2020 Houzz State of the Industry

U.S. Residential Renovation and Design

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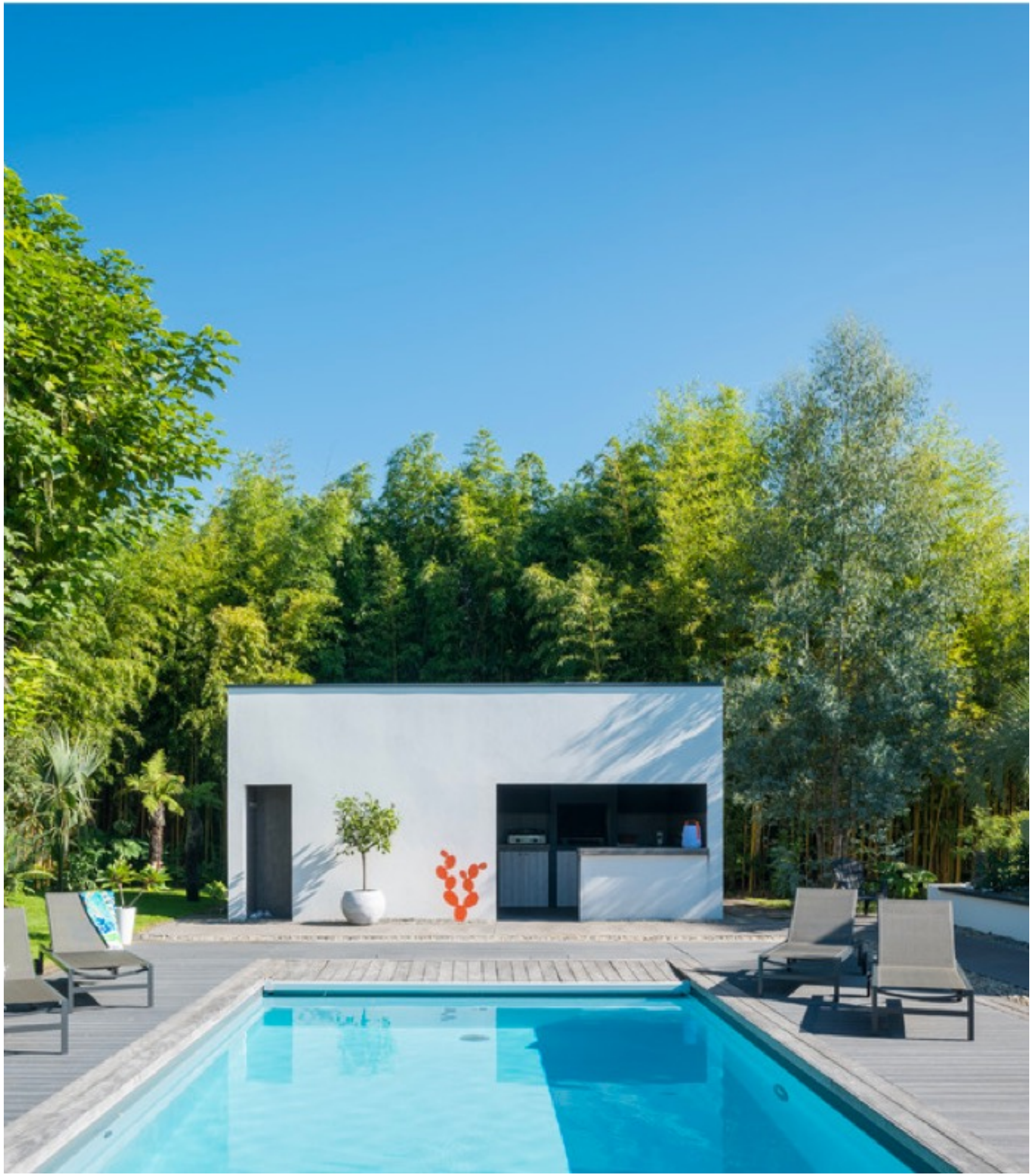

Big Ideas

Businesses Maintain a Positive Outlook

More than half of residential renovation and design companies on Houzz predict that 2020 will be a good or very good year (65% to 82%), reflecting a slight increase from expectations for 2019 a year ago (58% to 80%). While businesses across the seven industry groups[1] expect 2020 revenue growth to range from 4.2% to 9.1%, five of them have lowered their 2020 growth expectations by 0.5 to 1.3 percentage points compared with their 2019 growth expectations.[2]

Product and Material Costs Are the Top Challenge

Following widespread increases to the costs of doing business in 2019 (55% to 78%), product and material costs are cited as the most significant cost driver by six of seven industry groups (compared with five of seven groups in 2018). A large share of companies link the rising costs to a negative impact of tariffs on businesses in 2019 (23% to 34%), with architects and design-build companies being most likely to cite a negative impact (34% of each). Businesses report a wide range of products and materials impacted by tariffs, from metal, steel and wood to cabinets, tile and quartz.

[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 2019 Houzz State of the Industry Study.

Improved Expectations for the National Economy

A positive outlook on the national economy is maintained by a greater share of businesses (15% to 23%) compared with 2019 (11% to 18%), while expectations of an economic decline are significantly less prevalent (24% to 43%) than last year (35% to 61%). The majority of companies across all industry groups (58% to 69%) are optimistic that the demand for their services will increase in 2020, and most expect no change in their local economies.

Many Expect to Hire in 2020, yet Fewer Hired in 2019

Many companies continue to expect labor availability and costs to worsen in 2020. Still, more than a third of general contracting, design-build and building and renovation specialty companies (35% to 38%) and a fifth of architectural and interior design companies (20% of each) expect to hire in 2020. Interestingly, a smaller share of companies across all industry groups hired in 2019 compared with the previous year.

Revenue Growth Notably Slowed in 2019

While revenues continued to increase in 2019 for all seven industry groups, six of them experienced a notable deceleration in average revenue growth (3.1% to 6.1%) compared with 2018 (5.6% to 8.2%). Building and renovation specialty companies are the exception, reporting an average revenue growth on par with 2018’s (6.1% in 2019 versus 6.5% in 2018).

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2020 Outlook

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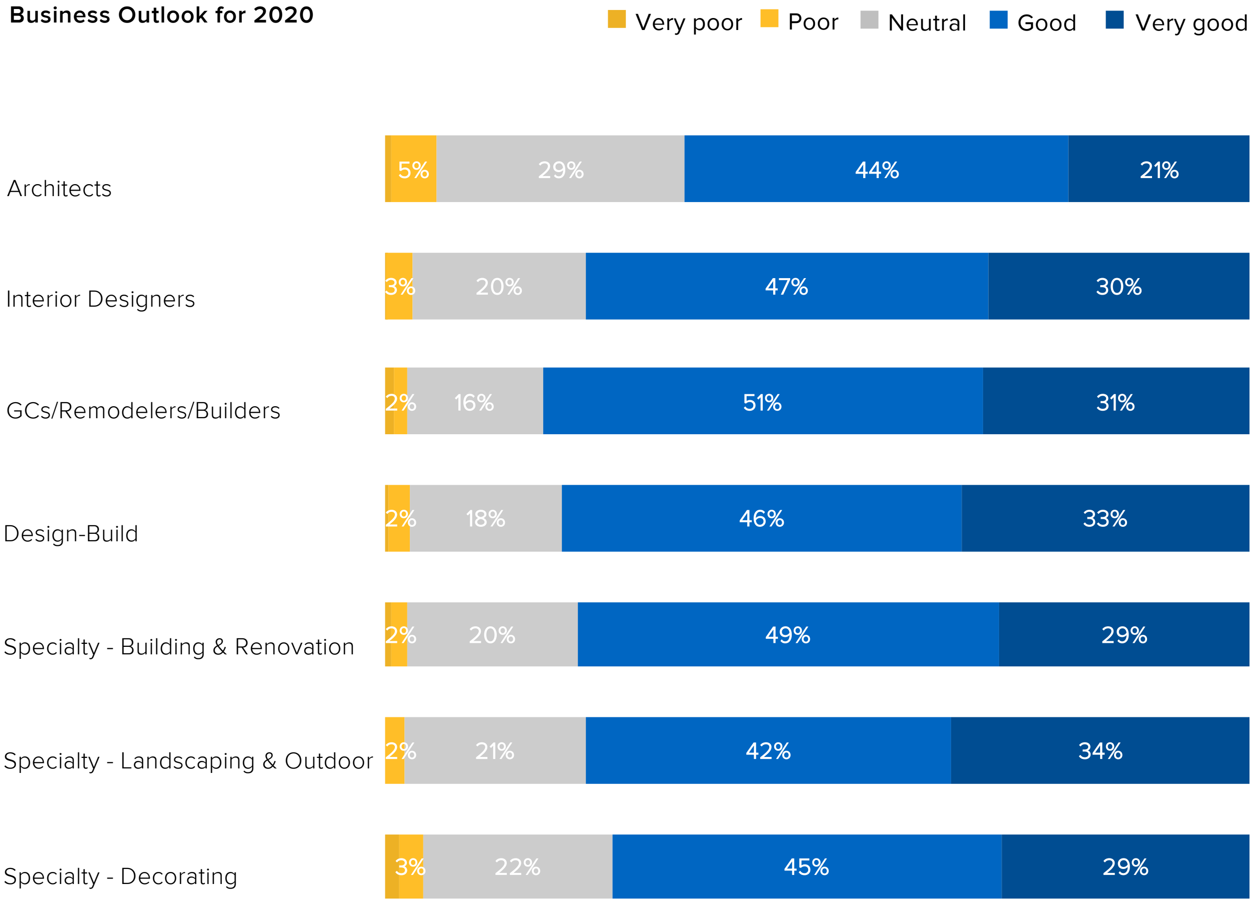
Businesses Maintain a Positive Outlook in 2020

More than half of companies on Houzz focusing on residential renovation and design predict that 2020 will be a good or very good year (65% to 82%), slightly up from expectations for 2019 a year ago (58% to 80%). General contracting (GCs) and design-build companies report the most widespread positive sentiments, with 82% and 79%, respectively, citing a good to very good outlook, while architects are the most conservative in their sentiments (65%).

Firms (%) Reporting Their Overall Business Outlook for 2020



Less Bullish Growth Predictions for 2020

Six of the seven industry groups expect average revenue growth to be in the upper single digits in 2020 (6.9% to 9.1%). Again, architects are the most conservative group, anticipating mid-single-digit revenue growth (4.2%).

