

# Remodeling Trends and Implications for Industry Structure

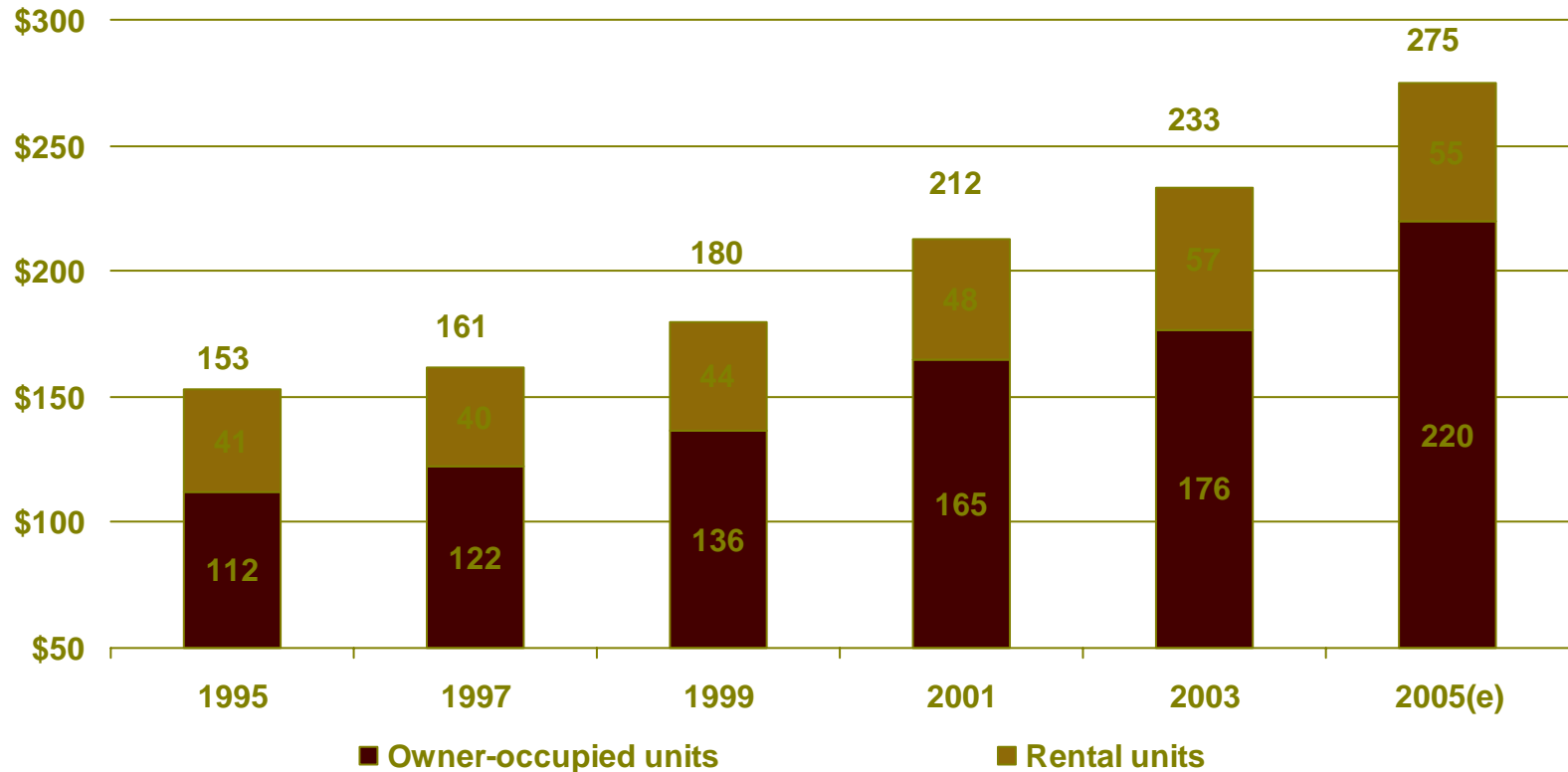
Kermit Baker

The Remodeling Market  
January 13, 2006



# The Remodeling Market Has Almost Doubled in Size Over the Past Decade

billions of dollars

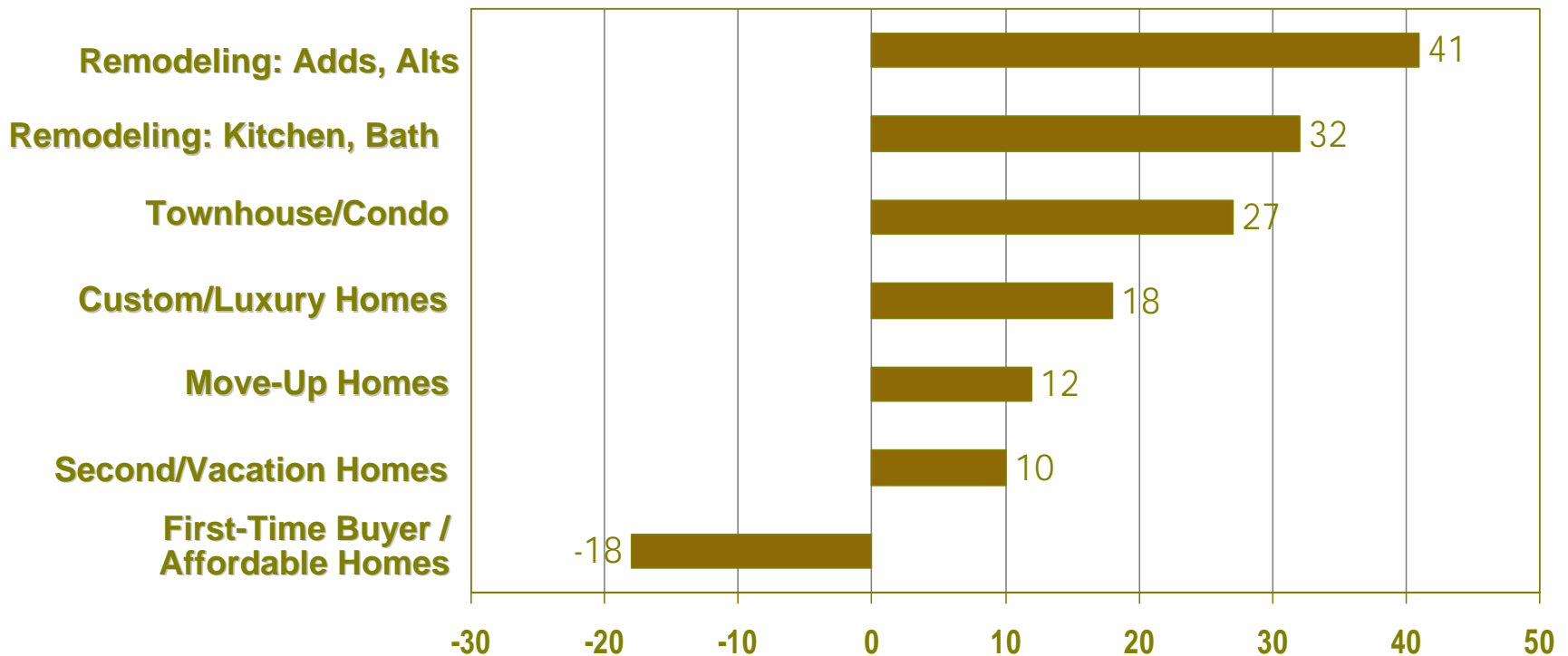


Sources: JCHS tabulations of 1995-2003 American Housing Survey (AHS) and the US Department of Commerce Survey of Expenditures for Residential Improvement and Repairs.



