



**BURNS**

Qualified  
**Remodeler**

# US Remodeler Index

**USRI**

*First Quarter 2022*





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# We are pleased to release the 1Q22 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.

## 1Q22 US Remodeler Index Rating

Remodelers report robust demand for large-scale remodel and renovation projects, including whole-home remodels, multi-room upgrades, and interior/exterior projects. Against this backdrop, long and often unpredictable product lead times and widespread labor shortages are limiting how much this strong demand is converted to current activity. Project backlogs are growing as a result.

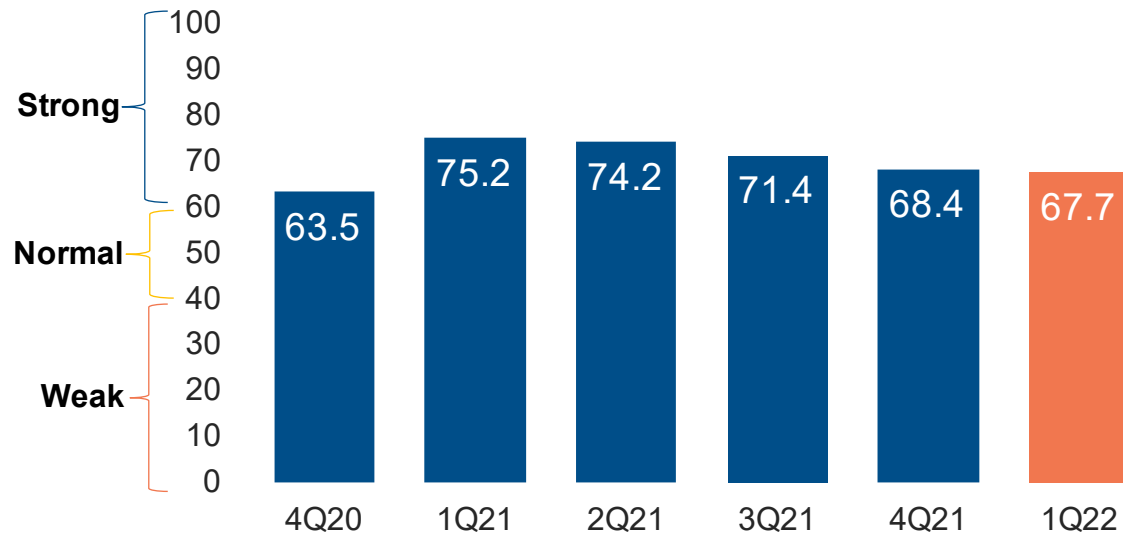
On pricing, remodelers have raised prices, and many have shifted much of their inflation risk onto clients. However, some remodelers note they may be reaching a limit on pricing power, as pushback and postponements due to price are becoming more frequent. The industry overall is becoming more adept at navigating supply chain disruptions and extremely volatile pricing, and some product lead times are starting to compress.

**The 1Q22 US Remodeler Index rates a 67.7 out of 100, indicating the professional remodeling industry expanded for the sixth consecutive quarter** on a year-over-year basis.

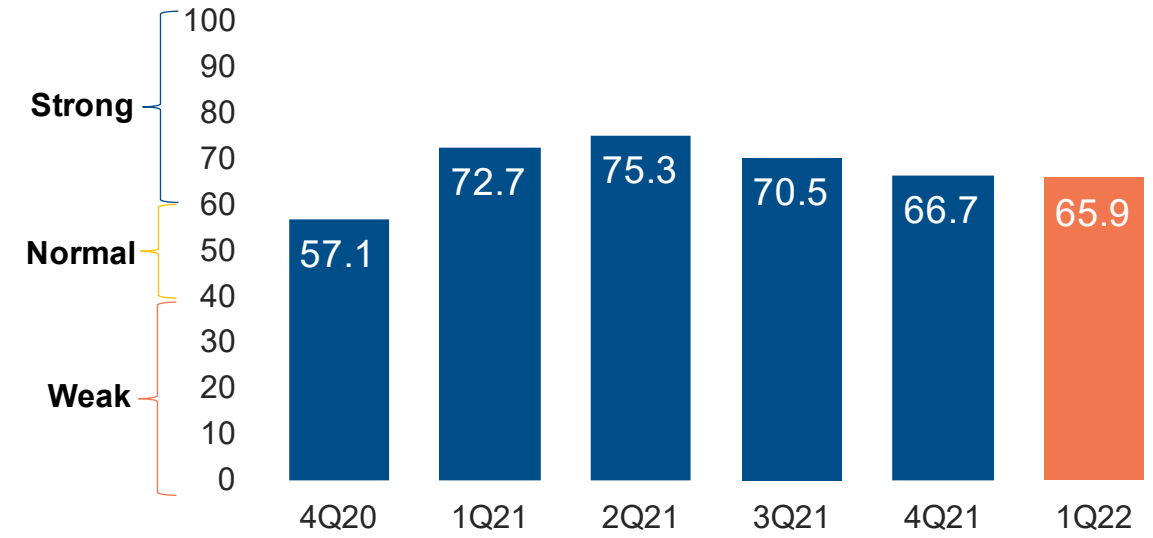
The 1Q22 index reflects continued demand for large-scale remodel projects, as homeowners update, upgrade, and customize for whole-home functionality.



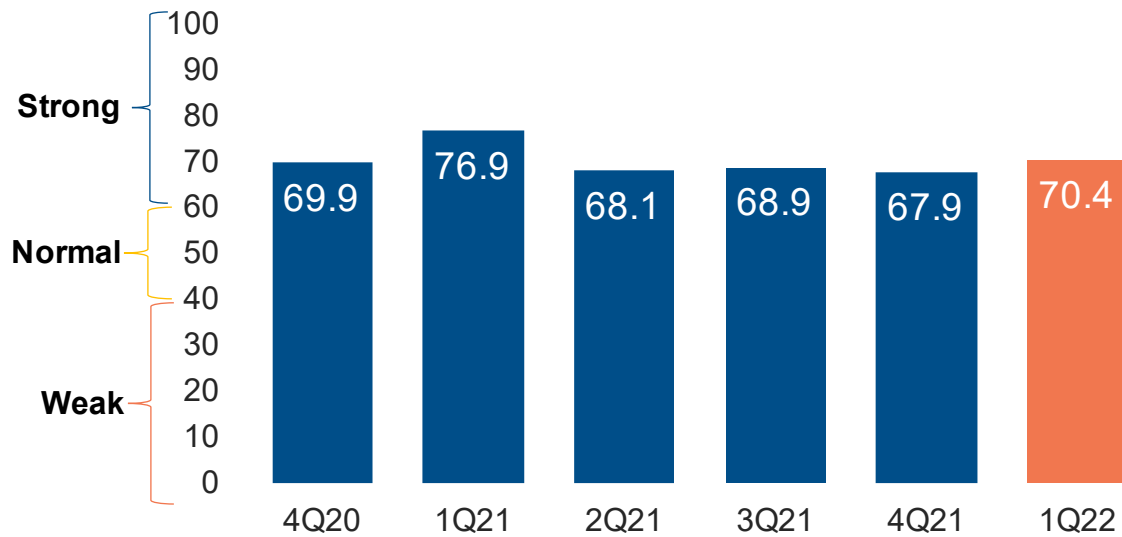
## US Remodeler Index



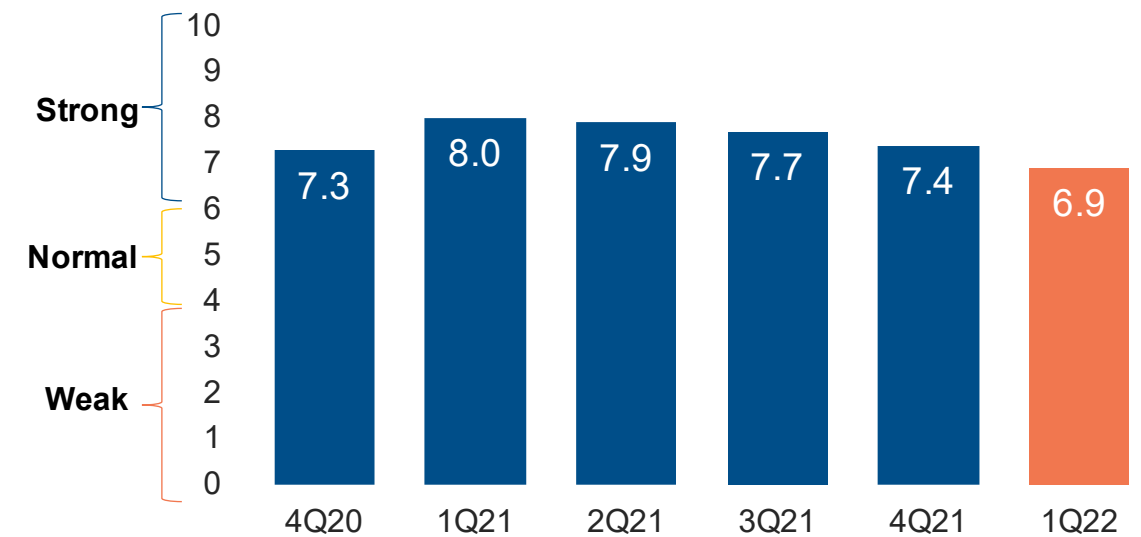
## Project Activity Gauge



## Near-Term Activity Gauge (Next 3 Mos.)



## Remodeling Demand Meter



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# Four big remodeling takeaways from 1Q22 survey

## Big project remodeling demand expands, driving pro activity.

### Average Project Size

- Increasing
- About the same
- Decreasing



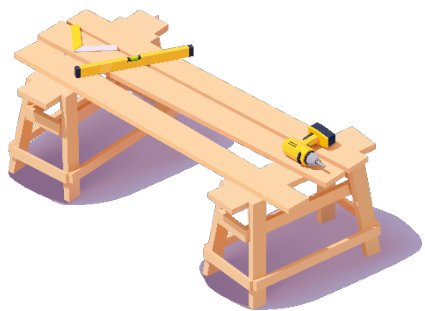
58% of remodelers say project sizes increased in 1Q22. Large-scale projects are driving the pro remodeling market, and projects continue getting bigger despite rapidly rising costs. Remodelers are focusing on these larger projects, where clients are less budget conscious and willing to accept higher prices to get their project underway fast.

## Material costs drive inflation remodelers; labor costs not far behind.



Remodelers report raising prices to offset increases in both material and labor costs. Many remodelers price uncertainty onto clients, for instance through escalation clauses. Most remodeling customers have reportedly taken the price increases in stride, often choosing higher-priced product if it is available faster. Some remodelers have noted an uptick in postponements or pushback on price increases just recently.

## On product/material lead times: “green shoots” emerging, although return to normal still far away.



Remodelers have adapted to extremely long lead times. Now, we’re seeing early signs of improvement: remodelers are getting much better at project planning and substituting products and vendors based on availability; project timelines are starting to stabilize; and some product lead times have compressed.

## 7%–8% remodeling revenue growth expected in 2022, as supply constraints and economic uncertainty temper robust backlogs.



Remodelers’ full-year revenue expectations are slightly lower than last year at this time, a result of elevated demand mixed with difficult comps and project delays. However, respondents are generally optimistic given the robust backlog of demand. With constraints on both materials and labor, however, more of the 7%–8% growth expected this year is likely to come from pricing and product mix than volume. Recent economic uncertainty has also tempered the outlook.

# Key 1Q22 remodeling takeaways by segment



## Full-Service Remodelers

- **+5% project volume growth in 1Q22.** Full-service remodelers report strong demand for whole-home and multi-room projects, as more homeowners trade-up in-place by renovating their current home, amid surging mortgage rates and extremely tight for-sale inventory.
- Full-service remodelers are adapting to supply chain issues by ordering materials as early as possible and substituting products or vendors based on availability, with some starting to take on smaller projects to fill in timing gaps caused by product delays. The average full-service remodeler expects +5% revenue growth in 2022.



## Design-Build Firms

- **+4% project volume growth in 1Q22.** Design-build firms see growing backlogs at the same time volume growth decelerates, highlighting the challenge of growing in a supply-constrained environment.
- Design-build firms are shifting their focus toward larger, higher-value, and more profitable projects to offset sharply rising material and labor costs. Design-build firms expect +7% revenue growth in 2022.



