

BABY BOOMERS IMPACT ON REMODELING MARKET LIKELY TO CONTINUE WELL INTO RETIREMENT YEARS

With the baby boom generation entering retirement, the number of households over age 65 is set to increase by 8.7 million, or 35 percent, from 2010 to 2020 according to Joint Center projections. Many of these seniors will choose to remain in their current homes and “age in place,” which will likely have strong implications for the remodeling industry as older homeowners reconfigure their living spaces to fit their changing needs.

Traditionally, middle-age homeowners (age 35-54) have been the dominant spenders in the remodeling market. Yet in 2009, owners age 55 and over spent almost \$80 billion on home improvement projects, which accounted for over 40 percent of the \$185 billion homeowner improvement market that year and up from 32 percent in the first half of the decade. Homeowners age 55-64 made up 24 percent of total spending in 2009, and owners age 65 and over made up another 19 percent. On a per homeowner basis, owners age 55+ increased their average annual

improvement spending nearly 32 percent last decade, while younger owners saw their average inflation-adjusted spending grow only 3 percent from 2001-2009.

Many factors are likely contributing to this trend in increased remodeling activity by older homeowners. One factor is that people are remaining in the workforce later in life, whether by choice or necessity, with labor force participation rates of people age 55+ on the rise since the late 1990s. The participation rate of people age 55-64 rose from 56 percent in 1990 to 64 percent in 2011 and those aged 65+ increased from 12 percent to 18 percent. Working longer and later in life should add to older homeowners’ wealth, which is an important source of income in retirement. While the challenging economic times have taken a toll on all households, with median household net worth decreasing 35 percent from 2005 to 2010, older households were much more cushioned from the impacts of the down-

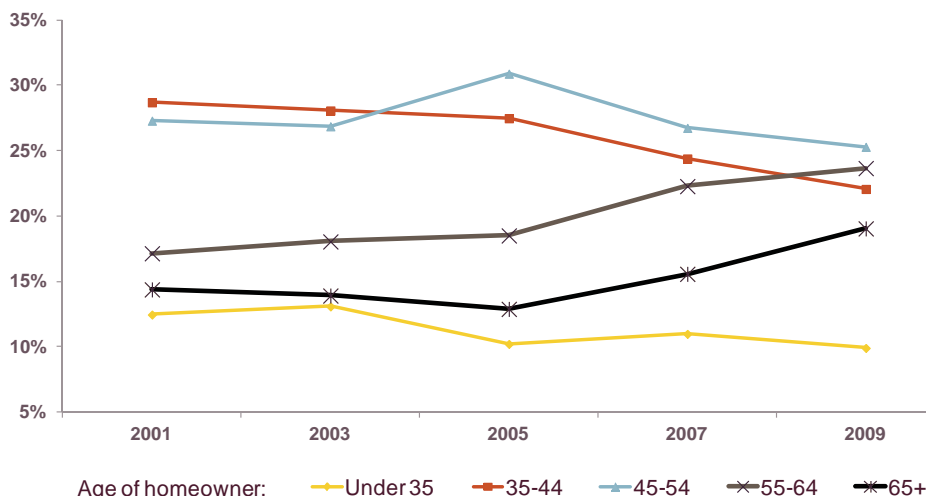
turn. Households age 65 and over saw only a 13 percent decline in net worth during this time period compared to nearly 59 percent for households age 35-44. The greater wealth of older homeowners puts them in a better position to spend relatively more on home improvements.

Other factors influencing the remodeling trends of older homeowners are high homeownership rates and declining mobility rates. From 2005 to 2011, households age 55+ saw their homeownership rate hold steady around 80 percent, while households under age 55 saw their homeownership rates decline by 5 percentage points. Mobility rates have been trending down for many years, and older households historically have very low mobility rates. This poses a double-edged sword for remodeling activity, since a good deal of remodeling tends to happen around the time when homes are bought and sold. Yet, lower mobility may have a positive impact for older homeowners as aging in place retrofits are undertaken.

The Remodeling Futures Research Program will continue to examine the mobility, housing choice and aging in place trends of older homeowners to understand any long-term structural change in remodeling activity that may result as boomers age into retirement.

