

HOUZZ RESEARCH

2024 U.S. Houzz State of the Industry





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Big Ideas

High Expectations for 2024

Expectations for positive business performance in 2024 are higher across all seven industry groups* compared with expectations for 2023; 61% to 71% of firms are predicting a good or very good performance in 2024 versus 50% to 56% in 2023. Interior designers are the most optimistic, with more than 70% expecting a good or very good year, followed by design-build firms and general contractors (66% and 65%, respectively). In contrast, building and renovation firms are the least optimistic, with 61% expecting the same.

Increased Demand for Services Expected

More than half of businesses (54% to 62%) across the industry groups anticipate a higher demand for their services. The shares are more than double the shares (21% to 32%) of those expecting more demand at the beginning of 2023.

Revenue Growth Estimates Rebound

Businesses across all seven industry groups expect an increase in revenue and profits in 2024, following a challenging 2023 environment. Interior designers and architects have returned to more typical revenue growth expectations in 2024 (8.9% and 5.3%, respectively), in contrast to their cautious forecast for 2023 (3% and 0.3%, respectively). Among construction professionals, building and renovation specialists have the highest anticipated revenue growth, followed by general contractors, remodelers and builders, and design-build firms (8.1%, 7.7% and 3.3%, respectively).

Decreased Labor Availability and Rising Labor Costs

Six of the 7 industry groups predict that labor shortages will continue in 2024. Expectations for rising labor costs in 2024 also are prevalent across the industry, with more firms (38% to 58%) planning for higher costs compared with the previous year (24% to 35%).

Better Product and Material Availability but Higher Costs

More businesses across the industry expect product and material availability to improve than to worsen in 2024, with interior designers being the most optimistic (47%), followed by design-build firms (44%). However, more businesses also expect costs to rise this year than did so the previous year (43% to 68% in 2024 versus 25% to 43% in 2023).

Profits Retained Despite Revenue Dip in 2023

Most residential design and construction firms reported a deceleration in annual revenue growth in 2023 compared with 2022. Among the seven sectors, only interior designers and general contractors reported somewhat positive revenue growth (1.1% and 0.4%, respectively). Despite the general revenue decline, the majority of pros were able to retain their profits, with a greater proportion of firms across 6 of the 7 industry groups reporting profit increases over decreases. In the construction sector, more than 40% of businesses reported a profit gain.

*The Houzz State of the Industry study focuses on seven industry groups: architects, interior designers, general contractors (GCs)/remodelers/builders, design-build firms, building and renovation specialty firms, landscaping and outdoor specialty firms, and decorating specialty firms.



01

2024 Outlook





High Expectations for 2024

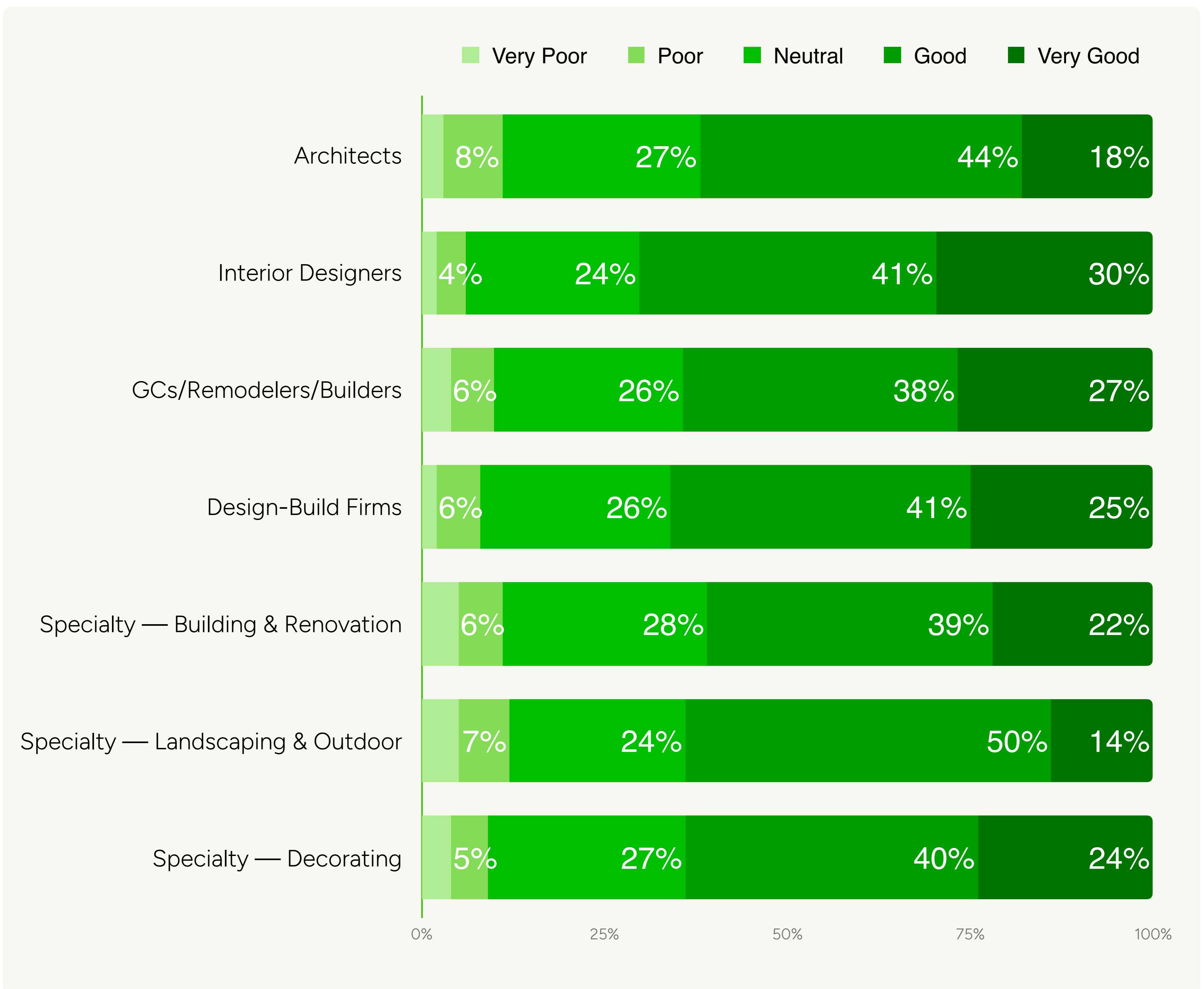
Expectations for positive business performance in 2024 are higher across all seven industry groups compared with expectations for 2023; 61% to 71% of firms are predicting a good or very good performance in 2024 versus 50% to 56% in 2023.

Interior designers are the most optimistic, with more than 70% expecting a good or very good year, followed by design-build firms and general contractors (66% and 65%, respectively). In

contrast, building and renovation firms are the least optimistic, with 61% expecting the same.

A quarter of businesses (24% to 28%) surveyed have neutral expectations for 2024, and only a small share expect a poor or very poor year.

FIRMS (%) REPORTING THEIR OVERALL BUSINESS OUTLOOK FOR 2024





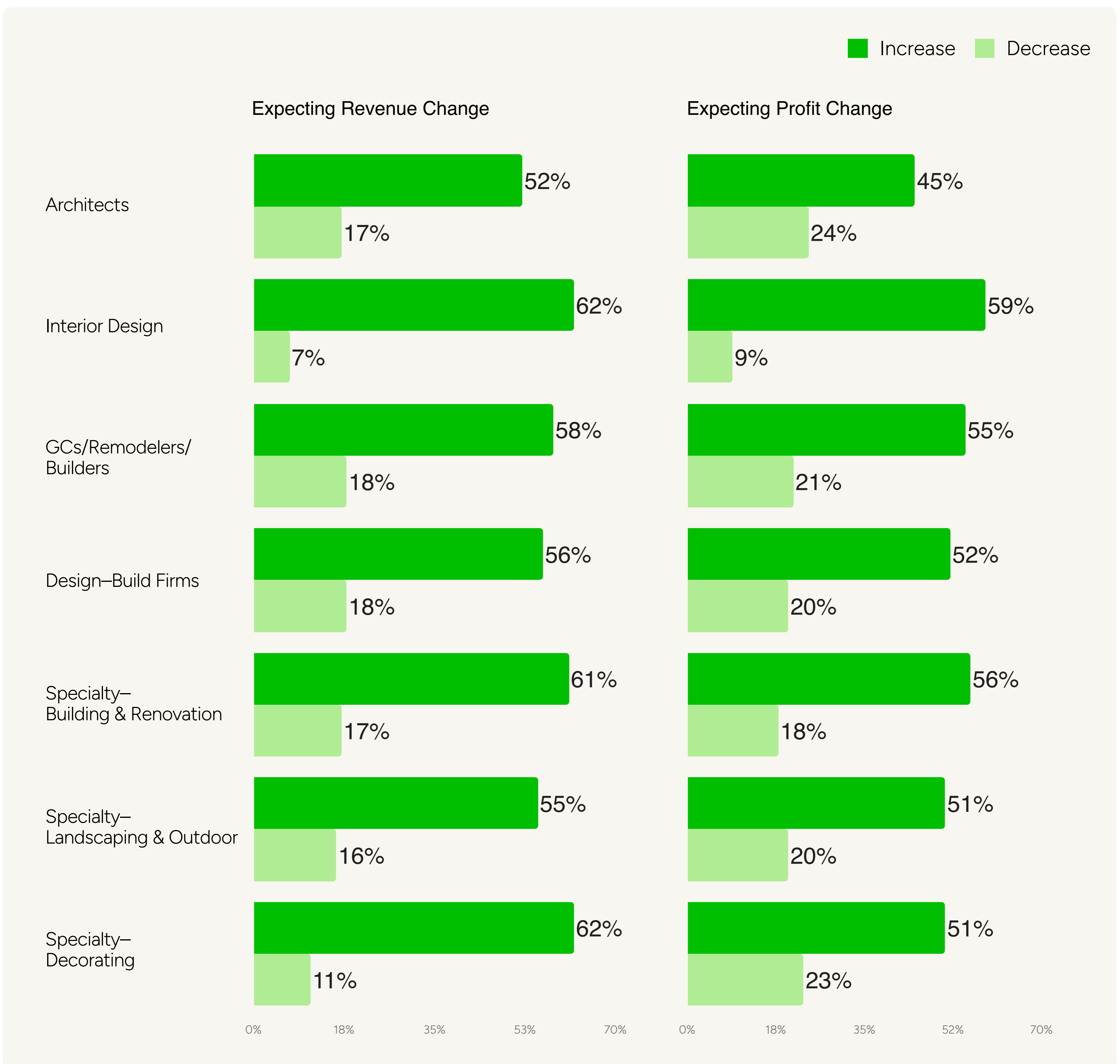
Optimistic Expectations for Revenues and Profits

Expectations for revenues and profits are largely positive across all seven industry groups. More than half of architects, for example, anticipate an increase in revenue, while 45% anticipate higher profits.

