

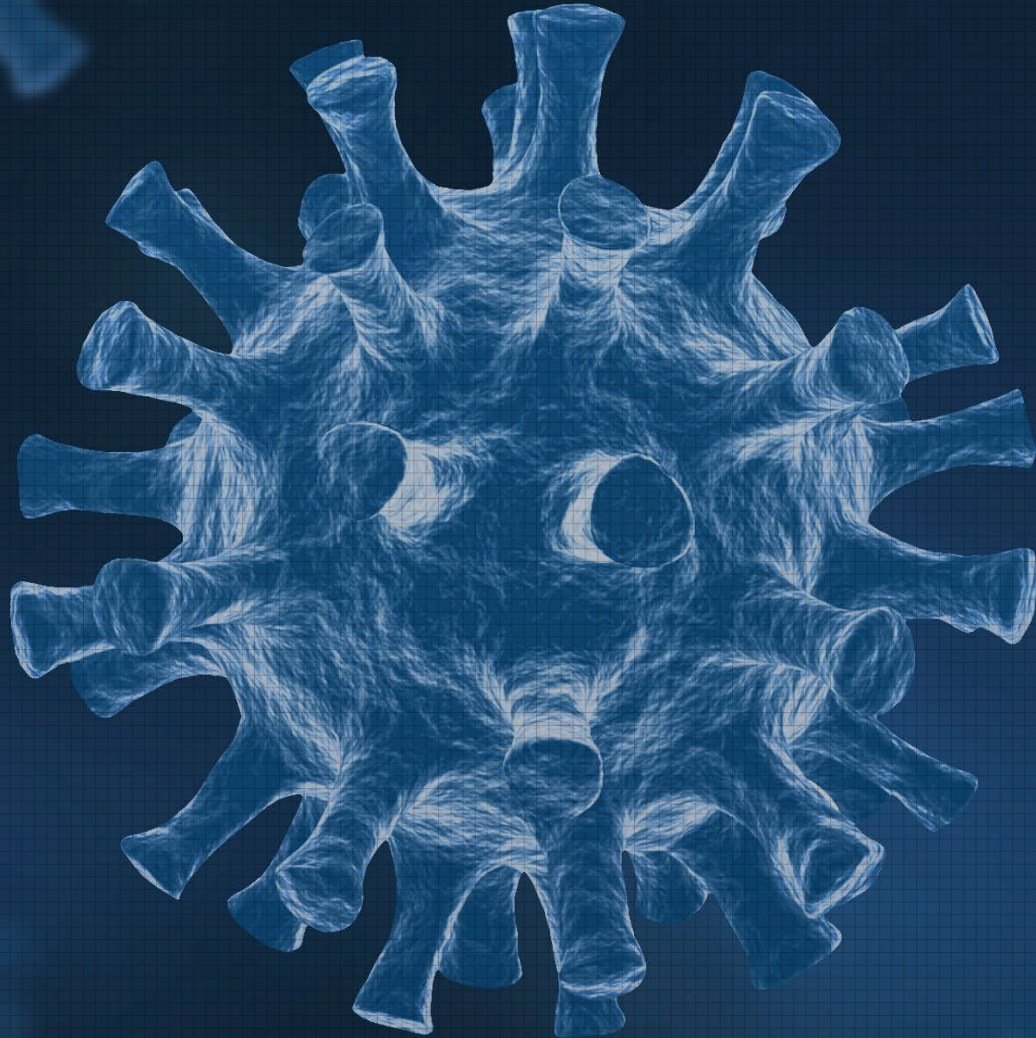


CV-19 Assessment

IMPACT ON HOME IMPROVEMENT, CONSTRUCTION & RELATED TRADES

INSIGHTS FROM SECONDARY DATA

APRIL 2020



THE SPREAD OF COVID-19 HAS FORCED MOST PEOPLE TO SPEND AN EXTENDED AMOUNT OF TIME AT HOME. WITH THIS NEWFOUND TIME, CONSUMERS ARE ACTIVELY SEARCHING FOR EFFECTIVE WAYS TO IMPROVE THEIR SURROUNDINGS.

SINCE MANY HARDWARE RETAIL STORES AND TRADE WORKERS ACROSS THE COUNTRY ARE DEEMED ESSENTIAL, MANY ARE USING THIS TIME TO COMPLETE LONG PUT OFF HOME IMPROVEMENT PROJECTS.

WHAT DOES THIS MEAN FOR HOME IMPROVEMENT, CONSTRUCTION & RELATED TRADES?

- Many see the extended amount of time at home as an opportunity to focus on home improvement projects.
- However, rather than pay a professional to complete many of these tasks, many consumers are electing to take on these projects themselves.
- Increased activity in Do it Yourself (DIY) home improvement projects has ultimately contributed to a dip in demand for many paid professionals as consumers look to protect their family's physical and financial health.



COVID-19 IS DRIVING CONSUMERS TO FOCUS ON IMPROVING THEIR HOMES, WHICH IMPACTS THE FOLLOWING AREAS...

01

Retailers are experiencing a significant increase in home improvement store visits

02

There has been increased DIY activity on home improvement projects

03

However, there has been a decline in home builder and professional contractor usage

04

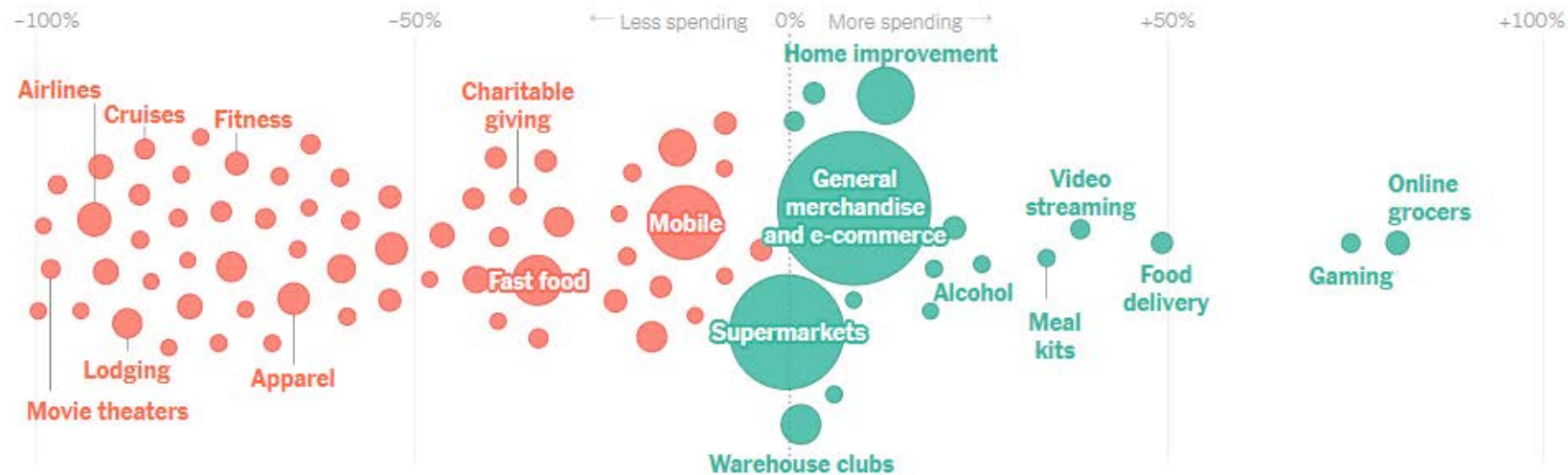
Fortunately, several specialty trade industries are a light during these uncertain times



