2026 Mid-Year Remodeling Forecast Update

July 28, 2026

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Outline

1. *Macroeconomic Update*
2. *Remodeling Update- JCHS*
3. *Remodeling Update- NAHB*
4. *Q&A*

Macroeconomic Update

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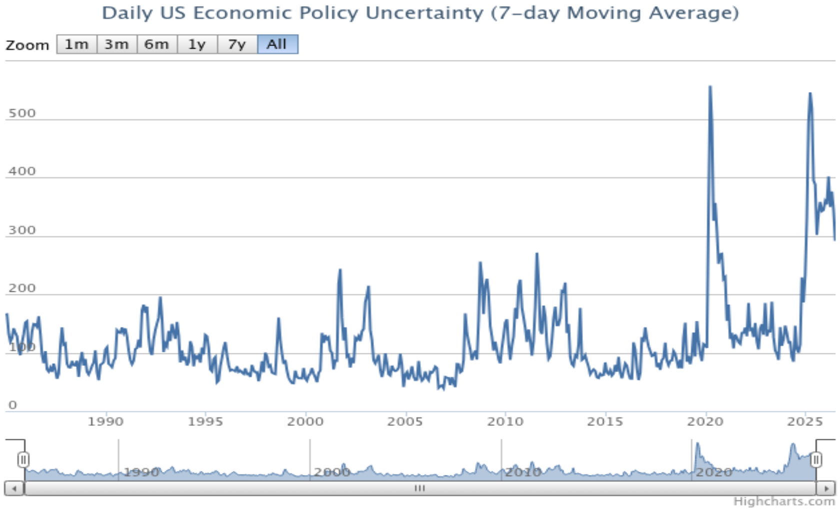
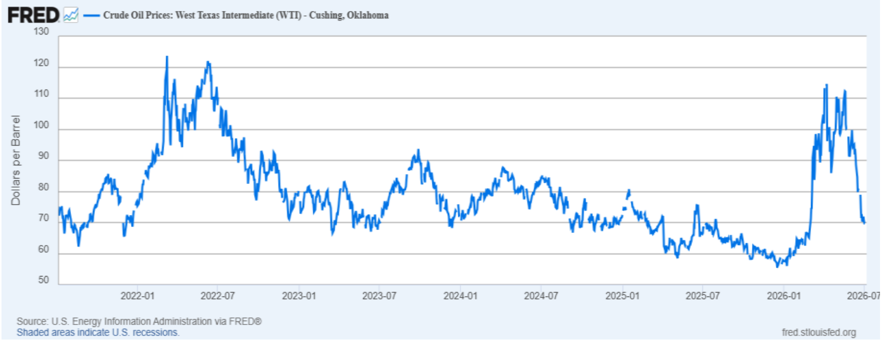
Uncertainty and Headline Risk Weighing on Economy

- Tariffs
  - Difficult to predict quarter to quarter
  - Impact thus far minor but measurable
- Industrial policy
  - Some price controls proposed
  - Government ownership in firms
  - Anti-trust actions
- Immigration policy
  - Evolving impacts on supply and demand-side of the economy
  - Population effects
- Dollar and precious metal volatility
- International bond market
- Iran war and oil prices





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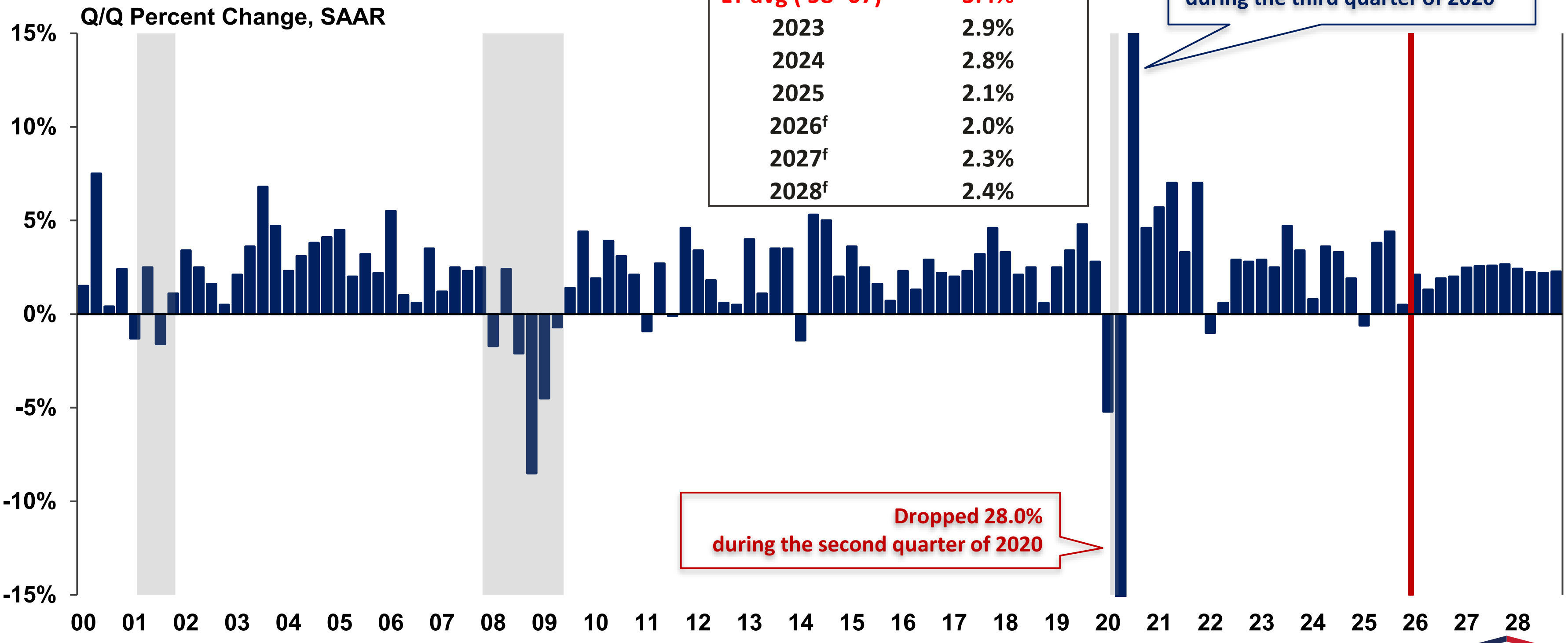
Slowing Economic Growth

Recession risk – 35% chance

	Annual Growth
LT avg ('58-'07)	3.4%
2023	2.9%
2024	2.8%
2025	2.1%
2026f	2.0%
2027f	2.3%
2028f	2.4%



Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.

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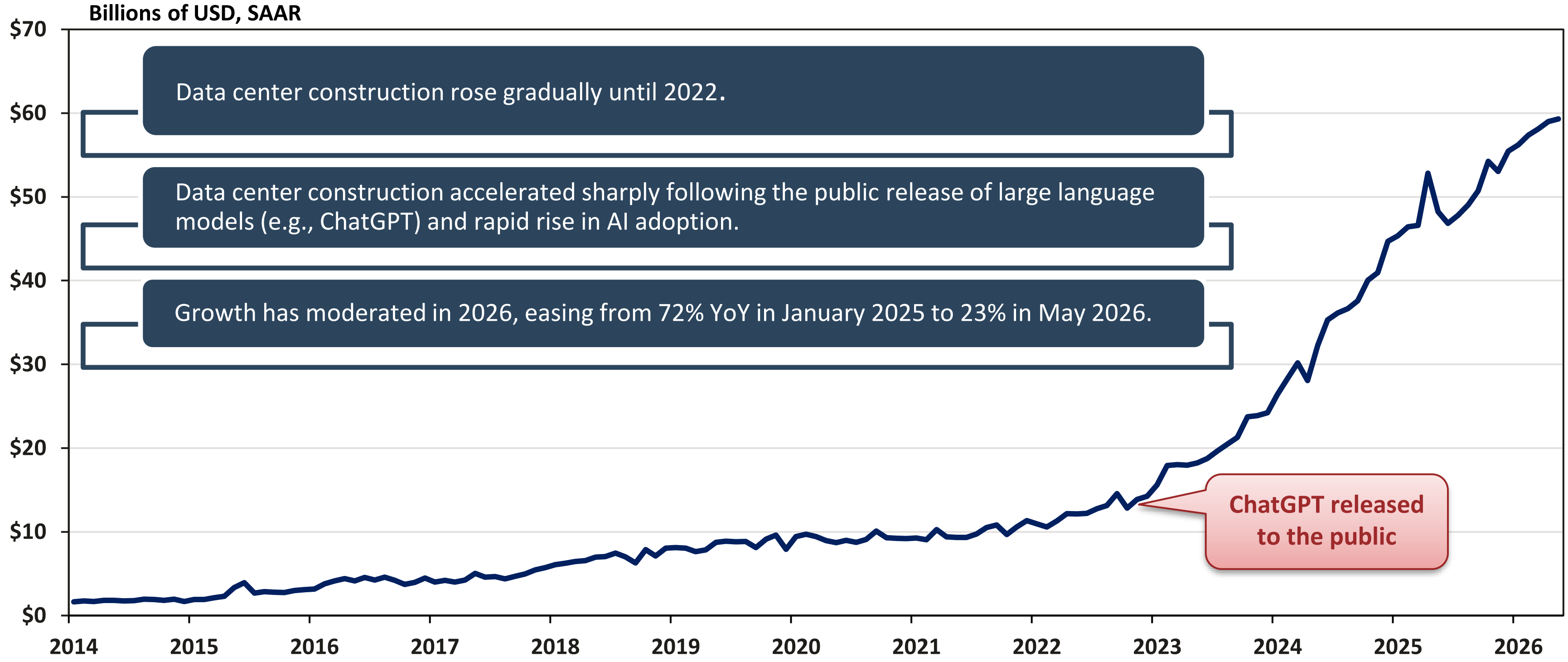
Data Center Construction Spending

Data center construction surges as companies race to expand AI infrastructure



Source: U.S. Census Bureau (BOC) and NAHB Analysis.

