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IMPROVING AMERICA'S HOUSING 2019

KEY FACTS

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US REMODELING MARKET REACHES NEW HIGHS

- The residential remodeling market—spending on improvements and maintenance to the owner and rental stock—reached a new high of $424 billion in 2017 growing over 50 percent since 2010.
- With new construction slow to recover from historic lows, 40 percent of the nation's 137 million homes are at least 50 years old, and the remodeling share of residential investment is above 55 percent—up from historical shares of 40–45 percent prior to the housing crash.
- In metros where house price appreciation has been strong over the past decade—areas like Boston, Dallas, San Antonio, San Jose, San Francisco, and Seattle—owners have typically spent substantially more on home improvements than owners in metros where prices have not yet fully recovered from the last recession, such as in Las Vegas, Miami, Phoenix, and Riverside.

SUBSTANTIAL INVESTMENTS IN CONVERTED UNITS

- More than 6.6 million housing units switched from either rental or vacant status to owner occupancy in 2016 and 2017, making up a growing share of the owner-occupied stock. Newly converted units accounted for about 7 percent of the homeowner stock in 2011, growing to about 9 percent in 2017.
- Investment by owners of newly converted homes totaled $50 billion over 2016 and 2017 or 11 percent of national improvement spending, while average per owner spending was $7,500 compared to $5,500 on units that remained owner-occupied throughout this period.
- Markets where owners of previously rented or vacant homes spent the most on improvements were generally in high-priced coastal areas with supply constraints including Boston, Chicago, Los Angeles, San Francisco, Seattle, and Washington, DC. On average, owners in these metros spent $11,000 or more on upgrades to their recently converted units—at least 50 percent more than the national average.

STRONG DEMAND AMONG OLDER HOMEOWNERS

- Older owners continue to dominate the remodeling market, with households age 55 and over accounting for fully half of all homeowner improvement spending in 2017.
- The number of homeowners age 55 and over surged 60 percent to 42 million from 1997–2017 and their average improvement spending also grew 57 percent in real terms to $2,800. In combination, these changes have meant that real aggregate spending among older owners grew more than 150 percent over the decades, to $117 billion.
- Older homeowners making accessibility improvements spend about 40 percent more on average for all types of projects than same-age owners who do not cite accessibility as a motivation for their projects.

UPTURN IN SPENDING BY YOUNGER OWNERS

- The number of homeowners under age 35 rose 6 percent to 7.3 million between 2015 and 2017—the first increase in a decade—and improvement spending among this age group grew even faster, climbing 20 percent in real terms over this period to about $22 billion.
- Although the number of younger owners is still 3 million or about 30 percent lower than at the peak of the housing boom in 2007, their average per owner improvement spending rebounded to $2,900 in 2017, nearly matching the prior peak in 2007.

GROWING EMPHASIS ON REPLACEMENT PROJECTS

- With the aging of the housing stock, homeowners now spend nearly half of their improvement dollars on replacements projects—including exterior and interior replacements and systems and equipment upgrades—up from 40 percent of total expenditures in the decade before the housing crash.
- Homeowners spent $68 billion in 2017, or about 30 percent of total owner market expenditures, on improvements to roofing, siding, windows, doors, HVAC systems, and insulation—all projects that have the potential to generate large home energy savings.
- In 2017, at least one in five owners made energy-efficient retrofits in Boston (23 percent), Chicago (20 percent), Detroit (21 percent), Minneapolis (26 percent), and Rochester (22 percent)—metros with relatively old housing stocks and harsh winter weather conditions.

GROWTH IN POST-DISASTER SPENDING

- As natural disasters become more frequent and more devastating, homeowner outlays for disaster-related improvements exceeded $27 billion in 2016–2017, nearly double the two-year average of $14 billion two decades earlier.
- Disaster repair spending as a share of national improvement expenditures has trended upward from an average of 4.5 percent in 1994–2005 to an average of 6.2 percent in the years since 2005.
- Almost half (46 percent) of national spending on restoration of damaged owner-occupied homes was concentrated in the South and a third in the Midwest in 2016–2017.

TRENDS IN PROJECT FINANCING

- With a median project cost of just $1,200, homeowners used cash from savings to pay for 77 percent of individual home improvement projects in 2017. However, as project scope increases, owners are more likely to tap home equity or other forms of financing to cover the costs.
- When owners pay for home improvements with savings or credit cards, average spending is about $3,300 per project, but almost double that amount for projects with contractor-arranged financing at $6,500. And if owners tap their equity for funds, project spending increases to almost $7,500 if the source of funding is a cash-out refinance and $9,300 if it is a home equity loan or line of credit.

Download the full report, along with interactive maps and tools at:
www.jchs.harvard.edu/research-areas/reports/improving-americas-housing-2019

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