Interior designers stand out, with more than 3 in 5 (62%) anticipating an increase in revenue and nearly as many (59%) anticipating an uptick in profits.

Among construction businesses, more building and renovation specialists (61%) are expecting revenue growth compared with general contractors (58%) and design-build pros (56%). Profit expectations follow accordingly, with 56% of building and renovation specialists expecting a boost versus 55% of general contractors and 52% of design-build firms.

FIRMS (%) EXPECTING YEAR-OVER-YEAR CHANGES IN REVENUES AND PROFITS IN 2024





All Groups Anticipate Revenue Growth

In line with their positive outlook on business activity in 2024, firms across the design and construction industries are expecting annual revenue growth of 3.3% to 8.9% on average.

Interior designers are the most optimistic, expecting an 8.9% increase, while architects anticipate a growth rate of 5.3%. Both of these figures indicate a return to more typical growth expectations following more cautious expectations for 2023, which were 3% and 0.3%, respectively.

Construction businesses (general contractors, design-build firms, and building and renovation specialists) have varying yet still positive growth expectations. General contractors are expecting revenue growth of 7.7%, while building and renovation specialists anticipate 8.1%. Design-build firms have the most conservative estimate, 3.3%.

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

	2019E	2020E	2021E	2022E	2023E	2024E
Architects	5.1%	4.2%	7.3%	5.3%	0.3%	5.3%
Interior Designers	9.4%	8.2%	9.5%	8.1%	3.0%	8.9%
GCs/Remodelers/ Builders	8.7%	7.6%	8.9%	8.8%	2.9%	7.7%
Design– Build Firms	8.4%	8.9%	9.7%	9.0%	2.3%	3.3%
Specialty– Building & Renovation	9.0%	8.5%	8.8%	8.6%	1.3%	8.1%
Specialty– Landscaping & Outdoor	8.2%	6.9%	8.3%	6.1%	4.1%	7.3%
Specialty– Decorating	9.1%	9.1%	12.9%	7.8%	6.1%	8.2%

* See Appendix A for additional information on expected and actual revenue growth for 2020 through 2024.



Majority Predict Higher Demand for Services

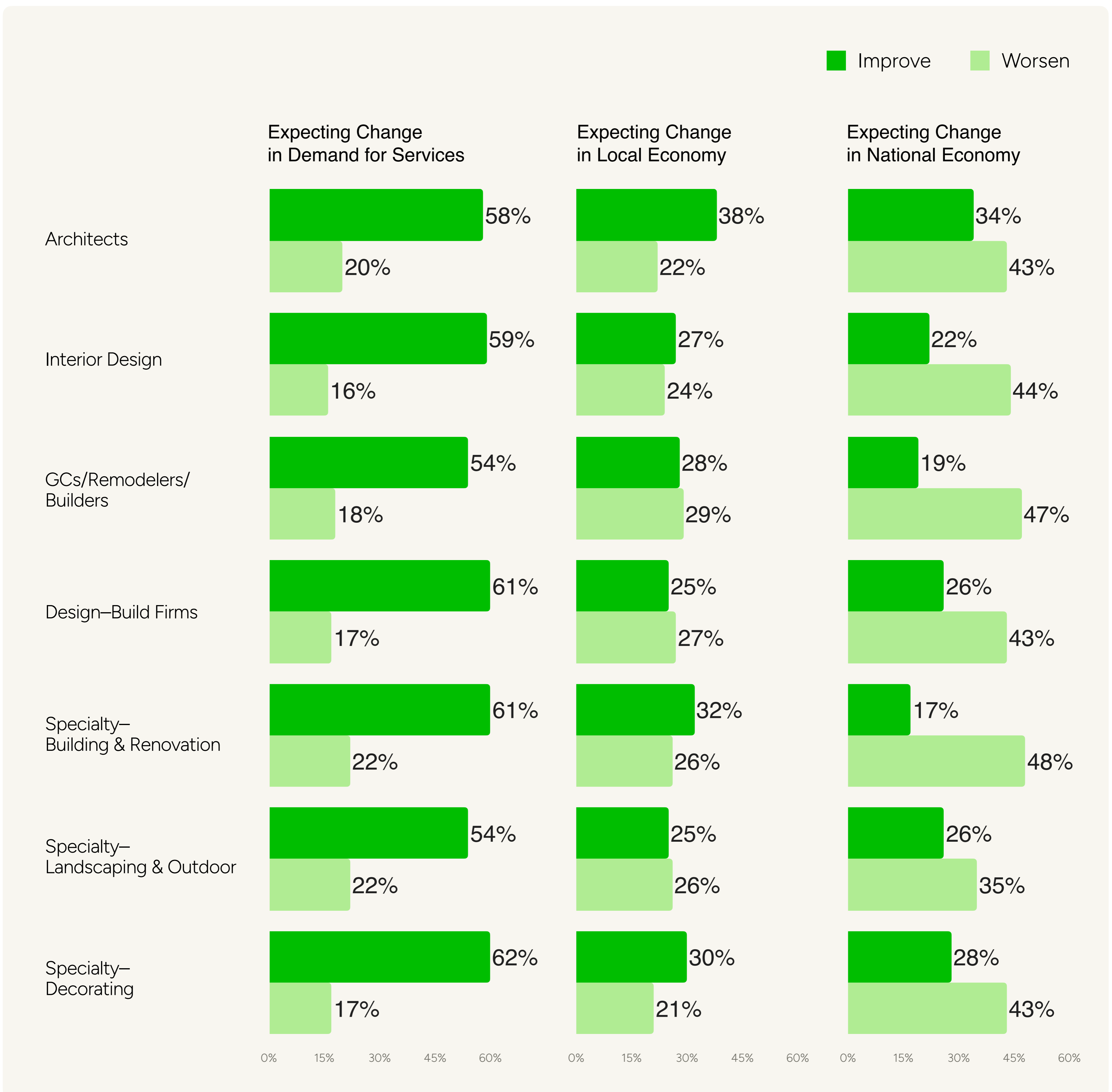
More than half of businesses (54% to 62%) across the seven groups anticipate higher demand for their services in 2024. These shares are more than double the shares of those who expected higher demand in 2023 (21% to 32%).

The three groups with the most widespread expectations for improvement are design-build firms, building and renovation

specialists, and decorating pros (61%, 61% and 62%, respectively).

Expectations that the national economy will worsen continue to dominate among residential remodeling and design businesses. However, firms have mixed expectations about their local economies.

