



Rodney's Take

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Renters Don't Renovate

I moved to Tampa, Florida, in 2005. Our research showed that real estate there was grossly overpriced, but few homes were for rent. We bought a home that was smaller than we would have otherwise and promptly got shellacked in the housing collapse. When we decided to move in 2010, we received exactly no offers on our house.

My realtor called in the summer of 2011 and told me someone wanted to see the house, even though we'd recently taken it off the market. He told me a family from Canada had found the home to be the right size, and it ticked another box because it was within walking distance to the elementary school. We worked out a deal, and I lost a chunk of money. We quickly found a rental close to downtown in the area where we wanted to live longer term, but the new house didn't feel like home.

During a particularly heavy rain storm, a side bedroom, den, and bath (converted from the original garage) took on water. I arrived home to find the landlord bailing the rooms out, so I jumped in to help. When the air conditioning went out, someone else took care of it. On most mornings, my lovely wife would comment on how much she disliked the master bath and kitchen. I agreed. And I spent exactly zero dollars on drainage or renovation, because it wasn't my house. When one of the floor-to-ceiling windows cracked and shattered, someone paid for it, but not me.

During those blissful eight months of renting, I spent almost nothing at Home Depot and Lowe's. When the landlord and his wife took us to dinner, they apologized for the flooding. I told them it was a minor inconvenience and that by renting I'd saved thousands in renovation costs. As I said, our time as renters didn't last long, but it was a good hiatus.

As we wait for earnings reports from Home Depot (NYSE: HD) and Lowe's (NYSE: LOW), I'm interested to see their demand estimates for the next year. If the deep freeze of existing home sales, the easing housing starts, and the nosebleed interest rates on credit cards carry through 2024, the home renovation space will suffer more than it already has. Millennials who rent because they can't buy homes won't be renovating, and existing homeowners will think at least twice before burning the plastic for a new deck or bathroom.

In a larger sense, this is part of the Fed's plan to stamp out inflation. But slowing foot traffic at home renovation stores won't stop the federal government from feeding inflation by pouring another \$1.5 trillion in borrowed money into the economy and won't help the Fed extricate itself from 15 years of interest rate manipulation by allowing bond investors to set rates at market levels. However, the next year might be a good time to shop at Home Depot and Lowe's, because there should be fewer people blocking the aisles and taking up parking spaces near the front. It won't help companies like Home Depot and Lowe's, but those of us still shopping there will have more pleasant experiences.

Rodney

Got a question or comment? You can contact us at info@hsdent.com.