



BURNS

Qualified
Remodeler

US Remodeler Index

USRI

Fourth Quarter 2021



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We are pleased to release the Q4 2021 Qualified Remodeler / John Burns US Remodeler Index (USRI).



Overview of the US Remodeler Index

The US Remodeler Index (USRI) is a diffusion index reflecting weighted responses of remodeling companies. **A rating above 50 indicates industry growth; a rating below 50 indicates slowing activity.**

Current Growth

Project Activity Gauge

Gauges project volume in the most recent quarter vs. prior year

Future Growth

Near-Term Activity Gauge

Indicates project volume growth in the upcoming quarter

Demand Rating

Remodeling Demand Meter

Reflects the overall sentiment of how strong consumer demand is for professionally completed home repairs, remodels, and improvements relative to the past three years

This quarterly index is the result of a unique partnership between one of the industry's leading authorities on professional remodeling trends, Qualified Remodeler, and one of the industry's leading market research firms, John Burns Real Estate Consulting. The following report highlights findings from our survey of professional remodeling activity and market conditions.

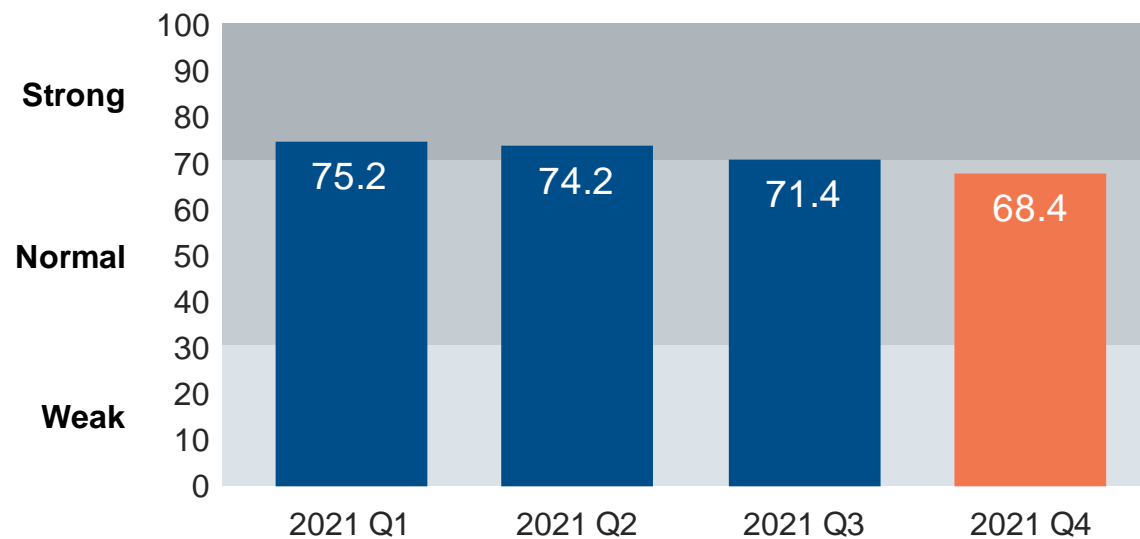
Q4 2021 US Remodeler Index Rating

Remodelers still report strong demand for whole-home renovation projects, as consumers prepare to stay in homes longer and spend more time at home. However, rising materials costs, product shortages, and overall lead times are growing concerns for both consumers and remodelers. Remodelers also note an uptick in delayed projects over the holidays and due to Omicron. Some remodelers note concerns around the impact of inflation but are confident that raising prices and focusing on high-value projects will help protect margins.

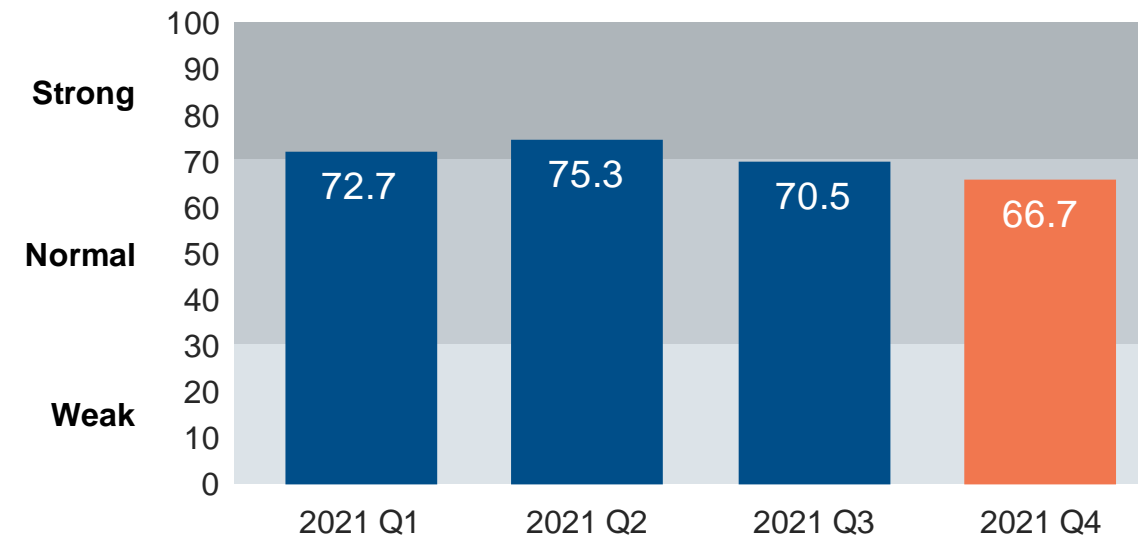
The Q4 2021 US Remodeler Index rates a 68.4 out of 100, indicating the professional remodeling industry expanded for the fifth consecutive quarter on a year-over-year basis.



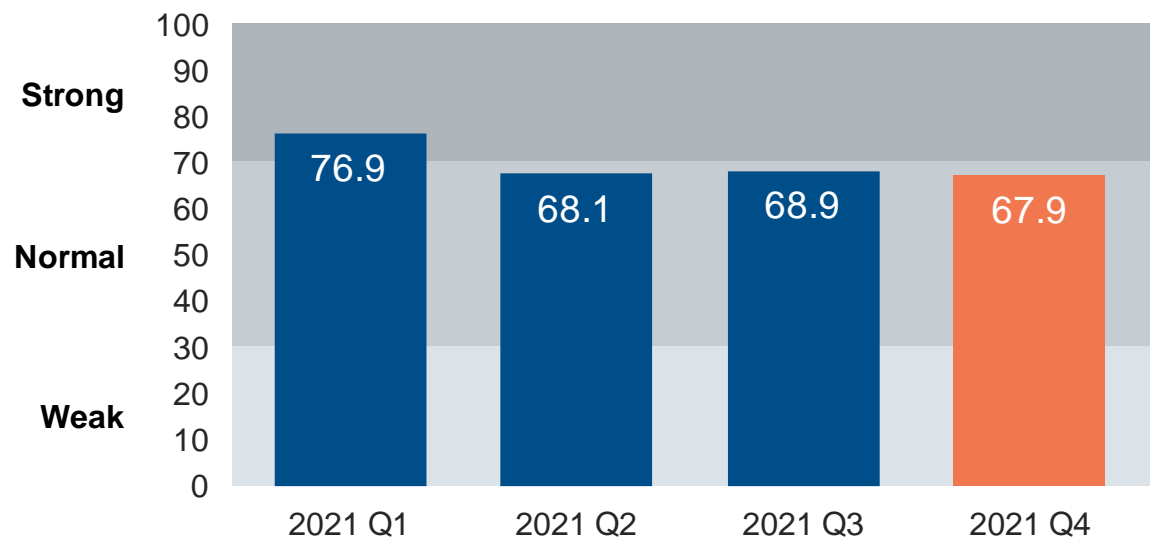
US Remodeler Index



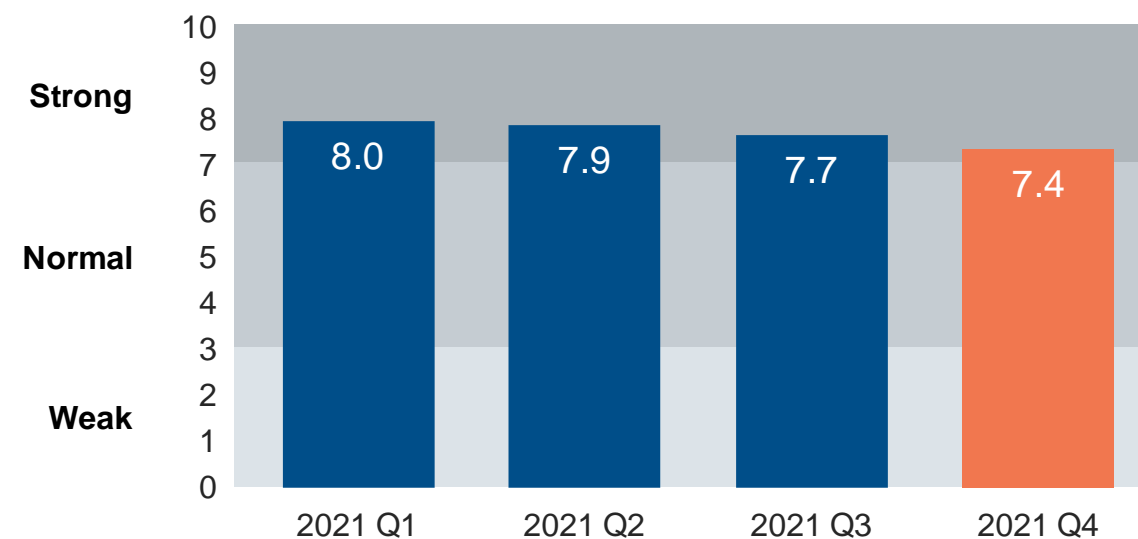
Project Activity Gauge



Near-Term Activity Gauge



Remodeling Demand Meter

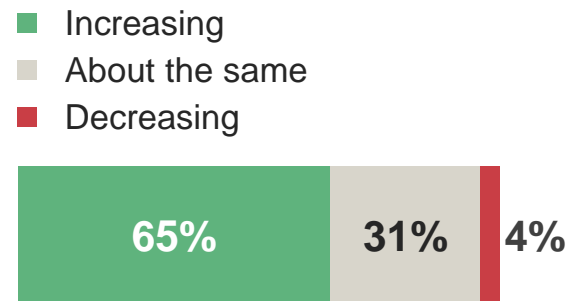


Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Four big takeaways

Demand for whole-home remodels grows.

Average Project Size



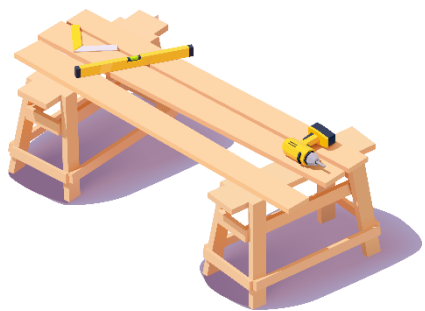
Remodelers report robust demand for high-value whole-home and multiroom remodels, with project sizes continuing to expand overall in Q4, despite rapidly rising prices. Most remodelers (65%) say project sizes are still growing. Large, pro-heavy projects are less sensitive to inflation and benefit from structural demand drivers, while smaller projects are more sensitive to inflation and slowing income growth.

Remodelers are flexing their price power.



Although remodelers report double-digit inflation across nearly every product category, the vast majority are raising prices to protect their profit margins. The average remodeler successfully raised prices by 16% in 2021, with nearly one-third raising their prices by more than 25%, offsetting rising costs of product, materials, and labor. Steep increases in product costs have led *some* consumers to hit pause on their projects.

Supply constraints weigh on overall remodeling activity, pushing demand out to the future.



Remodelers say product lead times and labor shortages are getting worse, pushing completion dates out even further. 61% of remodelers report that projects are taking longer to complete in Q4 than Q3. Product availability remains a top concern, with both consumers and remodelers prioritizing availability over brand preference.

Remodelers are optimistic about 2022 revenue growth despite increasing project delays and deferments.



Although some consumers have deferred their projects amid rapidly rising prices and pandemic uncertainty, remodelers are confident that continued demand for whole-home upgrades and large-scale, multiroom projects will drive revenue growth in 2022. Design-build firms are expecting 11% growth on average, with full-service remodelers and home improvement pros each expecting 7%.

Key takeaways by segment



Full-Service Remodelers

- **+6% project volume growth in Q4.** Remodelers report healthy demand for whole-home and multiroom projects, as customers adapt to more home-centric lifestyles.
- Full-service remodelers say they are adjusting to supply-chain issues and rising costs by padding project schedules, ordering product earlier, and focusing on larger, higher-value, higher-margin remodels. Full-service remodelers are optimistic for 2022 with an average of 7% full-year revenue growth.



Design-Build Firms

- **+5% project volume growth in Q4.** Design-build firms continue to see strength in whole-home remodel projects, even as they expect the total number of projects may moderate in the future.
- Design-build firms are focusing on bigger, high-value projects and raising prices to protect margins, even as they schedule work further out and order product sooner. Design-build firms are confident in their 2022 outlook, with average revenue growth coming in at 11%.



