

2018

STATE OF THE INDUSTRY HOUZZ AUSTRALIA

Big Ideas

REPORTED INCREASE IN GROSS REVENUE FOR 2017

More than two-thirds of businesses reported an increase in gross revenue in 2017 relative to 2016 (70 percent), with over half of those reporting that revenues increased by more than 10 percent (53 percent). Interior designers/decorators were most likely to have seen revenue gains relative to 2016 (76 percent), followed by home build and architecture firms (both 73 percent).

CONTINUED GROSS REVENUE GROWTH EXPECTED IN 2018

The majority of businesses are optimistic about continued gross revenue growth (78 percent). Home build and architecture firms are most bullish in their expectations for increased gross revenue in 2018 (81 and 74 percent, respectively), followed by interior designers/decorators (73 percent). To support that growth, firms plan to invest in more marketing (59 percent) and bring in larger budget projects (54 percent).

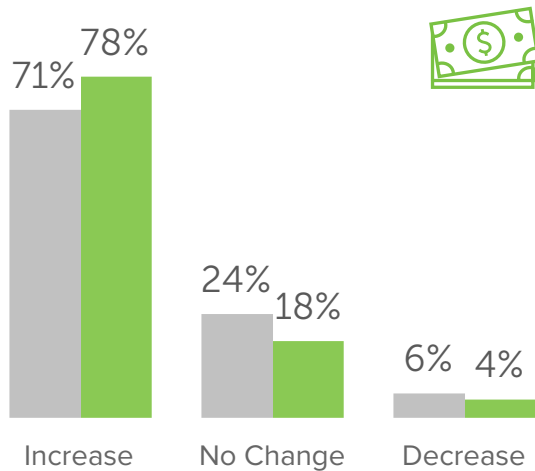
INCREASE IN REVENUES IS NOT WITHOUT CHALLENGES

Nearly a third of businesses reported a surge in the cost of doing business in 2017 (26 percent), along with difficulty finding prospective customers and increased business competition (26 and 21 percent, respectively). While managing customer concern over cost continues to be a challenge (35 percent), the report shows a one percent point increase from the previous year (34 percent). Additional costs of doing business were felt most significantly by architecture firms (28 percent), who also faced the most difficulty in hiring (20 percent).

Expected Revenues & Profits in 2018

Charts below show the percentage of surveyed businesses on Houzz Australia reporting expectations for 2018 (vs. 2017).

EXPECTED GROSS REVENUES

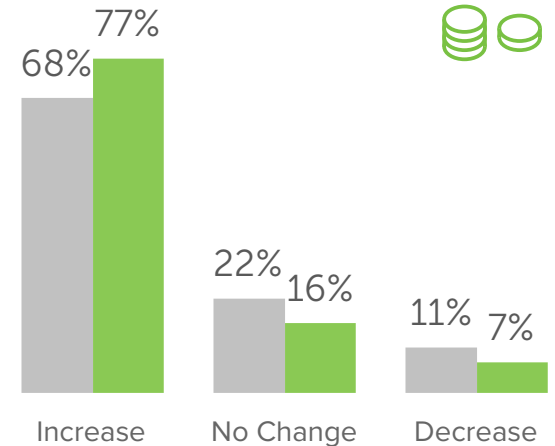


■ Expected changes in 2018
■ Expected changes in 2017

10%+ Rev. Growth

Expected by 63%
 of Businesses in 2018
 (vs. 54% in 2017)

