Hanley Wood Housing 360:
Insights into Homeownership

A national survey of homeowners and renters

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Table of Contents

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Introduction

The Colton Housing Group recently conducted a national survey among 3,005 homeowners and renters to better understand how Americans feel about today's housing market and their aspirations for owning or renting a home in the future. The survey and six focus groups were commissioned by Hanley Wood, LLC, and its two main publications, BUILDER and REMODELING magazines.

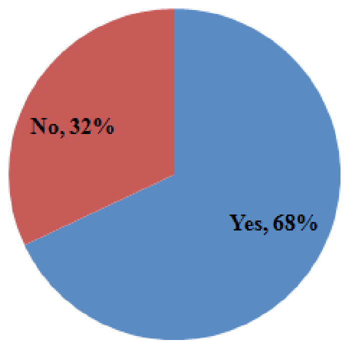
The structured questionnaire was sent electronically to a nationwide sample of homeowners and renters during the final week of June 2011. The 70-question survey focused on how owners and renters feel about today's housing market and problems encountered in the home buying process. Do Americans still view housing as a good investment? Is now a good or bad time to buy or remodel? How do consumers feel about obtaining a mortgage in today's environment? Is homeownership still important? How do consumers compare owning with renting? Do consumer expectations vary among different age groups and socio-economic segments of the population?

The focus groups were conducted in Fairfax, VA; San Diego, CA; Seattle, WA; Des Moines, IA; Tampa, FL; and Houston, TX. The survey findings summarized below are based on 1,954 responses from homeowners and 1,051 responses from renters.

Overview

Americans have mixed feelings about today's housing market and their options for buying or renting another home in the near future. In some respects, they are surprisingly upbeat and cling to traditional beliefs about homeownership and housing. One in five homeowners and one of three renters say they want to buy a home over the next two years — a strong level of interest in home buying in light of current market conditions. Respondents recognized that the combination of historically low interest rates, attractive home prices and a plentiful supply of homes on the market make it an ideal time to buy. Two-thirds of all respondents said it was a "good to very good time" to buy.

Exhibit 1: Is now a good time to buy?
(All respondents)



In addition, the survey showed that the idea of owning a home is still considered an important part of the American experience. Most renters still aspire to someday own a home, and the majority of owners still regard homeownership as a good, long-term investment even though more than half of the homeowners experienced some decline in their home's value over the past year. Beyond that, the overwhelming majority of survey respondents believed that keeping the door open to homeownership and restoring a healthy housing market are critically important to the U.S. economy and the future of the American family. In that vein, more than three of four respondents — both owners and renters — said that the mortgage interest deduction is an important factor in making their decision to buy a home.

But those positive aspirations are tempered by the harsh realities of today's mortgage market and a general state of uneasiness about job security, employment opportunities, and the overall health and direction of the economy and housing market. Renters have serious difficulties raising the necessary cash to cover down payments or don't have the incomes and/or credit scores required to qualify for a mortgage. High down-payment requirements and stringent mortgage qualifying standards are major obstacles blocking renters from entering the homeownership market. Less than one of five renters said they could afford to make a 20% down payment. Most renters (62%) believe their next home will be another rental, not so much because they prefer to rent, but because they can't afford to buy a home. At the same time, less than one fourth of renters believe that renting makes better financial sense than owning a home.

Exhibit 2: If you moved, are you more likely to buy or rent?

	Total	Owners	Renters
Buy	57%	74%	25%
Rent	28	10	62
Not sure	15	16	13

While homeowners are having difficulty qualifying for new loans and covering high down payments, they confront other serious problems, including recouping some of the lost value in their current home and selling their current home at a fair price. In addition, one in four owners and half of the renters say they need to get a better-paying job before moving up in the housing market or entering the homeownership market for the first time.

Minority households face particularly tough challenges. Compared with white households, twice as many African-American and a third more Hispanic households said they need lower-down-payment mortgages to enable them to break into the homeownership market.

To cope with hard economic times, households are doubling-up. That is true for more than one-third of owners and one out of five renter households.

Besides postponing any decision to move up in the housing market, some homeowners are taking advantage of the remodeling option. More than one in five homeowners said they had already remodeled their current home or planned to do so in the next two years rather than buy another home. Moreover, six out of 10 homeowners over age 50 indicated that they wanted to stay in their current home throughout their retirement years, which brightens prospects for the remodeling industry as more than 80 million baby boomers reach retirement age over the next 18 years.

What is sorely lacking in today's market is any real sense of urgency to buy a home now. Two out of three homeowners and 23% of renters are comfortable with their current living arrangements, saying their current home or rental unit is "fine." And both owners (40%) and renters (45%) cited "no urgency to buy now" as one of the principal reasons for staying out of the market.

On the issue of where home prices might be heading over the next year, Americans are divided, with more than one-third believing that prices will rise and 28% saying prices could yet decline more. About 40%, however, believe that the market has bottomed out and that prices will remain flat in the year ahead.

Homeowners who are considering buying another home in the next two years are split between the 29% preferring a new home and the 34% favoring an existing home. “Everything is new” is the main reason people buy new homes while affordability (perceived lower prices) was cited as the chief reason among those preferring existing homes. It is important to note that 42% of all respondents are in the middle and could go either way — buying a new or existing home.

Looking ahead, the majority of Americans think it is harder to buy a home today than during their parents’ generation, and most do not think it is going to get any easier for their children once they reach home-buying age.

This survey paints an uncertain future for the nation’s housing market for the short term — a market where credit is tight and hard to get and one where there is little urgency to buy now. It clearly identifies major bottlenecks in the mortgage market — problems that could be addressed by the nation’s policy leaders — that are keeping many buyers on the sidelines and thus preventing any significant rebound in housing activity.

Over the long term, however, the survey tells a more uplifting story. Specifically, the survey findings show that the desire to own a home has not been derailed by five years of hard economic times and that Americans generally understand the important role housing plays in creating new jobs, generating household wealth, and sustaining a long-term economic recovery.

“It’s a good time to buy”

Most Americans, including renters, believe today is a good to very good time to buy, even though half of the owners have experienced some decline in the value of their home in the past year and one in five homeowners with a mortgage are “underwater.”

In response to the question, “Do you think it is a good or bad time to buy a home?,” seven out of 10 homeowners and six out of 10 renters said it is a “good to very good time” to buy.

While there are only minor differences in ratings among owners in different age segments, young renters were significantly more positive about home-buying conditions. Two-thirds (65%) of the renters under 35 said it is a “good to very good time” to buy compared with fewer than 50% of those 45-64 years old (baby boomers). It is interesting to note that even two out of three (67%) delinquent homeowners said it was a good time to buy.

Exhibit 3: Is it a good time to buy?

	Owners	Renters
Very good time to good time	72%	59%
Bad time to very bad time	18	27
Not sure/Do not know	11	14

The top three reasons cited by owners for rating today as a "good to very good time to buy" were: home prices are attractive (78%), interest rates are low (80%), and there are lots of homes for sale to choose from (63%.) The top three reasons cited by renters are the same but with slightly lower percentages.

Exhibit 4: Reasons for buying

	Total	Owners	Renters
Home prices are attractive	77%	78%	74%
Interest rates are low	77	80	68
There are lots of homes for sale to choose from	62	63	59
A home is a good investment	47	46	48
Homes will appreciate over time	33	35	28
Home sellers are offering incentives	31	32	28
Builders are offering incentives	20	22	16

Among 20- to 24-year-olds, the number-one reason making today a "good to very good time to buy" was low home prices (68%). At the other end of the age spectrum, 89% of those 65 or older also cited attractive home prices as the main reason today was an ideal time to buy.

