

## **Do-It-Yourself Home Improvement: Changes for Measured GDP and Long - Run Housing Values**

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Most household production is excluded from GDP. However, the System of National Accounts 2008 (SNA 2008) recommends that countries include unpaid home repair and home remodeling projects if those activities are normally done by landlords. For example, changing a light bulb is typically done by tenants and therefore excluded from GDP. But replacing a faucet is typically done by landlords and should be included in GDP regardless of whether it is done by a landlord or a homeowner. Despite the SNA's recommendation, BEA currently excludes do-it-yourself projects from GDP. In this paper, I calculate US GDP when do-it-yourself projects are included. I use the American Housing Survey to track do-it-yourself projects from 1997 to 2009. On average, home-owners did 42% of home repair and remodeling themselves. These projects cost 60% less than similar projects with hired workers. Accordingly, I calculate that homeowners saved 25% on home repair and remodeling by doing the work themselves. This ratio falls slightly in good economic times and rises slightly when unemployment is high. On the other hand, the total number of home repair and remodeling projects rose dramatically during the housing bubble and fell dramatically after it popped. Accordingly, the dollars saved from do-it-yourself projects tracks the housing bubble. Finally, I calculated GDP from 1997 to 2009 when do-it-yourself projects are included. In 1997, GDP rises by \$18 billion, or 0.21%. In 2005, GDP rises by \$43 billion, or 0.34%. In 2009, GDP rises by \$11 billion, or 0.08%. The sudden disappearance of do-it-yourself projects reduces average growth from 2005 to 2009 by 0.07% (nominal). Therefore, the current recession would be a little more severe if do-it-yourself projects were included in GDP.