

Transforming the American Home

Findings from the 2014 Houzz & Home Survey

With nearly 200,000 respondents globally, this year's Houzz & Home survey is the largest survey of residential remodeling and decorating activity ever conducted. Robust sample sizes yielded detailed data at the national, regional, and metropolitan area levels, which Houzz used to examine differences in priorities, plans and budgets among Houzz users¹ across the United States.²

In addition, this year's study examines the connection between the housing market and building and remodeling plans, as well as the differences between Millennials and those in other age groups. Key findings include:

Remodeling trumps moving, except for Millennials

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Homeowners undertaking remodeling projects plan to stay in their home for the long term, and are motivated by a desire to improve the aesthetics and functionality of their home to meet their needs. Millennials, however, are more likely than other age groups to renovate with an eye on moving and increasing the resale value of their current home.

Optimism about the housing market fuels renovation

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Homeowners reported confidence in both the housing and renovation market recovery last year, and we continue to see this optimism among homeowners across the country. Homeowners who report an improved housing market are more likely to be planning a remodel than they are to have immediate plans to cash in on improved markets.

Finding products a bigger challenge than funding renovations

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The percentage of homeowners who found funding their project or staying on budget a challenge dropped eight points from last year's study to just 19 percent. Finding the right products is #1 on homeowners' list of challenges, while funding dropped three spots this year to #6. The vast majority of homeowners are using available cash to complete a project instead of other financing options.

Bigger isn't better

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The vast majority of renovations are happening within the existing footprint of homes, however owners of mega-homes are more likely than other groups to do major space additions. Differences in the age of housing inventory across regions of the U.S. correspond to differences in project scope.

¹ Houzz had more than 20 million monthly unique users at the time the survey was fielded in January-March of 2014. Houzz is issuing a separate report that specifically examines Canadian renovation.

² Houzz is issuing a separate report that specifically examines Canadian renovation.

Hiring professional help for kitchens, baths and new flooring projects

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A majority of homeowners planning major home renovation or decoration projects in the next two years are also planning to hire professional help.



Remodeling Trumps Moving

Homeowners who are remodeling plan to stay in their homes for the long term. They are making changes so their homes better meet their needs (66 percent) and, while they hope to increase their home values through renovations, they have no plans to move in the near future (53 percent). Millennials who are remodeling are more likely to aspire to move to a new home in the next five years and 36 percent of them are remodeling to increase home value with an eye on moving to their next home. Only a quarter of respondents in all other age groups are similarly motivated.

Twenty-four percent of U.S. homeowners who are remodeling say they would prefer to move but that remodeling their home makes more economic sense at this time, and one in five homeowners (22 percent) say home prices are too high to even consider a move. This is a much bigger factor for homeowners in the West (26 percent) and the South (23 percent), regions where homeowners report the most significant housing market recovery (more on the economy below). Homeowners in San Jose, CA (39 percent), San Francisco, CA (36 percent), Los Angeles, CA (33 percent) and Miami, FL (30 percent) were among the most likely to report that prices are too high to move. High home prices are also keeping Millennial and single buyers away with 25 percent of Millennials and 29 percent of single homeowners saying they would prefer to move but prices are too high to consider doing so at this time. Homeowners in Chicago, IL and Minneapolis, MN (both at 18 percent), Indianapolis, IN (16 percent) and Columbus, OH (14 percent) were among those least likely to feel that home prices are too high to consider moving.

“Homeowners who are remodeling plan to stay in their homes for the long term”

Remodeling and the Economy: Percent of Homeowners who Agree

	<35	35-44	45-54	55+
I would prefer to move but remodeling my current home makes more economic sense for me at this time	24%	26%	25%	22%
Home prices are too high for me to consider moving at this time	25%	25%	22%	21%
I plan to stay in my current home for the long term but it needs some changes to better meet my needs	59%	68%	66%	67%
I am remodeling my home to increase its resale value and plan to move in the next 5 years or less	36%	25%	25%	24%
I am remodeling my home to increase its resale value but I have no current plans to move in the next 5 years	56%	56%	54%	51%

Q: Please indicate your level of agreement with the following. Base: U.S. homeowners. Chart shows percentage of homeowners who strongly/somewhat agree.