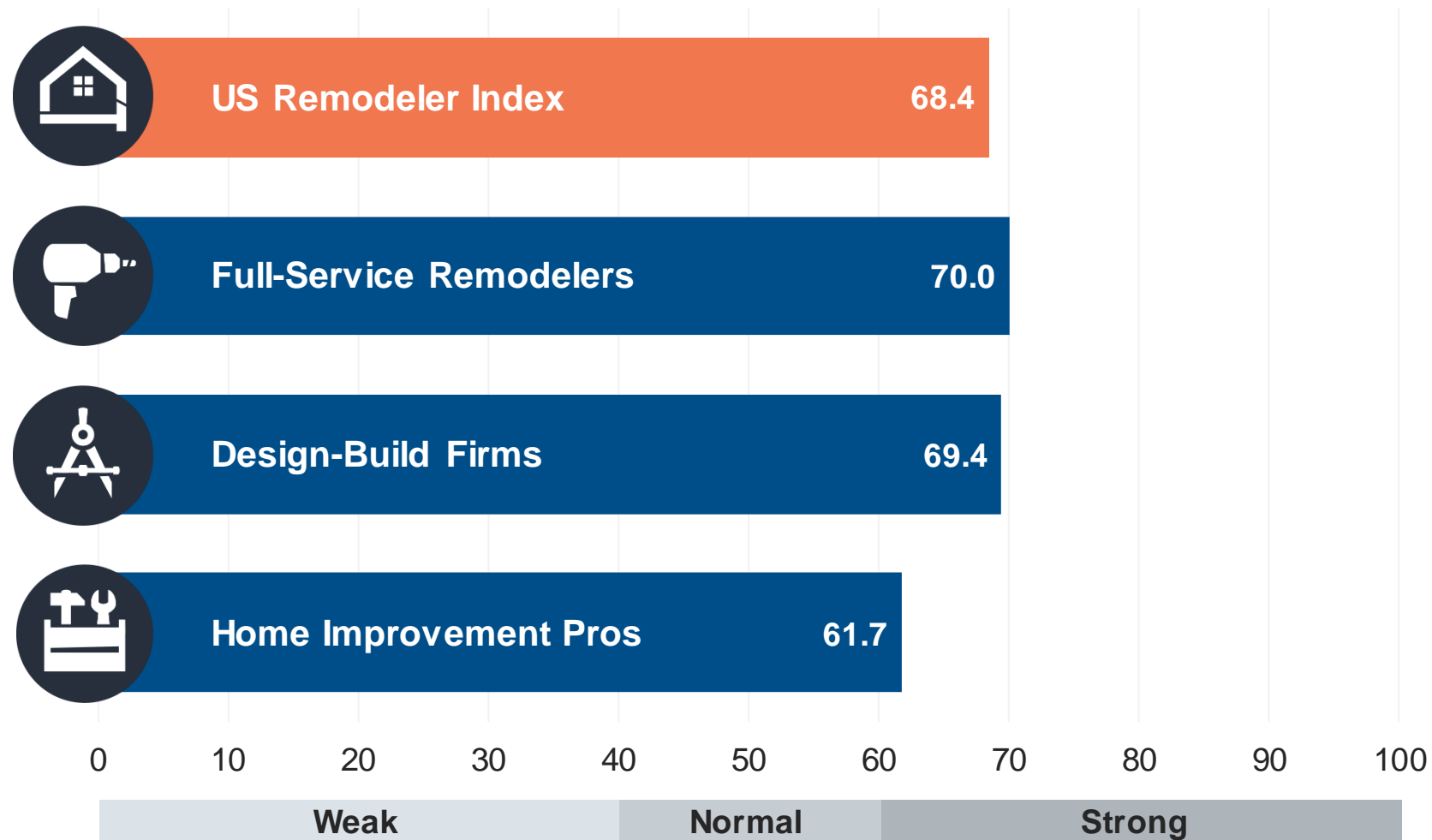
Home Improvement Pros

- **+2% project volume growth in Q4.** Project volume moderated from 7% growth in Q3, as rapidly rising prices and a sudden rise in COVID cases around the holidays led more customers to postpone projects later in the year.
- 39% of home improvement pros report their project pipelines have plateaued, up from 26% last quarter. Nevertheless, with the spring season approaching, their near-term outlook is optimistic, with the average home improvement pro expecting 7% revenue growth for 2022.

Q4 2021 index

A person in a business suit is shown from the chest down, holding a pen and pointing at a line graph on a document. The background is a blurred office setting. The text 'Q4 2021 index' is overlaid in the center of the image.

US Remodeler Index



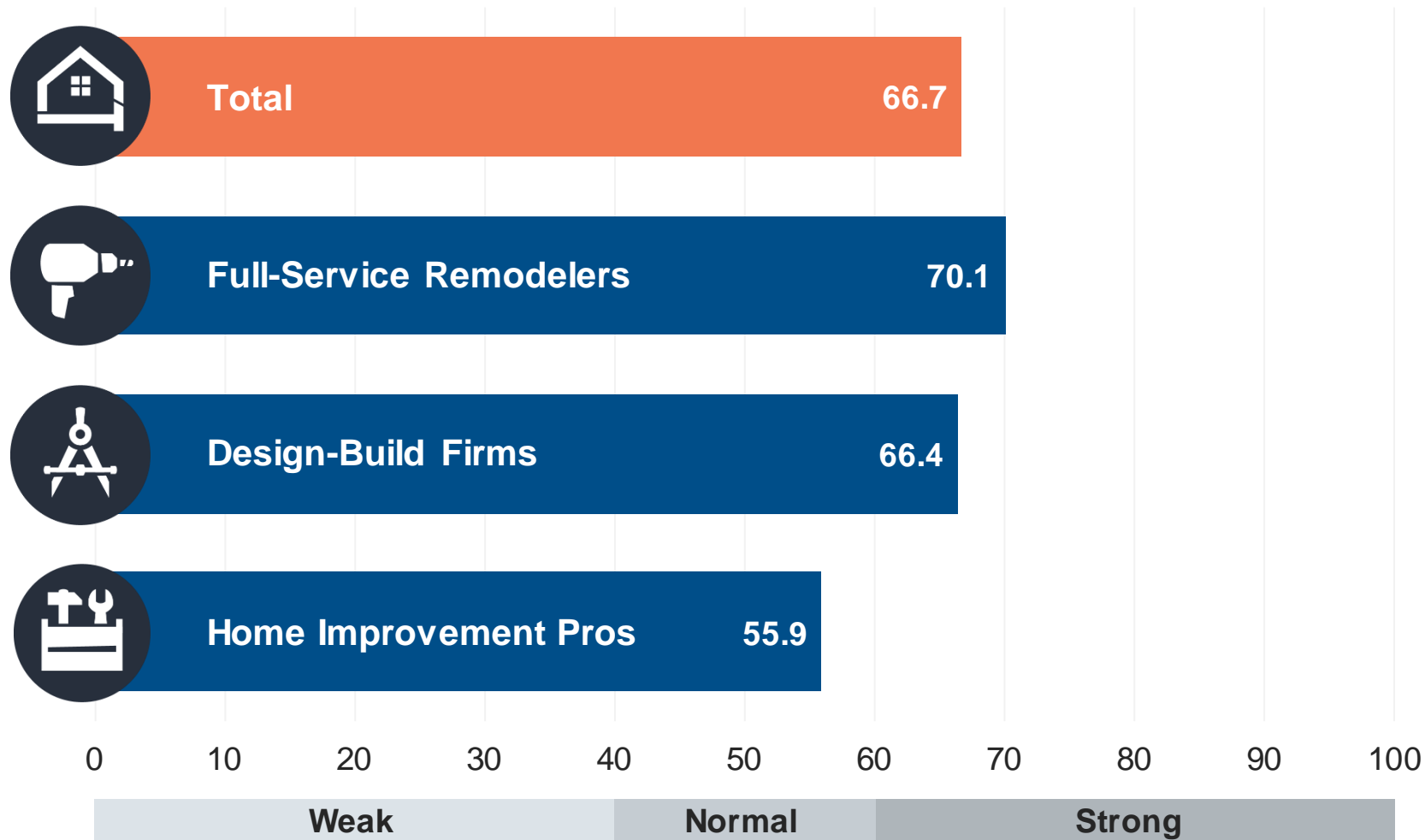
The US Remodeler Index (USRI) rated 68.4 in Q4, indicating the industry expanded.

Although project delays, rising costs, and the pandemic have disrupted growth, remodelers note strong demand for whole-home remodels, kitchen and bath upgrades, and outdoor living projects. Full-service remodelers and design-build firms over-index the industry at 70.0 and 69.4, respectively, while home improvement pros under-index the industry at 61.7.

A rating above 50 indicates industry growth; a rating below 50 indicates slowing activity.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Project Activity Gauge

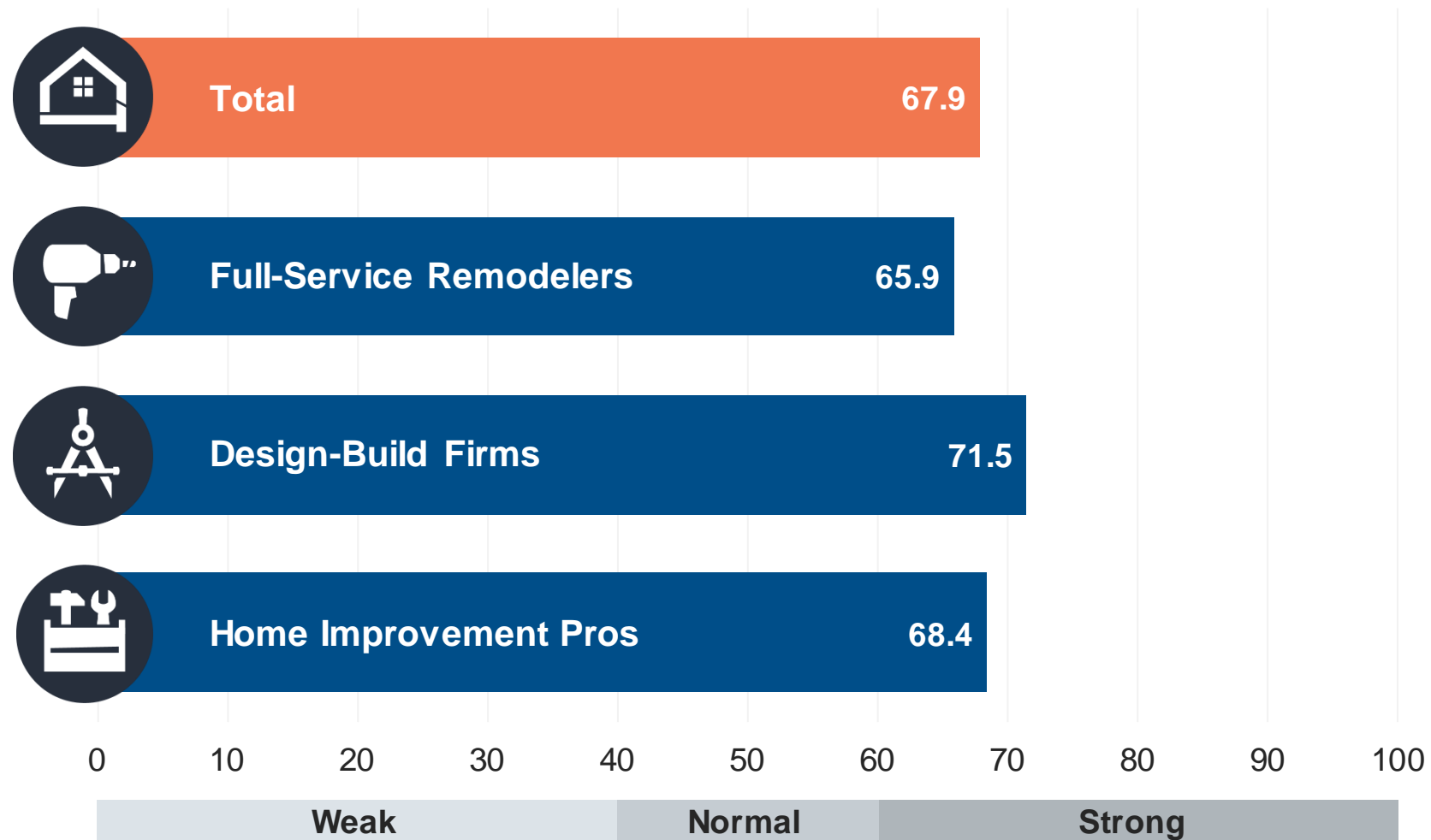


The current Project Activity Gauge rates a 66.7 out of 100, indicating year-over-year growth moderated in Q4 2021 from the prior quarter.

The current project activity rating fell in Q4, led by home improvement pros, which are most exposed to supply chain issues and labor shortages. Despite the recent softening, project activity is still rated as Strong among full-service remodelers and design-build firms.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Near-Term Activity Gauge

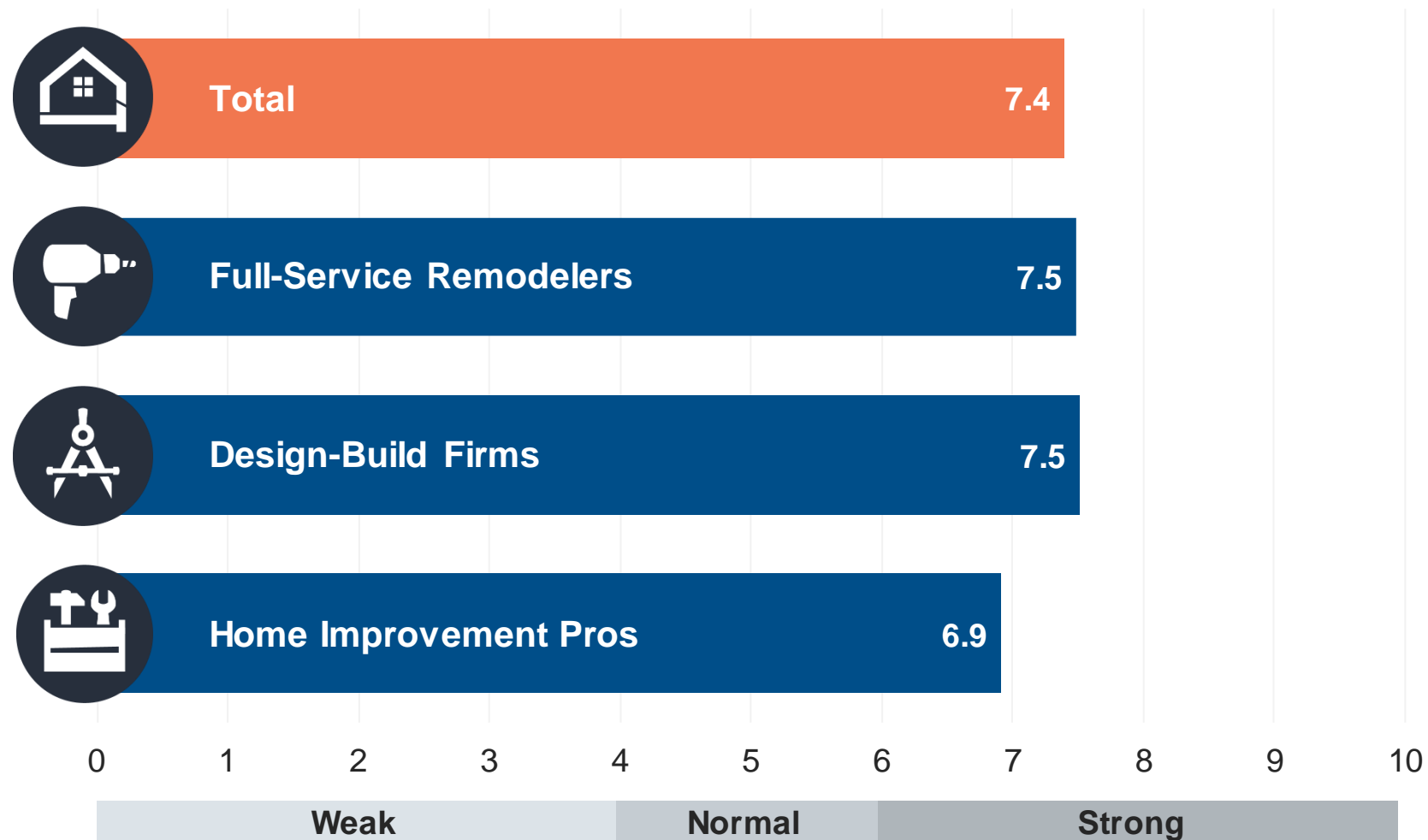


The remodeling industry expects growth to accelerate in Q1 2022 vs. Q1 2021, rating near-term activity a 67.9 out of 100.