Interestingly, five of the seven industry groups (architects, interior designers, general contractors, renovation specialty businesses and outdoor specialty businesses) have lowered their growth expectations for 2020 by 0.5 to 1.3 percentage points compared with their 2019 growth expectations. At the same time, the remaining two industry groups (design-build and decorating specialty businesses) expect similar or higher growth, on average, compared with their 2019 growth expectations.[3]

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

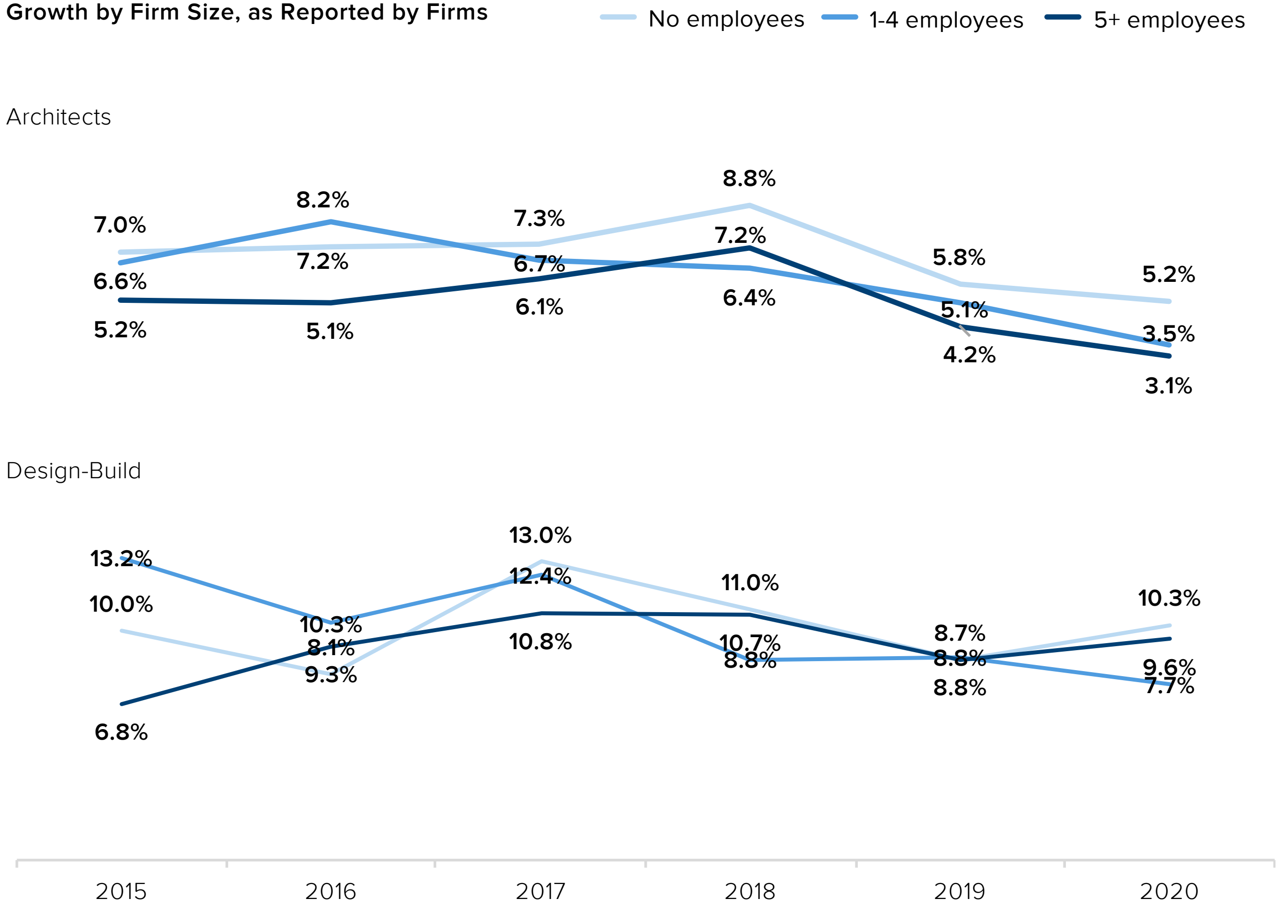
Expected Average Annual Rates of Revenue Growth, as Reported by Firms

	2015E	2016E	2017E	2018E	2019E	2020E
Architects	6.5%	7.6%	6.9%	6.9%	5.1%	4.2%
Interior Designers	11.2%	10.7%	11.3%	11.1%	9.4%	8.2%
GCs/Remodelers/Builders	9.9%	9.3%	10.3%	10.5%	8.7%	7.6%
Design-Build	9.9%	9.6%	10.5%	9.9%	8.4%	8.9%
Specialty - Building & Renovation	10.9%	9.2%	10.9%	10.9%	9.0%	8.5%
Specialty - Landscaping & Outdoor	10.2%	10.2%	10.0%	11.4%	8.2%	6.9%
Specialty - Decorating	13.6%	10.4%	11.6%	12.3%	9.1%	9.1%

Most Small and Large Firms Expect Lower Rate of Revenue Growth in 2020

Companies of all sizes, as measured by number of employees, project optimism about revenue growth in 2020. That said, revenue growth is expected to slow down across most industry groups. Among architects, small companies (no employees) are the most bullish in their revenue growth expectations (5.2%) compared with larger companies (3.1% to 3.5%). Similarly, among design-build companies, small companies (no employees) are the most optimistic (10.3%) compared with larger companies (7.7% to 9.6%). Other industry groups show more mixed sentiments across small and large companies.[4]

Expected Average Annual Rates of Revenue Growth by Firm Size, as Reported by Firms

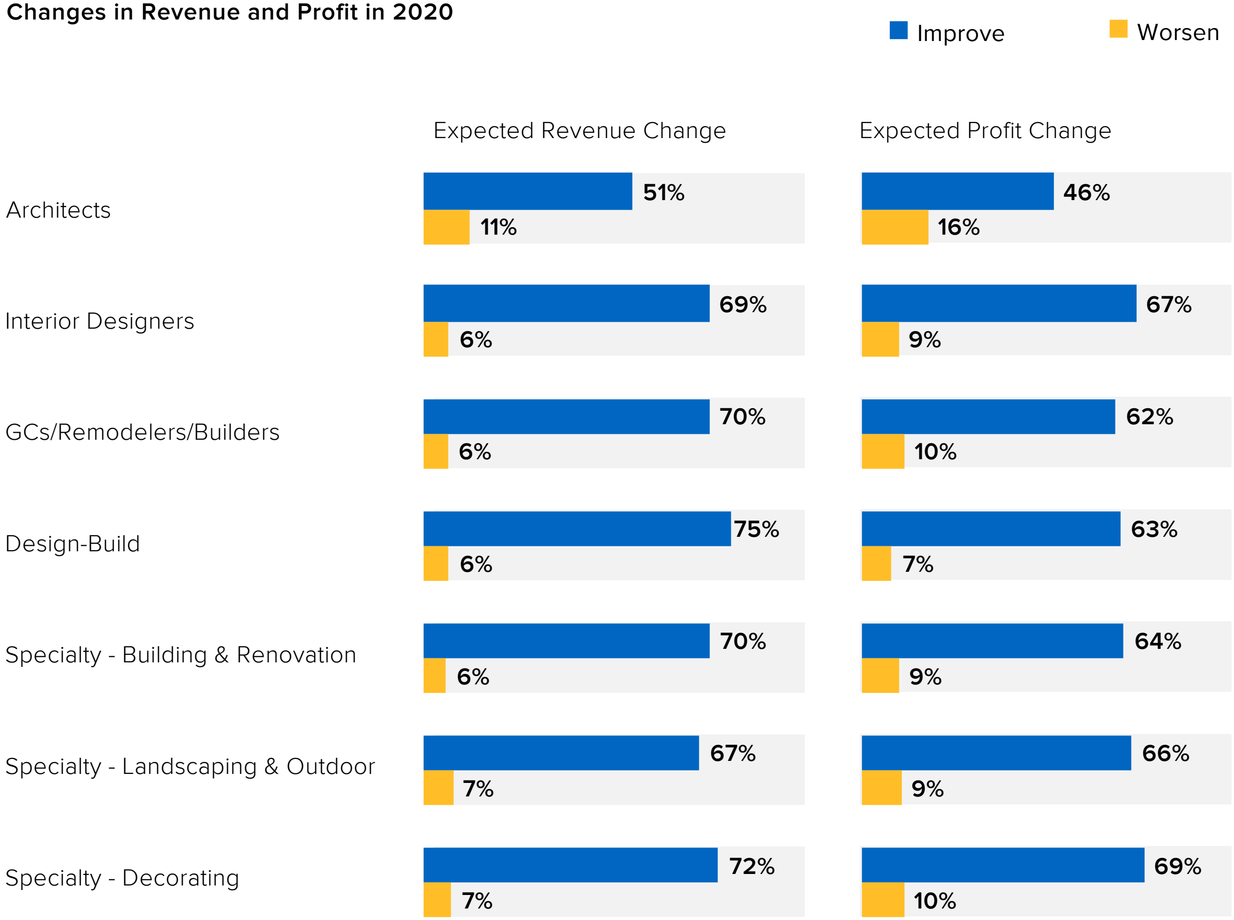


[4] See Appendix B for a comparison of expected average annual rates of revenue growth by firm size in 2020.

Profits Still Expected to Increase in 2020

Among six of the seven industry groups, the majority of companies expect profits to increase in 2020 (62% to 69%), although some expect them to decline (7% to 10%). Architects continue to stand apart from other industry groups, with only 46% expecting profits to increase and 16% expecting a decline, in line with last year's expectations (46% and 20%, respectively).