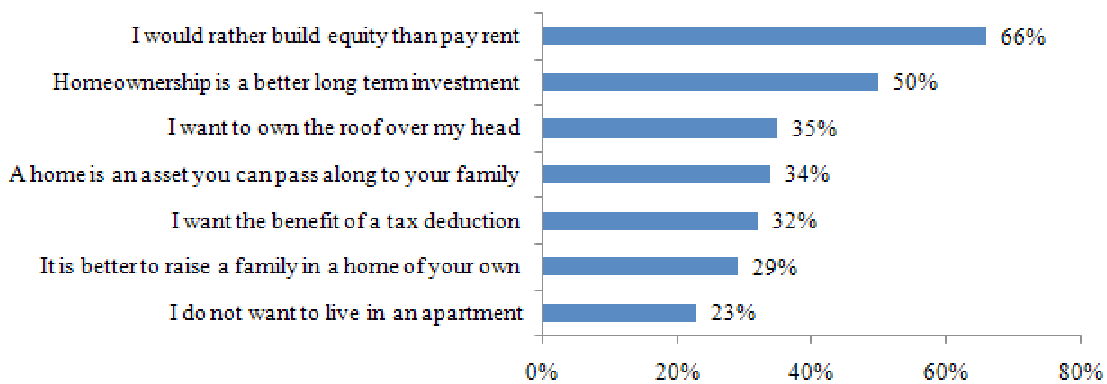
Among all respondents rating this as a "bad or very bad time to buy," the number-one reason cited was that the economy is not very healthy (75%), followed by credit is not easily available (46%) and concerns that home prices may continue to fall (38%). In addition, 47% of the owners expressed concerns about selling their home at what they consider to be a fair price.

It is important to note that views about whether today is a good time to buy differ significantly by income groups. Only 60% of homeowners with incomes under $50,000 said it was a "good to very good time" to buy compared with more than 80% of owner households with incomes over $75,000.

Building equity rather than paying rent

The top reason for owning a home was, "I would rather build equity than pay rent," by 66% of all respondents, followed by "homeownership is a better longer-term investment," by 50%. Among 20- to 24-year-olds, 53% cited building equity rather than paying rent as a top reason for owning a home compared with 60% for 25- to 34-year-olds, 63% for those in the 35-44 age group, and 70% for those 45 or older.

Exhibit 5: Reasons for owning



The top reason for not owning a home among renters is: "I cannot afford the down payment on a home" (57%), followed by "it costs too much to maintain a home" (45%) and "I cannot afford the monthly mortgage payments" (39%).

Exhibit 6: Renter reasons for not buying

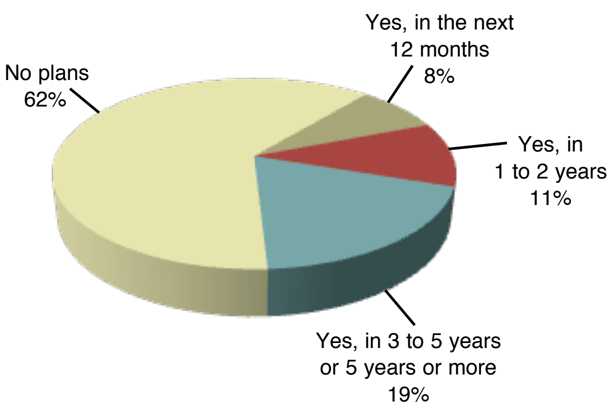
	Major	Minor	Not a reason
I cannot afford to buy a home	67%	15%	17%
I cannot qualify for a mortgage	46	20	34
It is not a good time to buy a home	24	30	46
It costs less to rent	33	30	37
Purchasing a home limits your flexibility and mobility	31	32	38
My job situation is not secure	37	20	47
Home upkeep costs money and takes time	40	36	24
Down payment requirements are too high	53	27	20
I would rather use the money for other investments	19	24	56
Concerned that home prices may decline	23	31	47

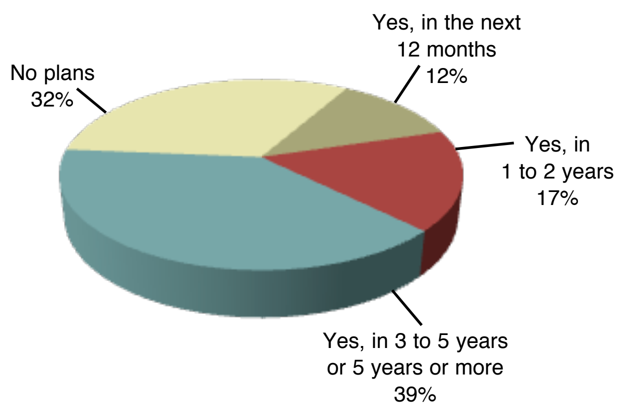
Home-buying expectations

About one out of five homeowners (19%) and one out of three renters (29%) are considering buying a home in the next two years — a relatively healthy level of interest in home buying, considering today's market conditions.

The percentage of total households (currently about 112 million) who purchased a new or existing home rose from 6% in 2000 to 6.9% in 2003 and 7.6% in 2005 during the peak of the housing boom. It has been declining ever since the end of 2005, falling to 4.6% in 2010. To look at it another way, the percentage of survey participants expressing an interest in buying a home over the next year was twice as high as the actual percentage of households that bought a new or existing home in 2010.

Exhibit 7: Are you considering buying a home?





Among homeowners, younger households are the most positive, with one in three owners under age 35 saying they are considering buying a home in the next two years, followed by 18% of the 35- to 44-year-olds, 12% of the 45- to 64-year-olds, and 5% of the homeowners age 65 or older. The share of renters considering buying a home in the next two years rises from 32% for 20- to 24-year-olds to 40% among 25- to 34-year-olds before dropping off to 26% for 35- to 44-year-olds, 16% for 45- to 64-year-olds, and 6% among those 65 or older.

Exhibit 8: Home buying intentions by age groups

(Percentage considering buying in next two years)

	Total	Owner	Renter
Total	22%	19%	29%
20-24 years	32	30	32
25-34 years	35	32	40
35-44 years	21	18	26
45-64 years	13	12	16
65 years or more	05	05	06

Once again, higher-income homeowners believe they are better positioned to move up in the market. Only 12% of owners with incomes under $50,000 said they would consider buying another home over the next two years — well below the 30% of households with incomes over $100,000 who said they anticipate buying in the next two years.

Why are potential buyers sitting on the sidelines?

As this survey clearly shows, people think it is a good time to buy a home. If that's true, why then are potential buyers sitting on the sidelines? First, based on the survey, owners are relatively happy with their current residence. Second, both owners and renters feel no compulsion or sense of urgency to buy now. Third, renters are experiencing serious problems in the mortgage market. Consequently, prospective buyers are retreating to the sidelines.

Exhibit 9: Reasons for staying out of the market

	Total	Owners	Renters
My current home is fine	51%	67%	23%
I have no urgency to buy now	42	40	45
I cannot afford the down payment	31	18	55
I need to pay off my loans first	23	18	31
I may not qualify for a mortgage	22	14	38
My job situation is unstable	21	15	32
I need to improve my credit score	17	10	29
Home prices haven't reached bottom	14	14	15
Foreclosures have destabilized the market	14	14	14

In response to the question, “What are the important reasons keeping you out of the market?” two-thirds of the homeowners said they are happy in their current home, and 40% said they felt no sense of urgency to buy now.

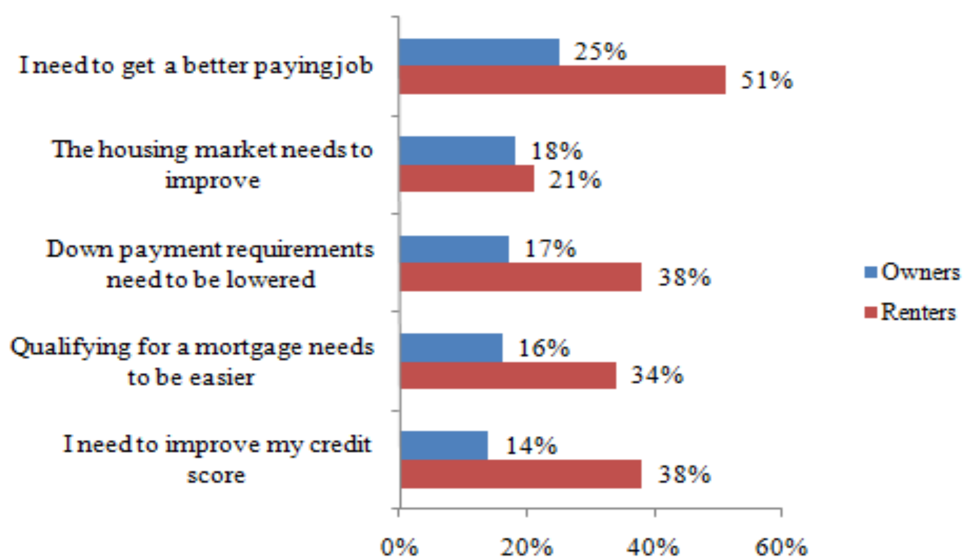
For renters, the responses were different. While 45% of the renters also felt no urgency to buy now, only 23% felt their current rental unit was “fine.” Moreover, the reasons for renters staying out of the market were exacerbated by serious problems encountered in the mortgage market. Among renters, 55% said they could not afford the down payment, 38% are concerned about qualifying for a mortgage, and 29% noted that they needed to improve their credit score.

