# 2016



HOUZZ & HOME June 2016



Overview of U.S. Renovation in 2015





### Big Ideas

- Spending is on the rise for kitchen and bathroom renovations
- The desire to stay put is the primary motivation to renovate vs. buy a "perfect" home, trumping financial considerations
- Recent home buyers are a key driver of renovation activity, with more than a quarter of renovations being driven by recent home purchases
- Those planning to sell their home are also investing in renovations, focusing on exterior projects that enhance curb appeal
- Nearly one-third of homeowners take on a remodeling project without setting a budget—the same share exceeds an established budget
- Millennial homeowners continue to be just as likely to renovate as other age groups, yet spend a third of the amount spent by Baby Boomers



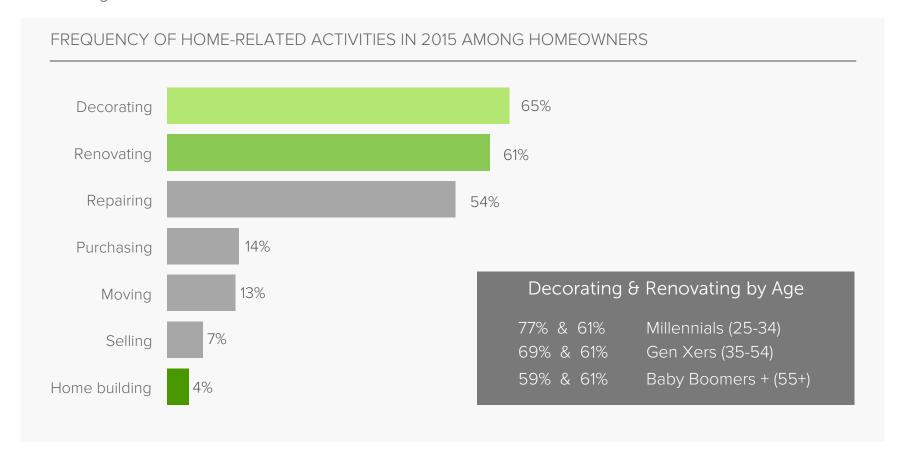
## Contents

Overview of 2015 activities	4-5
Motivations for 2015 renovations	6-10
Spend & financing of 2015 renovations	11-16
Popular 2015 renovation projects	17-23
Comparison of 2015 interior remodels	24-32
Pro hiring for 2015 renovations	33-38
2016 at a glance	39-40
Appendixes	42-45

#### Houzzers Are Active Renovators



Consistent with prior years' findings, home renovation and decorating activities trump purchasing or selling a home, with nearly two in three homeowners on Houzz engaging in each one. Millennial homeowners (ages 25-34) on Houzz are just as active in home renovations as other generations, and even more engaged in home decorating.





## At a Glance: 2015 Renovation

	Renovation Characterist	tics Among Homeowners V	Vho Renovated in 2015
Top Renovation Triggers	Finally have time	Finally have financial means	Recent home purchase
	38%	37%	26%
Top Reasons to Renovate vs. Buy	Desire to stay in current home	Desire to stay in current area	Renovation more affordable
	49%	31%	28%
Budget & Financing	Over-budget renovations	Renovations paid with savings	Renovations paid with credit
	31%	82%	21%
Average Renovation Spend	Overall spend	Spend of Baby Boomers (55+)	Spend of recent home buyers
	\$59,800	\$73,300	\$66,600
Top Interior Renovation Projects	Kitchens	Master/non-master bathrooms	Living or family room
	31%	22%/26%	23%
Average Spend on Top Interior Projects	Major remodel of larger kitchen	Major remodel of larger master bathroom	Remodel of larger living or family room
	\$50,700	\$25,600	\$6,500
Pro Hiring	Hired a pro (overall)	Hired a pro (Baby Boomers)	Hired a pro (recent buyer)
	85%	88%	91%

Houzz.com 5 © 2016 Houzz Inc.

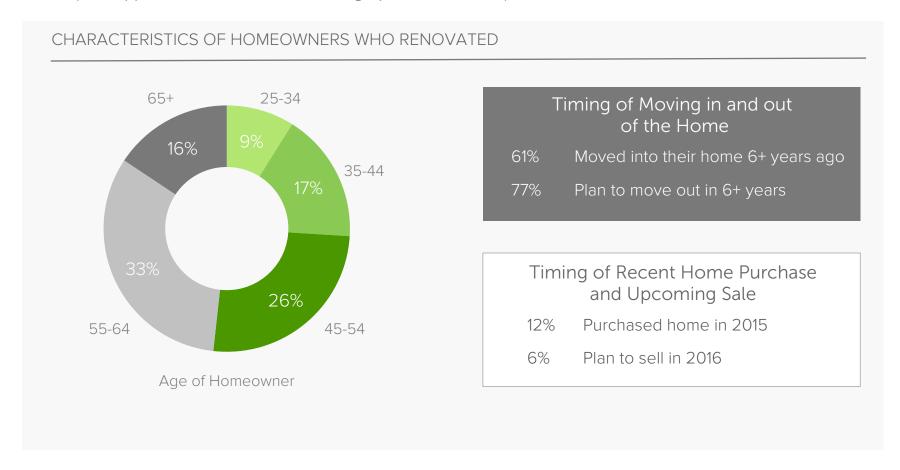


#### **MOTIVATIONS FOR 2015 RENOVATIONS**

#### Vast Majority of Renovators Are 45-64



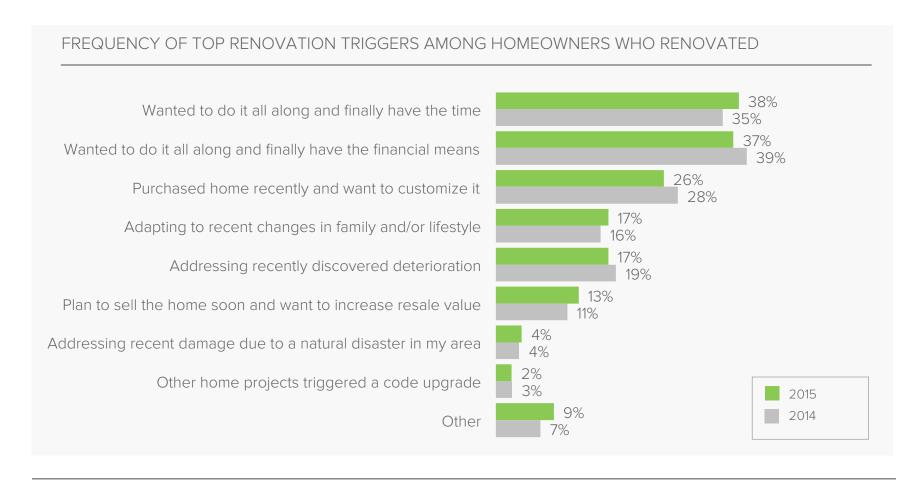
A third of renovating homeowners on Houzz are between the ages of 55 and 64, with those 45-54 close behind at 26%. Just one in ten is between the ages of 25 and 34 (Millennials). The majority of renovating households have been in their home or plan to be in their home for quite some time. Over one in ten purchased a home in 2015. (See Appendix A for additional demographic information.)



