



2014 Residential Design & Renovation Outlook

The Houzz Residential Design & Renovation Outlook examines 2013 business performance and 2014 growth expectations, as reported by building, remodeling and design professionals in the Houzz community.

The study provides a unique perspective that spans multiple professional types within the residential building, remodeling and design industry, as well as firm size.

6,680 residential architects, builders, remodelers, landscapers and interior designers took part in the study, conducted in February of 2014.

"90% of pros surveyed expect revenue growth in 2014"

KEY FINDINGS

Business improved in 2013 for an overwhelming majority of firms surveyed, and these residential professionals expect growth to continue in 2014. This positive outlook was consistent across regions.

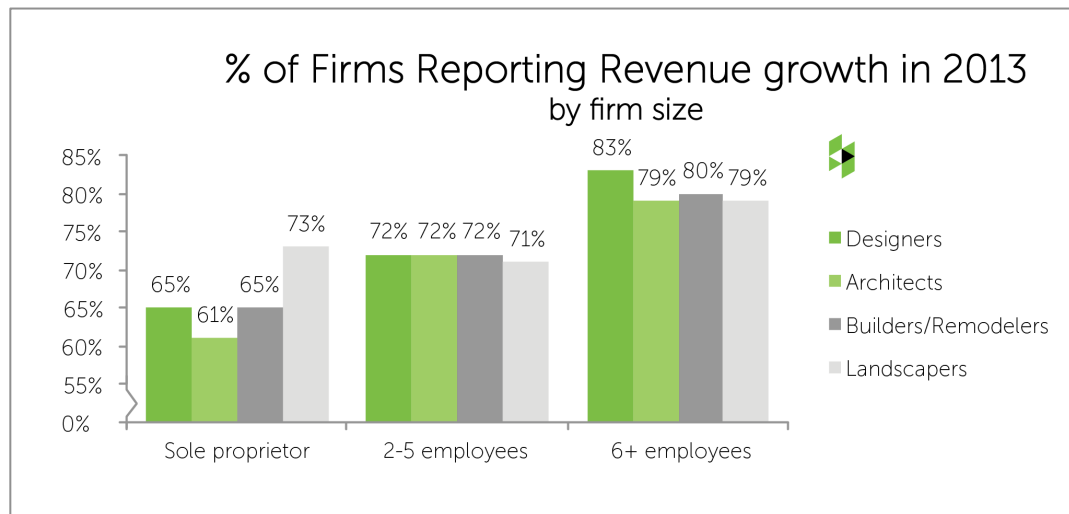
- 2013 built confidence in an improving market. A majority of industry professionals surveyed reported stronger revenue growth in 2013 as compared to 2012. Businesses reported growth in average revenue per project (92 percent), as well as in number of projects (81 percent). They also said business performance exceeded expectations in 2013. Most firms reported taking on more diverse project types over the last few years.
- Pros on Houzz are bullish on 2014. Ninety percent of North American residential builders, architects, remodelers, landscape professionals and interior designers surveyed expect revenue to grow this year.
- Firms expect revenue growth to come from both higher average revenue per project, as well as a larger number of projects. New project starts are expected to increase in 2014 across all professional types surveyed.