# Remodeling; Condo Markets Strongest at Present

*% of respondents reporting “improving” minus % reporting “weakening”; Q3:2005*



Source: AIA Home Design Survey

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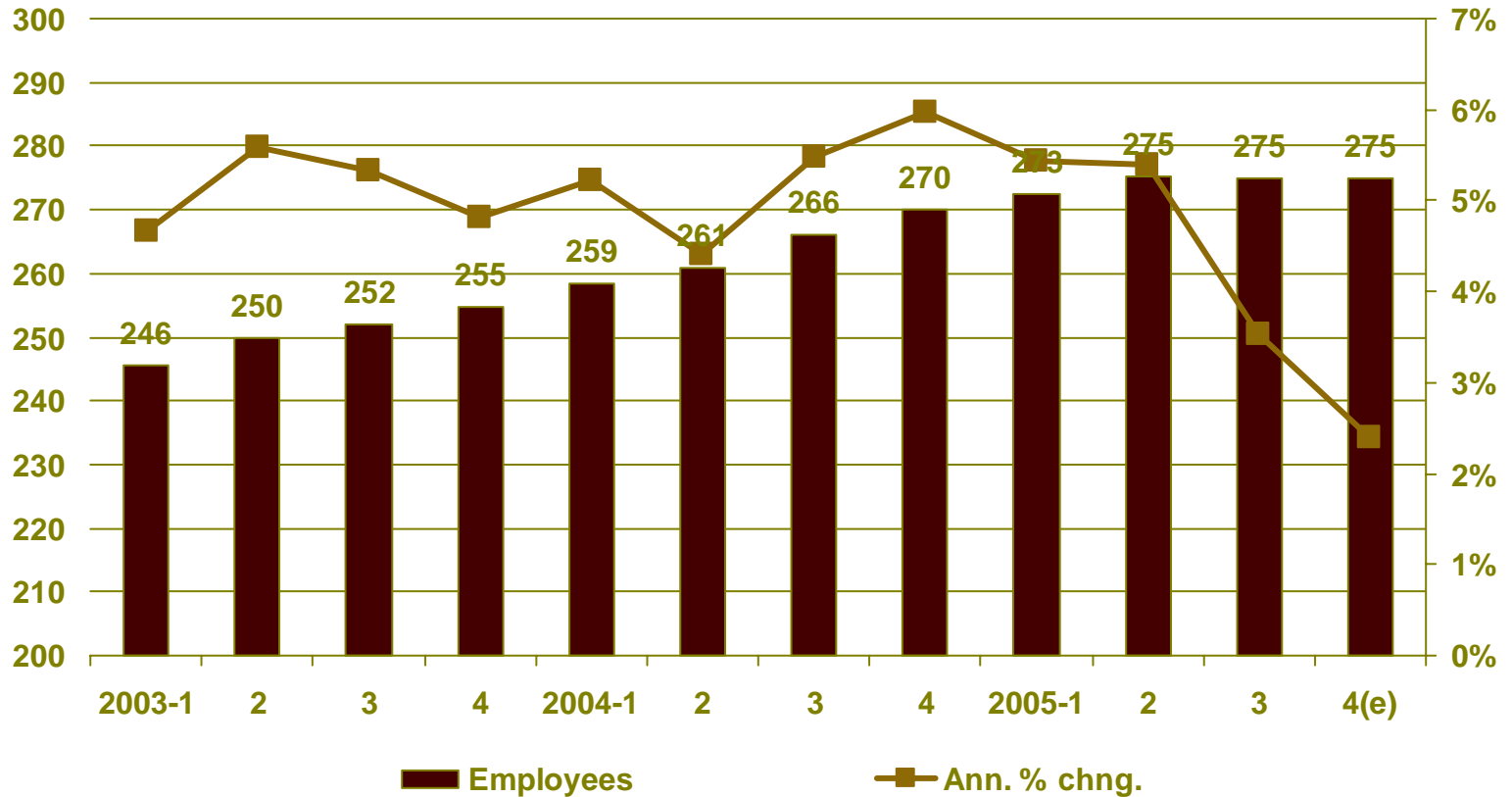
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# Growth in Remodeling Contractor Payrolls is Easing

remodeling contractor payrolls  
(12 mo. moving avgs. - 000s)