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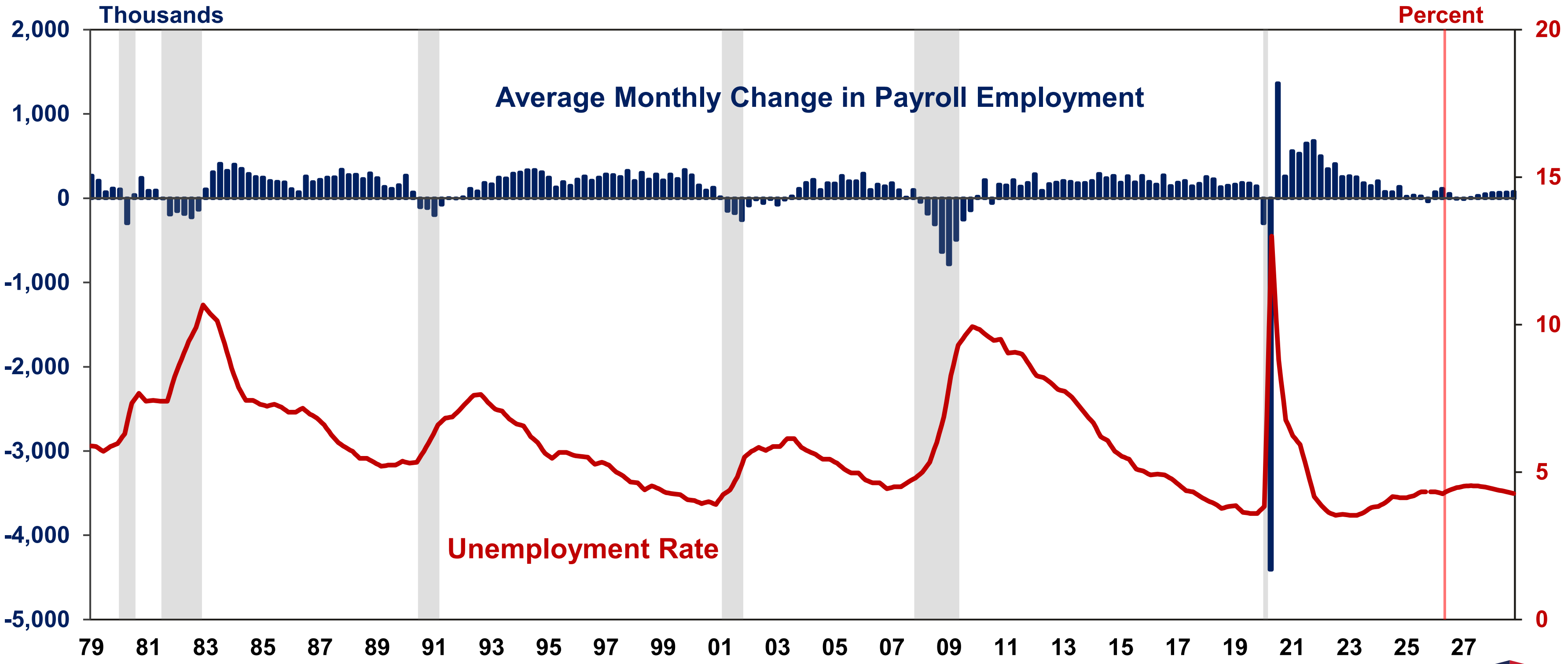
Unemployment Rising as Job Growth Slows

Job growth will be slow due to uncertainty and cost cutting



Source: U.S. Bureau of Labor Statistics (BLS) and NAHB forecast.

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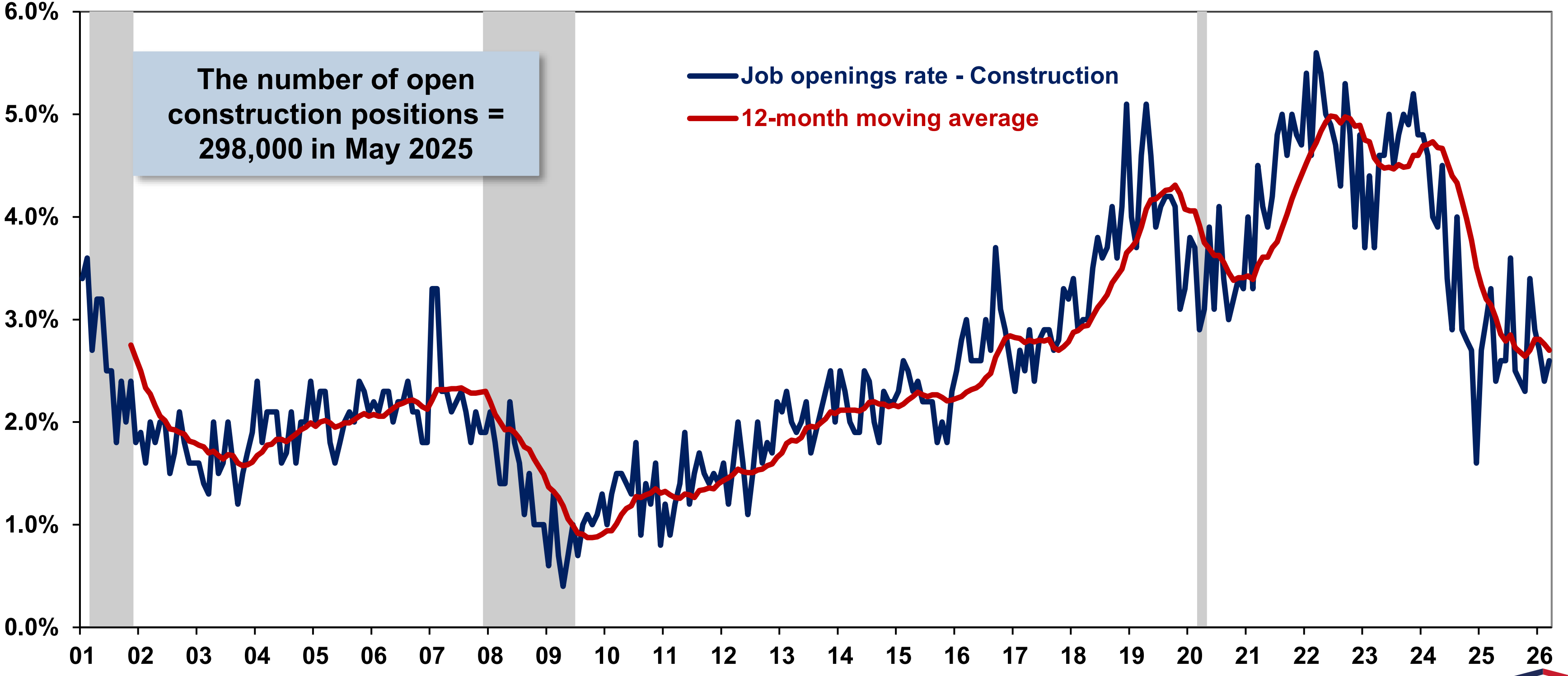
Labor – Construction Job Openings Peaked for Cycle