Firms (%) Expecting Year-Over-Year Changes in Revenue and Profit in 2020

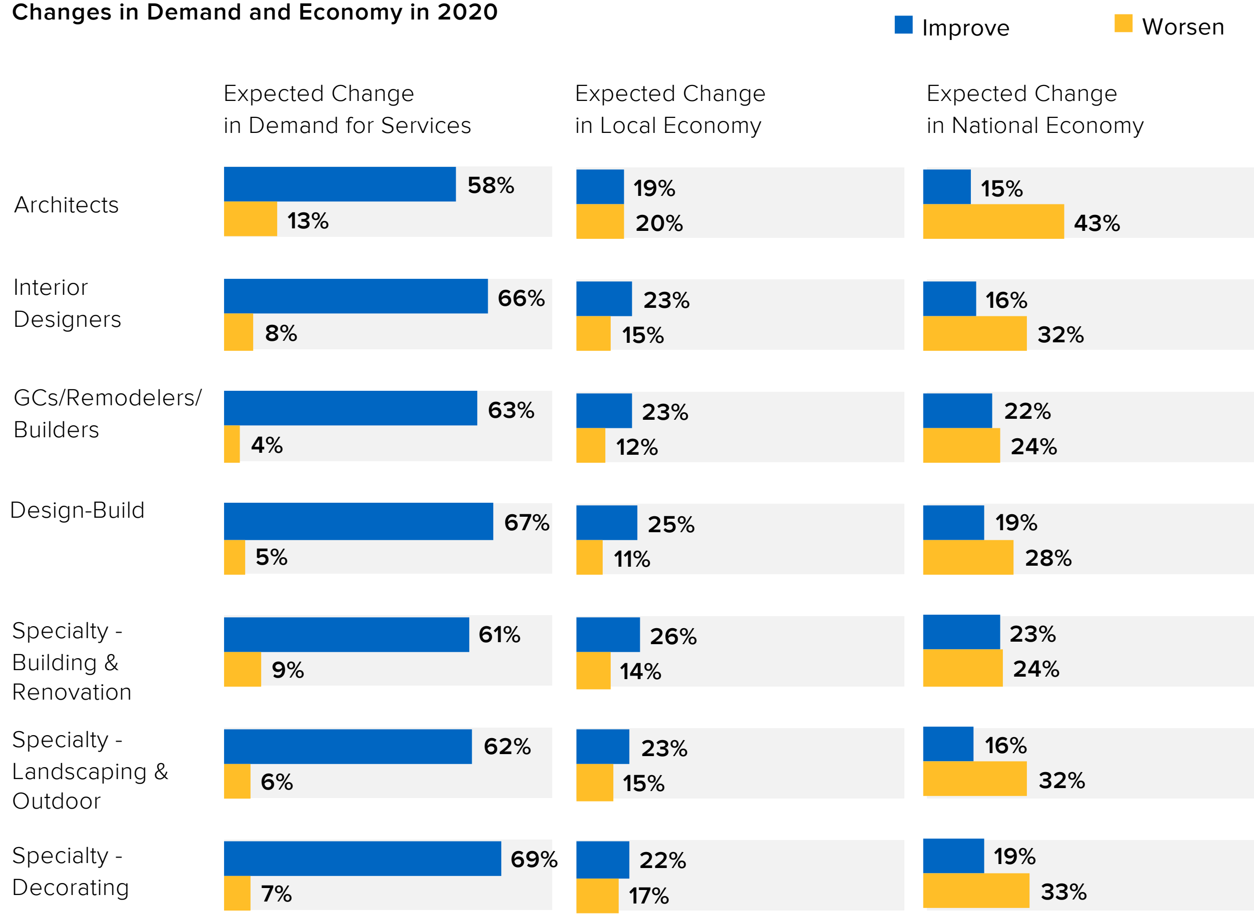


Improved Outlook on the National Economy

The majority of companies across all industry groups are optimistic that the demand for their services will increase in 2020 (58% to 69%). Still, most businesses in every industry group expect no change in the local economy, and only up to a quarter of companies expect the local economy to improve (19% to 26%).

A positive outlook on the national economy is maintained by a greater share of businesses (15% to 23%) compared with 2019 (11% to 18%), while expectations of an economic decline are significantly less prevalent (24% to 43%) compared with a year ago (35% to 61%).

Firms (%) Expecting Year-Over-Year Changes in Demand and Economy in 2020



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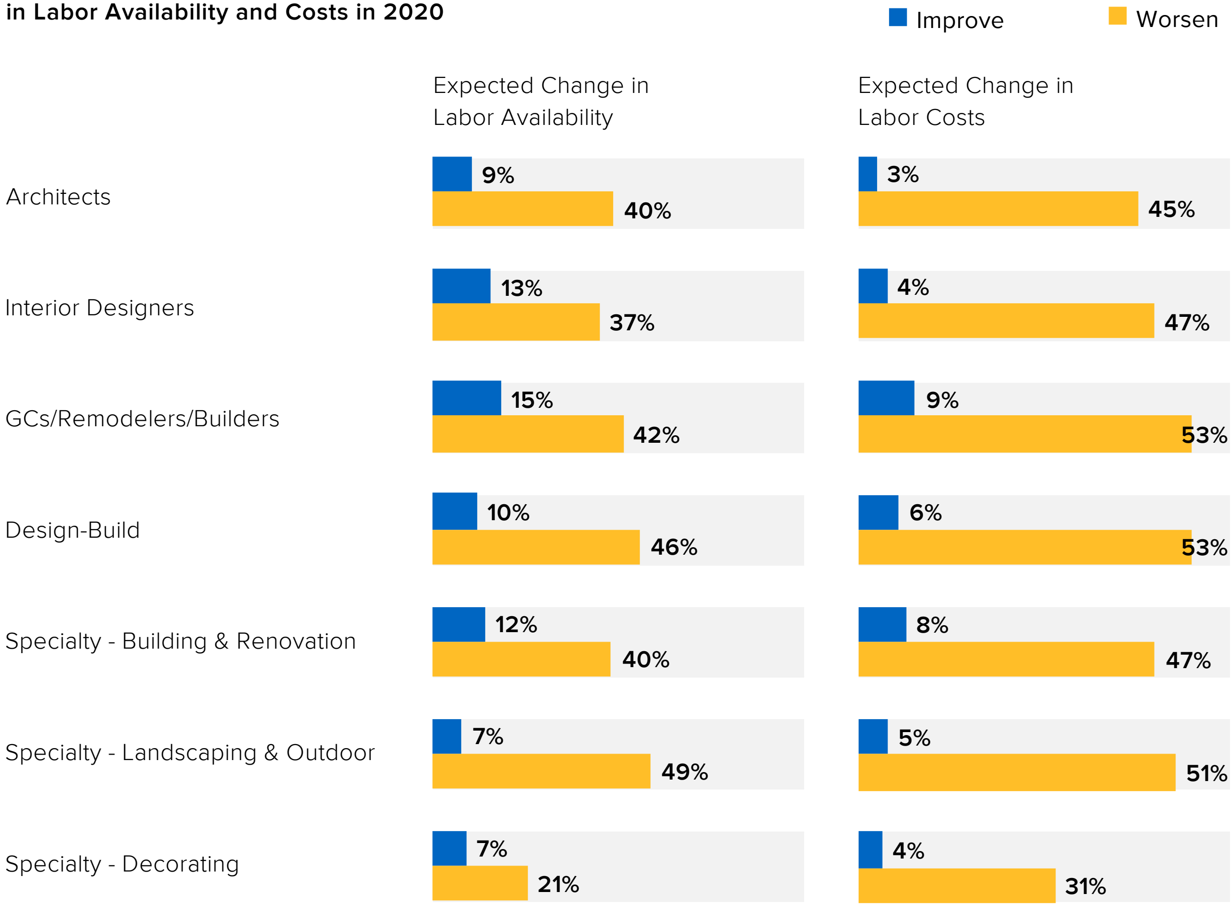
Labor Market Expected to Remain Tight in 2020

Even a greater share of companies across industry groups expect labor availability to continue to worsen in 2020 (21% to 49%) compared with expectations observed a year ago (19% to 47%). Additionally, up to half expect the costs of labor to worsen (31% to 53%).

Despite these headwinds, more than a third of general contracting, design-build and building and renovation specialty companies (35% to 38%) and a fifth of architectural and interior design companies (20% of each) expect to hire in 2020, which is in line with expectations from last year.[5]

Firms (%) Expecting Year-Over-Year Change in Labor Availability and Costs in 2020



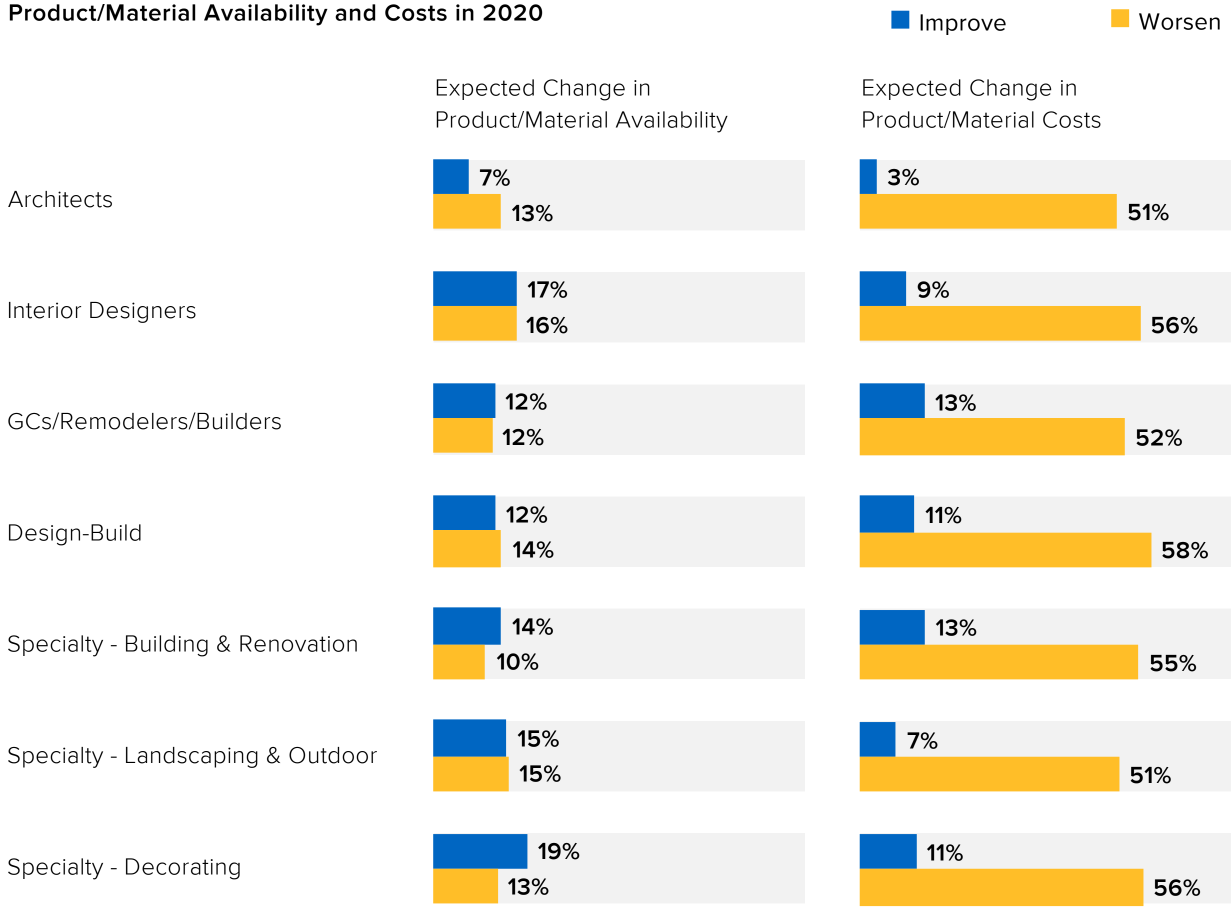
[5] See Appendix C for additional information on expected hiring in 2020.

