



US Remodeler Index

 **JOHN BURNS**
RESEARCH & CONSULTING

Qualified
Remodeler

April 18, 2023



Contents

Executive summary.....	3
Four big takeaways.....	6
US Remodeler Index and inputs.....	10
Project volume.....	16
Market trends.....	18
2023 guidance.....	31
Market commentary.....	34
Methodology.....	38
Contact us.....	44

About John Burns Research and Consulting

Who we are

John Burns Research and Consulting, LLC, provides independent research and consulting services related to the US housing industry. John Burns founded the company in 2001 because he saw a need for better analysis of the housing market. The company has grown into a highly passionate team of research analysts and consultants in offices across the country. We work together to provide the most trusted source of US housing analysis.



Research memberships

An ongoing, retainer-based relationship, in which we provide clients with our published research, client services, and exclusive events. Clients find immense value in our research and services for:

- Superior insight on housing and remodeling trends
- Regional intelligence
- Internal reporting and business planning
- Investor relations support

Custom market consulting

A contracted engagement, in which we help clients with a specific strategic decision or question.

- Demand forecasting
- Market analysis
- Growth strategy
- Voice of customer analysis

We are pleased to release the 1Q23 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



US Remodeler Index Rating:

60.6 out of 100

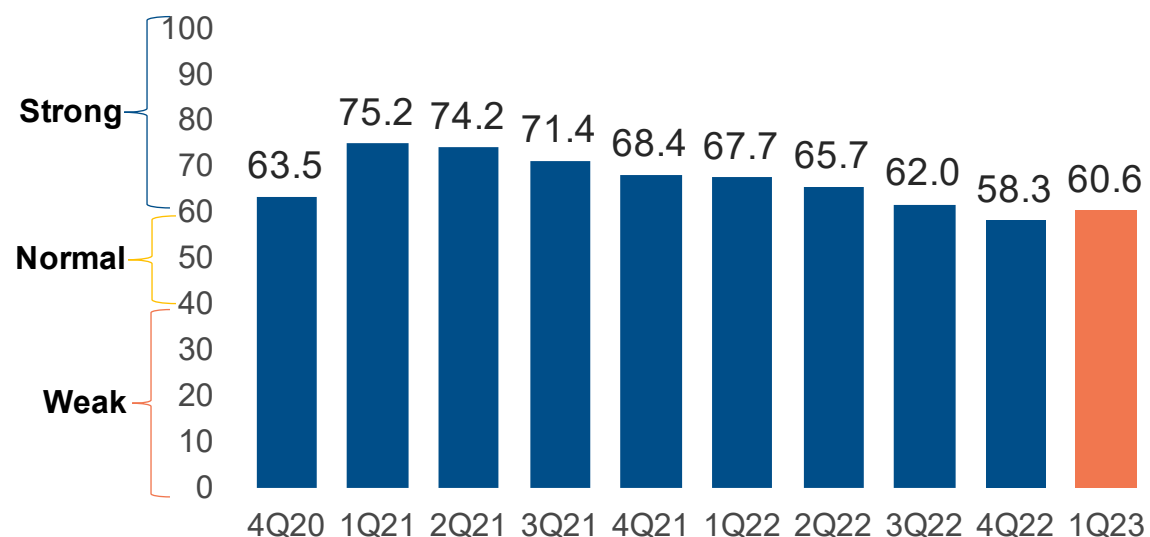
The US Remodeler Index rates 60.6 out of 100, indicating the professional remodeling industry **expanded** in 1Q23.



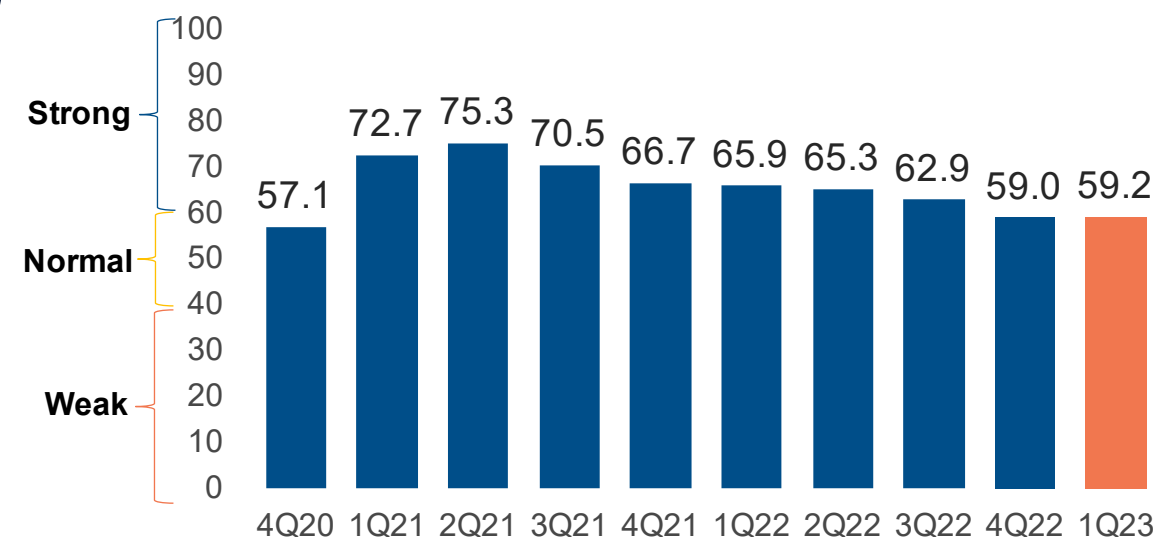
This quarterly index is the result of a unique partnership between one of the industry's leading authorities on professional remodeling trends, *Qualified Remodeler*, and one of the industry's leading market research firms, John Burns Research and Consulting. The following report highlights findings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



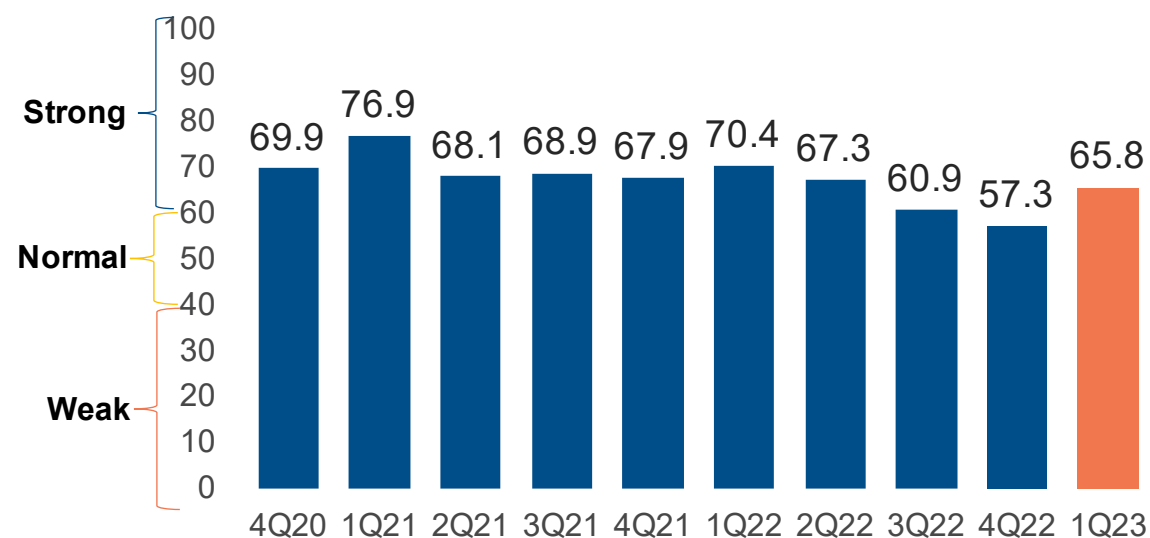
US Remodeler Index



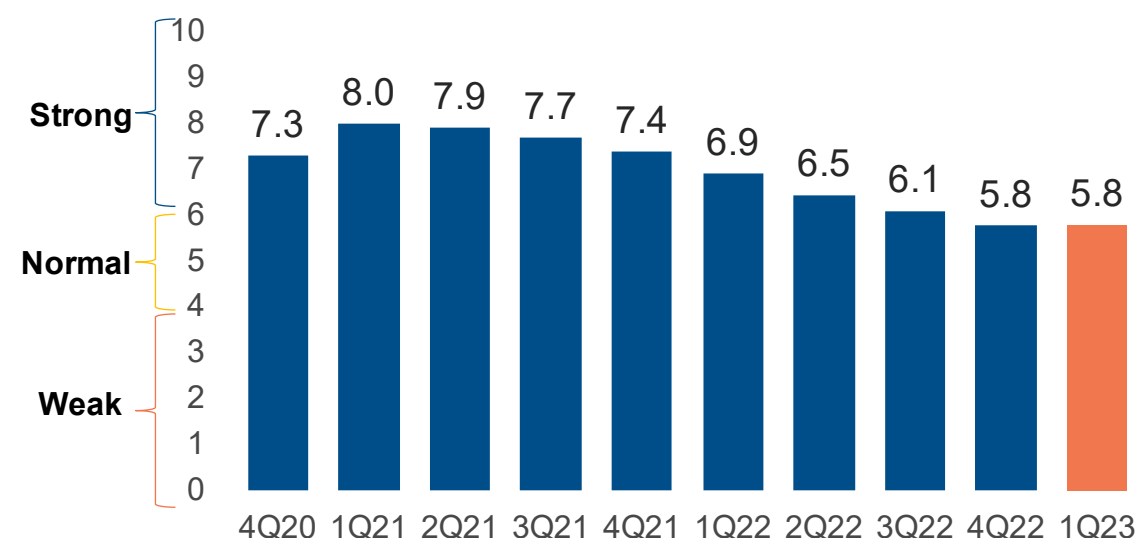
Current Remodeling Activity Gauge



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



Remodeling Demand Meter



Signs of spring optimism among professional remodelers despite continuing industry challenges

The US Remodeler Index (USRI) increased in 1Q23, reflecting more optimism about future remodeling project revenues.

- The USRI increased +2.3 points in 1Q23, attributable entirely to stronger expected remodeling revenue next quarter (page 4).
- Remodeling project backlogs are still relatively large (page 25).
- Professional remodelers report widespread improvement in product lead times (page 30).

We see signs of imminent slowdown in professional remodeling, as high interest rates, rising costs of remodeling, and economic uncertainty continue to challenge the industry:

- Remodeling customers are requesting fewer remodeling project bids (page 23).
- A lower percentage of those bids are turning into paid projects (page 24).
- High interest rates are driving remodeling project postponements, shrinking project sizes to fit smaller remodeling budgets (page 21).
- Customers are breaking up large remodels into smaller, bite-size projects with smaller budgets (page 21).
- Customers are requesting cheaper materials and lower product grades (page 22).



Professional remodelers highlighted the following themes in their commentary this quarter:

- Credit for remodeling projects is tighter due to stress in the banking system (page 41).
- More customers are hitting pause or downsizing “want” projects in favor of continuing “need” projects (page 42).
- Product delays and labor shortages are beginning to ease for remodelers (page 43).
- Delays from permitting, inspections, and product quality issues still prolong remodeling project timelines (page 43).

The 1Q23 survey ran March 20–March 30, 2023. Responses, commentary, and sentiment reflect the very latest shifts in the professional remodeling industry.

Four big remodeling takeaways from the latest US Remodeler Index survey

1 Professional remodelers recover some optimism heading into the peak spring project season.

Professional remodelers we surveyed expressed more widespread positive expectations of a healthy spring remodeling project season.

- The +2.3-point increase in the US Remodeler Index can be entirely attributed to a rebound expected remodeling revenue next quarter.
- The Near-Term Remodeling Activity Gauge increased +8.5 points in 1Q23, the largest quarterly increase since the survey began in 2020.
- Forward-looking sentiment improved the most for home improvement pros (+14.8 points in 1Q23). This segment includes replacement/repair contractors, with relatively small and simple projects.



2 Residential remodeling project activity and dollar spending per project are set to decline.

Although project backlogs are still large, we see signs of an imminent slowdown in remodeling spending.

- Remodeling customers are requesting fewer project bids.
- A lower percentage of those bids are turning into paid projects.
- Customers are breaking up large remodels into smaller, bite-size projects with smaller budgets.
- Project postponements are more common.
- Customers are demanding lower-cost materials and products.

As a result of these factors, we see the size of project backlogs as a potentially misleading signal in forecasting future spending.



Four big remodeling takeaways from the latest US Remodeler Index survey

3 Product lead times are easing for remodelers, shortening remodeling project timelines. Cost relief remains rare.

Professional remodelers report widespread 1Q23 improvement on product lead times.

- The net percentage of remodelers reporting shorter lead times was 10% or more in 12 different product categories.

Remodeling project timelines are beginning to normalize as well.

- 20% of professional remodelers say projects are taking less time to complete compared to the last quarter.

Cost pressures are still common for remodelers, with little sign of improvement on materials pricing or labor costs.

- 78% of remodelers did not see any product vendor prices come down in 1Q23.



4 Despite industry headwinds, professional remodelers expect 2023 full-year revenue to grow 3%–5% on average across the industry segments.

Remodelers are optimistic about revenue expectations for 2023.

- Home improvement pros are the most optimistic in terms of full-year 2023 revenue growth expected (+5%).
- Design-build firms expect on average +4% revenue growth in 2023.
- Full-service remodelers expect +3% revenue growth on average for 2023.

Professional remodelers as a whole are confident in their project backlogs and ability to continue raising prices to their customers.

We are still calling for a decline in 2023 residential repair and remodeling spending, driven by declines in both the total number of projects completed as well as the amount of spending per project.



Key 1Q23 professional remodeling takeaways by industry segment



Full-Service Remodelers

- **+1.8% growth YOY in project completions in 1Q23**
 - Focus on discretionary, “nice-to-have” remodeling projects
 - 5.2-month average project backlog in 1Q23.
- **+3% average full-year 2023 revenue growth expected**
 - Most negatively impacted from slowdown in discretionary remodeling projects.



Design-Build Firms

- **+2.4% growth YOY in project completions in 1Q23**
 - Focus on very large, whole-home renovations.
 - 8.0-month average project backlog in 1Q23.
- **+4% average full-year 2023 revenue growth expected**
 - Wealthy customers less sensitive to interest rates and costs.