To further complicate matters, nearly one-third (32%) of renters are worried about their own job security compared with 15% of the owners.

What changes are needed to stimulate sales?

In response to the question, “What needs to change for you to enter the market?,” people identified three key issues — getting a better-paying job, resolving problems in the mortgage market, and the need to see some improvement in housing market conditions.

Exhibit 10: What needs to change?



But owners and renters had different perspectives on this issue. The desire to get a better-paying job was cited by 51% of the renters but only 25% of the owners. While owners acknowledged the need to lower down payments (17%), ease qualifying standards (16%), and relax credit scores (14%) as important changes, twice as many renters checked those three boxes — 38% for lower down payments, 34% for easing qualification requirements, and 38% for credit score improvements. It should also be noted that more than one in five owners (21%) also stressed the need to recoup some of the lost value in their current home before reentering the market, and in response to another question, 47% of the owners expressed concerns about selling their home at a fair price.

Rent or buy in the next move?

In response to the question, “If you were going to move, would you be more likely to buy or rent?,” nearly three out of four (74%) homeowners but only one out of four (25%) renters said they would be likely to buy. There were no significant differences in the responses across different age and income groups or across the four Census regions.

Exhibit 11: If moving, would you buy or rent?

	Total	Owners	Renters
Buy	57%	74%	25%
Rent	28	10	62
Not sure	15	16	13

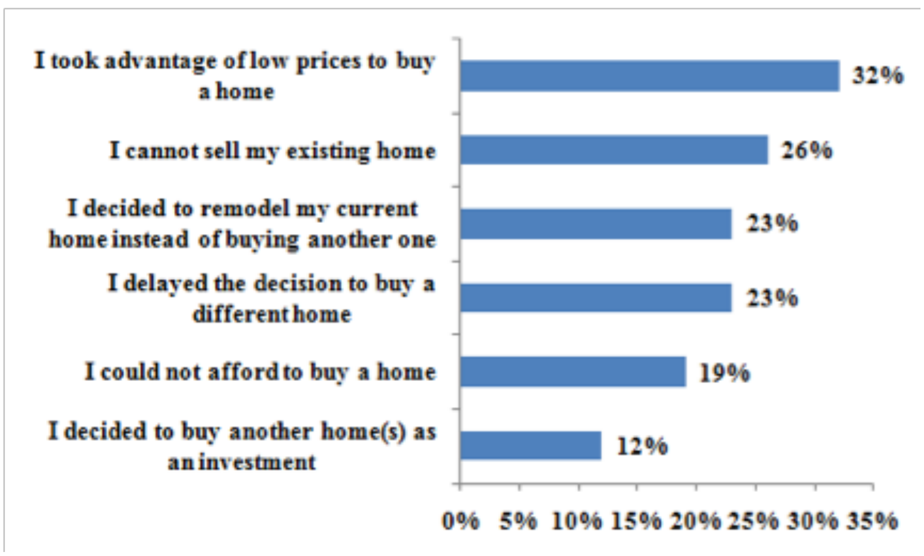
Impact of recession on home-buying plans

About one in five homeowners reported that their home-buying plans had changed during the past three years. Among younger households under age 35, about one in three changed home-buying plans during the past three years. For respondents 35 or older, fewer than one in four reported changing their home-buying plans.

There were no significant differences across the four Census regions, with at least 20% of the respondents in every region reporting they had changed their home-buying plans during the past three years. Home-buying plans changed for about one in three homeowners with underwater mortgages and about half the homeowners who said they were delinquent on the mortgages.

The crushing impact of the housing recession during the past three years has forced homeowners to consider a variety of housing options. Some (in this case 32% of those who reported they had changed their plans) said they actually took advantage of low prices to buy another home. On the more negative side, 26% decided to pull out of the market because they could not sell their existing home, and 23% said they had postponed any decision to buy another home. Another 23% said they decided to "remodel their current home rather than buy another one."

Exhibit 12: Reasons owners changed their home-buying plans



Preferences for buying a new or existing home

Homeowners who are considering buying a home in the next two years are fairly evenly split on the question of whether they would buy a new or existing home, with nearly one-third (29%) reporting they would buy a new home and another third (34%) saying they preferred an existing home. This finding presents an interesting marketing challenge for home builders: reaching the people in the middle (42% of all respondents) who are likely to look at both new and existing homes before deciding which way to go.

Exhibit 13: Preferences for new or existing homes

Preferences for new or existing homes

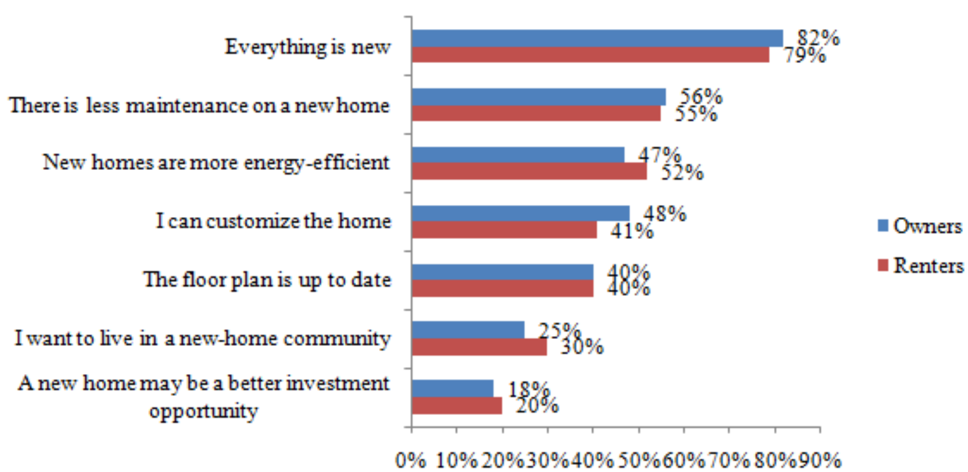
	Owners	Renters
Newly built home	29%	12%
Existing home	34%	41%
No preference	36%	47%

Preferences for buying new homes

Age and incomes are an important factor in determining preferences for new or existing homes. Homeowners under the age of 35 had a stronger desire to buy a new home than households in older age groups. Higher-income households also preferred newly built homes.

What people like most about new homes — much more than anything else — is that "everything is new," which was cited by 81% of the respondents. Owners and renters are also attracted by the low maintenance (56%) and energy-efficiency (48%) of new homes. When looking at the responses for each age group, the results were strikingly similar, with more than 80% respondents in each age group citing "everything is new" as their main reason for buying a new home.

Exhibit 14: What people like about new homes

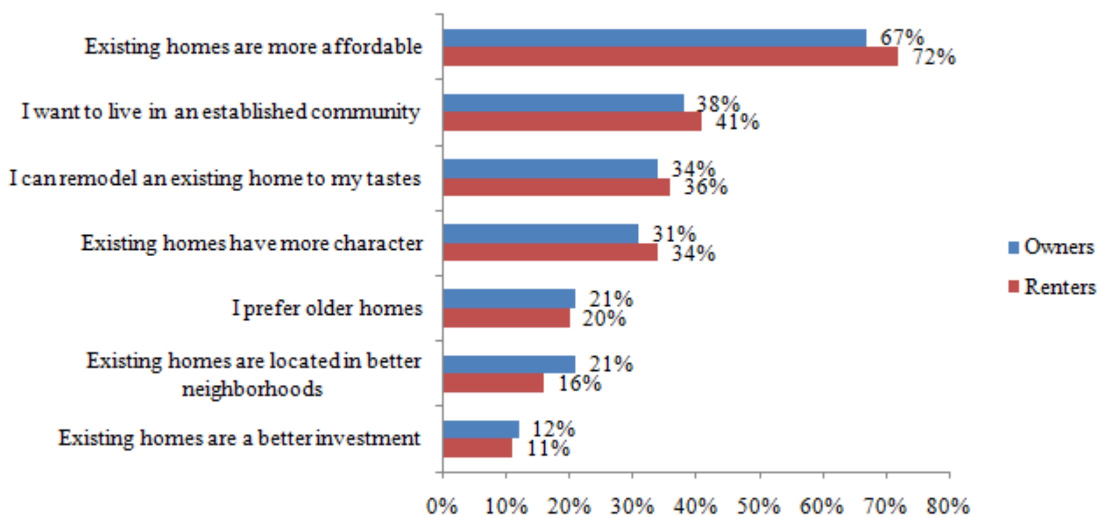


Preferences for buying existing homes

On the other hand, renters, who generally had less wealth and lower incomes than the homeowners polled, were more inclined to look at existing homes to take advantage of the perceived price advantage. Among renters, 47% had no preference and would likely look at both new and existing homes before making a decision. But another 40% of the renters said they preferred existing homes, and only 12% said they would look specifically at new homes.

