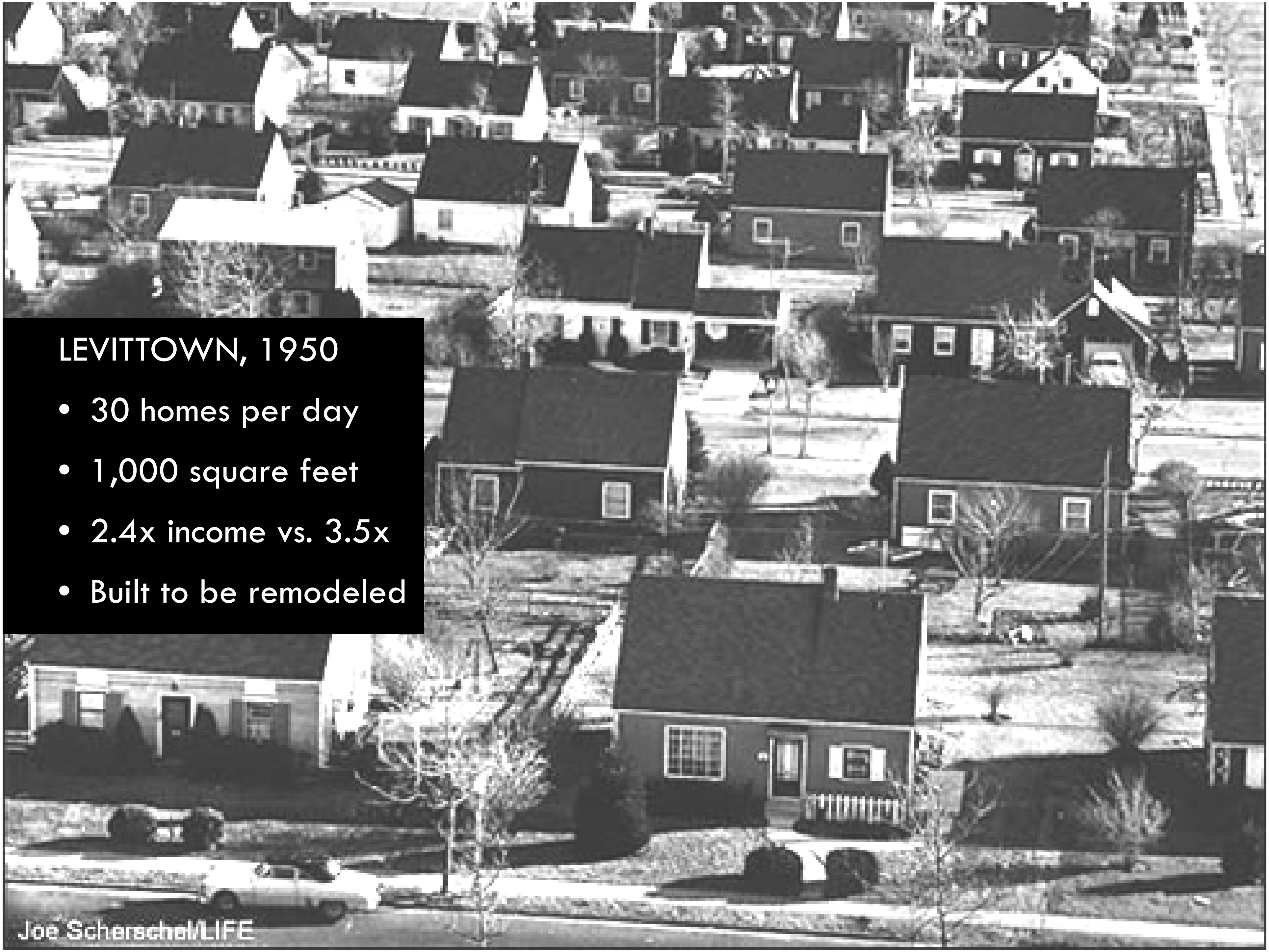
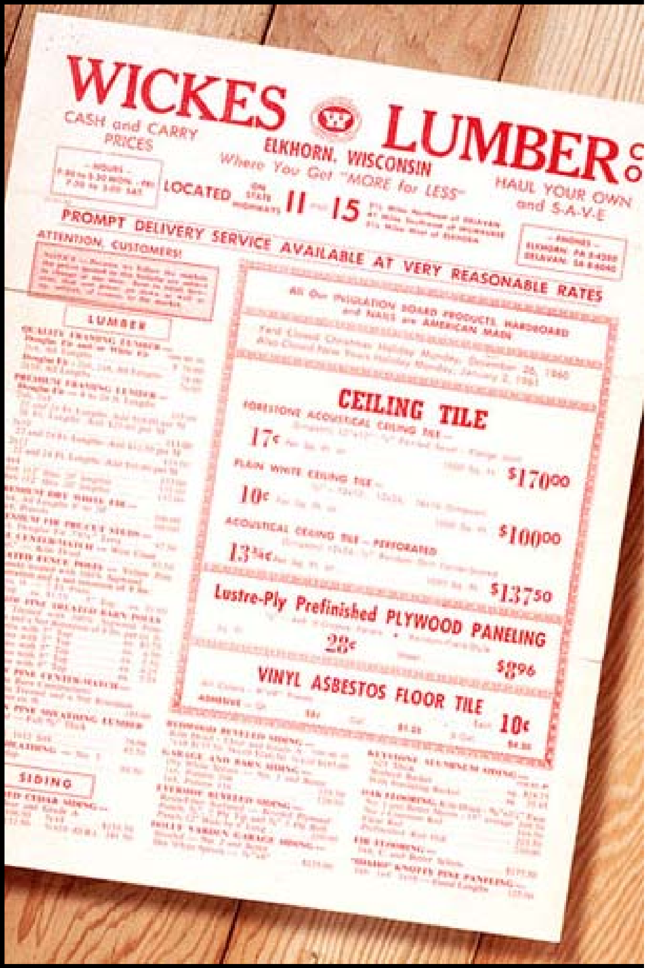
EVOLUTION OF THE HOME IMPROVEMENT CHANNEL

