

Expenditures for Residential Improvements and Repairs

3rd Quarter

1998

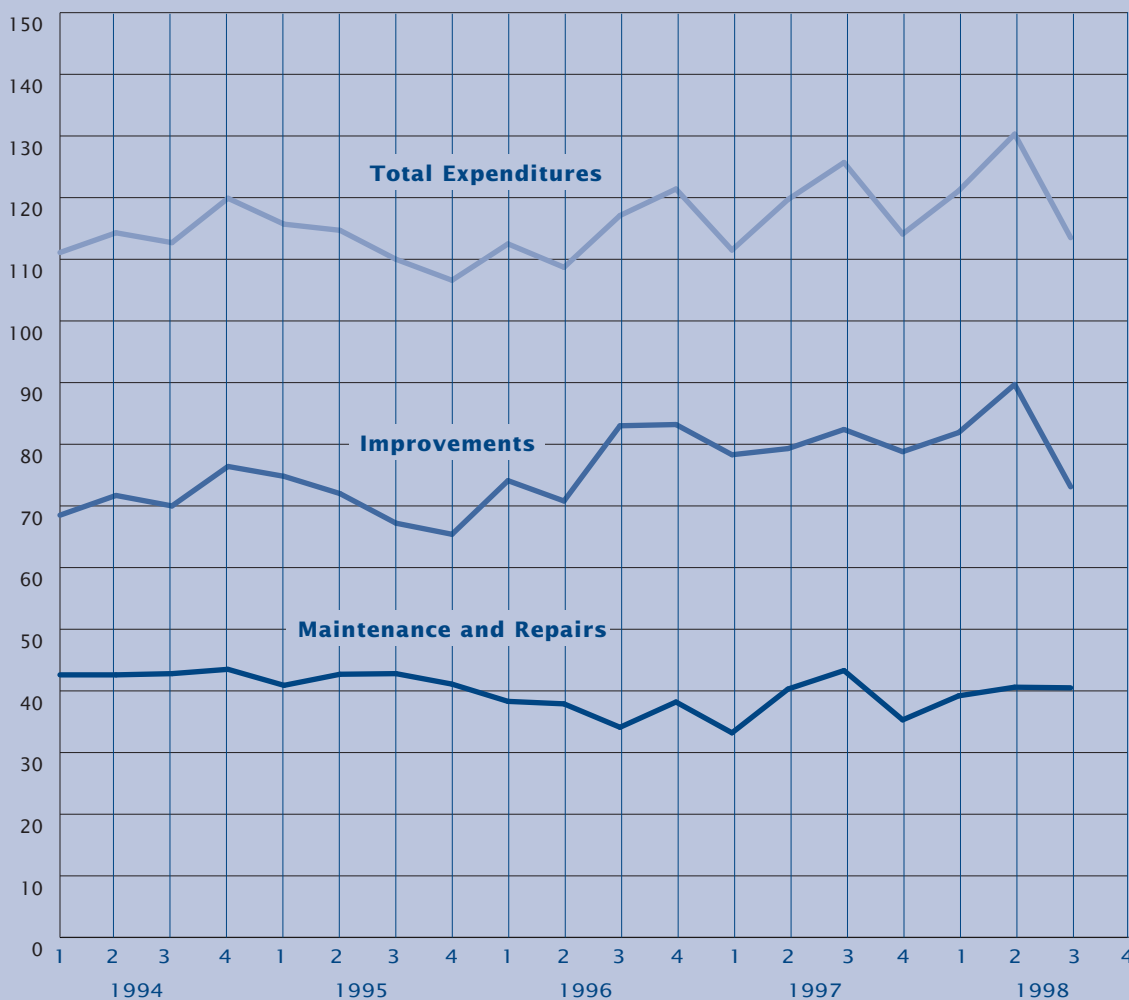
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Current Construction Reports

Quarterly Expenditures for Residential Improvements and Repairs

Seasonally adjusted annual rate in billions of dollars



Source: U.S. Census Bureau, Housing Starts.

Questions regarding these data may be directed to **Joe Huesman**, Manufacturing and Construction Division.
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INTRODUCTION

This report provides estimates of expenditures by property owners for construction improvements (additions, alterations, and major replacements) and maintenance and repairs to residential properties.

Table 1 presents quarterly expenditures for all properties at a seasonally adjusted annual rate in current dollars for 1991 to 1998. Table 2 shows actual (not seasonally adjusted) quarterly estimates separately by type of property (all owner-occupied, owner-occupied one-unit, and rental) for 1995 to 1998. Tables 3, 4, and 5 present actual quarterly expenditures for owner-occupied one-unit properties by region (Table 3), year structure was built (Table 4), and for payment to contractors or for materials purchased (Table 5) for 1997 and 1998. Please note that all dollar values shown in this report are in current dollars.

Data for this report were collected by direct interview and by mail from a sample of owners of residential properties. General information about the survey including definitions, survey methodology, and reliability of the

data appears in Appendixes A and B. Appendix C includes a description of the adjustments for seasonal variation.

SUMMARY

Expenditures made by residential property owners for construction improvements and repairs during the third quarter 1998 were estimated at a seasonally adjusted annual rate of \$113.5 billion. Spending on improvements was at a seasonally adjusted rate of \$73.1 billion during the third quarter and expenditures for repairs amounted to \$40.5 billion.

