



2020 Kitchen & Bath Market Outlook

— February 2020 —

About This Report

The National Kitchen & Bath Association commissioned the highly regarded John Burns Real Estate Consulting firm (JBREC) to work with them to produce this report. In addition to quantifying the overall size of the kitchen and bath market, this analysis reviews the housing industry factors and consumer preferences and behaviors impacting 2020 industry growth.

JBREC's analysis employed research from a wide variety of sources: (1) secondary research (e.g., U.S. Census American Housing Microdata, National Apartment Association (NAA) Spending, National Association of Realtors, Moody's Analytics, Home Innovation Research Labs (HIRL) data), (2) home improvement estimates and forecasts from John Burns' proprietary studies and consultants; and (3) a custom study conducted among 2,500 consumers who recently completed, started, or who started, but abandoned, a kitchen/bath remodel project.

NKBA's 2020 Kitchen & Bath Market Outlook provides a comprehensive view of the U.S. residential kitchen and bath industry. New construction spending estimates include both single family and multi-family units. Remodeling spending estimates include improvements to both owner-occupied and rental properties. All dollar figures cited in this report include both products and labor (installed costs).

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Study Overview

Research Purpose

Provide a thorough and objective assessment of the U.S. kitchen and bath industry, including an estimate of current market size and a forecast for 2020.

Research Objectives

The research is designed to:

- + Determine the current size of the kitchen and bath industry as a whole, as well as by kitchen vs. bathroom, new construction vs. remodeling.
- + Provide growth estimates for 2020 based on the macroeconomic factors underlying the forecasts for both new construction and remodeling.
- + Identify the amount homeowners typically spend on kitchen and bath remodels, including an analysis and forecast by project tier (low spend, mid spend, high spend).
- + Identify the top upgrades consumers are making in their kitchens, master bathrooms and guest bathrooms.
- + Analyze and forecast the impact of outdated home design on kitchen and bath remodeling behavior.

Methodology

The data presented in this report is compiled from a variety of sources – U.S. Census American Housing Microdata, National Apartment Association (NAA) Spending, National Association of Realtors, Moody's Analytics, Home Innovation Research Labs (HIRL) data, and JBREC's home improvement estimates and forecasts. (See Detailed Methodology on page 66.)

In addition, a survey was conducted among 2,500 consumers to better understand project motivations/obstacles, spending levels, financing methods and the impact of outdated home design on remodeling decisions.

Respondents break out as follows:

Homeowners who completed a kitchen/bath remodel project	1,500
Homeowners considering a kitchen/bath remodel project	500
Homeowners who started, but abandoned a kitchen/bath remodel project	500

Executive Summary



Executive Summary

The NKBA 2020 Kitchen & Bath Market Outlook provides a comprehensive review of current kitchen and bath industry conditions and the macroeconomic factors that are expected to impact the industry in 2020.

Key findings from this research include:

- + Residential kitchen and bath spending will accelerate in 2020, increasing from \$148 billion to \$158 billion, or 6.9%. It will be driven by 8% growth in new construction spending and 5.7% growth in kitchen and bath remodeling.
 - + Kitchen and bath spending is expected to be particularly strong in the first half of 2020 due to the strong sales of new homes in the 4th quarter of 2019.
- + Of the total \$158 billion, \$76 billion represents residential kitchen spending (48%) and \$82 billion for bathroom spending (52%).
- + Low- and mid-priced kitchen and bath product spending will increase the fastest, driven by growth in entry-level housing, rental spending and first-time home buyers.
- + Homeowners primarily fund their kitchen or master bath remodel with cash from their savings (62%). Only 10% report that the primary method used to pay for their remodel was a credit card.
 - + The average spend per project when consumers use cash from savings or a credit card is 15% lower than all kitchen and bath projects.

Executive Summary

- + Outdated designs and an aging stock of homes 40+ years old will boost kitchen and bath spending.
 - + Kitchen and bath designs become outdated after 15 years, with cabinets and faucets being the first product categories to be outdated (relative to current trends).
- + Kitchen and bath remodel motivations and challenges differ by life stage of the homeowner.
 - + Young singles are replacing aging products to boost home values, but struggle to find project funding.
 - + New families seek to replace outdated features and make their homes more functional, but finding time to remodel is their biggest challenge.
 - + Empty-nesters need help curating design and installation, since personalization is key to them.
 - + Many older consumers choose to complete a kitchen or bath remodel so that they may 'age in place,' but finding the right people to do the job is their biggest project obstacle.

Kitchen & Bath Industry Size and Growth



2020 Forecast

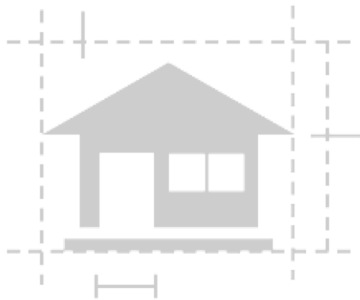
Projected Growth by Construction Type

Residential Kitchen and Bath Spending
(\$ Billions)

\$158.4

2020 Growth

6.9%



New Construction

\$85.9

8.0%



Remodel

\$72.5

5.7%

Sources: Census AHS Microdata, NAA, HIRL, John Burns Real Estate Consulting LLC

All dollars include both products and labor (installed costs). Definitions and methodology pertaining to New Construction and Remodeling can be found on page 66.

2020 Forecast

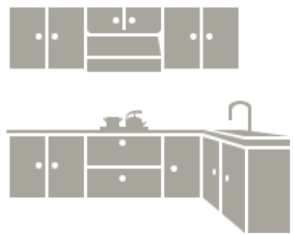
Projected Value by Construction Type

Residential Kitchen and Bath Spending (\$ Billions)

\$158.4

New Construction
\$85.9

Remodel
\$72.5



Kitchens
\$75.9

New Construction
\$38.4

Remodel
\$37.5



Bathrooms
\$82.5

New Construction
\$47.5

Remodel
\$35

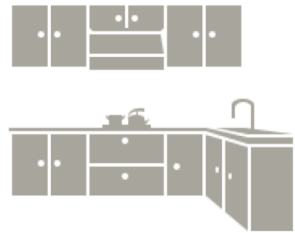
Sources: Census AHS Microdata, NAA, HIRL, John Burns Real Estate Consulting LLC

All dollars include both products and labor (installed costs). Definitions and methodology pertaining to New Construction and Remodeling can be found on page 66.

2020 Forecast

Projected Value by Segment

Residential Kitchen and Bath Spending (\$ Billions)



Kitchens

\$75.9



Bathrooms

\$82.5

2020 Growth

7.7%

6.2%

Sources: Census AHS Microdata, NAA, HIRL, John Burns Real Estate Consulting LLC
All dollars include both products and labor (installed costs).

Kitchen & Bath Project Spend Level



Kitchen & Bath Activities by Spend Level

\$

LOW

- + Minor "update" remodels – usually DIY.
- + Low-cost products in new starter homes.
- + Usually funded out-of-pocket.

\$\$

MEDIUM

- + Medium-scale kitchen and bath remodels.
- + Products in first or second "move-up" homes.
- + Partially funded from cash proceeds from home sale, investments, etc.

\$\$\$

HIGH

- + Major full-service remodels, usually using a designer and showroom.
- + High-end products in new luxury homes.
- + Upgrades financed via bank loan or HELOC, in addition to funding from other sources.

Strongest Growth in Low-End Projects

Residential Kitchen and Bath Spending
(\$ Billions)

\$158.4

2020 Growth

6.9%

LOW-SPEND PRICE POINT

\$

\$44

12.3%

MID-SPEND PRICE POINT

\$\$

\$47.9

5.6%

HIGH-SPEND PRICE POINT

\$\$\$

\$51.8

4.5%

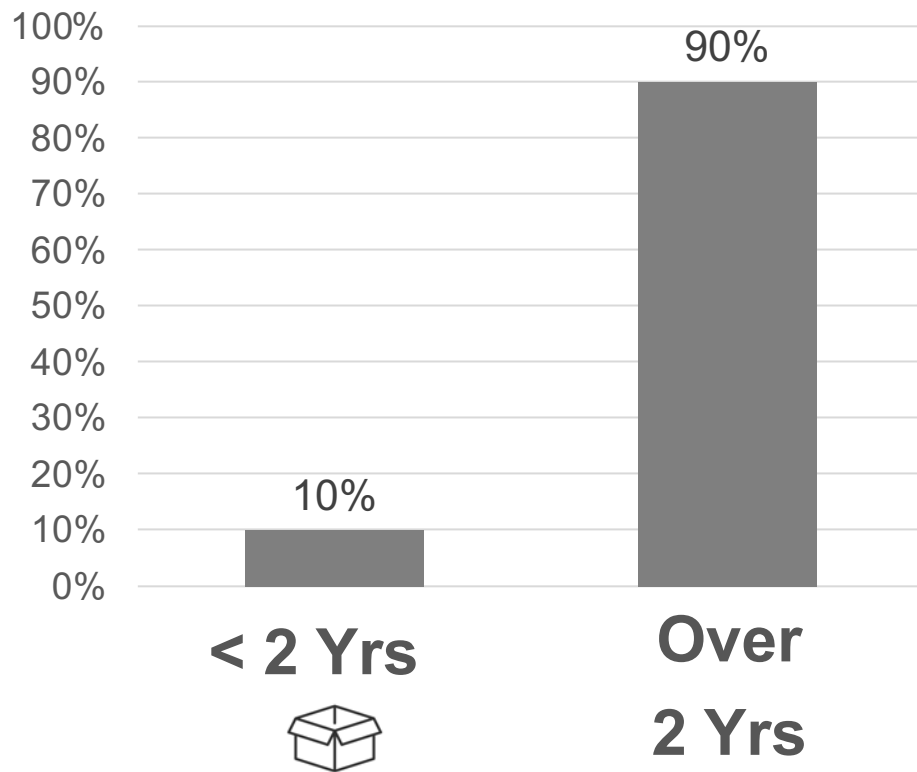
Sources: Census AHS Microdata, NAA, HIRL, John Burns Real Estate Consulting LLC

Note: Low-Spend, Mid-Spend and High-Spend price point estimates were computed using averages based on these project scale definitions: Small scale: <\$1,600 for bathrooms and <\$2,200 for kitchens; Medium-scale: \$1,600-\$13,600 for bathrooms and \$2,200-\$17,700 for kitchens; Large-scale: >\$13,600 for bathrooms and >\$17,700 for kitchens. As a result, the market size estimates for these three price points do not total \$158.4 billion.

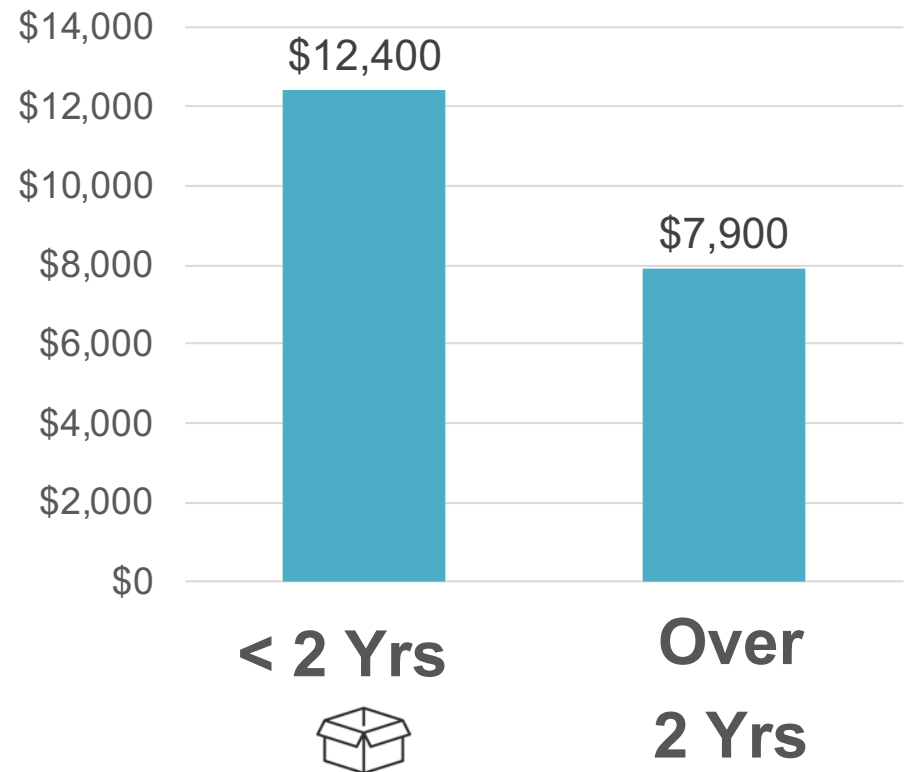
Remodels by Time Spent in Home/Project Spend

Of consumers who completed either a kitchen or master bath remodel, only 10% have moved within the last two years. These recent movers, however, spent an average of \$4,500 more per project (55% more) than consumers who haven't recently moved.

% of Remodelers by Time Spent in Home



Average Project Spending



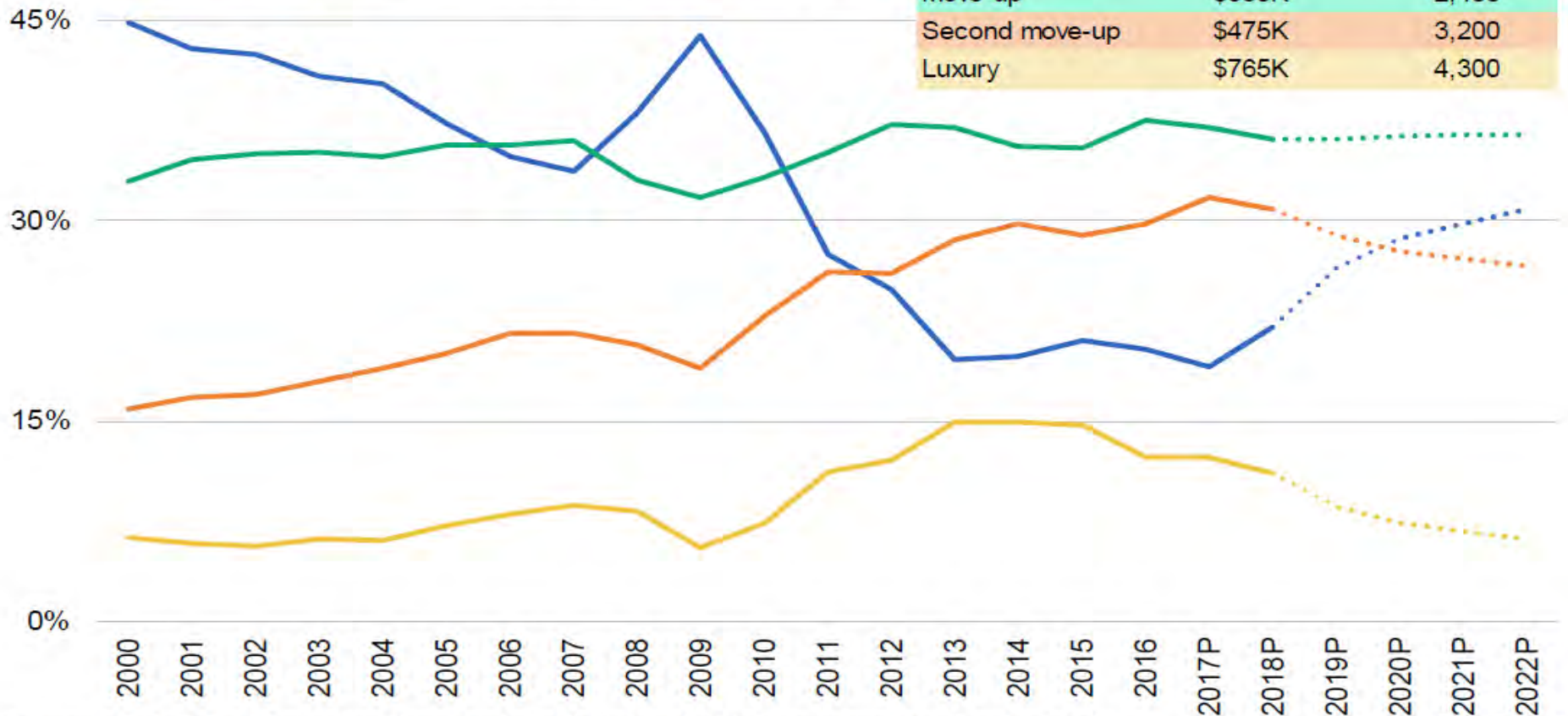
New Home Construction by Price Tier

Entry-level and move-up are the two types of new homes expected to grow the fastest through 2022. This bodes well for low-/mid-priced kitchen and bath products.

Mix of New Single-Family Starts by Segment

— Entry — Move-up — Second move-up — Luxury

Price Tier	Price (2018 dollars)	Typical sq. ft.
Entry	\$240K	1,700
Move-up	\$350K	2,400
Second move-up	\$475K	3,200
Luxury	\$765K	4,300



Sources: John Burns Real Estate Consulting tabulation of US Census Microdata, (Data: Nov-19, updated quarterly)

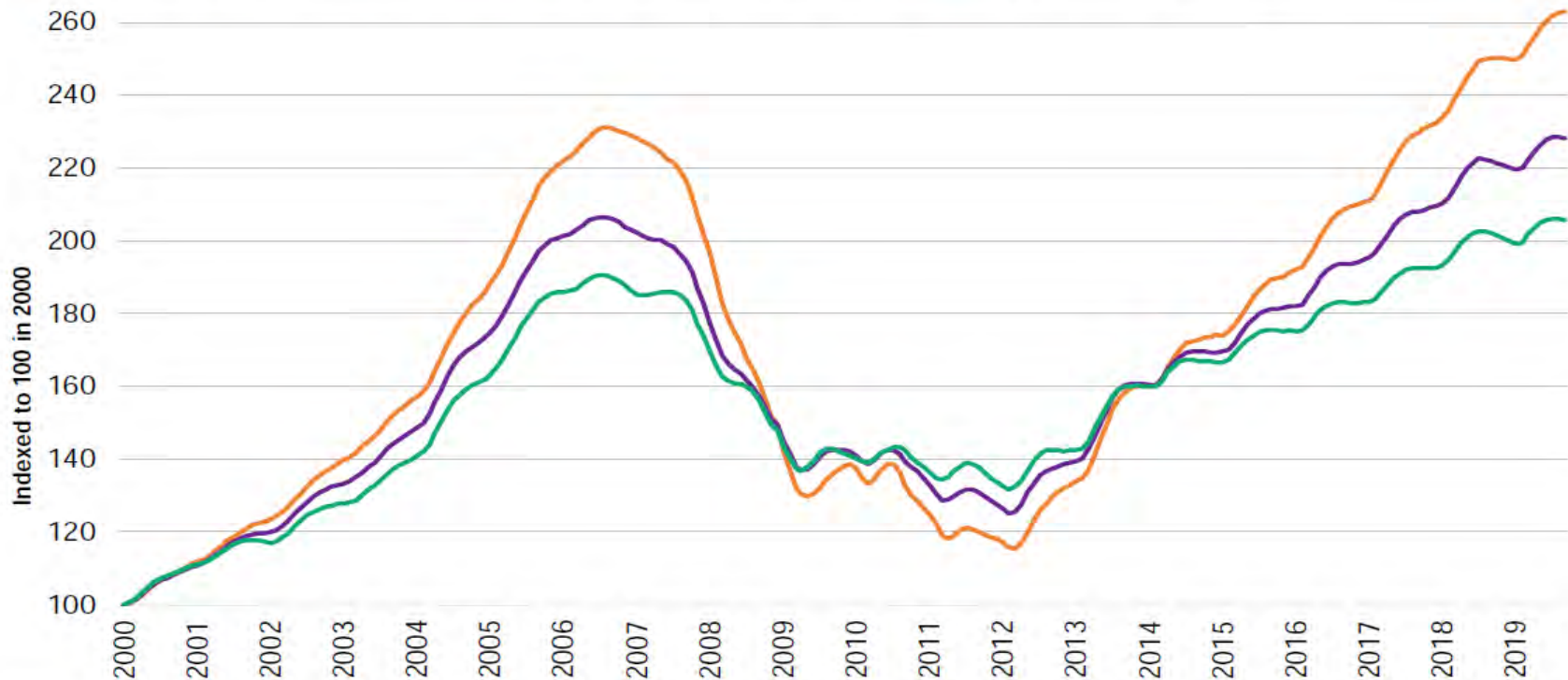
Pub: Dec-19

Home-Price Appreciation by Tiered Homes

Home-price appreciation is a key motivator of kitchen and bath remodels. Since home-price appreciation is growing fastest among low-tier homes, low-/mid-priced kitchen and bath remodeling projects stand to benefit most.

