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QUENCH YOUR THIRST FOR **RESIDENTIAL TRENDS**

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Window & Door Industry Survey Outcomes



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QUENCH YOUR THIRST FOR

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NGA UPCOMING EVENTS

Glass & Glazing Advocacy Days
May 14-15, 2024 | Washington, D.C.

NGA Glass Conference: Milwaukee
Aug 6-8, 2024

GlassBuild America
Sept 30 – Oct 2, 2024

Glazing Executives Forum
Sept 30, 2024





NGA Glass & Glazing Advocacy Days

May 14-15, 2024
Washington, DC



MAKE YOUR VOICE HEARD!

NGA will host NGA members, Congressional members and agency officials from DOE & EPA together in our nation's capital at **NGA Glass & Glazing Advocacy Days** on May 14-15.

Discussions will focus on legislative opportunities surrounding Energy Efficiency/Sustainability, Bird-Friendly Glazing, School Security and Workforce Development.

**Save your seat >
pre-register today!**

(Open the camera app on your phone and point at the QR code to open the registration web page.)



glass.org/advocacy

**NGA Glass Conference:
Milwaukee**

Aug 6-8, 2024
The Trade Hotel



[glass.org/
nga-glass-conference-milwaukee-2024](https://glass.org/nga-glass-conference-milwaukee-2024)



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NATIONAL GLASS ASSOCIATION with GFAA

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NATIONAL GLASS ASSOCIATION with GFAA

Outline

- Macroeconomic backdrop for New Construction and Repair and Remodel
- Insights from the latest Window and Door Market Survey
- Takeaways

Spring is off to an early start for housing and the economy.

1. The labor market is normalizing but remains strong, fueled by immigration.

- In 2023 the US population grew by a whopping 3.8M in 2023, the largest one-year population increase in history.
- Job quits are back at pre-pandemic levels but are still high relative to history.

2. Rate cuts coming later than the market planned.

- While still planning for 3 rate cuts this year, the Fed is sticking to their word about these coming later rather than sooner.
- Consumer optimism continues to rise, and consumer sentiment data is rising quickly and is now higher than at any time since the summer of 2021.

3. Builders are capitalizing on rising consumer confidence and continue to take share from the resale market.

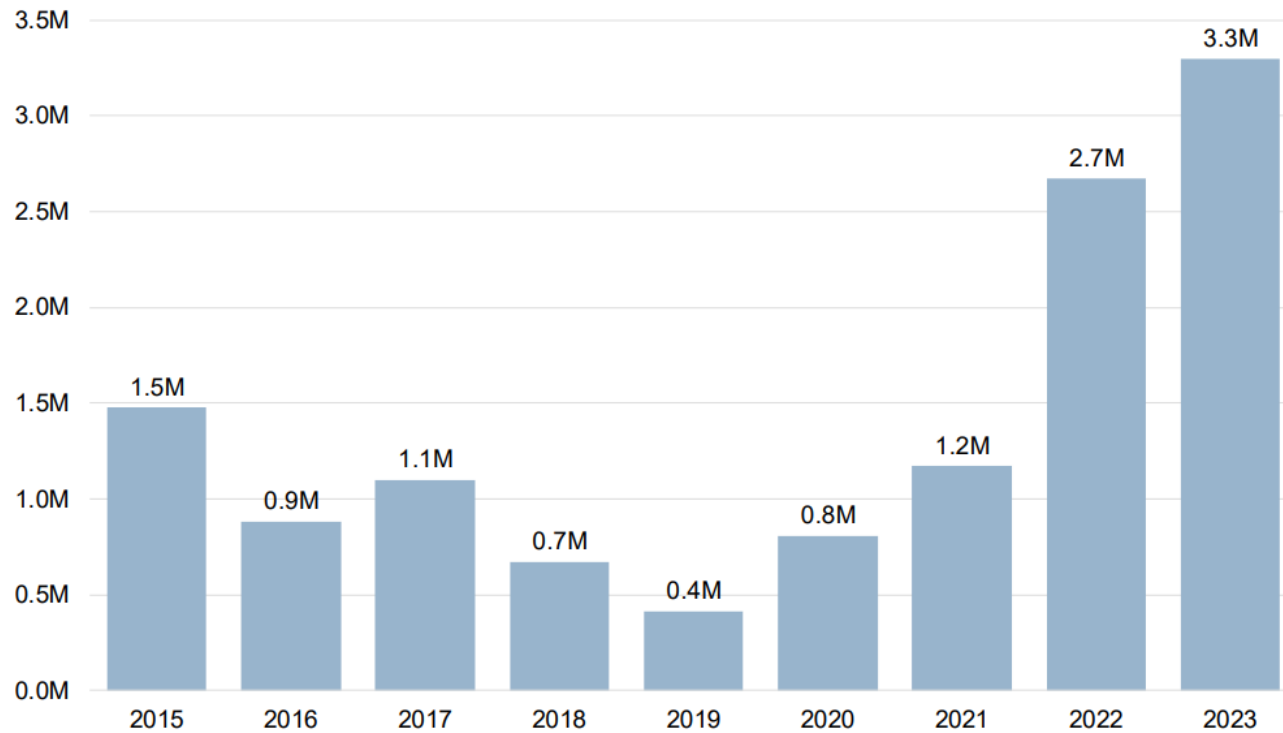
- Per our survey work, 87% of builders are using rate buydowns to get rates down below 6%.

4. Remodeler sentiment is improving, and remodeling professionals are seeing an increase in inquiries.

- Professional remodeling demand is showing a modest improvement, and they are increasingly optimistic about a 2024 rebound.
- High home equity levels and aging homes contribute to positive demand for remodeling.

Net immigration surged to a record-high 3.3M in 2023. This historic wave of immigrants has expanded the US labor supply.

US Net Immigration



Congressional Budget Office (CBO) net immigration estimates significantly exceed U.S. Census Bureau's estimates.

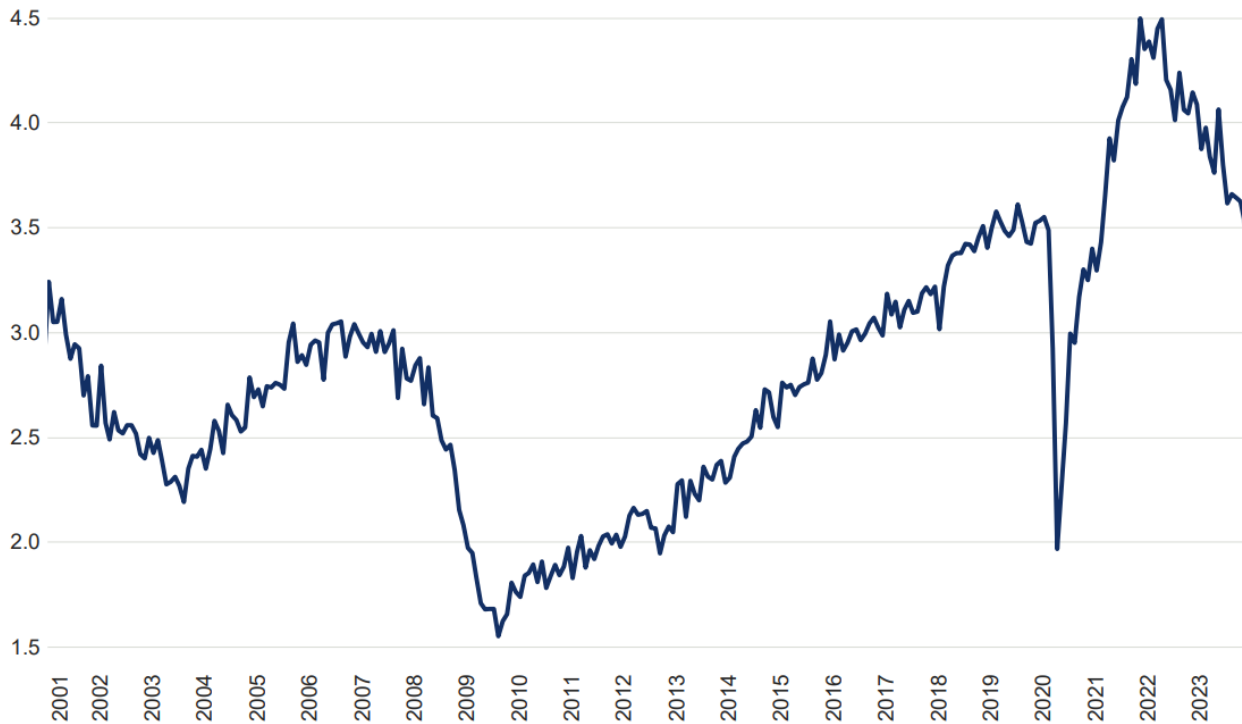
We believe the CBO is more accurately capturing recent immigration trends.

Sources: Congressional Budget Office; John Burns Research and Consulting, LLC (Data: 2023, Pub Mar-24).

Job quits are falling from all-time highs, yet still above historical norms.

Job Quits

— Millions, SA = 3.4 (-17% YOY)



Source: Bureau of Labor Statistics (Data: Dec-23, Pub Feb-24).



Macro risks to our outlook and the broader economy.

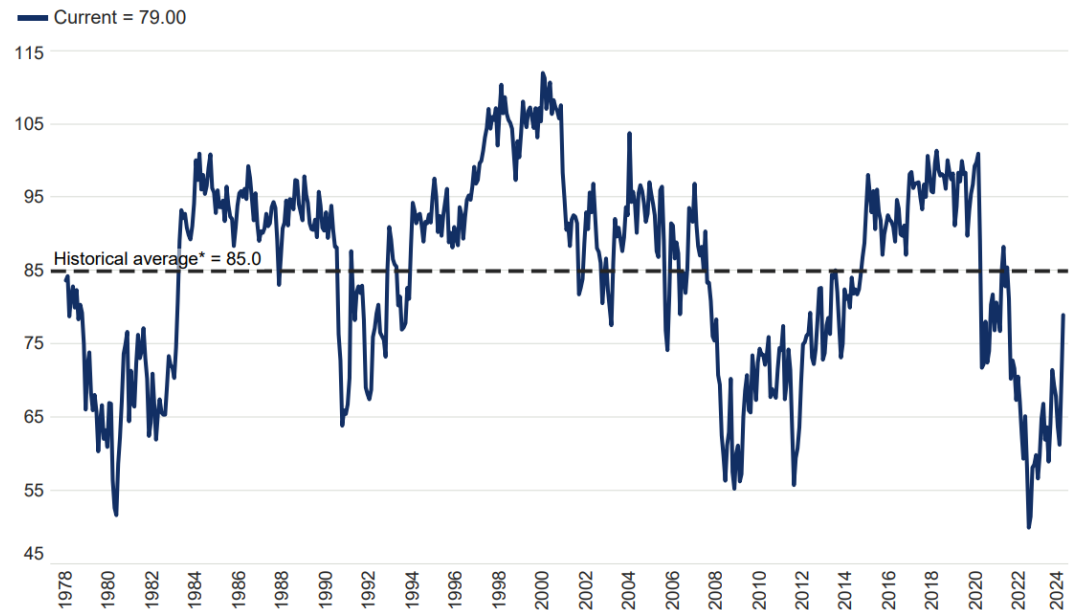
All eyes will be on the Fed because the last mile to bring inflation down to its 2% target will be the most challenging and fraught with the most risk.