Actual expenditures for improvements and repairs to all properties amounted to an estimated \$33.1 billion during the third quarter 1998. Of this amount, owners of all owner-occupied properties spent \$25.5 billion and owners of rental, vacant, and seasonal properties spent \$7.7 billion.

Table 1. Expenditures for Residential Properties: Quarterly 1991 to 1998

Seasonally Adjusted Annual Rate

[Millions of dollars. Components may not add to totals because of rounding]

Year and quarter	Total expenditures	Maintenance and repairs	Improvements		
			Total	Additions and alterations	Major replacements
1991					
1st quarter	93,700	52,600	41,100	24,700	16,400
2nd quarter	95,500	48,200	47,200	35,500	11,700
3rd quarter	100,300	48,800	51,600	31,600	20,000
4th quarter	97,800	50,300	47,600	30,000	17,600
1992					
1st quarter	95,500	41,000	54,400	38,100	16,400
2nd quarter	115,200	55,100	60,000	40,000	20,000
3rd quarter	97,000	42,900	54,200	36,900	17,300
4th quarter	106,500	41,400	65,100	46,000	19,100
1993					
1st quarter	102,000	42,500	59,600	39,200	20,400
2nd quarter	105,800	40,900	64,900	41,400	23,500
3rd quarter	111,600	41,100	70,500	50,800	19,700
4th quarter	112,700	42,300	70,400	50,800	19,600
1994					
1st quarter	111,100	42,600	68,500	50,500	18,000
2nd quarter	114,300	42,600	71,700	50,800	20,900
3rd quarter	112,700	42,800	70,000	46,800	23,200
4th quarter	119,900	43,500	76,400	47,500	28,900
1995					
1st quarter	115,700	40,900	74,800	50,500	24,400
2nd quarter	114,700	42,700	72,000	46,700	25,300
3rd quarter	110,000	42,800	67,200	41,200	26,000
4th quarter	106,600	41,100	65,400	41,500	23,900
1996					
1st quarter	112,500	38,300	74,100	47,500	26,600
2nd quarter	108,700	37,900	70,800	49,600	21,300
3rd quarter	117,100	34,100	83,000	55,200	27,800
4th quarter	121,400	38,200	83,200	60,900	22,300
1997					
1st quarter	111,500	33,200	78,300	53,400	24,900
2nd quarter	119,700	40,300	79,300	56,200	23,100
3rd quarter	125,700	43,300	82,400	56,300	26,100
4th quarter	114,100	35,300	78,800	55,300	23,500
1998					
1st quarter	121,100	39,200	81,900	56,600	25,400
2nd quarter	130,300	40,600	89,700	61,400	28,300
3rd quarter ^r	113,500	40,500	73,100	46,500	26,600

^rRevised.

Table 2. Expenditures for Residential Properties by Property Type: Quarterly 1995 to 1998
Not Seasonally Adjusted

[Millions of dollars. Components may not add to totals because of rounding]

Property type, year, and quarter	Total expenditures	Maintenance and repairs	Improvements					Major replacements
			Total	Additions and alterations			To property outside of structures	
				Total	To structures			
					Additions	Alterations		
ALL PROPERTIES								
Annual								
1995	111,683	42,047	69,636	44,726	7,936	26,893	9,897	24,910
1996	114,919	36,997	77,922	53,456	12,035	30,064	11,357	24,465
1997	118,569	38,576	79,993	55,530	11,042	33,046	11,442	24,463
Relative standard error of annual estimates(percent) . .	2	2	4	4	11	7	11	8
Quarterly								
1995: 1st quarter	21,777	7,877	13,900	10,032	1,049	7,435	1,549	3,868
2nd quarter	31,139	11,213	19,927	13,399	3,223	7,621	2,554	6,528
3rd quarter	32,054	12,269	19,784	11,576	2,644	5,853	3,078	8,208
4th quarter	26,713	10,688	16,025	9,719	1,020	5,983	2,716	6,306
1996: 1st quarter	21,116	7,195	13,921	9,419	1,896	6,376	1,148	4,502
2nd quarter	29,591	10,096	19,495	14,207	2,997	8,666	2,543	5,288
3rd quarter	34,087	9,767	24,320	15,490	3,768	7,649	4,073	8,830
4th quarter	30,126	9,940	20,186	14,340	3,374	7,374	3,592	5,846
1997: 1st quarter	21,016	6,123	14,893	10,540	1,411	7,827	1,302	4,353
2nd quarter	32,564	10,868	21,696	16,088	3,891	7,538	4,659	5,607
3rd quarter	36,566	12,413	24,153	15,794	3,364	8,916	3,513	8,359
4th quarter	28,422	9,171	19,252	13,108	2,375	8,765	1,968	6,144
1998: 1st quarter	22,693	7,175	15,518	11,070	1,790	7,376	1,904	4,448
2nd quarter	35,707	11,116	24,591	17,673	3,660	10,899	3,114	6,918
3rd quarter ^f	33,128	11,599	21,528	12,954	1,898	6,974	4,082	8,575
Relative standard error of current quarter estimates . . .(percent) . .	8	8	10	11	24	15	22	14
ALL OWNER-OCCUPIED PROPERTIES								
Annual								
1995	78,583	26,262	52,321	33,972	6,576	19,176	8,221	18,348
1996	80,070	21,687	58,383	40,330	10,276	21,667	8,387	18,053
1997	85,305	26,626	58,679	41,079	8,838	23,817	8,424	17,600
Relative standard error of annual estimates(percent) . .	5	6	6	7	15	9	13	8
Quarterly								
1995: 1st quarter	14,657	4,600	10,057	6,848	517	5,149	1,183	3,208
2nd quarter	23,799	7,932	15,867	10,573	2,904	5,521	2,148	5,295
3rd quarter	21,597	6,768	14,829	9,292	2,325	4,120	2,847	5,537
4th quarter	18,530	6,962	11,568	7,259	829	4,387	2,043	4,309
1996: 1st quarter	14,160	3,371	10,789	7,415	1,741	4,721	954	3,374
2nd quarter	21,866	6,265	15,601	11,407	2,739	6,746	1,922	4,194
3rd quarter	25,093	6,587	18,506	11,879	3,150	5,757	2,972	6,627
4th quarter	18,951	5,464	13,487	9,628	2,645	4,444	2,539	3,859
1997: 1st quarter	14,933	3,754	11,178	8,123	1,375	5,740	1,008	3,055
2nd quarter	23,621	7,398	16,223	11,826	2,767	5,282	3,777	4,397
3rd quarter	27,081	9,453	17,628	11,495	2,953	6,268	2,274	6,134
4th quarter	19,671	6,021	13,650	9,635	1,743	6,527	1,365	4,014
1998: 1st quarter	15,760	4,480	11,280	8,324	1,620	5,028	1,676	2,955
2nd quarter	26,809	7,331	19,478	13,882	3,252	8,096	2,534	5,596
3rd quarter ^f	25,469	8,107	17,361	10,609	1,612	5,600	3,397	6,753
Relative standard error of current quarter estimates . .(percent) . .	8	9	10	12	28	14	23	15