EXPECTED PROFITS



ARCHITECT 2017 Comparison

Met expectations 35%

Above expectations 30%

HOME BUILDER 2017 Comparison

Met expectations 45%

Above expectations 32%

INTERIOR DESIGNER/DECORATOR 2017 Comparison

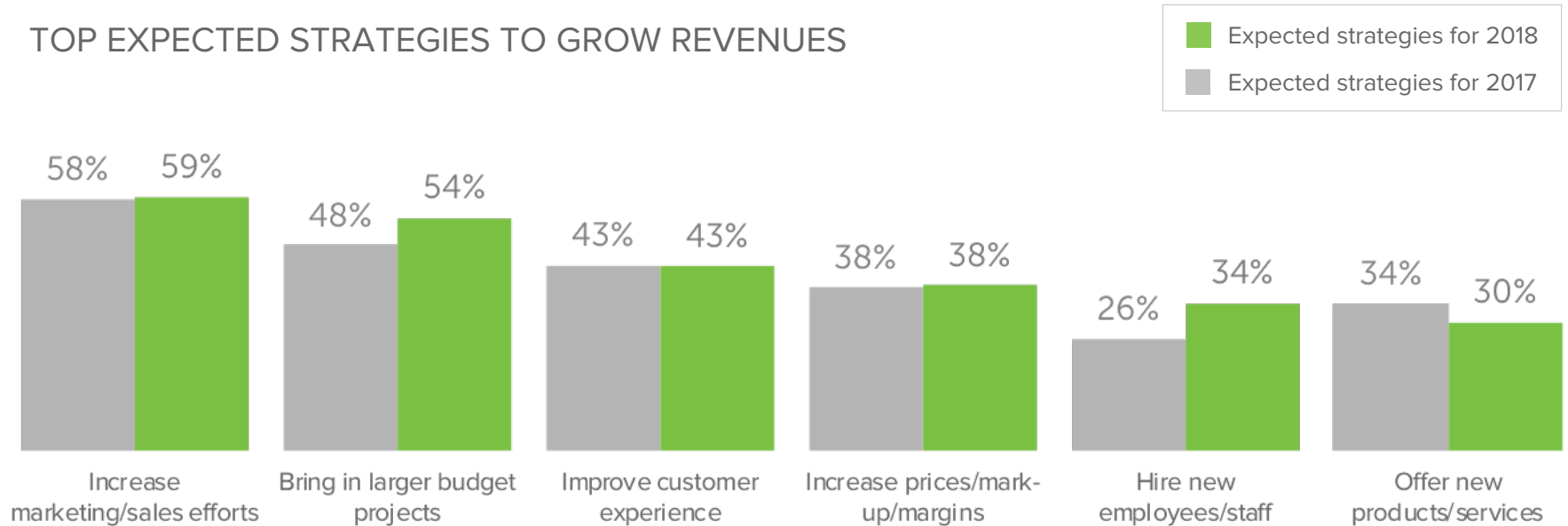
Met expectations 43%

Above expectations 20%

Top Growth Strategies in 2018

Charts below show the percentage of surveyed businesses on Houzz Australia expecting revenue growth in 2018 (vs. 2017).

TOP EXPECTED STRATEGIES TO GROW REVENUES



ARCHITECT

Top Growth Strategies for 2018

Bring in larger budget projects 69%

Increase marketing/sales efforts 51%

HOME BUILDER

Top Growth Strategies for 2018

Increase marketing/sales efforts 63%

Bring in larger budget projects 53%

INTERIOR DESIGNER/DECORATOR

Top Growth Strategies for 2018

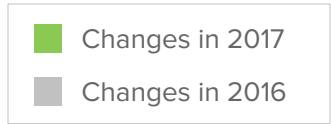
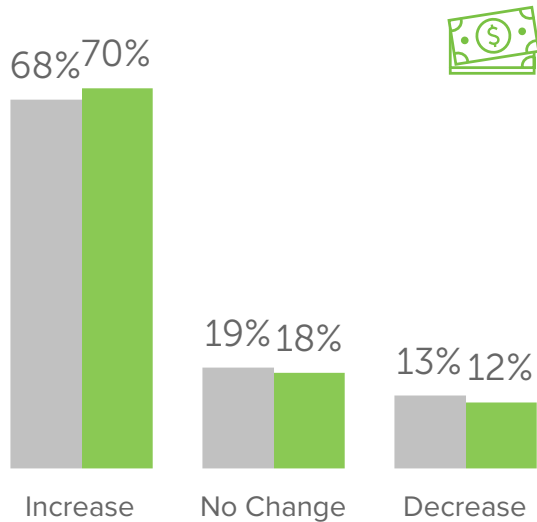
Bring in larger budget projects 78%

Increase marketing/sales efforts 72%

Revenues & Profits in 2017

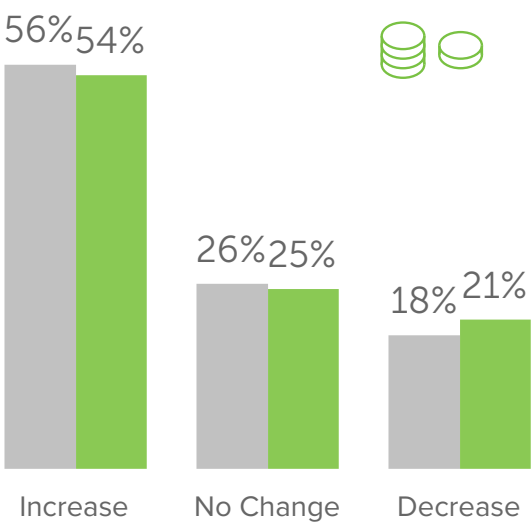
Charts below show the percentage of surveyed businesses on Houzz Australia reporting performance in 2017 (vs. 2016).