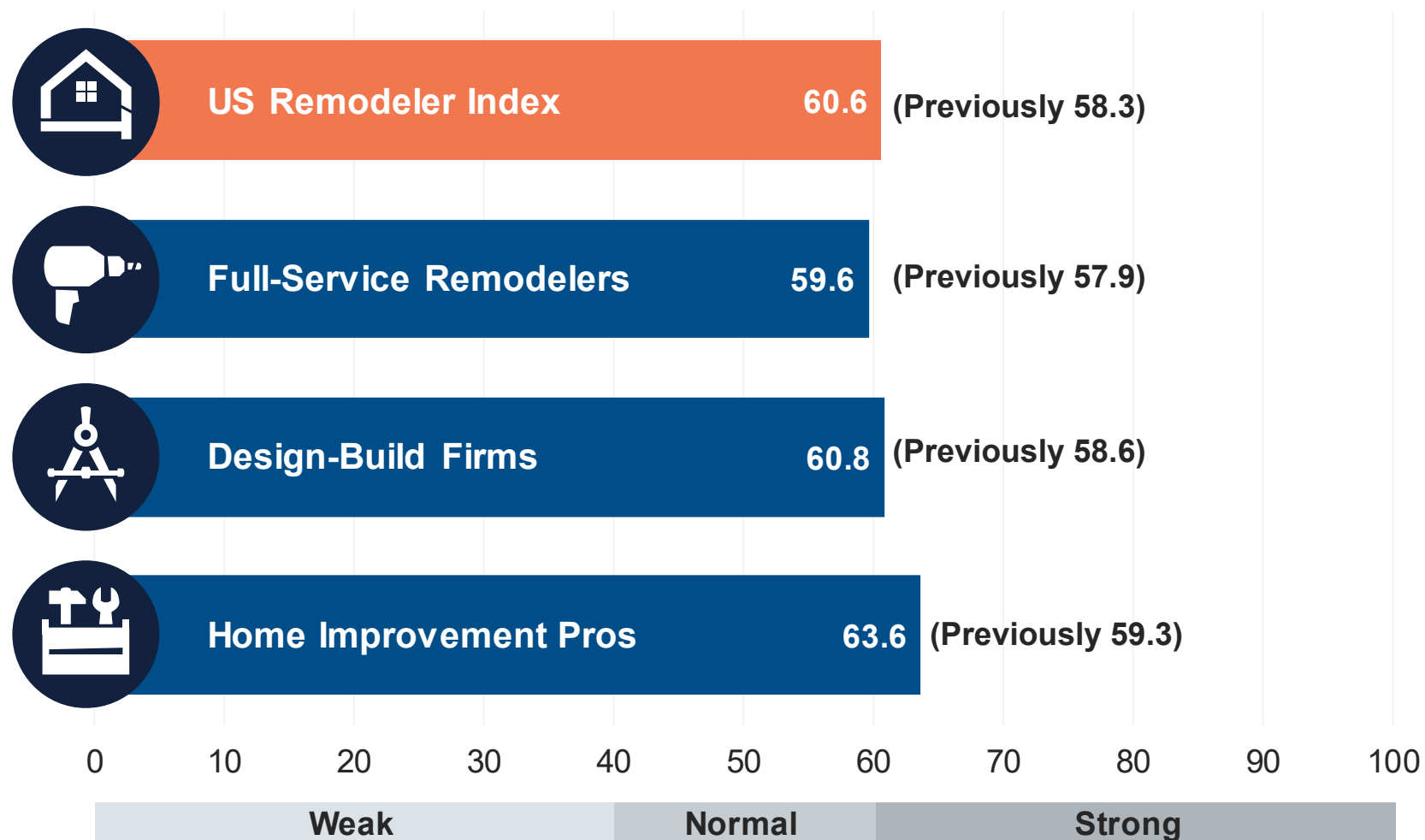
Home Improvement Pros

- **+3.9% growth YOY in project completions in 1Q23**
 - Focus on smaller, specialty projects, including replacements and repairs.
 - 4.2-month average project backlog in 1Q23.
- **+5% average full-year 2023 revenue growth expected**
 - Most optimistic of the three industry segments and least susceptible to project delays.

1Q23 US Remodeler Index



US Remodeler Index 1Q23



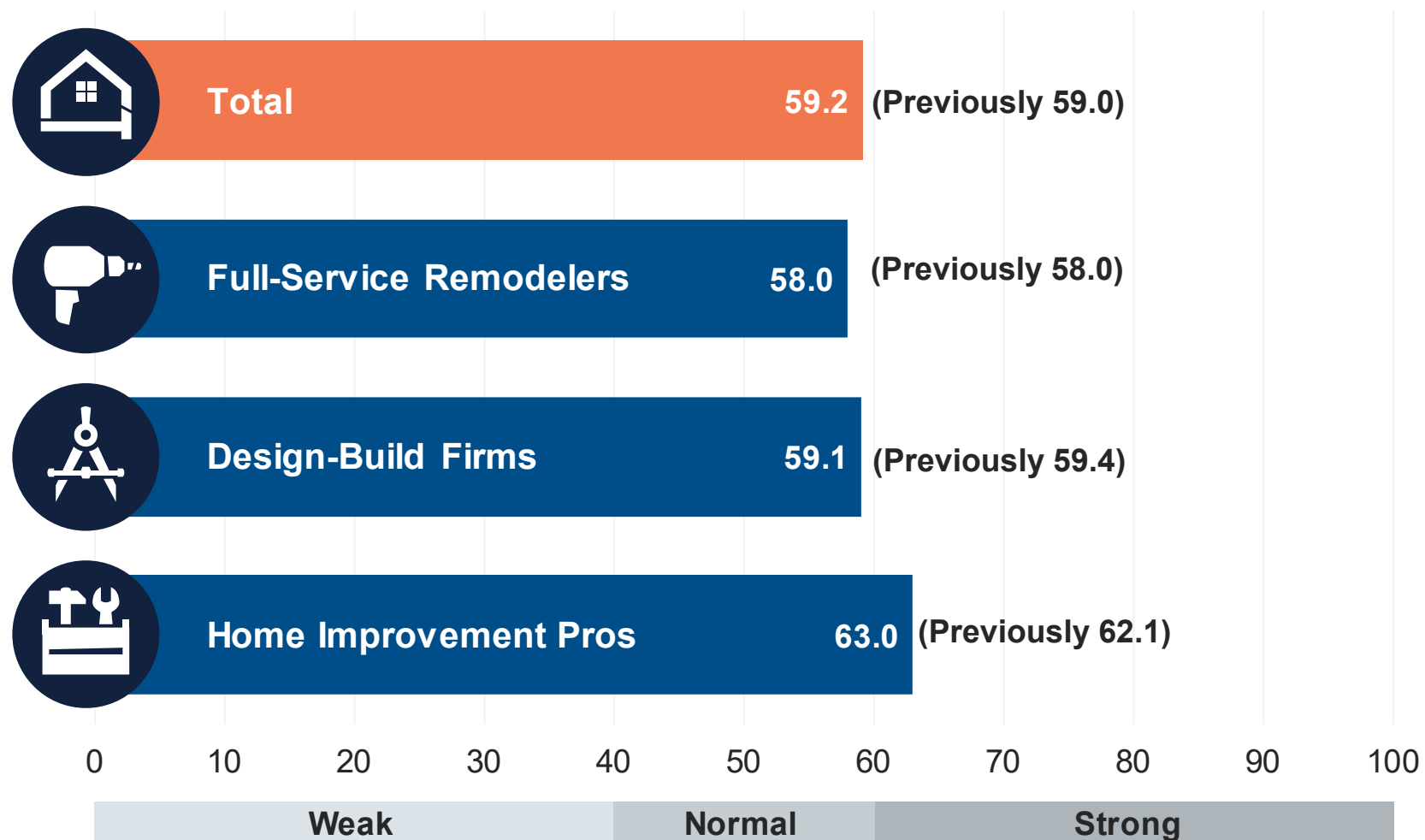
The US Remodeler Index (USRI) increased 2.3 points to 60.6, indicating the industry expanded and sentiment improved.

Professional remodelers are more optimistic about market conditions entering the peak spring season.

The index increased for all three professional remodeling industry segments, with the largest increase seen among home improvement pros (+4.3 points). This segment benefits from smaller projects and healthy demand for replacement- and repair-type projects.

A rating above 50 indicates the professional remodeling industry is generally expanding; a rating below 50 indicates the industry is generally declining.

Current Remodeling Activity Gauge 1Q23



The Current Remodeling Activity Gauge rates a 59.2 out of 100, indicating professional remodelers generally increased project completions in 1Q23.

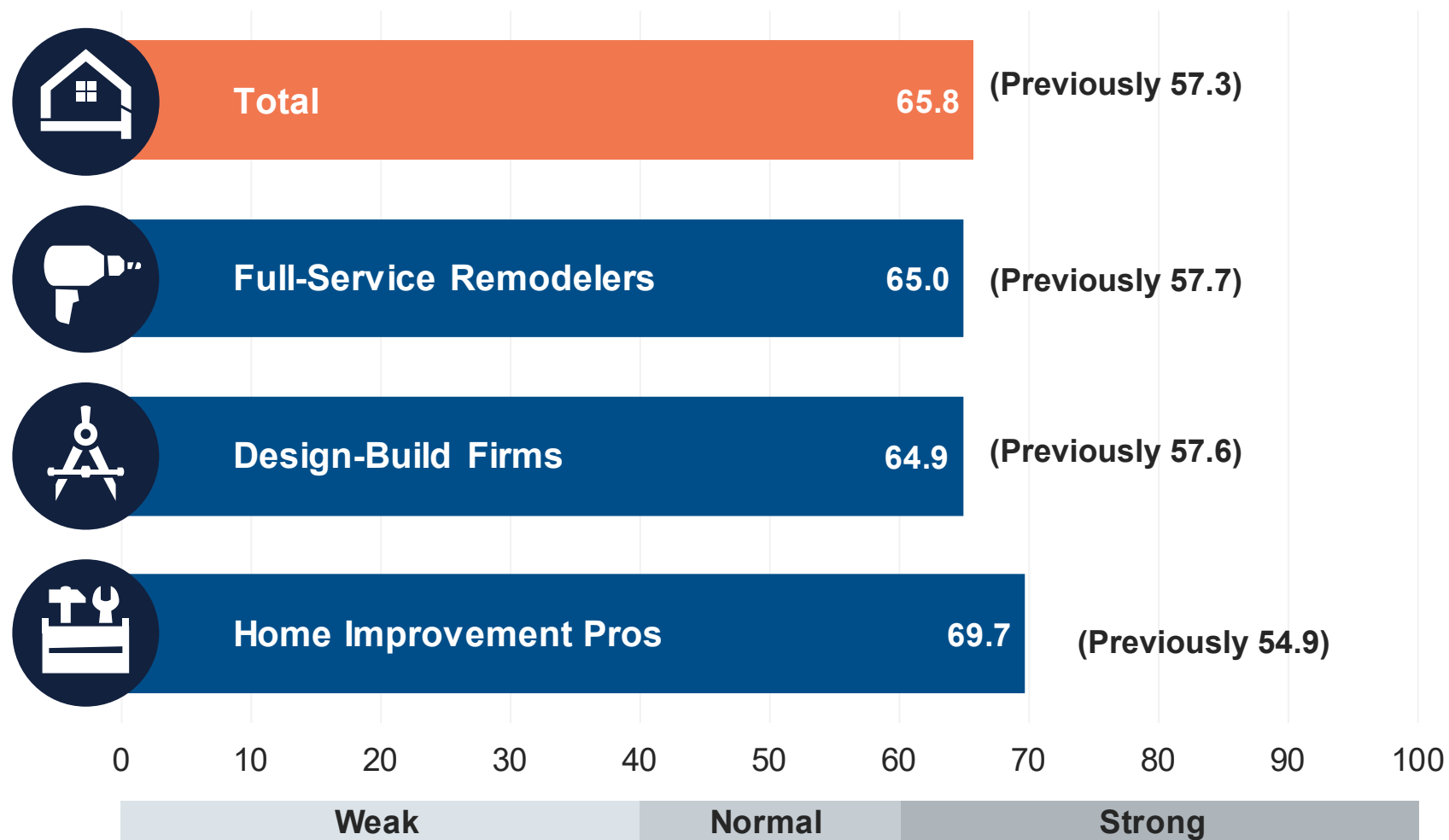
Residential remodeling project activity stabilized in 1Q23 at historically normal levels.

Remodeling project backlogs continue to drive activity, despite an overall slowdown in new project interest from homeowners.

A rating above 50 indicates the professional remodeling industry is generally expanding; a rating below 50 indicates the professional remodeling industry is generally declining.

Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

Near-Term Remodeling Activity Gauge (Next 3 Months)



Professional remodelers are optimistic about the peak spring season, rating near-term activity 65.8 out of 100, a sharp increase from 57.3 last quarter.

Professional remodelers entered the peak season optimistic about revenues. The Near-Term Remodeling Activity Gauge increased from 57.3 to 65.8.