See footnotes at end of table.

Table 2. **Expenditures for Residential Properties by Property Type: Quarterly 1995 to 1998—Con.**
Not Seasonally Adjusted

[Millions of dollars. Components may not add to totals because of rounding]

Property type, year, and quarter	Total expenditures	Maintenance and repairs	Improvements					Major replacements
			Total	Additions and alterations			To property outside of structures	
				Total	To structures			
					Additions	Alterations		
OWNER-OCCUPIED ONE-UNIT PROPERTIES								
Annual								
1995	75,362	25,076	50,286	32,538	6,507	17,934	8,097	17,748
1996	76,094	20,192	55,903	38,847	10,235	20,471	8,141	17,056
1997	82,216	25,537	56,679	39,467	8,365	22,806	8,296	17,212
Relative standard error of annual estimates(percent) . .	5	6	6	8	15	9	12	8
Quarterly								
1995: 1st quarter	14,110	4,524	9,585	6,684	517	5,062	1,105	2,901
2nd quarter	23,046	7,580	15,466	10,313	2,869	5,311	2,132	5,154
3rd quarter	20,393	6,499	13,894	8,446	2,291	3,317	2,837	5,448
4th quarter	17,814	6,474	11,340	7,095	829	4,243	2,023	4,245
1996: 1st quarter	13,814	3,220	10,594	7,269	1,741	4,594	935	3,324
2nd quarter	20,535	5,917	14,619	10,634	2,706	6,139	1,788	3,985
3rd quarter	23,734	5,936	17,798	11,540	3,142	5,490	2,908	6,259
4th quarter	18,011	5,119	12,892	9,404	2,645	4,248	2,511	3,488
1997: 1st quarter	14,273	3,548	10,725	7,725	1,375	5,375	975	3,000
2nd quarter	22,719	7,079	15,641	11,262	2,603	4,905	3,754	4,379
3rd quarter	26,272	9,199	17,073	11,045	2,643	6,172	2,230	6,028
4th quarter	18,952	5,711	13,241	9,435	1,743	6,355	1,337	3,806
1998: 1st quarter	15,323	4,316	11,007	8,173	1,620	4,903	1,650	2,834
2nd quarter	25,938	7,135	18,803	13,299	3,252	7,556	2,491	5,503
3rd quarter ^f	24,722	7,873	16,849	10,344	1,612	5,338	3,395	6,505
Relative standard error of current quarter estimates . . .(percent) . .	8	10	10	12	28	14	24	15
RENTAL PROPERTIES¹								
Annual								
1995	33,100	15,785	17,315	10,754	1,361	7,717	1,676	6,562
1996	34,850	15,310	19,539	13,126	1,760	8,397	2,969	6,413
1997	33,264	11,949	21,314	14,451	2,204	9,229	3,019	6,863
Relative standard error of annual estimates(percent) . .	5	5	8	10	31	17	23	16
Quarterly								
1995: 1st quarter	7,120	3,277	3,844	3,184	*532	*2,286	*366	659
2nd quarter	7,340	3,281	4,059	2,826	*319	*2,101	*407	1,233
3rd quarter	10,457	5,502	4,955	2,284	*319	*1,733	*231	2,671
4th quarter	8,183	3,726	4,457	2,459	*191	*1,596	*673	1,998
1996: 1st quarter	6,956	3,824	3,132	2,004	*155	*1,655	*194	1,128
2nd quarter	7,725	3,831	3,894	2,800	*258	*1,920	*621	1,094
3rd quarter	8,994	3,180	5,814	3,610	*618	*1,892	*1,101	2,204
4th quarter	11,175	4,475	6,699	4,712	*729	*2,930	*1,053	1,987
1997: 1st quarter	6,084	2,369	3,715	2,417	*36	*2,087	*293	1,298
2nd quarter	8,944	3,471	5,473	4,263	*1,125	*2,255	*883	1,210
3rd quarter	9,485	2,960	6,525	4,299	*411	*2,649	1,240	2,225
4th quarter	8,751	3,149	5,601	3,472	*631	*2,237	*603	2,130
1998: 1st quarter	6,933	2,694	4,238	2,745	*169	*2,348	*228	1,493
2nd quarter	8,897	3,785	5,112	3,790	*408	*2,803	*579	1,322
3rd quarter	7,659	3,492	4,167	2,345	*286	*1,374	*684	1,822
Relative standard error of current quarter estimates . . .(percent) . .	18	16	25	26	52	38	43	30

*These estimates are subject to high sampling errors. Caution should be used in estimating quarterly differences.

