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Homewyse 2010 Home Ownership Cost Report

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SUMMARY

Next to mortgage expenses, home maintenance and repair costs remain the largest expense for American homeowners in 2010.

The annual cost to maintain and repair an average 3 bedroom 2 bath, detached home in 2010 totals \$7,910. For an upscale 2450 square foot detached home, maintenance and repair costs will total \$12,574. Costs for a typical semi-detached condominium will average \$4,427.

Annual maintenance and repair expenses for conventional housing in the United States should remain steady in the remainder of 2010 and through 2011, at levels reached initially in 2008. Softer demand for major remodeling projects has resulted in price decreases in material and lower growth in trade labor costs.

The next 12 months will remain a buyer's market. 2010 and early 2011 will be a good time for homeowners to negotiate attractive deals on deferred maintenance project.

HOME MAINTENANCE AND REPAIR COSTS

Home maintenance and repair expenses are homeowner incurred costs needed to keep a home in working order and achieve normal lifetimes for a home's finishes, systems and components. These costs do not include finance expenses, insurance, tax or utility (water, electricity, gas, trash, etc.) expenses.

Maintenance and repair costs can be broken into ongoing costs and larger ticket, infrequent expenses for replacement or refurbishment.

Recurring, frequent expenses include yard care, extermination service, plumbing repair, HVAC service, window cleaning, chimney cleaning, HVAC service etc. These costs will typically be incurred each year of occupancy and are not tax deductible for owner occupied homes.

The most expensive replacement and maintenance activities occur less frequently, but involve replacement or refurbishment of components at significant expense. Examples include roofing, hardscaping, painting, windows, electrical systems, HVAC systems, exterior siding and appliances. These items are permanently installed and their expense can usually be added to the basis value of a property when determining capital gains tax.

In the following analysis, both types of expenses are considered on a annualized basis. It is also assumed that all maintenance and repair services are performed by qualified professionals at prevailing wages in the indicated geographic areas.

2010 HOME MAINTENANCE AND REPAIR ANNUAL COST BREAKDOWN

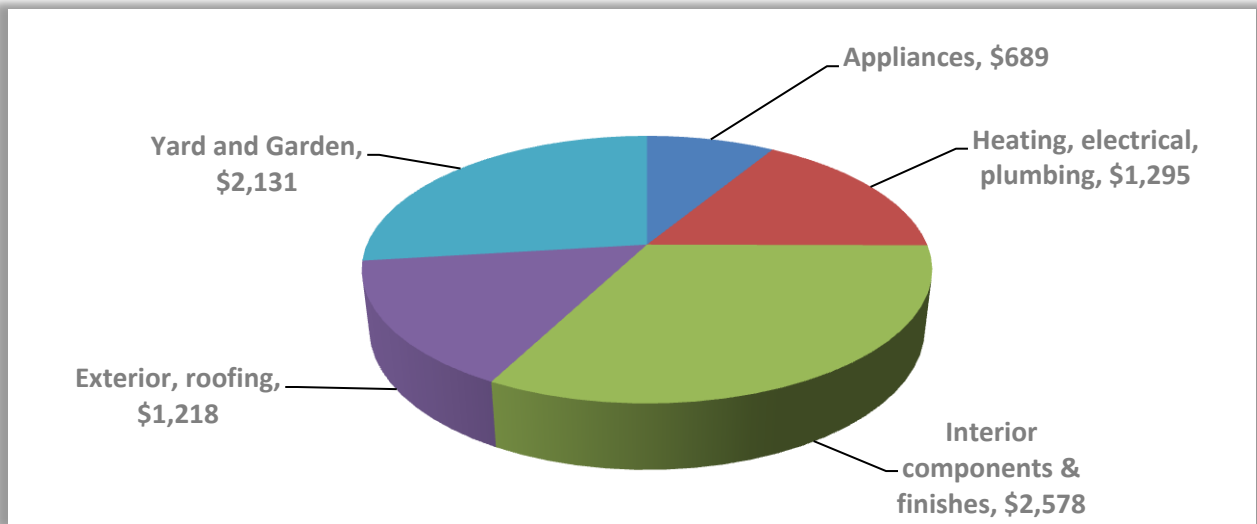


Figure 1. 2010 Home Maintenance and Repair Costs for Basic 1650 square foot 3 bedroom/2 bath home

For the typical home, replacement materials and systems are the largest expense category – accounting for 48% of the overall home maintenance and repair budget. As Table 1 shows, the high cost items in this category are interior finish components (flooring, cabinets, wall coverings, plumbing fixtures, lighting, etc.). Plumbing, electrical and HVAC system replacement are the next most costly, contributing nearly 10% to the total annual home maintenance and repair budget.