annual growth rate

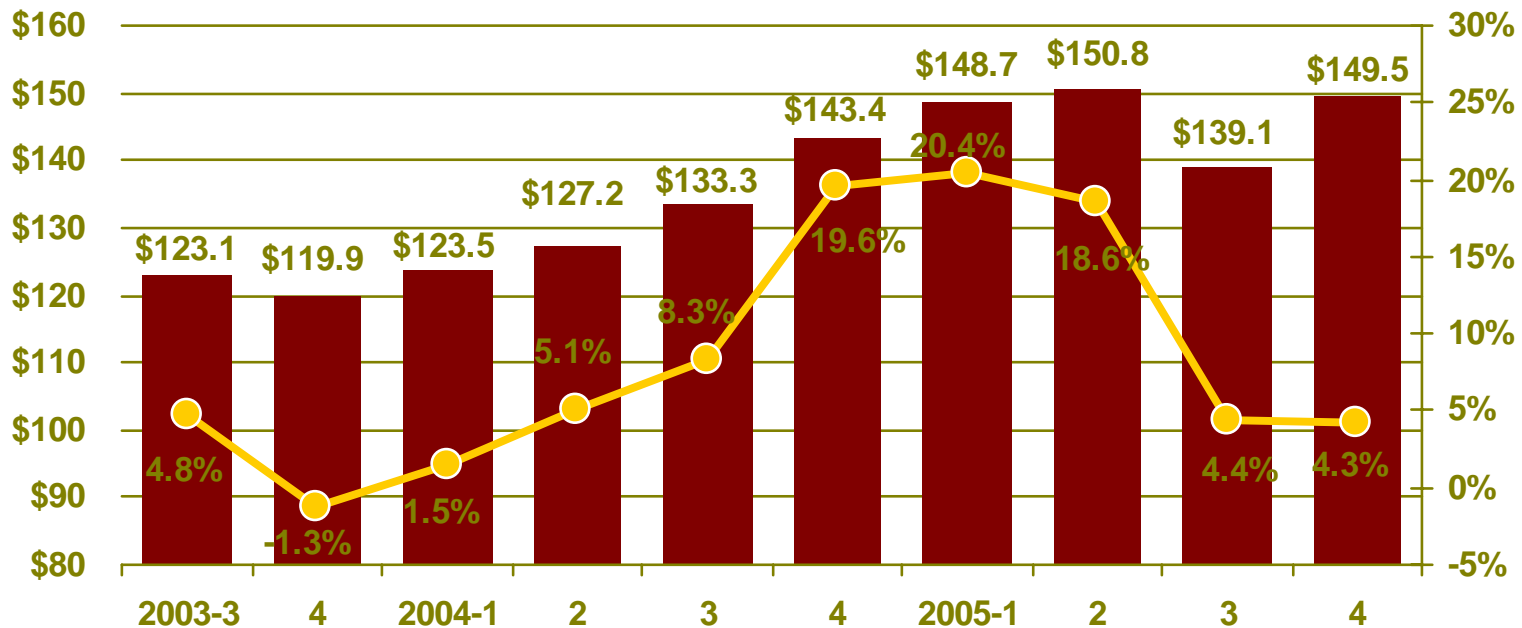


Source: U.S. Department of Labor – Current Employment Statistics

# After Strong Growth Earlier Last Year, Homeowner Remodeling Activity Easing to 4% Growth Rate

homeowner remodeling activity  
billions of \$

annual rate of change  
4-quarter moving totals



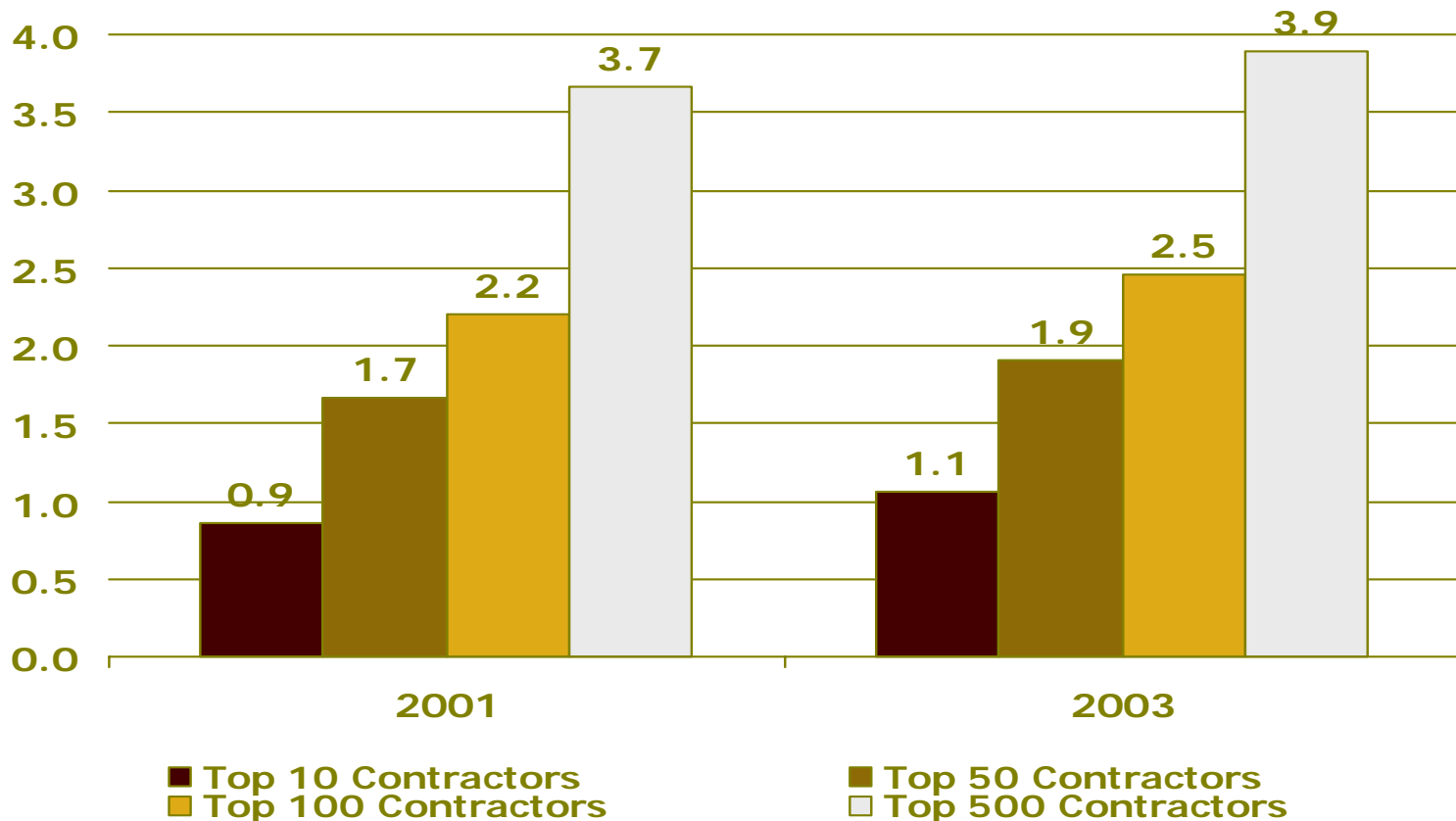
Source: Joint Center for Housing Studies.