2013 IN REVIEW: A CONFIDENCE BUILDER

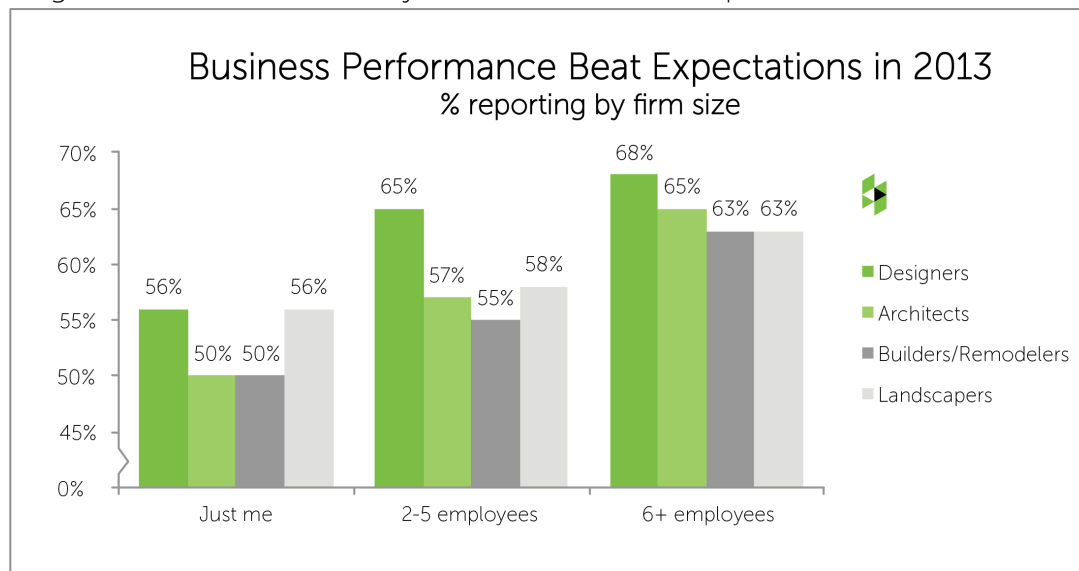
A majority of companies surveyed saw revenue grow in 2013. Across the board, firms of all types and sizes also reported that actual business performance exceeded expectations.

While a majority of all firm types and sizes experienced revenue growth, a greater percentage of large interior design firms reported revenue growth as compared to other firms, while sole proprietor architects were less likely to see growth than other firm types and sizes. In terms of project volume, 79 percent of firms with six or more employees reported an increase, as compared with 67 percent of sole proprietors.

"A greater % of large interior design firms reported revenue growth in 2013 vs. other firm types and sizes"

