worse. Apparently, either

FOR GREEN REMODELING SPECIALISTS, GREEN PRODUCTS FARING BETTER THAN REGULAR MARKET

Relative to your overall business, how are your green remodeling products faring?



Note: Excludes respondents who report no or exclusively green projects.

Source: JCHS National Green Remodeling Survey, February 2009.

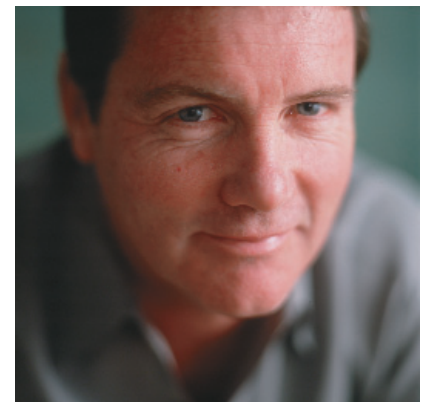
more homeowners are seeking out green remodeling specialists, or these green specialists have been more successful in getting projects.

Details on the status and outlook for green remodeling are available in **Green Shoots in the Remodeling Industry: Contractor Characteristics That Affect Green Product Use**, by Kevin Park, Joint Center for Housing Studies Working Paper W09-1 (forthcoming this fall).

MARK RICHARDSON NAMED JOINT CENTER AFFILIATE

The Joint Center recently announced that Mark Richardson, longtime member of the Remodeling Futures Steering Committee, has been named Affiliate in Housing Studies at the Joint Center for Housing Studies. During Mark's one year nonresident appointment he will work closely with Kermit and the rest of the Remodeling Futures staff on a study of the emerging structure of the home improvement industry. As an industry expert, he will be able to offer a fresh perspective on likely future trends for contractors. Mark also will serve in an advisory capacity for programming activities for Steering Committee conferences.

Mark, author of the book *"How Fit is Your Business"*, currently serves as a co-chairman of Case Design/Remodeling, Inc. He holds a Bachelor of Architecture degree from Virginia Tech and is a Certified Remodeler. His many honors and awards include induction in NAHB's Remodeler's Hall of Fame in 2008, receipt of the Ernst & Young Entrepreneur of the Year Award in Real Estate & Construction in 2006 and the NARI Masters of Educational Excellence Award in 2002. We are honored to have Mark and his rich experience working on the Remodeling Futures program.



Mark Richardson

PROGRAM UPDATE

The downturn in the remodeling industry has underscored how difficult it is to track trends without comprehensive industry data. Some of our traditional databases, such as the 2007 American Housing Survey, can help us understand how the market got so overheated, but can't determine how weak the market is at present, or when we are likely to see a recovery. Fortunately, several members of our Remodeling Futures Steering Committee: *Qualified Remodeler* magazine; ServiceMagic; the Home Improvement Research Institute; *Remodeling* magazine; NAHB; and Specpan have ramped up their data collection efforts, and have generously shared their information with us. We have been using this information to address our research priorities for this phase of the program, and to monitor trends in key segments of the home improvement industry, namely sustainable remodeling, home improvements by immigrant homeowners, and reinvesting in the rental housing stock. While these data sources are extremely helpful, having a comprehensive government data source remains the ideal solution. With a new Director of the Census Bureau, we are working on a NAHB-led effort to remind Census of the importance of generating better information on this industry.

Kermit Baker

NEW COMMITTEE MEMBERS

Following an extended member recruitment effort supported by current Steering Committee members, we are pleased to announce four additional companies have joined the Remodeling Futures Program. We look forward to working closely with these new members during the 2009-2010 phase of the Program:

CertaPro Painters, part of The Franchise Company, is the largest painting company in North America with 280 franchise owners in the U.S. and Canada. The company provides interior and exterior painting for residential and commercial markets. CertaPro Painters, headquartered in Oaks, Pennsylvania, is represented by CEO, Charlie Chase.

With showrooms and manufacturing facilities throughout the North East, **Harvey Building Products** manufacturers window, doors and patio rooms and is distributor of a wide variety of building products. Thomas F. Bigony, Co-Chairman and CEO, and Matt Samson, Vice President, Marketing, represent this Waltham, Massachusetts based company.

