US Home Services

Consumer Demand: Trends and Insights

Q1/Q2 2020 Report

July 2020 EverCommerce Market R<u>esearch</u>

Evercommerce

Letter from the CMO

Since 2006, we've been building technology solutions to help service industry businesses across the country – and now around the globe – be more successful. It's been our passion for 14 years. Through booms and busts, recessions and recoveries, we've tried to be ready for the worst and plan for the best. Throughout our time as a direct software company and now to a portfolio platform, we've never seen this type of challenge have such wide-sweeping effects on businesses in every corner of the world.

Service businesses are the lifeblood of our economy and the fuel of our well-being. It's this belief that has propelled us to buckle down and focus – on what needs to happen to persevere, to help our customers persevere – and at the same time shift and evolve.

As a technology platform, we believe the right software and services are powerful drivers for a business – helping it attract customers, automate workflows, measure performance, and provide better experiences. In this time of remote work and social distancing, our use of technology is enabling us to connect with each other and conduct business in new ways – ways that may continue indefinitely.

But technology can only take us so far; it's an airplane without a pilot. Rather, it is the meld of people, knowledge, and technology that will see us through this devastating crisis. With regulations and policies fluctuating daily, it can be difficult to know whether to push forward or pull back, to venture out or take shelter. We want to help provide the knowledge and tools you need to make informed decisions for your business, so our teams are ramping efforts to provide data, insights, training, and content in more accessible, virtual forums.

We thank you for the opportunity to work with you and appreciate all of the work you put in to see your business and the livelihood of your employees back to stability.

Sarah Jordan

CMO

EverCommerce

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Executive Summary

2020 is a year defined by the global pandemic, which has impacted almost every industry in the United States. The US home services market - defined as home improvement, repairs and maintenance, and installations for residential properties - was no exception.

Nationally, Q1 demand for these services grew an astounding 68% over 2019 until the president declared a National Emergency on March 13th. When most states issued stay-at-home orders, consumer demand declined 75% in three weeks. The home services season only restarted in May when restrictions began to lift.

Weather and seasonality also played a role in the May resurgence, especially for exterior services like gutters, lawn, and other home improvements that allowed for contactless work. Interior services, like basement, bathroom, and kitchen remodeling, bore the brunt of the pandemic impact due to uncertainty around safety guidelines for workers and homeowners. However, demand for Service Trades like HVAC, plumbing, and electrical, which were deemed essential, followed 2019 trends and remained steady throughout the shutdown.

Regional differences also affected consumer demand, as different parts of the US experienced both seasonal changes and the COVID-19 restrictions on varied timelines. Overall, the demand in the Southeast was highest among the US regions for the three categories tracked: Exterior, Interior-Renovation, and Service-Trades. The Northeast was second in overall volume with demand initially dampened for a longer period than other regions, but rebounding higher in Exteriors and Service Trades later in Q2.

Before the advent of the COVID-19 pandemic, the big story for the home services market was the increasing adoption of technology, especially mobile, to connect companies with contractors. This trend has paved the way for virtual consultations, estimates by drones, and other tech-enabled solutions to provide contactless service.

Other industry-sourced research¹ has uncovered additional trends establishing a new "normal":

- 1. <u>Desire to renovate is increasing</u> among individuals confined to their homes during the pandemic. 70-75% of homeowners are planning to complete a project in 2020 with upgraded kitchens, more space, and home gyms among the top projects of interest.
- 2. <u>Millennials are spending the most</u> on home projects compared to other age cohorts. This generation has been notoriously slow to purchase homes, but when they do, they typically buy older homes.
- 3. <u>"Porching" is a new phenomenon</u> in which front porches act as stoops where neighbors can casually gather using social distancing guidelines. The investment in Exteriors now extends beyond just the home and backyard to the front yard as well.

The EverCommerce research team plans to track trends such as these, as well as consumer demand, on a quarterly basis to provide market intelligence for our customers, partners, and affiliates in the home services sector.

