



RESEARCH UPDATE

Joint Center for Housing Studies

Summer 2011

REMODELING FUTURES PROGRAM

Graduate School of Design

Harvard University

Harvard Kennedy School

THE ROLE OF NONPROFIT ORGANIZATIONS IN REMODELING ACTIVITY

The Remodeling Futures Program estimates private spending on home improvement projects to be almost \$300 billion annually. This summer, Remodeling Futures is expanding its understanding of the remodeling market by including a sector that is not yet well understood: nonprofit organizations. National nonprofit organizations, like Habitat for Humanity, Rebuilding Together, Enterprise Community Partners, the Local Initiatives Support Coalition (LISC), and thousands of local community development organizations all work in different ways to provide needed remodeling work to lower-income, disabled, elderly, or otherwise disadvantaged homeowners. From on-the-ground volunteers to funding for essential improvements and homeowner support, these organizations serve a vital role for homeowners who might not otherwise be able to make these improvements.

With the partnership of Rebuilding Together, a national affordable housing nonprofit devoted to providing “free rehabilitation and critical repairs to the homes of low-income Americans,” the initial phase of the study examines the impact of their activities on homes that are in need of repair and the communities to which they belong. Since its founding over 30 years ago, Rebuilding Together, with the help of an estimated 2.5 million volunteers, has provided support to over 100,000 homes, generating over \$1 billion in market value in that time.

Data for this study was collected from 20 of the over 200 national affiliates of Rebuilding Together and from surveys sent to 224 of the homeowners served by these affiliates between April and May of this year. From our initial analysis, it is clear that Rebuilding Together serves a very particular homeowner, one who would not otherwise undertake much in the way of remodel-

REBUILDING TOGETHER HOMEOWNERS SERVED VS. COMPARABLE AHS COHORTS

Proportion of Owner-Occupied Households (Percent)	All Homeowners (AHS 2009)	Elderly Homeowners (AHS 2009)	Rebuilding Together
Incomes <\$20,000	13.5%	29.4%	65.4%
Age 65 or Over	25.5%	100.0%	60.6%
Homes Valued at <\$100,000	25.7%	30.6%	48.1%
Minority (inc. all Hispanic)	21.2%	15.0%	68.3%
In Home Over 30 years	14.6%	45.6%	49.5%
With a Disabled Resident	17.6%	35.9%	62.8%
Spending Under \$1,000 on Repairs & Improvements, Past 2 Years	37.7%	46.8%	64.2%
Spending on Exterior Projects	18.2%	22.9%	38.6%

Source: JCHS tabulations of 2009 American Housing Survey and survey of Rebuilding Together Affiliates.

ing projects of this scope (see table above). Over 65 percent of Rebuilding Together homeowners, for example, have annual incomes under \$20,000. Nearly half of the homes affected have a value under \$100,000. And not unsurprisingly, because of the community character focus of Rebuilding Together, exterior projects (siding, roofing, etc.) are the largest share of the value of projects by type at 38.6 percent.

To understand what remodeling this group would otherwise likely undertake, we compared the numbers for Rebuilding Together with data from the 2009 American Housing Survey. In comparing the data, not only of the type of homeowners who were served, but also the amount spent on each home, we found that Rebuilding Together contributed an average of over three times what comparable homeowners would have spent on improvements, when accounting for the value of in-kind donations, purchased materials, and volunteer (skilled and unskilled) labor. This finding suggests that the majority of these homes were underinvested and that Rebuilding Together and similar organizations are filling an important gap in the remodeling industry.

This research is still in the early stages, with analysis of additional nonprofits, like Habitat for Humanity, in this segment of the market to come. For the rest of the summer this project will turn to additional organizations like Habitat for Humanity to collect similar data on their projects and the populations they serve.

REMODELING FUTURES PROGRAM TEAM

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NEW JOINT CENTER REPORT NOTES THAT UNUSUALLY LARGE NUMBERS OF HOUSEHOLDS ARE STAYING AWAY FROM HOMEOWNERSHIP

In June, the Joint Center for Housing Studies released the 2011 State of the Nation's Housing, an annual publication that provides a current assessment of the US housing market. Of particular relevance to the home improvement industry, this year's report highlighted a striking decline in the homeownership rate, reflecting both a net loss of owners and gain in renters. Since home improvement expenditures for owner-occupied units average more than double those of rental units, homeownership changes are likely to have affected remodeling demand.

Since the 2004 peak, the homeownership rate fell 2.1 percentage points to 66.9 percent, which represents the largest drop since record-keeping began in 1960. The number of homeowner households declined by 805,000 in 2006-10, while the number of renters rose steadily for six consecutive years, up 3.9 million since 2004

(see figure below). Among younger age groups, household formation has slowed, and renters have been delaying their move into homeownership. Additionally, the foreclosure crisis has driven many older homeowners to renting; some 3.5 million foreclosures were completed in 2008-10.