An election year poses its own risks, which we are monitoring carefully.

Structural (secular) drivers point to strong remodeling and new construction spending. We are carefully monitoring the rapidly fading set of cyclical headwinds and the convergence toward a sustained period of growth.



Consumer Sentiment

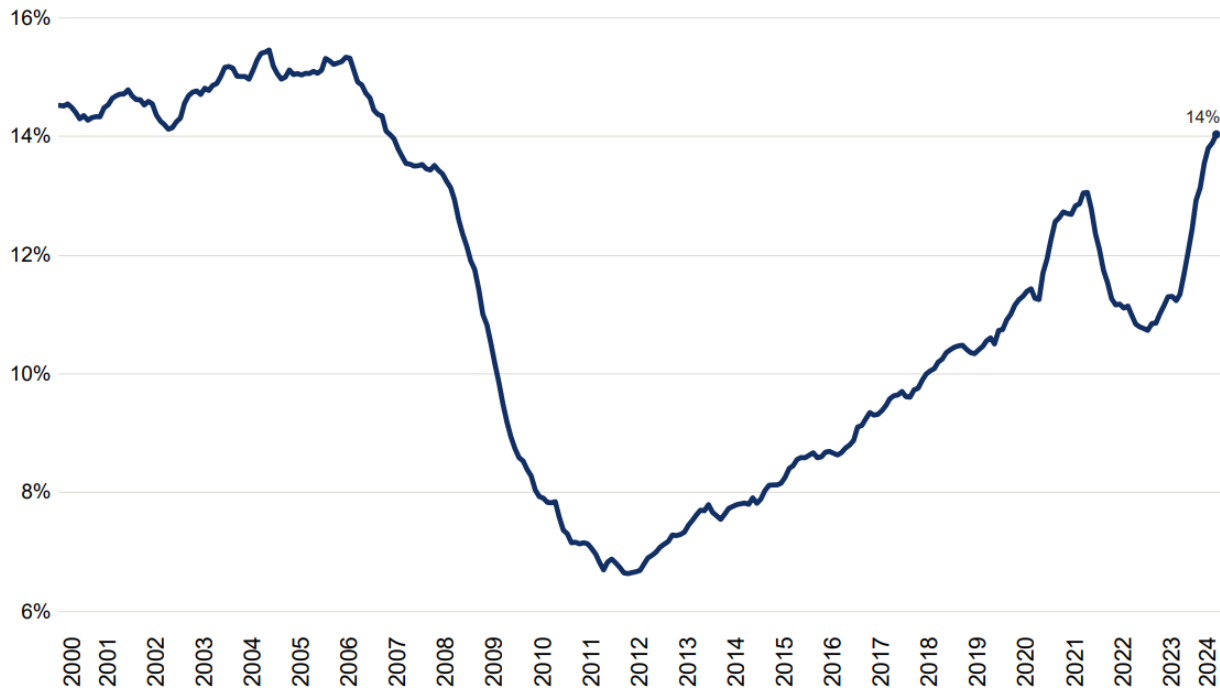


Source: University of Michigan Survey of Consumer Sentiment (Data: Jan-24, Pub Feb-24).

Builders are taking share from the resale market. New homes represent 14% of all sales, the highest since 2008.

New Home Share of All Sales

— New Homes Share of All Sales (NSA) Current = 14%

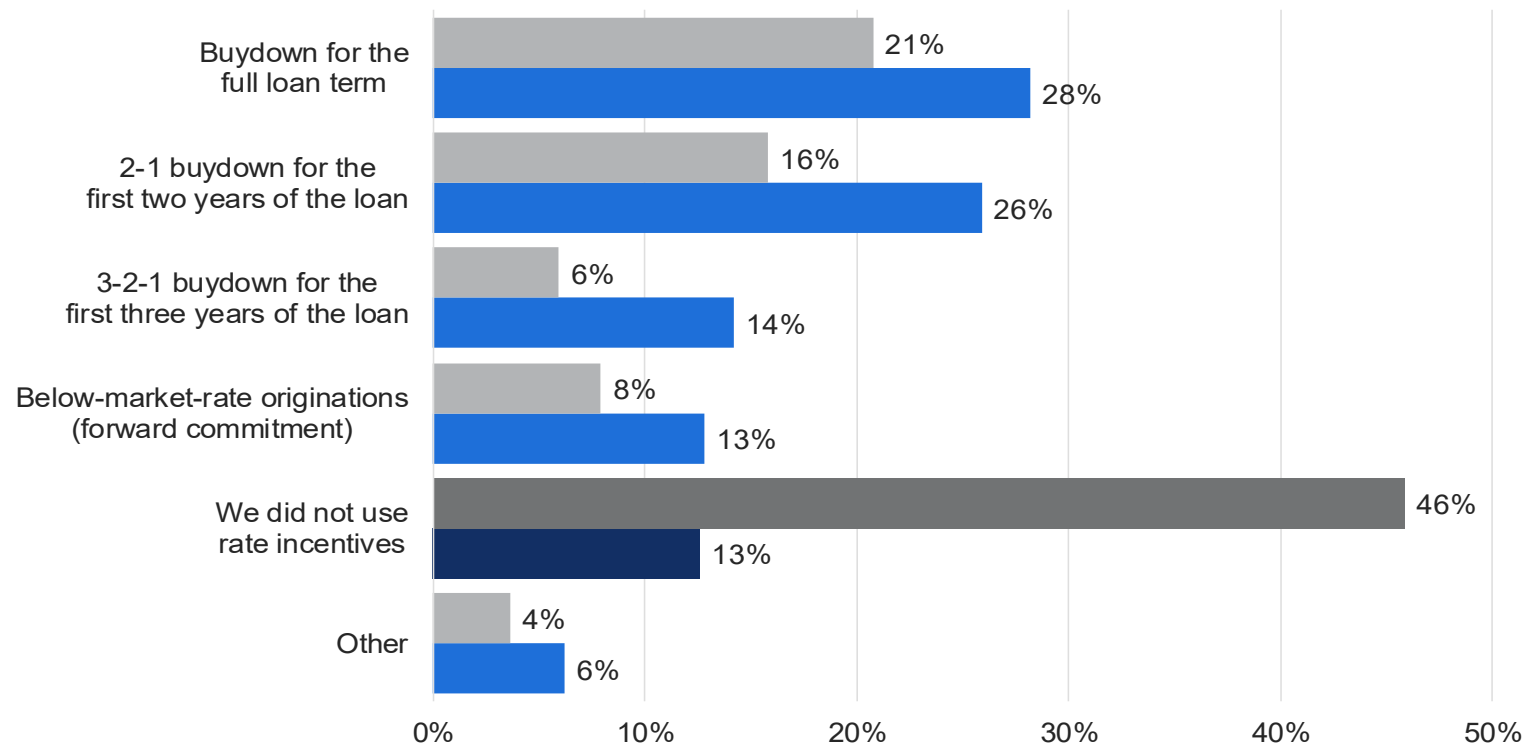


Sources: Census Bureau; John Burns Research and Consulting, LLC (Data: Dec-23, Pub Feb-24).

Only 13% of builders nationally report not using rate incentives.

National: Types of Rate Incentives Builders Offered (3Q23 vs. 3Q22)

■ 3Q22 ■ 3Q23



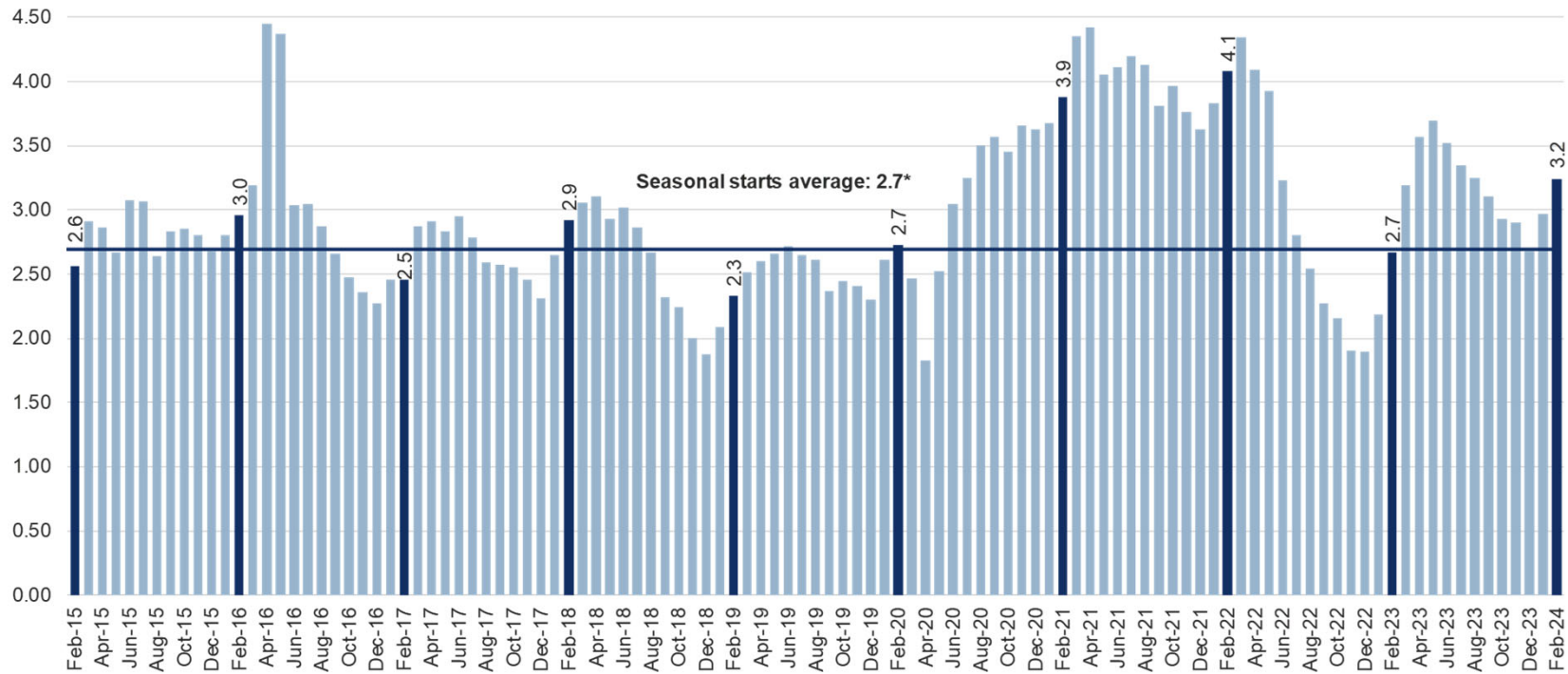
Full-term (30-year) buydowns are the most popular rate incentive among builders.

This helps more entry buyers qualify for monthly payments, which must be calculated at the highest rate during the mortgage term.

Source: John Burns Research and Consulting, LLC, independent survey of ~21% of all US new home sales, NSA (Data: Nov-23, Pub: Dec-23)

Builders averaged 3.2 single-family starts per community in February, up +22% YOY and above the 2.7 February average from 2013-2019 (more normal years).