^fRevised.

¹Includes rental, vacant, and seasonal properties.

Note: Quarterly relative standard errors are derived from an average of the most recent 4 quarters. Annual standard errors are derived from an average of the most recent 3 years.

Table 3. **Expenditures for Owner-Occupied One-Unit Properties by Region: Quarterly 1997 to 1998**
Not Seasonally Adjusted

[Millions of dollars. Components may not add to totals because of rounding]

Year and quarter	United States	Region			
		Northeast	Midwest	South	West
TOTAL EXPENDITURES					
1997: Total	82,216	16,058	22,538	23,340	20,280
1st quarter	14,273	3,408	3,882	4,751	2,232
2nd quarter	22,719	4,222	6,815	5,807	5,876
3rd quarter	26,272	5,231	6,573	7,259	7,208
4th quarter	18,952	3,196	5,268	5,523	4,964
1998: 1st quarter	15,323	2,804	3,162	5,455	3,902
2nd quarter	25,938	6,050	7,314	6,780	5,793
3rd quarter	24,722	6,340	7,250	6,537	4,596
Relative standard error estimates (percent):					
Annual	5	7	9	9	11
Quarter	8	17	15	14	17
MAINTENANCE AND REPAIRS					
1997: Total	25,537	4,833	6,382	8,029	6,293
1st quarter	3,548	679	691	1,600	578
2nd quarter	7,079	1,452	2,473	1,596	1,558
3rd quarter	9,199	1,762	2,048	2,891	2,498
4th quarter	5,711	940	1,169	1,943	1,659
1998: 1st quarter	4,316	811	801	1,809	896
2nd quarter	7,135	1,454	1,926	1,998	1,757
3rd quarter	7,873	1,735	2,071	2,214	1,852
Relative standard error estimates (percent):					
Annual	6	13	12	9	11
Quarter	10	22	20	17	20
TOTAL IMPROVEMENTS					
1997: Total	56,679	11,225	16,156	15,310	13,987
1st quarter	10,725	2,730	3,190	3,151	1,654
2nd quarter	15,641	2,771	4,342	4,211	4,318
3rd quarter	17,073	3,469	4,525	4,369	4,710
4th quarter	13,241	2,256	4,099	3,580	3,305
1998: 1st quarter	11,007	1,993	2,361	3,647	3,006
2nd quarter	18,803	4,596	5,388	4,783	4,036
3rd quarter	16,849	4,605	5,178	4,323	2,744
Relative standard error estimates (percent):					
Annual	6	9	11	11	14
Quarter	10	21	18	17	24

Note: Quarterly relative standard errors are derived from an average of the most recent 4 quarters. Annual standard errors are derived from an average of the most recent 3 years.

Table 4. **Expenditures for Owner-Occupied One-Unit Properties by Year Built: Quarterly 1997 to 1998**
Not Seasonally Adjusted

[Millions of dollars. Components may not add to totals because of rounding]

Year and quarter	All years	Year built					
		1990 to 1998	1980 to 1989	1970 to 1979	1960 to 1969	Before 1960	Not reported
TOTAL EXPENDITURES							
1997: Total	82,216	9,918	11,608	15,528	12,070	26,386	6,705
1st quarter	14,273	1,685	2,029	2,775	1,863	5,079	841
2nd quarter	22,719	4,472	3,006	4,025	3,632	5,821	1,764
3rd quarter	26,272	2,320	3,899	4,592	4,023	8,885	2,552
4th quarter	18,952	1,441	2,673	4,136	2,553	6,602	1,547
1998: 1st quarter	15,323	1,362	2,826	2,858	2,818	4,295	1,164
2nd quarter	25,938	4,018	3,530	4,018	3,753	9,020	1,599
3rd quarter	24,722	3,232	3,470	3,741	2,821	10,099	1,360
Relative standard error estimates (percent):							
Annual	5	16	11	11	13	8	15
Quarter	8	23	19	21	18	14	26
MAINTENANCE AND REPAIRS							
1997: Total	25,537	2,426	3,284	4,536	4,668	8,555	2,068
1st quarter	3,548	288	639	604	527	1,365	126
2nd quarter	7,079	933	818	1,151	1,329	2,331	518
3rd quarter	9,199	630	1,170	1,608	1,771	3,011	1,009
4th quarter	5,711	576	657	1,174	1,041	1,849	415
1998: 1st quarter	4,316	263	657	1,040	655	1,404	297
2nd quarter	7,135	1,085	1,245	732	910	2,822	341
3rd quarter	7,873	1,026	1,088	1,000	775	3,570	414
Relative standard error estimates (percent):							
Annual	6	17	14	12	15	8	22
Quarter	10	30	25	21	27	16	28
TOTAL IMPROVEMENTS							
1997: Total	56,679	7,492	8,324	10,992	7,403	17,831	4,637
1st quarter	10,725	1,398	1,390	2,171	1,336	3,715	715
2nd quarter	15,641	3,539	2,189	2,874	2,303	3,490	1,246
3rd quarter	17,073	1,690	2,729	2,984	2,252	5,873	1,543
4th quarter	13,241	865	2,016	2,962	1,512	4,753	1,133
1998: 1st quarter	11,007	1,098	2,170	1,817	2,163	2,890	868
2nd quarter	18,803	2,933	2,285	3,286	2,843	6,198	1,258
3rd quarter	16,849	2,206	2,383	2,740	2,046	6,528	945
Relative standard error estimates (percent):							
Annual	6	20	13	13	15	10	18
Quarter	10	29	24	24	23	17	32