	Replacement Material & Components (Yearly)	Replacement Labor (Yearly)	Ongoing Maintenance & Repair Labor
Appliances	6.1%	0.1%	2.5%
Heating, electrical, plumbing	9.2%	4.3%	2.9%
Interior components & finishes	20.9%	9.8%	1.8%
Exterior, roofing	5.7%	5.4%	4.3%
Yard and Garden	6.4%	4.9%	15.7%

Table 1. 2010 Home Maintenance and Repair Cost Breakdown by Expense Type and Maintenance Category

The cost of professional installation labor for replacement materials and systems is 25% of the total annual maintenance and repair budget. The largest component of cost in this category is labor for interior finish components. As with replacement materials, these types of costs occur infrequently and can be added to the tax basis value of the home when paid to a professional. Homeowners can avoid many installation costs by doing the work themselves.

Recurring maintenance and repair costs represent 27% of the annual maintenance and repair budget. The biggest contributor to this category are expenses for yard and garden care – consuming 15.7% of the total annual maintenance and repair budget when professional labor is used. As with labor for replacement systems, homeowners can avoid most maintenance and repair costs by doing the work themselves.

2010 HOME MAINTENANCE AND REPAIR COSTS BY DWELLING TYPE

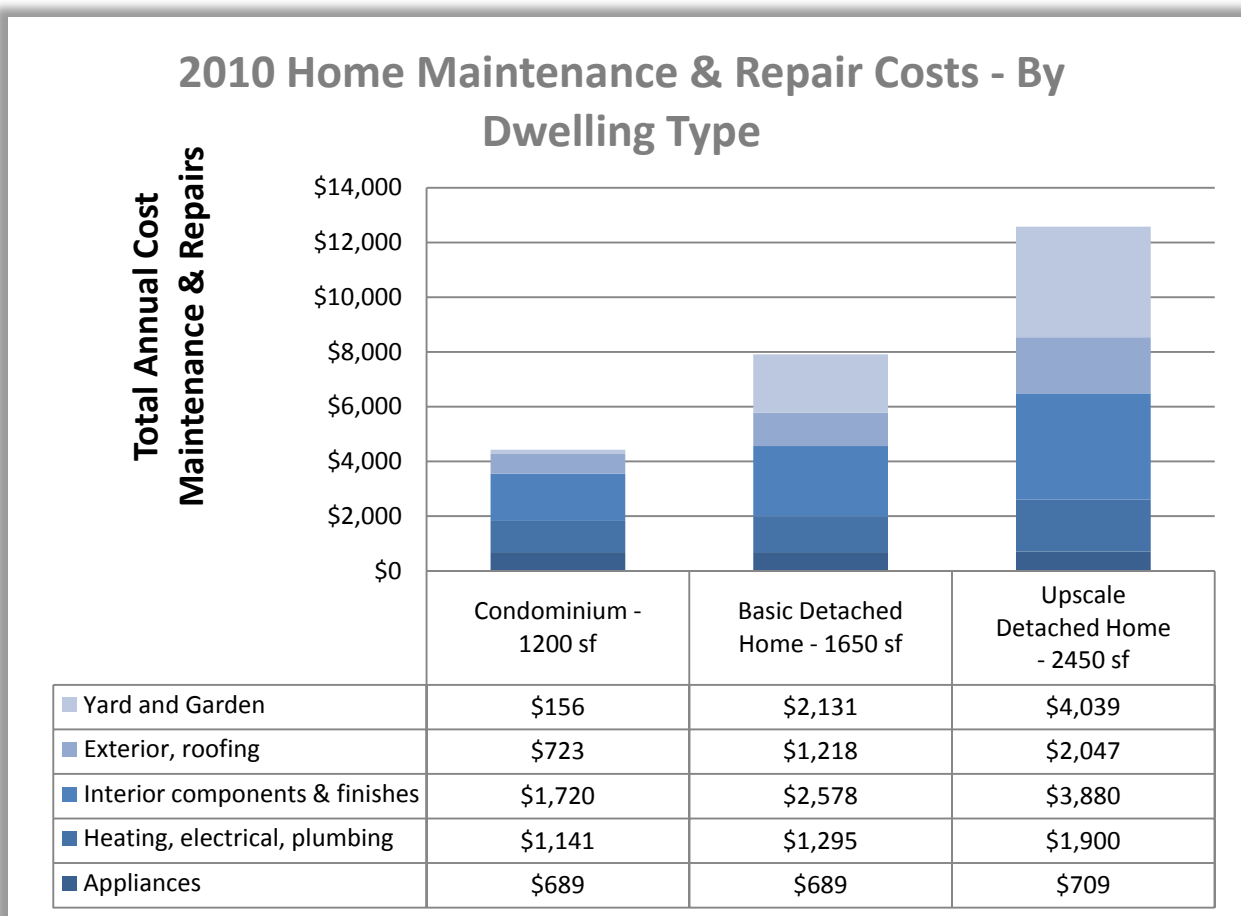


Figure 2. 2010 Annual Home Maintenance and Repair Costs by Dwelling Type

Figure 2 shows maintenance and repair cost by dwelling type:

- 1) A 1200 square foot condominium with 3 bedrooms, 2 baths and “good” quality finishes and fixtures.
- 2) A 1650 square foot detached home with 3 bedrooms and 2 baths on a 6000 square foot lot. For this basic single family home, it is assumed that finishes, fixtures, cabinets, molding and such are typical builder (“basic”) quality.
- 3) A 2450 square foot, 4 bedroom, 2.5 bath detached, single family home on a 10,000 square foot lot. This home includes “better” quality fixtures, finishes, appliances and components.

The condominium has the lowest average annual cost of dwellings considered here— at a total of \$4,427 per year (\$3.69 per square foot of interior space).

Over 40% of the annualized maintenance and repair costs for 1200 square foot condominium are for interior finishes, fixtures and components.

Plumbing, HVAC, electrical and plumbing systems costs average \$1,141 per year. IMPORTANT NOTE – condominium or homeowner fees are not included in these calculations, and should be considered when comparing the total ownership costs between different dwelling types.