Single-Family New Home Starts Rates per Community

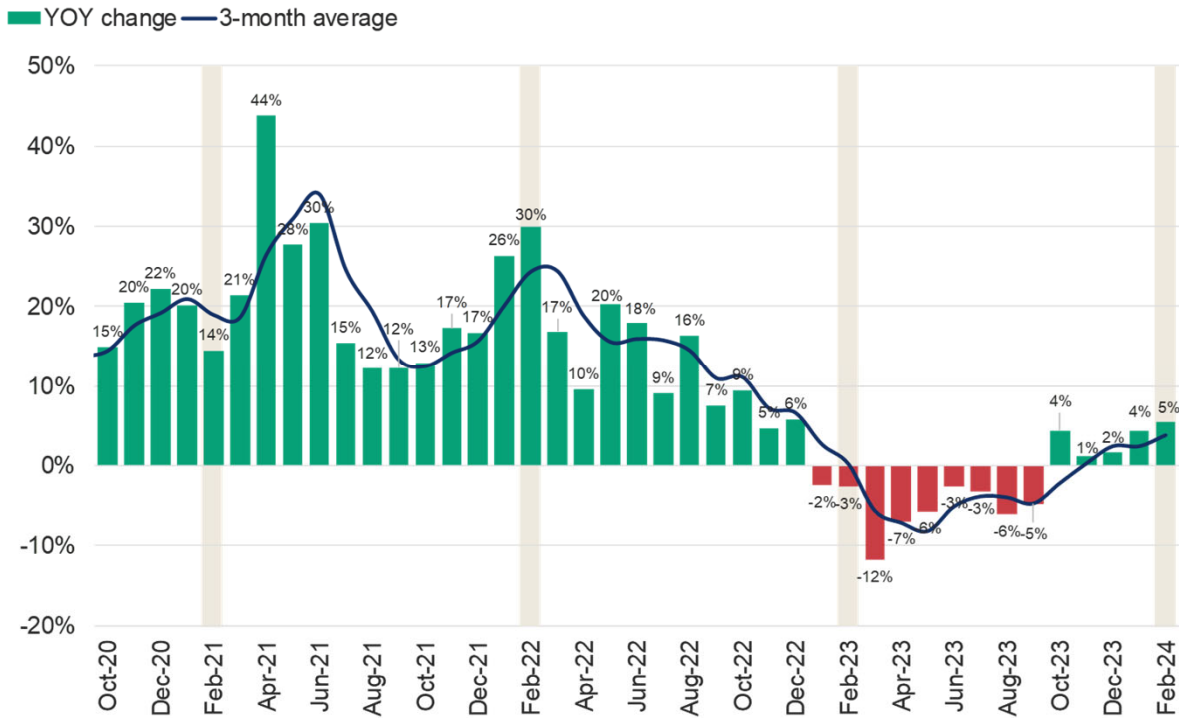


*Seasonal starts average reflects the average for the month of February from 2013 to 2019.

Source: John Burns Research and Consulting, LLC, independent survey of ~20% of all US new home sales, NSA (Data: Feb-24, Pub: Mar-24)

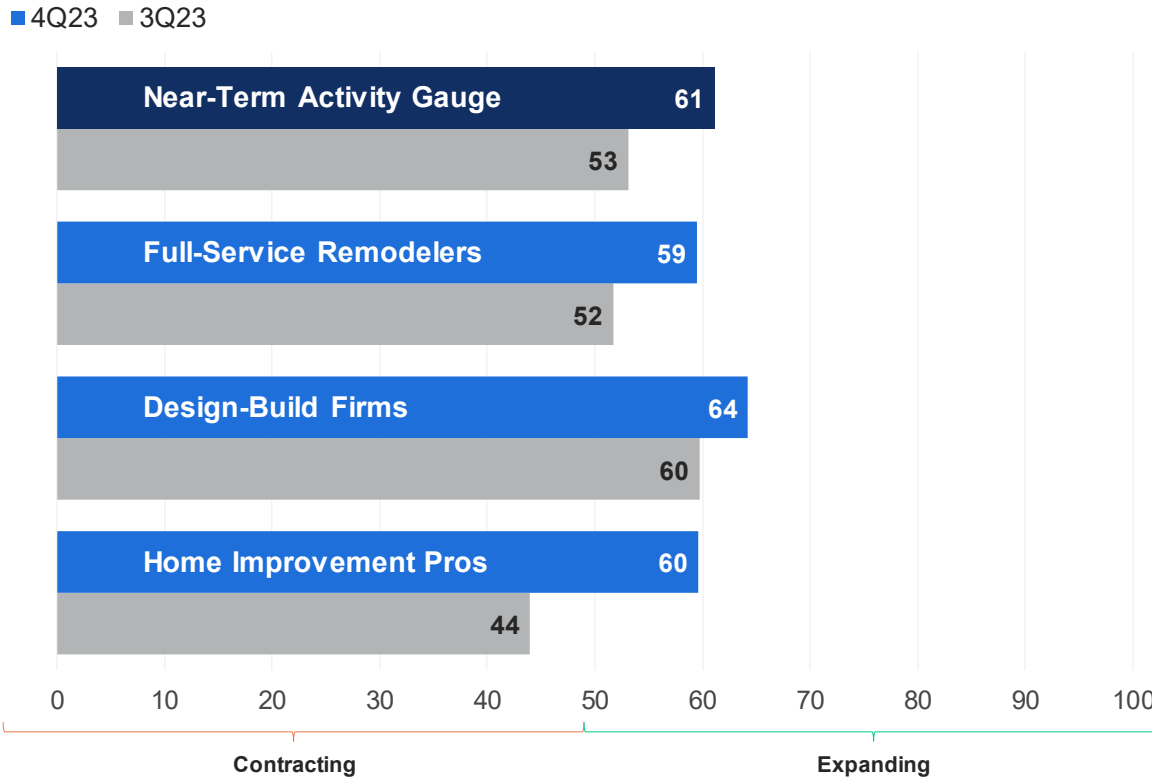
Building materials dealers have noticed the uptick in starts in their total order growth, which has been rising YOY since October.

Building Materials Order Growth in Dollar Volume



Source: John Burns Research and Consulting, LLC, Building Products Dealer Survey (Data: Feb-24, Pub: Mar-24)

Professional remodelers are expecting higher remodeling activity in the near-term (next 3 months).



- 0 represents all professional remodelers indicating *weaker project activity expected* over the next three months.
- 100 represents all professional remodelers indicating *stronger project activity expected* over the next three months.

Professional remodelers became broadly more optimistic, seeing healthier project volume and revenues likely in 1Q24.

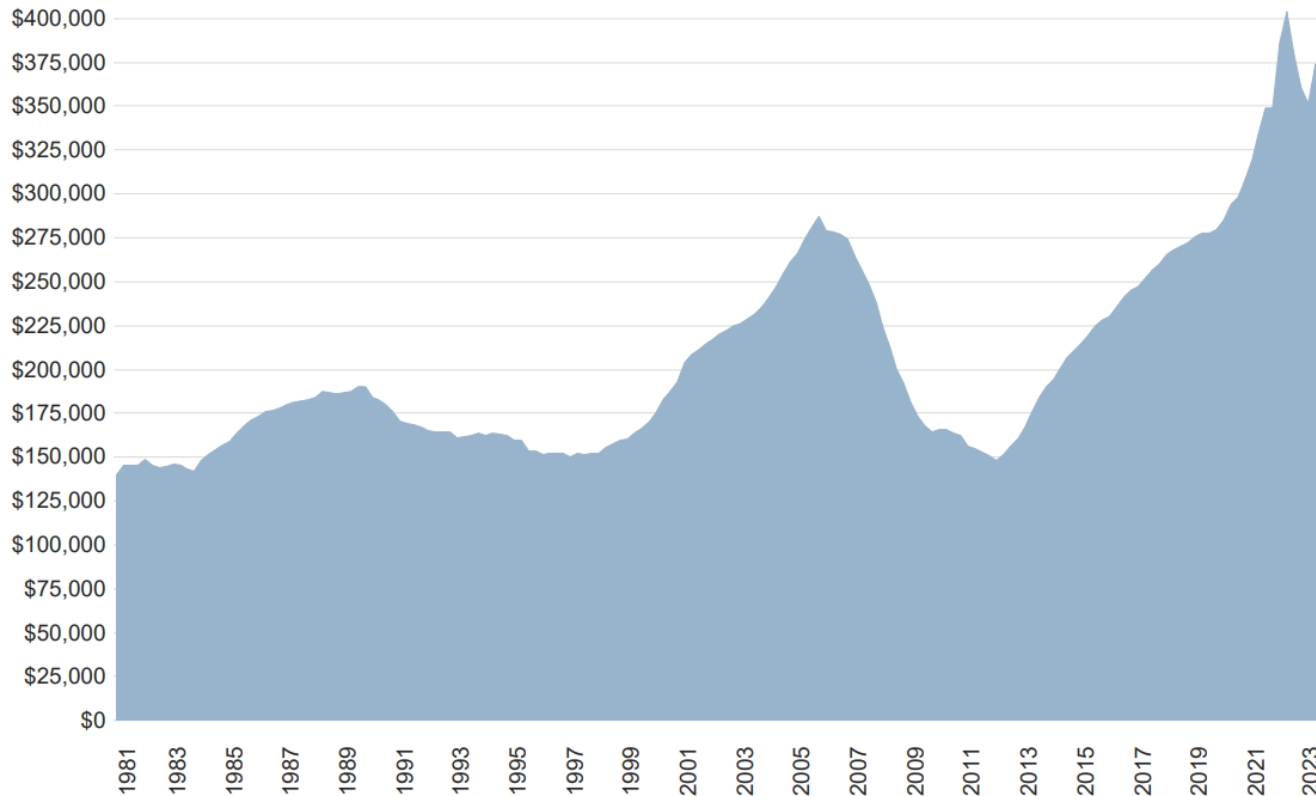
The Near-Term Remodeling Activity Gauge rose in 4Q23, driven by increases among all three industry segments.

A rating above 50 indicates professional remodelers generally expect higher revenue next quarter; a rating below 50 indicates professional remodelers generally expect lower revenue next quarter.

Sources: Qualified Remodeler; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Jan-24)

Homeowner equity has risen sharply since 2019.