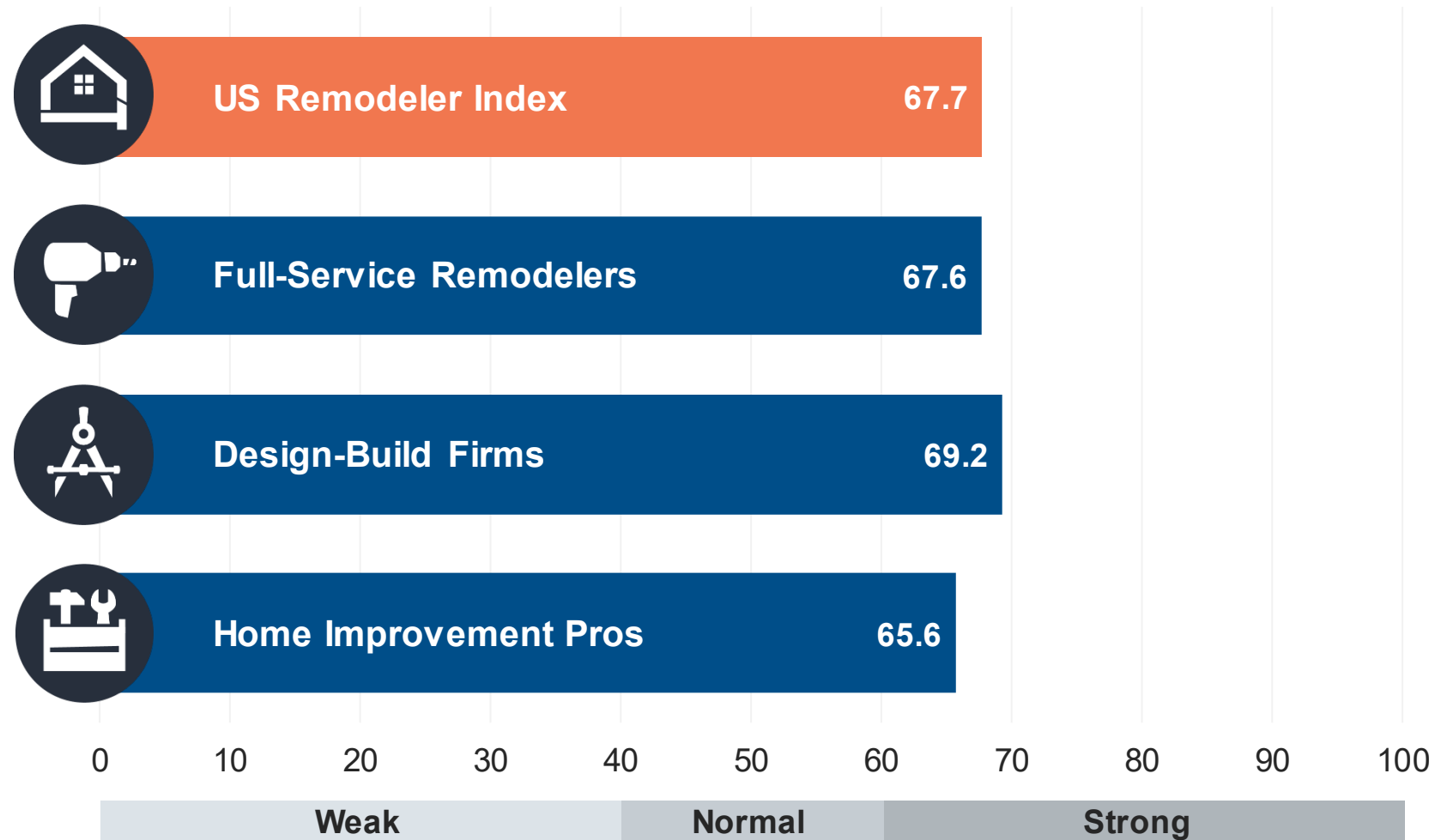
## Home Improvement Pros

- **+4% project volume growth in 1Q22.** Project volume bounced back in 1Q22 after seasonal weather disruptions and COVID outbreaks delayed some projects in 4Q21.
- Some clients are postponing smaller, nice-to-have projects as spending shifts back toward experiences as the pandemic wanes. The average home improvement pro expects +5% revenue growth in 2022.

A hand holding a pen pointing to a line graph on a document. The background is a blurred office setting with a person's hands and a pen visible. The text '1Q22 US Remodeler Index' is overlaid in a large, white, serif font.

# 1Q22 US Remodeler Index

# US Remodeler Index 1Q22



The US Remodeler Index (USRI) rated 67.7 in 1Q22, indicating the industry expanded.

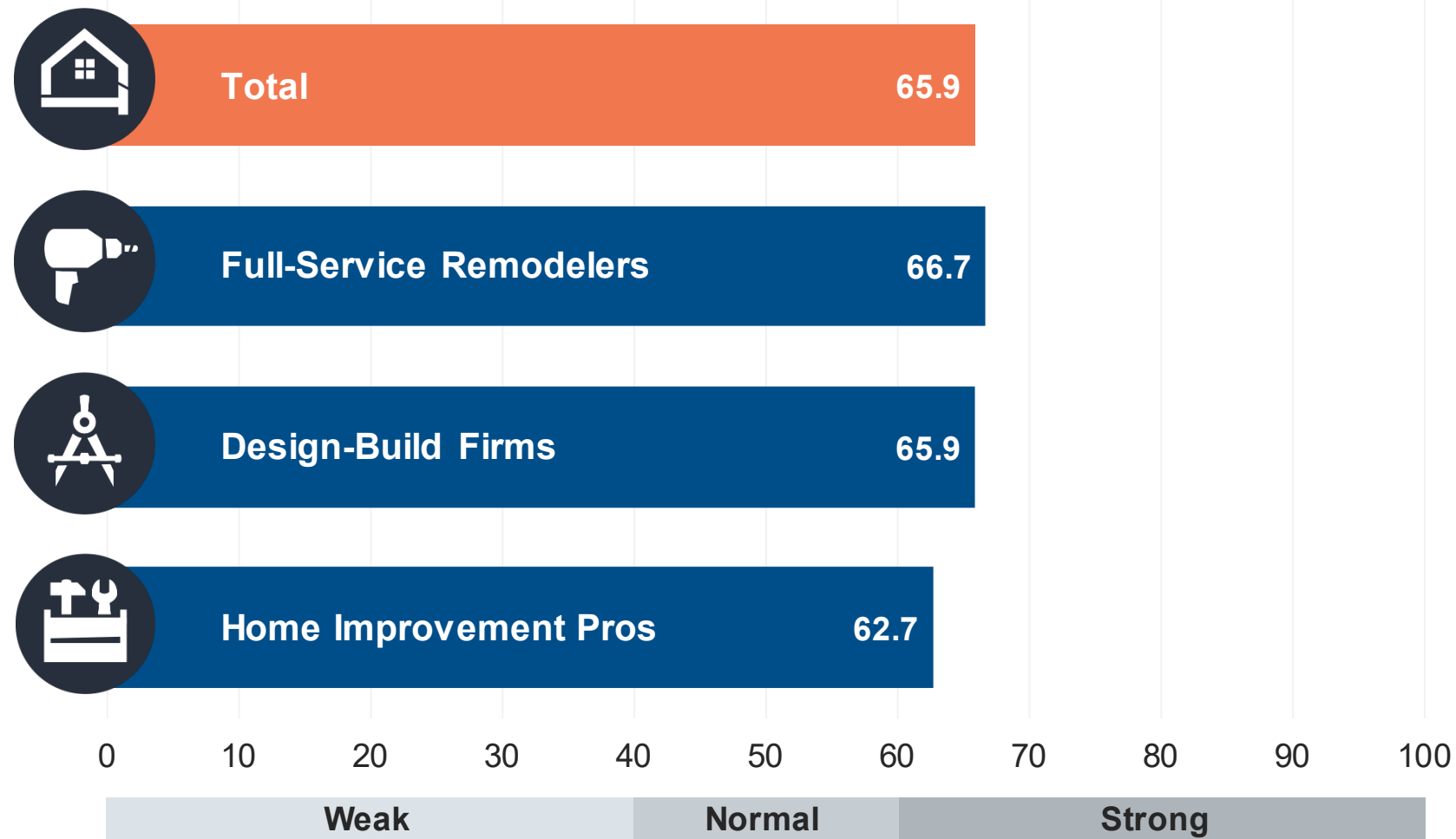
The overall index rates as Strong, as robust demand for large-scale remodeling projects outweighs the dampening effects of rapidly rising costs, long wait times for products and materials, and increasing economic uncertainty.

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

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)



# Current Project Activity Gauge 1Q22

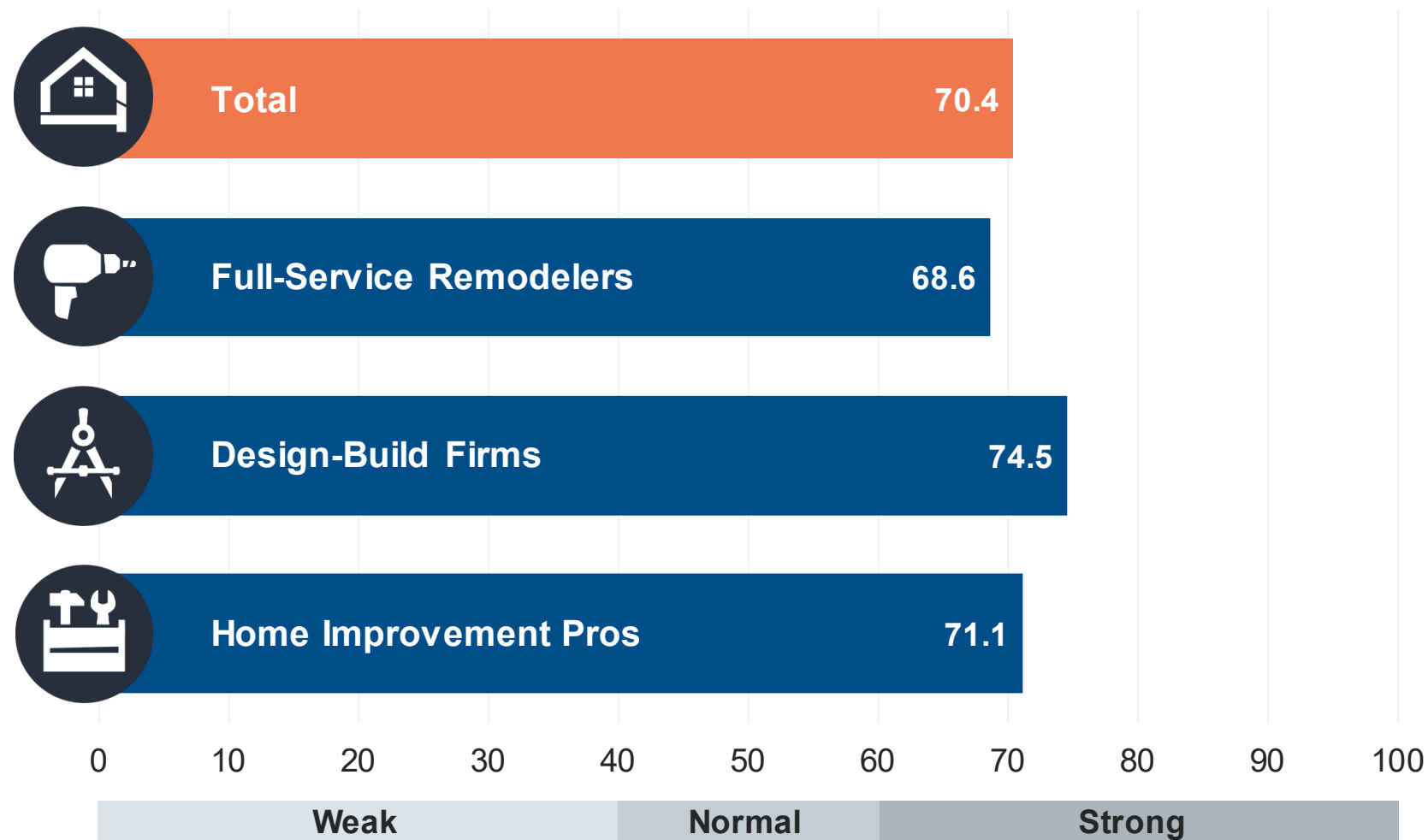


The current Project Activity Gauge rates a 65.9 out of 100, indicating year-over-year growth moderated in 1Q22.

Remodelers continue to rate current project activity “Strong” overall. This measure has softened since its peak in 2Q last year as rapidly rising prices and uncertainty about project delivery times has caused some projects to be postponed. Remodelers are seeing robust demand for whole-home, multi-room, and other large-scale interior/exterior projects.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# Near-Term Activity Gauge (Next Three Months)

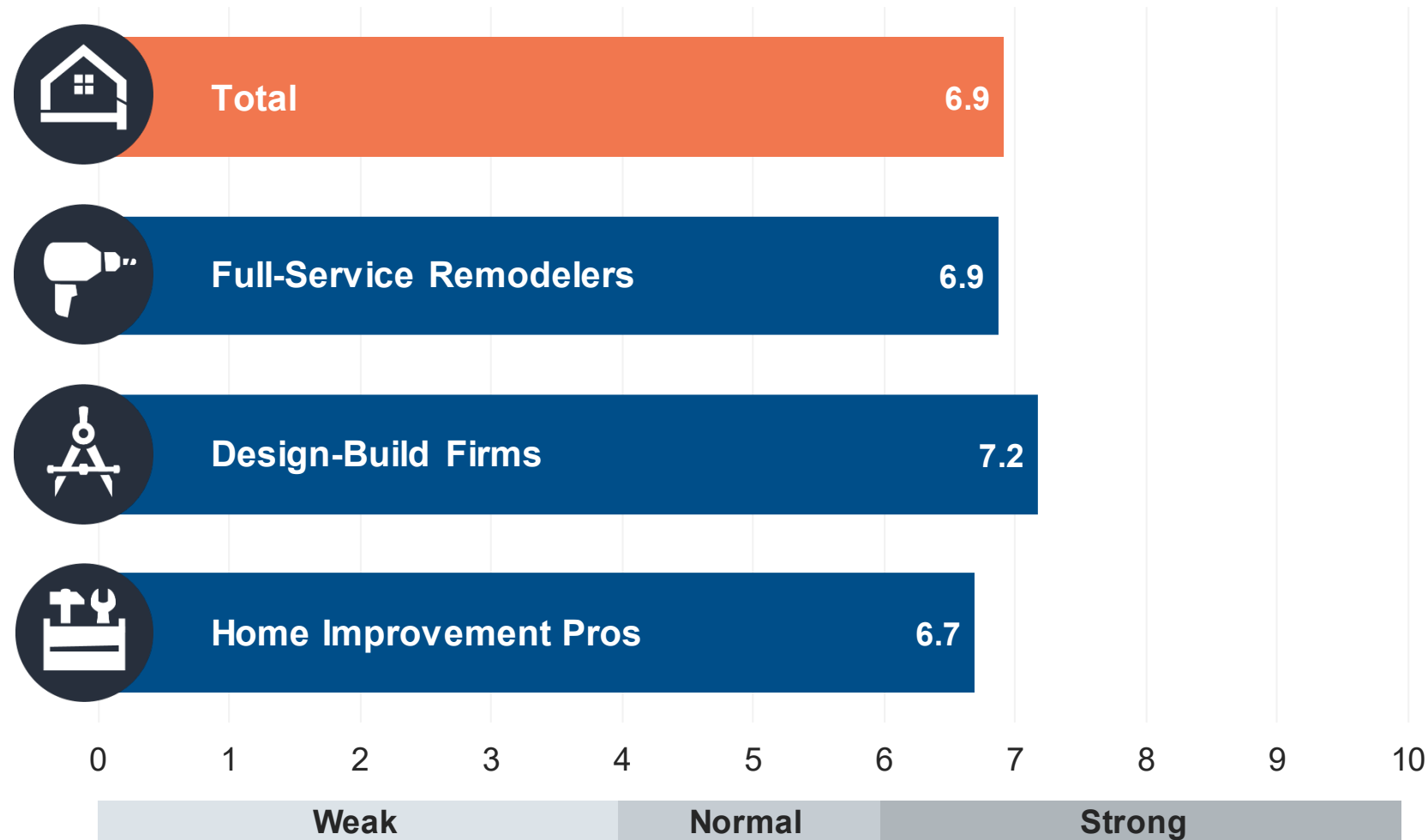


The remodeling industry expects growth to accelerate in 2Q22 vs. 1Q22, rating near-term activity a 70.4 out of 100.

