

# Big Shifts in Furniture Sales



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Companies who **make decisions based on housing market trends:**

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- building product manufacturers and service providers
- construction lenders and private equity investors
- sellers of household goods and services

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## 2 Market Research Offerings

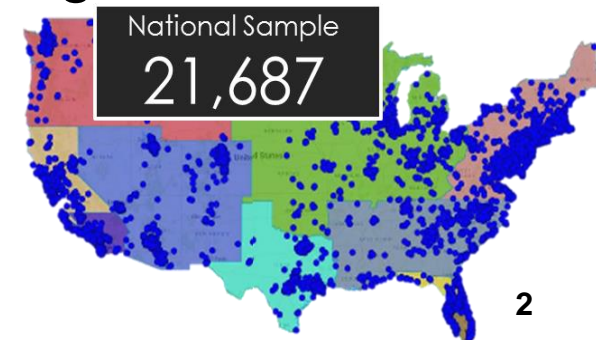
### Subscription

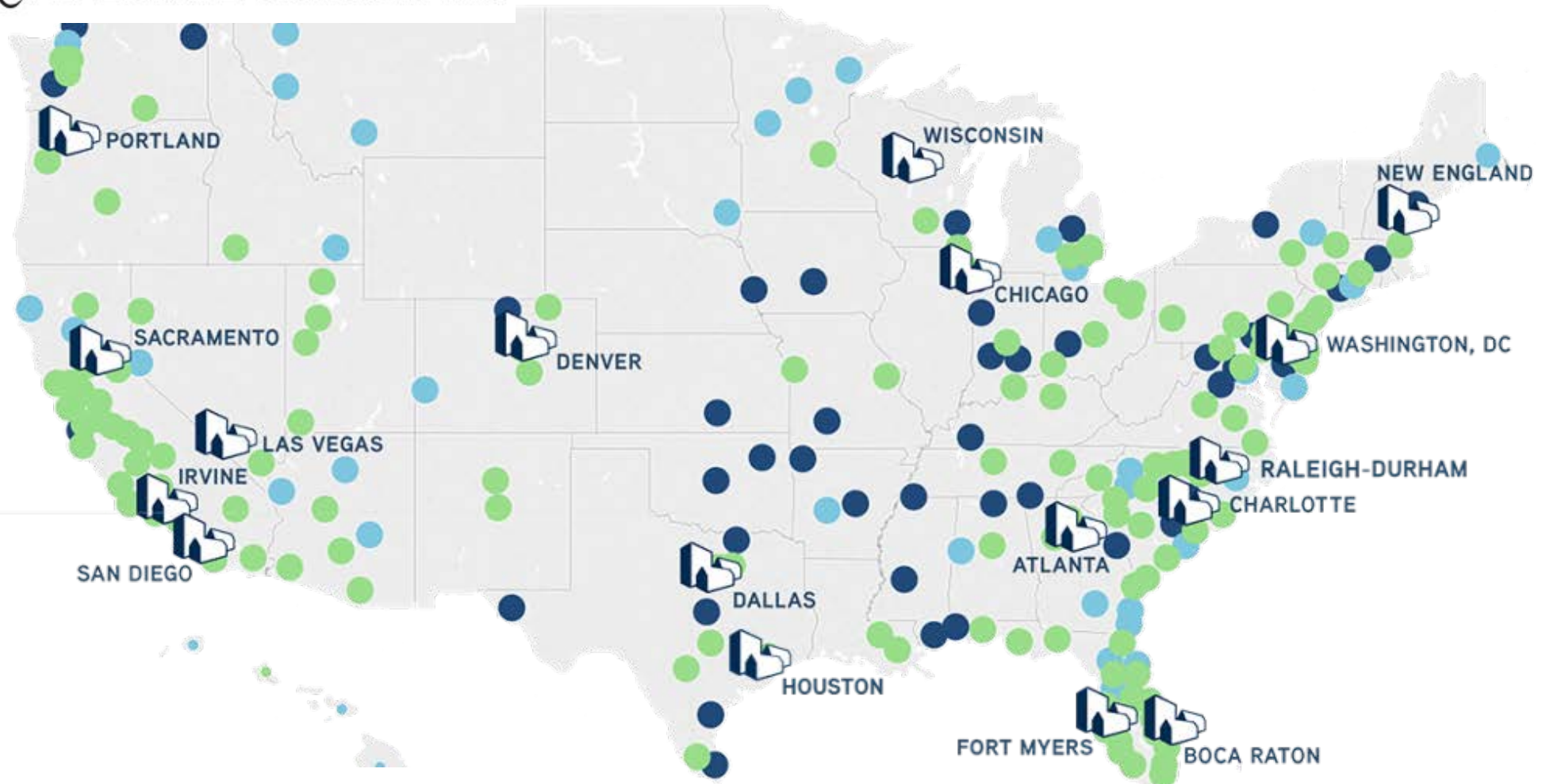
- **Comprehensive** monthly market analysis down to the MSA level
- Proprietary indices and surveys
- Client knowledge conferences
- Trend identification and forecasts