Out of the respondents who preferred existing housing, seven out of 10 said existing homes are more affordable (70%), followed by "I want to live in an established community" (40%).

Exhibit 15: Reasons for preferring existing homes



It was interesting to note that more than one-third of the owners and renters indicated that they preferred to buy an existing home because, among other things, they could "remodel to their own tastes," and that preference increased significantly with age. Overall, it was selected by 35% of the respondents, but it rose to 47% with 45- to 64-year-old households and 57% for households over 65.

Mortgage finance issues

Among both homeowners and renters, today's high down-payment requirements and stringent qualifying standards are a significant obstacle to buying a home.

For homeowners, 41% said they could afford to make a down payment of only 5% or less, followed by 23% who said they could make a 10% down payment and 28% who could handle a 20% down payment.

Exhibit 16: What's an affordable down payment?

	Total	Owners	Renters
Less than 5% down payment	31%	25%	44%
5% down payment	18	16	21
10% down payment	21	23	17
20% down payment	22	28	11
Other	08	08	06

First-time buyers hit hard by high down payments

High down payments present even bigger problems for first-time buyers. Among renters surveyed, 65% said they could afford to make down payment of only 5% or less. Another 17% said they could handle a 10% down payment, and only 11% said they could make a 20% down payment.

Household income is another important factor in evaluating today's high down-payment requirements. Among homeowners with incomes under $50,000, only half said they could afford to make a down payment higher than 5%. In comparison, 70% of owners with incomes over $100,000 said they could make a down payment of 10% or more.

Minority households are also disproportionately hurt by high down payments and tight underwriting standards. Compared with white households, twice as many African-American and a third more Hispanic households said that they needed down payments of 5% or less to break into the homeownership market.

In response to the question, "If you buy a home, what will be the source of down payment?," personal savings was identified as the main source by 56% of the homeowners, followed by "sale of existing home" (47%) and "line of credit" (16%). Among renters, "personal savings" was checked by 75% of the respondents, followed by "line of credit" (21%) and "help from family and friends" (21%).

Exhibit 17: Source of down payments

	Total	Owners	Renters
Personal savings	62%	56%	75%
Sale of existing home	32	47	---
Line of credit	18	16	21
Help from family/friends	11	07	19
Sale of stocks/bonds/other assets	08	08	09
Inheritance	05	05	06

There were significant differences among homeowners in various age groups, primarily because older homeowners tend to use the proceeds from the sale of their current home to cover the down payment on a new one. For example, 79% of owners between the ages of 20 and 24 said they would tap personal savings to make a down payment. Using personal savings declined from there, falling to 71% for the 25- to 34-year-olds, 63% for the 35- to 44-year-olds, 46% for the 45- to 64-year-olds, and 32% for homeowners 65 or older.

Among renters, personal savings as the source of down payment fell from 83% for those under age 35 to 47% for those 65 or older.

Obtaining a mortgage is tougher for renters

In response to the question, "How would you rate your prospects for getting a mortgage loan?," four out of 10 homeowners rated it as being "somewhat to very difficult," and five out of 10 rated it as "somewhat to very easy." However, among renters, more than six out of 10 said it would be "somewhat to very difficult," and less than three out of 10 said it would be "somewhat to very easy."

Exhibit 18: Prospects for getting a mortgage

	Total	Owners	Renters
Very difficult	18%	13%	29%
Somewhat difficult	30	28	35
Somewhat easy	24	27	18
Very easy	19	24	09
Not Sure	09	08	09

Among 20- to 24-year-old renters, prospects for getting a mortgage were rated as "somewhat to very difficult" by 62% and "somewhat to very easy" by 26% — percentages that were in line with the results for other age groups of renters.

More than one-third of homeowners (38%) reported that it was difficult to refinance a loan, and 60% of the renters reported that it was difficult to get a new mortgage.

The refinancing issue touched all age groups, with 38% of the homeowners in the 20-24 age group and 40% of homeowners between the ages of 35 and 64 reporting problems in refinancing a loan. About 33% of the homeowners 65 or older also reported that it was difficult to refinance a loan.

Exhibit 19: Having problems refinancing or obtaining a mortgage?

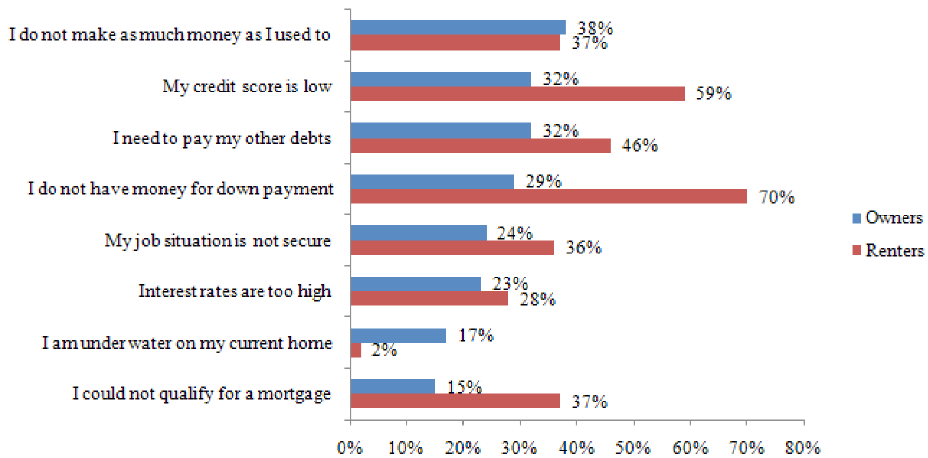
	Refinancing - Owners	Mortgage - Renters
Yes	38%	60%
No	39	22
Not sure/Do not know	23	18

Among renters, problems encountered in obtaining a mortgage increased with age, with 70% of respondents age 35 or older reporting problems, followed by 55% of 25- to 34-year-olds and 51% of the 20- to 24-year-olds.

Among the reasons cited by homeowners for experiencing problems in refinancing a loan were: "I do not make as much money as I used to" (38%), followed by "my credit score is low" (32%) and "I need to pay off my other debts" (32%).

For renters, the top three problems they encountered in seeking a new mortgage were: "I don't have money for down payment" (70%), followed by "my credit score is low" (59%) and "I need to pay my other debts" (46%).

Exhibit 20: Reasons cited for mortgage and refinancing difficulties



The value of homeownership

Owning a home is still an important part of the American experience. Overall, more than eight of 10 (83%) of all respondents rate the importance of homeownership to the overall economy as being "somewhat to very important." Among homeowners, nearly nine out of 10 (87%) recognized housing's important role in the national economy, and seven out of 10 renters (73%) also gave homeownership high ratings. On this question, homeownership received broad-based support from all age, ethnic, and income groups.

Exhibit 21: Housing's importance to national economy

	Total	Owners	Renters
Very important (4)	38%	44%	25%
Somewhat important (3)	45	43	48
Not very important (2)	09	07	14
Not at all important (1)	02	01	03
Not sure/do not know	06	04	10

Exhibit 21a: Importance of homeownership to the American family

	Total	Owners	Renters
Very important (4)	40%	49%	23%
Somewhat important (3)	39	40	36
Not very important (2)	12	07	22
Not at all important (1)	06	02	13
Not sure/do not know	03	02	06

Overall, 80% of all respondents (about nine out of 10 homeowners (89%) and six out of 10 (59%) renters) rated the importance of homeownership to the stability of the American family as "somewhat to very important." Again, there are no significant differences across population segments and regions or among homeowners with underwater or delinquent loans.

Achieving homeownership is getting more difficult

Looking ahead, the majority of Americans believe it is harder to buy a home today than during their parents' generation, and most think it will be even harder once their children reach adulthood.

Exhibit 22: Easier or harder to buy for current generation?

