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[MARKET UPDATE]

By Michael Chamernik, Associate Editor

TREND WATCH

TOP K&B TRENDS

Homeowners and buyers are willing to buck tradition when it comes to their kitchens and bathrooms, and contemporary aesthetics have become more popular than traditional styling in both rooms, according to the 2017 Kitchen & Bath Design Trends Report from the National Kitchen & Bath Association (NKBA).

Based on a survey of 562 respondents in the U.S. and Canada, primarily consisting of kitchen and bath designers and dealers, interior designers, and remodelers, the report identified the top 10 trends in the industry this year.

Three 2017 NKBA K+B Insiders—interior designers Jennifer Bertrand and Alberto Villalobos, and master builder Karl Champley—were at the Kitchen & Bath Industry Show in Orlando in January to discuss the survey's results.

While traditional features are still preferred elsewhere in the house, Villalobos said that emerging new smart technology and appliances give “permission” to experiment with kitchens and bathrooms. Respondents said that their clients prefer a contemporary look of clean lines, built-ins, and simple door styles.

Whites and grays each remain top color choices for kitchens and baths, with blue hues gaining ground in applications such as painted cabinets. The K+B Insiders said that softer, cool colors are most popular. “Now we’re seeing the blues, but greens are making their way,” Bertrand said. “Next year we’ll start to see some of that. Greens play off of nature.”

Two-tone kitchens are rising in popularity, and designers aren’t afraid to mix wood and metal surfaces or forgo molding and trim. Metal cabinetry is gaining ground, particularly among young male designers, and furniture-look pieces, roll-outs, pullouts, and under-cabinet LED lighting are also on-trend cabinet features.

Barn doors and pocket doors are getting some buzz. NKBA pros said that they are including wiring and pathways for future tech integration within their kitchens, such as hidden power strips, docking stations, and internet-connected electronics. Induction cooktops, microwave drawers, and steam ovens are among the more popular appliances.

Quartz is the hottest kitchen countertop material and is overtaking downward-trending granite. Champley said he once used a ½-inch-thick white quartz countertop in a project and “[couldn’t] believe the fact that it didn’t stain. It’s just a maintenance-free and wonderful product.”

For bathrooms, linen storage cabinets and wood vanities are popular storage solutions, and floating vanities and open shelving are emerging. Undermount bathroom sinks and trough sinks are up, while vessel sinks and pedestal sinks are down.

Survey respondents showed new appreciation for high-quality vinyl flooring, which is as warm as it is practical. "It's really a nod to technology," Bertrand said. "It isn't the vinyl that used to be in your grandmother's home. It's really come a long way."

While bone- and bisque-colored fixtures are trending down, white fixtures are up, as are brushed brass and gold finishes and designer faucet colors. Respondents said that more clients are demanding universal-design features (comfort height toilets and no-threshold showers with seats) as well as water-saving toilets and faucets; radiant floor heating; and video, audio, and wiring pathways for future integration.

While many respondents said that clients were demanding freestanding sculptural tubs, more than half of the NKBA members surveyed said that they had removed a tub or whirlpool in a bathroom remodel during the past year. K+B Insiders said that clients were opting to eliminate the tub to save space for a bigger shower with flush flooring throughout the room and to make the bathroom look more spacious.

HOUSING STOCK

HOUSES GROW OLDER

The inadequate pace of new-home building is driving up the age of U.S. housing stock. According to data from NAHB, the median age of owner-occupied housing reached 37 years in 2015, up from 31 years in 2006.

As of 2015, just 3 percent of the total owner-occupied housing stock was built in 2010 or after. Thirty-eight percent of homes were built in 1969 or before, 15 percent were built during the 1970s, 13 percent during the 1980s, and 15 percent during the 1990s. Despite the housing boom, just 16 percent of all homes today were built between 2000 and 2009.