Inflation-Adjusted Homeowner Equity per Owned Household



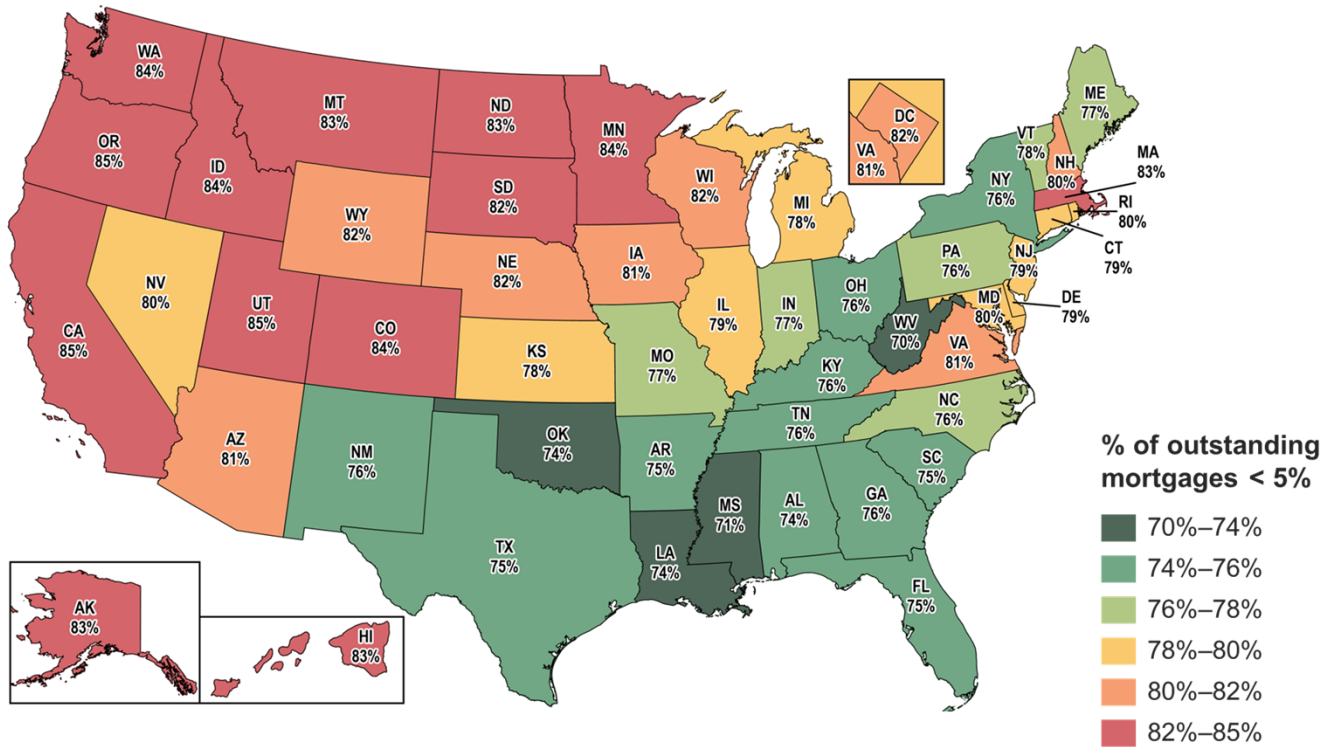
Households staying in their homes longer have been the beneficiaries of continued real house price appreciation.

Homeowner equity per household is close to record highs adjusted for inflation.

As rates ease, we anticipate households will take advantage of the lower cost of accessing home equity to fund large remodeling projects.

Sources: Federal Reserve, Census Bureau, John Burns Research and Consulting, LLC (Data: 3Q23, Pub: Feb-24)

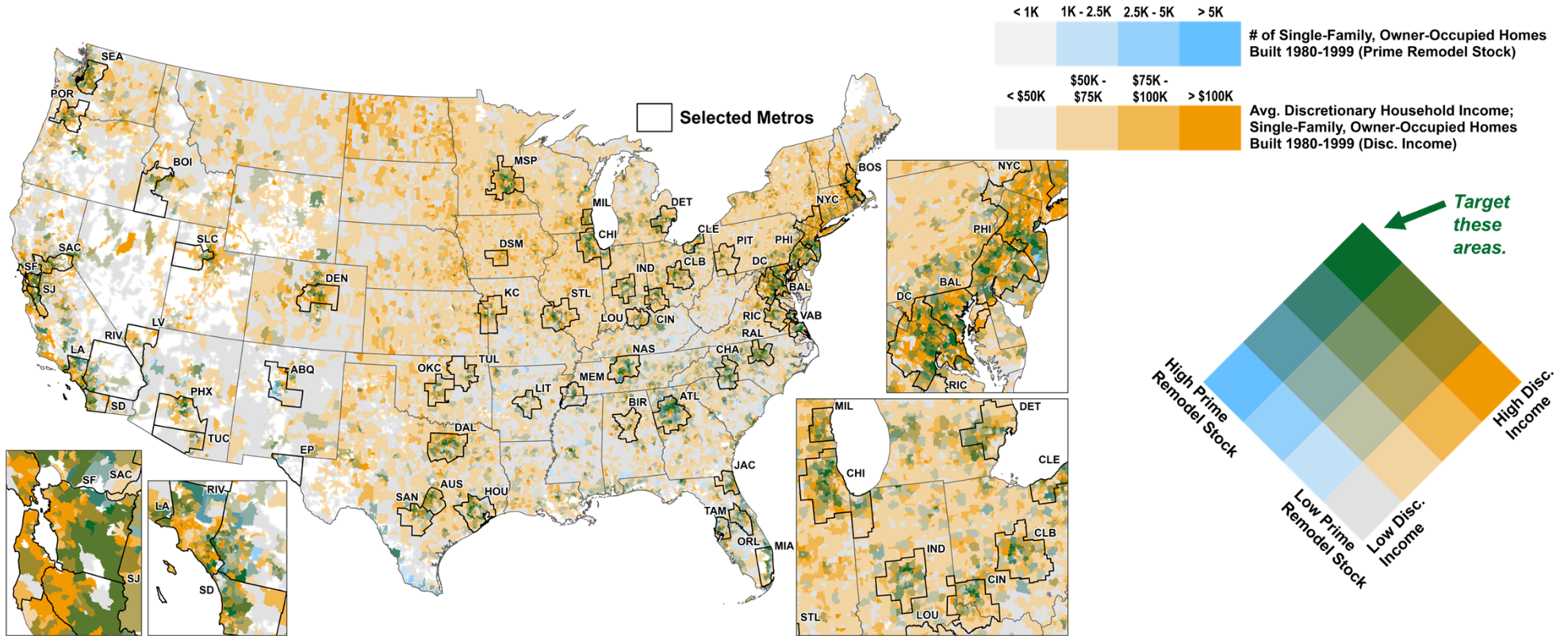
79% of households are locked in with rates below 5%, with some regional variation. This encourages remodeling vs moving.



Statistics: <https://www.fhfa.gov/DataTools/Downloads/Pages/National-Mortgage-Database-Aggregate-Data.aspx>

Sources: John Burns Research and Consulting, LLC; National Mortgage Database (2023 Q3); Outstanding Residential Mortgage

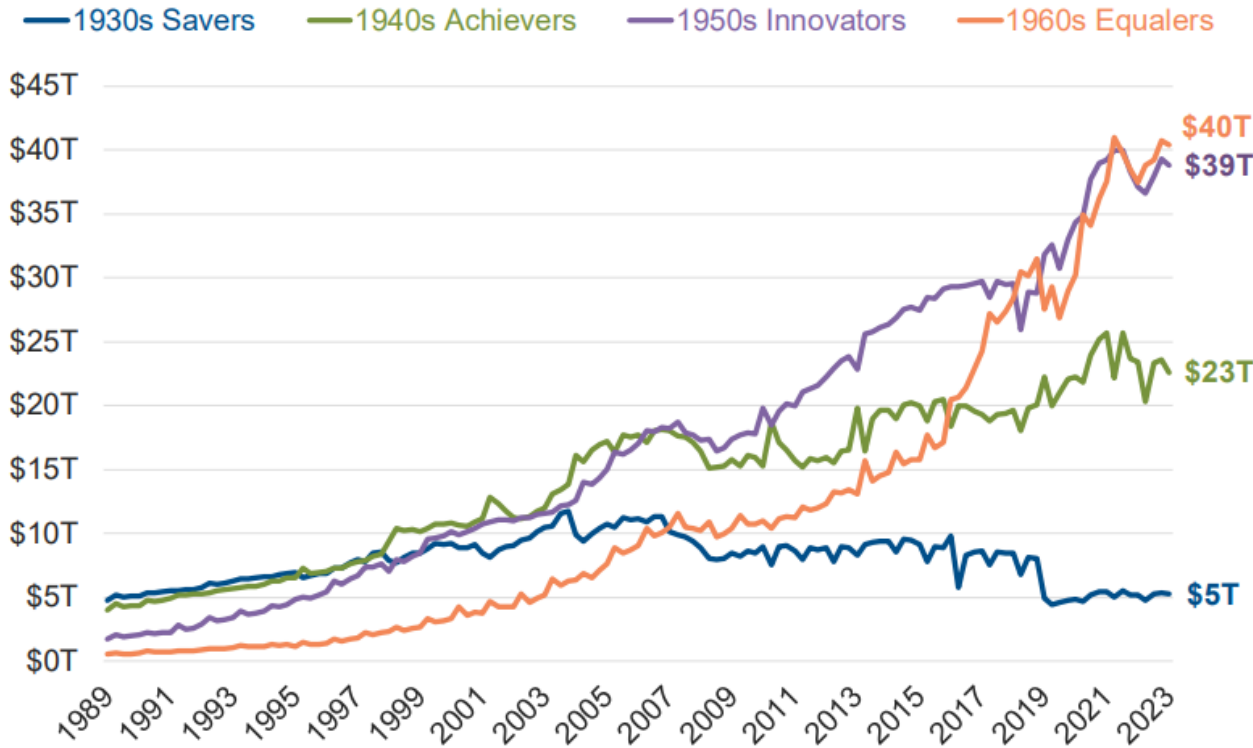
A combination of older homes with higher disposable income in certain areas will drive remodeling activity in the coming years.



Sources: John Burns Research and Consulting, LLC; US Census Bureau 5-Year American Community Survey Estimates (2018–2022) (Pub: Jan-24)

Unprecedented wealth creation drives the US housing market.

US Net Worth by Decade Born (before 1970)



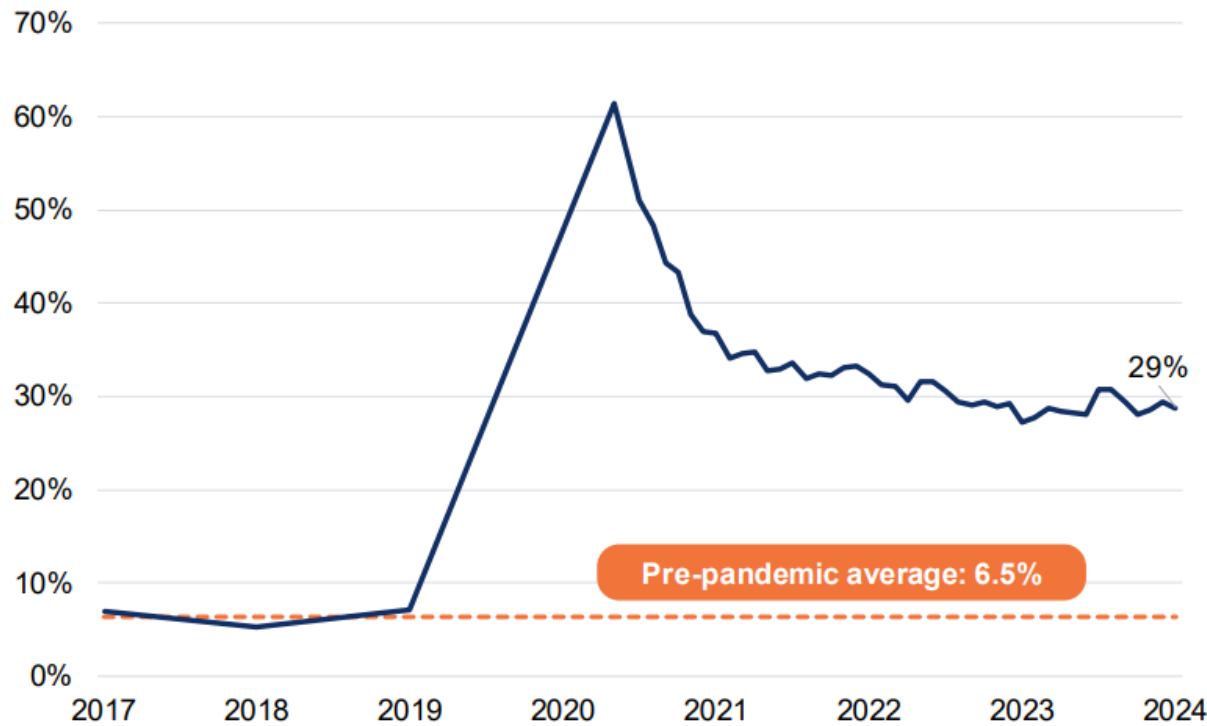
People born before 1970 saw their net worth rise +24% to \$107 trillion between 1Q20 and 3Q23.