CoreLogic Case-Shiller Tiered Home Price Index

— Low tier = 263.11 (5.2% YOY) — Middle tier = 228.15 (2.8% YOY) — High tier = 205.54 (1.7% YOY)



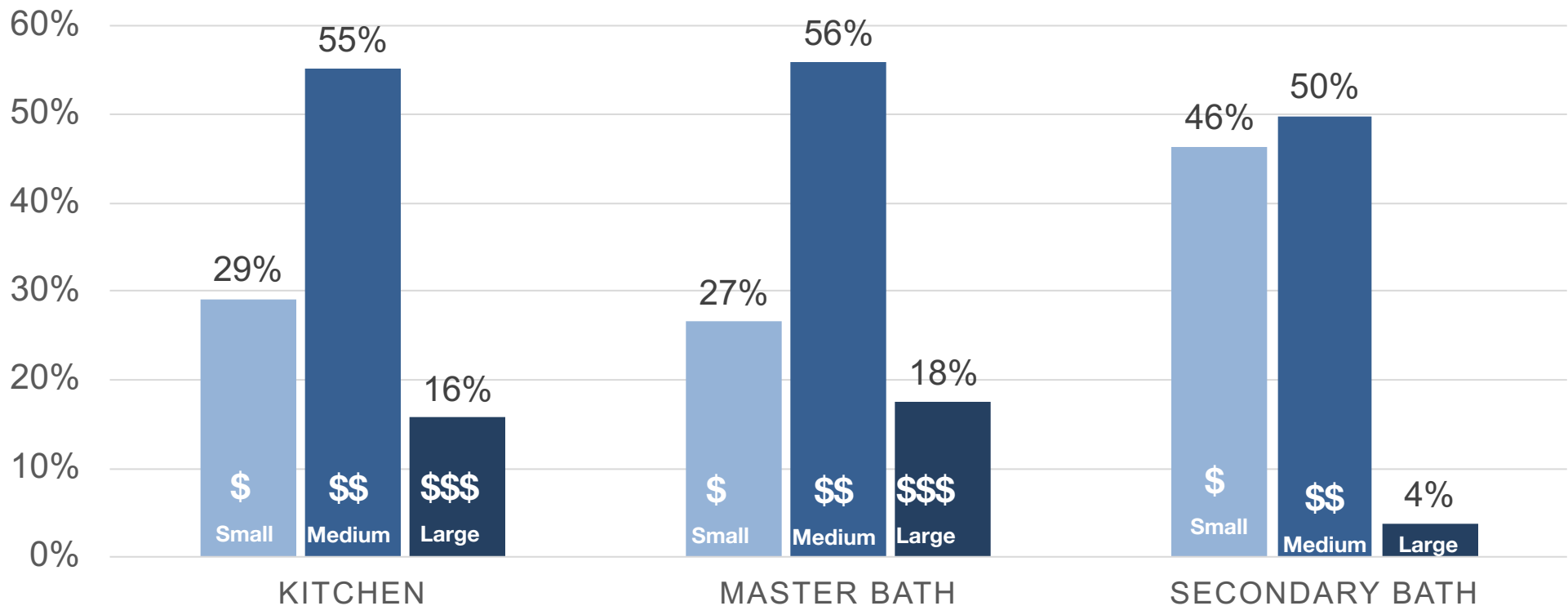
Tiers price breakpoints are calculated by breaking up all sales for each period, so that there are the same number of sales, after accounting for exclusions, in each of the three tiers. These 16 metro areas are used to derive the Tiered HPI: Boston, NYC, DC, Chicago, Denver, Las Vegas, Los Angeles, San Diego, San Francisco, Miami, Atlanta, Minneapolis, Phoenix, Portland, Seattle, and Tampa.

Source: CoreLogic Case-Shiller (Data: Sep-19, Pub: Dec-19)

Project Scale

Fifty percent or more of all homeowners who finished a kitchen or bath remodel completed a medium-scale project (i.e., spending between \$2,200 and \$17,700 on their kitchen and between \$1,600 and \$13,600 on their bathroom).

Percentage of total projects by \$ spending tier/remodel type

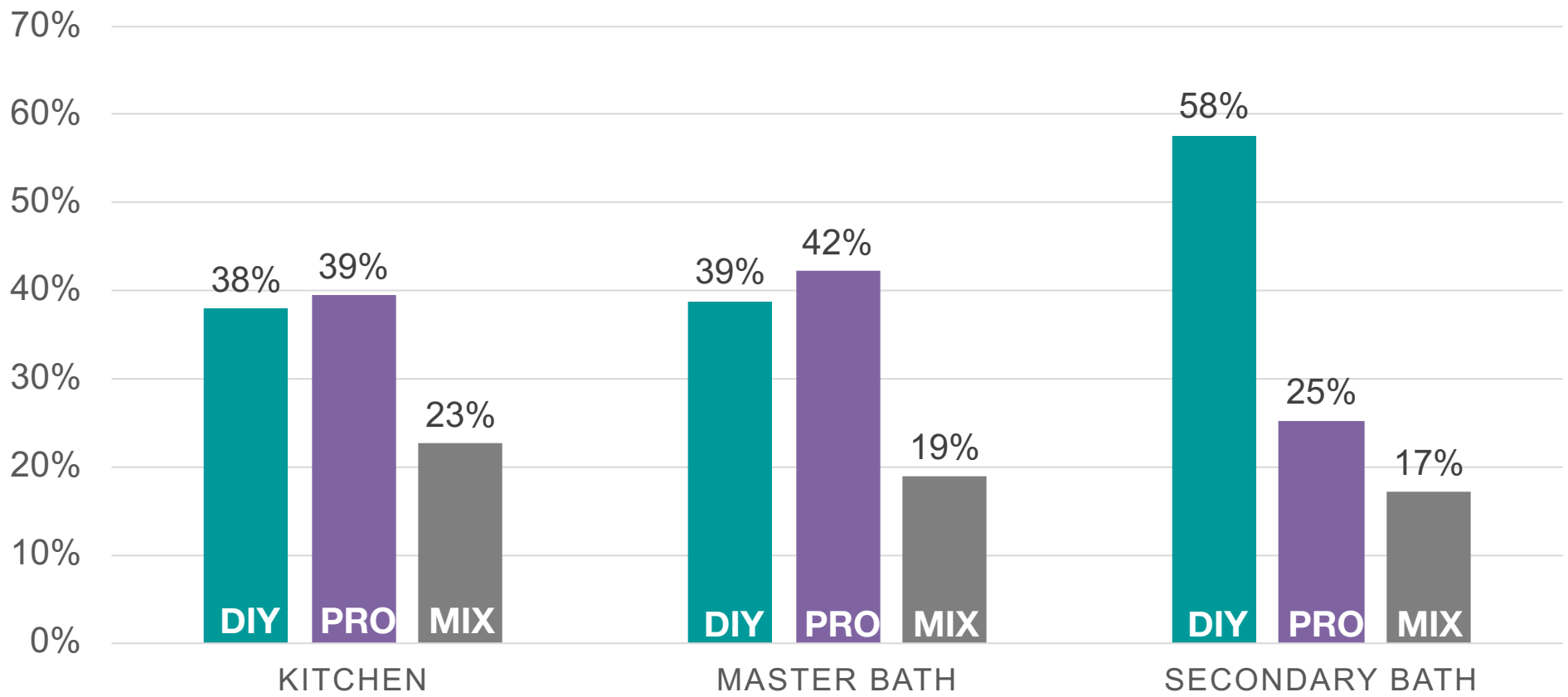


Note: Project scale is defined by dollar amount spent. Definitions as follows: Small scale: <\$1,600 for bathrooms and <\$2,200 for kitchens; Medium-scale: \$1,600-\$13,600 for bathrooms and \$2,200-\$17,700 for kitchens; Large-scale: >\$13,600 for bathrooms and >\$17,700 for kitchens.

Project Type: DIY vs Professional

Kitchen and master bath remodeling jobs are evenly split between DIY and professional contractors, while DIY is the most common route for secondary baths.

Project Type – DIY / PRO / MIX [of DIY and PRO]

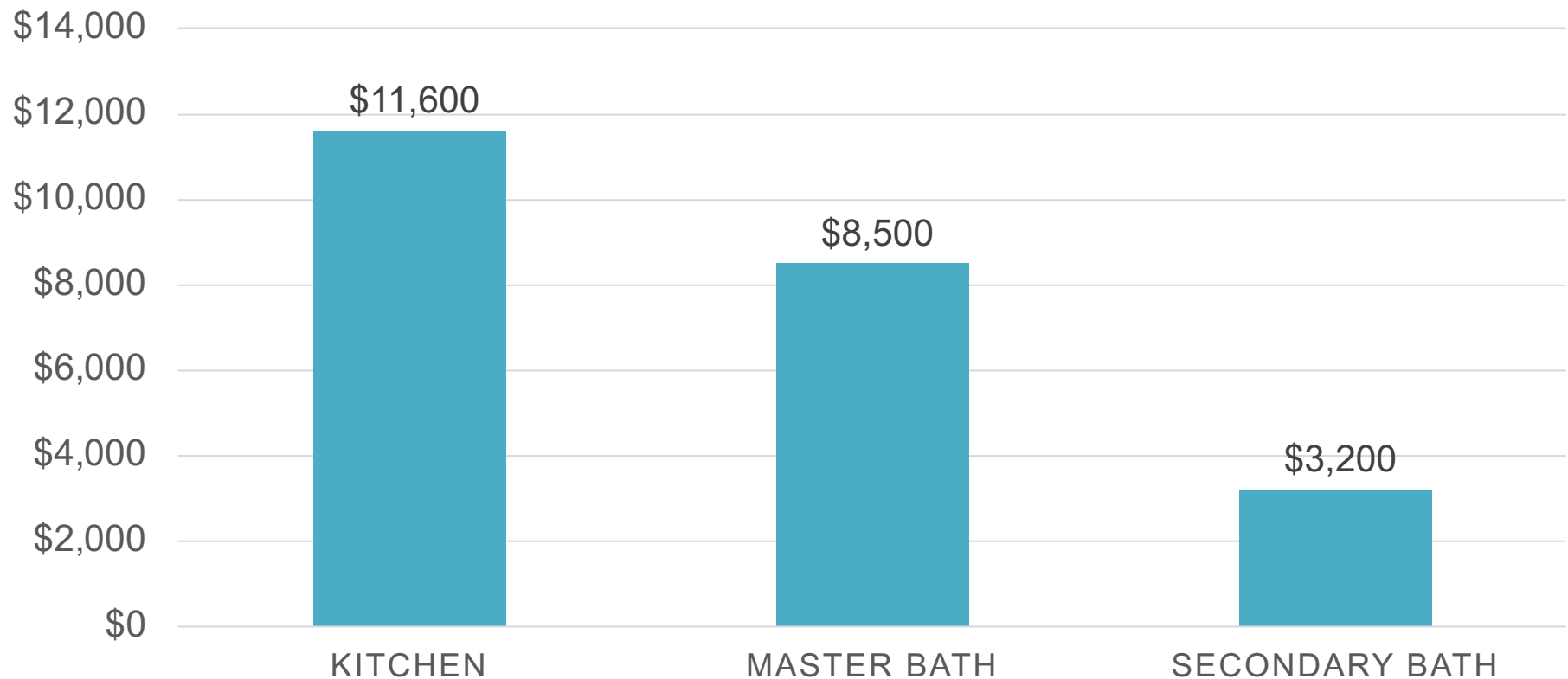


Average Project Spending

On average, U.S. homeowners typically spend \$11,600 on a kitchen remodel, \$8,500 on a master bath remodel and \$3,200 on a secondary bath remodel.

Note: These costs are significantly lower than remodeling costs reported in other NKBA studies for two reasons: (1) This is consumer data and includes DIY projects, and (2) NKBA member data reflects only the costs of designer-involved projects. See data on pages 71-72.

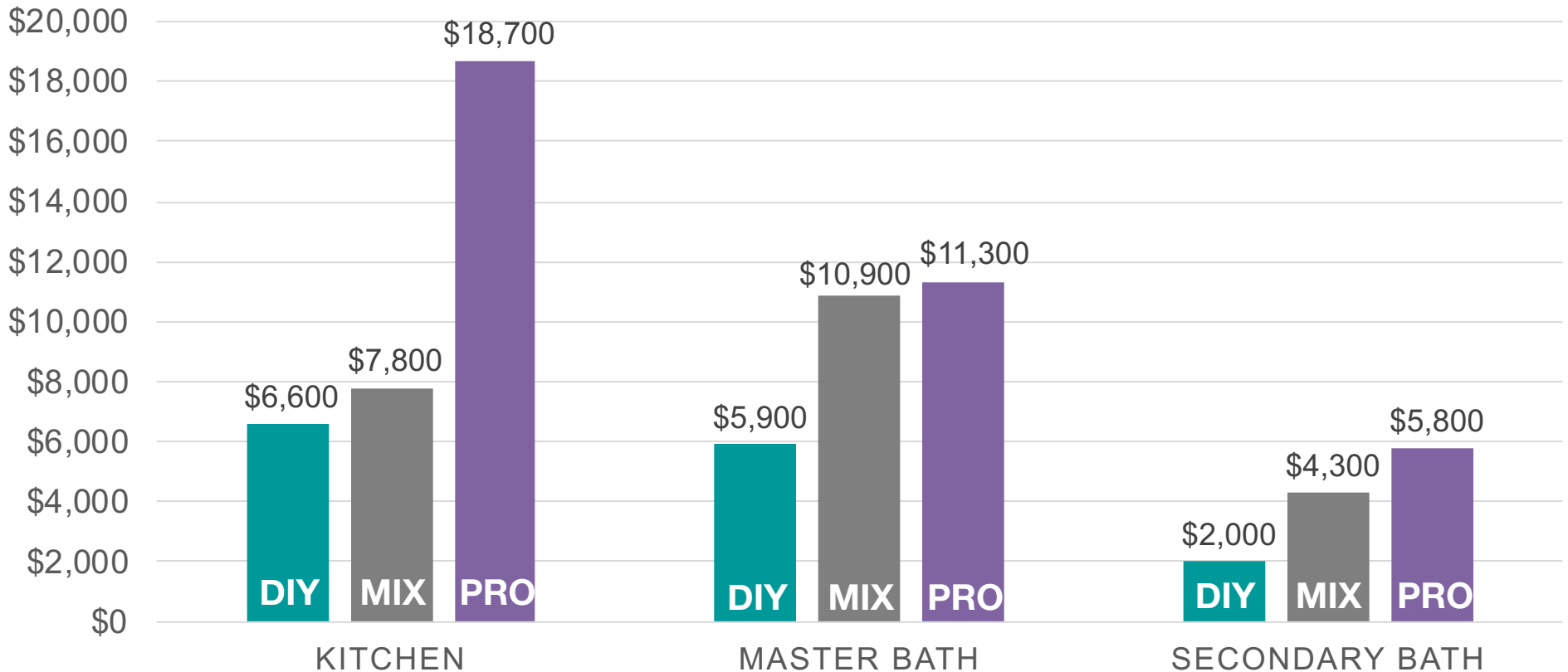
Consumer Spending by Remodel Type



Spending by Project Type

Consumers who hired professional contractors to remodel their kitchen or bath spent much more than those who did a portion of the project themselves (mix of DIY and PRO) or those who took on the entire job themselves. For kitchen projects, consumers who hired a pro spent nearly three times more than those who did the project themselves.

Average Spending by Project Type



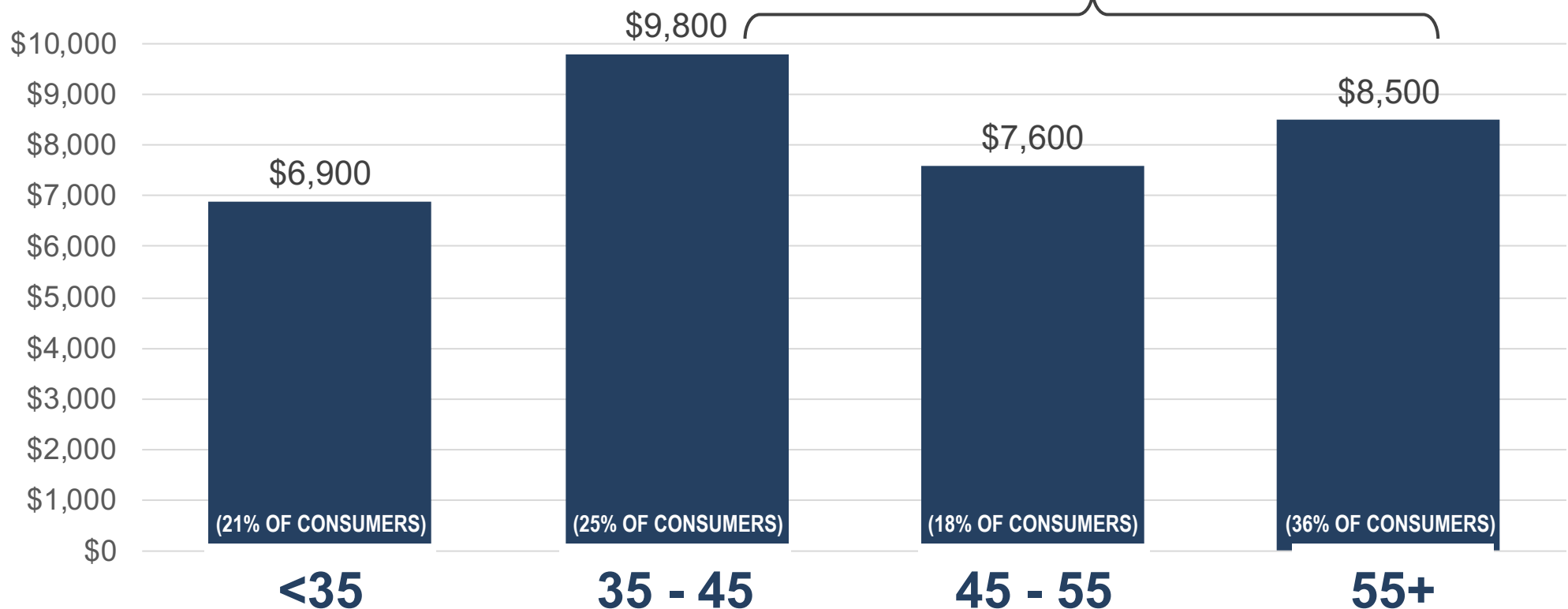
Project Spending by Age Group

Consumers under 35 (often first-time homeowners) spend about 25% less on K&B remodels than older homeowners.

Low savings rates/high debt levels prohibit most first-time homeowners from funding renovations out of pocket, and low home-equity levels limit access to HELOCs and bank loans.

Average Project Spending by Age Group

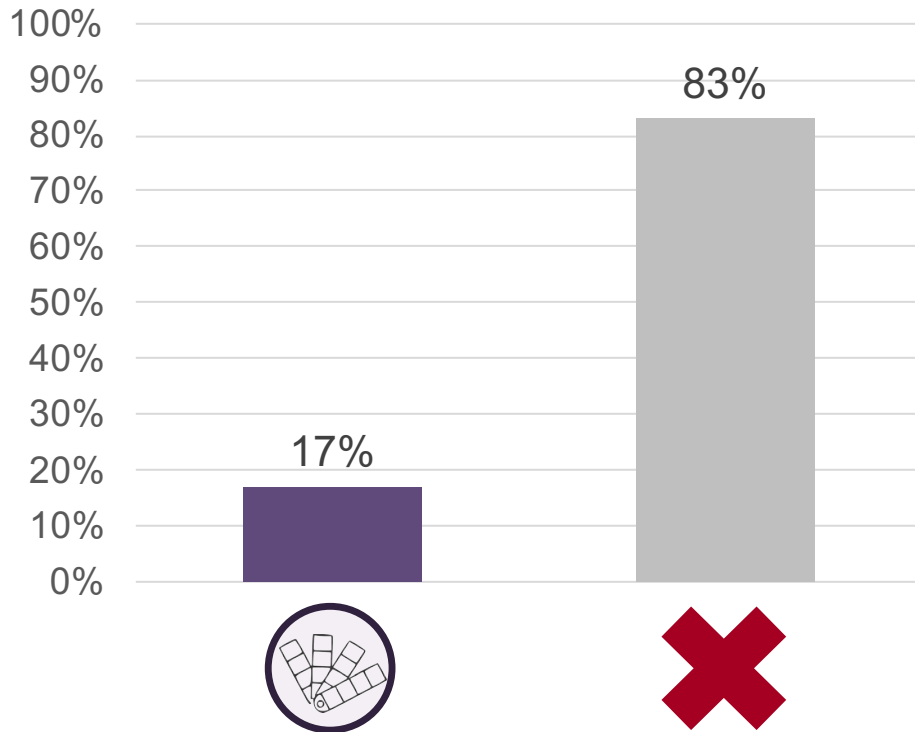
Average project spending across these age groups is 26% higher (\$8,700 per project) than consumers <35.



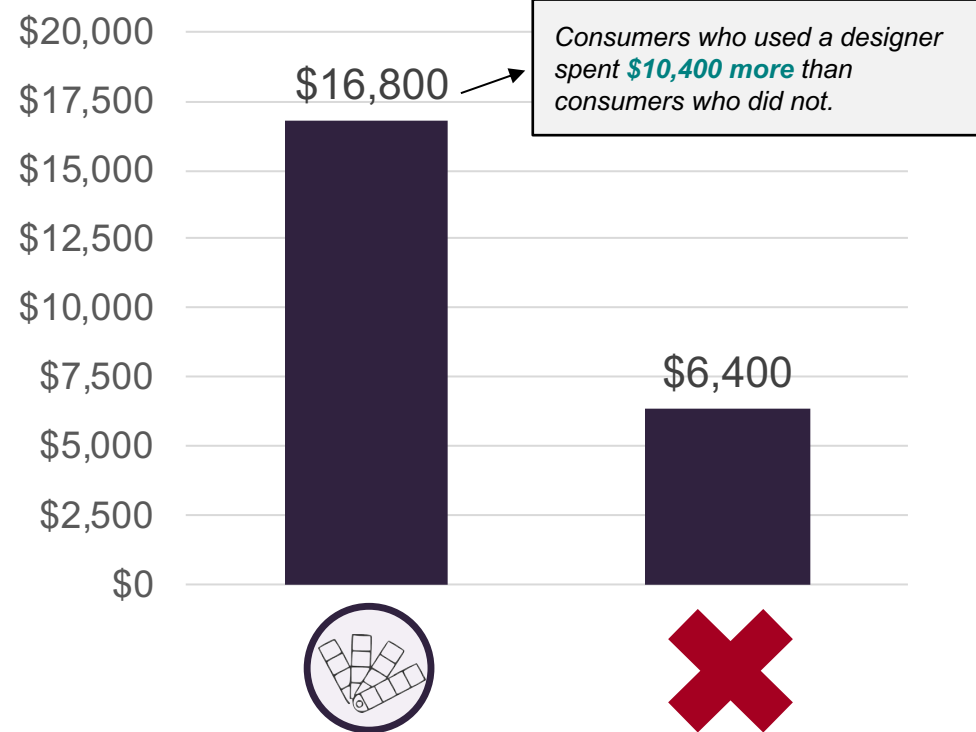
Project Type: Designer vs No Designer

Among those consumers who recently completed a kitchen or bath remodeling project, 17% hired a designer and 83% did not. Those who used a designer reportedly spent an average of \$10,000 more than those who did not.