While home improvement pros led the softening of current activity, the segment rates near-term demand as “Strong”, an indication that current activity has been impacted by temporary supply chain disruptions and that demand from consumers remains strong. Nearly all remodelers report strong pricing power against a backdrop of robust demand for large, multiroom and interior/exterior projects.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Remodeling Demand Meter



The Remodeling Demand Meter rates a 7.4 out of 10, signaling demand for remodeling services is stronger than it's been in the past three years.

Remodelers see a wave of demand for whole-home remodeling projects continuing as clients adapt to home-centric lifestyles and prepare for longer-term stays in the current homes.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)



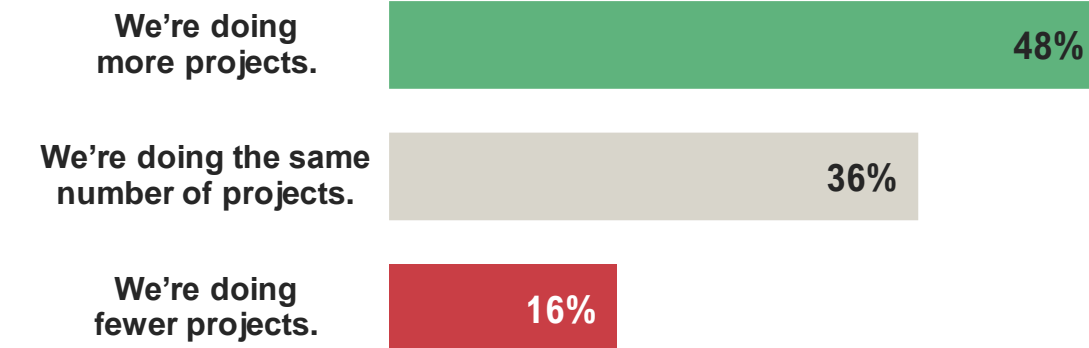
Project volume

Project volumes increased 5% YOY on average: 48% of remodelers indicate larger project volumes vs. the prior year.

Project volumes increased an average of 5% YOY, with just under half (48%) of remodelers saying they're doing more projects now vs. a year ago. Extended lead times and difficulty sourcing available product are weighing on growth, rather than there being a falloff in consumer demand. A slight slowdown in volume (number of projects) is offset by a steady expansion in project scopes and price-points (larger projects with higher-priced finishes).

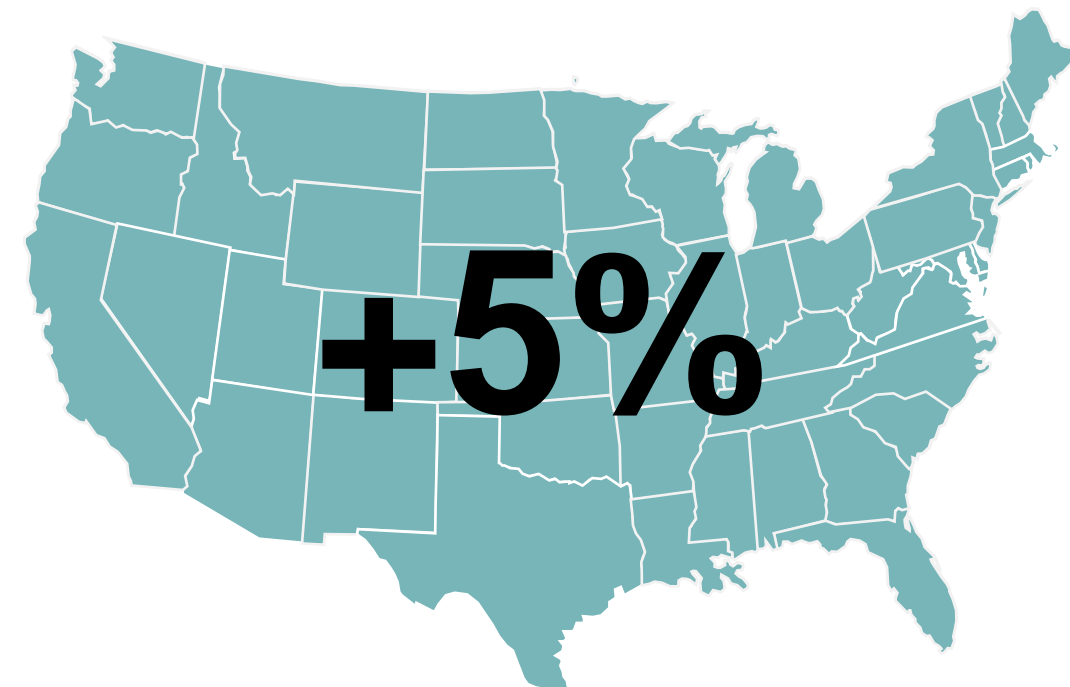
Project Volume vs. Prior Year

As a percentage of all remodelers



Growth in Project Volume (YOY)

Average completed project growth across all remodelers and regions

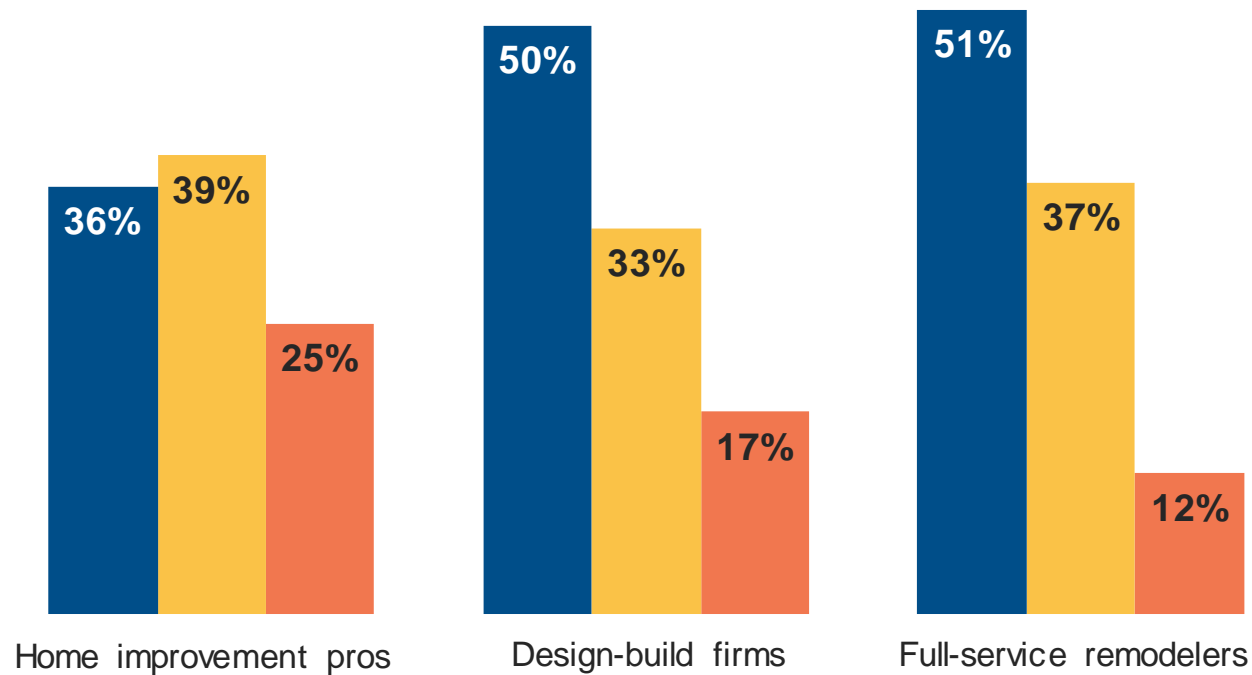


Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Project volumes are growing for all remodeling industry segments, albeit at a more tempered pace.

Project Volume vs. Prior Year

■ Doing more projects ■ Same amount ■ Doing fewer projects



Project volume growth may be decoupling across industry segments, with full-service remodelers and design-build firms reporting healthy growth of 6% and 5%, respectively. Home improvement pros report slower (but still positive) growth of 2%, while more pros in the segment report project volumes have plateaued in Q4 vs. last year at this time.

Growth in Project Volume (YOY)

Average completed project growth by segment

Home Improvement Pros



Design-Build Firms



Full-Service Remodelers

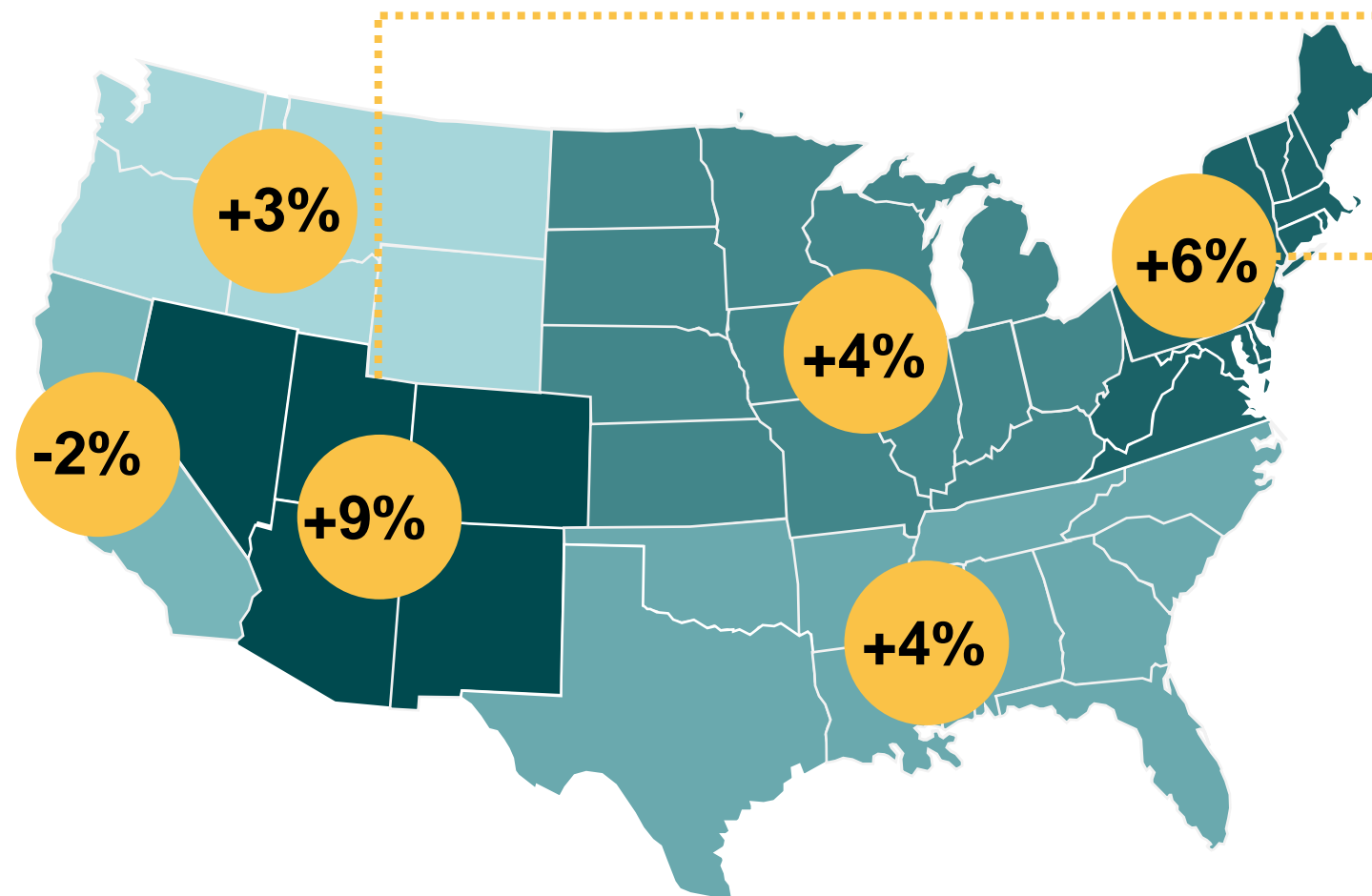


Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Remodelers in the Southwest complete 9% more projects in Q4 2021 than Q4 2020. Northeast is the second-highest at +6% YOY, and California lags (-2% YOY).

Project Volume Growth by Region

Average YOY growth in number of completed projects across all remodelers



“ We are growing into a higher-end market, with more quality products.”
Full-Service Remodeler in the Southwest

“ Customers are upgrading the main living areas that they want to enjoy the most: living room, kitchen, bathroom, outdoor patio, and kitchen, home office.”
Full-Service Remodeler in the Northeast

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)



Market trends

More consumers are preparing to stay in their homes longer and choosing to renovate, instead of waiting for the perfect “trade up.” 65% of remodelers report that project scopes grew larger in Q4.

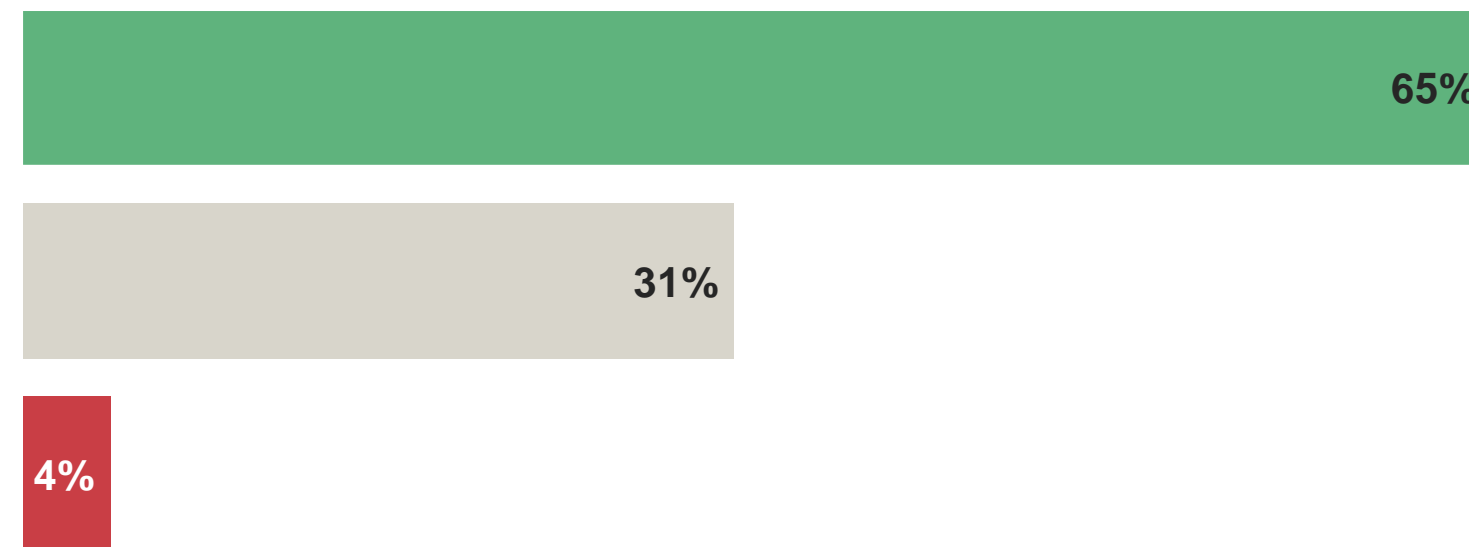
65% of remodelers report increases in average project size in Q4 2021. Consumers are bundling projects together to increase whole-home functionality as they adapt to more home-centric lifestyles and prepare to trade up in place.