Following a dip last quarter, this forward-looking demand metric bounced back in 1Q to its highest level in a year. Although supply chain disruptions and input-cost inflation continue to impact operations, remodelers are more optimistic. They report very strong backlogs for large-scale interior and exterior projects, often booking out months in advance.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# Remodeling Demand Meter 1Q22



The Remodeling Demand Meter rates a 6.9 out of 10, signaling demand for remodeling services is strong, relative to the last three years.

Recent trends supporting remodeling demand include work-from-home, strong home equity gains, and more recently, the surge in mortgage rates and dwindling for-sale inventory drive the “trade-up-in-place” phenomenon.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)



# Remodeling project volume

# Remodeling project volumes are up +5% YOY on average in 1Q22. 46% of remodelers indicate finishing more remodeling projects vs. 1Q21.

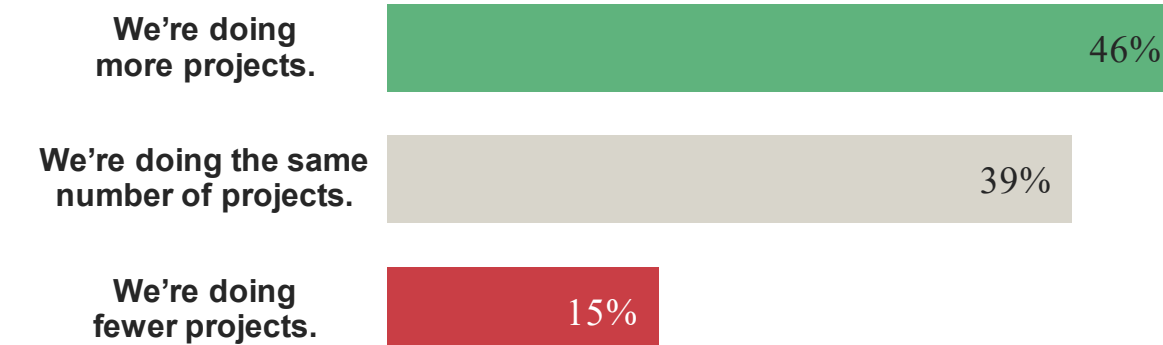
Remodeling project volume growth held steady at an average of +5% YOY, with 46% of remodelers saying they're doing more projects versus a year ago. Also:

- *Remodeling project scopes* are expanding;
- *Product price-points* are shifting higher; and
- *Remodelers are raising prices* to maintain profit margins.

Inflation, severely extended lead times, and labor issues are holding back stronger growth.

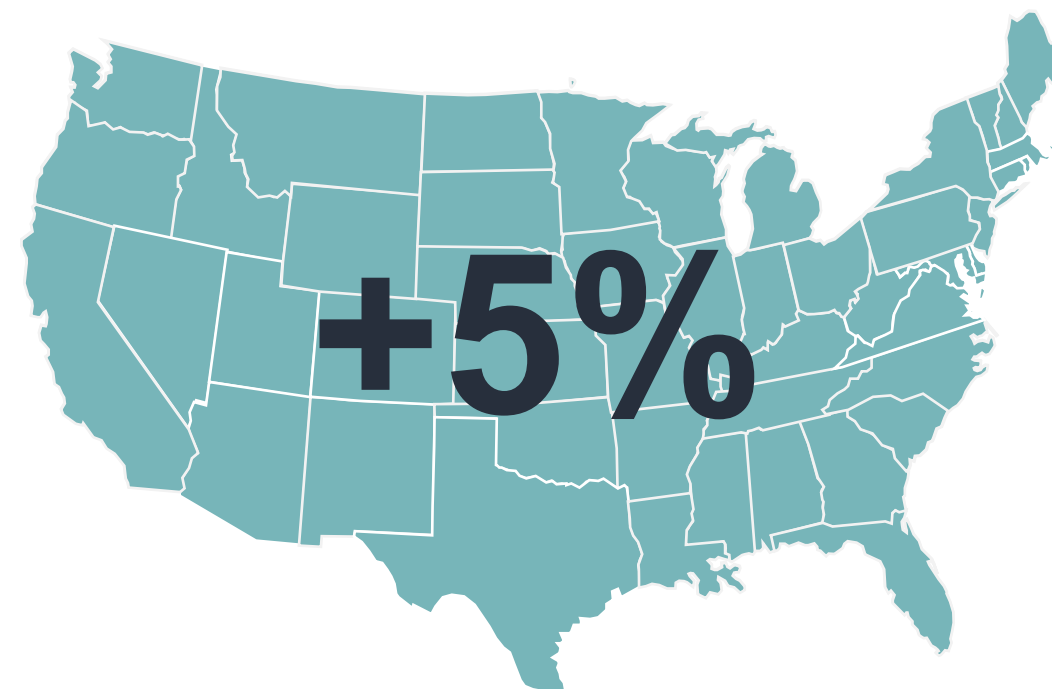
## 1Q22 Remodeling Project Volume vs. 1Q21

As a percentage of all remodelers



## Growth in Remodeling Project Volume (1Q22 YOY)

YOY change in the number of completed remodeling projects across all remodelers

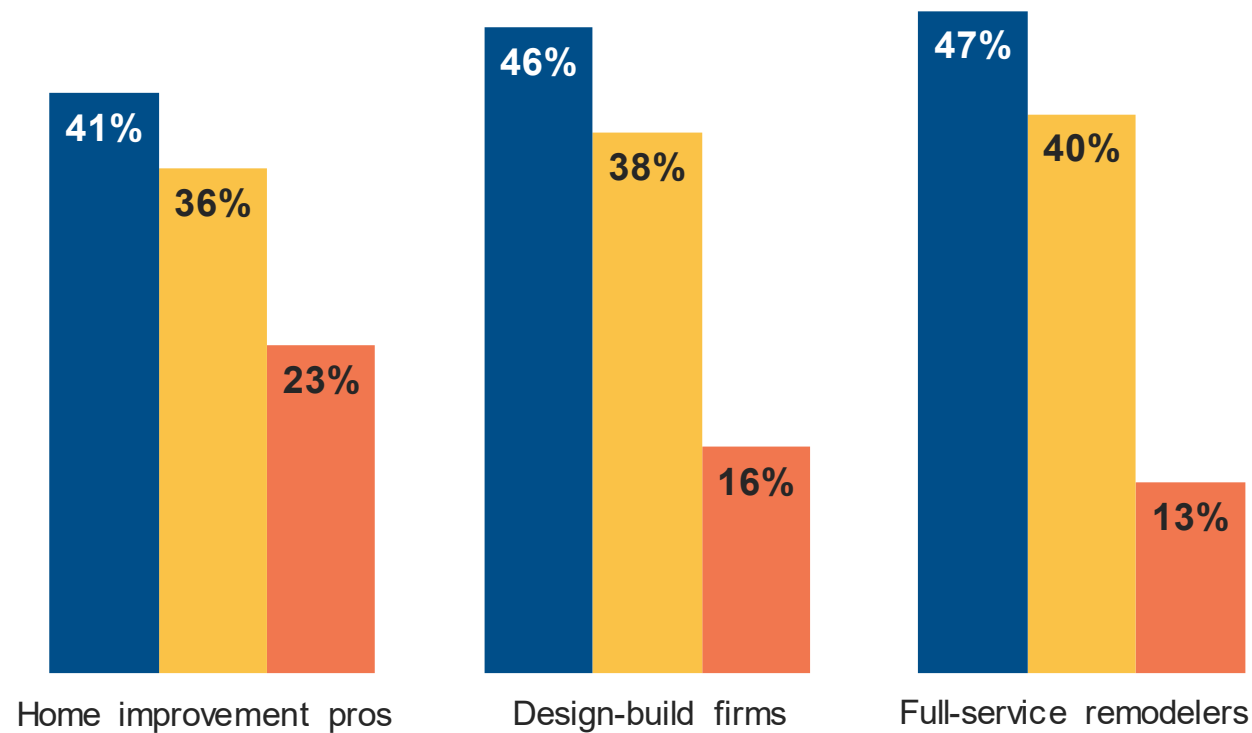


Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# Growth in remodeling *project volume* is starting slow due to product and material delays, labor shortages, and rising prices.

## 1Q22 Remodeling Project Volume vs. 1Q21

■ Doing more projects ■ Same amount ■ Doing fewer projects



Each industry segment reported 4%–5% YOY growth in 1Q22 remodeling project volume, a clear slowdown from mid-2021 when YOY growth rates were in the 7%–11% range. While remodeling demand and revenues are holding up reasonably strong, labor shortages and delays getting product and material to the jobsite are hampering growth in remodeling project volumes. More remodelers report pushback on pricing from customers as well.

## Growth in Remodeling Project Volume (1Q22 YOY)

Average completed project growth by segment

Home Improvement Pros



Design-Build Firms



Full-Service Remodelers

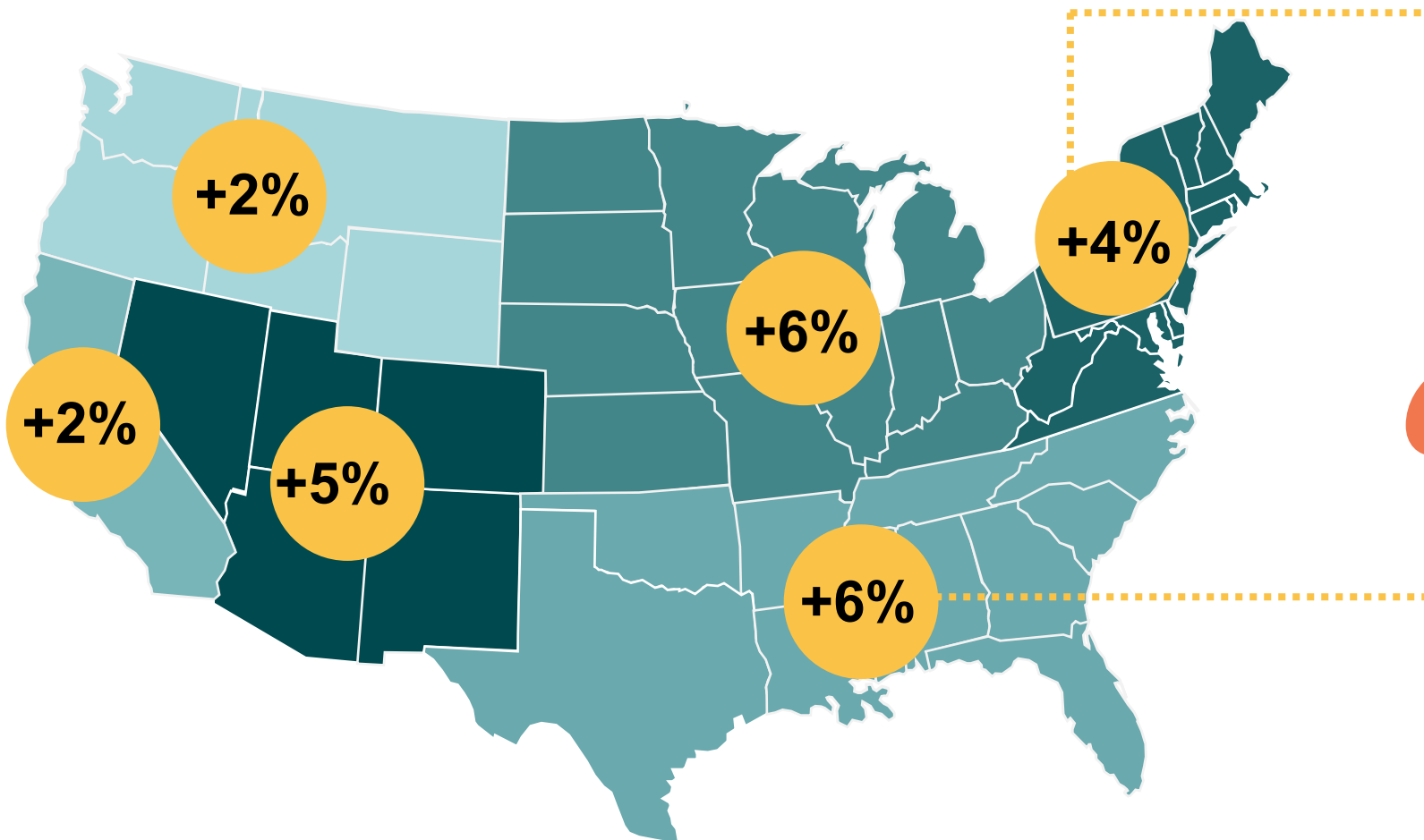


Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# By region, the Midwest, Southeast, and Mountain West led the Northwest and California in overall remodeling project volume growth.

## Remodeling Project Volume Growth by Region (1Q22 YOY)

YOY change in the number of completed remodeling projects, average across all remodelers



“Kitchens and baths are the best opportunity right now. People are buying houses that need major renovations it seems.”

**Full-Service Remodeler in Illinois**

“Most people have chosen to stay in their homes and are remodeling them to suit their needs and desires. They are placing a higher value on their spaces and are interested in making the functionality and appearance as up-to-date as possible.”