**RETAILERS ARE EXPERIENCING A SIGNIFICANT
INCREASE IN HOME IMPROVEMENT STORE VISITS...**

“HONEY DO” LISTS ARE GETTING DONE...

- Home improvement stores are seeing increases across nearly every store category as customers stock up on cleaning supplies, appliances, and DIY project materials.
 - Refrigerators are being snapped up to keep food from spoiling and freezers are being purchased for those buying in bulk like never before.
- Home improvement spending has increased, even more so than supermarkets and club stores



“

"Now that people are spending more time at home, things are becoming more evident that they need to replace, fix and repair." –

Lowe's CEO and president Marvin Ellison

Source:

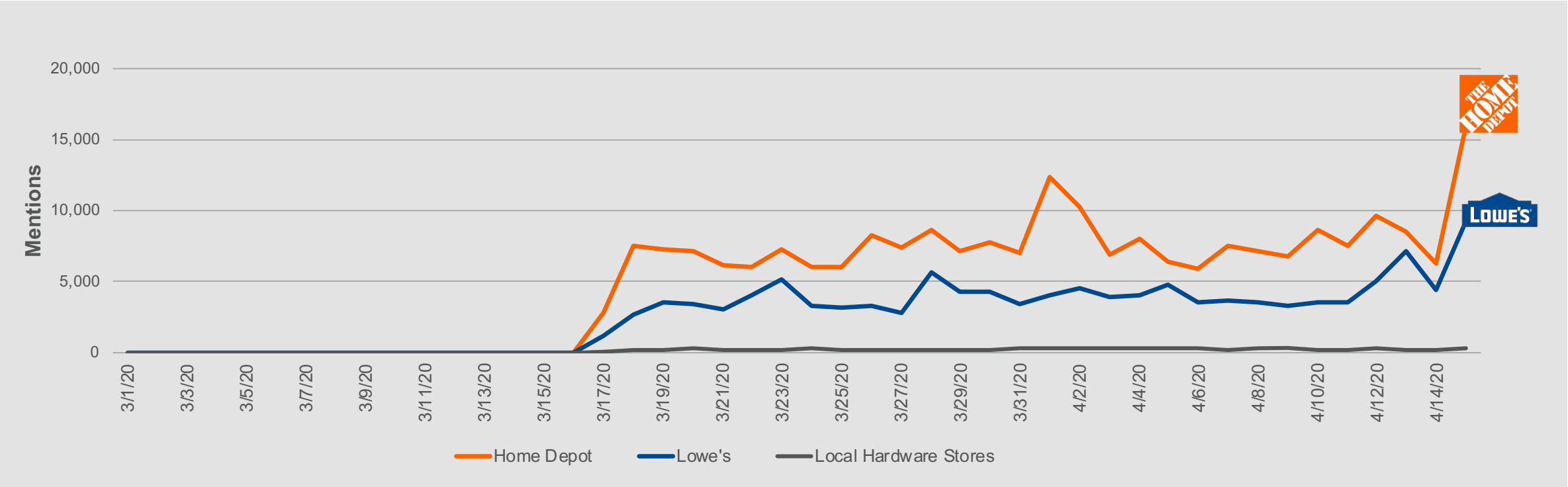
NY Times, "Coronavirus Impacting US Economic Spending", <https://www.nytimes.com/interactive/2020/04/11/business/economy/coronavirus-us-economy-spending.html>

Fortune, "Lowe's CEO Says Business is Holding Up", <https://fortune.com/2020/03/25/coronavirus-lowes-ceo-business-is-holding-up/>

KCRG, "With More People Home Bound Hardware Store Prepping for People to Tackle More Spring Home Improvement Projects", <https://www.kcrg.com/news/people-home-bound-hardware-store-tackle-home-improvement-projects.html>

