

## Methodology

The Houzz Renovation Barometer is based on a quarterly online survey sent to a U.S. panel of businesses with an online profile on Houzz. The Barometer keeps a pulse on home renovation market conditions via three distinct indices that track expected, current and recent business activity in two related industry sectors: the construction sector and the architectural and design services sector.

The Expected Business Activity Indicator is based on survey questions that ask businesses to report whether they expect the number of *project inquiries* and *new projects\** to increase, decrease or remain unchanged in the upcoming quarter relative to the prior quarter. Scores for each component are then computed as seasonally adjusted diffusion indices on a scale of 0 to 100, with index values over 50 indicating that a greater proportion of firms reported quarter-over-quarter increases than decreases. The *new projects* component includes reported changes to the number of new projects and the size of new projects and uses 80% and 20% weights, respectively, to arrive at the final *new projects* component.

The Recent Business Activity Indicator is based on survey questions that ask businesses to report whether they observed the actual number of *project inquiries* and *new projects\** increasing, decreasing or remaining unchanged in the most recent quarter relative to the prior quarter. Scores for each component are then computed as seasonally adjusted diffusion indices similar to the Expected Business Activity Indicator. The *new projects* component includes reported changes to the number of new projects and the size of new projects and uses 80% and 20% weights, respectively, to arrive at the final *new projects* component.

The Recent Business Activity Indicator scores can be compared with the Expected Business Activity Indicator scores for any given quarter to see whether actual activity met, exceeded or fell short of expectations.

Finally, the Backlog Indicator is based on survey questions that ask businesses to report wait times in weeks before a company can start work on a new midsize project at the start of the upcoming quarter. Scores are computed as average wait times without a seasonal adjustment.

The Houzz Renovation Barometer is nationally representative of business activity related to work performed on owner-occupied existing homes, as reported by businesses who report that in the last 12 months at least 20% of their revenues came from residential remodeling services. Each of the three indicators is available for two subsectors in the construction sector (build-only remodelers and design and build remodelers) and for two subsectors in the architectural and design services sector (architects and interior designers), as well as for nine regions that follow the U.S. Census Bureau divisions.

The aggregated national sector-level indices are computed by 1) aggregating regional subsector indices to national levels using division-level weights derived from the 2016 U.S. Census County Business Patterns survey and 2) aggregating national sector-level indices to sector levels using subsector weights derived from the 2016 U.S. Census County Business Patterns survey and 2016 BLS Current Employment Statistics Peak Trough series. Final national weights are equally distributed for build-only remodelers and design and build remodelers in the construction sector. The final national weights are 63% and 37% for architects and interior designers, respectively in the architectural and design services subsector.

The Houzz Renovation Barometer survey for the current quarter was fielded September 24, 2020 through October 7th, 2020. N=1,696 (601 design and build remodelers, 261 build-only remodelers, 311 architects and 523 interior designers).