

Transforming the Canadian Home

Findings from the 2014 Houzz & Home Survey

With nearly 200,000 respondents globally, this year's Houzz & Home survey is the largest survey of residential remodeling and decorating activity ever conducted. Robust sample sizes yielded detailed data at the national, regional, and metropolitan area level, which Houzz used to examine regional differences in priorities, plans and budgets among Houzz users¹ across Canada.

In addition, this year's study examines the connection between the housing market and building and remodeling plans. Key findings include:

Remodeling trumps moving

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Homeowners undertaking remodeling projects plan to stay in their home for the long term, and are motivated by a desire to improve the aesthetics and functionality of their home to meet their needs. Among Canadians remodeling, nearly a quarter would prefer to move but say remodeling their home makes more economic sense at this time.

Remodeling plans strong despite varied views on regional housing markets

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Sentiment around the Canadian housing market varied greatly by province, but remodeling plans for the next two years remain strong. When it comes to renters, Canadians are more likely to stay in their current home for the next two years than those in other countries.

Finding products a bigger challenge than funding renovations

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The percentage of homeowners who found funding their project or staying on budget a challenge dropped eight points from last year's study to just 18 percent. Finding the right products is #1 on homeowners' list of challenges, while funding dropped two spots this year to #6. The vast majority of homeowners are using available cash to complete a project instead of other financing options.

Hiring professional help for kitchens, baths and new flooring projects

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A majority of homeowners planning major home renovation or decoration projects in the next two years are also planning to hire professional help. Most expect to do some work themselves, such as sourcing products and materials.

¹ Houzz had more than 20 million monthly unique users at the time the survey was fielded in Jan-March of 2014.



Remodeling Trumps Moving

Homeowners in Canada who are remodeling plan to stay in their homes for the long term. They are making changes so their homes better meet their needs (65 percent) and while they hope to increase their home values through renovations, they have no plans to move in the near future (56 percent).

Consistent with their U.S. counterparts, 24 percent of Canadian homeowners who are remodeling say they would prefer to move but that remodeling their home makes more economic sense at this time. However, rising home prices appear to be having a bigger impact on Canadians; 28 percent of Canadian homeowners say that home prices are too high to even consider moving at this time versus 22 percent in the U.S. This is a much bigger factor for homeowners in Manitoba (40 percent) and Saskatchewan (38 percent). Homeowners in Edmonton were among those least likely to report that housing prices are too high to move (19 percent).

“Homeowners plan to stay in their homes for the long term”

I would prefer to move but remodeling my current home makes more economic sense for me at this time	24%
Home prices are too high for me to consider moving at this time	28%
I plan to stay in my current home for the long term but it needs some changes to better meet my needs	65%
I am remodeling my home to increase its resale value and plan to move in the next 5 years or less	29%
I am remodeling my home to increase its resale value but I have no current plans to move in the next 5 years	56%

Q: Please indicate your level of agreement with the following. Base: Canadian homeowners. Chart shows percentage of homeowners who strongly/somewhat agree.

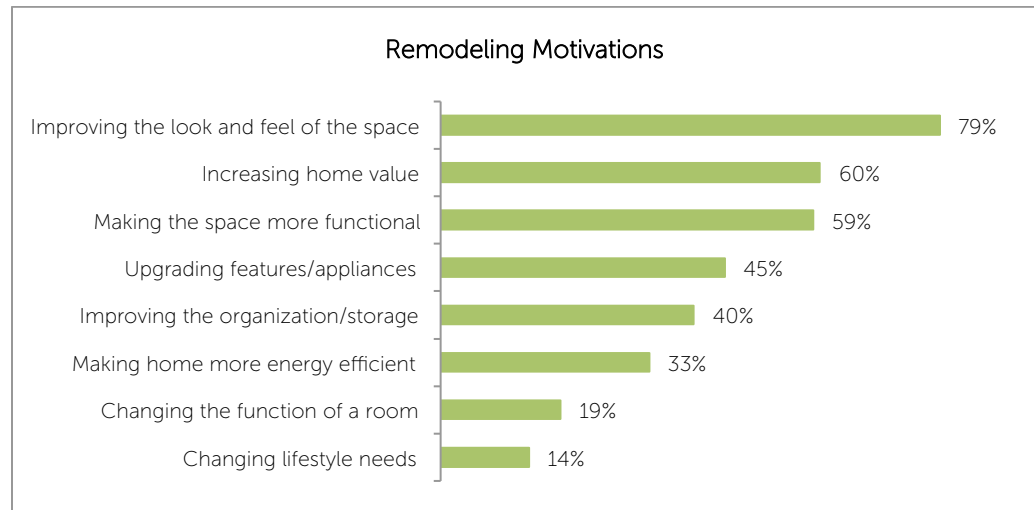
In the next one to two years, Canadian homeowners on Houzz are more than three times more likely to be planning a remodel (38 percent) than a new home purchase (12 percent). Homeowners are planning future remodels in similar numbers across provinces, but those in British Columbia and Nova Scotia (both at 49 percent) are most likely to have completed a remodel in the past five years.