# Trends in Remodeler Consolidation

# The Remodeling Contracting Industry Remains Fragmented

Percent of total market

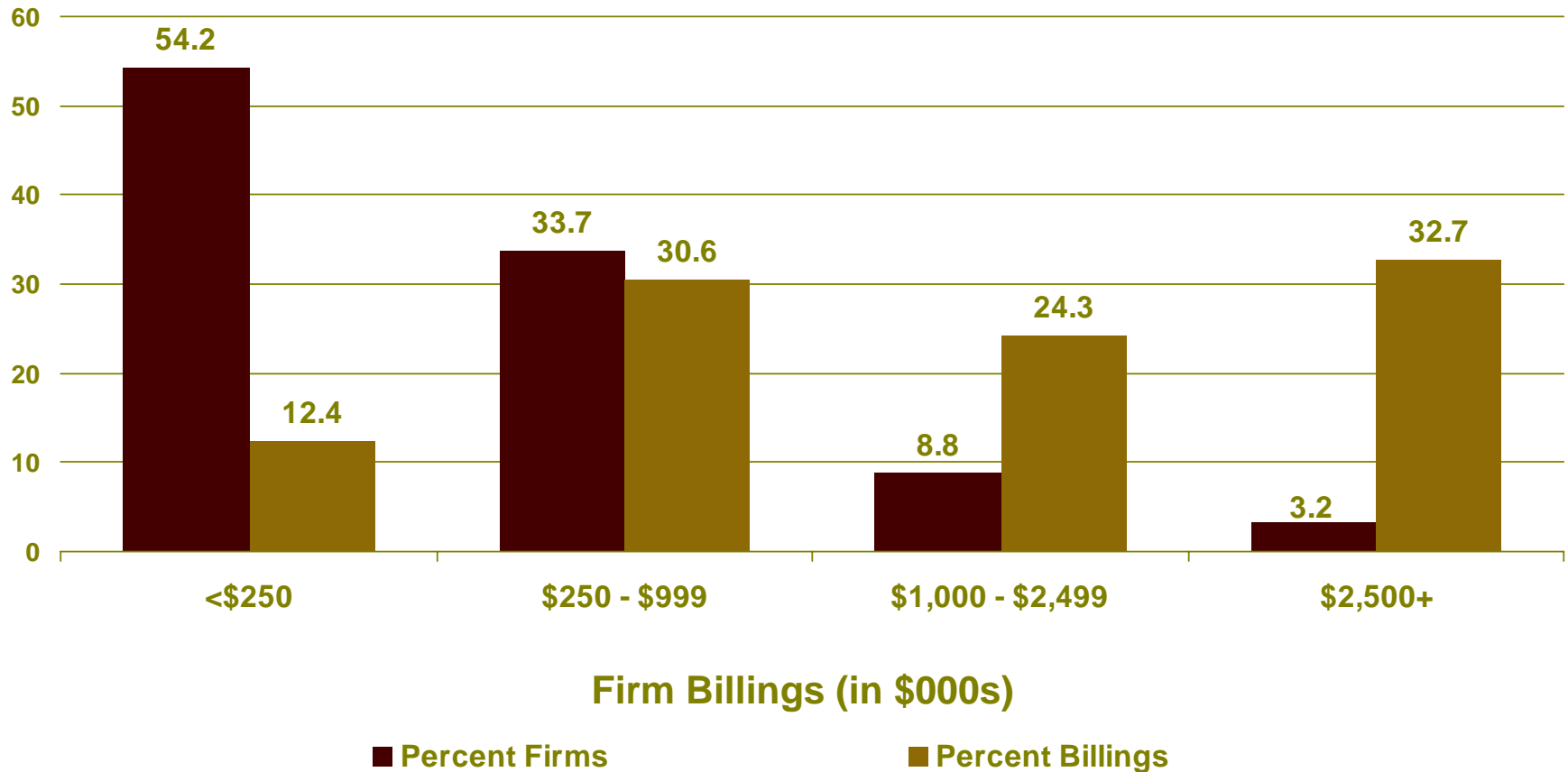


Sources: *Qualified Remodeler Magazine*, *Replacement Contractor Magazine*, and JCHS tabulations of 2001 and 2003 AHS.



