**Remodeling Industry 2022**

**Remaining Hot into 2022**

Remodeling (and home improvements) has been one of the hottest sectors throughout 2021. The Zonda Residential Remodeling Index (RRI) reached 150.2 for Q3 2021, a 12.1% YOY increase and an overall increase for the entire year of 12.4%.

Zonda is forecasting the RRI for all of 2022 will decrease a slight 0.8% primarily because the housing market is predicted to pause from its torrid pace. Increases in the RRI are expected for 2023 at 1.6% and 2024 at 2.0.%

The Joint Center for Housing Studies of Harvard University (JCHS) forecasts substantial remodeling/home improvement spending during the first three quarters of 2022 before moderating during Q4 2022, but spending will remain robust.

**Leading Indicator of Remodeling Activity by Four-Quarter Moving Spending and Range of Change for 2021 Actual and 2022 Projected, January 2022**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2021 | Spending | Change | 2022 | Spending | Change |
| Q1 | $350 B | 4.7% | Q1 | $390 B | 11.3% |
| Q2 | $351 B | 5.7% | Q2 | $404 B | 15.2% |
| Q3 | $357 B | 7.6% | Q3 | $427 B | 19.7% |
| Q4  | $368 B | 9.4% | Q4 | $432 B | 17.3% |

 The Joint Center for Housing Studies of Harvard University, January 2022

**Home Building and Buying Are Still Major Remodeling Drivers**

Although the residential real estate market remained tight at the beginning of 2022, with more buyers chasing fewer listings, housing starts have been positive, increasing 15.6% YOY during 2021 and 2.5% YOY during December 2021.

In the existing-home subsector, the National Association of Realtors (NAR) reported an 8.5% YOY increase for 2021. During December, however, sales decreased 7.1% YOY, but the NAR said the decline had more to do with a limited supply than less demand.

A spokesperson from Zonda reported single-family homes with construction permits not yet started increased 38.5% during early 2022 compared to January 2021. Single-family homes already in the construction phase increased by 26%.

**National Association of Home Builders/Wells Fargo Housing**

**Market Index\*, by Region, September 2021–January 2022**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Region | Sept. 2021 | Oct 2021 | Nov 2021 | Dec 2021 | Jan 2022 |
| United States | 76 | 80 | 83 | 84 | 83 |
| Northeast | 67 | 73 | 69 | 80 | 71 |
| Midwest | 69 | 72 | 75 | 76 | 74 |
| South | 80 | 84 | 87 | 89 | 87 |
| West | 80 | 85 | 88 | 87 | 88 |

 National Association of Home Builders/Wells Fargo, January 2022 \*based on a 100-point scale

**Remodelers Remain Upbeat**

The overall Remodeling Market Index (RMI) compiled by the National Association of Home Builders and Royal Building Products was 83 for Q4 2021. The RMI is the average of the Current Conditions Index and the Future Indicators Index.

The Current Conditions Index was 89 and the Future Indicators Index was 77, suggesting remodelers are more optimistic during the short term. Nonetheless, all three indices were higher than Q4 2020.

Remodelers may be less optimistic about the future based on survey results from The Farnsworth Group’s PRO Home Improvement Monthly Tracker for January 2022. 48.7% said they had delayed projects and 48.9% said the lack of materials was the primary reason.

**Professional Remodelers’ Current Biggest Challenges, January 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Challenge | Percent | Challenge | Percent |
| #1: Material pricing | 56.5% | #6: Leads | 13.7% |
| #2: Material availability | 54.2% | #7: Inspection/Code Compliance | 10.6% |
| #3: Pandemic | 51.6% | #8: None of these | 4.2% |
| #4: Labor | 30.8% | #9: Other | 3.1% |
| #5: Project timelines | 27.9% |  |  |

The Farnsworth Group, January 2022

**Inside the Trade**

The Farnsworth Group survey cited above also found homeowners’ concerns with having workers in their home during the pandemic continues to be a major reason remodelers’ jobs have been delayed, increasing from 35.3% for December to 43.3% for January.

Although only 18.1% of remodelers said a lack of labor/workers was delaying their projects, 58.0% were experiencing some level of labor shortages: low shortages 18.7%, moderate shortages 20.2%, severe shortages 11.4% and no shortages 42.0%.

The vast majority (84.0%) of professional remodelers continue to purchase their building materials in-store/at suppliers; however, a substantial percentage (31.3%) of their purchases were online and delivered to the job site.

