



Remodelers Rejoice

by Walt Keaveny, Risk Manager, MS, PE, PG

The home remodeling industry is in epic growth mode! According to the 2017 Remodeling Outlook by the Harvard Joint Center for Housing Studies, remodeling spending in the U.S. is at an all-time record high. Remodeling is expected to experience healthy growth through 2025. This rapid growth is fueled by rising home equity, incomes, and existing home sales. Also, a shortage of affordable new homes results in investment in older homes.

Current unique remodeling trends include investing in accessibility, energy efficiency, smart home features, and sustainability. Homeowners are being inspired by a plethora of popular home improvement shows like Fixer Upper®, Flip or Flop® and Property Brothers®.

How can remodeling contractors benefit from this explosive growth, and set themselves apart from competitors? One particular challenge is that the majority of homeowners face the contractor selection process with a negative perception, low expectations and a low level of trust. They often feel that contractors are out to take advantage of them and plan on change orders. They tend to treat contractors like a commodity and focus solely on price. This is exacerbated by the Harvard Study findings that in any given year, about one



Homeowners tend to treat contractors like a commodity and focus solely on price.

in five residential construction businesses opens and another one in five closes. Fly-by-night and sham contractors hurt the overall industry, as they are the ones often profiled on the evening news.

The vast majority of remodeling contractors are professionals that take exceptional pride in their work, striving for customer satisfaction and referrals. However, even with good and honest intentions, homeowner disputes occur because the scope of work and performance standards were not clearly identified in writing. Thus, the homeowner's expectations do not meet the contractor's planned deliverable.

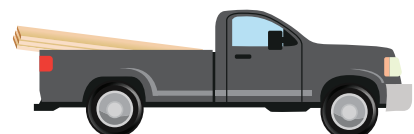
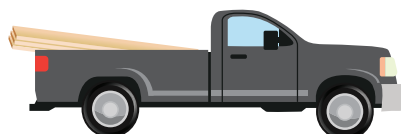
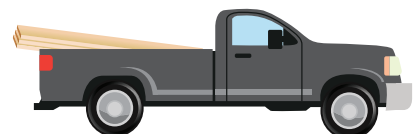
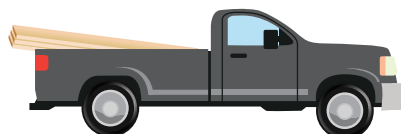
One best practice is to agree on a detailed written scope of work at the contract phase. The more a contractor

educates the homeowner about the scope of work, the more likely they are to buy. Also, it is important to provide written performance standards that establish how workmanship, systems, and structural work will perform after the work is completed. Performance standards help avoid disputes, such as, when homeowners are unhappy about how wood floors/framing/trim naturally adjust to humidity, concrete/mortar/grout/caulk shrink as they dry, drainage grades change as fill settles, etc.

Another best practice is for contractors to make clear to homeowners what sets them apart from the competition. Consider discussing the quality of work, value of experience, aggressive schedule, and tidy friendly crew. Show photos and provide



One best practice is to agree on a written detailed scope of work at the contract phase.



In any given year, about one in five residential construction businesses opens and another one in five closes.

Remodelers Rejoice

references. Assure homeowners that you will be available long after completion of the project. Don't fall into the trap of low price being the main deciding factor. Provide particular comfort by discussing warranty. A survey conducted by Roofing Contractor Magazine involved sending questionnaires to 1500 homeowners that recently received new roofs. The survey results found that only 25% of contractors discussed warranty. Not surprisingly, 51% of contractors that did discuss warranty won the business. The survey results suggested that discussing warranty represented tremendous opportunity for contractors to demonstrate value and differentiate themselves.

The popularity of insurance-backed remodel warranties has been growing since they were widely introduced in recent years. Remodel warranties are relatively inexpensive with costs typically ranging from \$200-300 for projects valued at less than \$100,000.

Remodel warranties are similar to new home warranties, providing important protections for both the homeowner and the remodeler. The homeowner takes comfort knowing that the warranty is backed by insurance and is there to protect them if the contractor is unwilling, unable, or no longer in business. Also, the contractor is vetted in underwriting for experience and credit to determine eligibility for the warranty program. A scope of work is required to enroll a project so that in the event of a claim, the warranty adjuster can clearly delineate what is covered. The contractor takes comfort knowing that an express written warranty negates any implied warranties, clearly

outlines each party's obligations, provides construction performance standards, and includes mandatory arbitration. Binding arbitration is a legal process by which any disputes between contractors and homeowners may be fairly resolved. Arbitration, in accordance with the Federal Arbitration Act, is a dispute resolution process that is impartial, expedient, and low cost. Arbitration proceedings, conducted in the home, are almost always preferred over litigation in a courtroom.

The remodeling industry is experiencing rapid growth at record levels, and remodeling contractors are positioning themselves to capitalize on the vast opportunities. The remodeling industry does have some challenges with public perception, but successful contractors know how to address the issue and differentiate themselves. The key is to educate homeowners by providing a detailed scope of work, selling key advantages and standing behind their work and reputation with a strong insurance-backed warranty, which serves to protect both the homeowner and the contractor.

Only 25%
of contractors
discussed a warranty.



Mr. Keaveny is the Risk Manager and Principal Engineer for the leading new home warranty company, 2-10 Home Buyers Warranty. He earned a Bachelor's degree in Geological Engineering and a Masters in Geotechnical Engineering. He is licensed as both a Professional Engineer and a Professional Geoscientist, and has over 30 years of diverse engineering experience. He serves on the Construction Performance Standards Committee for the Texas Association of Builders, and is an invited speaker and author. Mr. Keaveny's work on the subject of structural claims has been published in major newspapers and has drawn international interest.



LONG LIVE HAPPY HOMES®