% of Consumers Who Used a Designer



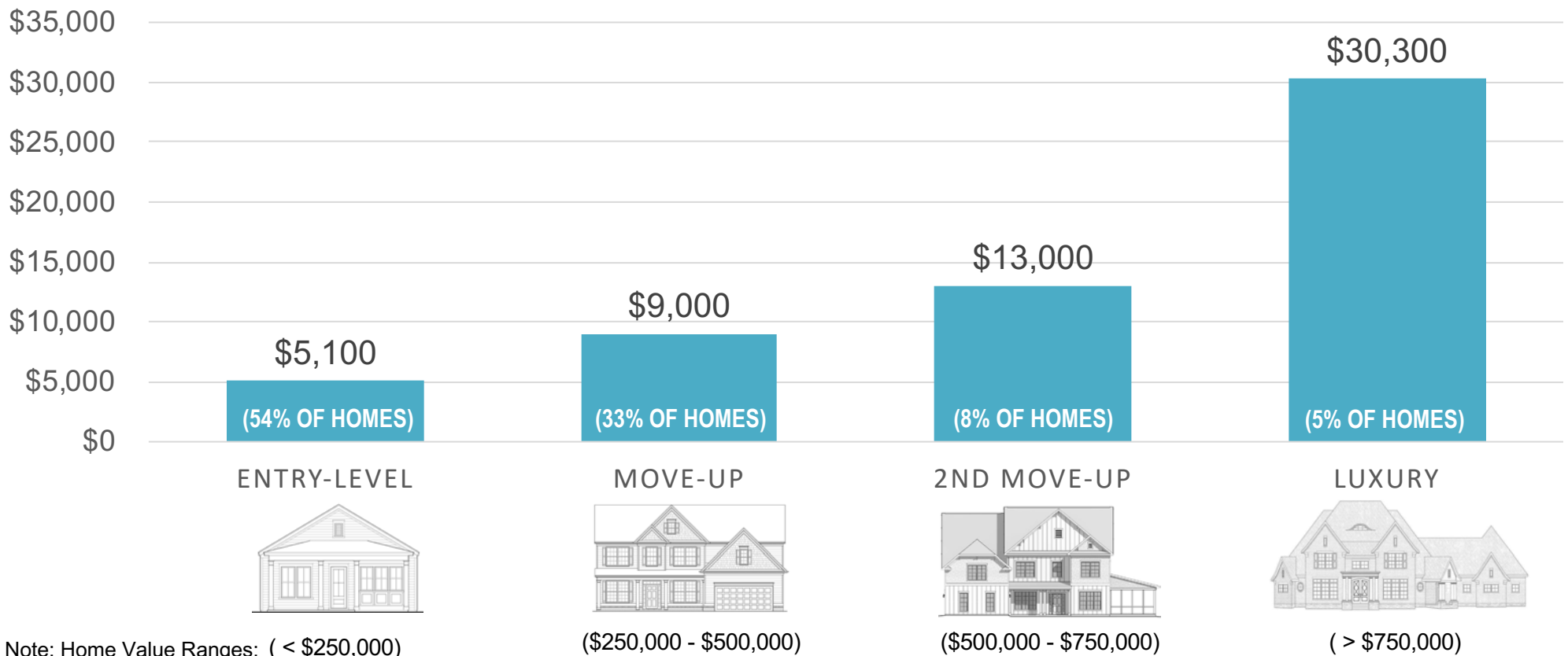
Average Project Spending



K&B Project Spend by Home Value

Average kitchen and bath project spending is strongly correlated to home value. Compared with entry-level homeowners, consumers living in luxury homes spend six times more on their kitchen and bath projects.

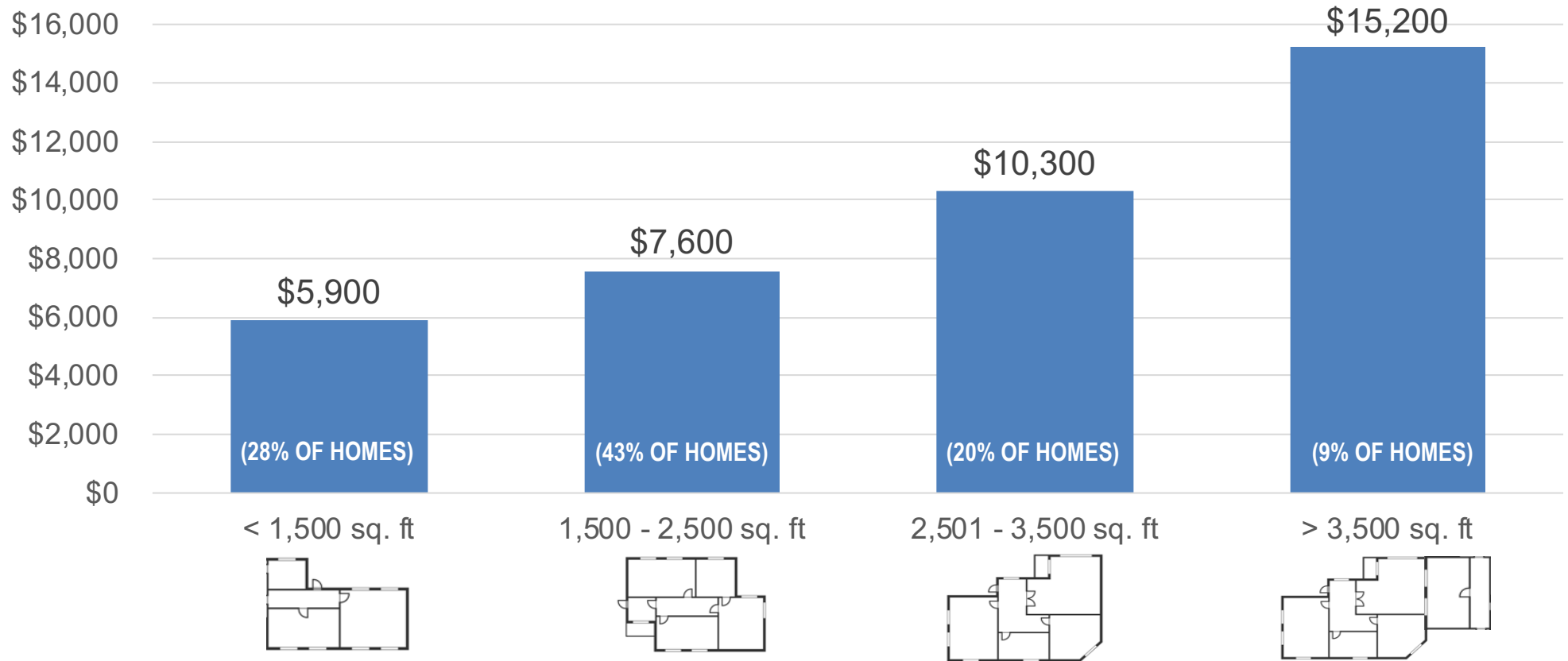
Average Project Spending by Home Value



K&B Project Spend by Home Size

Average kitchen and bath project spending is also strongly correlated to home size. Consumers living in homes smaller than 1,500 sq. ft. spent about 30% less than homeowners in homes between 1,500 and 2,500 sq. ft., and 75% less than those who own homes between 2,501 and 3,500 sq. ft.

Average Project Spending by Home Size



Key Housing Industry Factors Impacting 2020 Kitchen & Bath Industry

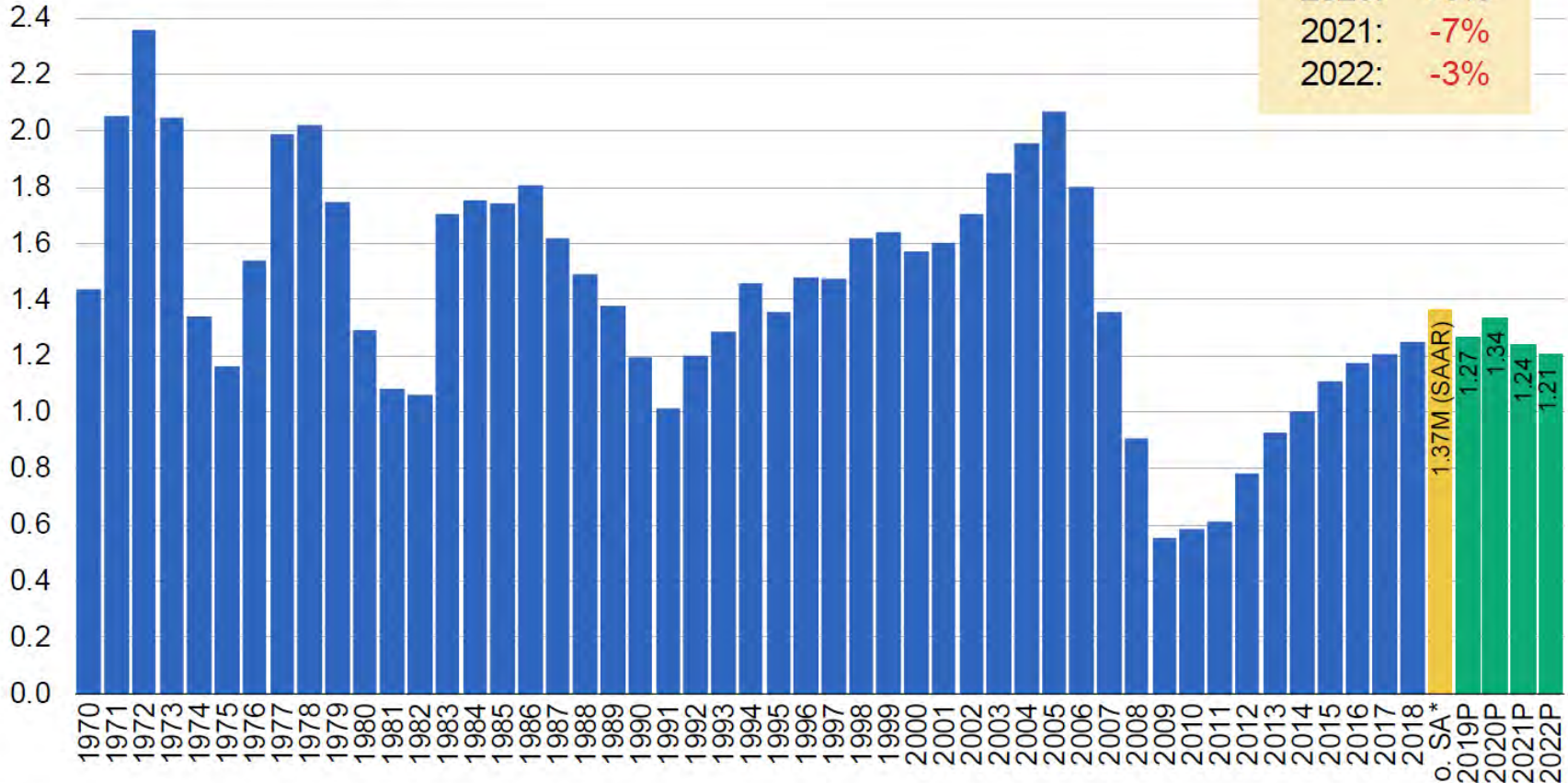


2020 Forecast: Housing Starts

Housing starts are projected to grow 6% in 2020, or by 1.344 million new units.

US National Housing Starts

Millions



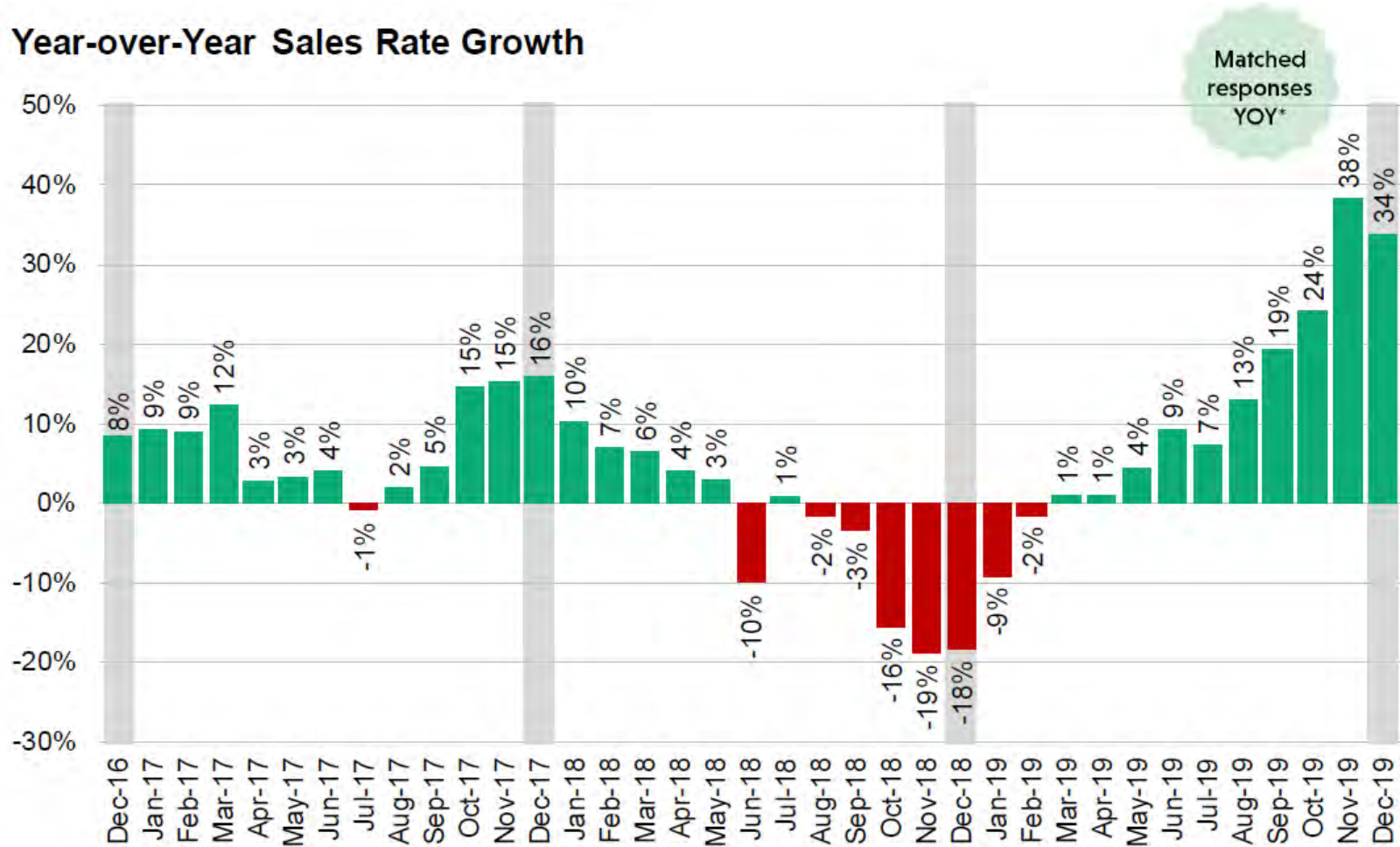
*Cur. mo. SA = Current month (seasonally adjusted annual rate)

Sources: U.S. Census Bureau; John Burns Real Estate Consulting, LLC forecasts (Data: Nov-19, Pub: Jan-20)

Year-Over-Year Sales Rate Growth for New Homes

Strong sales of new homes in the 4th quarter of 2019 are expected to boost kitchen and bath spending in the first half of 2020.

Year-over-Year Sales Rate Growth



*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the December survey, YOY comparisons include 213 responses.

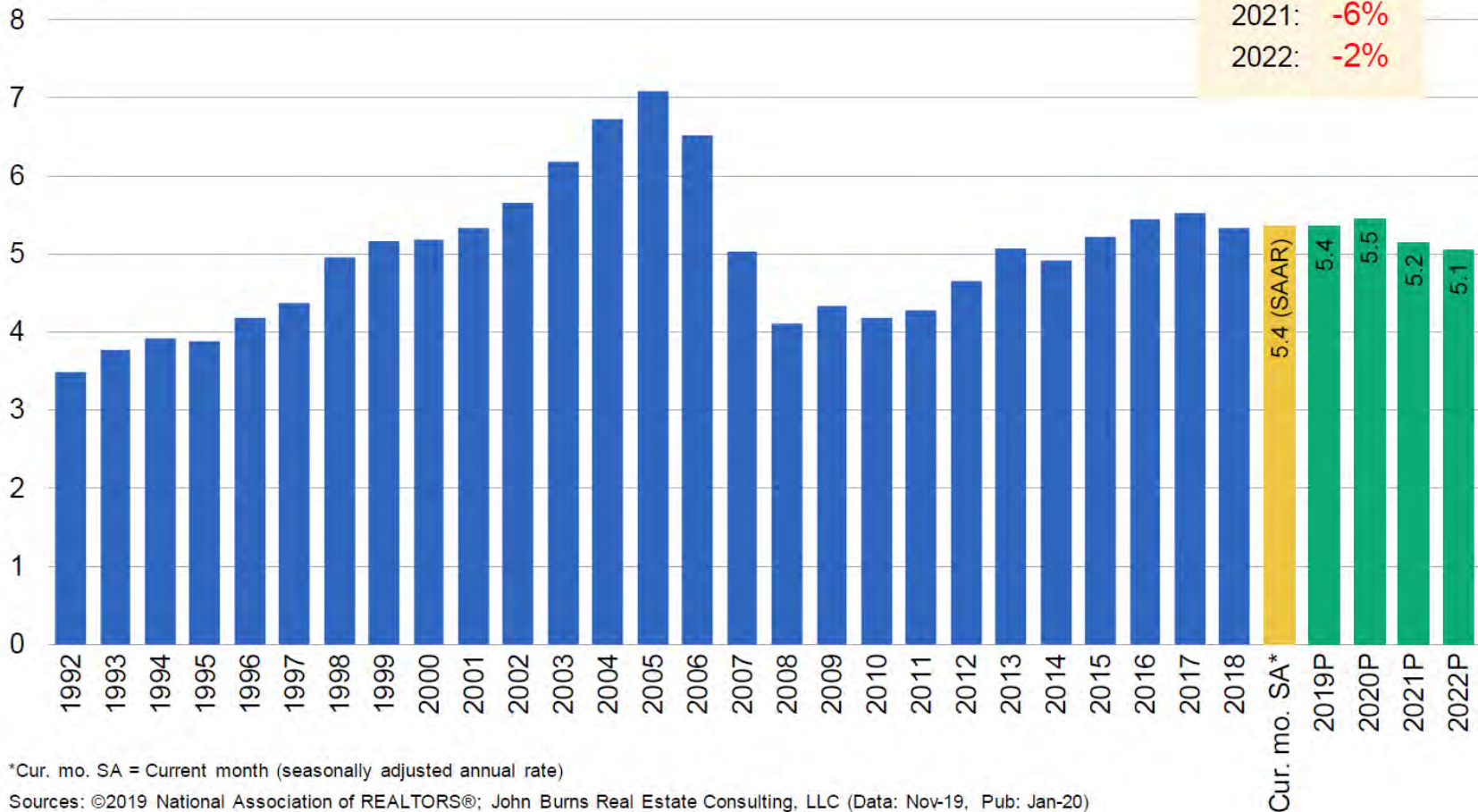
Source: John Bums Real Estate Consulting, LLC, independent survey of ~14% of all US new home sales, NSA (Data: Dec-19, Pub: Jan-20)

2020-2022 Forecast: Existing Home Sales

2020 is expected to show a temporary bump in sales of existing homes as well.

US Existing Home Sale Closings

Millions



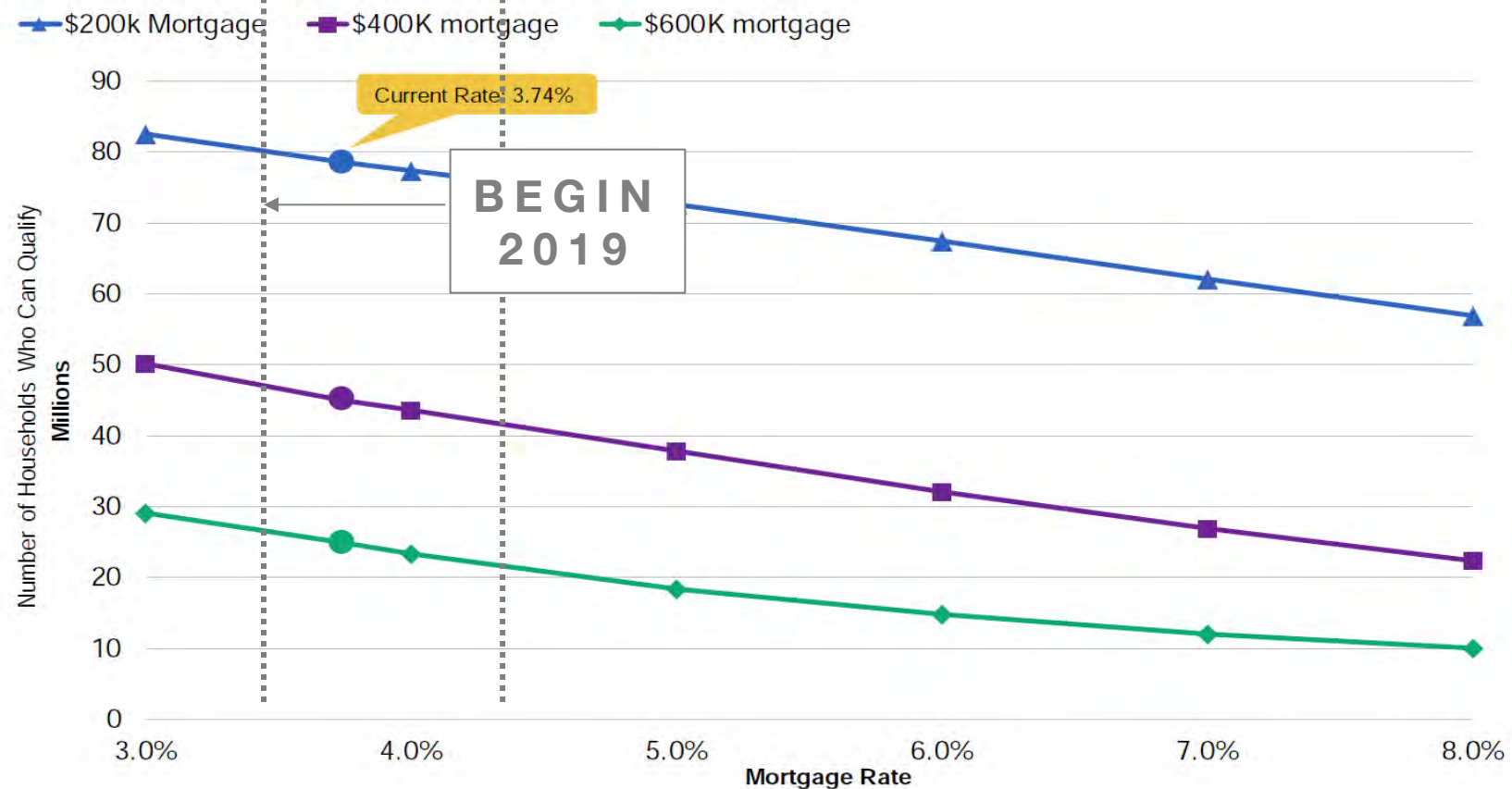
*Cur. mo. SA = Current month (seasonally adjusted annual rate)

Sources: ©2019 National Association of REALTORS®; John Burns Real Estate Consulting, LLC (Data: Nov-19, Pub: Jan-20)

2020 Forecast: Mortgage Rates

Lower mortgage rates will drive home prices higher in 2020 as more consumers qualify to buy homes. An estimated 3.5 million additional households will meet criteria for a total of \$200 million in mortgages.