MENTIONS ON SOCIAL MEDIA OF HOME IMPROVEMENT STORES BEGAN TO CLIMB IN MID-MARCH

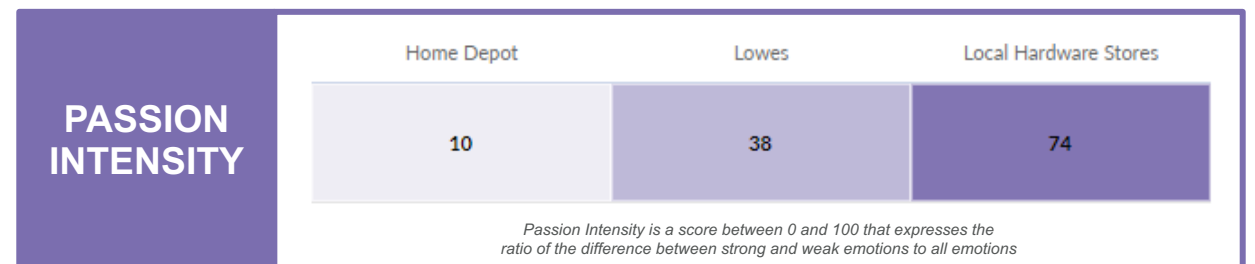
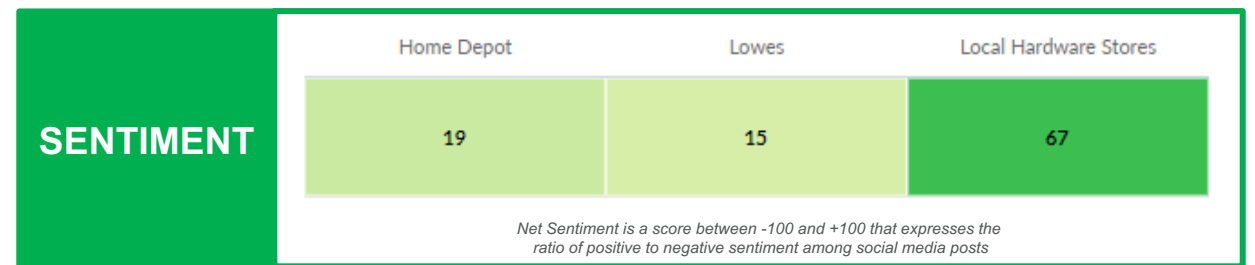
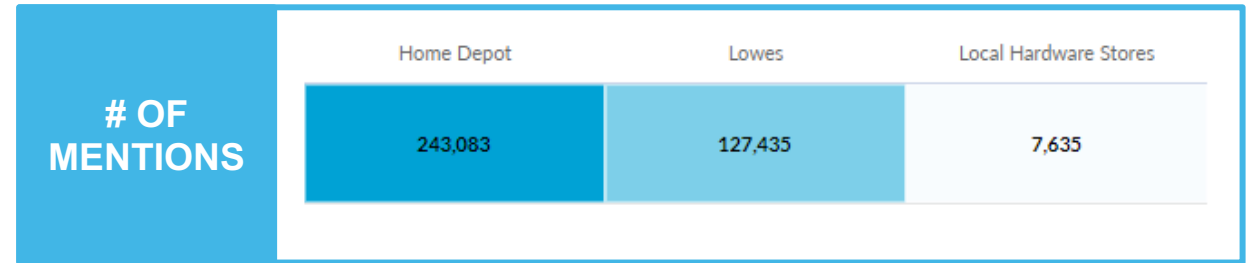
- Home Depot receives the most mentions, with Lowe's following closely behind.
- Posts gathered steam around the 16th of March and have held steady for the past month.



Source: NetBase Social Media Software, Social Media Mentions as it relates to comments for Home Depot, Lowe's, and other local hardware stores, March 1 2020- April 15, 2020

LOOKING AT SOCIAL LISTENING, CONSUMERS MENTION HOME DEPOT MOST, BUT APPEAR TO HAVE A DEEP CONNECTION TO LOCAL STORES

- Hardware stores like Home Depot and Lowe's have been deemed "essential" throughout the country, providing consumers somewhere to obtain all of the resources they need to take care of their DIY home projects.
- On social media, Home Depot is mentioned twice as often as Lowe's, while local hardware stores lag behind (partly due to the many different names consumers use when talking about these local stores)
- Sentiment tells a different story though, as consumers appear more appreciative and supportive of smaller, local stores that may be struggling more during the pandemic.
- The same can be said regarding their level of passion, with consumers using stronger emotional language when discussing local hardware stores.



Source: NetBase Social Media Software, Social Media Mentions, Sentiment, and Passion as it relates to comments for Home Depot, Lowe's, and other local hardware stores, March 1 2020- April 15, 2020

HOME IMPROVEMENT RETAILERS ARE TAKING PROACTIVE STEPS TO MAKE CONSUMERS FEEL SAFER AND SUPPORTED WHILE SHOPPING

INDUSTRY RESPONSE



On the Lowe's website, Lowe's outlines measures being taken to protect consumers as well as associates. Steps include...

- Temporarily closing stores at 7pm for product replenishment and thorough cleaning.
- Enhanced social distancing protocols using social distancing ambassadors to monitor customer flow.
- Substantial updates to floor layouts to support CDC guidelines (i.e., opening aisle space by removing displays).
- Developed an app for customer limit protocols, available on associates' handheld devices. Each store manager can monitor and limit foot traffic.
- Installed Plexiglass shields at all points of sale to protect employees and customers.
- Added announcements, store signage, and other guidelines that emphasize the importance of social distancing.
- Implemented a more robust curbside pickup process.
- Increased wages by \$2 for employees.
- Made masks and gloves available for employees who want them.
- "Stop sale" on all N95 masks and donated to hospitals to protect frontline healthcare workers.



On the Home Depot website, the company outlines a variety of proactive steps being taken in order to protect both customers and associates as well. These steps include...

- Adjusting store hours to close around 6pm for time to spend cleaning and stocking.
- Promoting social and physical distancing in stores and distribution centers, providing distancing markers at counters, signage throughout stores, and announcements asking customers to maintain safe distances.
- Requiring health checks via thermometer for every employee prior to working.
- Providing hourly associates an additional 80 hours of PTO and part-time an additional 40 hours. Associates older than 65 and at higher risk for COVID-19 are given more hours.
- Associates diagnosed with COVID-19 are provided paid time off until they are released from a doctor to return to work.
- Voluntarily froze pricing nationwide across product categories.
- Executed a "stop sale" on all N95 masks and redirected all shipments to be donated to hospitals, healthcare workers, and first responders.
- Donating millions of dollars in personal protective equipment and other products prioritizing fulfillment to hospitals, healthcare providers, and first responders.
- Limiting product installations to those that are essential.

AS CONSUMERS SHOP FOR HOME IMPROVEMENT, RETAILERS SHOULD FOCUS ON PUTTING THEM AT EASE

WHAT ARE THE IMPLICATIONS?

As people continue to take on projects themselves, it is essential for hardware stores to meet their ever changing needs. Potential changes in customer values include...