Annual costs for the 1650 square foot detached home total \$7,911 –\$4.79 per square foot of interior floor area. Replacement of interior fixtures, finishes and materials are the biggest cost item (\$2,578 per year) followed closely by yard and garden maintenance expenses at \$2,121 per year.

Costs for the upscale 2,450 square foot home average \$12,574 per year (\$5.24 per square foot of interior floor space). For this home, yard and garden costs are the top expense at just over \$4,000 per year – followed closely by interior finishes, fixtures and components with an average annual cost of \$3,880.

Home maintenance and repair costs are most dependent on the type, size and finish quality of the dwelling. These expenses can also vary significantly by geographic region and location – as illustrated in the following analysis.

2010 HOME MAINTENANCE AND REPAIR COSTS BY LOCATION

	1200 sf Condominium		Basic 1650 sf Detached Home		Upscale 2450 sf Detached Home	
	annual cost	\$/sf	annual cost	\$/sf	annual cost	\$/sf
Atlanta	\$4,194	\$3.50	\$7,447	\$4.51	\$11,801	\$4.82
Boston	\$4,976	\$4.15	\$8,940	\$5.42	\$14,292	\$5.83
Boulder	\$4,427	\$3.69	\$7,911	\$4.79	\$12,574	\$5.13
Chicago	\$4,816	\$4.01	\$8,683	\$5.26	\$13,863	\$5.66
Little Rock	\$3,987	\$3.32	\$7,036	\$4.26	\$11,114	\$4.54
Los Angeles	\$4,842	\$4.03	\$8,734	\$5.29	\$13,949	\$5.69
Miami - Dade County	\$4,272	\$3.56	\$7,602	\$4.61	\$12,059	\$4.92
New York - Suffolk County	\$5,670	\$4.73	\$10,382	\$6.29	\$16,697	\$6.82
Omaha	\$4,143	\$3.45	\$7,344	\$4.45	\$11,630	\$4.75
Phoenix	\$4,531	\$3.78	\$8,117	\$4.92	\$12,918	\$5.27
San Francisco	\$5,282	\$4.40	\$9,609	\$5.82	\$15,409	\$6.29
Seattle	\$4,893	\$4.08	\$8,837	\$5.36	\$14,120	\$5.76

Table 2. 2010 Home Maintenance and Repair Costs Comparison - Costs by Home Type and Location

Location can be a significant factor in home maintenance and repair expense. Although regional variations in manufactured goods tend to be small, labor, raw material and delivery costs vary widely across the United States.

As Table 2 shows, annual maintenance and repair costs for a typical condominium range from \$3.45 to \$4.75 per square foot of interior space. For the basic 1650 detached home annual costs range between \$4.26 and \$6.29 per interior square foot. The average annual maintenance and repair cost for an upscale 2,450 square foot home ranges from \$4.54 to \$6.82 per square foot.