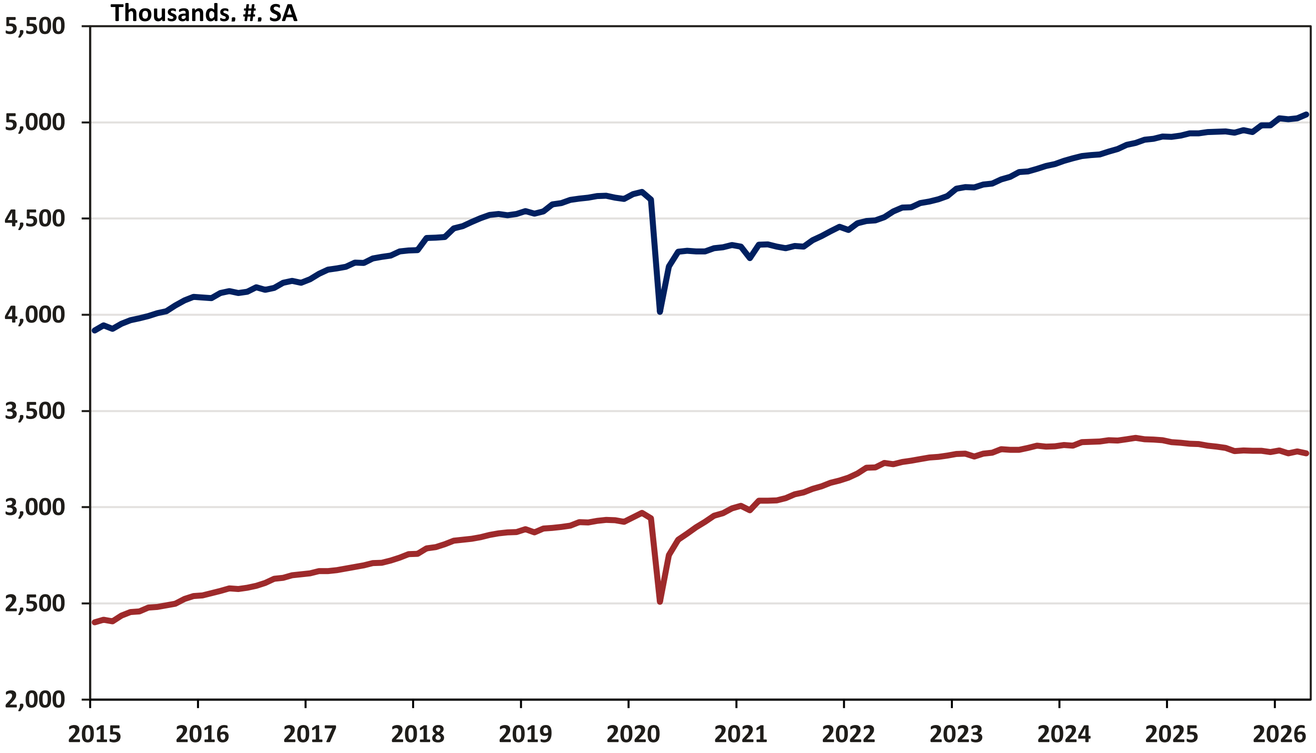
Skilled labor shortage persists; 331,300 net gain for residential construction since Jan 2020



Source: U.S. Bureau of Labor Statistics (BLS).

Residential vs Nonresidential Construction Employment

Nonresidential construction adding significantly more jobs than residential construction



Source: Bureau of Labor Statistics (BLS).

Nonresidential Construction

- Added 98,600 jobs over the past twelve months
- Growth was driven by strong demand for infrastructure, data center development, and general commercial projects

Residential Construction

- Shed 49,200 jobs over the past twelve months
- Employment losses reflect ongoing challenges from high interest rates and housing affordability constraints

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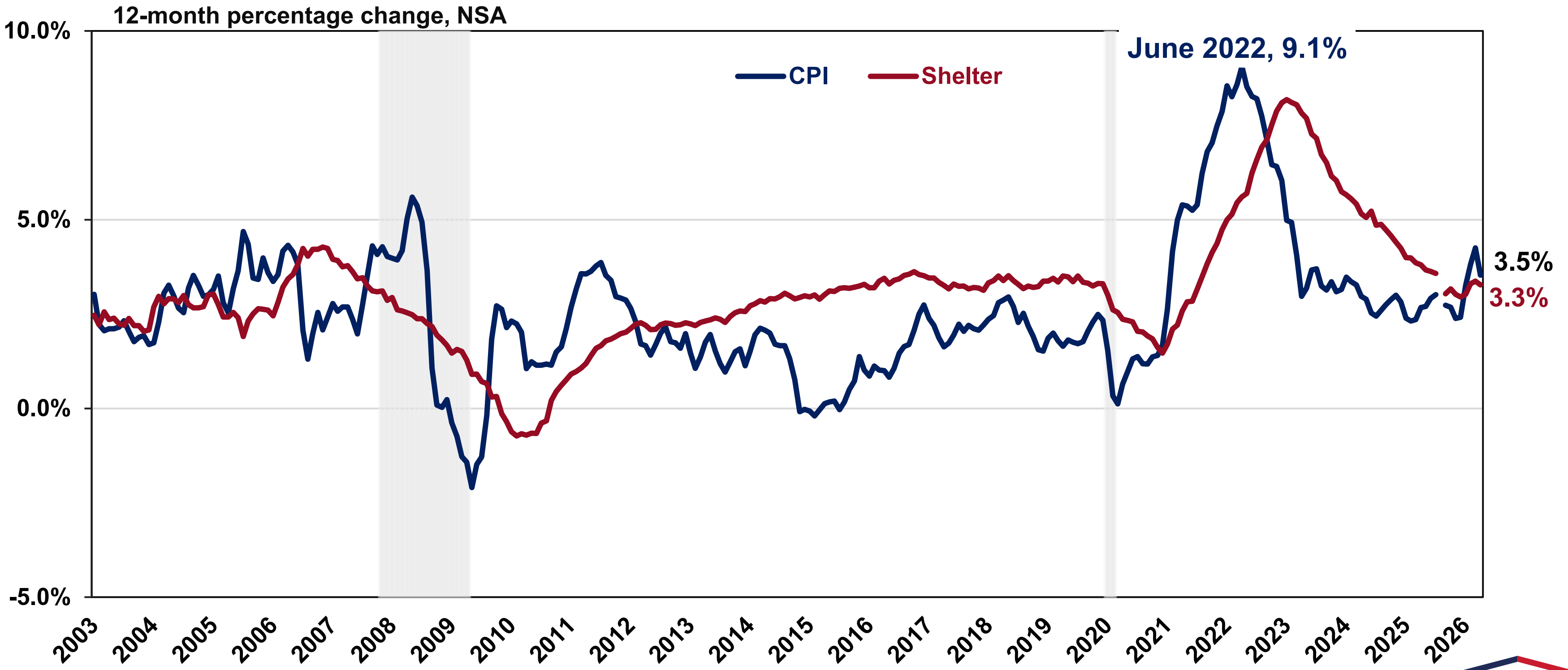
Consumer Inflation – Headline Rate and Shelter

Until the Iran war, shelter inflation was rising faster than overall inflation



Source: U.S. Bureau of Labor Statistics (BLS)

Note: The October 2025 Consumer Price Index (CPI) data is missing entirely due to the U.S. government shutdown.

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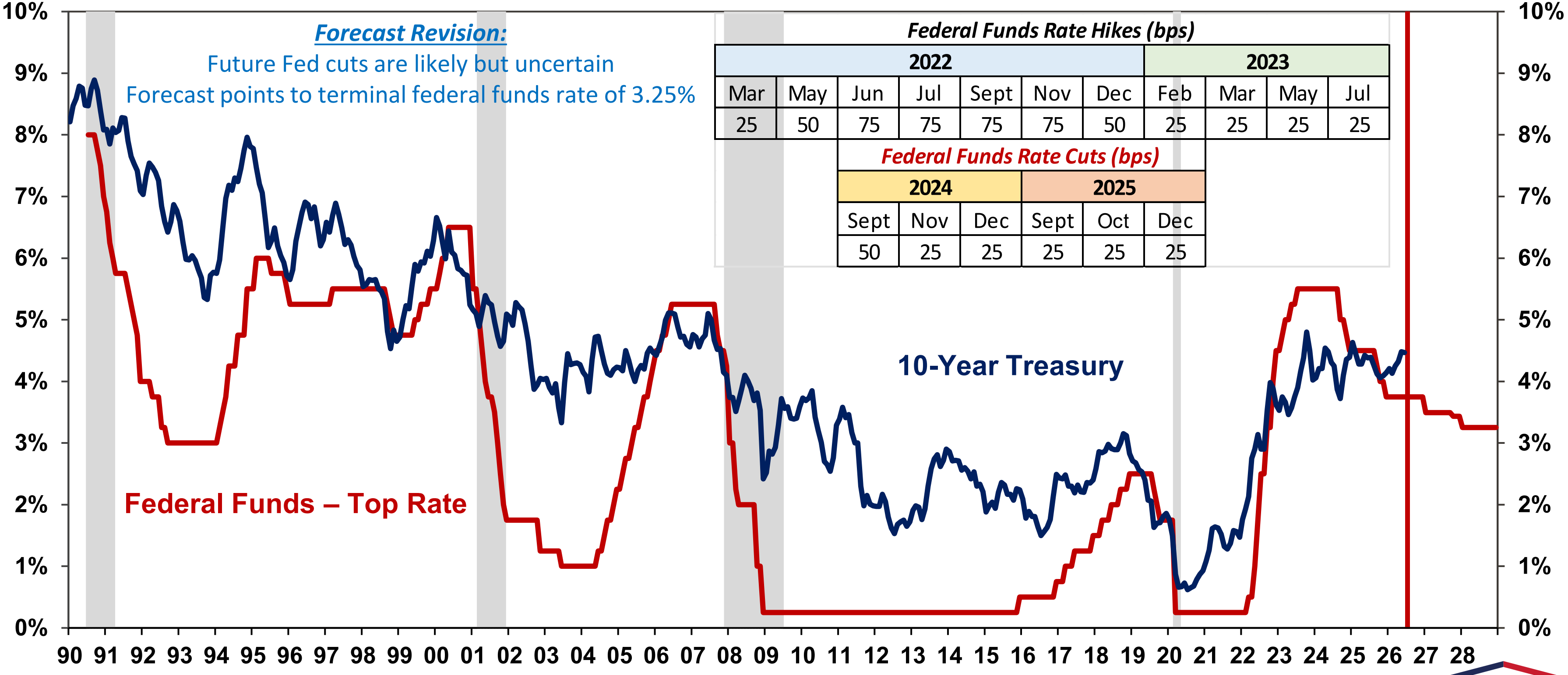
The Fate of Future Fed Rate Cuts is Uncertain

Future monetary policy easing dependent on inflation data



Federal Funds Rate Hikes (bps)

2022							2023			
Mar	May	Jun	Jul	Sept	Nov	Dec	Feb	Mar	May	Jul
25	50	75	75	75	75	50	25	25	25	25

Federal Funds Rate Cuts (bps)

2024			2025		
Sept	Nov	Dec	Sept	Oct	Dec
50	25	25	25	25	25

Source: U.S. Board of Governors of the Federal Reserve System (FRB).