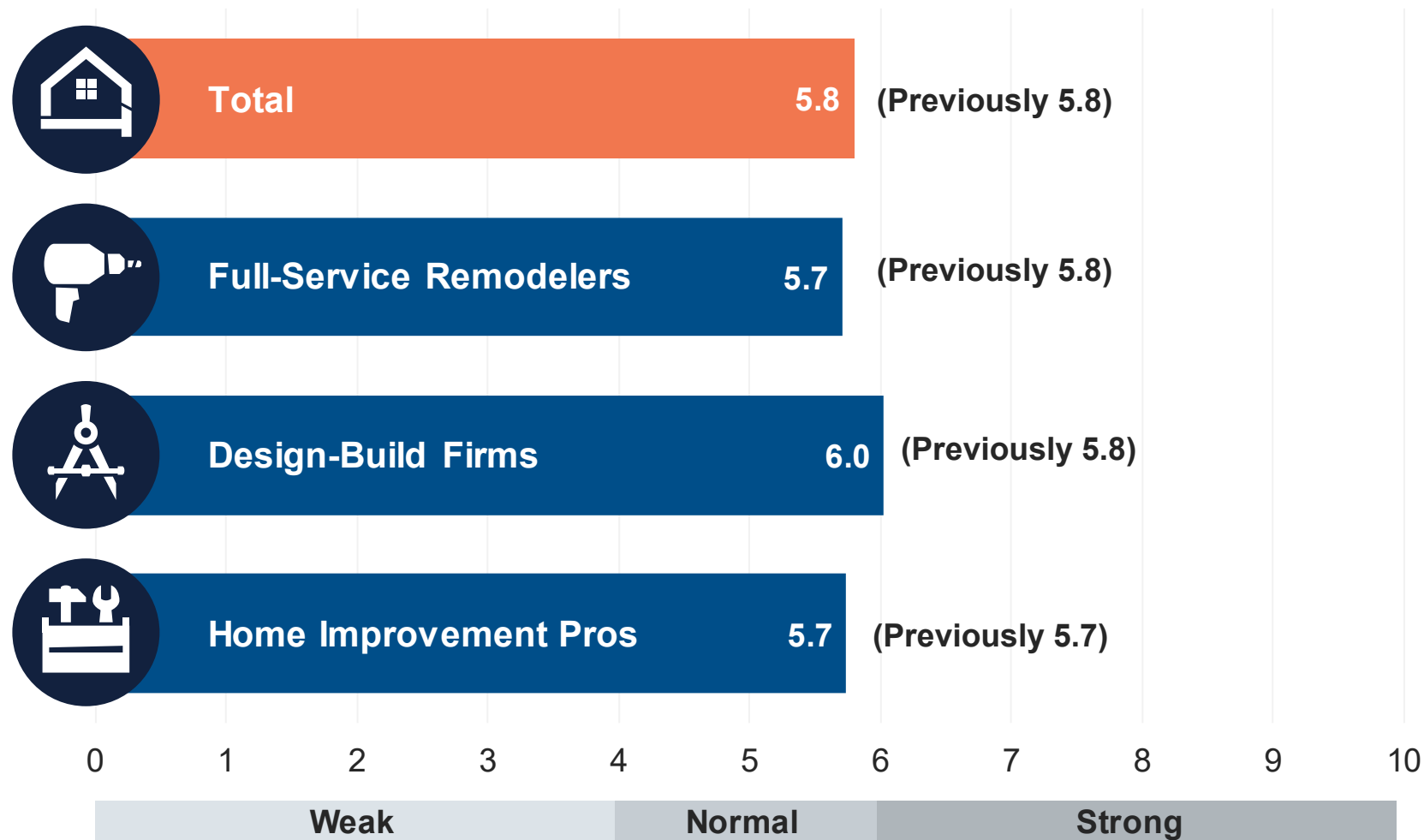
This increase signals more respondents are expecting higher revenues quarter-over-quarter in 2Q23.

The Near-Term Remodeling Activity Gauge increased for all three industry segments. The Home Improvement Pro segment registered the largest increase.

A rating above 50 indicates the professional remodeling industry is generally expanding; a rating below 50 indicates the professional remodeling industry is generally declining.

Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

Remodeling Demand Meter 1Q23



The Remodeling Demand Meter stabilized in 1Q23 at 5.8 out of 10, indicating professional remodelers rate homeowner demand for remodeling normal relative to history.

Despite optimistic revenue expectations for the peak spring season, the 1Q23 Remodeling Demand Meter was unchanged at 5.8.

Demand for professional remodeling and home improvement has cooled off in recent quarters, following the two-year remodeling boom.

At the current level of 5.8, the Remodeling Demand Meter matches the lowest rating since the survey's inception in 2020.

A rating above 50 indicates the professional remodeling industry is generally expanding; a rating below 50 indicates the professional remodeling industry is generally declining.

Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

Professional remodelers are more optimistic entering the peak spring season. High interest rates, inflation, and the economy continue to challenge the industry.

	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
US Remodeling Index	63.5	75.2	74.2	71.4	68.4	67.7	65.7	62.0	58.3	60.6
Full-Service Remodelers	60.8	76.2	75.2	71.4	70.0	67.6	64.9	60.7	57.9	59.6
Design-Build Firms	63.1	71.7	69.9	73.4	69.4	69.2	66.8	63.8	58.6	60.8
Home Improvement Pros	72.7	77.3	77.6	67.9	61.7	65.6	66.2	63.7	59.3	63.6
Current Remodeling Activity Gauge	57.1	72.7	75.3	70.5	66.7	65.9	65.3	62.9	59.0	59.2
Full-Service Remodelers	53.4	73.7	77.4	71.3	70.1	68.7	65.6	61.6	58.0	58.0
Design-Build Firms	55.3	67.9	67.2	70.7	66.4	65.9	65.0	64.6	59.4	59.1
Home Improvement Pros	72.0	76.7	80.6	67.3	55.9	62.7	64.9	64.6	62.1	63.0
Near-Term Remodeling Activity Gauge	69.9	76.9	68.1	68.9	67.9	70.4	67.3	60.9	57.3	65.8
Full-Service Remodelers	68.4	77.7	66.4	66.8	65.9	68.6	63.5	57.9	57.7	65.0
Design-Build Firms	71.3	74.4	70.2	75.5	71.5	74.5	73.2	64.9	57.6	64.9
Home Improvement Pros	72.9	78.0	72.2	66.0	68.4	71.1	70.1	65.9	54.9	69.7
Remodeling Demand Meter	7.3	8.0	7.9	7.7	7.4	6.9	6.5	6.1	5.8	5.8
Full-Service Remodelers	7.2	8.1	8.0	7.7	7.5	6.7	6.5	6.2	5.8	5.7
Design-Build Firms	7.4	7.9	7.7	7.8	7.5	7.2	6.4	6.0	5.8	6.0
Home Improvement Pros	7.4	7.8	7.6	7.2	6.9	6.7	6.5	5.9	5.7	5.7

A rating above 50 indicates the professional remodeling industry is generally expanding; a rating below 50 indicates the professional remodeling industry is generally declining.

Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)



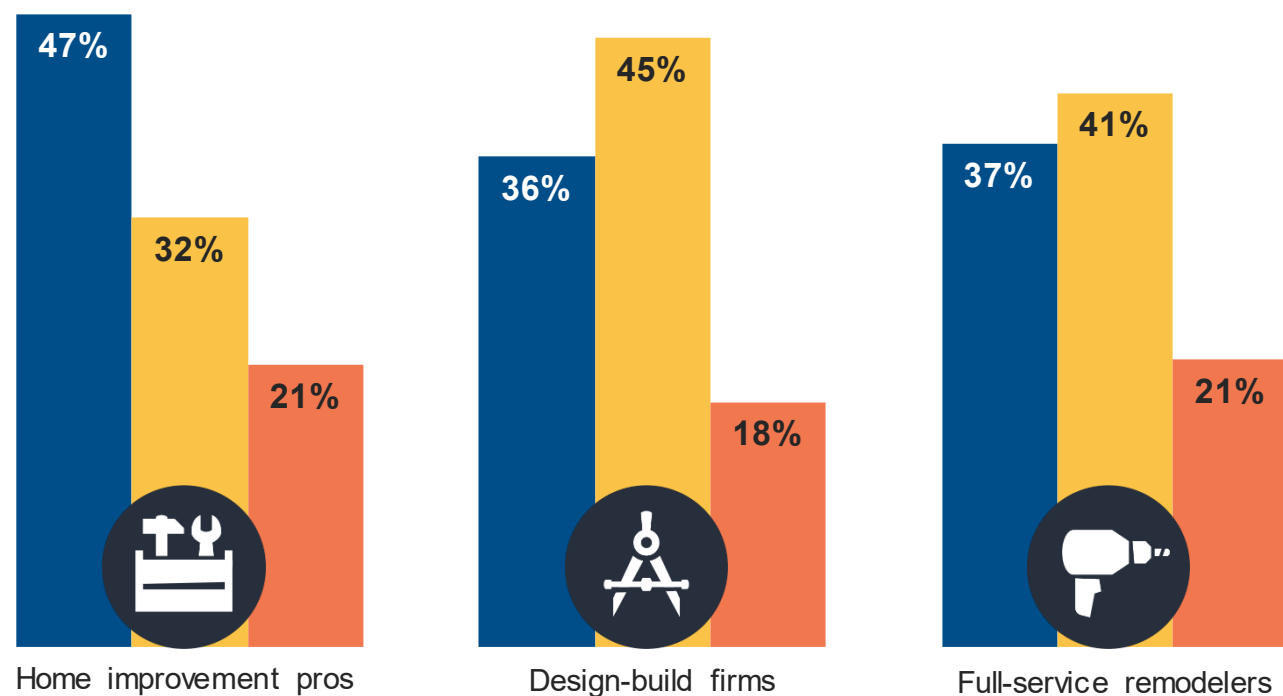
Remodeling project volume

Remodeling project completions grew the fastest in 1Q23 among home improvement pros at +4% YOY.

Nearly half of home improvement pros completed more projects in 1Q23 than 1Q22, versus 21% who completed fewer. Project completions were level in 1Q23 for 41% of full-service remodelers and 45% of design-build firms. Smaller and simpler remodeling projects have allowed home improvement pros to ramp up project completions. Full-service remodelers and design-build firms focus on larger, more complex projects and are more susceptible to project delays and supply bottlenecks.

By Segment: 1Q23 Residential Remodeling Project Completions vs. 1Q22

■ Completed more projects ■ Same amount ■ Completed fewer projects



Growth in Residential Remodeling Project Completions (1Q23 YOY)

Average completed project growth by segment

Home Improvement Pros



4%

Design-Build Firms



2%

Full-Service Remodelers



2%

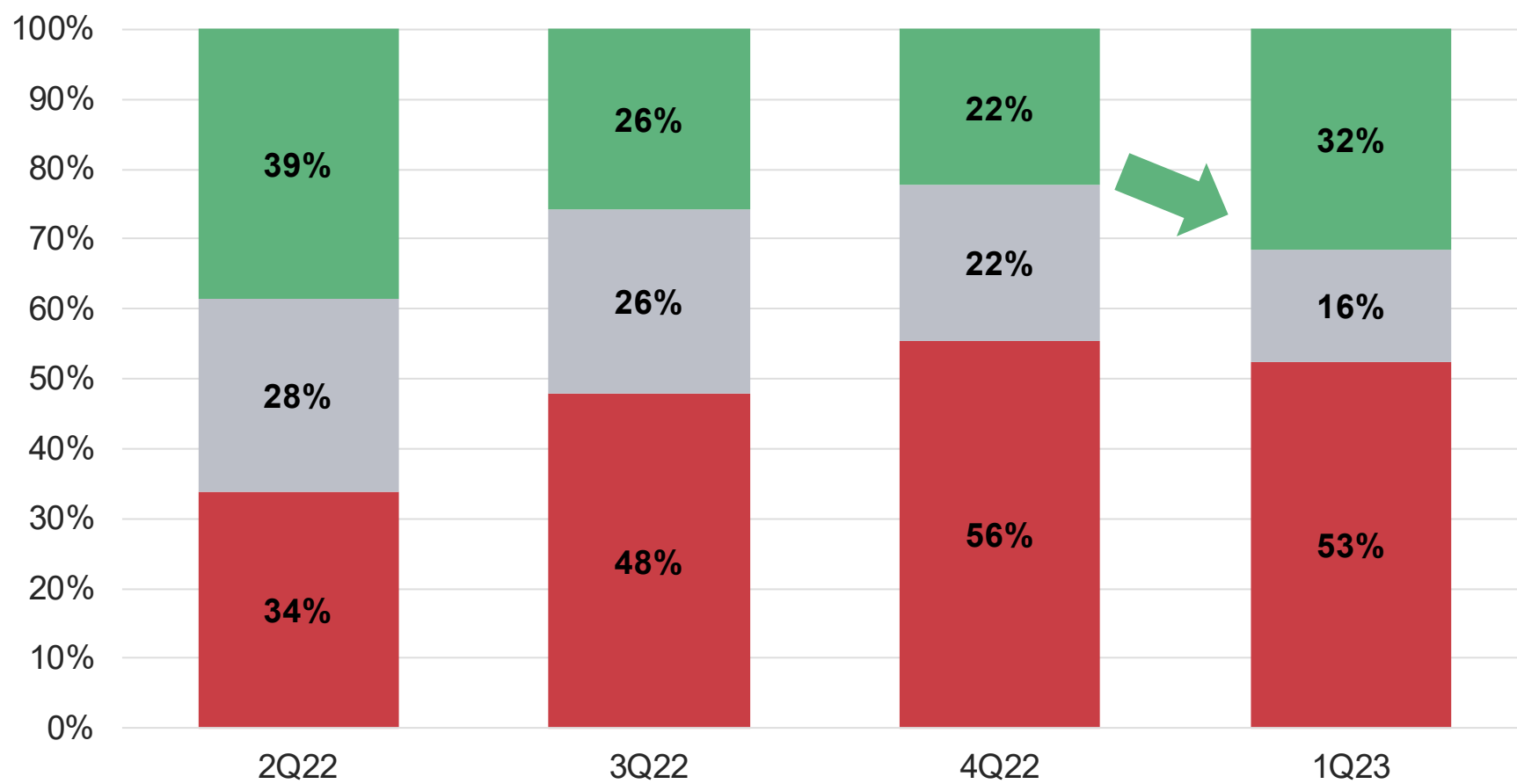


Remodeling market trends

Lower interest rates provided some relief in 1Q23 to professional remodelers. 53% still say high interest rates are affecting their business and/or customers.

Have higher interest rates or mortgage rates affected your residential remodeling business and/or customers?