### Customized

- Acquisition Analysis
- Market expansion
- Customer segmentation
- Consumer research

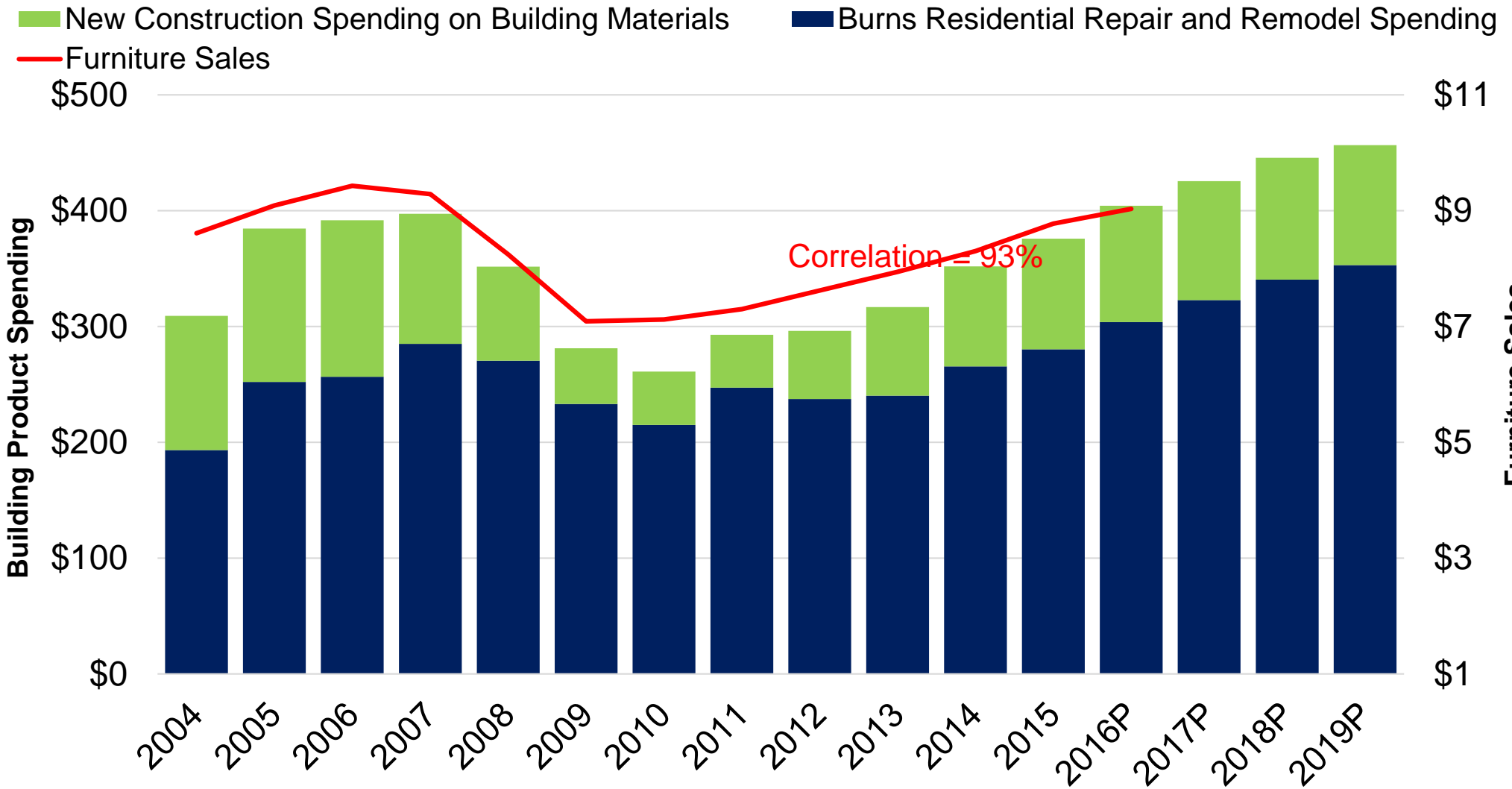




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# Furniture Sales Have a 93% Correlation with Building Products Spending

## Burns Building Product Spending and Furniture Sales - \$Billions



Sources: John Burns Real