

September 2021

Marketing Insights

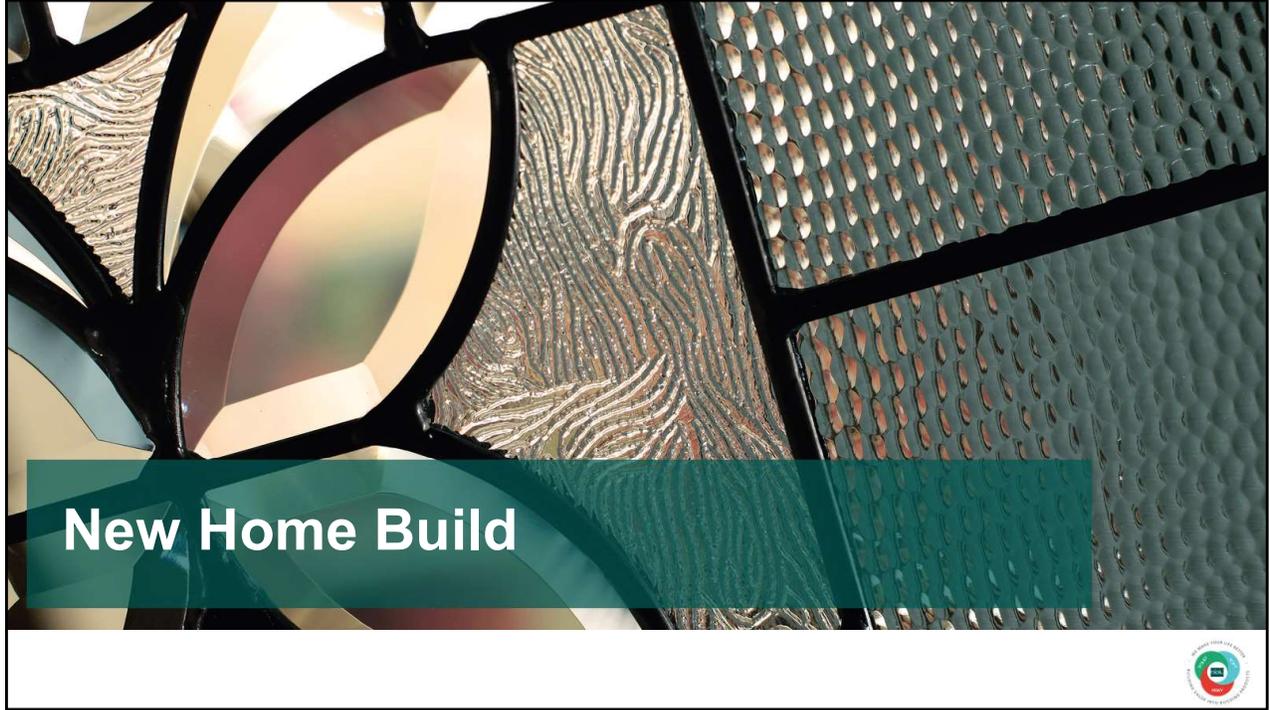
Intro | New Home & Remodeling | Macro Trends



Marketing Insights | Intro



- Marketing & Product Development Reorganization
- Consistent Source for Research – Cascaded throughout the organization
- Establish Research and Insights practices in support of Corporate Strategic Initiatives, Growth & Innovation, Advanced Discovery, Product Development & Integrated Marketing/Customer Experience
- Research will primarily focus on:
 - Economy & Industry Performance and News
 - New Home Building & Remodeling Insights (New Home Trends Institute – Builder Research)
 - Customers & the End Consumer
 - Our Competitive Landscape – Masonite, Therma Tru, Etc. (Masonite Example of Door Technology Innovation)
 - Market & Products



- Close eye on new home builds, consumer trends and

Marketing Insights | **New Home Trends**

NEW HOMETRENDS INSTITUTE
by John Burns Real Estate Consulting

6 Trend Themes for 2021

- VALUE
- SMARTER TECH
- PERSONALIZATION
- FUNCTIONALITY
- HEALTH/WELLNESS
- SUSTAINABILITY

VALUE: Bang for your buck
Bargain hunting is no longer cheap; it's savvy. In 2021, value-oriented consumers will demand:
1. More lifestyle for the money in attainably priced markets
2. More efficient uses of space within the home
3. Quality products for a deal (e.g., private-label goods)

SMARTER TECH: Working smarter not harder
Efficient tech can streamline our lives—hello iPhone! But too many bells and whistles can overcomplicate and overstimulate. 2021 will see consumers seek a new balance with their tech: smarter, with seamless integration that supports our lifestyle, not consumes it.

