2019

HOUZZ STATE OF THE INDUSTRY

U.S. Residential Renovation and Design
February 2019

Big Ideas

OPTIMISM STILL PREVAILS FOR 2019

More than half of companies specializing in residential renovation and/or design cite a positive outlook for 2019 (58% to 80%), although the numbers are lower than a year ago (71% to 88%). Six of the seven industry groups[1] expect average revenue growth to be in the upper single digits in the coming year (8.2% to 9.4%), with the exception of architects (5.1%).

OUTLOOK ON THE ECONOMY NEUTRAL AT BEST

Companies maintain a positive outlook on the demand for professional services in 2019, but their view of the economy is mixed. In fact, Industry groups predict the national economy is much more likely to deteriorate (35% to 61%) than to improve (11% to 18%). Furthermore, the outlook on local economies has shifted to largely neutral (54% to 66%).

2018 REVENUE GROWTH LOWEST IN FIVE YEARS

While average annual growth rates remained positive in 2018, five of the seven industry groups experienced a notable deceleration in the rate (5.6% to 8.2%) compared with 2017 (8.3% to 11.3%)[2]. Similarly, more companies felt that 2018 missed expectations compared with 2017. Surprisingly, hiring kept pace with recent years.

RISING COSTS A TOP CHALLENGE

2018 was marked by widespread discontent with rising business costs. Companies in the construction sector were consistently most affected, with three in four reporting increasing costs of doing business (76% to 81%). Furthermore, the share of construction companies citing products and materials as the top driver of costs rose a whopping 11 to 12 percentage points (to 72% to 78%) compared with 2017 (61% to 66%).

[1]The Houzz State of the Industry Study categorizes companies into seven industry groups: architects, interior designers, general contractors (GCs)/ remodelers/builders, design-build firms, building/renovation specialty firms, landscape/outdoor specialty firms and decorating specialty firms.

[2]See the 2018 Houzz State of the Industry Study.

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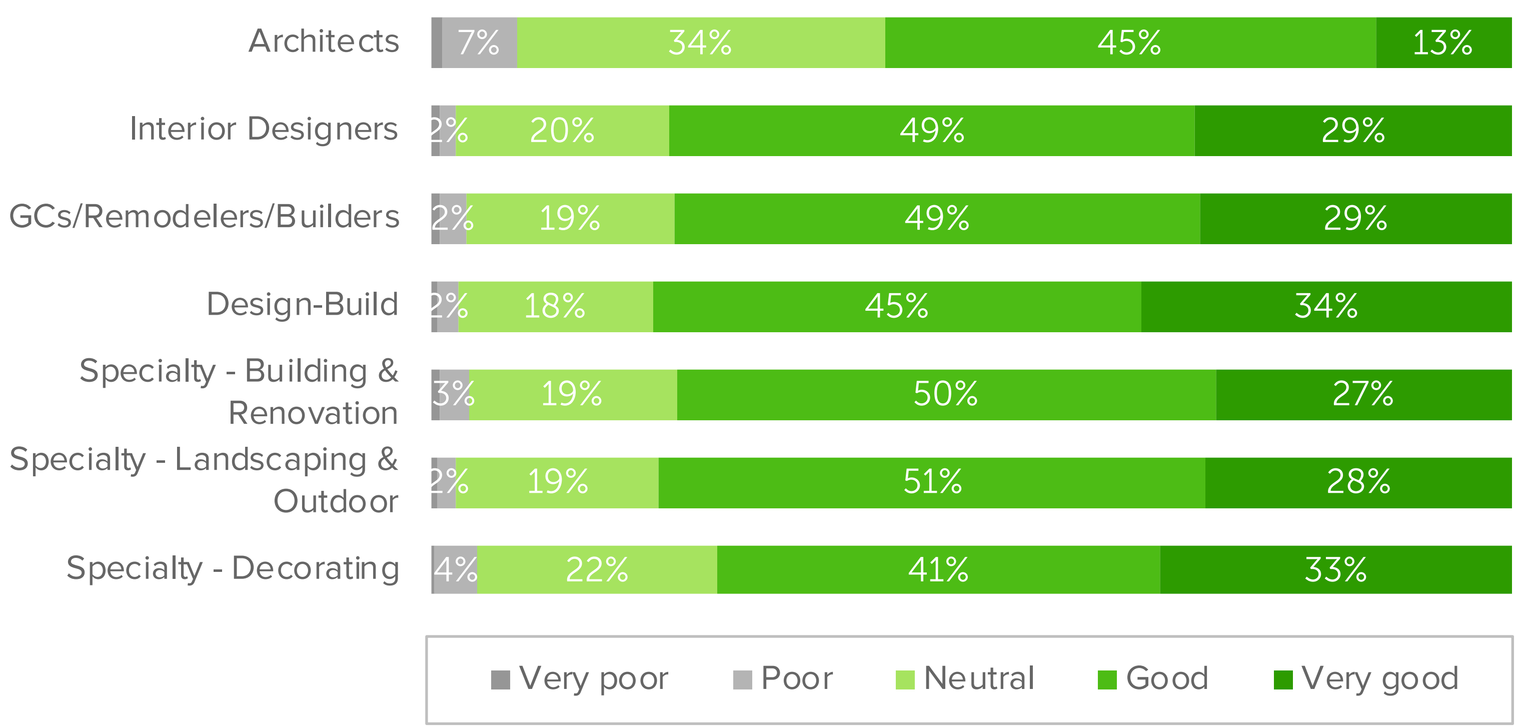
2019 OUTLOOK

Businesses Remain Optimistic for 2019

More than half of companies on Houzz focusing on residential renovation and design predict that 2019 will be a good or very good year (58% to 80%). However, these sentiments are considerably less widespread than a year ago (71% to 88%), with the greatest year-over-year shift in the outlook among architects. In fact, one-third of architects are neutral about the year ahead (34%), compared with one-quarter a year ago (25%).

FIRMS (%) REPORTING THEIR OVERALL BUSINESS OUTLOOK FOR 2019



Less Bullish Growth Outlook for 2019

Six of the seven industry groups expect average revenue growth to be in the upper single digits in 2019 (8.2% to 9.4%). Architects are the most conservative group, anticipating mid-single-digit revenue growth (5.1%). Consistent with the overall outlooks, growth expectations are considerably less bullish compared with expectations of the last four years, with the biggest year-over-year drop observed among outdoor and decorating specialty companies.[3]

EXPECTED AVERAGE ANNUAL RATES OF REVENUE GROWTH, AS REPORTED BY FIRMS

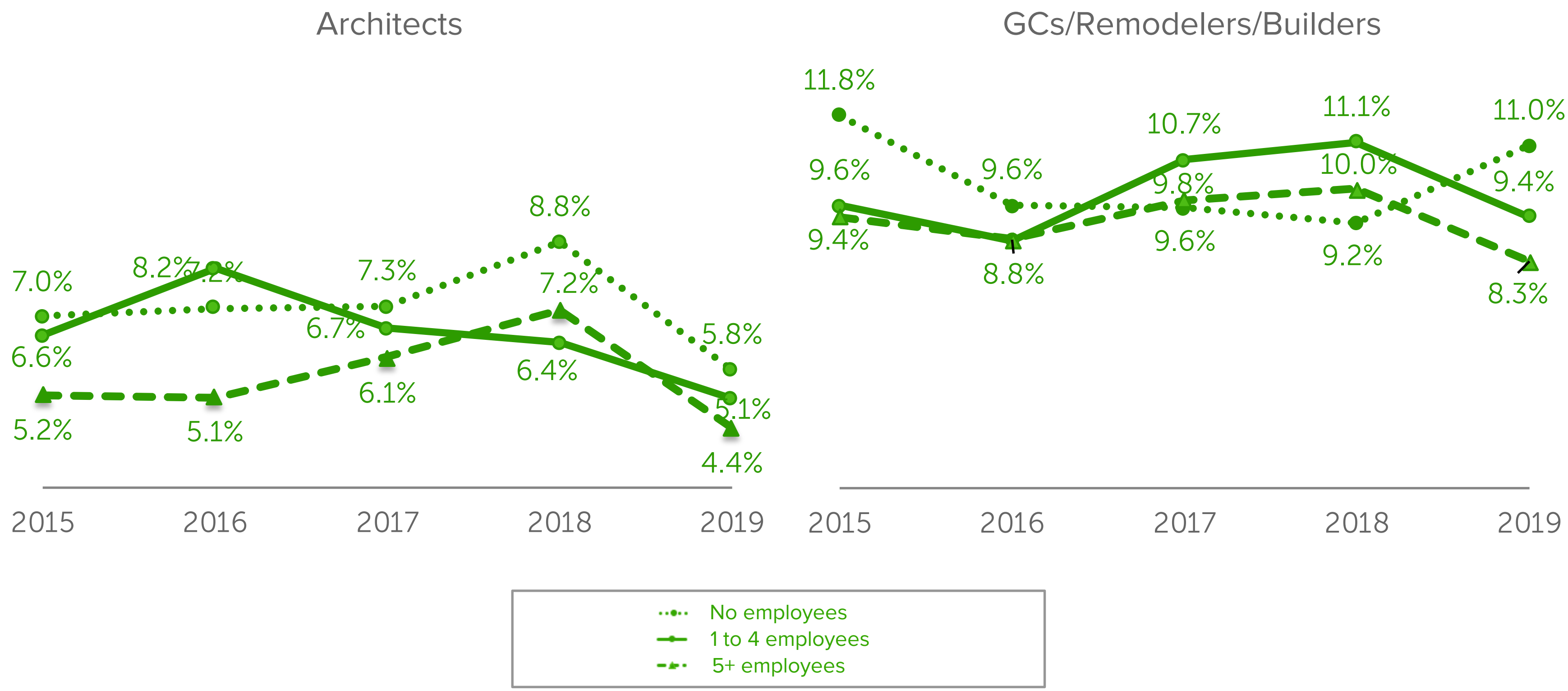
	2015E	2016E	2017E	2018E	2019E
Architects	6.5%	7.6%	6.9%	6.9%	5.1%
Interior Designers	11.2%	10.7%	11.3%	11.1%	9.4%
GCs/Remodelers/Builders	9.9%	9.3%	10.3%	10.5%	8.7%
Design-Build	9.9%	9.6%	10.5%	9.9%	8.4%
Specialty - Building & Renovation	10.9%	9.2%	10.9%	10.9%	9.0%
Specialty - Landscaping & Outdoor	10.2%	10.2%	10.0%	11.4%	8.2%
Specialty - Decorating	13.6%	10.4%	11.6%	12.3%	9.1%

[3]See Appendix A for comparison of expectations to actual average revenue growth.