Estate Consulting, LLC; U.S. Census, (Data: Nov-16, Pub: Nov-16)



# 5 Furniture Industry Insights

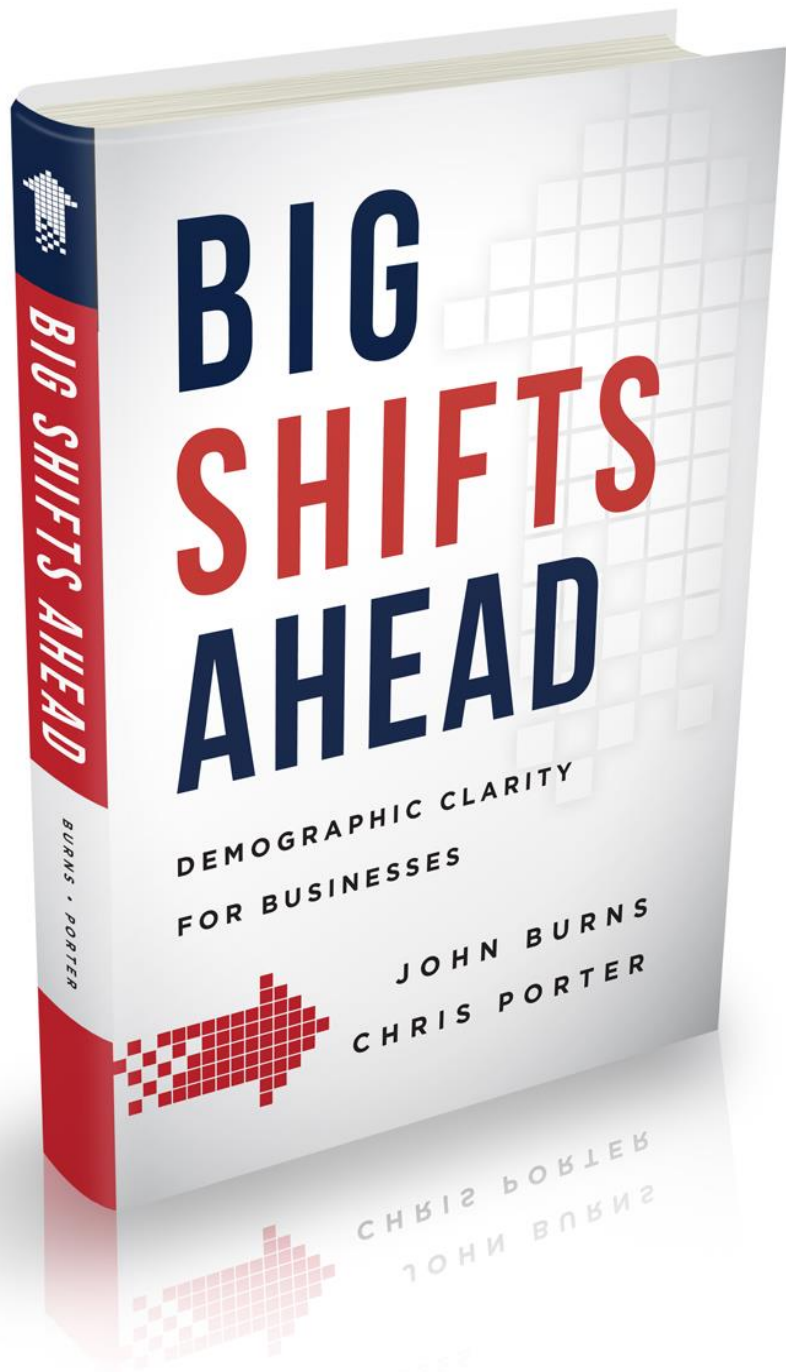
1. Household Formations – how many, where and who?
2. Home Sales per year – how many, where and who?
3. New Construction - how many and where?
4. Remodeling– how many and where?
5. Design trends that will impact furniture sales



