

A consequence of COVID-19: Increased zest for home renovation caused DIY Boom in Europe and the US

COVID-19 pandemic sparked many changes in consumer behaviour

A major change that has taken place in housing during the COVID-19 pandemic is that people spend more time working, studying and spending their leisure at home. Nearly half of the employed workforce in Europe shifted to remote work, at least part-time. While work and leisure started to take place increasingly at private homes, a need arose for additional space and improvements in home functionality and comfort both inside and outside the home. Increased spare time was used for home improvement while yards and gardens also gained new importance in people's everyday lives.

With telecommuters, work and income remained much the same as before. As consumers had limited options in terms of consumption, their savings rate rose significantly in 2020 and the targets of consumption changed considerably. For example, a lot more money was spent on DIY renovation than usually. In Finland, consumers saved approximately 6 per cent of their income in 2020. For working consumers, this meant approximately 200 euros a month and an annual accumulation of 2,400 euros. For the national economy, the total savings amounted to roughly 8 billion euros, which constitutes somewhat over 3 per cent of the gross national product. An increase of six percentage points in savings rate was also common in other Nordic countries and elsewhere in Europe. Economists are now speculating about how soon consumers will spend their accumulated savings and on what, once they have had their vaccination and the restrictions have been lifted. Most of them will be spent on services, but at least part of it will also be spent on home renovation, at least during 2021.

COVID-19 also stirred new demand for larger homes. In many countries, both home and secondary (holiday) home sales picked up and are still on a strong increase. Low interest rates and good loan availability have supported the trend, at least in the Nordic countries.

COVID-19 created a DIY boom in many countries

The newly increased emphasis on homes and the increased time spent there caused a strong increase in do-it-yourself renovation. Since it was unsafe to allow non-family members to carry out renovation work, the volume of do-it-for-me (DIFM) renovation reduced in 2020. The DIY boom did not cover all

countries, however. In many countries, speciality stores were kept closed and there was no room for growth.

What kind of work has home renovation covered? According to the market analysis company Norwegian Prognosesenteret, the growth in the frequency of renovations in the wake of national closure did not affect all types of work equally. The heaviest renovation work on kitchens and bathrooms, requiring specialized craftsmen, showed a decrease of 2-5 per cent, while the simpler measures that households could carry out themselves showed growth in the same period. The largest growth was seen in the proportion of households that painted the interior. Almost 7 out of 10 who refurbished the interior carried out painting work. This means that every fifth household (20 per cent) painted their interior last year, compared to 16.5 per cent the year before. Also in Finland, consumer renovation focused on minor self-completed tasks, such as painting, minor interior and furniture repairs and outdoor area improvements, such as patios and yards. Painting, for example, is estimated to have increased by 15-20 per cent during the pandemic year, and the volume of timber waste taken to collection increased by as much as 60 per cent in 2020. In Finland, the eagerness to renovate was reflected not only in homes but also in secondary (holiday) homes.

The DIY market is typically measured through DIY product sale numbers. The global value of DIY sales totals roughly EUR 550 billion (USD 650 billion). The largest DIY countries include large welfare states: the United States, Germany, Canada, Japan, UK, France, Australia and Italy. The US covers over 50 per cent and Europe near 30 per cent of the global DIY market.

Actors of the DIY sales industry in Europe have issued information on last year's sales development. An increase in the number of new, young customers has been a significant phenomenon. Consequently, stores have started providing more guidance and digital services. Europe's highest DIY sales growth numbers were seen in Ireland, over +20 per cent along with France and Germany, both near +15 per cent. Hardware store sales increased by about 10 per cent in Austria, Switzerland, Sweden in Norway and by 5 per cent in Finland. The structure of the sales is different in Finland, however, as it contains more B2B trade than in Sweden and Norway. The pandemic situation in Southern Europe was difficult and induced strict lockdown measures. This is reflected in sales development in Italy, Spain and Portugal. The sales were at a 2-3 per cent growth, however. In many Central and Southern European countries the lockdowns have been longer and tighter caused great fluctuations in last year's sales figures.

Normally, the notion of 'DIY' work covers not only self-made renovation but also part of the work commissioned from professionals as the consumers play a major role in acquiring the materials and utensils. This year, there was a major emphasis on the share of self-completed renovation.

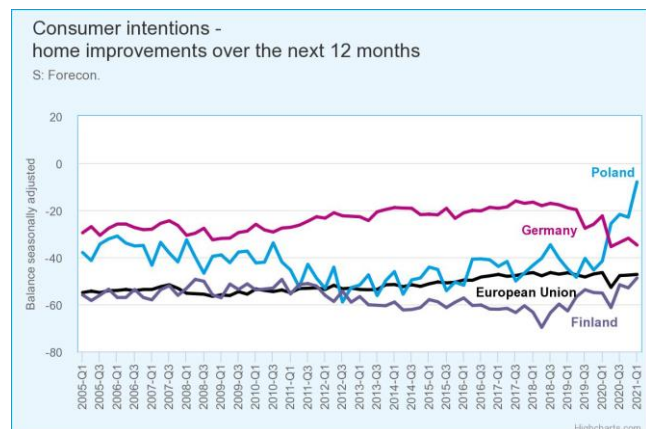
Do consumer confidence and home renovation intentions predict future DIY development?

As part of consumer confidence surveys, respondents are asked about their intentions to spend money on specific targets during the following 12 months, such as a car, an apartment or home renovation. This survey data is gathered quarterly and the most recent data currently covers Q1 of 2021.