■ Yes ■ Unsure ■ No

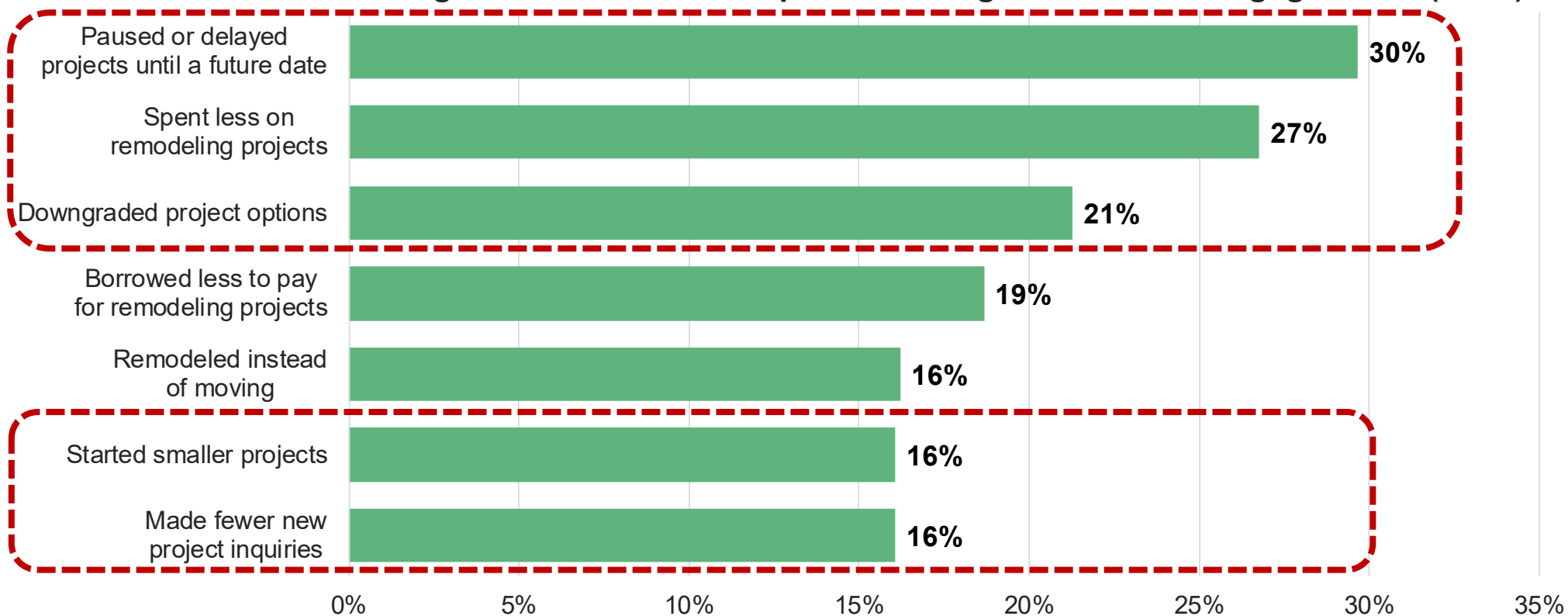


Some remodelers report experiencing relief from higher interest rates and mortgages in 1Q23. 32% report no impact from higher interest rates, up from 22% in 4Q22.

Nevertheless, financing costs remain much higher than a year ago, reducing households' ability and willingness to fund large remodeling projects. More than half of professional remodelers (53%) report some impact on their business or customers from higher interest rates.

Higher interest rates dampen new remodeling project activity and reduce future spending for remodeling projects in remodelers' backlog.

How Residential Remodeling Customers Have Responded to Higher Interest/Mortgage Rates (1Q23)



We see two primary impacts on remodeling from higher interest rates:

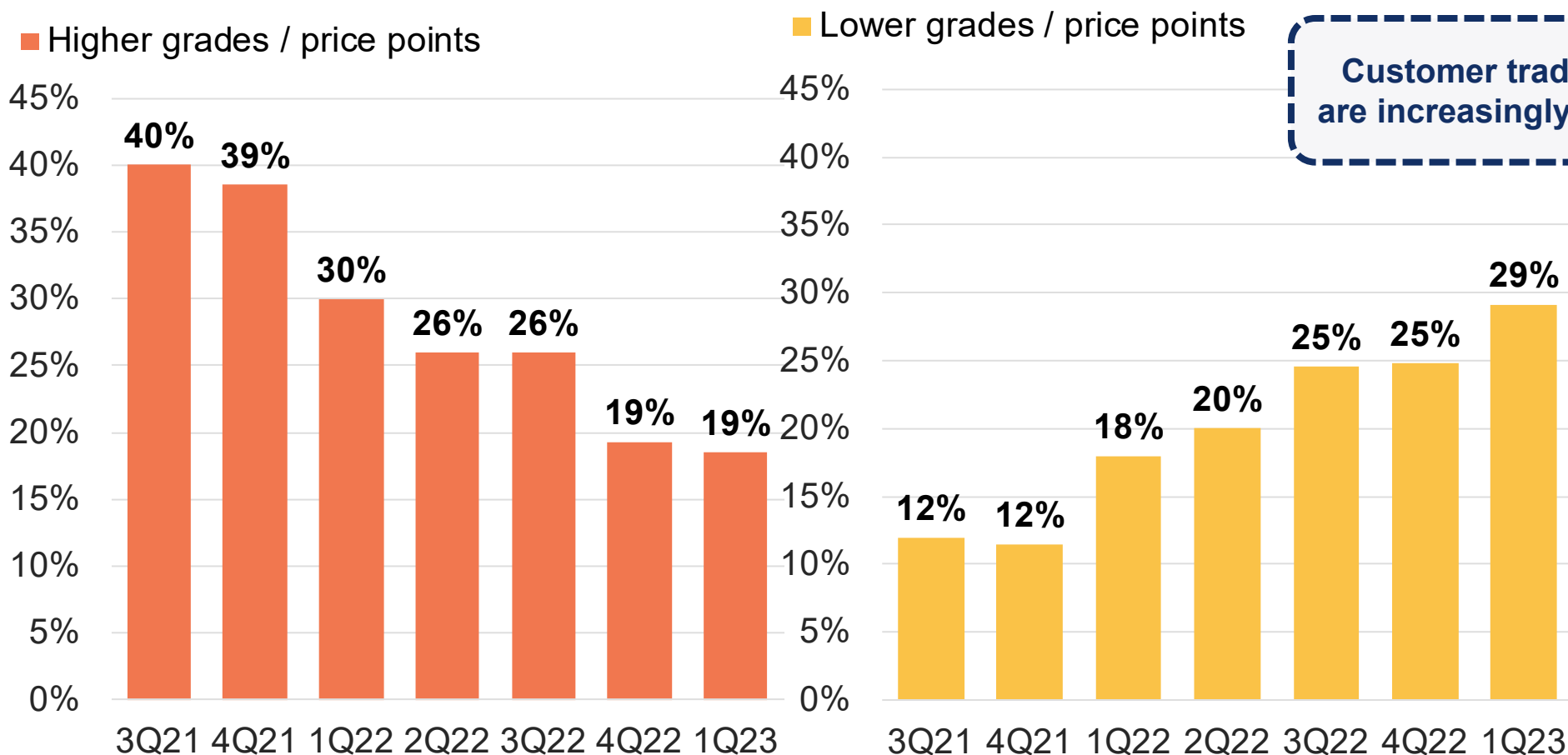
1. Dampening remodeling project activity:
 - 30% of professional remodelers report customers paused or delayed projects due to higher rates.
 - 16% say customers made fewer project inquiries.
2. Reducing consumer spending on remodeling projects in the backlog:
 - 27% report customers spending less on their projects.
 - 21% say customers downgraded project options.
 - 16% say customers started smaller projects.

Note: Respondents selected all that apply. Percent values are based on those who selected the answer option as a percent of all respondents.

Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

Customers are increasingly downgrading to lower-cost remodeling project options, reducing overall dollar spending for a given-sized remodeling project.

Shifting Customer Demand for Residential Remodeling Products



More frequent remodeling project and product downgrades are reducing the potential spending per project in remodelers' backlogs.

29% of professional remodelers report customers are shifting demand toward lower-priced and lower-grade products and project options, up from 12% in 4Q21.



Customers have lower purchasing power because of increased mortgage rates."

Design-build firm in Wisconsin

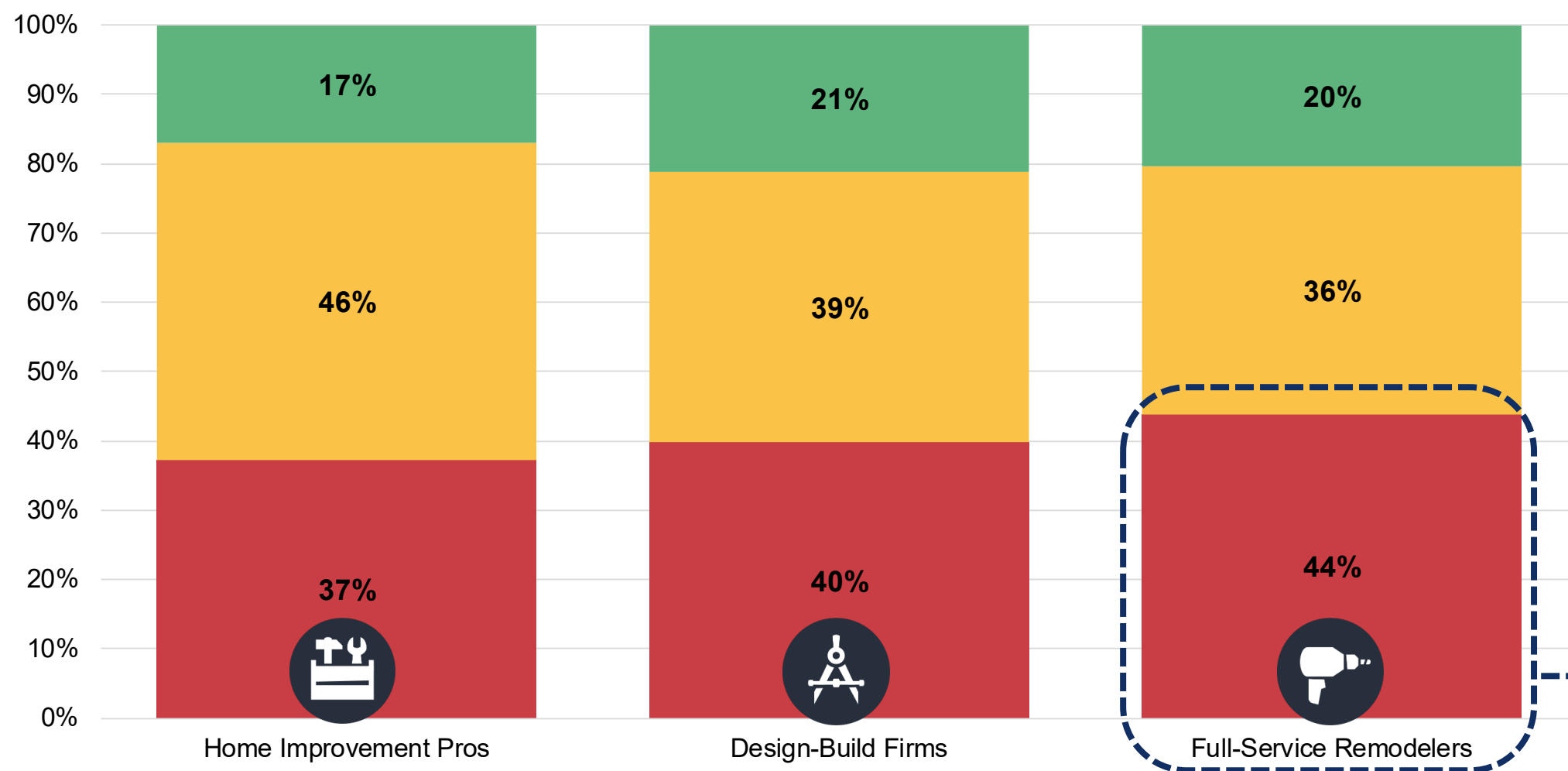
Note: Percentages may not add up to 100% due to rounding.

Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

A 1Q23 slowdown in new project inquiries affected discretionary spending-driven full-service remodelers the most.

By Segment: New Residential Remodeling Project Inquiries Compared to the Seasonal Norm (1Q23)

■ Fewer project inquiries than normal ■ Normal amount of project inquiries ■ More project inquiries than normal



Among all three professional remodeling industry segments, full-service remodelers were most likely to report receiving fewer-than-normal new project inquiries in 1Q23.

This is due to a sharper slowdown in homeowner interest in “nice-to-have” (discretionary) remodels than “cannot wait” (non-discretionary) replacement projects.

Broadest slowdown in new project inquiries for discretionary project-driven full-service remodelers

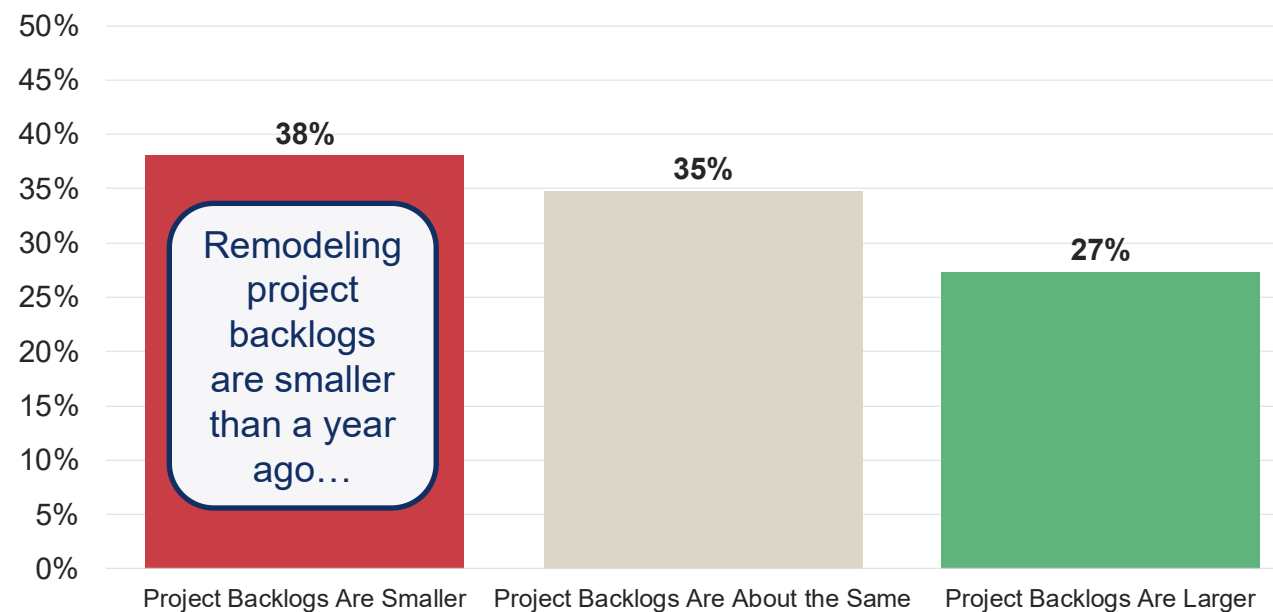
Professional remodelers say their project backlogs are smaller than a year ago but still larger than normal (pre-2020). Large project backlogs drive current remodeling activity.