# 5 Furniture Industry Insights

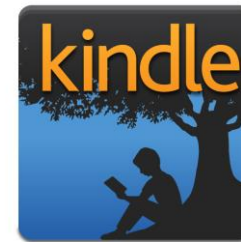
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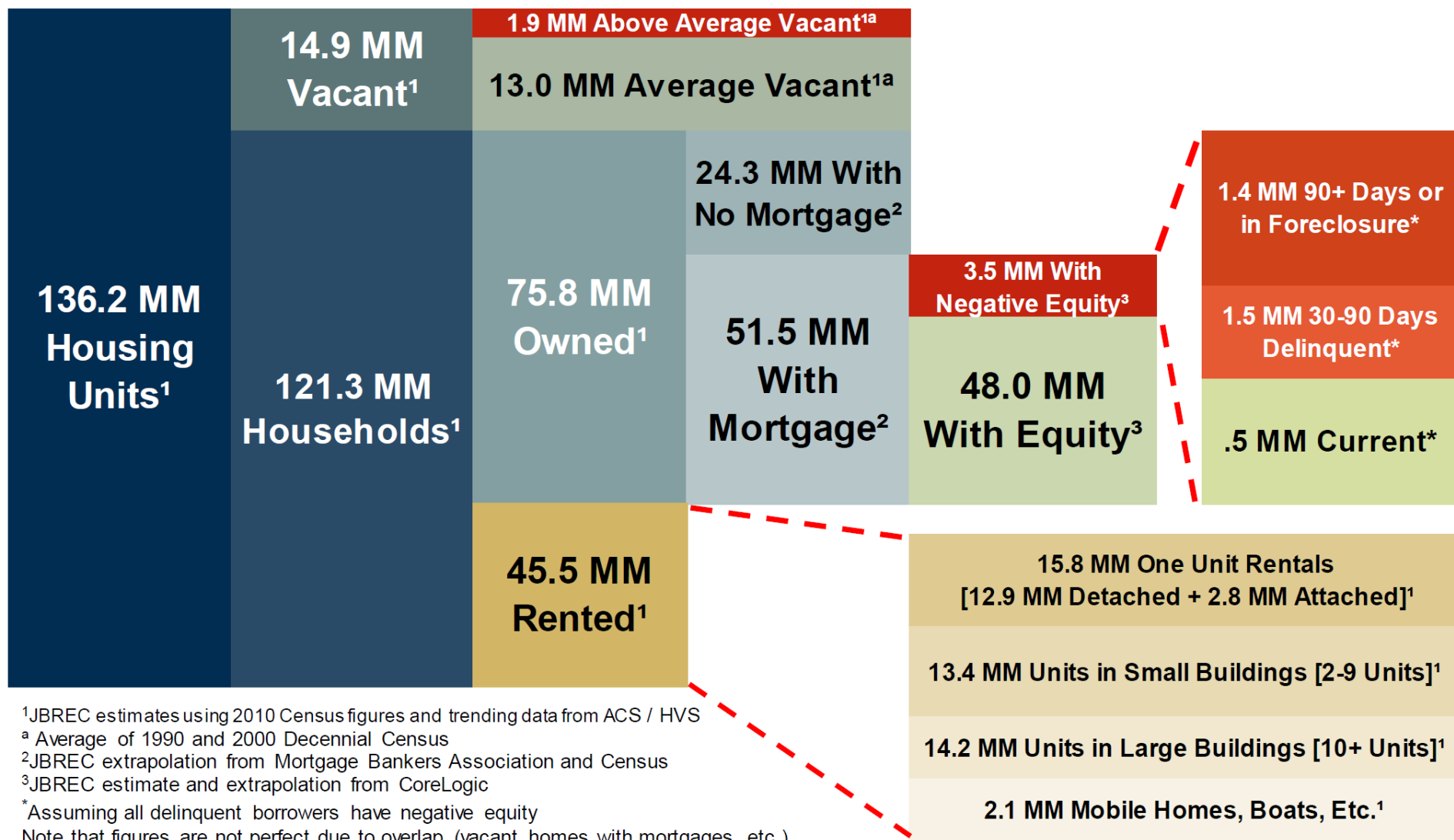


