

In the News

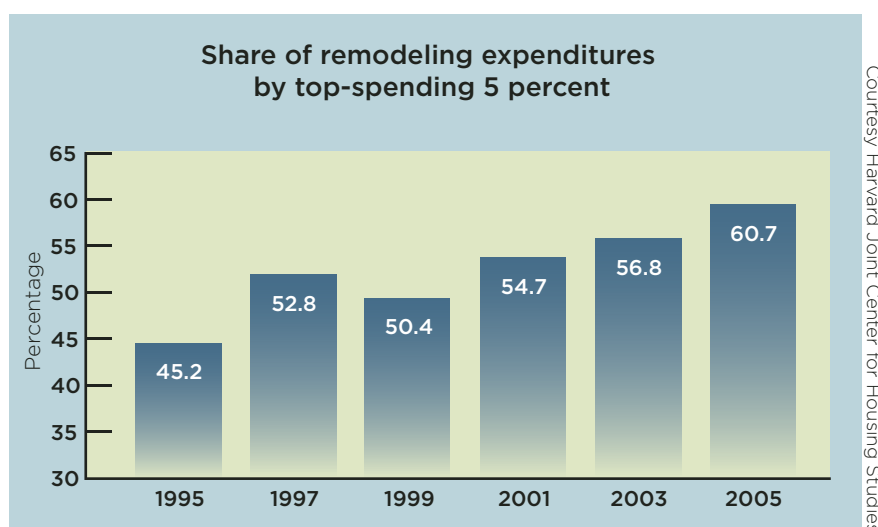
Harvard Remodeling Study Predicts Growth

High-end projects account for lion's share of spending

After five years of unprecedented growth, consumer spending on home improvements softened in 2006. But a recent study by the Joint Center for Housing Studies at Harvard University predicts that the industry will rebound just fine.

"The 2006 slowdown in the broader housing sector was reflected in the remodeling industry, with many homeowners putting their improvement activity on hold until the market stabilizes," says Joint Center director Nicolas P. Retsinas in a press release. Declining sales of existing homes also put a dent in remodeling activity, because people often fix up their homes right after buying them, or before selling them.

Reasons for optimism. So why the sunny forecast? Several factors bode well for the industry's growth, say the study's authors, beginning with the nation's aging housing stock — two-thirds of existing homes are more than 25 years old — and aging population of boomers, many of whom plan to stay in their homes but want modifications to suit an older, child-free lifestyle. Further demand for remodeling services is expected to come from homeowners who want to make their houses



In 2005, the 5 percent of U.S. households that spent the most on remodeling accounted for more than 60 percent of all home-improvement spending, an increase of 15 percent since 1995.

■ Housing starts in January plunged to their lowest levels since 1997. According to Commerce Department statistics, construction on new homes fell 14.3 percent from December and 37.8 percent from the same period last year. Although harsh winter weather may have contributed to the drop-off, economists mostly blame a glut of unsold homes that's slowing down demand. Applications for building permits were also down sharply in January, an indication that housing starts are unlikely to rebound significantly in coming months.

■ The Massachusetts Department of Environmental Protection has issued conditional permits for a demonstration facility designed to convert construction and demolition debris into high-quality synthetic natural gas. Ze-gen Inc. hopes to have its waste gasification plant operational by late spring of this year. The company has been given one year to prove that its technology can generate significant amounts of renewable energy without emitting any pollution. The facility is designed to process 500 tons of waste per month.

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more energy-efficient and landlords who badly need to upgrade their rental properties.

In all, the study projects that spending on home improvements will increase at a 3.7 percent annual rate (adjusted for inflation) over the next decade.

Greatest growth at high end. In further good news for remodelers, the Joint Center predicts that the professional-contractor share of the remodeling market will grow by 46 percent (compared with 36 percent for the DIY segment). As in the past, much of that growth will be in the high-end sector. In 2004–2005, the study notes, the 5 percent of households who spent the most on home-improvement services accounted for more than 60 percent of all remodeling expenditures during that period.

In stark contrast, 31 million owner-occupied homes in this country (almost 45 percent of the total) received less than \$1,000 per year in maintenance or home improvement spending between 2000 and 2005, according to the study. Eventually most of those homes will become candidates for overdue improvements or repairs.

Small local firms predominate. The Joint Center study also addresses the fragmented nature of the industry itself. Unlike the home-building industry, where wide-

spread consolidation has resulted in a proliferation of nationwide companies and supply houses, the remodeling industry still consists almost entirely of small firms that serve limited geographical areas.

Between 1997 and 2002, in fact, the number of self-employed remodelers increased twice as fast as the number of firms with an actual payroll. Among remodeling firms with payrolls, almost three-quarters reported gross earnings of less than \$500,000, and only one-tenth claimed earnings that exceeded \$1 million.