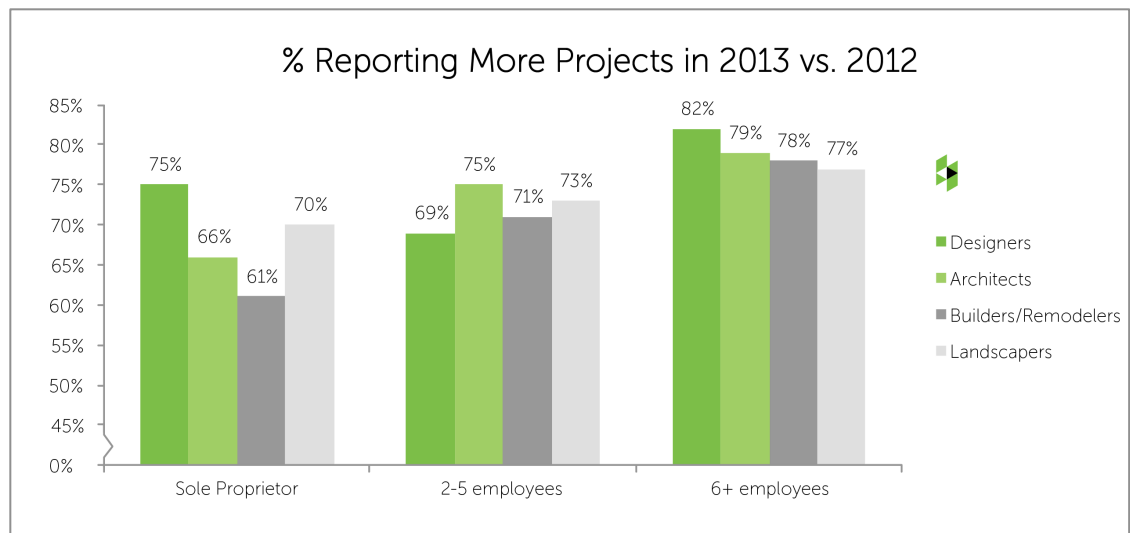
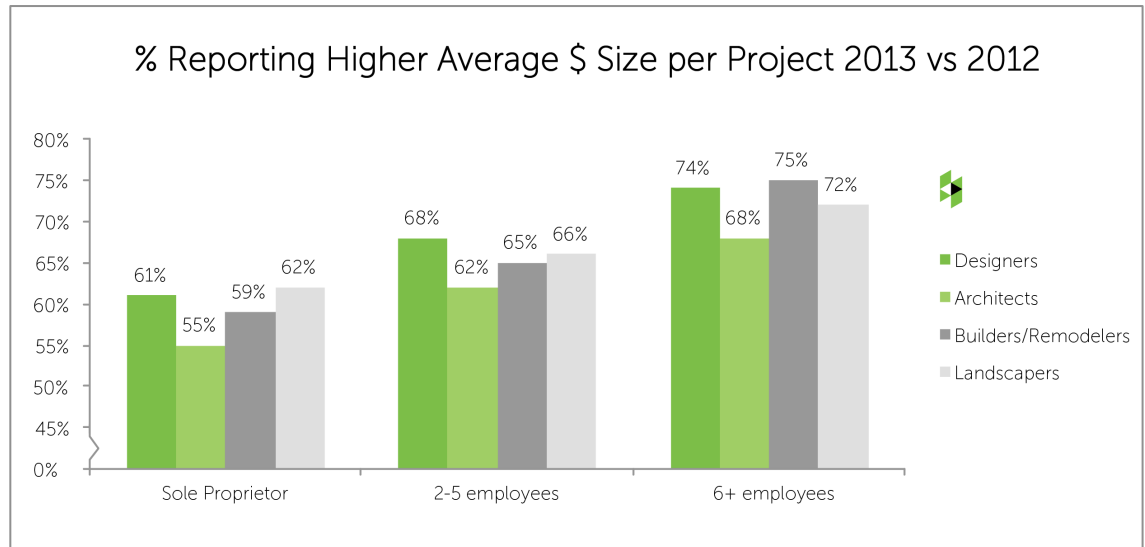


Larger firms were most likely to have exceeded expectations in 2013



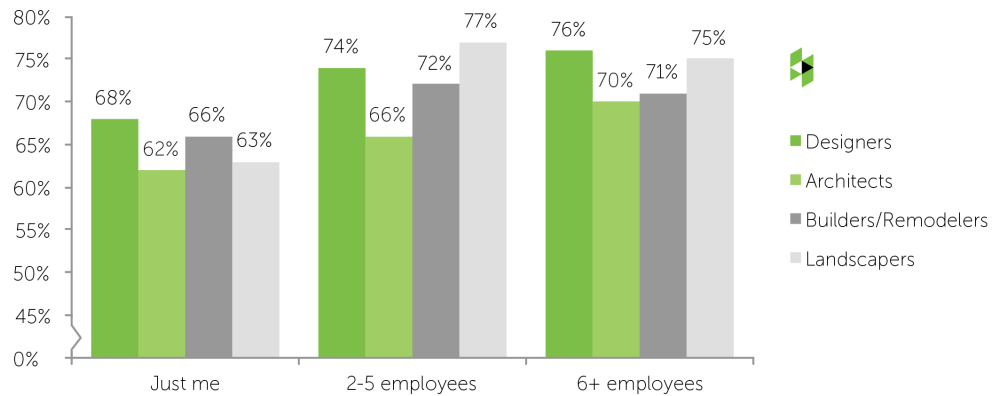
Seventy-five percent of large builders and remodelers reported an increase in project \$ size in 2013, roughly ten points higher than architectural firms with staff of six or more. Among sole proprietors, more than 60 percent of interior designers and landscape professionals

reported growth in project \$ size, as compared with 55 percent of architects. Eighty percent of firms who reported an increase in project volume also reported an increase in average revenue per project.