PERSONALIZATION: Thoughtful servicing
Consumers have grown to expect personalization, forcing the options offered in a new home to be more thoughtful and more targeted. Digital platforms will drive deeper connections between company and consumer, offering highly comprehensive service.

FUNCTIONALITY: Serving its purpose(s)
2021 will force homes and communities to service many more parts of our lives, necessitating multifunctional spaces and a reconsideration of privacy and room dimensions.

HEALTH / WELLNESS: Focus on healthy homeowners
Emotional and physical wellness will take center stage in homes and communities. Keep in mind, it is not the kit of parts (e.g., low VOC paint, organic or natural materials) that matters most to homeowners. It is the lifestyle (e.g., cleanliness and good sleep).

SUSTAINABILITY: Status that saves
Sustainability will become a key social virtue for luxury consumers to reach for with their purchases, resonating in all aspects of the home—from products (like recycled composite materials) to the community (like preservation).

WE MAKE YOUR LIFE BETTER
TURNING VALUE INTO BUILDING PRODUCTS

John Burns New Home Trends Institute research the top 6 trends of 2021 –

- Value
 - More Lifestyle for the money
 - Efficient use of space
 - Quality Product (Private Label Goods)
- Smarter Tech
 - Consumers seek balance

New Home Build **2021 Home Feature Must-Have's**

1. Natural light

"Function plus natural light equals maximum utility,"

2. A Drop Closet for Deliveries

Online shopping will continue to be a time-saving convenience

3. Home Offices

"Don't need to be large" but must have natural light

4. Home Exercise Spaces

To appeal to these health-oriented buyers, incorporate an exercise area into your floor plans

5. Clean, Healthy Air

"Almost 70% will pay for clean air in their home,"

6. Photovoltaics

With solar panels dropping in cost and homes becoming increasingly efficient, demand for solar panels and net-zero homes is rising

7. Smaller Garages With Vehicle Charging Stations

"Garage size is less important as (ride sharing services) and work from home continues,"

8. A Reasonable, Affordable Size

Keep smaller homes in mind, the "missing middle" movement seeks to address the challenges of middle-class housing in many markets with strong job growth, rising home prices, and tight supply



"Consumers are asking for--demanding--innovation"

Source: Constructutopia.com



Source: <https://constructutopia.com/design/what-8-features-should-builders-offer-new-homes-2021>

"Consumers are asking for--demanding--innovation," said Tim Sullivan, senior managing principal at Zonda, a housing research firm based in Costa Mesa, Calif., who moderated the panel of two builders (Gene Myers of Thrive Home Builders in Denver and Mike Trolle of BPC Green Builders in Wilton, Conn.) and architect John Guilliams of KGA Studio Architects in Louisville, Colo.

1.Natural light. A year of working from home has demonstrated two things to buyers: the need to upgrade their home's artificial lighting, especially in home offices; and the importance of natural light and the connection to the outdoors. "Function plus natural light equals maximum utility," Sullivan said.

2.A drop closet for deliveries. Online shopping will continue to be a time-saving convenience after the pandemic, and a drop closet near the entrance of the home provides security for packages and eliminates the clutter of cardboard boxes just inside the front door.

3.Home offices. These dedicated workspaces "don't need to be large," said Sullivan,

who says natural light and views of the outdoors can compensate for a small footprint.

4. Home exercise spaces. With health experts still worried about the risk of indoor gym workouts spreading covid-19, many Americans are exercising at home. To appeal to these health-oriented buyers, incorporate an exercise area into your floor plans. Like home offices, these specialty rooms can be smaller than they might have been in the past, just as long as there is enough room for a yoga mat, weights, and the increasingly popular Peloton bike.