Specialization. Authors of the study see little evidence of large firms dominating the remodeling field in the near future, but they do note a trend among successful players toward specialization. From 1999 to 2005, design/build firms and companies that offer “single line” services, such as roofing, siding, or window replacements, experienced revenue growth that exceeded that of the industry as a whole, say the study’s authors.

The full report, “Foundations for Future Growth in the Remodeling Industry: Improving America’s Housing 2007,” can be downloaded at www.jchs.harvard.edu.

— Tom O’Brien

RESOURCES

High-Wind Framing Advice

A new guide from Simpson Strong-Tie aims to make it easier for builders along the Gulf Coast to comply with newly adopted building codes and build dwellings capable of withstanding wind gusts of up to 150 mph.

The “High Wind Framing Connection Guide” is meant to be used in conjunction with the American Forest & Paper Association’s *Wood Frame Construction Manual* (or WFCM), which is the IRC’s approved source of prescriptive-design guidelines for home building in regions where design wind



speeds exceed 100 mph.

In addition to illustrations showing various methods for transferring high-wind forces through framing members to the foundation, the new booklet contains corrosion information, shear-wall details, and fastener guides. Simpson is conducting related workshops as part of its distribution of the book to builders and code officials throughout the Gulf Coast region.

To download the 56-page document or to request a free hard copy by mail, go to www.strongtie.com/hw.

The booklet is also available for purchase at www.forestprod.org/awc. — T.O.

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Builder Gets Jail Time for Worker's Death

A Staten Island, N.Y., contractor pleaded guilty in February to criminally negligent homicide in connection with a 2003 trench collapse that killed one of his workers and injured another.

According to court records, the victim, Lorenzo Pavia, was ordered by the contractor, Kenneth Formica, to hook up a sewer pipe inside an unshored trench at a point 12 to 15 feet below street level. When Pavia complied, the vertical earthen walls collapsed, asphyxiating him and burying a co-worker up to his neck. At the time of the accident, Formica was operating the excavator used to dig the trench.

OSHA regulations require that a trench deeper than 5 feet be shored or sloped to prevent cave-ins. During testimony before a grand jury, Formica admitted that he was aware of the 5-foot-rule.

Earlier that same year, his company, Formica Construction of Port Richmond, N.Y., had been cited by New York City Department of Transportation inspectors for sending workers into an unsupported 10-foot-deep trench. Work on that job was halted until the trench was properly shored.

Formica was originally charged with a seven-count indictment that, in addition to criminally negligent homicide, included assault, reckless endangerment, and manslaughter. Conviction on all charges could have lead to a prison sentence of up to 15 years.

Under his plea agreement, he will spend 16 weekends in jail and pay a fine of \$5,000.

Formica Construction faces further fines from OSHA as well as civil actions brought by the victim's family and the city of New York. — *T.O.*

■ The U.S. Supreme Court threw out a \$79 million antitrust award against Weyerhaeuser in February. The U.S. District Court in Portland, Ore., ruled in 2003 that the company had violated federal antitrust laws by deliberately overpaying for logs in an attempt to drive up prices (see *In the News*, 1/07). The suit was brought by a small mill in Washington state, which claimed it was driven out of business by the lumber giant's predatory tactics. Weyerhaeuser was supported in its appeal by a number of large corporations — among them Coca-Cola, Microsoft, and Dow Chemical — who worried that their ability to bid competitively for supplies would be hampered if the lower court's ruling was allowed to stand.

■ Australian Prime Minister John Howard has announced that his government plans to outlaw the

sale of energy-wasting incandescent light bulbs by 2012 and replace them with more efficient compact fluorescent bulbs. Since much of the country's electricity is coal-generated, such a move could reduce Australia's emissions of greenhouse gases by 4 million tons per year. Here in the states, legislators in California and New Jersey have introduced bills designed to encourage the use of fluorescent lighting, but the federal government has not taken a stand.

■ Experts in the home building industry were scratching their heads last November, wondering if Microsoft founder Bill Gates knew something the rest of us didn't (see *In the News*, 1/07). At the time, the Bill & Melinda Gates Foundation was loading up on shares in seven of the country's largest home builders, while

everybody else was selling as fast as possible. In its latest quarterly filing, released in February, the foundation revealed that it has in fact unloaded those shares. During the intervening few months, the overall value of the stocks fell 4 percent.

■ Laundry rooms are multiplying. A recent article in the *Wall Street Journal* reports that well-heeled buyers are equipping their homes with more than one. Statistics on the trend are scarce, but the paper cites a number of high-end developers who offer dual laundries as standard fare. The article features a couple who own an 11,000-square-foot home in Utah with a washer and dryer in every bedroom's closet. Not having to lug a laundry basket around probably gives them more time to drive to the gym and work up a sweat on the StairMaster.