One common strategy for surviving and thriving in today's market is diversifying project types. Project diversity was greater among larger firms, particularly among interior designers and landscape firms.

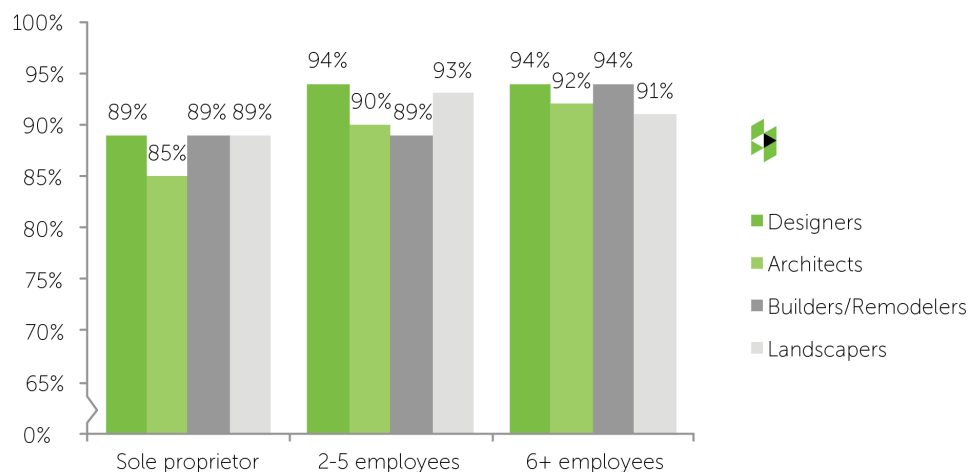
% Who Took On More Diverse Projects in 2013



2014 OUTLOOK: BULLISH ON GROWTH

Ninety percent of all pros surveyed say they expect revenue to grow in 2014. Confidence levels are relatively consistent among all types of professionals surveyed. From one-person shops to large firms, pros are bullish on growth, with sole proprietor architects slightly less confident than average, though still strong at 85 percent.

% Expecting Revenue growth in 2014



The expected dollar volume of revenue growth increases in tandem with firm size across all types of professionals.

"From one-person shops to large firms, pros are bullish on growth"

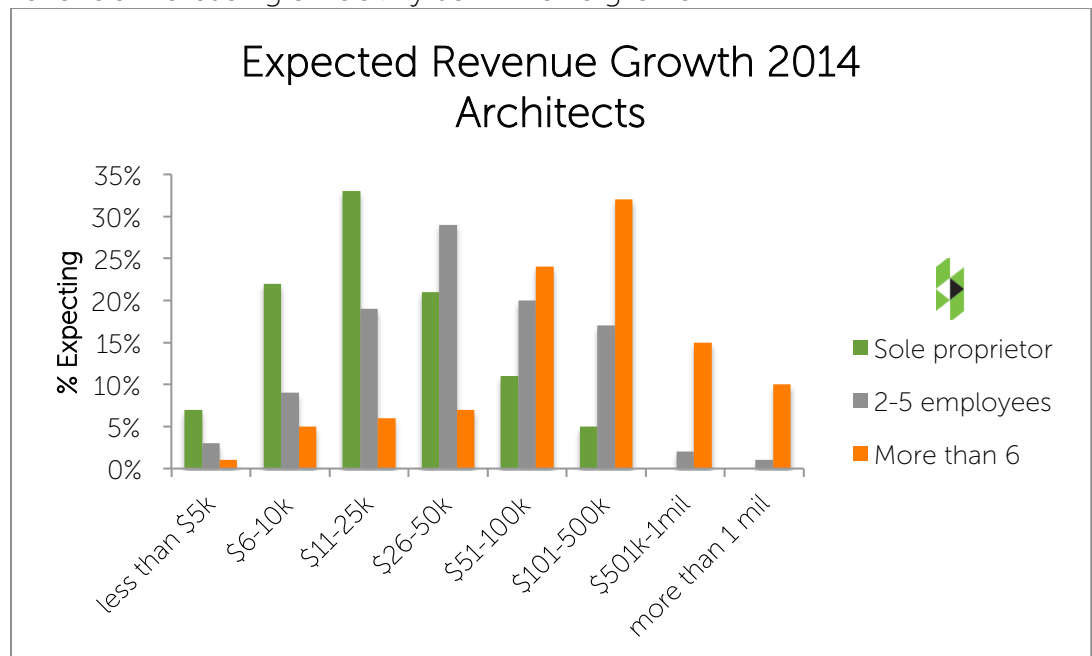
Sole proprietor contractors report a greater diversity in revenue expectations than other types of professionals, with a comparable percentage of them reporting growth in the four ranges starting at \$11,000 and going up to \$500,000.

