

Home-Improvement Industry Needs Work

Weak home sales, tight credit, and job losses are casting long shadows over the remodeling industry. Nationwide, remodelers are pessimistic, and even the most optimistic economic analysts are projecting that housing won't hit bottom before the fourth quarter of this year.

The Remodeling Market Index for future expectations hit an all-time low of 19.6 out of 100 for the fourth quarter of 2008. This measure of remodeler sentiment from the National Association of Home Builders (NAHB) is based on appointments for proposals, calls for bids, work committed for the next quarter, and backlog of jobs, all of which are down. The NAHB also found that demand for large projects is hurting more than for small remodels and repairs.

Spending down. A couple of reports by the Joint Center for Housing Studies (JCHS) of Harvard University back up the NAHB findings. The Leading Indicator of Remodeling Activity released in January forecasts that homeowner improvement spending will be declining at an annual rate of 12.1 percent in the third quarter; that equates to a rate of \$109.5 billion of spending a year, down from a high annual rate of \$141.9 billion in the second quarter of 2006. Another report from the JCHS, "The Remodeling Market in Transition," finds — like the NAHB survey — that high-end projects are experiencing more falloff in demand than maintenance, repair, and replacement jobs.

Home sales down. Contributing to remodeling's woes is the decline in home sales. Common belief is that people are more likely to remodel if market

conditions discourage buying new homes. However, according to the JCHS, households that relocate spend an average of 20 percent to 25 percent more on improvements than households that don't move. Just 4,912,000 existing homes were sold in 2008, which was 13 percent less than the 2007 figure of 5,652,000, and is the lowest number since 1997's 4,371,000 in sales, according to the National Association of Realtors.

Credit tight. In what would normally be good news for housing, mortgage rates are at historic lows. However, credit is tight, and lenders are requiring high credit scores and significant down payments or home equity, limiting the number of qualifying buyers.

Affordability up. The S&P/Case-Shiller 20-City Home Price Index released in February shows 29 consecutive months of declining home prices, from August 2006 through December 2008. And as of December 2008, S&P's U.S. National Home Price Index was back to 2003 levels, down 26.7 percent from its peak in 2006. More-affordable housing historically encourages buying, which in turn should mean more home-improvement activity. But because many homes are now worth less than their purchase price, those homeowners would have to sell at a loss to move. Lower home values also mean less equity to tap for home-improvement projects.

Job losses up. And, while the employment situation remains tenuous, consumers will be reluctant to commit to large purchases, such as decks or houses. Since January 2008, 3.2 million jobs have been lost, 598,000 of those in January 2009 alone, the Labor Department reported in February. — Laurie Elden

Eon decking and fencing maker

CPI Plastics Group is another casualty of the dismal housing market. The company, which is based in Mississauga, Ontario, and Pleasant Prairie, Wisc., was placed in receivership in early January 2009, and a few weeks later, the Ontario Superior Court of Justice (Canada) approved selling off the company's assets to pay its creditors.

Fiber Composites and Sensibuilt Building Solutions agreed in December to join forces. One result is that Sensibuilt cellular PVC decking is now being marketed under Fiber Composites' Fiberon brand, which also includes Sanctuary (another cellular PVC product) and Horizon and Tropic (wood composites).

A class action lawsuit filed against Trex Company in January includes as plaintiffs all homeowners who purchased Trex decking since August 1, 2004, that has exhibited signs of deterioration. Mark Okano of Gig Harbor, Wash., alleges in the complaint that the Trex material on his deck is defective and that Trex offered to replace the decking but wouldn't pay for the labor to install it, consistent with its warranty. (Most, if not all, decking manufacturers exclude labor from their warranties.) The complaint goes on to argue that this exclusion of labor costs is not enforceable under current law. Ronald Kaplan, president and CEO of Trex, responded to the allegations in a press release that the claims are "without merit" and that the company stands behind its warranty.

Competing Chemical Companies

Charlotte, N.C.-based Viance — a maker of the copper-based preservatives ACQ and CA — is alleging that micronized-copper preservatives such as MCQ may not adequately resist decay. Viance has released reports by an independent testing firm it hired, Timber Products Inspection, that indicate initial decay in some MCQ-treated southern-pine posts. According to Viance, the 4x4s had been in the ground for about 18 months in locations near Alpharetta, Ga., and Baton Rouge, La. Viance claims ACQ-treated posts in similar locations for several years show no signs of decay.

Osmose, one of several manufacturers of micronized-copper preservatives, framed Viance's report as an attempt to alarm the public. In a press release,

it refers to Viance's allegations as an "unfounded attack by a competitor." Osmose claims that because there are millions of MCQ posts in service, Viance's sampling was "insignificant." "Viance is once again attempting to create unfounded concerns about consumer safety and product performance, using statistically insignificant and suspect data," says Paul Goydan, president of Osmose.

A point that garners some attention is that no micronized-copper preservatives are listed in the American Wood Protection Association (AWPA) Standard U1, unlike ACQ and CA. According to Colin McCown, executive vice president of the AWPA, Standard U1 is the only standard for decay-resistant lumber directly referenced in the In-

ternational Residential Code. (Local inspectors have discretion to accept or reject other criteria, and most do accept micronized-copper preservatives.)

Manufacturers of micronized-copper preservatives claim they've tested the products following AWPAs standards. However, according to the AWPAs, to date no maker has submitted test results for the review required for Standard U1. Industry scuttlebutt has it that manufacturers of micronized copper believe that submitting the formulation would reveal trade secrets. McCown asserts this concern is unfounded, as the AWPAs only requires disclosure of the biocides in a preservative formula, information that is by law submitted to the EPA and therefore public record. — *Andy Engel*

Maker of ChoiceDek Agrees to Clean Up Moldy Decks

Advanced Environmental Recycling Technologies (AERT), while denying all claims of wrongdoing or liability, settled a class action lawsuit in January regarding mold and mildew stains on its ChoiceDek composite decking products. Among other provisions, the company is required to clean affected decks and is prohibited from using marketing phrases such as "minimum maintenance," "low maintenance," "easy to maintain," and "virtually maintenance free."

The settlement applies to ChoiceDek decking purchased in the years 2004 through 2007; and also to ChoiceDek purchased after December 31, 2007, that was manufactured between January 1, 2004, and October 1, 2006 — be-

fore AERT began adding zinc borate, a mold inhibitor, to its formula. Deck owners seeking compensation will need to submit a claim form along with photos of the stains, a photo of a board end with date of manufacture, a sales receipt for the decking, and proof of ownership of the deck. Information required on the form includes the size of the gaps between boards and the frequency and type of cleaning that has been done.

A deck will be judged to have "significant mold spotting" if at least 20 percent of the deck surface is affected. If the decking satisfies all the settlement terms, AERT will provide a free cleaning and an application of mold inhibitor. If the mold returns after the cleaning, the homeowner may get

additional compensation, like free or discounted cleaning, reimbursement of the purchase price of the decking, or replacement decking.

AERT will start processing claims in mid-March; claims must be filed by September 10, 2009. More details can be found at aert.com/class_action_settlement.asp or by calling 877/220-6624. Information about cleaning and maintaining ChoiceDek decking is available at choicedek.com.

The company also makes MoistureShield composite decking and railing, which were not included in the lawsuit. You can find detailed information on cleaning and maintaining MoistureShield products at the Web site moistureshield.com. — *L.E.* ♦