Greg Brooks
The Building Supply Channel, Inc.
5 April 2011


LEVITTOWN, 1950
• 30 homes per day
• 1,000 square feet
• 2.4x income vs. 3.5x
• Built to be remodeled
Joe Scherschel/LIFE

1950s & 60s: The cash-and-carry era

- Wickes & the Bay City Cash Way
- A complete "building materials supermarket"
  - Small builder-remodelers, DIYers
  - No delivery, no credit, no service
  - 17% vs. 33% gross margins
- Demographic drivers
  - Frugal, resourceful GI generation



Emerging specialization

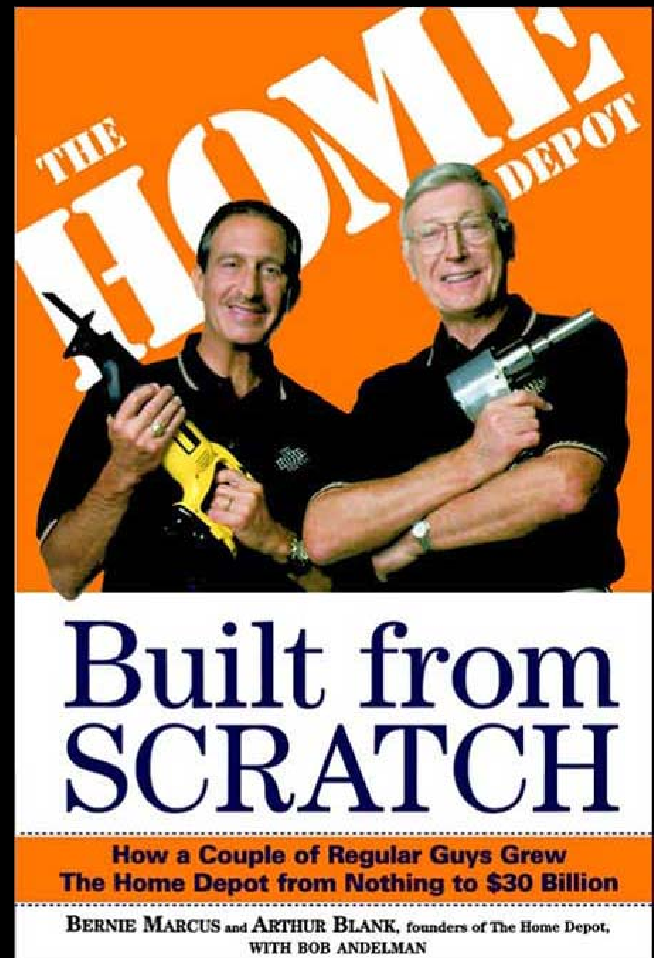
- 1950s: The R&R boom
  - Siding-window specialists
- 1960s: Crews to subcontractors
  - Roofing-siding distributors
  - Drywall-ceilings distributors
- 1970s: Builders embrace prefab
  - Millwork, truss manufacturers