¹Sources: July 2 COVID-19 Economic Impact Tracker, Freedonia; June 27 Bank of America poll of 1,054 Americans; June 19 Lightstream survey; Home Improvement Research Institute; Realtor.com survey

National Overview

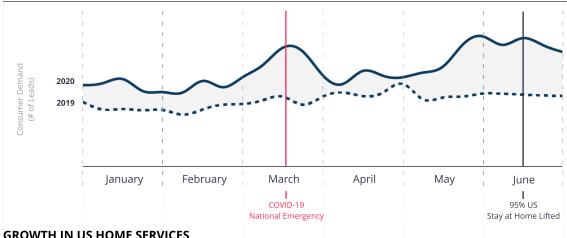


Consumer Demand for US Home Services

2020 consumer demand for US homes services was on track for a stellar season, with 68% growth over 2019 in Q1, until the national emergency for COVID-19 was declared on March 13. As home services professionals scrambled to understand what services were deemed essential and how to implement new health and safety guidelines in their work environments, consumer demand for home services projects immediately stalled. The good news is that after weeks of sheltering in place and the reduction in COVID-19 restrictions, consumer demand in May increased to an all-time high for 2020, with a year-over-year growth in the high double digits. June saw declines in demand for Exterior and Interior services while appetite for Service-Trades continued to climb.

US CONSUMER DEMAND FOR ALL HOME SERVICES CATEGORIES

Year-Over-Year (YOY) Comparison

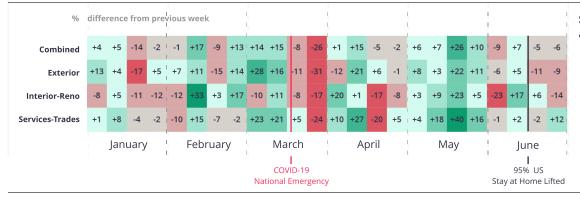


68% YOY growth in 1Q20 until national emergency

- Consumer demand plummeted 75% after COVID-19 declaration
- Demand began to recover in late April
- New peak reached in late May and continued as states and counties lifted stay-at-home restrictions

GROWTH IN US HOME SERVICES

2020 Week-Over-Week (WOW) Comparison by Home Services Category



Significant volatility across all service categories

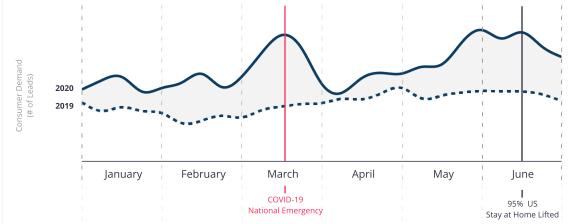
- · Double-digit weekly declines after COVID-19 restrictions in March
- As restrictions lifted, demand bounced back by double digits in late May

EXTERIOR SERVICES

Exterior services, which includes gutters, landscaping, roofing, siding, windows, and doors, experienced a strong start to the spring season before the declaration of the national emergency in March. After the announcement, demand for Exteriors declined 45% - the biggest decrease of all service categories tracked in this report. However, the lifting of stay-at-home restrictions led to a significant year-over-year increase in consumer demand late in Q2.

CONSUMER DEMAND FOR EXTERIOR SERVICES

Year-Over-Year (YOY) Comparison

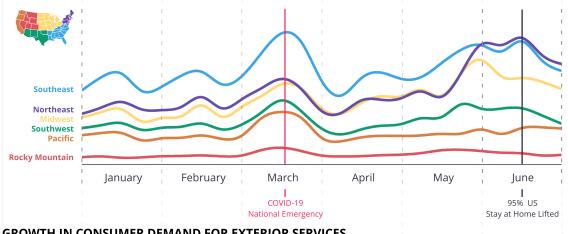


Exteriors began to rebound to seasonal levels iate May

- 69% increase from late February until national emergency declared
- 46% drop in demand by early April
- Demand began to recover after restrictions lifted

CONSUMER DEMAND FOR EXTERIOR SERVICES

Regional Comparison

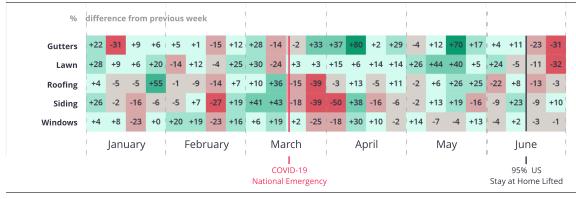


Variability in regional impact

- Southeast experienced the biggest increase before the lockdown and the sharpest decline afterwards
- Rocky Mountain was least affected overall
- Northeast experienced the most significant Q2 growth, 143% from April to June