38% of professional remodelers say their project backlogs are smaller than a year ago. A smaller share (27%) say their project backlogs are larger than a year ago.

Against a longer-term backdrop, professional remodelers are most likely to say their project backlogs are larger than normal.

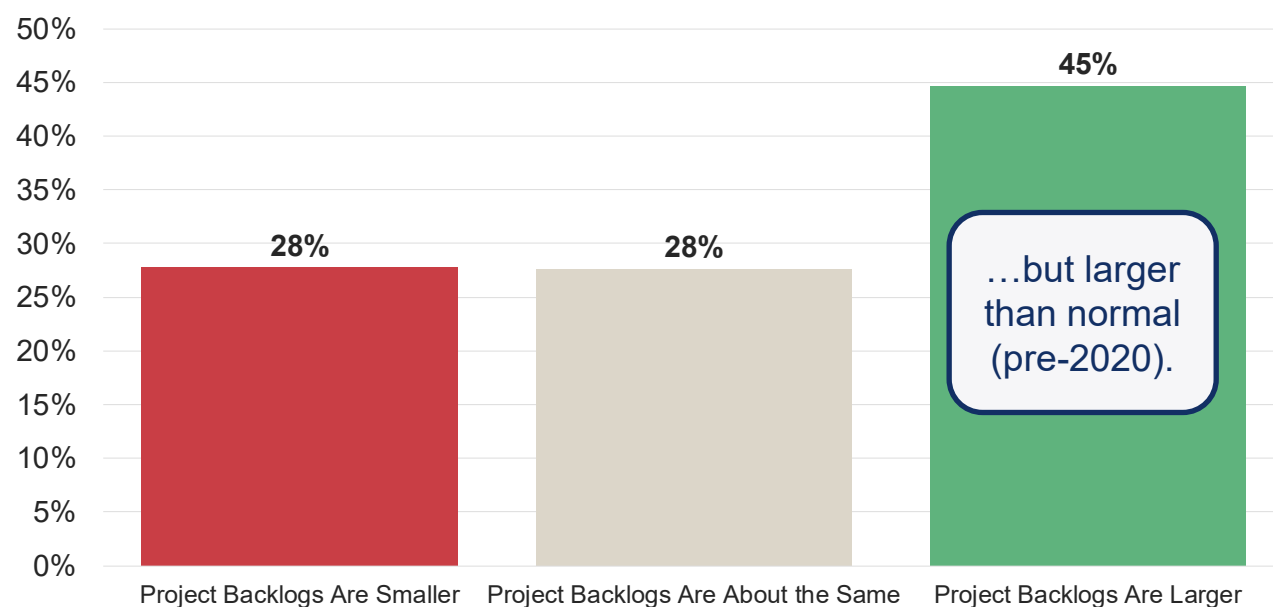
Professional Remodelers' Project Backlogs

1Q23 vs. 1Q22



Professional Remodelers' Project Backlogs

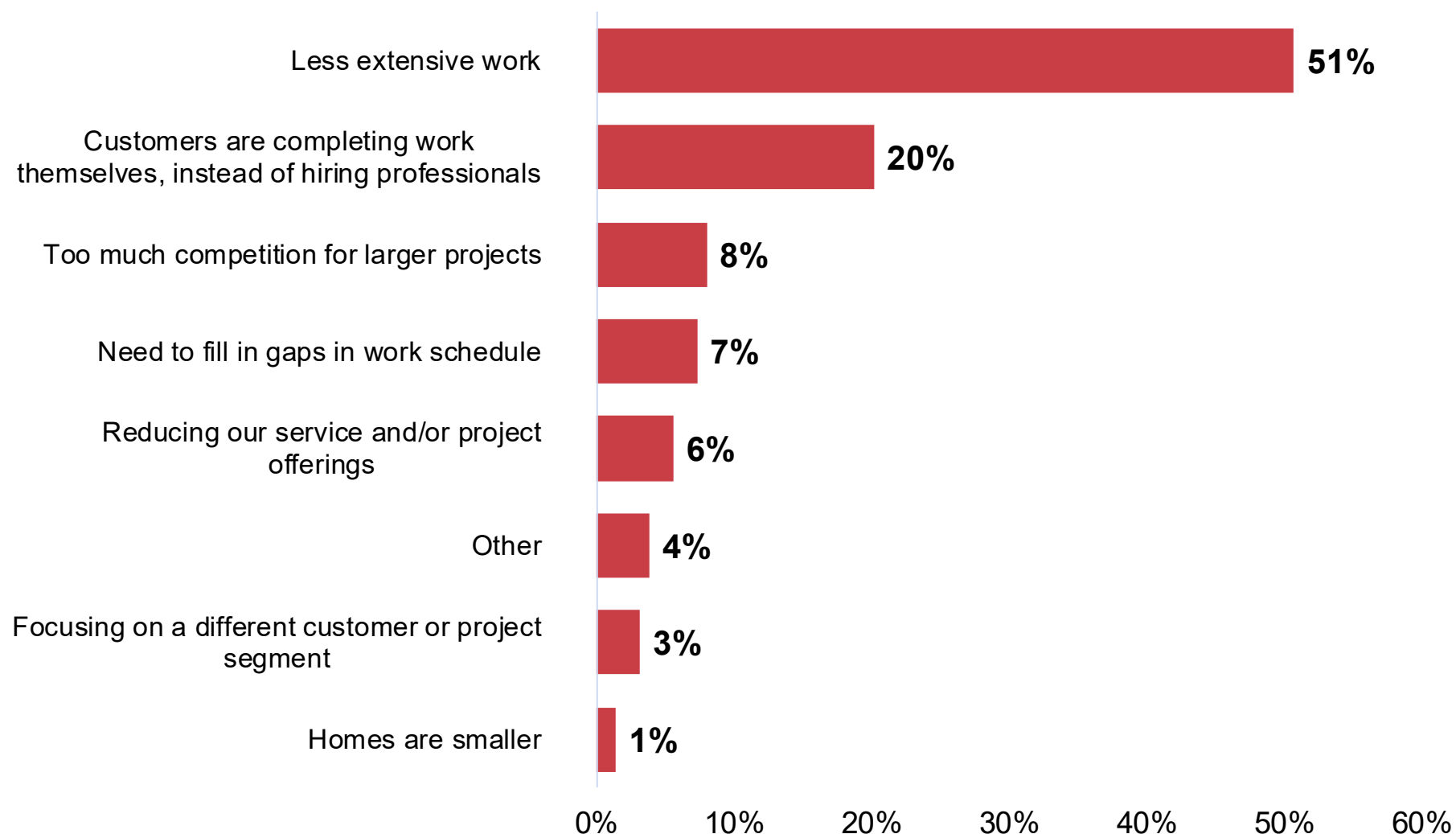
1Q23 vs. normal (pre-2020)



Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

Professional remodelers report their customers are starting smaller projects to save on costs, while doing some work themselves.

What is driving 1Q23 residential remodeling project scopes smaller?



Homeowners starting smaller remodeling projects is the number one reason remodeling project scopes have shrunk in size over the past year.

This marks a **reversal of a trend from the post-pandemic remodeling boom** where homeowners would “bundle” multiple projects together into one large project.

Budget-conscious remodeling customers **are less willing to make these very large investments in the home** and prefer to start smaller projects one-at-a-time over multiple years.

“Going forward, many of these newly-minted DIYers will continue to save money, DIYing the easier portions of remodeling projects that they previously would have outsourced 100% to professional installers.”

(JBREC, “Putting Your DIY Skills to Work”, June 11, 2021)

A growing share of professional remodelers say projects are taking less time to complete. Homeowners are starting smaller remodel projects. Supply chain bottlenecks are easing.

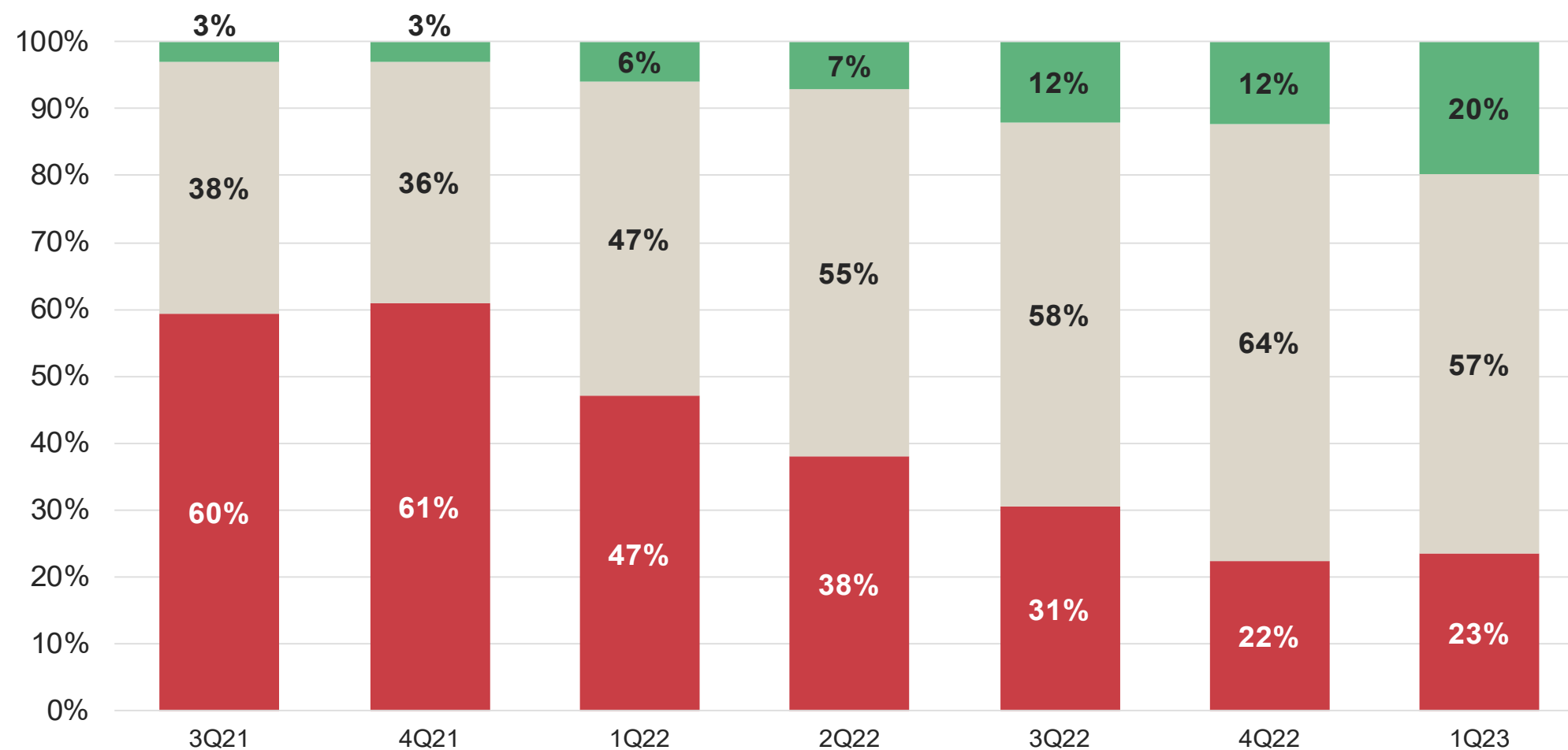
Are Residential remodeling projects taking more, less, or the same time to complete?

Quarter over quarter

■ More time to complete

■ About the same

■ Less time to complete



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

Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

“

The supplies and skilled labor are available to do the work now, whereas they weren't this time last year.”

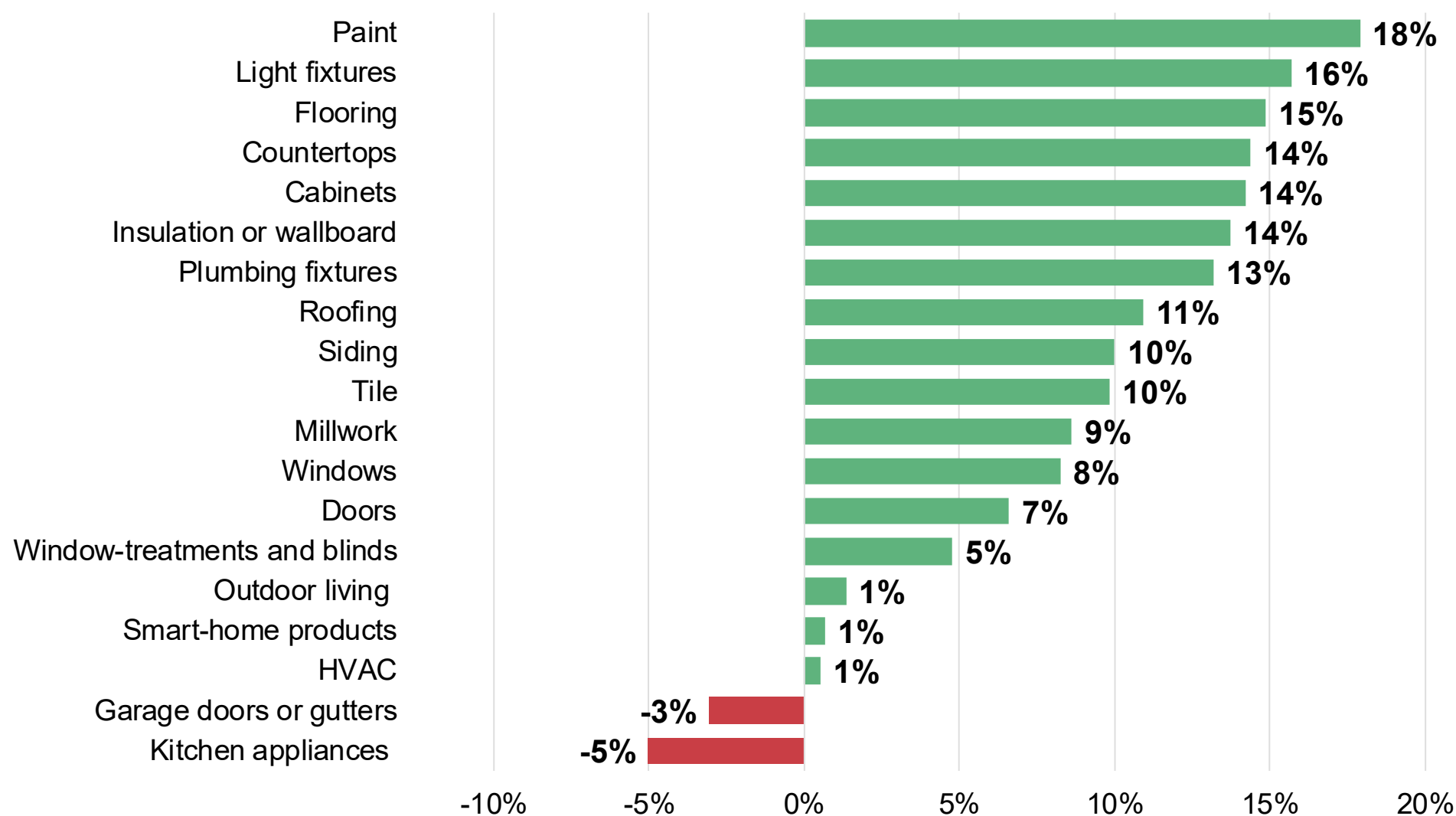
Full-service remodeler in the Midwest US

20% of professional remodelers now say residential remodeling projects took less time to complete in 1Q23 compared to the prior quarter. That's up from 12% in 4Q22.