#### The Time Is Now



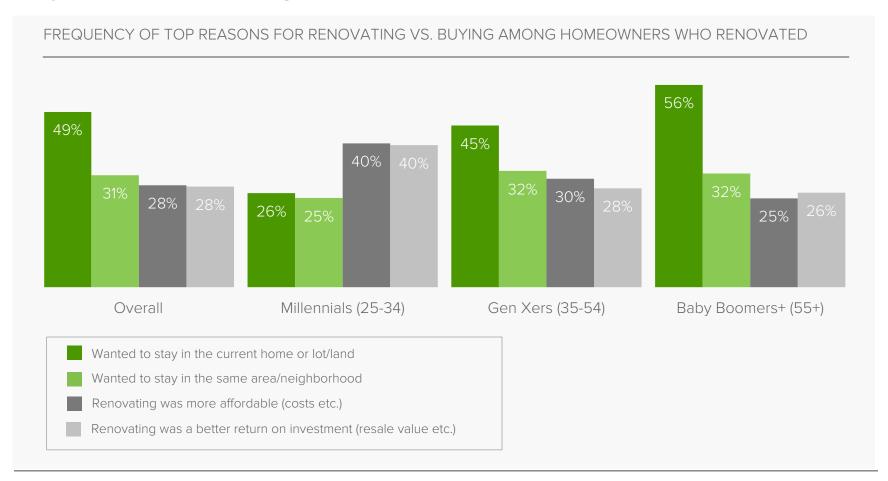
In 2015, more homeowners cited "finally having the time" rather than "financial means" (38% and 37%, respectively), a switch from 2014 findings (35% and 39%, respectively). Recent home purchases drove a quarter of home renovations, while preparation for resale sparked just over one-tenth of home renovations.



#### Location, Location



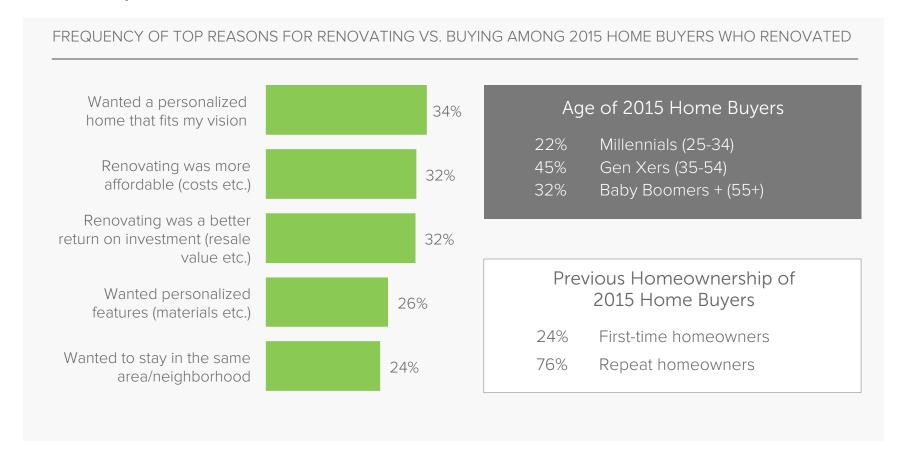
Homeowners are renovating instead of buying an already "perfect" home in order to remain in their current home or lot (49%) or their neighborhood or area (31%). Financial considerations when it comes to renovating vs. moving trail somewhat behind location, yet vary across generations. Millennial homeowners are nearly twice as likely as Boomers to find renovating more affordable or a better return on investment.



#### Personalization, Finances Drive Renovations



The majority of those who purchased a home in 2015 are repeat homeowners (76%). Recent home buyers are at least twice as likely to be Millennials compared with all renovating homeowners (22% vs. 9%, respectively). The top two reasons driving people to renovate vs. buy are the desires to personalize the home and spend their dollars wisely.



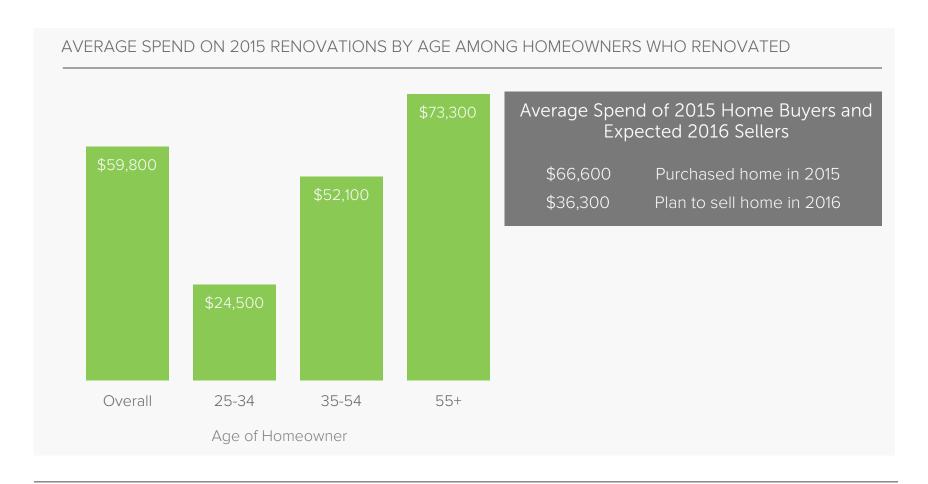


# SPEND & FINANCING OF 2015 RENOVATIONS

#### Large Investment



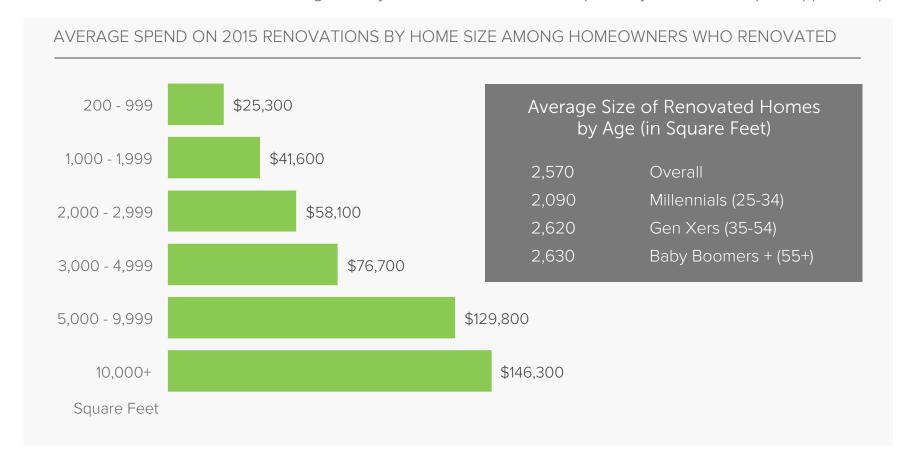
Homeowners on Houzz who renovated in 2015 spent on average nearly \$60K on home improvements, though Baby Boomers and earlier generations (55+) spent three times more than Millennial homeowners (25-34). Those who recently purchased a home spent nearly twice as much as those planning to sell their home in 2016.