Sole proprietor contractors are the only sole proprietor group reporting expected revenue growth at both the highest and lowest brackets.

The largest percentage of both mid size and larger firms expect revenue growth in the \$101,000-500,000K range, and 40 percent of large firms expect growth of \$501,000 or more in 2014.

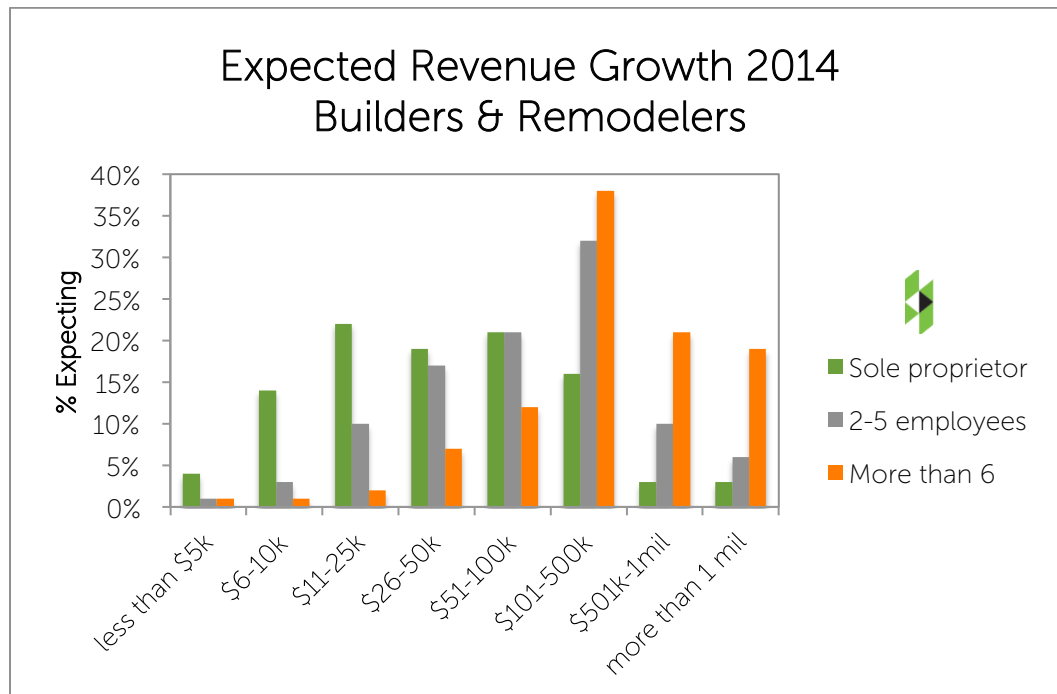
Architects

Firms of all sizes follow similar shape revenue curves, with expected revenue increasing smoothly as firm size grows.