HEIGHTENED IMPORTANCE ON CLEANLINESS

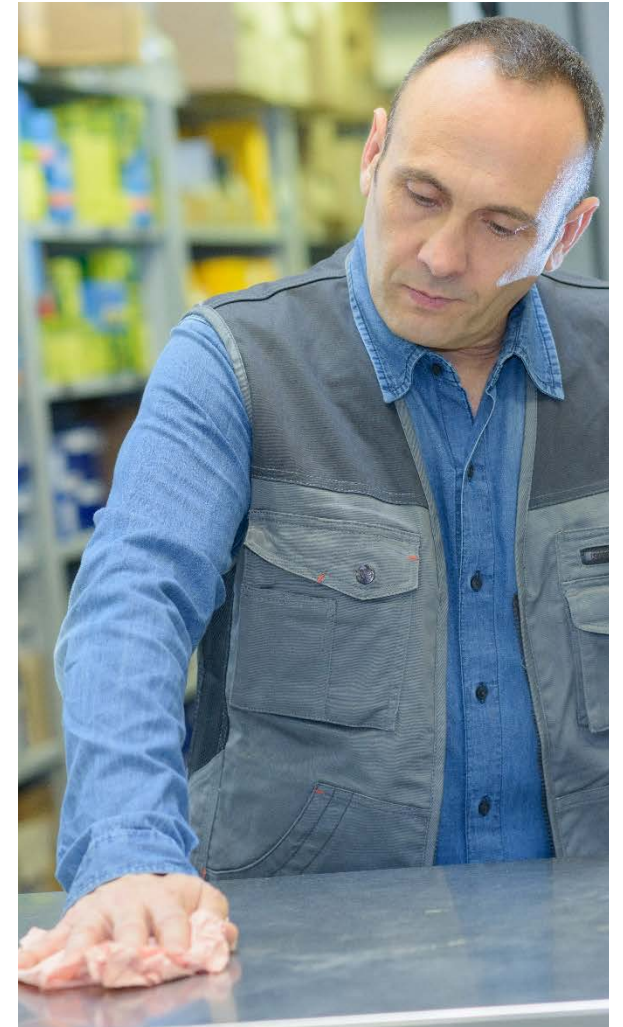
- As COVID-19 spreads, consumers are likely to become more sensitive to how clean stores are before entering. It is essential for retail stores to communicate steps being taken to maintain a clean environment while providing customers with visual queues that help ease their concerns.

GREATER RELIANCE ON ONLINE ORDERING / CURB-SIDE PICK-UP / DELIVERY

- Consumers fear contracting the virus and are often turning to “contactless” options for getting the products they need. It is essential for retail stores to beef up their online presence and make the pick-up process as seamless and contactless as possible.
- Consumers are using delivery options more than ever before and expect convenience in all their shopping needs; investigate feasibility of expanding delivery service to customers.

SUPPORT

- Providing customers with increased digital touchpoints such as live chat, greater access to how-to information, etc., can give them peace of mind to make purchases quickly and confidently, particularly in times of economic uncertainty.



**THERE HAS BEEN INCREASED DIY ACTIVITY
ON HOME IMPROVEMENT PROJECTS...**

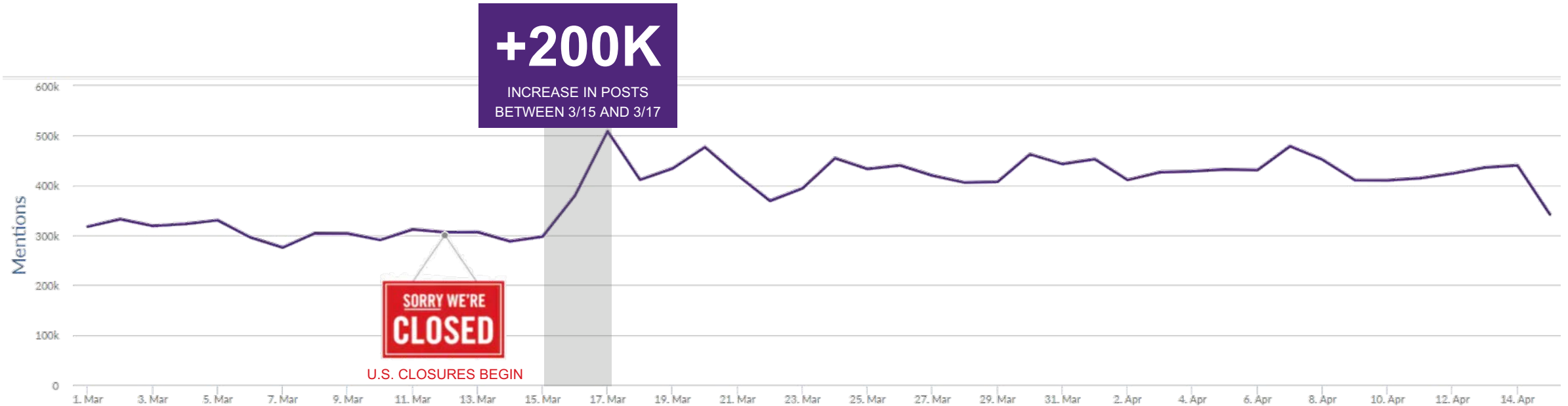
THE SPREAD OF COVID-19 HAS LED CONSUMERS TO TAKE A DIY APPROACH FOR COMPLETING HOME IMPROVEMENT PROJECTS

- As COVID-19 spreads and “shelter in place” orders are enacted across the country, consumers find themselves with a **significant amount of time spent at home**.
- Many see this increased time at home as an opportunity to **finally take care of projects around the house**. To avoid the **additional cost of hiring a professional**, along with the **risk of face-to-face contact**, many are taking on these projects themselves.
- DIY projects come in all shapes, sizes, and costs. However, according to an impromptu survey of shoppers at Home Depot, **interior painting and outdoor landscaping** are two of the most popular projects.
- A quick search online **offers hundreds of major and minor DIY project ideas**. Among the most popular searches are...
 - Building tables
 - Reupholstering furniture
 - Interior and exterior painting
 - Making and repairing doors
 - Building cabinets, shelves, and chairs



Sources:
TD Ameritrade, “How COVID-19 Is Sparking DIY Home Renovation”, <https://tickertape.tdameritrade.com/investing/how-covid-19-is-sparking-diy-home-renovation-18037>