	Total	Owners	Renters
Easier	20%	23%	15%
Harder	62	58	70
Not sure/Do not know	17	18	15

Six out of 10 homeowners (58%) and seven out of 10 renters (70%) think that it is harder to buy a home today than during their parents' generation. There are no significant differences across age, ethnic, and income groups.

Exhibit 23: Easier or harder for next generation?

	Total	Owners	Renters
Easier	15%	15%	15%
Harder	54%	56%	51%
Not sure/Do not know	31%	29%	34%

Nearly six out of 10 owners (56%) and half of the renters (51%) think it will be even harder for their children to buy a home in the future.

Underwater mortgages

The survey examined in detail the problem of underwater mortgages. Nearly one in five homeowners (19%) reported being underwater (meaning they owe a least 5% more on the mortgage than their house is worth). However, the percentages vary significantly by age group and in different states and regions of the country.

In the 20 to 24 age group, 15% of the homes were underwater, and that number rose to 20% for homeowners in the age groups of 25-34, 35-44, and 45-64. About 17% of the owners 65 or older had underwater mortgages.

Two out of three home-owning respondents (68%) had a mortgage on their home. The other third (32%) owned their home without any debt. Among homeowners in the 25-34 age range, 77% have a mortgage, and that percentage rose to 80% for 35-44 year-olds. It then declined to 66% for households in the 45-64 age range and 45% for homeowners 65 or older. In a country with 76 million owner-occupied housing units, 62% of the homes have a mortgage, and 38% are owned debt-free.

It is interesting to note that households with underwater mortgages are, all things considered, relatively positive, with two out of three still saying it was a good time to buy.

Half of all underwater mortgages in five states

Regionally, the share of homes underwater was 15% in the Northeast, 18% in the South, 22% in the Midwest and 23% in the West.

The survey results spot the same concentrations for underwater mortgages that are revealed in the most recent Core Logic data, which shows the share of homes underwater in the first quarter of 2011 being highly concentrated in five states: Nevada (where 63% of the mortgages in the state were underwater), Arizona (50%), Florida (46%), Michigan (36%), and California (31%). These five states account for more than half of the nation's 10.9 million underwater mortgages.

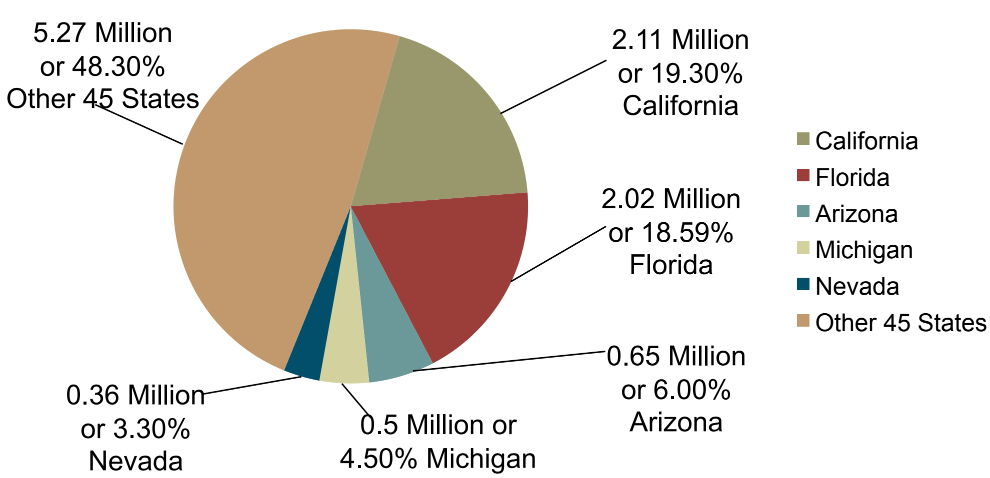
Not surprisingly, 28% of homeowners surveyed in Arizona, Nevada, Florida and California reported that their mortgages were underwater. In the highly populated states of California and Florida, the share of underwater mortgages was 22% and 32%, respectively. In sharp contrast, the share of underwater mortgages reported in Texas was 11%.

About 7% of the homeowners responding to the survey were delinquent (behind on their mortgage payment by about 60 days).

There are also significant differences in delinquency rates reported for various age groups and in different states and regions, with rates peaking at 11% among 20-24 year olds, and then falling to 7% for owners in the 25-34 and 35-44 age groups, 5% for 45-64 year olds and 4% for owners 65 or older.

The highest delinquency rates were reported in Arizona, Nevada, Florida and California, where an average of 9% of the homeowners were delinquent on their loans. In contrast, the delinquency rate was 4% in Texas.

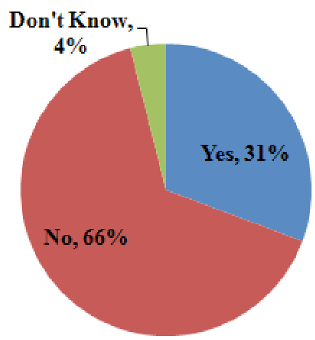
Exhibit 24: Underwater Mortgages



Sacrificing to make ends meet

In response to the question, "Do you think you have to sacrifice financially in order to meet your monthly mortgage and other expenses?," about one in three (31%) reported yes.

Exhibit 25: Are owners sacrificing financially?



There are significant differences in responses across population segments and regions. Among 20- to 24-year-olds, 27% reported that they had to sacrifice financially to meet monthly mortgage expenses, and that percentage rose to 32% for 25- to 34-year-olds and 36% for 35- to 44-year-olds. The percentages declined from there, falling to 33% for 45- to 64-year-olds and 17% for people 65 years or older. Across four Census regions, the percentage of owners sacrificing financially to make their monthly mortgage payment ranged from 27% in the South and 30% in the Northeast to 35% in the West and 36% in the Midwest.

Nevertheless, nearly nine out of 10 homeowners (88%) responding to the survey were "somewhat to very confident" that they would be able to continue to make their monthly mortgage payments. There were no significant differences in the responses among the various age groups or in the four Census regions.

How people feel about the mortgage interest deduction

The mortgage interest deduction is viewed as being an important homeownership incentive by all age and income groups, types of households, and in all regions of the country, with younger households and renters being among its strongest proponents.

Exhibit 26: How important is the mortgage deduction?

	Total	Owners	Renters
Very important	37%	39%	32%
Somewhat important	41	38	46
Not at all important	22	23	22

When asked about the importance of the mortgage interest deduction, 78% of the renters and 77% of the owners said that the mortgage deduction was "somewhat to very important" to their decision to buy a home. Among all respondents, nearly eight out of 10 (78%) ranked the mortgage deduction as being important.

Interestingly, younger households rated the mortgage interest deduction as being more significant than older Americans, with 89% of the owners and 84% of the renters in the 20-24 age group saying it was "somewhat to very important." The support level among 25- to 34-year-olds declined slightly to 83% and 81% for owners and renters, respectively. Among 35- to 44-year-olds, the mortgage deduction was described as being important by 82% of the owners and 84% of the renters. It was ranked as being "somewhat to very important" by 74% of the owners and 68% of the renters in the 45-64 age group, and by 61% of the owners and 54% of the renters 65 or older.

Regionally, support for the mortgage deduction was highest in the West (the highest housing cost region of the country), where 82% of the owners and 80% of the renters ranked the mortgage deduction as being "somewhat to very important."

Renting gains in popularity

While the dream of owning a home is certainly alive and well, renting is becoming an increasingly popular option and, in many cases, the only option for certain segments of the population.

When asked what sort of housing they would seek if they moved to a new location, 62% of the renters said they would rent another unit, citing primarily financial reasons. In sharp contrast, only 10% of home-owning households said they would rent rather than buy another home.

Among the main reasons cited for renting over owning were: "I cannot afford the down payment on a home" (57%), "It will cost too much to maintain a home" (45%), and "I cannot afford monthly mortgage payments" (36%), followed by "Living in an apartment is more convenient" (25%), "Do not want to lose the flexibility of moving quickly" (24%), and "Do not want to commit to mortgage payments" (24%).

Owners and renters also have generally different views on the advantages of owning over renting. Among homeowners, 86% agreed with the statement that "owning a home makes better financial sense than renting." Only 54% of the renters responded in the affirmative to that statement, with 22% of them saying renting made better financial sense. It should be noted that a surprisingly high number of renters (24%) responded by saying they were "not sure or did not know."

Exhibit 27: Does owning make more sense than renting?