Motivations

Consistent with prior years, the vast majority of homeowners (79 percent) remodeled to improve the look and feel of their space. Increasing home value is a key motivator for six-in-ten Canadian homeowners, versus just 52 percent of U.S. homeowners. Additional major

factors for Canadian homeowners include making the space more functional (59 percent) and upgrading features/appliances (45 percent).

Improving energy efficiency is also a key motivator for homeowners in Newfoundland and Labrador (43 percent), followed by homeowners in New Brunswick and Nova Scotia (both 40 percent). Homeowners in New Brunswick are also more likely to be motivated by the desire to incorporate recycled/reused materials in their spaces (11 percent) versus the rest of the country (eight percent).



Q: Which of the following were important in your decision to complete your most recent project? Please select all that apply. Base: Canadian homeowners



Remodeling Plans Strong Despite Regional Variations in Sentiment

Sentiment around the Canadian housing market varied greatly by province. Respondents were most likely to say that their local housing market has improved somewhat or significantly over the past year in Alberta (73 percent), followed by Manitoba and Ontario (both 60 percent), and Saskatchewan (58 percent). Conversely, slightly more homeowners in New Brunswick said the market declined versus improved (28 percent versus 25 percent, respectively) while those in Nova Scotia were just as likely to declare improvement and decline (both 29 percent). While the majority of major metro respondents reported housing market improvement, with Calgary (77 percent) and Edmonton (70 percent) topping the list, nearly one-in-five respondents in Montreal reported a housing market decline in the past year (18 percent).

In the next five years, a majority of Canadian homeowners on Houzz (55 percent) plan to build an addition or remodel their home and 14 percent plan to build a custom home. Despite the mixed sentiment toward the housing market in New Brunswick and Nova Scotia, homeowners in these provinces are just as likely to remodel their homes in the next five years as the national average (55 percent). Those in Newfoundland and Labrador are most

likely to build a custom home in the next five years (21 percent), followed by Alberta (18 percent) and Saskatchewan (17 percent).

Renters Staying Put

When it comes to renters, those in Canada are more likely to stay in their current home for the next two years than renters in other countries (where the study has large enough sample sizes to make comparisons). Less than half of Canadian renters are planning to move in the next two years (47 percent) versus 57 percent in the U.S. They are also less likely to purchase a home (34 percent versus 41 percent in the U.S.), and build a custom home (14 percent versus 17 percent in the U.S. and 22 percent globally) in the same timeframe. Not surprisingly, renters in Nova Scotia, where sentiment towards the housing market is mixed, are least likely to be planning to purchase a home in the next two years (26 percent).

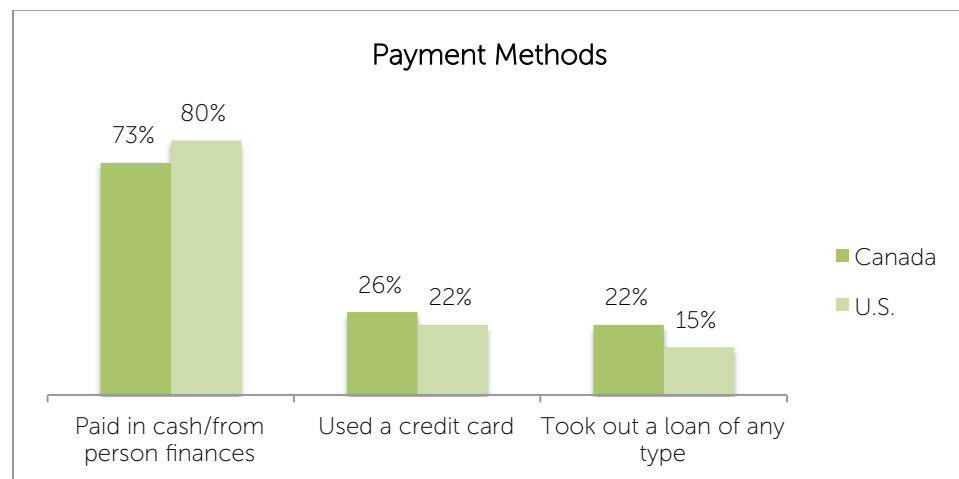


Top Renovation Challenges

While funding a building or remodeling project and staying on budget was among the top four challenges last year for Canadian homeowners, with 26 percent citing it as a challenge, just 18 percent said funding the project or staying on budget was a challenge this year.