GROWTH IN CONSUMER DEMAND FOR EXTERIOR SERVICES

2020 Week-Over-Week (WOW) Comparison by Service Type



Gutters and Lawn led growth in April and May

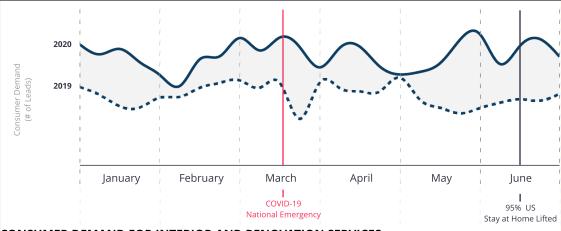
- Siding experienced the biggest decline in March, then Gutters and Windows
- After restrictions lifted, Gutters and Lawn rebounded fastest while Siding remained anemic

INTERIOR SERVICES AND RENOVATIONS

Interior services and renovation projects were on an upward trajectory in Q1 of 2020 until the COVID-19 pandemic stay-at-home orders were issued. Many of the services within this category were deemed non-essential and forced to stop operations. As states lifted these regulations, consumer demand increased, though with significant volatility.

CONSUMER DEMAND FOR INTERIOR AND RENOVATION SERVICES

Year-Over-Year (YOY) Comparison

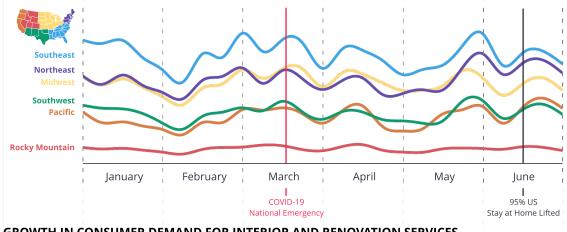


Less volatility in demand for Interior services

- Overall, Interior services experienced less severe swings than Exterior services in 2020
- 2020 demand for Interior was higher than 2019 demand, particularly in May and June

CONSUMER DEMAND FOR INTERIOR AND RENOVATION SERVICES

Regional Comparison

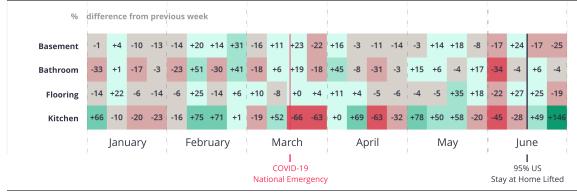


More demand volatility at the regional level

- Demand in all regions except Rocky Mountain was impacted by COVID-19
- Southeast and Northeast were most volatile, hitting annual high in late May
- Other regions have not returned to pre-COVID demand levels

GROWTH IN CONSUMER DEMAND FOR INTERIOR AND RENOVATION SERVICES

2020 Week-Over-Week (WOW) Comparison by Service Type



Recovery slow for Interiors

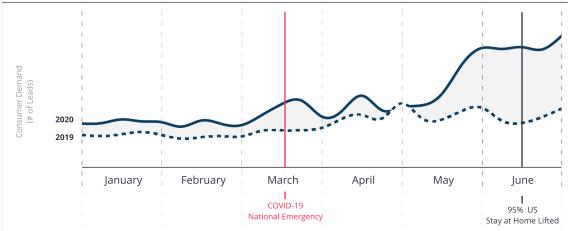
- Early Q1 demand for Basement and Kitchen grew by double digits
- Kitchen most impacted by COVID-19 shutdown as it was deemed non-essential in most states

SERVICE TRADES

The Service Trades category includes HVAC, electrical, plumbing, handyman services, and other trades. This category, largely designated as "essential," was less impacted by the COVID-19 lockdown and generally followed 2019 trends through April. However, diverging from 2019, Service Trades experienced significant growth throughout May and June due to the lift of shelter-in-place restrictions and pent-up homeowner demand.

CONSUMER DEMAND FOR SERVICE TRADES

Year-Over-Year (YOY) Comparison

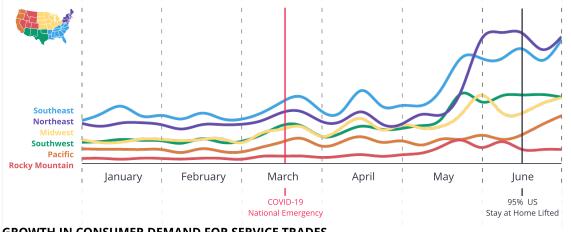


2020 followed 2019 trends until restrictions lifted

- Minimal impact from March COVID-19 lockdown
- 2020 demand remained steady with little growth until mid-May
- Though many services were essential, demand only grew (88%) when state restrictions lifted