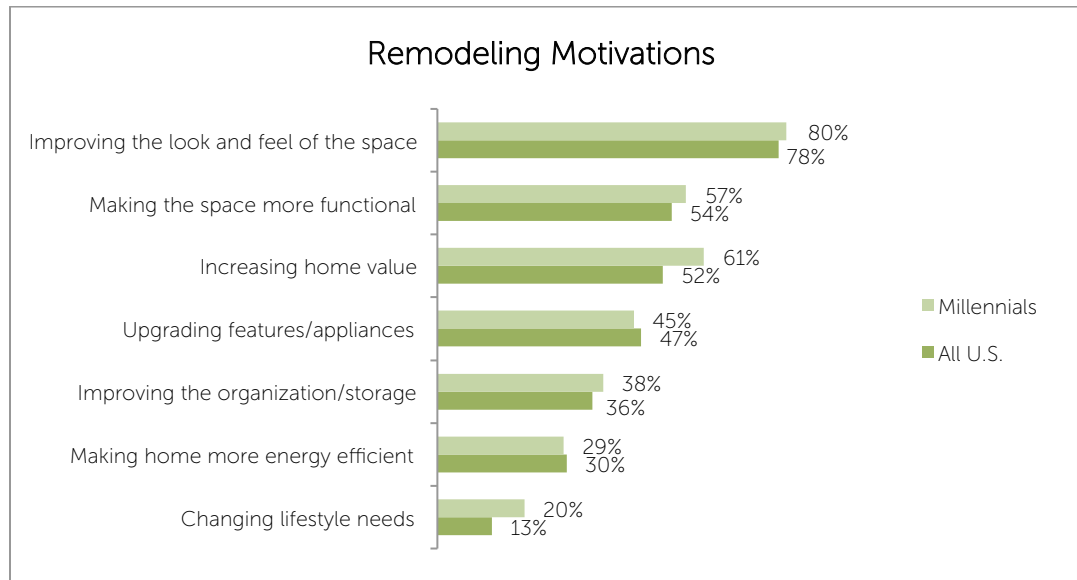
In the next one to two years, U.S. homeowners are much more likely to have a remodel in the plans (41 percent) than a new home purchase (11 percent). Regionally, homeowners are remodeling in similar numbers but those in the Northeast and West (both at 46 percent) are most likely to have done so in the past five years.

Motivations

Consistent with prior years, the vast majority of homeowners (78 percent) remodeled to improve the look and feel of their space. Secondary factors include making the space more functional (54 percent), increasing home value (52 percent) and upgrading features/appliances (47 percent).

Improving energy efficiency is also a key motivator for homeowners of all ages in the Northeast (33 percent) and West (31 percent), with Colorado Springs, CO (38 percent), San Jose, CA (36 percent) and Portland, ME (36 percent) topping the list. Homeowners in the West were more likely to be motivated by incorporating the use of recycled/reused materials (nine percent) versus the rest of the country (seven percent). This is particularly true of homeowners in Santa Barbara, CA (13 percent) and Tucson, AZ, Colorado Springs, CO and Boise, ID (all 12 percent).

Millennials are significantly more motivated than other age brackets to remodel to increase their home value (61 percent) and accommodate changing lifestyle needs (20 percent).



Q: Which of the following were important in your decision to complete your most recent project? Please select all that apply. Base: U.S. homeowners



An Improved Housing Market

While people remain cautious about the economy overall, 74 percent of U.S. homeowners say the housing market in their area has improved in the past year. This sentiment is highest among homeowners in the West (85 percent) followed by those in the South (73 percent). San Jose, CA, San Francisco, CA (both at 93 percent), Phoenix, AZ and San Diego, CA (both at 91 percent), and Miami, FL (89 percent) are local market examples. Homeowners in the Midwest (71 percent) and Northeast (66 percent) are more temperate on the recovery. While only six percent of people nationwide said their local housing market declined in the past year, outliers were found in these two regions. Fourteen percent of homeowners in Lexington, KY and 13 percent of homeowners in Toledo, OH, Dayton, OH and Syracuse, NY, for example, reported a worsened housing market in the past year.