That drop isn't due to any easing of financing options as 73 percent of homeowners paid for their project in cash. However, Canadian homeowners were more likely to have used a credit card (26 percent) or to take out a loan (22 percent) than their U.S. counterparts (22 percent and 15 percent, respectively).

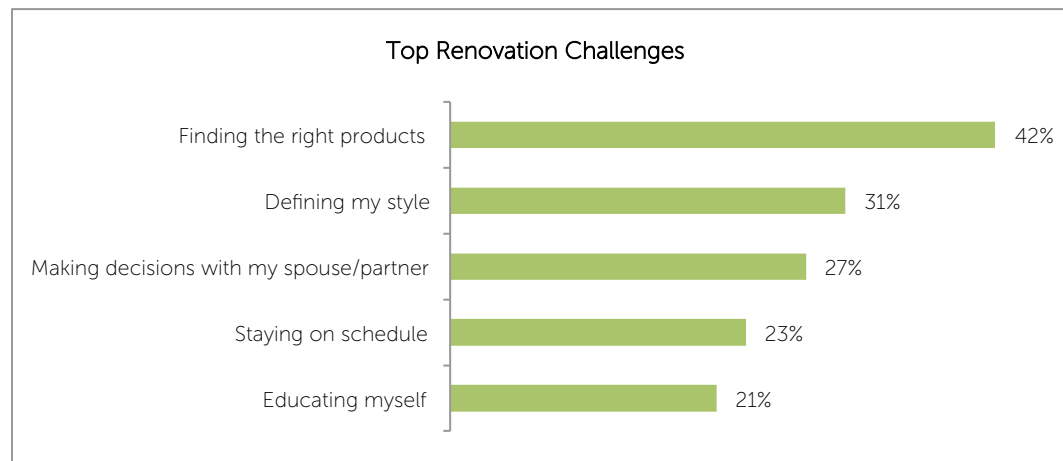
“Seven in ten homeowners paid for their project out of pocket”



Q: Which of the following did you or the decision maker use to pay for your most recent project? Please select all that apply. Base: Canadian and U.S. homeowners

While the mix of those staying on budget versus those who did not is fairly consistent with last year's study, fewer Canadians reported going over budget on their last remodeling project this year (37 percent versus 40 percent in 2013) and slightly more said they came in under budget (five percent versus three percent). One-in-five homeowners (21 percent) did not have a budget at the start of their project. Homeowners in Quebec were most likely to go over budget (43 percent) while homeowners in New Brunswick and Ontario were among those most likely to stick to their budget (both at 36 percent).

Finding the right products was a top challenge for homeowners across the country (42 percent) and even more so for those in Newfoundland and Labrador (51 percent) and New Brunswick (46 percent). Additional challenges included defining my style (31 percent), making decisions with my spouse or partner (27 percent), staying on schedule (23 percent) and educating myself (21 percent).



Q: If you think about your last remodeling or decorating project, which of the following, if any, did you find challenging? Please select all that apply. Base: Canadian homeowners