Note: Quarterly relative standard errors are derived from an average of the most recent 4 quarters. Annual standard errors are derived from an average of the most recent 3 years.

Table 5. **Expenditures for Owner-Occupied One-Unit Properties by Payments to Contractors or Materials Purchased by Owner: Quarterly 1997 to 1998**

Not Seasonally Adjusted

[Millions of dollars. Components may not add to totals because of rounding]

Year and quarter	All payments	Total payments to contractors or hired labor ¹	Payments for building materials purchased by owner—		
			Total	For jobs done by owner ²	For jobs done under contract
TOTAL EXPENDITURES					
1997: Total	82,216	62,853	19,363	15,439	3,923
1st quarter	14,273	10,766	3,507	2,549	958
2nd quarter	22,719	17,239	5,480	4,335	1,145
3rd quarter	26,272	19,988	6,284	5,149	1,135
4th quarter	18,952	14,860	4,091	3,406	685
1998: 1st quarter	15,323	11,889	3,434	2,892	542
2nd quarter	25,938	19,644	6,294	5,298	995
3rd quarter	24,722	19,685	5,038	3,937	1,100
Relative standard error estimates (percent):					
Annual	5	5	7	7	14
Quarter	8	9	11	12	28
MAINTENANCE AND REPAIRS					
1997: Total	25,537	18,951	6,586	5,775	810
1st quarter	3,548	2,542	1,006	770	235
2nd quarter	7,079	4,992	2,087	1,990	96
3rd quarter	9,199	6,847	2,352	1,970	383
4th quarter	5,711	4,570	1,141	1,045	96
1998: 1st quarter	4,316	3,006	1,309	1,207	103
2nd quarter	7,135	5,035	2,100	1,837	263
3rd quarter	7,873	6,011	1,862	1,742	120
Relative standard error estimates (percent):					
Annual	6	7	9	10	23
Quarter	10	12	16	18	34
TOTAL IMPROVEMENTS					
1997: Total	56,679	43,902	12,777	9,664	3,113
1st quarter	10,725	8,223	2,501	1,779	722
2nd quarter	15,641	12,247	3,393	2,345	1,049
3rd quarter	17,073	13,140	3,932	3,180	752
4th quarter	13,241	10,291	2,950	2,361	589
1998: 1st quarter	11,007	8,882	2,125	1,684	440
2nd quarter	18,803	14,609	4,194	3,461	732
3rd quarter	16,849	13,674	3,176	2,196	980
Relative standard error estimates (percent):					
Annual	6	6	9	10	17
Quarter	10	11	13	14	33

¹Includes building materials supplied by the contractor or hired labor.

²Includes building materials purchased to have on hand.

Note: Quarterly relative standard errors are derived from an average of the most recent 4 quarters. Annual standard errors are derived from an average of the most recent 3 years.

Appendix A.

Definitions and Explanations

PROPERTIES INCLUDED IN THIS REPORT

This report presents improvement and repair expenditures by property owners for residential properties in the 50 States and the District of Columbia with the exceptions noted below. These data cover single and multiunit structures, publicly and privately owned structures, nonfarm and farm properties, and residential properties which are occupied by owners or renters or are vacant.

Information on properties classified as primarily non-residential is excluded even though such properties may contain some residential space. Residential properties are defined as those having half or more of the enclosed space devoted to nontransient residential use. Also excluded are residential structures on the grounds of institutions, schools, convents, Armed Forces installations, etc.; hotels, motels, tourist cabins, manufactured homes, and boarding houses; and unusual living quarters, such as tents, boats, etc.

Expenditures made by renters are not included in this report. A study of renters' expenditures in 1989 showed that they accounted for less than 1 percent of all expenditures for improvements and repairs.

EXPENDITURES INCLUDED IN THIS REPORT

The expenditures covered in this report are those connected with construction activity intended to maintain or improve the property. The expenditures involve expenses for maintenance and repairs, additions, alterations, and major replacements which are made on the property by the owners. Included are all costs, for both the inside and outside of the house, whether on the main dwelling, on other structures on the property incidental to the residential use of the main dwellings, or for the grounds on which the structures are erected.

As a general principle, expenses connected with items not permanently attached or firmly affixed to some part of the house or property are not included in the report. Thus, expenses connected with the repair or replacement of household appliances, such as stoves, refrigerators, television sets, room air-conditioners, etc., are excluded, as are costs connected with house furnishings such as furniture, rugs, and draperies. While the cost of appliances is excluded, the construction cost of building-in such appliances (e.g., the cost of building-in a wall oven) is included in the scope of this report. Everyday household and housekeeping expenses such

as waxing floors and furniture, cleaning walls and windows, etc., are not within the scope of this report. Expenditures for grading, draining, fencing, and paving are included, but costs of landscaping (i.e., planting of flowers, trees, shrubs, etc.) are not included in this report.