#### Spend Follows Square Footage



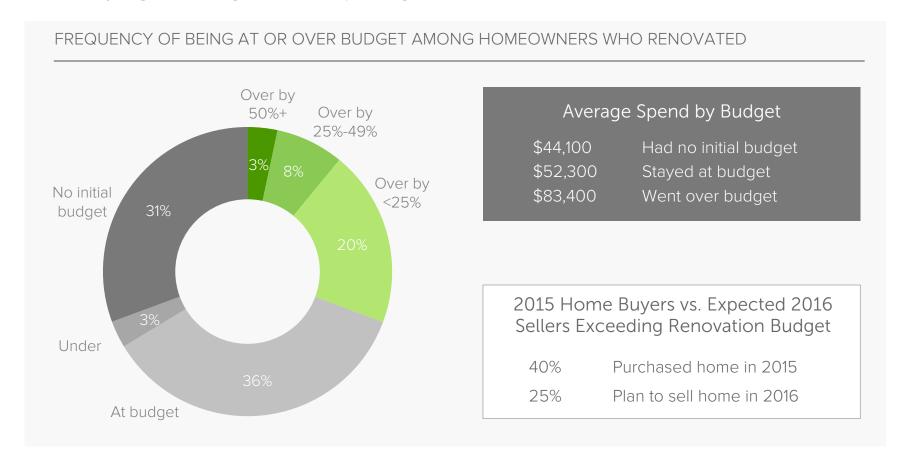
Independent of location, the size of a home drives much of the renovation budget. Renovations for a home under 1,000 square feet command an average spend of \$25K, while homes 10,000 square feet or more command nearly six times as much. The average renovated home is 2,570 square feet, although the average Millennials' home is smaller. Nine in ten of homes are single-family detached structures built primarily before 2000 (see Appendix B).



#### Budget? What Budget?



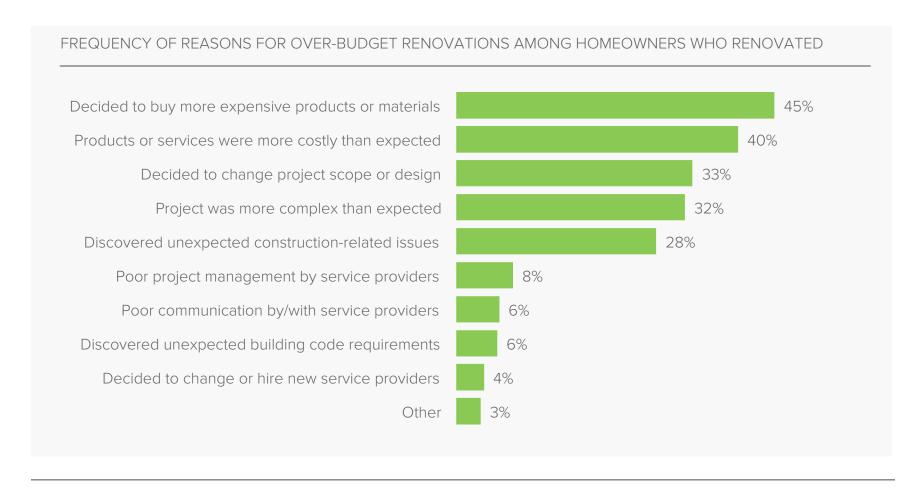
Nearly a third of homeowners do not have an initial budget prior to starting their home renovations (31%). Another third of renovating homeowners exceed their budgets, spending at least 1.5 times more than those who come in at budget or who have no budget in the first place. Those who recently bought a home are at least 1.5 times more likely to go over budget than those planning to sell their home soon.



#### Decision to Go More Upscale



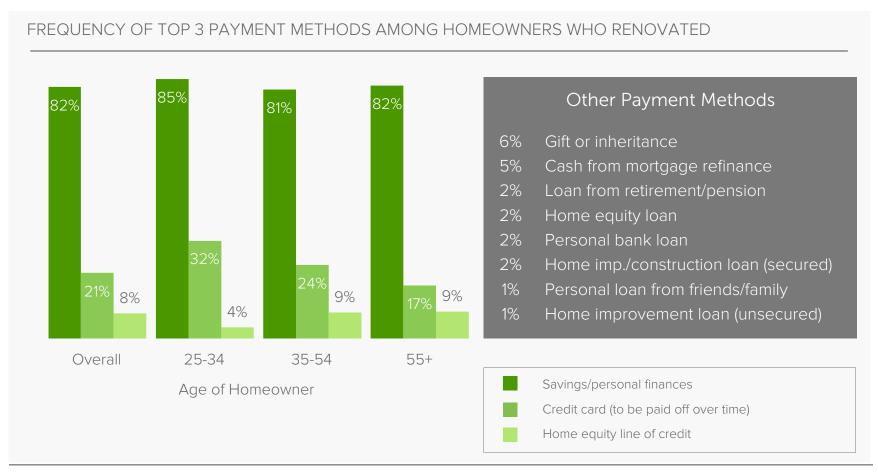
Why do people go over budget? They decide to buy more expensive products and materials (45%) or to increase the scope of their project (33%). Both actions signal consumer confidence in the state of the economy. Unexpected product costs or project complexity also pushes homeowners over budget.



## Credit More Common Than HELOC Financing houzz



Consistent with last year's findings, most homeowners leverage personal savings to fund renovations, irrespective of age. One in five financed using a credit card, and Millennials are the most common age group to do so (32%). A home equity line of credit (HELOC) is the primary form of debt financing, though it still significantly trails behind credit card debt.



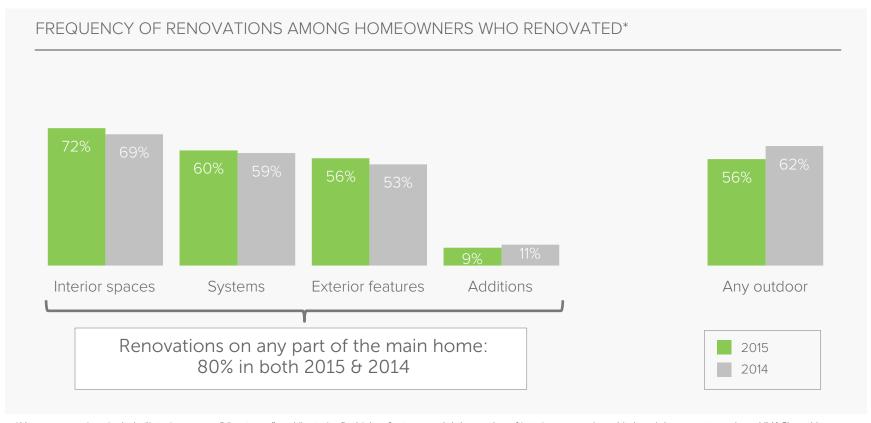


#### POPULAR 2015 RENOVATION PROJECTS

#### Increased Range of Projects Around the Home



Consistent with last year's findings, four in five homeowners who renovated in 2015 made improvements to the main home structure. This year they are tackling many more areas of the home compared to 2014, with a greater emphasis on upgrades to interior spaces and exterior building features and less emphasis on outdoor projects.