We are now seeing widespread consensus that the building product supply chain is improving, resulting in improving project timelines for remodelers.

Widespread 1Q23 improvement in product lead times for professional remodelers.

By Product: Net Percentage of Remodelers Reporting Shorter Lead Time (1Q23)



“Products are starting to come in 5-8 weeks compared to 12–16 weeks in 2022. However, they are sometimes damaged, or the finishes are off.”

Full-service remodeler in Pennsylvania

Professional remodelers are seeing improving lead times across nearly every product category in 1Q23.

The net percentage of remodelers reporting shorter lead times was 10% or more in 12 different product categories.

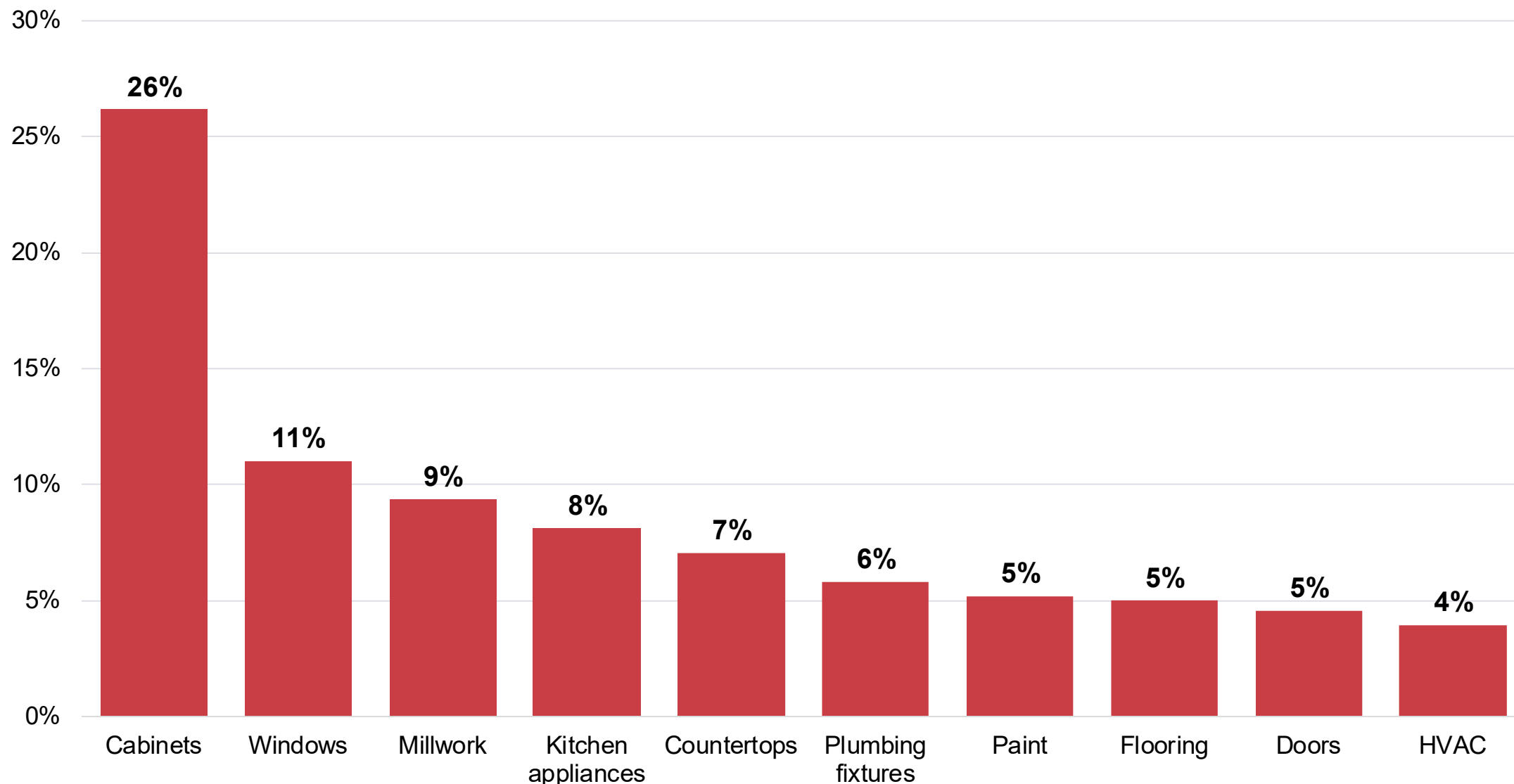
Professional remodelers report widespread improvement in lead times for paint, light fixtures, flooring, countertops, and cabinets.

Net percentage is calculated as the percent of remodelers reporting shorter lead times in 1Q23 minus percent of remodelers reporting longer lead times in 1Q23.

Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

Professional remodelers were most likely to see price increases on cabinets in 1Q23. Vendor price increases are still common for professional remodelers.

By Product: Percent of Professional Remodelers Reporting Higher Prices from Vendors (1Q23)



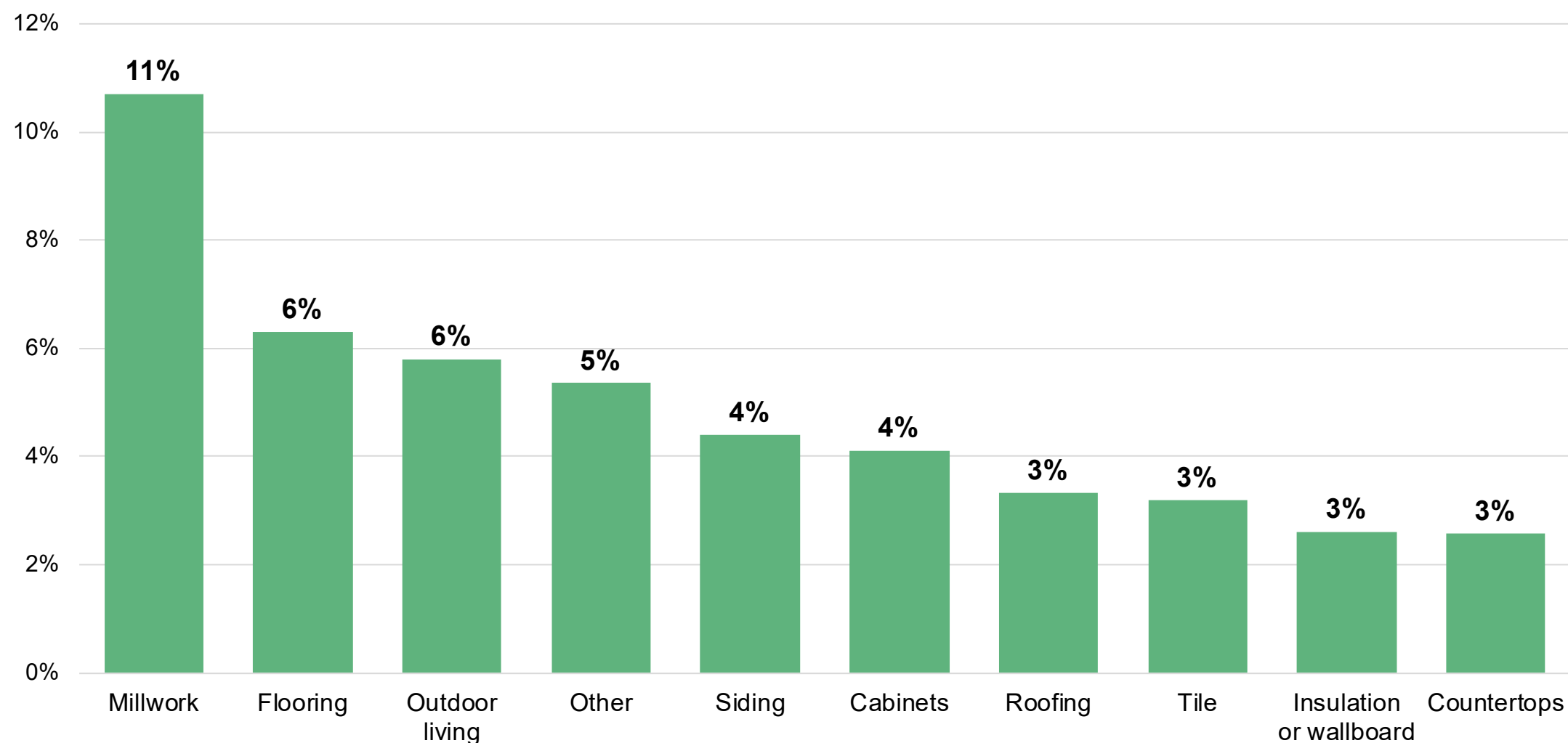
Price increases were most widespread for cabinets. 26% of remodelers who use cabinets saw prices go up in 1Q23.

Professional remodelers report price increases across a broad range of product categories.

Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

Professional remodelers were more likely to see lower vendor pricing on millwork, flooring, and outdoor living products.

By Product: Percent of Professional Remodelers Reporting Lower Prices from Vendors (1Q23)

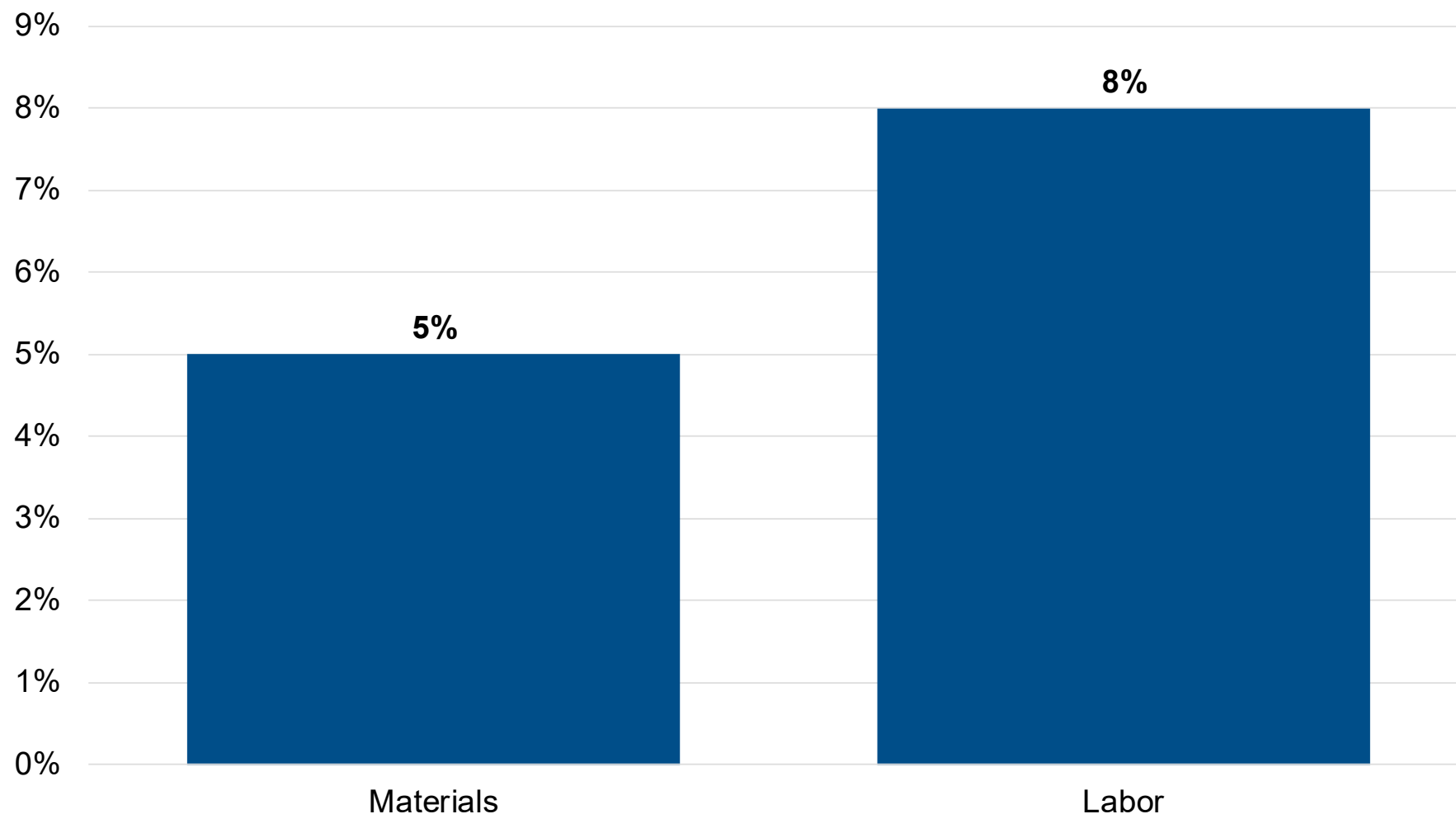


Professional remodelers were mostly likely to see cost reductions for millwork. 11% of professional remodelers we surveyed who use millwork reported seeing falling prices in 1Q23. This is consistent with results from other channel surveys that show weak pricing for building products used heavily in new home construction.