Firms Brace for Higher Material Costs

At least half of the companies in each industry group expect the costs of products and materials to rise (51% to 58%), in line with last year (50% to 61%).

With the costs of labor and products rising, a large share of companies expect the costs of doing business to increase in 2020 (41% to 65%),[6] but not as many as those reporting expected cost increases a year ago (48% to 68%).

Firms (%) Expecting Year-Over-Year Change in Product/Material Availability and Costs in 2020



[6] See Appendix C for additional information on the expected change in the cost of doing business in 2020.

2019 in Focus

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Revenue Growth Continued to Slow in 2019

While revenue continued to grow in 2019, six out of seven industry groups experienced a notable deceleration in average revenue growth (3.1% to 6.1%) compared with 2018 (5.6% to 8.2%). Building and renovation specialty companies are the exception, reporting an average revenue growth on par with 2018's (6.1% in 2019 versus 6.5% in 2018).

Fewer companies (19% to 27%) grew by 15% or more in 2019 compared with 2018 (26% to 33%), while the incidence of revenue losses increased (18% to 25%) compared with 2018 (16% to 21%).[7] More than half of companies in each industry group say that 2019 revenues met or exceeded their expectations (52% to 68%), yet more than a third report underperformance for the year (32% to 48%).[8]

Average Annual Rate of Revenue Growth, as Reported by Firms

	2014	2015	2016	2017	2018	2019
Architects	8.0%	10.1%	6.7%	8.3%	5.6%	3.1%
Interior Designers	10.5%	8.6%	8.0%	7.4%	7.0%	5.1%
GCs/Remodelers/Builders	9.2%	10.2%	9.1%	10.6%	7.3%	5.3%
Design-Build	9.4%	10.1%	8.3%	11.3%	8.2%	5.7%
Specialty - Building & Renovation	9.1%	9.1%	9.5%	8.9%	6.5%	6.1%
Specialty - Landscaping & Outdoor	10.6%	10.6%	8.7%	9.0%	6.6%	5.7%
Specialty - Decorating	12.3%	8.8%	7.9%	7.2%	6.3%	5.0%

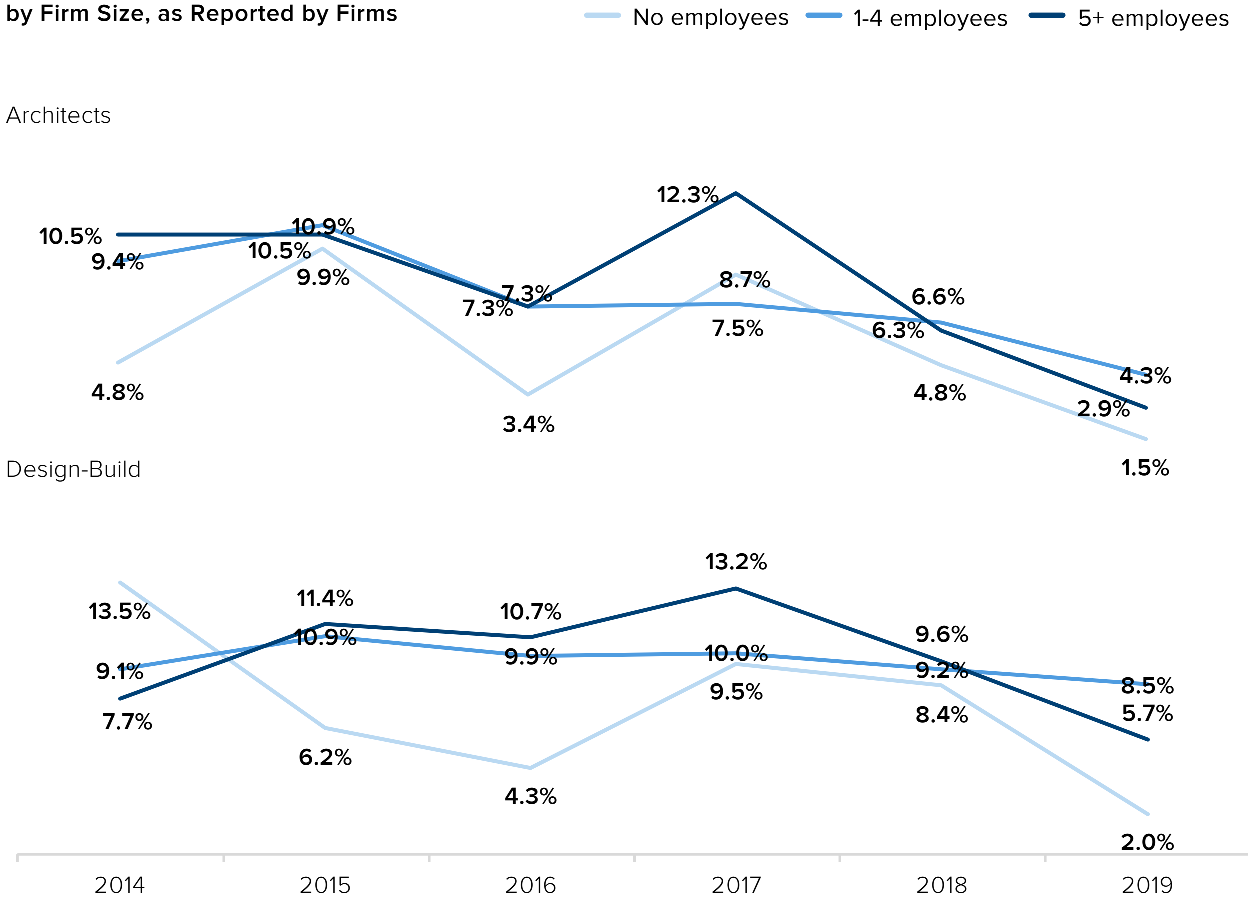
[7] See Appendix D for additional information on revenue growth rate in 2019.
[8] See Appendix E for additional information on how revenues compared to expectations for 2019.

2019 Brought Slower Growth for Companies Large and Small

Most companies of all sizes report that revenue grew in 2019, although more slowly compared with 2018. The small-company segment (no employees) reports the lowest 2019 revenue growth rates compared with larger companies. For example, among architects, small companies (no employees) report revenues growing at a low average rate of 1.5%, compared with 4.3% of large companies (5+ employees). Similarly, small design-build companies grew at a much slower average pace than large companies (2% versus 8.5%).

Interestingly, among outdoor specialty companies, small companies report that 2019 revenues declined at an average rate of 0.7%, while large companies report that revenues increased by 9.3%, on average.[9]

Average Annual Rate of Revenue Growth by Firm Size, as Reported by Firms

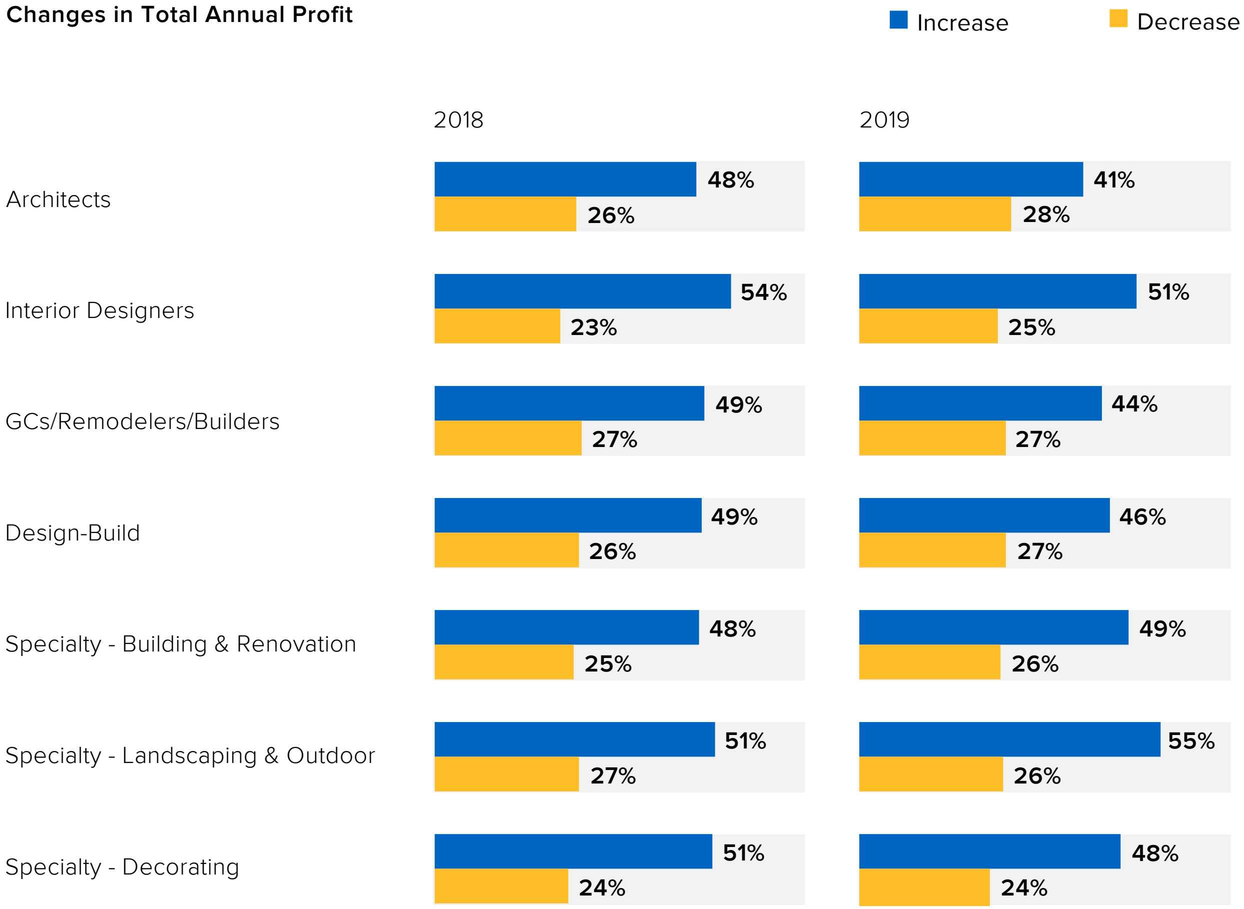


[9] See Appendix F for additional information on average annual rate of revenue growth by firm size for 2019.