Housing Market Sentiment by Region

	Northeast	South	Midwest	West
Improved Significantly	13%	22%	14%	34%
Improved Somewhat	53%	51%	57%	51%
Unchanged	26%	19%	21%	11%
Declined	7%	6%	7%	3%
None	2%	2%	1%	1%

Q: Which of the following best describes the housing market in your area? Base: U.S. homeowners and renters

Homeowners who report an improved housing market are more likely to be planning a remodel (42 percent) than they are to have immediate plans to cash in on improved markets. Only a fraction of U.S. homeowners are planning to sell a home (17 percent) and even fewer have plans

to buy a home (13 percent) in the next two years. Not surprisingly, these numbers are very different for renters as 48 percent of those who report a significantly improved local housing market have plans to purchase a home in the next one to two years and 21 percent plan to build a custom home (versus eight percent of homeowners).

Millennials are less impacted by the economic climate, perhaps because their plans are smaller in scope. Sixty-two percent said the economy has impacted their future building, remodeling or decorating plans (compared to 70 percent of 35-44 year olds, 75 percent of 45-54 year olds, and 71 percent of those over 55). Thirty-three percent of Millennials said the economy had little or no impact on their future plans (compared to 28 percent of 35-44 year olds, 23 percent of 45-54 year olds, and 26 percent of over 55s). This makes sense given the lower level of financial commitment this age group is making at this stage in their life; Millennials spent less than other age groups in the past five years on all types of projects and plan to spend less on future projects.



Top Renovation Challenges

While funding a building or remodeling project/staying on budget was among the top three challenges last year for U.S. homeowners, with 27 percent citing it as challenge, just 19 percent said funding the project or staying on budget was a challenge this year.

“Eight in ten homeowners paid for their project in cash”

That drop isn't due to any easing of financing options, as eight in ten homeowners paid for their project in cash. Millennials were more likely to borrow from friends and family to pay for their recent project compared to other age groups (four percent versus one percent, respectively), and are more likely to have used a credit card (30 percent) to finance their last remodeling or building project than other age groups (21 percent).

Funding Sources by Age

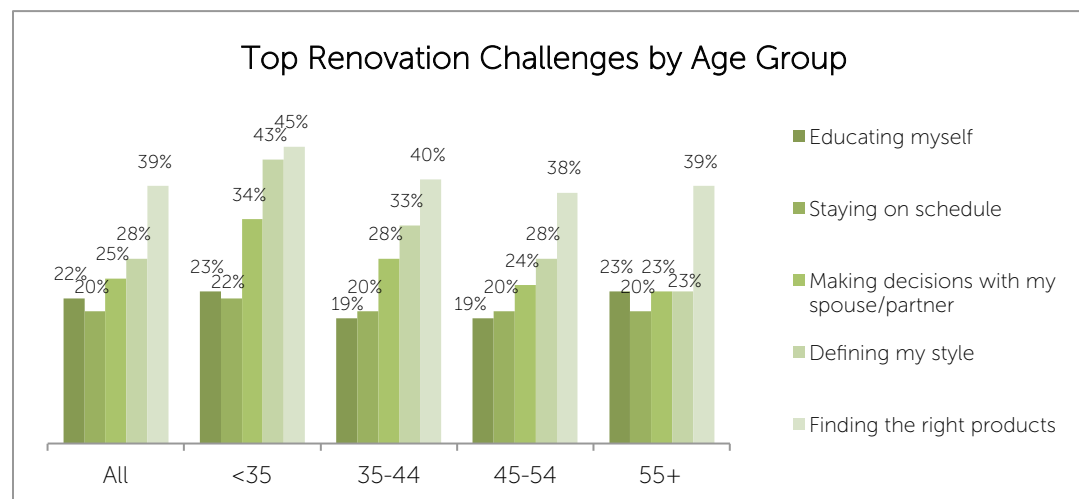
	<35	35-44	45-54	55+
Paid in cash/from personal finances	80%	79%	79%	81%
Used a credit card	30%	23%	21%	21%
Took out a loan of any type	15%	18%	15%	13%
Borrowed money from friends/family	4%	3%	1%	1%
Borrowed from retirement or pension account	1%	2%	2%	3%
Refinanced home mortgage and got cash back	1%	3%	3%	2%
Other	3%	3%	4%	4%

