2015

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HOUZZ & HOME

June 2015

Overview of U.S. Renovation, Custom Building & Decorating in 2014

Big Ideas

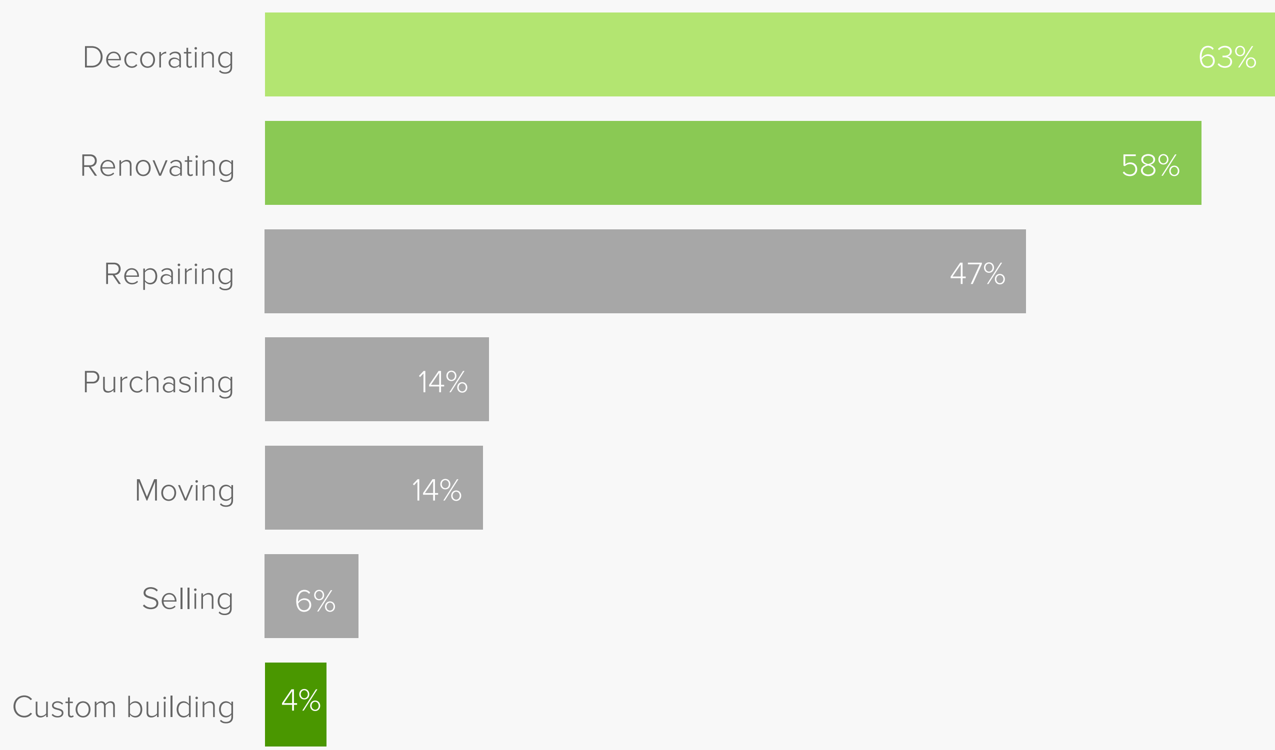
- More than half of homeowners on Houzz renovated their homes in 2014
- Millennial homeowners were just as likely to renovate their homes as other age groups in 2014, largely driven by the desire to make a newly purchased home their own
- Over half of 60+ households are planning to age in place, and many are modifying interiors with this in mind
- Homeowners are divided on the importance of health-related considerations, as well as integrating green materials and smart technology, when it comes to 2014 renovations

Contents

Houzzers Are Active Renovators

Consistent with prior years' findings, home renovation and decorating activities trump purchasing or selling a home. Over half of homeowners on Houzz renovated and nearly two in three decorated their homes in 2014. Nearly one in 20 homeowners on Houzz started or continued building a custom home in 2014.

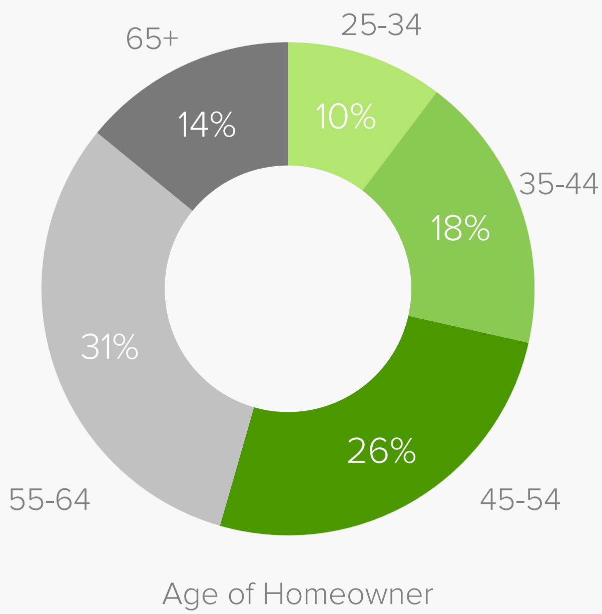
FREQUENCY OF HOME-RELATED ACTIVITIES IN 2014 AMONG HOMEOWNERS



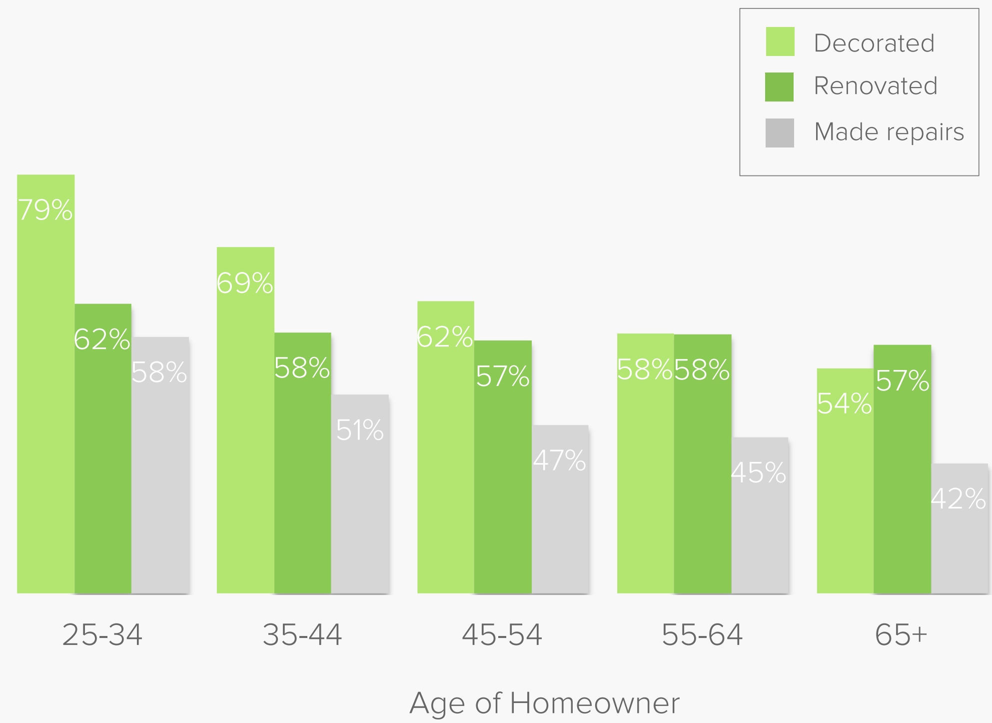
Millennial Homeowners, an Active Few

In line with national averages, only one in 10 homeowners surveyed is 25-34 years old. Similar to other generations, over half of Millennial homeowners (25-34) renovated their homes in 2014. Yet, relatively more of them decorated their homes and made minor repairs in 2014, compared to Baby Boomer homeowners (55+).

HOMEOWNER AGE COMPOSITION



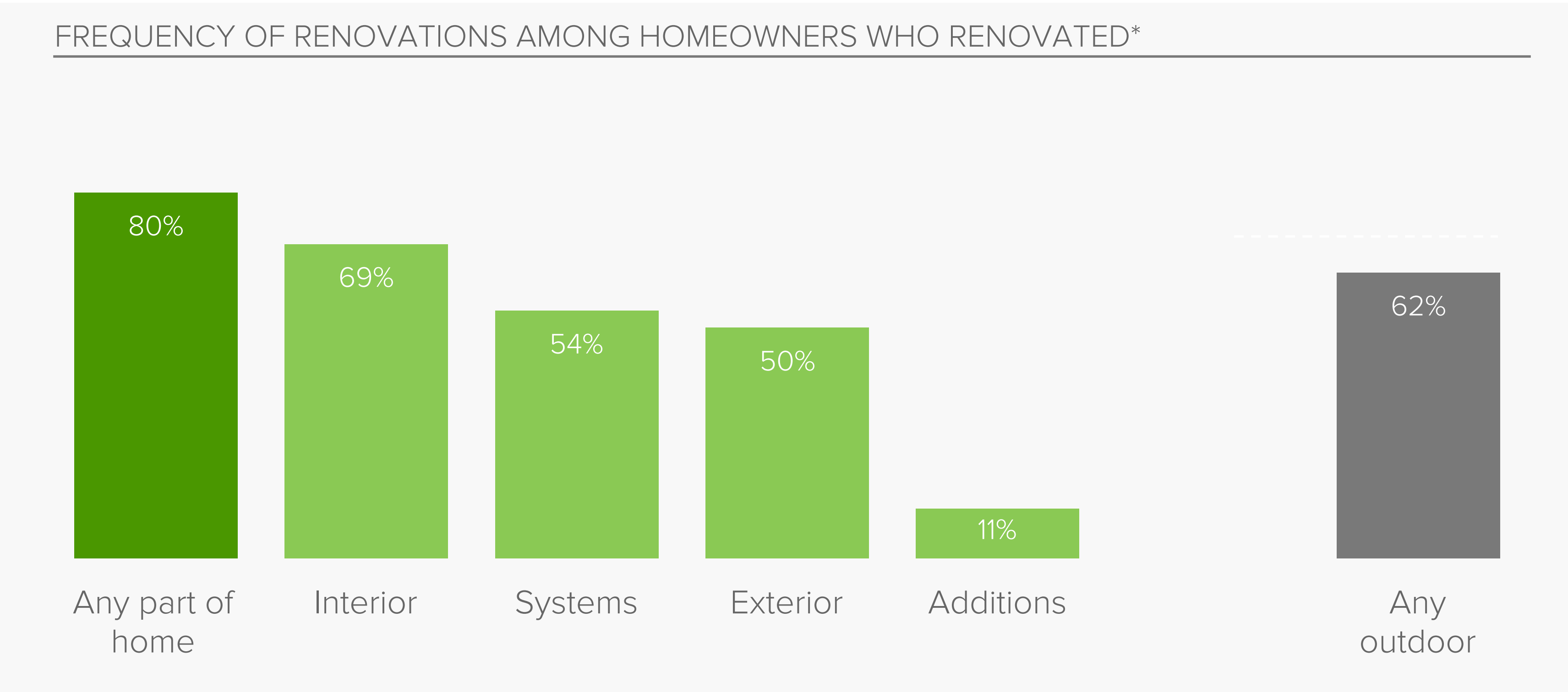
FREQUENCY OF ACTIVITIES BY AGE AMONG HOMEOWNERS



2014 IN FOCUS: RENOVATIONS

A Diversity of Renovation Projects

Homeowners on Houzz are actively renovating all parts of their homes. Four out of five homeowners who renovated in 2014 made upgrades to the main home structure (80%) and three in five made upgrades to their outdoor spaces or structures (62%). The popularity of home and outdoor projects is relatively consistent across generations and income levels.



**Home renovations* include “interior,” “systems,” and “exterior,” which refer to remodels/upgrades of interior spaces (e.g., kitchens), home systems (e.g., HVAC), and home exteriors (e.g., roofing) within the existing home footprint, respectively. They also include “additions,” which refers to additions/expansions of the home footprint (e.g., kitchen addition). *Outdoor renovations* include upgrades of grounds and systems (e.g., landscape, irrigation) and additions/upgrades of outdoor structures (e.g., shed, pool).