Despite it all, the appeal of homeownership still holds for 87 percent of the US population and the homeownership rate is likely to rebound as the economy—and especially unemployment levels—improve. Household formation will rise as pent-up demand from the echo-boom generation is released and immigration picks up again. Furthermore, home price affordability is extremely favorable, reaching an all-time high in the fourth quarter of last year. When the homeownership rate ultimately rises, the additional influx of recent movers will help to buoy the remodeling industry.

MARK RICHARDSON NAMED FELLOW IN HOUSING STUDIES

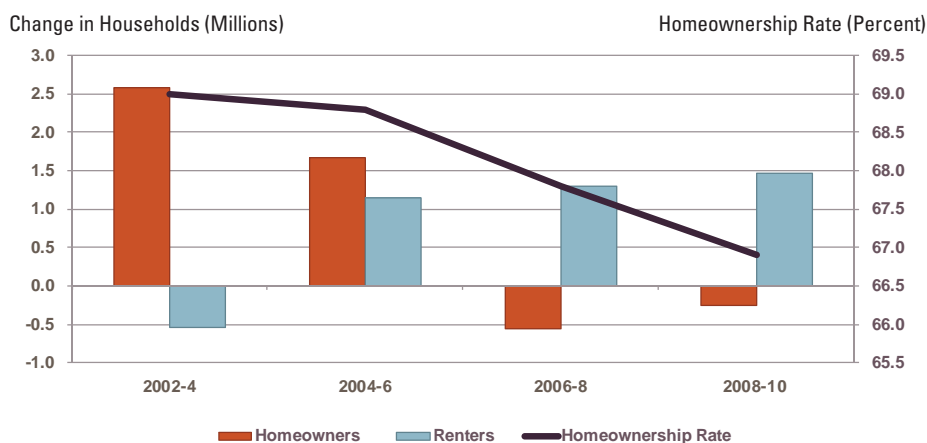
The Joint Center is pleased to announce that Mark Richardson will continue to support the Remodeling team in his new role as Fellow in Housing Studies at the Joint Center for Housing Studies. Mark previously served as an Affiliate in Housing Studies at the Joint Center.

During Mark's nonresident appointment for the 2011-2012 academic year, he will work closely with Kermit and the rest of the Remodeling Futures staff on an ongoing study of national remodeling business approaches. Mark will also serve as an advisor for programming activities for Steering Committee conferences.

Mark, author of the bestselling book *How Fit is Your Business*, is Co-Chairman of Case Design/Remodeling, Inc., one of the largest full-service remodeling organizations, and of Case Handyman & Remodeling Services, LLC, a national franchise and licensing business. Mark also leads the Case Institute of Remodeling, an education arm of Case that provides ongoing training and consulting to the remodeling industry. He is active on several boards including the Better Business Bureau of the Mid-Atlantic Region and GE Money and serves as Chairman of the Advantage Media Advisory Board. Mark received his Bachelor of Architecture from Virginia Tech, and in 1986 earned his Certified Remodeler (CR) designation from the National Association of the Remodeling Industry (NARI). In 2008, Mark was inducted into the National Association of Home Builders (NAHB) Remodelers Hall of Fame.

We are grateful to have Mark and his wealth of experience working on the Remodeling Futures Program.

FALLING HOMEOWNERSHIP RATES REFLECT A REVERSAL IN OWNER AND RENTER HOUSEHOLD GROWTH



Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

PROGRAM UPDATE

We're making great progress this summer on our Remodeling Futures research agenda, including on our study of the role of non-profits in the home improvement industry. Nonprofit organizations and government programs play a major role in this industry, and we're trying to sort out how much they contribute to industry activity, what types of households benefit from these programs, and how these activities affect our housing stock. Our analysis connects very nicely with a study we are just completing that looks at the role of home improvements in preserving our housing stock. One of our findings from this study is that even relatively low levels of annual spending on home improvements—in the range of a few hundred dollars a year—are associated with significantly lower rates of losses to the housing stock over time. Our other major summer project is following up on the panel discussion from our spring conference, which looked at national remodeling business approaches. We are looking at the advantages, disadvantages, opportunities, and pitfalls to scale among remodeling contractors. Our panelists and respondents from last spring have kindly volunteered to serve as an advisory committee for this project. I look forward to seeing all of you here in Cambridge on November 1 when we can update you on the progress of these and other projects. Enjoy the rest of the summer.