MENTIONS IN SOCIAL MEDIA SHOW THAT AS THE ECONOMY BEGAN TO SHUT DOWN, THE DIY HOME IMPROVEMENT CONVERSATIONS GREW

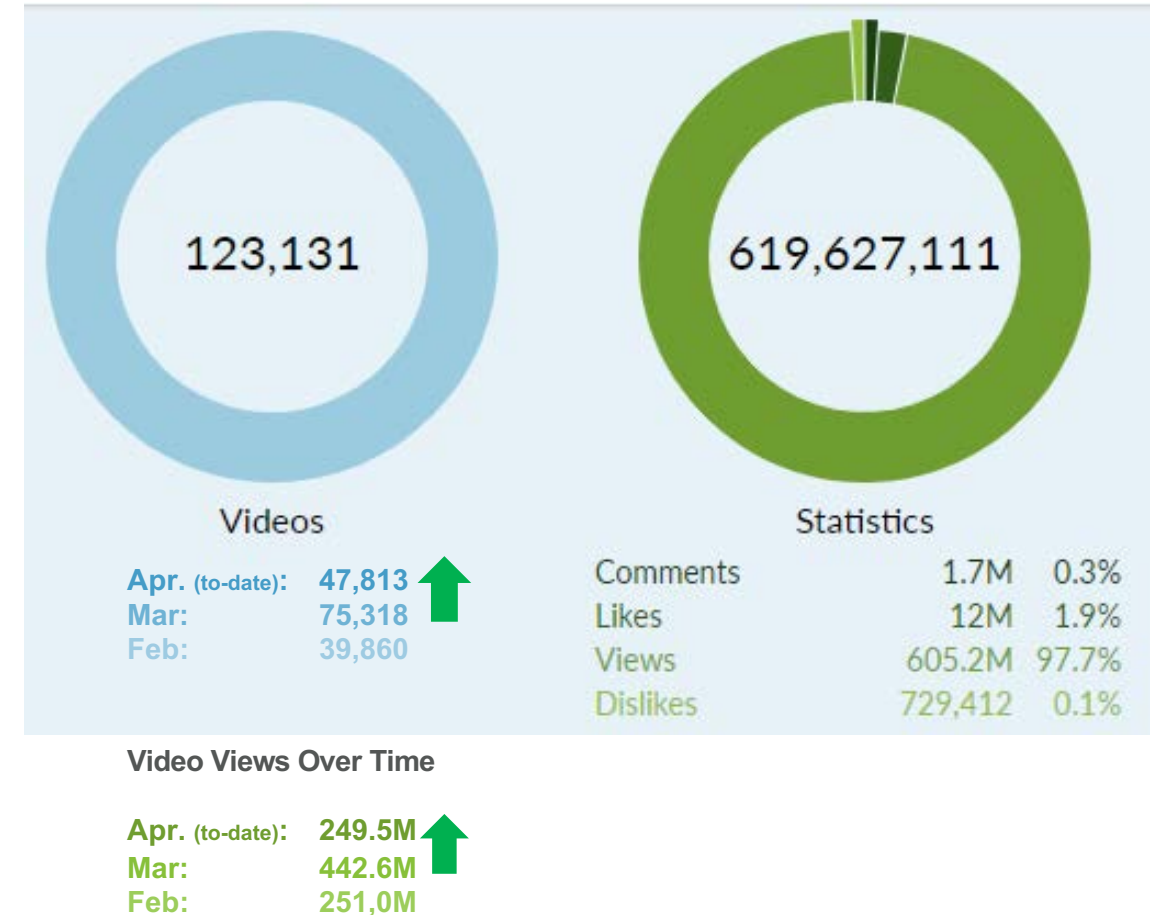


- Social media mentions of Home Improvement projects increased notably between March 15 and March 17, with most of that momentum carried through April.
- The majority of these mentions have positive sentiment (85%) compared to the broader COVID-19 conversations, with only 43% positive sentiment, though customer frustration with their lack of DIY expertise comprises the majority of negative posts.

Source:
NetBase Social Media Software, Home Improvement Mentions, February 20 – April 14, 2020

ASIDE FROM SOCIAL MEDIA DISCUSSIONS, PEOPLE ARE ALSO USING ONLINE RESOURCES TO ACCOMPLISH HOME IMPROVEMENT PROJECTS

- In addition to an uptick in conversations around home improvement projects, we are also seeing **an uptick in YouTube videos related to home improvement.**
 - There are currently over 123,000 videos with home improvement terms in their descriptions.
 - The number of these videos almost doubled from February to March, and April views are on track to surpass March numbers.
 - Views of these videos have similarly increased, with April numbers on track to exceed March.
 - Home improvement-related videos have been viewed more than 600 million times.
- Consumers appear to be turning to free **digital resources rather than a paid professional** to help them accomplish their home improvement goals.



Source:
NetBase Social Media Software, YouTube videos with home improvement terms in their descriptions, March 1 – April 14, 2020

AS CONSUMERS TAKE ON MORE DIY PROJECTS, IT IS IMPORTANT THAT RETAILERS PROVIDE THE GUIDANCE AND SUPPORT THEY NEED

WHAT ARE THE IMPLICATIONS?

EMBRACE THE SURGE OF THE DIY TREND

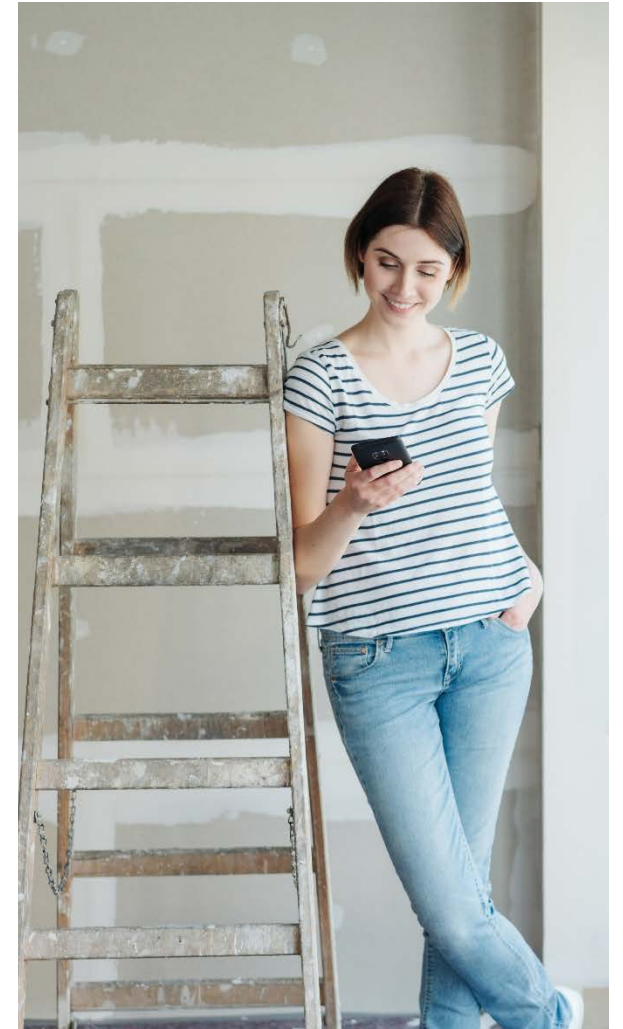
As consumers strive to become more independent with their home improvement projects, hardware retailers should provide them with the necessary support to succeed. Hardware stores should further embrace the DIY trend and position themselves as a provider for all the tools and equipment they need to accomplish their tasks.

EXPLORE DIGITAL CAPABILITIES

COVID-19 has driven consumers to avoid going into stores in order to pick up products. Explore digital capabilities to ensure that consumers are able to quickly order and pick up all the equipment they need when going to the store.