Northeastern and Midwestern Renovators More Active with Interior Remodels

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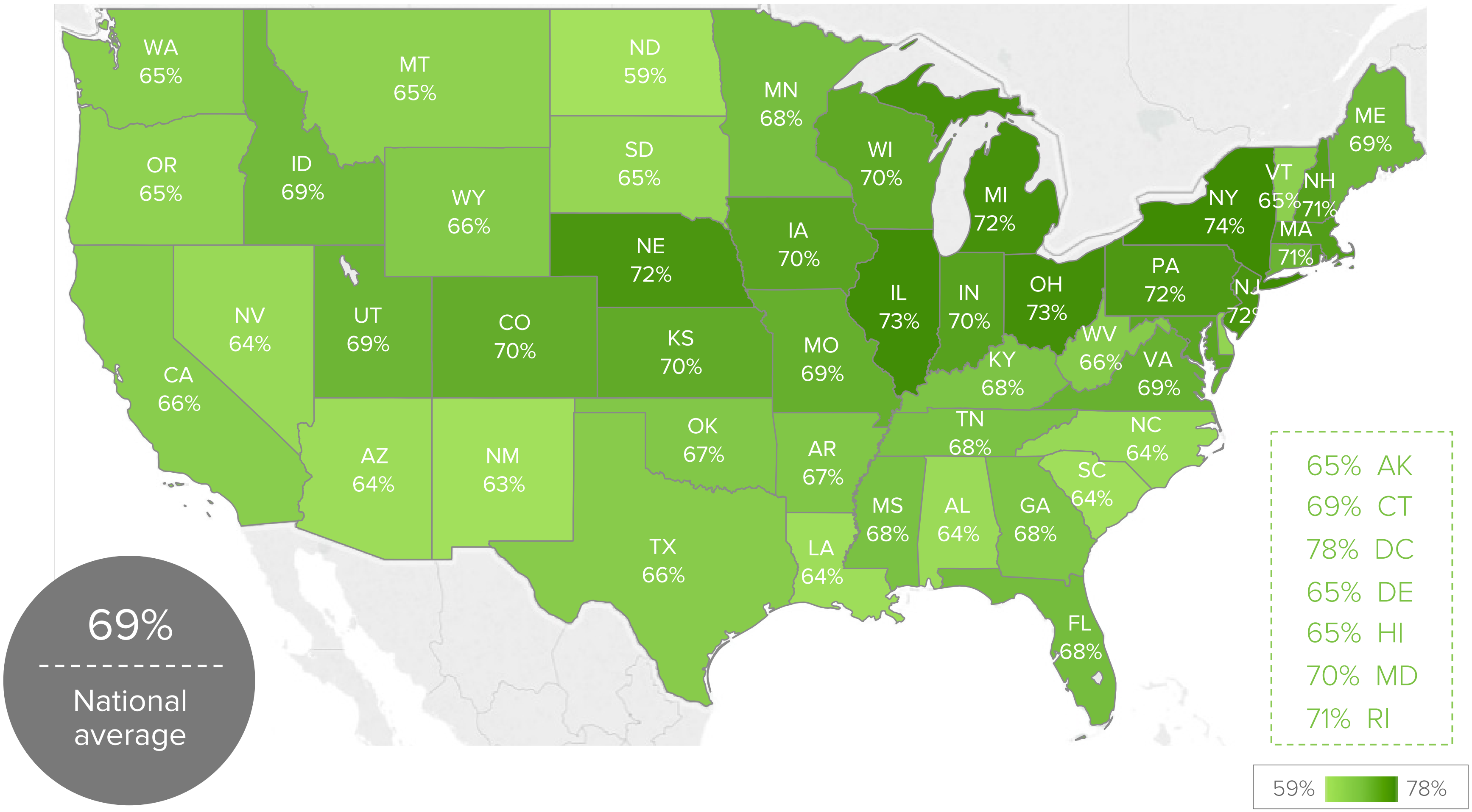
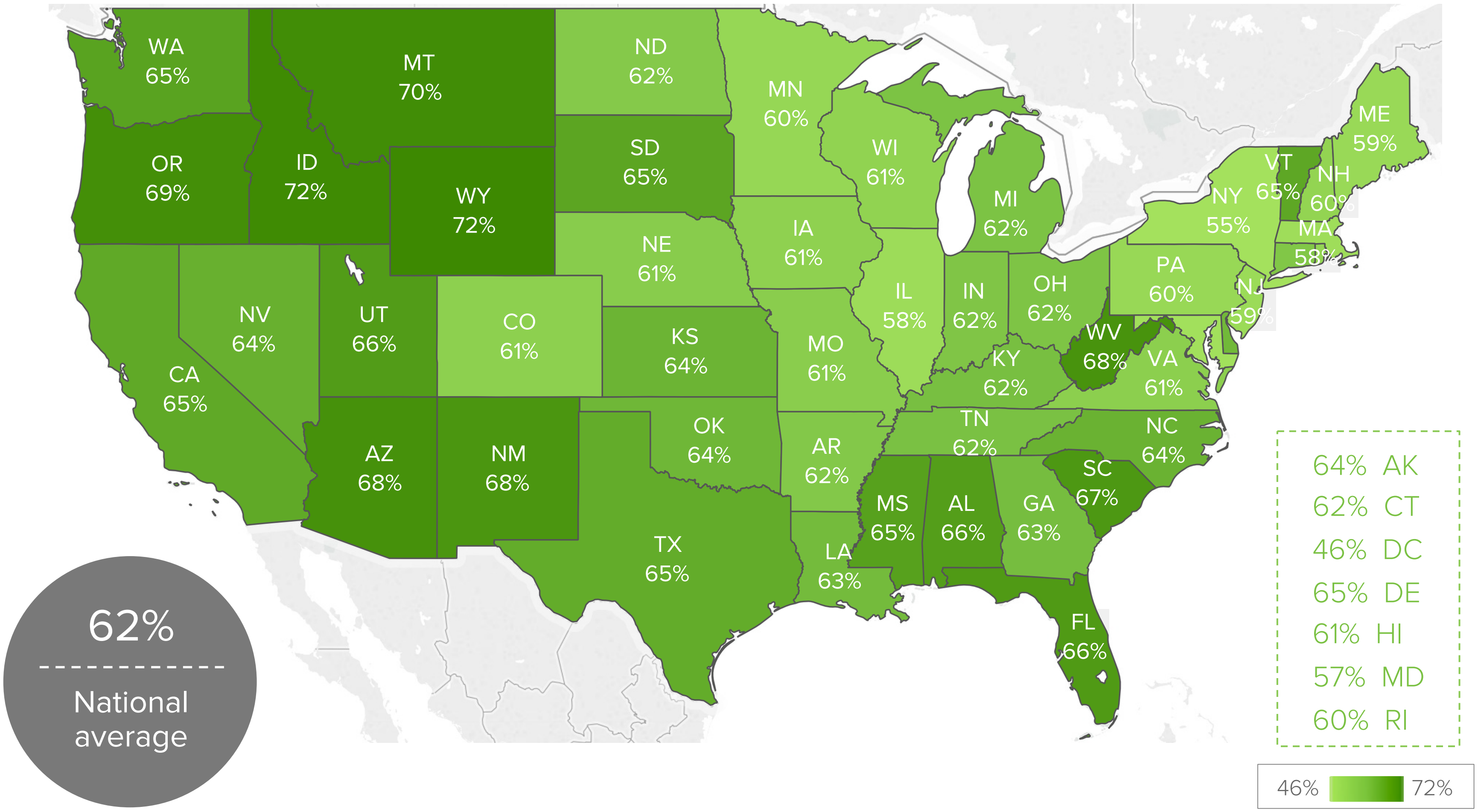
INTERIOR REMODELING BY STATE AMONG HOMEOWNERS WHO RENOVATED



Western and Southern Renovators More Active with Outdoor Projects

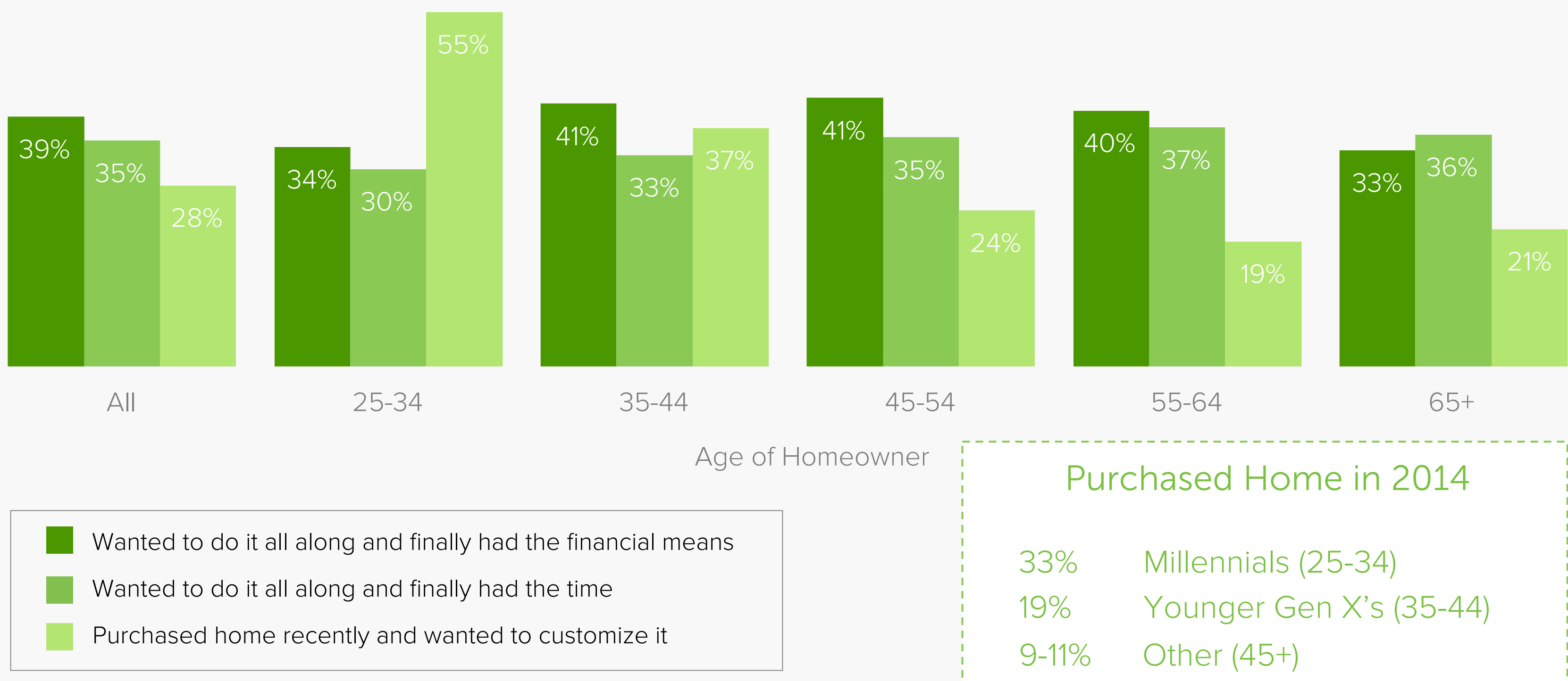
OUTDOOR RENOVATIONS BY STATE AMONG HOMEOWNERS WHO RENOVATED



Money, Time, Home Purchases Drive Timing

The top reasons for choosing to renovate in 2014 relate to money, time, and a recently purchased home. Older Gen X's (45-54) and younger Baby Boomers (55-64) finally have the money and time required to renovate, while recent home purchases drive Millennials (25-34) and younger Gen X's (35-44). Other triggers, such as recent deterioration or life events, are each drivers for less than 20% of homeowners.*

FREQUENCY OF TOP RENOVATION TRIGGERS BY AGE AMONG HOMEOWNERS WHO RENOVATED



Purchased Home in 2014

33%	Millennials (25-34)
19%	Younger Gen X's (35-44)
9-11%	Other (45+)

*See page 43 for a supplementary table on renovation triggers.

Divided on Healthy, Green and Smart Homes

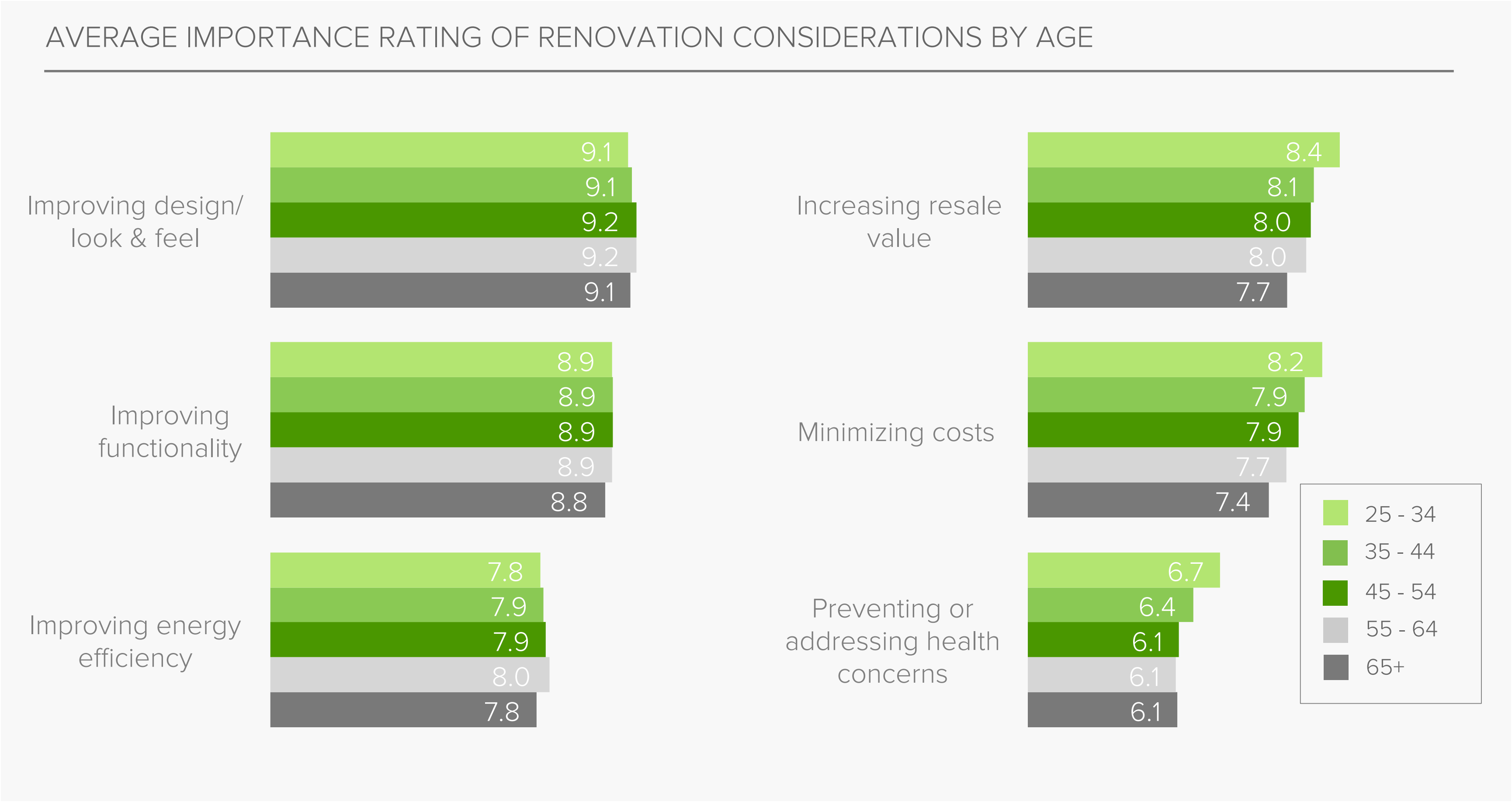
Design and functionality continue to drive renovation choices. While resale value, energy efficiency and costs are of secondary importance to most homeowners, very few consider them unimportant. In contrast, homeowners are divided on healthy, green, and smart home integrations, with 25%-42% rating them as very to extremely important and 19%-30% considering them not at all important.