5.Clean, healthy air. “Almost 70% will pay for clean air in their home,” said Sullivan. But this is an opportunity that many builders fail to capitalize on. According to UTOPIA’s exclusive research on healthy homes, 69% of builders offer some form of healthy home features, but only 34% follow the EPA’s Indoor airPLUS program. If you’ve been wondering whether your home building firm should upgrade its air quality, filtration, or monitoring in your homes, this might be the year to do it. At BPC Green Builders, Trolle frequently uses stand-alone ERVs (energy recovery ventilation units) to provide ventilation and fresh air. He also invests in moisture management and low-VOC building materials.

6.Photovoltaics. With solar panels dropping in cost and homes becoming increasingly efficient, demand for solar panels and net-zero homes (homes that produce as much energy as they use) is rising, according to Sullivan. It’s certainly been a successful niche for Thrive, which posted the lowest average HERS score (26.9) in the country among 300,000 rated homes, according to RESNET. Thrive’s Ultimate Z.E.N. home, a demonstration home with Professional Builder and the Energy and Environmental Building Alliance, is a net-zero home with solar and battery storage, as well as fresh air ventilation, air filtration, indoor air quality monitoring, and more. “It’s a home for the post-pandemic future,” said Gene Myers, Thrive’s CEO.

7.Smaller garages with vehicle charging stations. “Garage size is less important as (ride sharing services) and work from home continues,” Sullivan said. But you might want to add a car charging station to that smaller garage, especially if you build in California; in 2018, nearly half (47%) of U.S. electric car registrations were in the Golden State, according to government data.

8.A reasonable, affordable size. While a year of working and learning from home has motivated many buyers to purchase bigger homes, it’s important for builders not to go overboard with square footage. Sullivan recommended a range of 1,500 to 2,500 square feet as the ideal size to capture the largest slice of the market. Architect Guilliams also reminded builders to keep smaller homes in mind, citing the “missing middle” movement that seeks to address the challenges of middle-class housing in many markets with strong job growth, rising home prices, and tight supply. “As we start to get back to normal, the missing middle is going to require us to get smaller than 2,500 square feet,” said Guilliams, director of design at KGA. “Lots of these homes are going to be closer to the 1,200- to 1,500-square-foot size.”

