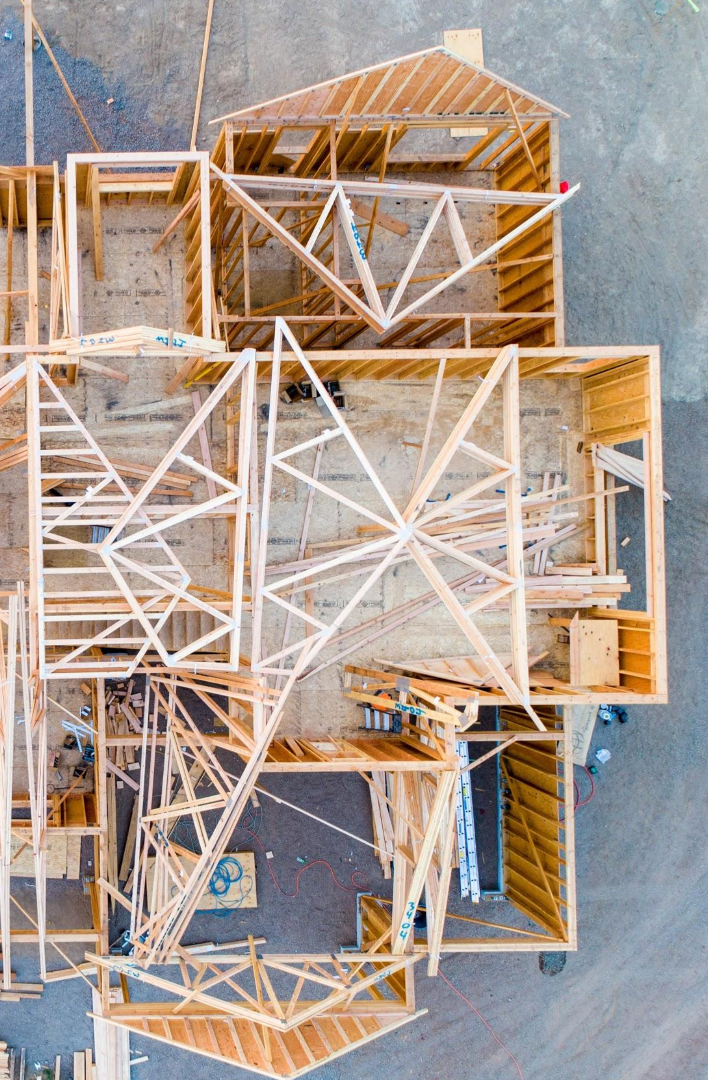


2020-2021

Homebuilding Industry Perceptions Report

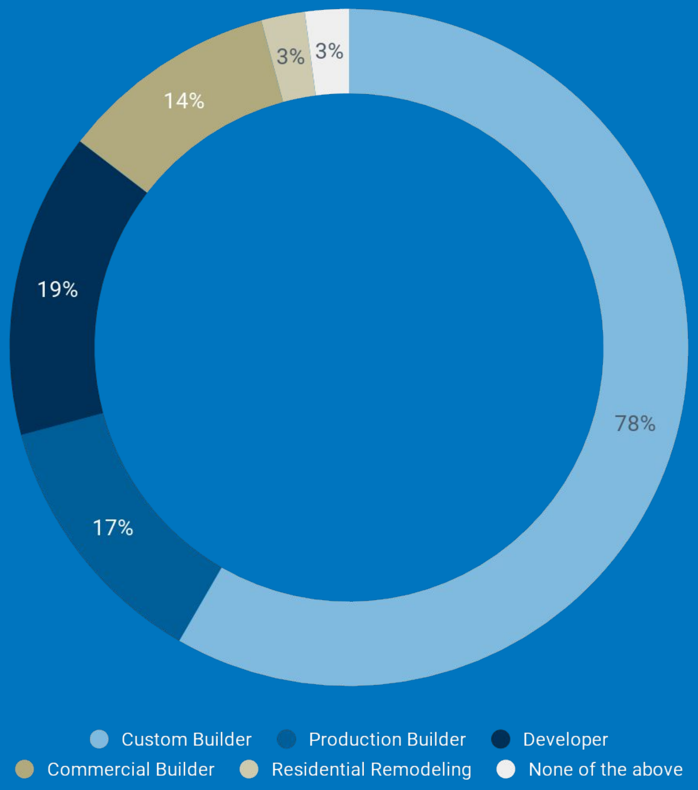
EPCON FRANCHISING

Home building, like many industries, had a mixed 2020. Some builders saw a boom, while others felt a bust. While interest rates are fluctuating, demand is rising—along with raw material costs, supply chain changes, and labor concerns. We surveyed builders on their 2020 performance and 2021 perceptions so that other builders may find validating similarities or new opportunities.

Section 1: Demographics

This survey includes responses from residential home builders who have significant or final decision-making authority in their business.

Which best describes the type of builder you are?

