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Housing slump a boon to remodelers ***Discretionary, necessary projects both add to sales***

By Dan McLeister

The remodeling of various rooms in houses or the replacement of roofs and windows is a business doing better than new home building, which has seen significant declines in the past year.

“Compared to the major up-and-down cycles of the new home market, remodeling activity remains fairly steady,” said Mike Nagel, a remodeler from Roselle and chairman of the Remodelers of the National Association of Home Builders (NAHB).

“Remodeling continues to show strength despite the housing slowdown,” he said. “With more than 120 million homes in the United States plus \$11 trillion in owner equity, the demand for remodeling will be there now and in the future.”

Nagel noted that remodeling currently accounts for more than 40 percent of the home construction industry by dollar volume.

“A significant part of the remodeling market comes from work that home owners cannot delay – like replacing a roof – leaving the industry relatively stable during housing market downswings,” he said.

Another significant portion of the remodeling market is the higher end discretionary market, according to figures from another industry association, the National Association of the Remodeling Industry (NARI).

Organization figures indicate that upgrades are increasingly concentrated in high-value home. Forty-three percent of expenditures by owners of homes valued at \$400,000 and up are for room additions, 33 percent for kitchen remodels, 32 percent for bath remodels, 23 percent for exterior replacements, 22 percent for replacement of equipment and systems.

Area remodelers indicate that the optional or discretionary higher priced choices also remain strong among their customers.

“Our business is up a bit,” said Scott Sevon of Palatine-based Sevvonco, Inc. “We have not seen a slowdown. One of our biggest segments is enlarging kitchens and creating master bedroom suites from two smaller bedrooms.”

Many companies, like Sevvonco, have Web sites that have various industry designations.

“People interested in quality work will call professionals rather than fly-by-night remodelers,” said Sevon.

He cited the huge increase in the Certified Aging In Place (CAPS) program from the NAHB.

“So many people are seeking to upgrade their kitchens and baths and make the home more comfortable,” Sevon said.

Remodelers use words like comfortable and ease of living for people who might need more helpful design features, particularly the baby boomers who are aging but don’t want words used like universal design or accessible housing which make some people feel old.

But Sevon added that another buyer market having an impact on the remodeling business is the Gen Xers, the age group behind the baby boomers which is now coming on strong. Gen X buyers first bought houses three to five years ago and now want to expand their two and three bedroom ranches.



The Gen Xers and other people doing remodeling choose that method over having new houses built, said Sevon, because "they know what they are getting in an existing neighborhood and existing community."

In addition to location, both remodelers' reputation and word of mouth mention by previous satisfied customers are important to companies like Dan Wangler Builders in Elmhurst.

"Our business is mostly word of mouth. We are very heavy into kitchen remodeling," said Wangler. "We also do a lot of second-story additions because many people like where they are and they would rather fix up their house and stay put."

"That applies to places like Elmhurst and Oak Brook where our company does a lot of work. But we also have done remodeling in places like Wilmette, Glencoe and Northbrook."

Quality work is also a key factor for IMH Remodeling and Repair in Downers Grove. Dawn Tuskey, president and co-owner with her husband Dennis, said the company's good reputation has played a part in increasing additions by 50 percent while overall business is up about 8 percent this year.

"People always need remodeling," she said. "And we provide quality remodeling which is more expensive."

The story is the same for Lellbach Construction in Warrenville. Debra Lellbach who is chairman of the Naperville Area Chamber of Commerce, said she and her husband Doug have been operating the company for 20 years doing projects mostly in Warrenville, Naperville and Wheaton.

"We have not had ups and downs," she said. "We have seen a shift to more whole house remodeling."

The remodeling business has been good but Lellbach said it presents many challenges since a remodeler is always working with existing houses where there are a lot of unknowns like the ground conditions.

"Also, you have to blend the work you do into the existing house. New construction. On the other hand, is an open book."

Business also has been good for banks which provide the money usually through home equity loans. For instance, business has been up considerably, probably about 20 to 30 percent in the home equity loan category, according to Scott Hamer, president of Community Bank of Wheaton and Glen Ellyn.

"This has been the best year for our bank since it was started in 1999," he said. "Part of the reason for the increase is that we offered a special promotion of 2 percent below the prime rate, instead of 1 percent for loans of \$75,000 or more."

"We don't get into the details of what the loans are used for. It is probably about 60 percent for renovations to houses, and 40 percent for college tuition and debt consolidations."

The strong business in home equity loans is in stark contrast to new home construction financing.

"That market has pretty much dried up," Hamer said. "Builders we are working with are doing most of their work on contract and not on speculation. I think that most of that market dried up before the sub-prime loan problems which have been in the news lately."