	Total	Owners	Renters
Yes	74%	86%	54%
No	12	06	22
Not sure/Do not know	14	08	24

Home prices

More than half of the homeowners (53%) have experienced some decline or a substantial decline in the home prices in their area during the past year. About one in five homeowners reported some increase or a substantial increase in home prices in their market. Among renters, 44% reported some or a substantial decline in home prices, and 22% reported some increase or a substantial increase in prices in their market area.

Exhibit 28: Direction of home prices during the past year

	Total	Owners	Renters
Substantial Decline	14%	17%	10%
Some Decline	36	36	34
No Change	30	27	35
Some Increase	16	16	17
Substantial Increase	04	04	05

West and Midwest hit hard by price declines

There are some differences in home price changes being reported across regions. In the Northeast, 47% of the owners reported some decline or a substantial decline in prices, and 25% reported some or a substantial increase. In comparison, 60% of the homeowners in the Midwest reported some decline or a substantial decline, and 12% reported some increase or a substantial increase. In the South, 49% of homeowners reported some to a substantial decline, and 22% reported some to a substantial increase. In the West, 58% reported some to a substantial decline, and 18% reported some to a substantial increase in prices.

Where are prices heading next year?

What are the expectations for home price during the next 12 months? More than one-fourth (28%) of the homeowners expect to see some decline in prices in the year ahead, and one-third (33%) expect some increase in prices in their market area during the coming year. Among renters, one-fourth expect some decline and one-third expect to see some increase in prices in their market area.

Exhibit 29: Where prices are heading next year?

	Total	Owners	Renters
Substantial decline to some decline	27%	28%	25%
No Change	41	40	42
Some increase to substantial increase	33	33	32

Expectations on prices vary from region to region. In the Northeast, 24% of the owners expect home prices to decline some in the year ahead, and 35% expect prices to increase. In the West and Midwest, about 30% of the owners expect prices to decline some, and another 30% expect home prices to rise. In the South, 27% of the owners are expecting prices to decline a bit more, and 34% expect prices to rise in the year ahead.

In response to the question, “Have changes in home prices influenced your home-buying decision?,” more than one-third of the owners (35%) and renters (38%) responded positively.

Among homeowners under 35, about 50% reported that changes in home prices influenced their home-buying decision. That percentage fell to 37% for owners in the 35-44 age group, 28% for 45- to 64-year-olds and 17% for home-owning respondents age 65 or older.

Among renters, about 40% of those under the age of 45 reported that changes in home prices would influence their home-buying decision. Again, this percentage declined with age. Less than one-third (31%) of the 45- to 64-year-olds and 19% of those 65 or older said that home price fluctuations would influence their decision to buy.

When asked how they reacted to home price changes in their markets, the most common responses were, “They made me hesitant to buy a home” (29% owners and 35% renters) and “I postponed buying a home” (22% owners and 21% renters).

Exhibit 30: Have home prices influenced decisions to buy?

	Total	Owners	Renters
Yes	36%	35%	38%
No	64	65	62

Gas prices and the housing market

About one in five homeowners (22%) and one in four renters (24%) reported that changes in the price of gasoline could influence their future home-buying decisions.

There are some differences by age group, with younger households generally expressing greater concerns about rising prices at the pumps. Among 20- to 24-year-olds, one-third said their home-buying decisions would be influenced by changes in gasoline prices. That percentage declined to one in four homeowners among 25- to 34-year-olds, one in five homeowners between the ages of 35-64 and one in eight homeowners 65 or older.

Among renters, one in four 20- to 44-year-olds, one in five 45- to 64-year-olds, and one in 19 among those 65 or older said their home-buying decisions could be influenced by changes in gasoline prices.

When asked specifically how they responded or were likely to respond to changes in gas prices, the most common responses were, “They made me hesitant to buy a home” (31% owners and 34% renters), “I postponed buying a home” (22% owners and 27% renters), and “I changed location of where to buy” (13% owners and 14% renters).

Exhibit 31: How are prospective buyers responding to volatile gas prices?

	Total	Owners	Renters
I postponed buying a home	21%	22%	21%
They made me hesitant to buy a home	31	29	35
I am out of the market for the foreseeable future	20	20	20
They have not affected me at all	21	23	17
I changed location of where to buy	13	13	14

Concerns about the direction of the economy

People are concerned about the health of the overall economy and their financial future.

About six out of 10 (61%) homeowners and half of the renters (50%) feel that the U.S. economy is on the wrong track. Only one out of five homeowners (22%) and one out of four renters (26%) say the economy is on the right track.

Exhibit 32: Is economy on right or wrong track?

	Owners	Renters
Right track	22%	26%
Wrong track	61	50
Not sure/Do not know	17	23

Among homeowners, about half of the respondents under 35 and 58% of owners in the 35-44 age group believe the economy is on the wrong track, and that percentage rose to 68% for homeowners age 45 or older. About 29% of the homeowners under age 45 and only 17% of homeowners over 45 believe the economy is on the right track.

Among renters, more than four of 10 under 35 and 69% of renters 65 or older feel the economy is on the wrong track. Only 29% of renters 20-24 years old say the economy is on the right track and that “right track” rating fell to 17% for renters over the age of 45.

Homeowners and renters uneasy about their financial future

Slightly more than half (53%) of the homeowners feel “somewhat to very satisfied” with their current financial situation, and 46% say they are “somewhat to very dissatisfied.” Among renters, four out of 10 (40%) are “somewhat to very satisfied” with their present financial situation, and 47% are “somewhat to very dissatisfied.”

Exhibit 33: Satisfaction level with own financial situation

	Total	Owners	Renters
Very satisfied (4)	11%	13%	07%
Somewhat satisfied (3)	37	40	33
Somewhat dissatisfied (2)	28	27	30
Very dissatisfied (1)	22	19	29
Not sure/do not know	01	01	02

Looking to the future, four out of 10 homeowners (40%) expected their family's financial situation to get "somewhat better to much better," and another four out of 10 owners (43%) said it would stay about the same during the next 12 months. Only 13% expected their financial situation to "get somewhat worse to much worse." Among renters, nearly half (46%) expected their family's financial situation to "get somewhat better to much better," and three out of 10 reported it would stay about the same. Only one out of 10 expect their family's financial situation to "get somewhat to much worse" during the next 12 months.

Households are more upbeat about their own housing situation

In contrast, people are generally comfortable with their current housing situation. About eight of 10 (77%) homeowners and six of 10 renters (58%) said they were "somewhat to very satisfied" with their current housing situation. Among homeowners, only two out of 10 (22%) and, among renters, four out of 10 (39%) were "somewhat to very dissatisfied."

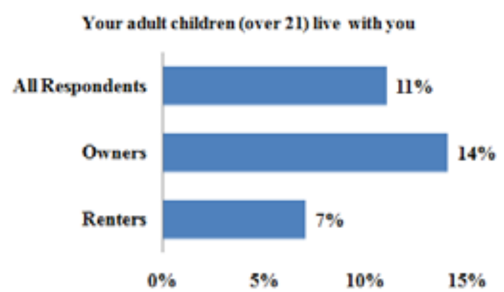
Exhibit 34: Satisfaction level with current housing situation

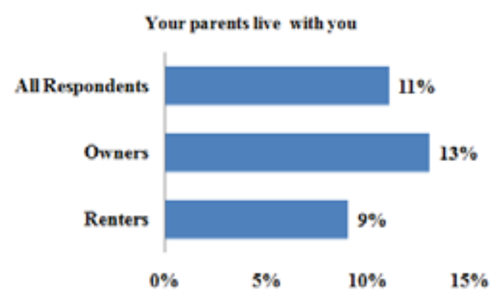
	Total	Owners	Renters
Very satisfied (4)	25%	32%	13%
Somewhat satisfied (3)	45	45	45
Somewhat dissatisfied (2)	20	16	27
Very dissatisfied (1)	08	06	12
Not sure/do not know	02	01	02

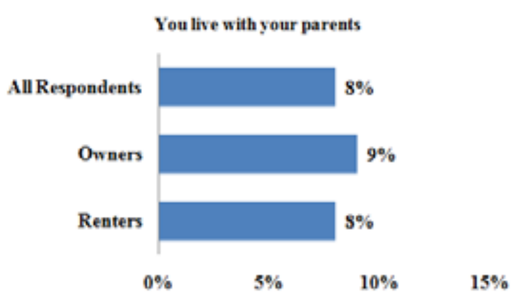
Doubling-up trends increase

To cope with high unemployment and bad economic times, an increasing number of Americans are doubling-up with friends and family. About one-third of the homeowners and one out of five renter households reported they are doubling-up in some form or fashion.

