



May 2021

Housing Health Report

Remodeling rises in major metros as homebuyer sentiment drops

- Single-family housing authorizations remained relatively flat, month over month, but increased 25.88% year over year.
- Maintenance and remodeling activity rose for an eleventh consecutive month in May.
- Remodeling activity increased, year over year, across most major metro areas, most significantly in Philadelphia, where it rose a whopping 85.54%.

A Leading Provider of Property Condition and History Data.

New Housing Supply

Single-family housing authorizations remained relatively flat, month over month, falling a modest 0.32% from April to May 2021, but climbed 25.88% year over year. The trailing three-month outlook (March to May 2021) increased 19.70%. The building supply shortage is likely causing a disruption in housing start volume, which has lagged permit authorizations.¹ This time last year, single-family housing authorizations decreased 6.89%, the initial slump in new construction triggered by the COVID-19 pandemic.

Single-Family Housing Authorizations

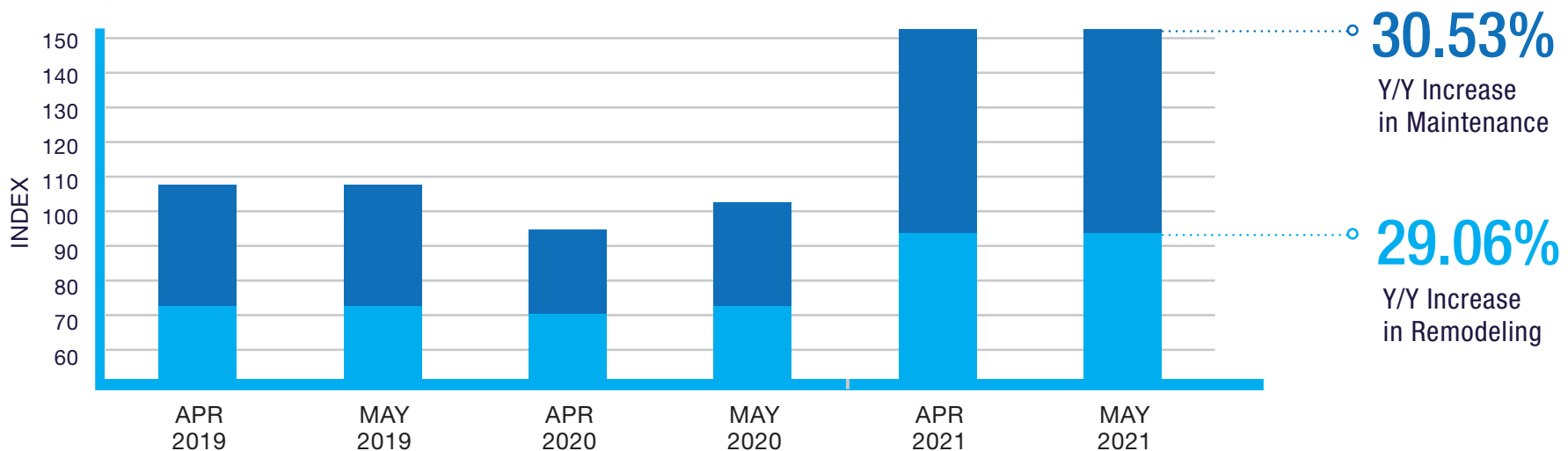


25.88%
Y/Y Increase

Existing Housing Supply

In existing housing activity, maintenance volume and spend increased 30.53% and 48.94%, respectively, year over year. Remodel volume and spend—a subset of maintenance that includes renovations, additions, and alterations—increased 29.06% and 40.94%, respectively, year over year. Maintenance and remodel spend remain elevated as a result of, in large part, the price of lumber, which has skyrocketed 377% over the past year.² Significant increases are relative to the softening in existing housing activity that occurred at the beginning of the pandemic in May 2020.