Builders & Remodelers

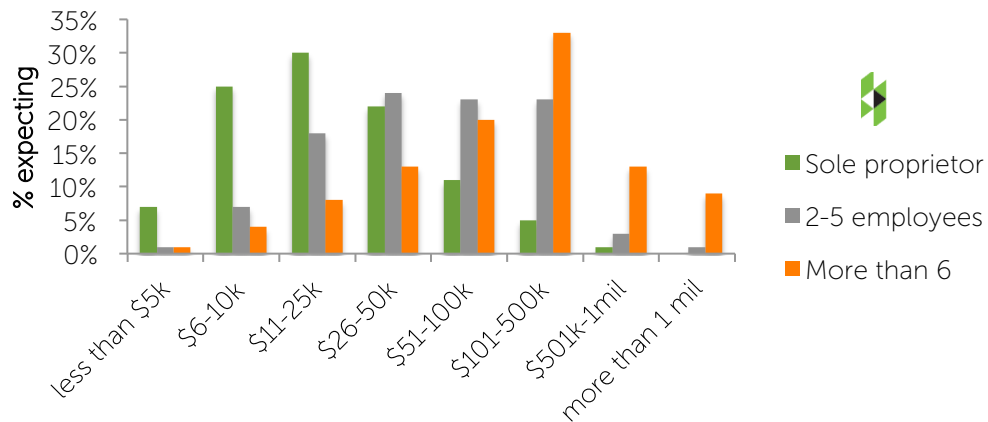
For builders and remodelers, expected revenue growth is distributed fairly evenly across brackets for sole proprietors. Respondents are more highly concentrated in the \$101-\$500K bracket at larger firms.



Interior Designers

Among interior designers surveyed, the largest group expects revenue growth in the \$11,000-25,000 range, while a small percentage expects revenue to increase between \$501,000 and \$1 million. More firms with between two and five employees report growth in the \$26,000-50,000 range, however nearly as many mid-size firms report expected revenue growth of \$51,000-100,000 and \$101,000-500,000. Larger firms with staff of six or more are expecting growth overwhelmingly in the \$101,000-500,000 range, with nine percent expecting growth of \$1MM or more in 2014. *(See chart on following page)*

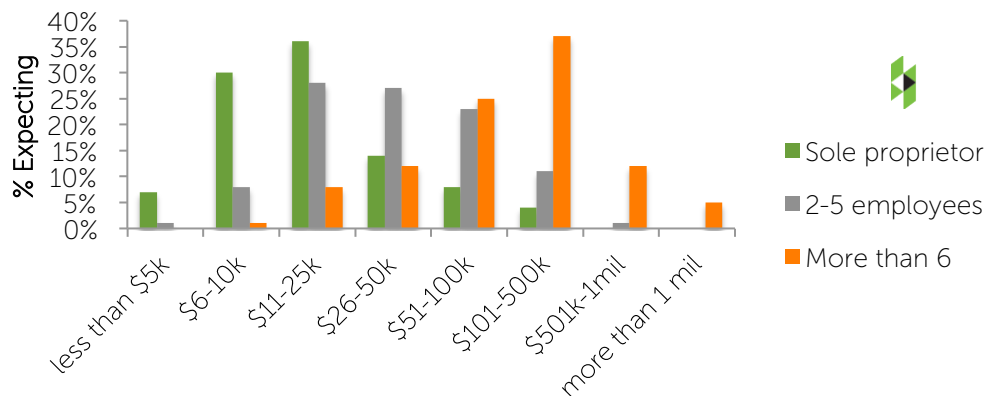
Expected Revenue Growth 2014 Interior Designers



Landscape Professionals

Consisting of designers, architects, contractors and those who both design and build, landscape professionals follow a similar pattern to architects. Of the group, designers are the most likely to be sole proprietors (51 percent), while the other categories are more likely to have more than six employees (57 percent) or between two and five employees (29 percent).