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# The breakdown of 136 million furnished and unfurnished homes.



<sup>1</sup>JBREC estimates using 2010 Census figures and trending data from ACS / HVS

<sup>a</sup> Average of 1990 and 2000 Decennial Census

<sup>2</sup>JBREC extrapolation from Mortgage Bankers Association and Census

<sup>3</sup>JBREC estimate and extrapolation from CoreLogic

\* Assuming all delinquent borrowers have negative equity

Note that figures are not perfect due to overlap (vacant homes with mortgages, etc.).

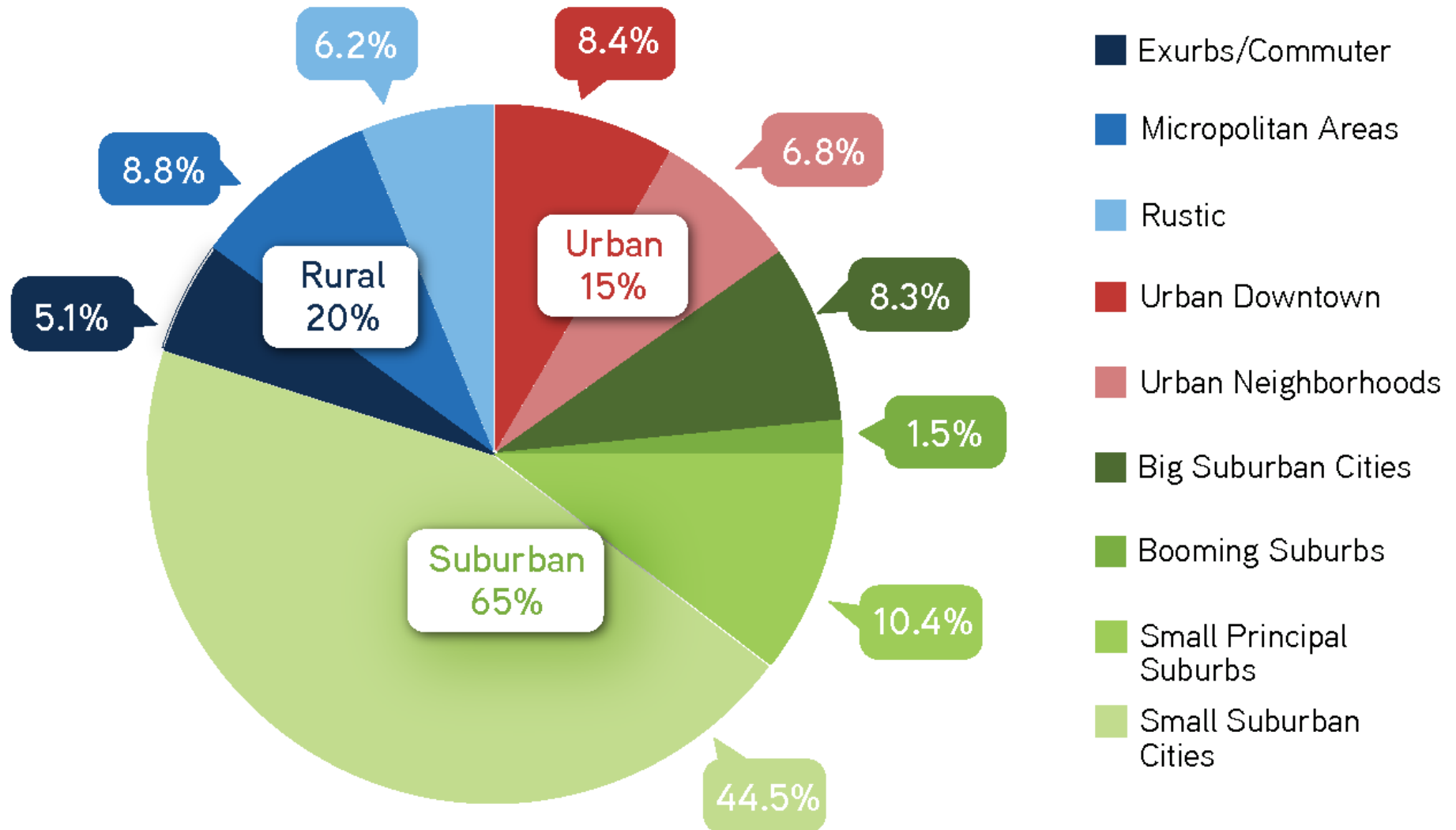
Source: John Burns Real Estate Consulting, LLC (US Housing Analysis and Forecast Report)

(Data: 3Q16, Pub: Nov-16)