# Largest 3% of Firms Account for a Third of Billings

Percent of remodeling general contractors with payrolls; percent of billings

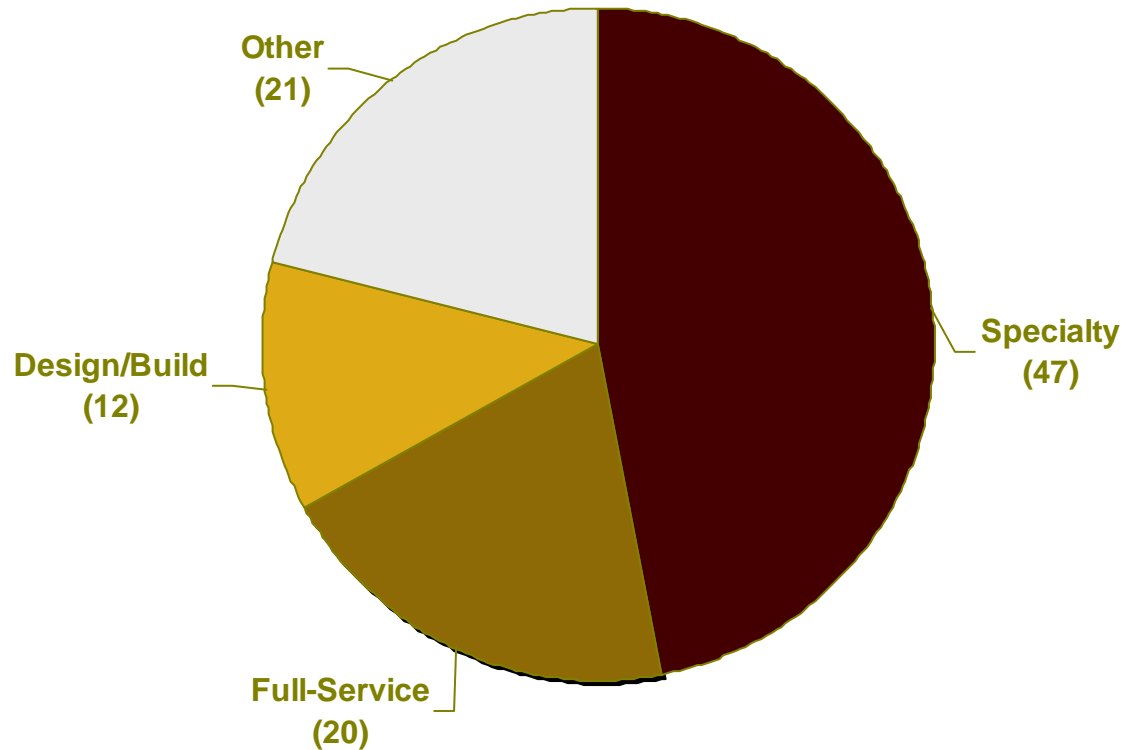


Source: U.S. Census Bureau - 2002 Census of Construction Industries.