Marketing Insights | **New Home Trends**

Prefab & Small Footprint Homes



Elon Musk Now Lives In A Prefab Tiny House Worth Just \$67,000

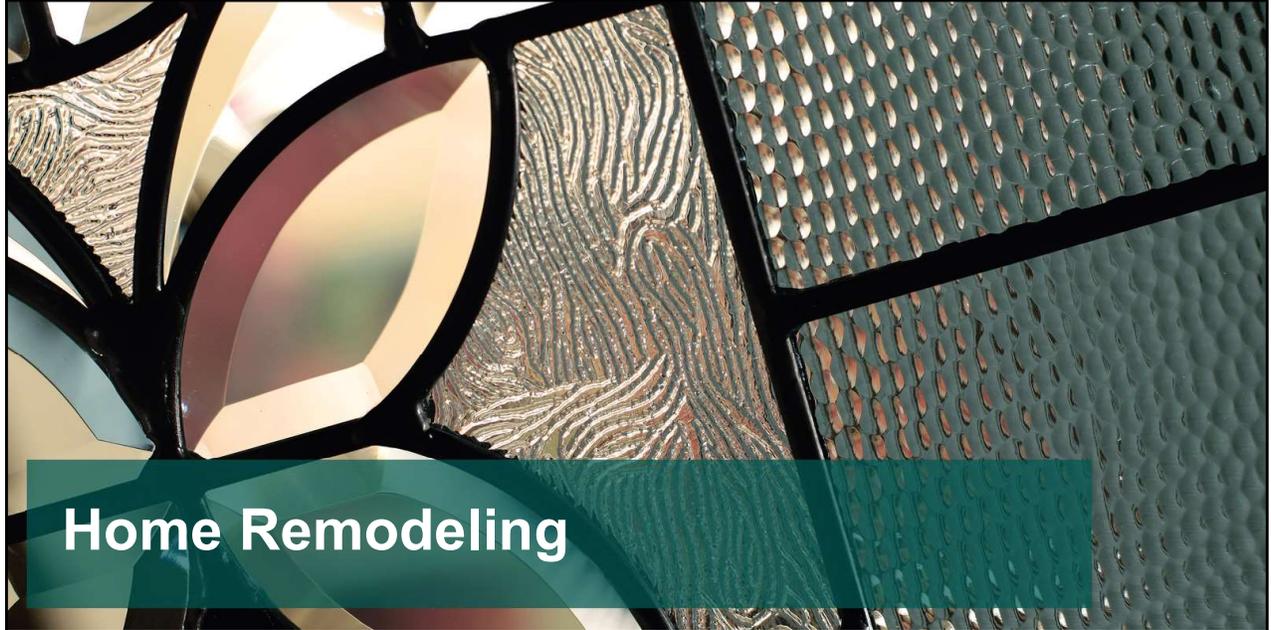


Article Source: https://www.realtor.com/news/celebrity-real-estate/elon-musk-is-living-in-a-prefab-tiny-house-worth-only-50k-on-spacex-site/?link=TD_realtor_new_articles.f0f48e0fd8fe822&utm_source=realtor_new_articles.f0f48e0fd8fe822&utm_campaign=circular&utm_medium=MOVE
BoxAbl Website: <https://www.boxabl.com/>



After selling much of his real estate portfolio in the past year and listing his final property earlier this month to focus on his mission to Mars, the Tesla and SpaceX CEO is taking the phrase “Live below your means” to another level.

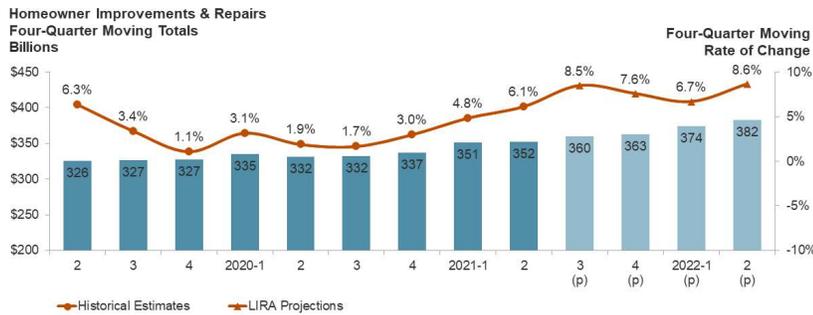
Musk, who turned 50 in June [2021], revealed in a tweet that he is now **living in a humble \$67,000 home** that he rents from SpaceX on its launch site in Boca Chica, Texas.



Home Remodeling



Leading Indicator of Remodeling Activity – Second Quarter 2021



Notes: Improvements include remodels, replacements, additions, and structural alterations that increase the value of homes. Routine maintenance and repairs preserve the current quality of homes. Historical estimates since 2019 are produced using the LIRA model until American Housing Survey benchmark data become available.
 © PRESIDENT AND FELLOWS OF HARVARD COLLEGE Joint Center for Housing Studies of Harvard University JCHS

Source: JCHS, 2021



Source: <https://www.jchs.harvard.edu/press-releases/further-strengthening-expected-home-remodeling>

Annual gains in homeowner improvement and maintenance spending are set to accelerate in the second half of the year and remain elevated through mid-year 2022, according to the [Leading Indicator of Remodeling Activity \(LIRA\)](#) released today by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University. The LIRA projects annual growth in home renovation and repair expenditures will reach 8.6 percent by the second quarter of next year.

Consumer Project Planning and Intent in Q2 2021: 5 Things to Know

1. Homeowners are still planning home improvement projects at high rates.

- Consumers are spending much more time at home.
- Low interest rates create easier access to funds.
- Homebuying is becoming more costly and difficult as demand outpaces supply.

2. Improvements to living spaces are the new center of home projects.

While projects like landscaping and painting remain popular, they have seen a dip in recent quarters. Projects that focus more on living spaces have increased dramatically over the last two quarters. These projects include bedrooms, living rooms, dens, and specialty rooms, and outdoor recreation, such as swimming pools.

3. Maintenance and repair remain the top motivators for projects.

Most project planners tend to prioritize immediate improvement needs, though an updated look or more comfortable space is not far behind. With many having been at home much more over the last year, homeowners have shifted much of their focus and available funds to upgrading the spaces they see and live in every day.