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Remodeling Update - JCHS

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Leading Indicator of Remodeling Activity: Q2 2026

Dr. Rachel Bogardus Drew, Director, Remodeling Futures Program
Joint Center for Housing Studies, Harvard University

NAHB 2026 Mid-Year Remodeling Forecast Update Webinar
July 28, 2026

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What is the LIRA?

- Estimate of total homeowner spending on maintenance and improvements
- Forecasts 12-month total spending up to four quarters into the future
- Derived from observations of metrics known to correlate with future remodeling spending
- Re-benchmarked to AHS data on remodeling spending every two years

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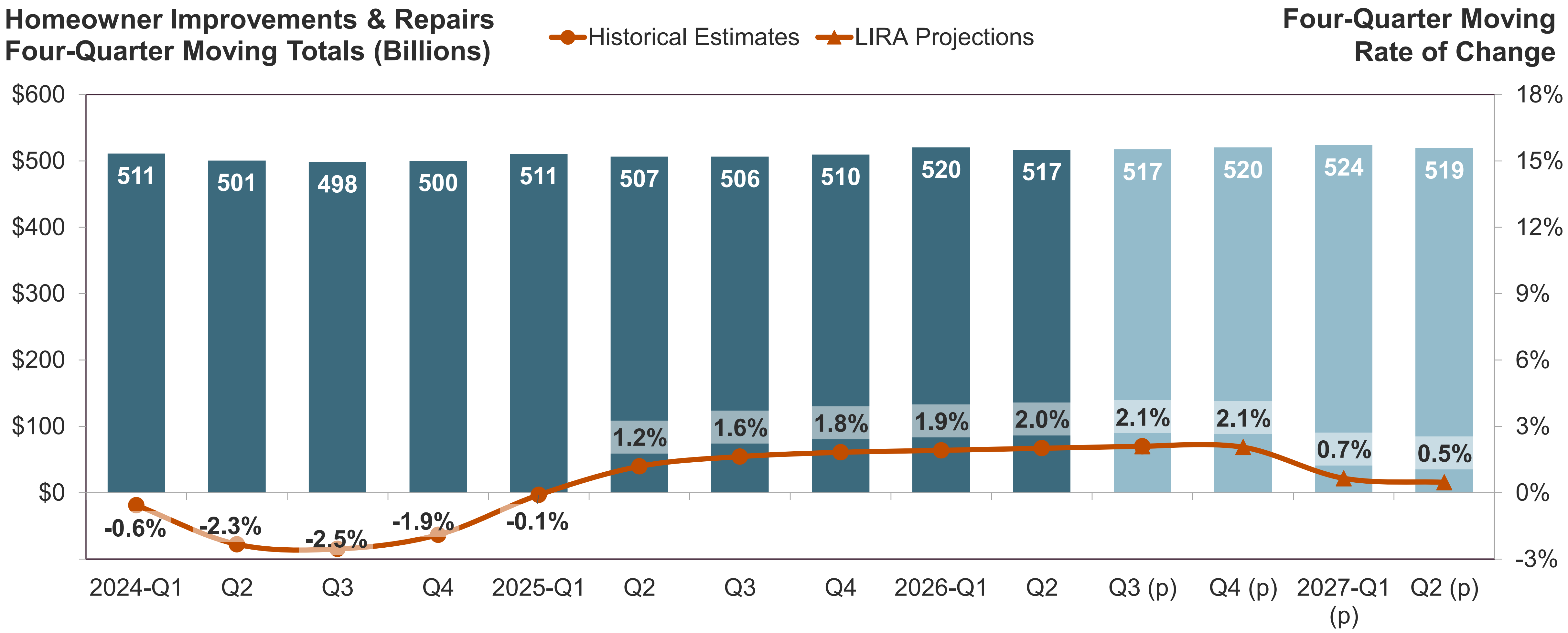
PRESS RELEASE

Embargoed until Thursday, July 23, 2026

Remodeling Spending Poised for Further Slowdown

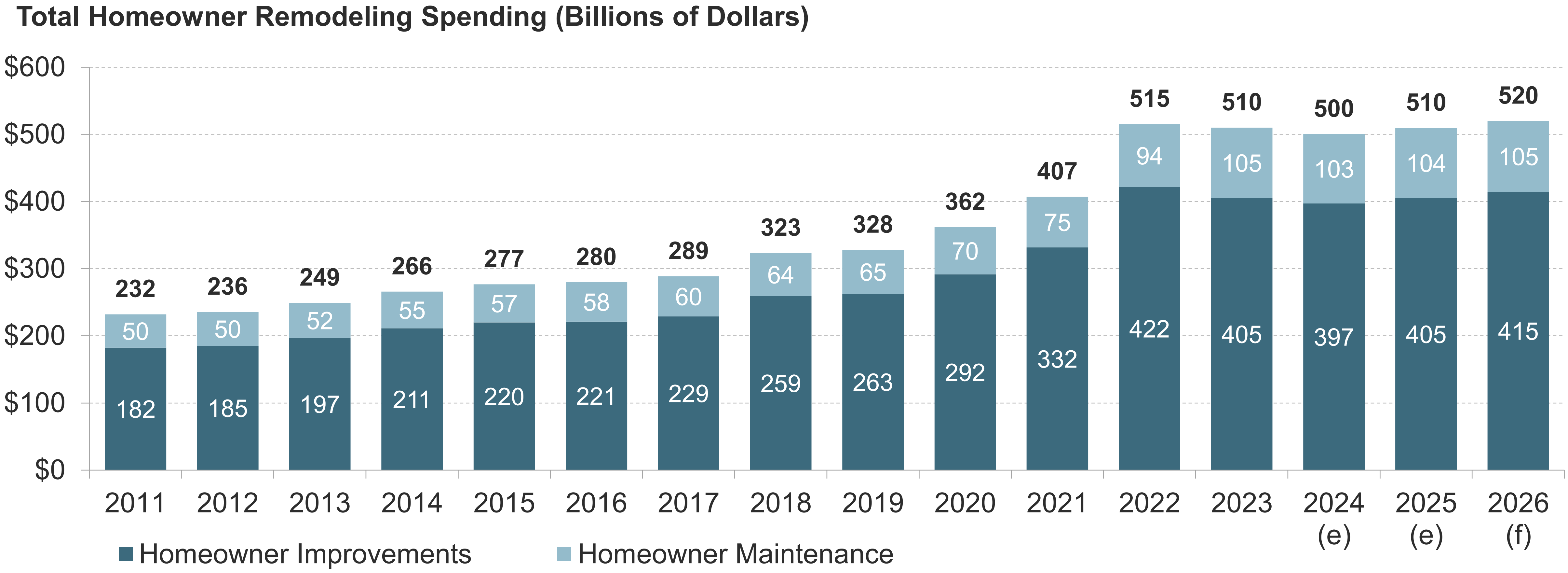
CAMBRIDGE, MA – Annual spending on home improvements and repairs is expected to continue losing momentum through mid-2027, according to the latest Leading Indicator of Remodeling Activity (LIRA) being released tomorrow by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University. Year-over-year growth in renovation and repair spending is expected to slow to just 0.5 percent in the second quarter of 2027.

Remodeling Growth Rate Expected to Downshift in 2027



Notes: Improvements include remodels, replacements, additions, and structural alterations that increase the value of homes. Routine maintenance and repairs preserve the current quality of homes. Historical estimates since 2023 are produced using the LIRA model until American Housing Survey benchmark data become available.