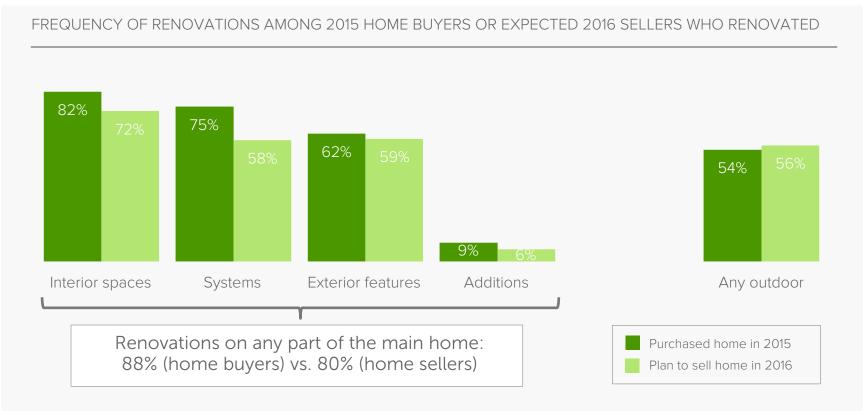


\*Home renovations include "interior spaces," "systems," and "exterior," which refer to remodels/upgrades of interior spaces (e.g., kitchens), home systems (e.g., HVAC), and home exteriors (e.g., roofing) within the existing home footprint, respectively. They also include "additions," which refers to additions/expansions of the home footprint (e.g., kitchen addition). Outdoor renovations include upgrades of grounds and systems (e.g., landscape, irrigation) and additions/upgrades of outdoor structures (e.g., shed, pool).

#### Recent Home Buyers Most Active



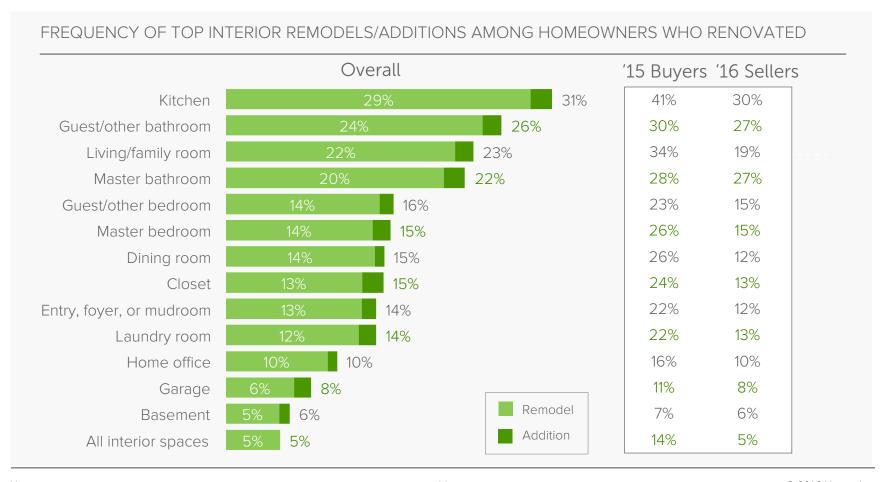
Recent home buyers and those planning to sell their home soon are the most active groups when it comes to updating interior spaces, systems, and exterior building features. Furthermore, recent home buyers renovate with a greater emphasis on the main home structure (88%) than does the average renovator or one planning to sell soon (80% each).



<sup>\*</sup>Home renovations include "interior spaces," "systems," and "exterior," which refer to remodels/upgrades of interior spaces (e.g., kitchens), home systems (e.g., HVAC), and home exteriors (e.g., roofing) within the existing home footprint, respectively. They also include "additions," which refers to additions/expansions of the home footprint (e.g., kitchen addition). *Outdoor renovations* include upgrades of grounds and systems (e.g., landscape, irrigation) and additions/upgrades of outdoor structures (e.g., shed, pool).

## Everyone Focuses on Kitchens and Bathrooms houzz

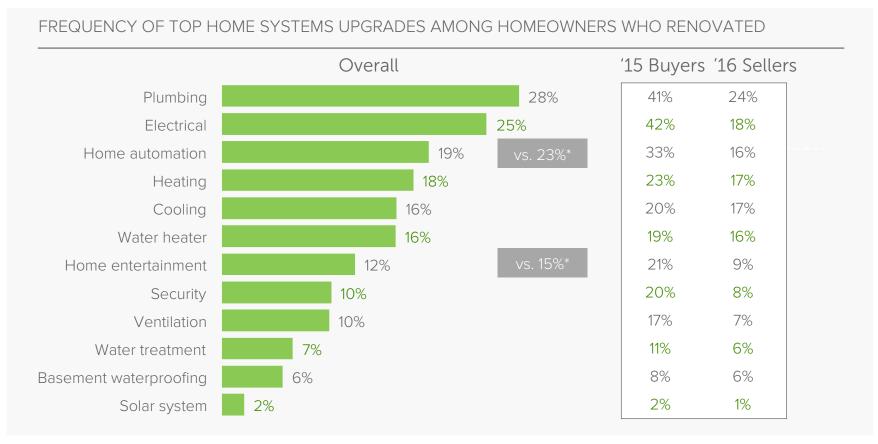
Kitchens, bathrooms, and living/family rooms are significantly more likely to be renovated than any other room of the home across most renovators. Recent home buyers are nearly three times more likely to renovate all interior spaces and roughly 1.5 times more likely to renovate non-kitchen/non-bathroom interior spaces than average.



#### Buyers Overhaul Core Systems, Add Automation



Core functions like plumbing and electrical together with automation are the top systems upgraded or added by all renovators, but are an even greater focus for recent home buyers. Home automation and entertainment upgrades have slightly declined in popularity relative to 2014, driven primarily by older generations (55+). Yet, these systems are in higher demand among Millennial homeowners (26% and 15%, respectively; see Appendix C).

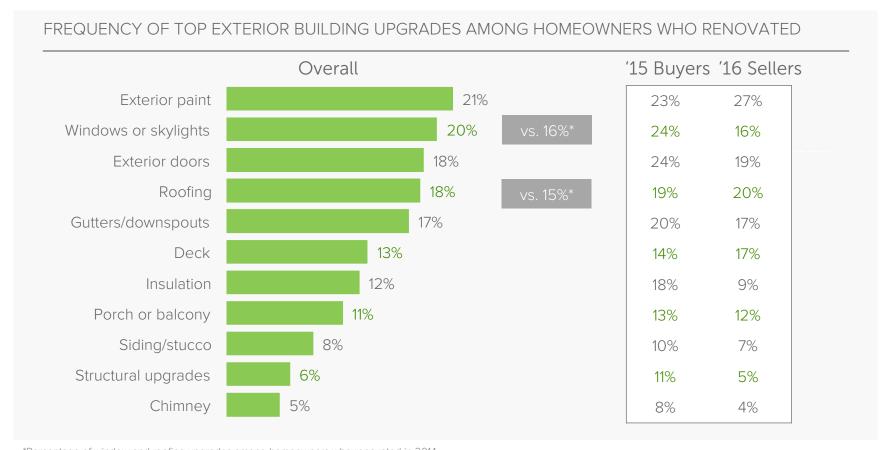


\*Percentage of home automation and home entertainment upgrades among homeowners who renovated in 2014.