GROSS REVENUES



10%+ Rev. Growth
 Reported by 53% of
 Businesses in 2017
 (vs. 53% in 2016)

GROSS PROFITS



ARCHITECT	
Reported Increases in 2017	
Gross revenues	73%
Profit (net income)	54%

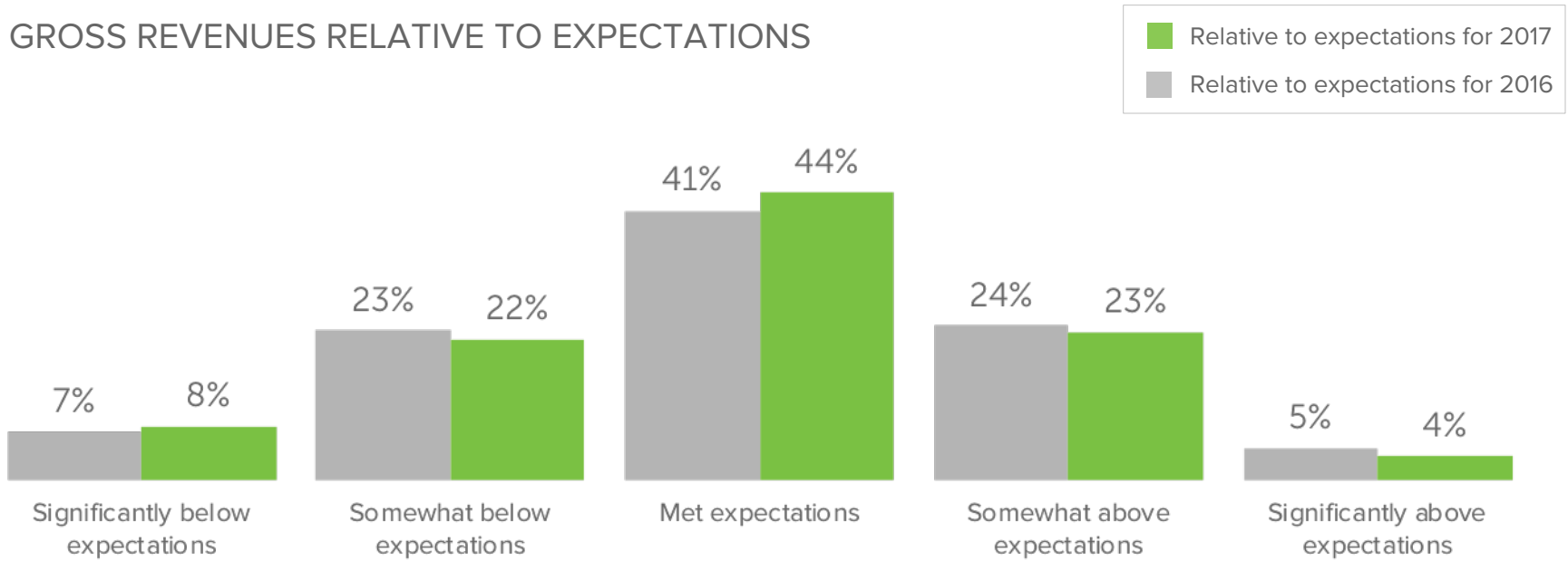
HOME BUILDER	
Reported Increases in 2017	
Gross revenues	73%
Profit (net income)	50%

INTERIOR DESIGNER/DECORATOR	
Reported Increases in 2017	
Gross revenues	76%
Profit (net income)	59%

2017 Comparison to The Initial Expectations

Charts below show the percentage of surveyed businesses on Houzz Australia reporting how 2017 business performance compared to the initial expectations for 2017 (vs. 2016).