Most Small and Large Firms Expect Deceleration in 2019

Companies of all sizes, when measured by number of employees, project optimism about revenue growth in 2019. That said, revenue growth is expected to slow down across most company segments. Large architectural companies (five or more employees) are the most conservative in their revenue growth expectations (4.4%), while small general contracting (GC) companies (no employees) are the most bullish (11.0%).[4]

EXPECTED AVERAGE ANNUAL RATES OF REVENUE GROWTH BY FIRM SIZE, AS REPORTED BY FIRMS

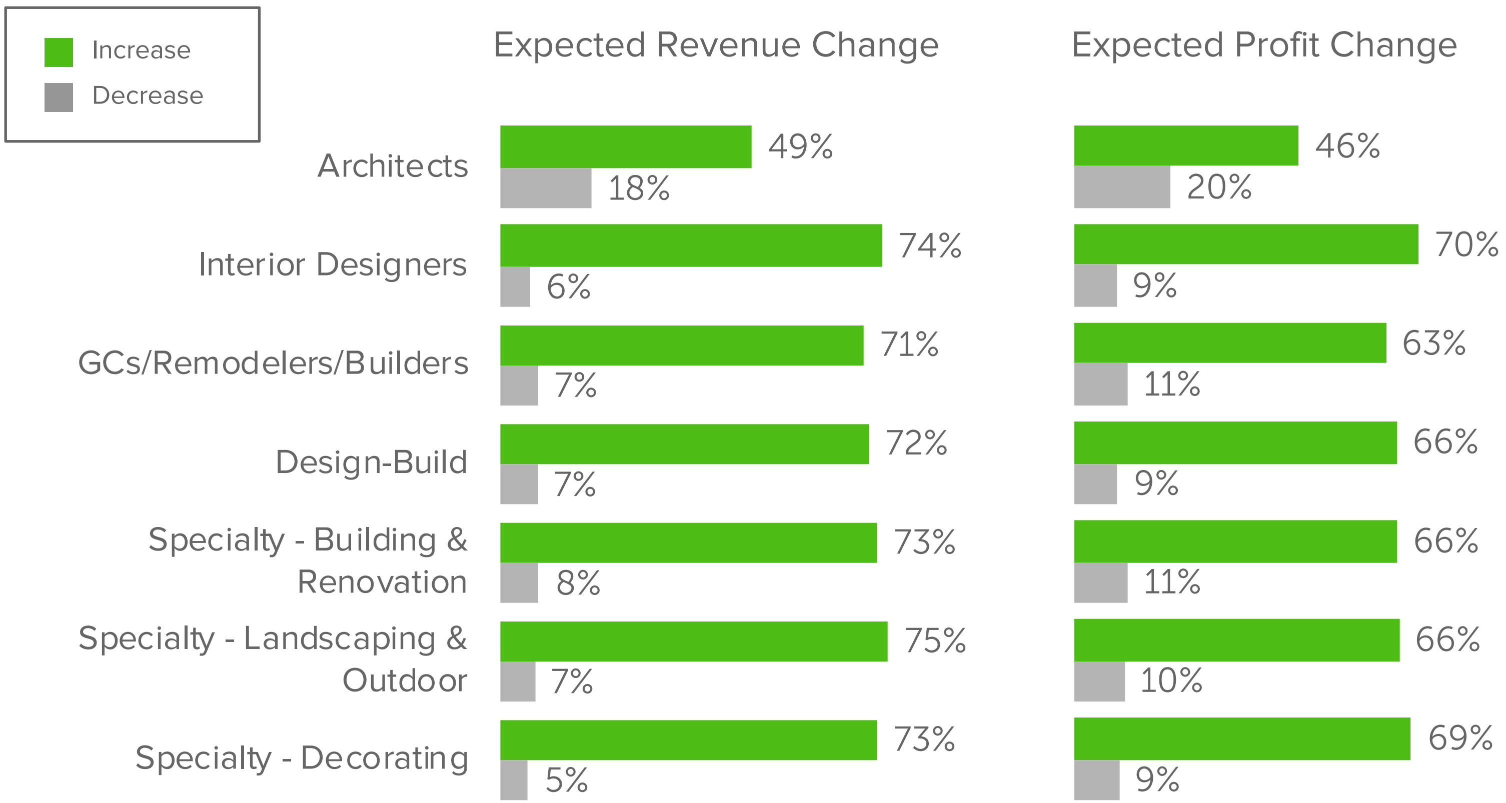


[4]See Appendix B for comparison of expected average annual rates of revenue growth by firm size in 2019.

Profits Still Expected to Grow in 2019

Among six of the seven industry groups, a majority of companies expect profits to increase in 2019 (63% to 70%), although one in 10 expects them to decline (9% to 11%). Architects continue to stand apart from other industry groups, with only 46% expecting profits to increase and 20% expecting a decline, a significant change from last year's expectations (56% and 11%, respectively).

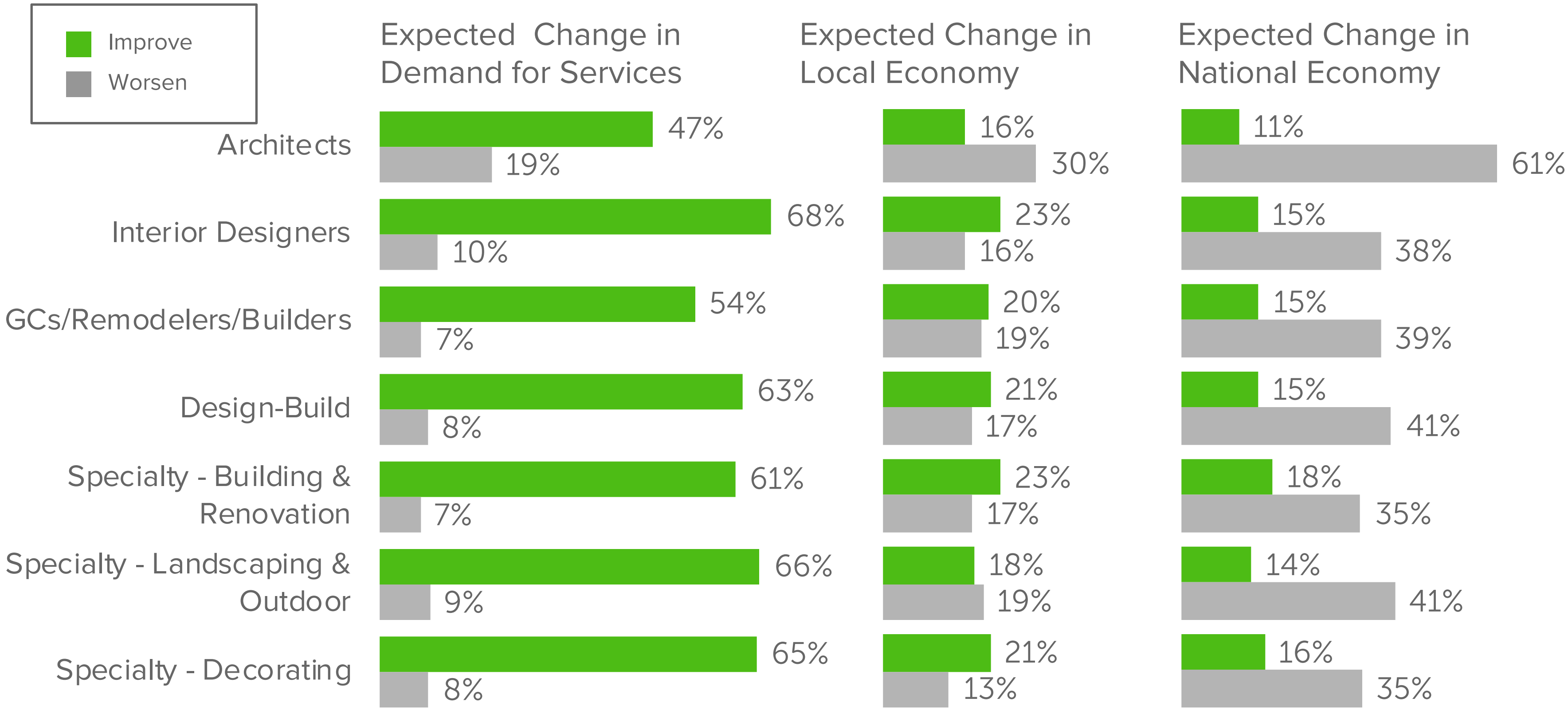
FIRMS (%) EXPECTING YEAR-OVER-YEAR CHANGES IN REVENUE AND PROFIT IN 2019



Stark Views on Health of National Economy

While companies maintain widespread optimism about the demand for their services in 2019, sentiments about national and local economic health in 2019 are neutral at best. Unlike last year's expectations, industry groups are more consistent in their views that the national economy is much more likely to deteriorate in 2019 (35% to 61%) than improve (11% to 18%). Their views on local economies are largely neutral (54% to 66%).