IMPORTANCE OF RENOVATION CONSIDERATIONS AMONG HOMEOWNERS WHO RENOVATED

	Average Importance Rating	Very/Extremely Important	Not at All Important
Improving design/look & feel	9.2	91%	1%
Improving functionality	8.9	85%	2%
Increasing resale value	8.0	69%	6%
Improving energy efficiency	7.9	67%	6%
Minimizing costs	7.8	62%	4%
Preventing or addressing health concerns	6.3	42%	23%
Integrating green/sustainable materials	6.0	32%	19%
Integrating smart technology	5.3	25%	30%

Priorities Universal Across Ages

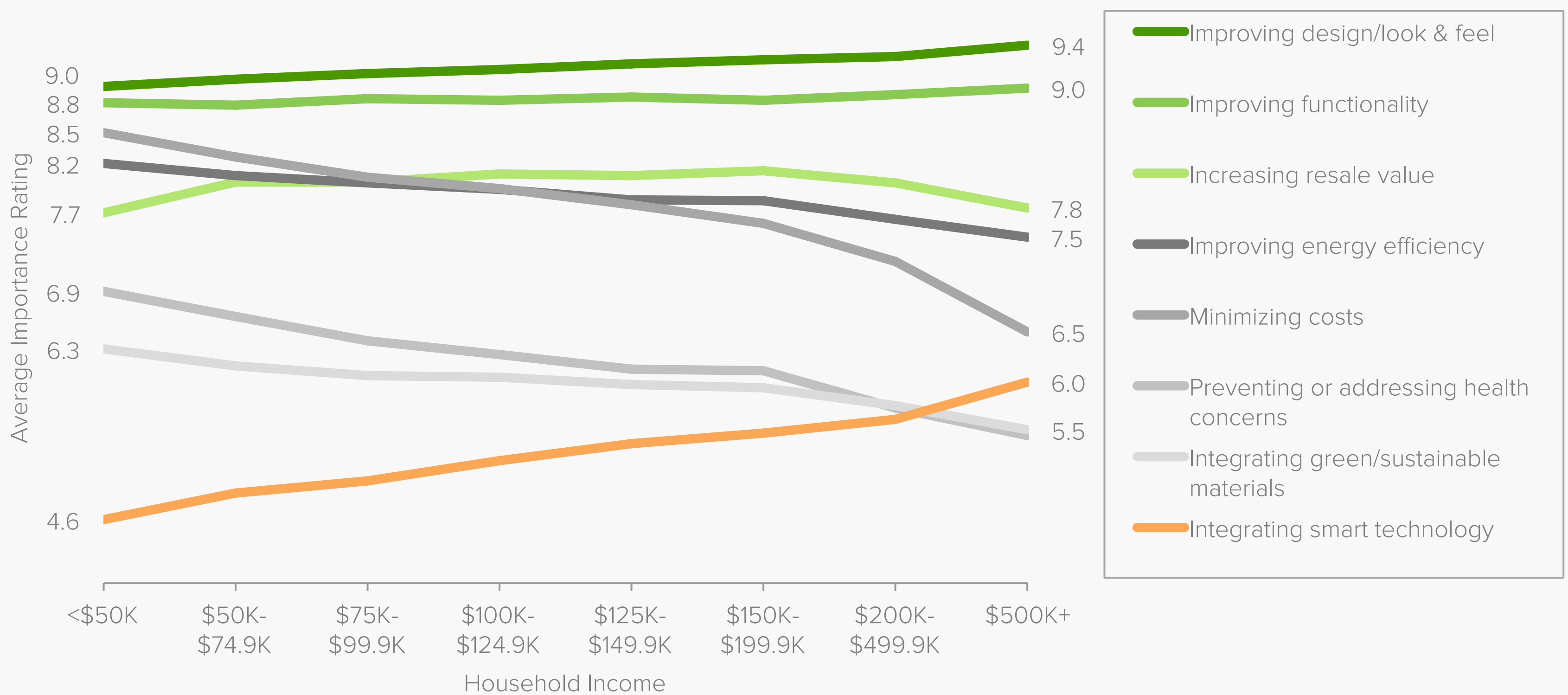
Home renovation priorities span generations. Design, functionality and energy efficiency are prized nearly identically across age groups. Meanwhile, Millennials (25-34) are somewhat more sensitive to resale value, costs, and health considerations than older Baby Boomers or other seniors (65+).



Considerations Increase as Income Declines

While renovation considerations do not vary by generation, they are in fact tightly linked with household income. The more income is constrained, the higher homeowners rank the importance of lowering costs, improving energy efficiency, addressing health concerns, and integrating sustainable materials. Resale value is of greatest importance to those making $100K-$200K, and smart home integrations to those $200K+ households.

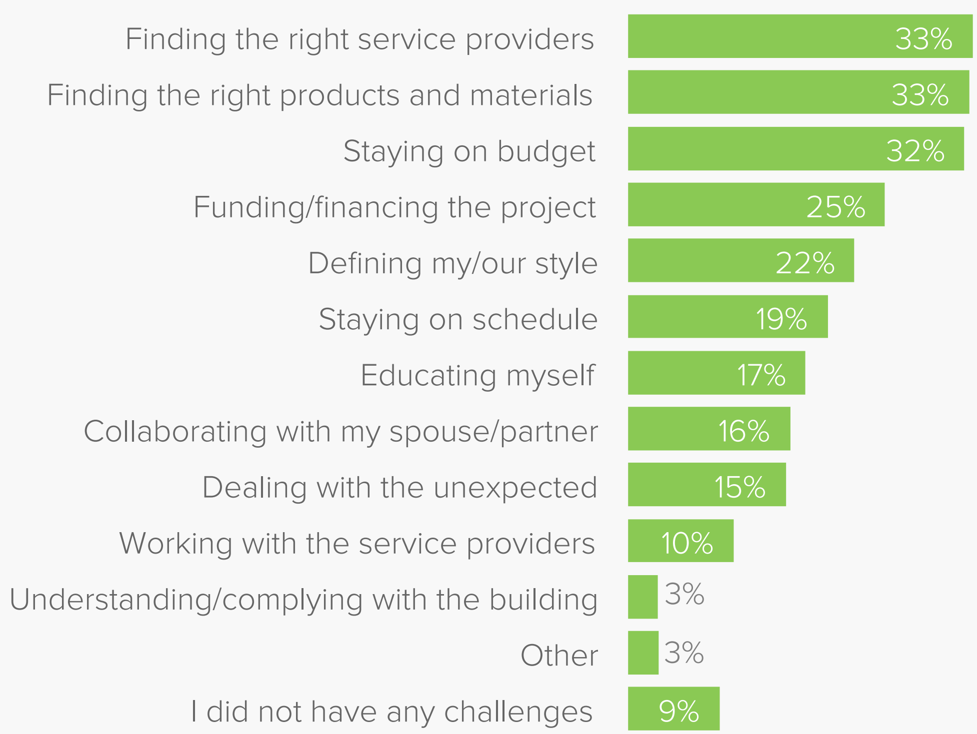
RELATING INCOME AND AVERAGE IMPORTANCE RANKING OF RENOVATION CONSIDERATIONS



Top Challenges Vary by Age

As age increases, finding service providers and products grows in difficulty, while staying on budget and funding are the top challenges facing the young. Finding the right service provider, locating the right products and materials, and staying on budget are the top three challenges during renovations for a third of homeowners (33%, 33%, and 32%, respectively).

FREQUENCY OF TOP RENOVATION CHALLENGES AMONG HOMEOWNERS WHO RENOVATED



Top Challenges
For Younger/Older Boomers

35%/38% Finding providers
36%/41% Finding products

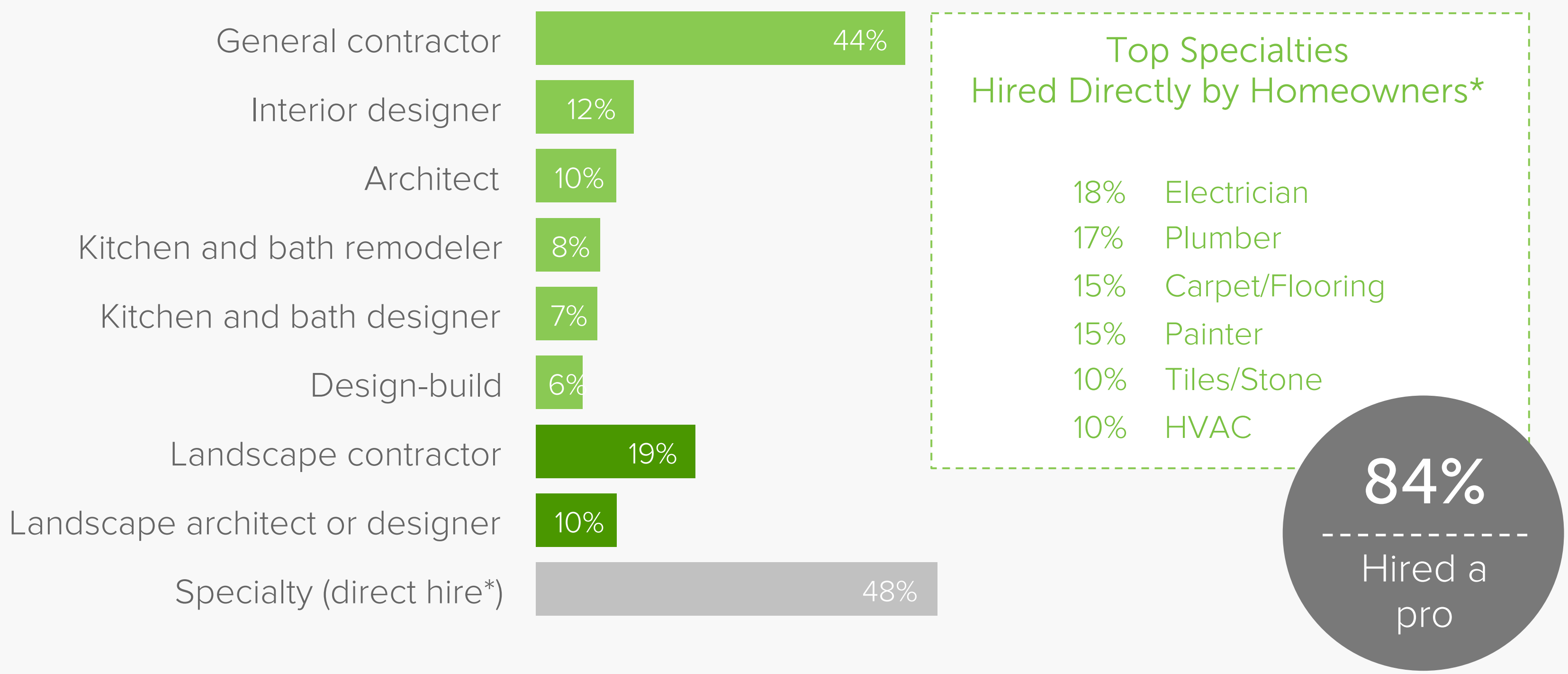
Top Challenges
for Millennials/Younger Gen X's

38%/37% Staying on budget
37%/33% Funding/financing

General Contractors in High Demand

Four in five homeowners renovated their homes with professional help in 2014 (84%). Roughly half of them involved a general contractor (44%) and/or a kitchen and bath remodeler (8%). Another half hired a specialty service provider directly without the help of a general contractor (48%). Older generations are more likely than younger generations to hire general contractors and design professionals.

FREQUENCY OF HIRED PROFESSIONALS AMONG HOMEOWNERS WHO RENOVATED WITH PRO HELP

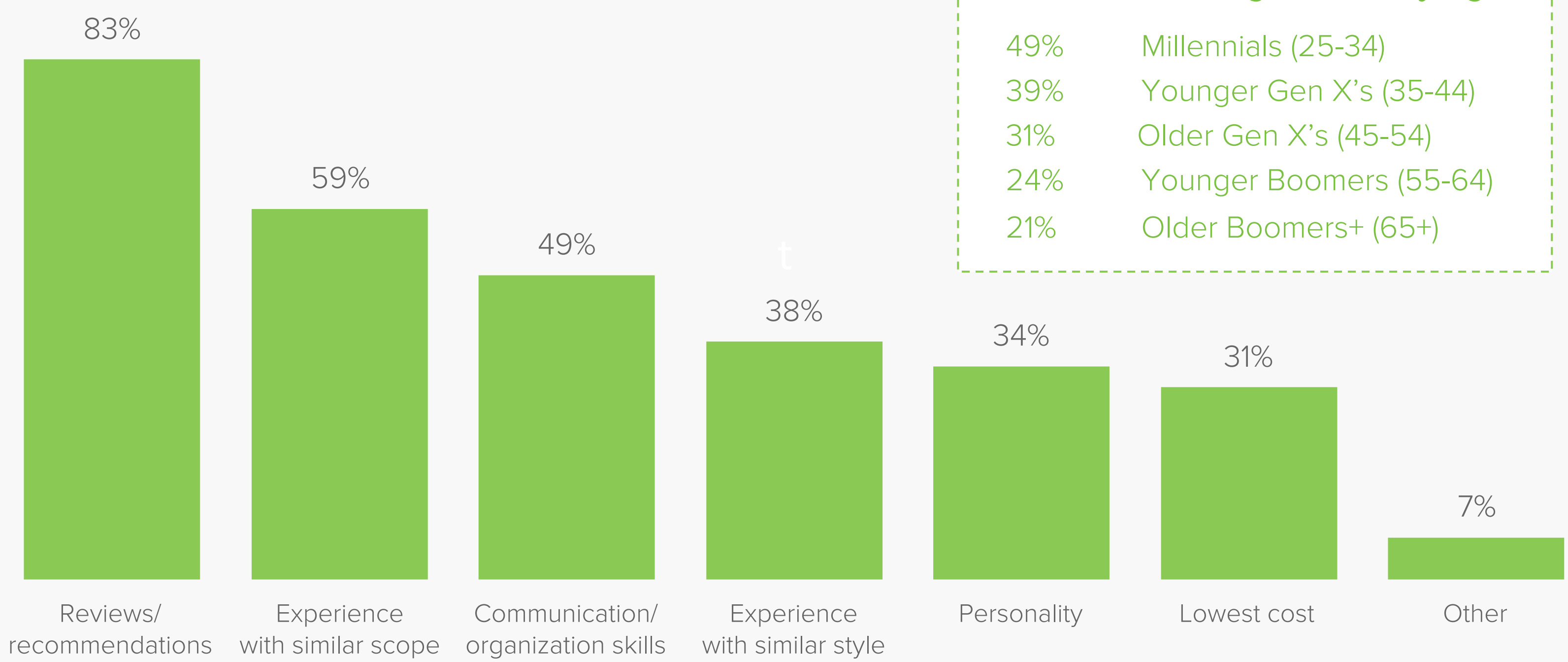


*The frequency of specialty professionals hired directly by homeowners refers to all specialties hired without the involvement of a general contractor, kitchen and bath remodeler or design-build firm.

Reviews Drive Hiring Decisions

Consistent with last year's findings, good reviews or recommendations continue to be the most important factor when choosing a service provider (83%), followed by experience with projects of similar scope (59%) and good communication/organization skills (49%). While Millennial homeowners generally align with other generations on hiring criteria, they are twice as likely as younger Baby Boomers (55-64) to base hiring on the lowest cost bid.