GROSS REVENUES RELATIVE TO EXPECTATIONS



ARCHITECT 2017 Comparison

Met expectations 35%

Above expectations 30%

HOME BUILDER 2017 Comparison

Met expectations 45%

Above expectations 32%

INTERIOR DESIGNER/DECORATOR 2017 Comparison

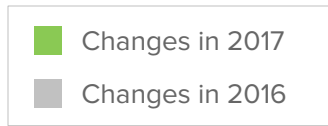
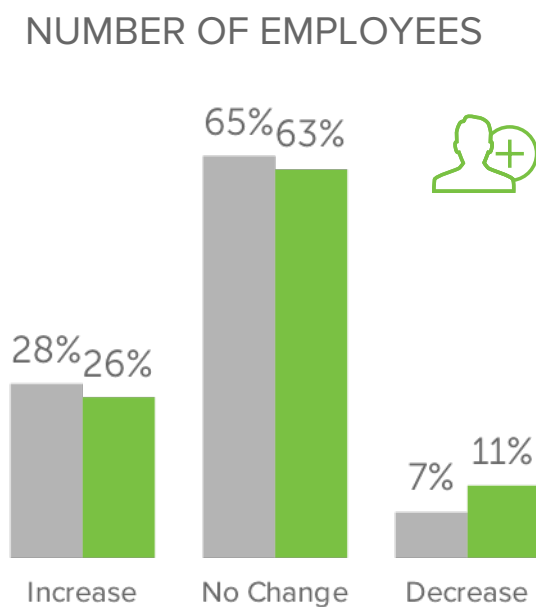
Met expectations 43%

Above expectations 19%

Staffing & Business Costs in 2017

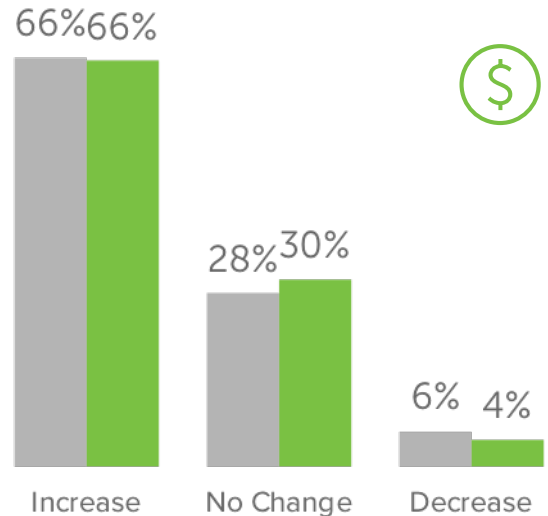
Charts below show the percentage of surveyed businesses on Houzz Australia reporting performance in 2017 (vs. 2016).

NUMBER OF EMPLOYEES



1-2 Employees
 Hired by 16%
 of Businesses in 2017
 (vs. 22% in 2016)