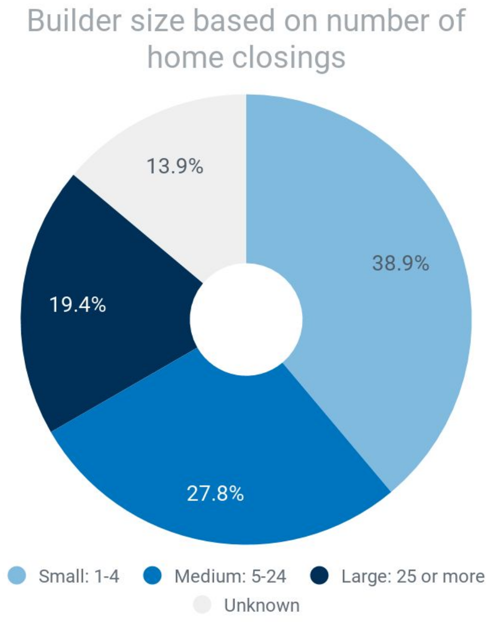


In addition to providing overall results, the data is broken down by Builder Size which is determined by the number of home closings in 2020.

Builder size categories include: Small (1-4 home closings), Medium (5-24 home closings), and Large (25 or more home closings).

72% of the sampled companies have been in business 20 or more years, and a majority of respondents were the Owner (44%) or President/CEO (31%) of their company.

Participants reported from across the US including Texas, Florida, New York, Georgia, Illinois, Michigan, North Carolina, Connecticut, Wisconsin, Virginia, Oregon, Oklahoma, Pennsylvania, Kentucky, Utah, Kansas, South Carolina, Massachusetts, and Minnesota.