Q: Which of the following did you or the decision maker use to pay for your most recent project? Please select all that apply. Base: U.S. homeowners

The mix of those staying on budget versus those who did not is consistent with last year's study. Homeowners are nearly as likely to stick to their budgets (34 percent) as they are to go over

budget (38 percent). But as in the past, very few (five percent) came in under budget. One in five homeowners (20 percent) did not have a budget at the start of their project. Homeowners in the Northeast were again most likely to go over budget (41 percent) followed by those in the West (39 percent). Homeowners in the South were most likely to stick to their budget (35 percent).

Finding the right products was a top challenge for homeowners of all ages across the country (39 percent), followed by defining my style (28 percent), making decisions with my spouse or partner (25 percent), educating myself (22 percent), and staying on schedule (20 percent). Funding the project or staying on budget took sixth place on the list of challenges (19 percent). Millennials found finding the right products (45 percent), defining their style (43 percent), making decisions with their spouse or partner (34 percent) and funding the project (30 percent), more challenging than did other age groups.



Q: If you think about your last remodeling or decorating project, which of the following, if any, did you find challenging? Please select all that apply. Base: U.S. homeowners



Bigger Isn't Better

When it comes to size, the study found that U.S. homeowners are doing more with less as 76 percent retained their home's existing footprint in their last remodeling project. Those with large homes are going even bigger – homeowners with homes larger than 4,000 sq. ft. are twice as likely to make additions of 1,000 sq. ft. or more (10 percent versus five percent, respectively). Among those who are adding square footage, the average addition is 862 sq. ft.

Propensity to expand footprint grows with age as just eight percent of Millennials added square footage to their homes versus 15 percent of 35-44 year olds, 22 percent of 45-54 year olds and 25 percent of those 55+. Regionally, homeowners in the Northeast are most likely to add size to

their homes (25 percent) versus those in the South (20 percent), West (20 percent) and Midwest (19 percent). This correlates with older home inventory in the Northeast.

Additions: Square Footage Added by Region

	Northeast	South	Midwest	West
Increased square footage by 1,000 sq. ft. or more	8%	5%	5%	5%
Increased square footage by 500 to 999 sq. ft.	10%	8%	8%	8%
Increased square footage by less than 500 sq. ft.	7%	7%	6%	7%
No change/unchanged square footage	71%	77%	78%	78%

Q: Has the size of your home changed in the time that you've lived there? Base: U.S. homeowners

Those increasing square footage are also more likely to be motivated by changing lifestyle needs than those who are maintaining their existing footprint (19 percent versus 10 percent), making their space more functional (62 percent versus 51 percent) and changing the function of a room (24 percent versus 15 percent).

Project Scope

Scope varies significantly by region, likely due to differences in the age of homes. In homes 50 years and older, homeowners are significantly more likely to make updates to framing/structural work, install new windows or skylights, change the location of a gas line or plumbing and install new cabinets, than homeowners in newer homes. This work is least common in the South where nearly half of homes are 25 years old or newer (47 percent). In the Northeast, where nearly half of homes are 50+ years old (48 percent), homeowners are most likely to relocate the heating, ventilation or air conditioning, particularly in the bathroom (39 percent), media room (37 percent), bedroom (36 percent) and living room (36 percent).