Half of Firms Report Higher Profits in 2019

Half of companies across all industry groups report a year-over-year profit increase for 2019 (41% to 55%), though that was again less widespread than in 2018 (48% to 54%). Similar to the pattern of the previous five years, profit growth lagged revenue growth, with profit increases not as common as revenue increases.

Firms (%) Reporting Year-Over-Year Changes in Total Annual Profit

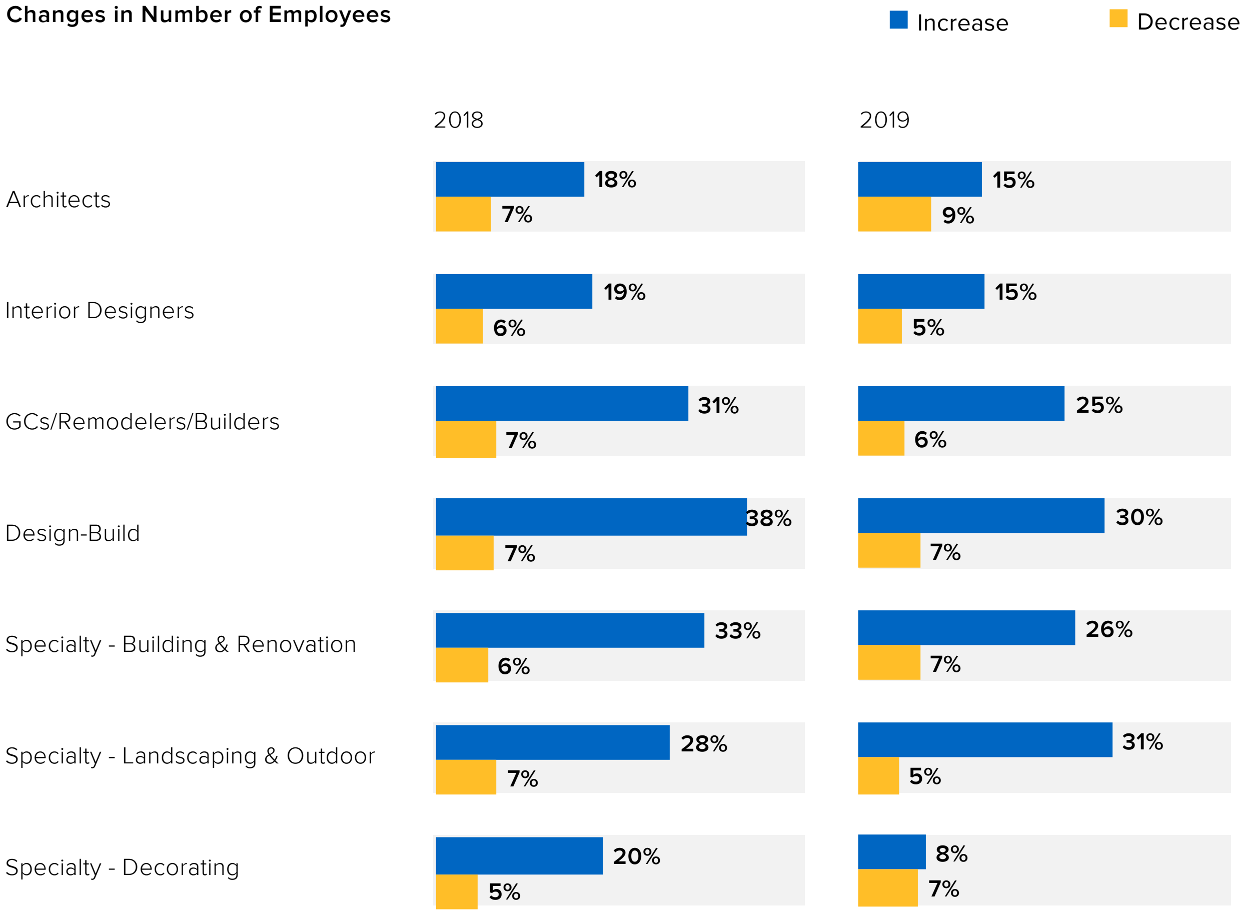


Fewer Businesses Hired in 2019

In line with the slowdown in revenue growth, the pace of hiring in 2019 lagged the pace in 2018. Among GCs, design-build firms and renovation specialty companies, 25% to 30% of businesses hired in 2019, compared with 31% to 38% in 2018. General contracting, design-build and building and renovation specialty companies still hire more than other industry segments, with 7% to 13% hiring three or more employees in 2019.[10]

Among architects and designers, hiring was also less prevalent in 2019 (15% of each) compared with 2018 (18% to 19%). Indeed, for the first time in six years, nearly one in 10 architecture companies (9%) reduced headcount.

Firms (%) Reporting Year-Over-Year Changes in Number of Employees

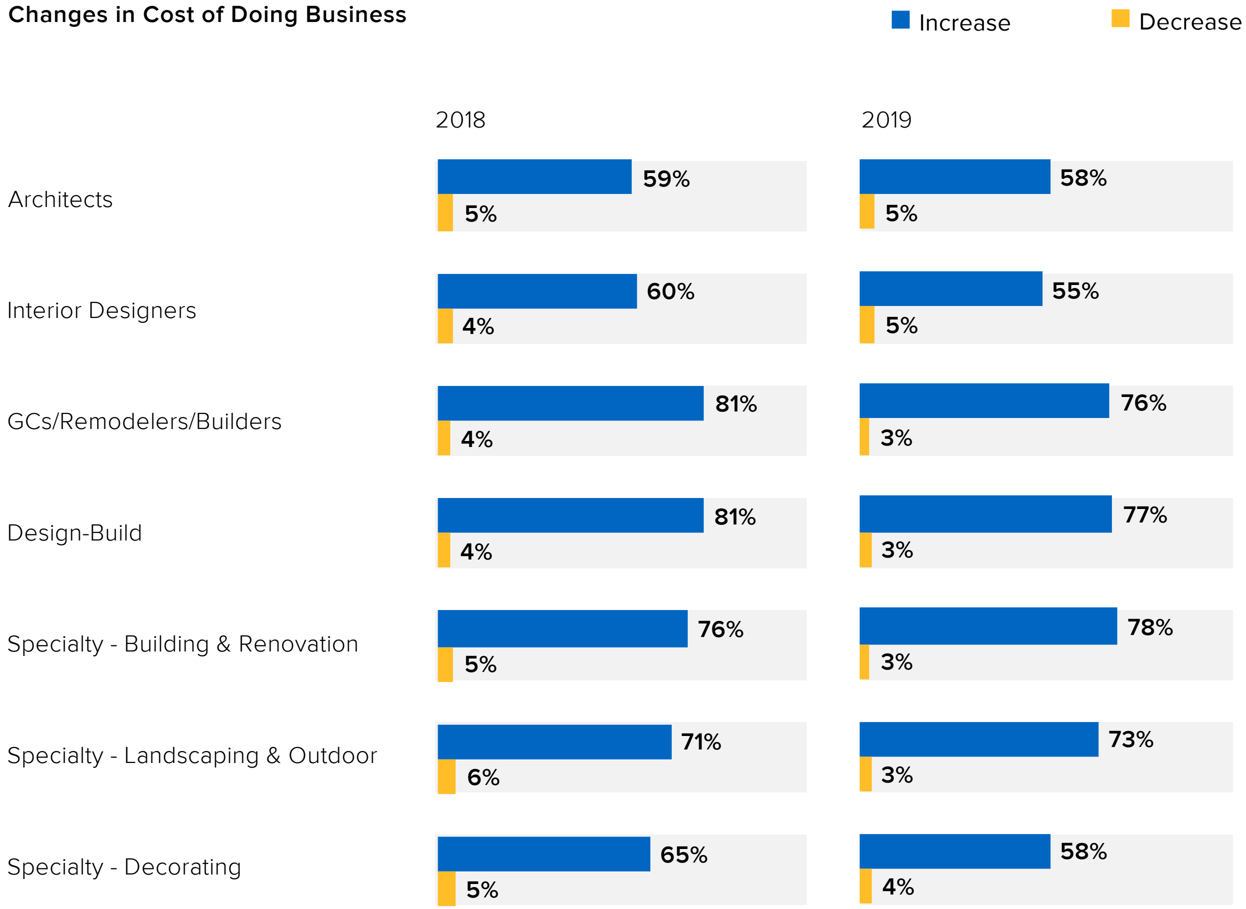


[10] See Appendix G for additional information on employee hires in 2019.

Business Costs Continue to Rise in 2019

Consistent with 2018, all industry groups report a widespread increase in the cost of doing business in 2019 (55% to 78%). Cost increases in 2019 were seen most among general contracting, design-build and building and renovation specialty businesses (76% to 78%).

Firms (%) Reporting Year-Over-Year Changes in Cost of Doing Business



Rising Product Costs Affected Many in 2019

Among those firms reporting rising business costs, product and material costs continue to be the No. 1 cost driver, now cited by six of seven industry groups (compared with five of seven groups in 2018). Employee or subcontractor wage increases are also one of the top three cost drivers for every industry group. Other top cost drivers vary by industry, with advertising/marketing costs as well as office equipment/software costs rising to the top.[11]

Firms (%) Reporting Top 3 Drivers of Increase in Cost of Doing Business in 2019*

	No. 1 Cost Driver	No. 2 Cost Driver	No. 3 Cost Driver
Architects	Employee wages or benefits (52%)	Office equipment/software costs (47%; +5% YOY)	Advertising/marketing costs (35%)
Interior Designers	Product or material costs (55%)	Advertising/marketing costs (42%)	Subcontractor costs (37%)
GCs/Remodelers/Builders	Product or material costs (69%; -9% YOY)	Subcontractor costs (65%)	Employee wages or benefits (45%)
Design-Build	Product or material costs (75%)	Subcontractor costs (64%; +6% YOY)	Employee wages or benefits (50%; -8% YOY)
Specialty - Building & Renovation	Product or material costs (75%)	Employee wages or benefits (51%)	Subcontractor costs (34%)
Specialty - Landscaping & Outdoor	Product or material costs (57%)	Employee wages or benefits (53%; -10% YOY)	Subcontractor costs (38%)
Specialty - Decorating	Product or material costs (73%; +12% YOY)	Advertising/marketing costs (42%; -5% YOY)	Subcontractor costs (33%; +9% YOY)

[11] See Appendix H for additional information on 2019 cost drivers.
*The table includes year-over-year changes of 5% or more.