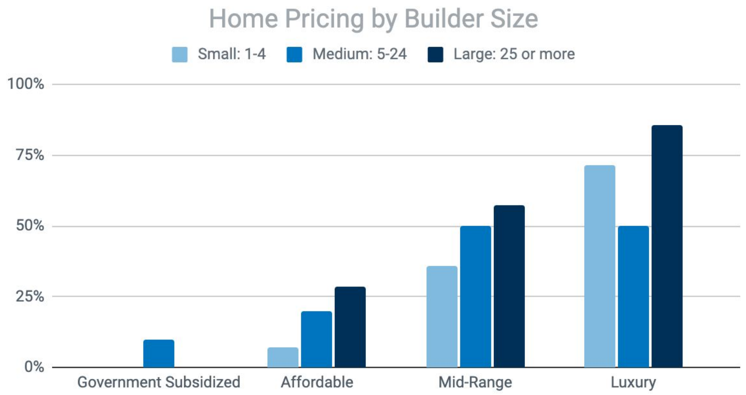
Demographics

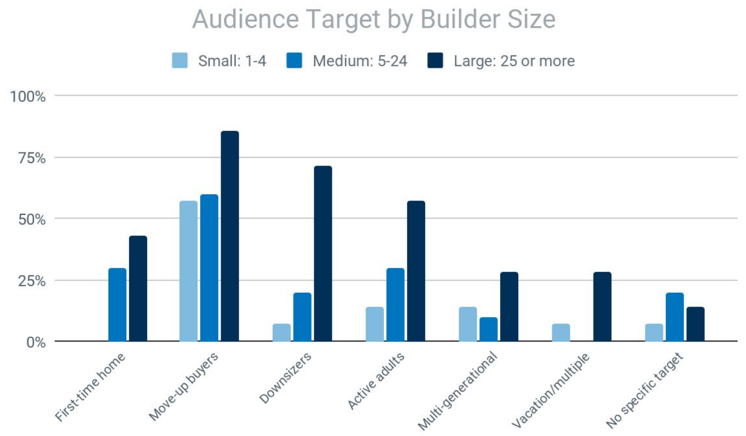
The average respondent is a custom builder selling luxury homes to move-up buyers.

A majority of respondents were custom builders (78%) and that number jumps to 93% for Small builders and 80% for Medium builders. Large builders were split between custom building (57%) and production building (43%). 94% of all respondents build single family homes.

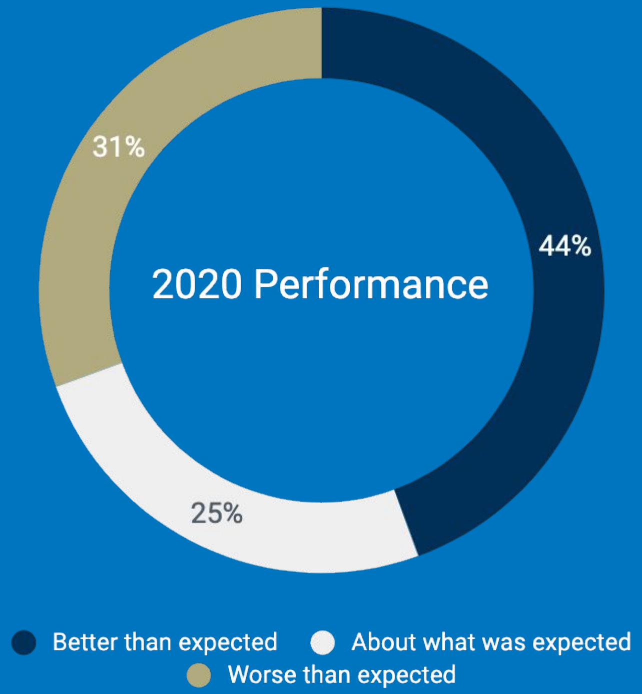
When it comes to home prices, Large and Small builders are most likely to build luxury homes (86% and 71%, respectively). Medium builders were split between Luxury (50%) and Mid-Range (50%).

While Move-up buyers are the primary targeted audience across builders of all sizes (58%), Large builders are also placing a heavy focus on Downsizers (71%) and Active Adults (57%).