**Full-Service Remodeler in Florida**

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)



# Remodeling market trends



# All three remodeling industry segments reported revenue growth in 1Q22, led by Home Improvement Pros

## 1Q22 Remodeler Revenues Compared to 1Q21

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

### Home Improvement Pros



### Design-Build Firms



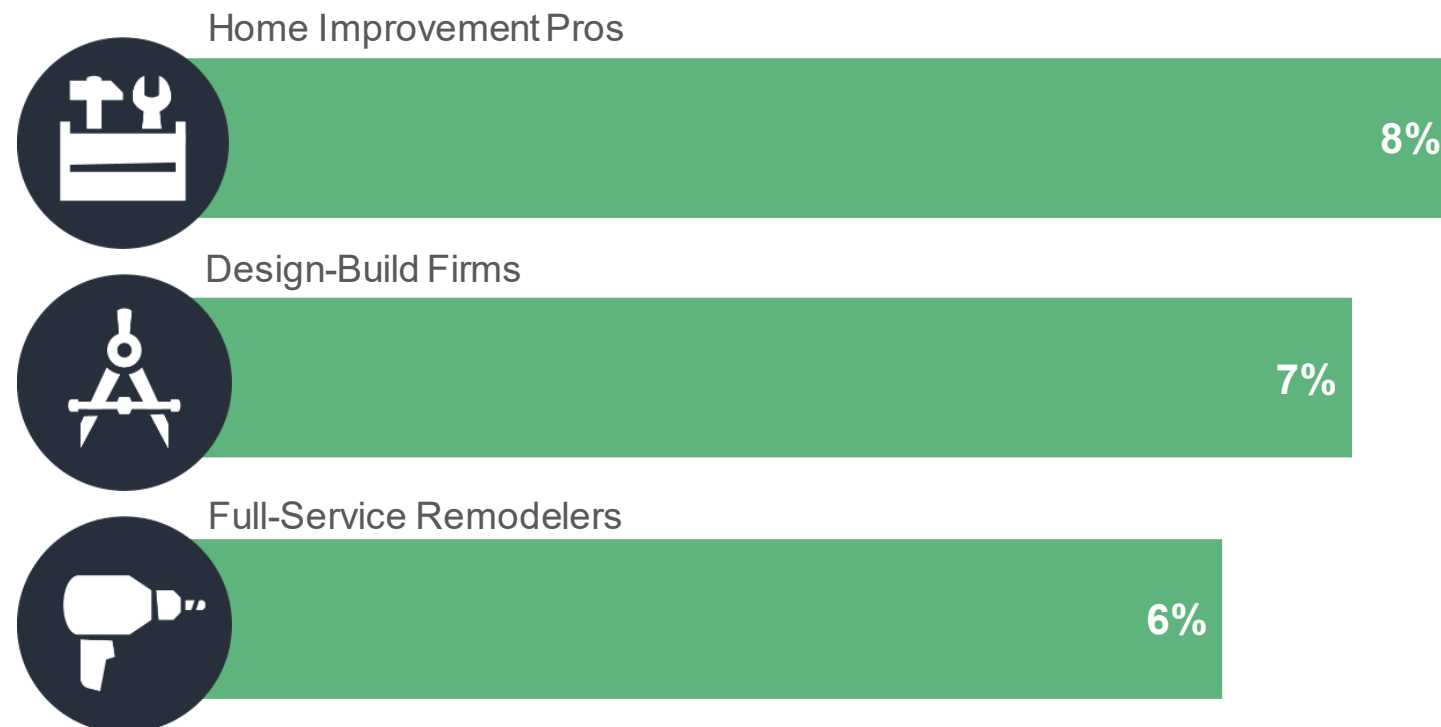
### Full-Service Remodelers



Home improvement pros led a bounce-back in terms of revenue growth in 1Q22 at +8% YOY (+3 percentage points), following a relatively weak 4Q22. Revenue growth among design-build firms and full-service remodelers softened slightly to +7% YOY (-3 percentage points) and +6% YOY (-2 percentage points), respectively. Labor shortages and product delays are weighing remodeling project volumes and revenue growth.

## Remodeler Revenue Growth (1Q22 YOY)

Average 1Q22 revenue growth on a year-over-year basis



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# Despite rising costs and unpredictable remodeling project timelines, homeowners are deciding to “trade up in place” with large-scale remodel and renovation projects.

58% of remodelers report their typical projects grew in size, scope, and budget in 1Q22.

Affluent remodeling customers have handled sharply rising costs and understand supply chain difficulties. One full-service remodeler says:

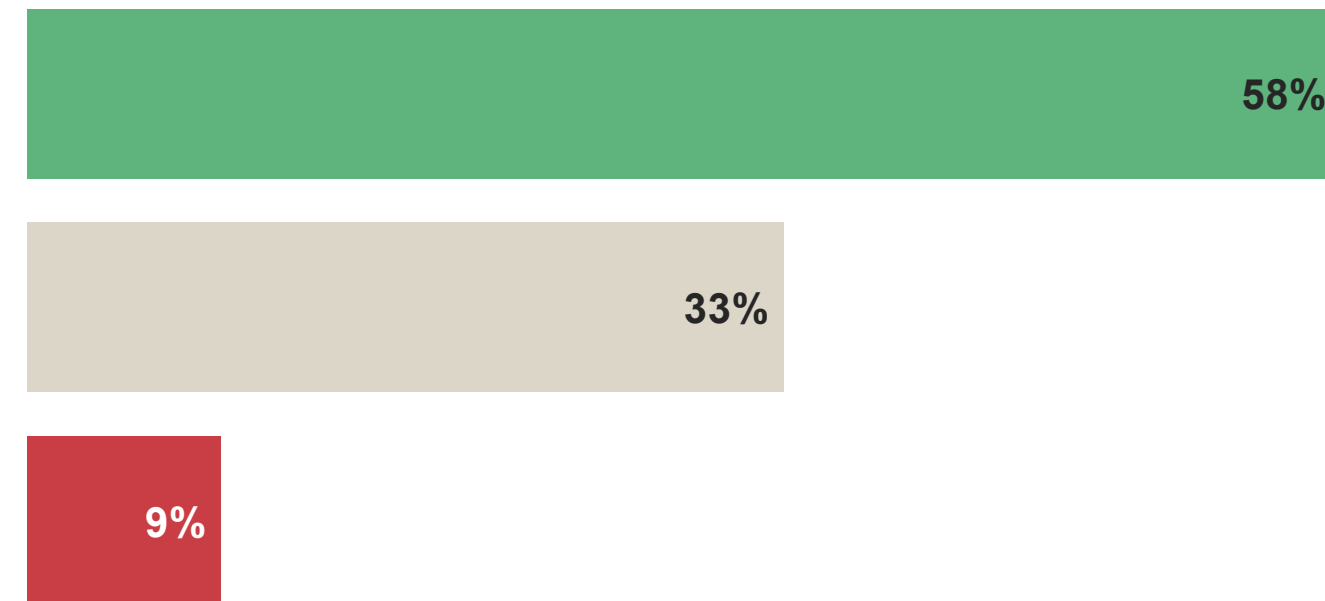
*“We have experienced much more cooperation from buyers regarding lead times and price increases.”*

While remodelers are focusing on larger projects, some remodelers say they are starting to take on more smaller projects to fill the timeline gaps caused by product delays.

## How are typical remodeling projects changing in size, scope, and budget? (1Q22)

As a percentage of total responses

■ Increasing ■ About the same ■ Decreasing



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

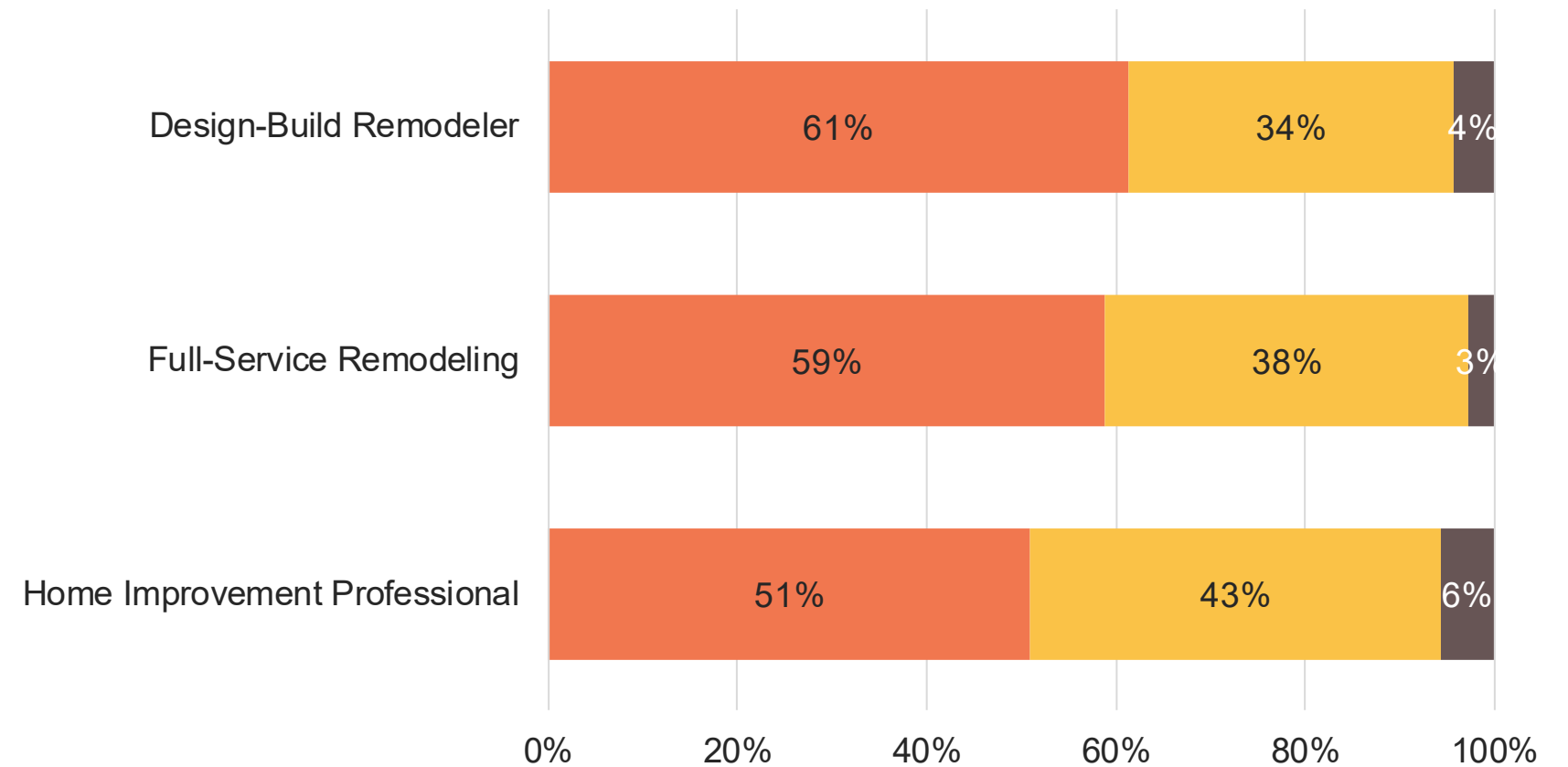
# Most remodelers see *both materials and labor* driving inflation pressure.

Most remodelers are seeing the greatest inflation pressures in materials *and* labor or *just* materials. This theme applies across all three remodeling business segments.

Only a very slim minority of remodelers are seeing labor inflation without significant inflation from materials as well.

## Where are remodelers seeing the most inflation pressure? (1Q22)

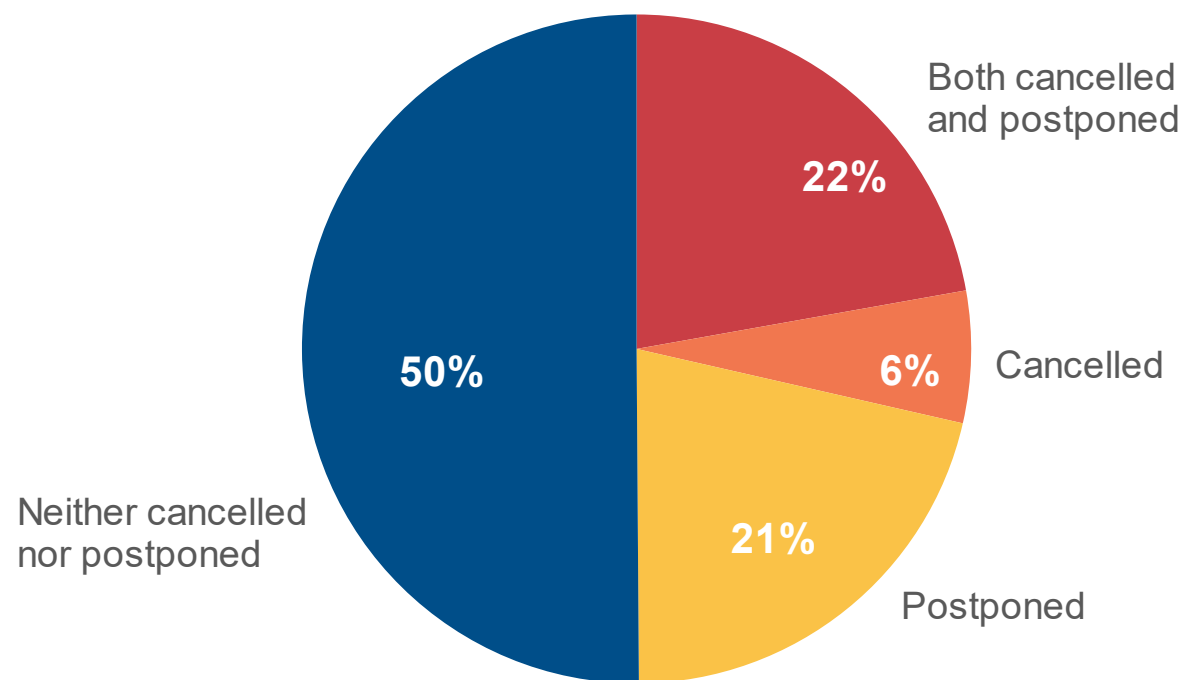
Both Mostly material costs Mostly labor costs



