



Homeowners again look at remodeling, but landscape has changed after recession

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Tentatively - and with price and practicality their top considerations - area homeowners are once again starting to ring up remodeling contractors.

Those pondering a remodel are likely to find a recession-changed landscape. One in which contractors don't turn their nose up at jobs because they're too small. One in which prices are significantly lower than just a few years ago. One in which product deliveries come more slowly. And one in which everyone needs to be concerned, even more than usual, about the financial viability of the companies they deal with.

The homeowners tiptoeing back to the market are changed, too. They're not as free-spending. They take longer to make a commitment. And they're painfully aware that, eventually, future buyers might punish them for choices they don't find appealing.

Following a brutal couple of years for the [remodeling business](#), the leaders of several area remodeling firms said they saw a noticeable uptick in inquiries starting in December, and they're hoping it will carry through into spring.

"It's certainly better than it was last winter, which is setting the bar pretty low. . . . At least for us, that was the worst," said Mark Scott, president of Mark IV Builders in Bethesda.

Josh Baker, founder of Bowa, a remodeling firm based in McLean, said that his high-growth business flattened out during the recession but that the company managed to remain profitable. In December, Bowa fielded a flurry of inquiries from homeowners; calls were up 47 percent from December 2009, Baker said. What he called "quality leads," clients they were working with but who had not yet signed a contract, were at a 20-month high.

Nationally, remodeling expenditures are likely to increase by 3.5 percent each year, adjusted for inflation, over the next five years, according to the Joint Center for Housing Studies of Harvard University. The center points to deferred upkeep during the recession, a normalizing economy and continued population growth due to immigration as reasons for the increase. Also, it said, a large share of the population will enter the peak remodeling years, from the mid-30s to mid-50s, which will boost spending on home improvements.

The Washington area, long one of the nation's biggest spenders on remodeling, is expected to remain among the leaders. Accounting for the D.C. area's spending is a combination of older housing stock and household incomes that can accommodate expensive jobs such as room additions and kitchen overhauls, the center's report says. Area homeowners also are more likely to spring for professional design and installation instead of do-it-yourself projects.

The Joint Center's analysis of census data showed that average annual spending by Washington-area homeowners was \$3,600, adjusted for inflation, between 2000 and 2009. (Fueled by hurricane rebuilding, New Orleans homeowners spent the most: \$5,700 per household.)

But the D.C. area's cutback in spending during the recession followed the national trend. The Harvard study cites census data showing that homeowners' spending on home improvements fell by more than 23 percent between the market peak in 2007 through 2009.

Chris Landis, an architect and owner of Landis Construction in the District's Takoma area, said the dollar volume of his business dropped 25 percent in 2009 from the year before. It fell another 15 percent in 2010.

Thinking smaller

The recession has changed what consumers are looking for in remodeling.

"Project size has gotten smaller," Landis said. "Our average project had been about \$180,000 to \$200,000, but now it's in the \$70,000 range."

"We're still seeing a very tight market," he said, "very, very price driven."

Even at the pricey end of the remodeling market, homeowners are scaling back their selections. Baker noted that Bowa is building fewer wine rooms, where vintages are on display and friends are entertained, and installing more wine storage appliances.

Instead of expanding into new rooms, he said, homeowners are more likely to borrow space from other areas, such as an oversize bedroom, and convert it to a new use. Instead of building a separate home theater in the basement, homeowners are more likely to build a multipurpose room with TV and audio gear and a pool table.

"There's been excess that people have gotten away from," Baker said. "I don't predict that coming back."

More competition

Despite the hit it took during the recession, the remodeling market held up better than the home construction market, and that has driven more builders into remodeling just to stay afloat. The days of remodelers declining to bother with small jobs, such as porch additions and handyman work, seem to be gone, at least for now.

"Every contractor I know needs work and should be doing everything they can to get it - and to make the phone ring," Landis said.

Everyone - homeowners, contractors and their subcontractors - is concerned about price. It's always an issue with remodeling jobs, but when home values were soaring by double-digit rates annually and financing was easy, many homeowners indulged their desires for soaring family-room ceilings and expensive bath fixtures.

Now they're focusing mainly on upgrading their homes to suit their needs, sometimes because they doubt they'll be able to move to a better home anytime soon.

"Everybody is scared to death that they're going to make a wrong decision," Scott said.

Baker said that in some ways the clients calling now are opportunists. "They recognize they're able to get more for less," he said.

"Subcontractor pricing is significantly lower," he said. "There's no question some have left the business. The ones that are here are very, very eager. Their pricing is good."

He noted that his firm's pricing is lower, too.

"We pass [the subcontractors' lower prices] along to our clients," he said.

But Scott said some homeowners are overestimating how much prices have fallen. "Prices are 10 to 15 percent less than two or three years ago," he said. "It's not 50 percent, and that's what people are looking for."

He doesn't expect prices to fall further. "Most everyone now has found the bottom of what they are willing to work for," Baker said. "Price is stable. If anything, it's going up."

Slower timelines

"People are much slower to make decisions, much slower," Scott said.

It used to be typical for about four months to elapse between a customer's initial phone call and the contract signing. Now it's closer to six months, he said.

But the recession's damage to the industry's bottom line is still likely to cause difficulties for homeowners who take the plunge on home improvements.

"There will be bottlenecks, and there will be quality issues as well," Landis predicted.

Companies that make cabinets, for example, have laid off workers, and he worries that their products may not be of the quality he expects, or that work orders won't be followed closely.

Scott said he's experiencing such bottlenecks already. "Anything out of the ordinary is much more difficult to get," he said.

For example, in August he ordered 20 doors that were seven feet high, which is four inches taller than standard. The last door finally arrived this week. "Three years ago I could have had them in two weeks," he said. "None of the manufacturers are carrying much inventory."

It's always in homeowners' interest to verify that the contractor they're hiring is financially stable, but it's an even greater concern coming off such a drastic recession.

Referrals from people you trust can be good indicators of a contractor's skill, but friends and former clients aren't privy to details about the contractor's financial viability. Before signing a construction contract, it's worth asking the contractor for financial references. The builders interviewed here said they wouldn't object to such an inquiry - in fact, they seemed surprised that homeowners don't do it more frequently.

Landis said homeowners might ask remodelers for references to their banks or suppliers, both of whom would be in a position to know about the builder's financial standing. As always, homeowners need to ask for proof that a contractor is licensed and insured.

In this market, good contractors aren't too busy to give you the information.