How Higher Interest Rates Could Impact Home Services And Home Improvement Leads

Description

By James Schulze

This article discusses the Federal Reserveâ??s recent decision to raise the federal funds rate and how higher interest rates may impact homeowners decisions to move forward with home services and home improvement projects. It also helps companies understand the home services leads available in the market and how they can successfully use them to sell more home services projects in todayâ??s environment.

The Federal Reserve raised interest rates on September 16, 2026, its first rate increase since 2023. The move increased the federal funds target range by 0.25 percentage points to **3.75% to 4.00%.**

For the home services and home improvement industries, higher interest rates create an interesting situation. More expensive borrowing can make it harder for homeowners to finance major projects. At the same time, higher mortgage rates can make homeowners less likely to sell their homes and move. That creates a potential tug-of-war for contractors. Some large projects may become harder to sell, but homeowners who stay put still need to maintain, repair, and improve their homes. For companies buying home services leads and home improvement leads, understanding how consumer behavior changes could be especially important heading into 2027.

At The Leads Warehouse, we have real-time home services leads, aged home services leads, and home services inbound calls (read our blog, â??Home Services Leads Explained â?? Roofing, Kitchen Remodeling, And Bathroom Renovationsâ?•). There is a strategy that can make all three of our home services lead types work in todayâ??s environment.

Higher interest rates can make large projects more expensive

Many major home improvement projects involve some type of financing. A homeowner considering a new roof, kitchen renovation, windows, HVAC system, or major remodel may use a home equity loan, HELOC, contractor financing, or another form of credit. When interest rates rise, financing those projects can become more expensive. That doesnâ??t necessarily mean homeowners cancel their plans. Instead, some consumers may reduce the size of the project, postpone part of it, or shop more aggressively for financing.

This can change the sales conversation for contractors. A homeowner who was comfortable with a $50,000 project six months ago may now be more focused on the monthly payment. Contractors may need to offer different project options or explain financing more clearly.

The important point is that **higher interest rates donâ??t automatically eliminate home improvement demand. They can change how consumers buy.**

A slower housing market can create an opposing force

Higher borrowing costs can also put pressure on home sales. Homeowners who already have attractive mortgage rates may be reluctant to give them up to purchase another house with a more expensive mortgage.

For the home services industry, that creates an interesting countereffect. A homeowner who decides not to move still has to live somewhere, but that existing house may no longer meet the familyâ??s needs. Instead of buying a larger home, a family might remodel a bathroom, add usable living space, or improve the backyard. Someone who planned to purchase a newer house might decide to replace the HVAC system, roof, or windows in their current home instead.

This is the **â??improve instead of moveâ?•** side of the equation. A slower housing market can hurt some types of home improvement spending while encouraging homeowners to put money into properties they expect to keep longer.

Home improvement spending is still enormous

There are already signs that growth in remodeling is slowing. The Harvard Joint Center for Housing Studies projects that year-over-year growth in renovation and repair spending will slow to approximately 0.5% by the second quarter of 2027.

But slower growth should not be confused with a disappearing market. Harvard still projects annual spending on home improvements and repairs at approximately **$519 billion through mid-2027.** That represents an enormous amount of consumer spending even if growth slows.

The bigger question for home services companies is likely to be **which projects homeowners continue buying** and which projects become easier to postpone.

Necessary home services donâ??t disappear

There is an important difference between a home improvement someone *wants* and a home service someone *needs*. A homeowner can postpone a luxury kitchen remodel. A leaking roof, failed air conditioner, broken water heater, or serious plumbing problem is much harder to ignore. Homes continue to age regardless of interest rate trends or what happens in the housing market. That could make several home services categories more resilient, such as:

- Roofing repair and replacement
- HVAC repair and replacement
- Plumbing
- Electrical services
- Water heaters
- Pest control
- Necessary window and exterior repairs

These categories arenâ??t immune to economic conditions. Consumers can still shop around, delay work, or choose less expensive solutions. But the underlying problem usually has to be solved.

For companies generating or purchasing home services leads, this distinction is important. Marketing an emergency plumbing repair is very different from marketing a $100,000 discretionary remodel.

Homeowners may choose smaller projects

Higher financing costs could also change the size of the projects homeowners pursue. Rather than remodeling an entire house, a homeowner might renovate one bathroom. Instead of completely rebuilding an outdoor living space, the family might replace a patio and postpone the rest.

