

# The Commercial Record

## Remodeling Going Back To Basics

January 25, 2008

By Jeff Haynes,  
Reporter

For many homeowners, remodeling work will represent a back-to-the-basics approach in 2008.

"The word 'need' is going to be key," said Eric Gribin, president and founder of Gribin Construction in Norwalk.

For average-income homeowners in the type of market that exists today, "people just become a little more selective," Gribin said. They may not be able to sell their homes for as much money as was possible a few years ago, so they will put their money where they can hope for the best return, he said, such as in the kitchen, bathroom, a new roof, window replacements or finishing the basement.

"You could [try to move and] take advantage of slightly depressed prices on the buying side, but then you go to sell your home – and it will sell – but it's got to be priced right. And what does that mean? You're going to have to forfeit 15 percent that you might have gotten a few years ago," he noted.

Gribin's observations echo some of the points made in a recent forecast on the remodeling industry from Harvard University's Joint Center for Housing Studies. Nationwide, homeowner spending for home improvement activity will fall by an annual rate of 2.6 percent through the third quarter of 2008, according to the center's Leading Indicator for Remodeling Activity.

The chart tracks annual remodeling spending on a quarterly basis, with projected totals of \$172.6 billion, \$172.2 billion and \$175.6 billion for this year's first, second and third quarters, respectively. The figures represent year-over-year declines in remodeling spending of 1.6 percent, 0.9 percent and 2.6 percent, respectively.

### Replacement Projects

Kermit Baker, director of the Remodeling Futures Program of the Joint Center, said the decline will mean remodeling work is more likely to be about replacement projects – such as roofs and siding – as opposed to discretionary projects.

"There are certainly some parts [of the industry] that are more recession-proof than others. This market was growing very rapidly 2005 and 2006," Baker said. "During that period, we saw a lot of spending for what we call the upper-end, discretionary projects."

Those projects include high-end kitchen and bathroom remodeling work, as well as room and wing additions, he said.

"Three years ago, you would have wanted to be focusing on the upper-end projects. Now you would want to be focusing on things that you need to do regardless of the health of the economy,"

Baker said. "I think a lot of the replacement contractors are doing pretty well. And I think those upper-end folks that are often [doing] design-build projects – providing design services, as well as construction services – I think they've seen that market slow down. In its place have been much more moderate-priced projects.

"It's not that people aren't fixing up their kitchens and bathrooms; they're just not doing as many \$100,000 and \$150,000 projects. They're doing more \$20,000, \$30,000 and \$40,000 projects. I think people are nervous about putting too much money in their house at a time when house prices are uncertain. They're concerned about over-investing or overpricing their houses given the market. What kind of return are you going to get? Is it going to make it more difficult to sell if you want to sell in a year or two?"

And questions about home values have affected the market in another way. Gribin said he believes that people using home equity to fund home improvement may be a little slower to start a project.

"I think generally [the slowdown] is going to be people who opted to do work on their homes solely based on the increase in equity in their home," he said. "The value of their homes went up, and they realized, 'Hey, we can get a homeowner's line of credit or an equity line of credit, or we could get an equity loan, and we could make some improvements here. We can't lose because the market is just going up and up. So if we decide to sell, we're still going to make money.' I think those are the people who are first going to drop out of the scene."

That's not say that the work orders have dried up for Gribin, who just won the Remodeler of the Year from the Home Builders & Remodelers Association of Fairfield County. He estimated that most of his projects fall in the \$300,000 to \$700,000 range.

Gribin said from what he has seen, "at the higher end [homes valued at \$1 million or more], there's not much difference between three years ago and now, as far as the scale of the type of work people are doing," he said. "People are still doing additions and renovations. They're still doing kitchens and bathrooms, and pool houses and pools, and entertainment centers – the discretionary type of work.

"Are [high-end owners] still watching pennies? Absolutely. In most cases, the owners want what they want, but they're always going to look for price. And everybody's got a different threshold for that, obviously. Even in the super-high market, they're watching the numbers."