Kinds of Expenditures

Expenditures included in this report cover work done under contract or by hired labor, materials purchased by owners, and the cost of purchasing or renting tools and equipment for purposes of carrying on jobs which fall within the scope of the report. However, no attempt is made to estimate or include the value of labor in do-it-yourself jobs.

Timing of Expenditures

For one-to-four-housing-unit properties with one unit owner-occupied and owner-occupied condominiums, expenditures are reported in the month of payment for labor and materials regardless of when the work was done.

For one-to-four-housing-unit properties with no unit owner occupied and all properties with five housing units or more, expenditures appear in the quarter in which they are found in the owners' or managers' records.

PROPERTY CHARACTERISTICS

Residential Property

A property consists of the land in one ownership unit, all residential structures on this land, and any facilities attached to the land. It includes the house and additional residential structures on the land, and auxiliary nonresidential structures such as a garage or a workshop. For the nonresident owners and owners of properties with five housing units or more, property identification is generally determined by bookkeeping practices. Groups of buildings owned by one person or organization can be classified as one or more properties depending on whether separate expenditure data are kept by the owner.

Housing Unit

In general, a housing unit is a group of rooms or a single room occupied as separate living quarters by a family, a group of unrelated persons living together, or by a person living alone. Vacant living quarters which are intended for occupancy as separate quarters are also housing units. Separate living quarters are defined as

having either (1) direct access from the outside or through a common hall, or (2) a kitchen or cooking equipment for the exclusive use of the occupants.

REGIONS

The standard census geographic regions are used in the tables of this report. States contained in each region are as follows: **Northeast**—Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania, and New Jersey; **Midwest**—Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, Kansas, Nebraska, North Dakota, and South Dakota; **South**—Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, Arkansas, Louisiana, Oklahoma, and Texas; **West**—Montana, Wyoming, Colorado, New Mexico, Arizona, Utah, Idaho, Alaska, Washington, Oregon, Nevada, California, and Hawaii.

TYPES OF EXPENDITURES

Expenditures are classified broadly as either maintenance and repairs or construction improvements. Improvements are further classified as additions to residential structures, alterations within residential structures, additions and alterations on property outside residential structures, and major replacements.

In general, when a maintenance or repair job is undertaken as part of a more extensive alteration or construction improvement, the cost of it is reported with the alteration or improvement of which it is a part. For example, repair of a floor as part of remodeling a room is reported with the alteration.

Maintenance and Repairs

Expenditures represent current costs for incidental maintenance and repairs which keep a property in ordinary working condition, rather than additional investment in the property.

Maintenance includes expenses for painting, papering, floor sanding, furnace cleaning or adjustment, etc. Repairs include many kinds of expenditures for plumbing, heating, electrical work, and other kinds of activity involved in the upkeep of residential properties. Repairs also include replacements of parts and of whole units except for a select list specified below as major replacement expenditures. For example, roof repairs (including replacement of shingles, gutters, etc.) are classified under maintenance and repairs, but a complete reroofing is classified as a major replacement. Plumbing repairs may include extensive replacement of water pipes, but if the entire piping system is removed and a new one put in, the expenditures for the work are classified as major replacements.

Maintenance and repairs do not include expenses for trash and snow removal, lawn maintenance and landscaping, or cleaning and janitorial services.

Construction Improvements

Expenditures for construction improvements are capital expenditures which add to the value or useful life of a property. Since the classification is based on the concept of additions, alterations, and major replacements rather than dollar value, some very small expenditures which may not be considered capital investments are included among the improvements, such as installing a new electrical socket or garbage disposal. Construction improvements as noted above cover additions to residential structures, alterations within residential structures, additions and alterations on properties outside residential structures, and major replacements.

Additions to residential structures These refer to the actual enlargement of the structure either by adding a wing, room, porch, attached garage, shed, or a carport, or by raising the roof, or digging a basement.

Alterations within residential structures These include changes or improvements made within or on the structure. The changes or improvements range from a complete restructuring, which involves removal of the entire interior of the structure and remodeling it, to the installation of a new electric service outlet, wall switch, or new shelves.

Additions and alterations on property outside residential structures. These include laying or improving walks or driveways; building walls or fences; creating or improving recreational facilities such as swimming pools, tennis courts, barbecue fireplaces; constructing detached garages, sheds, patios, green houses, or the improvement of these by the installation of electricity, drains or new storage facilities. Grading and filling are included, but not landscaping.

Major replacements The following is a list of relatively expensive items that, when replaced, are considered to be construction improvements as opposed to repairs:

Complete furnace or boiler	All water pipes
Entire roof	Windows
Central air-conditioner	Septic tank or cesspool
All siding	Sink or laundry tub
Water heater	Complete walks or drive ways
Entire electrical wiring	Garbage disposal unit
Doors	
Plumbing fixtures	

In general, the distinction between major replacements and additions and alterations is that major replacements are not innovations. Installation of a bathtub where there had not been one before is an alteration, but the substitution of a new bathtub for an old one is a major replacement.

Appendix B.

Survey Methods and Reliability of Data

INTRODUCTION

This appendix describes the data sources, sample design, and estimation procedures used to develop quarterly estimates of expenditures for the improvement and repairs to residential properties. This description refers to the revised survey methods effective with fourth quarter 1984 data. A description of the earlier methods appears in Construction Reports C50-84-A, issued April 1985.