The owners of newer homes skew younger and wealthier. Homes built after 2010 are headed by homeowners with a median age of 44 years and an average family income of \$121,577. Houses built in 1969 or earlier are headed by homeowners with a median age of 58 and an average household income of \$86,328.

While the demand for new housing continues to swell, so will opportunities for remodeling and renovation. Facing rising home prices and mortgage rates, a competitive real estate market, and fewer available homes on the market, current owners may find it more beneficial to stay put and fix up what

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they have. A remodeling project can add modern conveniences and amenities, which increases the value of the home.

Also, for older owners in older homes, aging in place can be a better option

than selling and downsizing. Those who take that route may want to add more universal design features to their homes, which is another opportunity for remodelers.

REAL ESTATE

FORECLOSURES DECREASE

Conditions have improved since the dark days of the housing bust and great recession, when annual foreclosure filings hit nearly 3 million in 2009 and 2010. Last year, foreclosure filings were reported on 933,045 U.S. properties—down 14 percent from 2015, and the fewest since foreclosures were at 717,522 in 2006. Just 0.7 percent of homes had at least one foreclosure filing last year, down from more than 2 percent in 2010.

The findings come from ATTOM Data Solutions' year-end foreclosure report. The real estate data service analyzed publicly recorded and published foreclosure filings from more than 2,500 counties. Filings constitute default notices, scheduled auctions, and bank repossessions

According to the report, 478,857 properties began the foreclosure process last year, down 16 percent from 2015 and 78 percent from 2009. Bank foreclosures dropped 16 percent from the previous year and 64 percent from 2010 to 379,437 properties last year. And 55 percent of the loans actively in foreclosure at the end of December originated between 2004 and 2008.

Foreclosure rates vary by state and market. Filings increased in 12 states and the District of Columbia last year. Delaware had the steepest jump (45 percent), and Connecticut, Massachusetts, Rhode Island, and Hawaii all had at least 20 percent increases. Filings rose in 53 of the 216 metropolitan statistical areas with a population of at least 200,000, led by Provo-Orem, Utah (30 percent from 2015), Honolulu (29 percent), and Lynchburg, Va. (29 percent).

In terms of foreclosure filings as a percentage of all properties, New Jersey was hit the hardest. It led the nation



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with 1.86 percent of housing units with a foreclosure filing, and Atlantic City and Trenton had the highest share of filings among U.S. cities at 3.39 percent and 2.16 percent, respectively.

Florida, Maryland, and Nevada were among the states and Chicago, Miami, and Philadelphia were among the markets with foreclosure rates above 1 percent.

PRODUCTION

HOME BUILDING ON THE UPSWING

Strong wage gains and job growth will lead to a double-digit rise in single-family home production this year.

At the International Builders' Show in Orlando, in January, economists from the NAHB, CoreLogic, and Nationwide Mutual Insurance gave their outlooks for the year ahead. Single-family home production is expected to increase 10 percent in 2017 to 855,000 units. Next year, construction may be even stronger, as NAHB predicts an additional 12 percent increase to 961,000 units. If the 1.3 million units built each year between 2000 and 2003 is used as a benchmark for a healthy market, then by the end of 2018, production will be 75 percent of the way there.

For this year, total housing starts are expected to rise 4.9 percent to 1.16 million, with 384,000 multifamily starts (just 1,000 units above last year's pace, NAHB notes).

The economy will grow in 2017, and mortgage rates are expected to hover at around 4.5 percent in 2017 and 5.3 percent in 2018, per NAHB.

Builders are facing supply-side challenges from what NAHB chief economist Robert Dietz calls the three L's: lots, labor, and lending. He says that nearly two-thirds of builders said they have low or very low lot supplies and that they are struggling to fill jobs. Acquisition, development, and construction loans are rising but continue to be outpaced by demand.

The economists also said that home purchase originations are expected to increase 5.7 percent, residential remodeling activity will gain 1 percent, and regulatory requirements now make up around 25 percent of the cost of a new home. **PB**

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