1970 & 80s: Home centers, home center warehouses

- Changing demographics
  - Up-and-coming Baby Boomers
- Professional retailers up the ante
  - W. R. Grace, Evans Group, Ole's, Handy Dan, etc.
- Lumberyards miss the memo
  - Memories of 1973-5, 1981-2
  - Still "customer neutral"

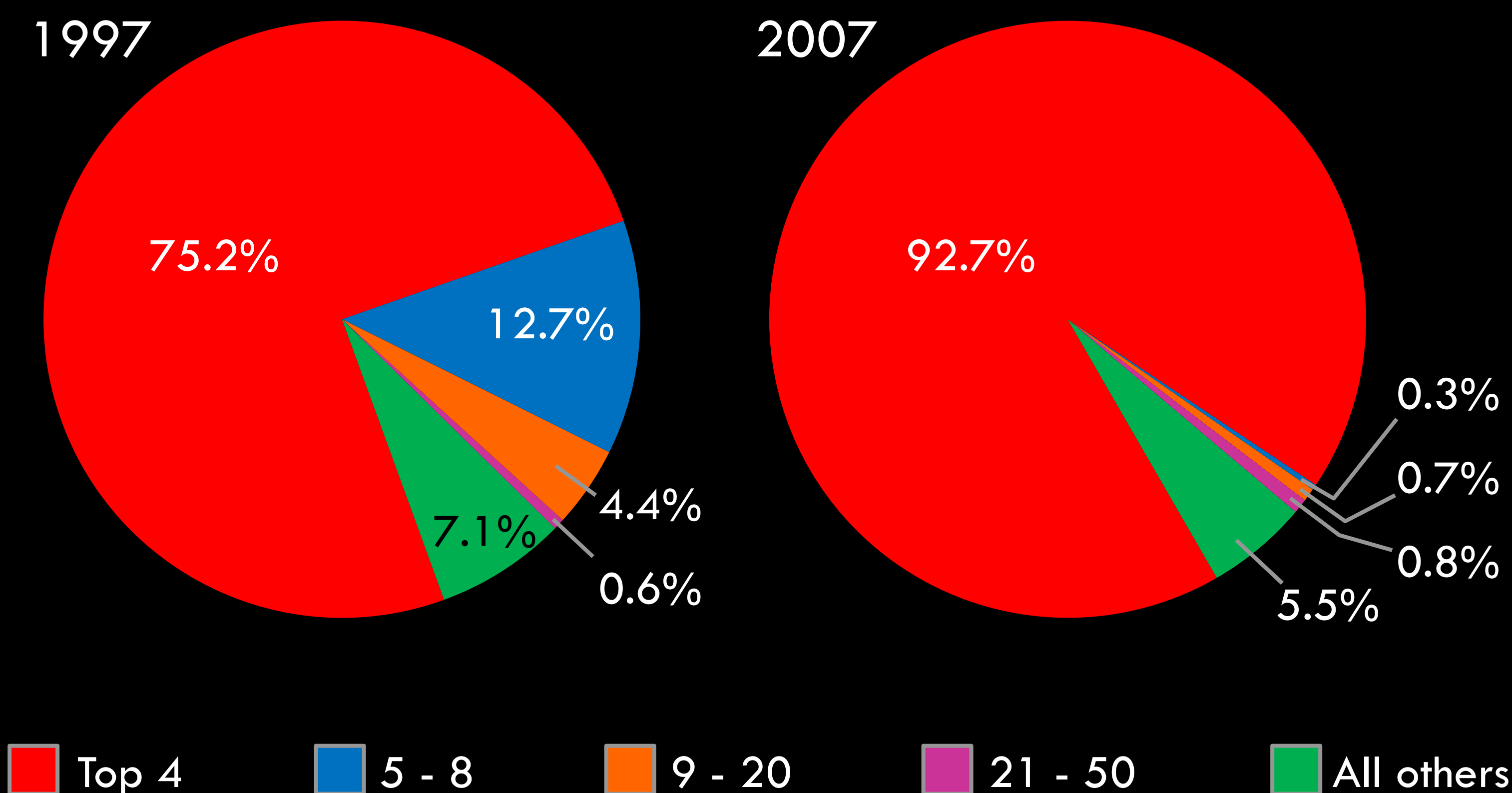
1990s: The ultimate specialists

"Those boys are clean-cut, upbeat, and knowledgeable. To say we can beat them on service, I just don't know." — Bob McClure, McClure Lumber, ProSales, March 1994