HOMEOWNERS AGE 55+ ARE CLOSING IN ON HALF OF TOTAL IMPROVEMENT SPENDING

Share of total homeowner improvement expenditure



Source: JCHS tabulations of the 2001-2009 American Housing Surveys.

UPCOMING MEETINGS

Please mark your calendars.
 Wednesday, November 14, 2012
 Tuesday, April 9, 2013
 Tuesday, October 29, 2013

9:00 AM- 4:00 PM
 Cambridge, Massachusetts

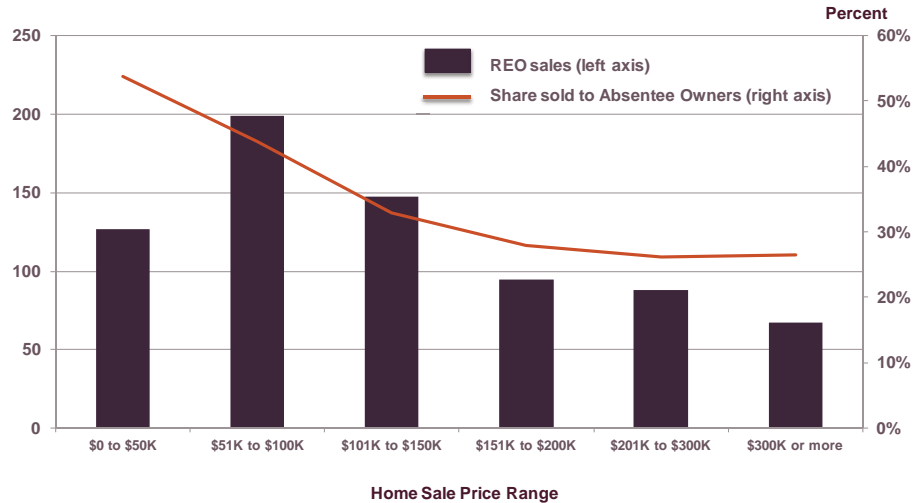
INVESTOR PURCHASES OF FORECLOSED HOMES MAY SPUR REMODELING GROWTH

Nearly 750,000 foreclosed single-family homes were sold by banks and institutions out of their real estate owned (REO) inventories in 2011, according to estimates from CoreLogic. A substantial share of these homes were purchased by absentee owners, according to estimates from Hanley Wood's Housing IntelligencePro database. These purchasers may be short term investors looking to make a profit, long term investors converting homes into rental units, or households purchasing second homes or vacation homes. An estimated 39 percent of REO home sales went to absentee owners in 2011, compared to just 28 percent of other existing home sales and only 13 percent of new home sales. Absentee owners are also mopping up higher shares of the lowest priced REO units, which may be in the greatest need for repairs. Nearly half of REO homes sold for under \$100K were purchased by absentee owners in 2011, compared to less than a third of more expensive homes.

In short, investors are helping to

INVESTORS PURCHASE LOWER-PRICED REO PROPERTIES, LIKELY NEEDING REPAIRS & IMPROVEMENTS

Thousands of REO Sale Closings, 2011



Source: JCHS estimates from Hanley Wood, Housing IntelligencePro Database.

clear the market for distressed, foreclosed properties. In some local markets, the depressed values of these homes may indicate they are in undesirable neighborhoods, limiting the likelihood that investors will fully rehabilitate them after purchase. Yet in other cases, investors perform more significant repairs and improvements to rent out or sell

these properties. Ultimately such investor activity will help to restore vacant and distressed properties to productive use. Over the summer, the Remodeling Futures Program will conduct research to improve our understanding of this investor improvement activity, as well as the conditions of the distressed homes they buy.