FIRMS (%) EXPECTING YEAR-OVER-YEAR CHANGES IN DEMAND AND ECONOMY IN 2024





Labor Costs Expected to Rise Again

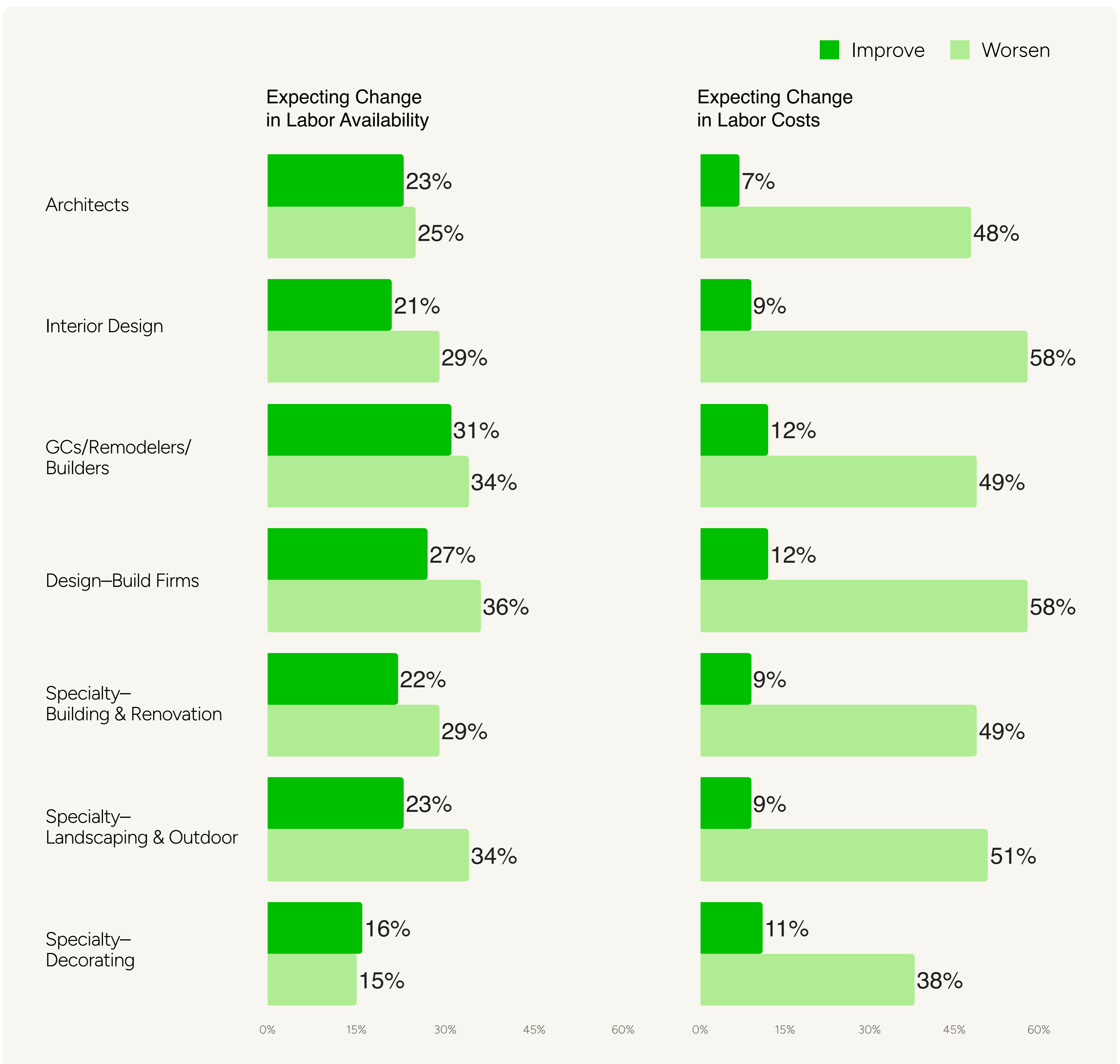
The expectation that labor costs will rise in 2024 is prevalent across the seven industry groups, with a greater percentage of firms (38% to 58%) predicting an increase this year compared with 2023 (24% to 35%).

In the construction sector, nearly 3 in 5 design-build firms (58%) anticipate higher labor costs; 49% of general contractors and 49% of building and renovation specialists expect the same.

Among 6 of the 7 industry groups, more firms predict that labor availability will worsen than improve — the same as in 2023, showing that labor shortages are a persistent challenge.

Conversely, specialty decorating firms expect labor availability to remain relatively unchanged.*

FIRMS (%) EXPECTING YEAR-OVER-YEAR CHANGES IN LABOR AVAILABILITY AND COSTS IN 2024



* See Appendix C for additional information on expected changes in number of employees in 2024.



Forecast for Better Product Availability but Higher Costs

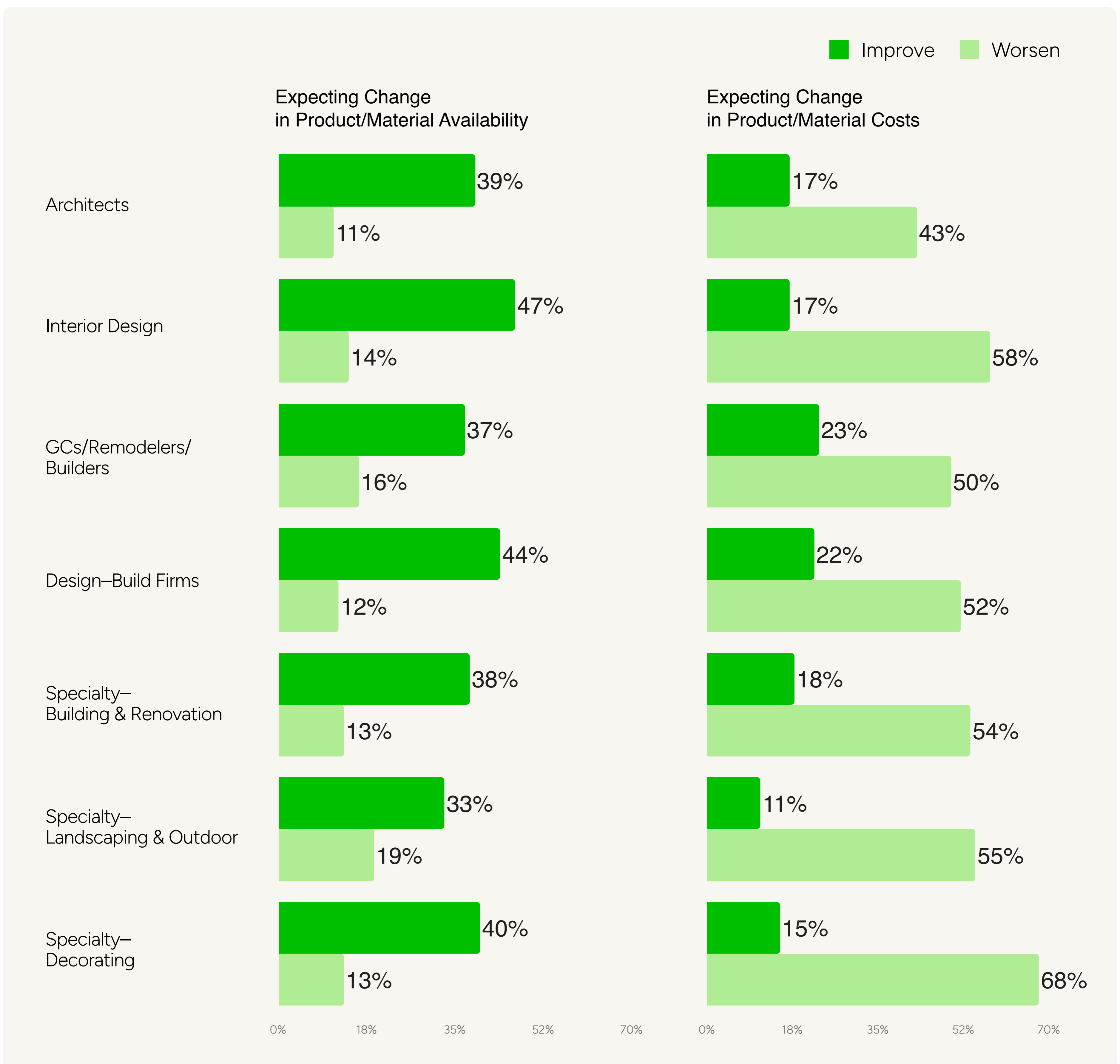
More companies across the seven industry groups are expecting product and material availability to improve in 2024 than to worsen.

Interior designers are the most optimistic, with 47% expecting improvement, followed by design-build firms (44%).

Interestingly, 11% to 19% of businesses in all seven sectors are forecasting that product and material availability will worsen.

More businesses this year are expecting the cost of products and materials to increase: 43% to 68% in 2024 versus 25% to 43% in 2023. The sentiment is especially prevalent among decorators (68%) and interior designers (58%), while only 43% of architects have that expectation.*

FIRMS (%) EXPECTING YEAR-OVER-YEAR CHANGES IN PRODUCT/MATERIAL AVAILABILITY AND COSTS IN 2024

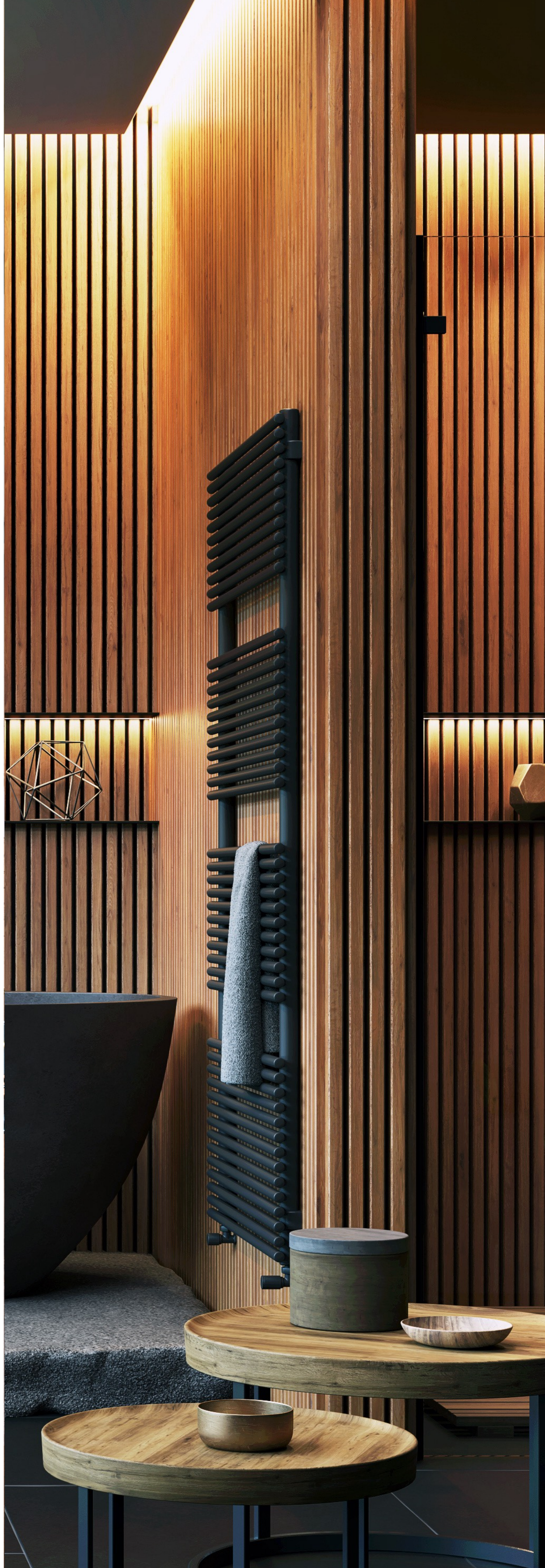


* See Appendix C for additional information on expected changes in the cost of doing business in 2024.