We have yet to see a slowdown in demand for large project remodelers, even as inflation raises per-unit costs for consumers.

Average Project Size

As a percentage of total responses

■ Increasing ■ About the same ■ Decreasing



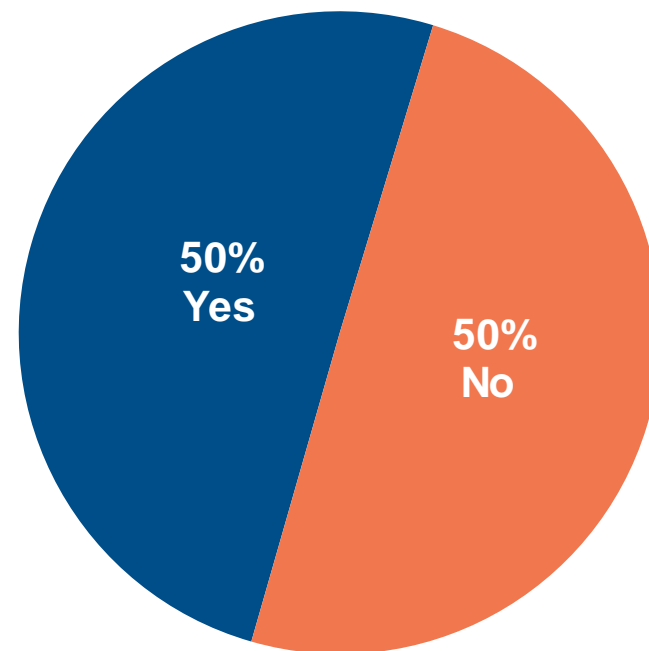
Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Consumers are demanding higher-end (and higher-priced) products, while some remodelers say product availability is their number one concern.

With more customers planning to age in place or trade up in place amid historically low for-sale inventory, remodelers are seeing higher demand for premium and luxury products. Half of remodelers report a shift in price points demanded in Q4 2021, with more than three-quarters (77%) saying clients are opting for higher-end, higher-quality (and higher-priced) products.

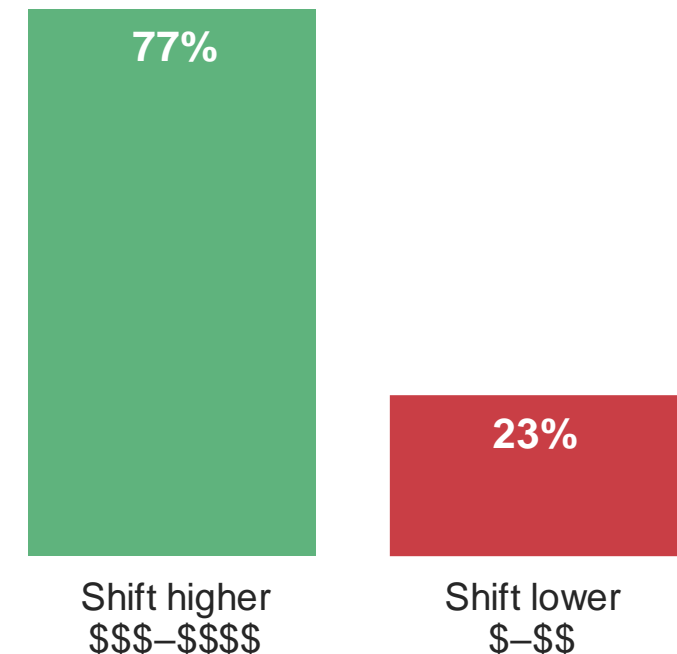
Shift in Price Points Demanded

Percentage of remodelers reporting yes vs. no



Direction of Price-Point Shift

As a percentage of companies reporting a price-point shift



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

61% of remodelers report projects are taking more time to complete, with no sign yet that project timelines are normalizing.

Remodelers report that projects are taking more time to complete, with no sign of abatement for unprecedented product lead times and labor shortages, while heightened caution around the pandemic caused further delay in Q4.

Remodelers are adapting by building cushion into their timelines, ordering products far in advance, and staying in close communication with clients.

Projects are taking more, less, or the same amount of time to complete:

■ More time to complete ■ About the same ■ Less time to complete

Quarter over quarter



Year over year



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Project timelines are slipping as extended product lead times and labor shortages cause delays.

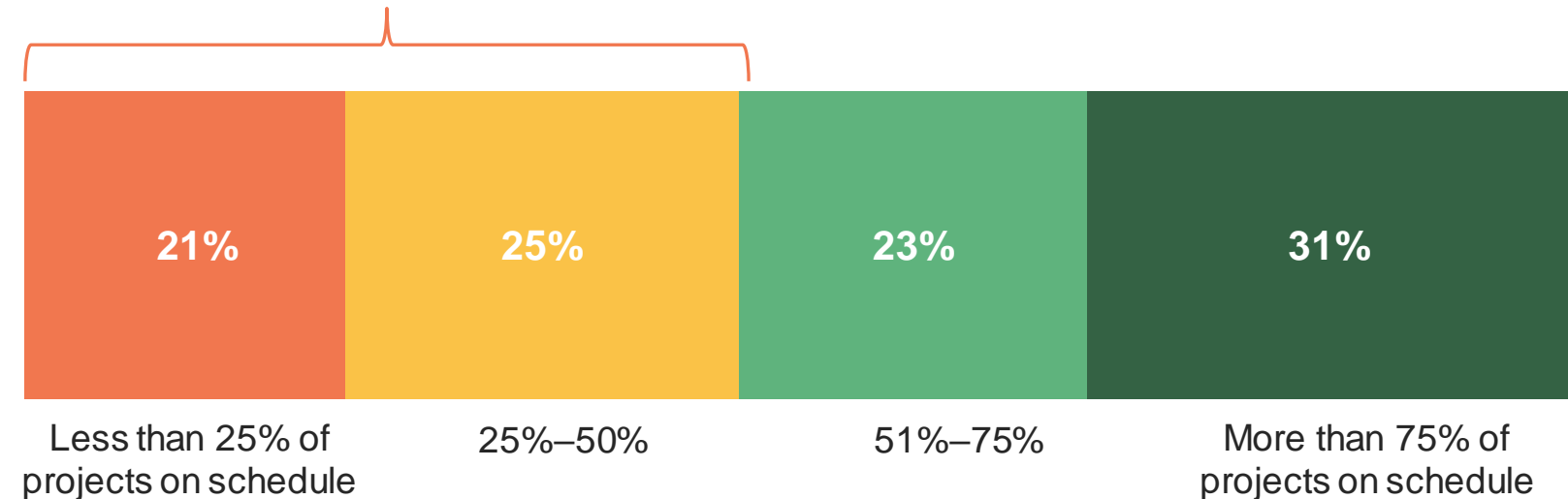
46% of remodelers report that half of their projects are behind schedule, up from 35% at mid-year 2021.

Remodelers are starting to account for months-long product lead times by building flexibility into their schedules and managing client expectations.

Projects on Schedule

% of remodelers reporting the range of projects on schedule

46% of remodelers say that **less than half** of their active projects are **currently on schedule**



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

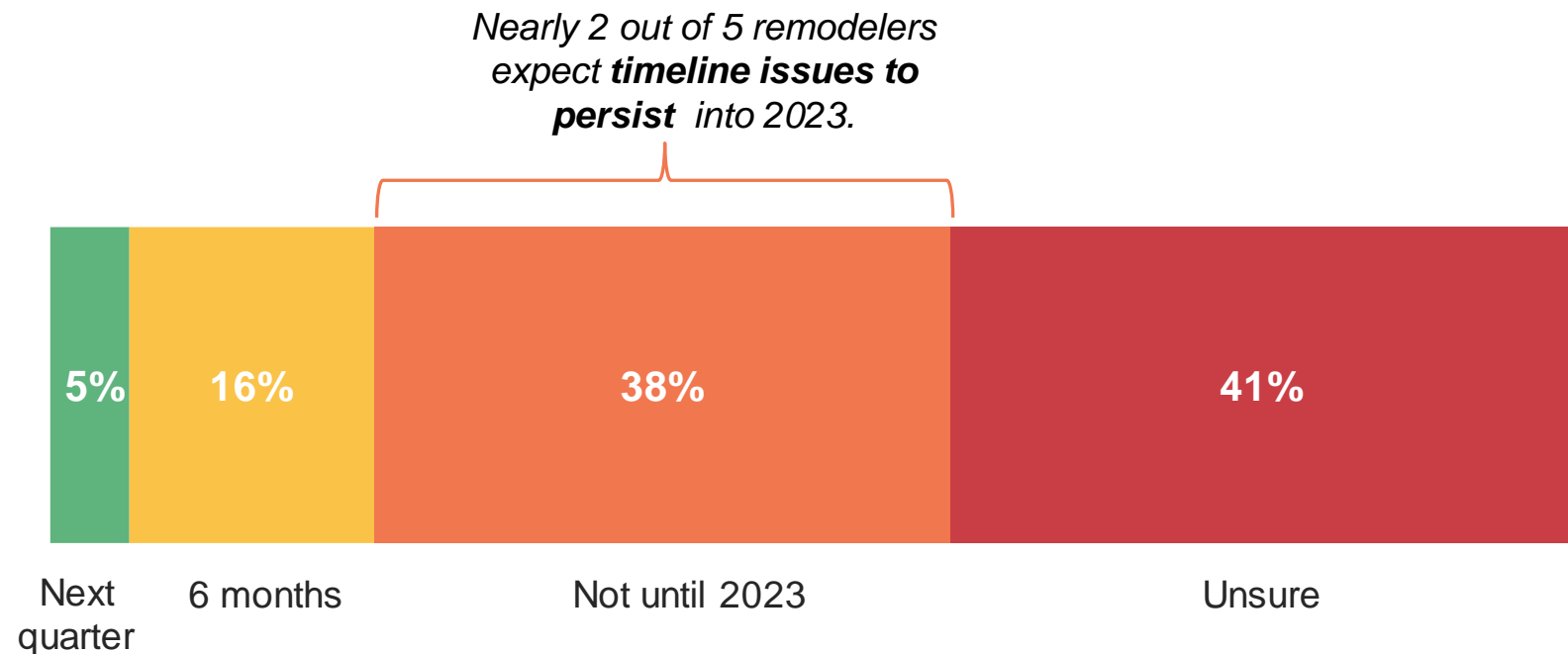
38% of remodelers see project timeline issues persisting well into 2023. Just 5% expect improvement in the next three months.

Nearly 2 out of 5 remodelers (38%) are expecting project timeline issues will continue into 2023, while just 21% expect improvement in the next 6 months or less.

Some remodelers cite long lead times on products and labor shortages for the slight uptick in project deferments.

Timeline Improvement

% of remodelers reporting when they think project timelines/cycle times will start to improve