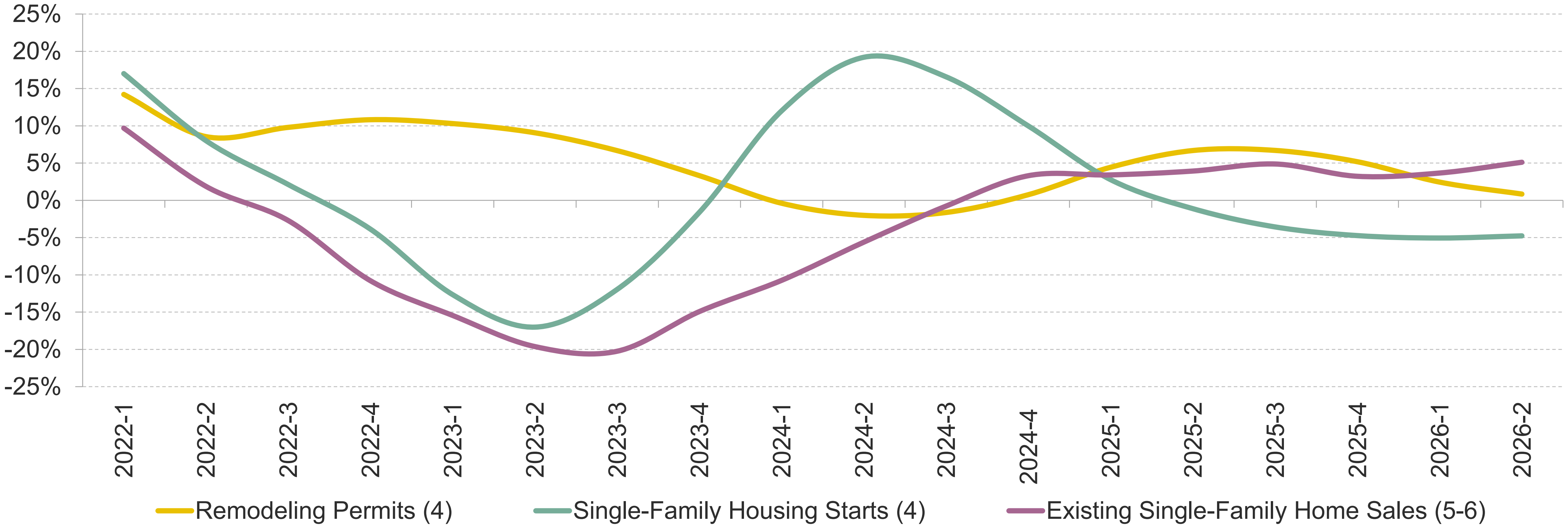
Improvement Spending Driving Remodeling Gains This Year



Notes: Estimated (e) and forecasted (f) values are modeled using the Leading Indicator of Remodeling Activity (LIRA) values for Q4 in each year. : Improvements include remodels, replacements, additions, and structural alterations that increase the value of homes. Routine maintenance and repairs preserve the current quality of homes.
Source: JCHS analysis of US Department of Housing and Urban Development (HUD), American Housing Surveys; and JCHS Leading Indicator of Remodeling Activity (LIRA).

Declining Starts and Slowing Remodeling Permits Contribute to Expected Deceleration in Improvement Spending

Four-Quarter Moving Rate of Change



Notes: Four-quarter moving rate of change is the percent change in non-seasonally adjusted monthly data, aggregated for preceding 12 months and compared to same data from the 12 months prior to that. In LIRA improvement model, remodeling permits and single-family home starts lead spending by 4 quarters and single-family home sales lead by five quarters. In the LIRA maintenance model, single-family home sales lead by six quarters. For more detail on methodology, see https://www.jchs.harvard.edu/research-areas/remodeling/lira
Sources: JCHS, BuildFax, US Census Bureau, and National Association of Realtors®.

Reasons for Longer-Term Optimism for Remodeling

- Sales starting to inch up, which could spur growth in remodeling activity next year
- Existing housing stock is aging rapidly, requiring significant investment to maintain and preserve
- Aging homeowners have housing and accessibility needs not currently met by existing housing stock
- Build up in home equity since pandemic gives homeowners substantial wealth to tap for repair and upgrades

Thank You!

JCHS.Harvard.edu/research-areas/Remodeling

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Remodeling Update - NAHB

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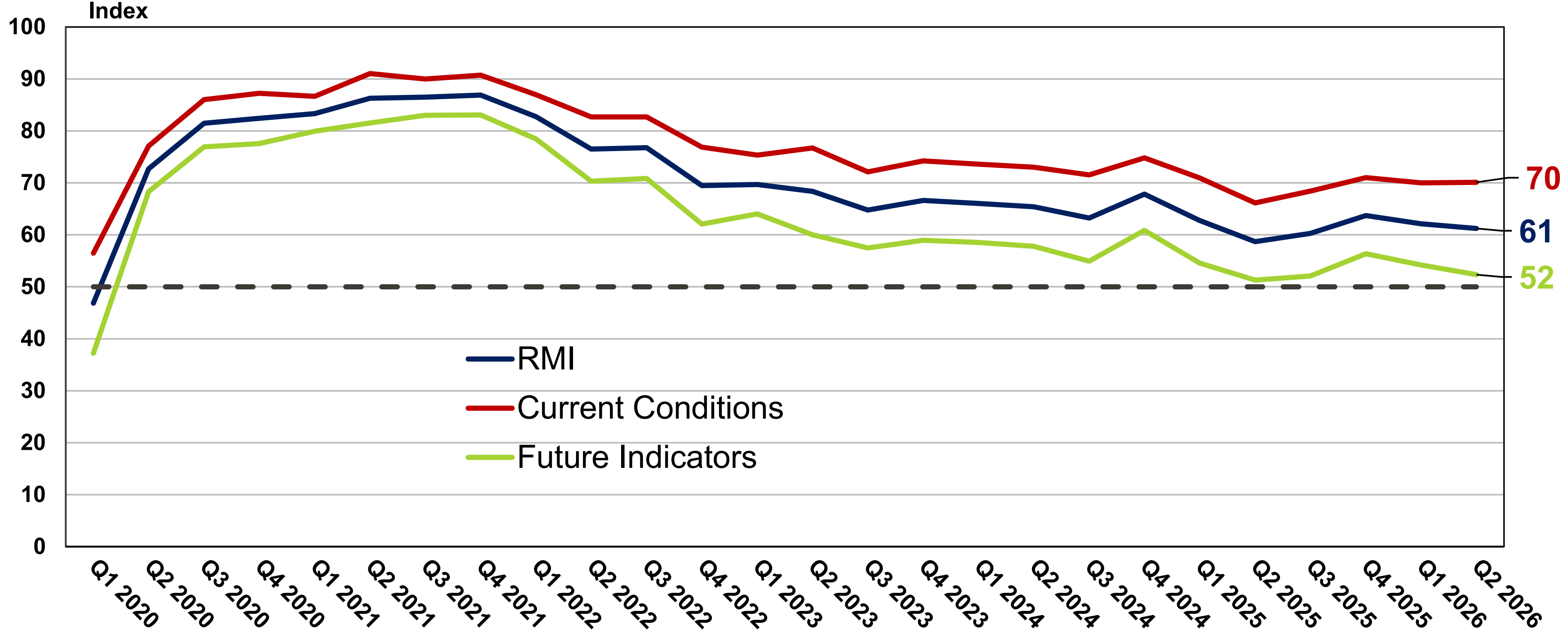
NAHB Remodeling Market Index (RMI)

Overall reading has been in the 60s over the past year



Source: NAHB RMI Survey

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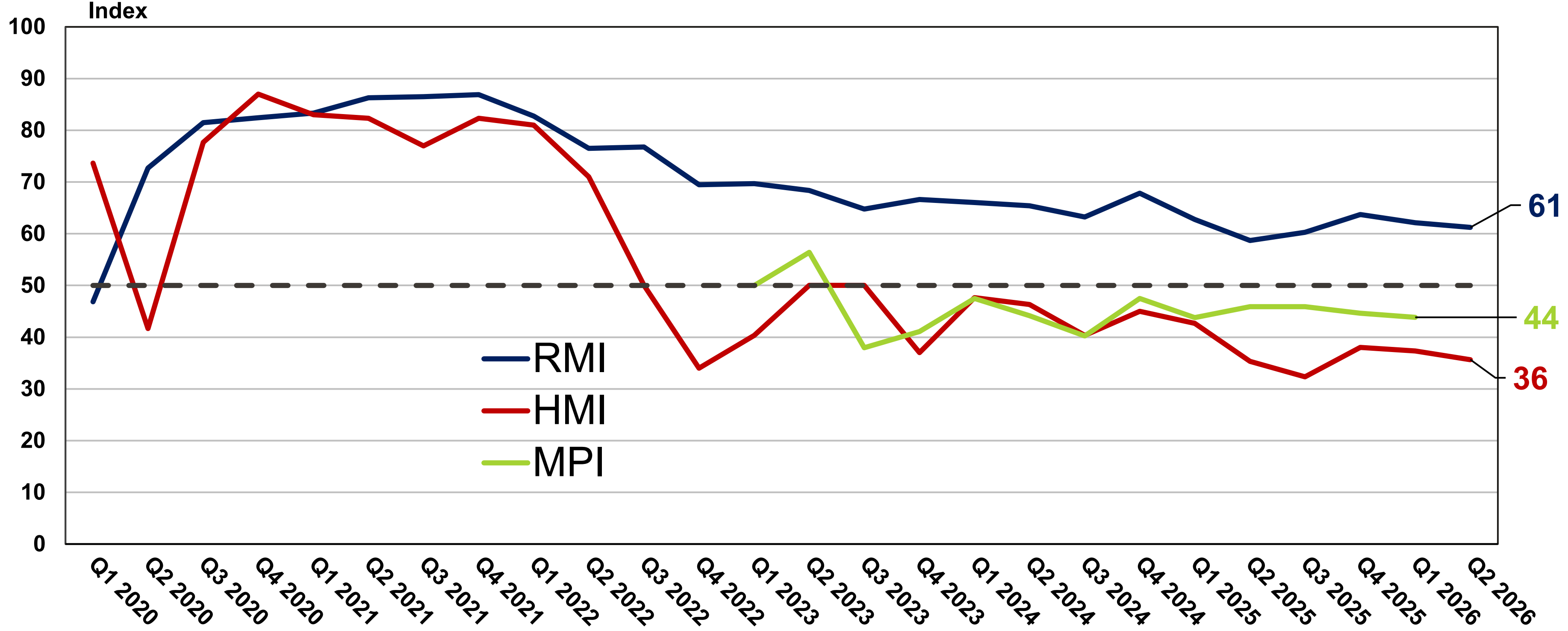
HMI vs RMI vs MPI