COST OF DOING BUSINESS



ARCHITECT

Reported Increases in 2017

Number of employees	29%
Costs of doing business	72%

HOME BUILDER

Reported Increases in 2017

Number of employees	34%
Costs of doing business	70%

INTERIOR DESIGNER/DECORATOR

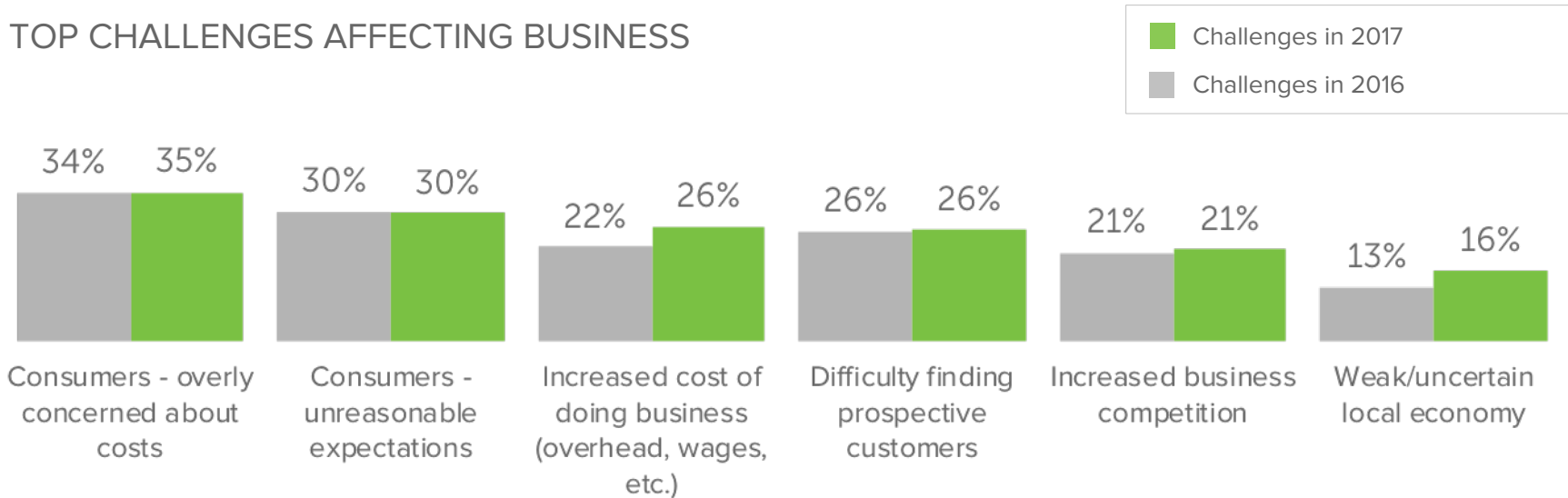
Reported Increases in 2017

Number of employees	15%
Costs of doing business	64%

Top Business Challenges in 2017

Charts below show the percentage of surveyed businesses on Houzz Australia reporting challenges in 2017 (vs 2016).

TOP CHALLENGES AFFECTING BUSINESS



ARCHITECT

Top Challenges in 2017

Consumers - overly concerned about costs 40%

Difficulty finding prospective customers 34%

HOME BUILDER

Top Challenges in 2017

Consumers - overly concerned about costs 33%

Increased business competition 31%

INTERIOR DESIGNER/DECORATOR

Top Challenges in 2017

Difficulty finding prospective customers 39%

Consumers - overly concerned about costs 33%

Description of Businesses

Charts below show the percentage of surveyed businesses on Houzz Australia with the specific characteristics in 2017.

MORE THAN AU\$500K IN GROSS REVENUES*



33% of Businesses

*Up to AU\$2M or more in revenues

ONE OR MORE EMPLOYEES*



66% of Businesses

*Up to 500 or more employees

TEN OR MORE YEARS IN BUSINESS*



50% of Businesses

*Up to 30 or more years in existence

SOLE OWNER RESPONDING TO SURVEY



56% of Businesses

Methodology

The survey was sent to businesses with profiles on Houzz Australia and fielded in 6 December 5 – 22 January, 2018. N=389.

Description of Business Groups by Core Services*

Pro Categories in Survey (Sample N)

Architect/Designer (N=169)
Builder/Contractor (N=56)
Specialty - Building & Renovation (N=50)
Specialty - Decorating (N=49)
Design-Build (N=43)
Specialty - Landscaping & Outdoor (N=22)

Top Pro Types in Survey (Sample N)

Architect (N=66)
Home Builder (N=51)
Interior Designer/decorator (N=49)

*Business groups were defined based on services that contributed to the largest share of business gross revenues in 2017, as identified by respondents in the survey.

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	Renovation Services & Supplies	Gardens & Outdoors	Windows, Doors, Roofing & Cladding
Architects	Building Supplies	Arborists & Tree Services	Doors
Building Designers	Carpenters	Backyard Courts & Playgrounds	Garage Doors
Home Builders	Joinery & Cabinet Makers	Decks, Patios & Outdoor Structures	Roofing & Gutters
Interior Designers & Decorators	Landscape Contractors & Gardeners	Driveways	Cladding & Exterior Contractors
Design & Construction	Painting & Wallpaper	Fencing & Gates	Windows
Kitchen Designers & Renovators	Renderers & Plasterers	Garden & Landscape Supplies	
Bathroom Designers & Renovators	Cleaning, Rubbish Removal & Removalist Services	Lawn & Sprinklers	
Landscape Architects & Landscape Designers	Tile, Stone & Benchtops	Pools & Spas	
Organisations & Schools	Staircases & Balustrades	Blacksmiths & Welders	
	Stone, Pavers & Concrete		
	Home Storage Designers & Professional Organisers		
Home Services	Specialty Contractors & Other Services	Retailers & Showrooms	
Electricians	Artists & Artisans	Appliances	
Environmental & Restoration Services	Home Automation & Home Theatre Design	Bedding & Bath	
Heating & Air Conditioning Contractors	Home Stylists & Property Staging	Carpet & Flooring	
Plumbers	Kids & Nursery	Shutters, Blinds & Curtains	
Septic Tanks & Sewage Systems	Media & Bloggers	Fireplaces	
Solar Power Contractors	Photographers	Furniture & Home Decor	
	Real Estate Agents	Kitchen & Bath Fixtures	
	Specialty Contractors	Lighting	
	Wine Cellars	Furniture Restoration & Upholstery	