Exhibit 35: Current living arrangements with adult children or parents







In order to project future housing demand, it is important to understand how many households are doubling-up to cut expenses and ride out the recession, care for an aging parent, or for some other reason.

Judging from the results of this survey, the number is high. More than one-third of the owner households and about one fourth of the renter households are doubling-up — a lifestyle choice that occurs in a variety of ways and for a variety of reasons. For example, adult children (over 21) could move back in with their parents following college or after suffering a job loss or financial/personal set back; parents nearing retirement could move in with one of their adult children to cut living expenses; aging grand-parents could move in with one of their adult children; or two or more related or unrelated persons could decide to share a home or apartment to cut expenses.

About 14% of the homeowners and 7% of the renters reported that their adult children (over 21) live with them. Another 9% of homeowners and 8% of the renters live with their parents.

About 13% of the homeowners and 9% of the renters reported that one or both of their parents live with them.

Interestingly, the numbers related to future doubling-up are slightly below what is now being experienced. When asked, "During the next five years, what do you think your living relationship will be with your adult children and/or parents?," 6% of the owners and 3% of the renters reported that "we will live with our children," and another 12% of the owners and 9% of the renters said "our adult children will live with us."

About 5% of the owners and 4% of the renters predicted that they would be living with their parents within the next five years. Another 9% of the owners and 7% of the renters said that "our parents will live with us" within the next five years.

Exhibit 36: Views on future living arrangements with adult children

	Total	Owners	Renters
We will live with our adult children	5%	6%	3%
Our adult children will live with us	11	12	9
Neither of the above	84	82	88

Exhibit 36a: Views on future living arrangements with parents

	Total	Owners	Renters
We will live with our parents	4%	5%	4%
Our parents will live with us	8	9	7
Neither of the above	87	86	90

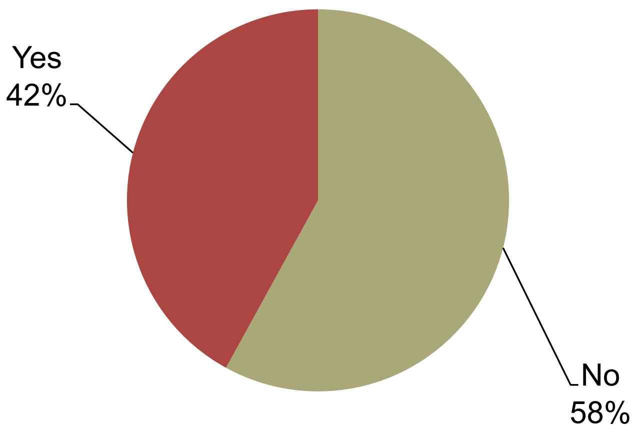
Remodeling Activity

In today's housing market, remodeling is becoming a more attractive option. One out of five homeowners (22%) have recently completed a remodeling job or plan to remodel in the next two years instead of buying another home.

Wealthier homeowners are more likely to remodel. Among households with incomes over $150,000, 27% said they had already remodeled or planned to remodel in the next two years. In contrast, only 22% of homeowners with incomes under $150,000 said they had already remodeled or planned to remodel in the next two years.

In response to the question, “Do you think it is a good time to remodel your home?” more than four out of 10 homeowners (42%) said “yes.”

Exhibit 37: Is now a good time to remodel?



Again, higher income and baby-boom generation homeowners are more optimistic about the remodeling market generally than other income and age groups. Among households with incomes over $150,000, 56% said it was a good time to remodel. In contrast, only 36% of homeowners with incomes under $150,000 said it was a good time to remodel.

Even households with underwater mortgages were surprisingly upbeat about their remodeling plans, with 29% of them saying they had already remodeled or planned to remodel in the next two years.

Popular remodeling jobs

More than half of the homeowners (52%) did maintenance and repair jobs valued at less than $2,000 during the last two years, and one in five (22%) completed major replacement jobs costing $2,000 or more. Seven percent added additions to their home, and 15% made an alteration to their home.

While the percentage of respondents undertaking “major replacement” projects increased steadily as homeowners aged, the average job cost increased significantly as the age of homeowner rose. This trend of older and higher-income households generally spending more was also evident for households making “additions” and “alterations” to their homes.

Looking ahead over the next two years, homeowners are planning to do the following jobs: maintenance and repairs valued at less than $2,000 (37%), major replacements valued at $2,000 or more (16%), additions (6%), and alterations (14%).

When asked who would perform the work, the respondents said the following: professional contractors (30%), themselves (42%), and themselves with the help of a contractor (24%). However, the survey showed that higher-income and older households were more likely to use a professional contractor. In addition, all homeowners doing major remodeling were also more likely to use a professional contractor.

Exhibit 38: Types of remodeling projects

	Projects completed in past two years	Projects planned for next two years
Maintenance and repair (less than $2,000)	52%	37%
Major replacement ($2,000 or more)	22%	16%
Additions	7%	6%
Alterations	15%	14%

Reasons for remodeling

More than six out of 10 homeowners did some remodeling jobs during the past two years. Of those respondents who performed any remodeling work, the main reasons cited were the following: to maintain or repair (65%), to improve energy efficiency of the home (42%), to reduce future maintenance (30%), to increase the value of the home (30%), and to make home more modern looking (22%).

About half (47%) of the respondents said that they would be taking on new remodeling projects during the next two years. The reasons cited were the following: to maintain or repair their home (68%), to improve the energy efficiency of their home (30%), and to add more amenities to the home (24%).

This survey finding showing that the percentages of homeowners performing some remodeling work during the past two years was greater than what they projected for the next two years should not be viewed as a lessening of demand for remodeling work. A good portion of remodeling activity each year is triggered by necessity — a leaky roof or a heating and cooling system that hits the skids. Such remodeling jobs are impossible to predict or anticipate by individual homeowners. As the nation's housing stock ages (more than half the nation's 76 million owner-occupied homes were built prior to 1970), major replacements and maintenance are likely to grab a bigger share of the overall remodeling market.

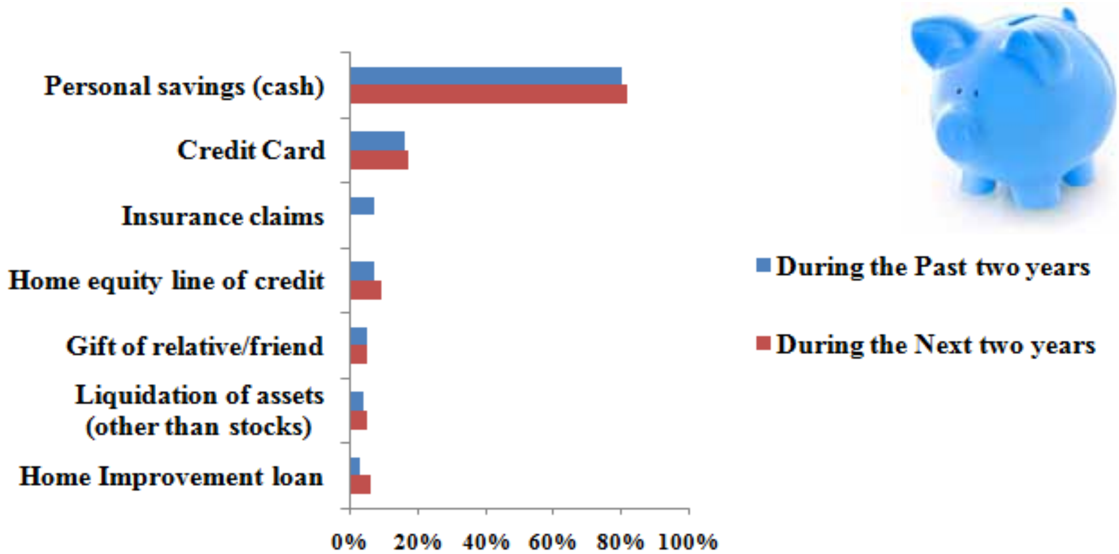
Exhibit 39: Reasons for doing remodeling projects

	During the Past two years	During the Next two years
Needed maintenance/repair	65%	68%
To improve energy efficiency of the home	42	30
To reduce future maintenance	30	--
Wanted to increase the value of the home	30	--
Wanted to make home more modern looking	22	--
Wanted to add more amenities to the home	15	24
To incorporate new technology	12	8
Needed more space	12	12
Insurance repair	8	--
Remodeled instead of buying another home	8	20

Homeowners are highly dependent on personal savings to pay for remodeling jobs. The main source of funding or financing for remodeling projects is personal savings (80%) followed by credit cards (16%), insurance claims (7%), and home equity line of credit (7%). The share of homeowners using a home equity line of credit rises from 3% for households with incomes less than $50,000 to 15% for households with incomes above $150,0000.