#### Boost in Discretionary Exterior Upgrades



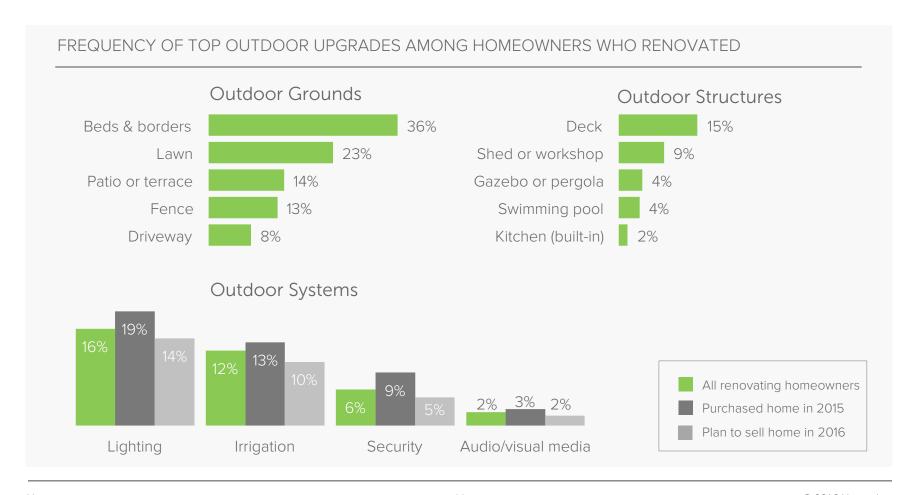
2015 saw more discretionary activity in exterior building upgrades vs. 2014, in particular window and roofing projects. Recent home buyers are even more likely to invest in these types of discretionary upgrades (e.g., windows, exterior doors, and siding) than the average renovator, while expected 2016 sellers focus more on appearance-enhancing exterior elements, such as exterior paint and deck upgrades.



#### Recent Home Buyers Prioritize Outdoor Systems



Landscaping of garden beds or borders is the most common outdoor project, followed by lawn and deck upgrades. Decks are the most popular outdoor structure. Recent home buyers are above average when it comes to investing in outdoor lighting, irrigation, and security systems.





# COMPARISON OF 2015 INTERIOR REMODELS

#### Out With Outdated Design



Half or more of homeowners remodeling their kitchens, bathrooms, or other interior rooms prioritize tackling outdated design or style in these rooms. Outdated finishes are also a top priority for many. Other top issues vary across rooms, from storage in laundry rooms and closets to issues with flooring in the bath and living spaces.

#### TOP 3 ISSUES ADDRESSED AMONG HOMEOWNERS WHO REMODELED

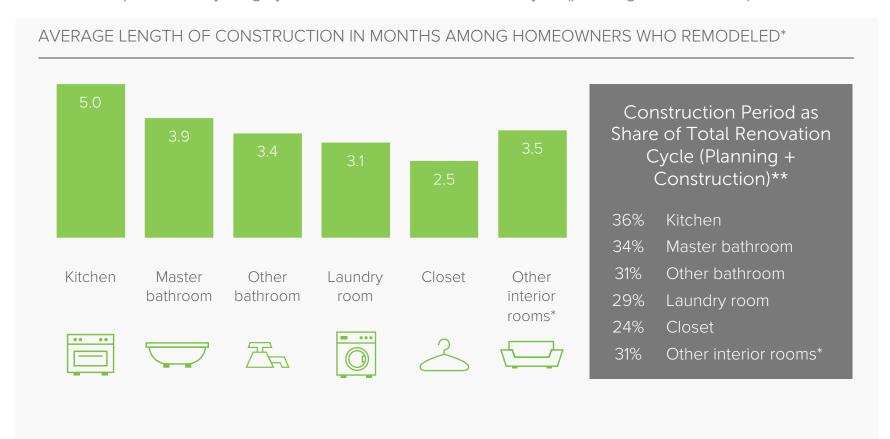
Issues addressed during a remodel	Kitchen	Master bathroom	Other bathroom	Laundry room •••••	Closet	Other interior rooms*
Outdated design	<b>#1</b> (49%)	<b>#1</b> (57%)	<b>#1</b> (57%)	<b>#2</b> (30%)	<b>#2</b> (39%)	<b>#1</b> (42%-49%)
Outdated finishes	<b>#2</b> (46%)	<b>#2</b> (51%)	<b>#2</b> (55%)	<b>#3</b> (28%)		<b>#2</b> (31%-44%)
Inadequate appliances	<b>#3</b> (26%)					
Small shower		<b>#3</b> (20%)				
Issues with flooring			<b>#3</b> (17%)			<b>#3</b> (24%-30%)
Inadequate storage				<b>#1</b> (35%)	<b>#1</b> (60%)	
Poor layout					<b>#3</b> (37%)	

<sup>\*</sup>Excludes additions. Other interior rooms include living or family room, dining room, master or other bedroom, home office, and entry, foyer, or mudroom.

#### Two or More Months of Construction



The construction phase of an interior remodel takes anywhere from 2.5 to 5 months to complete on average, from breaking ground to final touches. Kitchen and master bathroom remodels take the longest time to complete (5 and 3.9 months on average, respectively), with many taking 6+ months (26% and 18%, respectively). Yet, the construction phase is only roughly a third of the entire renovation cycle (planning + construction).



\*Excludes additions. Other interior rooms include living or family room, dining room, master or other bedroom, home office, and entry, foyer, or mudroom.

<sup>\*\*</sup>Average length of planning duration derived from 2014 Houzz and Home Study for kitchens, bathrooms, and other interior spaces.

#### Relocating the Laundry Room



Many homeowners are making major changes to interior rooms during remodels, from modifying the layout to reframing or moving walls. Laundry rooms are the most likely to get a new location (10%) over any other interior space (2%-8%), while home offices are most likely to receive a layout change (42% vs. 17%-37%).

#### MAJOR CHANGES DURING A REMODEL AMONG HOMEOWNERS WHO REMODELED\*

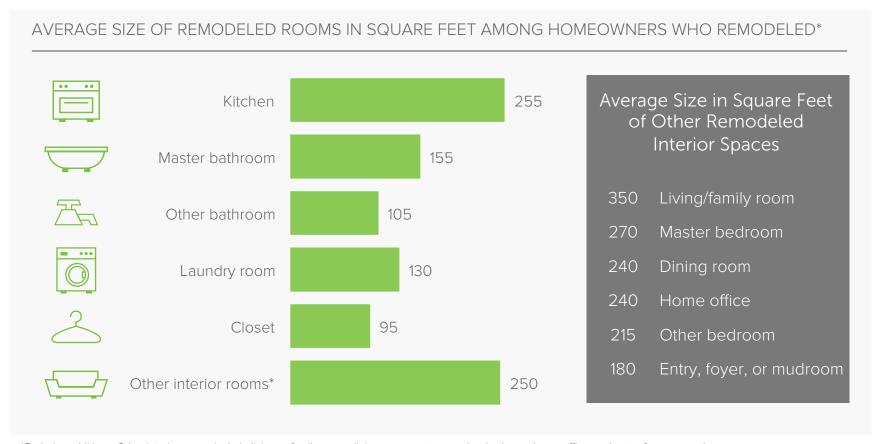
Major changes during a remodel	Kitchen	Master bathroom	Other bathroom	Laundry room	Closet	Other interior rooms*
Layout change	37%	30%	17%	31%	36%	21%- <b>42</b> %
Core system upgrades*	30%	41%	34%	29%	11%	10%-16%
Wall reframing/moving	24%	25%	14%	20%	22%	8%-16%
Room size increase	<b>17</b> %	13%	7%	6%	11%	3%-6%
Location change	2%	3%	2%	10%	6%	0%-8%

<sup>\*</sup>Excludes additions. Other interior rooms include living or family room, dining room, master or other bedroom, home office, and entry, foyer, or mudroom.

