

Market Update

BUSINESS CONDITIONS SHOW CONTINUED STRONG GROWTH

The third-quarter Remodeling Business Pulse (RBP) from the National Association of the Remodeling Industry (NARI) indicated strong growth in the third quarter of 2014 with a rating of 6.41. The report, which aggregates data from a member poll on current and future remodeling business conditions, shows quarter-over-quarter increases in all subcomponents measuring remodeling activity. The increase builds on June's strong increase over the 6.07 recorded in March.

All of the subcomponents in the third quarter increased, with "conversion from bids to jobs" showing the strongest gain by 3 percent. (Rating is from 1 to 9, where 1 is much worse than a year ago and 9 is much better; 5 is about the same as last year):

- Current business conditions increased to 6.41 (from 6.29 last quarter).
- Number of inquiries increased to 6.51 (up from 6.38 last quarter).
- Requests for bids rose to 6.41 (from 6.29 last quarter).
- Conversion of bids increased to 6.01 (from 5.83 last quarter).
- Sales value of jobs improved to 6.27 (up from 6.20 last quarter).

"This is indicative of the slow, steady recovery of the remodeling industry," says Tom O'Grady, CR, CKBR, chairman of NARI's Strategic Planning Committee. "Currently 67 percent of remodelers are seeing growth and are confident that the market is improving, which is in line with market indicators."

The three-month outlook for business declined to 6.07 in September from 6.32 in June. Looking back over history, there is a pattern of declines in September as remodelers think ahead to the colder months; nonetheless, over five times as many remodelers are forecasting growth versus those seeing declines (62 percent vs. 12 percent).

As a driver of the future, economic growth had a 10 percent increase this quarter, rising to 57 percent—up from June's rating of 47 percent and moving it to the No. 2 position. Postponed projects remain the top driver at 74 percent, although it is down 6 percent from the second quarter of 2014.

The survey also explored homeowner financing

of projects, which fell between neutral-to-difficult in obtaining the funds. The biggest barrier to financing, at 38 percent, was the financing company being overly cautious, followed by the project being too expensive relative to the home's value, at 27 percent. Poor credit history was only selected as an issue by 11 percent. A bank or credit union was the main source for financing at 72 percent if cash or check was not used. Credit cards, the No. 2 choice, were used only 20 percent of the time.

REMODELING MARKET INDEX RECLAIMS ALL-TIME HIGH

The National Association of Home Builders' (NAHB) Remodeling Market Index (RMI) reclaimed the high-water mark of 57 in the third quarter of 2014. This is the sixth consecutive quarter for an RMI reading above 50.

An RMI above 50 indicates that more remodelers report market activity is higher (compared with the prior quarter) than report it is lower. The overall RMI averages ratings of current remodeling activity with indicators of future activity.

"Most remodelers remain confident that the market is improving as homeowners undertake renovations, large and small," said NAHB

Remodelers chair Paul Sullivan, CAPS, CGR, CGP, of Waterville Valley, N.H. "The consistency and longevity of positive RMI readings are in line with the gradual recovery of the housing industry."

The RMI's future market conditions index rose to 58 from 56 in the previous quarter. All four of its subcomponents—calls for bids, amount of work committed for the next three months, backlog of jobs, and appointments for proposals—increased or remained level with the previous quarter's reading.

The current market conditions component of the RMI increased one point to 57 this quarter. Two categories—large additions and smaller remodeling jobs—gained two points, with ratings of 56 and 58, respectively.

"The stabilization of the RMI in the mid-50s for more than a year demonstrates the slow, steady recovery of the housing industry that we expect to continue," said NAHB chief economist David Crowe. "The major headwind to a stronger recovery is a shortage of qualified labor and subcontractors in some parts of the county, making it difficult for remodelers to employ carpenters and finish projects as quickly and economically as many of their customers expect." PR