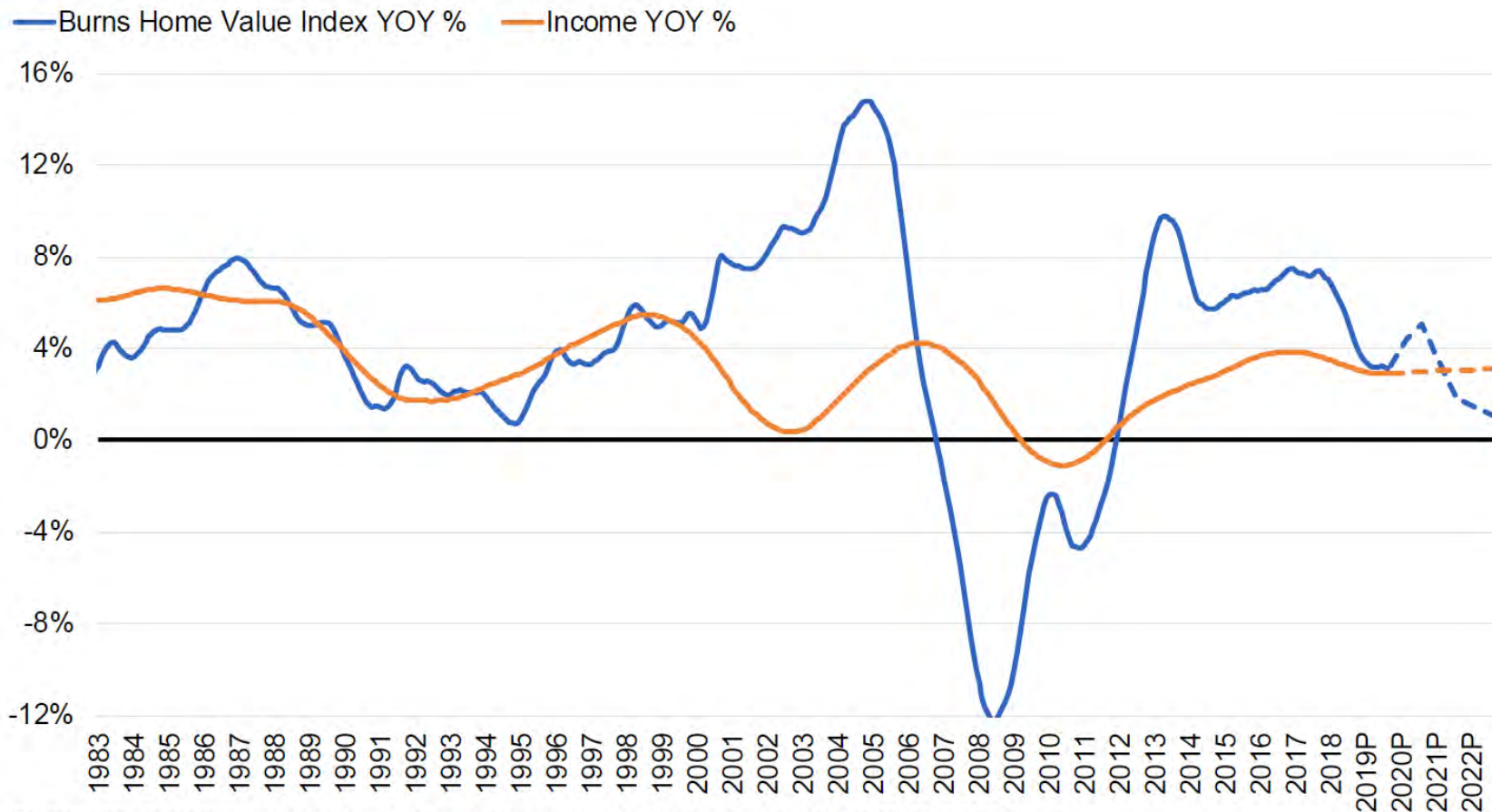
National Mortgage Rate Sensitivity



2020 Forecast: Home Prices

Home prices are expected to appreciate by 5% in 2020 before slipping back. This bounce in home price appreciation will drive K&B remodel spending higher.

Home Value Growth vs. Income Growth



Sources: John Burns Real Estate Consulting, LLC; Census Bureau; Moody's Analytics (Data: Dec-19, Pub: Jan-20)

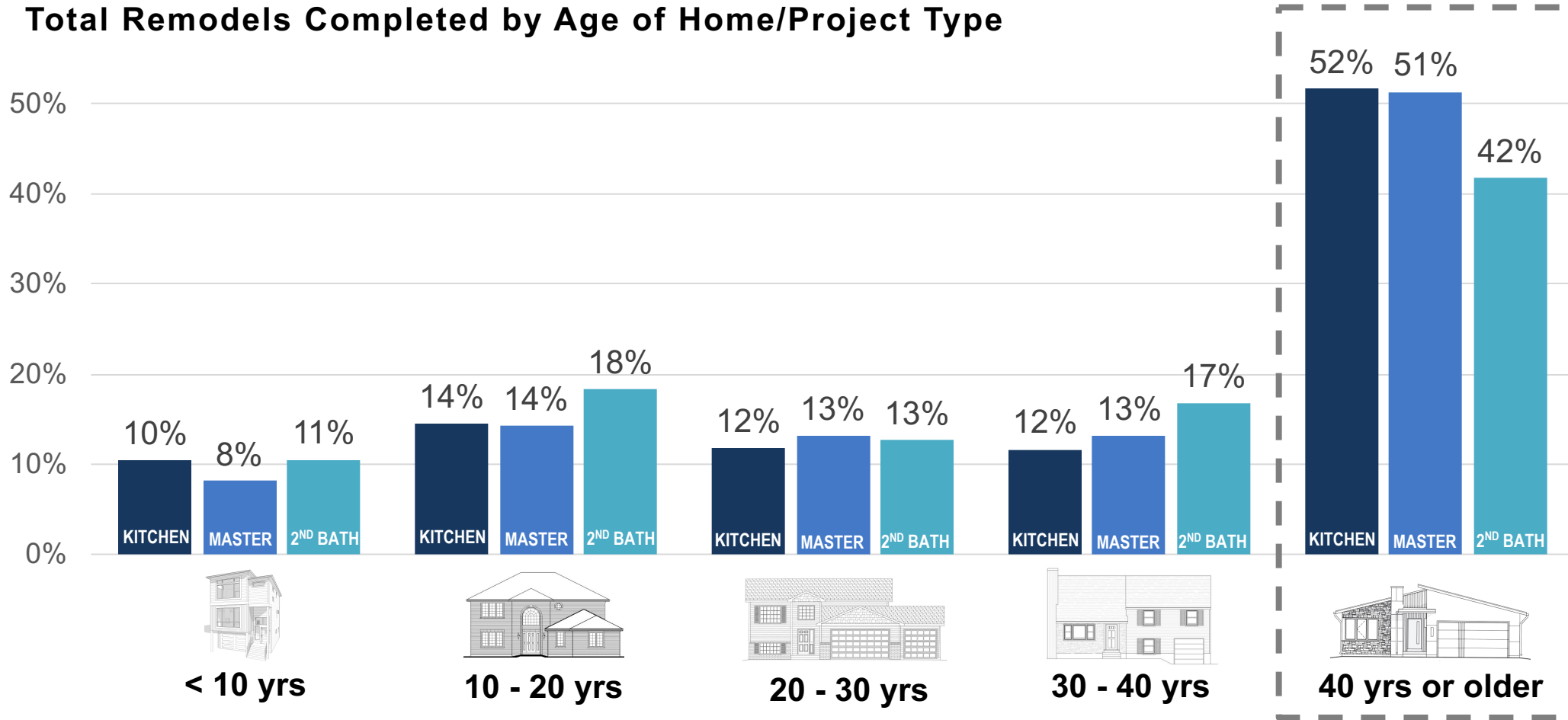
Project Motivations / Obstacles



K&B Remodeling by Age of Home

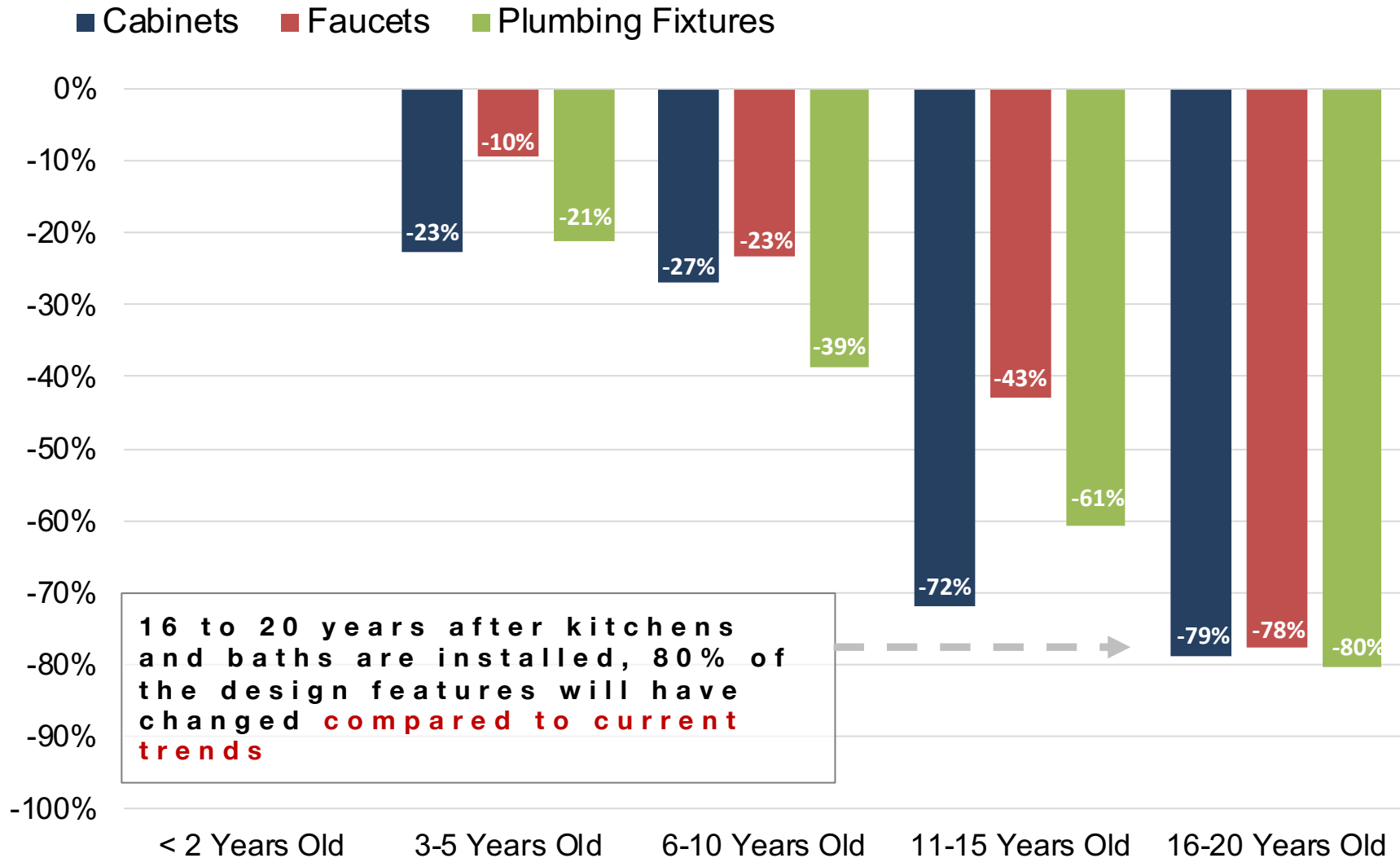
Remodeling will be driven by owners of older homes and “housing boom” homes built in the mid-2000s that are now outdated. More than 50% of all kitchen and master bath remodels will be in homes that are 40 or more years old.

Total Remodels Completed by Age of Home/Project Type



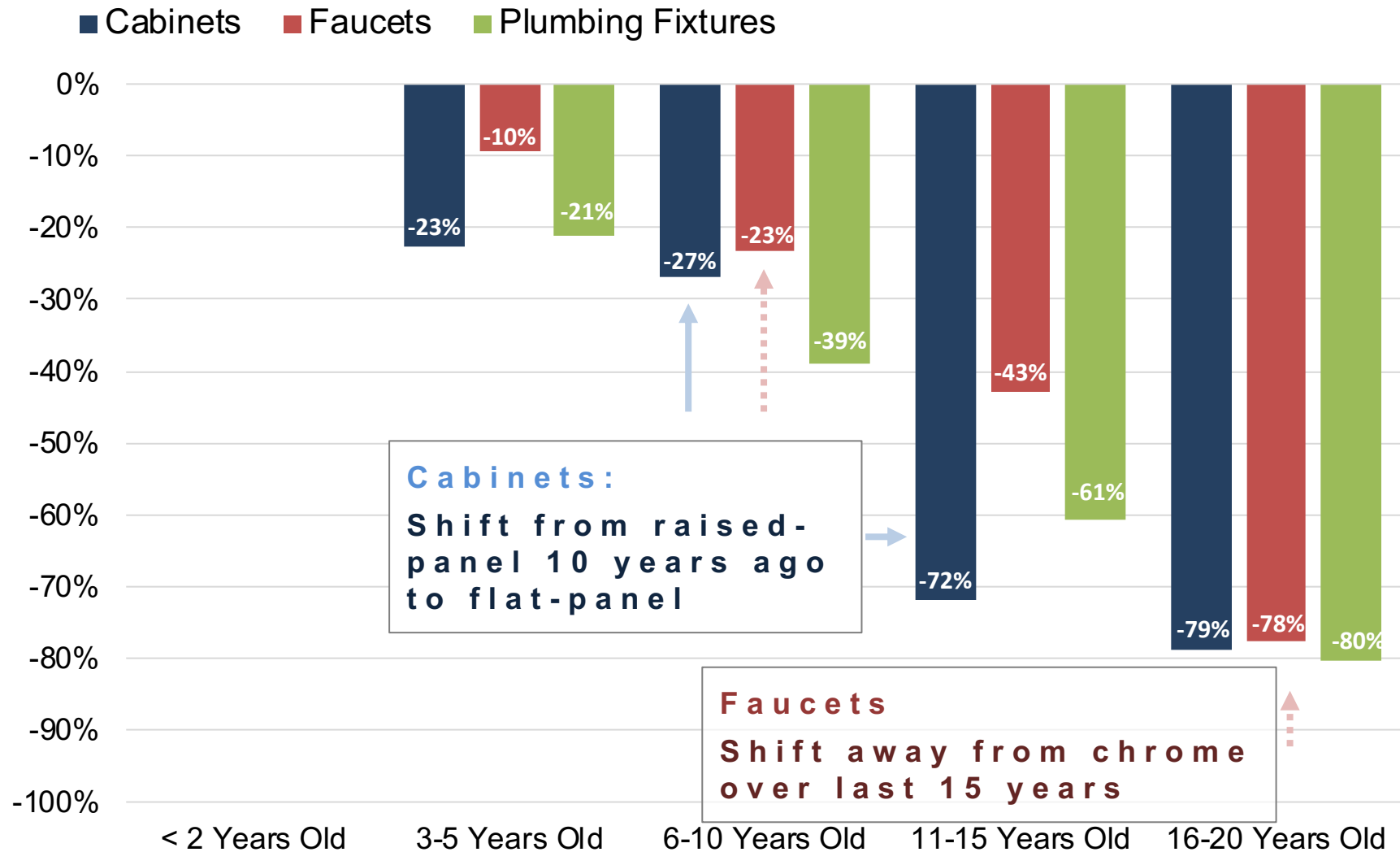
K&B Designs Become Outdated After 15 Years

Kitchen and Bath Design Obsolescence Progression



Sources: JBREC calculations of HIRL data, John Burns Real Estate Consulting LLC

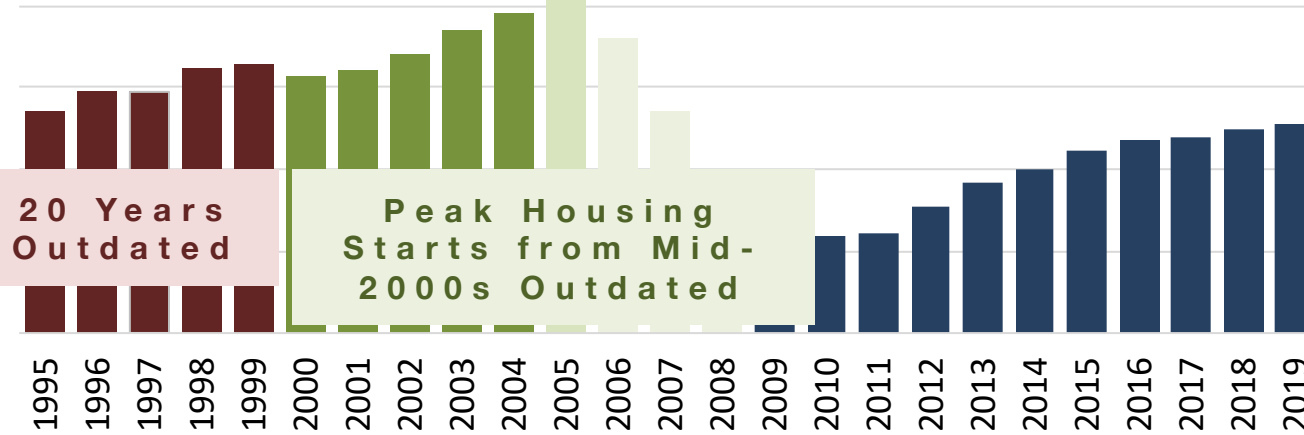
Cabinets/Faucets Are First to be Outdated



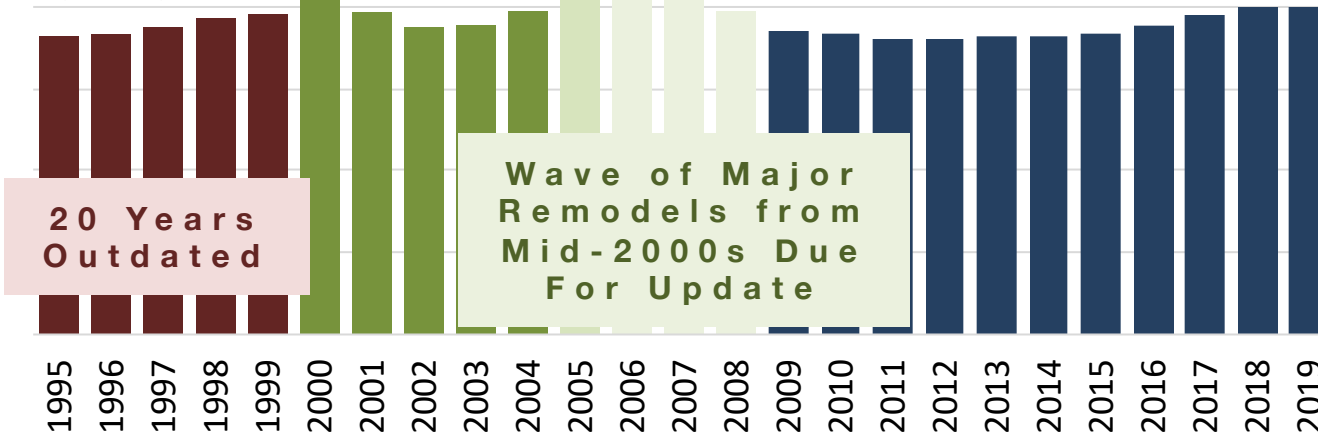
Sources: JBREC calculations of HIRL data, John Burns Real Estate Consulting LLC

Wave of Outdated New Homes and Remodels from Early 2000 are Now Eligible for Upgrades

Housing Starts



Big Project Remodels



Favorable Boost for Discretionary K&B Spending:

- Peak housing starts of mid-2000s are now 15 to 20 years old...due for remodel.
- Wave of major remodels in 2005 to 2008, now 12 to 15 years old, will soon boost K&B demand in the next few years.

Motivations for K&B Remodels by Life Stage

What motivates young singles to remodel kitchens and bathrooms is different from what motivates young families and empty-nesters.

1 YOUNG SINGLES REMODEL TO “INCREASE HOME VALUE”

Young single consumers are significantly more likely than older consumer segments — including mature singles, empty-nesters and families with live-in relatives (e.g. grandparents) — to rank “increase home value” as the most influential factor in choosing to complete a kitchen or bath remodel.

2 YOUNG FAMILIES REMODEL TO “REPLACE OUTDATED FEATURES”

Families with young children are significantly more likely than older consumer segments — including mature singles, empty-nesters and families with live-in relatives (e.g. grandparents) — to rank “replace outdated features” as the most influential factor for choosing to complete a kitchen or bath remodel.

3 EMPTY-NESTERS REMODEL TO “PERSONALIZE DESIGN”

Empty nesters are significantly more likely than young families to rank “personalize my home’s design” as the most influential factor in choosing to complete a kitchen or bath remodel.