#### Kitchens Bigger Than Dining Rooms



Modern-day remodeled kitchens are supersized (255 square feet on average), exceeding the size of remodeled dining rooms (240 square feet). The living or family room is still the largest room of the home, followed by the master bedroom. Remodeled master bathrooms are roughly 50% larger than other remodeled baths.



<sup>\*</sup>Excludes additions. Other interior rooms include living or family room, dining room, master or other bedroom, home office, and entry, foyer, or mudroom.

#### Replacing Countertops and Faucets



While the majority of remodeling homeowners tackle wall color or texture in all interior rooms, other finishes are being replaced at varied rates. Countertops are the top priority in kitchens, while faucets and fixtures are at the top of the list for kitchens and baths.

#### TOP 3 FEATURES REPLACED AMONG HOMEOWNERS WHO REMODELED\*

Features replaced during a remodel	Kitchen	Master bathroom	Other bathroom	Laundry room	Closet	Other interior rooms*
Countertops	<b>#1</b> (70%)					
Faucets/fixtures	<b>#2</b> (68%)	<b>#1</b> (79%)	<b>#1</b> (77%)			
Wall color/texture	<b>#3</b> (65%)	<b>#2</b> (75%)	<b>#2</b> (76%)	<b>#1</b> (53%)	<b>#1</b> (45%)	<b>#1</b> (53%-74%)
Flooring		<b>#3</b> (71%)				<b>#2</b> (38%-47%)
Lighting			<b>#3</b> (67%)		<b>#3</b> (36%)	<b>#3</b> (33%-39%)
Laundry appliances				<b>#2</b> (44%)		
Built-in cabinetry				<b>#3</b> (41%)	<b>#2</b> (39%)	

<sup>\*</sup>Excludes additions. Other interior rooms include living or family room, dining room, master or other bedroom, home office, and entry, foyer, or mudroom.

#### Kitchen Spend Grows by 12 Percent



Homeowners spent 12% more on average to remodel a kitchen than in 2014, driven in part by a significant shift (+15%) to remodels that are major in scope. More homeowners replaced at minimum all cabinetry and appliances (32% in 2015 vs. 28% in 2014). Major kitchen remodels run on average \$50,700 for a large kitchen and \$26,400 for a small kitchen, with a 44% greater spend when a professional remodeler is involved.



<sup>\*</sup>More kitchen renovations fell under the definition of major remodel vs. minor remodel in 2015 vs. 2014. Major kitchen remodel refers to a remodel where at least all the cabinets and appliances are replaced; minor kitchen remodel includes all other remodels. Remodels do not include any additions that increase the overall home footprint.

<sup>\*\*</sup>Remodeler refers to general contractor, builder, or kitchen and bath remodeler.

#### Master Bathroom Spend Also Grows



The average spend on master bathroom remodels also grew 12% year over year. This increase is driven in part by a 6% expansion in scope, with more homeowners replacing at least the cabinetry or vanity, toilet and countertops (42% in 2015 vs. 39% in 2014). Major master bathroom remodels run on average \$25,600 for a larger room and \$12,000 for a smaller room, with a 44% greater spend when a professional remodeler is involved.



<sup>\*</sup>Major bathroom remodel refers to a remodel where at least the cabinetry/vanity, countertops, and toilet are replaced; minor bathroom remodel includes all other remodels. Remodels do not include any additions that increase the overall home footprint.

<sup>\*\*</sup>Remodeler refers to general contractor, builder, or kitchen and bath remodeler.

#### Room Size Drives Spend



The size of the room is an important driver of remodel spend. Spend on remodels of larger kitchens and bathrooms is on average 2 times greater than that on smaller spaces, while remodels of other interior spaces are 1.7 times greater. Being the largest spaces in the home, living/family rooms command the largest spend after kitchens and bathrooms, with \$6,500 for larger rooms\* and \$3,800 for smaller rooms.\*



<sup>\*</sup>Rooms are defined as "larger" or "smaller" based on the median size of the room, with "smaller" rooms being less than the median room size.

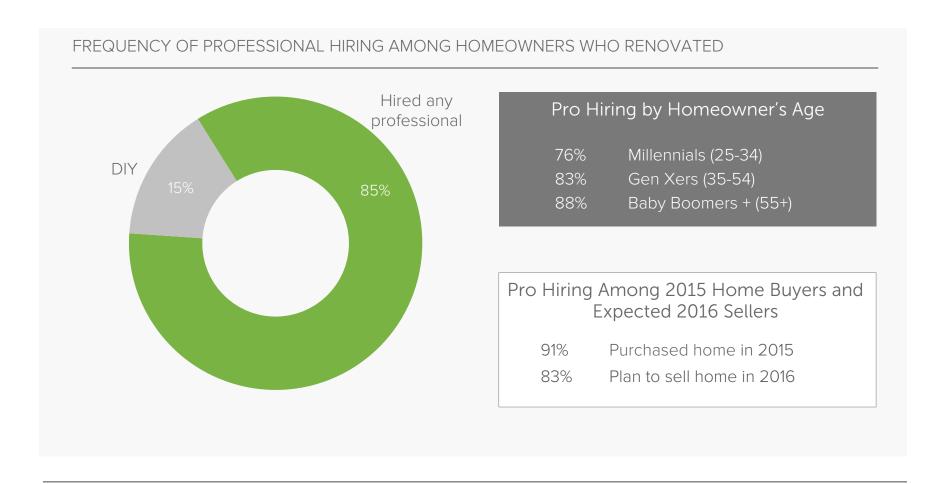


### PRO HIRING FOR 2015 RENOVATIONS

#### Renovations Require Help



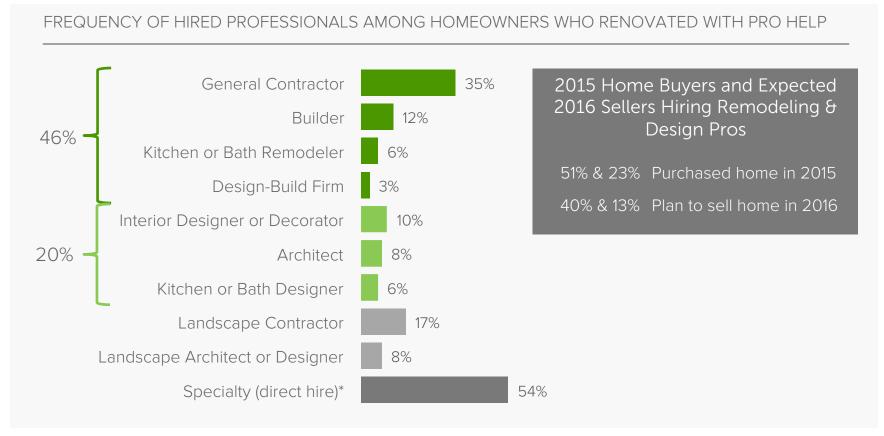
Consistent with last year's findings, more than four in five homeowners renovated their homes with professional help in 2015 (85%). Pro hiring is especially high among homeowners 55 years of age or older (88%) as well as those who recently purchased their home (91%).



