

## Home Improvement

### *Home Improvement - Recent Performance*

The home improvement industry has recorded consistent, substantial growth over the past 14 years. Since about 2002, growth in the home improvement market has been driven by a growing economy, significant home refinancing activity, and a favorable housing market supported largely by historically low interest rates.

Despite an anticipated decline in home improvement spending, the industry has remained robust with sales increasing in both 2005 and 2006. The latest available statistics show that home improvement product sales were expected to increase a solid 8.8% to \$312 billion in 2006 following significant growth of 9.2% year-over-year in 2005 when sales totaled \$287 billion. The consumer market accounts for the majority of home improvement product sales – with 2006 projected sales estimated at \$231 billion, up 9% y/y. Sales in the professional market (contractors) were expected to rise 8.1% in 2006 to \$80.7 billion.

### *Home Improvement - Industry Outlook*

Heading into 2007, analysts project home improvement products sales will increase 1.3%, with slight gains expected in both the consumer and commercial markets. Factors that are expected to cause this slower growth include a contraction in the housing market, higher interest rates, slowing home price appreciation, and higher energy costs.

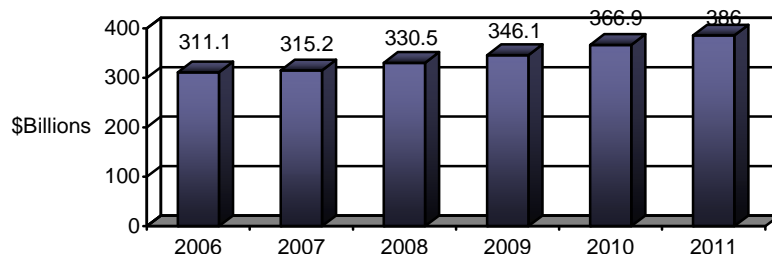
The long term outlook for the market remains strong, with average annual growth of 5.2% projected from 2008 through 2011, slightly slower than the growth rate recorded from in recent years, but still well ahead of the rate of overall economic growth.

### *Home Improvement – Industry Trends/Issues*

In today's real estate market, more homeowners are making improvements to their homes in order to increase their value. A recent survey by MARC Research shows that 60% of homeowners believe the best way to increase the value of their home is to put more effort and resources towards home improvement.

The survey also shows that more than half (56%) of sellers made a major home improvement before putting their home on the market, and just over a third (37%) of potential buyers are more likely to purchase a home knowing that it had recently undergone renovation or improvements. Furthermore, 39% of respondents revealed that their decision to buy a property could be influenced by what home improvement was made.

**U.S. Home Improvement Products Market Outlook:  
2006-2011**



Source: HIRI, January 2007