

Research Brief

January 2016

Strong 2016 Growth Expected By Remodelers

Conducted in December, the fourth-quarter 2015 NARI Remodeling Business Pulse (RBP) data of current and future remodeling business conditions found strong expectations of growth in 2016.

With 2016 to start shortly after the survey was conducted, remodelers were asked for their projected sales change for 2016. Results were surprisingly strong, with a projected average change of +13.1%. Eighty percent of remodelers expect some level of growth in 2016 versus only 10% seeing any level of decline.

Remodeling Business Pulse		
December 2015		
Comparison To The Same Time Last Year	Current Rating*	Rating Change**
Current Business Conditions	6.05	0.3%
Number of inquiries	5.73	-4.8%
Requests for bids	5.77	-4.6%
Conversion from bids to jobs	5.75	-1.0%
Value of jobs sold	6.21	0.3%
Outlook for 3 months from now	5.98	-5.46%
* Rating is from 1 to 9 where 1 is much worse than year ago and 9 is much better, 5 is about the same as last year		
** Change is vs. Prior Quarter for Current Conditions and subparts; vs. December 2014 for Outlook for 3 months from now		

The outlook for business in the first quarter 2016 was at 5.98, a significant decline from last years' 6.32 (ratings above 5 signify growth). This would indicate an expectation of the year starting with growth that was slower than in the first quarter of 2015. A majority (58%) of remodelers are expecting growth while a much smaller group (14%) sees some level of decline.

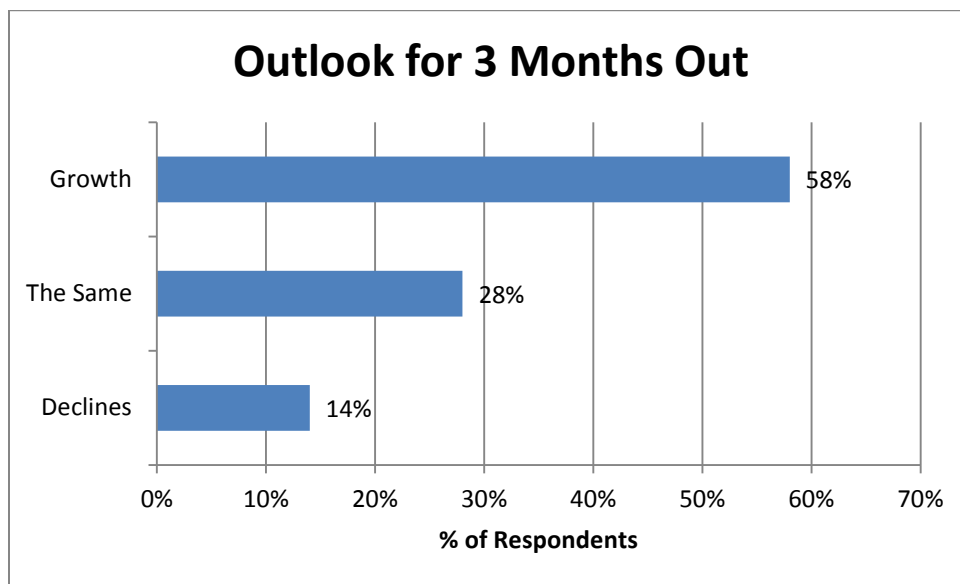
The balance (28%), see sales being about where they were last year. While still positive, those seeing growth are 4.2 times those seeing declines in this wave while the same ratio was 7.4 times last year.

Remodelers were asked about what is driving growth. 'Postponed projects' (63%) remained the top driver just slightly above the 61% in September. At 48% there was a tie for the second place driver with 'Economic growth' increasing from 43% in the prior wave. Also at #2 was 'home prices improving' which declined slightly from its previous 50% level. Anticipation of higher interest rates clearly contributed to a drop in 'low interest rates' being a driver of growth. It fell from 45% in September, down to 34% in December.

Looking at the current conditions (4th quarter 2015) yielded results similar to the September survey. The current business rating was 6.05, solidly in the growth range.

Three of the four sub-components that drive the overall current rating were down versus last quarter. None of the declines were statistically significant. There is a grouping of measures at about 5.7 ('Number of inquiries', 'Requests for bids', and 'Conversion from bids to jobs'). All of these three measures had directional declines. 'Sales value of jobs' was the exception by being at a higher level (6.2) and the only one that did not decline this quarter. It appears that larger projects are driving growth.

One respondent pointed to the backlog of postponed jobs as being the key driver: "In our market there simply tends to be a high demand for new and improved housing. Pent up demand is the driving force for much of it."



Survey Methodology

This study is conducted by Consumer Specialists for the National Association of the Remodeling Industry (NARI). The survey was done online with 153 NARI members who volunteered to be part of an ongoing research panel. Conducted from December 11th to 20th, the study incorporates a series of questions on current and future business conditions. Respondents provide input on both current and future conditions compared to the previous year and the strength of that change. The analytical approach to the future business measure, 'Outlook for 3 months out,' has been modified starting to compensate for strong seasonal effects that were masking the trends. This measure is now compared to the results from the same time the prior year.

The next wave of this study is scheduled for March 2016 with results published in April 2016.