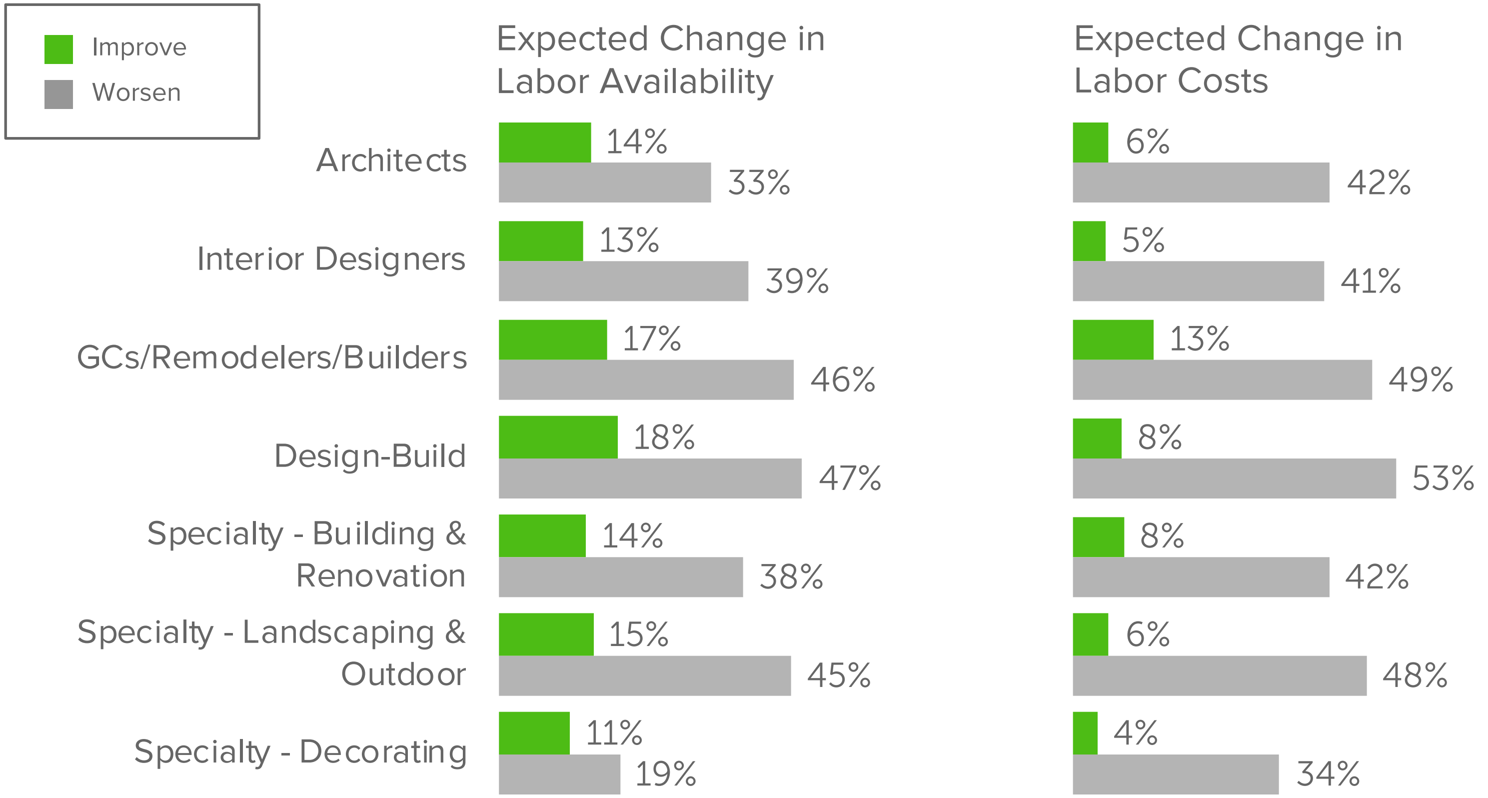
FIRMS (%) EXPECTING YEAR-OVER-YEAR CHANGES IN DEMAND AND ECONOMY IN 2019



Labor Market Expected to Remain Tight in 2019

Over a third of companies in the construction and design industries continue to expect labor availability and labor costs to worsen in 2019, consistent with the tight labor market conditions of the last four years. Despite these headwinds, a fifth of design-related and over a third of construction-related industries expect to hire in 2019.[5]

FIRMS (%) EXPECTING YEAR-OVER-YEAR CHANGE IN LABOR AVAILABILITY AND COSTS IN 2019

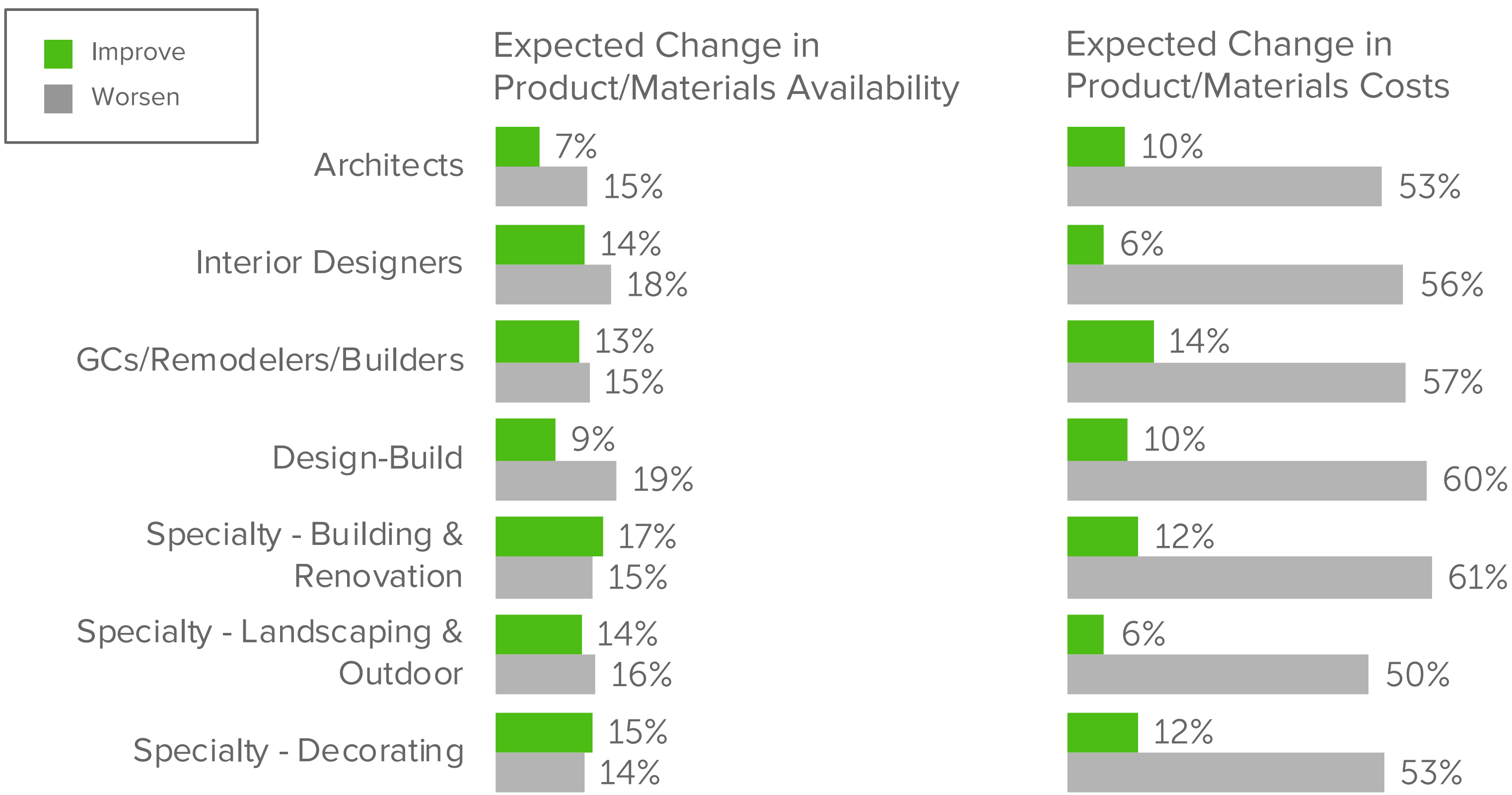


[5]See Appendix C for additional information on expected hiring in 2019.

Bracing for Higher Materials Costs

At least half of the companies in each industry group expect the costs of products and materials to rise (50% to 61%), in line with last year (47% to 60%). With costs of labor and products rising, many companies expect the costs of doing business overall to increase in 2019 (48% to 68%),[6] consistent with a year ago (45% to 67%).

FIRMS (%) EXPECTING YEAR-OVER-YEAR CHANGE IN PRODUCT/MATERIALS AVAILABILITY AND COSTS IN 2019



[6]See Appendix C for additional information on expected change in costs of doing business in 2019.

2018 IN FOCUS

2018 Growth Lowest in 5 Years

While average annual growth rates remained positive in 2018, architects, general contractors, design-build and construction and outdoor specialty companies experienced a notable deceleration in those rates (5.6% to 8.2%) compared with 2017 (8.3% to 11.3%). Fewer companies grew by 15% or more in 2018 (26% to 33%) compared with 2017 (31% to 41%), while the incidence of revenue losses increased (16% to 21%) compared with 2017 (11% to 21%).[7] Over half of companies feel that 2018 revenue met or exceeded their expectations (58% to 65%), yet more than a third report underperformance for the year (35% to 42%).[8]

