

Repair & Remodeling in a Recession

Wood Product Opportunities

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This report was produced as part of the Value to Wood Program, funded by Natural Resources Canada – Canadian Forest Service.

A strategy for repair and renovation products in a down economy is based on the some basic assumptions:

- Maintenance and repair activities will continue at a relatively normal pace.
- Small renovations (under \$5,000) will continue at a relatively normal pace.
- Renovations up to \$10,000 will be spurred by the Home Renovation Tax Credit.
- Homeowners will likely stay in their homes longer rather than sell.
- Sustainability and the use of environmentally friendly products will influence and sometimes drive repair and remodeling in this down cycle.

For more information please see the companion Market Trends brochure, *Repair and Remodeling Trends: Repair and Remodeling in a Turbulent Economy*, which details expenditures and demand drivers in down economies.

Maintenance and Repair

These non-discretionary expenditures are made to retain the integrity of the home. Most of the mandatory wood maintenance and repair projects involve outdoor applications where degradation is due more to the elements than to wear and tear by occupants.

Roof Replacement/Repair

This is not a large category for wood products as wood has a low market share in roofing products. However, re-roofing often involves replacement of wood sheathing. On the value-added side, fascia and soffits are often replaced at the same time.

Siding Replacement/Repair

Siding replacement and repair can be delayed more than roofs, but in the end repair is unavoidable. Wood siding is now a premium level product, and repairs are being made with the same, or like materials. There is also a trend back to wood shingles in replacements. The trend is to use wood shingles as a highlight feature, rather than for full walls.

Fence Replacement/Repair

Fence replacements and repairs are partially discretionary as they are not essential to the structure of the building. However, the general unsightliness of a broken fence and the low cost of replacement makes this project an easy sell.

Deck Replacement/Repair

Decks in ill-repair are unsightly and dangerous. This makes deck repairs unavoidable. However, add in the current trend to living more outdoors and deck repairs are a higher priority than in the past.

Window Replacement

Window replacement can fall under repair, improvement, or even as a result of energy saving motivations. For homes with original wood windows in place, there is a certain level of demand for replacement of older decayed windows with similar looking new wood windows. To maintain their look and character, heritage homes often require replacement wood windows with modern features.

Storm Repair

All the above products are subject to storm damage. Storms cause non-discretionary repairs to exterior housing components. These repairs are certain to be made when insurance claims are involved.

Indoor Repair

Indoor repair and replacements are often not mandatory as the environment is much more controlled. Renovation and improvement (discretionary items) are much more common indoors. However, when damage occurs inside a home, repairs are often unavoidable. Larger damage that is part of an insurance claim is almost sure to be fixed. Water damage is especially prominent with leaks causing damage to structures as well as finishing elements such as wood floors and moulding.



Improvements

The Improvements category includes discretionary projects. However, analysis of past market downturns have shown that it is only the large improvement projects that see significant reductions. Projects in the range of \$5,000 (Cdn) or less tend to see relatively steady demand in down markets. This size of project does not require equity financing and is usually paid for by a combination of cash and immediately available credit (credit cards and lines of credit). With the Renovation Tax Credit the Federal government has attempted to push the \$5,000 limit to \$10,000.

Environmental considerations seem to be the key improvement buzzword during this downturn. Cost savings, government incentives, social consciousness and fashion trends all play a role in this trend.

Cabinets

Kitchen remodels usually revolve around new cabinets, however, it is not just the cost of the new cabinets to consider. When new cabinets are purchased the renovation also likely involves electrical and plumbing as kitchen formats may have changed. Counters, flooring and appliances follow and the total kitchen renovation costs escalate to \$20,000 to \$50,000.

In the past two decades cabinet boxes have become more standardized in their sizing. This has opened up the opportunity to replace only the doors (re-facing) to achieve a significantly new look in the kitchen. As re-facing does not involve new boxes, electrical and plumbing changes are less likely as the kitchen layout does not change.

Cabinet manufacturers should promote re-facing services and the related downstream cost savings to consumers. Kitchen renovations pay back very well on the sale of a home. By focusing on the major aesthetic improvements such as cabinet doors and keeping other costs down, the payback is even better as a percentage of expenditures.

One further opportunity is the current trend to a mix of wood and painted cabinet doors. In this way some cabinets can be replaced or refaced while leaving others original to provide contrast.

Bathrooms and laundry rooms may also be a target for cabinet producers seeking to find smaller projects they can offer homeowners.

Windows

New windows can be classified under repair and replacement, but they also fit under the improvement category. New windows add to the interior and exterior look of a home. A recent Remodeling Online survey found that 80% of window costs are recouped upon the sale of a home. Add to this the energy incentives from governments and actual energy savings, and window replacements retain at least some of their momentum in a downturn.

Siding

Full siding replacement breaks the \$5,000 barrier for small projects. However, siding replacement has a good payback, boosts curb appeal, and can boost energy efficiency if insulating panels are installed at the same time.

Doors

Wood exterior and garage doors are relatively expensive products to replace in a time of an economic downturn. However, a door replacement project does not bring along with it other mandatory improvements. A new garage or exterior door gives an instant upgrade to the exterior of a home and can easily fall within the comfort zone with respect to budgets. Carriage-house style garage doors are a good improvement product.

Mouldings & Trim

In 2002, Canadians spent 8.5% of their repair and remodeling dollars on painting alone. Painting is a maintenance expenditure that can lead to other remodeling expenditures. Moulding and trim expenditures are often made when rooms are painted as they are relatively low cost and require the same room preparation as painting. A down economy is not expected to significantly slow down painting as it is both low cost and a maintenance expense. Moulding and trim markets should also maintain momentum.

Decks & Fences

Decks appeared under the repair and maintenance section above. However, in a downturn decks are also a viable market for additions. The conversion of lawn to deck and patio space is a trend seen in recent years. This trend is due to the shift to outdoor living and the search for living space in more compact homes. Today we see reluctance to sell or move in a depressed housing market. This too adds to the push for the addition of outdoor living space. Decks and fences are the central components of outdoor rooms. It is reported that an "outdoor kitchen" costs one-quarter of the cost of renovating a kitchen.

"Market Notes" and "Market and Attribute Trends" are a series of fact sheets aimed at improving awareness and information on market trends that shape the demand for wood products. Markets and Attribute Trends is complemented by a "Facts on Wood" series that provides technical information on the various commercial wood species in Canada.

Through the *Value to Wood* program, Canadian wood product manufacturers have access to the expertise and information they need to extract greater value from wood resources. To download the Market and Attribute Trends, visit www.valuetowood.ca

FPIinnovations works towards optimizing the forest sector value chain. It capitalizes on Canada's fibre attributes and it develops new products and market opportunities within a framework of environmental sustainability. As a world-leading provider of technology development, application and knowledge transfer, the not-for-profit forest research institute helps implement innovative manufacturing solutions that provide the industry with long-term competitive advantage.

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