CONSUMER DEMAND FOR SERVICE TRADES

Regional Comparison

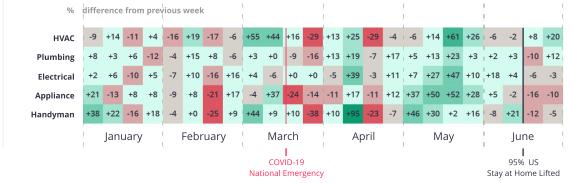


Regional variability in demand for Service Trades

- Northeast and Southeast rebounded fastest
- Midwest and Southwest soon followed, with smaller increases in demand
- Pacific began increasing in June while Rocky Mountain remained relatively flat

GROWTH IN CONSUMER DEMAND FOR SERVICE TRADES

2020 Week-Over-Week (WOW) Comparison by Service Type



Steady demand for most **Service Trades**

Seasonal demand and lift in restrictions drove weekly growth throughout May for HVAC, Plumbing, Electrical, and Handyman services

Regional Analysis



Regional Analysis: Consumer Demand for Home Services

While the events of COVID-19 have affected the entire US home services industry, the timing and severity of the effects have varied by region. Differences can be seen across the levels of restrictions, essential vs non-essential service designations, and consumer sentiments.

The majority of states declared stay-at-home orders in late March and early April, and released them between mid-May and mid-June. There was a significant increase in consumer demand as these orders were released and the restrictions associated with them relaxed, particularly in Exterior services, as the timing also correlated with the beginning of the spring home maintenance season. Not only did we see large increases in the week-to-week trends, we also saw increases in the year-over-year trends for this season.

Some states had not released their stay-at-home orders as of the end of Q2, particularly in the Pacific region, and consumer demand in those areas has continued to lag. Also, as some states have been experiencing a resurgence in COVID-19 cases and have paused their plans to reopen, increases in consumer demand experienced in May are being erased as June results show decreases.



NORTHEAST REGION EXTERIOR SERVICES Year-Over-Year (YOY) Consumer Demand Comparison Northeast recovery was late but healthy Consumer Demand (# of Leads) 25% decline in 2020 Exterior services demand 2020 during COVID-19 shutdown 2019 Little to no growth during 2020 early spring season May June March April lanuary February 113% YOY growth at peak 100% Northeast during mid-June COVID-19 National Emergency Stay at Home Lifted INTERIOR AND RENOVATION SERVICES Year-Over-Year (YOY) Consumer Demand Comparison Demand was relatively flat year-over-year Consumer Demand Minimal YOY increase (2%) (# of Leads) throughout most of 2020 2020 Spike in growth YOY in May 2019 and June, 134% YOY increase at the peak in June January February March April May late May 100% Northeast COVID-19 National Emergency Stay at Home Lifted **SERVICE TRADES** Year-Over-Year (YOY) Consumer Demand Comparison Little year-over-year change until May Consumer Demand (# of Leads) · Minimal YOY change in Q1 COVID-19 lockdown drove demand down to 2019 2020 levels until May 143% increase YOY at peak January February March April May June in demand in early June COVID-19 National Emergency 100% Northeast Stay at Home Lifted **GROWTH IN CONSUMER DEMAND** 2020 Week-Over-Week (WOW) Comparison by Category Initial recovery in late May difference from previous week offset by June volatility +16 +17 +12 -12 -3 +10 -7 +36 +30 Exterior +13 +9 -12 +6 +16 +24 +3 +6 -13 · Start to spring demand in early March stalled by +9 +3 Interior-Reno -12 +5 +16 -9 -12 +12 +3 +5 +0 +30 +14 +12 -13 COVID-19 lockdown Strong increases in last Service-Trades +9 +0 +12 +0 +19 +2 +22 -23 +0 +24 -1 +51 +5 +0 -13 +11 two weeks of May as restrictions lifted February January March April May June COVID-19 National Emergency 100% Northeast