There are major differences in home renovation intentions between countries. In EU countries and the eurozone as a whole, renovation intentions have remained relatively stable. A downturn took place in Q2/2020 but the intentions then picked up considerably in Q3, although not higher than the starting level in Q1/2020. Intentions remained unchanged towards the end of the year, but in Q1/2021, the numbers returned to the pre-COVID level and predict growth.

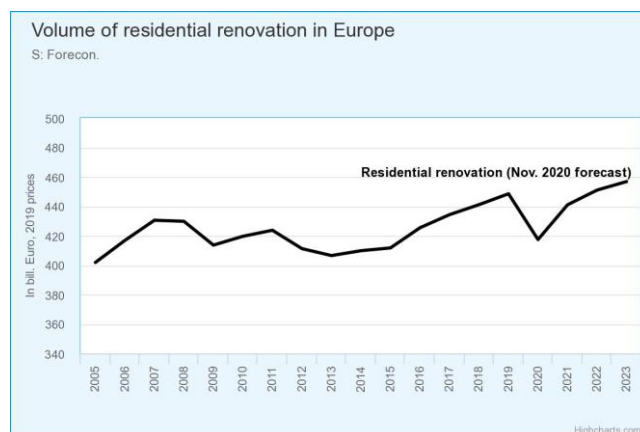
Looking at the pre-pandemic starting point (Q1/2020), the most positive development in consumer home renovation intentions has been seen in Poland, Hungary, Sweden, Ireland, Denmark, Belgium and Finland.

Many countries have remained at the starting level or risen close to it, including the Netherlands, Ireland, Portugal, Spain and France. Renovation intentions have decreased in the Czech Republic, Germany, Austria, Slovakia and Estonia. Renovation intentions as measured with the index are very low in Spain, Estonia, Slovakia and Portugal. Intentions are the highest in Poland, Sweden, the Czech Republic and Austria.



Based on consumers' current home renovation intentions, no major growth can be foreseen for 2021 in Europe as a whole. The positive development with DIY work does not conflict with the consumer index as DIY focuses on consumers' self-made renovation work. According to EDRA-GHIN, the sales growth in January-March 2021 has been good in many countries, France among others. In Germany, sales have reduced, however. More demanding repairs requiring professional input have reduced, as COVID-19 has prevented repairs carried out in residential homes by outsiders. In some countries, the lockdown has also covered stores selling DIY materials. The development in 2021 seems positive. Repair intentions have remained on a good level and professional repairs are started as restrictions are lifted. Part of consumers' savings will still be channelled into repair construction although the focus will surely be on service consumption after the long pandemic period.

In the EUROCONSTRUCT forecast in November, home repairs were predicted to reduce by nearly 7 per cent within the Euroconstruct area last year. The largest drop comes from a major reduction in many large countries, such as the UK, Spain, Italy and France, ranging from -10 per cent to -25 per cent. The renovation forecast for 2021 approximates +6 per cent. The revival is due to a recoil in these countries after a slow year.



The US constitutes the world's largest DIY market

According to researchers at Harvard University's Joint Center for Housing Studies (JCHS), the total spending on home improvement and repairs in the US climbed by an estimated 3 per cent last year and totalled USD 419 billion, despite the slowdown in the broader U.S. economy.

"The pandemic pushed Americans to spend on their homes like never before, tackling do-it-yourself projects with a newfound fervour after years of favouring contractors."

The DIY market picked up as early on as May 2020 in the US, but a truly fierce growth took off in June. Since June, monthly growth has amounted to 20-25 per cent year-on-year. The volume of professional repairs decreased again by 10-20 per cent in April-May and, after that, remained on an equal level with the year before. The year as a whole will remain in the red.

The role of DIY in home renovation will reduce in the US

The recent 'Improving America's Housing 2021' report by JCHS at Harvard University presents an explicit forecast for the development of DIY repairs.

"In the long-term, the ageing of both the US population and the housing stock, as well as the increasing incidence of climate-related disasters, will keep growing in the remodelling market strong for years to come."

The report also states that the amount of DIY has been steadily declining in the US.

"Nearly 4 in 10 home improvements in 2019 were do-it-yourself projects. Spending on DIY activity (which includes only the owner's costs for materials) reached \$46 billion. Expenditures on DIY projects continued to shrink as a share of total home improvement spending, falling from about 24 per cent in 2005 to 21 per cent in 2009 to a new low of 17 per cent in 2019." The decline in the share means that DIY will also grow but slower than total improvement spending. A key reason for this is the growing role of older owners in home repairs.

"Older owners consistently spend only about 15 per cent of their home improvement dollars on DIY projects. However, the DIY share has also trended down across younger age groups, including owners under 35—the group most likely to undertake improvement projects themselves."

The development required in the definition and statistics of renovation

Following up on renovation trends is difficult as a significant share of repairs requires no building permit. However, more money is spent on renovation than the construction of new buildings in Europe. In 2020, nearly EUR 420 billion was spent on home improvement and EUR 320 billion on new building construction, marking a EUR 100 billion difference.

Reliable tracking and prediction of repair volume developments require a large scale of different kind of indicators and a lot of new indicators.

According to Norwegian Prognosesenteret, the term 'housing renovation' includes both DIY and joint investments made by housing associations, co-owners and the like. For Norway, the DIY market constitutes the largest share of the market. The 'DIY' concept does not mean that all work is necessarily performed on one's own but rather that they are paid directly from one's wallet.

In this example, 'DIY' has been defined more widely than to simply include sales figures from hardware stores. EUROCONSTRUCT is aiming to have the statistics from different countries cover the same contents.



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