02

2023 in Focus





Revenue Growth Took a Dip

Among the seven design and construction industry sectors, five reported a decline in annual revenue for 2023 compared with the previous year. Interior designers and general contractors are the only two groups who reported having revenue growth for the year (1.1% and 0.4%, respectively).

Average annual revenue growth for architects dropped by 1.8% in 2023 — the most significant reduction among the group since 2014. Landscaping and outdoor pros, along with

decorators, experienced the sharpest drop in 2023, with average revenue decreasing by 1.9% each.

Design-build firms experienced only a slight dip (-0.2%) year over year.*

AVERAGE ANNUAL RATE OF REVENUE GROWTH, AS REPORTED BY FIRMS

	2019	2020	2021	2022	2023
Architects	3.1%	1.0%	10.3%	4.3%	-1.8%
Interior Designers	5.1%	-0.5%	11.9%	2.9%	1.1%
GCs/Remodelers/ Builders	5.3%	0.5%	9.0%	5.7%	0.4%
Design-Build Firms	5.7%	1.4%	10.2%	6.9%	-0.2%
Specialty — Building & Renovation	6.1%	0.3%	8.6%	2.5%	-0.6%
Specialty — Landscaping & Outdoor	5.7%	3.0%	10.0%	0.3%	-1.9%
Specialty — Decorating	5.0%	-2.9%	10.7%	3.8%	-1.9%

* See Appendix D for additional information on revenue change breakdown in 2023.



Profits Rose For Many Firms

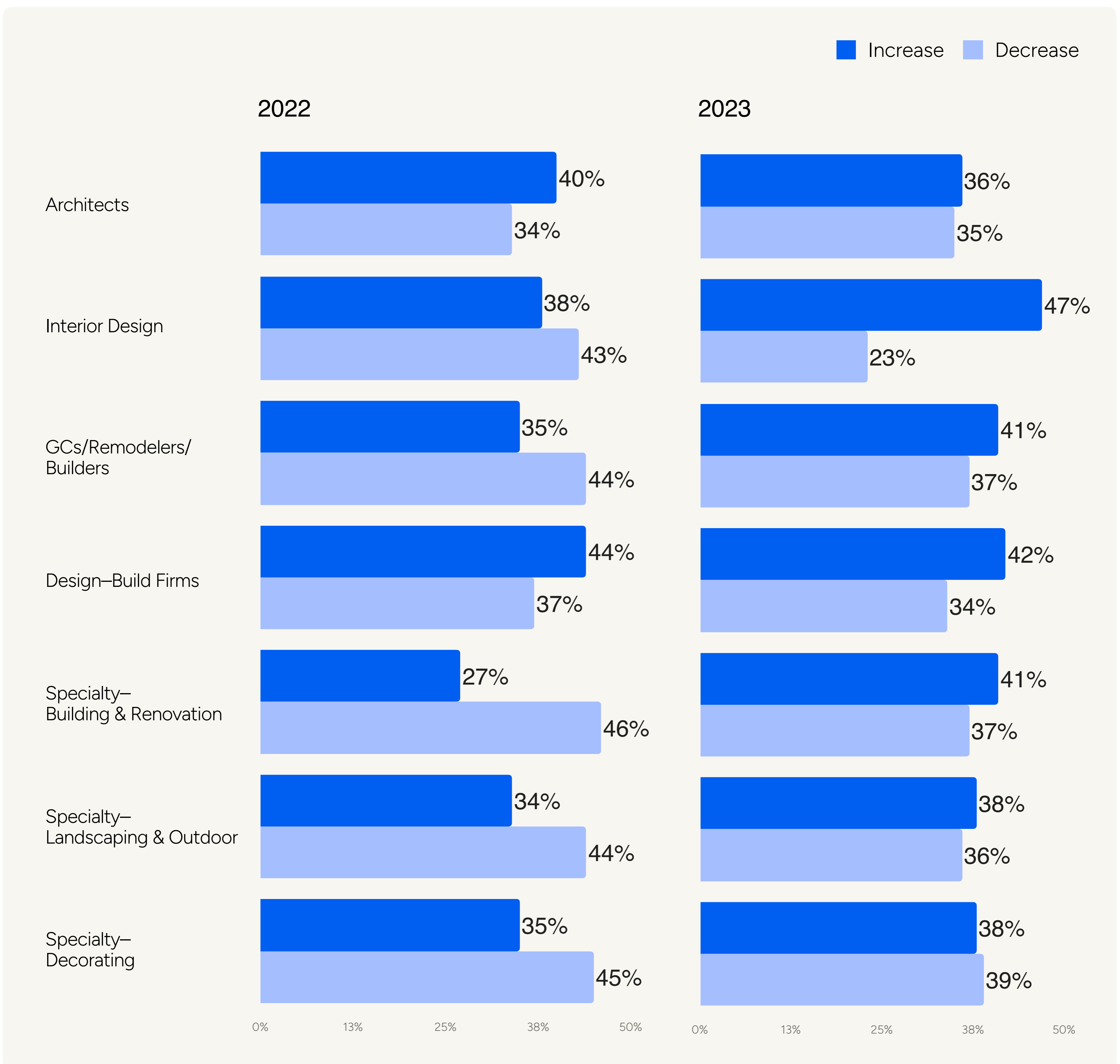
More firms across 6 of the 7 industry groups reported a profit increase than a decrease in 2023, despite the decline in average annual revenue for five of the groups. Of the remaining sector, decorators, 39% noted a dip in profits.

Architects were split nearly evenly, with 36% reporting a profit increase and 35% reporting a decrease. Similarly, among

landscaping and outdoor specialists, 38% saw a profit increase and 36% saw a decrease. Interior designers stand out, with nearly half (47%) seeing profits rise and fewer than a quarter (23%) seeing them decrease.

In the construction sector, more than 40% of businesses reported profit gains.

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





Cost Hikes Affected Construction Most

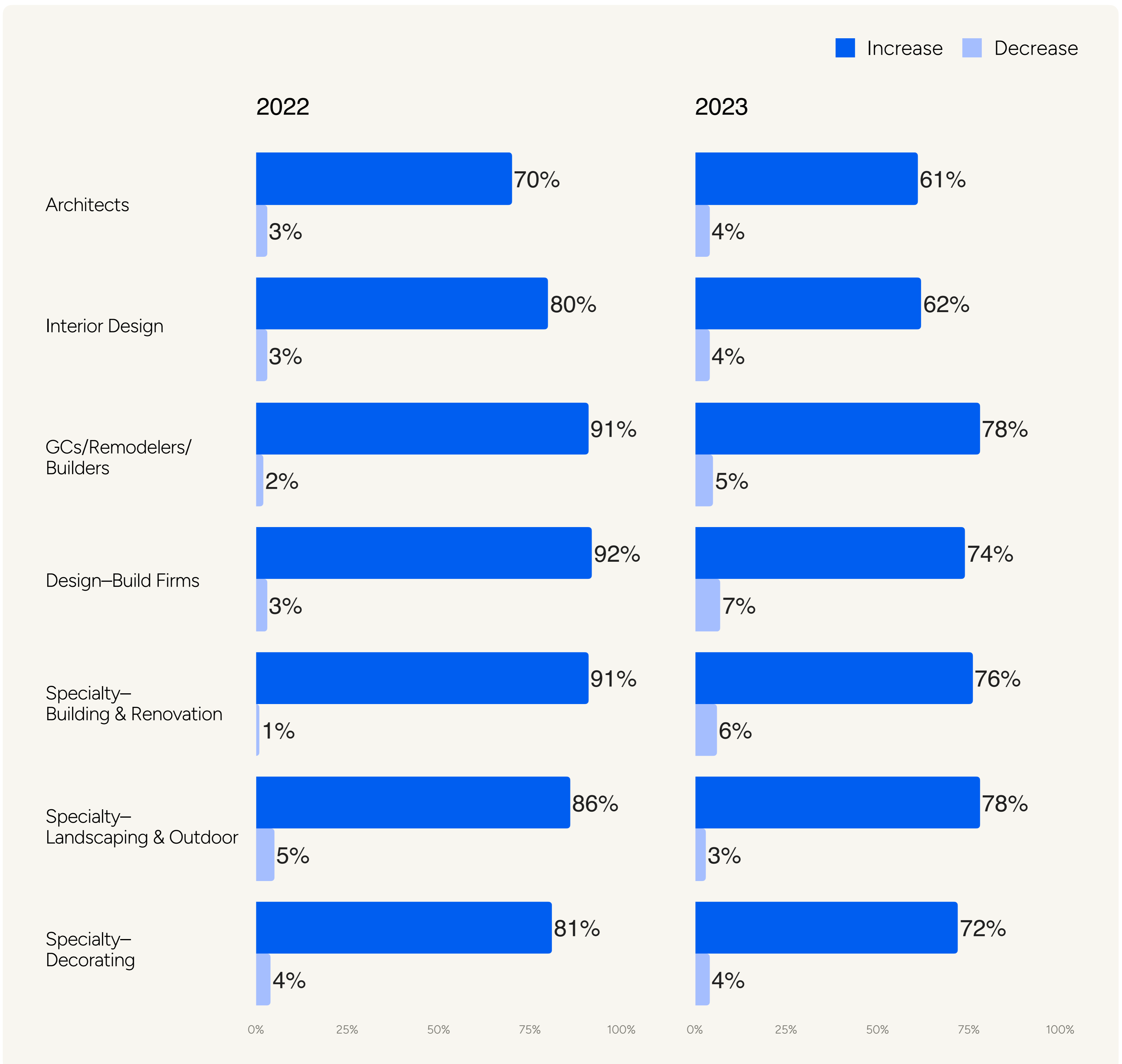
The majority of firms (61% to 78%) in the seven industry groups experienced an increase in the cost of doing business in 2023 versus 2022. Although the share of firms reporting a cost increase has decreased slightly from 2022 (70% to 92%), it remains notably high.