Motivations by Life Stage: **Young Singles**

1 POTENTIAL TO “INCREASE HOME VALUE”

Young single consumers are significantly more likely than older consumer segments — including mature singles, empty-nesters and families with live-in relatives (e.g. grandparents) — to rank “increase home value” as the most influential factor in choosing to complete a kitchen or bath remodel.

2 DESIRE TO “REPLACE OUTDATED FEATURES”

Young single consumers are significantly more likely than both empty-nesters and active adults to rank “replace outdated or worn-out features” as the most influential factor in choosing to complete a kitchen or bath remodel.

3 NEED TO “PREPARE THEIR HOME FOR SALE”

Young single consumers are also significantly more likely than empty-nesters to rank “to prepare my home for sale” as the most influential factor in choosing to complete a kitchen or bath remodel.

Motivations by Life Stage: **Young Families**

1 DESIRE TO “REPLACE OUTDATED FEATURES”

Families with young children are significantly more likely than older consumer segments including mature singles, empty-nesters and families with live-in relatives (e.g. grandparents) — to rank “replace outdated features” as the most influential factor for choosing to complete a kitchen or bath remodel.

2 DESIRE TO “MAKE FLOORPLAN MORE FUNCTIONAL”

Families with young children are significantly more likely than empty-nesters to rank “make floorplan more functional” as the most influential factor in choosing to complete a kitchen or bath remodel.

3 NEED TO “REPAIR DAMAGE”

Families with young children are significantly more likely than empty-nesters to rank “repair damage” as the most influential factor in choosing to complete a kitchen or bath remodel.

Motivations by Life Stage: Older Consumers

1 DESIRE TO “PERSONALIZE DESIGN”

Empty-nesters are significantly more likely than young families to rank “personalize my home’s design” as the most influential factor in choosing to complete a kitchen or bath remodel.

2 NEED TO “INCREASE ENERGY EFFICIENCY”

Empty-nesters are significantly more likely than young singles and young families to rank “to increase energy efficiency” as the most influential factor in choosing to complete a kitchen or bath remodel.

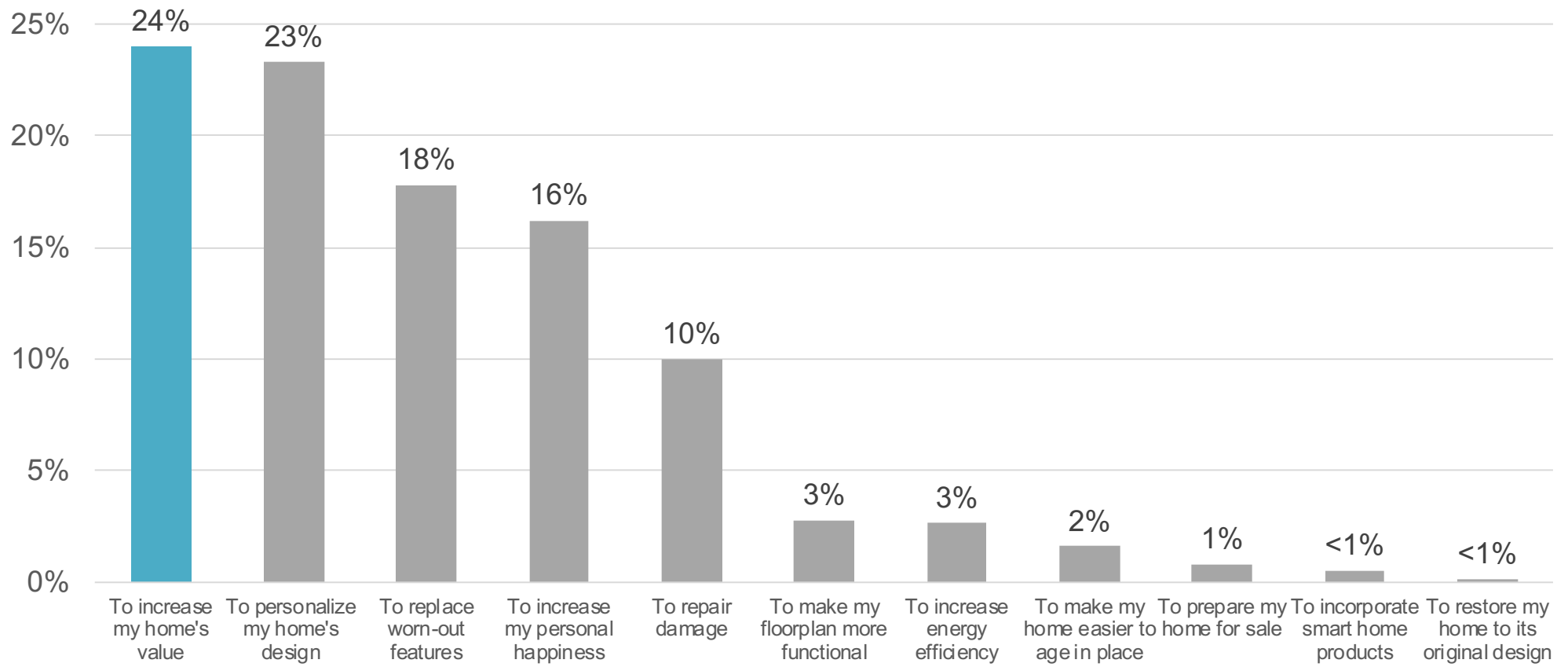
3 NEED TO “MAKE MY HOME EASIER TO AGE IN PLACE”

Mature singles are significantly more likely than younger consumers to rank “make my home easier to age in place” as the most influential factor in choosing to complete a kitchen or bath remodel.

Primary Reasons for Kitchen & Bath Remodel

Among consumers, 24% said “to increase my home’s value” was their primary motivation for remodeling their kitchen or bathroom.

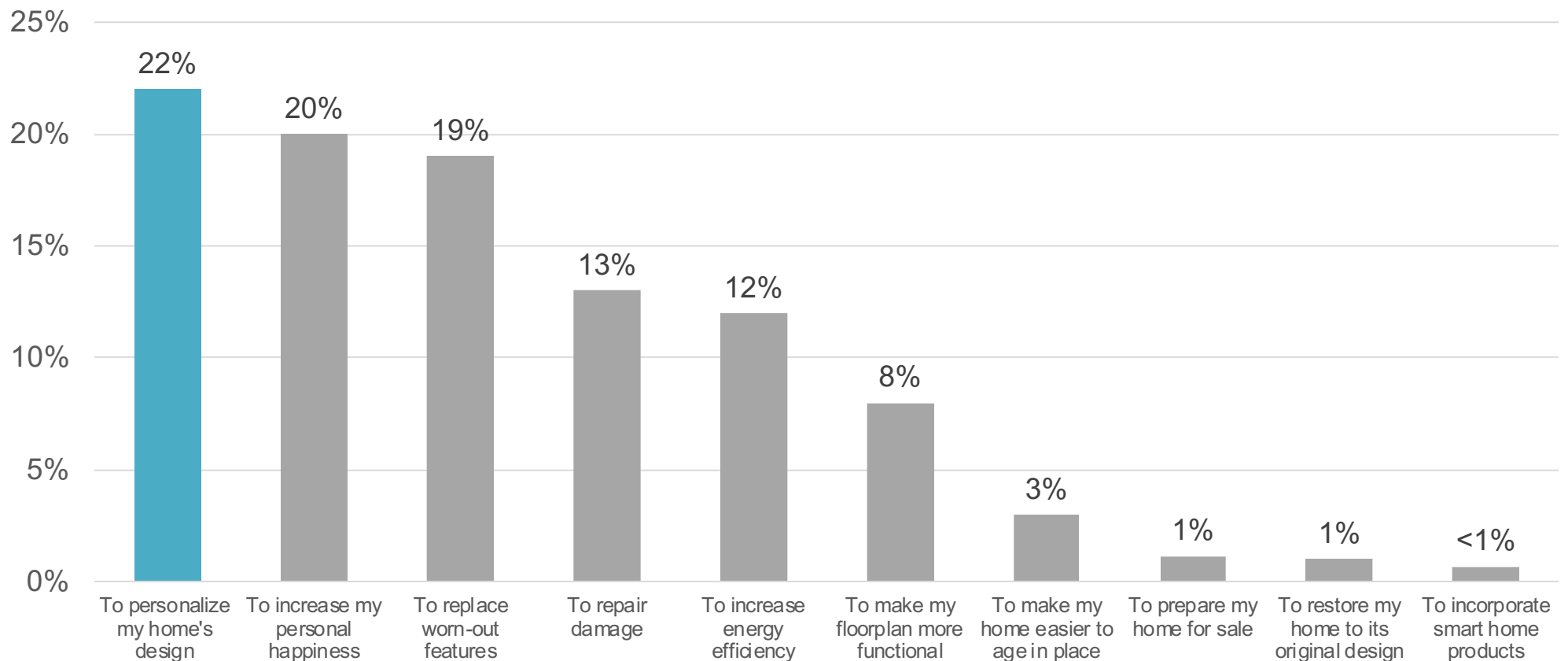
Top Reasons Consumers Remodel a Kitchen or Bath



Secondary Reasons for Kitchen & Bath Remodel

Next to increasing home value, most consumers remodel their kitchens or their baths simply because they want to: 22% of consumers cited “to personalize my home’s design” as the secondary reason for remodeling, while 20% said they remodeled “to increase my personal happiness.”

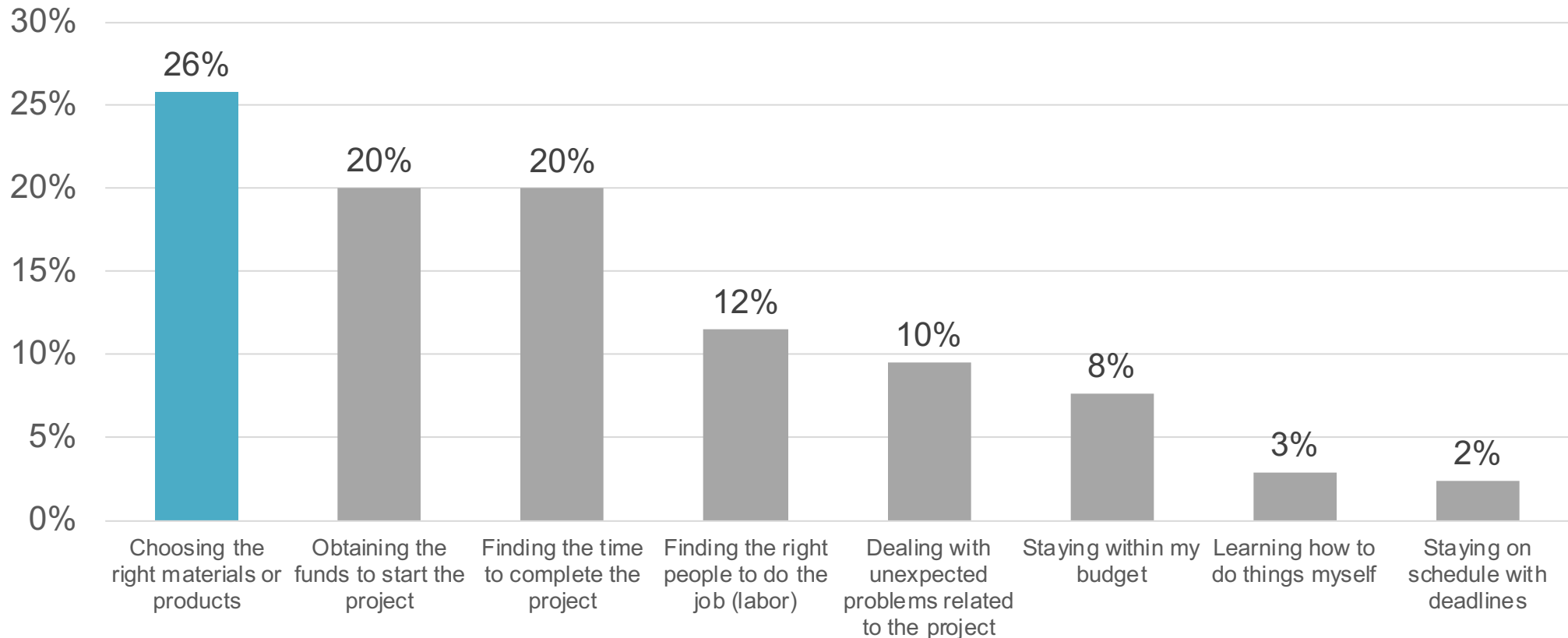
“Secondary Reasons” Consumer Remodel Their Kitchen or Bath



Top Remodeling Obstacles Consumers Face

More than one-quarter of all homeowners report that the biggest obstacle they face when remodeling their kitchen or bath is “choosing the right materials or products.”

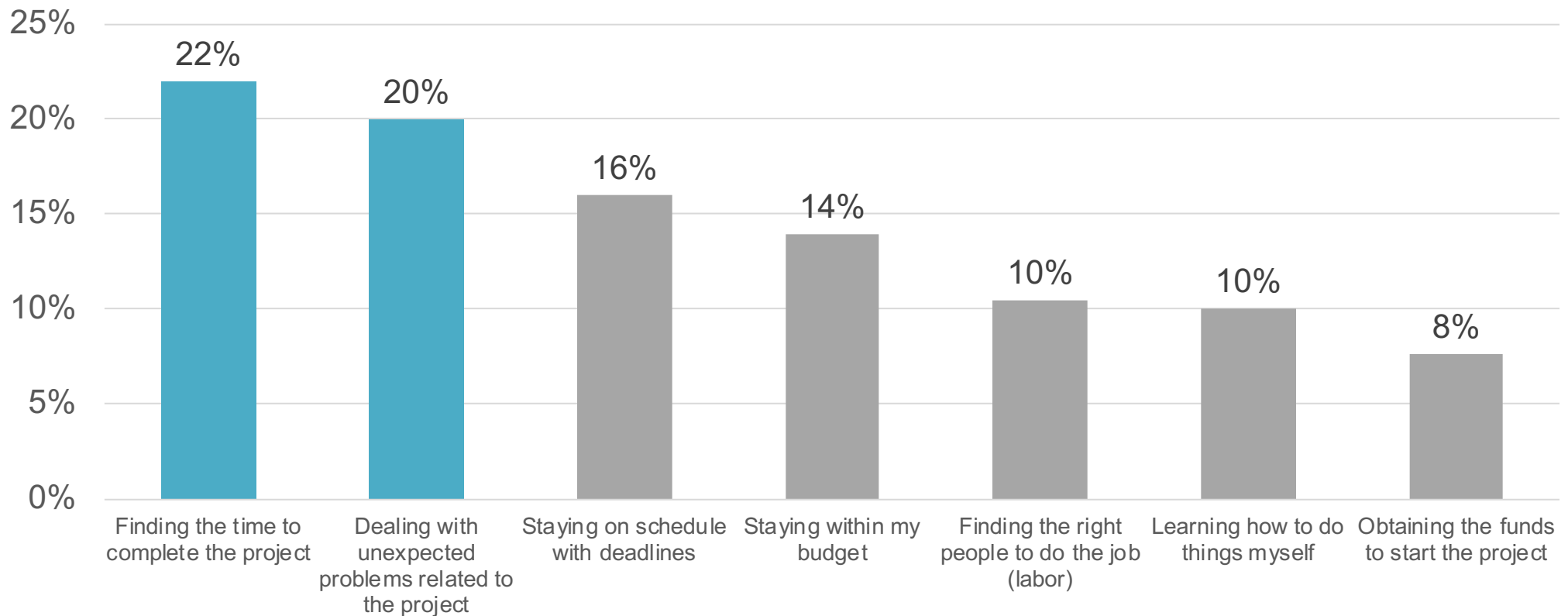
Top Obstacles Consumers Face When Remodeling Their Kitchen or Bath



Secondary Remodeling Obstacles Consumers Face

Next to product/material selection, most consumers struggle with finding the time to complete the project or dealing with unexpected problems related to the project.

“Secondary Obstacles” Consumers Face When Remodeling Their Kitchen or Bath



Project Obstacles by Life Stage

1

Young Consumers Struggle with Project Funding

Young singles and families are significantly more likely than mature consumers, including mature singles and empty-nesters, to rank “obtaining the funds to begin the project” as their biggest obstacle faced during the project.

2

Families Struggle with Finding Time

Families with young children, teenagers, or live-in relatives (e.g. grandparents) are significantly more likely than older consumers to rank “finding the time to do the project” as their biggest obstacle faced during the project.

3

Empty-Nesters Struggle with Selecting Materials

Empty-nesters are significantly more likely than younger consumers, including young singles and young families, to rank “choosing the right materials or products” as their biggest obstacle faced during the project.”

4

Older Consumers Struggle with Finding Labor

Mature singles and empty-nesters are significantly more likely than younger consumers, including young singles and young families, to rank “finding the right people to do the job” as their biggest project obstacle.

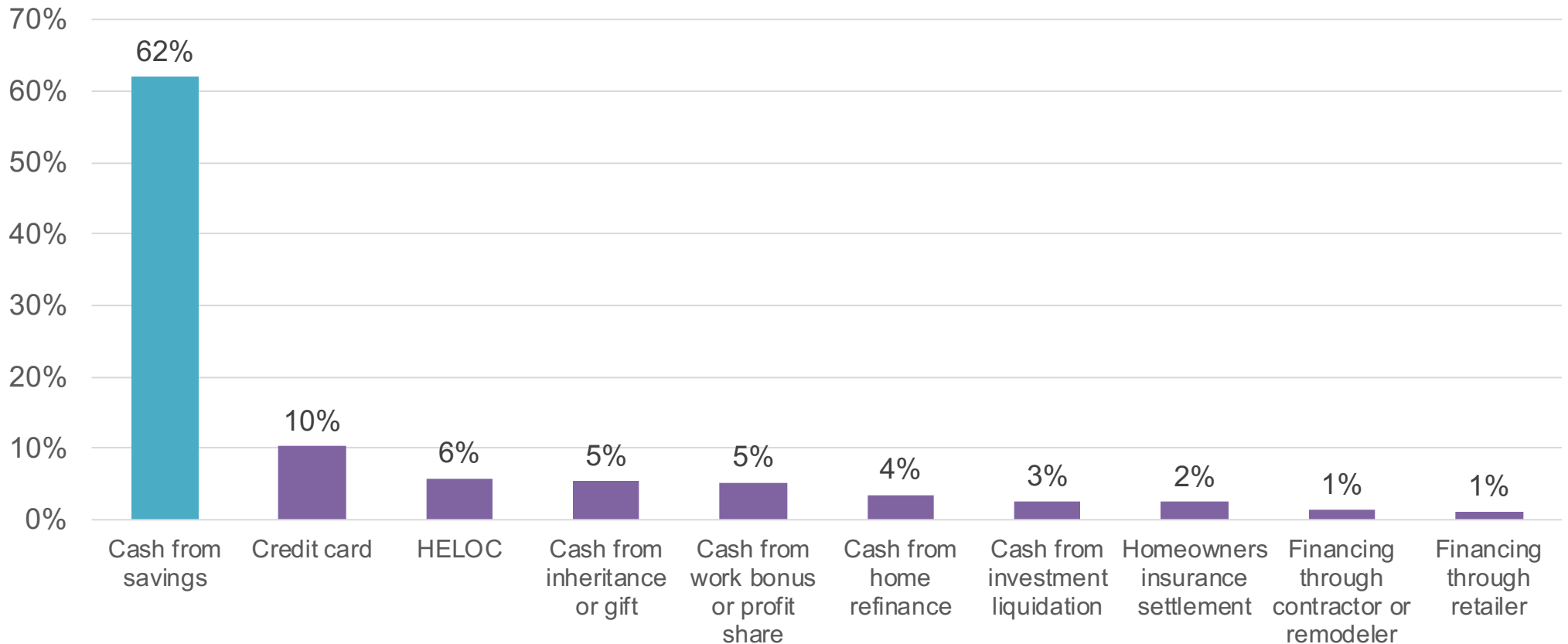
Project Financing



Financing Methods Used for K&B Remodels

The primary way consumers fund a kitchen or master bath remodel is with cash from their savings (62%). Coming in a distant second, 10% said they primarily paid for their remodel on their credit card.

Primary Source of Project Financing



Projects Funded “Out-of-Pocket”

(cash from savings or credit card)

Nuances of Projects Funded Out-of-Pocket

Significant Differences Relative to All Kitchen and Bath Projects

1

82% OF ALL DIY PROJECTS ARE FUNDED OUT-OF-POCKET

Compared to all kitchen and bath projects, of which 72% are funded from cash savings or credit card.

2

CONSUMERS SPEND 15% LESS THAN AVERAGE WHEN THEY FUND WITH CASH

The average spend per project when consumers use cash from savings or a credit card is 15% lower than all kitchen and bath projects (\$7,100 vs. \$8,400).

