

Prospectus

Home Improvement Markets, 2002 U.S. Markets by Type of Project; Full Customer Demographics

- **Conclusions from the New American Housing Survey – the Nation’s Largest**
 - **Annual Home Owner Spending: 44 Categories**
 - **Do-It-Yourself & Contractor Breakouts**
 - **Demographic Differences: People Who Make Improvements Versus Those Who Don’t**
 - **Summary Study + 23 Tabulation Report Sets**
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Important Information about a new SMR Research Series

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SUMMARY OF THE SERIES

Consumers are now spending about \$114 billion per year on home improvements – more than previous estimates, and helping to buoy an otherwise unstable economy.

This is one of dozens of key conclusions that flow from the newest release of the American Housing Survey (AHS), the nation's largest regular survey on housing and home spending.

Conducted by the U.S. Census Bureau, the AHS asks a huge and fully representative sampling of home owners hundreds of questions. **In 2001, fully 28,703 home owner households participated in the home improvement portion of the research.**

AHS is so large and complex that few firms use it, despite its enormous value. The government produces an AHS database in raw interview form only. Answers to questions are coded; a “de-coding” book of more than 1,000 pages is required just to begin working work with the data.

Happily, SMR Research has been working with AHS data for years. **We now have created an entire series of home improvement reports from the newly released 2001 interviews.**

The main study, Home Improvement Markets, 2002, summarizes our findings on each of 44 types of home improvement projects.

We estimate total national spending for each, with do-it-yourself and contractor breakouts, and then shift to detailed demographic reports on people who make improvements – versus those who could, but don't.

Separately, we have created 23 Research Modules, each of them providing much greater detail on specific types of improvement work.

All of these reports are available in simple Microsoft Word electronic files. The main study also is available in printed form. You don't need to attend classes to figure out how to use this research.

If your company sells home improvement products to consumers or contractors – manufactures home products – insures homes – or finances home improvements – you'll want to know the results of this work.

There are lots of surprises. See Findings in Brief on Page 3 of this Prospectus.

You can obtain all the reports in the series, or only those you feel you need. This Prospectus has the details on what's available. An Order Form is enclosed. Thanks.

FINDINGS IN BRIEF

A Host of Surprises

The AHS database is such a rich source of information that we were able to examine nearly every aspect of the home improvement markets. **Results were often surprising:**

- **Hispanic households now are more likely than any other group, including whites, to do home improvement projects.** In the do-it-yourself field, Hispanics are especially dominant in their probability to do projects.

- AHS has a separate category for disaster repairs – the sole subject of one of our 23 Research Modules. **We find that the frequency of “disaster” repairs rises with home owner incomes.** That’s a very curious outcome, we think, and home insurers in particular should find out why.

- Home owner spending on roofing and kitchen remodeling exceeds all other projects. **Both markets now exceed \$10 billion per year** – the first time any home improvement markets have reached such a level, as far as we know.

- **Out of 28,703 home owner households, only 555 (1.9%) report installing home security systems over a two-year period.** Public concern over crime may be less strident than news stories would make you think.

- **Carports are out; sheds are in.** AHS data suggest that annual spending on sheds and related exterior structures has reached \$3.4 billion. And carports? Almost no one is doing them any longer.

- If you believe that home owner income correlates best with home improvement spending levels, you’re **almost** right. **It turns out that the square footage of living space in a home is the single most predictive variable regarding who will spend how much on improvements.**

- **Presence of children in a household is a huge driver of difference in the frequency of home improvements.**

Comparing households with two adults and no children against those with two adults plus children, the ones with kids were about 20% more likely to make improvements. The difference was **more extreme** in one-adult households. These results have strong implications for home improvement marketing strategies.

- Sometimes, the facts belie your expectations. Going into this research, we thought people in mobile homes would be least likely to make improvements. **But in do-it-yourself work, a larger percentage of mobile home residents made improvements than people living in regular homes.**

RESEARCH HIGHLIGHTS

What Makes This Study Different

Before we launched this series, we took a look at some existing research on home improvement markets. **We saw some ways to make improvements.**

Most demographic research on this – or any other – line of business will take a close look at who the customers really are. But you don't get the full story until you also look at non-customers, too.

Here's an example of what we mean: Among home owners who do kitchen remodeling, the most common age range is 41 to 45 years old. Good enough...so far.

There's a reason. People 41 to 45 happen to be a very large portion of all home owners, so they also are a large portion of those who spend on kitchen remodeling. **More interesting: Young home owners, aged 26 to 30, are the most likely to do kitchen remodeling.**

Out of all home owners aged 26 to 30, fully 8.1% did remodeling jobs during the two years covered by the AHS survey. Among all home owners aged 41 to 45, only 5.7% did kitchen remodeling.