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PROGRAM UPDATE

In preparing for the next round of remodeling research, we also think about what sectors of the remodeling community are not adequately represented on our Steering Committee. A conference call last month with members of our group turned up several potential new member companies that would nicely round out our membership. After a review process, some of these companies and organizations will be invited to join us at our November conference to see our program first-hand. However, as a program that strongly encourages group discussion at our conferences, we need to think about setting limits on our growth. Over the years, we've been fortunate to have had steady growth in our membership, even during this past recession. Rather than continue to pursue a membership growth strategy, we have decided to maintain participation at or near current levels, replacing departing companies with targeted industry leaders. To ensure adequate resources to fund our research agenda, we are looking to raise membership participation fees 20 percent with the next program phase beginning in January 2013. If you would like to share your thoughts about this plan—either positive or negative—please give me a call or drop me a note.

- Kermit Baker

MEMBERSHIP UPDATE

We are pleased to welcome three new members to the Remodeling Futures Steering Committee: Custom Design & Construction, ITW Paslode, and Roxul Inc.

Founded in 1986 and headquartered in El Segundo, California, **Custom Design & Construction** provides design/build services to the Los Angeles area and is designated a Certified Graduate Remodeler (CGR), Certified Green Builder, and Certified Aging In Place Specialist (CAPS). Bill Simone, President and Randy Ricciotti, Vice President, will serve as the representatives.

ITW Paslode is a manufacturer of cordless and pneumatic nailers, staplers and fasteners for wood-to-wood construction and is one of seven companies that make up ITW's North American (NA) Residential Construction Businesses. Paslode was founded in 1935 and is headquartered in Glenview, Illinois, and will be represented by Business Development Manager Brian S. Paich and Business Unit Manager Kevin P. Walsh.

Roxul Inc. manufactures stone wool insulation for residential, industrial, commercial, and marine applications at facilities in Milton, Ontario and Grand Forks, British Columbia. Roxul Inc. is the North American operations of Rockwool International and will be represented by Trent Ogilvie, President and Mike McLaughlin, Vice President Business Development.

We look forward to working with our new members this year and during the next phase of the Remodeling Futures Program. If you know of any companies that should be considered for membership, please contact Kermit Baker (kermit_baker@harvard.edu) or Angela Flynn (angela_flynn@harvard.edu).



2011/2012 STEERING COMMITTEE MEMBERS

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.

Bruce Case, Fred Case

CEDIA

David F. Chic, Erica Shonkwiler

Custom Design & Construction

Randy Ricciotti, Bill Simone

Cygnus Business Media

Rob Heselbarth, John Huff

The Dow Chemical Company

Kaethe Schuster, W. Scott Young

DuPont Building Innovations

Christine Coffin, Maureen McGeehan

Fortune Brands Home & Hardware

Jack Suvak, Miriam Van de Sype

FS Brands

Scott Baker, Charlie Chase

GE Capital

Bruce Christensen, Jeff Shawd

Hanley Wood, LLC

Sal Alfano, Rick Strachan, Seymour Turner

Harvey Building Products

Thomas Bigony, Matt Samson

Hearth, Patio & Barbecue Association

Jack Goldman, Don Johnson

Henkel

Michael Bozich, Matt Canning

The Home Depot

John Gordon

Home Improvement Research Institute

Fred Miller

ITW Paslode

Brian S. Paich, Kevin P. Walsh

James Hardie Industries NV

Justin Elick, Ashu Etta

JELD-WEN, Inc.

Steven Wynne

Johns Manville Corporation

Brian Albert

Kohler Co.

Manuel Gutierrez, Todd Tomalak

Lowe's Home Improvement Corporation

Richard Maltsbarger

Masco Corporation

Robert Czechowicz, Shawna Martin

Mill Creek Lumber & Supply Company

Jeffrey T. Dunn, Adam Panzer

National Association of Home Builders

Therese F. Crahan, Paul Emrath

National Association of Realtors

Paul Bishop, Ken Fears

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, Paul R. Smith

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

Professional Remodeler Magazine

Patrick O'Toole

Rebuilding Together

Janice Daue Walker, John J. White

Robert Bowden, Inc.

Steve Cole, Nick Massengill

Roxul Inc.

Mike McLaughlin, Trent Ogilvie

ServiceMagic

Chris Griego, Lisa Peterson, Kirk Schreck

The Sherwin-Williams Company

George Diver, John G. Morikis

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

Dennis Edmiston, Jim Krausneck

Zillow.com

Chloe Harford