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## Report Finds Owners Curbing Home Improvement Spending

By Aglaia Pikounis

HOMEOWNERS HAVE Poured thousands of dollars in their homes updating kitchens and renovating bathrooms in recent years, but a new report shows that they're starting to curb their spending on home repairs and remodeling projects.

An estimated \$160.5 billion was spent on home improvements and repairs over the past four quarters, representing only a 1.6 percent increase compared to the previous four quarters, according to the Remodeling Activity Indicator devised by Harvard University's Joint Center for Housing Studies.

The softening housing market is contributing to the tightening in consumer spending on home improvements, according to industry experts.

"Remodeling, like new-home building, has been prodded on by low interest rates and high rates of home-price appreciation," said Kermit Baker, director of the Remodeling Futures Program at the Joint Center for Housing Studies.

U.S. homeowners spent \$230 billion last year on home improvements, maintenance and repairs, according to Baker, and home improvement expenditures by homeowners rose 31 percent from 2003 to 2005.

Baker noted that many homeowners took advantage of low interest rates and home equity gains to refinance loans and pull money for renovation projects. But now, with higher short-term interest rates, more moderate home-price appreciation and fewer home sales, many of the factors that have fueled the remodeling industry are gone, Baker said.

Locally, firms that remodel homes are starting to feel the squeeze. In the past several years, Heritage Home Carpentry in Shrewsbury – which primarily serves Shrewsbury, Westborough, Northborough



**RAYMOND J. WIESE**  
Small supply 'a benefit'

and other MetroWest communities – has been inundated with phone calls around Memorial Day and Labor Day from potential clients interested in home improvement projects. But this fall, the phones haven't been ringing as much and activity has slowed down, according to Christopher Lund, the firm's vice president.

"We're active and busy but we don't have the kind of backlog that we've seen in the last five years," said Lund, explaining that his typical three-month backlog is down to four to six weeks.

Lund, who is the incoming president of the Builders Association of Central Massachusetts, said business was so brisk in the past that his company could be selective about the projects they undertook. Now, the company is considering even smaller jobs – like trim repair and storm-door replacement. "We're looking at everything," he said.

Lund said he believes the housing market downturn is making consumers "skit-

tish" about spending large sums of money on major home repairs and renovations. Despite a recent surge in the stock market and a relatively strong economy, some consumers are viewing the slump in residential real estate as an indicator of the country's overall economic health, he noted.

In recent months, Lund has encountered some customers who have backed away from remodeling projects after design plans have been drawn up and before the company even provides an estimate on how much it would cost to complete the job. "I have clients that initiate the design phase and then get cold feet and bail on a project before I even give them a concrete number on the project. That's really unique," he said. "Folks are really tightening the belts and zipping the purse strings so that they're not even toying with a remodel after they get the number if it's substantial," he said.

### Fewer Calls

Allison Iantosca, co-chairwoman of the Builders Association of Greater Boston's Custom Builders and Remodelers Council, said remodelers are reporting a 20 percent to 30 percent drop-off in the number of customer inquiries and requests.

However, Iantosca, who is the vice president of sales and marketing for F.H. Perry Builder – a high-end custom homebuilding and remodeling firm based in Hopkinton – added that contractors aren't "panicked" about the lower volume of inquiries because the calls they are receiving are from serious customers who are interested in substantial renovations.

Raymond J. Wiese, president of the National Association of the Remodeling Industry's chapter in eastern Massachusetts, said remodelers fielded fewer calls from

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potential clients in the spring and had to work harder to pursue sales leads and attract business.

One factor that could have played a small part in the slowdown was the rainy spring weather, according to Wiese, president of The Wiese Co. in Natick. Eastern Massachusetts was saturated with record amounts of rainfall in April and May and that could have dampened consumers' desire to undertake home improvements. Gas prices also peaked in the spring – another factor that could have affected consumer confidence and spending on home remodeling, explained Wiese.

Still, Wiese said he expects his company to finish the year with \$3.6 million in sales volume, about 4 percent or 5 percent ahead of last year.

With a larger supply of homes available for sale and properties taking longer to sell, some homeowners who were considering moving may be nervous about trying to sell their homes, and might decide to expand or remodel their current homes to meet their needs, according to some industry observers.

“That almost favors remodeling because instead of risking putting their houses on the market and worrying about whether they will get a return on their house, they’ll simply upgrade their existing home and

make it more of what they want it to be,” said Iantosca.

Wiese agreed. “[The slowdown] does lead people to feel more comfortable with investing in the property they’re living in because they won’t have to worry about ... the possibility of not being able to sell their home,” he said.

Baker, of the Joint Center for Housing Studies, said the “conventional wisdom” is that remodeling is countercyclical to the housing market.

“But what people neglected to factor in was that there was another option: to do nothing,” he said. Homeowners are instead going to focus on mandatory maintenance and repairs, but won’t splurge on high-end “discretionary” remodeling projects, he added.

One thing that could help the remodeling business in Massachusetts is that unlike other parts of the country that have seen an explosion of new-home construction, such as Arizona and Nevada, eastern Massachusetts has not had a large infusion of new homes, said Wiese.

Many homeowners in the region who are living in an older home and looking to trade up into a new and bigger home don’t have a tremendous amount of options, so they ultimately may decide to expand and renovate their current home.

“Massachusetts still does not have a great deal of supply and that is a benefit to a business like mine,” said Wiese. “That is definitely going to make for a stronger market in Massachusetts.”

Dennis Lawlor, a principal of The Classic Group in Lexington, said while some of the smaller remodeling firms handling lower-cost projects such as kitchen or bathroom upgrades are having a harder time, his high-end residential remodeling business has remained steady.

The company is preparing to complete a \$2.5 million gut renovation of a recently purchased 3,000-square-foot condominium in Boston. It is also in the process of planning a 2-story addition to a mansion in Manchester-by-the-Sea.

“Projects of \$1 million or more [are] still going strong,” Lawlor said. “We are just seeing lots of large-scale projects coming our way.”

Consumers undertaking multimillion-dollar renovations are not deterred by rising interest rates or stock market performance, Lawlor said, and typically don’t finance such project with loans. ■

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