So, marketing to the 41-to-45 crowd makes sense. But targeting a younger group may garner a larger return per marketing dollar spent.

You only find out these facts by looking at the whole universe: customers and non-customers alike. Every table in every SMR report does this in the Home Improvement series.

In addition, we look at spending two ways: spending per home improvement project, and spending per household.

There can be quite a difference. Looking at all home improvement projects of all kinds recently done, the average "spend" per project was \$2,447. But lots of households did more than one type of project in the two-year period covered by the AHS survey. **Result: Average spending on improvements per household was a heady \$5,930.**

Since the customers are people, the spend per household is at least as important as the spend per project.

All financial and demographic data in our volumes also are broken out for do-it-yourself versus contractor work.

If you have questions about any part of this research series, please feel free to call us at 908-852-7677.

List of Research Reports

Home Improvements, 2002: Main Study. 97 pages.

The main study provides an overview of all the individual home improvement markets by project type. It shows average spending per project on each and estimated total annual U.S. market size.

The main study also includes demographic data on people who did and did not do improvements of any kind, do-it-yourself and contractor breakouts, charts, and SMR plain-text analysis of results.

On demographics, the main study shows, for example, the ages of people who do any kind of home improvement. To look at the ages of only those people who install new plumbing fixtures, you need Research Module 15, shown below.

Research Modules

Each module is 46 pages, solely comprised of tabular results. See Page 6 for a list of tables.

Module #	Description
1	Full room construction projects
2	Bathroom remodeling
3	Kitchen remodeling
4	Porches & decks
5	Garages, carports, sheds, and other non-recreational outdoor structures
6	Roofing
7	Siding
8	Wall-to-wall carpeting
9	Other flooring (not carpeting)
10	Paneling
11	Driveways, walks, patios, and terraces
12	Fences & walls
13	Pools, tennis courts, other recreational structures
14	Major yard & lot improvements
15	Plumbing fixtures, water heaters, dishwashers, & garbage disposals
16	Water pipes & septic tanks
17	Central air conditioning
18	Heating systems
19	Wiring, circuit breakers, and related
20	Doors & windows
21	Insulation
22	Security systems
23	Disaster repairs

Tables in Each Report

U.S. annual market size and spending per project for the projects covered in the report (all projects in the Main Study)

- Table 1: All projects • Table 2: Do-it-yourself only • Table 3: Contractor only

Percentage of totals: Do-it-yourself versus contractor projects

- Table 4: All projects

Distribution of projects by ranges of amount spent per project

- Table 5: All projects • Table 6: Do-it-yourself only • Table 7: Contractor only

Distribution of projects by ranges of amount spent per household (Note: In Research Modules on single types of projects, like kitchen remodeling, spending per project and spending per household will usually be the same; few households would do two kitchen remodelings during the survey period.)

- Table 8: All projects • Table 9: Do-it-yourself only • Table 10: Contractor only

Age ranges of heads of households

- Table 11: All projects • Table 12: Do-it-yourself only • Table 13: Contractor only

Education levels of heads of households

- Table 14: All projects • Table 15: Do-it-yourself only • Table 16: Contractor only

Size of the household (number of people living in the home)

- Table 17: All projects • Table 18: Do-it-yourself only • Table 19: Contractor only

Household types (singles, single parents, 2 adults with children, 2 adults without children, 3+ adults with children, 3+ adults without children)

- Table 20: All projects • Table 21: Do-it-yourself only • Table 22: Contractor only

Income ranges of households

- Table 23: All projects • Table 24: Do-it-yourself only • Table 25: Contractor only

Marital status of heads of households (married; married, spouse absent; widowed; never married; divorced; separated – with troubled marriage subtotals)

- Table 26: All projects • Table 27: Do-it-yourself only • Table 28: Contractor only

Race and Hispanic ethnicity of heads of households

- Table 29: All projects • Table 30: Do-it-yourself only • Table 31: Contractor only

Gender of heads of households

- Table 32: All projects • Table 33: Do-it-yourself only • Table 34: Contractor only

Ranges of square footage of living space in the home

- Table 35: All projects • Table 36: Do-it-yourself only • Table 37: Contractor only

Type of home structure (1-unit detached house; 1-unit attached; 2-4 units in building; over 4 units in building, and mobile homes)

- Table 38: All projects • Table 39: Do-it-yourself only • Table 40: Contractor only

Years of residence in the home at the time home improvements were done

- Table 41: All projects • Table 42: Do-it-yourself only • Table 43: Contractor only

Likelihood of home improvements by the year in which a home was built

- Table 44: All projects • Table 45: Do-it-yourself only • Table 46: Contractor only

Sample SMR Demographics Table & How To Read It

SQUARE FOOTAGE OF HOMES ¹

Universe: All Home Improvement Projects ²

(Data: American Housing Survey, 2001. Projects done over 2 years from mid-1999 to mid-2001.)