1930s Savers' net worth is shrinking due to deaths, later-life expenses, and wealth transfer to younger generations.

Sources: John Burns Research and Consulting, LLC, tabulations of Federal Reserve Survey of Consumer Finances/Distributional Financial Accounts (Data: 3Q-23, Pub Mar-24).

Remote and hybrid work allow commuters to move farther from the office, where homes are more affordable, and builders can more easily buy land.

US Work-from-Home Share (% of Full Days)

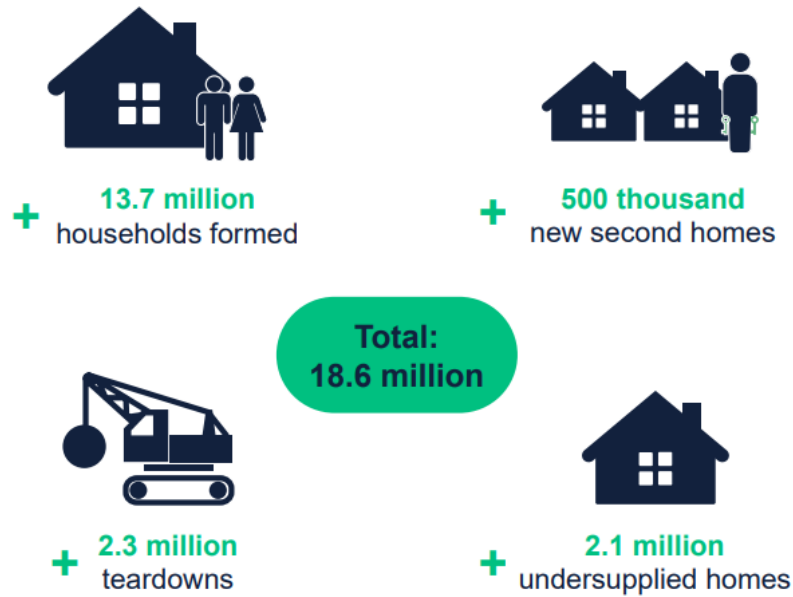


The work-from-home shift since 2020 has **quadrupled** the number of days people work from home.

Source: WFH Research tabulation of American Time Use Survey (2003-2019) and Survey of Working Arrangements and Attitudes designed by WFH Research (Data: Jan-24, Pub Mar-24).

The US needs 1.86M new homes (for sale and for rent) per year through 2033, based on underlying demographics and current undersupply.

Total Projected US Housing Demand (2023–2033)
(for Sale and for Rent) =
18.6 million over 10 years

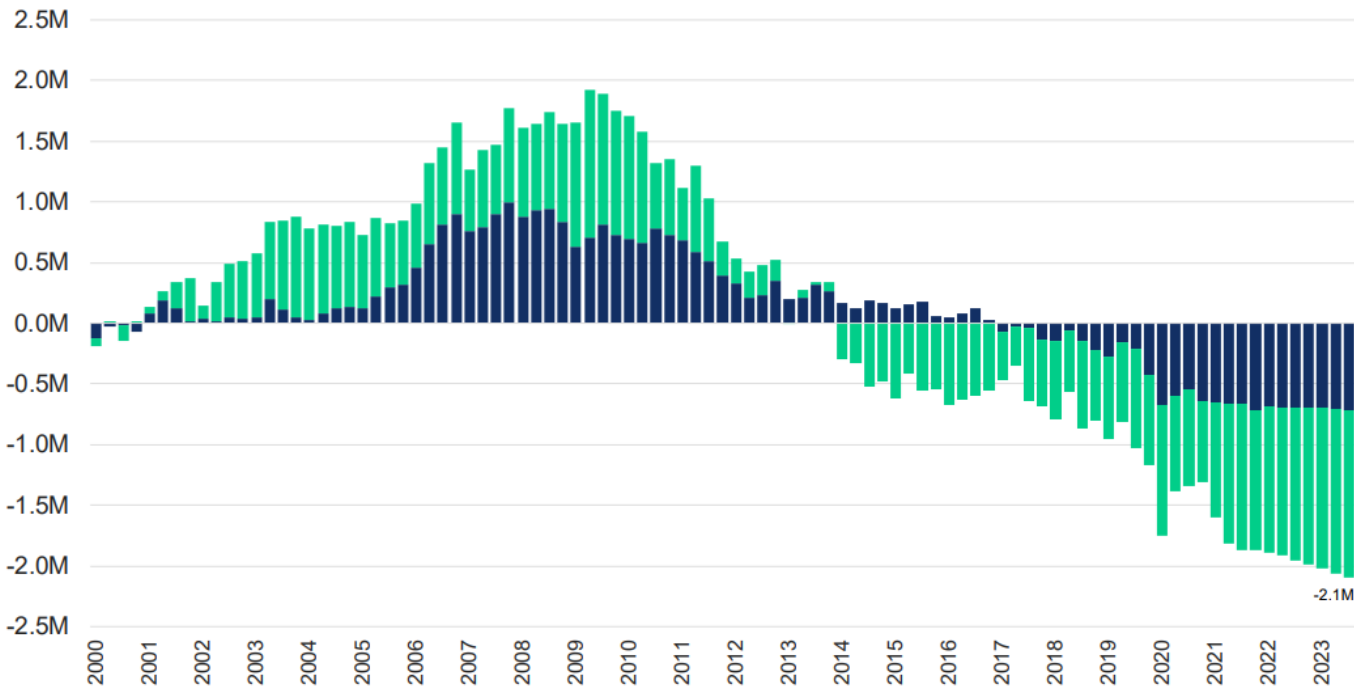


Sources: US Census Bureau; John Burns Research and Consulting, LLC (Pub Mar-24).

US housing is undersupplied by -2.1M units (-0.7M for sale and -1.4M for rent). Supply-demand balance grew worse in 2023. Expect relief from more for-rent supply in 2024.

US Housing Inventory Oversupply/Undersupply

■ For-sale inventory ■ For-rent inventory



Sources: John Burns Research and Consulting, LLC, tabulations of US Census Bureau Housing Vacancies and Homeownership Survey (Data: 4Q23, Pub: Mar-24)

The expected increase in multifamily unit deliveries in 2024 (due to the increase in multifamily permits in 2021 and 2022) will help chip away at the undersupply – particularly on the rental side.

However, given the magnitude of the undersupply today, there is still a long way to go to bring housing demand and supply back into balance.

Outline

- **Macroeconomic backdrop for New Construction and Repair and Remodel**
- **Insights from the latest Window and Door Market Survey**
- **Takeaways**

Survey background

- Exclusive partnership between Window + Door Magazine and John Burns Research and Consulting
- Quarterly survey of residential manufacturers, glass shops, glazers, and installers
- Measurements of volumes, revenue, lead times and backlogs, supply chains, and guidance
- Quantitative data and qualitative commentary to understand the overall sentiment of the industry

4 key survey takeaways: Framed for growth in 2024



Gearing up for growth in 2024.



Reduced backlogs from improved supply chain performance.



Persistent material and labor inflation.

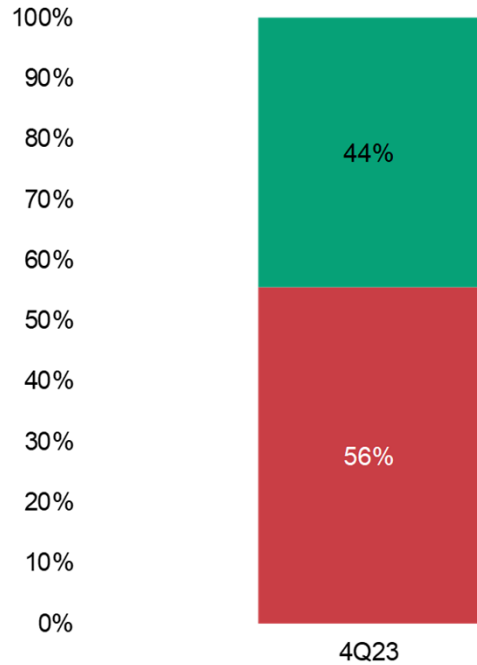


Planned price increases in 2024.

56% of respondents reported YOY volumes declining in 4Q23. Average volumes were flat YOY.

Window and Door Shipments/Installations
Volume Change YOY

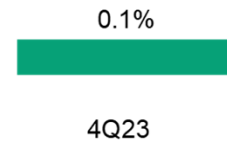
■ Growing ■ Flat ■ Declining



Window and Door Shipments/Installations
Average Volume Change YOY

1.0%

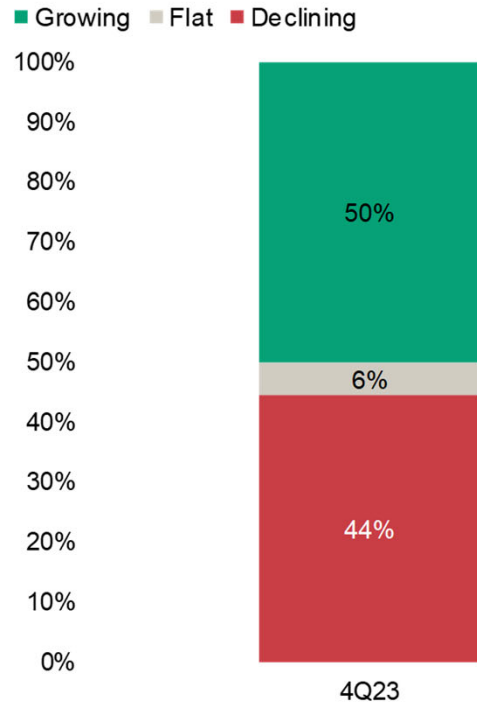
0.0%



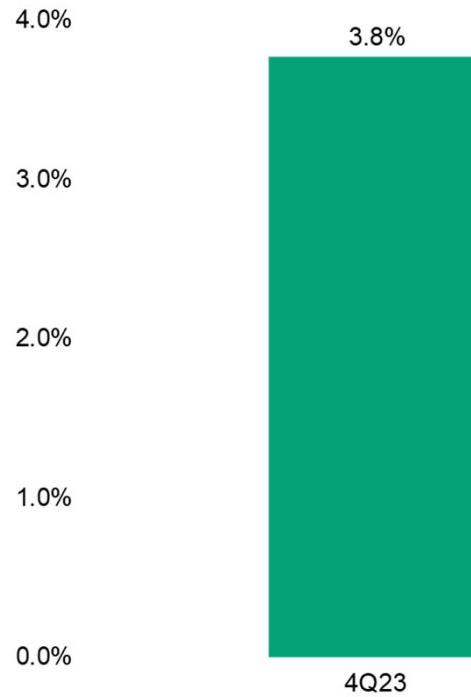
Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

50% of window and door companies reported YOY revenue growing in 4Q23. Average revenue increased +3.8% YOY.