FREQUENCY OF TOP HIRING CRITERIA AMONG HOMEOWNERS WHO RENOVATED WITH PRO HELP



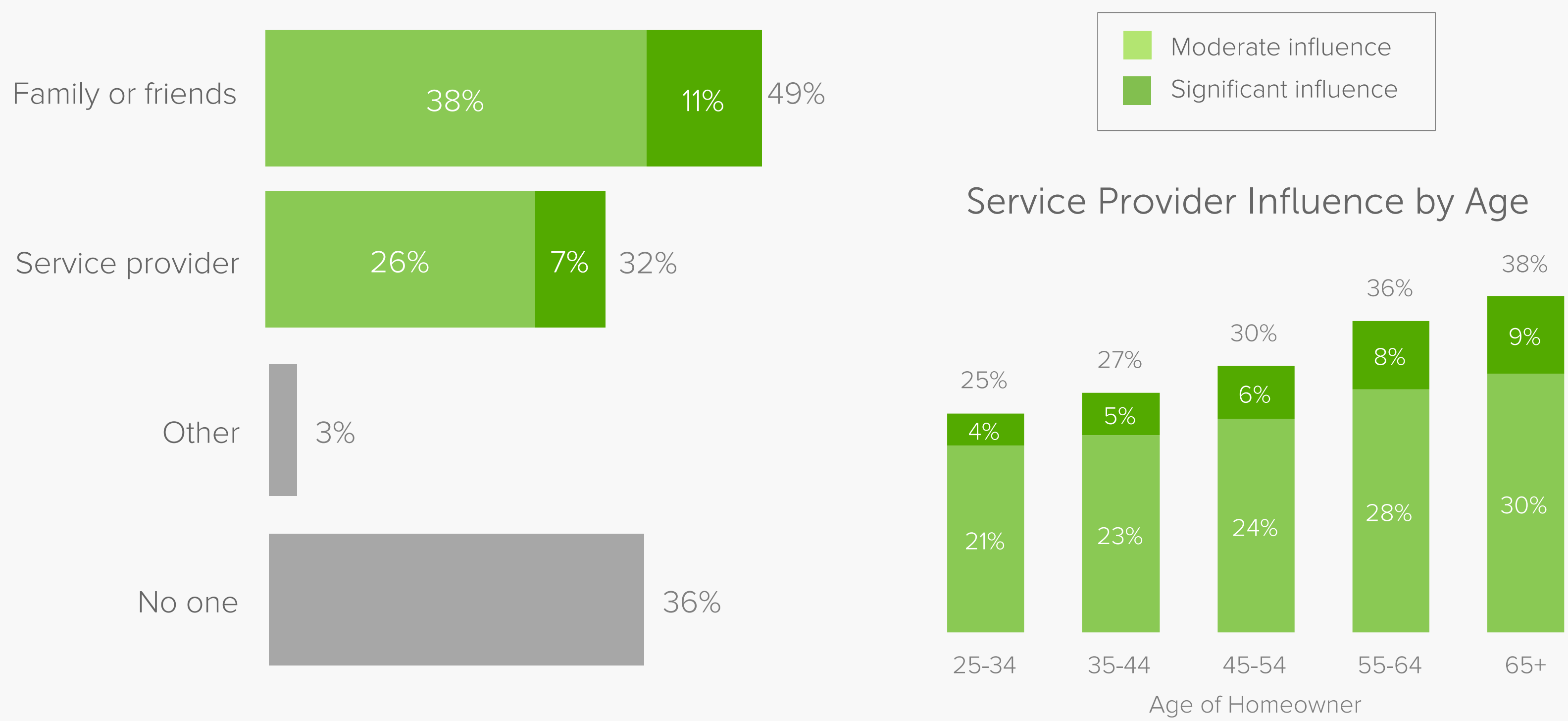
Cost-Based Hiring Criteria by Age

49%	Millennials (25-34)
39%	Younger Gen X's (35-44)
31%	Older Gen X's (45-54)
24%	Younger Boomers (55-64)
21%	Older Boomers+ (65+)

Older Homeowners Rely on Pro Advice

A third of homeowners who hired professional help during renovations cite their service providers as having significant or moderate influence on their decision making. Family and friends are another large source of influence for half of homeowners. With age, homeowners tend to rely less on family or friends and more on service providers or themselves when making renovation decisions.

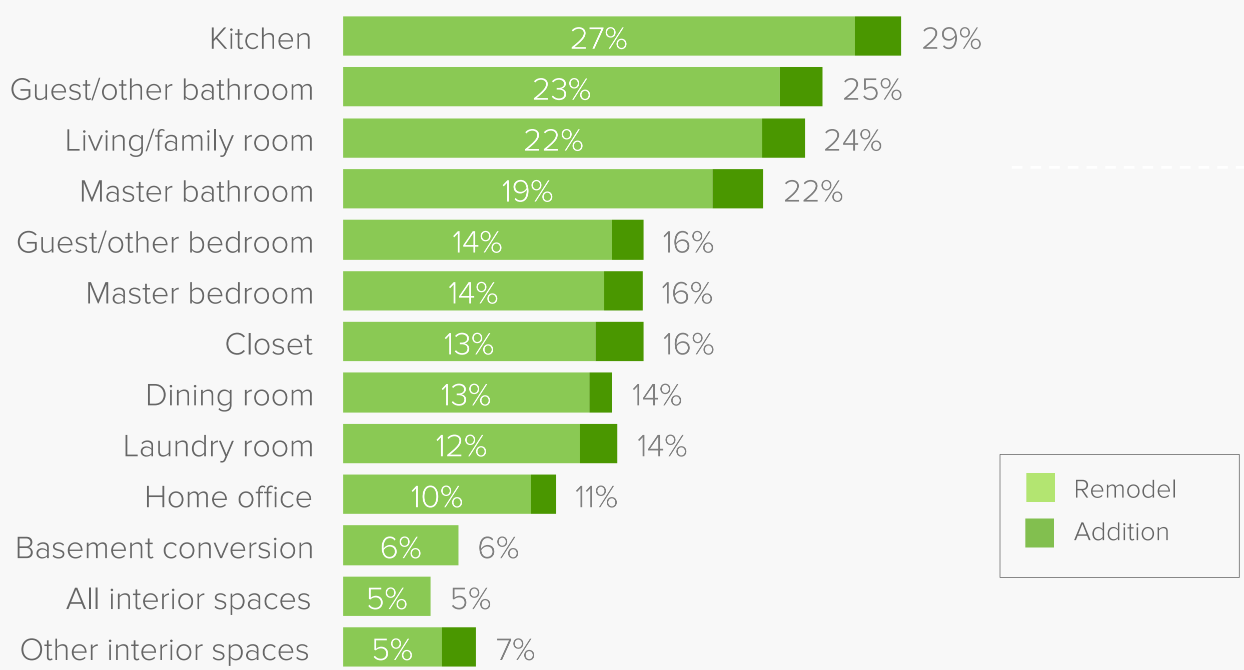
FREQUENCY OF RENOVATION INFLUENCERS AMONG HOMEOWNERS WHO RENOVATED WITH PRO HELP



Renovating Core Living Spaces

Kitchen, bath, and living/family rooms top the list of interior renovations for 2014. One in 20 renovated the entire interior of the home.

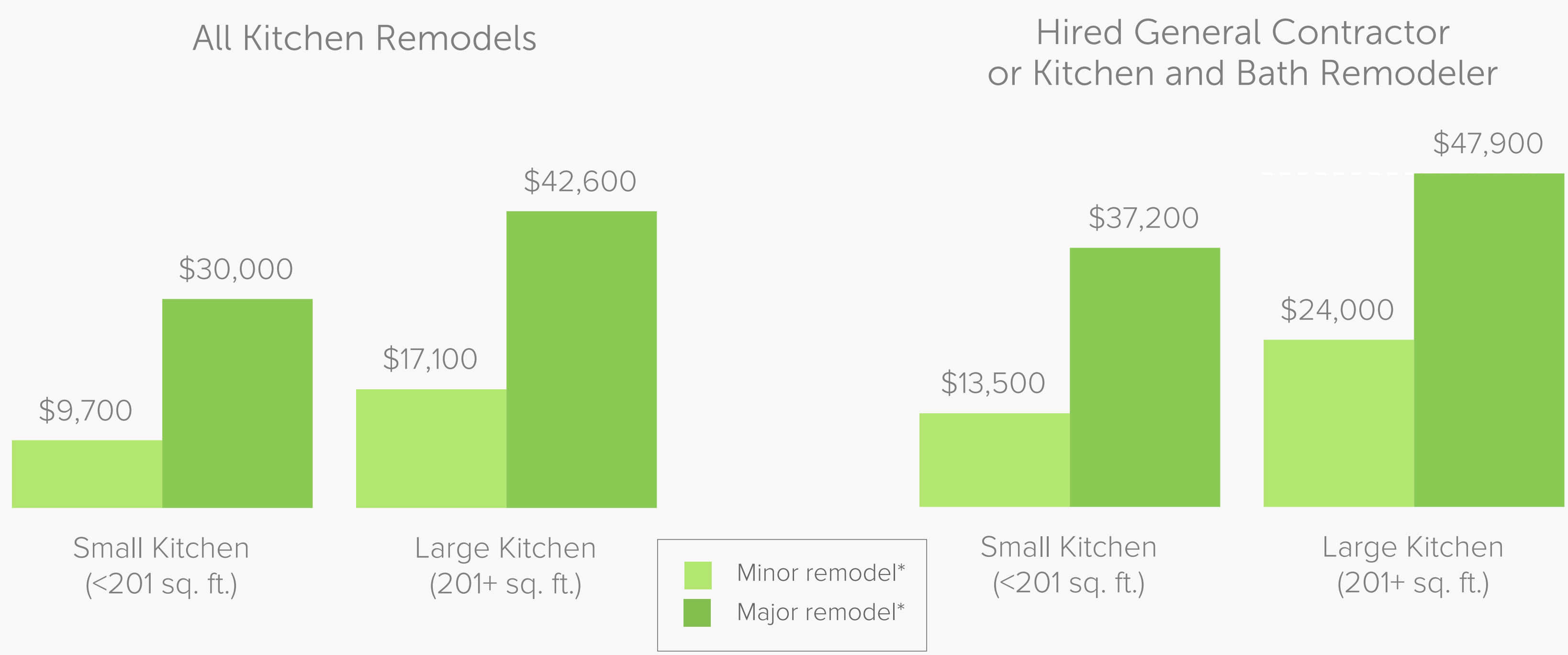
FREQUENCY OF TOP INTERIOR REMODELS/ADDITIONS AMONG HOMEOWNERS WHO RENOVATED



Scope Drives Kitchen Remodel Costs

Major kitchen remodels, which at a minimum include replacing all kitchen cabinetry and appliances within the existing home footprint, run on average $30,000 for a smaller kitchen (200 square feet or less) and $42,600 for a larger kitchen (more than 200 square feet). In larger-scope projects when a construction professional is involved, the costs are even higher.

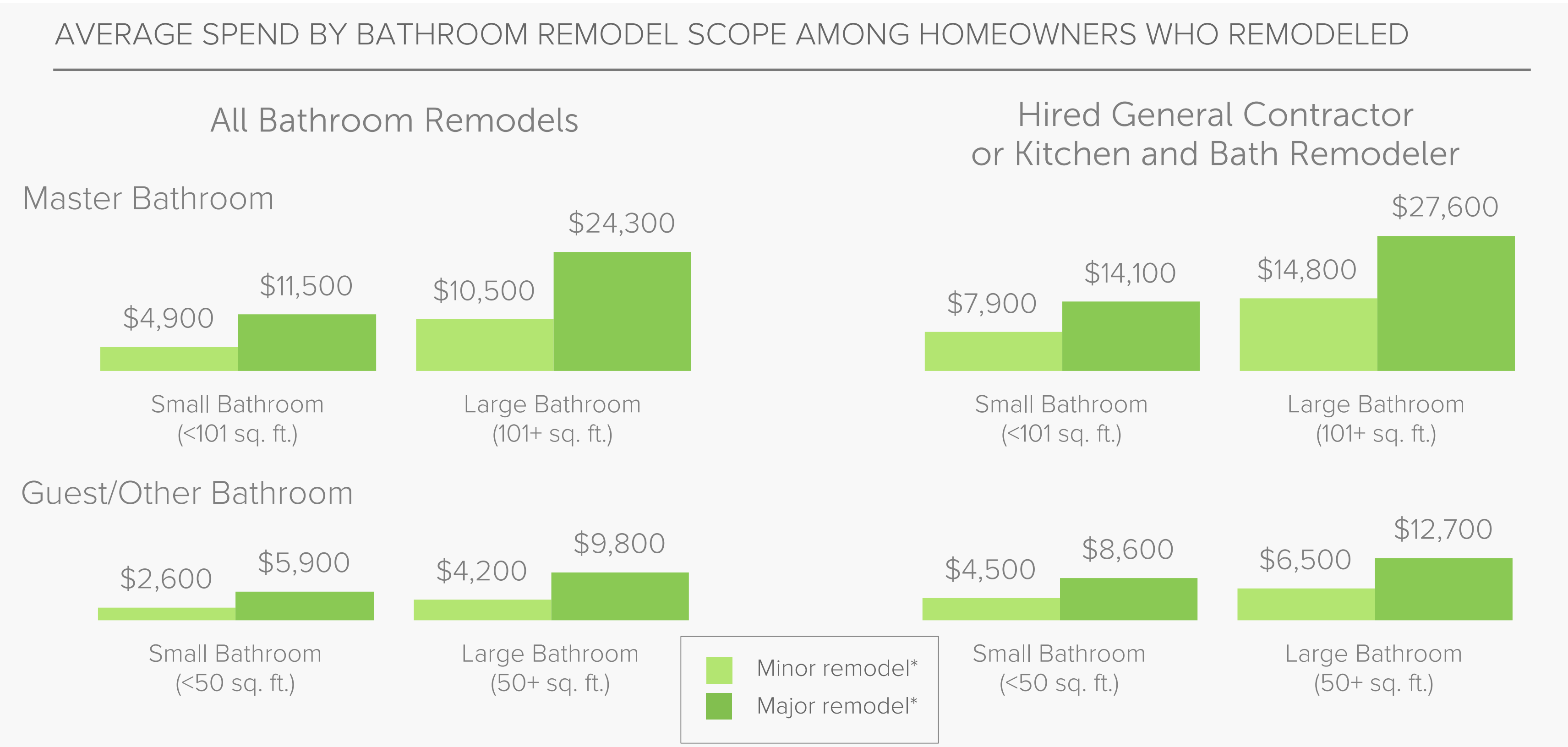
AVERAGE SPEND BY KITCHEN REMODEL SCOPE AMONG HOMEOWNERS WHO REMODELED



Major kitchen remodel refers to a remodel where at least all the cabinets and appliances are replaced; *minor kitchen remodel* includes all other remodels. Remodels do not include any additions that increase the overall home footprint.
**Data revised June 22, 2016.

Scope Drives Bathroom Remodel Costs

Major bathroom remodels, which at a minimum include replacing bathroom cabinetry/vanity, toilet and countertops within the existing home footprint, run on average $11,500 for a smaller master bathroom (100 square feet or less) and $24,300 for a larger master bathroom (more than 100 square feet). In larger-scope projects when a construction professional is involved, the costs are even higher.