AVERAGE ANNUAL RATE OF REVENUE GROWTH, AS REPORTED BY FIRMS

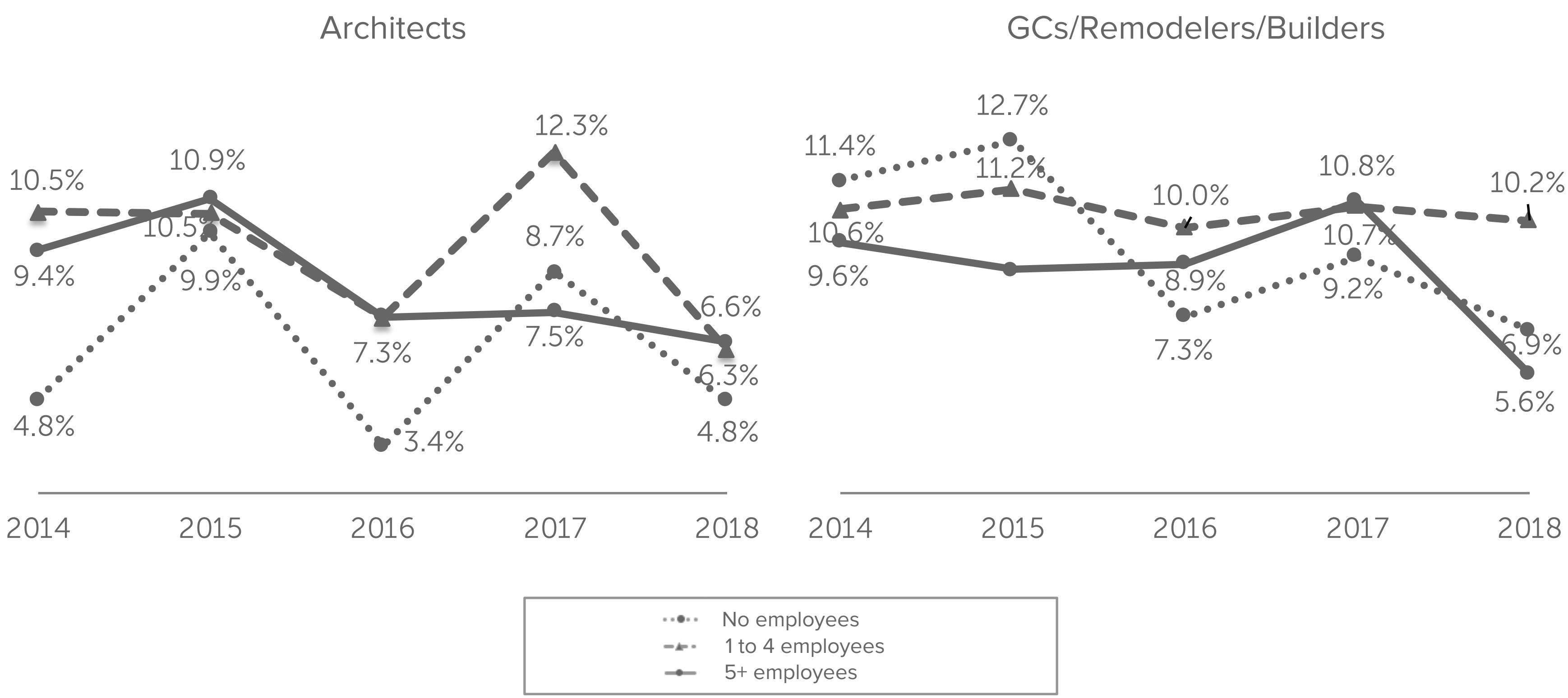
	2014	2015	2016	2017	2018
Architects	8.0%	10.1%	6.7%	8.3%	5.6%
Interior Designers	10.5%	8.6%	8.0%	7.4%	7.0%
GCs/Remodelers/Builders	9.2%	10.2%	9.1%	10.6%	7.3%
Design-Build	9.4%	10.1%	8.3%	11.3%	8.2%
Specialty - Building & Renovation	9.1%	9.1%	9.5%	8.9%	6.5%
Specialty - Landscaping & Outdoor	10.6%	10.6%	8.7%	9.0%	6.6%
Specialty - Decorating	12.3%	8.8%	7.9%	7.2%	6.3%

[7]See Appendix D for additional information on revenue growth rate breakdown for 2018.
[8]See Appendix E for additional information on how revenues compared to expectations for 2018.

2018 Brings Slower Growth for Companies Large or Small

Companies of all sizes grew at a positive rate in 2018, although most grew much slower compared with 2017. Small companies (no employees) have experienced a much greater growth volatility over the past five years compared with larger companies, with the 2018 deceleration comparable to that of other years. Larger company segments, however, reported the slowest 2018 growth rates in five years. Small outdoor specialty companies experienced the slowest growth in 2018 (2.7%), while large GC companies (five or more employees) grew the fastest (10.2%).[9]

AVERAGE ANNUAL RATE OF REVENUE GROWTH BY FIRM SIZE, AS REPORTED BY FIRMS

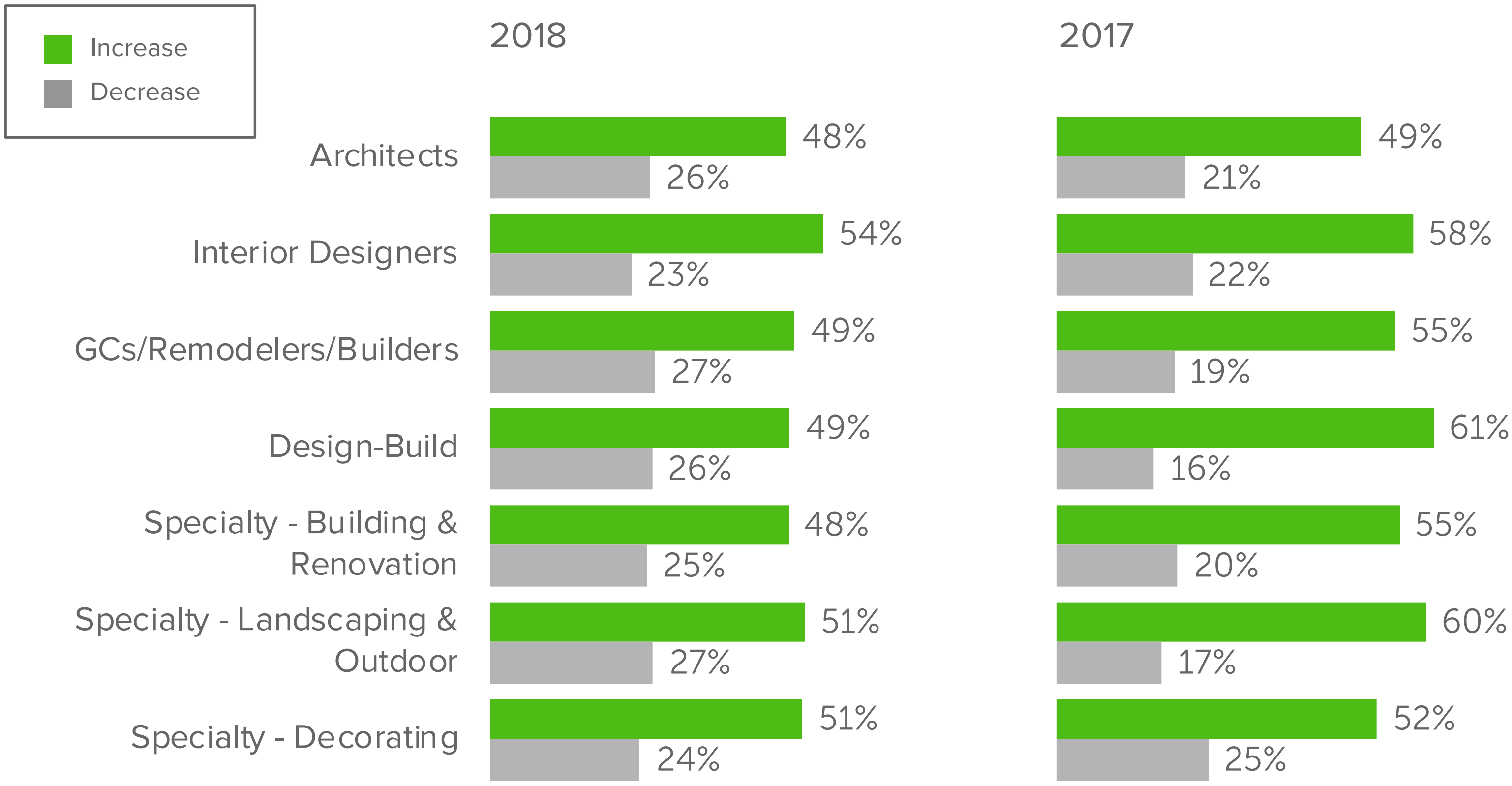


[9]See Appendix F for additional information on average annual rate of revenue growth by firm size for 2018.

Half of Firms Report Higher Profit in 2018

Half of companies across all industry groups reported a year-over-year profit increase for 2018 (48% to 54%), though that was a smaller share than in 2017 (49% to 61%). Similar to the previous four years, profit growth lagged revenue growth, with profit increases less widespread than increases in revenue.

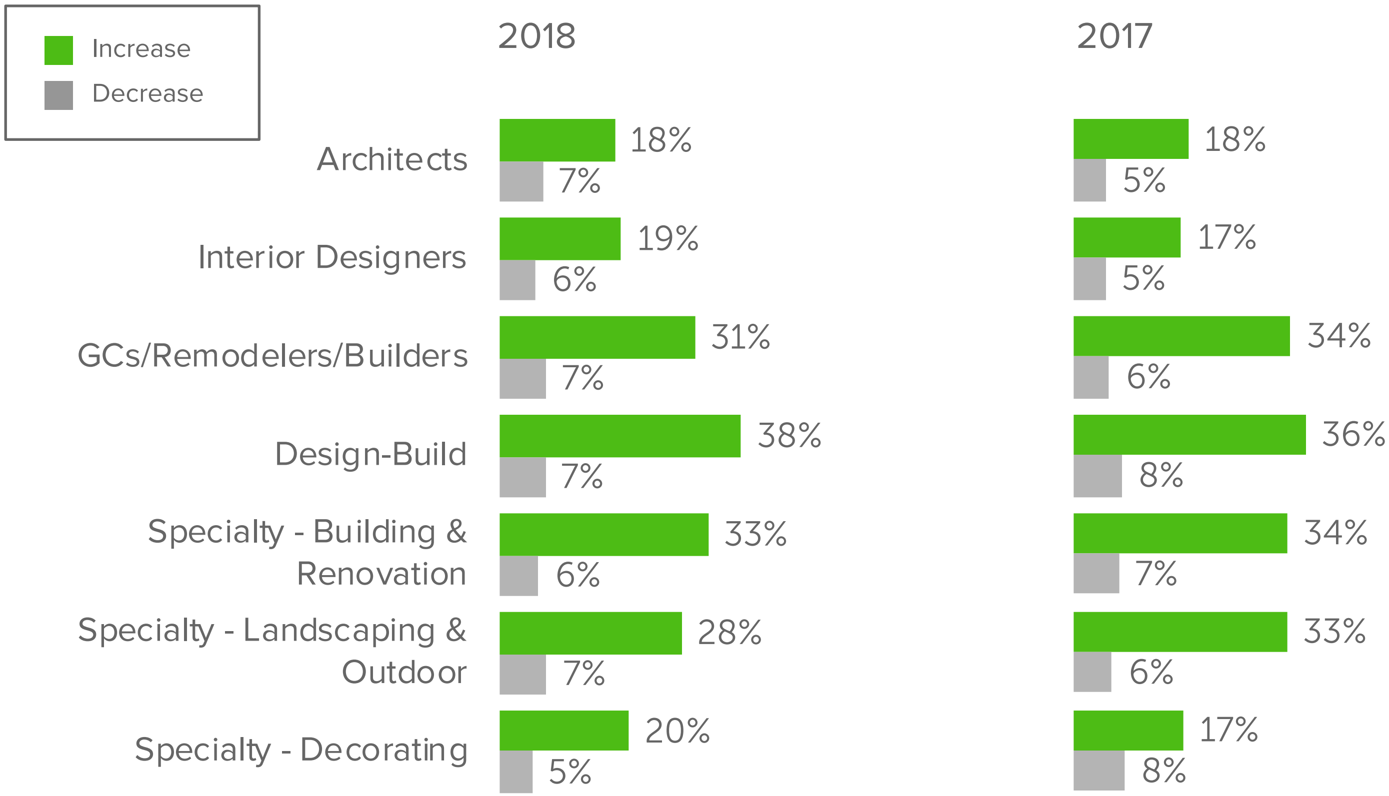
FIRMS (%) REPORTING YEAR-OVER-YEAR CHANGES IN TOTAL ANNUAL PROFIT