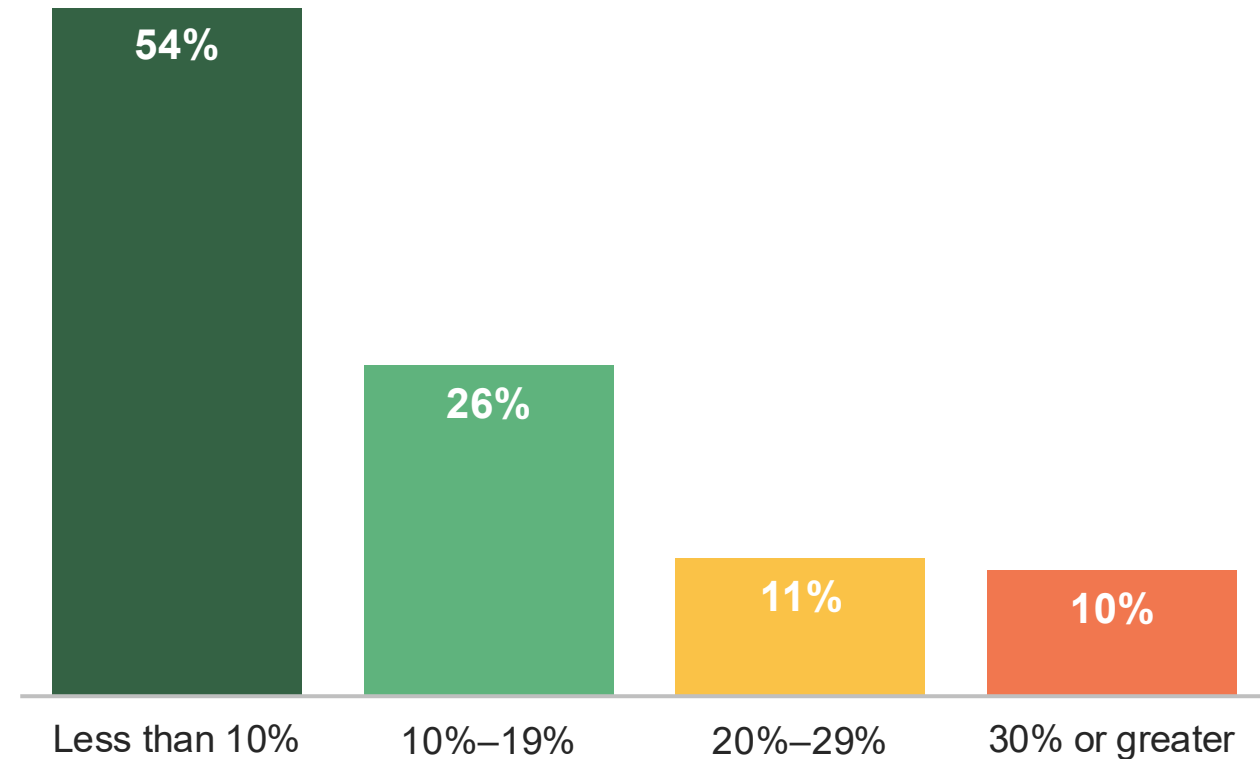
Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

## Remodelers report higher price and long wait times are driving most cancellations or postponements.

% of Remodelers Who Had Clients Cancel or Postpone a Project in 1Q22



% of Planned 1Q22 Remodeling Projects Cancelled or Postponed



Exactly half of remodelers report they experienced cancellations and/or postponements in 1Q, a slight improvement from 53% last quarter. We attribute this decline to fewer omicron outbreaks and a general softening of pandemic-related concerns. Customers are becoming more comfortable with having a pro working inside the home. Some remodel customers have either canceled projects or hit pause until price and supply conditions improve.

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

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

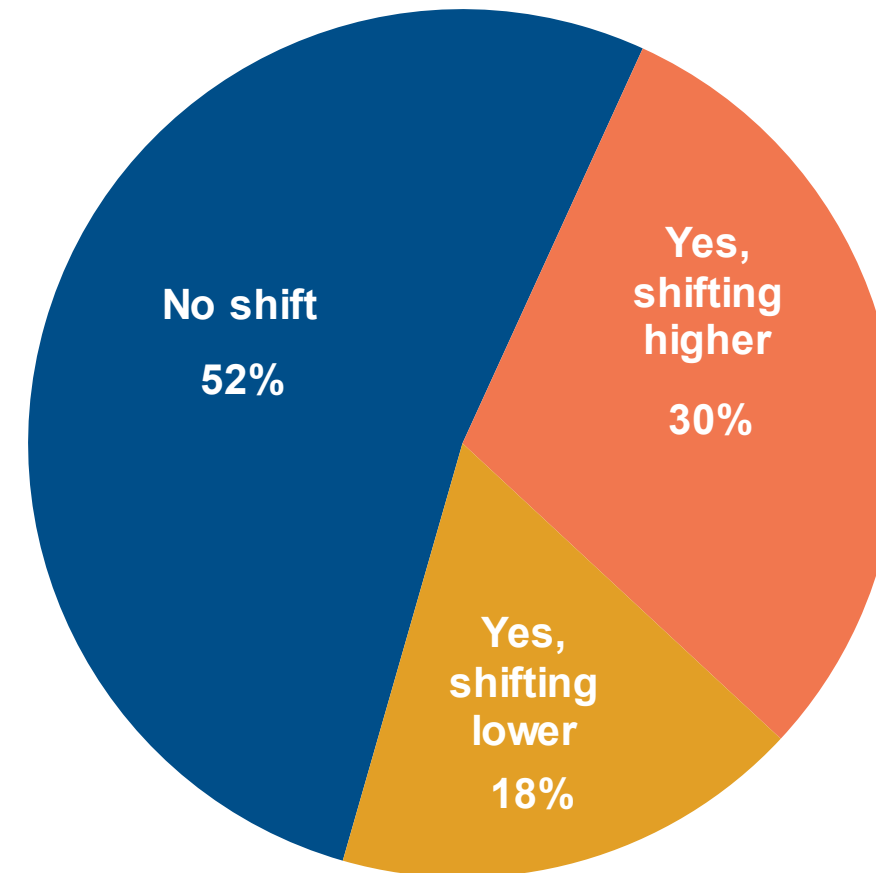
# Remodeling customers are *prioritizing available product* and selecting higher-quality finishes overall. However, sharply rising costs are beginning to affect choices.

Roughly half of remodelers (48%) report an overall shift in price points demanded by clients.

Of those, nearly two-thirds (63%) note price-points have shifted upward. Customers are opting for higher-quality finishes, as they are preparing to stay in the current home for longer.

Cost inflation, however, is beginning to push some clients to look for more affordable options.

Are remodelers seeing a shift in product grades/price points demanded from customers?



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

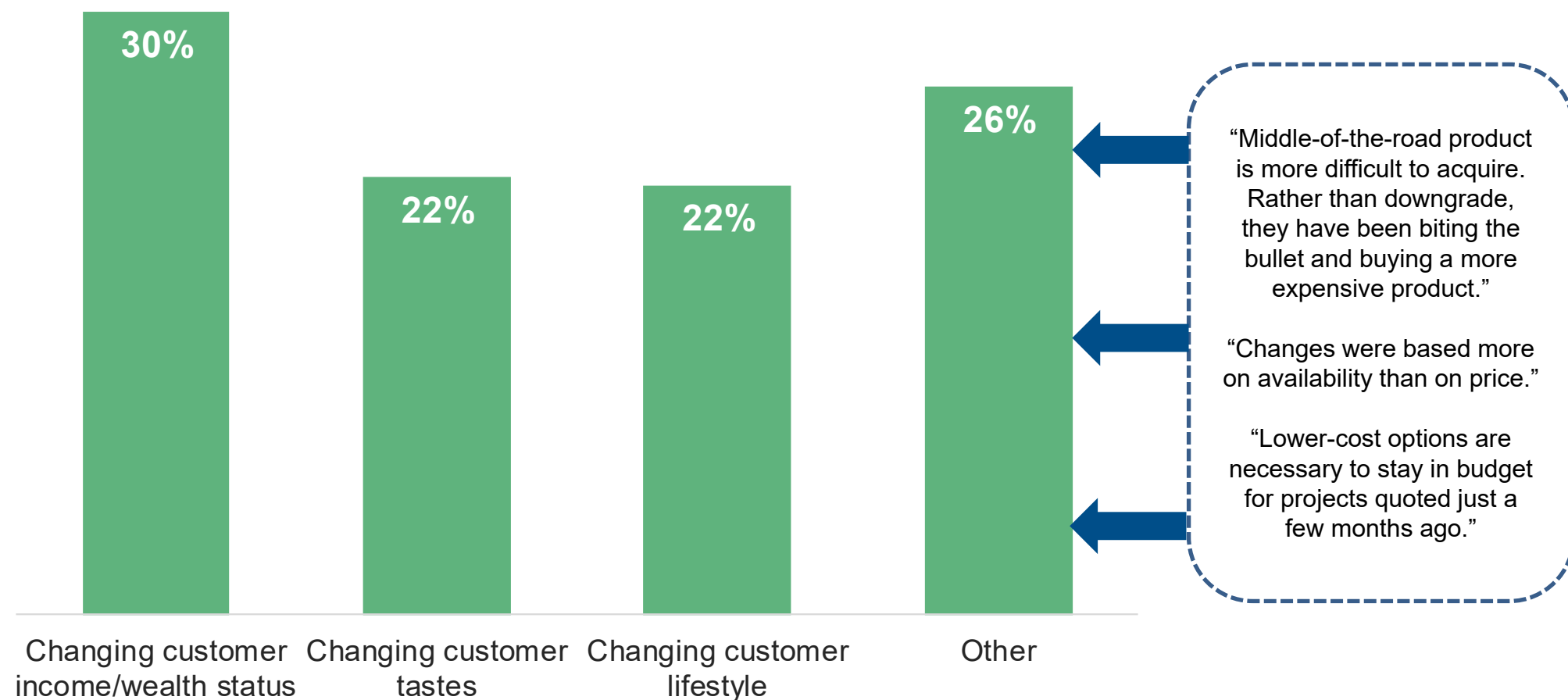
# Flush with home equity, remodeling customers are willing to spend more on remodel jobs if a higher-priced product is available faster.

Dealers are focused on supplying the highest-margin products, while remodeling clients increased select fit-outs based around product availability.

And with the average homeowner sitting on \$95K more home equity than just two years ago, the average remodeling client can afford to upgrade to premium-quality and higher-priced finishes and fixtures.

Quickly rising costs however are prompting some remodelers to specify lower-cost products to stay within budget.

## What is driving remodeling customers' shift in product grade/price point?



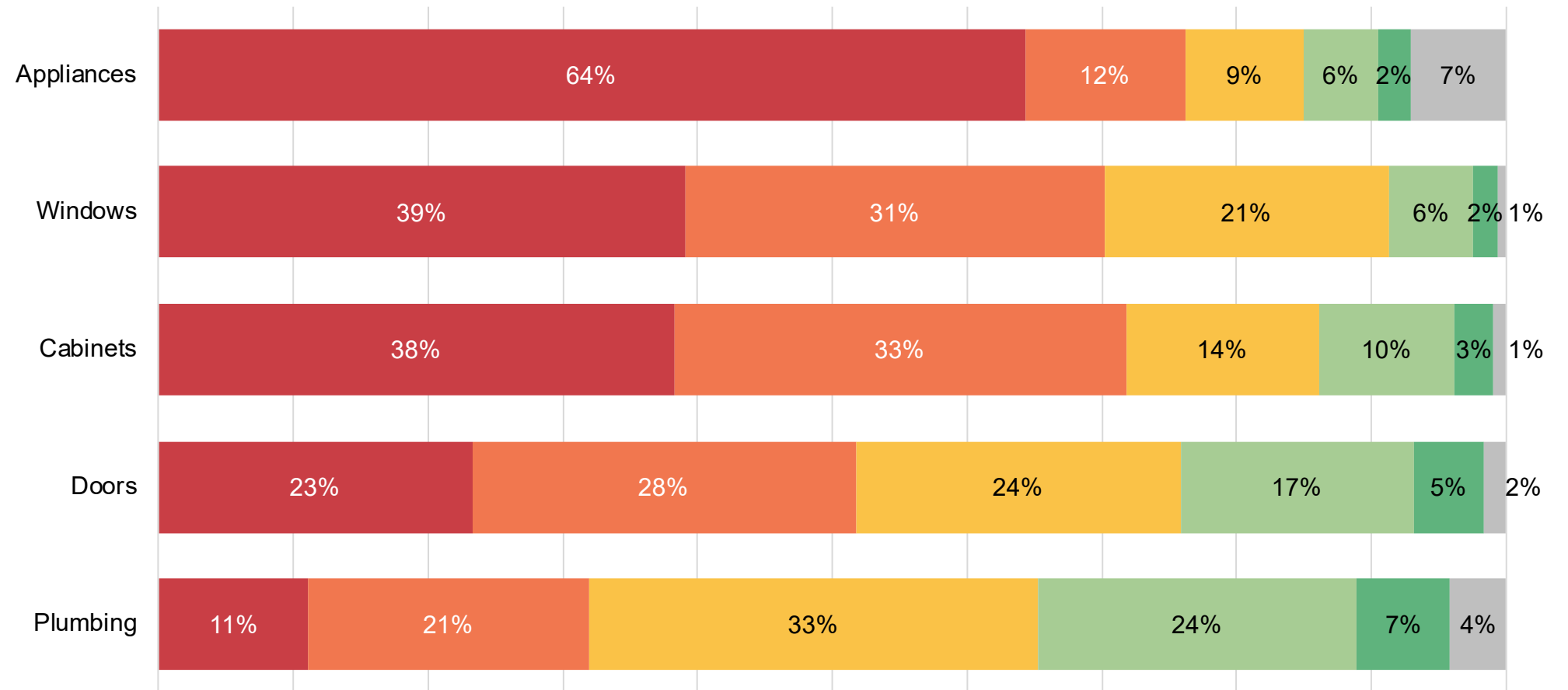
Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# Remodelers are adapting to extremely long lead times by delaying project starts, ordering products as early as possible, and building more flexibility into project schedules.

Remodelers report that lead times are most extended for appliances, windows, cabinets, doors, and plumbing. Delays stretching beyond 4 months are now commonplace.

**Longest Lead Time for remodelers: 5 most delayed products**

■ 16+ weeks ■ 12-16 weeks ■ 8-11 weeks ■ 4-7 weeks ■ 1-3 weeks ■ unsure



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# Sentiment of the remodeling supply chain has deteriorated, with fewer remodelers expecting project timelines to improve before 2023.