POSITION YOURSELF AS THE EXPERT

As consumers embrace more DIY projects, retail hardware stores should position themselves as the primary experts in the field, and expand the digital tools to provide consumers with the guidance they need to tackle some of the more challenging home improvement projects they have. This will keep these new DIY'ers coming back for the long term.



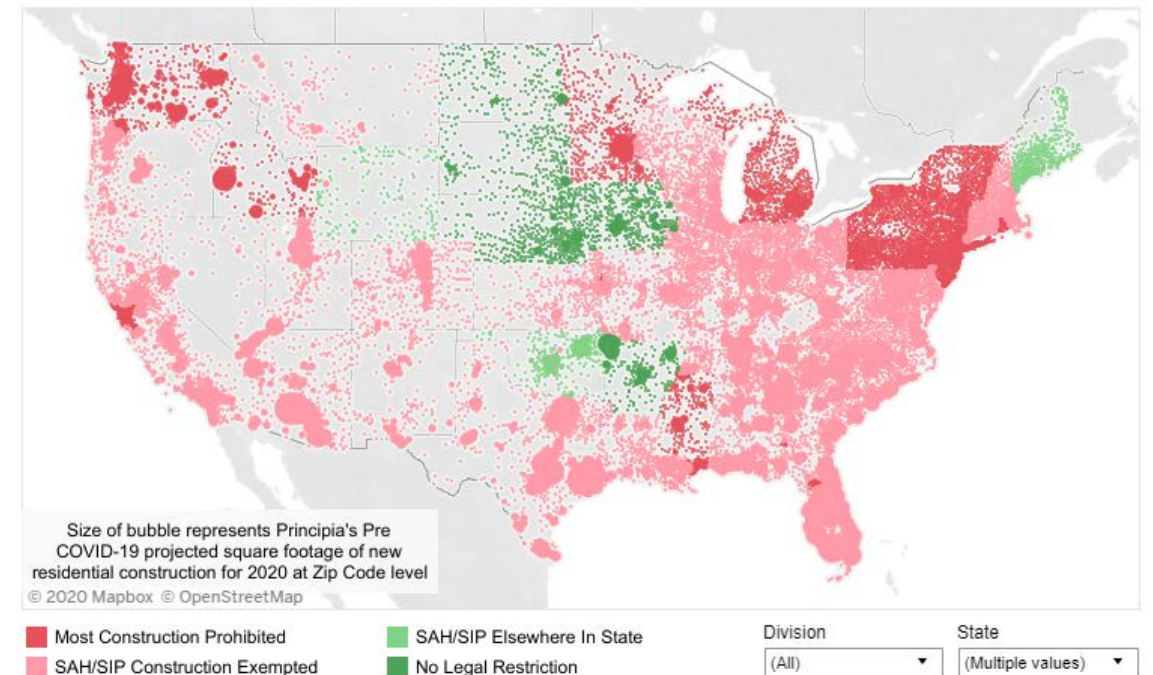
**HOWEVER, THERE HAS BEEN A DECLINE IN HOME
CONSTRUCTION AND PROFESSIONAL CONTRACTOR
USAGE...**

FINANCIAL UNCERTAINTY, SUPPLY CHAIN CHALLENGES, AND GOVERNMENT REGULATIONS ARE ALL IMPACTING RESIDENTIAL CONSTRUCTION

- As consumers elect to take on more home improvement projects themselves, professionals within the industry **experience a decline in demand**.
- This is not only evident within the **home renovation, remodeling, and roofing contractors** but can also be felt among **homebuilders**.
- Homebuilders, remodelers and roofers are **beginning to see slowdowns** in work coupled with **delayed projects** and **increased cancellations** driven by financial uncertainty, supply chain issues, and government regulations.
 - **New residential home building declined 22%** from February to March, with a **43% drop in the Northeast**, hardest hit by the crisis.
 - A recent survey from the National Roofing Contractors Association (NRCA) shows that **52% of roofing contractors** said the COVID-19-fueled shutdown has already had a **significant or very significant impact on their business**.
 - **59%** saw a **slowdown in normal bid activity**, with **45%** having suffered **job cancellations**.

- While construction is down overall, some states are still building...for now.

COVID-19 New Construction Impact Map



Sources:

"Construction Impact: How COVID-19 is silencing the shovels", <https://www.minneapolisfed.org/article/2020/construction-impact-how-covid-19-is-silencing-the-shovels>, Principia Consulting, "COVID-19 Bulletin Impact on Residential Construction Activity", <https://www.principiaconsulting.com/covid-19-bulletin-impact-on-residential-construction-activity/>, Building Design Construction, "COVID-19 alert: Most U.S. roofing contractors hit by coronavirus, says NRCA", <https://www.bdcnetwork.com/nrcacovid19survey040720>, CNN Business, "Coronavirus is Crushing US Homebuilding", <https://www.cnn.com/2020/04/16/economy/housing-starts-march-coronavirus/index.html>, Housing Wire, "Housing Activity Stays Strong Despite Coronavirus Concerns", <https://www.housingwire.com/articles/housing-activity-stays-strong-despite-coronavirus-concerns/>

PROJECT DELAYS AND CANCELLATIONS ARE PRIMARILY DRIVEN BY FINANCIAL UNCERTAINTY

FINANCIAL UNCERTAINTY

- There are a variety of reasons for delays and cancellations, but the **main culprit has largely been uncertainty.**
- Throughout nearly all industries, **consumers are more closely monitoring their spending due to such financial uncertainties.** As disposable income for many falls, and unemployment rises, people are prioritizing financial stability and looking to more cost-effective ways to improve their homes, such as DIY projects.
- This financial insecurity has led **many clients to put a pause on professionally-contracted home improvement projects** or even cancel all together.
- These project delays / cancellations have in turn led to **cuts in the workforce** throughout the industry, coupled with **cutbacks on capital expenditures like equipment.**



Sources:

"Construction Impact: How COVID-19 is silencing the shovels", <https://www.minneapolisfed.org/article/2020/construction-impact-how-covid-19-is-silencing-the-shovels>

Principia Consulting, "COVID-19 Bulletin Impact on Residential Construction Activity", <https://www.principiaconsulting.com/covid-19-bulletin-impact-on-residential-construction-activity/>

Housing Wire, "Housing Activity Stays Strong Despite Coronavirus Concerns", <https://www.housingwire.com/articles/housing-activity-stays-strong-despite-coronavirus-concerns/>