As expected, costs are highest in east and west coast major metropolitan areas and lower for small to medium sized cities located inland.

HOME MAINTENANCE AND REPAIR COST TRENDS

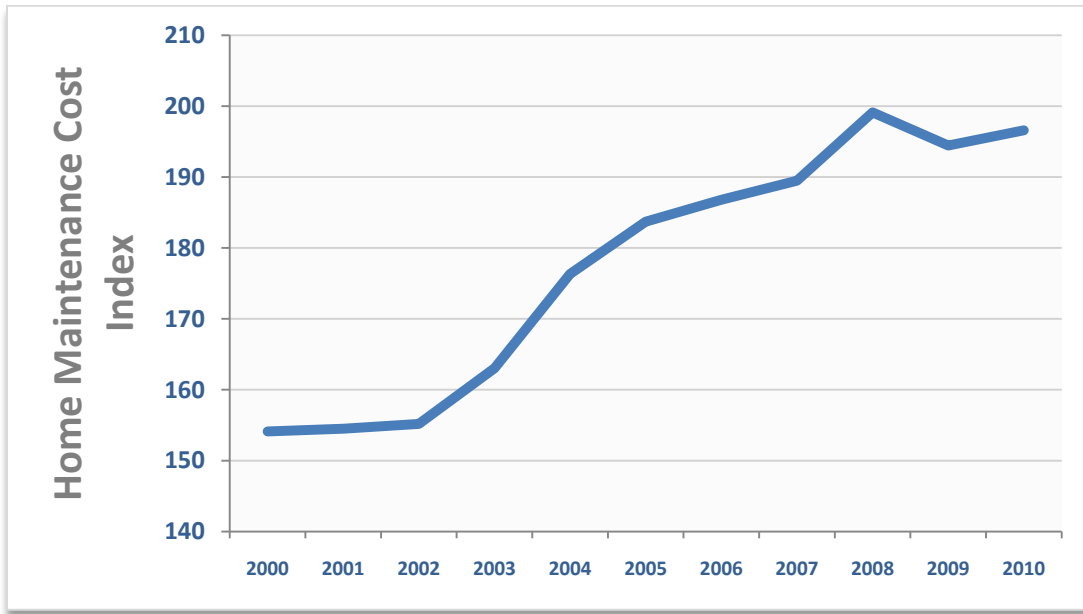


Figure 3. 2010 Home Maintenance and Repair - Overall Cost Index

After rising at an annual rate of nearly 4% per year through 2008, home maintenance and repair costs have returned to 2007 levels (Figure 3). The overall cost index reached 198.2 in 2010, up slightly from 194.3 in 2009. Growth in the composite cost index has been driven primarily by higher labor costs, with material costs remaining relatively steady over the last three year period.