LeafGuard by Beldon, Inc., with headquarters in San Antonio, Texas, serves 19 markets throughout the U.S. and Canada with a variety of gutter systems including the Englert LeafGuard, the gutter tunnel, and seamless gutters. President and CEO, Chris C. Edelen serves as the representative to the Steering Committee.

Headquartered in Golden, Colorado, **ServiceMagic** is the leading online marketplace connecting customers with pre-screened contractors. With over 40,000 member businesses, they are changing the way homeowners shop for in-home services. ServiceMagic, an operating business of IAC/InterActiveCorp, is represented by Tyson Kasperbauer, Senior Vice President - Operations.

We are delighted to welcome these new member companies to the Remodeling Futures Program.

2009/2010 STEERING COMMITTEE MEMBERS

American Exteriors, LLC
Larry Meadows, Ed Rand
Andersen Corporation
Dennis Neumann, Steven Pekala
Armstrong World Industries
Stacey Robertson
Builders FirstSource
David Snyder
Building Supply Channel, Inc.
Greg Brooks
Case Design/Remodeling, Inc.
Fred Case, Mark Richardson
CertainTeed Corporation
Rosemary Hayn
CertaPro Group
Charlie Chase
Cygnus Business Media
Tim Campbell, Patrick O'Toole
DuPont Building Innovations
Christine Coffin, Maureen McGeehan
Fannie Mae
Raymond Leech
Fortune Brands Home & Hardware
Jerry Oleshansky, Jack Suvak
Freddie Mac
Craig Nickerson
GE Money
Bruce Christensen, Jeff Shawd
Green Builder Media
Sara Gutterman, Ron Jones
Hanley Wood, LLC
Sal Alfano, Rick Strachan
Harvey Building Products
Thomas Bigony, Matt Samson
Hearth, Patio & Barbecue Association
Jack Goldman, Don Johnson
Henkel
Michael Bozich, Thomas Rapps
The Home Depot
John Gordon
Home Improvement Research Institute
Fred Miller
Homotech Information Systems, Inc.
Walter W. Stoepelwerth, Fred Ugast
James Hardie Industries NV
Paul Gentzel
Johns Manville Corporation
Brian Albert
Kohler Co.
Manuel Gutierrez
LeafGuard by Beldon Inc.
Chris C. Edelen
Lowe's Home Improvement Corporation
Walter Kuhn, Susan Tilley
Masco Corporation
Robert Czechowicz
McGraw-Hill Construction
Anita Gryan, Burleigh Morton

Mill Creek Lumber & Supply Company
Rich Bass, Jeff Dunn
National Association of Home Builders
Gopal Ahluwalia, Therese Ford Crahan
National Association of Realtors
Paul Bishop
National Association of the Remodeling Industry
Mary Busey Harris
National Gypsum
Minty Meade
Oldcastle Building Products, Inc.
John Kemp
Owens Construction
Bill Owens
Owens Corning
Joe Ochoa
Pella Corporation
Colleen Devlin, Scott Keplinger
Ply Gem Industries, Inc.
Jerry Blais, Ruben Robles
Pro-Build Holdings, Inc.
Lisa Peterson, William Shadden
Reed Business Information
Dean Horowitz, Mike Morris
Robert Bowden, Inc.
Steve Cole, Nick Massengill
ServiceMagic
Tyson Kasperbauer
The Sherwin-Williams Company
Joe Kujawski
Specpan/The Farnsworth Group
Leah Ballou, Grant Farnsworth
Steves & Sons, Inc.
Edward Galt Steves, Sam Bell Steves, II
Stock Building Supply
David Corna
Temple-Inland, Inc.
Richard Kenley, George Rose
U.S. Census Bureau
Tamara Cole, G. Daniel Sansbury, Tom Zabelsky
U.S. Department of Housing and Urban Development
Carolyn Lynch, Dav Vandenbrouke
U.S. Home Systems, Inc.
Murray Gross
USG Corporation
Sylvia Kellogg
Wells Fargo Financial Retail Services, Inc.
J.D. Feilmeier, Terry Fuller
Weyerhaeuser
Ludwig Furtner, Jr.
Whirlpool Corporation
Guy Minnix

REMODELING FUTURES PROGRAM TEAM

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