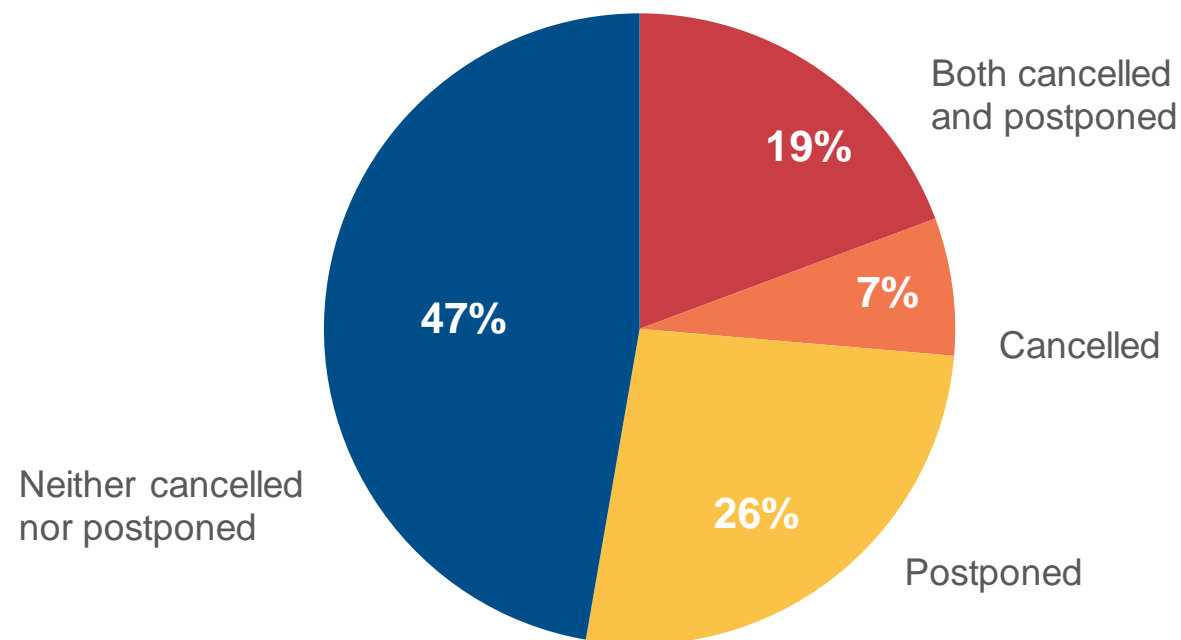


Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

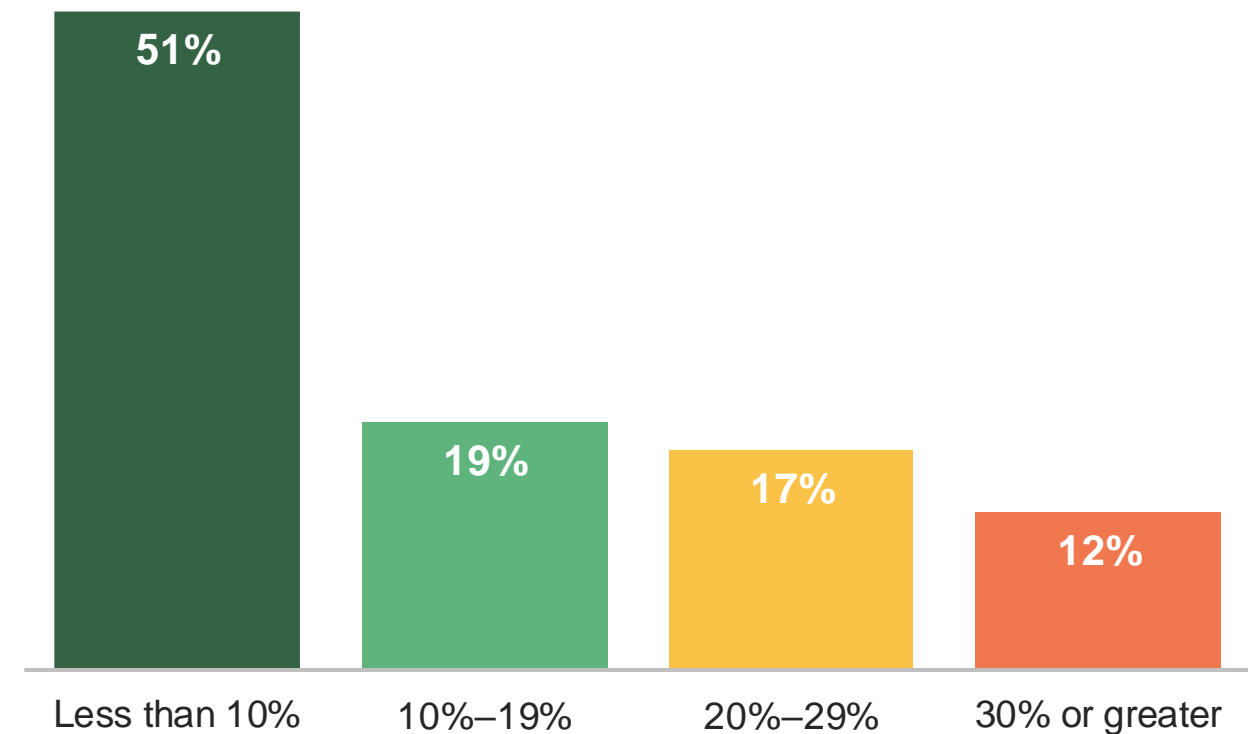
53% of remodelers experienced project cancellations and/or postponements in Q4 2021.

More than half (53%) of remodelers experienced project cancellations and/or postponements in Q4 2021, as volatile pricing and pandemic caution have led some consumers to take a “wait and see” approach to their project. Of these remodelers, half say the disruptions are minimal, accounting for less than 10% of their total planned projects.

% of Remodelers Who Had Clients Cancel or Postpone a Project in Q4



% of Planned Q4 Projects Cancelled or Postponed



Note: Percentages may not add up to 100% due to rounding.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

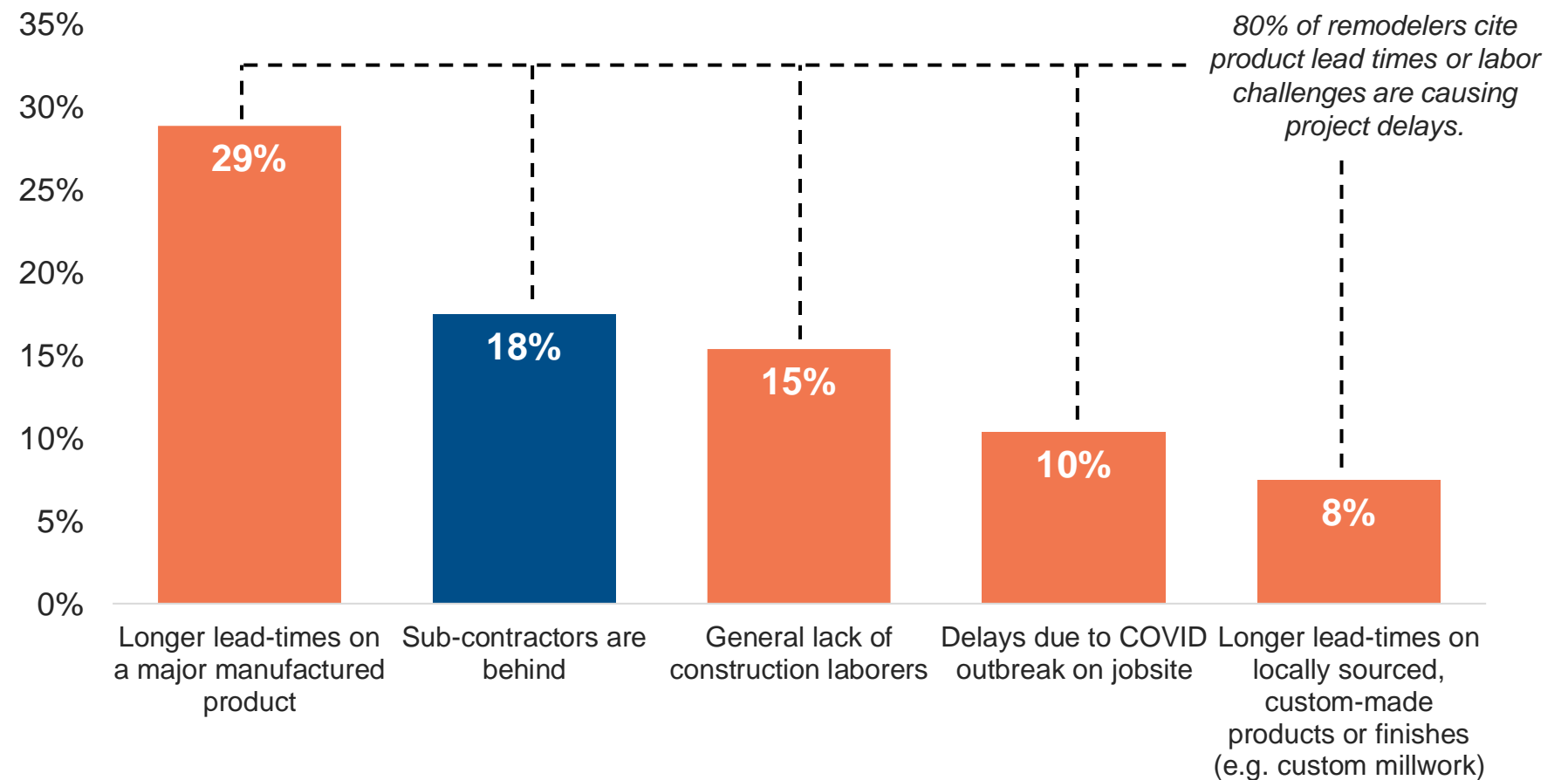
Remodelers say product lead times have gotten worse, while COVID outbreaks have intensified severe labor shortages.

Remodelers cite lead times and labor shortages as the top reasons for project delays in Q4. New COVID outbreaks have intensified labor shortages as sub-contractors struggle to stay on schedule.

Remodelers are adapting with greater flexibility on product choices, purchasing materials earlier in the cycle, and updating their clients current on schedule shifts.

Top 5 Sources of Project Delays

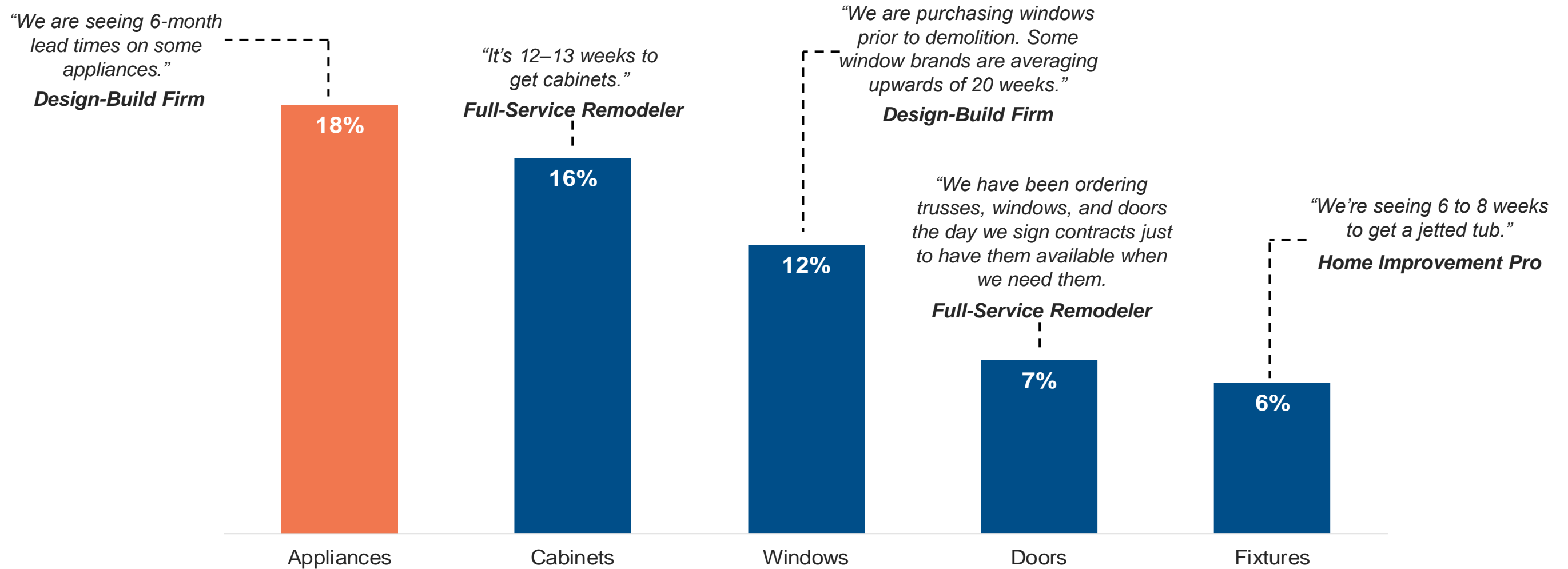
% of remodelers reporting as a top reason more than half of their projects are delayed



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Remodelers are becoming increasingly “brand flexible,” although appliances, cabinets, and windows remain the hardest categories to substitute.

Which product categories have been the hardest for you to substitute?



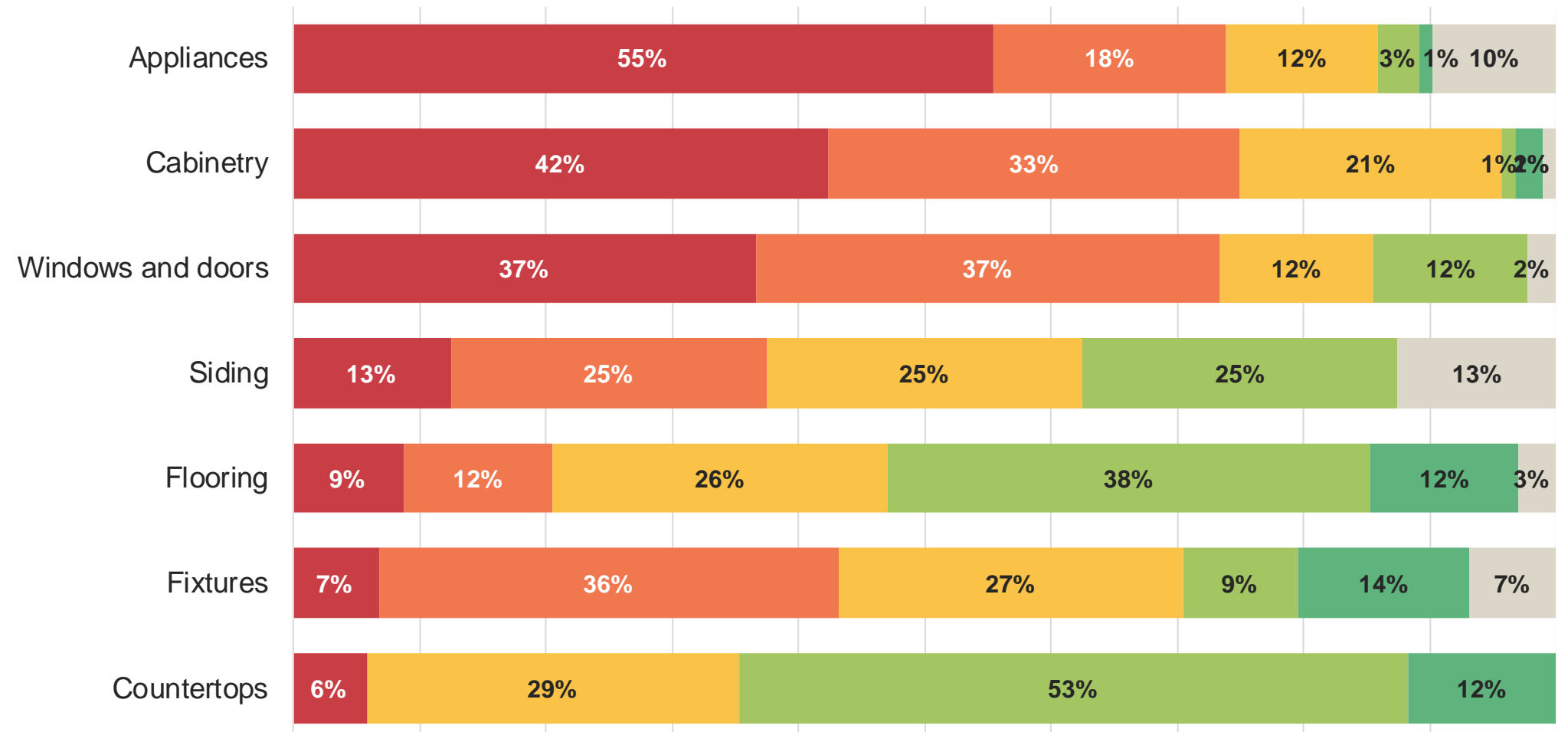
Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Product delays are most severe for appliances, cabinets, and windows and doors, with average lead times beyond four months.

■ 16+ weeks ■ 12–16 weeks ■ 8–11 weeks ■ 4–7 weeks ■ 1–3 weeks ■ Unsure

Severe product delays are widespread across nearly every product category, with the worst delays in appliances, cabinets, and windows and doors, with monthslong lead times.

Remodelers are padding their project timelines and ordering product earlier in project lifecycles to account for the ongoing delays.