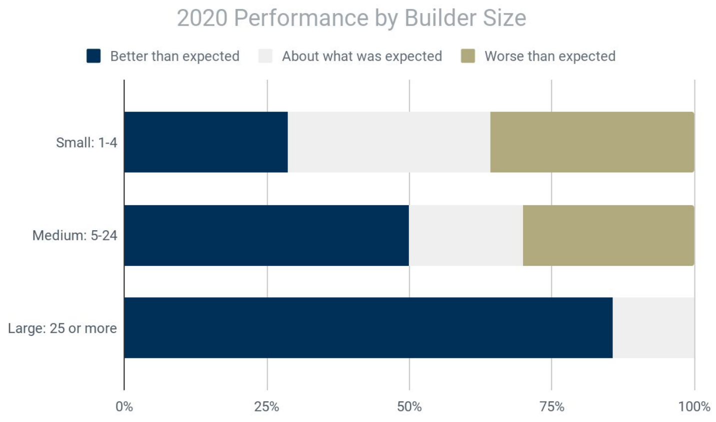


Section 2:
2020 in Review

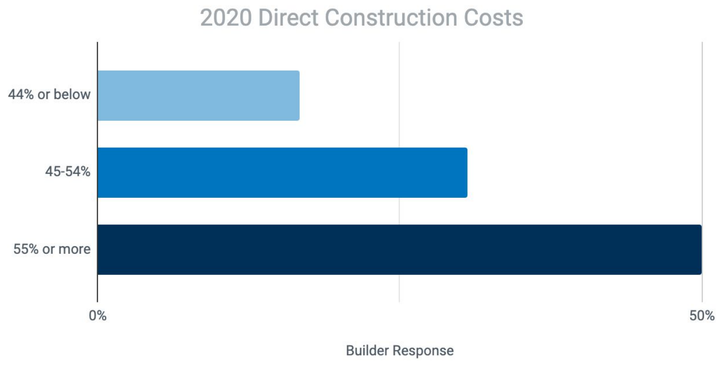


2020 was a mixed bag for our sampled builders, with 44% reporting a better year than expected versus 31% reporting a worse year.

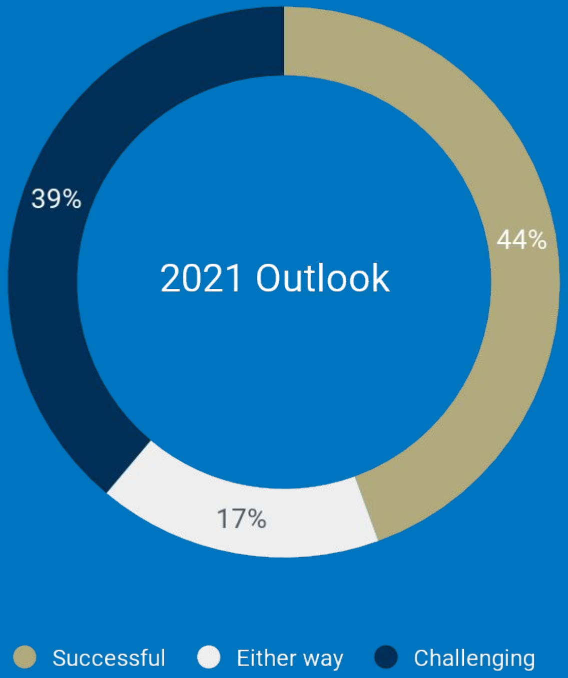
Large builders made out in 2020 with 86% having a better year than expected, compared to only 50% of Medium builders and 29% of Small builders.



Direct construction cost as a percentage of 2020 revenue was highest for Small builders (79% reported 55% or more) and Large builders (43% reporting 55% or more) compared to only 10% of Medium builders.