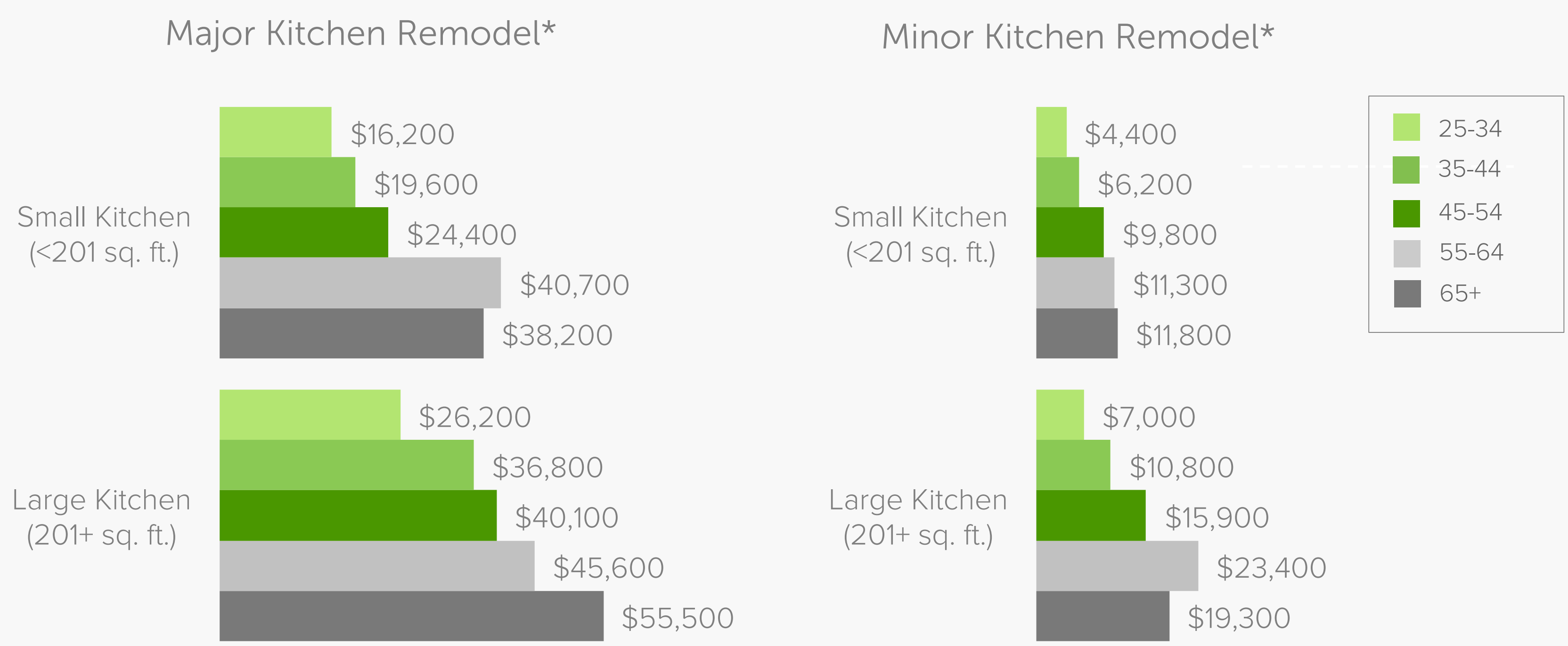
**Major bathroom remodel* refers to a remodel where at least the cabinetry/vanity, countertops, and toilet are replaced; *minor bathroom remodel* includes all other remodels. Remodels do not include any additions that increase the overall home footprint.

**Data revised June 22, 2016.

Boomers Lead in Spending

While the popularity of interior remodels is similar across generations, Baby Boomers (55+) lead in amount of investment. For example, Baby Boomers (55+) spent, on average, twice as much or more on a kitchen remodel as Millennial homeowners.

AVERAGE SPEND ON KITCHEN REMODELS BY AGE AMONG HOMEOWNERS WHO REMODELED

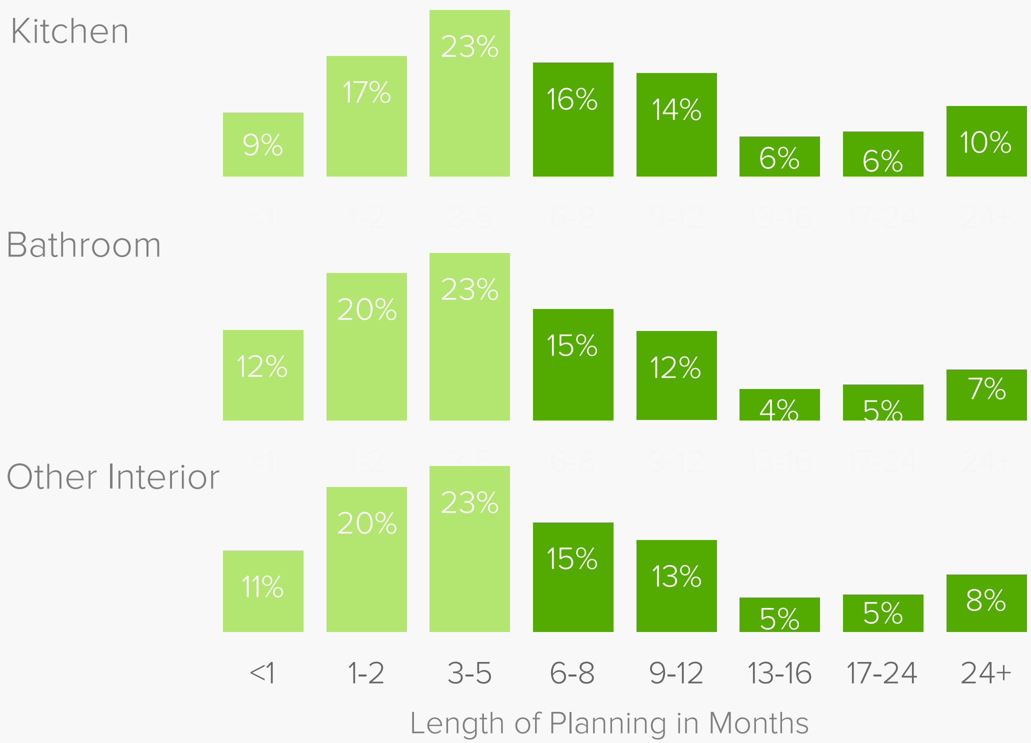


*_Major kitchen remodel_ refers to a remodel where at least all the cabinets and appliances are replaced; _minor kitchen remodel_ includes all other remodels. Remodels do not include any additions that increase the overall home footprint.
**Data revised June 22, 2016.

6+ Months Just Planning

Half of homeowners upgrading their kitchens take six months or longer from the initial gathering of ideas to the start of construction (51%). Furthermore, one in 10 of those renovating a kitchen experiences a 24-plus-months-long planning cycle. As homeowners get older, the length of the planning cycle increases for all types of interior upgrades.

FREQUENCY OF PLANNING TIMEFRAME AMONG HOMEOWNERS WHO REMODELED OR ADDED



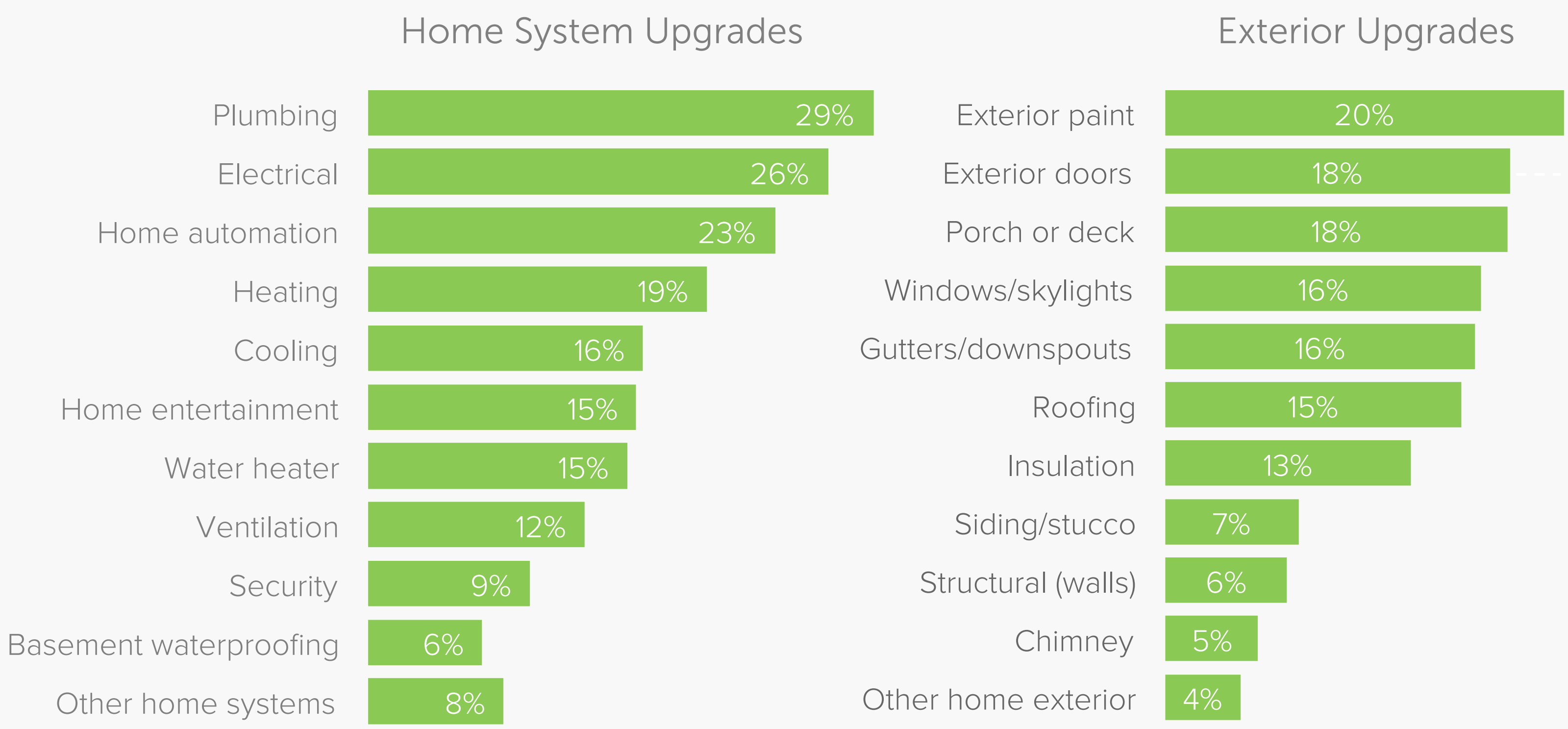
Planning Kitchen Renovation in Under 6 Months

67%	Millennials (25-34)
55%	Younger Gen X's (35-44)
46%	Older Gen X's (45-54)
43%	Younger Boomers (55-64)
43%	Older Boomers (65+)

Discretionary Renovations Exceed Essentials

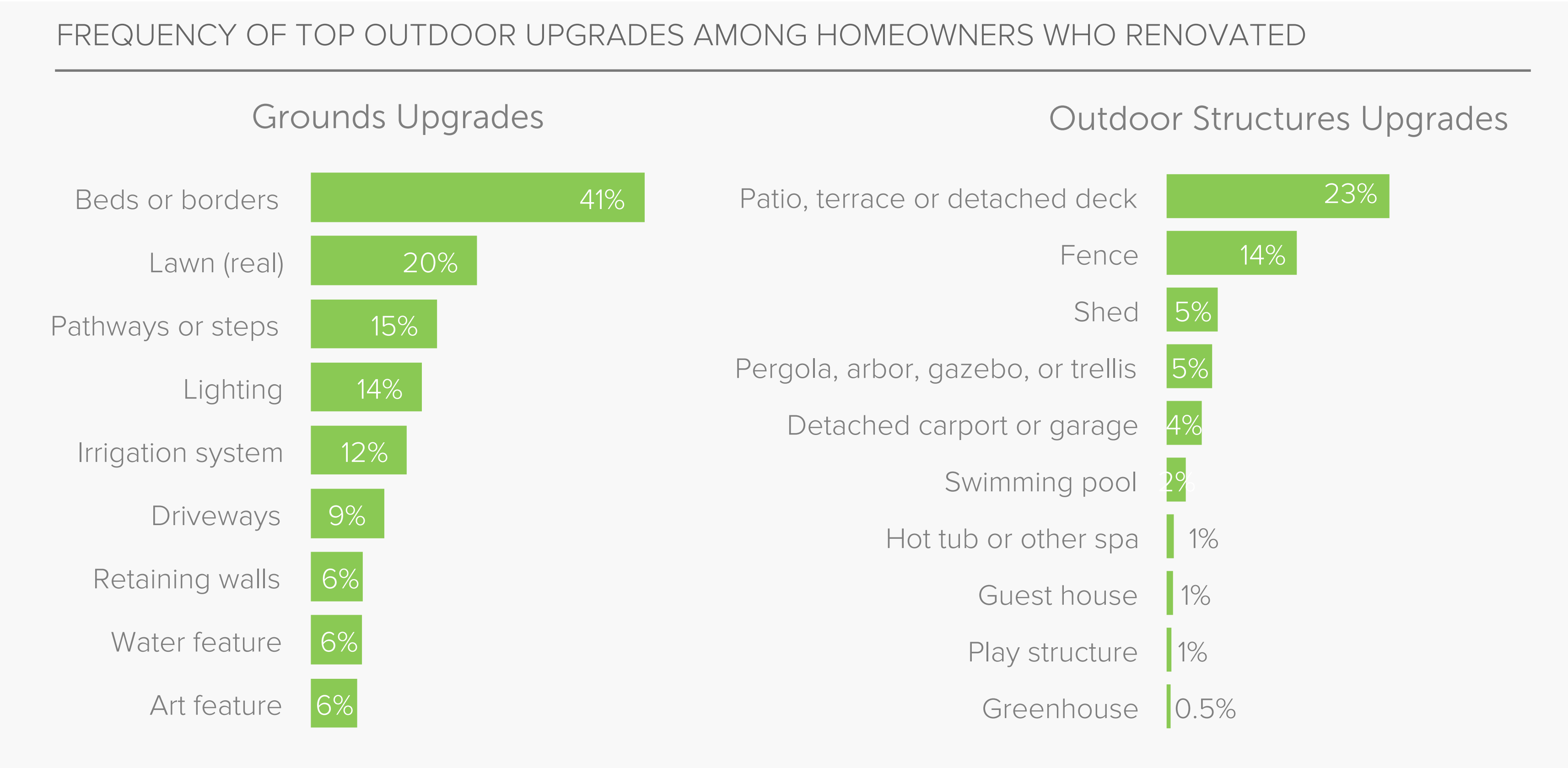
The frequency of interior remodels, which are typically discretionary in nature, exceeds that of many required replacement projects. Homeowners are nearly 2X more likely to remodel their kitchen (27%) than roofing (15%). Upgrades to home automation systems (related to thermostats, electronics, lights, etc.) and home media are strikingly popular among home system upgrades.

FREQUENCY OF TOP HOME SYSTEM AND EXTERIOR UPGRADES AMONG HOMEOWNERS WHO RENOVATED



Backyard Luxuries

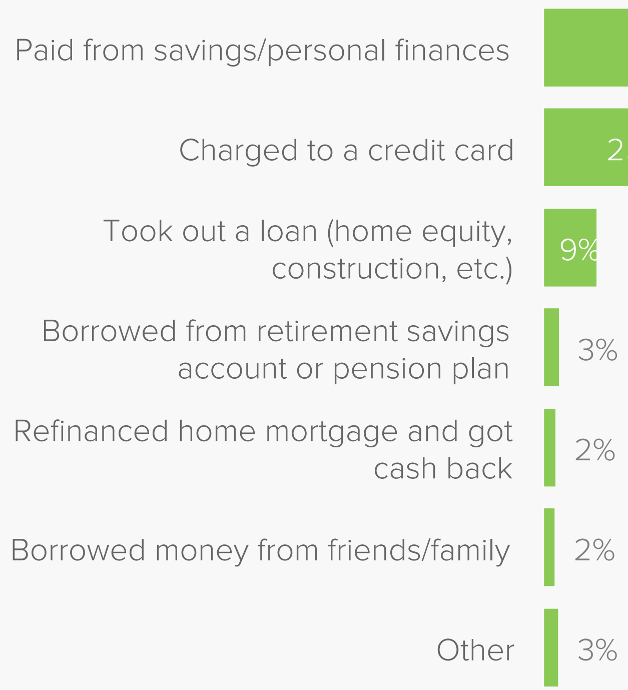
Landscaping of garden beds or borders is the most common outdoor project, tackled by two in five homeowners. One in five upgrades their natural lawn, and one in 10 upgrades their irrigation system. The most common upgrades to outdoor structures include patios/terraces, fences, and sheds.