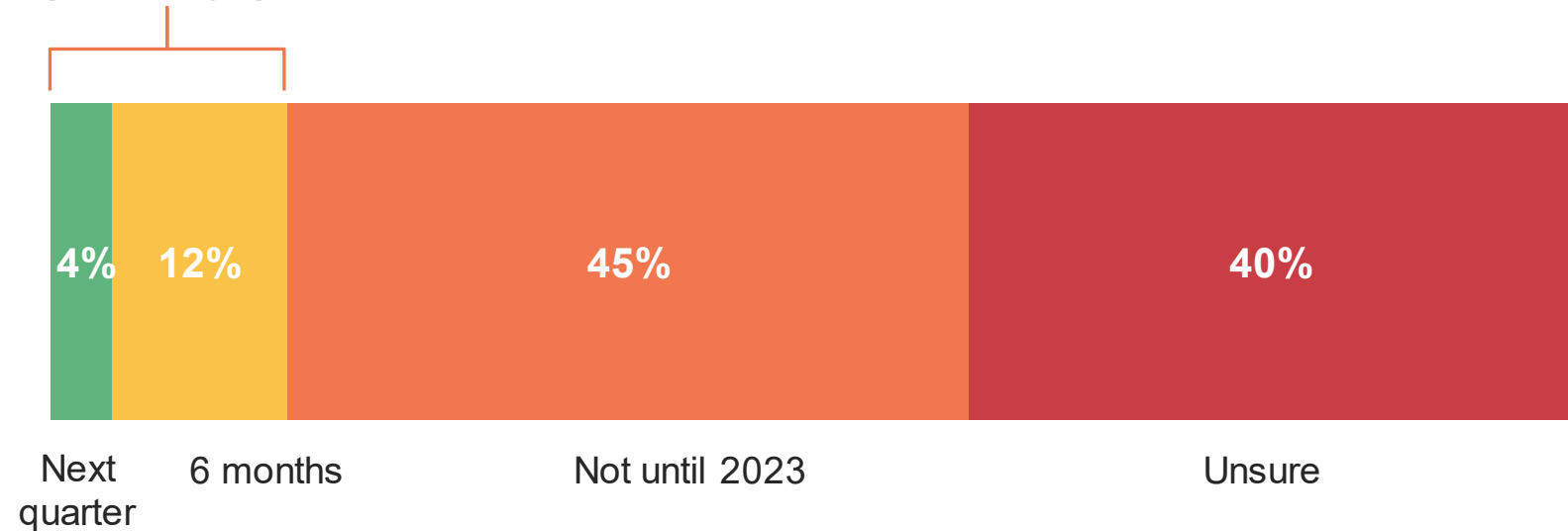
Remodelers who were expecting a quick improvement in their project timelines have begun re-setting expectations.

Only a slim minority of remodelers (16%) now expect project timelines will start to improve in 6 months or less, a nine percentage-point decrease in the last two quarters.

## When will remodeling project timelines improve?

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

*The portion of remodelers expecting timeline improvements within six months has **fallen 9 percentage points** in the last two quarters.*



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)



# While remodeling project timelines remain stretched, fewer remodelers report that project timelines grew *longer* in 1Q.

The first signs of remodeling project timelines stabilizing are now showing up. 47% of remodelers say timelines grew in 1Q, a *14 percentage-point decrease* sequentially, while those saying projects took “about the same time to complete” grew by 11 percentage points.

What is driving this incremental improvement? (1) Remodelers are getting better at coordinating up and down the supply chain, substituting products and vendors where possible; (2) they are ordering product *earlier* and waiting to *start* projects until all material is available and onsite; and (3) we are starting to see some signs that product lead times are *no longer getting worse* overall.

## Remodeling Projects are taking more, less, or the same time to complete:

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

Quarter over quarter



Year over year



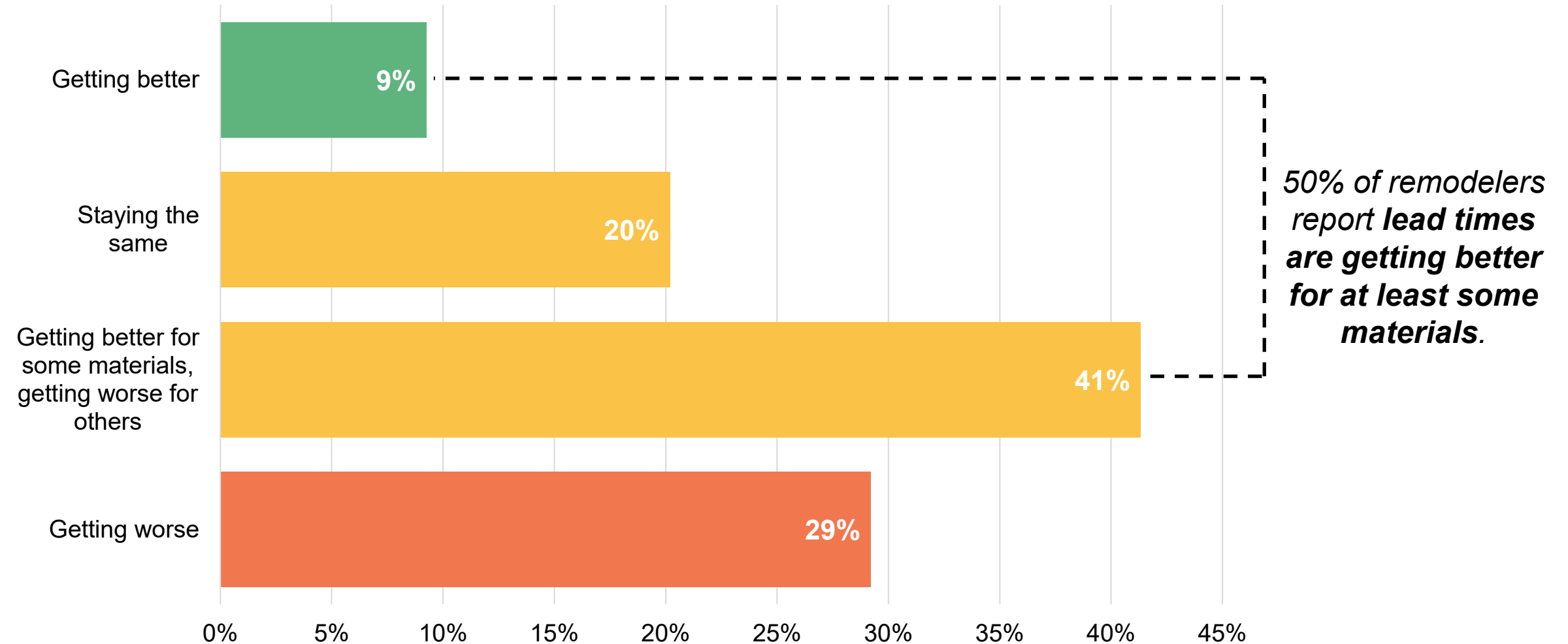
Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# We are starting to see some “green shoots” in the remodeling supply chain: Product/material lead times delays are *starting to improve* for some remodelers.

## Product/Material Lead Times for Remodelers: Better or Worse?

Product categories where remodelers saw the most improvement on lead times:

- Plumbing fixtures
- Tile
- Flooring



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

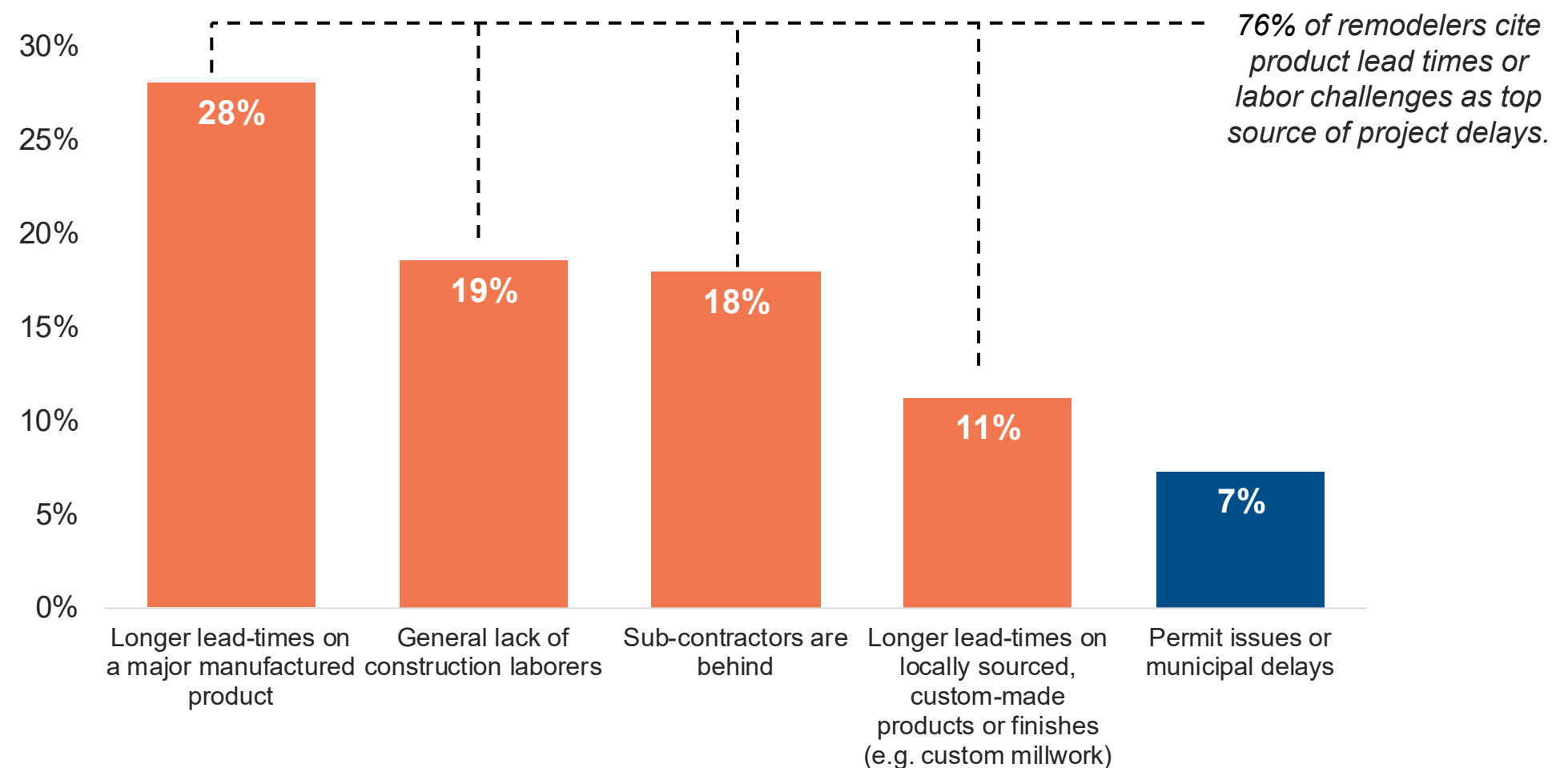
# Extensive coordination is required between remodelers and their vendors, subcontractors, and permitting authorities, due to unpredictable product lead times and labor issues.

Extremely long and often unpredictable lead times on manufactured product remains the top-cited reason for project delays.

To adjust for delays, remodelers report ordering product earlier, substituting product or changing vendors where possible, and communicating extensively with clients to avoid surprises.

## Top 5 Sources of Remodeling Project Delays

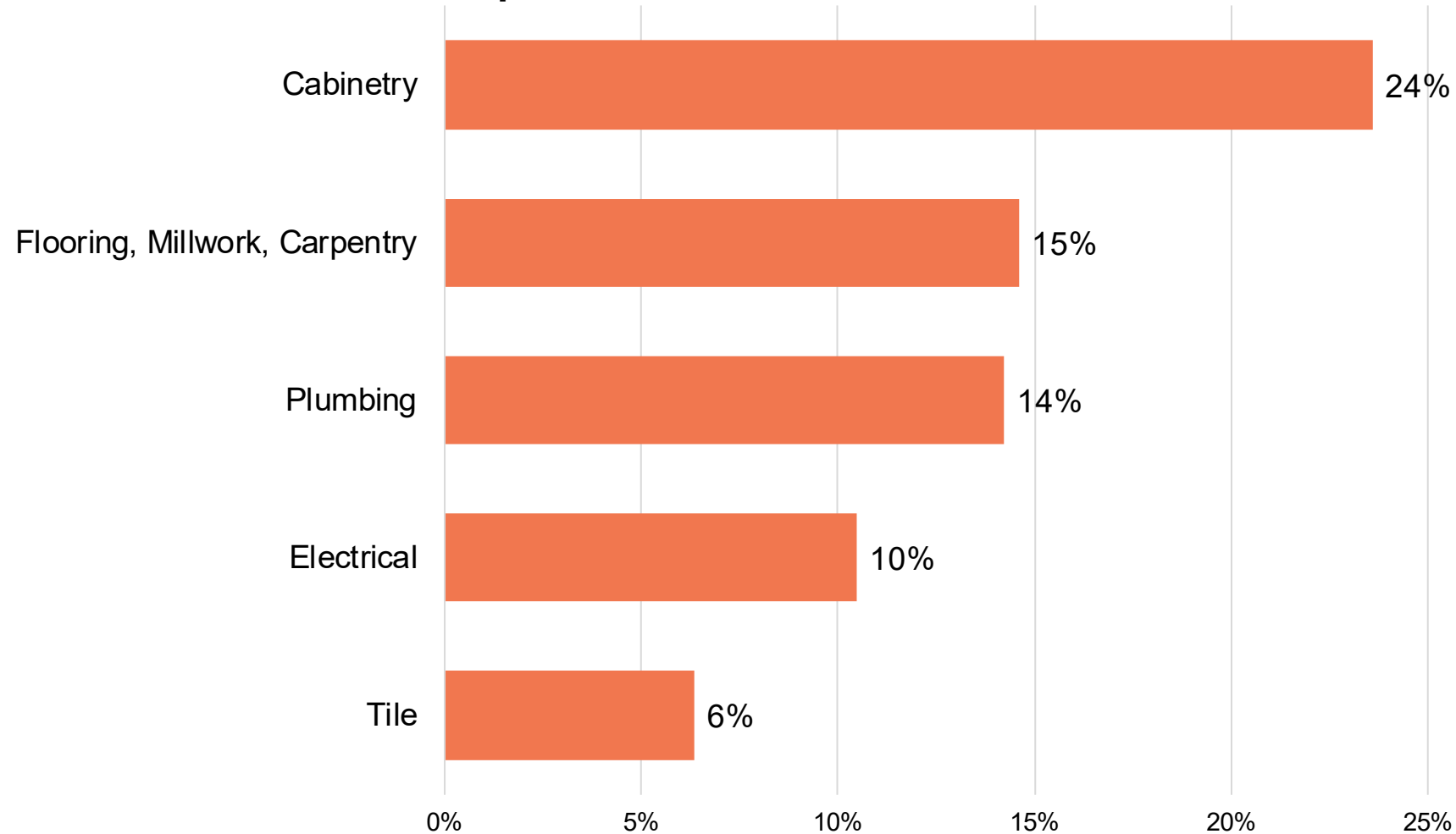
% of remodelers reporting as a top reason more than half of their projects are delayed



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# Remodelers expect labor rates to increase the most in the cabinetry, flooring, millwork, carpentry, and plumbing trades.