Hiring Keeps Pace in 2018

Despite the slowdown in revenue growth, the pace of hiring in 2018 was on par with that of 2017, with a third of general contractor, design-build and construction specialty companies boosting their head counts (31% to 38%); 18% to 20% of them added one or two employees and 12% to 18% of them added three or more.[10] Consistent with prior years, other industry groups' hiring efforts were more limited in nature.

FIRMS (%) REPORTING YEAR-OVER-YEAR CHANGES IN NUMBER OF EMPLOYEES

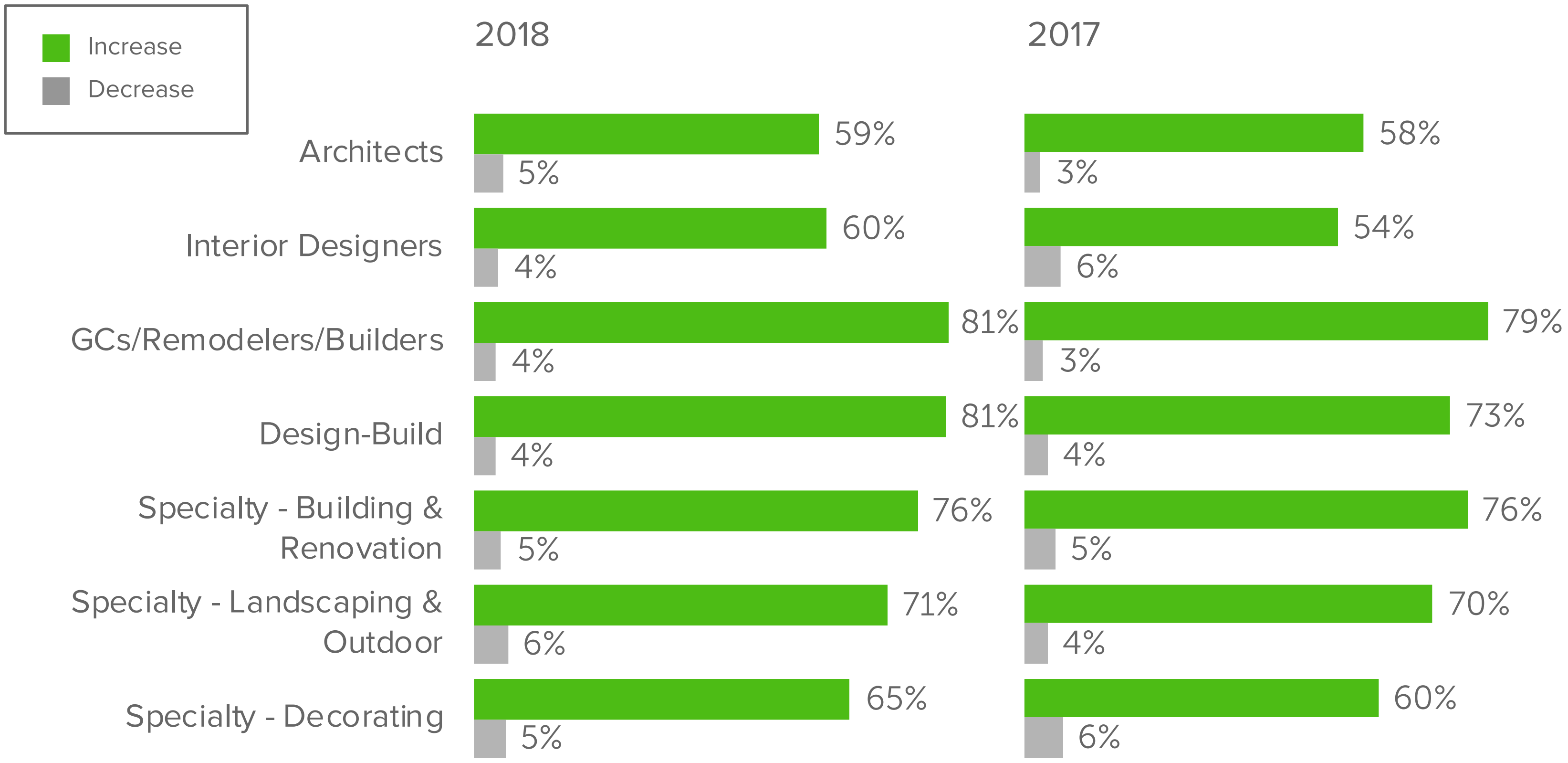


[10]See Appendix G for additional information on hired employee breakdown in 2018.

Business Costs Continue to Rise in 2018

At least three in five companies in each industry group reported that the cost of doing business increased in 2018 (59% to 81%), somewhat in line with 2017 (54% to 79%). Those in the construction sector continued to see the most widespread cost increases, with more than three in four general contractors, design-build firms and building and renovation specialty firms reporting rising costs (76% to 81%).

FIRMS (%) REPORTING YEAR-OVER-YEAR CHANGES IN COST OF DOING BUSINESS



Rising Product Costs Affected Many in 2018

Among those firms reporting rising business costs, products/materials and labor are the cost drivers cited most often. In fact, three in four construction-related industry groups report products and materials driving up the cost of doing business (72% to 78%), a whopping year-over-year increase of 11 to 12 percentage points (61% to 66%).[11]

FIRMS (%) REPORTING TOP 3 DRIVERS OF INCREASES IN COST OF DOING BUSINESS IN 2018

	No. 1 Cost Driver	No. 2 Cost Driver	No. 3 Cost Driver
Architects	Employee wages or benefits (51%; +7% YOY*)	Office equipment/software (42%; -5% YOY)	Advertising/marketing (35%; -8% YOY)
Interior Designers	Products or materials (55%; +10% YOY)	Advertising/marketing (41%; -7% YOY)	Subcontractor (35%; +10% YOY)
GCs/Remodelers/Builders	Products or materials (78%; +12% YOY)	Subcontractor (64%; +8% YOY)	Employee wages or benefits (48%; +5% YOY)
Design-Build	Products or materials (72%; +11% YOY)	Subcontractor (58%; +6% YOY)	Employee wages or benefits (57%; +8% YOY)
Specialty - Building & Renovation	Products or materials (75%; +11% YOY)	Employee wages or benefits (50%)	Advertising/marketing (34%; +5% YOY)
Specialty - Landscaping & Outdoor	Employee wages or benefits (63%)	Products or materials (59%; +7% YOY)	Business insurance (35%)
Specialty - Decorating	Products or materials (62%)	Advertising/marketing (48%)	Employee wages or benefits (34%)

[11]See Appendix H for additional information on 2018 cost drivers.
*The table includes any year-over-year changes of 5% or larger.

Rising Costs Now a Top Challenge for Most

With the exception of interior designers, rising business costs are the common thread in the top challenges facing businesses in 2019. More businesses report rising costs as a top challenge in 2018 (22% to 42%) compared with 2017 (17% to 37%). Managing consumer expectations and budget concerns, as well as difficulty hiring and a shortage of subcontractors, are other common challenges facing businesses.[12]

FIRMS (%) REPORTING TOP 3 BUSINESS CHALLENGES IN 2018

	No. 1 Challenge	No. 2 Challenge	No. 3 Challenge
Architects	Managing consumer expectations (39%)	Managing consumer concerns about costs (38%; +5% YOY*)	Increased cost of doing business (22%; +5% YOY)
Interior Designers	Managing consumer concerns about costs (35%; -6% YOY)	Managing consumer expectations (34%)	Shortage of subcontractors (32%)
GCs/Remodelers/Builders	Shortage of subcontractors (42%; +9% YOY)	Increased cost of doing business (42%; +5% YOY)	Difficulty hiring/being understaffed (31%)
Design-Build	Increased cost of doing business (42%; +7% YOY)	Shortage of subcontractors (38%)	Difficulty hiring/being understaffed (37%)
Specialty - Building & Renovation	Increased cost of doing business (42%; +8% YOY)	Difficulty hiring/being understaffed (34%)	Managing consumer concerns about costs (27%)
Specialty - Landscaping & Outdoor	Increased cost of doing business (40%; +12% YOY)	Difficulty hiring/being understaffed (38%)	Managing consumer concerns about costs (26%)
Specialty - Decorating	Managing consumer concerns about costs (31%)	Increased business competition (29%; +9% YOY)	Increased business competition (29%; +9% YOY)

[12] See Appendix I for additional information on business challenges in 2018.
*The table includes any year-over-year changes of 5% or larger.

