

Growth Spurt

The 2015 remodeling outlook is cautiously optimistic

By Stacey Freed

By the end of this year, spending on home remodeling should come close to the pre-recession 2006 peak of \$145 billion, according to figures compiled by the Joint Center for Housing Studies at Harvard University. Remodelers from Seattle to Washington, D.C., (and places in between) report more leads, larger projects by volume, and an overall upswing in demand. According to our 2014 Market Survey, 68% of respondents had a “good” (38%) or “very good” (30%) year. “Things are better than they’ve been for quite a while,” says Len McAdams, owner of McAdams Remodeling & Design, which serves the Seattle metro area. But McAdams tempers that statement with this one: “It’s not 2007, but it’s for sure not 2011 either.” While acknowledging reasons for optimism, McAdams and many other company owners who weathered the Great Recession (as well as other hiccups over the years) say they will still tread cautiously into 2015.

In a recent Washington Post Wonk Blog, Matt O’Brien writes that based on Congressional Budget Office predictions, “The economy will never get back to its pre-crisis trend. Instead, it will stay stuck in a ‘new normal’ of slow growth that feels like a slump—forever.” Putting aside that last note of pessimism, remodeler Dave Merrick, owner of Merrick Design and Build in the Washington, D.C. metro area, believes “slow growth is good. Everyone can grow a little bit at a time. It may not be as dramatic as doubling your business every year, but it’s better.” And reports from the field suggest slow, consistent, profitable growth in remodeling: 57% of our survey respondents report increased revenue from 2013 to 2014; 38% expect to add employees in 2015; and 77% say 2015 will be a “good” (37%) or “very good” (40%) year.

What’s made it so?

“The number one sign that it was a good year for the industry is a pretty healthy recovery in house prices across the country,” says Kermit Baker, director of the Remodeling Futures Program at Harvard’s Joint Center for Housing Studies. Baker points out that home prices are back to “normal, sustainable prices.” People who bought during the recession are now seeing some equity built up in their homes. “People are moving again,” says Gary Rochman, founder of Rochman Design-Build in Ann Arbor, Mich. “They’re more confident they’ll recoup some investment down the road.”

Pent-up demand has accompanied that confidence. Dave Supple CEO of New England Design and Construction outside Boston, says that he’s had clients who are now seeking him out to do jobs he priced out two or three years ago. John Gemmi, president of Gemmi Construction in Mechanicsville, Pa., calls it “the slingshot” effect. “I’m getting calls from people I spoke with in 2011 and 2012,” he says. “People feel held back and they’re ready to explode.”

Despite the forward motion on home values, Baker says that “banks haven’t loosened up on credit; about 90% of them are not easing home equity lines of credit at all, even as they say demand for them has increased.”

About the Research

More than 375 remodelers answered our online survey in October 2014. Participants were a random sample of subscribers to Professional Remodeler print and digital editions.