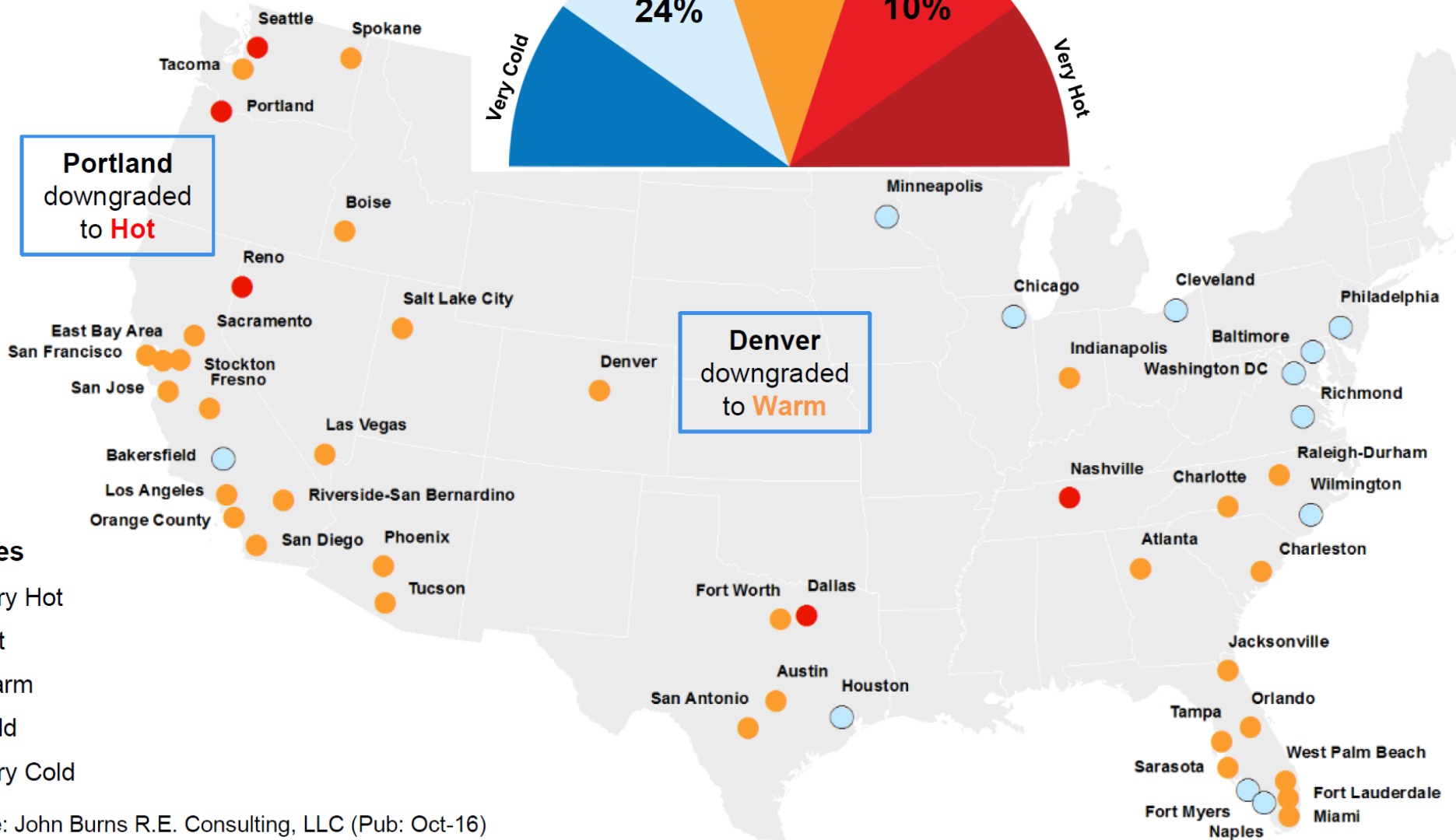
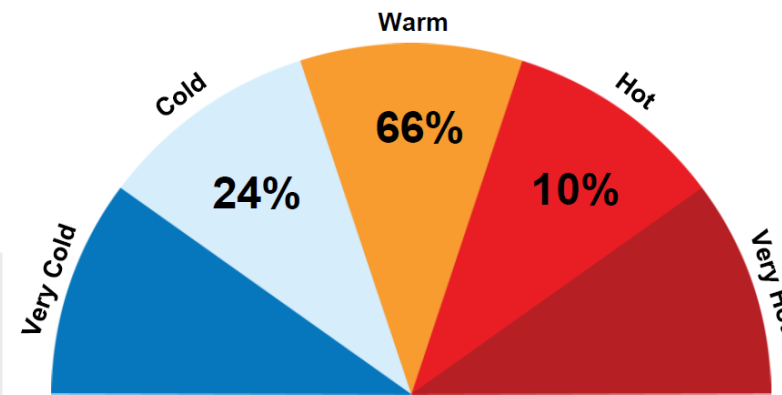