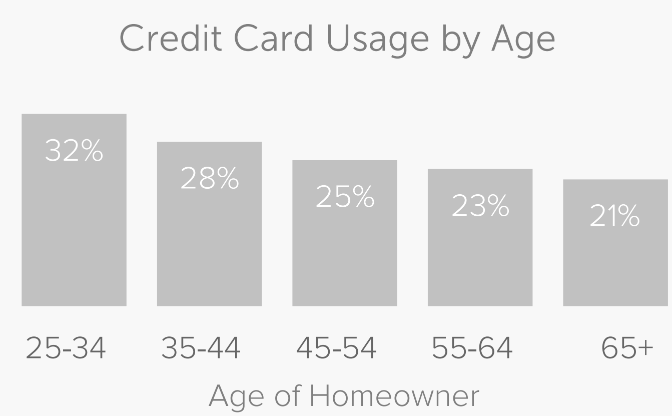


Primarily Cash and Credit

Most homeowners leverage personal savings to fund renovations. Only a quarter charge expenses to a credit card and only one in ten take out some type of a loan. Millennial homeowners turn to credit more frequently than other generations.

FREQUENCY OF PAYMENT METHODS AMONG HOMEOWNERS WHO RENOVATED

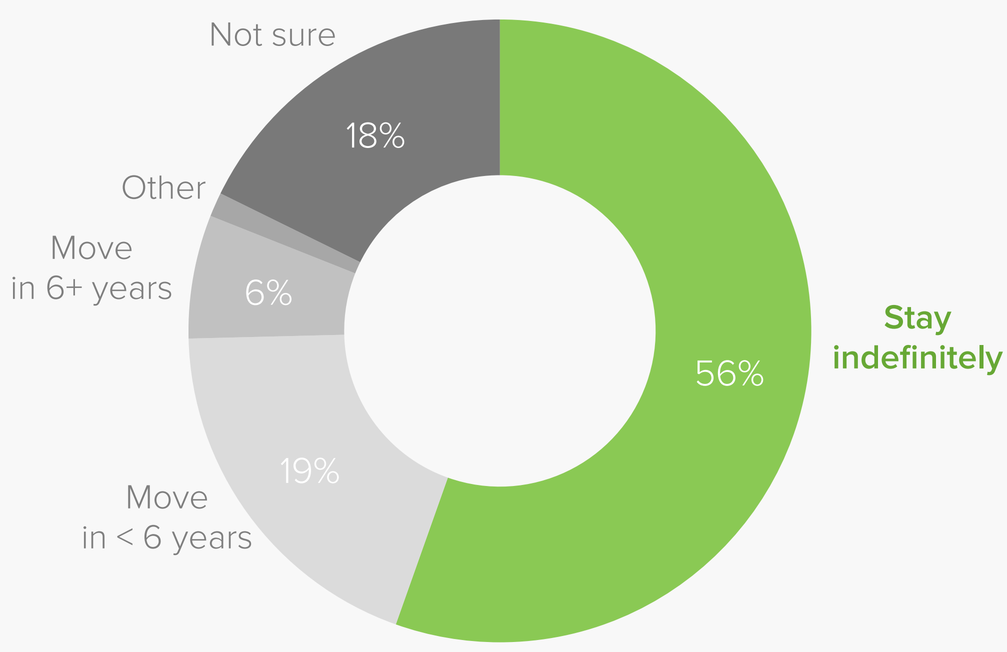


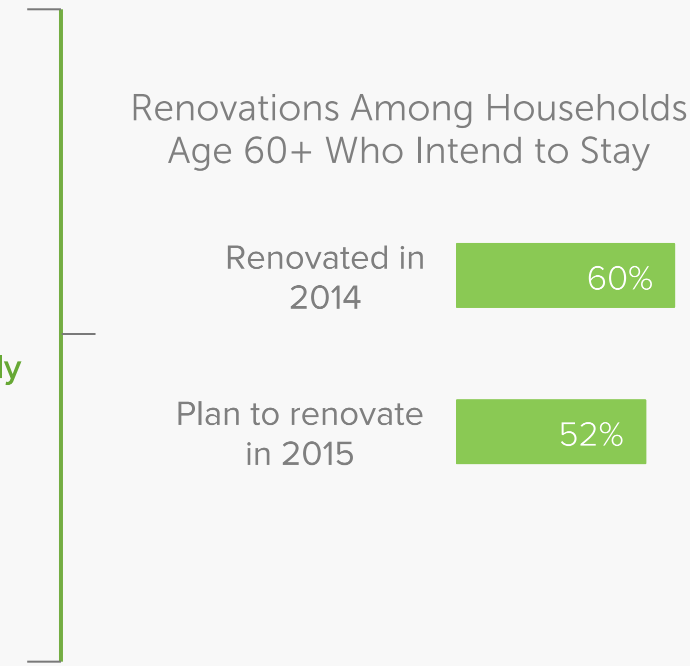


Staying Indefinitely

Over half of homeowners with household members who are 60 years old or older plan to stay in their residence indefinitely, consistent with last year's findings. Only a quarter intend to move to another residence, while the rest are still unsure. Those in the West and South are more likely to stay in their residence indefinitely (59% and 57%) relative to those in the Northeast and Midwest (52% and 54%).

FREQUENCY OF INTENTION TO MOVE OR STAY AMONG HOMEOWNERS WITH HOUSEHOLD MEMBERS AGES 60+

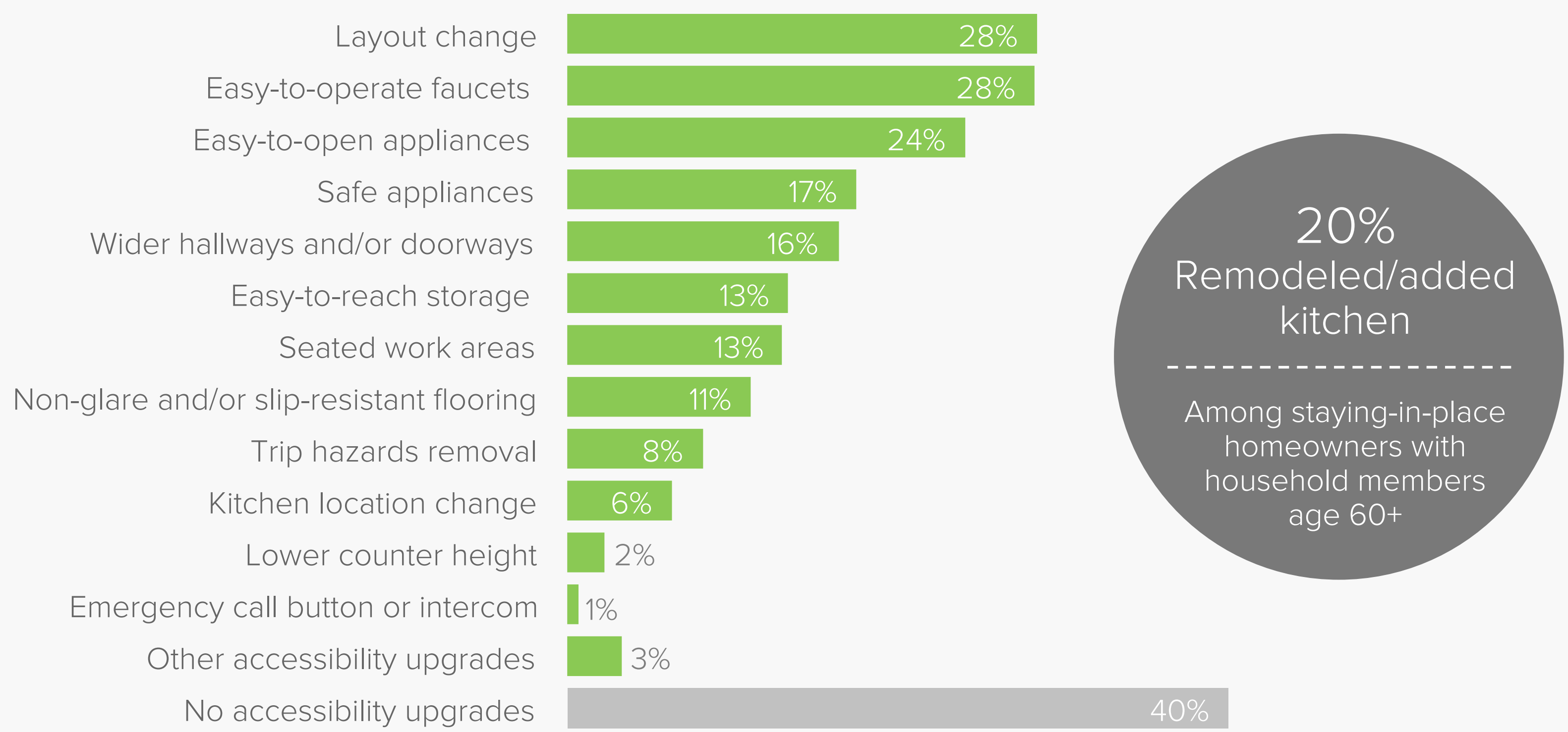




Aging in Place: Kitchen Redesign

One in five staying-in-place seniors remodeled a kitchen in 2014, and 60% of them made upgrades with aging in mind. A significant share made structural changes, such as reconfiguring the layout (28%), widening hallways and/or doorways (16%), and changing the kitchen location altogether to improve accessibility (6%). The Northeast leads other regions with respect to these structural modifications, likely due to older housing stock.

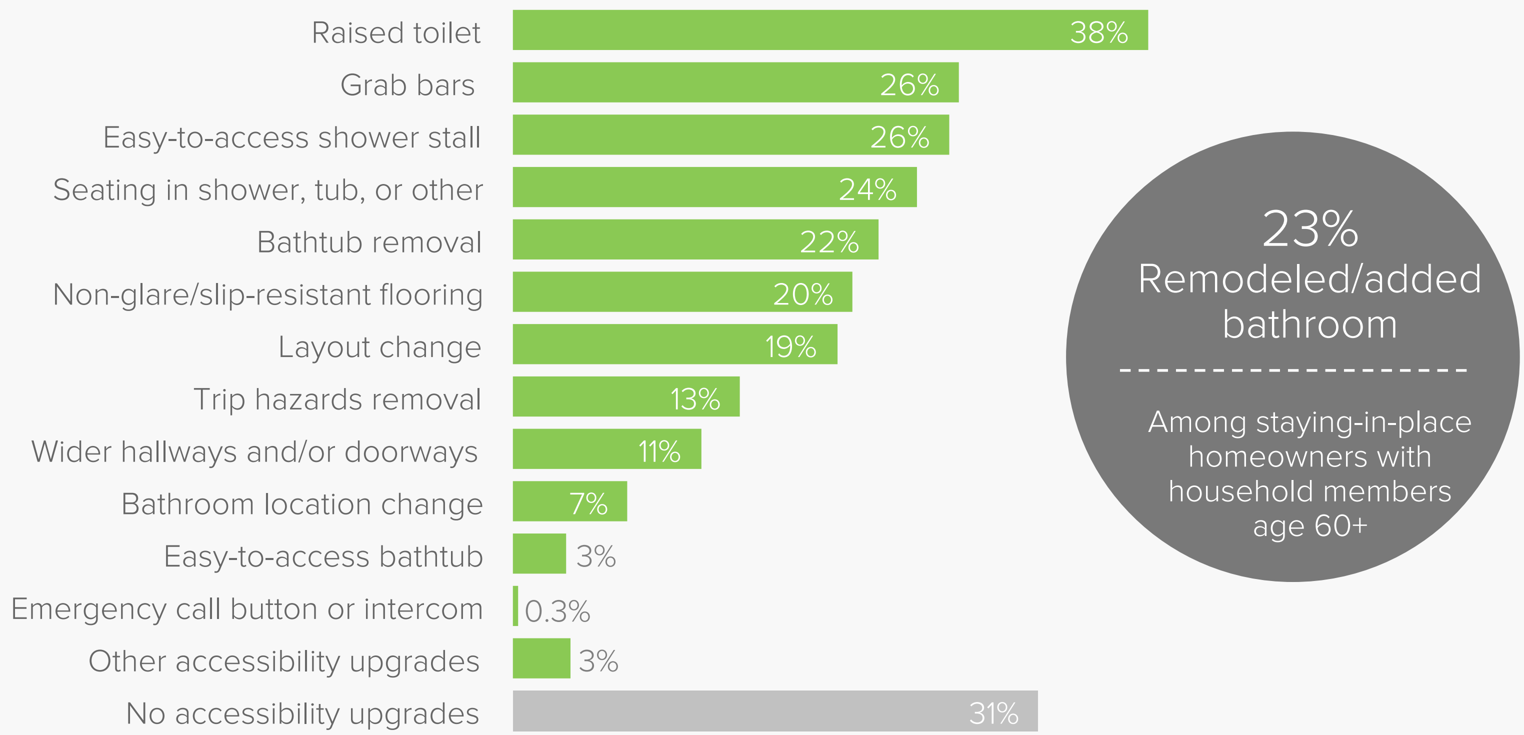
FREQUENCY OF ACCESSIBILITY UPGRADES AMONG AGING IN PLACE HOUSEHOLDS AGE 60+ WHO UPGRADED KITCHEN



Aging in Place: Bathroom Redesign

One in four staying-in-place seniors remodeled a bathroom, and 69% of them made upgrades with aging in mind. A significant share made structural changes, such as reconfiguring the layout (19%), widening hallways and/or doorways (11%), or changing the bathroom location altogether (7%).