Section 3:
2021 Planning

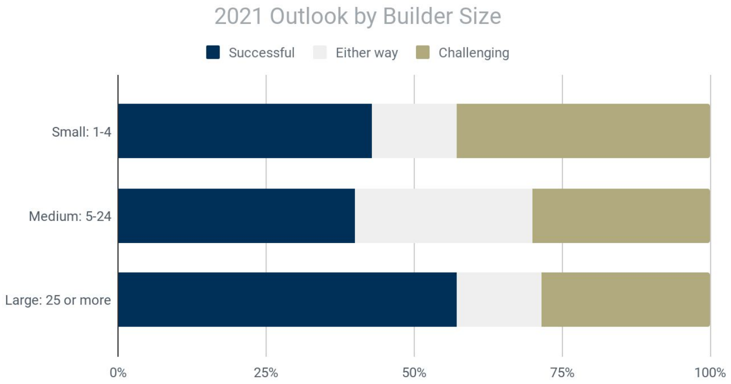


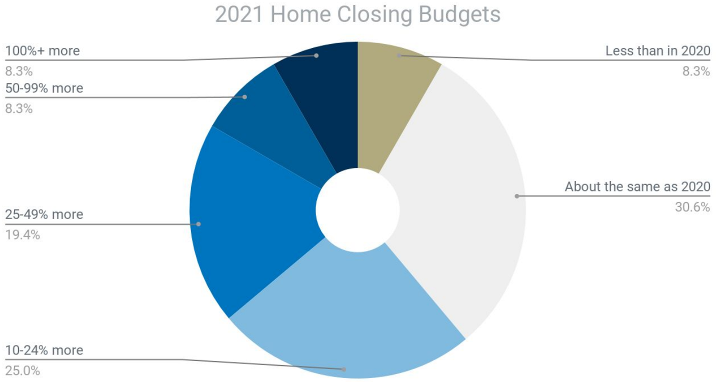
The outlook for 2021 is divided, with 44% of respondents expecting a successful year and 39% expecting a challenging year.

Large builders are slightly more optimistic than their Small and Medium counterparts.

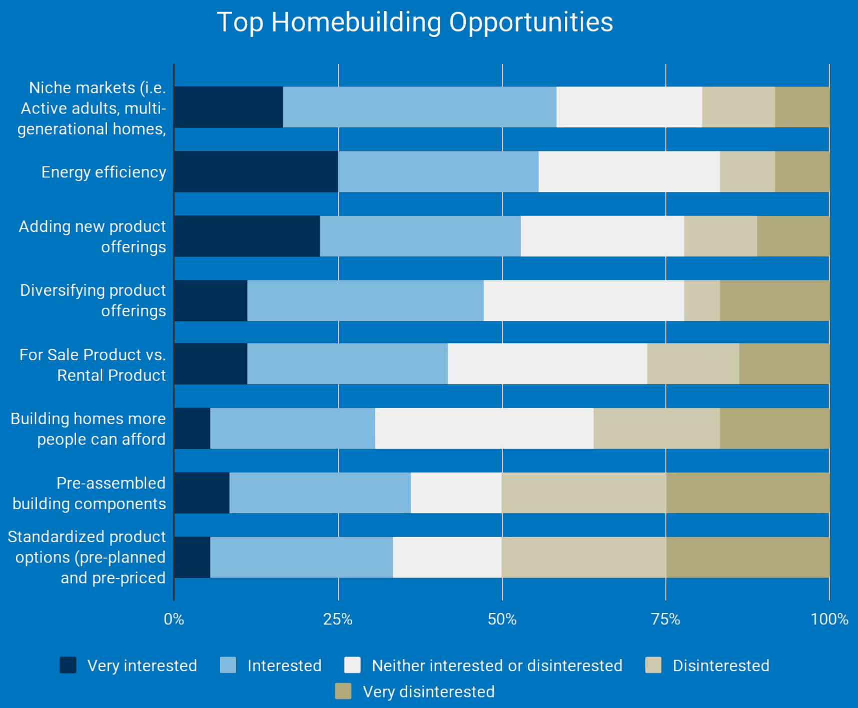
Those who reported a worse than expected 2020 are more pessimistic with 55% of them expecting a challenging year ahead.

When it comes to the 2021 home closing budgets, 61% of respondents reported a 10% increase or more. Those whose 2020 was about what they expected were much less likely to report an increase.





Section 4: Opportunities



Energy efficiency, niche markets, and adding new product offerings were rated as the most interesting opportunities for 2021.