# Though Fragmented, Remodeling Contractors Typically Focus Their Business

primary business focus of top 100 remodeling contractors, 2004

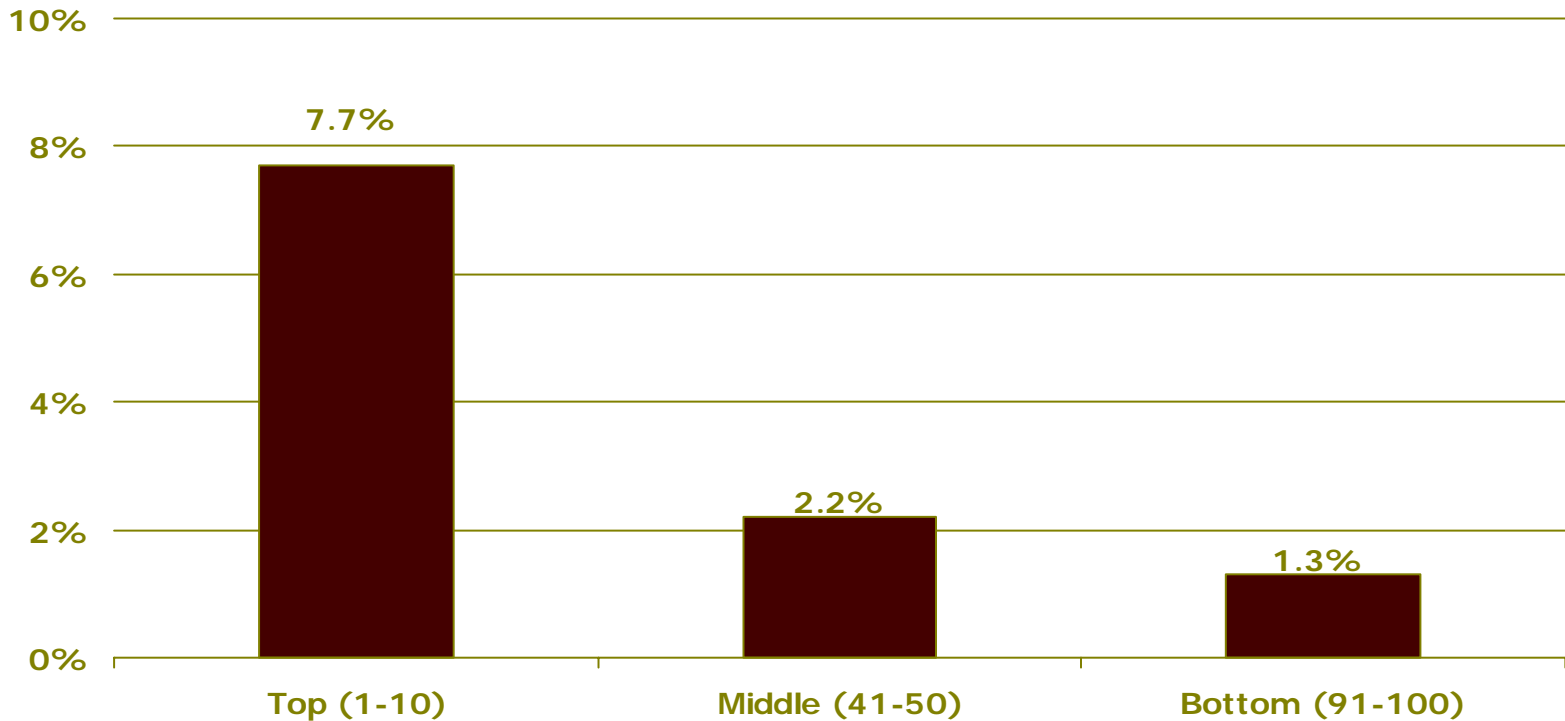


Source: Qualified Remodeler Magazine