Remodeling sentiment performing better than single-family, multifamily



Source: NAHB RMI, NAHB/Wells Fargo HMI, NAHB MMS

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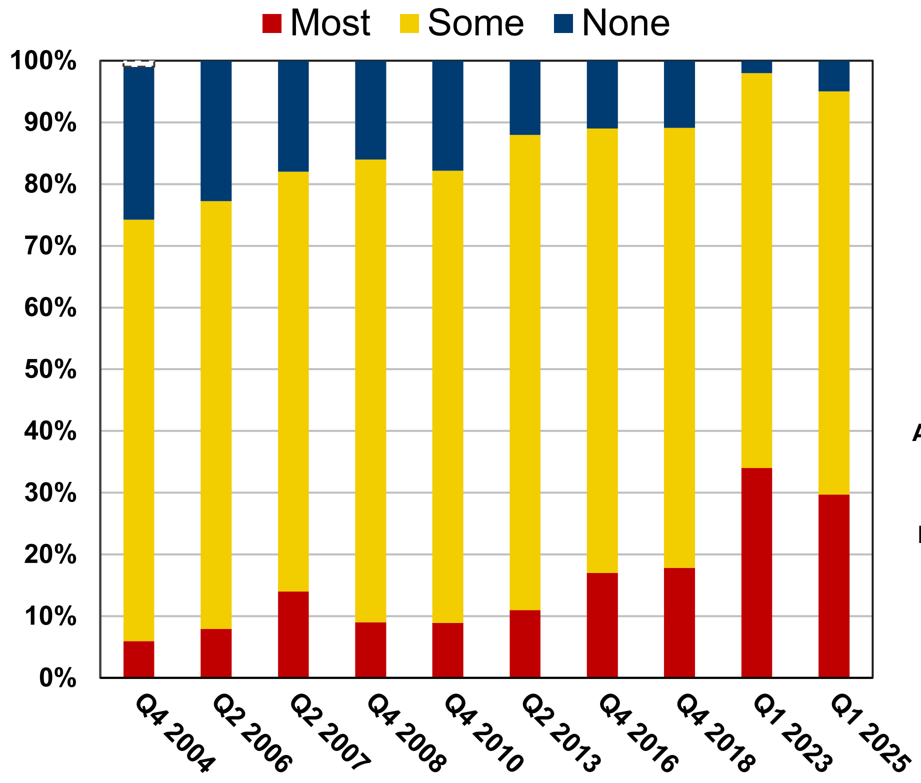
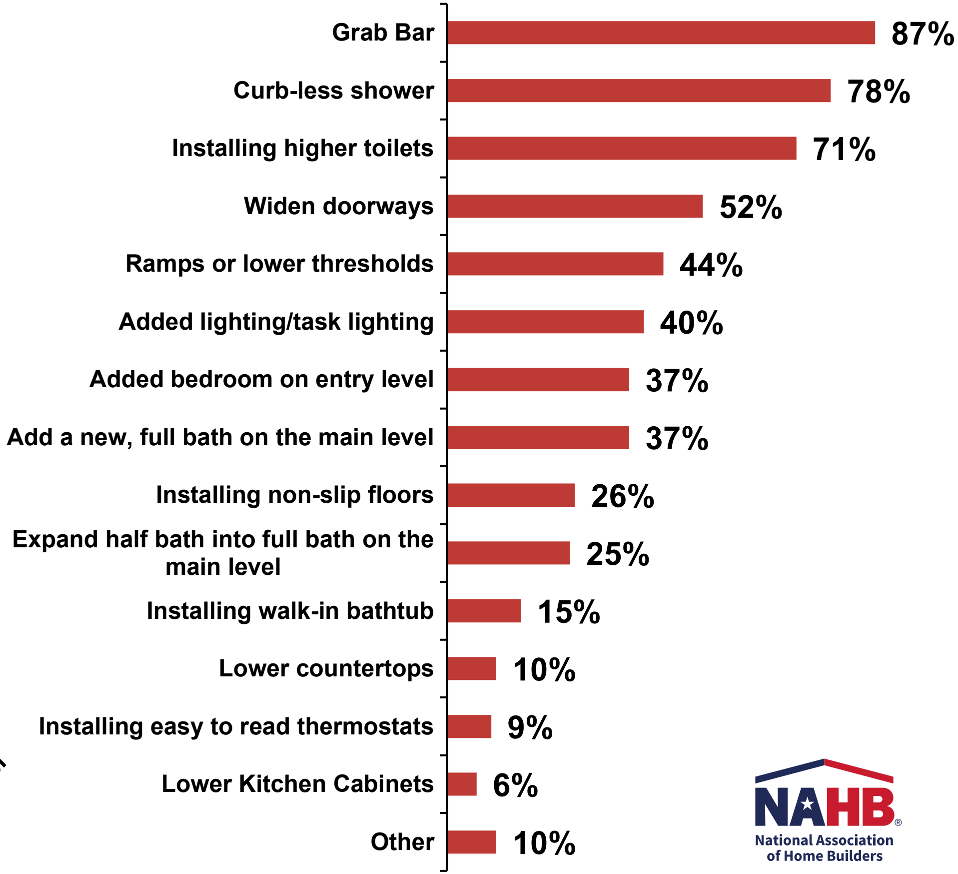
Aging-in-Place (AIP) – RMI Special Questions

96% of consumers are familiar with AIP; Grab Bar the most popular project





Source: NAHB Remodeling Market Index (RMI), Q1 2025

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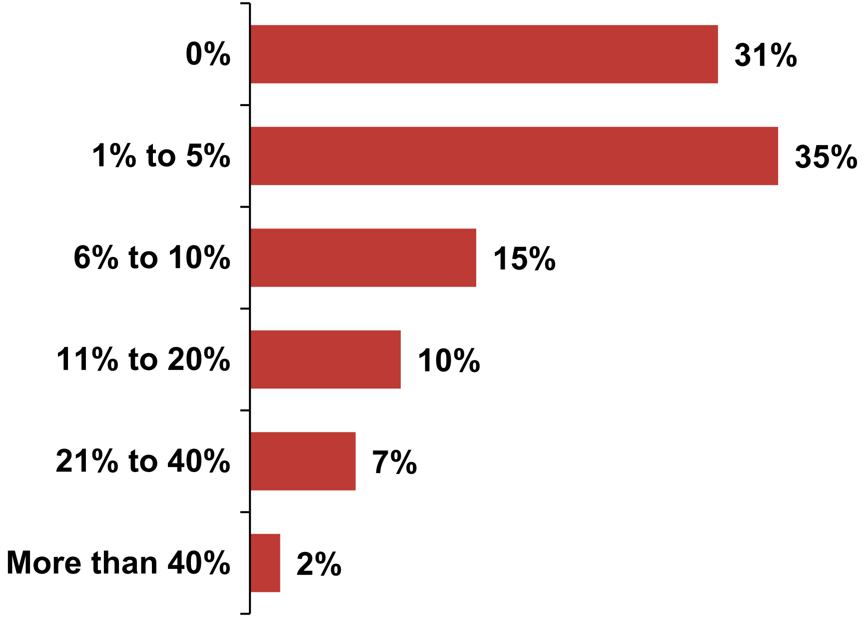
Fix Up to Sell vs After Purchase– RMI Special Questions

During a typical year, what % of your remodeling jobs would you estimate are done:

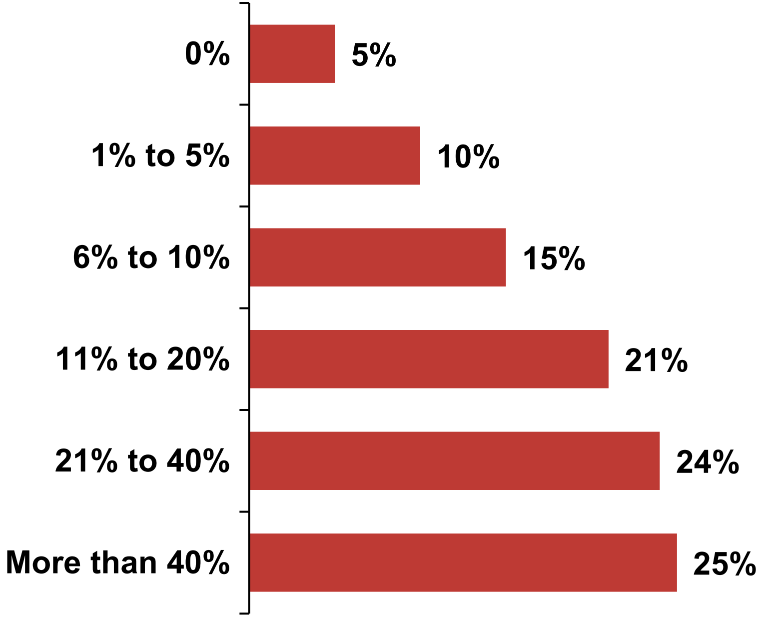
Median: **4%**

For owners fixing up homes in order to sell them



Median: **21%**

Recent buyers fixing up homes soon after the purchase



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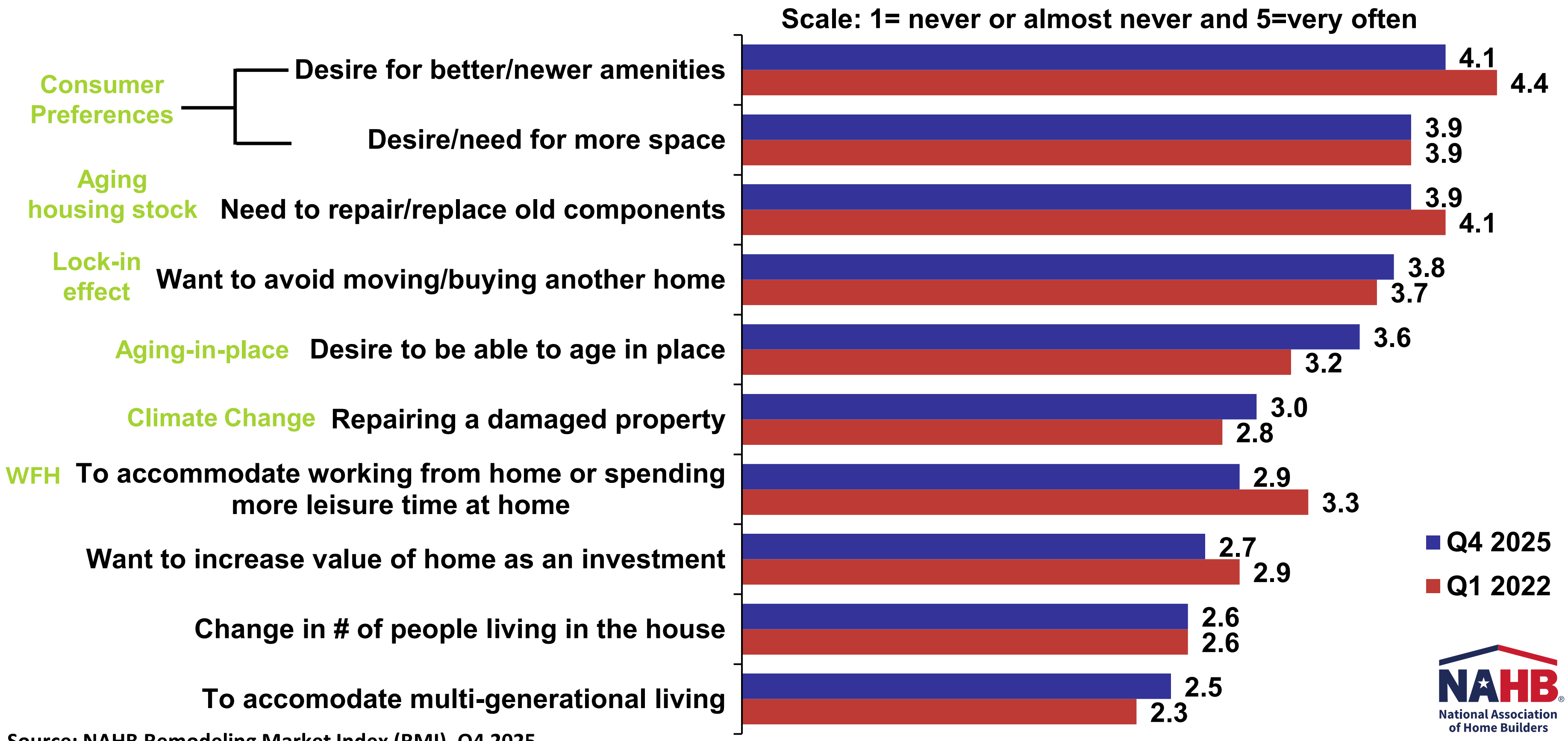
Source: NAHB Remodeling Market Index (RMI), Q1 2026

Reasons for Remodeling – RMI Special Questions

Strong structural tailwinds will push future remodeling demand



Source: NAHB Remodeling Market Index (RMI), Q4 2025

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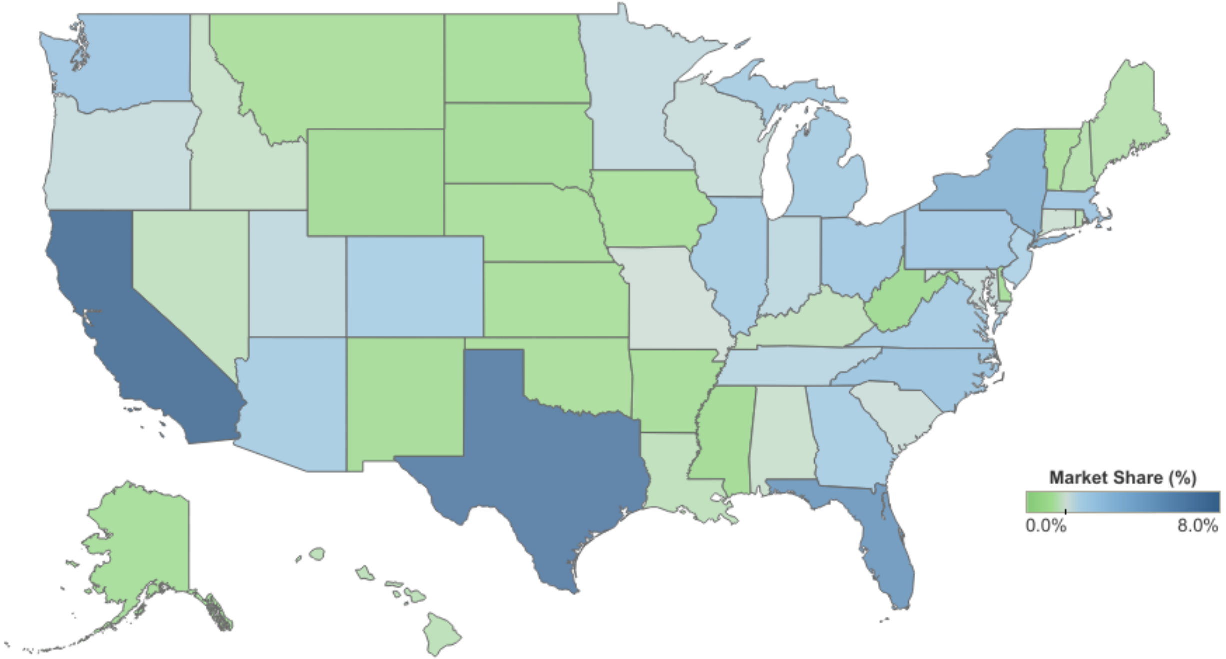
NAHB State Projections of Remodeling (SPR) – Q4 2025

New resource that estimates quarterly remodeling spending by state



Top 10 States by Largest Change

		Change in Total Dollar Volume 4Q MA ($) (in millions)
1	**Michigan**	**$965.1**
2	**Virginia**	**$631.6**
3	**North Carolina**	**$601.6**
4	**Ohio**	**$600.0**
5	**Alabama**	**$445.5**
6	**Idaho**	**$404.4**
7	**Washington**	**$383.0**
8	**Illinois**	**$336.1**
9	**Utah**	**$335.5**
10	**Kentucky**	**$312.2**

Source: NAHB State Projections of Remodeling (SPR)

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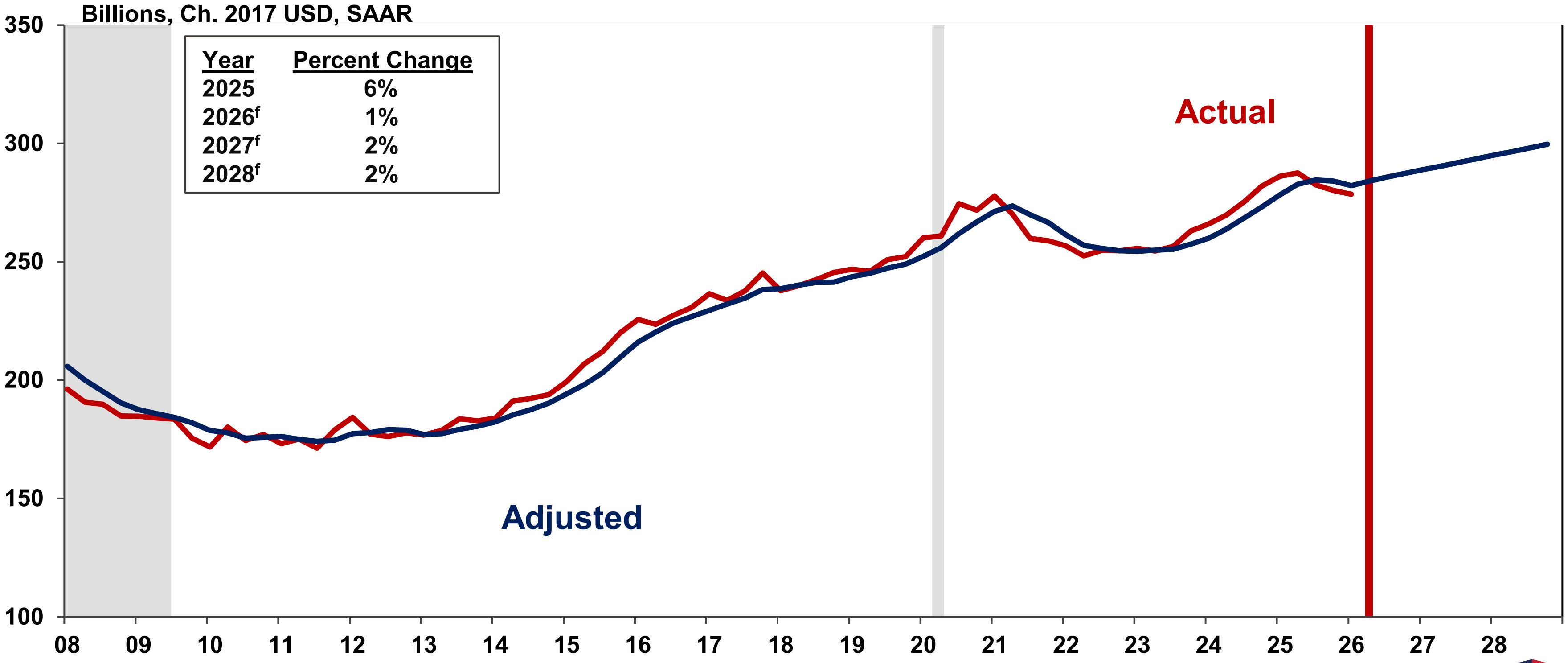
Residential Remodeling Outlook