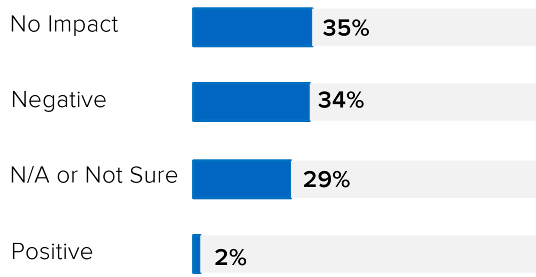
Widely Felt Impact of Tariffs on Product Imports

Digging deeper into the reasons for the increases in product and material costs, a large share of companies across industry groups report a negative impact of tariffs on businesses in 2019 (23% to 34%). Architects and design-build companies were the most likely to cite a negative impact (34% of each).[12]

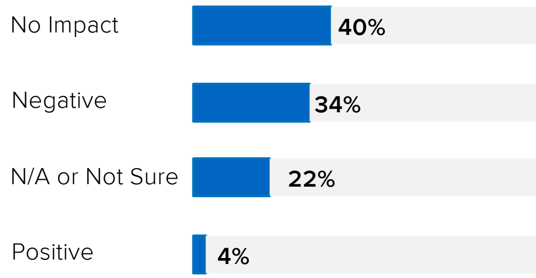
Analyses of open-text responses show a wide range of products and materials impacted by tariffs. For example, architects most frequently cite metal, steel and wood products, while design-build companies most commonly mention cabinets, tile, quartz and countertops as affected product categories.

Firms (%) Reporting Impact of Tariffs on Business in 2019

Architects



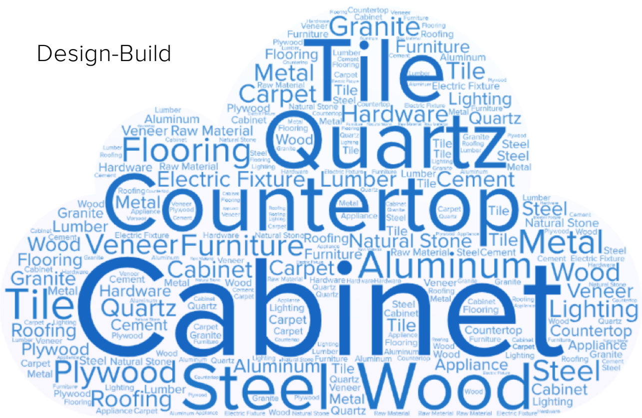
Design-Build



Most Frequently Mentioned Products and Materials Impacted by Tariffs in 2019

Architects

Design-Build



[12] See Appendix J for for additional information on the impact of tariffs on business in 2019.

Rising Costs Now a Top Challenge for Most

Even a larger share of businesses report rising costs as one of the top three challenges in 2019 (32% to 45%) compared with 2018 (22% to 42%). Given this trend, it is not surprising that managing consumer expectations and managing consumer concerns about costs are other top challenges. Difficulty hiring or finding subcontractors is another consistent issue among the top three challenges.[13]

Firms (%) Reporting Top 3 Business Challenges in 2019*

	No. 1 Challenge	No. 2 Challenge	No. 3 Challenge
Architects	Managing consumer expectations (37%)	Managing consumer concerns about costs (31%; -7% YOY)	Increased building regulation (25%; +5% YOY)
Interior Designers	Managing consumer concerns about costs (39%)	Managing consumer expectations (35%)	Shortage of subcontractors (33%)
GCs/Remodelers/Builders	Increased cost of doing business (43%)	Shortage of subcontractors (36%; -6% YOY)	Difficulty hiring/being understaffed (30%)
Design-Build	Shortage of subcontractors (39%)	Increased cost of doing business (38%)	Managing consumer concerns about costs (33%; +7% YOY)
Specialty - Building & Renovation	Increased cost of doing business (45%)	Difficulty hiring/being understaffed (32%)	Managing consumer concerns about costs (25%)
Specialty - Landscaping & Outdoor	Difficulty hiring/being understaffed (35%)	Increased cost of doing business (32%; -8% YOY)	Managing consumer expectations (25%)
Specialty - Decorating	Managing consumer concerns about costs (38%; +7% YOY)	Managing consumer expectations (27%; +5% YOY)	Difficulty finding prospective customers (27%)

[13] See Appendix I for additional information on business challenges in 2019.
*The table includes year-over-year changes of 5% or more.

2019 Business Characteristics

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Diverse Project Types

Most companies on Houzz focus on residential renovation or design, taking on projects related to existing homes (51% to 72%). Architects are the exception, splitting their projects among renovations (51%), new-home construction (32%) and commercial design (17%).

Firms (%) Reporting Average Share of 2019 Gross Revenue From Residential vs. Commercial Services

	Residential Services			Commercial Services
	Existing Homes	New Custom Homes	New For-Sale Homes	
Architects	51%	27%	5%	17%
Interior Designers	69%	15%	5%	11%
GCs/Remodelers/Builders	62%	20%	8%	11%
Design-Build	71%	15%	5%	9%
Specialty - Building & Renovation	72%	10%	5%	13%
Specialty - Landscaping & Outdoor	71%	12%	6%	11%
Specialty - Decorating	67%	13%	8%	13%

Not as Many Projects in 2019

During 2019, a smaller share of companies across industry groups worked on 30 or more projects (17% to 59%) compared with 2018 (26% to 67%). This is likely a contributing factor to decelerating revenue growth in 2019 relative to 2018. Across industry groups, a healthy share of projects continue to come from online inquiries.

Firms (%) Reporting Number of Total Projects and Projects From Online Inquiries in 2019

	Number of Projects			Number of Projects From Online Inquiries		
	<10	**10-29**	**30+**	**<10**	**10-29**	**30+**
Architects	24%	46%	30%	83%	13%	5%
Interior Designers	35%	48%	17%	84%	14%	2%
GCs/Remodelers/ Builders	28%	41%	31%	75%	16%	10%
Design-Build	24%	45%	31%	69%	21%	10%
Specialty - Building & Renovation	10%	31%	59%	58%	20%	23%
Specialty - Landscaping & Outdoor	10%	44%	45%	56%	29%	15%
Specialty - Decorating	20%	33%	47%	66%	13%	21%

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Midsize Project Revenue Declines for Some

Companies on Houzz report various revenue and profit ranges for what they consider to be typical midsize projects. Interestingly, a significant share of companies across industry groups report projects exceeding $50,000 in revenue (15% to 53%). Also interestingly, a smaller share of interior design, general contracting and design-build companies report midsize project revenues that exceeded $50,000 in 2019 (25% to 53%) compared with 2018 (36% to 61%). Gross profits from a midsize project follow a similar pattern.

Firms (%) Reporting Gross Revenue and Gross Profit From a Typical Midsize Project in 2019

	Midsize Project Gross Revenue			Midsize Project Gross Profit		
	<$10K	**$10K-$50K**	**>$50K**	**<$5K**	**$5K-$10K**	**>$10K**
Architects	41%	35%	24%	47%	24%	29%
Interior Designers	36%	36%	27%	40%	25%	36%
GCs/Remodelers/ Builders	21%	26%	53%	28%	19%	52%
Design-Build	13%	34%	53%	23%	20%	58%
Specialty - Building & Renovation	49%	33%	18%	60%	18%	22%
Specialty - Landscaping & Outdoor	37%	35%	28%	43%	23%	34%
Specialty - Decorating	66%	20%	15%	67%	17%	16%

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An Industry of Small Businesses

The majority of companies on Houzz report annual gross revenue below $3 million and have fewer than five employees. General contracting and design-build companies are the most likely industry groups to meet or exceed $3 million in gross revenue (17% and 18%, respectively) and have five or more employees (32% and 40%, respectively).

Firms (%) Reporting Annual Gross Revenue and Number of Employees in 2019

	Annual Gross Revenue			Number of Employees		
	<$500K	$500K-$2.9M	$3M+	None	1-4	5+
Architects	79%	20%	1%	38%	49%	13%
Interior Designers	75%	22%	3%	44%	48%	8%
GCs/Remodelers/ Builders	39%	44%	17%	17%	51%	32%
Design-Build	30%	51%	18%	19%	41%	40%
Specialty - Building & Renovation	57%	35%	7%	23%	48%	29%
Specialty - Landscaping & Outdoor	62%	29%	10%	32%	43%	25%
Specialty - Decorating	74%	22%	4%	44%	46%	11%

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 3, 2019, to January 10, 2020. N = 3,094 (495 architects; 561 interior designers; 599 general contractors/remodelers/builders; 601 design-build firms; 425 building/renovation specialty firms;[14] 182 landscape/outdoor specialty firms;[15] and 231 decorating specialty firms[16]).

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

Appendixes

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A. Average Expected 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	Expected 2020 Actual 2020
Architects	6.5% 10.1%	7.6% 6.7%	6.9% 8.3%	6.9% 5.6%	5.1% 3.1%	4.2% N/A
Interior Designers	11.2% 8.6%	10.7% 8.0%	11.3% 7.4%	11.1% 7.0%	9.4% 5.1%	8.2% N/A
GCs/Remodelers/Builders	9.9% 10.2%	9.3% 9.1%	10.3% 10.6%	10.5% 7.3%	8.7% 5.3%	7.6% N/A
Design-Build	9.9% 10.1%	9.6% 8.3%	10.5% 11.3%	9.9% 8.2%	8.4% 5.7%	8.9% N/A
Specialty - Building & Renovation	10.9% 9.1%	9.2% 9.5%	10.9% 8.9%	10.9% 6.5%	9.0% 6.1%	8.5% N/A
Specialty - Landscaping & Outdoor	10.2% 10.6%	10.2% 8.7%	10.0% 9.0%	11.4% 6.6%	8.2% 5.7%	6.9% N/A
Specialty - Decorating	13.6% 8.8%	10.4% 7.9%	11.6% 7.2%	12.3% 6.3%	9.1% 5.0%	9.1% N/A

B. Average Expected Revenue Growth by Firm Size

Average Expected Annual Rate of Revenue Growth by Firm Size, as Reported by Firms