2018 BUSINESS CHARACTERISTICS

Diversified Project Types

Most companies on Houzz focus on residential renovation or design by taking on projects related to existing homes (47% to 69%). Architects are the exception, splitting their projects among renovations (47%), new home construction (35%) and commercial design (18%).

FIRMS (%) REPORTING AVERAGE SHARE OF 2018 GROSS REVENUE FROM RESIDENTIAL VS. COMMERCIAL SERVICES

	Residential Services			Commercial Services
	Existing Homes	New Custom Homes	New For-Sale Homes	
Architects	47%	29%	6%	18%
Interior Designers	69%	15%	6%	11%
GCs/Remodelers/Builders	62%	21%	6%	11%
Design-Build	69%	15%	5%	11%
Specialty - Building & Renovation	66%	12%	6%	16%
Specialty - Landscaping & Outdoor	66%	13%	7%	14%
Specialty - Decorating	57%	14%	9%	20%

Many Projects Arise From Online Inquiries

During 2018, roughly one in three general contractors and design-build companies on Houzz worked on 30 or more projects and two in five worked on 10 to 29 projects. The share of design-build and construction, outdoor and decorating specialty companies reporting 30 or more projects originating from online sources increased in 2018 (13% to 28%) compared with 2017 (9% to 25%).

FIRMS (%) REPORTING NUMBER OF TOTAL PROJECTS AND PROJECTS FROM ONLINE INQUIRIES IN 2018

	Number of Projects			Number of Projects From Online Inquiries		
	<10	10-29	30+	<10	10-29	30+
Architects	22%	48%	30%	78%	18%	4%
Interior Designers	30%	44%	26%	78%	16%	6%
GCs/Remodelers/Builders	26%	41%	33%	71%	19%	10%
Design-Build	21%	41%	38%	63%	23%	13%
Specialty - Building & Renovation	7%	26%	67%	47%	25%	28%
Specialty - Landscaping & Outdoor	11%	38%	51%	47%	29%	23%
Specialty - Decorating	20%	28%	53%	56%	20%	24%

Many Companies Report Large Projects

Companies on Houzz report various dollar ranges for what they consider to be typical midsize projects. Interestingly, a greater share of companies in design-related, construction and outdoor specialty groups report typical midsize projects as valued at $50,000 or greater (24% to 61%) compared with a year ago (19% to 57%). Construction and decor specialty groups are the exception, showing a decline in this share.

FIRMS (%) REPORTING GROSS REVENUE AND GROSS PROFIT FROM A TYPICAL MIDSIZE PROJECT IN 2018

	Midsize Project Gross Revenue			Midsize Project Gross Profit		
	<$10K	$10K-$50K	>$50K	<$5K	$5K-$10K	>$10K
Architects	41%	35%	24%	48%	22%	29%
Interior Designers	28%	36%	36%	33%	25%	42%
GCs/Remodelers/Builders	16%	26%	58%	23%	18%	59%
Design-Build	12%	27%	61%	19%	18%	63%
Specialty - Building & Renovation	52%	30%	18%	61%	15%	24%
Specialty - Landscaping & Outdoor	43%	30%	27%	50%	18%	32%
Specialty - Decorating	69%	18%	13%	74%	12%	14%

An Industry of Small Businesses

The majority of companies on Houzz reported annual gross revenue below $3 million and had fewer than five employees. Construction-related companies, such as general contractors, design-build firms and building specialty companies, are most likely to meet and exceed the $3 million gross revenue threshold (15% to 19%) and have five or more employees (36% to 41%).

FIRMS (%) REPORTING ANNUAL GROSS REVENUE AND NUMBER OF EMPLOYEES IN 2018

	Annual Gross Revenue			Number of Employees		
	<$500K	$500K-$2.9M	$3M+	None	1-4	5+
Architects	79%	20%	1%	34%	51%	14%
Interior Designers	72%	26%	3%	40%	51%	10%
GCs/Remodelers/Builders	32%	49%	19%	16%	49%	36%
Design-Build	27%	58%	16%	14%	44%	41%
Specialty - Building & Renovation	49%	36%	15%	17%	44%	38%
Specialty - Landscaping & Outdoor	53%	37%	10%	27%	35%	38%
Specialty - Decorating	74%	20%	6%	35%	48%	17%

Methodology

The Houzz U.S. State of the Industry Study is conducted annually and represents views of companies on Houzz that offer services primarily related to residential renovation and/or design. The study was fielded December 10, 2018, to January 10, 2019. N = 4,780 (679 architects; 984 interior and building designers; 1,069 general contractors/remodelers/builders; 527 design-build firms; 731 building/renovation specialty firms;[13] 366 landscape/outdoor specialty firms;[14] 424 decorating specialty firms.[15])

[13] Building/renovation specialties include replacement contractors (e.g., carpenters) and product installers/manufacturers/resellers (e.g., cabinetry).
[14] Landscape/outdoor specialties include landscape architects, designers and contractors; outdoor replacement trades (pavers); and outdoor product installers/manufacturers/resellers (e.g., pools and spas).
[15] Decorating specialties include interior decorators and providers of window coverings, furniture, accessories, lighting, upholstery and other decorating-related products.

APPENDIX

A. Average Revenue Growth Relative to Actual

AVERAGE EXPECTED ANNUAL RATE OF REVENUE GROWTH RELATIVE TO ACTUAL, AS REPORTED BY FIRMS

	Expected 2015 (Actual 2015)	Expected 2016 (Actual 2016)	Expected 2017 (Actual 2017)	Expected 2018 (Actual 2018)	Expected 2019 (Actual 2019)
Architects	6.5% (10.1%)	7.6% (6.7%)	6.9% (8.3%)	6.9% (5.6%)	5.1% (N/A)
Interior Designers	11.2% (8.6%)	10.7% (8.0%)	11.3% (7.4%)	11.1% (7%)	9.4% (N/A)
GCs/Remodelers/Builders	9.9% (10.2%)	9.3% (9.1%)	10.3% (10.6%)	10.5% (7.3%)	8.7% (N/A)
Design-Build	9.9% (10.1%)	9.6% (8.3%)	10.5% (11.3%)	9.9% (8.2%)	8.4% (N/A)
Specialty - Building & Renovation	10.9% (9.1%)	9.2% (9.5%)	10.9% (8.9%)	10.9% (6.5%)	9.0% (N/A)
Specialty - Landscaping & Outdoor	10.2% (10.6%)	10.2% (8.7%)	10.0% (9%)	11.4% (6.6%)	8.2% (N/A)
Specialty - Decorating	13.6% (8.8%)	10.4% (7.9%)	11.6% (7.2%)	12.3% (6.3%)	9.1% (N/A)