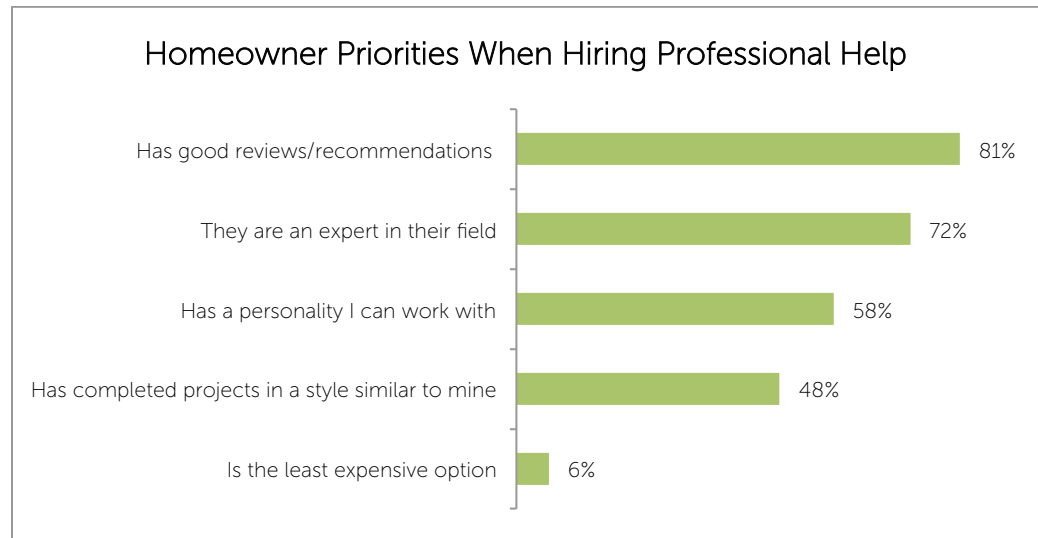


Majority Hiring Professionals

For homeowners planning to hire a professional service provider to help with their projects in the next two years, half plan to hire a general contractor (50 percent), with New Brunswick topping the list among Canadian provinces at 58 percent, followed by Nova Scotia (57 percent). Carpet and flooring professionals are also in demand (32 percent) as well as tile, stone or countertop professionals (30 percent). Twenty-two percent of homeowners are looking for kitchen or bath designers, and the same number plan to hire an interior designer and a windows and window coverings professional. Hiring is not just limited to homeowners, as 36 percent of Canadian renters on Houzz plan to hire an interior designer and 32 percent plan to hire an architect for some home job in the next two years.

Hiring Criteria

When selecting a professional, homeowners most value recommendations and reviews (81 percent of homeowners rated this as very important). Also important is that the professional is an expert in their field (72 percent), has a personality the homeowner can work with (58 percent) and has completed similar projects (48 percent).

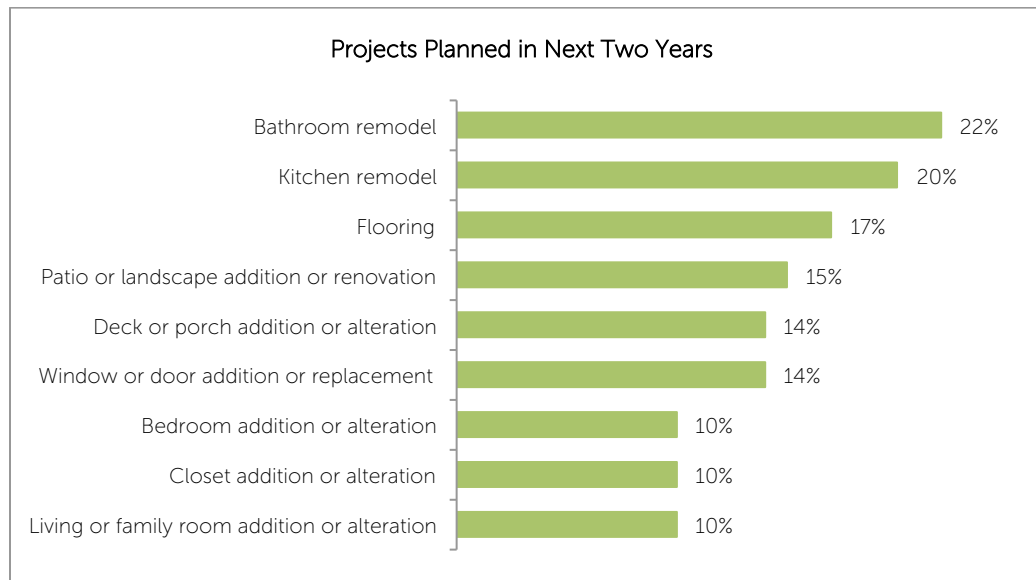


Q: When choosing a professional to work on remodeling or decorating in your home, on a scale of 1 to 5, how important are each of the following Base: Canadian homeowners. Chart shows those who rated a 5 or "very important."

Among Canadian Houzz homeowners, of least importance is finding a professional who offers the lowest bid (just six percent make this a top priority). Price matters most for homeowners in New Brunswick, for whom this number jumps to 11 percent.

Popular Projects

Bathrooms and kitchens top renovation project lists again this year among those planning a project, with 22 percent of Canadian homeowners planning a bathroom remodel or addition and 20 percent planning a kitchen remodel or addition in the next two years.