The construction sector felt the price hikes most acutely, with 78% of general contractors, 74% of design-build firms and 76% of building and renovation specialists reporting them.

of building and renovation specialists reporting them.

Fewer architects and interior designers reported an increase: 61% and 62%, respectively, meaning that a third of these professionals did not experience a change from the previous year in the cost of doing business.

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





More Businesses Hired vs. Letting Staff Go

Overall, more businesses reported an increase in the number of their employees than reported a decline.

Among the seven industry groups, general contractors and building and renovation specialists reported hiring employees most frequently (19% and 20%, respectively). Among design-build firms, 15% added staff.

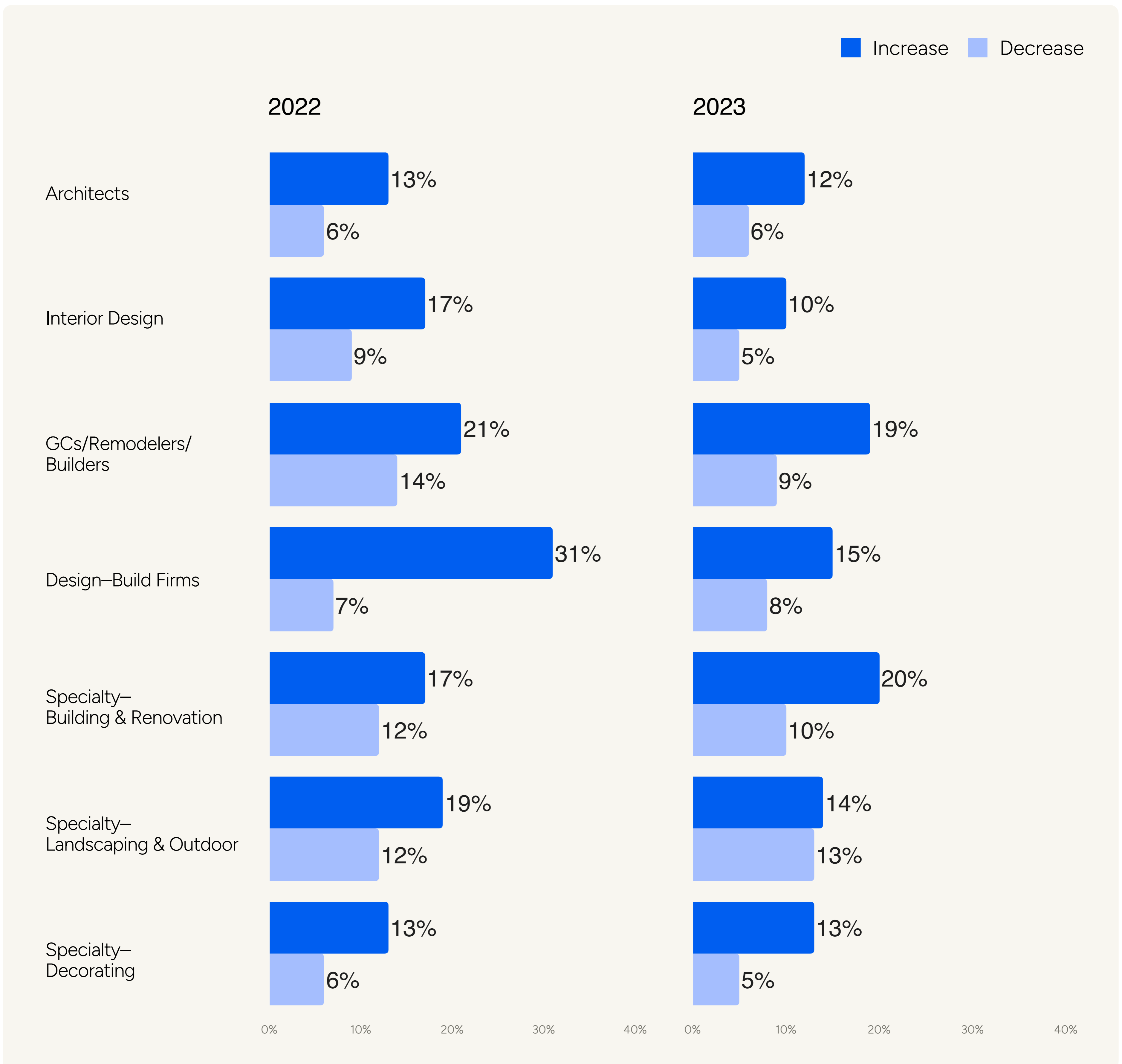
Architects and interior designers had more moderate hiring

activity (12% and 10%, respectively).

Landscaping and outdoor pros were evenly split, with 14% of firms reporting an increase and 13% reporting a decrease in 2023.

Overall, most businesses in all sectors did not experience a major change in staff number.

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



* See Appendix F for additional information on number of employees in 2023.



Materials and Labor Drove Overall Cost Hikes

For 6 of the 7 industry groups, rising product and material prices were the main factor contributing to the increase in their cost of doing business in 2023, as reported by 60% to 78% of businesses.

Employee wages or benefits were the next most frequently reported cost driver. They particularly impacted building and renovation firms, with more than half (51%) of those businesses citing them.

Software costs emerged as the top cost driver for architects (44%). The share citing them increased by 22 percentage points year over year, while employee wages or benefits trailed closely behind (43%).

The majority of general contractors noted product and material costs as a driver (74%), but subcontractor costs weren't far behind (62%).*

FIRMS (%) REPORTING TOP 3 DRIVERS OF INCREASE IN COST OF DOING BUSINESS IN 2023**

	No. 1 Cost Driver	No. 2 Cost Driver	No. 3 Cost Driver
Architects	Software costs (44%; +22 pp YOY)	Employee wages or benefits costs (43%; +12 pp YOY)	Business insurance costs (37%; +18 pp YOY)
Interior Designers	Product or material costs (60%; +8 pp YOY)	Subcontractor costs (38%)	Employee wages or benefits costs (30%; +10 pp YOY)
GCs/Remodelers/Builders	Product or material costs (74%)	Subcontractor costs (62%)	Employee wages or benefits costs (44%; +10 pp YOY)
Design-Build Firms	Product or material costs (76%)	Subcontractor costs (54%)	Employee wages or benefits costs (48%)
Specialty—Building & Renovation	Product or material costs (78%)	Employee wages or benefits costs (51%; +12 pp YOY)	Subcontractor costs (37%)
Specialty—Landscaping & Outdoor	Product or material costs (68%; +6 pp YOY)	Employee wages or benefits costs (45%; +9 pp YOY)	Business insurance costs (31%; +14 pp YOY)
Specialty—Decorating	Product or material costs (73%; +10 pp YOY)	Subcontractor costs (30%)	Employee wages or benefits costs (29%; +10 pp YOY)

* See Appendix G for additional information on drivers for increases in the cost of doing business in 2023.

** Table includes year-over-year changes of 5 or more percentage points.



Top 3 Challenges Changed

The most frequently cited challenges for residential design and construction businesses shifted in 2023.

More than a quarter of architects and interior design firms struggled primarily with finding prospective customers. The share citing this increased significantly year over year, by 17 and 22 percentage points, respectively.

Among construction, landscape and outdoor, and decorating

pros, the increased cost of doing business took the lead, with the share citing this as a top challenge increasing by 15 to 22 percentage points year over year.

Secondary challenges included subcontractor shortages and increased building regulation. Difficulty finding prospective customers emerged as well, with more than a quarter of specialty groups reporting this as a challenge.

FIRMS (%) REPORTING TOP 3 BUSINESS CHALLENGES IN 2023*

	No. 1 Challenge	No. 2 Challenge	No. 3 Challenge
Architects	Difficulty finding prospective customers (26%; +17 pp YOY)	Increased building regulation (24%; +7 pp YOY)	Increased cost of doing business (23%; +10 pp YOY)
Interior Designers	Difficulty finding prospective customers (30%; +22 pp YOY)	Increased cost of doing business (27%; +12 pp YOY)	Managing consumer concerns about costs (24%; +8 pp YOY)
GCs/Remodelers/ Builders	Increased cost of doing business (52%; +22 pp YOY)	Difficulty finding prospective customers (24%; +17 pp YOY)	Difficulty hiring/being understaffed (22%)
Design– Build Firms	Increased cost of doing business (45%; +16 pp YOY)	Shortage of subcontractors (23%)	Difficulty hiring/being understaffed (20%)
Specialty– Building & Renovation	Increased cost of doing business (50%; +15 pp YOY)	Difficulty finding prospective customers (28%; +20 pp YOY)	Difficulty hiring/being understaffed (22%)
Specialty– Landscaping & Outdoor	Increased cost of doing business (44%; +17 pp YOY)	Difficulty finding prospective customers (26%; +18 pp YOY)	Difficulty hiring/being understaffed (23%)
Specialty– Decorating	Increased cost of doing business (42%; +20 pp YOY)	Difficulty finding prospective customers (31%; +15 pp YOY)	Weak/uncertain nations economy (31%; +14% YOY)

* See Appendix H for additional information on business challenges in 2023.