3

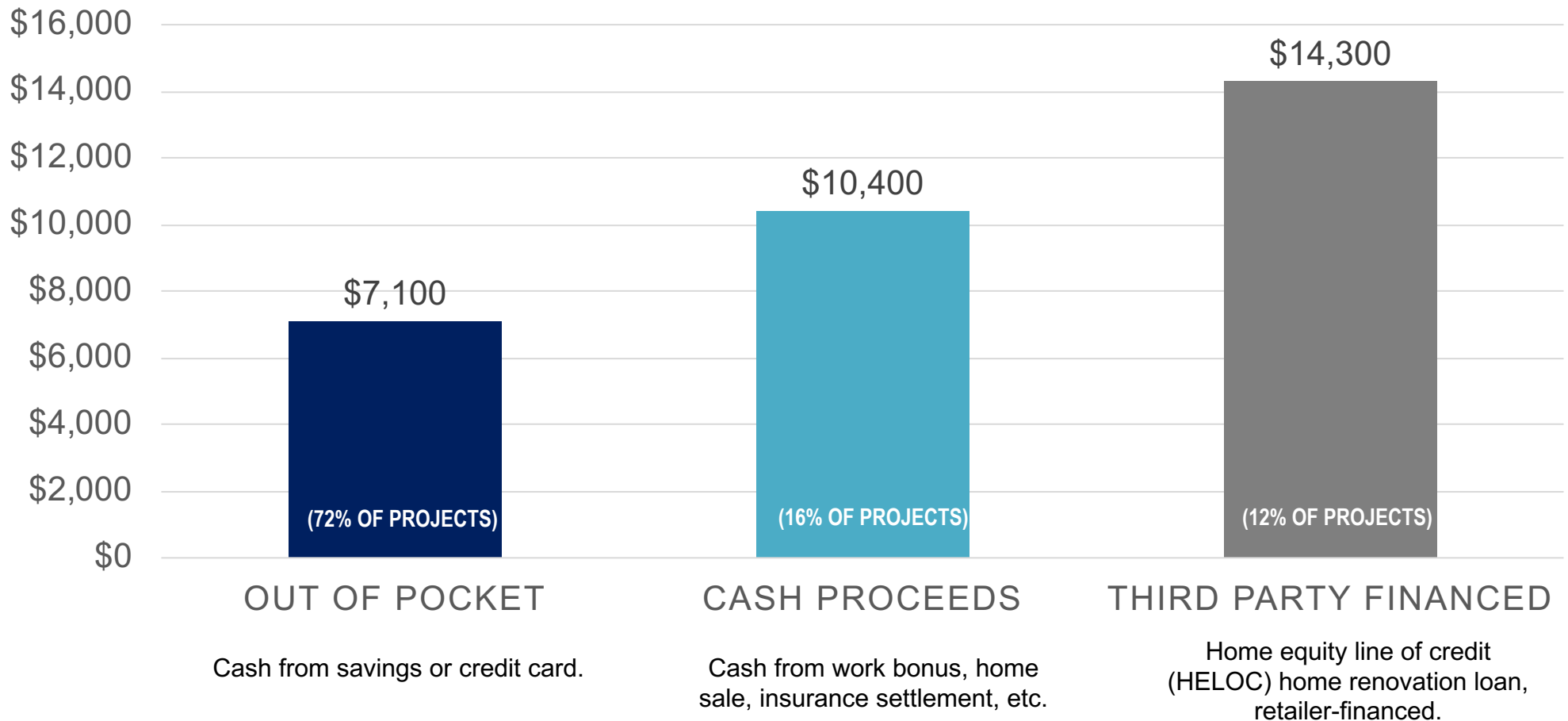
CASH PROJECTS ARE LESS LIKELY TO INCLUDE TILE UPGRADES

Only 33% of master bath remodels that are funded with cash from savings or a credit card have tile upgrades, which is significantly lower than all master bath projects, 42% of which include tile upgrades.

Average Spending by Type of Financing

Those financing a kitchen or bath project using cash from savings or a credit card spend about one-third less overall than those using a sudden cash inflow, and half the amount spent by those financing through a third party.

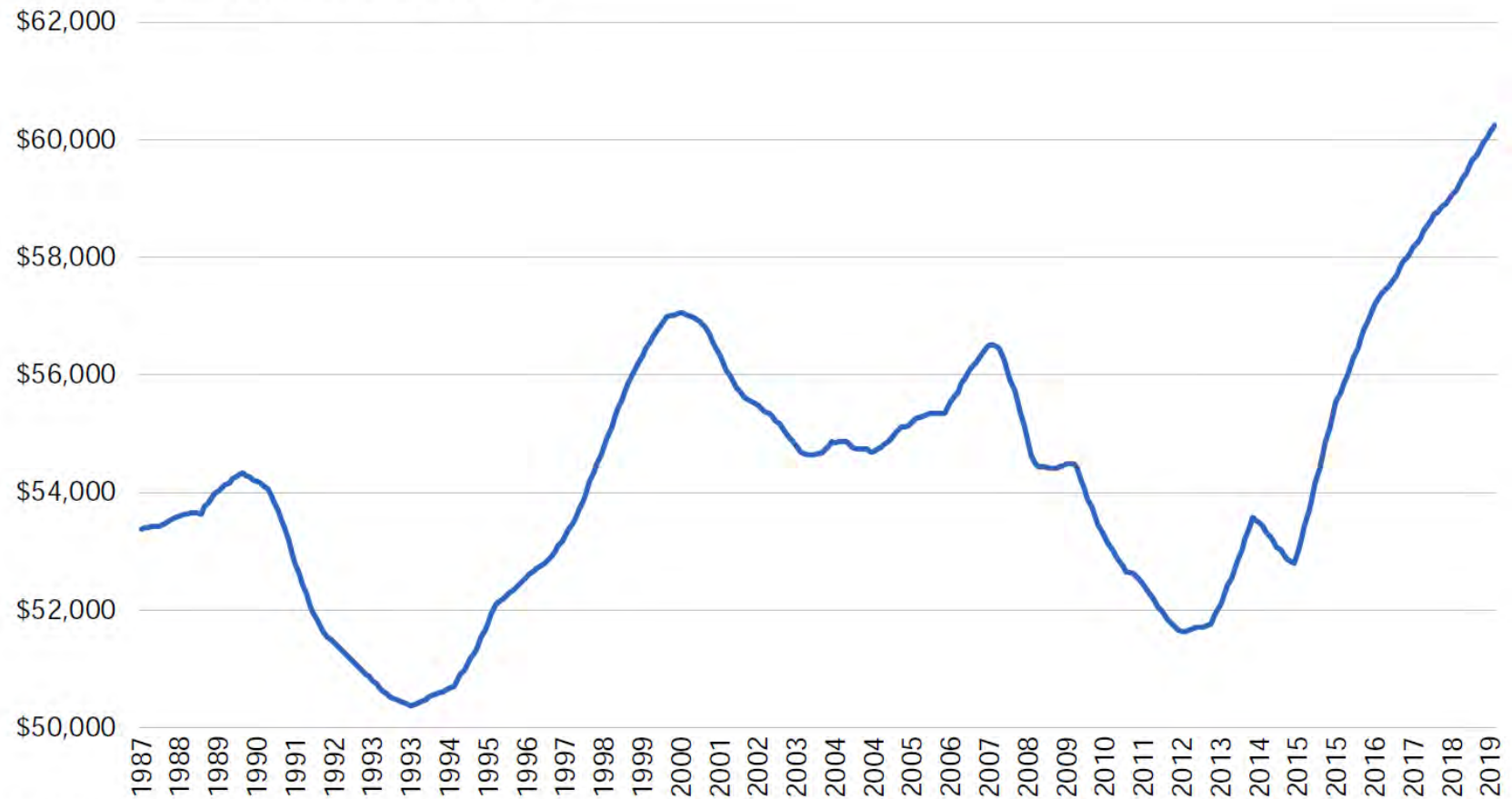
Average Project Spending Across Financing Types



Real Median Household Income

Real median household income in 2020 is significantly above the previous cycle, which bodes well for household remodeling, particularly smaller projects.

Real Median Household Income



Note: Median income is inflation-adjusted to 2013 dollars (2013-chained).

Sources: John Burns Real Estate Consulting, LLC; Census Bureau; Moody's Analytics (Data: Sep-19, updated quarterly)

Pub: Jan-20

Projects Funded with One-Time Cash Proceeds

(e.g. home sale, investment sale, inheritance, gift, cash bonus, insurance settlement)

Nuances of Projects Funded with Cash Proceeds Relative to All Kitchen and Bath Projects

1

50% OF CONSUMERS SAID THEY HAD FINANCING OBSTACLES

Consumers who funded projects with cash proceeds from an investment liquidation, bonus, insurance settlement or an inheritance/gift had a higher rate of difficulty financing their remodel than the average consumer (50% had trouble obtaining funds vs. 35% among all consumers).

2

MORE OF THESE REMODELS ENLISTED DESIGNER HELP

33% of the consumers who financed their project with cash proceeds enlisted the help of a professional designer, compared to 17% of consumers across all kitchen and bath remodels.

3

HIGHER APPLIANCE INCIDENCE RATE THAN AVERAGE

Kitchen remodels funded with a cash windfall have a higher attachment rate to appliance upgrades than average (56% vs. 46% across all kitchen remodels).

Projects Financed Through Bank or Third Party

(e.g. home-equity line of credit, home-improvement loan, financing via remodeler or retailer)

Nuances of Projects Financed Through 3rd Party Relative to All Kitchen and Bath Projects

1 MORE UPGRADES IN CABINETS AND COUNTERTOPS

Across all remodel types (kitchen, master bath and secondary bath), cabinet and countertop upgrades are significantly more common among remodels financed with through a bank or third party than the average kitchen and bath project (~65% usage rate vs. ~50%).

2 HIGHER USE OF PROFESSIONALS

55% of projects financed through a bank or third party relied entirely on a professional contractor, significantly higher than the 35% across all kitchen or bath projects.

3 HIGHER AVERAGE HOME VALUE

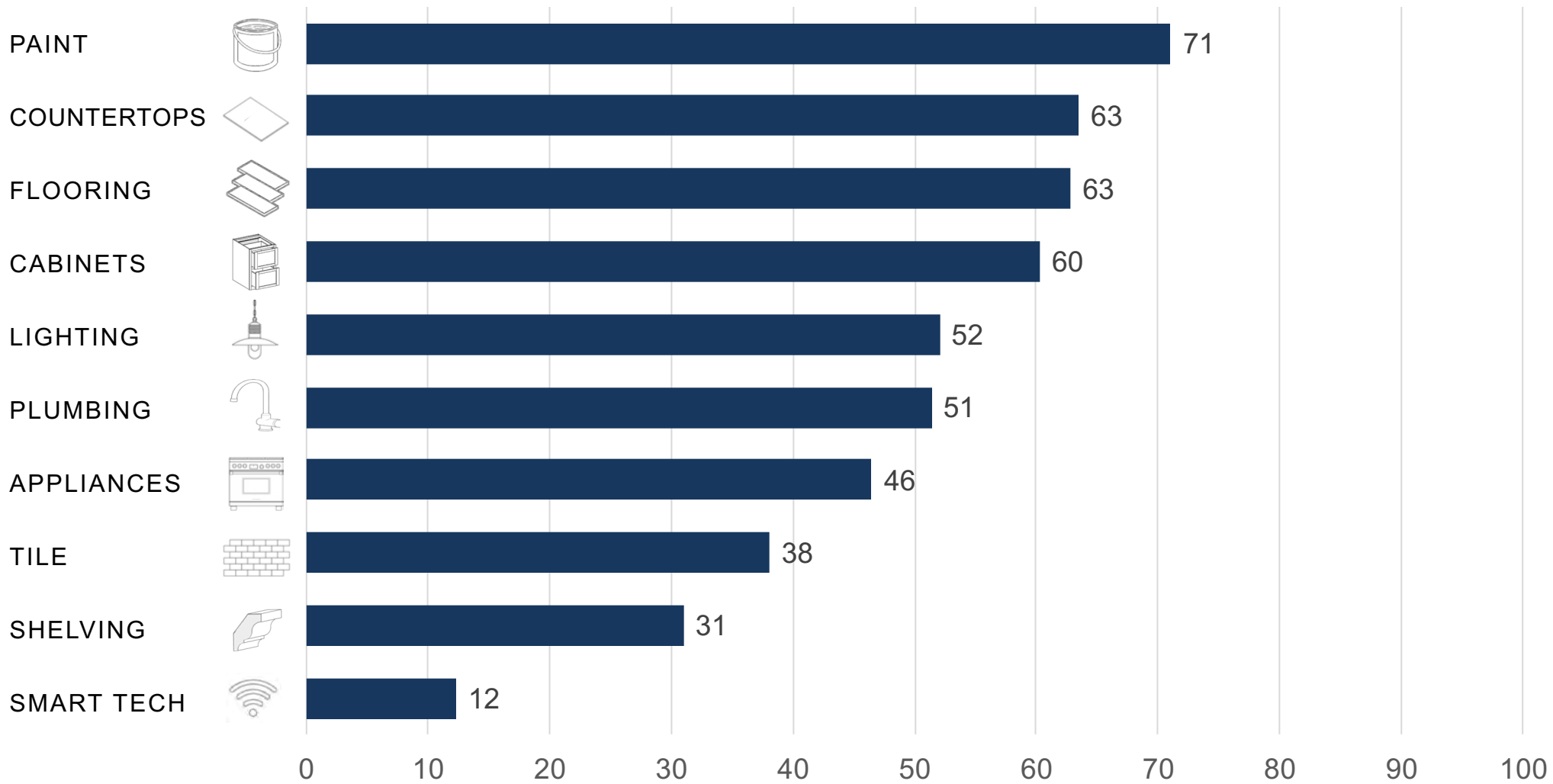
The average home value of projects financed through a bank or third party was approximately 30% higher compared to all kitchen and bath projects.

Kitchen Upgrades



Top Kitchen Upgrades

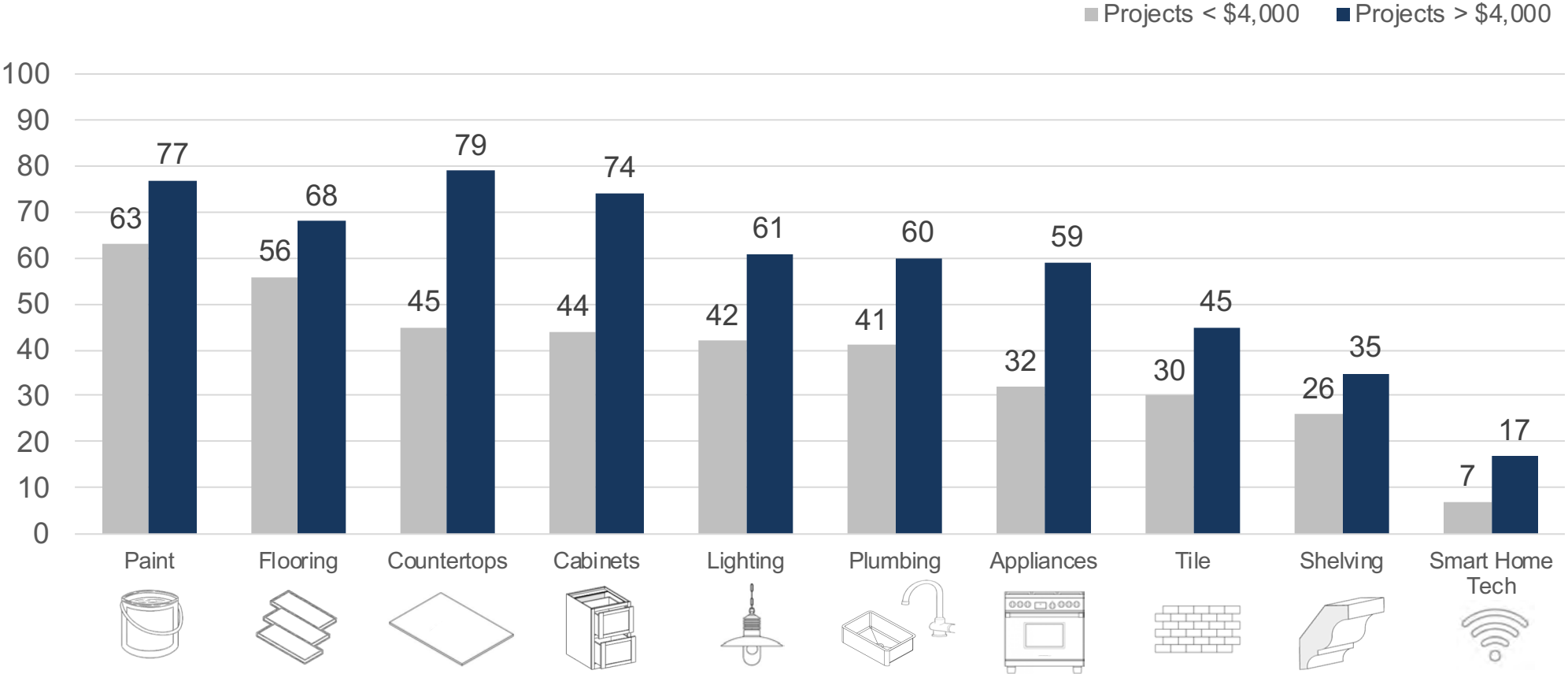
Number of Upgrades per 100 Completed Kitchen Remodels



Kitchen Upgrades by Budget Size

Kitchen upgrades become more common across all categories when consumers' budgets exceed \$4,000. High-ticket items, like countertops, cabinets, flooring and appliances, generally have the most significant upticks.

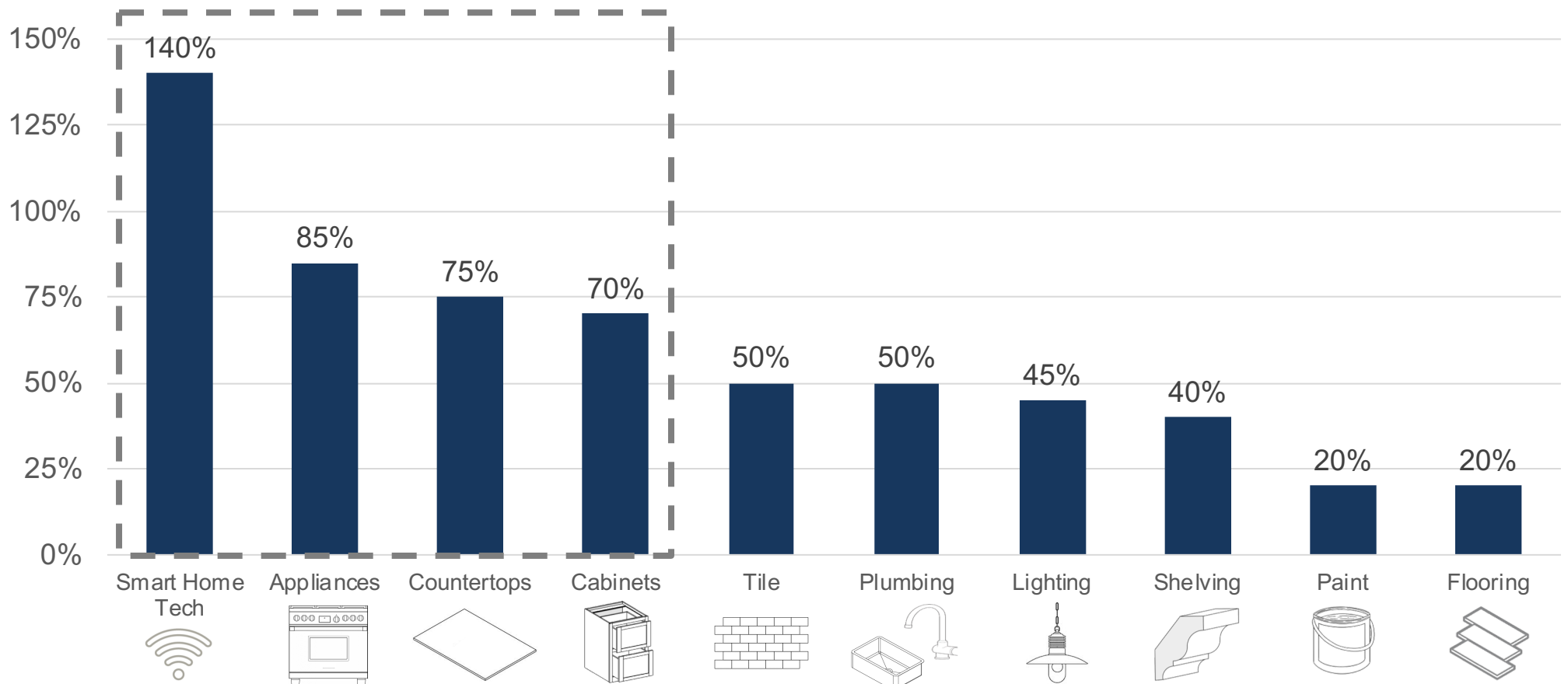
Number of Upgrades per 100 Completed Kitchen Remodels



Kitchen Products Most Sensitive to Budget Size

Large-ticket items like appliances and countertops are more likely to be upgraded when consumers spend more on their total remodel. When projects cost over \$4,000, homeowners are 85% more likely to upgrade their kitchens with appliances, compared to consumers completing projects which cost under \$4,000. Higher budgets also had significantly higher attachment to discretionary products like smart-home tech.