	No Employees					1-4 Employees					5+ Employees				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Architects	7.2%	7.3%	8.8%	5.8%	5.2%	8.2%	6.7%	6.4%	5.1%	3.5%	5.1%	6.1%	7.2%	4.4%	3.1%
Interior Designers	12.1%	10.7%	11.0%	10.1%	9.0%	10.5%	13.1%	12.0%	10.0%	7.1%	7.2%	12.2%	9.1%	7.4%	6.7%
GCs/ Remodelers/ Builders	9.6%	9.6%	9.2%	11.0%	6.1%	8.8%	10.7%	11.1%	9.4%	7.4%	8.8%	9.8%	10.0%	8.3%	6.9%
Design-Build	8.1%	13.0%	11.0%	9.0%	10.3%	10.3%	12.4%	8.8%	8.9%	7.7%	9.3%	10.8%	10.7%	8.8%	9.6%
Specialty - Building & Renovation	8.0%	9.2%	10.8%	9.3%	8.7%	10.0%	11.6%	11.8%	10.6%	8.5%	8.8%	9.9%	10.0%	8.6%	8.0%
Specialty - Landscaping & Outdoor	12.7%	11.0%	14.9%	6.8%	4.9%	10.8%	11.5%	10.7%	8.1%	8.4%	7.3%	9.5%	10.0%	9.6%	9.3%
Specialty - Decorating	11.7%	13.5%	12.3%	9.4%	8.3%	10.6%	11.5%	12.2%	8.8%	13.0%	8.8%	11.9%	10.9%	7.9%	8.7%

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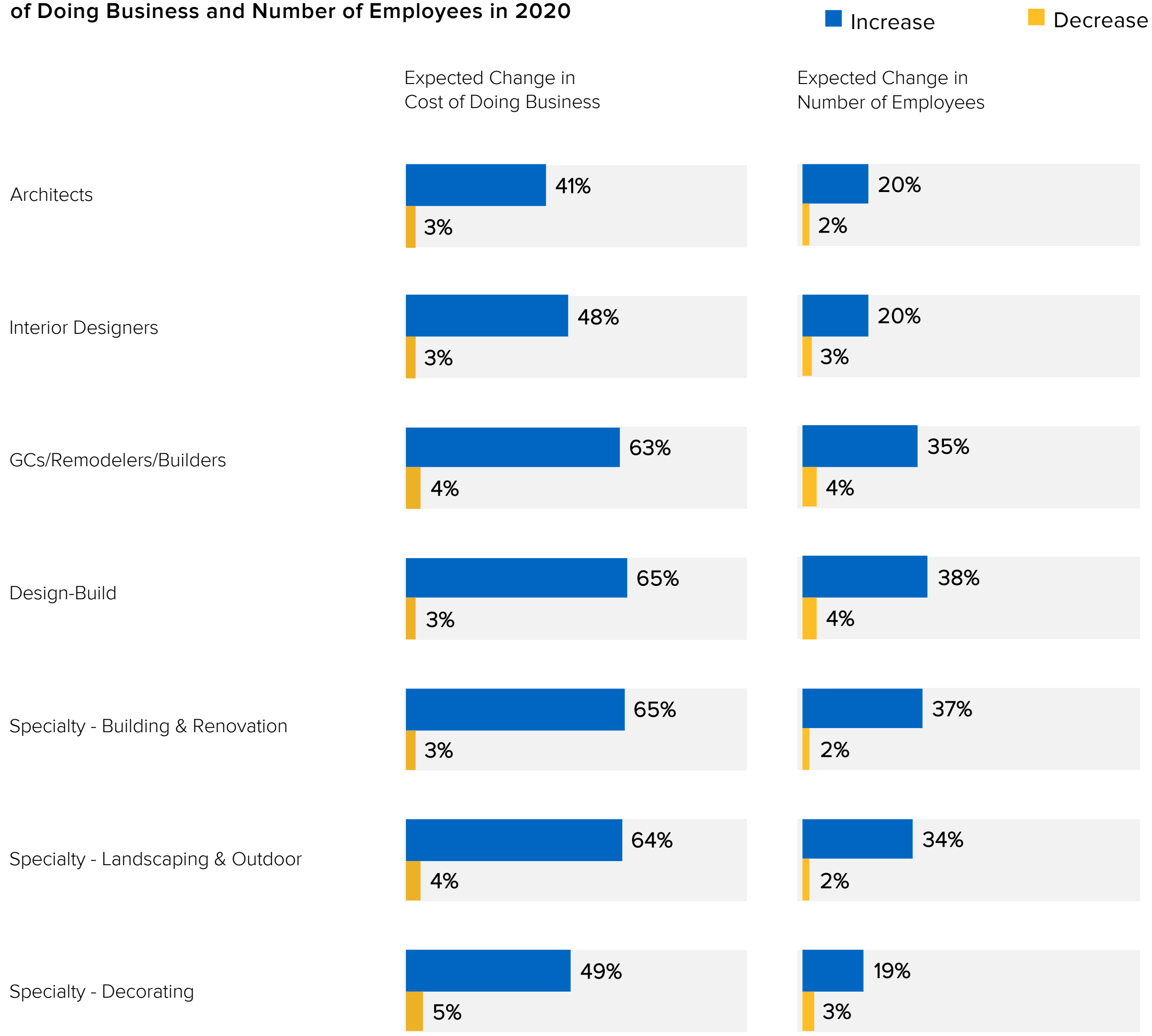
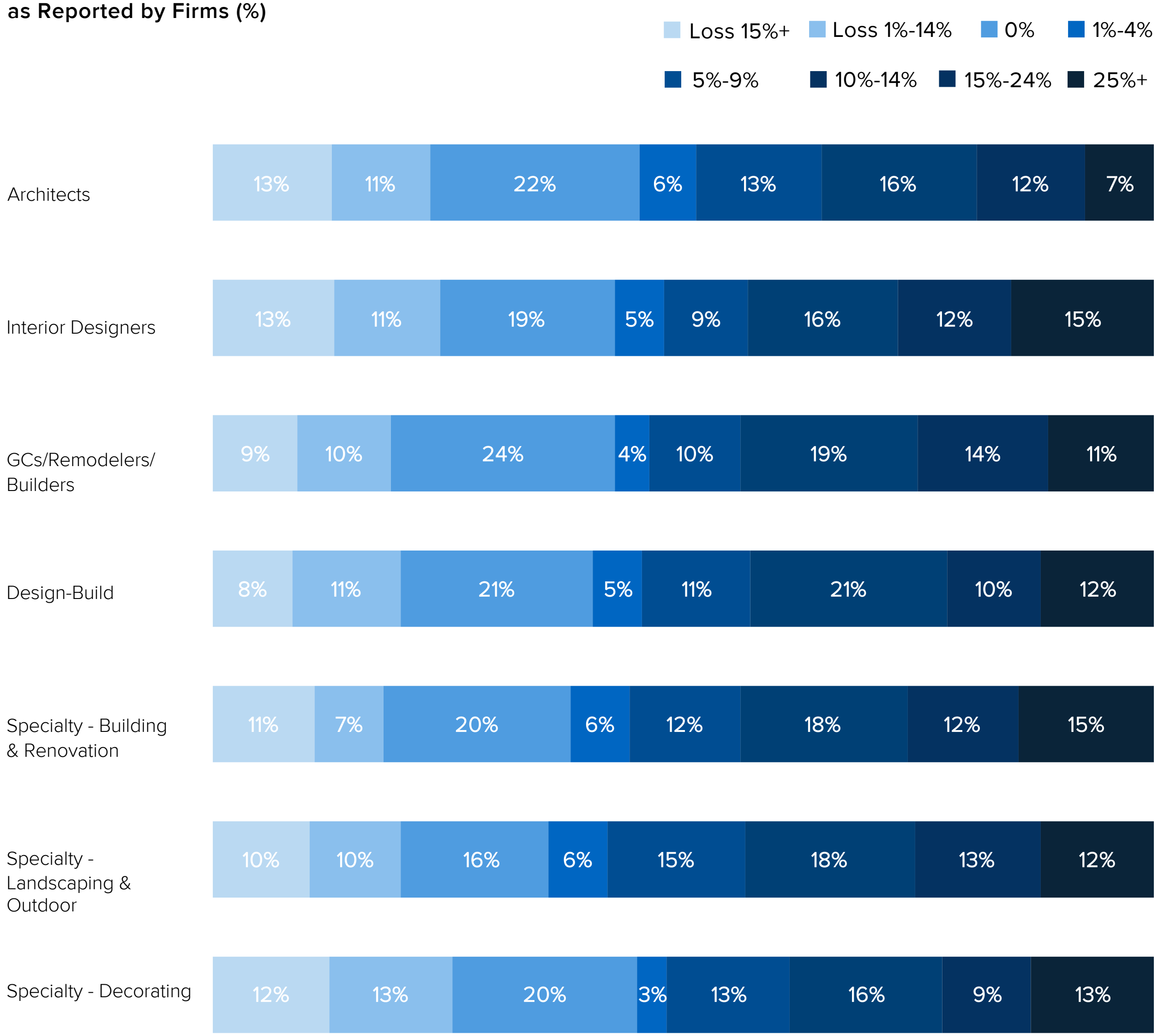
C. Expected Changes in Costs and Staffing in 2020

Firms (%) Reporting Expected Increase or Decrease in Cost of Doing Business and Number of Employees in 2020