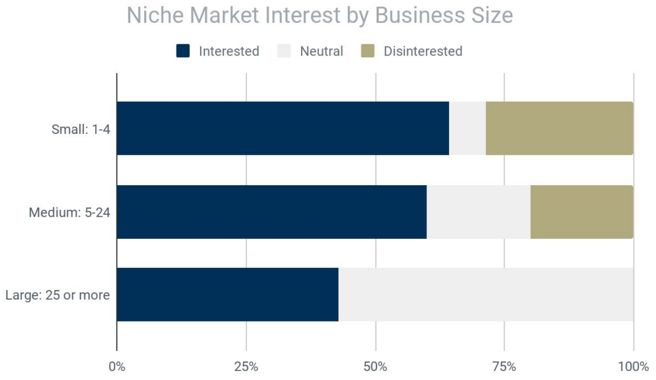
Opportunities

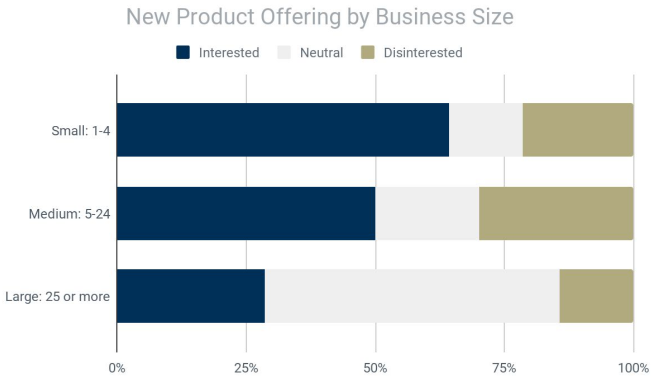
Since 2020 was a mixed bag, especially for Small and Medium builders, their interest is piqued for opportunities like niche markets and new products.

Large builders are already focusing on niche markets like downsizers (71%), active adults (57%) and multi-generational audiences (29%). For 2021, we see the interest in niche markets expand to 60% of Medium and 64% of Small builders.

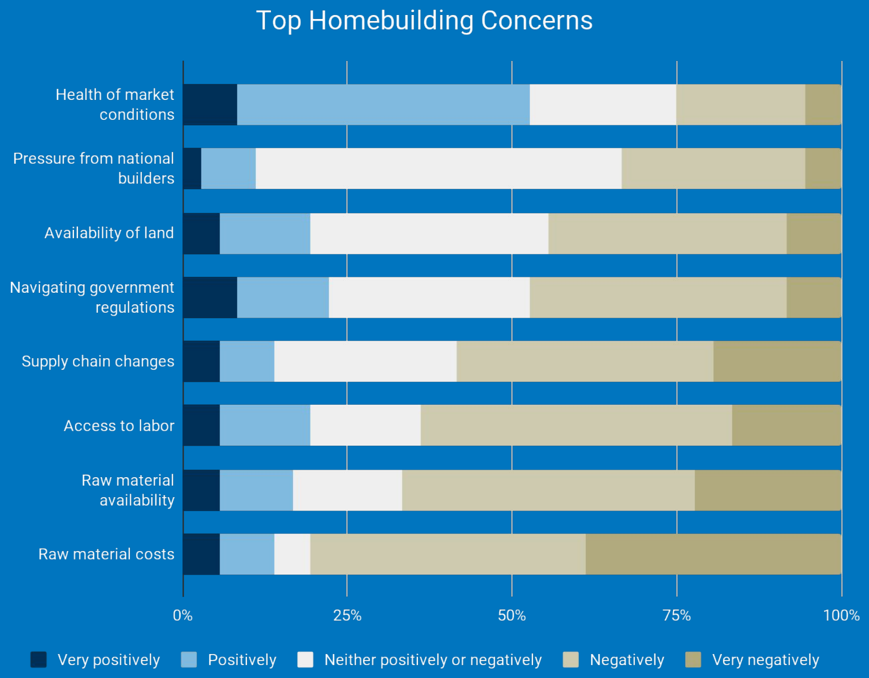
Interest in adding new product offerings comes in at 64% for Small and 50% for Medium builders—compared to only 29% of Large builders.

Builders have the strongest opinions on pre-assembled building components and standardized product offerings. 36% are in favor of pre-assembly while 50% are not. 33% are in favor of standardized product offerings while 50% are not.