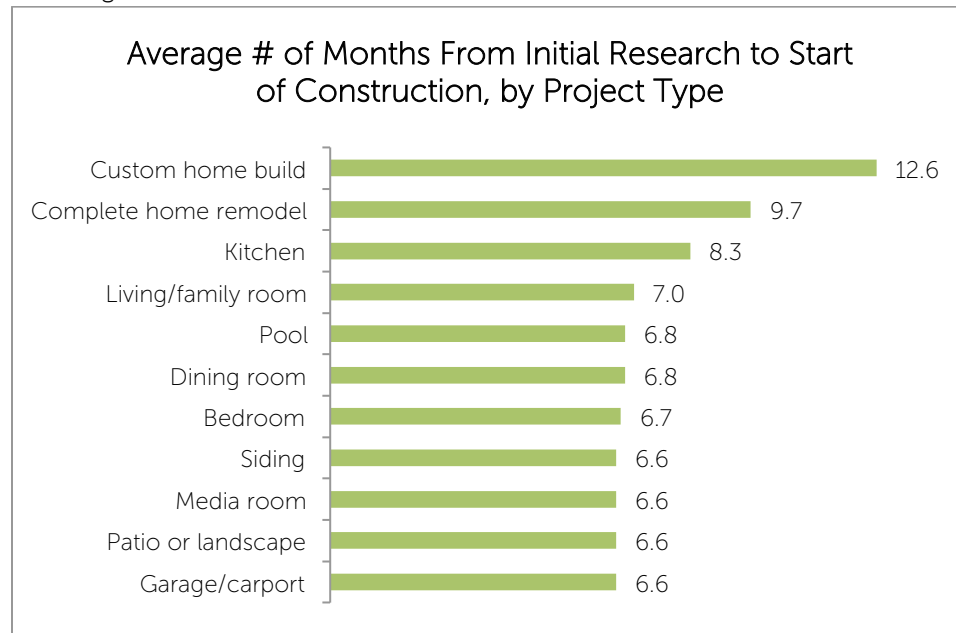
“Remodeling rates ramp up when a home reaches 25 years old”

Age of home is also a significant factor in homeowners' remodeling activity. The older the home, the more likely an owner is to have completed any type of remodel. Homes 75 years and older are more than twice as likely to undergo a remodel or addition than those 10 years and younger. The rate of completing most projects ramps up once a home reaches 25 years of age.

Younger homeowners are less likely to have made structural changes such as adding new finished square footage or windows, preferring instead to tackle smaller projects like updating cabinetry, tile work, lighting and flooring, than other age groups. Similarly outside, Millennials are less likely than older age groups to build a new deck or patio (39 percent versus 46 percent), a new structure like a shed, pergola or arbor (18 percent versus 24 percent), or install new irrigation (16 percent versus 21 percent), but are most likely to install a fire pit or other fire feature (21 percent versus 16 percent).

Planning Horizons

From initial research to the start of construction, homeowners spend six months to a year planning for big ticket renovation projects including custom home builds (12.6 months), complete home remodels (9.7 months) and kitchen remodels/additions (8.3 months). Millennials spent less time on average planning for their last project, which correlates with smaller scopes and budgets.



Q: Thinking about the time you spent getting ideas and gathering information for your most recent project until the day you started construction or began to make the changes, how long did that process take? Base: U.S. homeowners