HOME CENTER CONCENTRATION, 1997 vs. 2007

U.S. CENSUS BUREAU

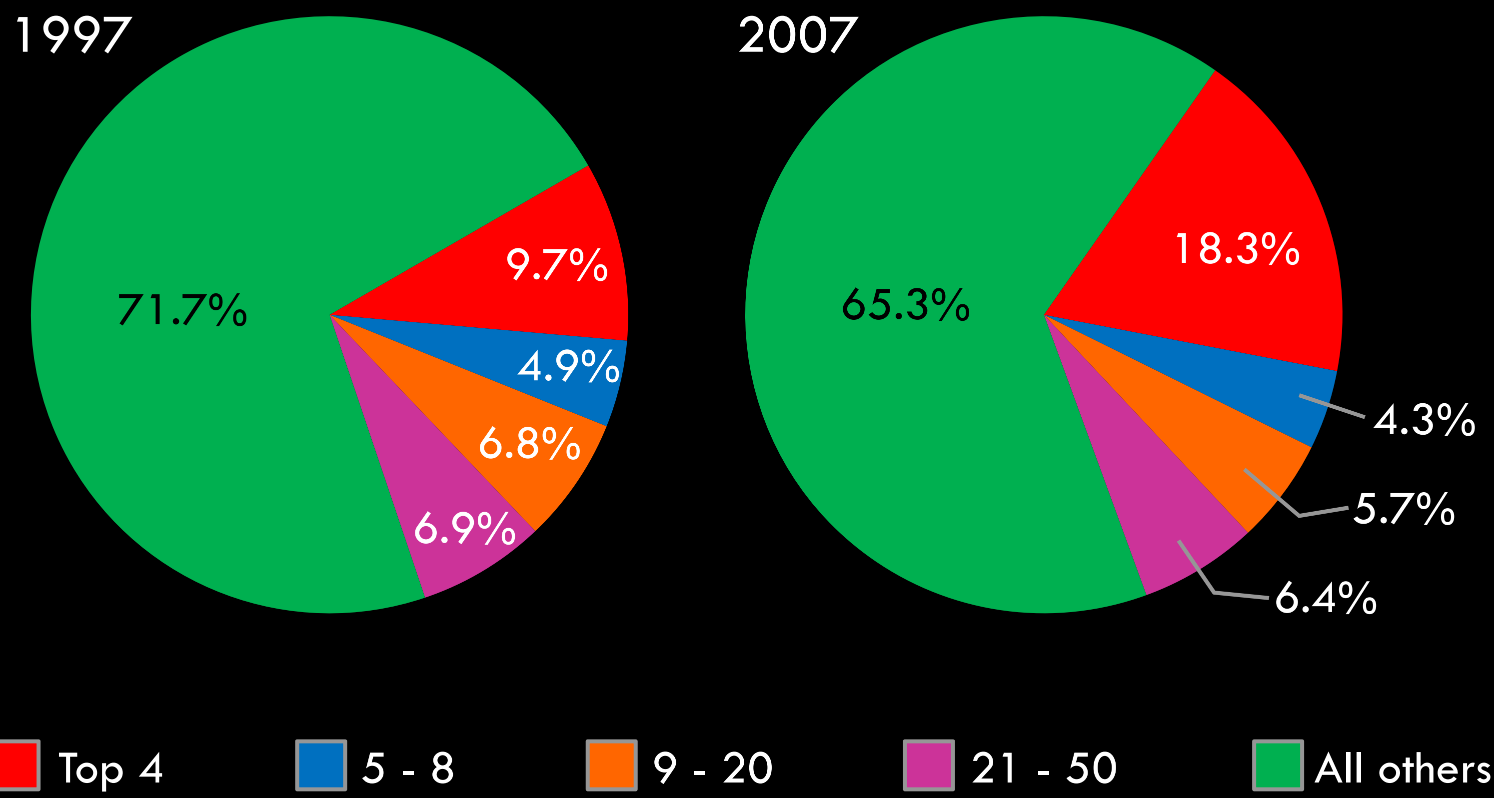


Lumberyards return to their roots

- The longest boom in U.S. history
- Home builder consolidation
- From supermarkets to "shell construction specialists"
  - Manufacturing
  - Labor management
- Impact on remodelers
  - Equipment and inventory