## Where do remodelers expect labor rates to increase the most in 2022?



Nearly one-quarter (24%) of remodelers expect labor rates to *increase the most* among cabinetry tradespeople. Another 15% expect labor rates to rise the fastest among the flooring, millwork, and carpentry trades, while roughly an equal number (14%) expect plumbers to command the largest pay raises this year.

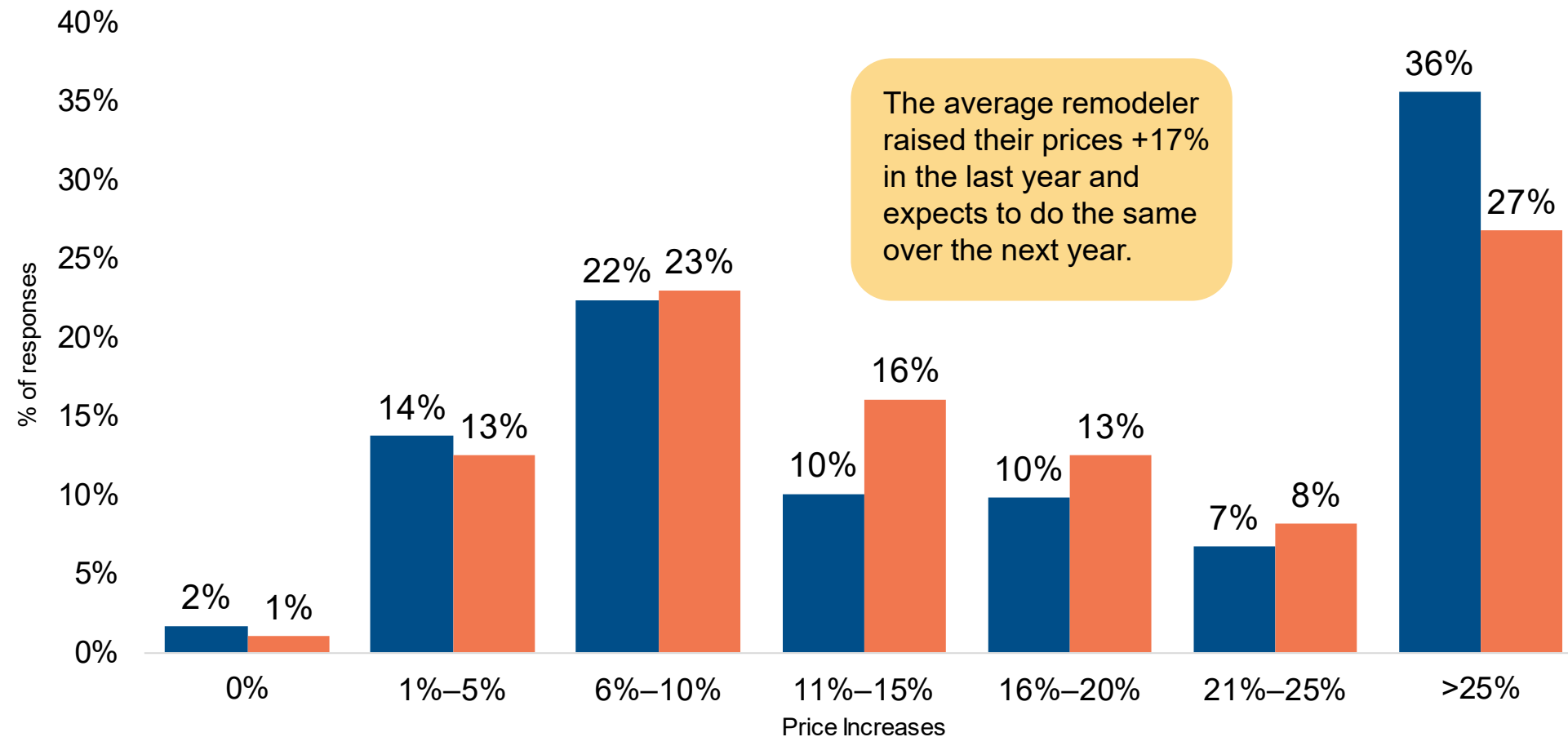
Note: Participants were able to select from the following categories: Cabinetry; Countertops; Electrical; Flooring, Hardscape or Landscaping; HVAC; Millwork, Carpentry; Painting; Plumbing; Roofing; Siding; Tile; Windows & Doors; Unsure; Other.

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# Pro remodelers have raised their rates to offset inflation and maintain profitability. Some remodelers say customers are starting to push back.

## How much are remodelers raising prices for their customers?

■ Over the past year ■ Planned for 2022



63% of remodelers report they passed on price increases of over 10% in the last year, with an average increase of 17%.

Over the next year, remodelers express similar confidence in their pricing power, with 64% expecting to raise prices by more than 10%.

Some remodelers noted more pushback on continuous price increase:

*“We’re trying to pass on additional costs, but it feels like customers have started to push back in the last few months.”*

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)



2022 remodeling guidance

The background image features architectural blueprints with several rooms labeled in blue text: BATH (2.0x3.5), FOYER (2.5x3.5), GARAGE (4.0x6.0), DINING (23,14 m<sup>2</sup>), and BADROOM (14,44 m<sup>2</sup>). A kitchen area is also indicated with a measurement of 33,63 m<sup>2</sup>. The blueprints are overlaid with a dark grey calculator on the right side, a pencil, and a protractor at the bottom left. The overall scene is dimly lit, emphasizing the technical nature of the content.

# Remodelers expect 7%–8% full-year revenue growth in 2022, led by Design-Build Firms.

Remodelers continue to push revenue through price increases and extensive backlogs. While many customers are willing to accept higher prices, some are beginning to pushback—leading remodelers to re-set their growth expectations for the year. All three industry segments expect revenue to grow in 2022. 70% of Design-Build Firms expect higher revenue in 2022 versus 2021, ahead of 63% and 62% for Home Improvement Pros and Full-Service Remodelers, respectively.

## 2022 Remodeler Revenue Growth Outlook

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

### Home Improvement Pros



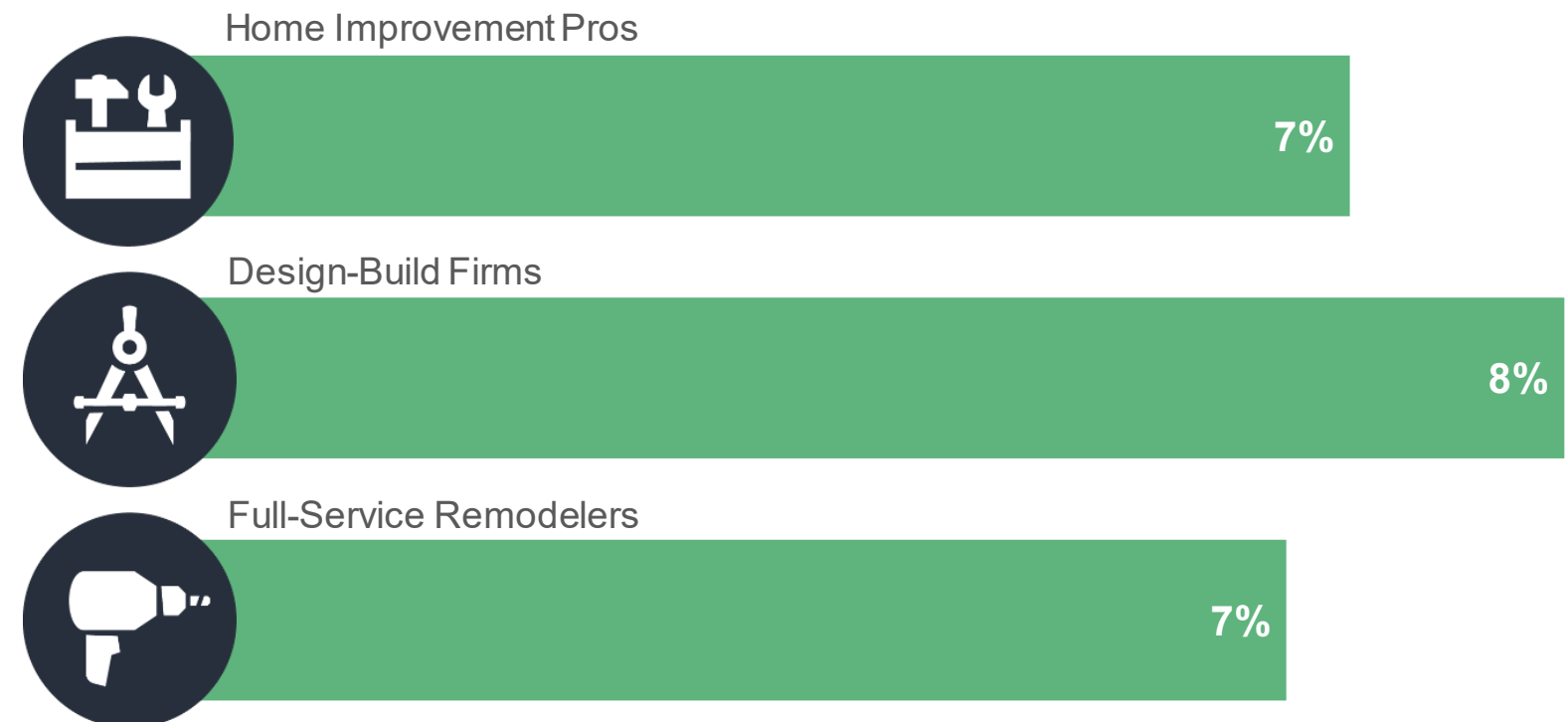
### Design-Build Firms



### Full-Service Remodelers



## Average Full-Year Remodeler Revenue Growth Outlook (2022 YOY)



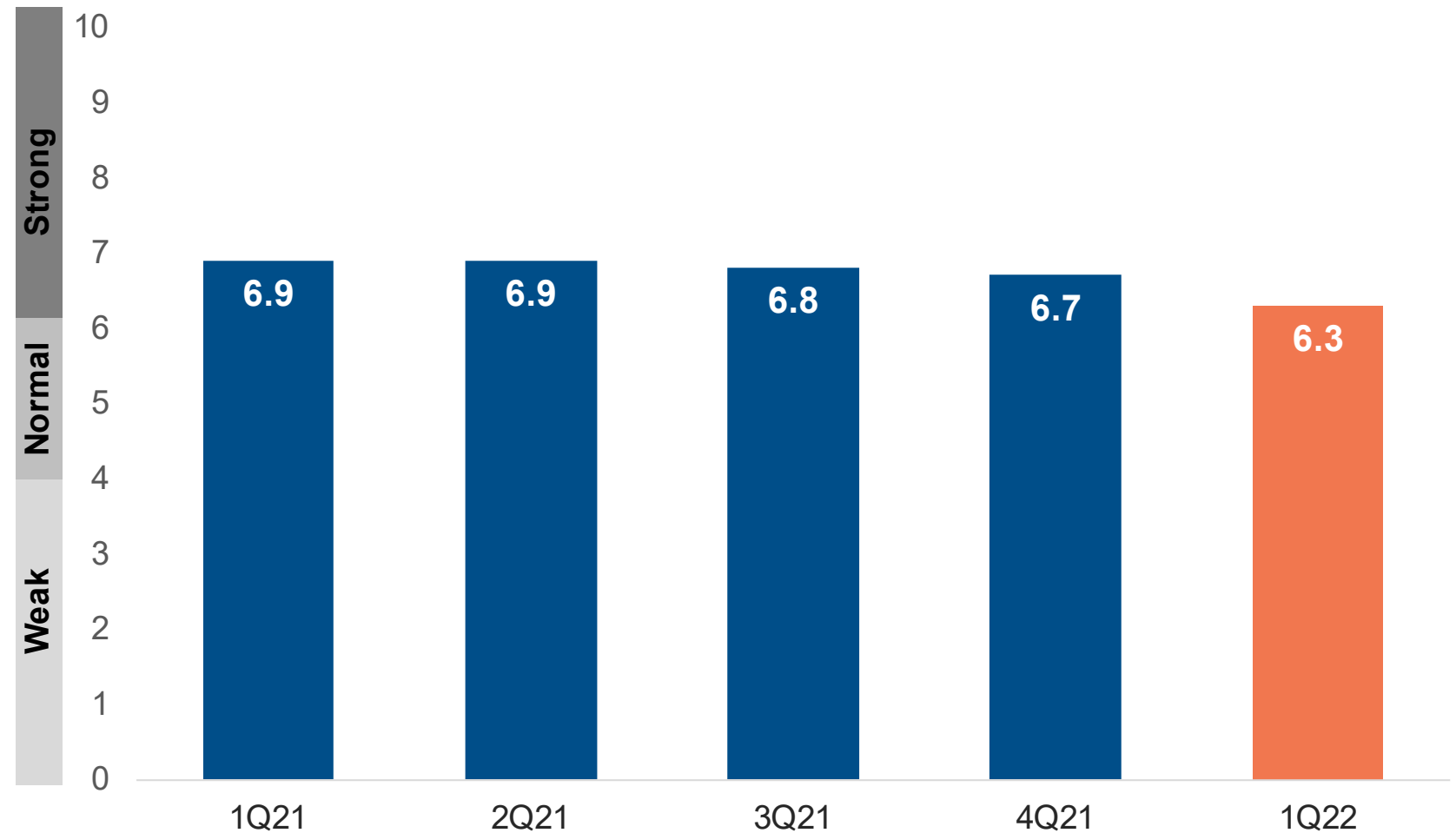
Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

# Remodeling Business Investment Gauge 1Q22

## Remodeling Business Investment Gauge

Remodelers rate the industry a **6.3 out of 10**, indicating a generally positive and confident outlook in their ability to invest to grow revenue over the short term. The rating has softened recently but remains in “Strong” territory.