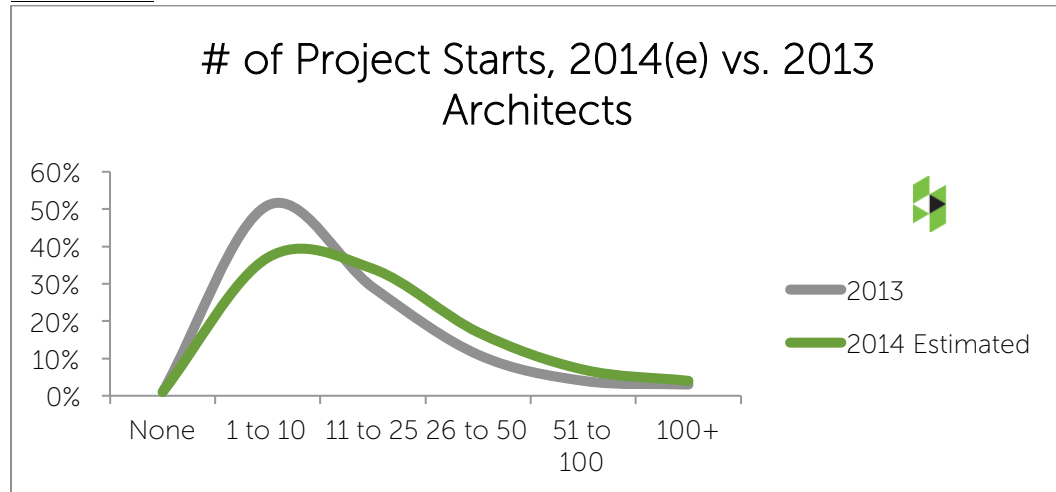
Expected Revenue Growth 2014 Landscape Professionals



TAKING ON MORE WORK

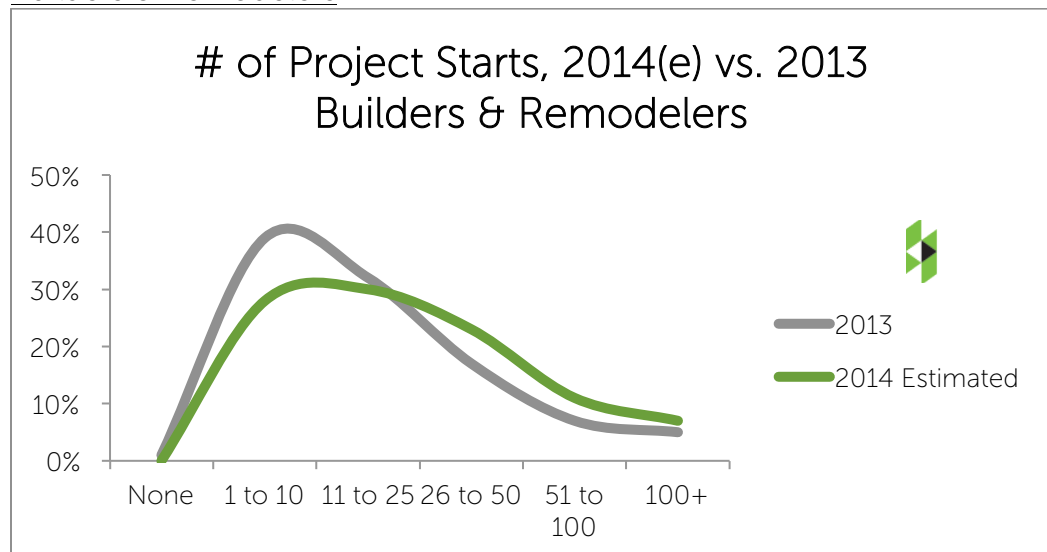
Ninety-nine percent of firms surveyed are planning to take on a greater number of projects in 2014, contributing to expected growth in 2014. This trend is consistent across firms of all sizes.