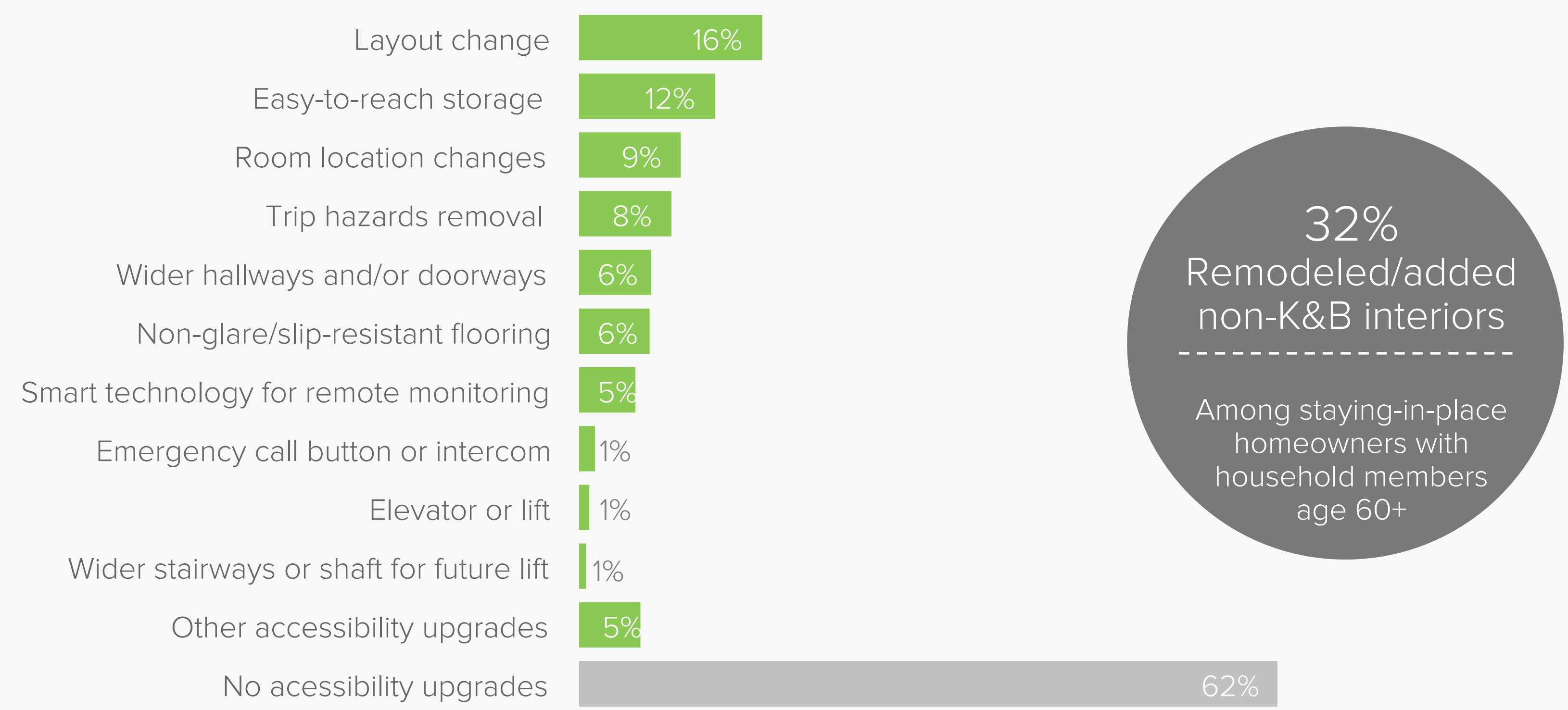
FREQUENCY OF ACCESSIBILITY UPGRADES AMONG AGING IN PLACE HOMEOWNERS AGE 60+ WHO UPGRADED BATHROOM



Aging in Place: Other Interior Redesign

While one in three staying-in-place seniors remodeled other interior spaces (non-kitchen/non-bath), only 28% of them made upgrades with aging in mind. Most common modifications included reconfiguring the layout (16%) and installing easy-to-reach storage (12%). One in 10 changed the location of their living spaces to improve accessibility. A few installed smart technology to remotely monitor activity in the home (5%).

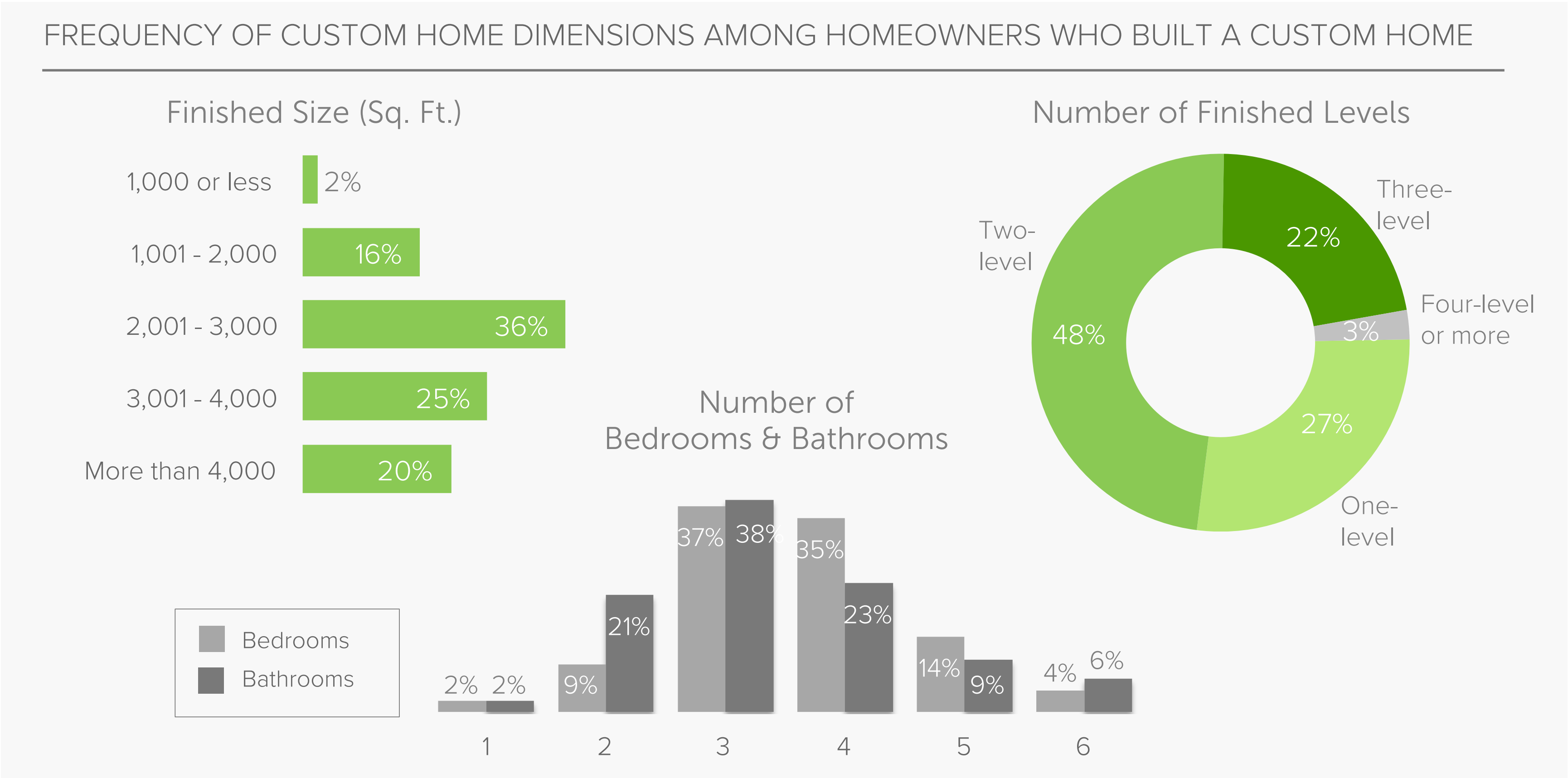
FREQUENCY OF ACCESSIBILITY UPGRADES AMONG AGING IN PLACE HOUSEHOLDS AGE 60+ WHO UPGRADED OTHER INTERIOR SPACES



2014 IN FOCUS: CUSTOM HOME BUILDS

Building Large Custom Homes

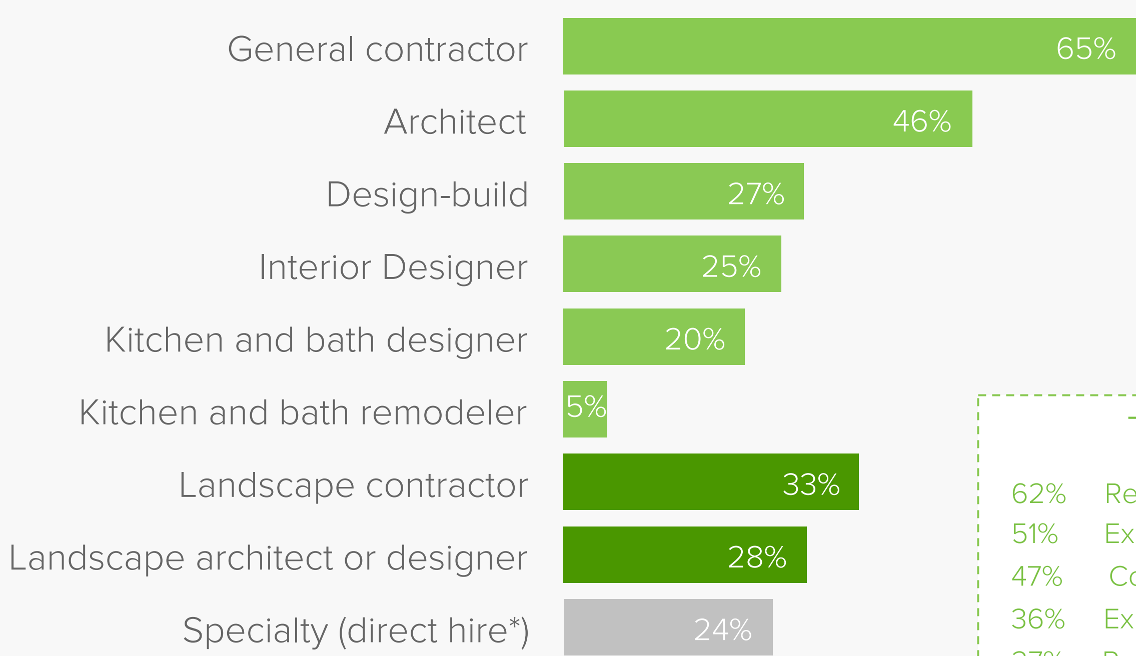
One in 20 built a custom home, and a sizable one, in 2014. Three in four custom homes are multi-level, and four in five are over 2,000 square feet. A large majority of custom homes have three or more bedrooms and bathrooms (89% and 77% respectively), while one in six has five or more bedrooms and bathrooms.



Design Pros Dominate Custom Building

Nearly all homeowners who built a custom home hired professional help (95%). Of these homeowners, many hired an architect (46%), an interior designer (25%), kitchen and bath designer (20%), and/or a design-build firm (27%). Top hiring criteria for custom-build professionals is similar to those for renovations, yet more homeowners are influenced by their service providers during custom home builds (48% vs. 32%, respectively).

FREQUENCY OF HIRED PROFESSIONALS AMONG HOMEOWNERS WHO BUILT A CUSTOM HOME WITH PRO HELP



48%

Homeowners who are influenced by service providers when making custom build decisions

Top Hiring Criteria

62%	Reviews or recommendations
51%	Experience with similar scope
47%	Communication or organization
36%	Experience with similar style
27%	Personality

**The frequency of specialty professionals hired directly by homeowners refers to all specialties hired without the involvement of a general contractor, kitchen and bath remodeler or design-build firm.*

Financing Custom Homes

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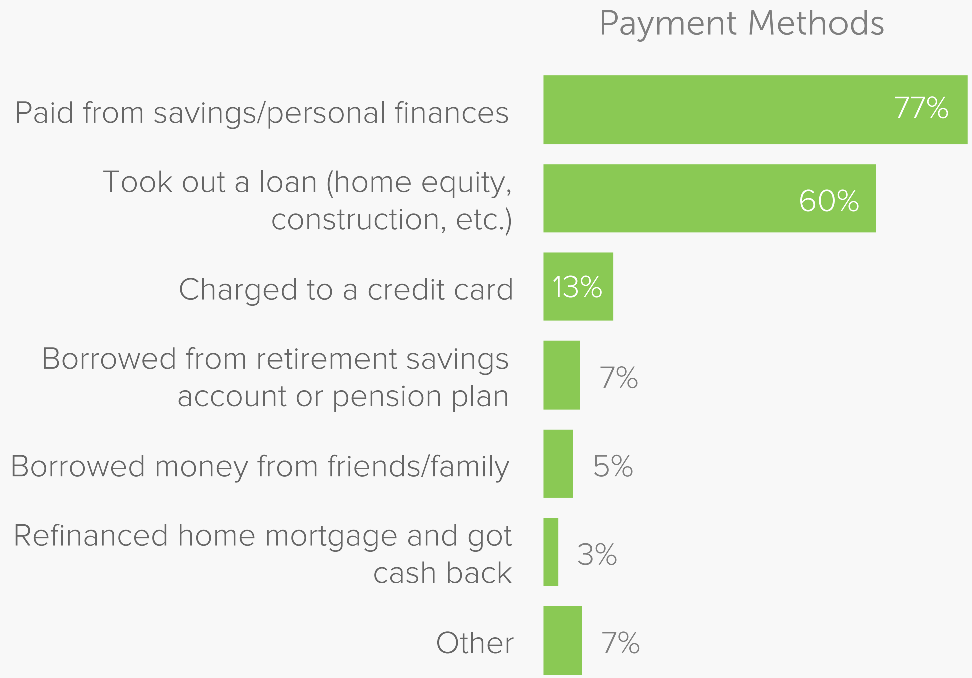
Given the high average spend on a custom home ($639,800), the majority of homeowners are financing at least a portion of their new home with a secured loan (60%). An even larger number are paying in part for their new home with cash (60%).

CUSTOM BUILD SPEND AND PAYMENT METHODS AMONG HOMEOWNERS WHO BUILT A CUSTOM HOME

Custom Home Average Spend To-Date*

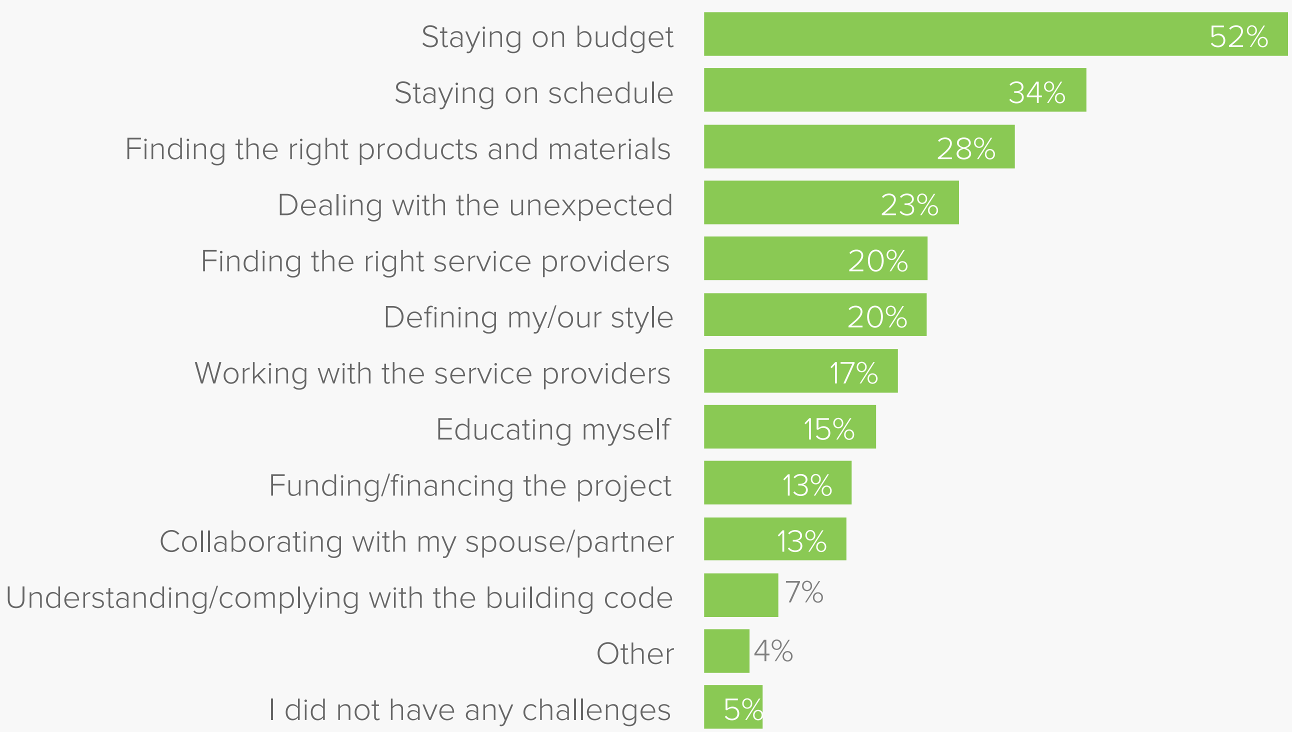
$639,800	Finished in 2014
$555,300	Still in progress in 2014



Challenging to Stay on Budget and Schedule

While renovating homeowners' top challenges are finding the right professionals and products, those building custom homes have the greatest difficulty staying on budget and on schedule given the larger project scope. Finding the right products and materials is a close third to staying on schedule.