** Table includes year-over-year changes of 5 or more percentage points.



03

2023 Business Characteristics





Existing Homes Drove Project Revenue

The largest portion of annual gross revenue for all seven industry groups in 2023 came from projects for existing homes (41% to 63%). The percentages, however, are 5 to 9 points lower than in 2022. On the other hand, the share of business revenue coming from new for-sale homes inched up in 2023.

Commercial services accounted for 16% to 28% of gross revenue for all the businesses surveyed. Those figures

are higher than in 2022, when commercial services accounted for 11% to 15% of gross revenue.

Interestingly, the share of revenue from commercial services doubled for architects year over year, rising from 14% to 28%.

FIRMS REPORTING AVERAGE SHARE OF 2023 GROSS REVENUE (%) FROM RESIDENTIAL VS. COMMERCIAL SERVICES

	Residential Services			Commercial Services
	Existing Homes	New Custom Homes	New For-Sale Homes	
Architects	41%	26%	5%	28%
Interior Designers	63%	16%	6%	16%
GCs/Remodelers/Builders	55%	18%	7%	20%
Design-Build Firms	61%	17%	6%	16%
Specialty-Building & Renovation	62%	9%	5%	24%
Specialty-Landscaping & Outdoor	59%	11%	6%	24%
Specialty-Decorating	58%	12%	9%	21%



Number of Projects Shrunk

The share of businesses that worked on 30 or more projects in 2023 declined significantly (by 10 to 19 percentage points) for 6 of the 7 industry groups. Decorating pros saw only a 5 percentage point drop in this project number category.

The majority of businesses (62% to 87%) worked on fewer than 30 projects in 2023. And more businesses worked on fewer than 10 projects in 2023 compared with 2022 (18% to 34% versus 14% to 30%, respectively).

Many businesses (57% to 82%) reported that fewer than 10 of their projects came from online inquiries.

FIRMS (%) REPORTING TOTAL NUMBER OF PROJECTS AND NUMBER OF PROJECTS FROM ONLINE INQUIRIES IN 2023

	Number of Projects			Number of Projects From Online Inquiries		
	< 10	10-29	30 or more	< 10	10-29	30 or more
Architects	28%	58%	14%	78%	18%	4%
Interior Designers	34%	53%	13%	82%	13%	5%
GCs/Remodelers/ Builders	33%	45%	21%	73%	17%	10%
Design-Build Firms	30%	50%	20%	66%	26%	8%
Specialty– Building & Renovation	21%	44%	35%	63%	17%	20%
Specialty– Landscaping & Outdoor	18%	48%	34%	57%	20%	23%
Specialty– Decorating	24%	38%	38%	59%	12%	30%



'Midsize' Projects Vary by Sector

The gross revenue from a typical midsize project was \$50,000 or less for 5 of the 7 industry groups in 2023. More than half of general contractors and design-build firms were the exception, reporting the revenue for midsize projects to be higher than \$50,000 (51% and 66%, respectively). In contrast, 68% of decorating pros reported midsize project revenue to be less than \$10,000.

When it comes to gross profit from these projects, design-build

firms led the pack, with 68% reporting profits over \$10,000. The percentage, however, is slightly lower than it was in 2022 (70%).

General contractors also saw robust profit margins, with 53% earning a gross profit above \$10,000 for midsize projects. The figures for architects and interior designers were somewhat even across the three profit ranges, with a substantial 41% and 50%, respectively, achieving profits exceeding \$10,000.

FIRMS (%) REPORTING GROSS REVENUE AND GROSS PROFIT FROM A TYPICAL MIDSIZE PROJECT IN 2023

	Midsize Project Gross Revenue			Midsize Project Gross Profit		
	< \$10K	\$10K-\$50K	\$50K+	< \$5K	\$5K-\$10K	\$10K+
Architects	38%	31%	31%	36%	23%	41%
Interior Designers	35%	26%	39%	30%	20%	50%
GCs/Remodelers/ Builders	28%	21%	51%	29%	17%	53%
Design-Build Firms	11%	23%	66%	15%	17%	68%
Specialty- Building & Renovation	43%	33%	24%	44%	23%	33%
Specialty- Landscaping & Outdoor	47%	33%	20%	49%	24%	26%
Specialty- Decorating	68%	16%	17%	60%	12%	28%



Most Firms Earned Less Than \$3 Million

The majority of firms reported less than \$3 million in annual gross revenue in 2023, and had fewer than five employees. Most architects and interior designers earned less than \$500,000 (81% and 70%, respectively), and an even higher share operated with four or fewer employees (85% and 90%, respectively).

The percentages of general contractors and design-build firms earning \$500,000 to \$2.9 million are fairly similar (41% and

44%, respectively). These two groups also have the largest shares with five or more employees (33% and 36%, respectively).

The share of design-build firms with more than \$3 million in annual gross revenue dropped by 7 percentage points year over year, to 21%. Similarly, the share of firms with five or more employees declined year over year, from 50% to 36%.

FIRMS (%) REPORTING ANNUAL GROSS REVENUE AND NUMBER OF EMPLOYEES IN 2023

	Annual Gross Revenue			Number of Employees		
	< \$500K	\$500K-\$2.9M	\$3M+	None	1-4	5+
Architects	81%	17%	2%	38%	47%	15%
Interior Designers	70%	26%	4%	47%	43%	10%
GCs/Remodelers/ Builders	38%	41%	21%	20%	46%	33%
Design-Build Firms	34%	44%	21%	20%	45%	36%
Specialty– Building & Renovation	50%	35%	14%	23%	45%	32%
Specialty– Landscaping & Outdoor	61%	30%	8%	33%	35%	31%
Specialty– Decorating	67%	27%	6%	36%	49%	15%



04

Methodology & Appendixes





Methodology

The Houzz U.S. State of the Industry study is conducted annually and represents views of companies on Houzz that offer services related primarily to residential renovation and/or design. The study was fielded December 17, 2023, to January 12, 2024.

N = 2,150 (304 architects, 385 interior designers, 464 general contractors/remodelers/builders, 261 design-build firms, 296 building/ renovation specialty firms,¹ 157 landscaping/outdoor specialty firms,² and 283 decorating specialty firms³).

1. Building/renovation specialty firms include replacement contractors (e.g., carpenters) and product installers/manufacturers/resellers (e.g., of cabinetry).
2. Landscaping/outdoor specialty firms include landscape architects, designers and contractors; outdoor replacement trades (e.g., pavers); and outdoor product installers/manufacturers/resellers (e.g., of pools and spas).
3. Decorating specialty firms include interior decorators and providers of window coverings, furniture, accessories, lighting, upholstery and other decorating-related products.



Appendix A: Average Expected and Actual Revenue Growth for 2020 to 2024

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

	Expected 2020 Actual 2020	Expected 2021 Actual 2021	Expected 2022 Actual 2022	Expected 2023 Actual 2023	Expected 2024 Actual 2024
Architects	4.2% 1.0%	7.3% 10.3%	5.3% 4.3%	0.3% -1.8%	5.3% n/a
Interior Designers	8.2% -0.5%	9.5% 11.9%	8.1% 2.9%	3.0% 1.1%	8.9% n/a
GCs/Remodelers/Builders	7.6% 5.3%	8.9% 9.0%	8.8% 5.7%	2.9% 0.4%	7.7% n/a
Design-Build Firms	8.9% 0.5%	9.7% 10.2%	9.0% 6.9%	2.3% 0.0%	3.3% n/a
Specialty– Building & Renovation	8.5% 0.3%	8.8% 8.6%	8.6% 2.5%	1.3% -0.6%	8.1% n/a
Specialty– Landscaping & Outdoor	6.9% 3.0%	8.3% 10.0%	6.1% 0.3%	4.1% -1.9%	7.3% n/a
Specialty– Decorating	9.1% -2.9%	12.9% 10.7%	7.8% 3.8%	6.1% -1.9%	8.2% n/a