IN ADDITION TO UNCERTAINTY, HOMEBUILDERS AND REMODELERS ARE ALSO FACING SUPPLY CHAIN DISRUPTIONS

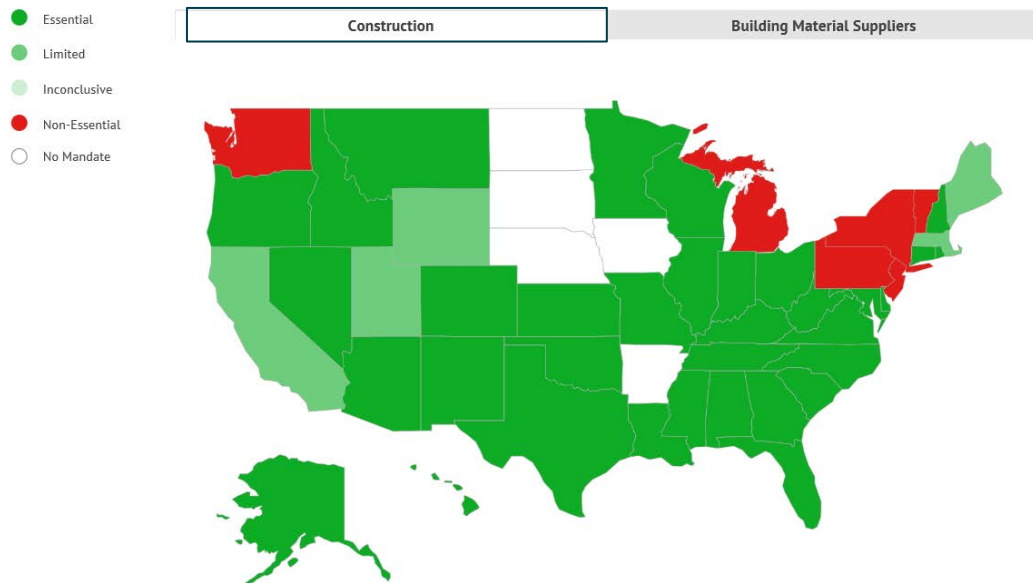
SUPPLY CHAIN DISRUPTIONS

- The NAHB / Wells Fargo survey indicates that **21% of builders experienced some disruption in supply** caused by COVID-19, and that number grows to **33% if you isolate those who replied after March 6th**.
- Many **building resources have become scarce** or are at risk of becoming scarce domestically due to shipping delays, travel bans, shuttered factories, and decimated workforces.
- It is estimated that about **1/3 of residential building material comes from China**, the original epicenter of the COVID-19 outbreak. These imports from China include tiles, various finishes, faucets and sinks, among other products.
- As for lumber or wood-based products, **many domestic mills are dialing back production of 2x4s, plywood**, and other wood-based building materials as COVID-19 has slowed construction.
- The manufacture and **supply of solar roofing systems have also been heavily impacted** by shutdowns in Asia (where 60-70% of world's solar roofing panels are manufactured).
- **Production of aluminum, plastic, slate, timber, and rubber have all declined worldwide** since the early weeks of the outbreak, mainly due to the lack of workforce and transportation stoppages plaguing much of Asia.
- Along with global supply issues, there are also concerns growing that the industry **will be short on N95 masks** used to protect workers from respiratory hazards on job sites.



Sources:
"Homebuilders Face the Effects of Coronavirus", <https://www.forbes.com/sites/dimawilliams/2020/03/21/homebuilders-face-the-effects-of-coronavirus/#4d403ee24c6e>
"Brace Yourselves, Coronavirus Impact on Roofing Industry Will Be Felt", <https://www.roofingcontractor.com/articles/94350-brace-yourselves-coronavirus-impact-on-the-roofing-industry-will-be-felt>

WHILE CONSTRUCTION IN MOST STATES IS DEEMED “ESSENTIAL,” OTHER MUNICIPALITIES THE INDUSTRY DEPENDS ON ARE NOT



Government Regulations

- Even though homebuilders are considered “essential” in most states, some of the industries and municipalities they heavily depend on to keep work flowing are not. In addition to this, as other businesses are closed down, consumers feel less secure having professionals in their homes working on projects.
- In a recent NAHB (National Association of Homebuilders) survey...
 - 89% of remodelers noted that homeowners cited concerns about interacting with workers and crew.
 - 80% of builders cited an increase in delays of single-family permit approval.
 - 78% experienced delays in building inspections.

Sources:
“Viral Economic Stress: Impacts of the Coronavirus”, <https://www.nahb.org/News-and-Economics/Housing-Economics/Featured-Content/Viral-Economic-Stress-Impacts-of-the-Coronavirus>
The Journal of Light Construction, “Coronavirus Construction Limits: State-by-State Tracker”, <https://www.jlconline.com/coronavirus-construction-limits-state-by-state-tracker>

AS COVID-19 SLOWS DOWN THE HOMEBUILDING / REMODELING INDUSTRIES, IT IS IMPORTANT FOR COMPANIES TO ADAPT

WHAT ARE THE IMPLICATIONS?

- As uncertainty for the economy continues to grow, it is important that homebuilding companies are able to be as supportive and understanding as possible without damaging their bottom line. These are unprecedented times, in which delays and cancellations are expected to occur until things return to a semblance of normal.
- Be transparent about supply chain issues and get out in front of any disruptions. Be sure to reassure consumers that the materials will arrive and the work will be completed.
- Work with distributors to be creative in offers and programs to help them survive this downturn.
- Provide easy-to-use tech for spec'ing, ordering, and touchless delivery (on the roof, at the jobsite, wherever it is needed).
- Explore other innovative ways to make the experience with clients more digital, requiring less face-to-face interaction for the time being.



**FORTUNATELY, SEVERAL SPECIALTY TRADE
INDUSTRIES ARE A LIGHT DURING THESE
UNCERTAIN TIMES...**

SEVERAL HOME IMPROVEMENT INDUSTRIES, SUCH AS PLUMBING AND LANDSCAPING, ARE STILL USED REGULARLY

WHAT IS HAPPENING?

- The spread of COVID-19 has also had an interesting impact on several specialty trade jobs in America.
- Plumbers are experiencing a limited amount of short-term impact by the virus itself. Deemed essential, business has been at similar levels as pre-COVID-19, if not higher in some cases. As people are locked indoors, their reliance on plumbers for advanced plumbing issues is more evident than ever.
 - That is not to say that nothing has changed in the industry. Many plumbers have taken proactive steps to help consumers without needing to travel to their homes. They are using technology to video conference and help solve simple problems with the customer on the other line.
 - For more advanced issues in which the plumber needs to enter the home, they are taking extra precautions like wearing masks, gloves, and shoe nets.
- In addition to plumbers, the landscaping industry is also benefiting from people spending so much of their time at home.
 - In parts of Oregon, phones have been ringing off the hook and business has tripled.
 - In a survey of landscapers in the first week of April, landscapers seem optimistic about the current state of their business, with the majority expecting their business to stay the same or increase.