Increased Likelihood of Upgrades in Remodels Over \$4,000 vs Remodels Under \$4,000

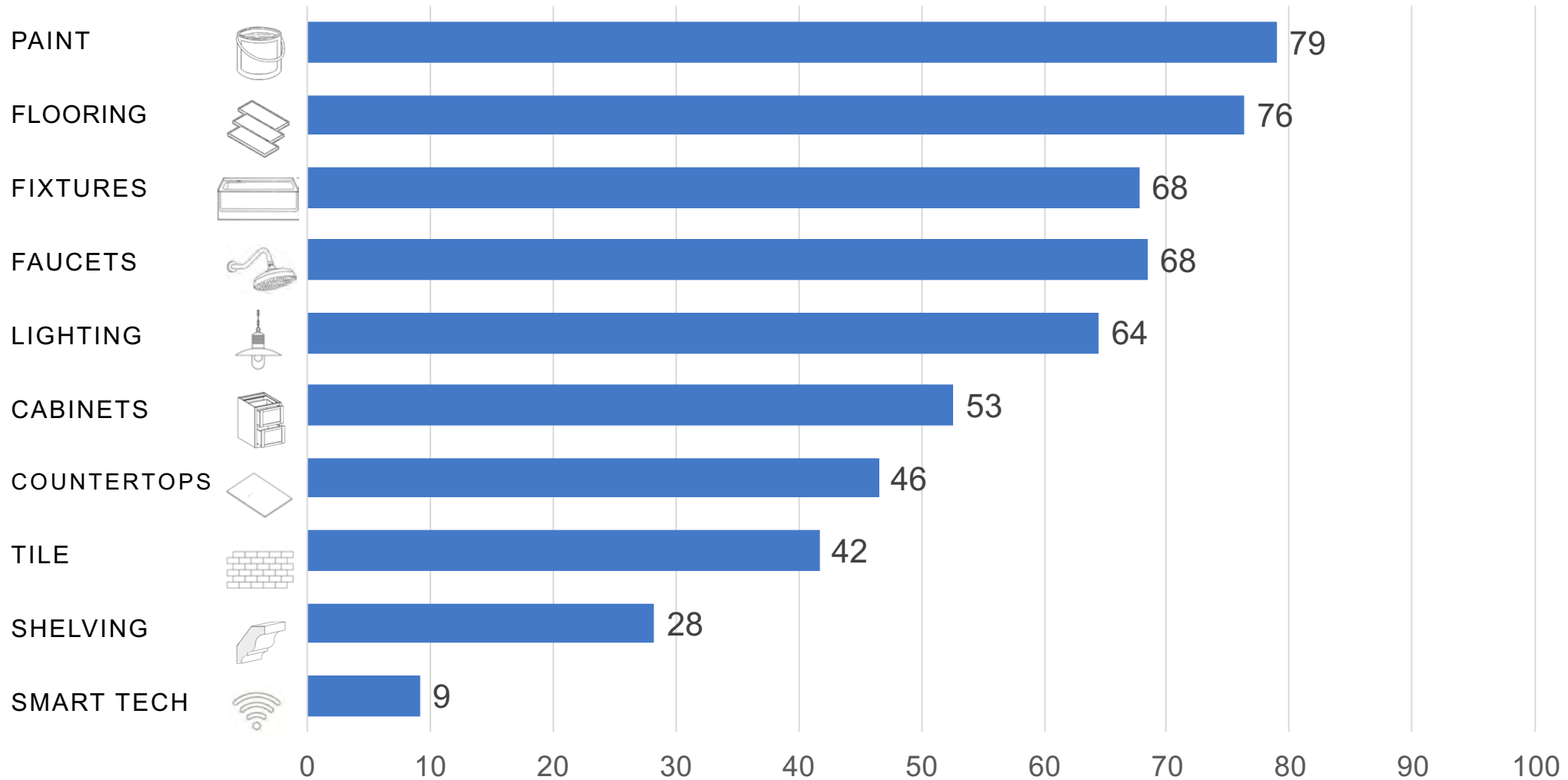


Master Bath Upgrades



Top Master Bath Upgrades

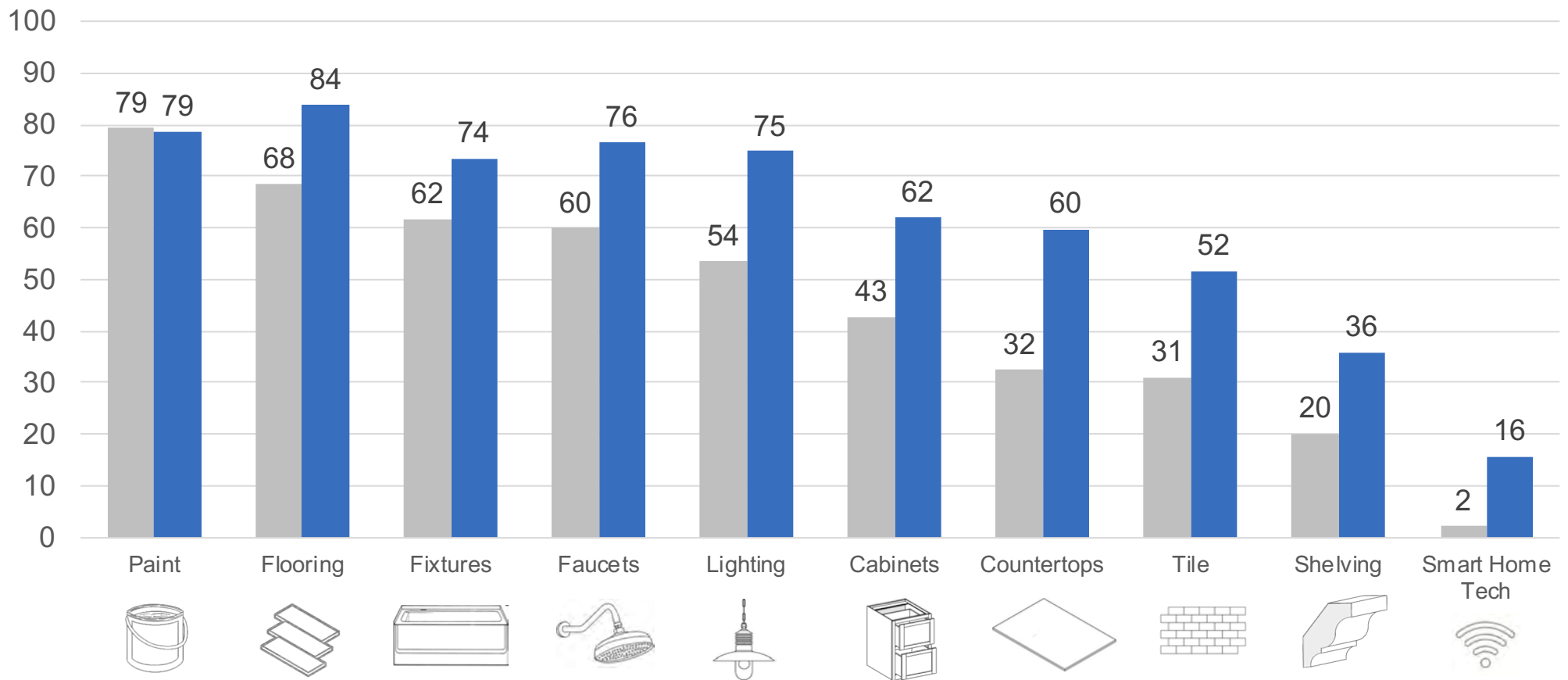
Number of Upgrades per 100 Completed Master Bath Remodels



Master Bathroom Upgrades by Budget Size

Upgrades in the master bath become more common across all categories when consumer budgets exceed \$4,500. Flooring, lighting, countertops and cabinets have the most significant upticks, while the small-ticket item of paint remains virtually unchanged.

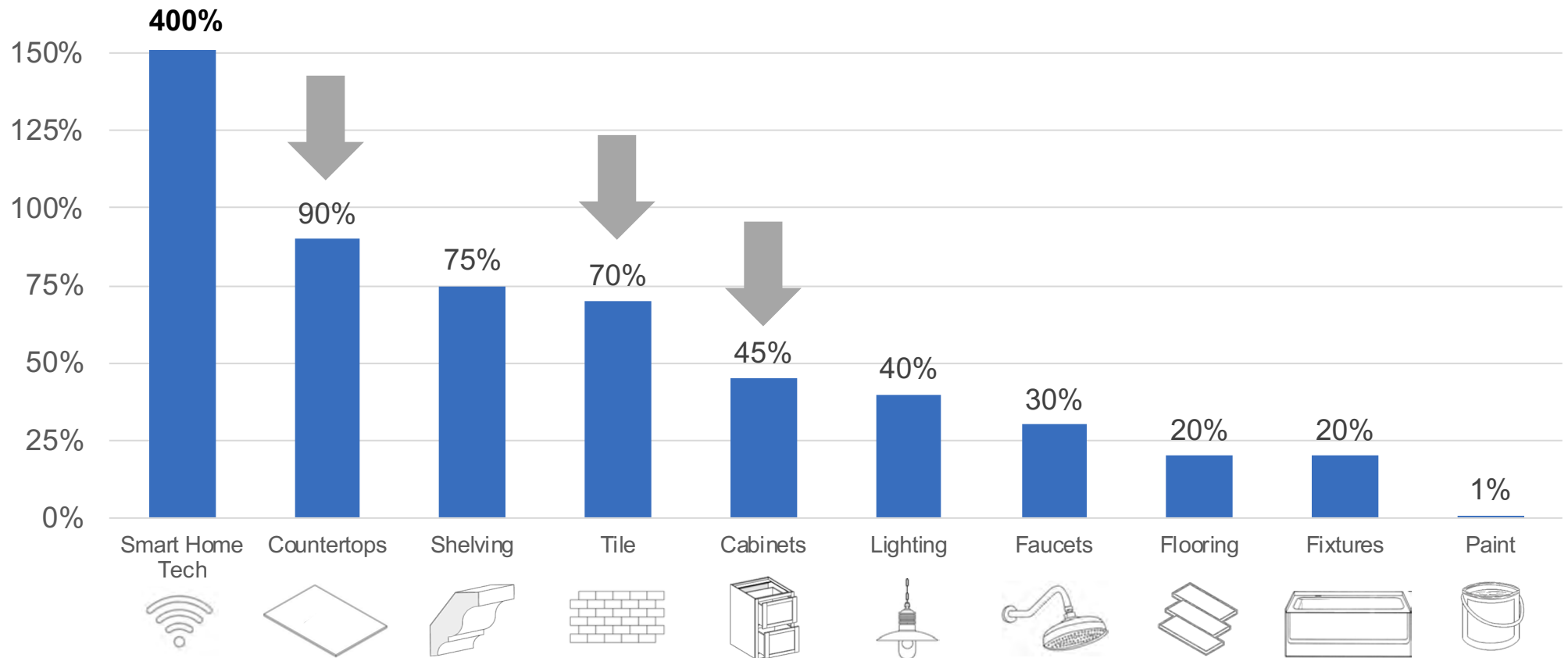
Number of Upgrades per 100 Completed Master Bath Remodels ■ Projects < \$4,500 ■ Projects > \$4,500



Master Bath Products Most Sensitive to Budget Size

Large-ticket items like countertops and cabinets, as well as labor-intensive upgrades like tilework, are more likely to be upgraded when consumers spend more on their total remodel. Master bath projects costing over \$4,500 had 90% more countertop upgrades than projects costing under \$4,500.

Increased Likelihood of Upgrades in Remodels Over \$4,500 vs Remodels Under \$4,500

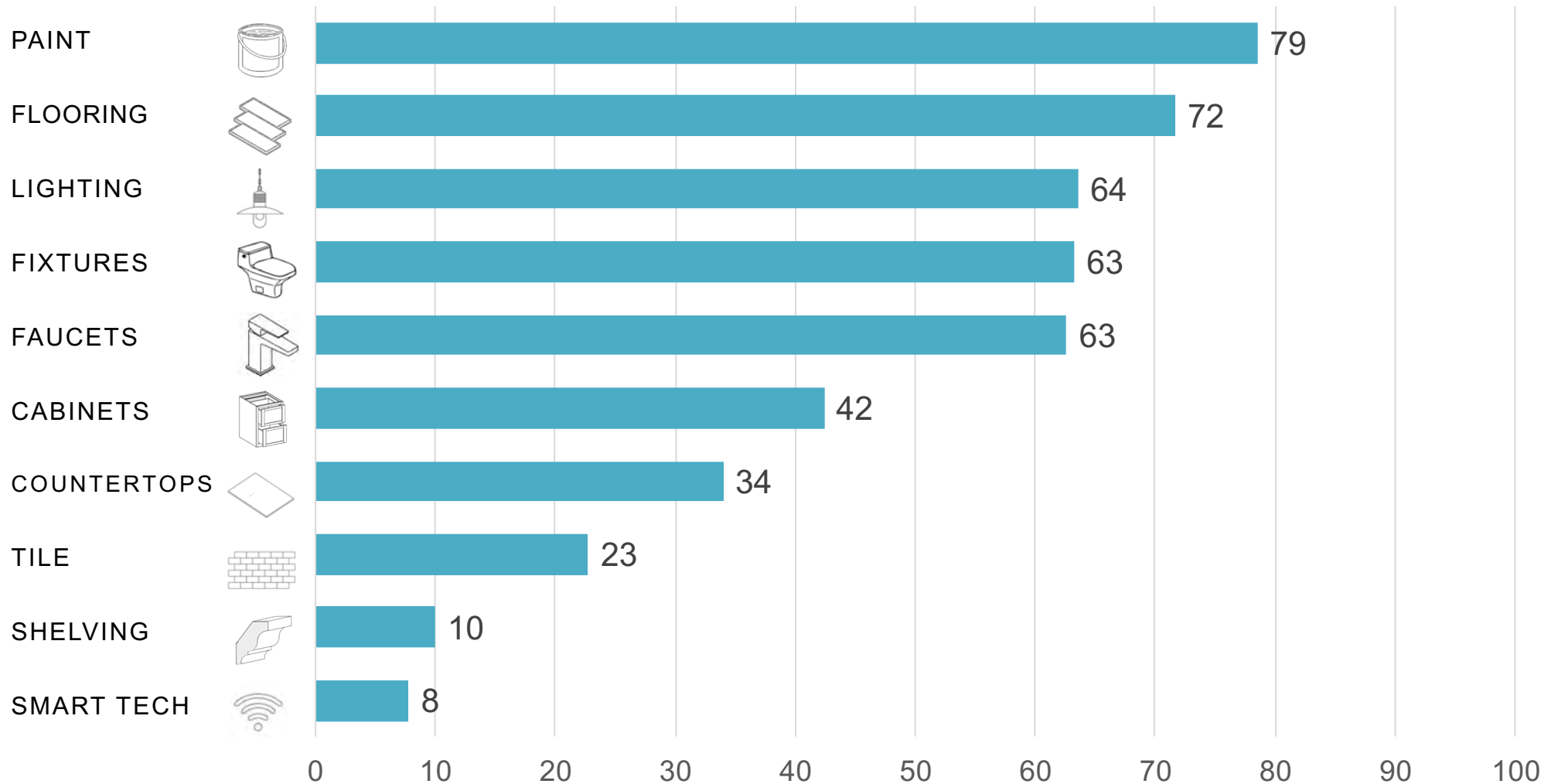


Secondary Bath Upgrades



Top Secondary Bath Upgrades

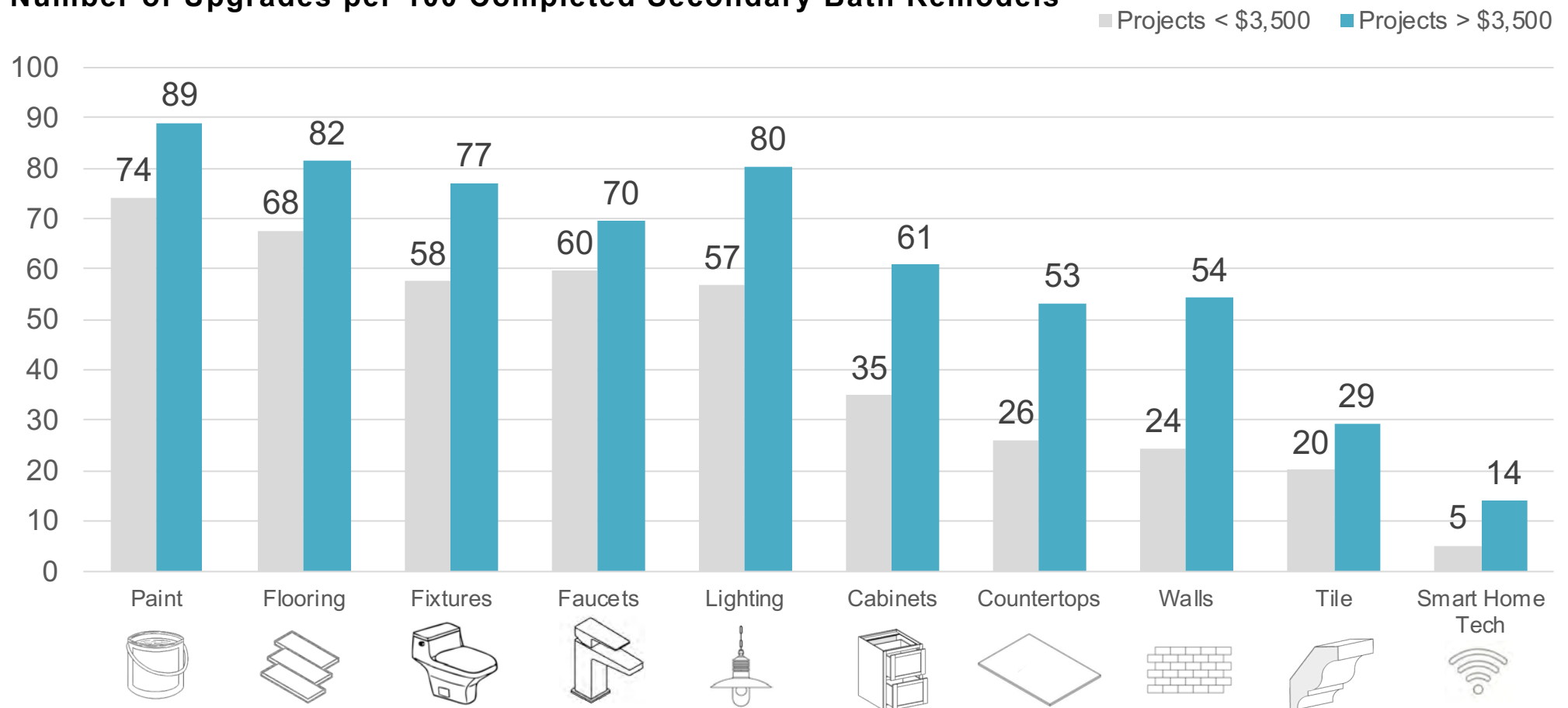
Number of Upgrades per 100 Completed Secondary Bath Remodels



Secondary Bath Upgrades by Budget Size

Lighting, cabinets, countertops and walls are significantly more likely to be upgraded when projects cost more than \$3,500.

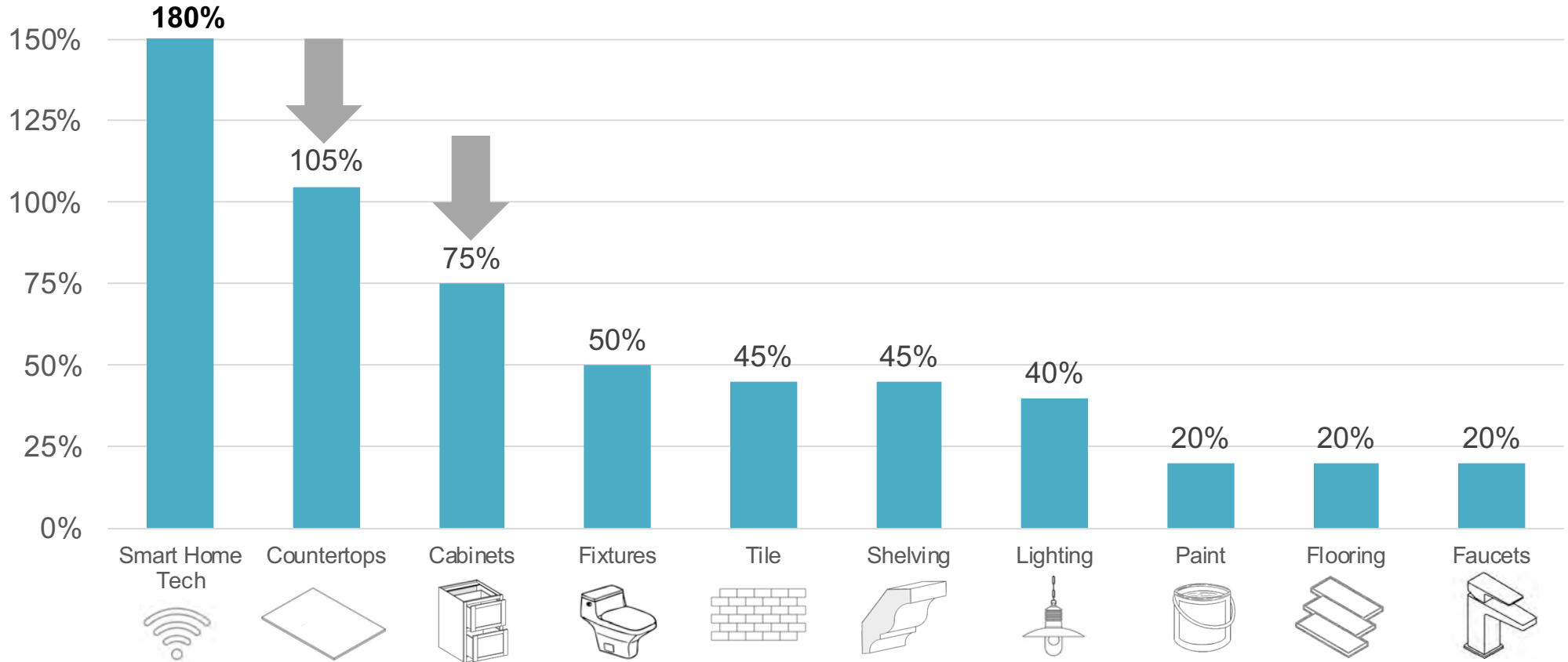
Number of Upgrades per 100 Completed Secondary Bath Remodels



Secondary Bath Products Most Sensitive to Budget

Large-ticket items like cabinets and countertops have significantly higher attachment to remodels costing over \$3,500 compared to remodels under \$3,500. Secondary bath projects costing over \$3,500 had twice as many countertop upgrades and 75% more cabinet upgrades than projects costing under \$3,500.

Increased Likelihood of Usage in Remodels Over \$3,500 vs Remodels Under \$3,500



Appendix



Detailed Methodology

New-Construction: John Burns Real Estate Consulting (JBREC) analyzed construction costs for new-construction spending by category within new home kitchens and bathrooms. Homes were segmented by size and price point. Due to regional differences in home price points, segmentation was conducted by nine census divisions, then rolled up. All figures include both products and labor (installed costs).

Kitchen and Bath Remodel: Spending values are JBREC calculations from tabulations of U.S. Census American Housing Survey home-improvement projects microdata, NAA spending (rental), JBREC home-improvement estimates, and forecasts of single-family rental renovation spending. All values include labor and materials, including all major elements within kitchen and bath spending (plumbing fixtures, faucets, tile, vanities, countertops, lighting, showers and baths, etc.).

To better understand project motivations, a total of 2,500 online surveys were conducted among consumers inquiring about their household remodel/renovation projects for either kitchen or bathrooms.

- Completed a kitchen/bath remodel project (1,500 responses total) or
- Considering a kitchen/bath remodel project (500 responses total) or
- Started, but abandoned, a kitchen/bath remodel project (500 responses total).