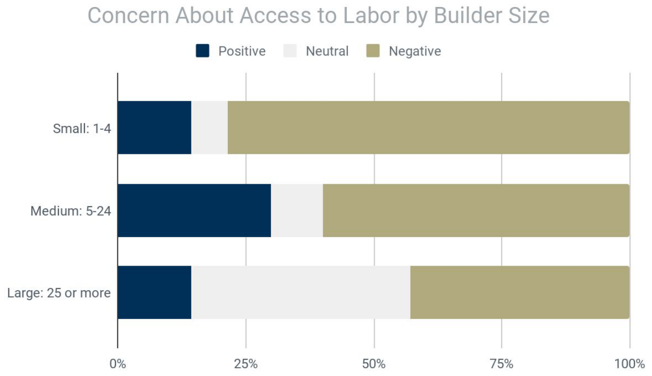
Section 5: Concerns



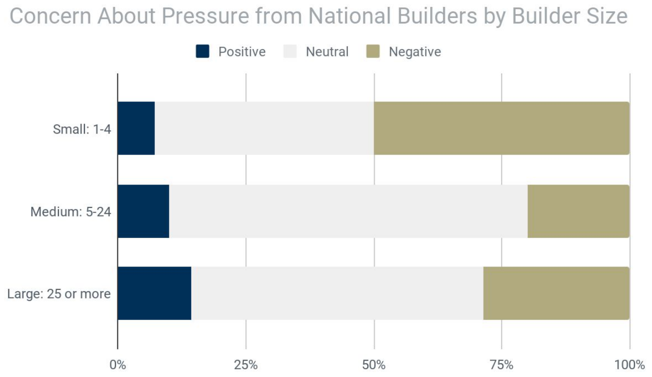
Of all the topics we surveyed, 53% of builders see the health of market conditions as the only positive effect on their business. Most of the other topics are expected to have a negative impact on their business.

Concerns

Overall, Small builders are expecting more negative impacts from the concerns addressed here than Medium and Large builders.



Access to labor seemed to be a bigger issue for 79% of Small and 60% of Medium builders, compared to only 43% of Large builders. 50% of small builders expect pressure from national builders to affect them negatively compared to only 29% of large and 20% of medium builders.

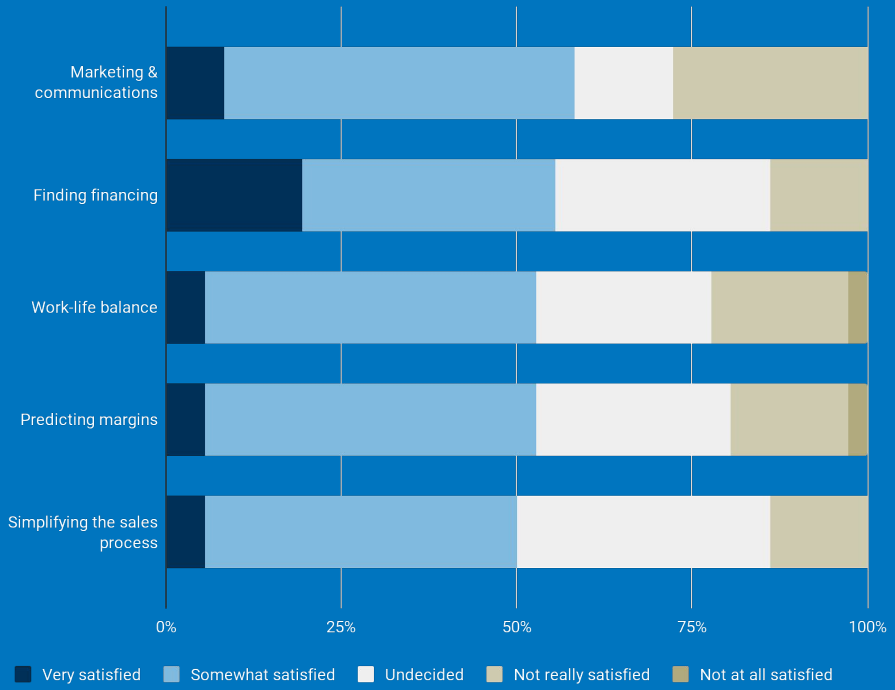


An overwhelming majority (81%) of builders expect raw material costs to have a negative effect on their business. This is followed by an expected negative impact of raw material availability (67%), access to labor (64%), and supply chain changes (58%).

Section 6: Business & Strategy

A majority of builders are generally satisfied with all the surveyed topics.