Stay at Home Lifted

SOUTHEAST REGION EXTERIOR SERVICES Year-Over-Year (YOY) Consumer Demand Comparison Significant Q1 growth impacted by COVID-19 Consumer Demand (# of Leads) 133% YOY growth at peak 2020 in mid-March 2019 47% decrease from mid-March through April June decreases due to June March April January February May pauses in reopening plans 100% Southeast COVID-19 National Emergency Stay at Home Lifted INTERIOR AND RENOVATION SERVICES Year-Over-Year (YOY) Consumer Demand Comparison Some growth over 2019 Less than 1% growth in Consumer Demand 2020 before mid-March (# of Leads) 2020 28% decrease after 2019 stay-at-home orders executed 142% growth YOY at peak June January February March April May in mid-May 100% Southeast COVID-19 National Emergency Stay at Home Lifted **SERVICE TRADES** Year-Over-Year (YOY) Consumer Demand Comparison Minimal year-over-year growth until May Consumer Demand (# of Leads) · 8% YOY growth before mid-March 22% decrease during late 2020 March lockdown 2019 156% YOY increase in January February March April May June consumer demand at peak COVID-19 National Emergency 100% Southeast in early June Stay at Home Lifted **GROWTH IN CONSUMER DEMAND** 2020 Week-Over-Week (WOW) Comparison by Category **Decreases in late March** difference from previous week offset by growth in May +14 -13 +10 +27 +17 +16 +13 -15 -10 Exterior +18 +3 +6 +4 +6 +2 +4 +9 · Double-digit decline in all categories due to +5 +2 -12 Interior-Reno +2 -14 -12 -13 +22 -14 +11 -3 +21 -9 +6 +20 +10 +12 stay-at-home orders Rebound in all categories Service-Trades +16 +14 +14 +21 +8 +0 +0 +29 +0 +10 -10 +20 during most of May April May January February March June COVID-19 National Emergency 100% Southeast Stay at Home Lifted

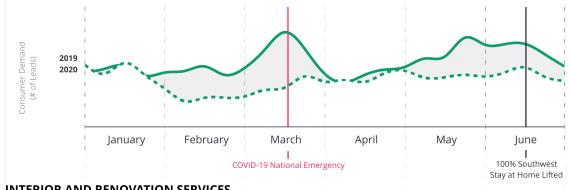
MIDWEST REGION **EXTERIOR SERVICES** Year-Over-Year (YOY) Consumer Demand Comparison YOY growth despite late Q2 setbacks Consumer Demand 101% increase in 2020 (# of Leads) before mid-March 2020 36% decrease after 2019 stay-at-home orders 95% YOY increase in March April June January February May demand since mid-May COVID-19 National Emergency 92% Midwest due to lifted restrictions Stay at Home Lifted and improved weather for INTERIOR AND RENOVATION SERVICES exterior jobs Year-Over-Year (YOY) Consumer Demand Comparison Interior experienced minimal YOY growth Consumer Demand Only 7% growth from (# of Leads) January to mid-March 2020 2020 23% decrease during 2019 COVID-19 lockdown 4% decrease since early May January February March April June May while many states delayed reopening 92% Midwest COVID-19 National Emergency Stay at Home Lifted **SERVICE TRADES** Year-Over-Year (YOY) Consumer Demand Comparison Slow start to growth, further impacted by COVID-19 lockdown Consumer Demand (# of Leads) · Minimal growth in Q1 COVID-19 lockdown dampened demand 2020 Growth began in April and January February March April May June continued through May, COVID-19 National Emergency 92% Midwest then resumed in mid-June Stay at Home Lifted **GROWTH IN CONSUMER DEMAND** 2020 Week-Over-Week (WOW) Comparison by Category Weekly volatility in all difference from previous week service categories +12 +8 +4 +22 +20 +19 +17 -6 +21 +10 +9 Exterior +5 +0 +14 -2 Sharp declines in March due to COVID-19 lockdown +0 +8 Interior-Reno +7 -10 -13 -11 +6 +17 -9 +11 -19 -2 -10 +0 +6 -7 +16 Severe weather and Service-Trades +3 +13 -2 +6 +2 +7 +5 +33 -2 +19 +10 flooding in the Midwest in early June may have February April May January March June impacted demand COVID-19 National Emergency 92% Midwest Stay at Home Lifted

NORTHEAST SOUTHWEST ROCKY MOUNTAIN

SOUTHWEST REGION

EXTERIOR SERVICES

Year-Over-Year (YOY) Consumer Demand Comparison

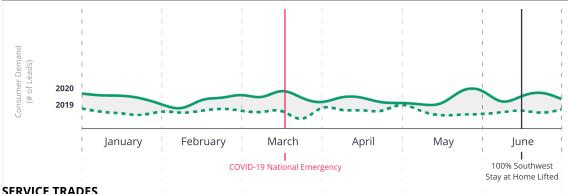


Early start to seasonal demand collapsed in March

- 122% growth in 2020 before mid-March
- 52% decline immediately after national emergency declared
- June declines likely due to COVID-19 surges and summer temperatures prevented exterior work