Residential Window and Door Company Revenue Change YOY



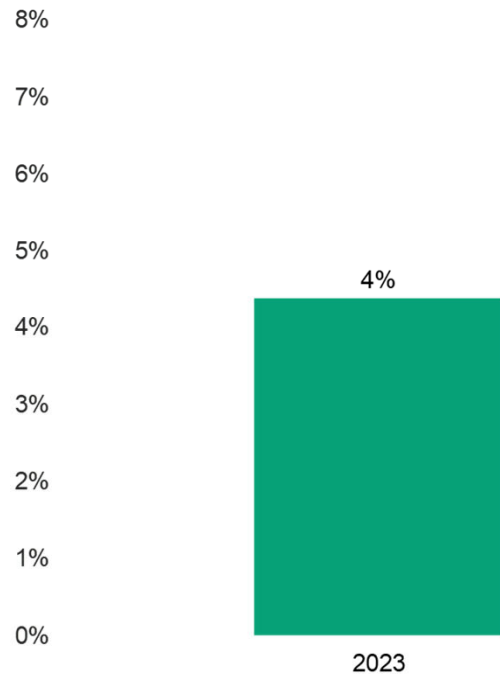
Residential Window and Door Company Average Revenue Percent Change YOY



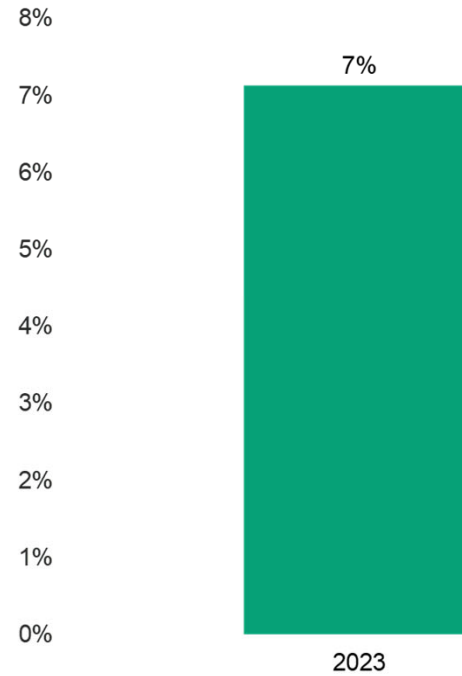
Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

Window and door companies reported YOY inflation in material input costs (+4% YOY) and direct labor (+7% YOY).

Residential Window and Door Company Materials/Supplies Average Cost YOY



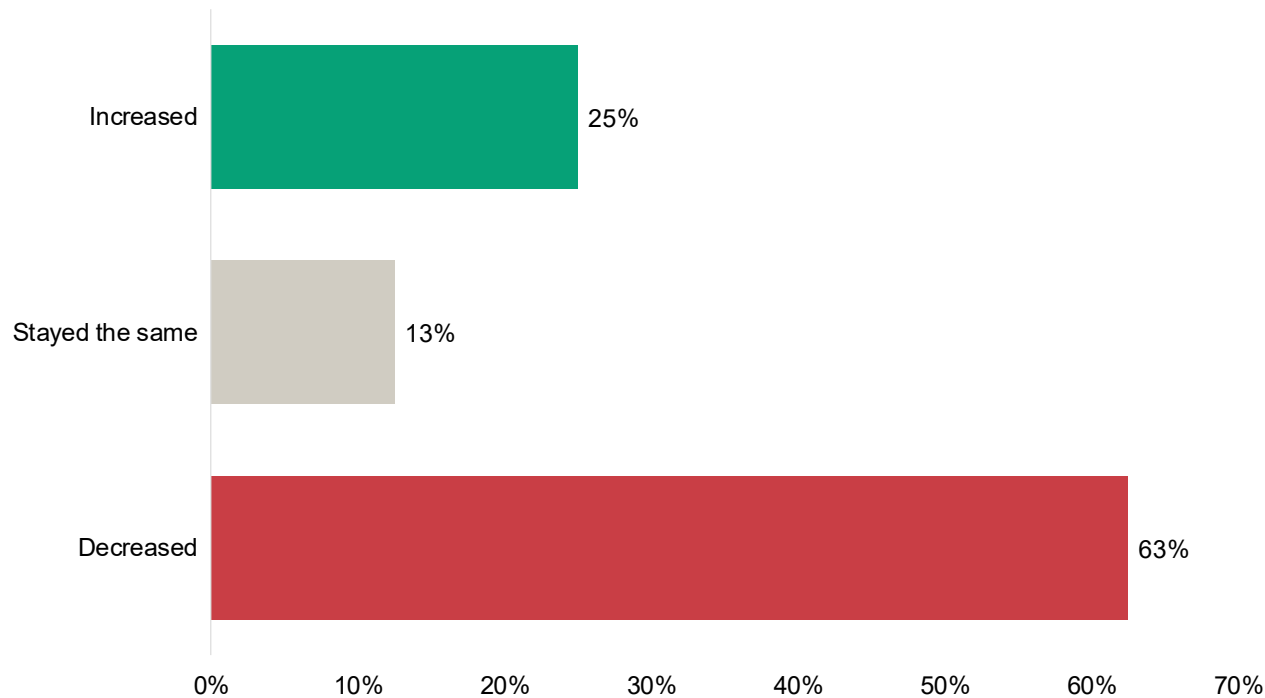
Residential Window and Door Company Average Change in Direct Labor Costs YOY



Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

63% of companies reduced backlogs in 4Q23 vs 4Q22. 25% reported increasing backlogs.

Residential Window and Door Company Change in Product/Job Backlogs YOY
4Q23

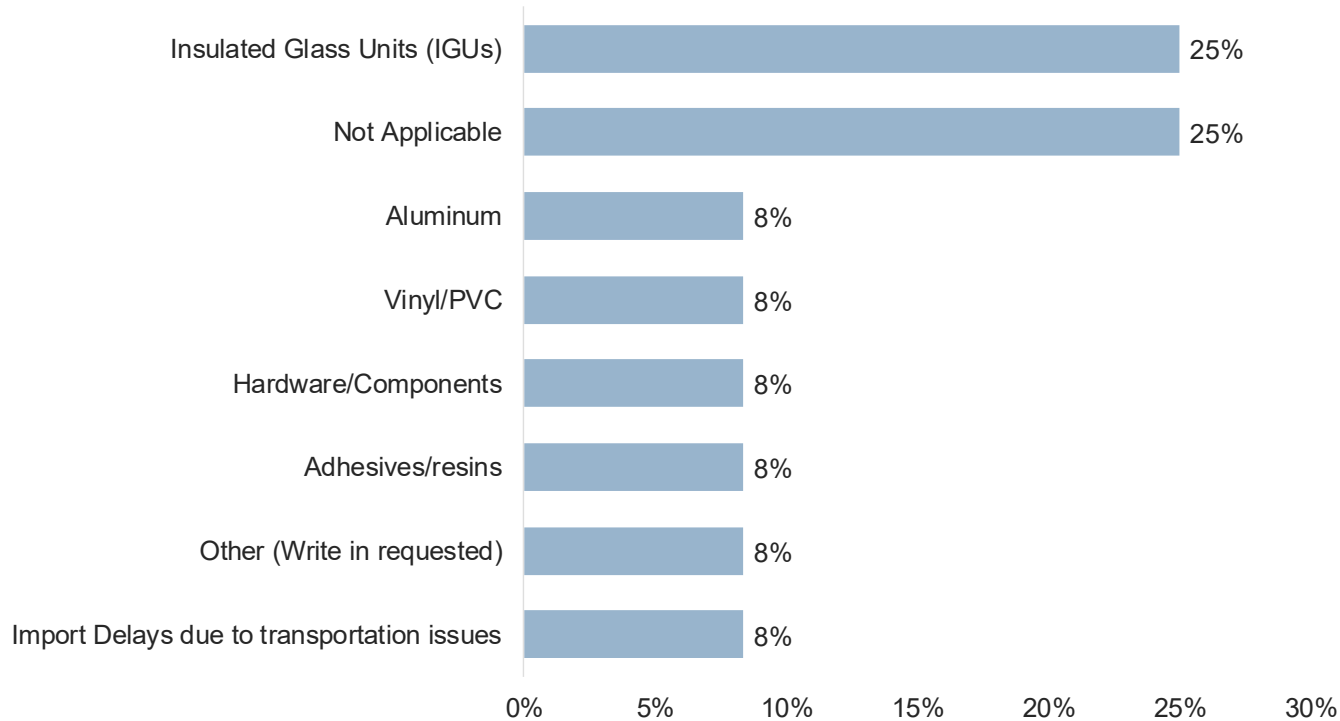


Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

25% of window and door manufacturers reported extended lead times for insulated glass. Another 25% report no extended lead times.

