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# Why Homeowners Are Raising the Roof

By

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People who refrained from splurging on big home-improvement projects during the housing boom are reaping the rewards now.

Depending on the region and the job, some homeowners are paying as much as 20% less for home-remodeling projects than they would have a few years ago. Many contractors are willing to accept smaller jobs and "handyman" projects that they used to snub. And more projects are being delivered on time and on budget—a stark contrast from the boom years.

Kim and Chandra Sobieski of Cat Spring, Texas, considered expanding their home two years ago, but thought the contractor's \$380,000 estimate was too high. Earlier this year, Mr. Sobieski, a 54-year-old retired title-company executive, called the same contractor and got a quote for a slightly revised expansion for 20% less. The couple wound up paying \$300,000 to add 1,500 square feet to their old 3,400-square-foot home, including installing a new roof, converting a garage to an entertainment room and adding a new garage.

"We caught them at a time there was more downtime, and it seemed to work to our advantage," says Mr. Sobieski, who adds that the project was finished ahead of schedule.

The Sobieskis' contractor agrees that timing made the difference. "Three years ago, if you asked someone for a discount, they'd laugh at you," says Jeff Hunt, vice president of Brothers Strong, the Houston firm that did the project.

Remodeling prices are down an average 5% to 10% across the U.S. from their peak, firms say, largely due to bidding wars among contractors idled by the housing slump and lower costs for some materials, such as plywood, lumber and insulation, because of lower global demand.

The remodeling industry has also been hurt by sluggish sales of new and existing homes; most remodeling is done within 18 to 24 months of the purchase of a home, studies indicate. Tighter credit and falling home values also hurt the industry, as many big jobs are financed with home-equity loans or other borrowing. Some new-home builders are now competing for home remodeling jobs, helping to force down prices even more.

In the year ended the first quarter of 2009, the most recent data available, \$118.2 billion was spent on home-improvement projects, down from \$146 billion in the year ended the third quarter of 2007—the national peak of remodeling activity—according to a report issued this month by the Harvard Joint Center for Housing Studies. The center said it expected spending declines to moderate through the end of this year and begin to rise early next year.

To be sure, there are still remodelers who aren't cutting prices drastically. Building materials represent only about one-third

of their costs, and taxes and insurance premiums, including workers' compensation, have continued to rise. Fuel prices also remain high, and prices for some petroleum-based building products, such as asphalt shingles, rose in 2007 and 2008, although that trend started to reverse last spring, according to the National Association of Home Builders.

### *Bristling at Homeowners*

Some contractors bristle at homeowners who demand deep discounts. "Why are you asking if you can get a \$300,000 project for \$175,000 when nothing has changed except that you can't get financing for it?" asks William Carter, president of the National Association of the Remodeling Industry and a certified kitchen and bath remodeler in Sacramento, Calif. He acknowledges that he has lost several jobs because he refused to lower his fees by more than 5%.

The lowest bidders don't necessarily offer the best value, Mr. Carter says. Some bid too low and then can't finish the job at the quoted price, leading them to cut corners, ask for more money or even abandon the job. Some are moonlighting amateurs or otherwise unqualified, he says.

Local Better Business Bureaus typically receive thousands of complaints every year about construction and remodeling contractors, says Alison Southwick, a spokeswoman for the national Council of Better Business Bureaus Inc. in Arlington, Va. Homeowners should get multiple bids and ask to see several recent examples of builder's completed work and talk to previous clients before signing a contract, she says. (You can find reliability reports for local contractors at [www.bbb.org](http://www.bbb.org).)

Some established contractors who specialize in renovations are skeptical of moves by new-home builders to seek remodeling jobs. Remodeling contractors contend builders often win jobs by bidding low, but their estimates are based on their experience erecting houses on vacant lots, not working in homes with decades-old wiring occupied by arguing couples and wandering pets.

"You can't do a \$100,000 project for \$69,000, but they don't realize it until they are two-thirds through," says Rocco Sinisgalli, president of Oneida Builders in Dunwoody, Ga., a remodeling firm that faces increasing competition from local homebuilders. Remodeling prices in his area are down about 10% to 12% from 2006, says Mr. Sinisgalli, who also runs a course in remodeling for home builders.

David Crowe, chief economist of the National Association of Home Builders, confirms that more home builders are seeking remodeling work, and that remodeling contractors—who are also represented by the organization—were concerned about it.

"I think it's possible that the smaller builder that has not done remodeling in the past could be mistaken in the amount of effort it takes to remodel an existing structure," Mr. Crowe says. "But I don't think that is widespread."

### *Occupied Houses*

Michelle Aube, 42, says she and her husband relied on a custom new-home builder to redo their 3,000-square-foot house in Fairfield, Conn. in 2007, and the project took much longer than the builder said it would take. She says the builder seemed unfamiliar with the tribulations of renovating an occupied house.

"I chose him because out of three contractors he gave me the best bid," Ms. Aube, a homemaker, says of the \$200,000 remodel and expansion. "It was supposed to be a six-month job, and it ran into a nine- or 10-month job," she says, but it was "worth it in the end."

Other homeowners have gotten deals from established remodeling specialists because of the tough economy. Jessica Levy Buchman, a 39-year-old executive at a real-estate brokerage, estimates she saved 20% to 25% off prerecession prices when she and her husband renovated a house they bought in December in Sag Harbor, N.Y. Some roofers wanted \$7,000 for a repair job. She paid \$1,500, which wasn't even the lowest bid.

Says Ms. Buchman, "I feel we are getting rewarded for riding it out and having the guts to spend a little money."

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