INTERIOR AND RENOVATION SERVICES

Year-Over-Year (YOY) Consumer Demand Comparison

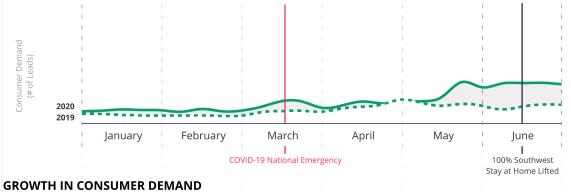


Declines in demand until mid-May

- YOY growth for Interior flat for most of Q1
- 35% decline mid-March
- Swings in demand from late May and late June

SERVICE TRADES

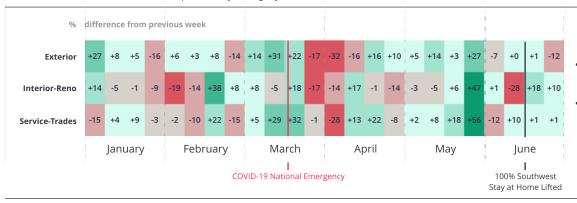
Year-Over-Year (YOY) Consumer Demand Comparison



Season restarted in May

- YOY growth in March was cut short by COVID-19
- Increases began again in mid-May, with 96% YOY growth through June

2020 Week-Over-Week (WOW) Comparison by Category



Q1 demand paused by COVID-19, restarted in May

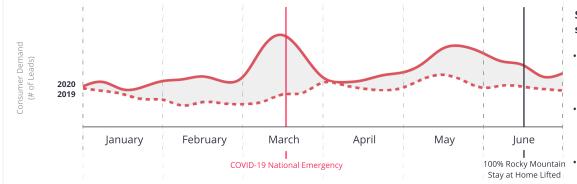
- Exterior services grew steadily since mid-April
- Service Trades less impacted by lockdown

MIDWEST ROCKY MOUNTAIN

ROCKY MOUNTAIN REGION

EXTERIOR SERVICES

Year-Over-Year (YOY) Consumer Demand Comparison

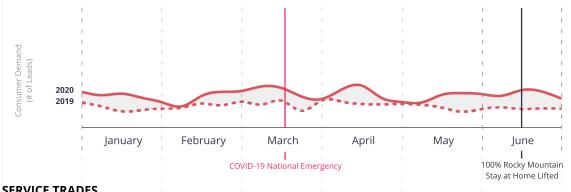


Significant Q1 growth stunted by COVID-19

- Fast start to spring with 81% increase in March, followed by 52% decrease
- Demand restarted in April, but has not reached mid-March levels
- Spring weather drove demand in May as temperatures rose

INTERIOR AND RENOVATION SERVICES

Year-Over-Year (YOY) Consumer Demand Comparison

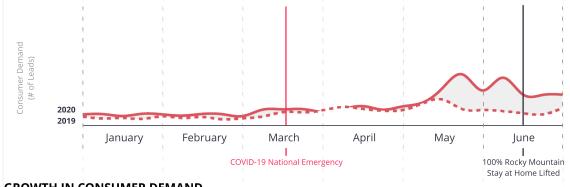


Increase started in early February halted by COVID-19 in March

- Demand volatility during most of the season
- Returned to Q1 growth trend in early May as states began lifting restrictions

SERVICE TRADES

Year-Over-Year (YOY) Consumer Demand Comparison

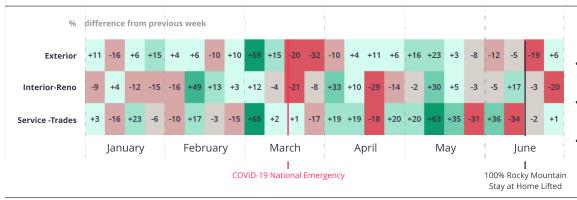


Minimal growth for most of Q1 and Q2 ramped up in mid-May and early June

- 267% increase from lowest demand in late March to peak in mid-May
- 226% YOY growth at peak in late May, 171% YOY growth at second peak in early June

GROWTH IN CONSUMER DEMAND

2020 Week-Over-Week (WOW) Comparison by Category



Early May increases drove Q2 growth

- Exterior regained some momentum in April
- Volatile Interior demand with overall minimal gains
- Double-digit WOW gains for Service Trades in late April and most of May