4. A discrepancy exists between planned and completed DIY projects.

While most claim to have some affinity for DIY work, only slightly more than 53% of projects are actually planned as DIY. Additionally, DIY work for completed projects has historically hovered around two-thirds. This indicates that projects planned to be done professionally often either end up being done DIY or do not get done at all.

5. DIY attitudes have a large impact on project planning.

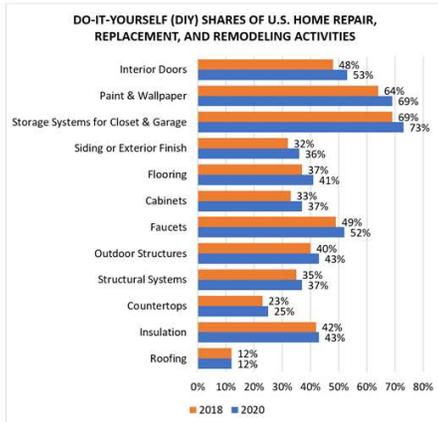
DIY confidence spills over into how many projects homeowners plan to complete. Those who are more confident in their DIY ability are planning more projects, even if they are planning to have a pro complete the work.



Source: Home Improvement Research Institute (HIRI), 2021

https://www.hiri.org/index.php?option=com_dailyplanetblog&view=entry&year=2021&month=06&day=13&id=95:consumer-project-planning-and-intent-in-q2-2021-5-things-to-know

DIY Home Repair & Replacement Activities



Source: Home Innovation's Annual Consumer Practices Survey



Categories with shorter learning curves & fewer tools and equipment requirements, such as painting and interior doors, saw the greatest jump in DIY share last year, giving indication of their market elasticity

Source: Home Improvement Research Institute (HIRI), 2021

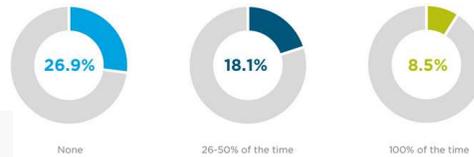


https://www.homeinnovation.com/trends_and_reports/trends/was_2020_really_the_year_of_the_diyer

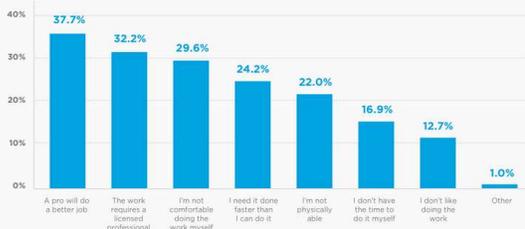
Based on research data, there was a rush at the beginning of 2020 to address neglected repairs and upgrades, such as painting and gutter replacements. There was also an early rush to declutter, which particularly benefitted the market for garage and pantry storage systems and the construction of storage buildings. Soon after, there was a boost in outdoor living projects — decks, patios, porches, fences, and outdoor kitchens — to take advantage of warmer weather, maximize living and entertaining spaces, and provide a place to socialize while maintaining social distance.

Professional Contractor Utilization

WHAT PERCENTAGE OF YOUR HOME IMPROVEMENT PROJECTS INVOLVE A PROFESSIONAL CONTRACTOR?



WHEN YOU DO HIRE SOMEONE TO DO THE HOME IMPROVEMENT WORK, WHAT ARE YOUR REASONS?



Source: Home Improvement Research Institute (HIRI), 2021

https://www.hiri.org/index.php?option=com_dailyplanetblog&view=entry&year=2021&month=06&day=21&id=97:how-homeowners-are-working-with-professionals

Almost **27%** of homeowners have never utilized a professional contractor while **18%** of homeowners hire a professional at least half of the time. Just under **9%** say they always hire a professional. These statistics support the idea that although many may intend to hire a professional for a project, some end up not.

When looking at the driving factors in hiring a professional, we see that **skill-level and knowledge** are the most important factors, while **time and willingness** are less important. The top two reasons; however, are homeowners either do not have the proper licensing required or think a professional will do a better job.

Bottom Line: A wide variety of home projects do not require a contractor – the homeowner is choosing to complete the jobs themselves as they are willing and have or will make the time. As we look at new retail products, we must consider the customer needs and how we impact their DIY or contractor experience.