# Largest Remodelers Have Seen Faster Growth Over Past Five Years

median annual growth rate in revenue, 1999-2004, top 100 firms

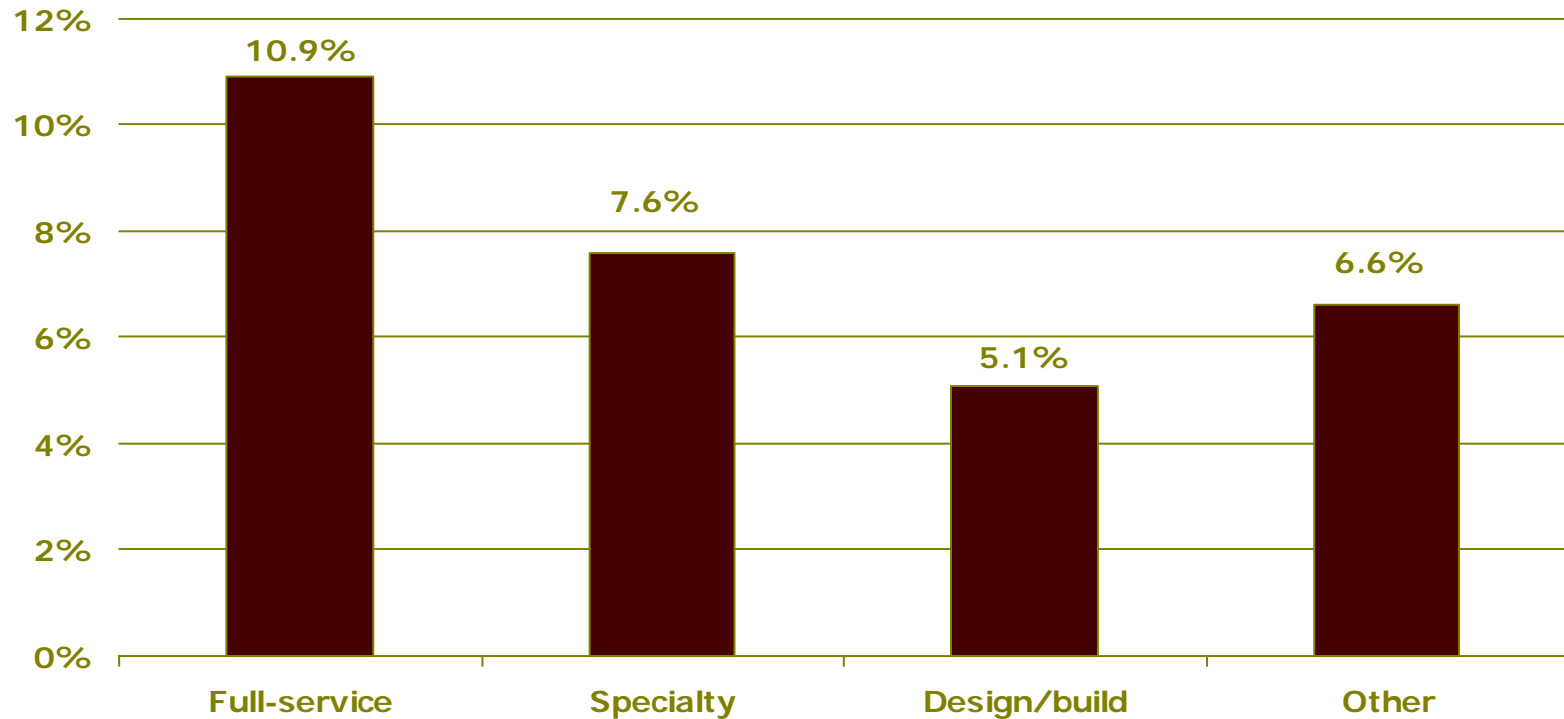


Sources: Joint Center analysis of Qualified Remodeling Magazine surveys.