#### Remodeling and Design Pros in High Demand houzz



Among those homeowners who hire a professional for their renovations, nearly half hire a professional remodeler such as a general contractor, builder, kitchen or bath remodeler or a design-build company (46%). A fifth hire a design professional such as an architect, an interior designer or a kitchen or bath designer. Recent home buyers are particularly keen on hiring these professionals.

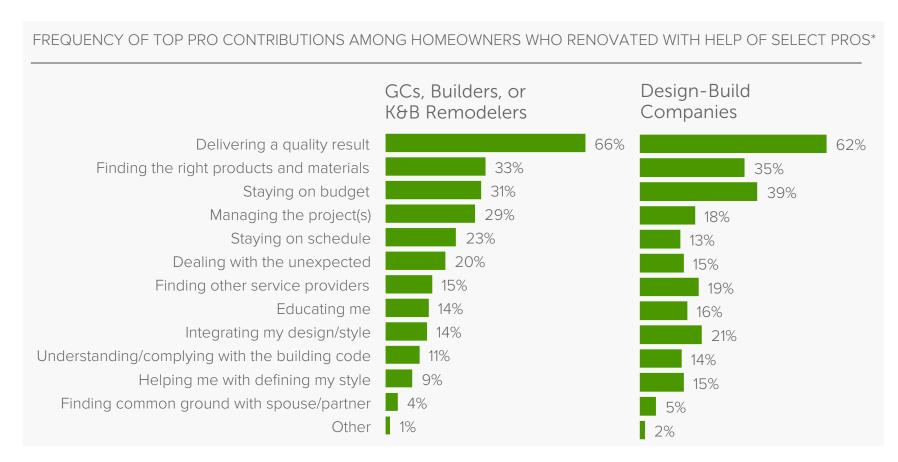


<sup>\*</sup>Refers to all specialties hired without the involvement of a general contractor, builder, kitchen or bath remodeler, or design-build firm.

#### Remodelers Help Find Products & Stay on Budget houzz



Homeowners cite finding products and materials, staying on budget, and managing the project as the most valued contributions of general contractors and design-build companies during their projects, following the delivery of a quality result.

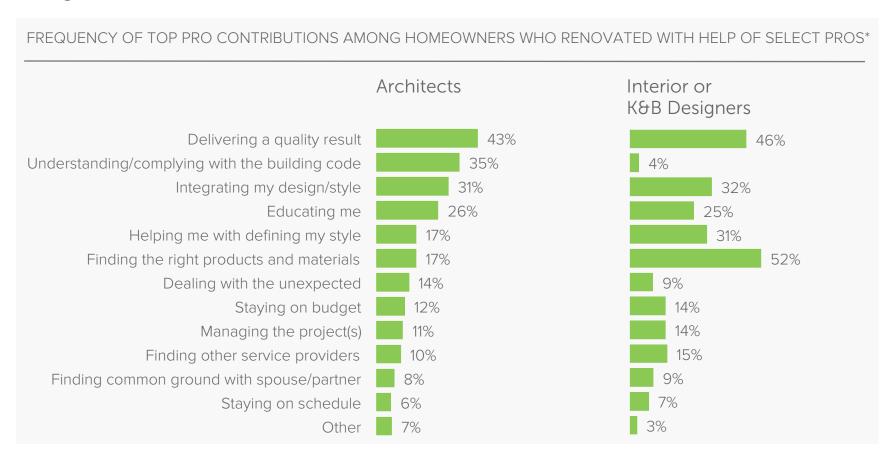


<sup>\*</sup>Select pros includes general contractors, home builders, and K&B remodelers (left chart) and design-build companies (right chart).

#### Design Pros Help Define Homeowners' Ideas



Architects and designers are both valued for integrating and defining homeowners' design and style ideas and educating them. But not all design pros are equal. Homeowners cite architects' understanding of the building code and designers' help with finding products and materials as being among the most valued contributions during renovations.

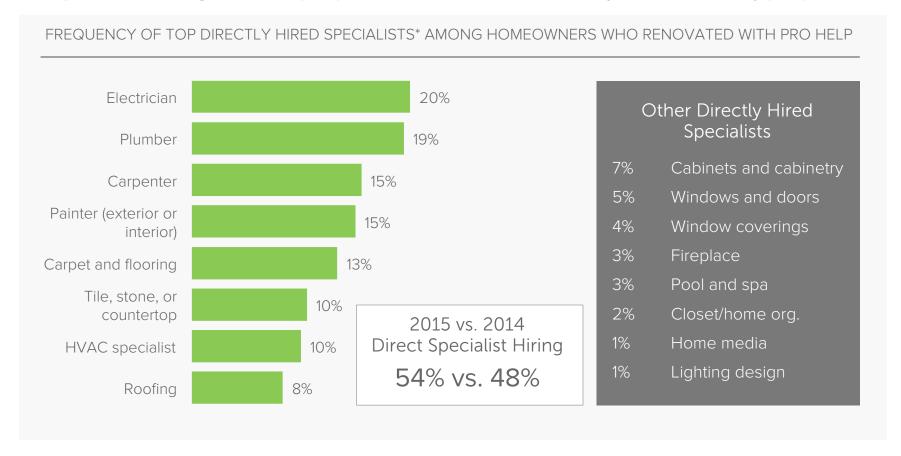


<sup>\*</sup>Select pros includes general contractors, home builders, and K&B remodelers (left chart) and design-build companies (right chart).

#### Uptick in Direct Hiring of Specialty Pros



The share of homeowners who hire specialty pros, such as electricians or HVAC specialists, increased in 2015 relative to 2014 (54% vs. 48%, respectively). Homeowners who expect to sell their home in 2016 are significantly more likely to hire specialists, such as electricians or plumbers, directly, rather than via a general contractor, as compared to an average renovator (60%). At the same time, recent home buyers are not as likely (49%).