PACIFIC REGION EXTERIOR SERVICES Year-Over-Year (YOY) Consumer Demand Comparison Increase in demand offset by sharp decline mid-March Consumer Demand 67% increase trend in Q1 (# of Leads) 2020 abruptly reversed by a 55% decrease Demand increased YOY, but not to early Q1 levels, May due to continued March April June January February lockdowns and restrictions 60% Pacific COVID-19 National Emergency Stay at Home Lifted INTERIOR AND RENOVATION SERVICES Year-Over-Year (YOY) Consumer Demand Comparison Late April decrease shows continued impact from COVID-19 Consumer Demand (# of Leads) 28% decrease from 2020 mid-March to early April as stay-at-home orders were 2019 announced May June January February March April 43% decrease from mid-April to lowest point 60% Pacific COVID-19 National Emergency in late April Stay at Home Lifted **SERVICE TRADES** Year-Over-Year (YOY) Consumer Demand Comparison After small decline mid-March, increase in demand accelerated Consumer Demand (# of Leads) 30% decrease in 2020 after mid-March peak YOY growth accelerated 2020 from mid-May to a peak in January February March April May June late June 60% Pacific COVID-19 National Emergency Stay at Home Lifted **GROWTH IN CONSUMER DEMAND** 2020 Week-Over-Week (WOW) Comparison by Category Significant variability after difference from previous week **National Emergency** +2 -12 +13 -12 -13 +16 +13 -12 +19 +2 Exterior +8 +8 +8 +13 +6 +0 Exterior recovered fastest starting in April +17 -16 Interior-Reno -21 +2 -10 -10 -15 +0 +31 -1 +4 -11 -19 +31 +9 +7 +9 +6 -29 +39 Interior experienced significant WOW swings Service-Trades +0 -20 +33 -19 -3 +39 +31 -16 +24 +23 -21 +7 -18 +31 -1 +17 -14 +18 +35 +23 Service Trades had steady

April

May

June

60% Pacific Stay at Home Lifted WOW growth in June

February

March

COVID-19 National Emergency

January

Looking Forward

The turbulence caused by the pandemic continues as COVID-19 surges again in large swaths of the United States this summer. These conditions make forecasting the demand for home services difficult, if not impossible, for the rest of 2020. Based on McKinsey's recent analysis¹ of key sectors, the construction industry (including home services) is expected to be less impacted by COVID-19 than other industries – like travel, entertainment, and food services. However, due to the high saturation of small and mid-sized businesses within the construction sector (81% are SMBs), there is more financial risk for these companies during this unstable period. In forecasting recovery timelines, McKinsey predicts a range of six months (virus containment scenario) to two years (muted recovery scenario) for the construction industry.

No matter how long recovery takes, the crisis has revealed that companies must be agile in order to conduct business today. Digital tools have enabled companies to find new ways to work remotely and safely - a requirement for the foreseeable future. The EverCommerce mission - to transform the service economy through technology - aligns with this re-imagining of work for home service professionals. We do this by providing companies with the right software, services, and market intelligence to drive and grow their businesses.

Next month, we will release the **2020 QR-GuildQuality: Customer Satisfaction Report**. Qualified Remodeler teams up with GuildQuality, an EverCommerce customer satisfaction measurement company, to analyze data and responses from over 100,000 homeowners and their experiences with remodeling companies.

¹Source: McKinsey & Company, <u>COVID-19: Implications for business - June 25 and July 9, 2020 Executive Briefing</u>

Research Methodology

EverCommerce compiles consumer demand data from its subsidiaries to provide a general outlook of the home services industry. Data is collected from multi-channel sources and aggregated to provide a holistic view of the home services categories we serve. Essential and non-essential service categorizations were based on the definitions provided by the majority of states during the COVID-19 Stay-at-Home and Safer-at-Home periods.

About Evercommerce

EverCommerce is the leading service commerce platform, providing the top marketing, business management, and customer retention solutions to more than 200,000 service businesses across the globe. Specializing in Home & Field Services, Health Services, and Fitness & Wellness industries, EverCommerce solutions streamline the business-to-customer lifecycle of interactions that enable organizations to attract customers at scale, provide services efficiently, act on business insights, and increase customer loyalty and value.

Learn more at EverCommerce.com

Our Home Services Brands





































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