LUMBERYARD CONCENTRATION, 1997 vs. 2007

U.S. CENSUS BUREAU



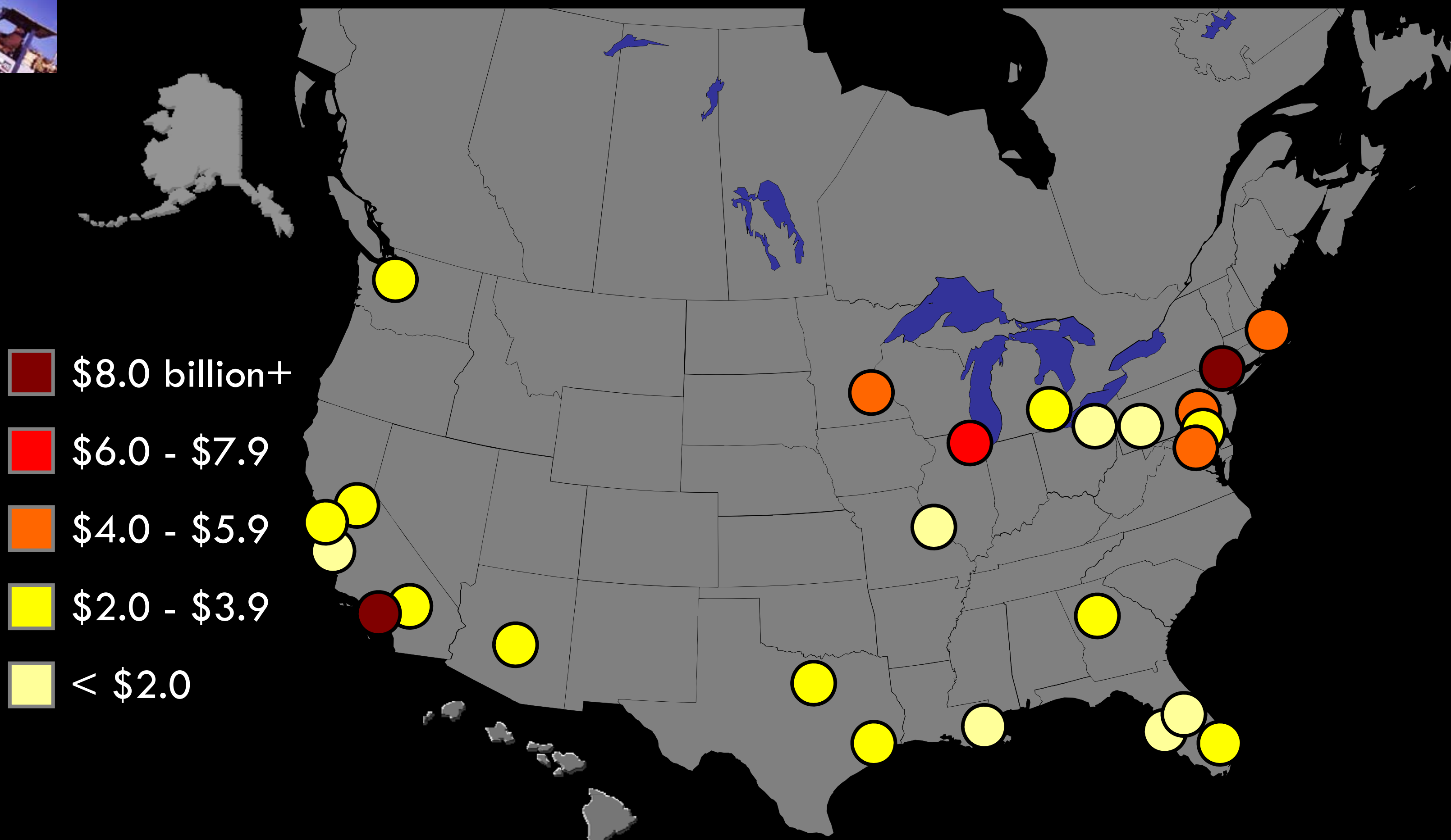
WHERE REMODELERS SAY THEY BUY

PROSALES, 2007

LBM dealer	Specialist	Sub	Big box
Lumber	Vinyl siding	Insulation	Tools
Wood & F-C siding	Roofing	Garage doors	Fasteners
Decking	Drywall	HVAC	Shelving systems
Molding	Paint & stain	Plumbing	
Doors	Flooring & tile	Electrical	
Windows	Cabinets & tops		
Stairs	Fireplaces		
Builders' hardware	Appliances		
Sealants & adhesives			

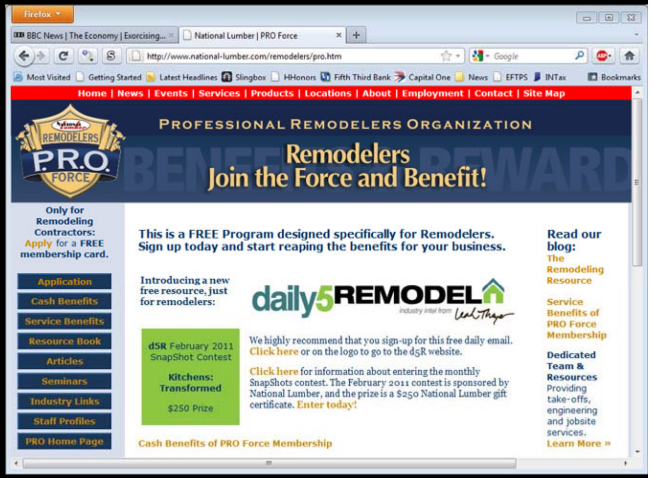
TOP 25 HOME IMPROVEMENT MARKETS ($ BILLIONS)

HARVARD JOINT CENTER FOR HOUSING STUDIES (2009 $)