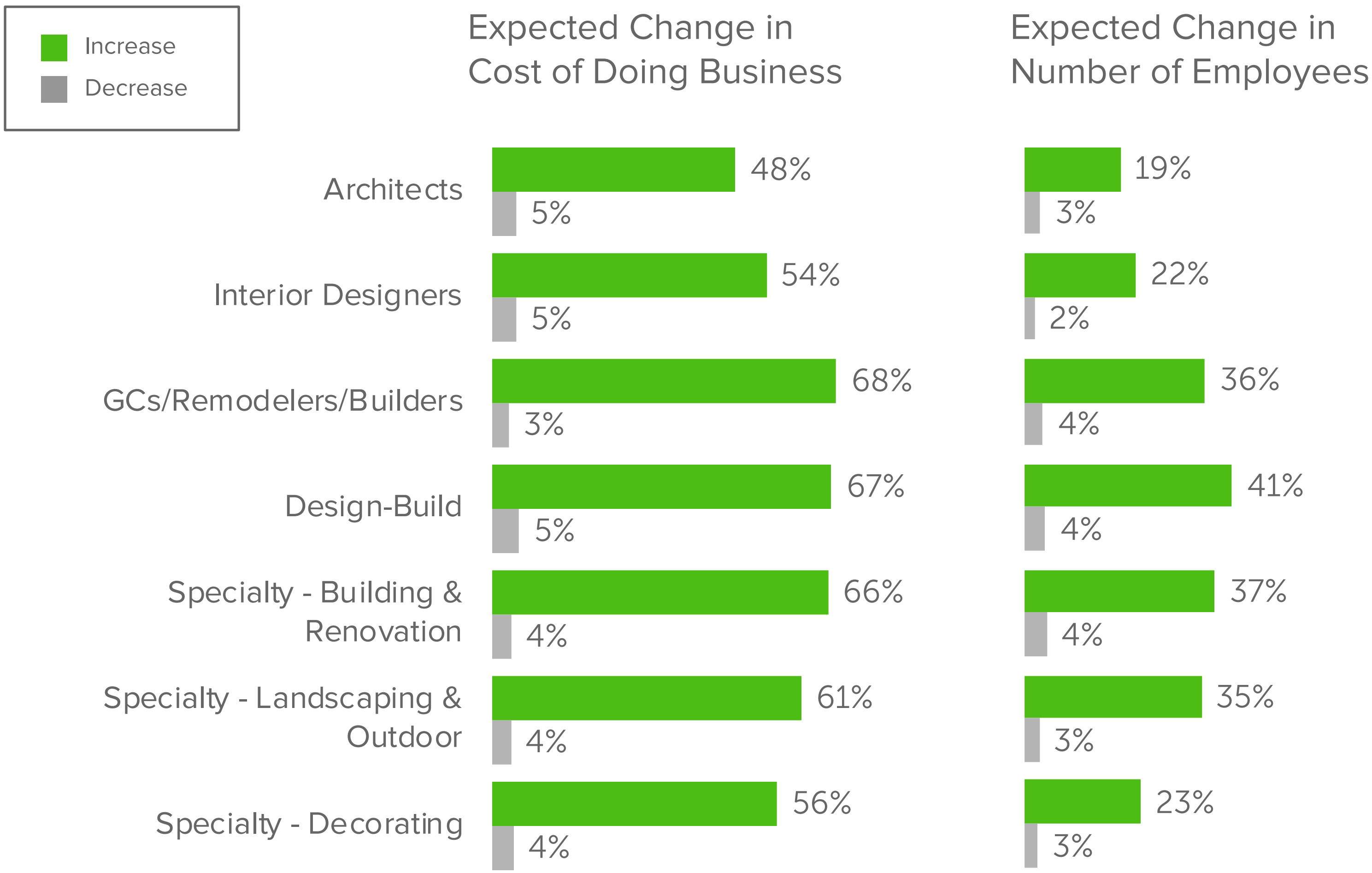
B. Average Revenue Growth by Firm Size

EXPECTED AVERAGE ANNUAL RATE OF REVENUE GROWTH BY FIRM SIZE, AS REPORTED BY FIRMS

	No Employee					1 to 4 Employees					5+ Employees				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Architects	7.0%	7.2%	7.3%	8.8%	5.8%	6.6%	8.2%	6.7%	6.4%	5.1%	5.2%	5.1%	6.1%	7.2%	4.4%
Interior Designers	11.5%	12.1%	10.7%	11.0%	10.1%	12.0%	10.5%	13.1%	12.0%	10.0%	8.7%	7.2%	12.2%	9.1%	7.4%
GCs/Remodelers/Builders	11.8%	9.6%	9.6%	9.2%	11.0%	9.6%	8.8%	10.7%	11.1%	9.4%	9.4%	8.8%	9.8%	10.0%	8.3%
Design-Build	10.0%	8.1%	13.0%	11.0%	9.0%	13.2%	10.3%	12.4%	8.8%	8.9%	6.8%	9.3%	10.8%	10.7%	8.8%
Specialty - Building & Renovation	9.9%	8.0%	9.2%	10.8%	9.3%	12.8%	10.0%	11.6%	11.8%	10.6%	9.5%	8.8%	9.9%	10.0%	8.6%
Specialty - Landscaping & Outdoor	11.8%	12.7%	11.0%	14.9%	6.8%	9.3%	10.8%	11.5%	10.7%	8.1%	9.8%	7.3%	9.5%	10.0%	9.6%
Specialty - Decorating	13.8%	11.7%	13.5%	12.3%	9.4%	15.1%	10.6%	11.5%	12.2%	8.8%	10.8%	8.8%	11.9%	10.9%	7.9%

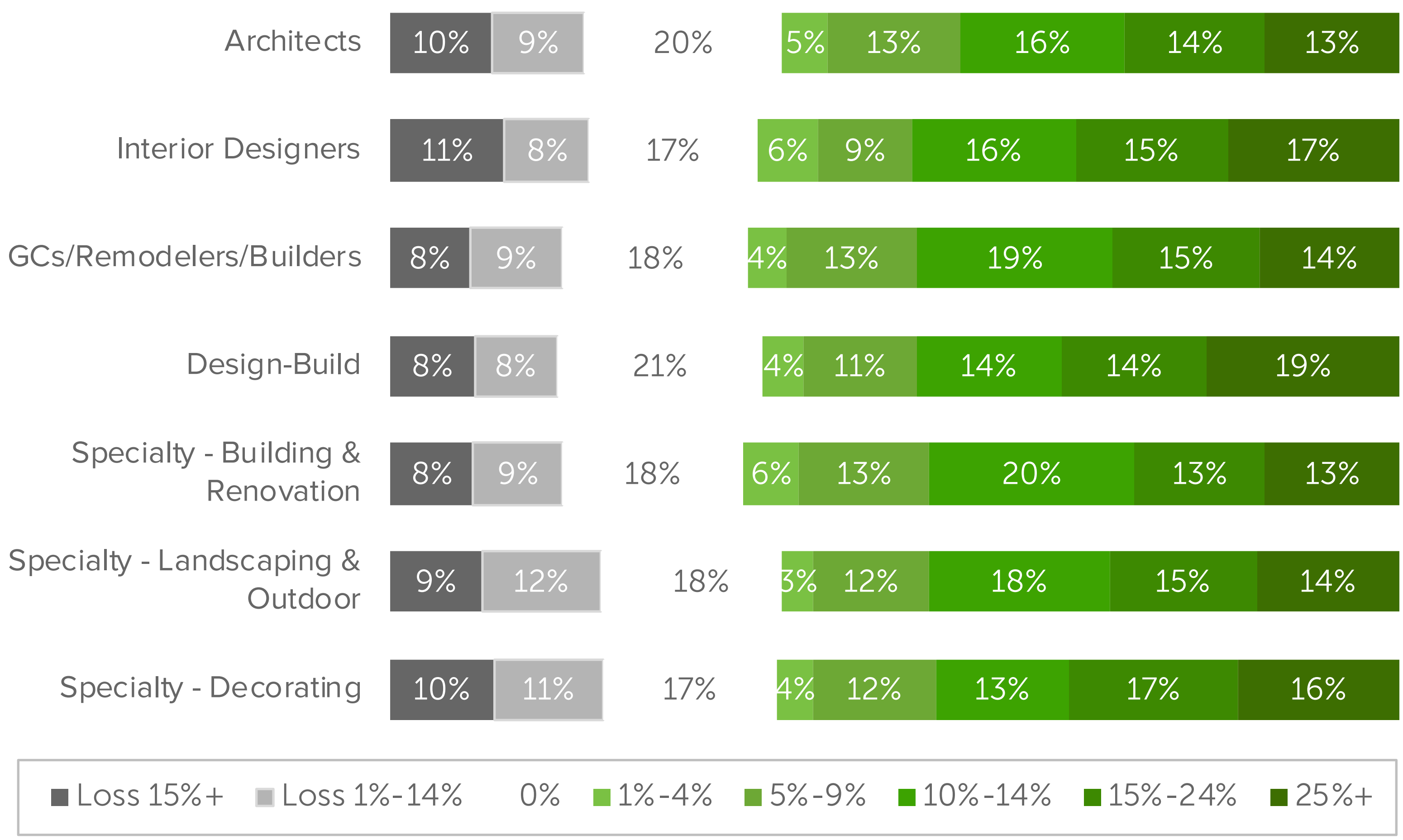
C. 2019 Expected Changes in Cost and Staffing

FIRMS (%) REPORTING EXPECTED INCREASE OR DECREASE IN COST OF DOING BUSINESS AND NUMBER OF EMPLOYEES IN 2019



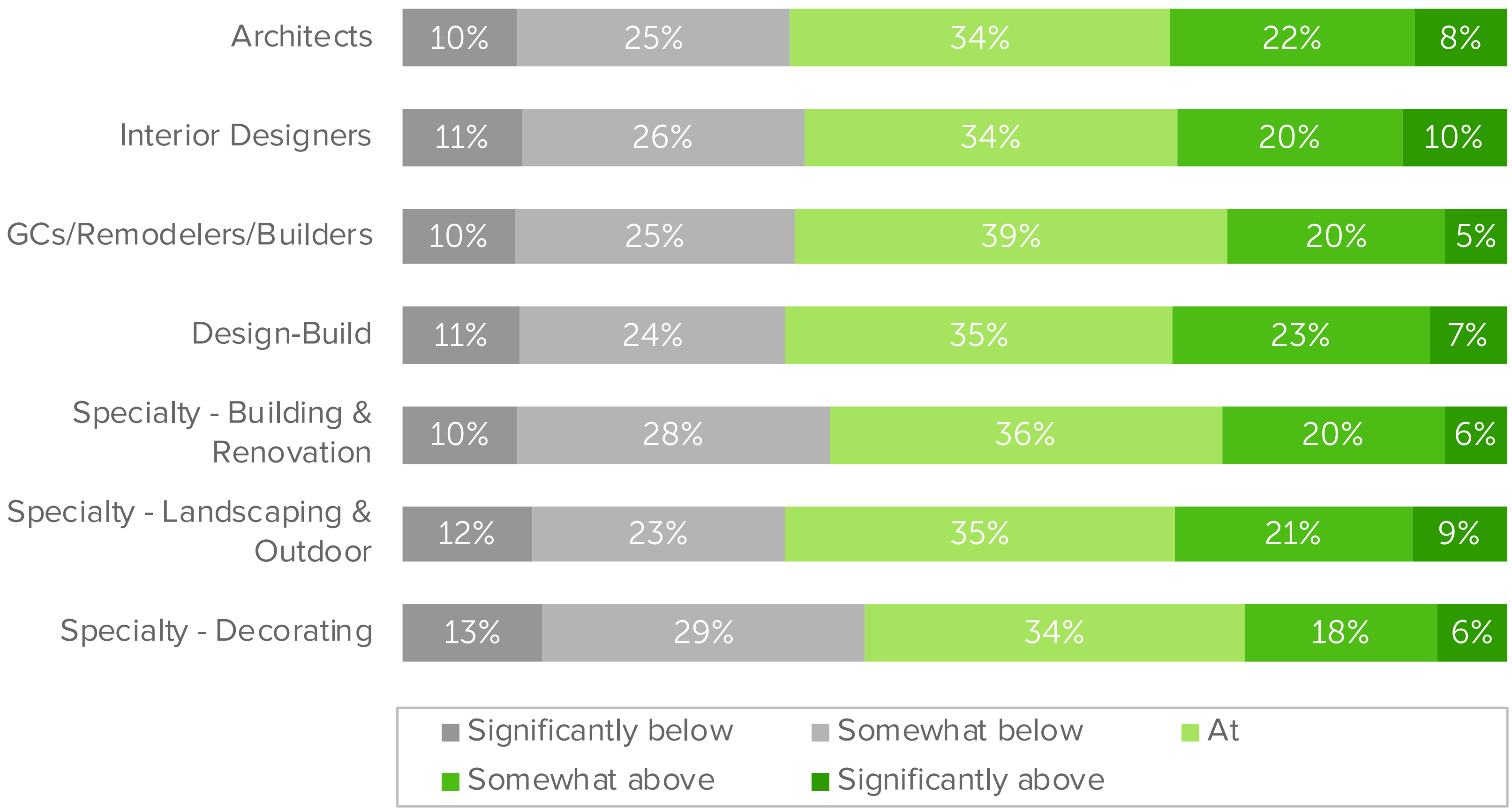
D. 2018 Revenue Growth Breakdown

ANNUAL RATE OF REVENUE GROWTH IN 2018, AS REPORTED BY FIRMS (%)