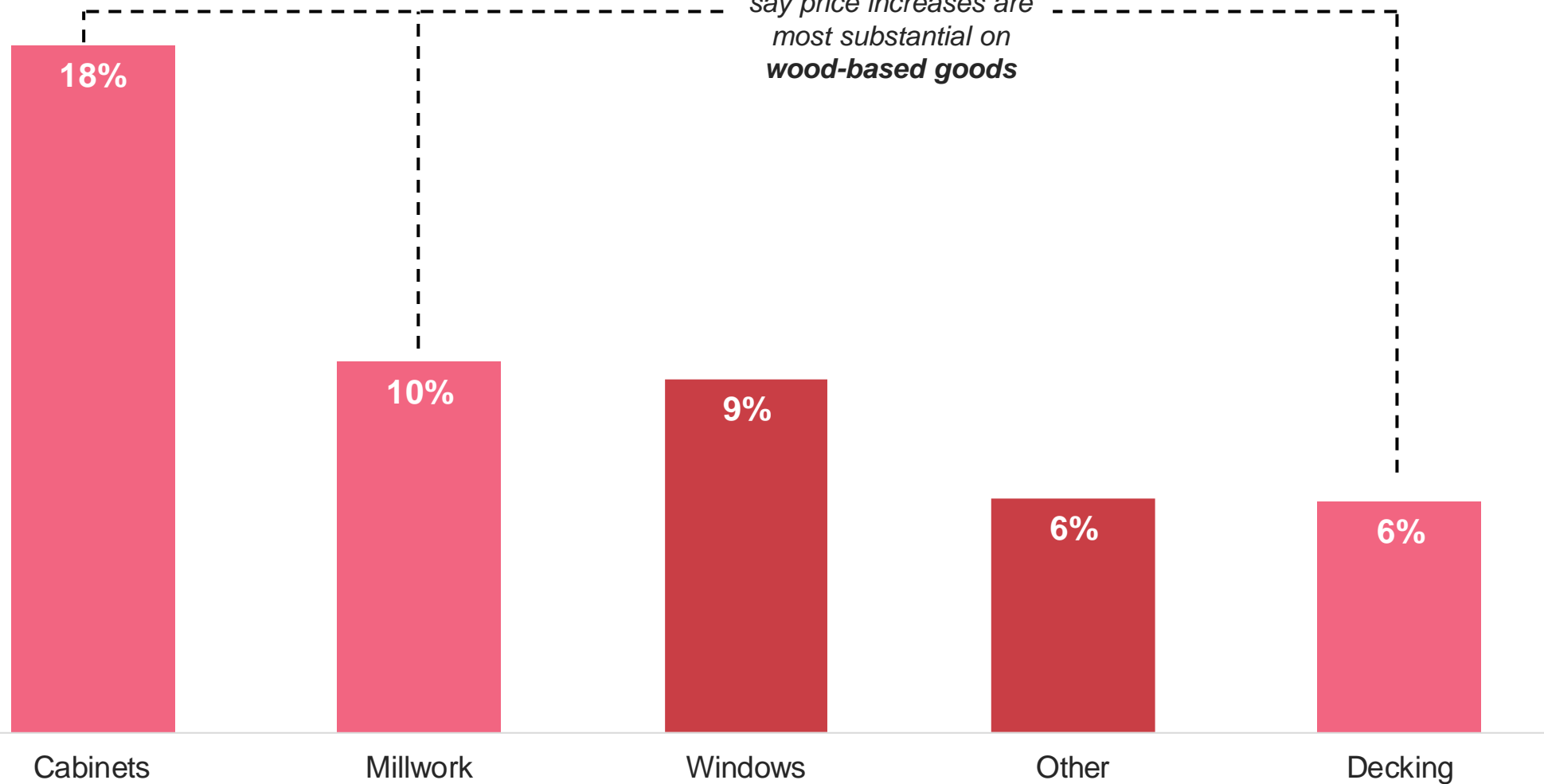
Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Remodelers report inflation pressures are highest in wood-based product categories.

Thinking about *inflation*, which products or materials have *increased the most in price*?

Note: Chart reflects top 5 % of participants indicating categories with the most inflation; % does not reflect price growth.

34% of remodelers
say price increases are
most substantial on
wood-based goods



Rising input costs are felt most acutely in wood-based product categories (cabinets, millwork, and decking), reflecting recent price swings in raw lumber.

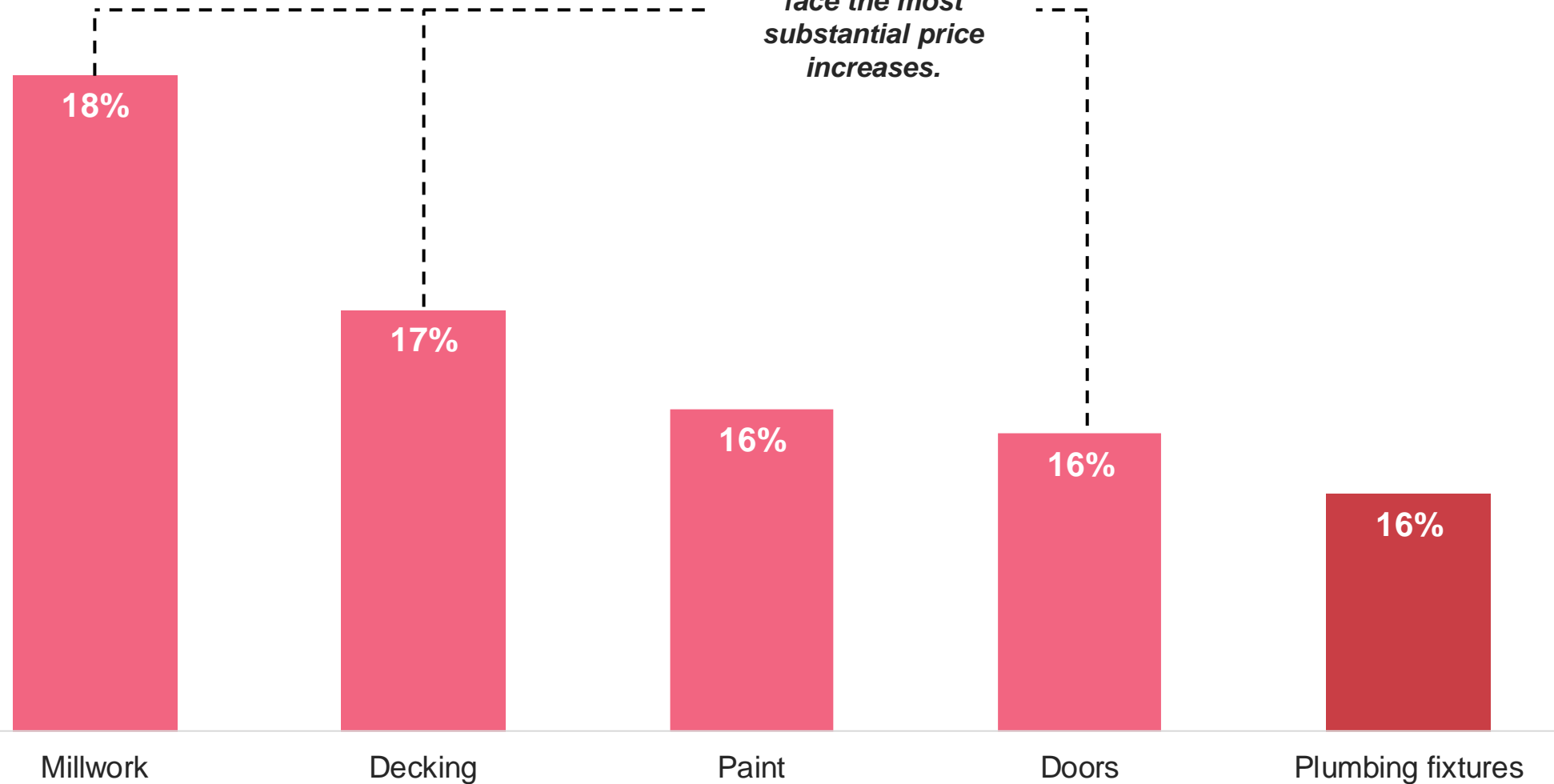
Some remodelers are focusing on higher-quality customers and bigger projects to preserve profit margins, while higher costs are leading some consumers to defer projects to later in 2022.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Remodelers face double-digit inflation for nearly every product category.

By what percentage did pricing of each of these products or materials increase?

Wood-based products face the most substantial price increases.



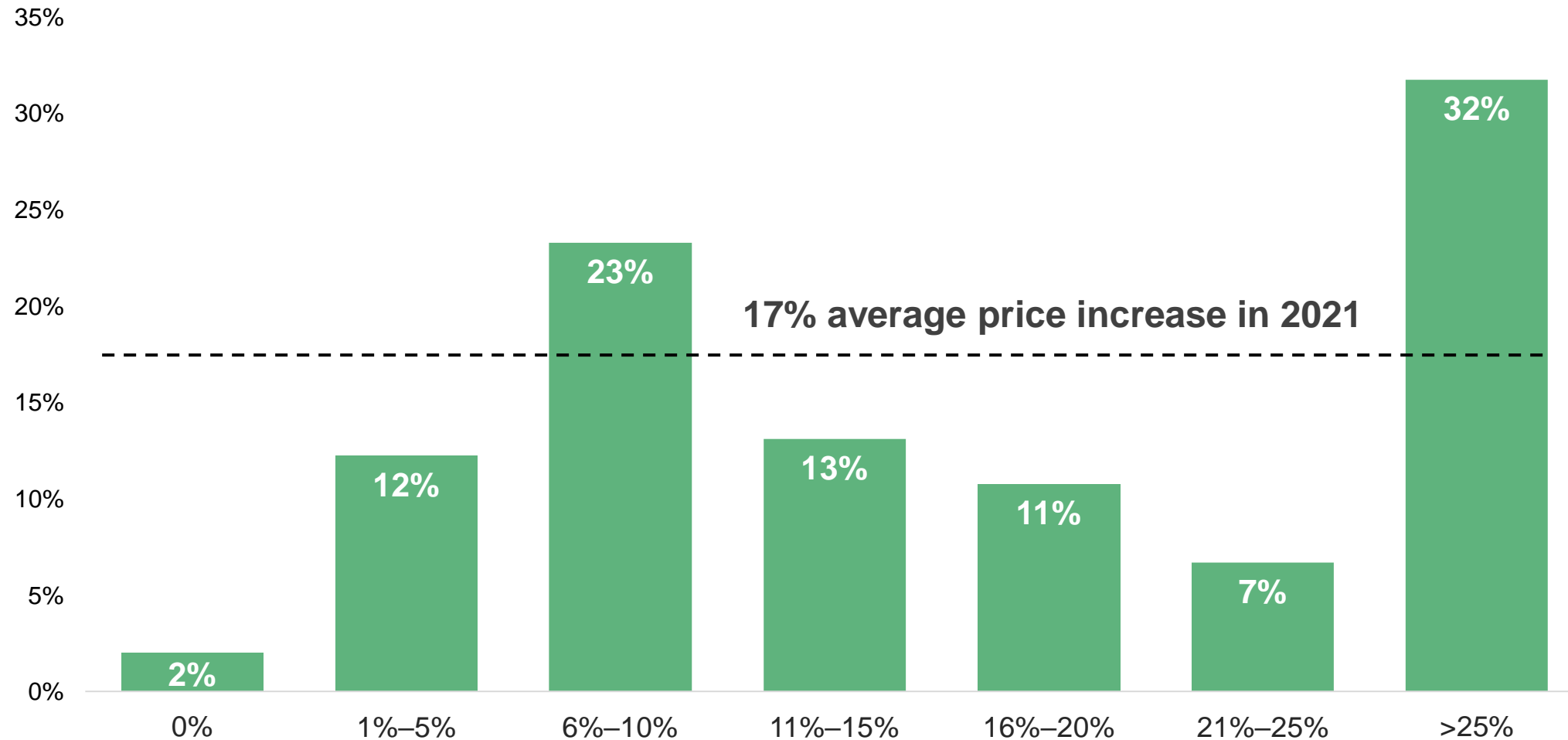
Remodelers report that prices are rising by double-digit percentages for nearly every product and material category.

Remodelers are responding through a mix of raising prices, focusing on higher-end projects, shifting more costs to clients, and explaining price pressures upfront.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Remodelers were successful in raising prices to offset increasing input costs.

How much cost were you able to pass along to your customers in 2021 (in terms of price increases)?

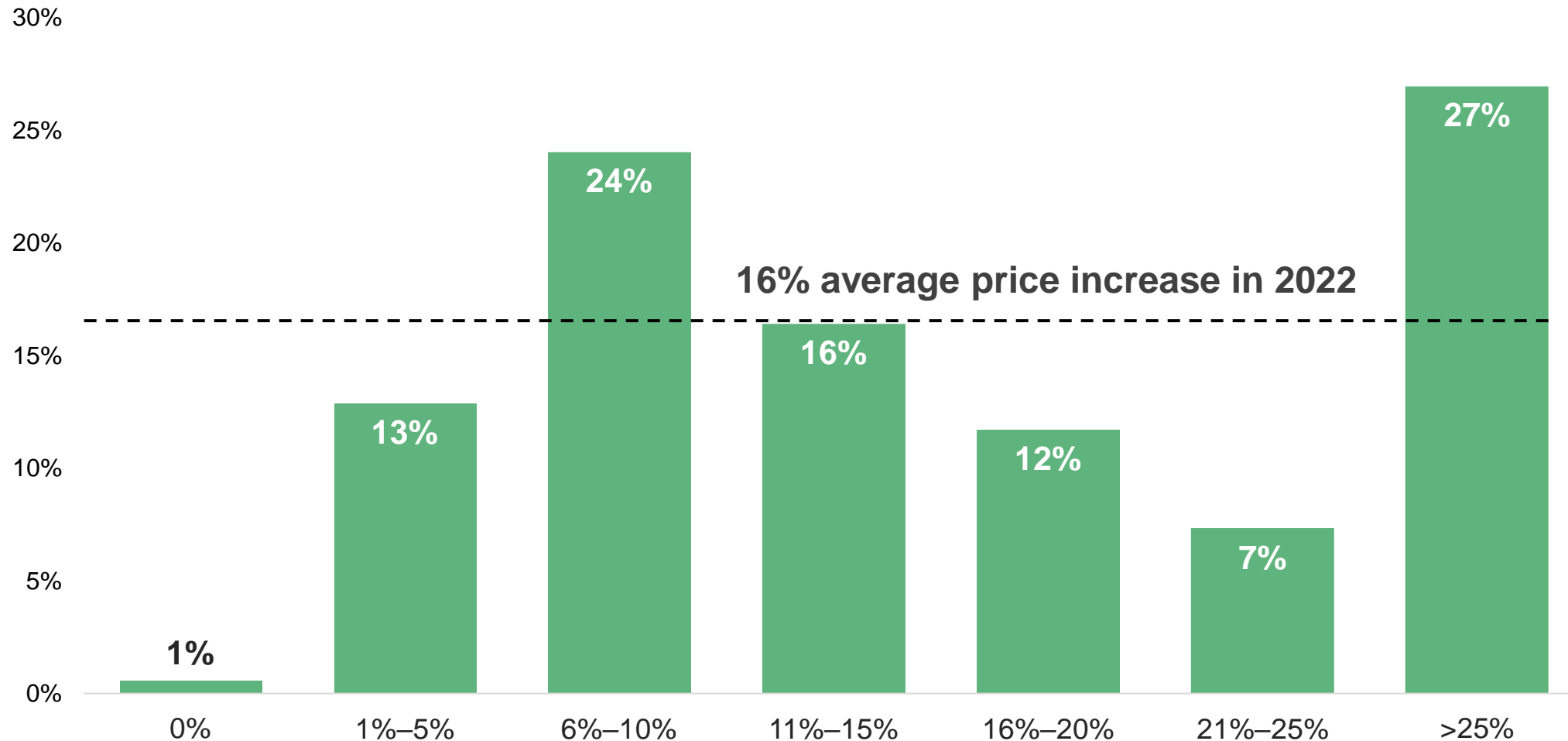


Nearly two-thirds (63%) of remodelers passed on price increases of over 10% in 2021, with the average remodeler raising prices by 17%. These price increases offset rising costs in both product and materials, as well as labor.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Remodelers are confident in their pricing power for 2022.