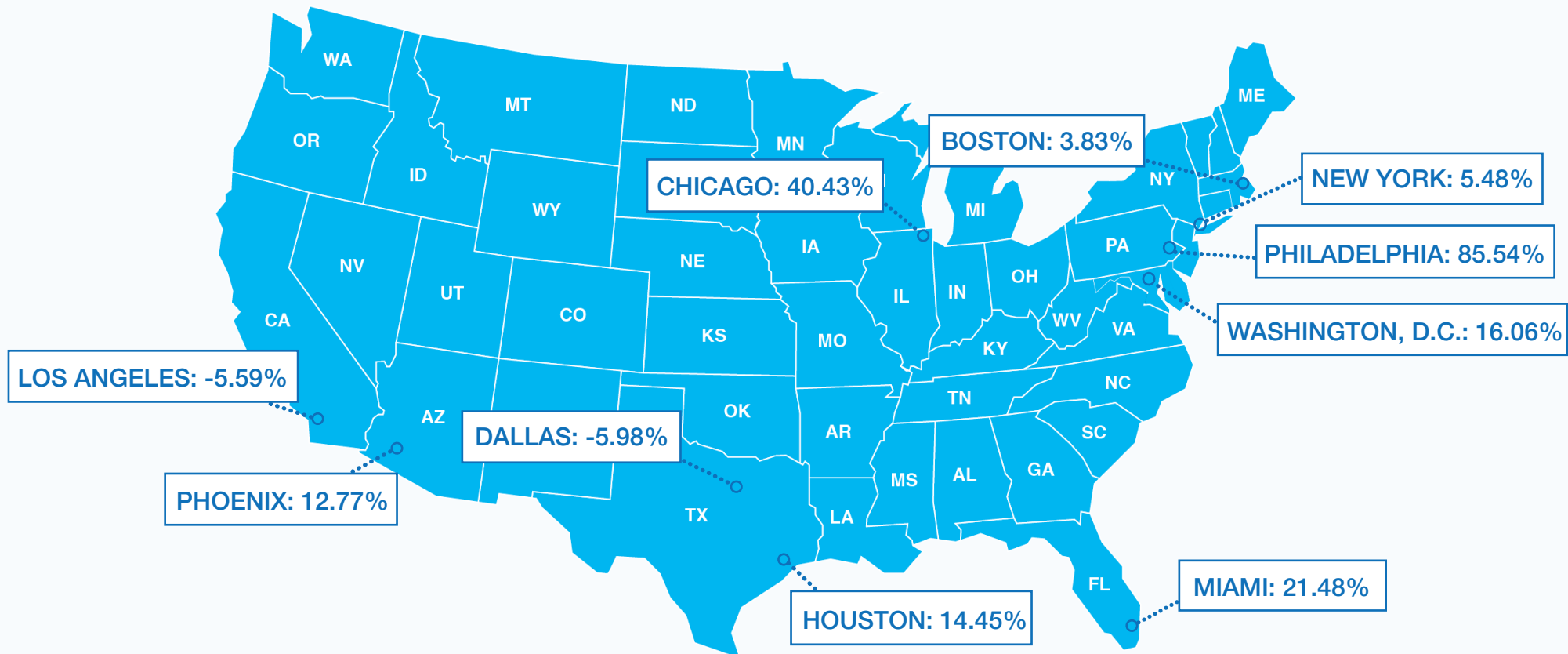
Existing Maintenance and Remodel Volume



Remodeling Activity Increases Across Most Major Metros

At the national level, remodeling volumes have increased, year over year, since July 2020, likely fueled by a hot housing market and a surge in home renovations amid pandemic stay-at-home orders. Although this growth indicates great overall U.S. housing market health, monitoring remodeling activity can help identify areas prone to a potential housing slow down. On a 12-month rolling basis, remodeling activity—which encompasses large-scale projects, including additions, accessory dwelling units and pools—increased across almost all major metros, year over year.

**Y/Y TRAILING 12 REMODELING ACTIVITY:
10 LARGEST METROPOLITAN STATISTICAL AREAS, MAY 2021**



Philadelphia experienced the greatest increases in year-over-year remodeling activity, rising 85.54% on a 12-month trailing basis. Philadelphia has set records for the number of homes sold per month from July 2020 to March 2021, with buyer interest exceeding previous year levels in 10 of the past 12 months.³ One driver of the Philadelphia's growth, which is particularly booming in the surrounding suburbs, is an influx of new residents from more expensive nearby cities.

Meanwhile, remodeling activity grew a substantial 40.43% in Chicago, 21.48% in Miami, 16.06% in Washington, 14.45% in Houston, and 12.77% in Phoenix. New York and Boston experienced growth as well, increasing 5.48% and 3.83%, respectively. In the same timeframe, only two cities—Dallas and Los Angeles—trended downward, decreasing 5.98% and 5.58%, respectively.

Although it is likely that growth can be attributed to homeowners prepping their property for resale, it may also be the result of homeowners refinancing their mortgages or feeling stuck in a highly competitive market. In this case, homeowners may be focusing on home improvements to maximize and improve their livable space in lieu of re-entering a feverish housing market.

“

Despite strong housing market growth and a drop in mortgage rates in May, mortgage applications tapered off to the lowest levels seen in the pandemic months. Homebuyers, once inclined to enter the market because they saw increased savings and improved job security, are now growing discouraged. Bidding wars and a depleted housing supply—norms in today's housing market—have weighed down homebuyer sentiment to a record low. Meanwhile, lumber prices appear to be limiting housing starts at a time where ramping up pace of construction is imperative to get would-be homesellers and buyers back in the market.

Jonathan Kanarek, Managing Director, BuildFax

”

About BuildFax

BuildFax, a Verisk business, is a leading provider of property condition and history data for insurance and financial institutions. With the only database of its kind, encompassing more than 84 billion data points on commercial and residential structures, BuildFax delivers detailed data on remodeling, solar installations, new construction, roof age, major systems, maintenance history, and more. To learn more about BuildFax, visit www.buildfax.com.

Methodology

BuildFax conducted this study by examining properties in the United States between the years 2013 and 2021. Except as otherwise noted, the statistics in this report are calculated using sampled data from across the country. All data is seasonally adjusted and imputed to reflect numbers representative of the entire country. Due to historical revisions made by permitting authorities, the data is subject to change. Estimates are as of June 8, 2021.

1. U.S. Census Bureau, Monthly New Residential Construction Report, U.S. Census Bureau, May 18, 2021, <<https://www.census.gov/construction/nrc/pdf/newresconst.pdf>>, accessed June 10, 2021.
2. Georgina Tzanetos, "Lumber Prices Have Surged – What Happened and When Will It End?," Yahoo Finance, June 8, 2021, <<https://www.yahoo.com/lifestyle/lumber-prices-surged-happened-end-195358325.html>>, accessed June 8, 2021.
3. T3 Sixty, "Home Demand Index: Philadelphia May 2021 Report," T3 Sixty, June 4, 2021, https://www.homedemandindex.com/philadelphia/may-2021/?utm_source=BCOM&utm_medium=Menu&utm_campaign=May_HDI, accessed June 8, 2021.