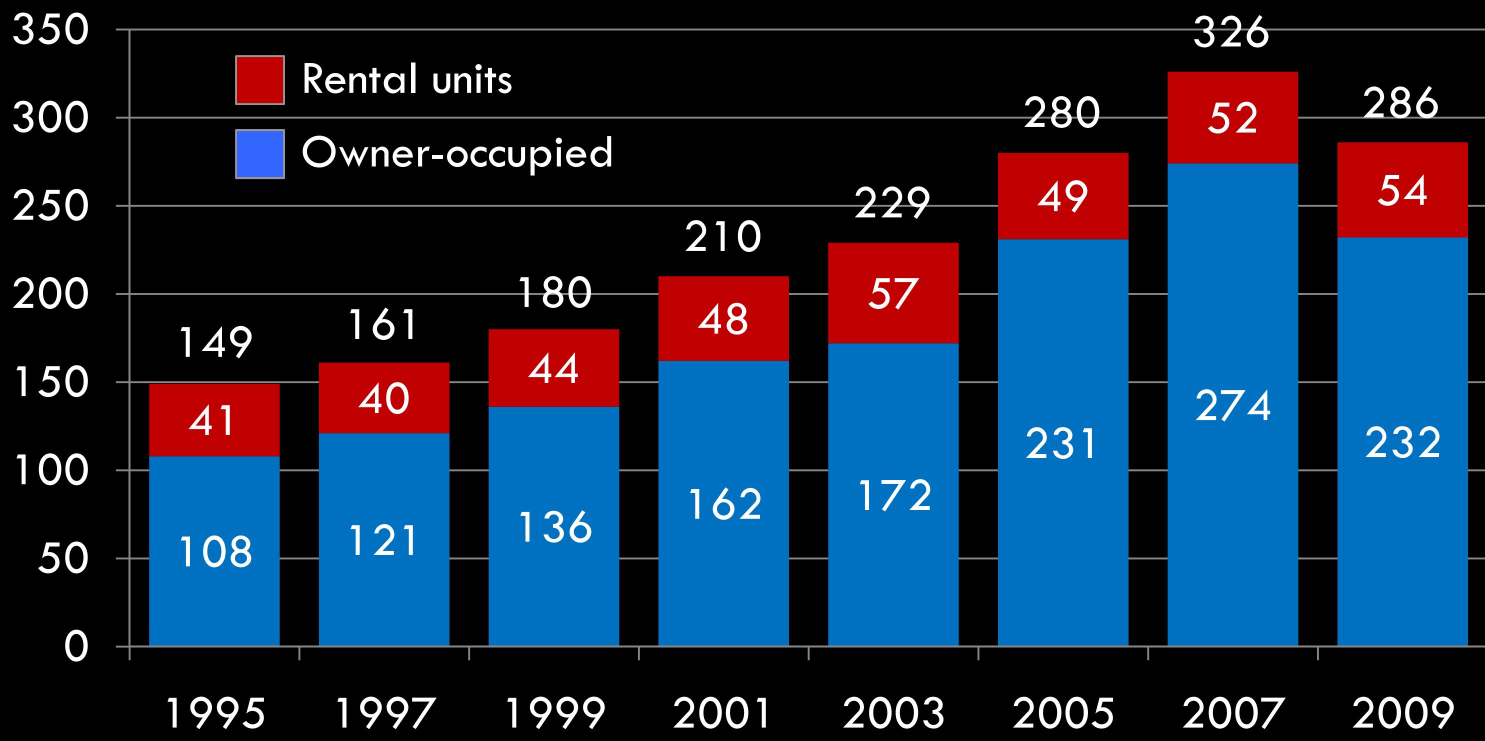
SUPPLY MODELS VARY BY MARKET

- Design-build markets
  - Scherer Bros., National Lumber vs. T. W. Perry vs. Ganahl Lumber
- R&R markets
  - Desert Lumber, Mill Creek Lumber
- The turnkey model
  - Mill Creek Lumber vs. Robert Bowden