Other categories where remodelers have noted price reductions in 1Q23 include flooring, outdoor living, siding, and cabinets.

Professional remodelers are still raising prices in 1Q23 and expect to continue through 2023.

Professional Remodelers' Median Expected Price Changes for Full-Year 2023 (1Q23)



For the professional remodelers we surveyed, they expect to raise the price of materials by +5% and the price of labor by +8% in 2023.

This represents potential cost increases incurred by remodeling customers.

Roughly half of the professional remodelers we surveyed reported higher revenues YOY in 1Q23. Growth averaged +3% to +5% across the three industry segments.

Home improvement pros reported the highest 1Q23 revenue growth YOY across the three industry segments, averaging +5% YOY. Design-build firms and full-service remodelers both averaged +3% YOY growth in 1Q23.

Despite relatively healthy remodeling project backlogs, both revenue growth and growth in project completions are decelerating into the low single digits.

1Q23 Professional Remodeler Revenues Compared to 1Q22

■ Higher than 1Q22 ■ About the same as 1Q22 ■ Lower than 1Q22

Home Improvement Pros



Design-Build Firms



Full-Service Remodelers



Professional Remodeler Revenue Growth (1Q23 YOY)

Average 1Q23 revenue growth on a year-over-year basis

Home Improvement Pros



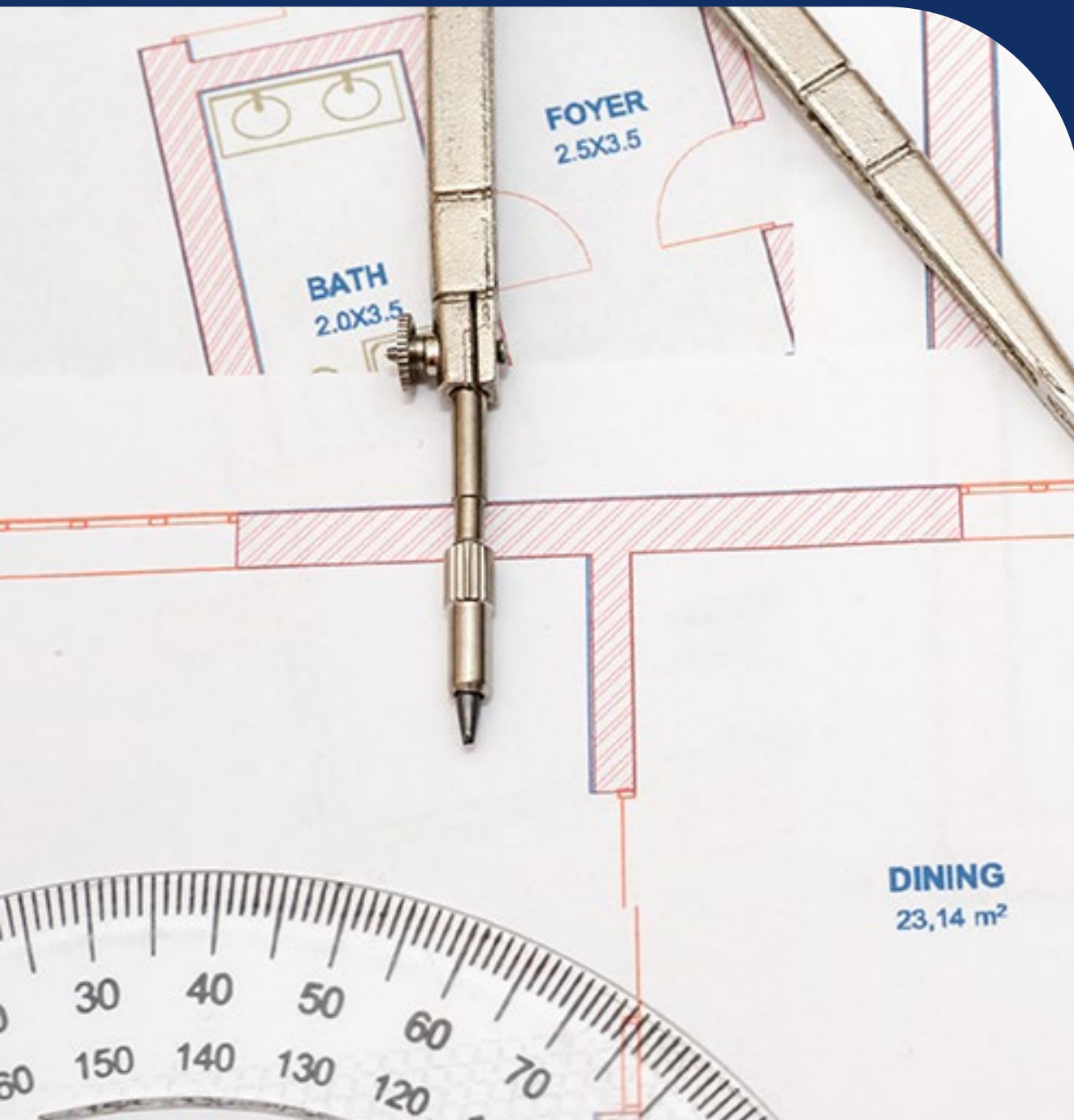
Design-Build Firms



Full-Service Remodelers



Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)



2023 remodeling guidance

Optimism remains the consensus view among professional remodelers. Very few expect falling revenue in 2023, despite signs of a slowdown in new remodeling projects.

Home improvement pros are the most optimistic for full-year 2023 revenue growth, with the average respondent calling for +5% revenue growth on the year. The average design-build firm expects +4% revenue growth in 2023, and the average full-service remodeler expects +3% growth.

Roughly one-in-five professional remodelers expect lower revenues in 2023 than 2022.

2023 Professional Remodeler Revenue Growth Outlook

■ Higher than 2022 ■ About the same ■ Lower than 2022

Home Improvement Pros



Design-Build Firms



Full-Service Remodelers



Average Full-Year Professional Remodeler Revenue Growth Outlook (2023 YOY)

Home Improvement Pros






Design-Build Firms



Full-Service Remodelers



Professional remodeling industry sentiment stabilized in 1Q23.

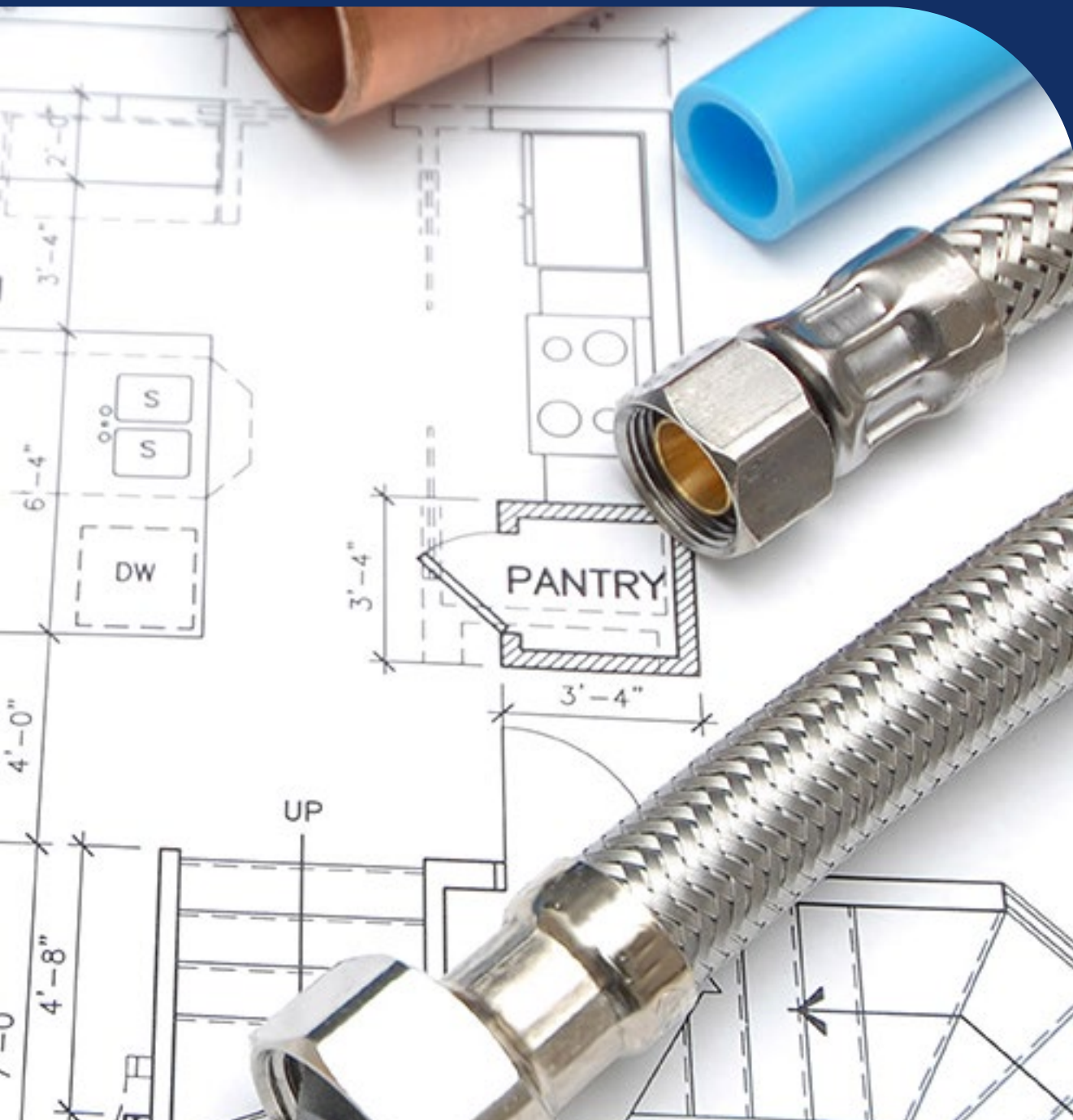
	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Remodeling Business Investment Gauge	6.9	6.9	6.8	6.7	6.3	6.3	6.0	5.9	6.0
 Full-Service Remodelers	7.0	6.7	6.8	6.7	6.2	6.0	5.8	5.8	5.8
 Design-Build Firms	6.9	7.4	6.9	6.8	6.7	6.3	6.2	6.0	6.2
 Home Improvement Pros	7.0	6.8	6.9	6.7	6.5	6.4	6.4	6.2	6.0

Remodelers rate the current state of the remodeling industry a 6.0 out of 10.

Professional remodeler industry sentiment stabilized in 1Q23, as optimism over the peak spring season met with some relief from easing interest rates and fewer supply chain bottlenecks.

Professional remodelers are adjusting to a period of slower demand following the two-year post-pandemic remodeling boom.

With remodeling project backlogs still relatively healthy across the industry, this slowdown in new demand stands in contrast to sustained activity on current remodeling projects.



Remodeling market commentary

Credit is tightening for professional remodelers and their customers, a side effect of recent stress in the banking system.

“Banks are getting **more stringent on loan requirements** and giving our clients **more push back on construction loans.**” - Full-service remodeler in Tennessee

“Some **customers have been denied financing**, or find the **terms and conditions are so unreasonable that they do not establish financing** for their projects.” - Full-service remodeler in Ohio

“**Banks are wanting our customers to have about 80% of the money they want to borrow available** to get approved.” - Full-service remodeler in Texas

“**Loan paperwork is much more time-consuming. Approval times are longer**, with an **unclear payment schedule.**” - Full-service remodeler in Pennsylvania

“Lenders seem to have made the **process more complex and overly time-consuming.**” - Full-service remodeler in South Carolina

“Lenders are **requiring much more detail** and **taking additional time to get approvals.**” - Full-service remodeler in the Midwest US

“Banks are **requiring better credit rating** for homeowners.” - Home improvement pro in New Jersey

Some professional remodelers are insulated from the cost and availability of credit.

“The vast majority of **our projects are funded by the clients and do not require bank loans.**” - Design-build firm in California

“I have not noticed much, **most of our customers pay in cash.** A small amount get loans.” - Design-build firm in Washington

“We do not handle any loans and **rarely have clients that are financing their projects.**” - Full-service remodeler in Michigan

More remodeling customers hitting pause or downsizing “want” projects in favor of “need projects while prices are high and wait times long.

“Uncertainty about a coming recession is keeping people from making any major transactions.” - Full-service remodeler in Midwest

“Customers are put off by long lead times and material price increases. They are hoping that if they hold, prices and lead times will come down.”
- Design-build firm in Washington

“Consumer confidence is down. Also, many consumers are waiting for dealers to announce manufacturers promotions.” - National full-service remodeler

“Lead times are too long. They don't want to give us their money to basically hold it until products are shipping and received.”
- Full-service remodeler in Pennsylvania

“It's ‘Wants’ vs. ‘Needs’. They are only doing work that must be done now and putting off larger projects until economy settles.”
- Full-service remodeler in Pennsylvania

“Customers don't want to spend as much at once, so they break down projects and plan to spread them out over the year or years.”
- Full-service remodeler in North Carolina

“Volatility in the market drives remodeling budgets down or customers postpone projects indefinitely. The scope of work has greatly been reduced on several existing projects to accommodate higher interest rates.” - Full-service remodeler in Michigan

“Customers seem to be indecisive and fail to make decisions in a timely manner. It is bizarre, most of the customers can't make any decisions anymore.” - Design-build firm in North Carolina

Product delays and labor shortages are beginning to ease for remodelers, shortening project timelines.