Q: You indicated that you are planning to complete a custom home build, remodel and/or decorating project in the next two years. Which of the following types of projects do you plan on completing in that time frame? Select all that apply. Base: Canadian homeowners

Spending on the Kitchen

Kitchens command top dollar and continue to see the highest overall budget allocation with Canadian homeowners spending an average of \$24,942 to remodel this space. A majority of kitchen remodels include new countertops (91 percent), electrical work (87 percent) and new appliances (83 percent). Homeowners in Ontario and Alberta, who tend to spend more on their renovation projects overall, spent an average of \$26,588 and \$26,052 on their kitchens, respectively.

Project Scope

When it comes to project scope, three-in-ten Canadian homeowners who remodeled in the last five years replaced their flooring. They are most likely to replace flooring in the bathroom, (86 percent), kitchen (77 percent), media room (75 percent), living room (73 percent) and dining room (72 percent).

Canadian homeowners are more likely to have added finished square footage to their kitchens during their remodels versus their U.S. counterparts (29 percent versus 20 percent, respectively), and even more so for those who live in Nova Scotia (38 percent). They are also more likely to have added square footage to their bathrooms (27 percent versus 20 percent in the U.S.). For homeowners in Quebec, this number jumps to 34 percent.

While Canadian homeowners are only slightly more likely to have remodeled their closets in the last five years than U.S. homeowners (16 percent versus 14 percent), they are significantly more likely to have increased closet square footage during the remodel (38 percent versus 31 percent in the U.S.).

In the backyard, Canadian homeowners are more likely to add a new deck or patio than those in the U.S. (56 percent versus 46 percent). They are also likely to plant lawn, plants and trees (63 percent) and add a shed, pergola or arbor (32 percent).

Custom Homes

Homeowners in Saskatchewan are most likely to have built a custom home in the last five years (13 percent versus nine percent in Canada overall). Those in Alberta tend to spend the most on custom home builds, averaging \$826,707, far above the national average of \$632,543, for those who hired a pro for their projects. Homeowners spent the most on custom homes in Edmonton, averaging \$936,297 – more than double in Montreal (\$434,671), the market with the lowest spend on a custom home build.

Spend on Building a Custom Home by Province (\$000)

Alberta	British Columbia	Manitoba	New Brunswick	Nova Scotia	Ontario	Quebec	Saskatchewan
\$826.7	\$680.1	\$462.0	\$492.0	\$498.6	\$653.0	\$396.8	\$613.4

Q: Thinking about the budget for the project(s) you recently completed, how much, in total, did you spend on each of the project(s)? Please think about each part of the project and the costs incurred for materials and labor. Base: Canadian homeowners who hired a service provider

Renters in Canada plan to spend \$574K on average for a custom home build.

A Beautiful Home

Homeowners and renters on Houzz are just as likely to decorate and nearly three quarters of those in Canada plan to do some decorating in the next two years (74 percent and 70 percent, respectively). Surprisingly, renters are slightly more likely than homeowners to plan on hiring a professional for their decorating project (20 percent versus 19 percent respectively).



A Significant Personal Investment

While caution about the economy remains, significantly more homeowners on Houzz are able to fund their remodeling projects this year compared with last year, and they are investing to create a home that meets their needs now and for the long-term. The majority of homeowners who are remodeling to increase the resale value of their homes have no plans

to move in the near future. The Canadian home is also evolving, as homeowners incorporate new technologies, recycled materials and make their homes more energy efficient. The investment in home renovation is as much a personal investment as it is a financial one.

These findings are consistent with those of a recent survey² of home professionals on Houzz, which found that 90 percent of North American residential builders, remodelers and designers expect revenue growth in 2014. That survey also found that the majority of home professionals (70 percent) experienced revenue growth in 2013 compared to the year prior, driven both by an increase in number of projects and in the average revenue per project.



Methodology

Houzz users (Houzzers) are passionate about their homes, and about being a part of the Houzz community. This year the community shared their experiences on a massive scale. We received nearly 200,000 survey responses spanning every one of the world's countries (compared to a little over 100,000 in 184 countries in 2013), despite the fact that the survey was only offered in English.

Houzz and Edge Research conducted an online survey among registered users of Houzz in mid-January to mid-March 2014, emailing invitations to take the survey.

A total of 192,536 registered users completed the survey, 20,748 in Canada.

² Houzz, March 27, 2014 "Home Professionals Bullish on Business Growth"