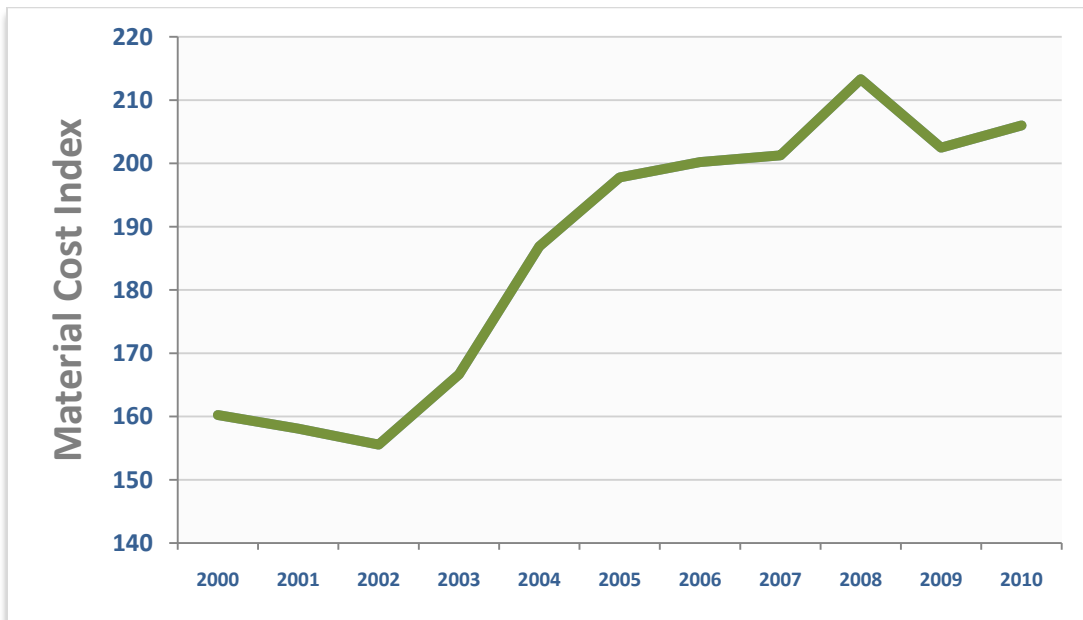


Figure 4. 2010 Home Maintenance and Repair - Material Cost Index

As Figure 4 shows, the Homewyse Material cost index spiked at 213.7 in 2008. In 2010 the material index will reach 207.5, up from 202.5 in 2009.

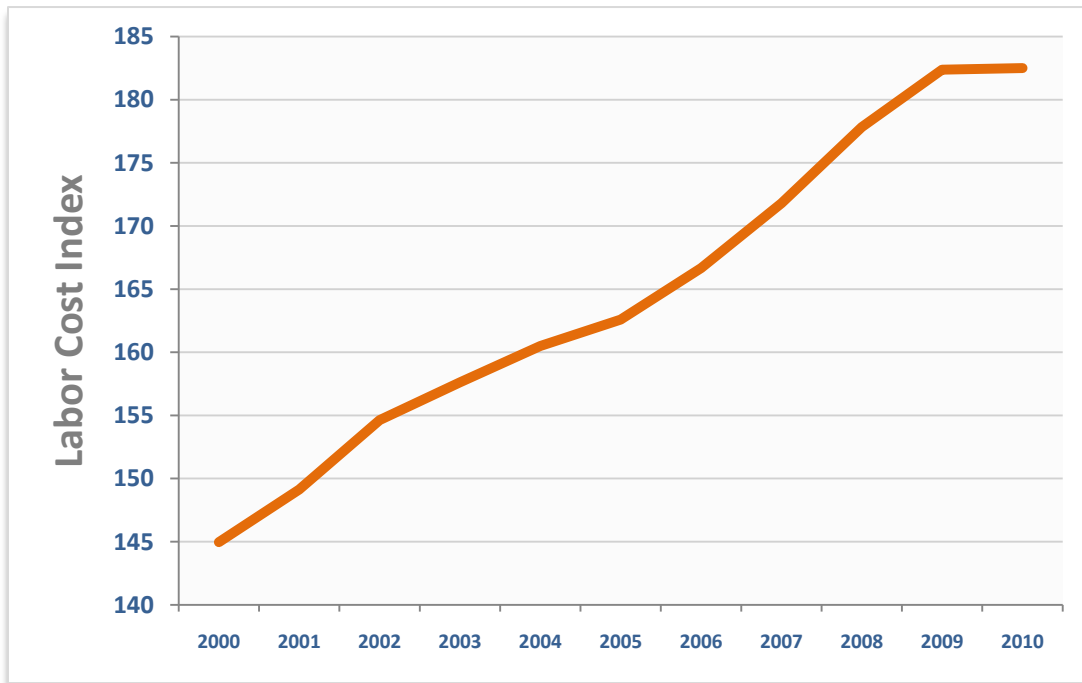


Figure 5. 2010 Home Maintenance and Repair - Labor Cost Index

In 2010, home labor costs for maintenance and repair will be only slightly higher from 2009. Near term growth in labor costs should be significantly less than the 5+% growth of the early 2000s.

HOME OWNERSHIP COST STUDY METHODOLOGY

Annual costs were estimated on a per project basis for each region, across projects that are commonly required to repair or maintain a typical dwelling. Replacement costs were annualized using mean lifetime benchmarks compiled by industry trade organizations and Homewyse. Material and labor requirements were determined using the unit estimating method and average industry standards for material utilization and trade labor productivity. Labor costs are derived from local survey data and United States Bureau of Labor Statistics. Material costs are derived from local survey data for branded goods and industry benchmarks for commodity construction materials including lumber, masonry, millwork and concrete.

Costs were compiled for maintenance and replacement of the following components and systems using the 2010 Homewyse Home Cost calculators:

- Exterior painting
- Roofing
- Gutters, downspouts and site drainage
- Windows and doors
- Exterior siding / wall surfaces
- Landscaping
- Irrigation
- Heating, Ventilating and Air Conditioning (HVAC)
- Hot water
- Plumbing
- Electrical
- Insulation and vapor barrier
- Wall finishes
- Flooring
- Window finishes
- Lighting
- Plumbing
- Cabinetry and millwork (molding)
- Plumbing fixtures

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