Products or Materials with Extended Lead Times

4Q23

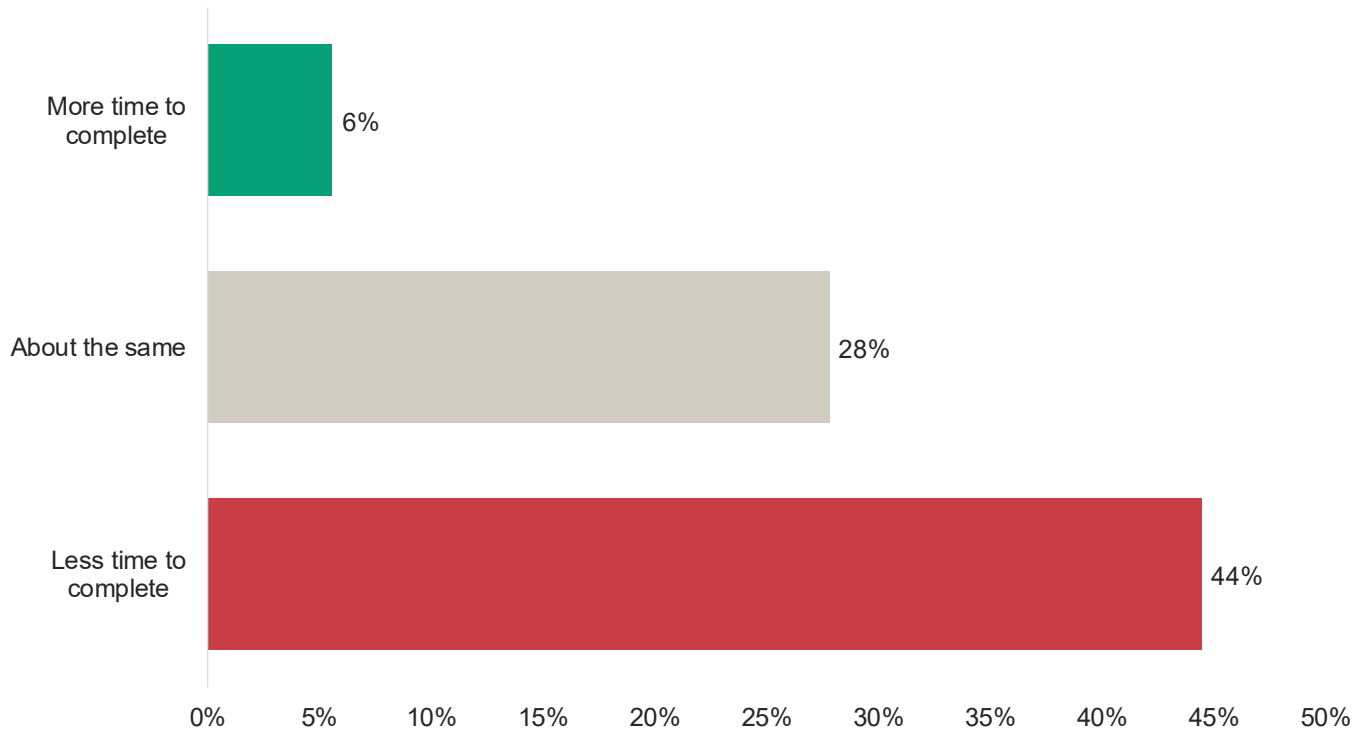


Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

44% of companies reported project cycle times improving in 4Q23 vs 4Q22. 6% reported projects taking more time to complete.

Residential Window and Door Company Project Timelines / Cycle Times Direction YOY

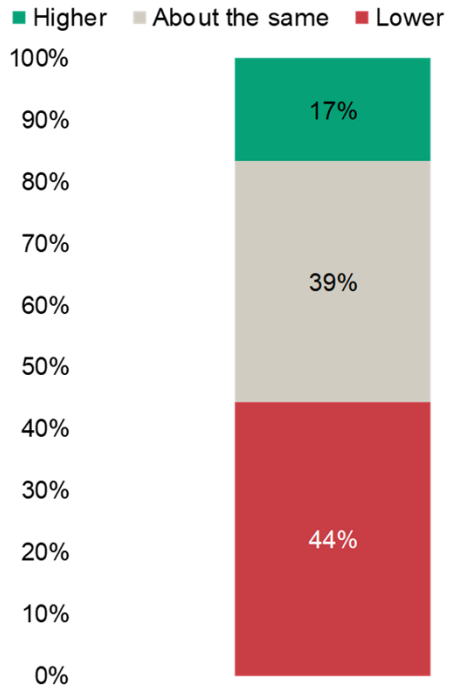
4Q23



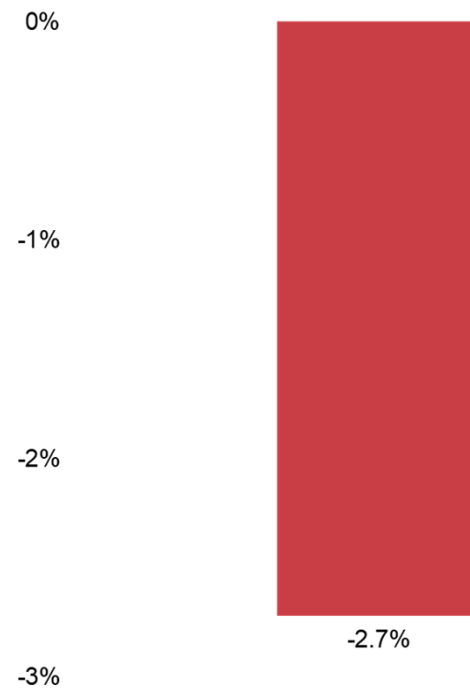
Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

44% of companies expect lower revenue in 1Q24 vs 4Q23. Typical seasonality is a primary driver for lower revenue expectations.

Residential Window and Door Company Next Quarter Revenue Expectations QOQ



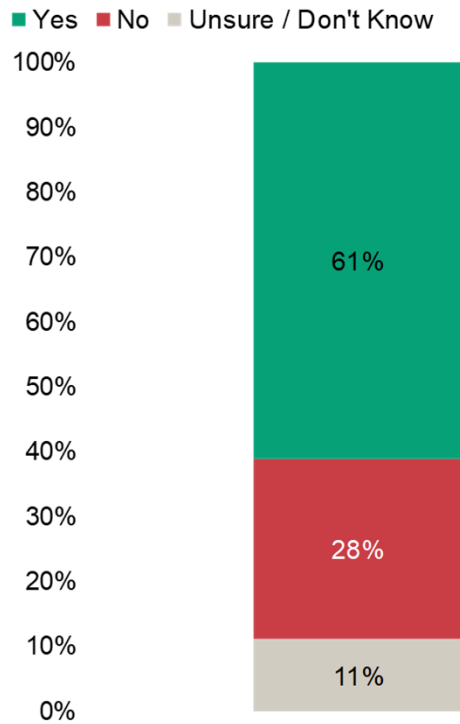
Residential Window and Door Company Average Expected Revenue Net Change QOQ



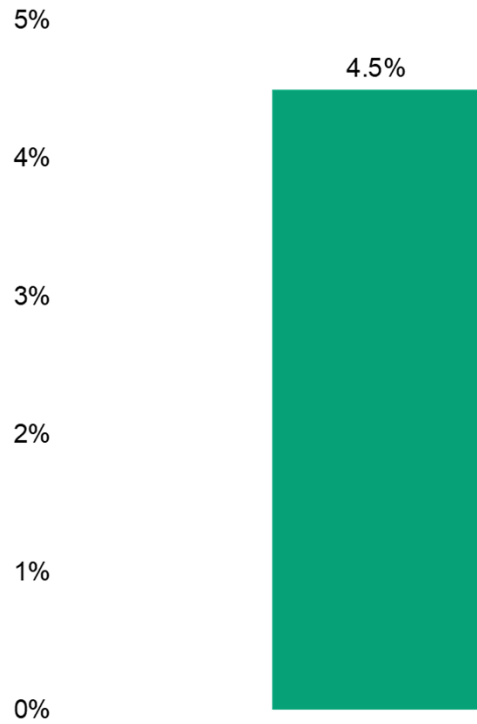
Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

61% of companies expect to raise prices in 2024.

Residential Window and Door Company Planned Price Increases in 2024



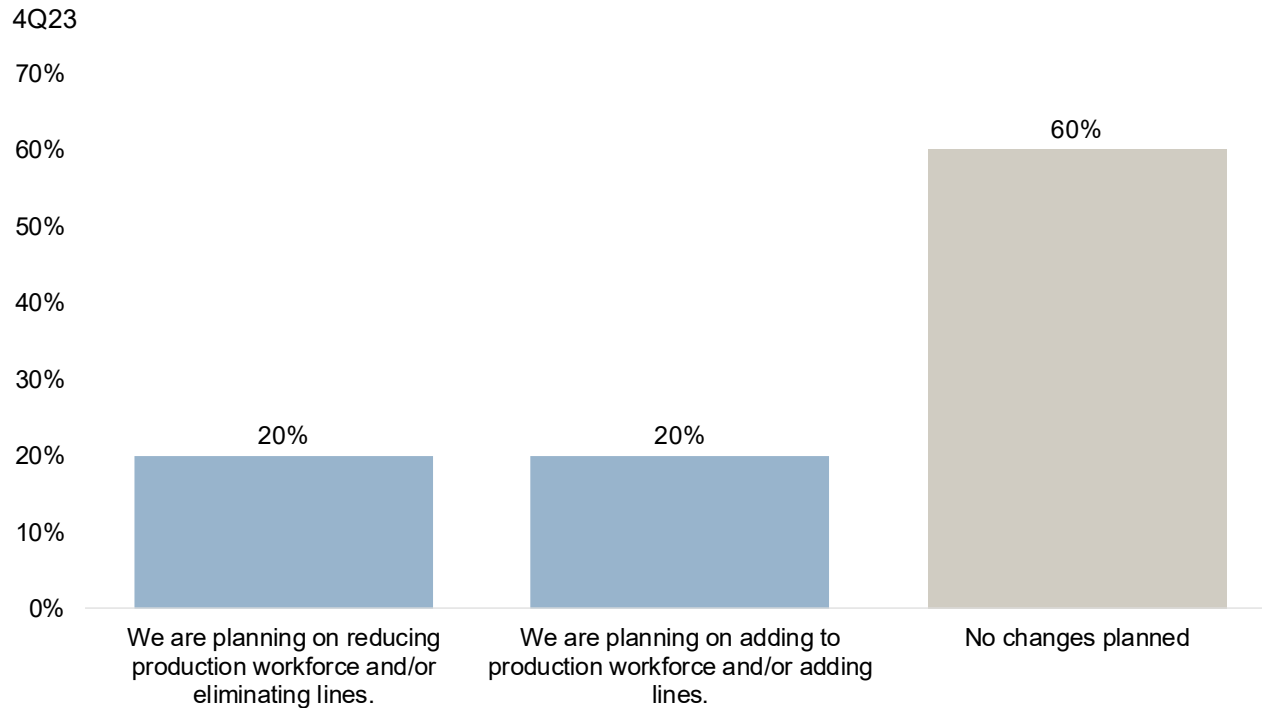
Residential Window and Door Company Average Expected 2024 Price Increase YOY



Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

60% of companies are not planning to make changes to their production workforce this year.

Residential Window and Door Companies Expecting Changes to Production/Installation Workforce This Year

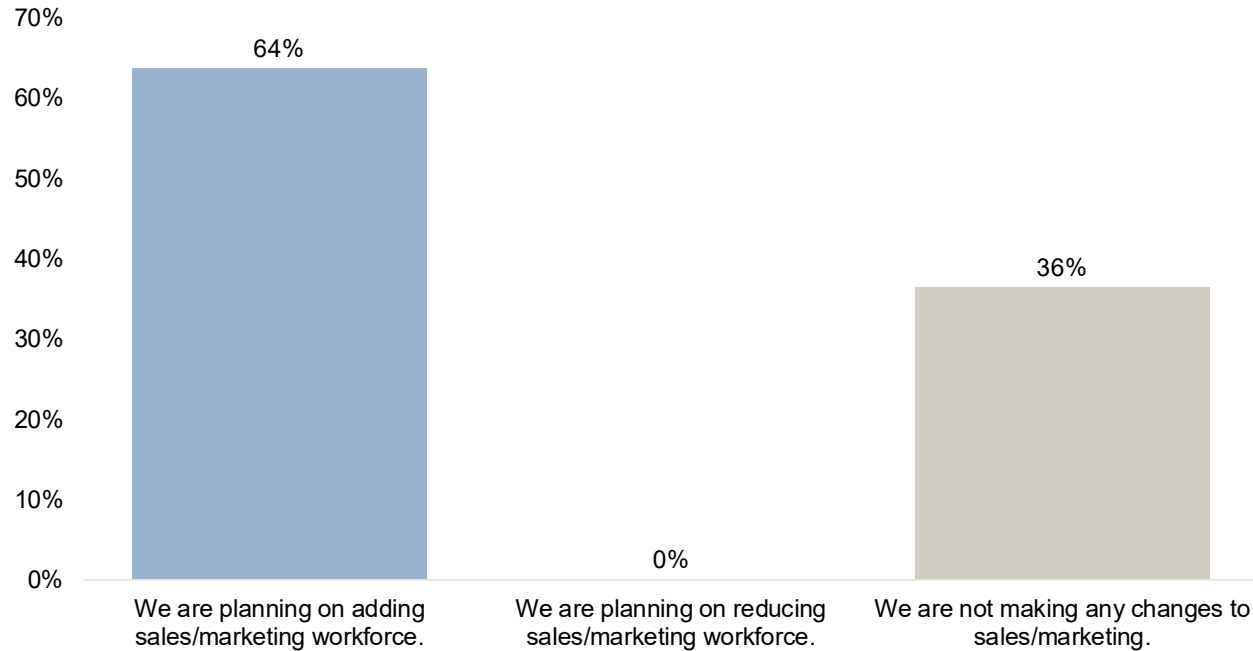


Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

64% of companies plan to add sales and marketing resources in 2024.