SOURCES OF DATA

The data presented in this report are compiled from two sources:

1. Household survey of a sample of consumer units, and
2. Mail survey of owners of a sample of rental or vacant properties.

Household Survey

Description of survey. Data based on personal interviews are obtained from household members as part of the Consumer Expenditure (CE) Surveys conducted by the Bureau of the Census for the Bureau of Labor Statistics (BLS). The CE survey is designed to collect data on major items of consumer expense, household characteristics, and income. The expenditures covered by the survey are those which respondents can be expected to recall fairly accurately for 3 months or longer, including expenditures for maintenance and repairs and improvement of properties. Each sample household is interviewed once per quarter for five consecutive quarters.

For the initial interview, information is collected on demographic and family characteristics and on the inventory of major durable goods of each consumer unit. Construction expenditure information is also collected in this interview, using a 1-month recall, and is used solely for bounding purposes: that is, to prevent the reporting of expenditures outside the reference period in subsequent interviews.

The third through fifth interviews use uniform questionnaires to collect expenditures for the previous months and the current month to date. Six months of data collection are required to account for all the expenditures for a quarter.

Households which move from their sample address between interviews are dropped from the survey. New households which move into the sample address are screened for eligibility and included in the survey if found qualified.

Sample design. The sample for the CE survey is a national probability sample of households designed to be representative of the urban U.S. civilian population. The eligible population is composed of all civilian non-institutional persons.

The second step in sampling was the selection of primary sampling units (PSUs) which consist of counties (or parts thereof), groups of counties, or independent cities. The set of sample PSUs used for the survey is composed of 105 areas. The PSUs in this part of the design are classified according to the following four categories: "A" PSUs, which comprise 31 self-representing areas, are large metropolitan statistical areas with non-farm population greater than 1.2 million plus the Anchorage and Honolulu MSAs; 46 "B" PSUs defined as non self-representing metropolitan areas; 10 "C" PSUs defined as urban nonmetropolitan areas; and 18 "D" PSUs defined as rural nonmetropolitan areas. The "B," "C," and "D" PSUs were selected using a controlled selection procedure to insure a distribution across States and other stratifying characteristics.

The sampling frame (the list from which housing units were chosen) for this survey was generated from the 1990 census 100-percent detail file, augmented by a new construction permits frame, and an area sample frame to represent all areas which do not have good 1990 census addresses, which are in nonpermit areas, and which have permit office problems.

The sample design is a rotating panel survey. Each rotation comprises one-fourth of a sample and is interviewed for five consecutive quarters. In each quarter, the housing units in five rotations are interviewed but the rotation which is being interviewed for the second time is used solely to bound the data to be collected in the four subsequent quarters. Allowing for the bounding interviews and for nonresponse (including vacancies), the number of usable interviews per quarter is targeted at 4,200.

Estimation and data adjustment procedures. Estimates of expenditures for improvements and repairs are tabulated from responses to the CE questionnaire (CE-302), Section 5, "Construction Repairs, Alterations, and

Maintenance of Property,” and Section 7, “Service Contracts,” by owner occupants of one- to four-unit properties and condominiums. Each sample household included in the survey represents a given number of households in the United States. The sum of the weighted sample households is the estimate of total households in the United States or the universe. The translation of sample households into the universe of households is known as weighting.

There are seven basic steps in determining the weight for each interviewed household:

1. The basic weight assigned to a household is the PSU weight multiplied by the within PSU sampling interval. The PSU weight is the inverse of the PSUs probability of selection.
2. A subsampling factor adjusts for sampling that is done in the field.
3. A new permit factor is an adjustment made to the new permit sample that is introduced in that month for the other panels.
4. A weight control factor is the product of the subsampling factor and the new permit factor. Each factor has a maximum value of four, if it exceeds this value then the factor is set to four. This maximum value is employed to control the variance.
5. A noninterview adjustment factor adjusts for interview which could not be collected from occupied housing units because of refusals or because no one was home (type A). The adjustment is performed as a function of region, tenure, family size, and race.
6. A third stage adjustment is made to the sample estimates of the population to independently derive census population estimates.
7. The final weight is used to form estimates at the family and household level. In most cases, a consumer unit's final weight is the product of the above six weighted adjustments. In other cases, the final weight is the product of the above six weighted adjustments and a principal person factor.

Mail Survey

Description of the survey. Nonresident owners of rental or vacant properties with one to four housing units and owners of rental or vacant properties containing five housing units or more, as identified in the CE household survey, are mailed a questionnaire to report detailed maintenance and repairs and improvement expenditures for their entire property. Approximately 2,500 owners are queried each quarter.

All mail questionnaires, including those from the initial mailing, are used in the tabulation of data for this report. This is based on an assumption that owners of rental properties keep detailed records of their expenditures for improvements and repairs and that the reports would be based on such records rather than on memory alone.

Sample design. The mail survey consists of owners of the properties identified in the household survey as being one to four unit properties with no resident owner and all properties (excluding owner occupied condominiums) with five housing units or more. As a result of this method of sampling, the probability of selection of a property is proportionate to the number of housing units in the property.

Estimation and data adjustment procedures. The data collected on form SORAR-705 are adjusted for unreturned or unusable forms by region and MSA status. The weights are adjusted so that sample counts of renter occupied and vacant housing units agree with independently derived controls from the Current Population Survey.