For remodeling jobs anticipated for the next two years, homeowners said they would continue to dip into personal savings to pay for the remodeling work — a preference that is somewhat unique for the remodeling market when compared with how consumers pay for other major goods and services. In the auto market, for example, a very large percentage of cars are financed or leased.

Exhibit 40: Source of financing for remodeling projects



In response to the question, "Who did the remodeling work during the past two years?," home owners said they hired professional contractors (36%), did the work themselves (47%), or did the work themselves with the help of a contractor (17%).

However, older homeowners and higher-income households are more likely to rely on professional contractors to perform the remodeling work.

Exhibit 41: Who performs the remodeling work?

	Who did the remodeling work	Who will do the remodeling work
Yourself (or with a friend)	47%	42%
Hired a professional Contractor	36	30
Partly myself and partly Contractor	17	24
Not sure		5

Retirement plans and remodeling

The survey showed that homeowners over age 50 had a strong preference for staying in their current home throughout their retirement years — a finding that is consistent with previous studies.

Among all respondents 50 or older, more than half (54%) responded that they would "stay in the current home for their entire retirement." Another 18% said they would "stay in the current home first, and buy another home later," and 10% said they would "move to a different home (brand new or existing) before retiring" or had already bought another home after retiring.

Owners and renters had different views on their housing plans for the future. Six out of 10 owners but only three out of 10 renters reported that they would "stay in current home for the entire retirement." Another two out of 10 owners and one of 10 renters said they would stay in their current home now and buy another one at a later date, and one out of 10 owners and two out of 10 renters said they would "move to a different home before retiring/or did buy after retiring."

Exhibit 42: Housing plans for retirement

	Total	Owners	Renters
Stay in current home for entire retirement	54%	60%	33%
Stay in current home first, buy another home later	18%	20%	10%
Move to a different home (brand new or existing) before retiring/or did buy after retiring	10%	8%	20%
Move to my second home before retiring/or did move after retiring	3%	3%	3%
Sell current home, move to rental property	4%	4%	3%
Other	10%	5%	32%
Base	1,001	801	200

For all respondents 50 or older who had retired already, the median age for their retirement was 60. When asked, "At what age do you expect to retire?," the median retirement age rose to 65. Not surprisingly, one out of three owners and one out of three renters said they had changed their retirement plans because of the current economic situation.

The desire to “age in place” brightens the long-term prospects for the remodeling sector generally and opens the door to a wide range of remodeling opportunities, particularly in the areas of universal design, increasing the energy efficiency of homes to lower operating costs, and adding maintenance-free and long life-cycle products. Demographic trends and the nation’s aging housing stock also point to a healthy demand for remodeling work in the years ahead. More than 80 million baby boomers (those born between 1946 and 1964) will be reaching retirement age over the next 18 years, and many of them will be fixing up their homes to enjoy their retirement years.

Appendix

Survey methodology

The 70-question survey was prepared by the Colton Housing Group and distributed electronically by Zee Probe, a Dallas-based research firm. It was sent out on June 29, and the responses from 1,954 homeowners and 1,051 renters were received over the next five days. The share of responses within each region and age group were controlled and based on housing activity (housing starts, home sales, and total stock of owner-occupied and rental homes) in each region of the country.

Respondents profile

- Among homeowners responding to the survey, the share of traditional households (husband and wife with or without children) is 59%, and another 29% are single male or female households with or without children. The remaining 12% are households where two or more individuals are living together.
- Median age of all respondents is 41. It ranges from 46 years for owners to 32 years for renters.
- Combined median household income is about $50,000 for all respondents. It was $53,782 for owners and $43,100 for renters.
- About two-thirds of all respondents have some college or have completed college, and 16% have attended graduate school or have an advanced degree. There are no significant differences in the education levels of owners and renters.
- Median market value of homes for home-owning respondents was $174,000; the average rent was $741 for renters.
- Of the 3,005 respondents, about two-thirds (66%) are White (non-Hispanic), 17% Afro-American, 11% Hispanic and 7% Asian. Among homeowners, about seven of 10 are White, 15% Afro-Americans, 10% Hispanic/Latino, and 6% Asian. Among renters, 59% are White, 21% Afro-American, 12% Hispanic/Latino, and 7% Asian.

Hanley Wood Housing 360
Insights Into Homeownership and Remodeling

RESPONDENTS PROFILE

	Sample			Population		
	Total	**Owners**	**Renters**	**Total**	**Owners**	**Renters**
	3,005	1,954	1,051	112.16	74.49	37.69
Own/Rent	100%	65%	35%	100%	66.4%	33.6%
Household Composition						
Husband & Wife with Children	31%	35%	23%	26%	31%	14%
Husband & Wife no Children	22	24	17	22	28	8
Singles M/F	21	21	30	27	22	38
Singles M/F with Children	8	8	9	8	6	14
Two or more unrelated/related individuals and others	15	12	22	18	14	27
Age of Head of Household						
20-24 yrs	17%	10%	29%			
25-34 yrs	25	23	29			
35-44 yrs	15	14	16			
45-64 yrs	35	40	24			
65 yrs or older	9	11	3			
Median (yrs)	41	46	32	48	52	39
Combined Household Income						
Less than $50,000	51%	47%	58%	53%	42%	74%
$50,000-99,999	37	38	34	28	33	20
$100,000 or more	13	16	8	19	25	6
Median	$49,205	$53,782	$43,104	$47,000	$60,000	$28,400
Market Value of Your Current Home or Monthly Rent (Median)		$174,000	$741		$170,000	$808
Length of Stay at Present Place (Median (yrs))	5	9	2	6	10	2
Year Structure Built (Median)	1987	1985	1993	1974	1975	1971
Race/Ethnicity						
White (Non-Hispanic)	66%	69%	59%	71%	78%	55%
Afro-American (Non-Hispanic	17	15	21	12	8	20
Hispanic/Latino	11	10	12	11	9	18
Asian	7	6	7	6	5	7

Hanley Wood Housing 360
Insights Into Homeownership and Remodeling

RESPONDENTS PROFILE

	Sample			Population		
	Total	**Owners**	**Renters**	**Total**	**Owners**	**Renters**
Age of Head of Household						
20-24 yrs	17%	10%	29%			
25-34 yrs	25	23	29			
35-44 yrs	15	14	16			
45-64 yrs	35	40	24			
65 yrs or more	9	11	3			
Median (yrs)	41	46	32	48	52	39
Combined Household Income (Median)						
20-24 yrs	$43,680	$59,267	$36,232			
25-34 yrs	$58,534	$61,240	$54,114			
35-44 yrs	$55,682	$61,364	$47,170			
45-64 yrs	$46,296	$48,077	$40,322			
65 yrs or more	$39,682	$40,322	$36,232			
Education						
Completed College or Higher						
20-24 yrs	42%	43%	40%			
25-34 yrs	61	63	59			
35-44 yrs	55	59	49			
45-64 yrs	40	43	33			
65 yrs or more	37	37	40			
Length of Stay at Precent Place (yrs)						
20-24 yrs	1.7	3.6	1.4			
25-34 yrs	3.1	3.9	1.9			
35-44 yrs	5.5	7.5	3.0			
45-64 yrs	10+	10+	4.5			
65 yrs or more	10+	10+	4.4			

Hanley Wood Housing 360
Insights Into Homeownership and Remodeling

RESPONDENTS PROFILE

	Sample			Population		
	Total	Owners	Renters	Total	Owners	Renters
Household Composition						
20-24 yrs						
a. Husband & Wife with or without Children	33%	43%	17%			
b. Single M/F with or withouth Children	38	37	37			
25-34 yrs						
a. Husband & Wife with or without Children	58	63	50			
b. Single M/F with or withouth Children	30	27	34			
35-44 yrs						
a. Husband & Wife with or without Children	59	66	50			
b. Single M/F with or withouth Children	31	27	38			
45-64 yrs						
a. Husband & Wife with or without Children	55	61	35			
b. Single M/F with or withouth Children	32	26	37			
65 yrs or more						
a. Husband & Wife with or without Children	54	56	40			
b. Single M/F with or withouth Children	31	31	38			

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