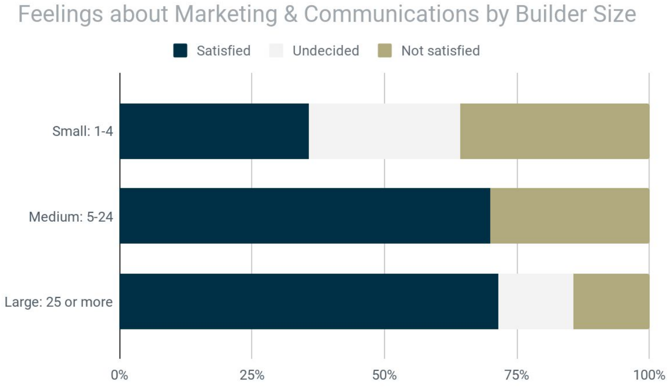
Satisfaction with Aspects of Business and Strategy

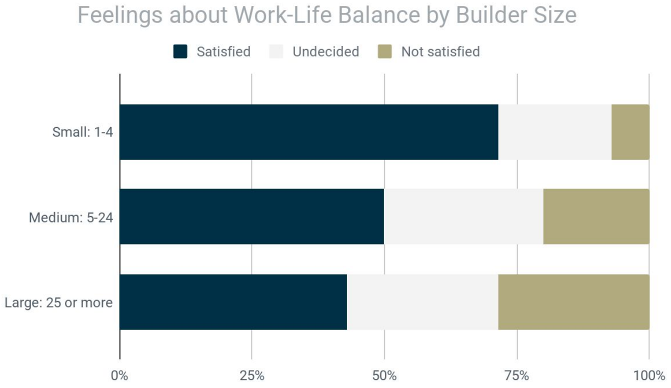


Diving deeper, Marketing and Communications had the highest percentage of builders who weren't satisfied (28%) followed by work-life balance (22%).

71% of Large and 70% of Medium builders are satisfied with their current marketing and communications compared to only 36% of small builders. Large and Medium builders are also more likely to work with outside marketing consultants than Small builders.

Large builders are planning to work with the most outside consultants, mostly building industry consultants (43%), marketing consultants (43%). Medium builders are focused on finance consultants (40%), legal consultants (40%), and marketing consultants (30%). Small builders are planning to work with IT consultants (36%) and legal consultants (36%).





2020 shook things up. That's an understatement. If anything, we've learned that those who had a better than expected year are projecting that to continue in 2021. Those who had a harder time, specifically Small and Medium builders, are interested in new products and audiences to make up for lost ground.

Challenges are universal—with a huge focus on raw material cost and availability, supply chains, and access to labor. It's up to builders to find smarter, more efficient ways to compete because these hurdles cannot be solved overnight.

To make up for the challenges, builders are hoping to ride the rising tide of market conditions by focusing on mid-range and luxury builds throughout the country.

Methodology

To better understand home builder perceptions and expectations, ZoCo Design developed a survey for homebuilders within the United States. The survey was conducted online and through LinkedIn between January 29, 2021 and February 27, 2021. There were a total of 36 unique responses from builders who currently work in residential homebuilding and have significant or final decision-making authority in their business. Percentages in this report should be considered as a snapshot—not a national perception or trend.

In some questions, respondents were presented with a list of statements and asked whether they were 'very disinterested,' 'disinterested,' 'neither interested or disinterested,' 'interested,' or 'very interested.' In the data overviews, 'very interested' and 'interested' have been combined to get an estimate of the percentage that are interested. The same applies for all scaled questions.

EPCON FRANCHISING

Disclaimer: The offer of a franchise can only be made through the delivery of a Franchise Disclosure Document. Certain jurisdictions require registration prior to the offer or sale of franchise. We do not offer franchises in jurisdictions where we are not registered (or exempt from registration). Epcon Communities Franchising, Inc. 500 Stonehenge Parkway, Dublin, Ohio 43017. Minnesota Franchise Registration No. F-3531.