FREQUENCY OF TOP PROJECT CHALLENGES AMONG HOMEOWNERS WHO BUILT A CUSTOM HOME

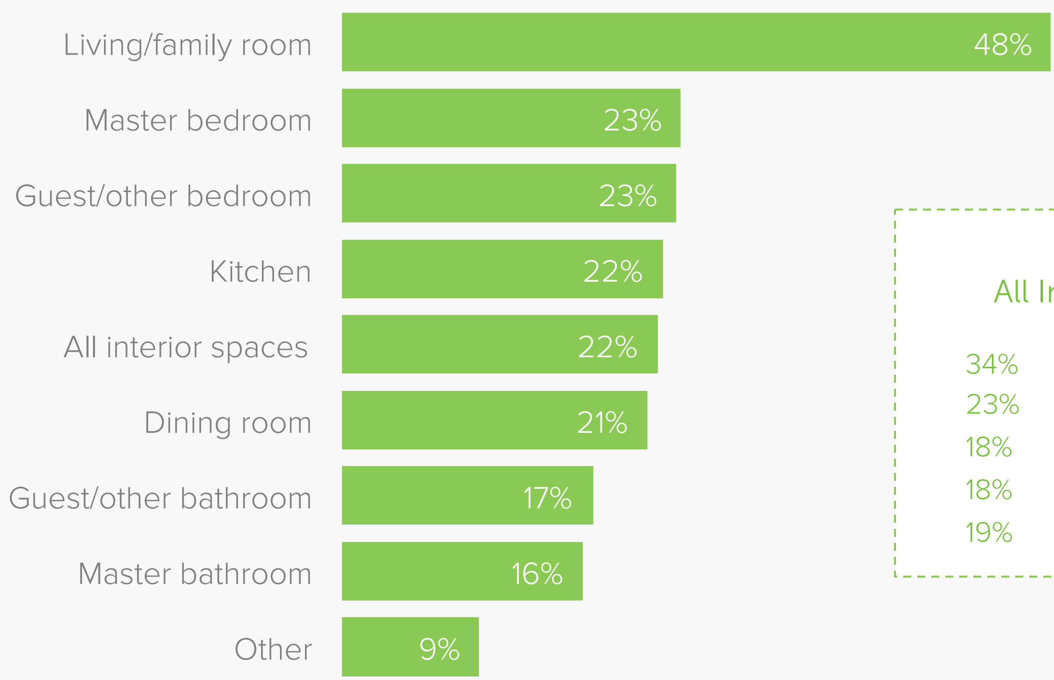


2014 IN FOCUS: DECORATING

Diversity of Decorating Projects

Among the two-thirds of homeowners who decorated in 2014, nearly half decorated or furnished their living room or family room, and a quarter decorated all interior spaces. Millennials are nearly twice as likely to decorate all interior spaces than younger Baby Boomers (55-64).

FREQUENCY OF TOP DECORATING PROJECTS AMONG HOMEOWNERS WHO DECORATED



Decorating
All Interior Spaces by Age

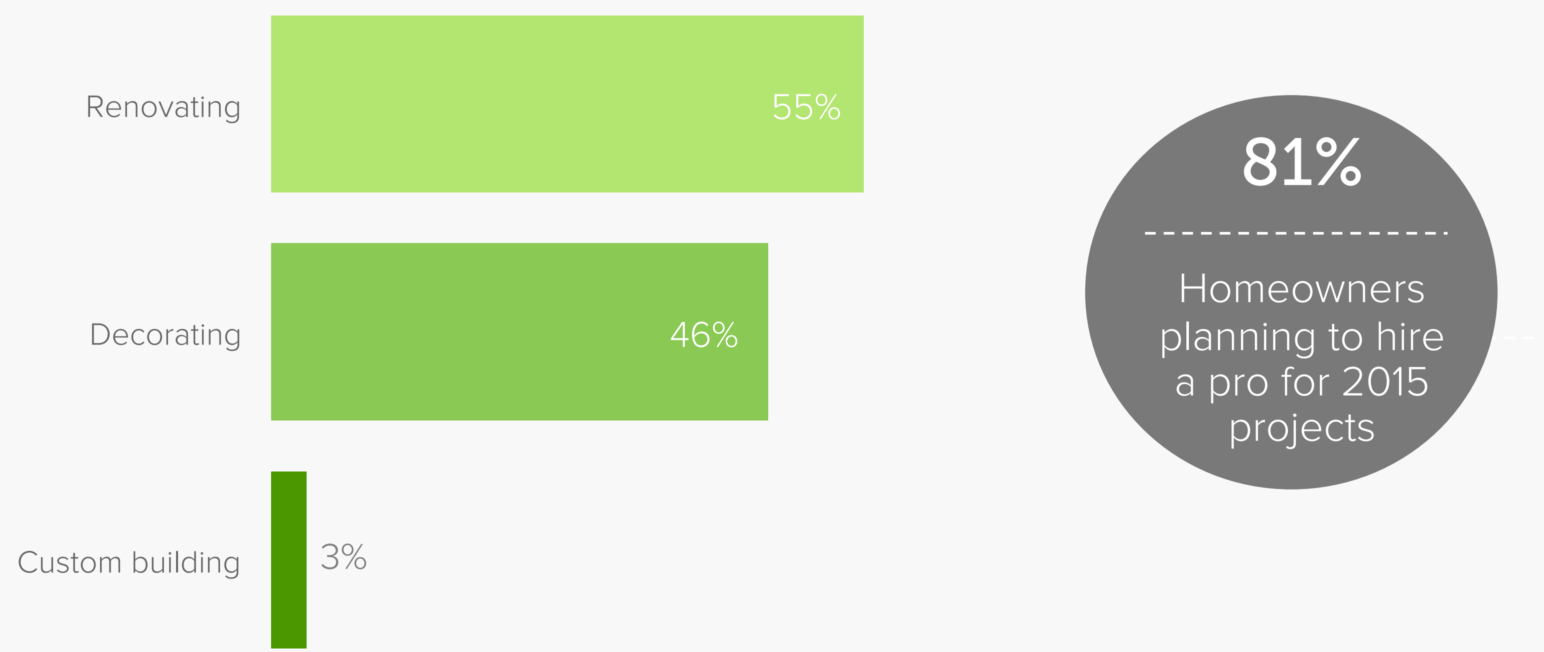
34%	Millennials (25-34)
23%	Younger Gen X's (35-44)
18%	Older Gen X's (45-54)
18%	Younger Boomers (55-64)
19%	Older Boomers (65+)

2015 AT A GLANCE

Concrete Plans to Renovate

Over half of homeowners on Houzz plan to continue or start renovations in 2015 (55%). Nearly half of homeowners plan to decorate (46%). Four in five plan to hire professional help for their projects.

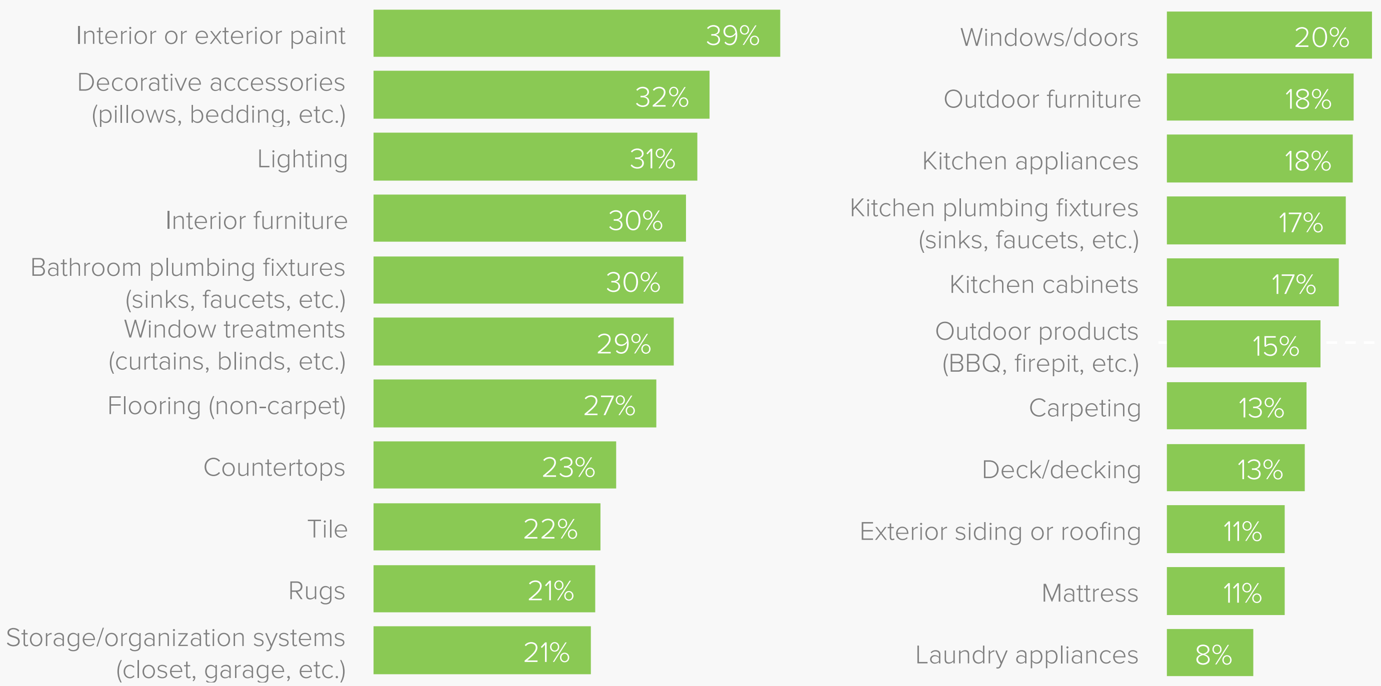
PLANNED 2015 ACTIVITIES AMONG HOMEOWNERS



Many Planning Big-Ticket Purchases

Three in four homeowners surveyed are planning to purchase one or more renovation or decor products in the next six months (75%). A substantial proportion of homeowners are planning big-ticket renovation purchases such as flooring, countertops, tile, windows/doors and many others.

PLANNED PURCHASES IN THE NEXT SIX MONTHS AMONG HOMEOWNERS



APPENDIX

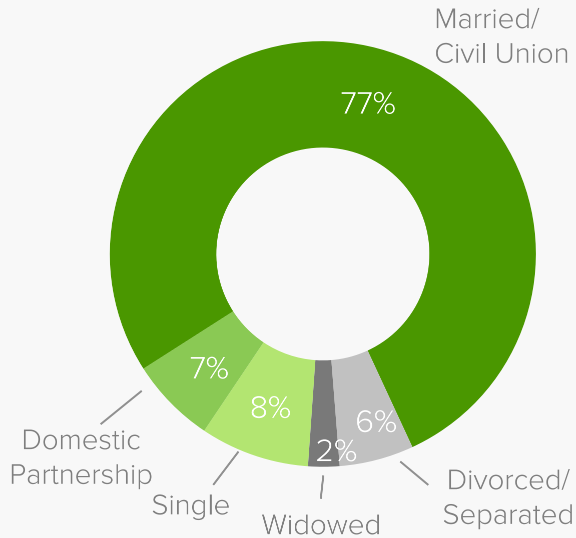
Methodology

The annual Houzz and Home study is the largest survey of residential remodeling, building and decorating activity conducted. The survey covers every aspect of home renovation in 2014, from interior remodels and additions to home systems, exterior upgrades, and outdoor projects. This includes historical and planned spends, professional involvement, and motivations and challenges behind these projects, as well as planned activities for 2015. The 2015 Houzz and Home survey gathered information from more than 260,000 respondents worldwide, 170,000 of which are from the U.S. alone, representing the activity of the more than 30 million monthly unique users that use Houzz.

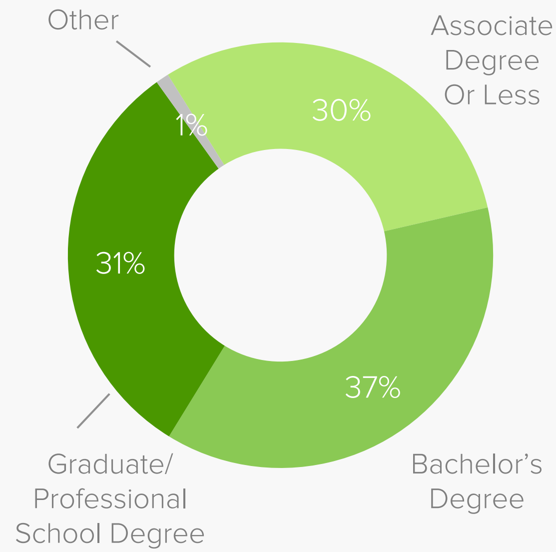
The Houzz & Home survey was sent via email to registered users of Houzz and fielded in February-April 2015. The Farnsworth Group, an independent market research firm, conducted the survey. The current report relies on responses of U.S. homeowners on Houzz; n=152,939.

Homeowner Demographics

MARITAL STATUS



EDUCATION



ANNUAL HOUSEHOLD INCOME

39%	Less than $100,000
28%	$100,000-$149,999
33%	$150,000 or more

OWNER-ESTIMATED HOME VALUE

23%	Less than $200,000
49%	$200,000-$499,999
29%	$500,000 or more

Supplementary Table

FREQUENCY OF RENOVATION TRIGGERS BY AGE AMONG HOMEOWNERS WHO RENOVATED

	RENOVATION TRIGGERS					
	All	25-34	35-44	45-54	55-64	65+
Wanted to do it all along and finally have the financial means	39%	34%	41%	42%	40%	34%
Wanted to do it all along and finally have the time	35%	31%	33%	36%	37%	36%
Purchased home recently and want to customize it	28%	55%	37%	24%	19%	22%
Addressing recently discovered deterioration/damage due to age, termites, etc.	19%	17%	18%	19%	19%	20%
Adapting to recent changes in family and/or lifestyle	16%	15%	16%	16%	16%	17%
Plan to sell the home soon and want to increase resale value	11%	11%	9%	11%	12%	11%
Addressing recent damage due to a natural disaster in my area	4%	3%	3%	4%	4%	4%
Other home projects triggered a code upgrade	3%	2%	2%	3%	3%	3%
Other	7%	3%	4%	7%	8%	10%