Residential Window and Door Companies Expecting Changes to Sales and Marketing Workforce This Year

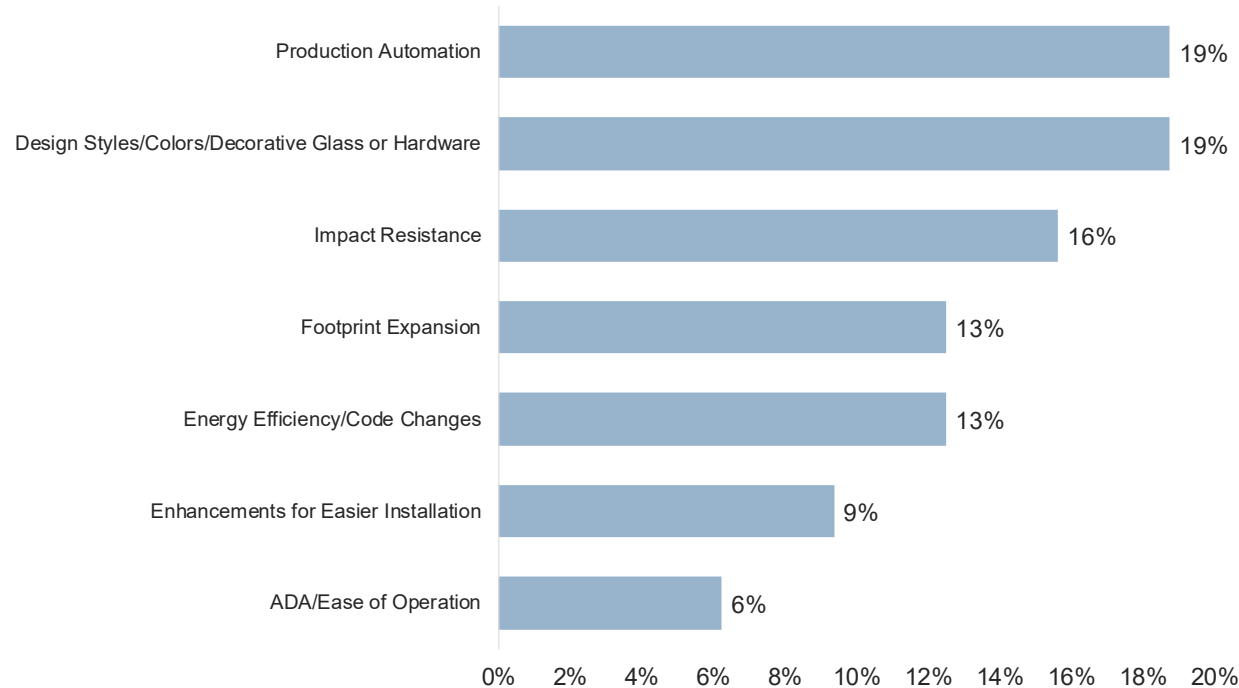
4Q23



Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

Production automation and design enhancements are the leading focus area for companies in 2024.

Residential Window and Door Company Expected Focus Areas in the Next 12 Months
4Q23

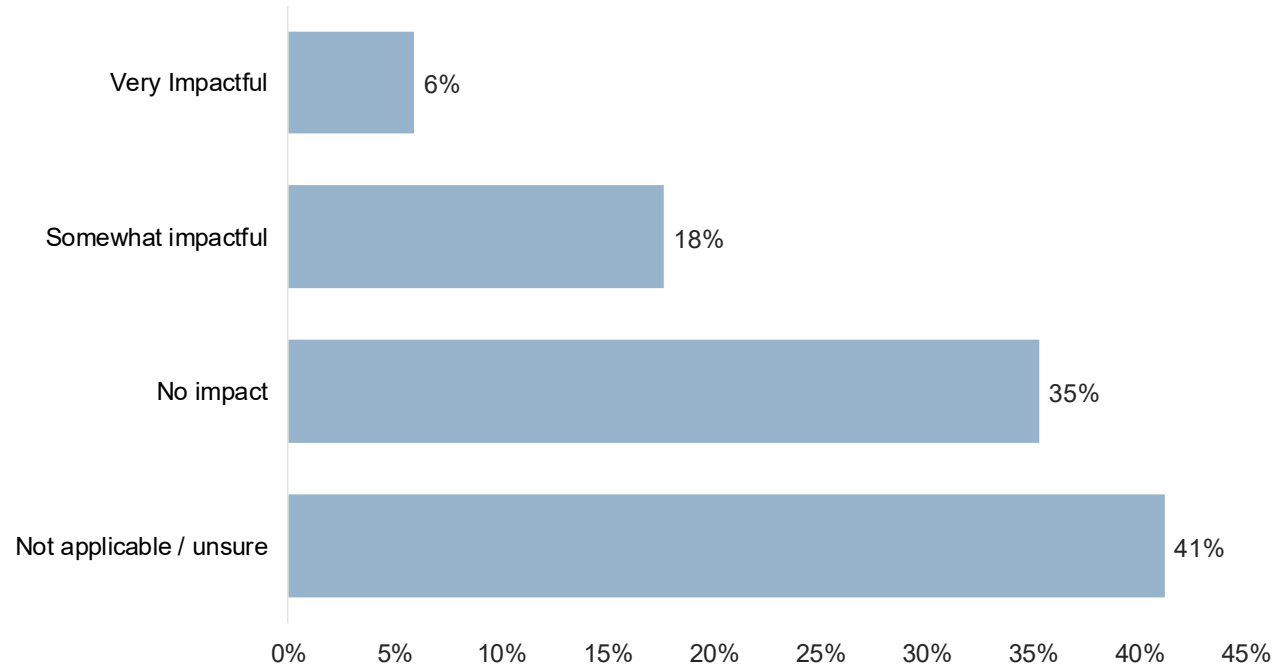


Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

35% of companies do not expect an impact from the Inflation Reduction Act tax credits for homeowners.

Residential Window and Door Company Expected Impact from the Inflation Reduction Act

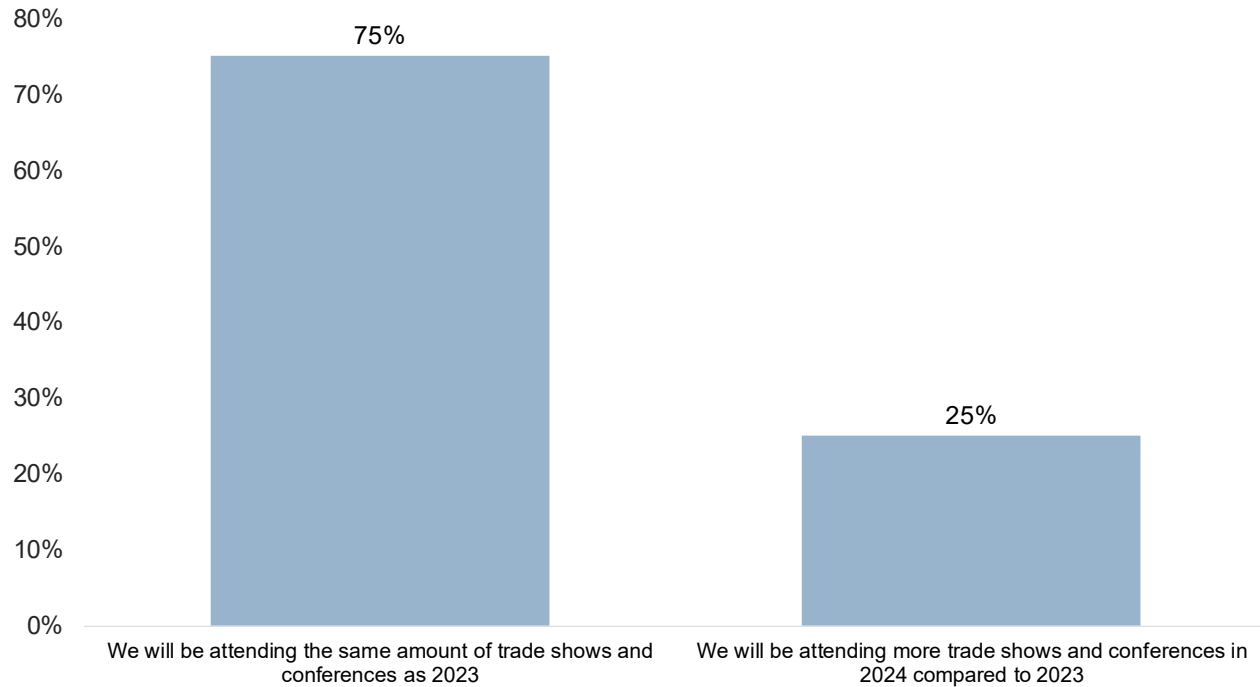
4Q23



Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

No window and door companies plan to attend fewer trade shows or conferences this year vs 2023.

Residential Window and Glass Company's Expected Level of Attendance for Trade Shows and Conferences in 2024 Compared to 2023



Sources: Window + Door magazine; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Mar-24)

Outline

- **Macroeconomic backdrop for New Construction and Repair and Remodel**
- **Insights from the latest Window and Door Market Survey**
- **Takeaways**

Key Takeaways

1. Current economic conditions are favorable for new construction and R&R.

- The labor market remains robust, “rate cuts are coming!” and consumer sentiment is rising
- Rate buydowns are driving new construction with no end in sight
- The R&R market is showing signs of life, fueled by aging homes, work from home and unprecedented wealth
- We expect these factors to continue to drive growth through 2033 due to a chronic undersupply of homes

2. The window and door industry is framed to capture this growth

- The industry is catching a breather after a COVID induced fever
- Volumes and revenues are normalizing, but expectations are high for a turnaround in 2024
- Inflation persists, and early rumblings of extended lead times are appearing
- Companies are investing in demand generation and production efficiencies to capture and satisfy this growth

3. The industry is re-learning how to strategically plan, sell, and focus on efficiencies.

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