-Kermit Baker

MEMBERSHIP UPDATE

We are pleased to welcome our newest member, **3 Day Blinds**, to the Remodeling Futures Program. 3 Day Blinds specializes in the design, construction, and installation of custom blinds, shades, and shutters. The company, founded in 1978, has showrooms and authorized dealers in ten states and is headquartered in Irvine, California. Chief Executive Officer, Kevin M. Rabbitt and Senior Vice President, Marketing, Greg Bibas are serving on the Steering Committee.

We are also pleased to announce that **Mill Creek Lumber & Supply Company** has rejoined the steering committee after a brief hiatus. Founded in 1934, the company provides its customers with building materials, carpet and tile, windows, fireplaces, kitchen cabinets, and countertops. Mill Creek operates locations in Texas, Oklahoma, and Kansas, with headquarters in Tulsa, Oklahoma. President and CEO, Jeffrey Dunn is serving as the representative to the Steering Committee.

We look forward to working with 3 Day Blinds and Mill Creek during this phase of the 2011-2012 Remodeling Futures Program.

We are always happy to hear recommendations for new members. If you know any organizations that are interested in becoming involved with the Remodeling Futures Program, please contact Angela or Kermit at:

angela_flynn@harvard.edu or
kermit_baker@harvard.edu

UPCOMING MEETINGS

Please mark your calendars.

Tuesday, November 1, 2011

Tuesday, April 3, 2012

Wednesday, November 14, 2012

9:00 AM- 4:00 PM

Cambridge, Massachusetts

2011/2012 STEERING COMMITTEE MEMBERS

3 Day Blinds

Greg Bibas, Kevin M. Rabbitt

AARP

Amy Levner, David Shotwell

American Exteriors, LLC

Larry Meadows, Ed Rand

Andersen Corporation

Dennis Neumann, Blaine Verdoorn

Builders FirstSource

David Snyder

Building Supply Channel, Inc.

Greg Brooks

Case Design/Remodeling, Inc.

Fred Case, Bruce Case, Mark Richardson

CEDIA

David F. Chic, Erica Shonkwiler

CertainTeed Corporation

Rosemary Hayn

Cygnus Business Media

Rob Heselbarth, John Huff

DuPont Building Innovations

Christine Coffin, Maureen McGeehan

Fortune Brands Home & Hardware

Jerry Oleshansky, Jack Suvak

The Franchise Company

Scott Baker, Charlie Chase

GE Money

Bruce Christensen, Jeff Shawd

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, Matt Canning, Kevin Krueger

The Home Depot

John Gordon

Home Improvement Research Institute

Fred Miller

James Hardie Industries NV

Ashu Etta, Paul Gentzel

JELD-WEN, Inc.

Steven Wynne

Johns Manville Corporation

Brian Albert

Kohler Co.

Manuel Gutierrez, Todd Tomalak

LeafGuard by Beldon Inc.

Chris C. Edelen

Lowe's Home Improvement Corporation

Stephanie Callahan, Bjarne Howatt

Masco Corporation

Robert Czechowicz, Shawna Martin

Mill Creek Lumber & Supply Company

Jeffrey T. Dunn

National Association of Home Builders

Therese F. Crahan, Paul Emrath

National Association of Realtors

Paul Bishop

National Association of the

Remodeling Industry

Mary Busey Harris

National Gypsum

Minty Meade

Nichiha USA, Inc.

Darrin Haugan, Fumikazu Masumoto

Oldcastle Building Products, Inc.

John Kemp

Owens Construction

Bill Owens

Owens Corning

Joe Ochoa

Pella Corporation

Colleen Devlin, Dan Tauke

Ply Gem Industries, Inc.

Jerry Blais

Power Home Remodeling Group

Adam Kaliner, Jeffrey Kaliner

Pro-Build Holdings, Inc.

Douglas Grover, Lisa Peterson

Professional Remodeler Magazine

Patrick O'Toole, Jonathan Sweet

Rebuilding Together

Janice Daue Walker, John J. White

Robert Bowden, Inc.

Steve Cole, Nick Massengill

ServiceMagic

Kirstin Marr, Kirk Schreck

The Sherwin-Williams Company

John G. Morikis, Mark Sposito

Specpan/The Farnsworth Group

Leah Ballou, Grant Farnsworth

Steves & Sons, Inc.

Edward Galt Steves, Sam Bell Steves, II

Temple-Inland, Inc.

Richard Kenley, George Rose

TW Perry

Gary Bowman, Michael Cassidy

U.S. Census Bureau

Tamara Cole, Angela Delano

U.S. Department of Housing and

Urban Development

Shawn Bucholtz, Carolyn Lynch,

Dav Vandenbrouke

U.S. Home Systems, Inc.

Murray Gross

USG Corporation

Sylvia Kellogg

Wells Fargo Retail Services

J.D. Feilmeier, Terry Fuller

Weyerhaeuser

Jim Krausneck

Zillow.com

Chloe Harford