What do you think is the highest percentage of price increases you'll be able to pass along to your customers in 2022?



Remodelers are generally confident in their pricing power, with a combined 62% expecting to raise prices by more than 10% in 2022 and an additional 24% expecting to raise prices between 6% and 10%. Some remodelers are also maintaining (or increasing) profit margins by focusing on higher-end clients and larger projects with less competition.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)



2022 guidance

All three industry segments reported solid revenue growth in Q4 2021.

4Q21 Revenues Compared to 4Q20

■ Higher than 2020 ■ About the same ■ Lower than 2020

Home Improvement Pros



Design-Build Firms



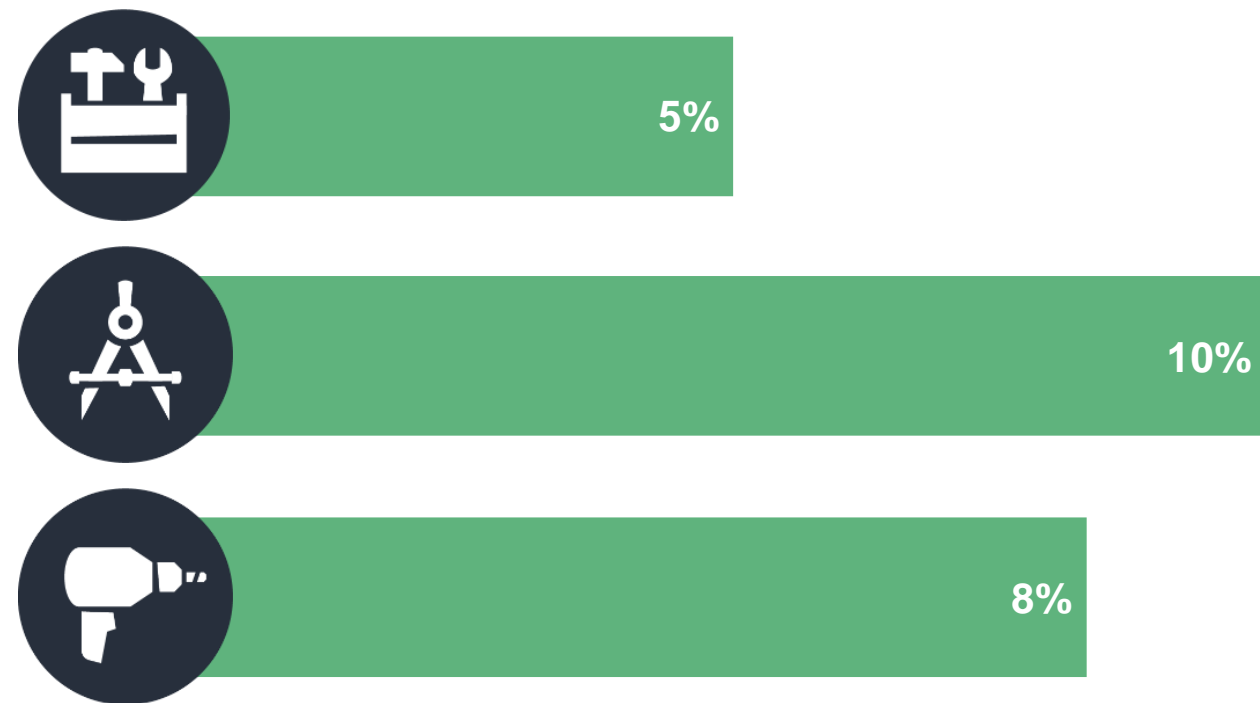
Full-Service Remodelers



Design-build firms reported 10% YOY revenue growth on average in Q4 2021, while full-service remodelers reported slightly less growth of 8% YOY. Home improvement pros reported slightly lower—yet still positive—revenue growth (5%) on a YOY basis. Remodelers are seeing expanding project scopes and higher price points, although historically long lead times on product and materials along with pandemic uncertainty have weighed on revenue growth.

Q4 Revenue Growth

Average 4Q21 revenue growth on a year-over-year basis



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Remodelers are optimistic on their revenue growth outlook for 2022.

Remodelers expect revenue growth to continue through 2022, with robust project backlogs, especially large interior and exterior projects and whole-home remodels as consumers adapt to more home-centric lifestyles. Despite higher costs and longer cycle times, design-build firms are expecting 11% growth on average, with full-service remodelers and home improvement pros each expecting 7%.

2022 Revenue Growth Outlook

■ Higher than 2021 ■ About the same ■ Lower than 2021

Home Improvement Pros



Design-Build Firms

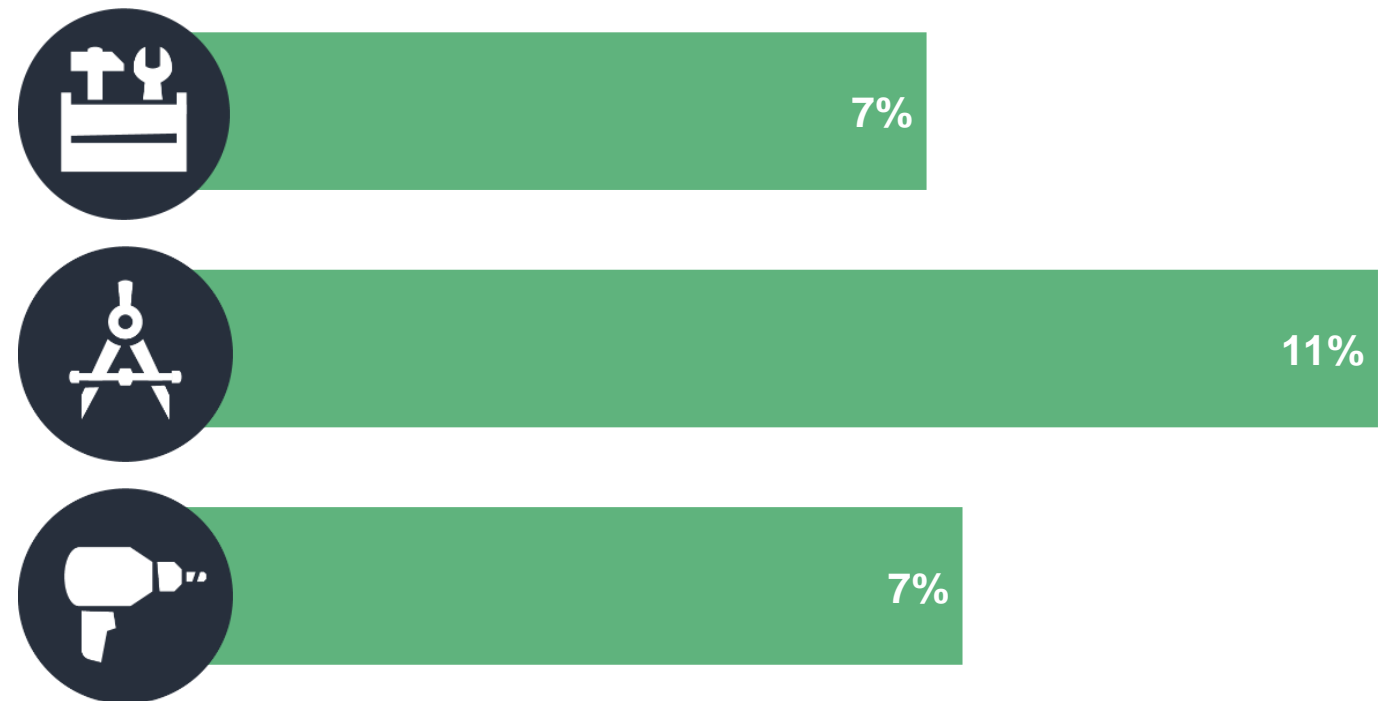


Full-Service Remodelers



Average Full-Year Growth Outlook

Average full-year revenue growth outlook on a year-over-year basis

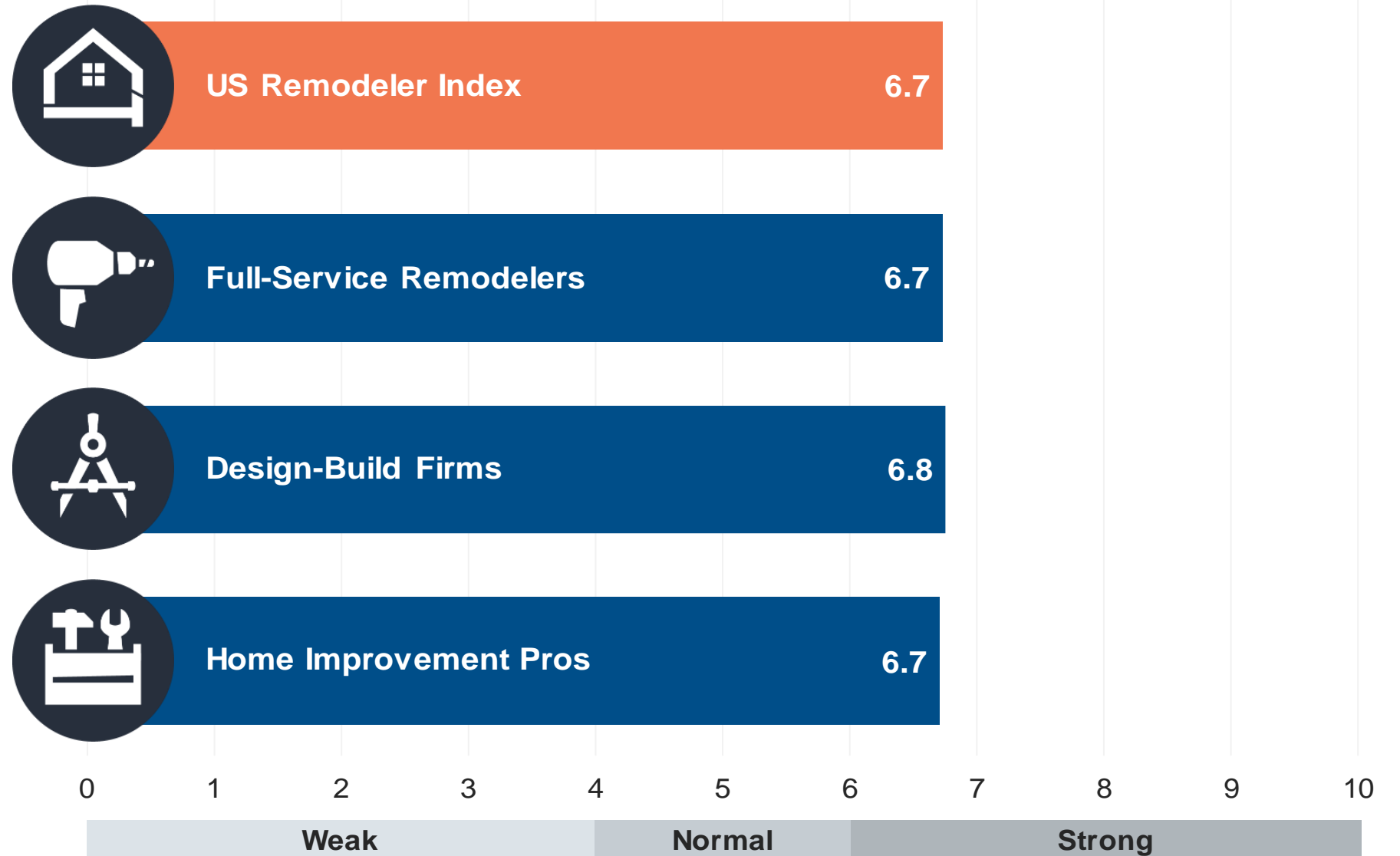


Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Business Investment Gauge

Remodelers rate the industry a **6.7 out of 10**, indicating a generally positive outlook and confidence in their ability to invest to grow revenue over the short term.

Remodelers see the biggest opportunities in kitchen and bath overhauls, whole-home remodels, and working with clients willing to work with unprecedented lead times on high-quality product.



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)



Market commentary

Facing unprecedented lead times of materials, remodelers are prioritizing product availability while some delay projects.

Remodeler Commentary on Supply Chain Stress:

“I have **clients pick out a first and second choice when it comes to material selections**. That gives me some pivoting room in case supplies are tight on their first choice.” – Design-Build Firm in California

“Product **manufacturers inability to deliver building materials for 6 weeks** in Q1 is going to cause us to have a 10%+ decrease in revenue.” – Design-Build Firm in Michigan

“We are **delaying design** work, because lead times are so long, and our schedule is so full. Many of our clients are repeat customers who are willing to wait.” – Full-Service Remodeler in Indiana

“**Lead times on products selected were over 25 weeks** on one large postponed project. Two projects cancelled when contractors were unavailable to meet client’s timetables.” – Full-Service Remodeler in Illinois

In the past two weeks I have ordered windows and doors for future projects. The delivery times are **32 weeks for the windows and 50 weeks for the doors**. Delays in product delivery have brought my projects to a halt and **it will be early second quarter before we will be able to start work again** on substantial projects.” – Full-Service Remodeler in Missouri

“**Lead time to get materials is the top reason customers have canceled/postponed projects.**” – Home Improvement Pro in Michigan

“**We have shifted to other brands** that kept lead times and pricing under control.” – Home Improvement Pro in Illinois

““We have to **buy from distributors because manufacturers don't have stock**. That drives prices up.” – Full-Service Remodeler in Massachusetts

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Remodelers see strength in whole-home renovations, as homeowners prepare to stay in place longer amidst historically low inventory for trade-up homes.