Growth continues, with long-run potential gains ahead



Year	Percent Change
2025	6%
2026f	1%
2027f	2%
2028f	2%

Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.
Note: In the analysis, 1-year moving average is used for adjusted data to smooth the trend.

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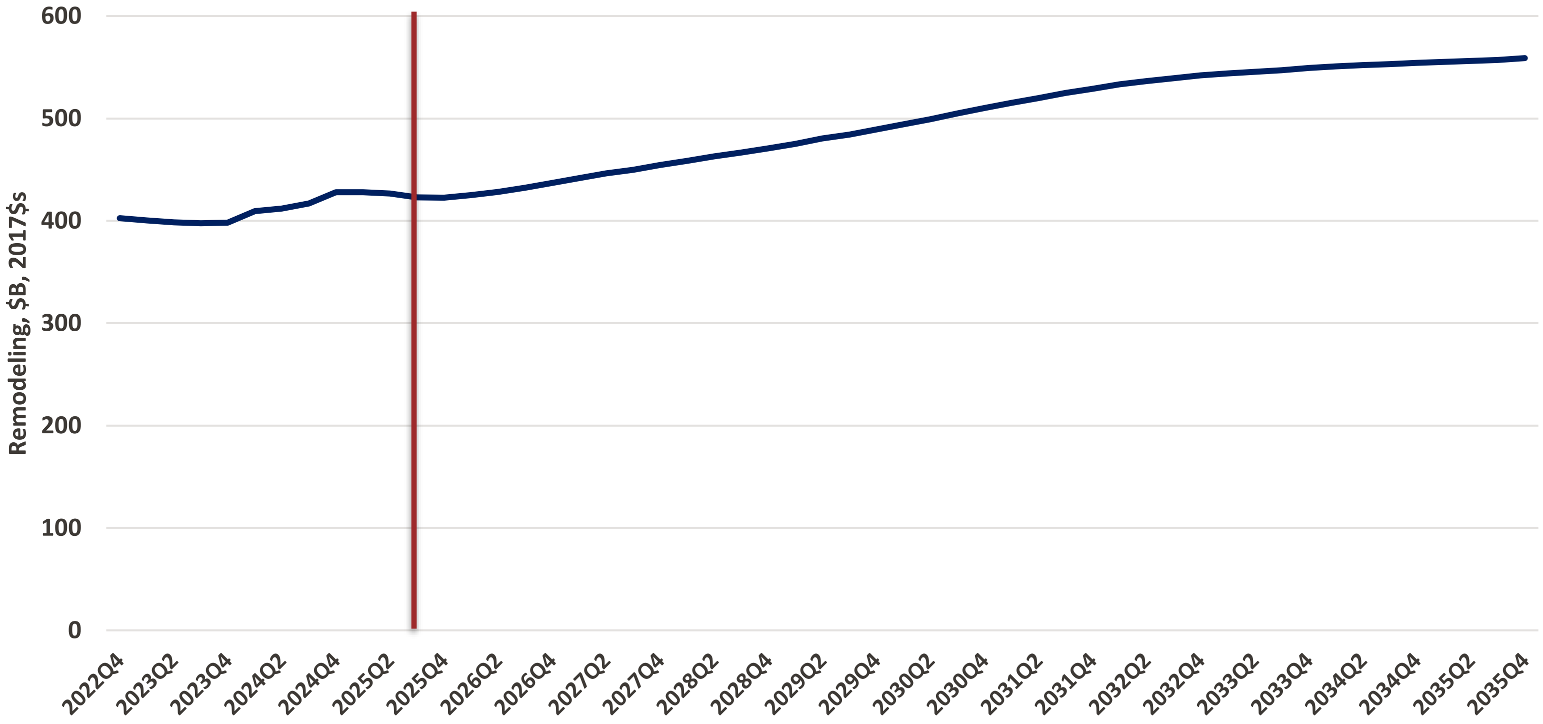
Residential Remodeling: Long-Term

Positive growth prospects ahead: 19% higher in 2030, 32% higher in 2035



Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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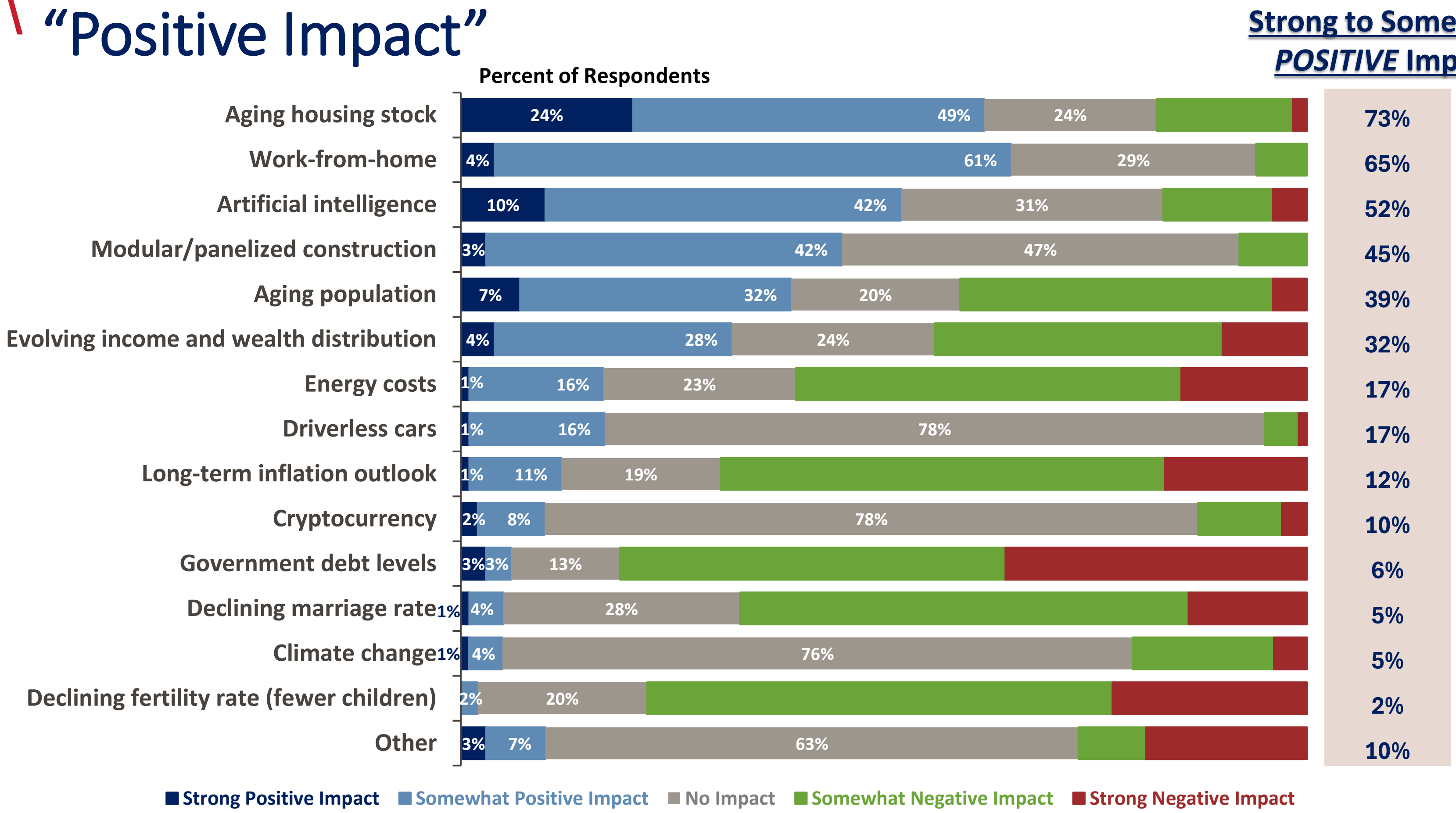
Long-Term Impact on the Homebuilding and Housing Demand

“Positive Impact”



Source: Census Bureau and NAHB/Wells Fargo HMI survey

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Thank you

Questions?

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