RELIABILITY OF DATA

The statistics in this report are based on sample surveys and may differ from statistics which would have been obtained from a complete census using the same forms and procedures. An estimate based on a sample survey is subject to both sampling error and nonsampling error. The accuracy of a survey result is determined by the joint effect of these errors.

Measures of sampling errors. Sampling error reflects the fact that only a particular sample was surveyed rather than the entire population. The sample selected for the CE survey is one of a large number of similar probability samples that, by chance, might have been selected under the same specifications. Estimates derived from the different samples would differ from each other. The standard error, or sampling error, of a survey estimate is a measure of the variation among the estimates from all possible samples and, thus, is a measure of the precision with which an estimate from a particular sample approximates the average from all possible samples.

Estimates of standard errors have been computed from the sample data for statistics in this report. They are presented in the tables in the form of relative standard errors. The relative standard error equals the standard error divided by the estimated value to which it refers.

The sample estimate and an estimate of its standard error allow us to construct interval estimates with prescribed confidence that the interval includes the average

result of all possible samples with the same size and design. A 90-percent confidence interval is defined to be from 1.6 standard errors below the estimate to 1.6 standard errors above the estimate. If all possible samples were selected and surveyed under essentially the same conditions and all the respective 90-percent confidence intervals were generated, then approximately nine-tenths of the intervals would include the average value of all sample estimates and approximately one-tenth would not include this estimate. For example, this report shows that residential property owners spent \$33.1 billion for improvements and repairs in the third quarter 1998 and that the average relative standard error of this estimate is 8 percent. Multiplying \$33.1 billion by .08, we obtain \$2.6 billion as the standard error. To obtain a 90-percent confidence interval, multiply \$2.6 billion by 1.6, yielding limits of \$28.9 billion and \$37.3 billion (\$33.1 billion plus or minus \$4.2 billion). The average estimate for the specified quarter may or may not be contained in this computed interval, but one can say that the average estimate from all possible samples is included in the constructed interval with a specified confidence of 90 percent.

The sampling errors of some estimates are too great to allow meaningful comparisons among these estimates. The sampling errors should be regarded as orders of magnitude rather than absolute measurements.

Nonsampling errors and other limitations. As calculated for this report, the estimated relative standard errors measure certain nonsampling errors, but do not measure any systematic biases in the data. Bias is the difference, averaged over all possible samples with the

same size and design, between the estimates and the true value being estimated. Nonsampling errors can be attributed to many sources: inability to obtain information about all cases in the sample; definitional difficulties; differences in interpretation of questions; inability or unwillingness of respondents to provide correct information; and errors made in processing the data. These nonsampling errors also occur in complete censuses. Although no direct measurements of the biases have been obtained, it is believed that most of the important response and operational errors were detected in the course of reviewing the data for reasonableness and consistency.

Six potential sources of bias are:

1. Nonresponse to the survey as a result of selecting housing units from the permit frame for which addresses are no longer available at the permit office.
2. Nonresponse resulting from interview refusal or because no one was home.
3. Undercoverage in the sampling frame with respect to demographic and family characteristics of sample consumer units.
4. Memory failure, including failure to remember exact values, and the reporting of information for an earlier or later time period than it actually occurred (telescoping).
5. Problems in classifying the types of jobs performed.
6. Adjustment for extreme values where a weighted value of \$300 million or more is contributed by a single job.

Appendix C.

Adjustments for Seasonal Variations

ADJUSTMENTS FOR SEASONAL VARIATIONS

Quarterly estimates of expenditures for improvements and repairs are adjusted to eliminate the effect of changes that normally occur about the same time and in about the same magnitude each year. The seasonally adjusted estimates are converted to annual rates by multiplying by 4. Estimates for expenditures at seasonally adjusted annual rates are shown in Table 1.

The factors used for making the adjustment were developed using the X-12-ARIMA, an enhanced version of the X-11 variant of the Census Method II seasonal adjustment program. A description of the X-12-ARIMA program appears in "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program," by David F. Findley et al. of the U.S. Bureau of the Census.

Table C. Factors Used to Seasonally Adjust Expenditures for Residential Properties

Year and quarter	Total expenditures	Maintenance and repairs	Improvements		
			Total	Additions and alterations	Major replacements
1994					
1st quarter	76.3	80.3	73.7	78.5	60.5
2nd quarter	108.4	101.5	112.6	114.3	108.3
3rd quarter	114.6	111.2	116.6	113.2	123.6
4th quarter	101.9	107.5	98.8	94.0	106.7
1995					
1st quarter	75.3	77.0	74.3	79.5	63.5
2nd quarter	108.6	105.0	110.7	114.7	103.3
3rd quarter	116.6	114.6	117.8	112.4	126.3
4th quarter	100.3	103.9	98.0	93.7	105.4
1996					
1st quarter	75.1	75.1	75.1	79.3	67.7
2nd quarter	108.9	106.6	110.1	114.6	99.5
3rd quarter	116.5	114.7	117.2	112.2	127.0
4th quarter	99.3	104.0	97.1	94.2	105.0
1997					
1st quarter	75.4	73.8	76.1	78.9	70.0
2nd quarter	108.9	107.8	109.4	114.5	97.1
3rd quarter	116.4	114.7	117.3	112.3	128.1
4th quarter	99.7	103.9	97.7	94.8	104.7
1998					
1st quarter	75.0	73.3	75.7	78.2	70.2
2nd quarter	109.6	109.6	109.7	115.1	97.8
3rd quarter	116.7	114.6	117.8	111.4	129.1