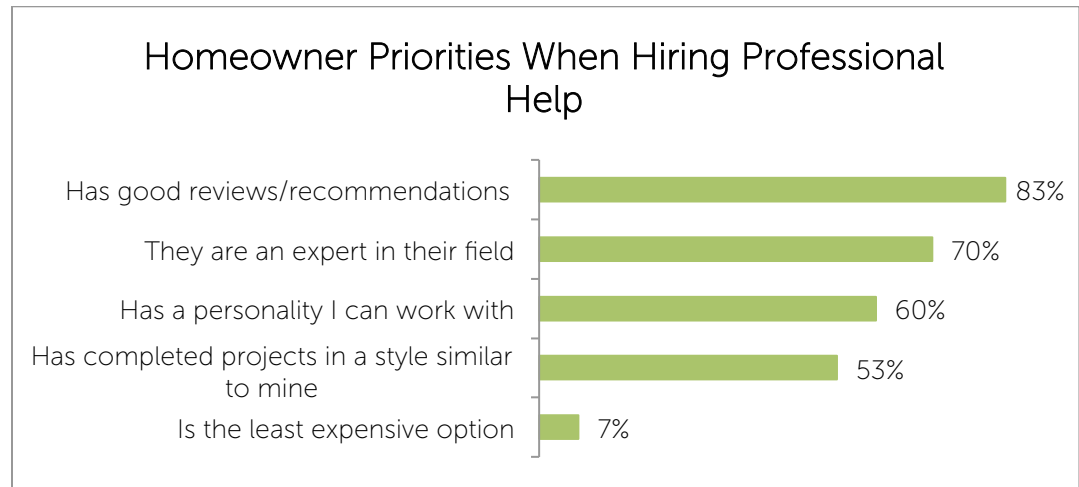
Majority Hiring Professionals

For homeowners planning projects in the next two years, more than half plan to hire a general contractor (52 percent), with Albany, NY (64 percent) topping the list among major and secondary metro areas. Carpet and flooring professionals are also in demand (34 percent) as well as tile, stone or countertop professionals (30 percent). Twenty-one percent of homeowners are looking for kitchen or bath remodelers, while 17 percent plan to hire an architect and the same number plan to hire an interior designer. Hiring is not just limited to homeowners, as 40 percent of U.S. renters on Houzz plan to hire an architect and 32 percent plan to hire an interior designer for some home job in the next two years. This makes sense given that 17 percent of U.S. renters on Houzz plan to build a custom home and 41 percent plan to purchase a home in the next two years.

Hiring Criteria

When selecting a professional, homeowners most value recommendations and reviews (83 percent of homeowners rated this as very important (a five on a five-point scale). Also important

is that the professional is an expert in their field (70 percent), has a personality the homeowner can work with (60 percent) and has completed similar projects (53 percent).

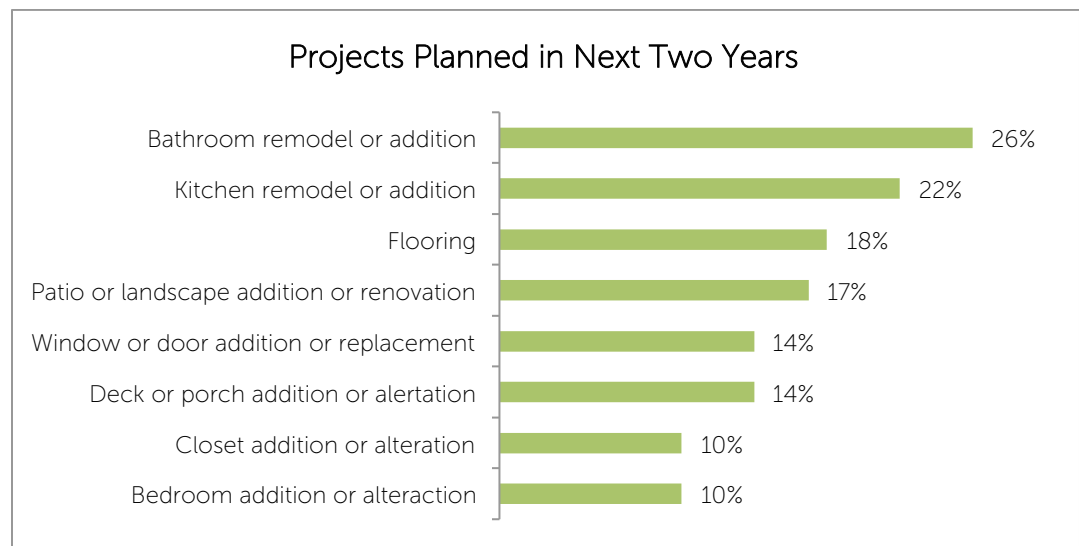


Q: When choosing a professional to work on remodeling or decorating in your home, on a scale of 1 to 5, how important are each of the following Base: U.S. homeowners. Chart shows those who chose 5 for each category.

Among Houzz homeowners, of least importance is finding a professional who offers the lowest bid (just seven percent make this a top priority – down from eight percent last year). Price matters most for Millennials, for whom this number jumps to 13 percent.

Popular Projects

Bathrooms and kitchens top renovation project lists again this year among those planning a project, with 26 percent of U.S. homeowners planning a bathroom remodel or addition and 22 percent planning a kitchen remodel or addition in the next two years.