Architects

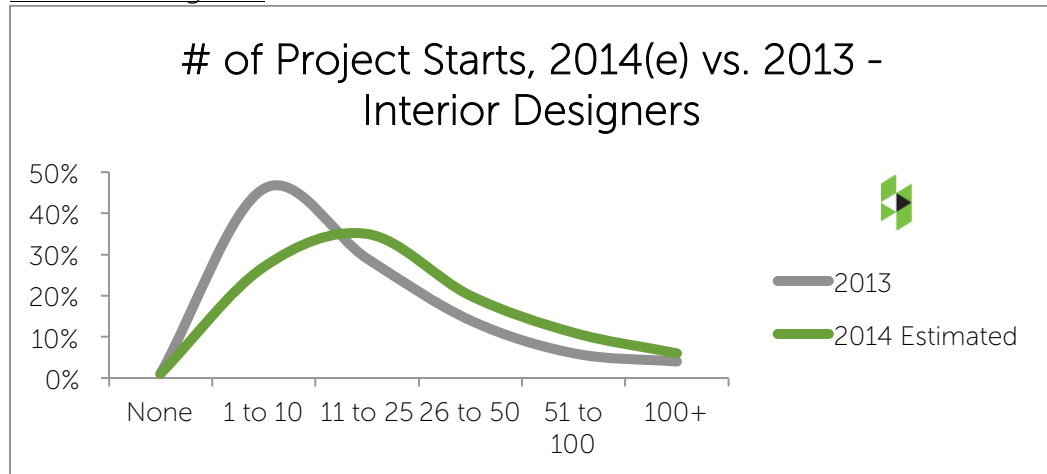


"Firms are planning to take on a greater number of projects in 2014"

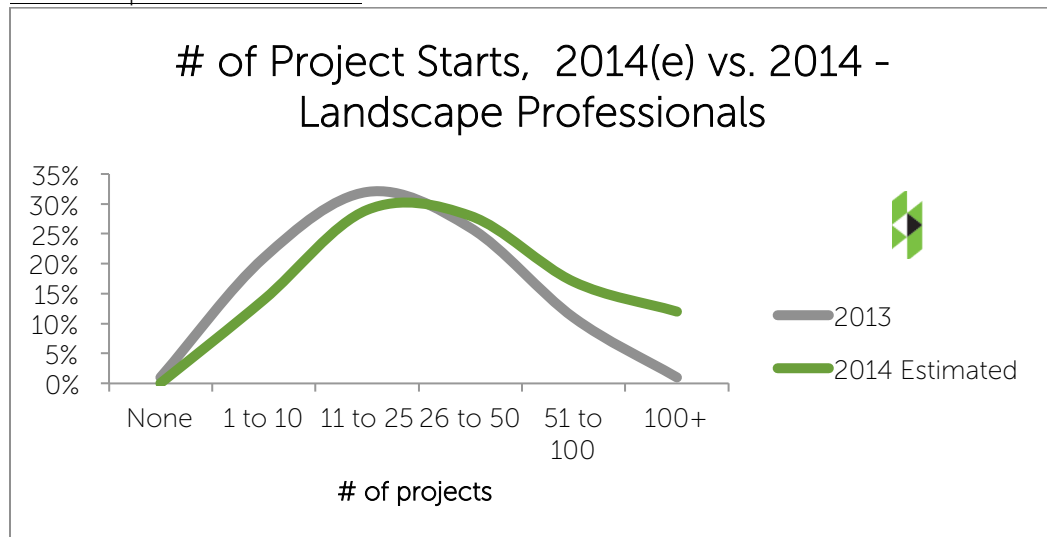
Builders & Remodelers



Interior Designers



Landscape Professionals



CONCLUSION

The findings of the Houzz Design & Renovation Outlook are consistent with other leading industry research and economic indicators of growth and confidence for the residential building, remodeling and design industry.

Findings from the 2013 Houzz & Home study also correlate with improved business and expectations among the professional community. In that study, conducted one year ago, a majority of homeowners said they believed it was a good time to remodel, and fewer homeowners said they were delaying projects due to the economy.