Key Facts

Improving America's Housing is prepared biennially by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University. Since 1999, these in-depth reports have served as an essential resource for policy makers and practitioners serving the remodeling industry. The latest report, ***Demographic Change and the Remodeling Outlook***, benchmarks the size and composition of the national home improvement and repair market and provides a spending forecast through 2025 based on trends in key demographic characteristics.

US REMODELING INDUSTRY POISED FOR GROWTH

- The residential remodeling market—spending on improvements and maintenance to the owner and rental stock—reached a record high of $340 billion in 2015 surpassing its previous peak in 2007 by seven percent in nominal terms.
- Homeowner spending on improvements is projected to increase 2.0 percent per year on average through 2025 after adjusting for inflation. Almost half of these gains are expected to result from an increase in average spending per homeowner as incomes and home values rise.
- Homeowner improvement expenditures are concentrated in metro areas with high house values and household incomes, however continued growth in top markets may be challenged by the lack of affordable options for potential homebuyers.

OLDER HOMEOWNERS WILL DRIVE REMODELING GAINS

- Older homeowners will continue to dominate the remodeling market, as they make investments to age in place safely and comfortably. Expenditures by homeowners age 55 and over are expected to account for more than three-quarters of market growth over the decade.
- The share of aggregate improvement spending by homeowners age 55 and over is projected to reach 56 percent by 2025, up from only 31 percent in 2005.
- A disproportionate share of future household growth will be among the types of owners that traditionally spend less on home improvements: those age 65 and over, minority households, and those without young children. In 2015, owners age 65 and over spent 17 percent less on home improvements than the typical homeowner, while minority and single-person owners spent over 20 percent less.

REMODELING COMPANIES SEEING STRUCTURAL CHANGES

- At last measure, the total number of residential remodelers—including both self-employed contractors and payroll firms—reached over 700,000 in 2012, an increase of 35 percent since 2002.
- Half of all remodelers with payrolls either closed their businesses or moved to self-employment during the industry downturn from 2007–2012. More than 68 percent of large-scale remodelers (with receipts of at least $1 million) in 2007 survived, compared with less than 38 percent of remodelers with revenues under $250,000.

- The size of the construction management and trades workforce shrank by 20 percent from 2007–2012. By 2015, the number of workers remained unchanged from 2012 at 7.2 million, but the industry unemployment rate was down sharply from 14.2 percent to 7.9 percent.

- Today, the construction industry workforce is considerably older than at the peak of the housing boom with fully one in six workers age 55 or over, up from one in ten in 2007.

MANY LARGE METROS WILL POST STRONG GROWTH THIS YEAR

- Spending on home improvements is projected to strengthen in the majority of the nation's largest metro areas in 2017, with many markets in the East and Midwest expected to post double-digit annual growth.

- Older homeowners will continue to drive growth in improvement spending across the nation, fueling demand for aging-in-place retrofits. In many metros across the country (including Atlanta, Cincinnati, Dallas, Houston, Memphis, Raleigh and San Francisco), average per owner spending by households approaching retirement (age 55–64) was at least a quarter more than average spending by other age groups in 2015.

- The share of aggregate home improvement spending by homeowners under age 35 in more affordable markets such as Cincinnati, Detroit, and Kansas City was more than twice that in high-cost markets like San Francisco and Los Angeles in 2015.

RENTAL PROPERTY INVESTMENTS AND HOME AUTOMATION PROVIDE NEW OPPORTUNITIES

- Investments in rental apartment properties have ramped up since 2010; real per unit capital expenditures were up an average of 12 percent per year from 2010 to 2015.

- Affordability concerns are making older, outdated homes attractive to younger buyers and generating new opportunities for improvement spending. Under age 35 owners of homes built before 1980 invested about a third more in renovations in 2015 than the average for all owners in their age group, and 16 percent more than the national average.

- Home automation has become one of the fastest-growing specialty remodeling areas, with more than a quarter of contractors reporting recent increases in revenue from these types of projects.

SPONSORS

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CONTACT

Kerry Donahue, (617) 495-7640, kerry_donahue@harvard.edu