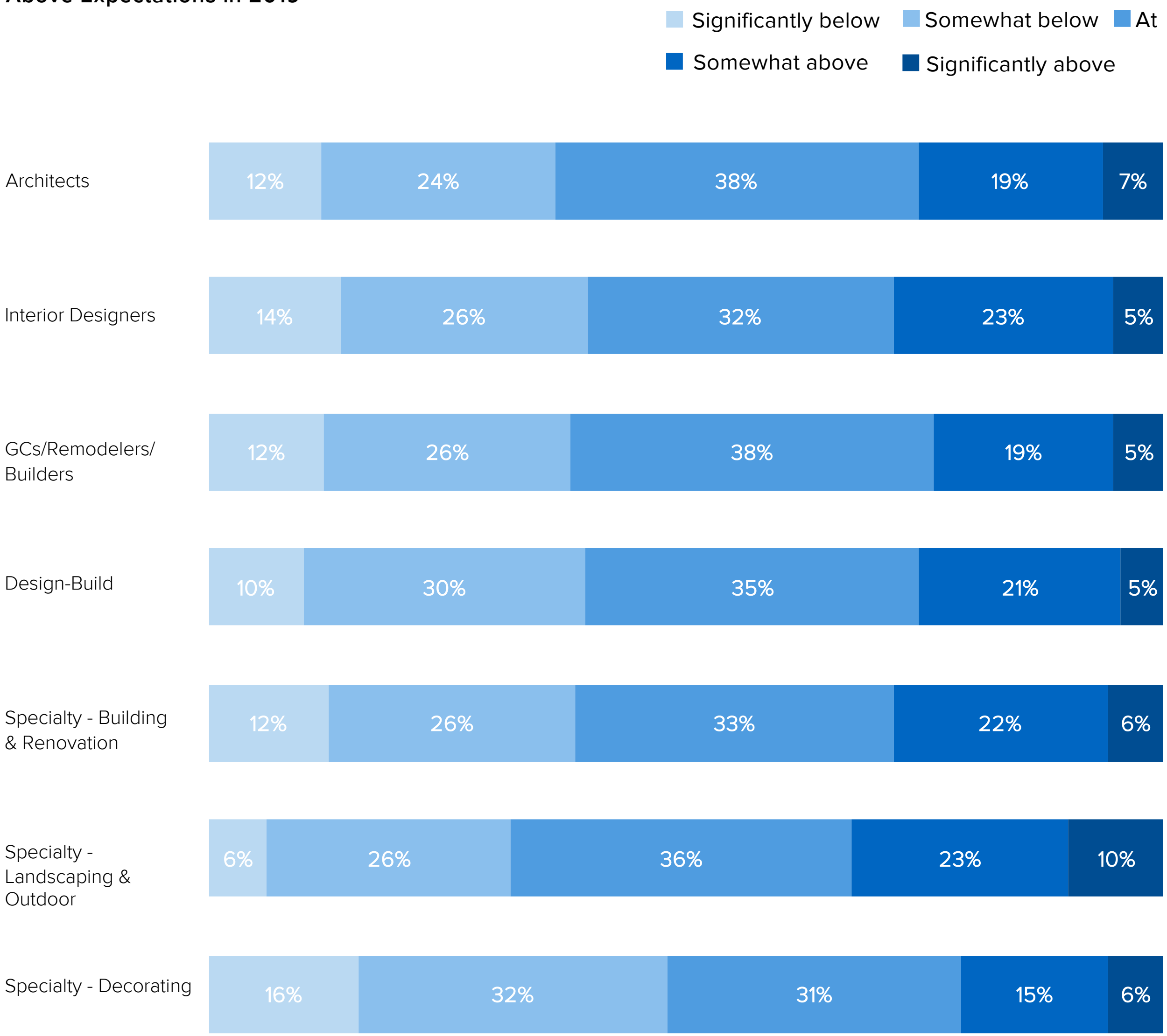
D. Revenue Growth Breakdown in 2019

Annual Rate of Revenue Growth in 2019, as Reported by Firms (%)



E. Revenue in 2019 Relative to Expectations

Firms (%) Reporting Revenue Below, at or Above Expectations in 2019



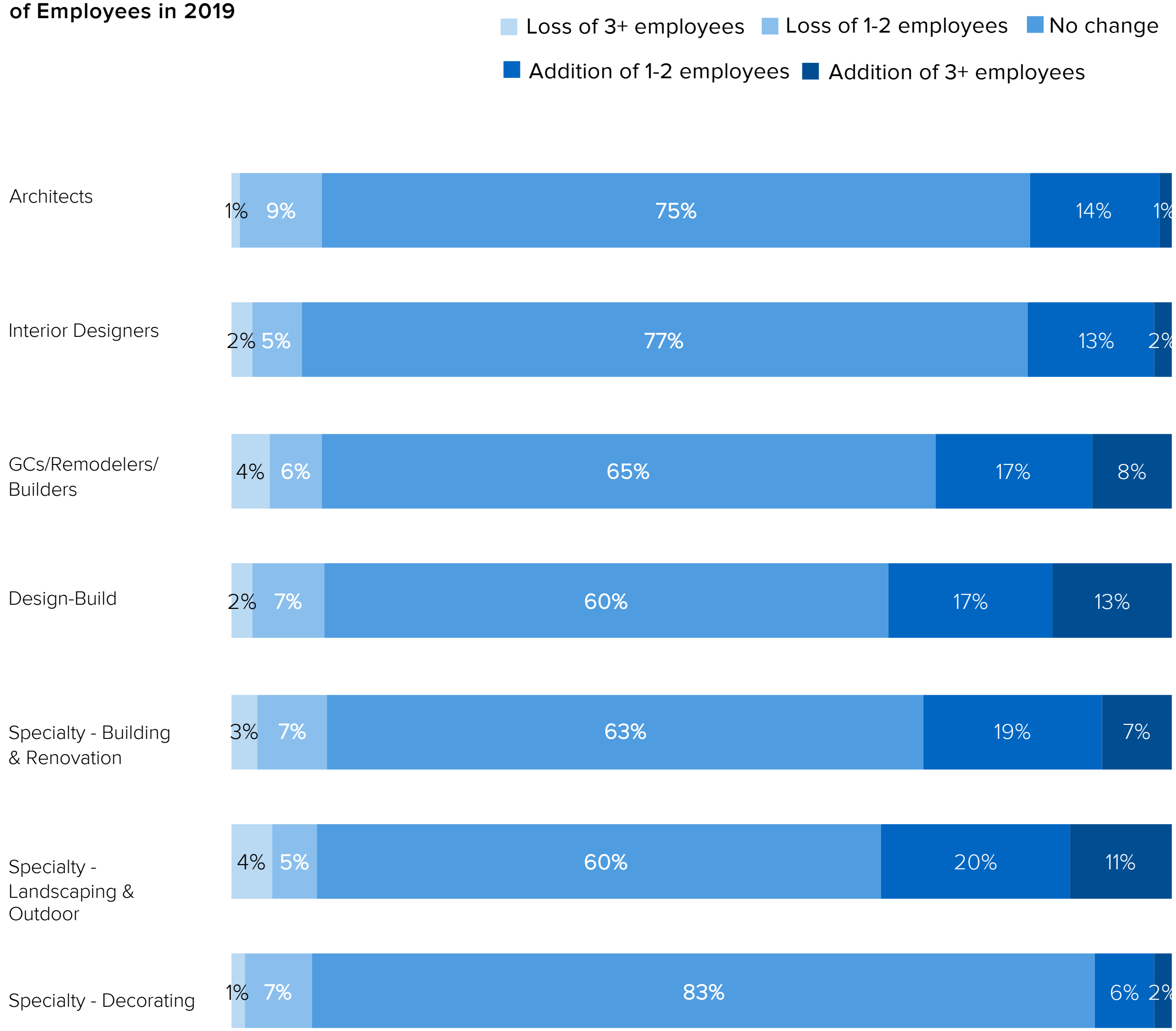
F. Average Revenue Growth by Firm Size

Average Annual Rate of Revenue Growth by Firm Size, as Reported by Firms

	No Employees					1-4 Employees					5+ Employees				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Architects	9.9%	3.4%	8.7%	4.8%	1.5%	10.9%	7.3%	7.5%	6.6%	4.3%	10.5%	7.3%	12.3%	6.3%	2.9%
Interior Designers	9.6%	7.7%	4.8%	8.1%	6.8%	7.9%	8.2%	7.8%	7.5%	4.4%	10.2%	10.0%	10.3%	10.1%	4.8%
GCs/ Remodelers/ Builders	12.7%	7.3%	9.2%	6.9%	3.3%	8.7%	8.9%	10.8%	5.6%	4.5%	11.2%	10.0%	10.7%	10.2%	6.7%
Design-Build	6.2%	4.3%	9.5%	8.4%	2.0%	10.9%	9.9%	10.0%	9.2%	8.5%	11.4%	10.7%	13.2%	9.6%	5.7%
Specialty - Building & Renovation	8.7%	7.8%	6.2%	4.3%	1.8%	10.0%	9.6%	9.3%	7.8%	8.0%	9.7%	11.5%	11.0%	8.6%	8.6%
Specialty - Landscaping & Outdoor	13.3%	9.0%	10.0%	2.7%	-0.7%	10.4%	12.0%	7.4%	6.7%	9.5%	9.0%	8.5%	10.0%	7.8%	9.3%
Specialty - Decorating	9.3%	9.9%	8.5%	8.1%	2.3%	8.0%	5.9%	6.0%	4.8%	6.4%	9.3%	7.4%	10.6%	6.0%	4.9%

G. Changes in Staff in 2019

Firms (%) Reporting Change in Number of Employees in 2019



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H. Cost Drivers in 2019

Firms (%) Reporting Drivers for Increase in the Cost of Doing Business in 2019 (Limit 3)

	Architects	Interior Designers	GCs/ Remodelers/ Builders	Design-Build	Specialty - Building & Renovation	Specialty - Landscaping & Outdoor	Specialty - Decorating
Employee wages or benefits	52%	27%	45%	50%	51%	53%	21%
Products or materials	14%	55%	69%	75%	75%	57%	73%
Advertising/marketing	35%	42%	21%	20%	27%	23%	42%
Subcontractors	20%	37%	65%	64%	34%	38%	33%
Business insurance	29%	15%	35%	25%	33%	34%	20%
Office equipment/software	47%	24%	4%	6%	7%	14%	10%
Office lease/utilities	25%	18%	5%	8%	12%	10%	15%
Legal/accounting fees	13%	17%	6%	8%	9%	10%	14%
Permitting requirements/fees	7%	3%	15%	14%	5%	13%	5%
Licensing fees	9%	4%	3%	1%	3%	6%	4%
Other	7%	11%	5%	6%	9%	9%	10%

I. 2019 Business Challenges

Firms (%) Reporting Business Challenges in 2019 (Limit 3)

	Architects	Interior Designers	GCs/ Remodelers/ Builders	Design-Build	Specialty - Building & Renovation	Specialty - Landscaping & Outdoor	Specialty - Decorating
Managing consumer concerns about costs	31%	39%	27%	33%	25%	25%	38%
Managing consumer expectations	37%	35%	26%	33%	22%	25%	27%
Increased cost of doing business	20%	18%	43%	38%	45%	32%	23%
Difficulty hiring/being understaffed	18%	10%	30%	31%	32%	35%	6%
Shortage of subcontractors	15%	33%	36%	39%	22%	25%	18%
Difficulty finding prospective customers	18%	22%	14%	14%	16%	10%	27%
Increased business competition	15%	17%	16%	16%	21%	14%	21%
Weak/uncertain national economy	12%	8%	4%	8%	8%	7%	7%
Weak/uncertain local economy	9%	5%	5%	4%	6%	5%	6%
Increased popularity of DIY	8%	21%	6%	9%	7%	3%	21%
Increased building regulation	25%	3%	11%	10%	5%	8%	1%
Difficulty collecting payments	12%	5%	8%	9%	7%	6%	5%
Tight business lending	1%	0%	1%	3%	2%	1%	2%
Other challenges	9%	9%	6%	6%	7%	13%	11%

J. Impact of Tariffs in 2019

Firms (%) Reporting Impact of Tariffs on Business in 2019

	No Impact	Negative Impact	Positive Impact	N/A or Not Sure
Architects	35%	34%	2%	29%
Interior Designers	43%	33%	3%	21%
GCs/Remodelers/Builders	54%	23%	3%	20%
Design-Build	40%	34%	4%	22%
Specialty - Building & Renovation	49%	30%	3%	18%