Respondents were equally represented across six noncontiguous U.S. regions as defined below:

- **Northeast:** Maine, Massachusetts, Rhode Island, Connecticut, New Hampshire, Vermont, New York, Pennsylvania, New Jersey, Delaware, Maryland
- **Southeast:** West Virginia, Virginia, Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Arkansas, Louisiana, Florida
- **Midwest:** Ohio, Indiana, Michigan, Illinois, Missouri, Wisconsin, Minnesota, Iowa, Kansas, Nebraska, South Dakota, North Dakota
- **Southwest:** Texas, Oklahoma, New Mexico, Arizona
- **West:** Colorado, Wyoming, Montana, Idaho, Washington, Oregon, Utah, Nevada, California, Alaska, Hawaii

Source: NKBA/ JBREC Online Survey Panel; n=2,500

Residential K&B Spending Overview



KITCHEN

BATH

(\$ Billions)

Single Family

\$32 B

\$43 B

NEW CONSTRUCTION

Multi-Family

\$7 B

\$4 B

\$86

Owner Repair/Remodel

\$28 B

\$26 B

REMODEL

Rental Repair/Remodel

\$9 B

\$9 B

\$72

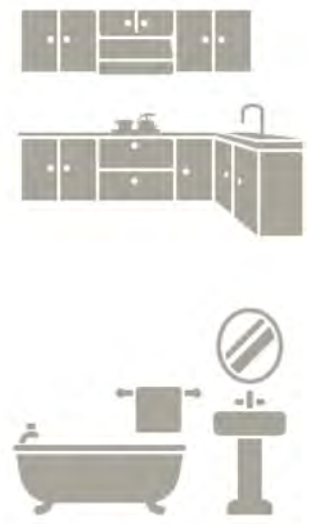
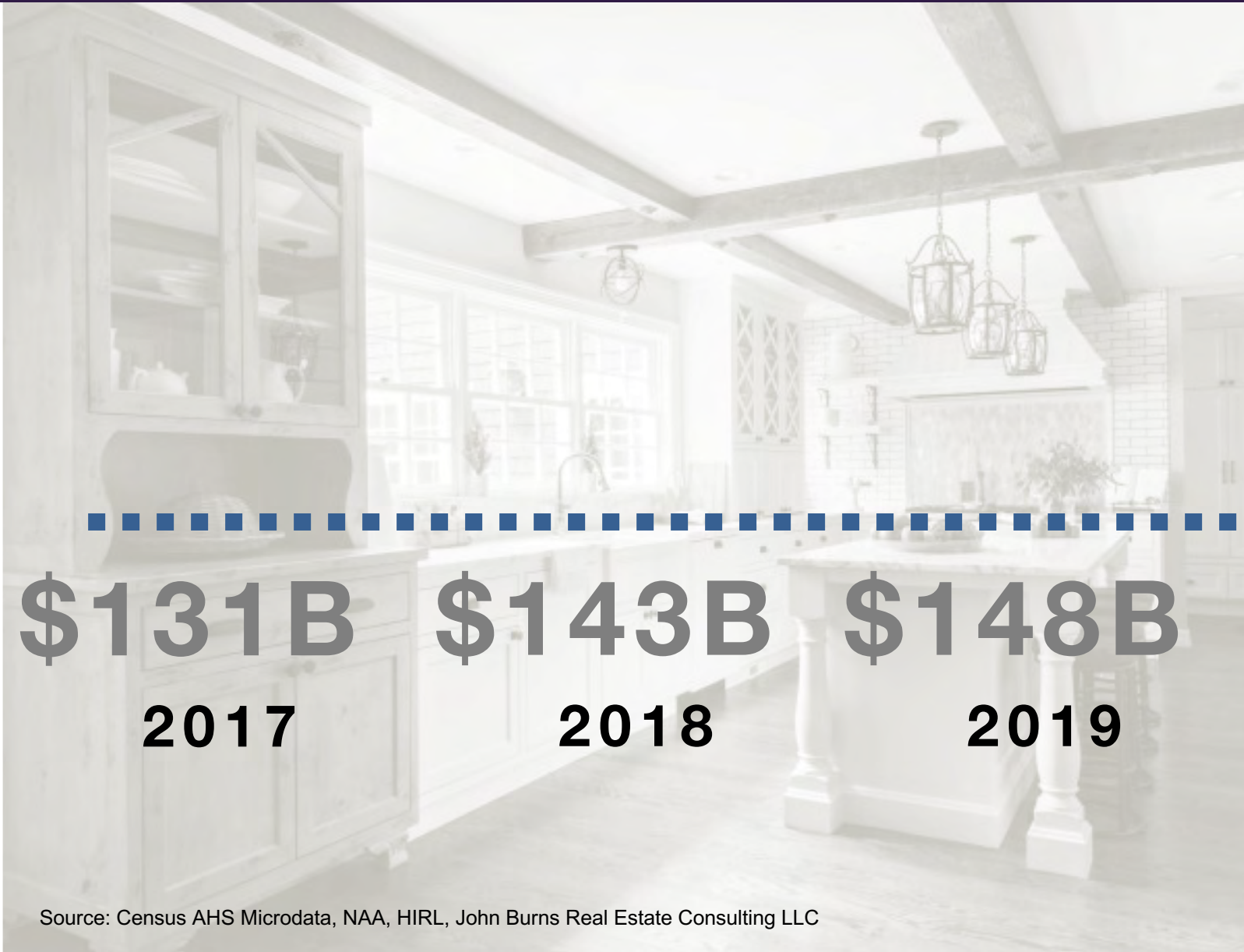
\$76

\$82

\$158

Sources: Census AHS Microdata, NAA, HIRL, John Burns Real Estate Consulting LLC

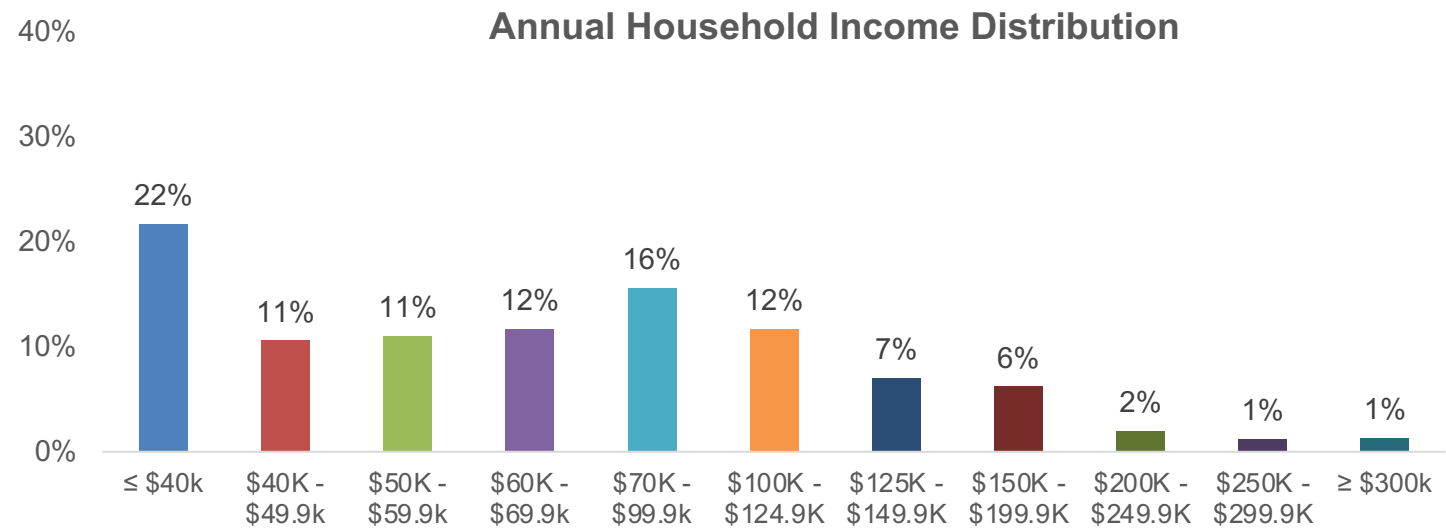
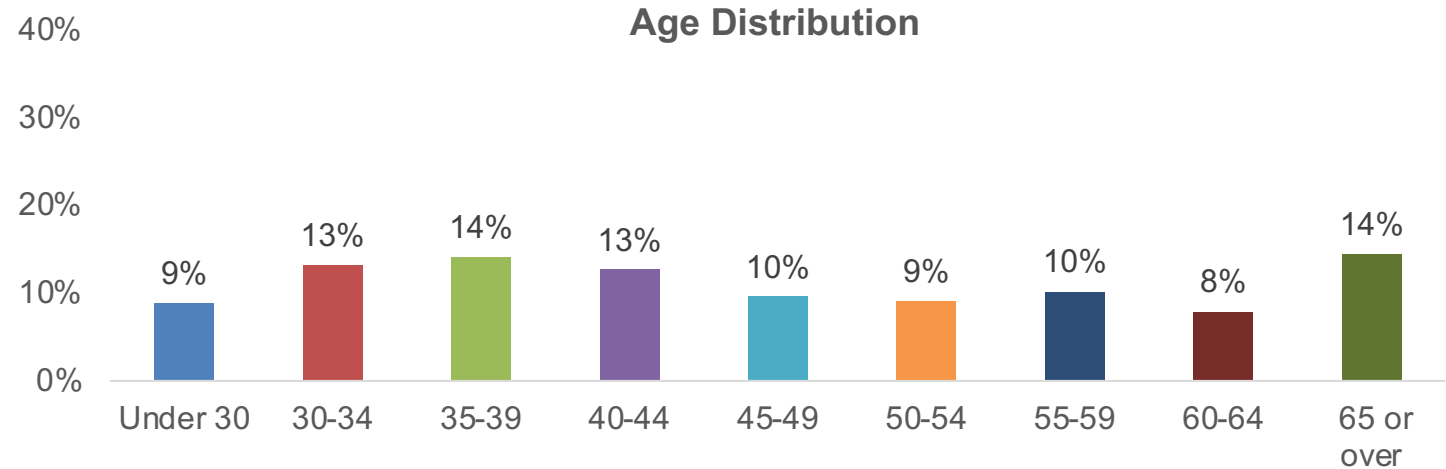
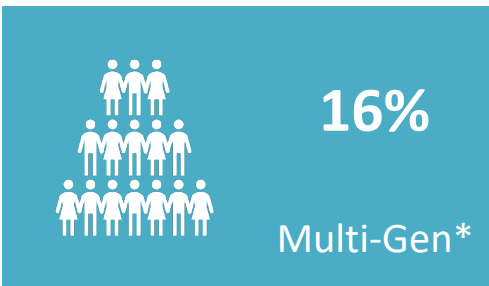
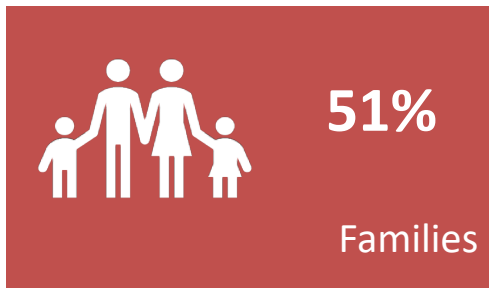
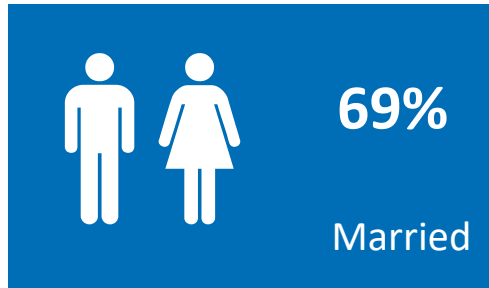
Historical Kitchen and Bath Spending



\$131B	\$143B	\$148B	\$158B
2017	2018	2019	2020P

Source: Census AHS Microdata, NAA, HIRL, John Burns Real Estate Consulting LLC

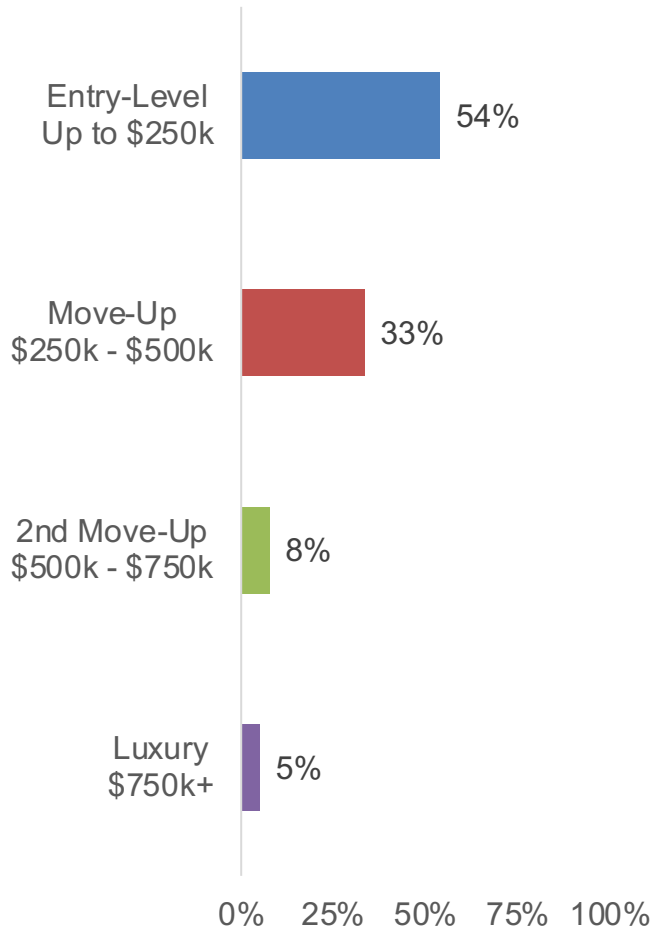
Consumer Demographics



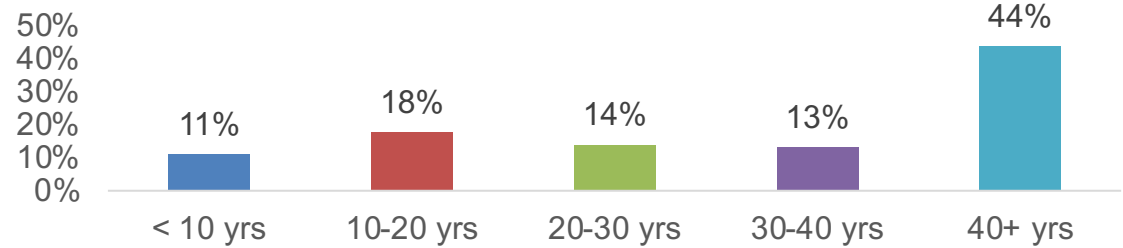
Source: JNKBA/ BREC Online Survey Panel; n=2,500; *Indicated Parents and/or Grandparents lived with them full-time.

Consumer Demographics

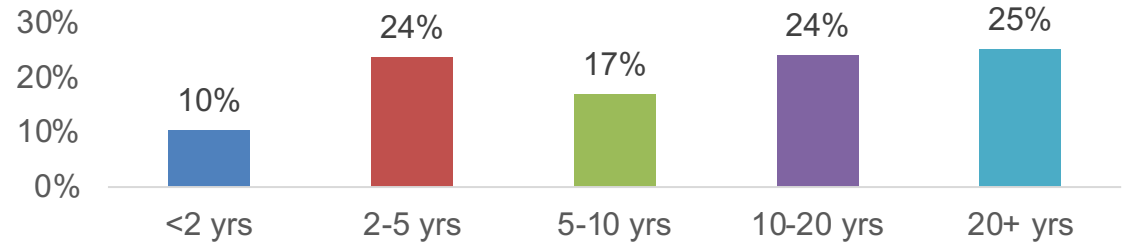
Home Price Ranges



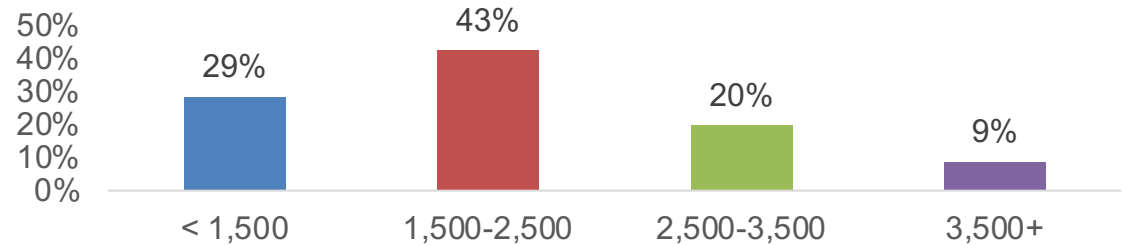
Age of Home



Length of Home Ownership



Size of Home (sq. ft.)



Source: NKBA/ JBREC Online Survey Panel; n=2,500

Cost of Kitchen Remodels: Designer-Involved Projects

The 'Average Project Spend' costs reported on page 20 is consumer data which includes DIY projects. In contrast, the "Average Kitchen Costs" shown below from NKBA's 2019 Design Trends Study are significantly higher because they reflect only the costs of designer-involved projects.

Average Costs (including materials and labor)



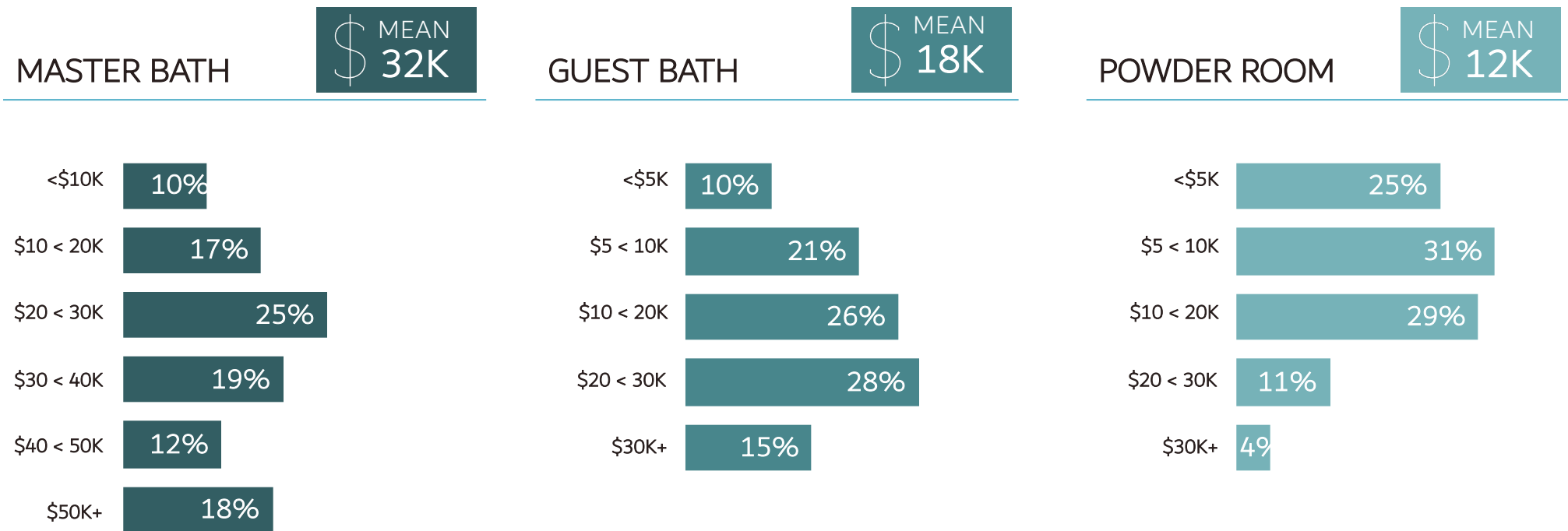
Source: NKBA's 2019 Design Trends Study

US Kitchen Designers: Data is from Designers Who Design Medium-Size Kitchens Most Often n=189, and Designers Who Design Large Kitchens Most Often n=56

Cost of Bathroom Remodels: Designer-Involved Projects

The 'Average Project Spend' costs reported on page 20 is consumer data which includes DIY projects. In contrast, the "Average Bathroom Costs" shown below from NKBA's 2019 Design Trends Study are significantly higher because they reflect only the costs of designer-involved projects.

Average Costs (including materials and labor)



Source: NKBA's 2019 Design Trends Study
US Designers, Master Bath, n=229, Guest Bath, n=211, Powder Room, n=196

Limiting Conditions

The conclusions and recommendations presented in this report are based on our analysis of the information available to us from our research as of the date of this report. We assume that the information is correct and reliable and that we have been informed about any issues that would affect project marketability or success potential.

Our conclusions and recommendations are based on current and expected performance of the national, and/or local economy and real estate market. Given that economic conditions can change and real estate markets are cyclical, it is critical to monitor the economy and real estate market continuously, and to revisit key project assumptions periodically to ensure that they are still justified.

The future is difficult to predict, particularly given that the economy and housing markets can be cyclical, as well as subject to changing consumer and market psychology. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the differences may be material. We do not express any form of assurance on the achievability of any pricing or absorption estimates or reasonableness of the underlying assumptions.

In general, for projects out in the future, we are assuming “normal” real estate market conditions, and not a condition of either prolonged “boom” or “bust” market conditions. We do assume that economic, employment, and household growth will occur more or less in accordance with current expectations. We are not taking into account major shifts in the level of consumer confidence; in the ability of developers to secure needed project entitlements; in the cost of development or construction; in tax laws that favor or disfavor real estate markets; or in the availability and/or cost of capital and mortgage financing for real estate developers, owners and buyers. Should there be such major shifts affecting real estate markets, this analysis should be updated, with the conclusions and recommendations summarized herein reviewed and reevaluated under a potential range of build-out scenarios reflecting changed market conditions.

We have no responsibility to update our report analysis for events and circumstances occurring after the date of our report. This analysis represents just one resource that should be considered when assessing a market opportunity.



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About the National Kitchen & Bath Association

The National Kitchen & Bath Association (NKBA) is the not-for-profit trade association that owns the Kitchen & Bath Industry Show® (KBIS), as part of Design and Construction Week® (DCW). With nearly 50,000 members in all segments of the kitchen and bath design and remodeling industry, the NKBA has educated and led the industry since the association's founding in 1963. The NKBA envisions a world where everyone enjoys safe, beautiful and functional kitchen and bath spaces. The mission of the NKBA is to inspire, lead and empower the kitchen and bath industry through the creations of certifications, specialty badges, marketplaces and networks. For more information, visit www.nkba.org or call **1-800-THE-NKBA (843-6522)**.

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