Remodeler Commentary on Market Opportunities:

“Our housing market is strong and there **are limited opportunities for new construction** of homes leaving **remodeling existing homes as the primary option**. We are seeing more people upgrade.” – Home Improvement Pro in Washington

“**We are getting larger projects**, whole home remodels, additions, and ADUs. **Since a lot of people are working remotely, they are moving faster on projects they once put off**. It's no longer an ‘out of sight, out of mind’ situation when you're working from home.” – Design-Build Firm in California

“**Now along with a full kitchen project, many clients are asking for flooring throughout, painting, refinishing the fireplace, changing out lighting to LEDs, etc.**” – Design-Build Firm in Texas

“Housing is in short supply and new homes are getting more and more expensive due to cost of infrastructure. **People are staying in place and remodeling.**” – Design-Build Firm in Colorado

“Lack of opportunity for young first-time home buyers to purchase NEW homes will force them to buy used/older homes, which **they will look to improve/remodel.**” – Design-Build Firm in Michigan.

“People are still working from home, limiting expenses outside the home due to the pandemic. **The opportunity for upgraded kitchen and bath seems to be the most consistent leads.** Although we saw strong support for a home office in 2021, this demand is dependent on whether people return to the office in the coming months or remain working from home.” – Full-Service Remodeler in New York

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Some remodelers are requiring earlier up-front deposits to order products sooner, carrying more inventory, and adapting to staffing and product shortages in new ways.

Remodeler Commentary on Shifting Business Models:

“We are **focusing first on larger and more complicated projects** because they bring the **best return by far** and are **a lot less competitive**. By securing larger projects, we can then pick and choose smaller fill-in jobs.” – Design-Build Firm in Florida

“We are holding back on budget commitments, writing in **escalation clauses**, and **ordering as many materials as possible upon signing of contract**.” – Design-Build Firm in the Southeast

“We have to **quickly design the kitchen and then choose appliances so that they can be ordered**, then go back and detail everything out.” – Design-Build Firm in the Midwest

“We keep a **larger reserve of supply material**. We do more **cross training of staff due to labor shortages**.” – Home Improvement Pro in Florida

“**Communication upfront** with customers of increasing material costs. We’re doing more ballpark estimates to give customers an idea of cost and charging for detailed quotes.” – Full-Service Remodeler in Pennsylvania

“**Longer lead times require much more customer conditioning upon the sale**. We are upfront from the beginning on material lead times, as well as keeping them informed along the way.” – Home Improvement Pro in Maryland

“We are requiring **construction deposits 4 months in advance of construction, rather than 1–2 months**, so that we can **order as much product/materials as possible in advance** to minimize stock issues, damage issues, and misorders.” – Design-Build Firm in Washington

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

Facing inflation pressures, remodelers are raising prices to protect margins.

Remodeler Commentary on Pricing Power and Inflation:

“We are **raising prices more** often to keep up with cost increases.” – Home Improvement Pro in Ohio

“**We have raised our prices and become more selective.** Most projects are 4 months out.” – Full-Service Remodeler in Indiana

“I am **building more margin into my fees** due to uncertainty of delays and approval issues” – Full-Service Remodeler in New York

“We are **starting to become a cost-plus company** rather than set pricing. – Design-Build Firm in Massachusetts

“**Most material has gone up in price or through the roof.** Now we get an idea of what the customer wants and then try to **find material before we quote the job.**” – Full-Service Remodeler in Illinois

“I **no longer bid jobs with materials included.** Most of my bids are **labor-plus-materials** with the materials markup included in my labor price.”
– Full-Service Remodeler in Texas

“We have had to **change and replace cabinet vendors, as well as bring on imported products just to stay competitive.**” – Full-Service Remodeler in New Hampshire

“**Clients are choosing to wait until material prices to stabilize,** lead times to come down and labor costs come down.” – Design-Build Firm in Illinois

“Consumers are **more alarmed than ever about inflationary trends.** It's making them **fearful of ‘pulling the trigger’** on sales contracts.”
– Home Improvement Pro in the Northeast

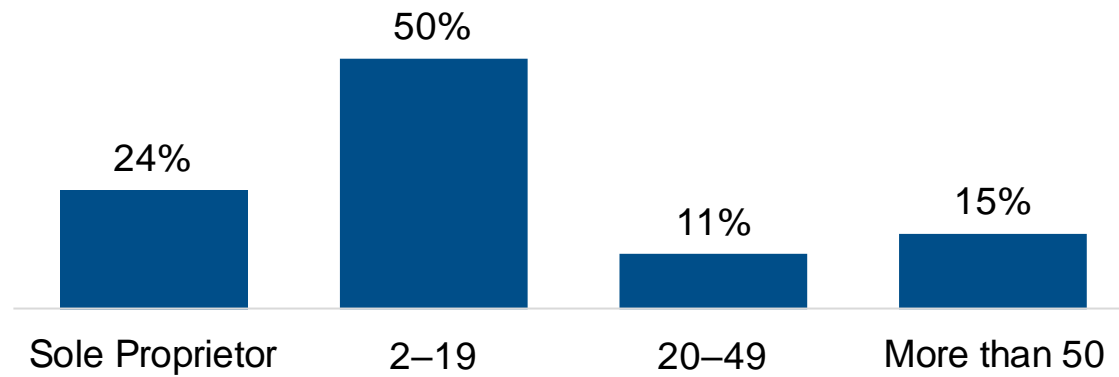
Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

A photograph of a wooden workbench with several wooden planks, a hammer, and a screwdriver. The planks are stacked in the center, the hammer is on the right, and the screwdriver is on the bottom left. The background is a dark, textured wooden surface.

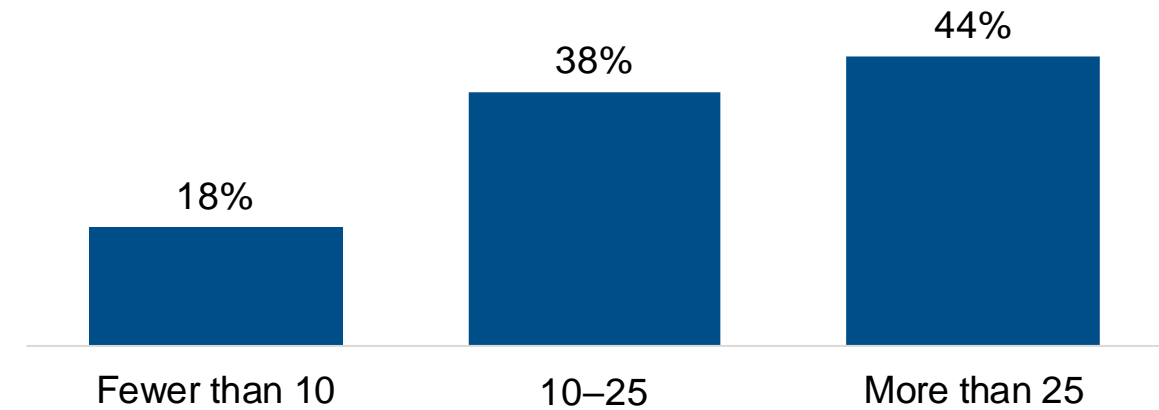
Methodology

Survey sample demographics

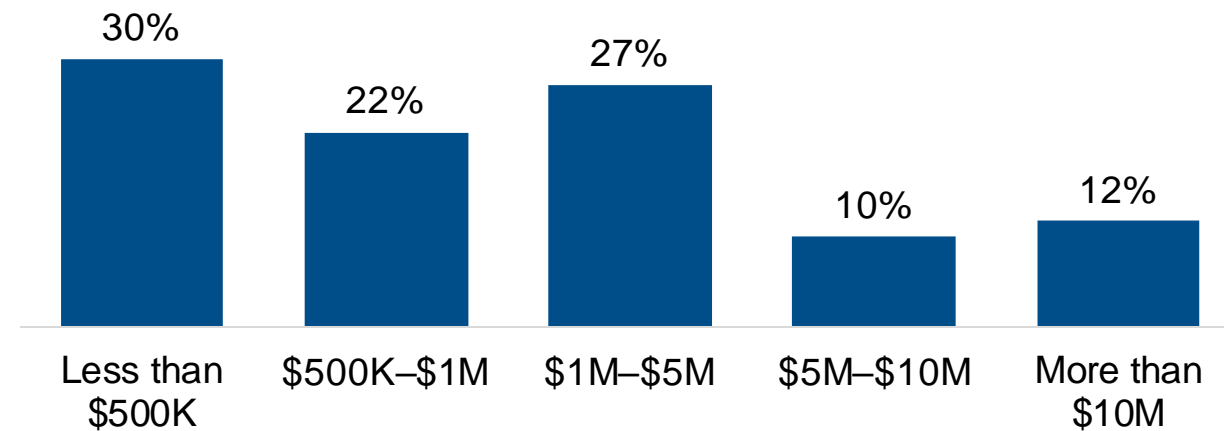
% of Companies by Employee Count



% of Companies by 2020 Project Volume



% of Companies Surveyed by Annual Revenue (in \$USD)



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 4Q21, Pub: Mar-22)

USRI methodology



The Qualified Remodeler / John Burns Real Estate Consulting US Remodeler Index (USRI) measures the health of the professional remodeling segment of the residential repair and remodeling industry in the United States. The USRI is based on a quarterly survey of Qualified Remodeler's 83,000 professional remodeler subscribers conducted jointly by SOLA Group Inc. (owner of Qualified Remodeler Magazine) and John Burns Real Estate Consulting. The Q4 2021 survey had 552 participants from the professional remodeling industry.

Qualified Remodeler's professional remodeler network consists of thousands of industry professionals, including design-build remodelers, full-service remodelers, kitchen remodelers, bathroom remodelers, and a wide range of home improvement professionals who concentrate on specialty repair, replacement, and/or renovation projects.

The US Remodeler Index (USRI) is a diffusion index reflecting weighted responses of remodeling companies on three key aspects of their business: growth in project volume in the most recent quarter, expectations about future growth in project volume, and an overall measure of "demand hotness" for professionally completed home repairs, remodels, and improvements.

Our survey asks remodeling companies to rate recent project volume (current activity) and next quarter project volume expectations (near-term activity) as "higher," "the same," or "lower" than the same period in the prior year. Remodelers are also asked to rate the "hotness of the remodeling industry" relative to the trailing-three-year period on a scale of 0–10, with 0 being "extremely weak" and 10 being "extremely strong." We ask remodelers to consider if "professionally completed discretionary remodels" have "taken share of wallet from other discretionary expenditures" as a measure of hotness

Survey responses

Segment	Responses	% of Total
Full-service remodelers	307	56%
Design-build firms	152	27%
Home improvement professionals	93	17%
Total responses	552	100%

Index weighting

Metric	Weight
Current Project Activity (Most Recent Quarter)	55%
Near-Term Activity (Leading Indicator)	25%
Remodeling Industry Hotness	20%
US Remodeling Index	100%

Limiting conditions

The conclusions and recommendations presented in this report are based on our analysis of the information available to us from our research as of the date of this report. We assume that the information is correct and reliable and that we have been informed about any issues that would affect project marketability or success potential.

Our conclusions are based on current and expected performance of the national and/or local economy and real estate market. Given that economic conditions can change, and real estate markets are cyclical, it is critical to monitor the economy and real estate market continuously and to revisit key project assumptions periodically to ensure that they are still justified.

The future is difficult to predict, particularly given that the economy and housing markets can be cyclical, as well as subject to changing consumer and market psychology. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the differences may be material. We do not express any form of assurance on the achievability of any pricing or absorption estimates or reasonableness of the underlying assumptions.

In general, for projects out in the future, we are assuming “normal” real estate market conditions and not a condition of either prolonged “boom” or “bust” market conditions. We do assume that economic, employment, and household growth will occur more or less in accordance with current expectations. We are not taking into account major shifts in: the level of consumer confidence; the ability of developers to secure needed project entitlements; the cost of development or construction; tax laws that favor or disfavor real estate markets; or the availability and/or cost of capital and mortgage financing for real estate developers, owners, and buyers. Should there be such major shifts affecting real estate markets, this analysis should be updated, with the conclusions and recommendations summarized herein reviewed and reevaluated under a potential range of build-out scenarios reflecting changed market conditions.

We have no responsibility to update our report analysis for events and circumstances occurring after the date of our report. This analysis represents just one resource that should be considered when assessing a market opportunity.

US Remodeler Index

Please contact any of us with questions, feedback, or requests for more information.



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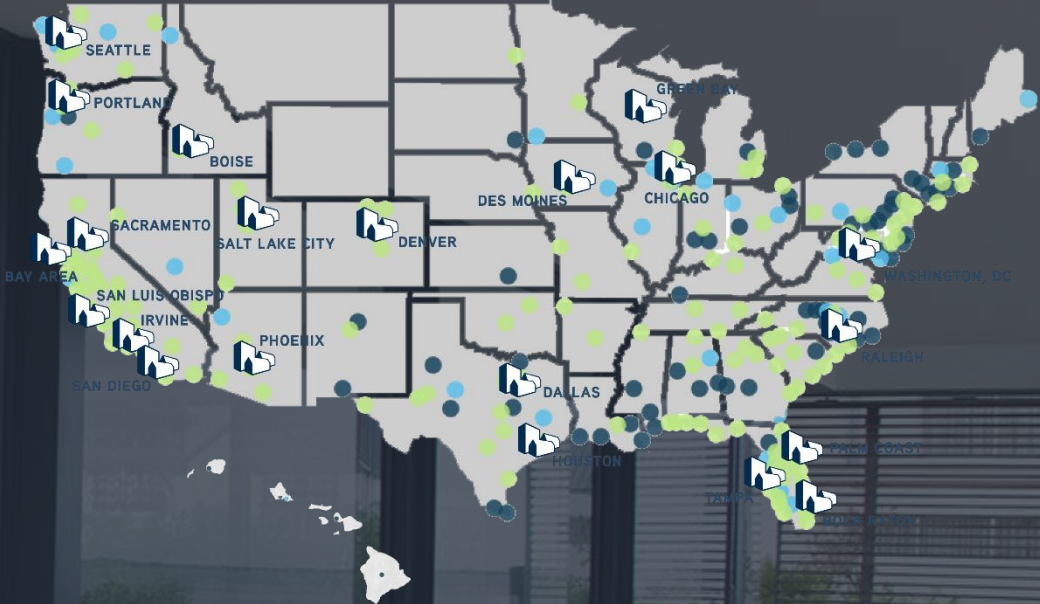
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Limiting conditions

The information contained in this report involved the assembly of many data elements and is subject to human error. Readers of this report take full responsibility for their own actions, including investment decisions, without any liability to John Burns Real Estate Consulting, LLC. There will usually be differences between projected and actual results, and the differences may be material. We have no liability with respect to the achievement of any projections or forecasts.