**Actions Professional Remodelers Are Taking to Manage**

**Increased Material Costs, October 2021–January 2022**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Action | Oct 2021 | Nov 2021 | Dec 2021 | Jan 2022 |
| Pass the increased cost to the client | 44.1% | 44.0% | 35.4% | 46.4% |
| The remodeler absorbs the increased costs | 18.6% | 16.6% | 21.1% | 18.6% |
| Both client and remodeler share the increase | 37.0% | 37.8% | 42.7% | 35.0% |
| Another action | 0.3% | 1.7% | 0.8% | 0.0% |

The Farnsworth Group, January 2022 (color represents the change from the previous month)

**DIFM Remodeling Consumers**

According to The Farnsworth Group’s DIFM (“Do It For Me”) Home Improvement Monthly Tracker, fewer remodeling consumers thought it was a good time to start a project: 47.2% in the January 2022 survey compared to 47.8% from the December 2021 survey.

Like the results from the professional remodeling survey, DIFM consumers said material availability (49.1%) was the #1 reason for their projects’ delay or stoppage. Being concerned with workers who may have the COVID virus was second at 26.3%.

Of the surveyed DIFM remodeling consumers, more than half (52.5%) said the biggest challenge finding a professional remodeler was he or she was too busy/not available when needed, indicating there are plenty of jobs for remodelers.

**DIFM Remodeling Consumers’ Plans to Hire a Professional Remodeler**

**Within the Next Few Weeks, October 2021–January 2022**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Plan | Oct 2021 | Nov 2021 | Dec 2021 | Jan 2022 |
| Definitely | 16.4% | 19.0% | 16.7% | 18.9% |
| Probably | 29.6% | 35.6% | 30.6% | 34.4% |
| Not sure | 25.6% | 18.2% | 26.3% | 29.5% |
| Probably not | 20.0% | 18.6% | 20.8% | 10.7% |
| Definitely not | 8.4% | 8.5% | 5.5% | 6.6% |

 The Farnsworth Group, January 2022 (color represents the change from the previous month)

**Consumers’ Remodeling Plans**

Analysis of data from five representative 2021 consumer/markets conducted by The Media Audit found 47.9% of all adults 18+ were planning some kind of home improvement project during the next 12 months. Some will likely be DIY and others by professional remodelers.

Millennials and Gen Xers are the largest generations planning a home improvement project at an average of 31.3% and 27.4%, respectively; however, Baby Boomers are also a significant target audience at an average of 24.5%.

Unsurprisingly, adults with household incomes of $75K–$150K have the largest average percentage of those planning a home improvement project at 37.0%. An average of 25.4% have an income of $35K–$75K.

**Indices for Selected Home Improvement Projects Millennials**

**Are Planning\* and More Likely to Require the Hiring of a**

**Professional Remodeler, in Selected Markets, 2021**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Project | Fort Myers-Naples, FL | Chicago | Austin | Monterey-Salinas, CA | Portland, OR |
| Remodel a bathroom | * 148
 | * 124
 | * 146
 | * 146
 | 105 |
| Remodel a kitchen | * 135
 | * 132
 | * 160
 | * 155
 | * 105
 |
| Siding | 133 | * 185
 | * 137
 | * 169
 | * 136
 |
| Replace or repair a roof | 129 | * 134
 | * 179
 | * 145
 | * 92
 |
| Replace windows | * 124
 | * 154
 | * 153
 | * 172
 | * 132
 |

Based on The Media Audit’s 2021 surveys \*during the next 12 months

**More Valuable Insights**

The National Association of Home Builders/Royal Building Products Remodeling Market Index cited on page two also reveals the subcomponents for the Current Conditions Index and Future Indicators Index.

**Subcomponents of the Current Conditions Index**

**and Future Indicators Index, Q1–Q4, 2021**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Subcomponents | Q1 21 | Q2 21 | Q3 21 | Q4 21 |
| **Current Conditions Index** | 89 | 91 | 90 | 89 |
| Current market for large remodeling projects ($50,000) in remodelers’ markets | 85 | 90 | 86 | 85 |
| Current market for moderately-sized remodeling projects ($20,000–$49,999 in remodelers’ markets | 90 | 91 | 91 | 90 |
| Current market for small remodeling projects (less than $20,000) in the remodelers’ markets | 92 | 92 | 91 | 91 |
| **Future Indicators Index** | 84 | 83 | 84 | 77 |
| Current rate of remodelers’ leads and inquiries | 86 | 81 | 83 | 84 |
| Current backlog of remodelers’ projects | 82 | 86 | 85 | 80 |

National Association of Home Builders/Royal Building Products, January 2022

(color represents the change from the previous month)

*Sources:* Remodeling Website, 1/22; The Joint Center for Housing Studies of Harvard University Website, 1/22; Builder Website, 1/22; Redfin Website, 1/22; National Association of Home Builders Website, 1/22; The Farnsworth Group Website, 1/22; The Media Audit Website, 1/22.

*Updated*: January 2022

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**Local Market and Station Information**