Sources:

"COVID-19: Impact on the Plumbing Industry", <https://www.pmmag.com/articles/102737-covid-19-impact-on-the-plumbing-industry>

Fox 12 Oregon, "Landscaping industry booms as more people do yard work during COVID-19 pandemic" https://www.kptv.com/news/landscaping-industry-booms-as-more-people-do-yard-work-during-covid-19-pandemic/article_2859dda4-6a46-11ea-97d8

Total Landscape Care: "Landscaper Survey Shows Coronavirus Impact on Green Industry", <https://www.totallandscapecare.com/landscaping-business/landscaper-survey-shows-coronavirus-impact-on-green-industry/>

COMPANIES NEED TO ADAPT TO FIT THE NEEDS OF THE CUSTOMER DURING COVID-19 WHERE CLEANLINESS AND SAFETY ARE KING

WHAT ARE THE IMPLICATIONS?

CLEANLINESS IS KEY

Plumbers and landscapers alike need to be proactive in their fight against COVID-19. Consumers value cleanliness more than ever before. Regularly washing hands and wiping down everything touched in the home is key to building clients' trust in how seriously they care about their customers.

EXPLORE DIGITAL CAPABILITIES / CONTACTLESS OPTIONS

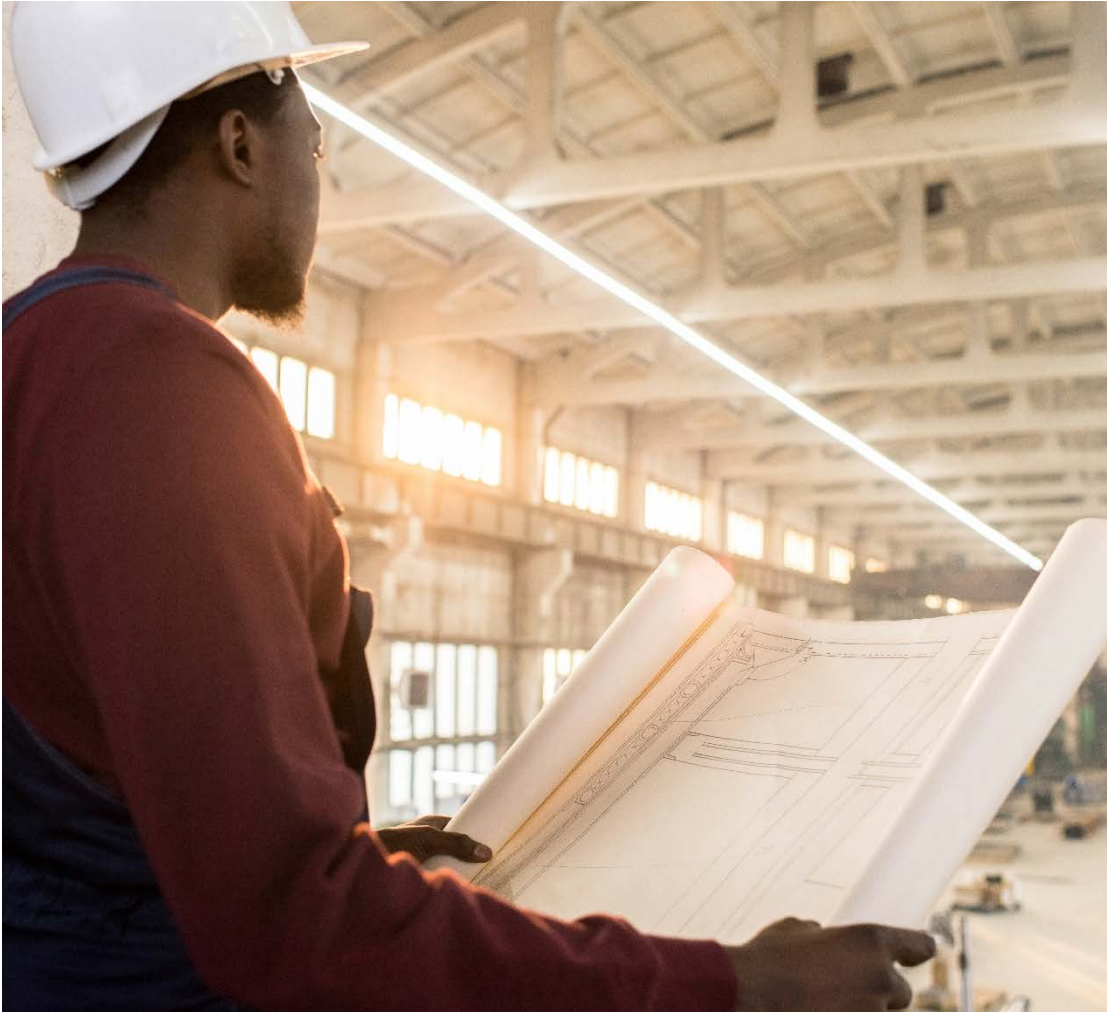
As people avoid contact with others during the pandemic, it has become essential for companies to explore digital alternatives for accomplishing simple tasks. Some plumbers have already begun using video conferencing services like Skype to walk clients through how to fix simple plumbing issues. For landscaping delivery, find ways to avoid contact with clients as much as possible, using digital methods for completing paperwork and payments ahead of time.

WEAR PROTECTIVE GEAR

When completing work on someone's property, consider wearing a facemask and gloves to help mitigate client's concerns. Such simple acts can go a long way in making your clients feel safer.



LOOKING AHEAD: THE NEW NORMAL



- Until the economy recovers, consumers are likely to keep a close eye on their budgets to ensure they have financial stability in the long term.
- As people spend more time at home, they are likely to work through home improvement projects themselves. In doing so, they are able to build confidence and the necessary skills to take on additional projects in the future. Retail stores should ensure they are seen as a helping hand and expert guide through these projects.
- Like other industries, consumers seeking to fulfill their home improvement needs are likely to seek out ways to get the products they need digitally in order to eliminate the need for face-to-face interactions.
- Professional homebuilders, remodelers, and roofers may face difficult times in the short term, but can look for innovative ways to help clients in cost-effective ways without the need for in-person interactions.

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