Q: You indicated that you are planning to complete a custom home build, remodel and/or decorating project in the next two years. Which of the following types of projects do you plan on completing in that time frame? Select all that apply. Base: U.S. homeowners

Spending on the Kitchen

Kitchens command top dollar and continue to see the highest overall budget allocation with U.S. homeowners spending an average of \$26,172³ to remodel this space. A majority of kitchen remodels include new countertops (89 percent), new appliances (86 percent) and electrical work (83 percent). Homeowners in the Northeast and West spent the most on kitchens, averaging \$32,155 and \$29,411, respectively (versus \$23,946 in the Midwest and \$21,894 in the South). This is especially true in San Francisco, CA and San Jose, CA, where homeowners spent the most on kitchen remodels at \$44,742 and \$43,928, respectively. Homeowners in Bridgeport, CT (\$41,294) and New York, NY (\$39,515) were the other top spenders for kitchen remodels.

Millennials spent less than other age groups on all types of projects in the last five years and plan to spend less than other age brackets for future projects. For patio and landscape work, for example, homeowners over 55 plan to spend more than twice as much as Millennials (\$7,870 versus \$3,769, respectively). However, more than half of Millennials plan on spending more in the next two years than they did in the last two.

Custom Homes

Homeowners with household incomes of \$100K or more were twice as likely to build a custom home than those with household incomes below \$100K (eight percent versus four percent). Homeowners in the West tend to spend the most on custom home builds, averaging \$692,174, far above the national average of \$569,838, for those who hired a pro for their projects. Homeowners spent most on custom homes in San Francisco, CA, averaging \$1,146,000 – more than three times more than in Oklahoma City, OK (\$323,094), the market with the lowest spend on a custom home build.

Regional Spend on Custom Home Builds (\$000)

New England	Mid Atlantic	South Atlantic	East North Central	East South Central	West North Central	West South Central	Mountain	Pacific
\$679.2	\$561.4	\$580.8	\$498.5	\$447.2	\$482.6	\$504.9	\$540.7	\$815.9

Q: Thinking about the budget for the custom home build you recently completed, how much, in total, did you spend? Please think about each part of the project and the costs incurred for materials and labor. Base: U.S. homeowners who hired a service provider

Renters plan to spend \$543K on average for a custom home build.

³ Mean kitchen spend is among those who hired a pro and DIY to complete all or part of their project. It also includes both major and minor renovation projects.

Decor

Homeowners and renters on Houzz are just as likely to decorate and nearly three quarters of those in the U.S. are planning a decor project in the next two years (73 percent). Surprisingly, renters are more likely than homeowners to hire a professional for their interior (21 percent versus 17 percent, respectively).



A Significant Personal Investment

While caution about the economy remains, significantly more homeowners on Houzz are able to fund their remodeling projects this year compared with last year, and they are investing to create a home that meets their needs now and for the long-term. With the exception of Millennials, the majority of homeowners who are remodeling to increase the resale value of their homes have no plans to move in the near future. The American home is also evolving, as homeowners incorporate new technologies, recycled materials and make their homes more energy efficient. The investment in home renovation is as much a personal investment as a financial one.

These findings are consistent with those of a recent survey⁴ of home professionals on Houzz, which found that 90 percent of North American residential builders, remodelers and designers expect revenue growth in 2014. That survey also found that the majority of home professionals (70 percent) experienced revenue growth in 2013 compared to the year prior, driven both by an increase in number of projects and in the average revenue per project.



Methodology

Houzz users (Houzzers) are passionate about their homes, and about being a part of the Houzz community. This year the community shared their experiences on a massive scale. We received nearly 200,000 survey responses spanning every one of the world's countries (compared to a little over 100K in 184 countries in 2013), despite the fact that the survey was only offered in English.

Houzz and Edge Research conducted an online survey among registered users of Houzz in mid-January to mid-March 2014, emailing invitations to take the survey.

A total of 192,536 registered users completed the survey.

⁴ Houzz, March 27, 2014 "[Home Professionals Bullish on Business Growth](#)"