E. 2018 Revenue Relative to Expectations

FIRMS (%) REPORTING REVENUE BELOW, AT OR ABOVE EXPECTATIONS IN 2018



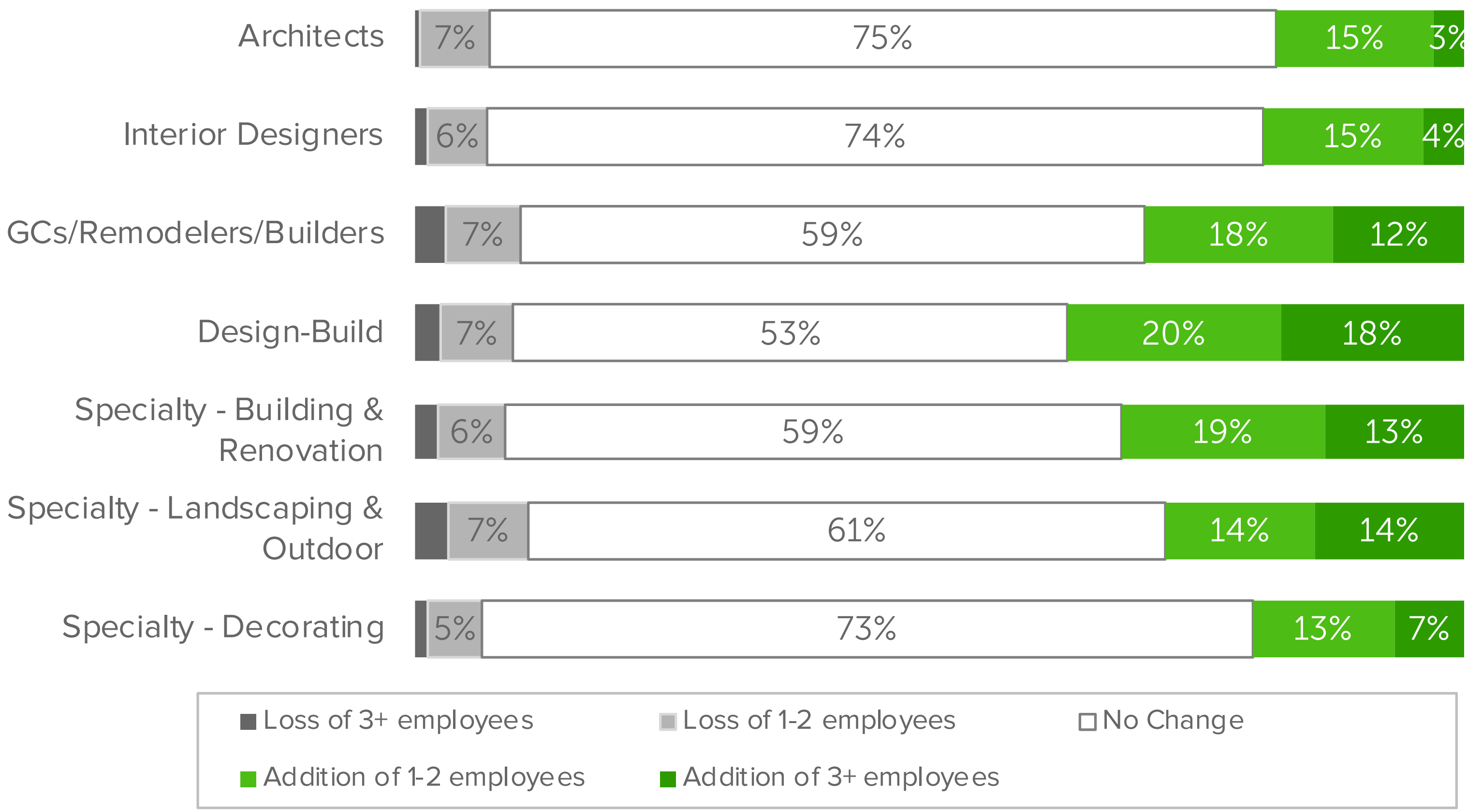
F. Average Revenue Growth by Firm Size

AVERAGE ANNUAL RATE OF REVENUE GROWTH BY FIRM SIZE, AS REPORTED BY FIRMS

	No Employee					1 to 4 Employees					5+ Employees				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Architects	4.8%	9.9%	3.4%	8.7%	4.8%	9.4%	10.9%	7.3%	7.5%	6.6%	10.5%	10.5%	7.3%	12.3%	6.3%
Interior Designers	7.7%	9.6%	7.7%	4.8%	8.1%	12.5%	7.9%	8.2%	7.8%	7.5%	12.7%	10.2%	10.0%	10.3%	10.1%
GCs/Remodelers/Builders	11.4%	12.7%	7.3%	9.2%	6.9%	9.6%	8.7%	8.9%	10.8%	5.6%	10.6%	11.2%	10.0%	10.7%	10.2%
Design-Build	13.5%	6.2%	4.3%	9.5%	8.4%	9.1%	10.9%	9.9%	10.0%	9.2%	7.7%	11.4%	10.7%	13.2%	9.7%
Specialty - Building & Renovation	12.6%	8.7%	7.8%	6.2%	4.3%	10.3%	10.0%	9.6%	9.3%	7.8%	10.9%	9.7%	11.5%	11.0%	8.6%
Specialty - Landscaping & Outdoor	12.0%	13.3%	9.0%	10.0%	2.7%	12.4%	10.4%	12.0%	7.4%	6.7%	13.6%	9.0%	8.5%	10.0%	7.8%
Specialty - Decorating	13.7%	9.3%	9.9%	8.5%	8.1%	16.4%	8.0%	5.9%	6.0%	4.8%	7.7%	9.3%	7.4%	10.6%	6.0%

G. Adding Staff in 2018

FIRMS (%) REPORTING CHANGE IN NUMBER OF EMPLOYEES IN 2018



H. Cost Drivers in 2018

FIRMS (%) REPORTING DRIVERS FOR INCREASES IN THE COSTS OF DOING BUSINESS IN 2018 (LIMIT 3)

	Architects	Interior Designers	GCs/ Remodelers/ Builders	Design-Build	Specialty - Building & Renovation	Specialty - Landscaping & Outdoor	Specialty - Decorating
Employee wages or benefits	51%	35%	48%	57%	50%	63%	34%
Products or materials	17%	55%	78%	72%	75%	59%	62%
Advertising/marketing	35%	41%	21%	23%	34%	29%	48%
Subcontractors	17%	35%	64%	58%	32%	34%	24%
Business insurance	33%	17%	30%	23%	31%	35%	20%
Office equipment/software	42%	23%	5%	8%	8%	13%	9%
Office lease/utilities	26%	20%	6%	8%	11%	13%	17%
Legal/accounting fees	14%	12%	6%	7%	6%	5%	8%
Permitting requirements/fees	8%	3%	12%	11%	6%	6%	2%
Licensing fees	7%	3%	3%	1%	3%	4%	2%
Other	10%	7%	4%	4%	8%	10%	11%

I. 2018 Business Challenges

FIRMS (%) REPORTING BUSINESS CHALLENGES IN 2018 (LIMIT 3)

	Architects	Interior Designers	GCs/ Remodelers/Builders	Design-Build	Specialty - Building & Renovation	Specialty - Landscaping & Outdoor	Specialty - Decorating
Managing consumer concerns about costs	38%	35%	28%	26%	27%	26%	31%
Managing consumer expectations	39%	34%	29%	32%	23%	24%	23%
Increased cost of doing business	22%	18%	42%	42%	42%	40%	29%
Difficulty hiring/being understaffed	20%	11%	31%	37%	34%	38%	11%
Shortage of subcontractors	21%	32%	42%	38%	23%	24%	13%
Difficulty finding prospective customers	19%	21%	15%	14%	17%	12%	25%
Increased business competition	11%	16%	15%	12%	21%	15%	29%
Weak/uncertain national economy	14%	11%	6%	7%	8%	6%	11%
Weak/uncertain local economy	8%	5%	4%	3%	6%	6%	7%
Increased popularity of DIY	6%	21%	6%	5%	9%	6%	13%
Increased building regulations	20%	2%	8%	9%	4%	11%	1%
Difficulty collecting payments	14%	6%	7%	5%	8%	9%	6%
Tight business lending	2%	1%	2%	3%	2%	2%	1%
Other challenges	10%	9%	6%	5%	7%	9%	11%

Links to Pros on Houzz

Houzz is the easiest way for people to find inspiration, get advice, buy products and hire the professionals they need to help turn their ideas into reality.

Design, Renovation & Building	Products for the Home	Remodeling Services & Supplies	Outside the Home
Architects & Building Designers	Appliances	Building Supplies	Backyard Courts
Design-Build Firms	Bedding & Bath	Cabinets & Cabinetry	Decks, Patios & Outdoor Enclosures
General Contractors	Carpet & Flooring	Carpenters	Driveways & Paving
Home Builders	Fireplaces	Closet Designers & Professional Organizers	Fencing & Gates
Interior Designers & Decorators	Furniture & Accessories	Kitchen & Bath Fixtures	Garden & Landscape Supplies
Kitchen & Bath Designers	Lighting	Paint & Wall Coverings	Lawn & Sprinklers
Kitchen & Bath Remodelers	Furniture Refinishing & Upholstery	Rubbish Removal	Outdoor Lighting & Audio Visual Systems
Landscape Architects & Landscape Designers	Window Treatments	Specialty Contractors	Outdoor Play Systems
Landscape Contractors			Pools & Spas
Stone, Pavers & Concrete			Tree Services
Tile, Stone & Countertops			
Windows, Doors, Roofing & Siding	**Other Contractors & Services**	**Home Service Contractors**	
Doors	Artists & Artisans	Electrical Contractors	
Garage Doors	Home Media Design & Installation	Environmental Services & Restoration	
Roofing & Gutters	Home Stagers	HVAC Contractors	
Siding & Exterior Contractors	Ironwork	Plumbing Contractors	
Windows	Kids & Nursery	Septic Tanks & Systems	
	Media & Bloggers	Solar Energy Contractors	
	Photographers		
	Real Estate Agents		
	Schools & Organizations		
	Staircases & Railings		
	Wine Cellars		