Appendix B: Strategies to Achieve Expected Revenue Growth in 2024

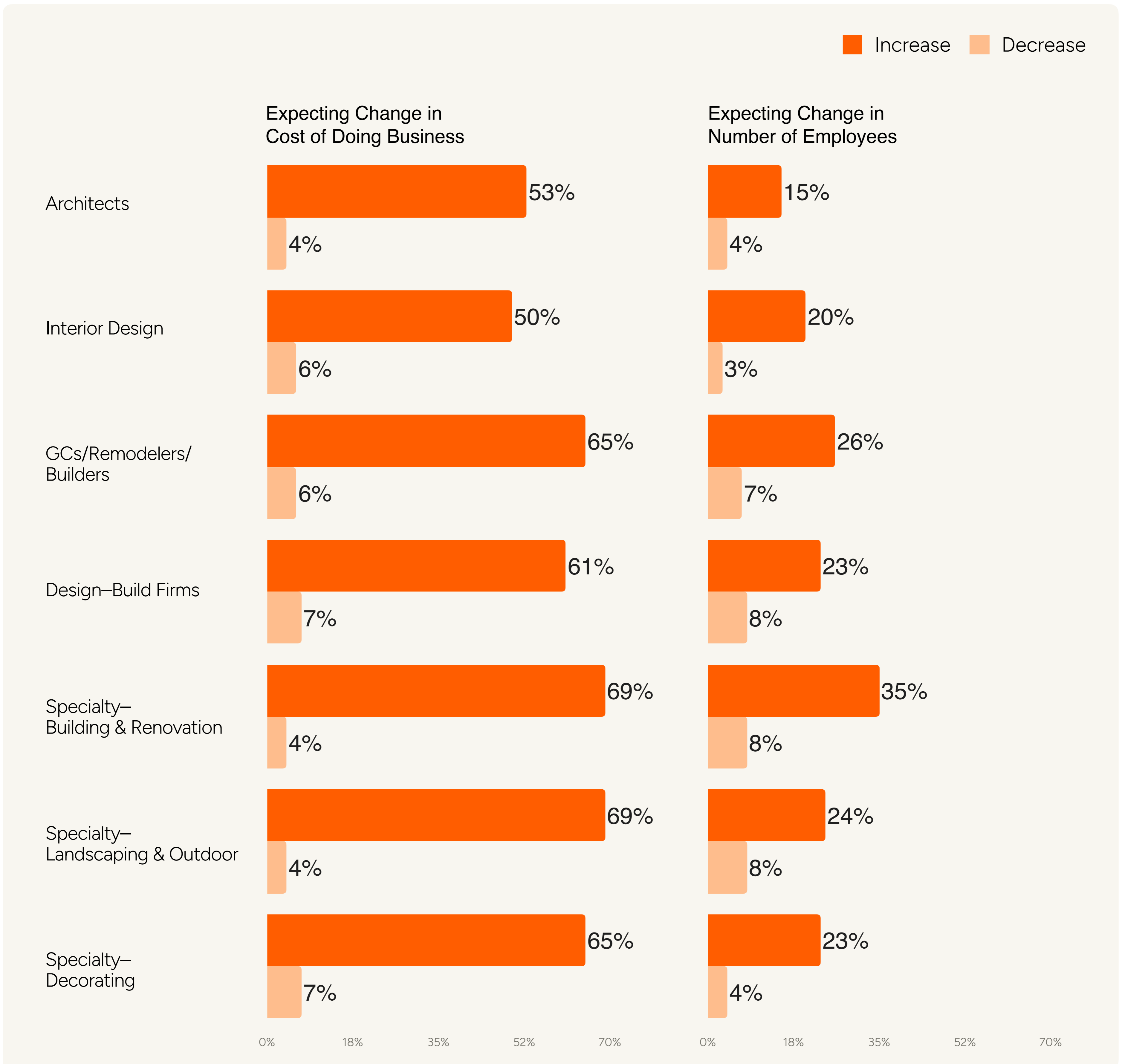
FIRMS (%) REPORTING BUSINESS STRATEGIES TO ACHIEVE EXPECTED REVENUE GROWTH IN 2024

	Architects	Interior Designers	GCs/ Remodelers/ Builders	Design-Build Firms	Specialty — Building & Renovation	Specialty — Landscaping & Outdoor	Specialty — Decorating
Bring in larger-budget projects	66%	74%	61%	61%	62%	45%	51%
Expand geographic service area	30%	25%	19%	23%	23%	20%	24%
Increase prices, markup & margins	46%	54%	54%	61%	51%	49%	48%
Offer new products & services	30%	31%	31%	33%	37%	31%	45%
Open new stores, sites & facilities	3%	7%	6%	3%	13%	5%	14%
Other strategies	26%	19%	13%	13%	17%	29%	9%
No new strategies	11%	5%	13%	8%	6%	5%	7%



Appendix C: Expecting Changes in Costs and Staffing in 2024

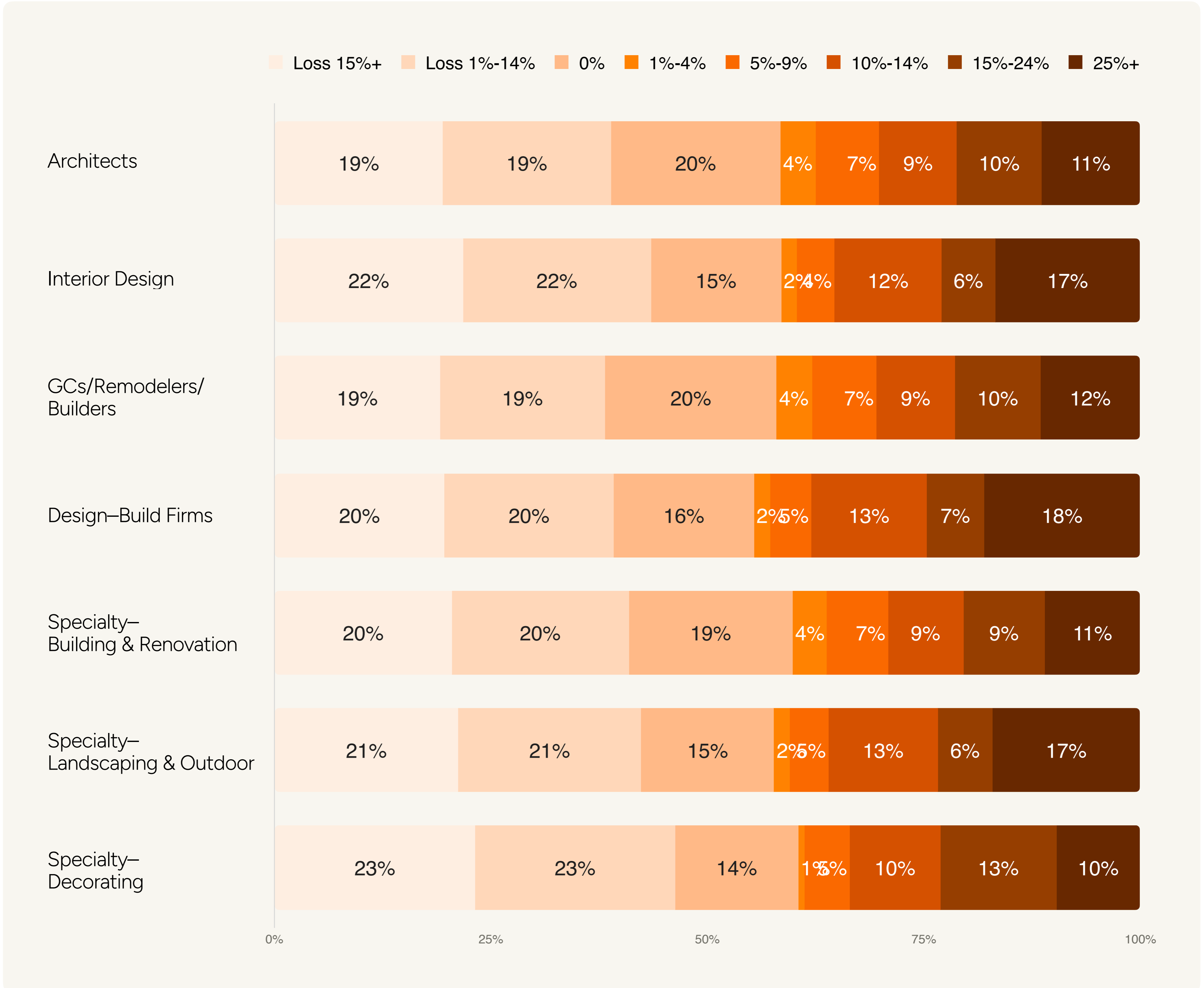
**FIRMS (%) EXPECTING INCREASE OR DECREASE
IN COST OF DOING BUSINESS AND NUMBER OF EMPLOYEES IN 2024**





Appendix D: 2023 Revenue Change Breakdown

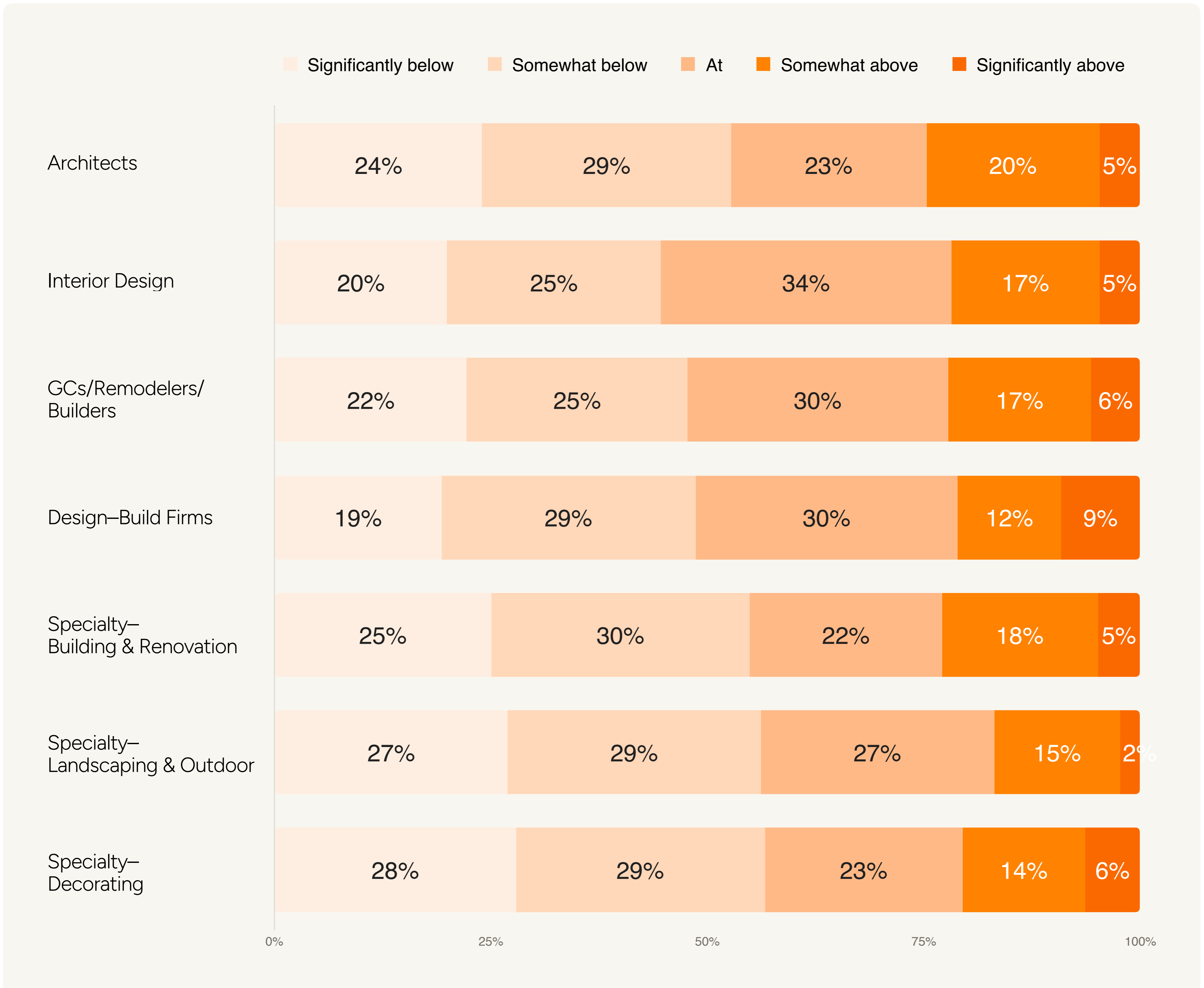
ANNUAL RATES OF REVENUE CHANGE IN 2023, AS REPORTED BY FIRMS (%)