“We have **hired more installers** to compensate for the workload. We can **get the jobs done faster** with more installers on the job.” - Home improvement pro in Ohio

“**Timelines for contractors are about the same or a little better.**” - Full-service remodeler in California

“Products are starting to come in **5-8 weeks compared to 12-16 weeks in 2022.**” - Full-service remodeler in Pennsylvania

“**Materials are becoming more predictable** and **labor, both direct hires and subcontractors, are much more available** and willing to do a little extra as a value add.” - Design-build firm in Minnesota

“The **supplies and skilled labor are available to do the work** now, whereas **they weren't last year.**” - Full-service remodeler in Midwest US

“**Supply chain issues are slowly being rectified**, also **other segments of the building industry are slowing down, freeing up more labor** for segments that are staying busier.” - Full-service remodeler in Georgia

Delays from permitting, inspections, and product quality issues prolong remodeling project timelines.

“**Municipal planning and building and safety agencies are taking forever** to process submissions.” - Design-build firm in California

“**Inspection scheduling and delays in issuing permits** are requiring more lead time.” - Design-build firm in California

“We’ve **never seen this many quality control issues** on windows, doors, cabinets.” - Design-build firm in Washington



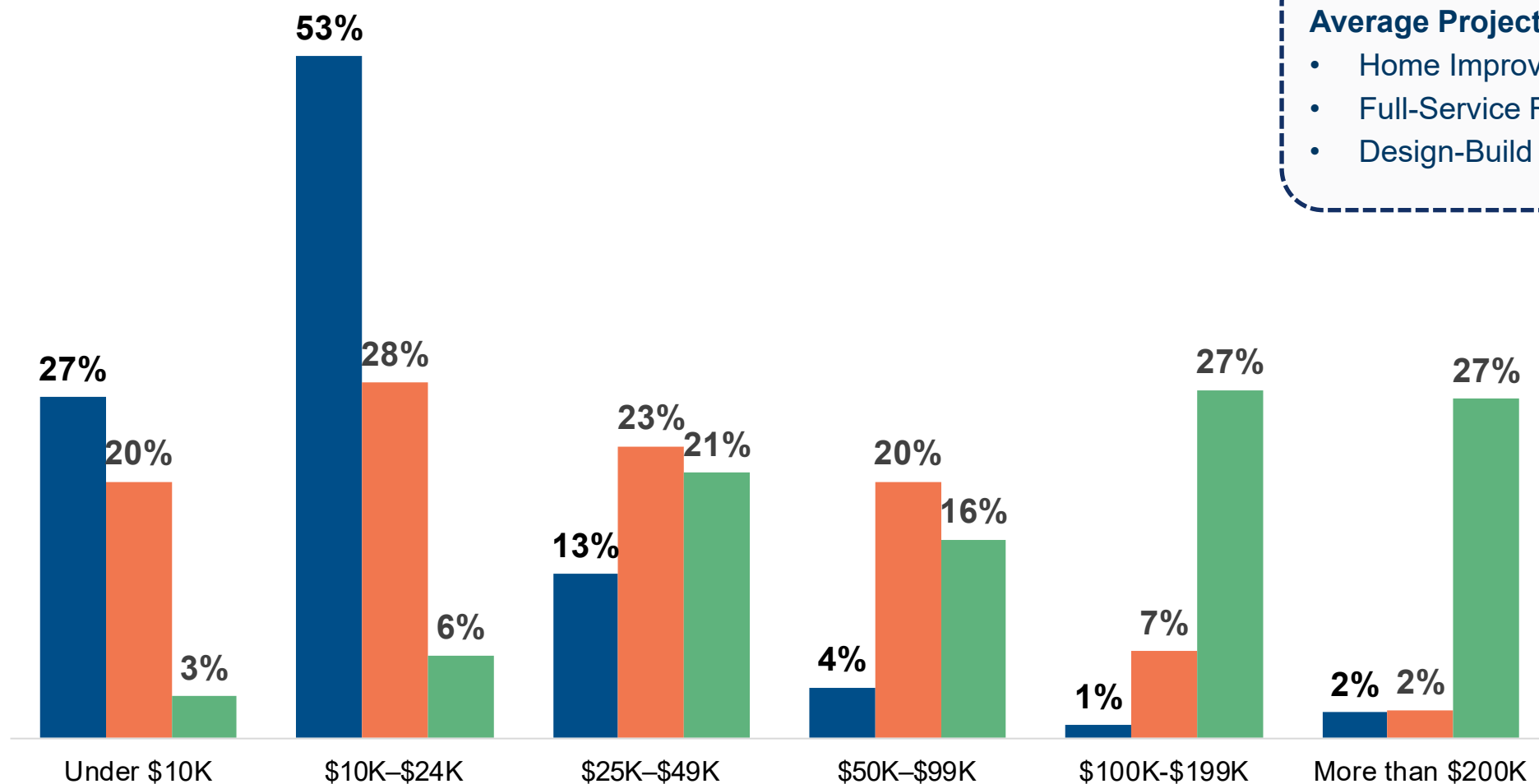
US Remodeler Index methodology

Professional remodelers in our survey billed 1Q23 projects ranging from under \$10K to over \$200K.

Average Total Cost Billed to Customer

Residential remodeling projects in the last 3 months

■ Home Improvement Professional ■ Full-Service Remodeler ■ Design-Build Remodeler



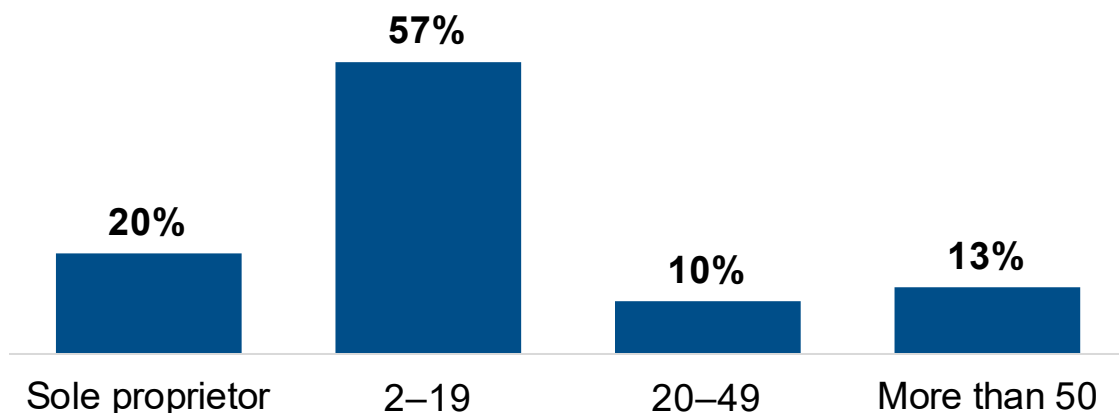
Average Project Billing by Segment

- Home Improvement Pro: **\$26K**
- Full-Service Remodeler: **\$46K**
- Design-Build Firm: **\$142K**

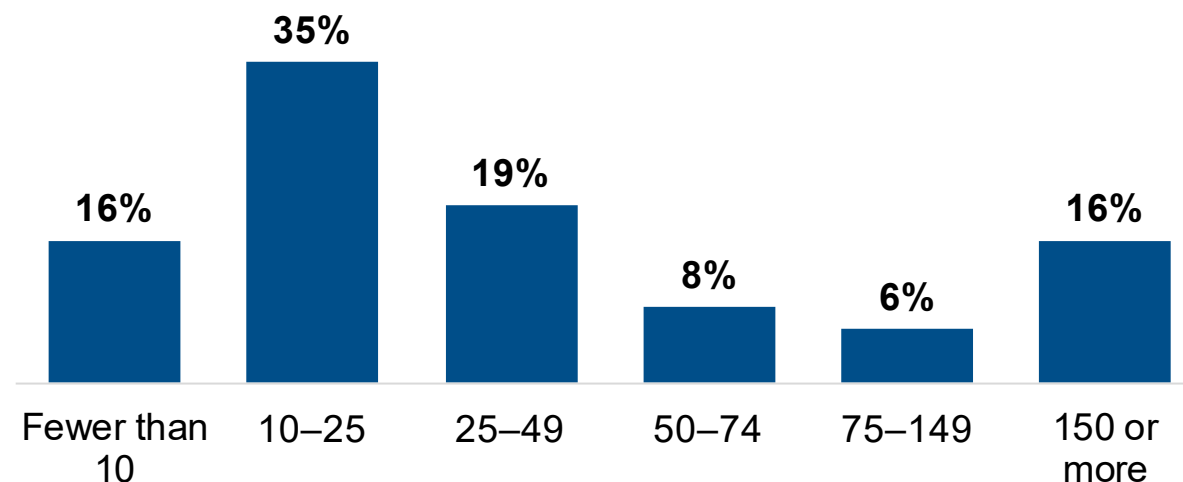
Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

Remodeling survey sample demographics

% of Remodeling Companies by Employee Count

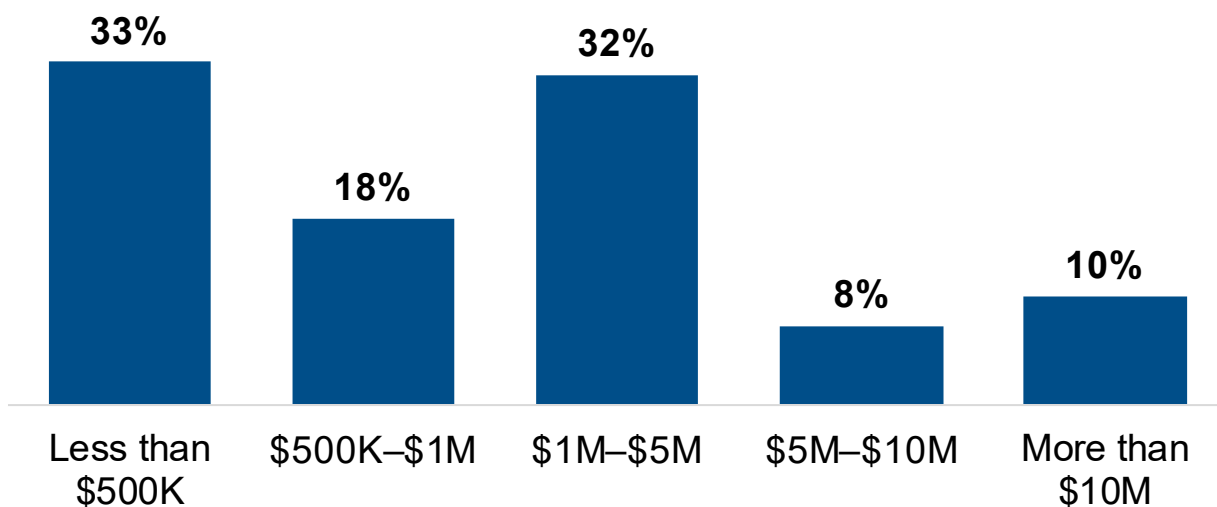


% of Remodeling Companies by 2022 Project Volume



% of Remodeling Companies Surveyed by Annual Revenue

In \$USD



Sources: Qualified Remodeler, John Burns Research and Consulting, LLC (Data: 1Q23, Pub: Apr-23)

USRI methodology



The Qualified Remodeler / John Burns Research and 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 Research and Consulting. The 1Q23 survey had 850 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 for professionally completed home repairs, remodels, and improvements.

Our survey asks remodeling companies to rate recent project volume (current activity) and next quarter revenue expectations (near-term activity) as "higher," "the same," or "lower" than the same period in the prior year. Remodelers are also asked to rate "homeowner interest and demand for home improvement or remodeling services today" relative to the trailing-three-year period on a scale of 0–10, with 0 being "extremely weak" and 10 being "extremely strong."

Survey responses

Segment	Responses	% of Total
Full-service remodelers	485	57%
Design-build firms	219	26%
Home improvement professionals	146	18%
Total responses	850	100%

Index weighting

Metric	Weight
Current Remodeling Project Activity (Most Recent Quarter)	55%
Near-Term Remodeling Activity (Leading Indicator)	25%
Remodeling Industry Demand Meter	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.

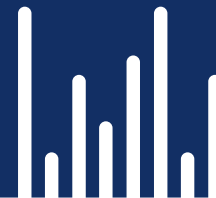
Our conclusions are based on current and expected performance of the national and/or local economy and real estate market. Given that economic conditions can change and real estate markets are cyclical, it is critical to monitor the economy and real estate market continuously and to revisit key project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



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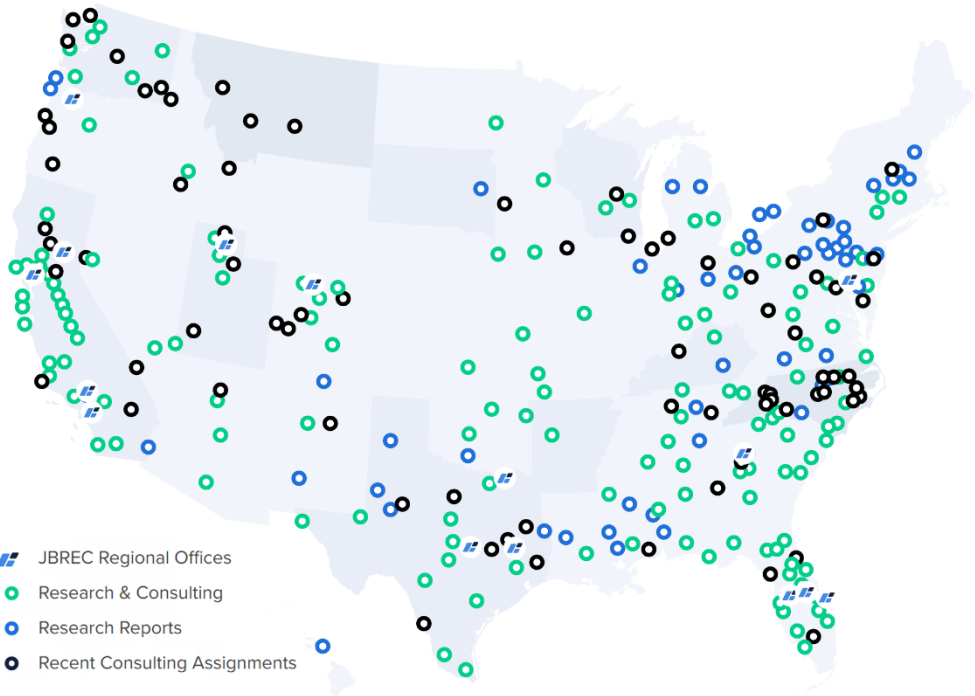
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Limiting conditions

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 Research and 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.