Square Feet of Living Space	³ Spent on ⁴ 1+ Improvements, 1999-2001		⁵ \$ Spent Per Household	⁶ Made No ⁷ Improvements, 1999-2001		⁸ Percentage Likelihood of Making Improvements
	# in Survey	% in Survey		# in Survey	% in Survey	
0-750	452	3.0	2819	528	4.5	46.1
751-1000	1358	9.1	3201	1260	10.7	51.9
1001-1250	1729	11.6	3851	1533	13.0	53.0
1251-1500	2262	15.2	4295	1751	14.8	56.4
1501-1750	1549	10.4	5170	1244	10.5	55.5
1751-2000	2330	15.6	5902	1645	13.9	58.6
2001-2500	2288	15.3	6806	1700	14.4	57.4
2501-3000	1406	9.4	8127	1017	8.6	58.0
3001-4000	966	6.5	12063	718	6.1	57.4
Over 4000	568	3.8	13283	417	3.5	57.7
Totals	14908	100	6034	11813	100	55.8

Key

- ¹ **Demographic subject.** In this case, it's the square footage of homes of people surveyed.
- ² **Universe** for this table involves all types of home improvement projects. For other tables, the universe will be only the do-it-yourself projects, or only the contractor projects.
- ³ **Number** of people surveyed who **did improvements** and had homes in this square footage range.
- ⁴ **Percentage** of home owners who did improvements by square footage ranges. This column tells you the most **common type of customer** by the variable in question, in this case square footage of the house.
- ⁵ **Spending per household** in the square footage range for people who made improvements. Spending occurred over the two years covered by the survey.
- ⁶ **Number** of home owners in the survey who **did not make improvements** by square footage ranges.
- ⁷ **Percentage** of home owners in the survey who did not make improvements by square footage ranges.
- ⁸ **Percentage likelihood of making an improvement.** This very important column shows, for example, that of all people living in homes of 750 square feet or less, only 46.1% made home improvements, well below the 55.8% average shown at the bottom. Peak likelihood of making improvements occurs with homes of 1,750-2,000 square feet of living space.

More About AHS

AHS gathers information on more home improvement projects than any other survey. **One reason: In AHS interviews, home owners are asked to report on improvements they made over a prior two-year period.**

Results reflect all projects done from mid-1999 through mid-2001. By asking about projects done over two years rather than one, AHS gathers twice the data that annual surveys would.

Another advantage of the AHS survey is the simple fact that the Census Bureau did it. The Bureau is the most experienced surveying outfit, and consumers do tend to cooperate with official surveys.

Also, since the government paid for these 28,703 interviews to be done, we can offer results at low cost. It took a lot of time and data processing to do the tabulations, but we ducked the biggest expense – doing the interviews.

A final note: No survey is perfect. AHS asks consumers about virtually every type of improvement except one – painting. When AHS asks respondents what they spent on large projects, they include the cost of painting. But there is no separate AHS category for stand-alone interior or exterior painting jobs, which the Census Bureau appears to regard as maintenance work.

Using The Research

Retailers: AHS tells you directly about your customers – the types of home owners who do (versus those who don't) purchase do-it-yourself supplies. It tells what they spent. It also covers home owners who hire contractors, showing what they spent and who they are. AHS results should be a direct and powerful aid to advertising and marketing strategies.

Manufacturers: AHS shows ultimate gross retail market size for each type of home improvement job. In addition, although your direct customers may be retailers, contractors, or distributors, your ultimate customers are home owners. Knowing them better is a key to success.

Home Insurers: Home owners regularly add value to their homes, but often fail to increase their insurance coverage to match. SMR's **main study** will help you put parameters around this problem by showing the frequency and total gross spending on each type of improvement. Separately, Research Module #23, **Disaster Repairs**, appears to indicate that home owners who report these items are not random – and we think that's a subject you will want to check out.

Home Equity Lenders: Many loans are used for debt consolidation, but home improvements are the second most common use. They also have less credit risk, since major improvements raise home values and cut loan-to-value ratios. People described in this research are the best kinds of home equity customers. You can get to know them better (and target better) using the main study.