Appendix E: Revenue in 2023 Relative to Expectations

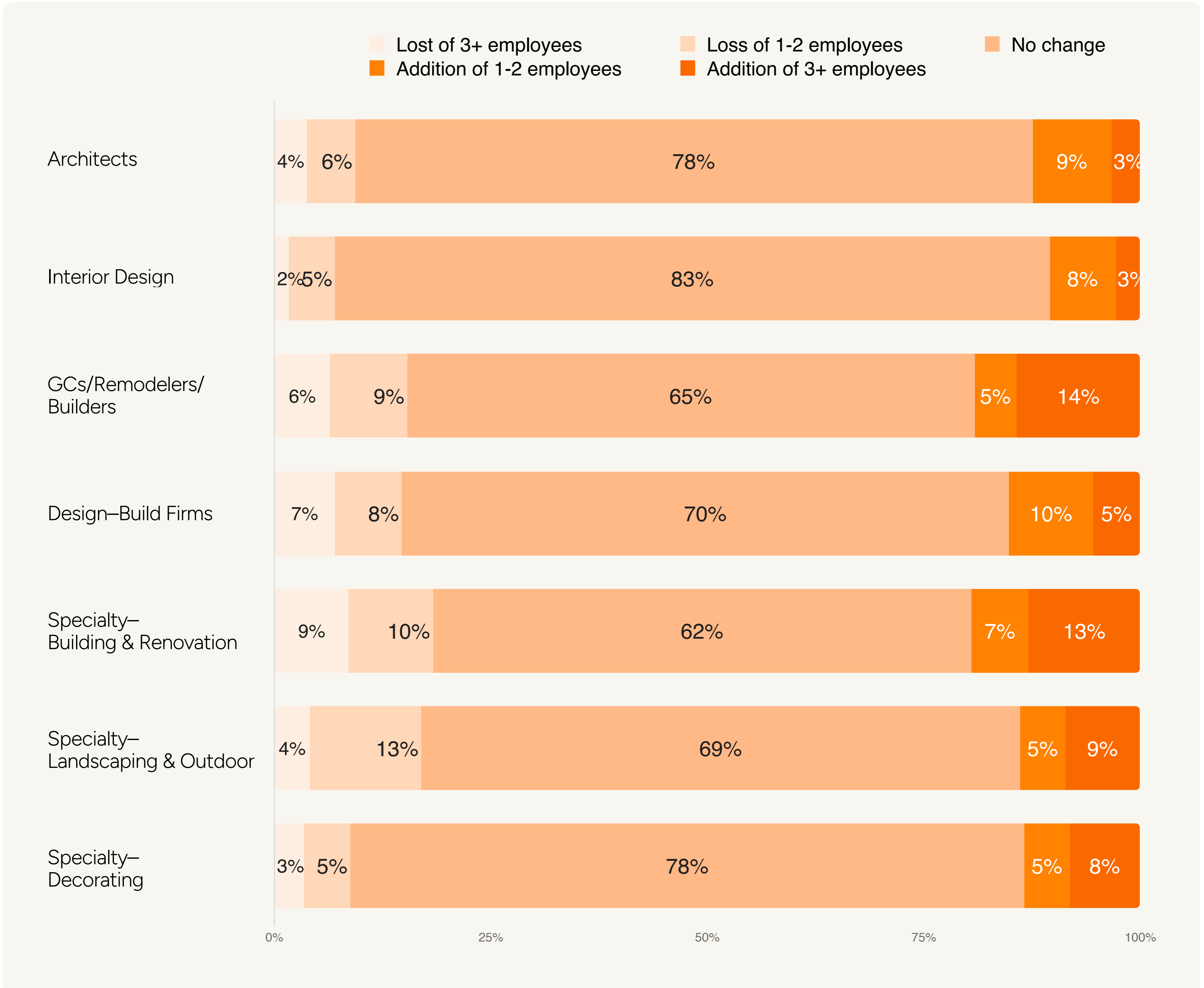
FIRMS (%) REPORTING REVENUE BELOW, AT OR ABOVE EXPECTATIONS IN 2023





Appendix F: Changes in Staff in 2023

FIRMS (%) REPORTING CHANGE IN NUMBER OF EMPLOYEES IN 2023





Appendix G: Cost Drivers in 2023

FIRMS (%) REPORTING DRIVERS FOR INCREASE IN COST OF DOING BUSINESS IN 2023 (LIMIT 3)

	Architects	Interior Designers	GCs/ Remodelers/ Builders	Design-Build Firms	Specialty — Building & Renovation	Specialty — Landscaping & Outdoor	Specialty — Decorating
Advertising/ marketing costs	19%	29%	14%	16%	20%	22%	27%
Business insurance costs	37%	18%	31%	23%	27%	31%	18%
Employee wages or benefits costs	43%	30%	44%	48%	51%	45%	29%
Legal/accounting fees	15%	8%	5%	6%	5%	5%	10%
Licensing fees	10%	2%	3%	3%	5%	5%	2%
Office equipment costs	23%	12%	4%	4%	3%	6%	8%
Office lease/utilities costs	18%	16%	8%	9%	10%	12%	20%
Permitting requirements/fees	11%	2%	10%	13%	5%	6%	4%
Product or material costs	23%	60%	74%	76%	78%	68%	73%
Software costs	44%	25%	5%	6%	7%	16%	11%
Subcontractor costs	21%	38%	62%	54%	37%	29%	30%
Other costs	5%	10%	8%	7%	10%	15%	14%



Appendix H: Business Challenges in 2023

FIRMS (%) REPORTING BUSINESS CHALLENGES IN 2023 (LIMIT 3)

	Architects	Interior Designers	GCs/ Remodelers/ Builders	Design-Build Firms	Specialty — Building & Renovation	Specialty — Landscaping & Outdoor	Specialty — Decorating
Managing the current workload	12%	13%	8%	8%	8%	6%	5%
Price volatility of products & materials	16%	11%	14%	10%	11%	14%	10%
Managing consumer expectations	14%	15%	14%	14%	7%	12%	11%
Managing consumer concerns about costs	22%	24%	10%	20%	15%	23%	14%
Difficulty hiring/being understaffed	12%	7%	22%	20%	22%	23%	11%
Increased building regulation	24%	1%	6%	6%	5%	6%	1%
Availability of products & materials	4%	7%	6%	6%	3%	3%	6%
Shortage of subcontractors	9%	21%	19%	23%	13%	8%	9%
Difficulty finding prospective customers	26%	30%	24%	19%	28%	26%	31%
Increased cost of doing business	23%	27%	52%	45%	50%	44%	42%
Difficulty staying organized	4%	6%	3%	5%	3%	4%	3%
Weak/uncertain national economy	21%	14%	19%	18%	20%	23%	31%
Weak/uncertain local economy	16%	13%	15%	16%	13%	14%	12%
Increased business competition	9%	13%	10%	13%	14%	17%	23%
Difficulty collecting payments	13%	7%	8%	10%	12%	7%	6%
Increased popularity of DIY	1%	6%	3%	3%	0%	1%	6%
Difficulty increasing or maintaining profit margin	6%	8%	7%	10%	9%	4%	7%
Tight business lending	7%	4%	7%	2%	4%	4%	3%
Other challenges	13%	8%	3%	7%	10%	12%	5%



Appendix I: Strategies Implemented to Address 2023 Business Challenges

FIRMS (%) REPORTING BUSINESS STRATEGIES IMPLEMENTED IN 2023

	Architects	Interior Designers	GCs/ Remodelers/ Builders	Design-Build Firms	Specialty — Building & Renovation	Specialty — Landscaping & Outdoor	Specialty — Decorating
Changed contract terms and conditions	34%	27%	23%	28%	22%	19%	22%
Changed project pricing or bidding	40%	37%	46%	42%	50%	49%	39%
Chose projects of smaller scope and size	13%	9%	7%	8%	10%	11%	11%
Chose projects of larger scope and size	16%	14%	16%	13%	13%	13%	10%
Lengthened promised project timelines	24%	23%	19%	27%	20%	24%	12%
Limited geographic area of projects	10%	10%	23%	15%	12%	22%	13%
Reduced quantity of projects taken on	18%	15%	14%	10%	13%	17%	13%
Relied heavily on vendor relationships	4%	22%	13%	14%	12%	15%	12%
No new strategies	22%	20%	15%	18%	15%	9%	21%
Other strategies	1%	3%	4%	5%	5%	7%	10%