Macro Trends



Marketing Insights | Home Design Trends

Modern Infusion
Revamping Existing Design
with Modern Style

Safety & Privacy
Designing to Support
Growing Homeowner Safety
& Privacy Needs

**Architectural Accents
& Personalization**
Finding New Ways to
Implement Functionality
& Style



Source: ODL Macro IQ Report #3 3-21

Marketing Insights | Lifestyle Drivers

Outdoor Living
Expanding the Home into
Outdoor Spaces

Wellness/Well-Being
Designing to Increase Well-
Being Within The Home

Longevity & Flexibility
“Future Proofing”, Aging in
Place, Multi-Family Homes,
Etc.

Which is the most popular outdoor space in single-family homes in 2021?

Outdoor Living Areas Will Be Bigger Than Before the Pandemic, According to 63% of Construction Experts

Are outdoor spaces in new single-family homes bigger than before the pandemic?

FIXR

ACCELERATING IMPACT

Folding and Sliding Doors and Windows Are the Most Popular For Connecting Indoor And Outdoor Spaces

Which window type is most popular for connecting indoor and outdoor spaces?

OUTDOOR LIVING
According to outdoor industry experts surveyed by FIXR, 74% believe an indoor/outdoor blend is mostly achieved by folding and sliding doors and windows.

FIXR

WELLNESS & DESIGN

Home offices (increase in popularity) and additional multi-functional spaces become popular as people continued to live and work from home

% of respondents reporting popularity of users "increasing" versus "decreasing" since the Q2 2020 compared to data from Q2 2019

AD HOME DESIGN TRENDS SURVEY

The number of Americans relocating in 2021 will be the highest in 16 years, surpassing 14.5 million due to the increased prevalence of remote work.

SPENCE

LONGEVITY & FLEXIBILITY

Homeowners are living in their residences for longer than they had previously done. This makes "future-proofing" a home, where floor plans and spaces are nimble, even more critical.

the front foyer will be redesigned

The "post-pandemic" Garman new concept home incorporates separate homeowner and guest entryways, two dedicated office spaces, additional flex spaces, a guest suite with outdoor access, a larger secondary bathroom, multiple outdoor spaces, and better storage. Inside the front door is a vestibule, a scaled-up mudroom where visitors can store coats and shoes. It sits next to a guest suite, and the whole area can be isolated from the rest of the house.

SPENCE



Source: ODL Macro IQ Report #3 3-21

Shopping Trends

Retail: Direct to Consumer
 DIYers are Trying New Brands & Highly Influenced by Online Ads

Easy DIY For Millennials
 Utilizing Technology to Make DIY Easier

Reframing Retail
 Implementing New Ways to Enhance the Shopping Experience



- REFRAMING RETAIL**
- Pace Underhill reflects on trends for retail:**
- High-tech hygienic dressing rooms** are being tested in corners of the world. Garments can be efficiently sanitized whether they are going in and out of that dressing room or returned online.
 - Think catalog showrooms for the 21st century. **Shop in person for durable goods for the experience and rely on online fulfillment.** That hybrid model works well with furniture, home goods, appliances, toys, athletic supplies, tools and more.
 - When shopping in store for seasonal selections, key in on the experience and transform it into entertainment** – exactly what retail has been missing.
 - Parking lots have 80/15 systems in place and can also be staging grounds for local water and charging stations for cars and RV** – think mobile trailer/shipping containers. All many PCA AND WASCAR events sections of the parking lots have been transformed into mobile shopping malls – a modern-day shopping carnival show.
 - The retail brokerage industry is finally being transformed from analog to digital – shorter, more flexible leases.** Crocs and Canada Goose could share the same space based on seasonality.
 - The store fitting and fitting industry has been overdue for overhaul. With changes in depreciation schedules (its that five-year window goodbye) **the reinvention of fit and what it means to recycle take on new meanings.**
 - The crossover between the tradeshow industry and retail finally happens where benefits for pop-ups are designed for two-year lifespans and **can be refreshed and moved dozens of times.**
- © 2015 Statista Publishing LLC

Source: ODL Macro IQ Report #3 3-21