The consumer hasnâ??t stopped being a home improvement prospect. The consumerâ??s budget and priorities have just changed. That means contractors may need more flexibility in their product offerings and sales presentations. Providing several options at different price points can help keep a homeowner engaged even when the original project is no longer affordable. Financing offers may also become a more important part of the conversation.

For lead buyers, this is another reason to look beyond the initial inquiry. A consumer who doesnâ??t purchase the largest project may still become a valuable customer.

Competition for home services leads could increase

A changing housing market could also change who is competing for residential work. Contractors that depend heavily on new construction or home-sale-related projects may look to remodeling, repair, and maintenance for additional revenue. That can put more businesses in front of the same homeowner.

For contractors buying home improvement leads, roofing leads, HVAC leads, remodeling leads, and other home services leads, maintaining a consistent sales pipeline becomes especially important when competition increases.

This is also where follow-up matters. A homeowner who doesnâ??t schedule an estimate today may still need the project next month. Companies that work leads over time have more opportunities to capture demand than companies that depend entirely on the newest inquiries.

Lead economics matter more when markets tighten

A changing economy also makes it important to look beyond cost per lead (CPL). A cheap home services lead isnâ??t necessarily a cheap customer. For example, suppose one contractor buys inexpensive leads but needs 100 of them to generate a sale. Another contractor pays substantially more per lead but closes customers at a much higher rate. Looking only at lead price tells us very little about which campaign actually performs better (for more information on lead pricing, read our blog, â??Home Services Lead Pricing In 2026 â?? Roofing, Kitchen Remodeling, And Bathroom Renovation CPL Benchmarksâ?•).

The metric that ultimately matters is **customer acquisition cost (CPA)**. Economic changes can affect that CPA in several ways. Consumers may require more follow-up, financing objections may become more common, and sales cycles may get longer. Some homeowners may also reduce the size of their projects.

Contractors should measure those changes instead of automatically concluding that their home services leads stopped working. If close rates change, the next question should be **why** they changed.

What are the best home services leads to purchase today?

At The Leads Warehouse, we offer multiple options for home services leads. Specifically:

- Home services real-time leads
- Home services aged leads
- Home services inbound calls

Each home services lead type offers an advantage for todayâ??s market. At The Leads Warehouse, our suggested lead activation best practice is to employ the proper cadence, ensure deliverability, and use an appropriate script for the marketing type. Assuming the proper cadence is used and the tech stack is in line with compliance issues like 10DLC, then scripting is the difference maker.

Aged home services leads can be activated with an aged leads script. The home services call center team can recognize a past opt-in, and attempt to reactivate the lead with a message reflecting longer home ownership, creating a demand for new home services projects.

Real-time home services leads are the hot ticket for todayâ??s market. Real-time home services leads are consumers who are requesting to speak to a home services company today, likely for an immediate project. These could also be consumers who have decided not to move and take on a project. A script with probing questions to help facilitate a close is critical.

Home services inbound calls are like real-time home services leads in that they are immediate inquiries. Inbound calls are consumers who are responding to online marketing, placing a call to a home services company. After utilizing the buffer, a probing script can again be used to determine what the immediate interest is, keeping in mind interest rate hikes.

Conclusion

The Federal Reserveâ??s September rate increase doesnâ??t tell us exactly what will happen to home improvement demand. There are legitimate forces pushing the market in both directions. Higher borrowing costs can make major financed projects more difficult. Fewer home sales can reduce some of the improvement activity normally associated with buying and selling houses. But homeowners who remain in their existing properties still need repairs, maintenance, and improvements. Thatâ??s why the nearly $519 billion home improvement and repair market matters. Even in a slower-growth environment, Americans are spending enormous amounts of money on their homes.

For contractors and home services companies, the opportunity may shift rather than disappear. The companies that understand what consumers are buying, adjust their offers, maintain a consistent flow of home services leads, and measure their customer acquisition costs will have a much clearer picture of what is actually happening in their market.

Higher rates may change the housing market. They may change how homeowners finance projects. They may even change the types of projects consumers choose. **But homeowners still have homes to maintain, repair, and improve**. Are you ready to talk about how you can grow your home services sales pipeline?

About the author

James Schulze is the President and CEO of The Leads Warehouse, a marketing data company with over 20 years of experience in bringing lead generation solutions to companies selling into the home, automotive, financial, insurance, health and life, and legal sectors. He works directly with clients to optimize conversion strategies and ROI across multiple verticals.

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If you would like more information on how you can grow your home services sales, give The Leads Warehouse a call at **1-800-884-8371** or visit our website at https://theleadswarehouse.com.

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