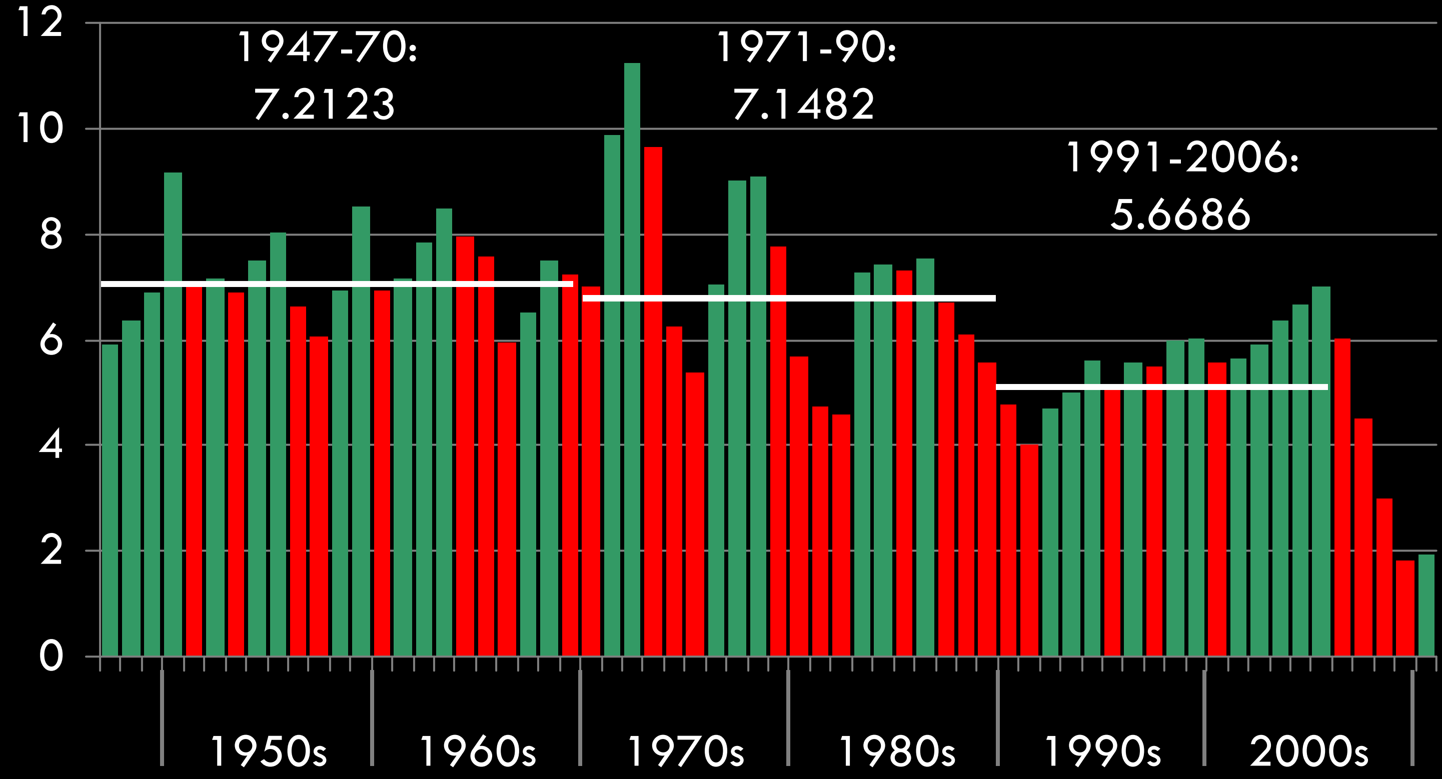
U.S. REMODELING EXPENDITURES ($ BILLIONS)

HARVARD JOINT CENTER FOR HOUSING STUDIES



HOUSING STARTS PER 1,000 POPULATION, 1947-2010

CENSUS BUREAU



AFTER THE GREAT RECESSION

- Lesson learned: diversity
  - Residential vs. commercial, new vs. remodel
- Potential new models
  - Centralized commodities, standalone specialties
- Remodeler consolidation

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