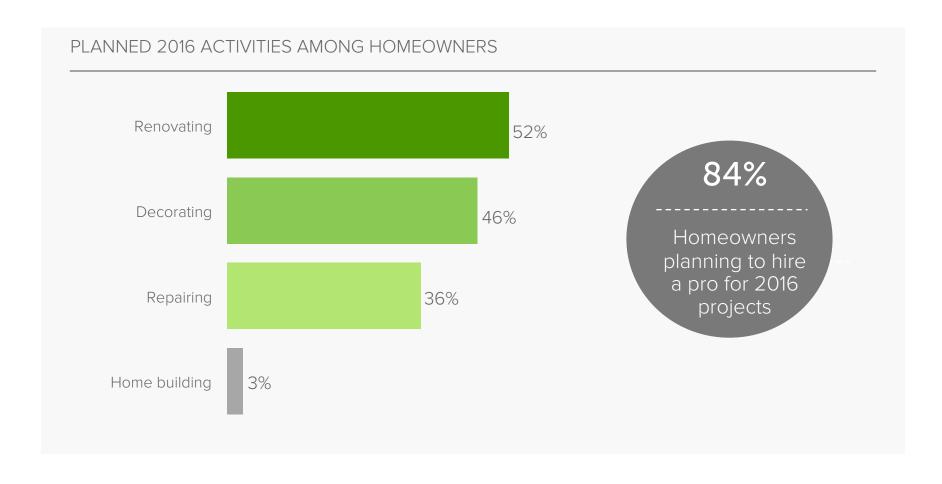


## 2016 AT A GLANCE

#### Concrete Plans to Renovate



Over half of homeowners on Houzz plan to continue or start renovations in 2016 (52%). Nearly half of homeowners plan to decorate (46%). More than four in five plan to hire professional help for their projects.





#### Methodology

The annual Houzz & Home study is the largest survey of residential remodeling, building, and decorating activity conducted. This survey covers every aspect of home renovation in 2015, from interior remodels and additions to home systems, exterior upgrades, and outdoor projects. This includes historical and planned spends, professional involvement, and motivations and challenges behind these projects, as well as planned activities for 2016. The 2016 U.S. Houzz & Home survey gathered information from 121,639 respondents in the U.S., representing the activity of the more than 40 million monthly unique Houzz users.

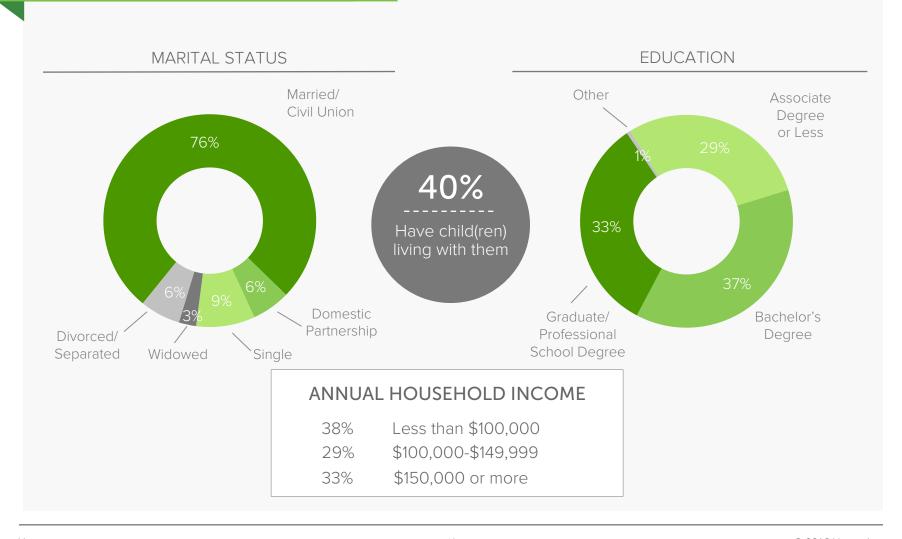
The Houzz & Home survey was sent via email to registered users of Houzz and fielded in March-June 2016. The Farnsworth Group, an independent market research firm, conducted the survey. The current report relies on responses of U.S. homeowners on Houzz (n=121,639) and U.S. homeowners on Houzz who renovated in 2015 (n=71,638).



## **APPENDIXES**



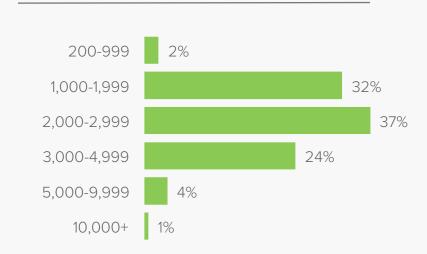
## A. 2015 Renovating Homeowner Demographics





## Homes Renovated in 2015

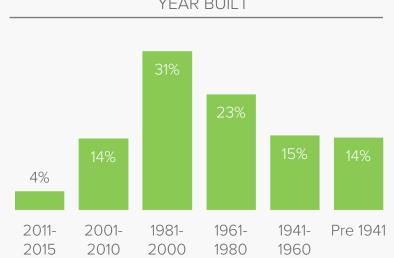
#### HOME SIZE IN SQUARE FEET



#### **OWNER-ESTIMATED HOME VALUE**

20%	Less than \$200,000
50%	\$200,000-\$499,999
30%	\$500,000 or more

#### YEAR BUILT



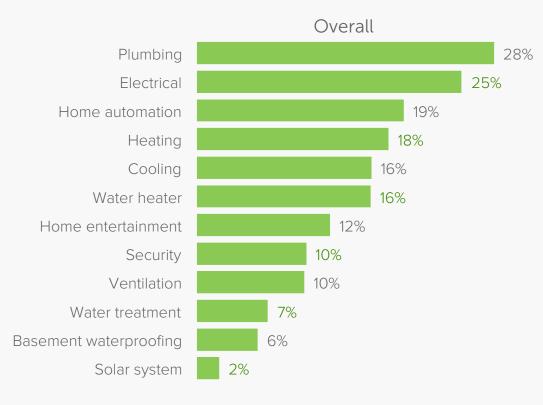
#### **HOME TYPE**

	HOME THE
89%	Single-family detached
4%	Townhouse or row house
2%	Duplex, triplex, quadruplex
5%	Other



# C. Upgrades to Home Systems By Homeowner's Age

#### FREQUENCY OF TOP HOME SYSTEMS UPGRADES BY AGE AMONG HOMEOWNERS WHO RENOVATED



24-35	35-54	55+
31%	28%	27%
30%	26%	23%
26%	20%	17%
18%	18%	18%
16%	16%	16%
15%	16%	16%
15%	14%	10%
13%	11%	9%
12%	10%	10%
7%	6%	7%
7%	6%	5%
2%	2%	2%



### Links to Resources on Houzz

Houzz is the easiest way for people to find inspiration, get advice, buy products and hire the professionals they need to help turn their ideas into reality.

PHOTOS	FIND PROS	BROWSE PRODUCTS	ARTICLES
Kitchen	Architects and Building Designers	Furniture	Most Popular
Bath	Design-Build firms	Lighting	Houzz Tours
Bedroom	General Contractors	Kitchen & Dining	Kitchen Guides
Living	Home Builders	Bath	More Rooms
Dining	Interior designers	Home Decor	Decorating Guides
Home office	Kitchen & Bath Designers	Bedroom	Bathroom Guides
Baby & kids	Kitchen & Bath Remodelers	Storage & Organization	Remodeling
Entry	Landscape Architects & Landscape Designers	Home Improvement	Architecture
Hall	Landscape Contractors	Outdoor	Landscape Design
Staircase	Pools and Spas	Baby & Kids	Garden Guides
		Housekeeping	Fun Houzz
		Pet Supplies	Life