# Full-Service Firms Have Seen the Fastest Growth of Larger Firms in Recent Years

median annual growth rate in revenue of top 10 firms in category, 1999-2004

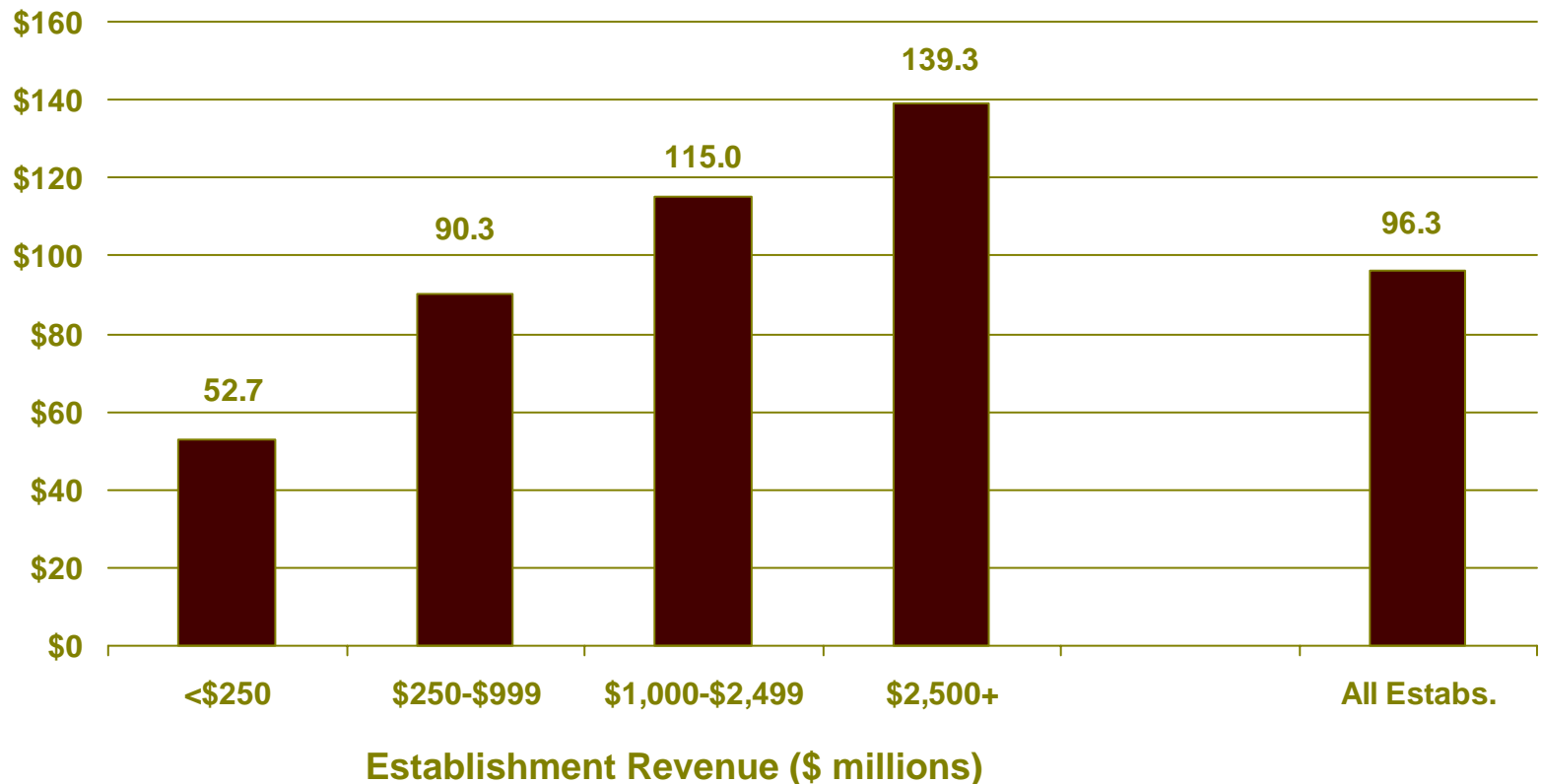


Sources: Qualified Remodeling Magazine



# Employee Productivity Greater for Larger Firms

net revenue per employee (\$ 000's)



Sources: 2002 Census of Construction



# Near-Term Outlook for Remodeling

- 1) Remodeling activity estimated at \$275 billion in 2005
- 2) Recent strength in remodeling waning, slower growth expected for next year
- 3) Faster growth by larger firms likely to continue as industry growth rate eases
- 4) Benefits likely to accrue to industry with greater consolidation