Remodelers are focusing on larger, more profitable projects for the bulk of their business, while selectively taking on smaller projects to fill in timing gaps.



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)





# Remodeling market commentary

# Remodelers are raising prices in response to inflation and high demand.

“We have **increased our pricing almost 50% to cover costs.**” -Home Improvement Pro in Florida

“It is a **sellers’ market for the first time in my career.** We are experiencing much more cooperation from buyers regarding lead times and price increases.” -National Full-Service Remodeler

“We are passing cost onto customers, which has caused **lower closing rates and higher cancellations.**” -Home Improvement Pro in Ohio

“All increased cost is not only being transferred to the homeowner with price increases, but **demand is so high homeowners are willingly taking on this cost** if you are an experienced, recommended design-build contractor.” -Design-Build Firm in Michigan

“We are **charging more but expecting fewer jobs.**” -Home Improvement Pro in Wisconsin

“We are forced to raise prices and **cannot guarantee a quote for more than 10 days.**” -Home Improvement Pro in Washington

“We’re forced to pass costs onto customers. We’re seeing our **lower-end clients being pushed out of remodeling** right now.” -Home Improvement Pro in Ohio

“We're a fixed-cost company. On many jobs we're just having to take the profit hit because the prices went up after the sale. **We're bidding more before contract now,** which slows down the design and estimating phase, and we're **raising margins to hopefully catch future increases.**” - Design-Build Firm in Ohio

“It’s been all over the mainstream news. So, **we can talk about budget increases,** as well as a **tougher and enforced escalation clause** in our contracts.” -Design-Build Firm in Virginia

“We are raising prices, but this has left us **at least a quarter behind price increases.** If increases stop, **we will catch up by Q3 or Q4.**” -Full-Service Remodeler in Washington

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

## Labor shortages limit growth while pushing prices up.

“I've had to **substantially increase wages to keep employees from being poached** by other companies. It's a constant battle.” -Design-Build Firm in Oregon

“After the COVID shutdown, **we lost approximately 25% of our skilled labor**. We can't accept jobs that require 10 employees when you only have 7 employees.” -Full-Service Remodeler in the Northeast

“We are **increasing labor rates for new hires and current staff**.” -Home Improvement Pro in Florida

“**All the trades are stretched to their limit**.” Design-Build Firm in Oregon

## Remodelers face unprecedented product lead times and unpredictable delays.

“We **ordered some products in January and heard they won't be available until Q1...2023**. If we hear it'll take more than 6 months to get a product, we assume it'll be longer than six months.” -Full-Service Remodeler in Missouri

“We are currently informing new clients that **cabinetry must be ordered late summer for 2023 projects**.” -Full-Service Remodeler in Illinois

““We let new clients know off the bat **cabinets are 5 months out**.” -Full-Service Remodeler in Michigan

“We are **looking for alternative sources with shorter lead times** and lower cost, without sacrificing quality.” -Full-Service Remodeler in Missouri

“We're **booked out 10-12 months**, so if the customers make timely selections, we have fewer time delays than in recent years. It is **more an issue of the unexpected delays or the 'shortage de jour'**!” -Full-Service Remodeler in Tennessee

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

## Remodelers are ordering materials earlier, long longer before work begins...

“We are **signing contracts & pre-construction purchase agreements 4 months ahead of construction** rather than 1-2 months.” -Design-Build Firm in Washington

“We are **ordering much earlier—before the customer approves the final design**—because the cabinetry company is allowing edits for longer. I used to have 48 hours to make changes, now I have at least two months.” -National Full-Service Remodeler

“We **plan much further in advance** when it comes to ordering products and materials.” -Design-Build Firm in Colorado

“We **push earlier decisions on items known to have long lead times**. Typically, we order windows and doors with our trim package at the same time as the trusses.” -Design-Build Firm in Florida

## ...requiring much more coordination with vendors, subcontractors, and clients.

“Our biggest change is to **delay starting jobs until product is in hand**, or we have a firm ETA from the vendor.” -Full-Service Remodeler in Texas

“We've **created a full-time position to stay on top of ordering materials at the proper times** so they will arrive on schedule.” -Design-Build Firm in Michigan

“All **subs are notified of each new project** and are **kept up to date weekly**.” -Design-Build Firm in Florida

“We stay in **constant contact with our trades** as they have become busier and dealing with their own staffing issues. **Communication with vendors, consultants, trades, and clients is more developed and coordinated than ever before**.” -Design-Build Firm in Colorado

“We make sure the longest lead times are ordered first—and **we keep the clients aware of the timeline**.” -Full-Service Remodeler in Massachusetts

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

## Projects start later while remodelers wait for products and materials to arrive.

“We won’t begin a tear-out until the major appliances, cabinets, and flooring are on hand or confirmed and purchased in the supplier’s warehouse.” -Full-Service Remodeler in Georgia

“We schedule around expected lead times, and delay projects until materials arrive.” -Full-Service Remodeler in Virginia

“High-end customers are willing to wait however long for us to have all products in hand before starting.” -Full-Service Remodeler in Texas

“We have been postponing starting jobs until all materials are on-site. We store items either at our facility or the client’s home.” -Full-Service Remodeler in Georgia

“We try to schedule start of construction to accommodate lead times. We use shipping containers to store materials before we begin projects.” -Design-Build Firm in Texas

## Unpredictable product/material delays force remodelers to fill in gaps with smaller projects.

“We are seeking more low-dollar-valued projects utilizing mostly stock merchandise to fill in gaps in scheduling.” Full-Service Remodeler in the Northeast

“I am taking small jobs to fill in time with materials that are available.” -Home Improvement Pro in Delaware

“We are booking more small jobs to fill in the gaps between jobs while waiting on materials.” -Full-Service Remodeler in the Midwest

“Our #1 focus is large-scale remodels. We’re also doing smaller, easy-turn projects to help with cash flow.” -Design-Build Firm in Florida

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

## Stocking more inventory due to volatile pricing and product shortages.

**“If we can stock up on certain products, then we will.** You have to get it while it is there and at that price. **The price only goes up!**” -Full-Service Remodeler in Connecticut

**“We are bulk ordering and warehousing supplies we use the most,** such as drywall tile backer, mortars, muds, copper, valves, supply lines, etc.” -Full-Service Remodeler in Ohio

**“We are preordering and having as much material in inventory as possible!”** -Full-Service Remodeler in the Northeast

**“We are holding 50% more inventory for liquid products.”** -Home Improvement Pro in California

**“We are keeping much more inventory on hand to mitigate the supply chain delays.”** -Full-Service Remodeler in Texas

**“We purchased more warehouse space to stock more material** and help with back-order issues.” -Full-Service Remodeler in Missouri

**“We are starting to keep certain materials in stock** that we use on a regular basis.” -Design-Build Firm in Arizona

## Constant price increases from vendors make it difficult to estimate final project costs, putting customers on the hook.

**“We don’t guarantee prices longer than 2 weeks.”** Design-Build Firm in Colorado

**“We have an escalation clause in all of our contracts stating that material and subcontractor prices are subject to change and will be adjusted accordingly upon project start-up.”** -Design-Build Firm in Arizona

**“We keep raising our prices** and will only **guarantee our price for half the time we used to.**” -Full-Service Remodeler in Pennsylvania

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

**“Our proposals have a 15-day price guarantee before we have to rebid materials.”** -Home Improvement Pro in California

**“Our contracts are valid for 30 days and we include language to cover charges that were not anticipated.”** -National Home Improvement Pro

**“We requote after we have a commitment.”** -Design-Build Firm in Minnesota

**“We are now putting material allowances in our contracts. Anything over that number customer pays the difference.”** Design-Build Firm in Pennsylvania

## **Extreme weather, sticker shock, tax bills, stock market declines led customers to second-guess, delay, or outright cancel projects in 1Q.**

**“I had low turnover for February-April because of upcoming tax bills for clients.** It picked back up at the end of April and it’s looking to be a good Q2.” -Full-Service Remodeler in Michigan

**“Supply chain, remodeling costs, and labor availability rattled our clients.** They have stopped projects after initial designs or stopped after an initial call.” -Design-Build Firm in California

**“I believe my slowdown is due to higher project cost along with inflation affecting homeowners home equity.”** -Full-Service Remodeler in the Northeast

**“Price of materials is causing clients to value engineer or defer projects.”** -Design-Build Firm in California

**“Really bad winter weather for roofing in our region.** Freak snowstorms and lots of rainy, no-install days.” -Home Improvement Pro in Washington

**“Subcontractor and materials are too expensive.”** -Full-Service Remodeler in Illinois

**“Stock market fluctuations are making people timid in high-expense remodeling projects.”** -Design-Build Firm in Wisconsin

Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-22)

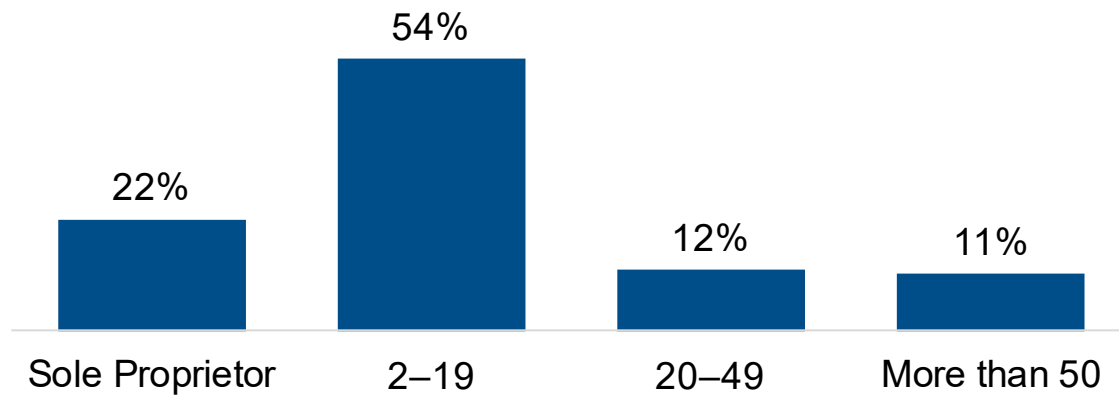
A background image showing a wooden surface with several wooden planks, a hammer, and a screwdriver. The text 'US Remodeler Index methodology' is overlaid in white.

# US Remodeler Index methodology

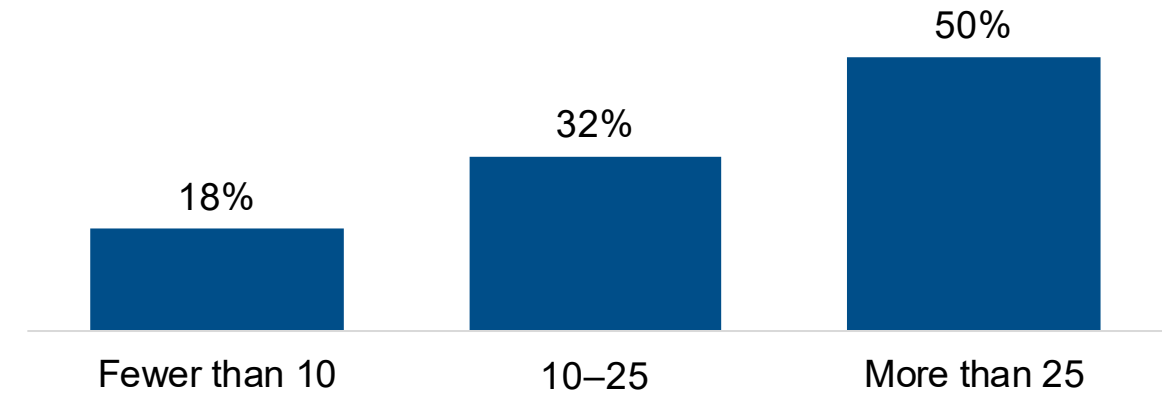


# Remodeling survey sample demographics

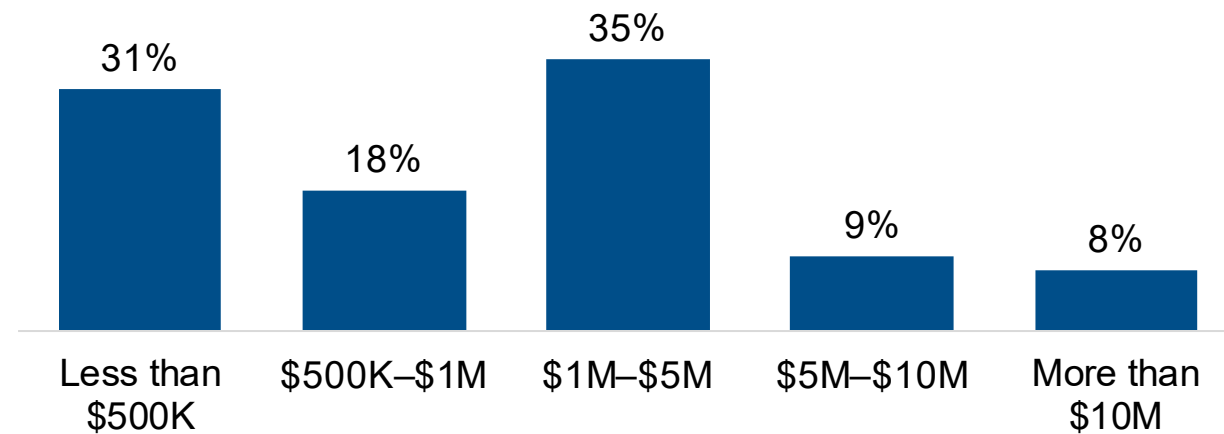
**% of Remodeling Companies by Employee Count**



**% of Remodeling Companies by 2021 Project Volume**



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



Sources: Qualified Remodeler, John Burns Real Estate Consulting, LLC (Data: 1Q22, Pub: Jun-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 1Q22 survey had 559 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	340	61%
Design-build firms	127	23%
Home improvement professionals	92	16%
<b>Total responses</b>	<b>559</b>	<b>100%</b>

## Index weighting

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

# 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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