# In 2015, 15% of households lived urban, 65% lived suburban, and 20% lived rural

US HOUSEHOLDS BY NEIGHBORHOOD ENVIRONMENT



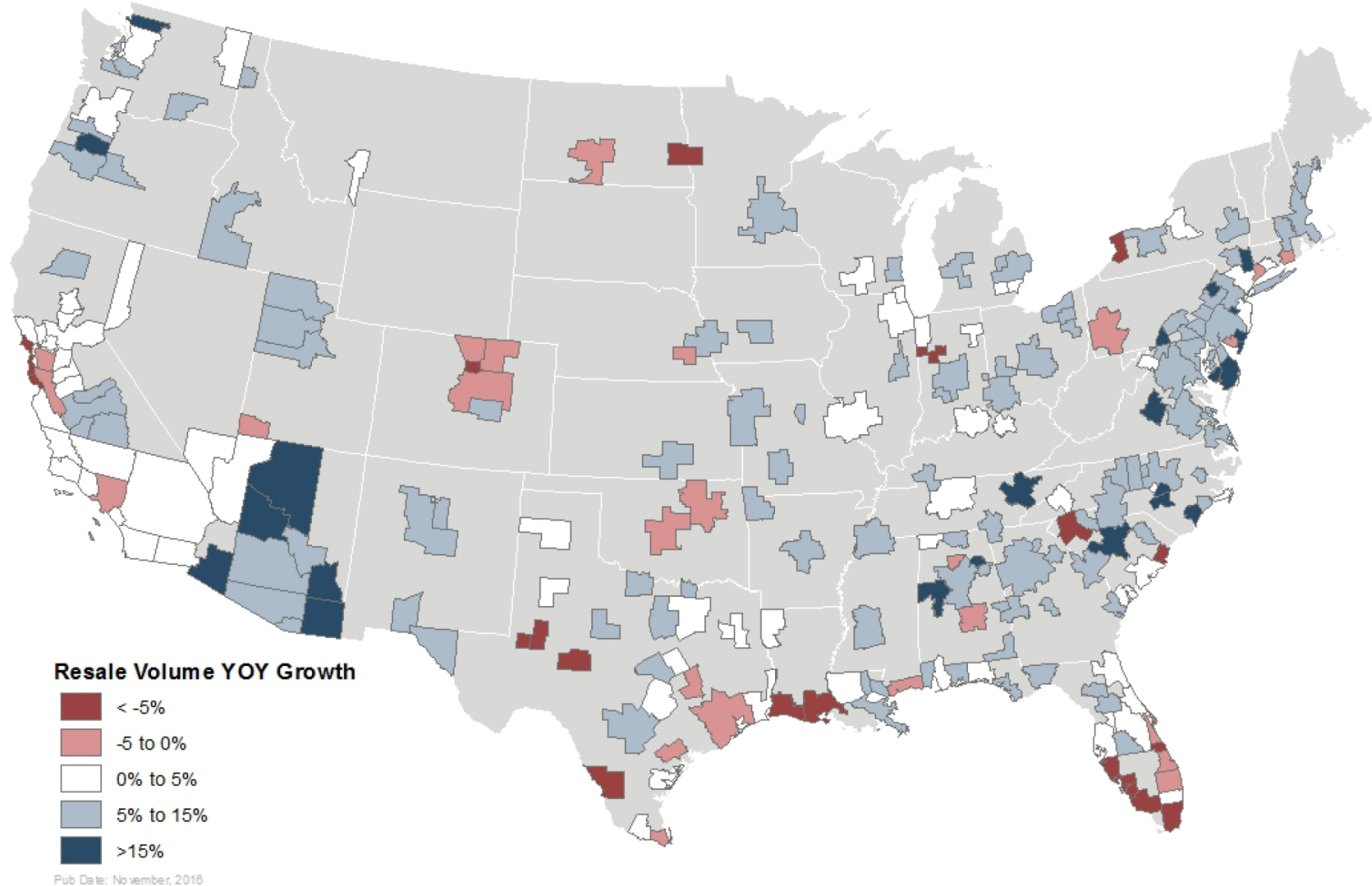
# Short-Term View: Goldilocks housing market – not too Hot, not too Cold



# Sales volumes are up modestly in most of the country. FL, Nor Cal and Houston are exceptions.

## Current YOY Resale Sales Volume Growth by Metro

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# Most markets are still in the expansion phase

## Phase 1

Cycle Bottom /  
Early Recovery

## Phase 2

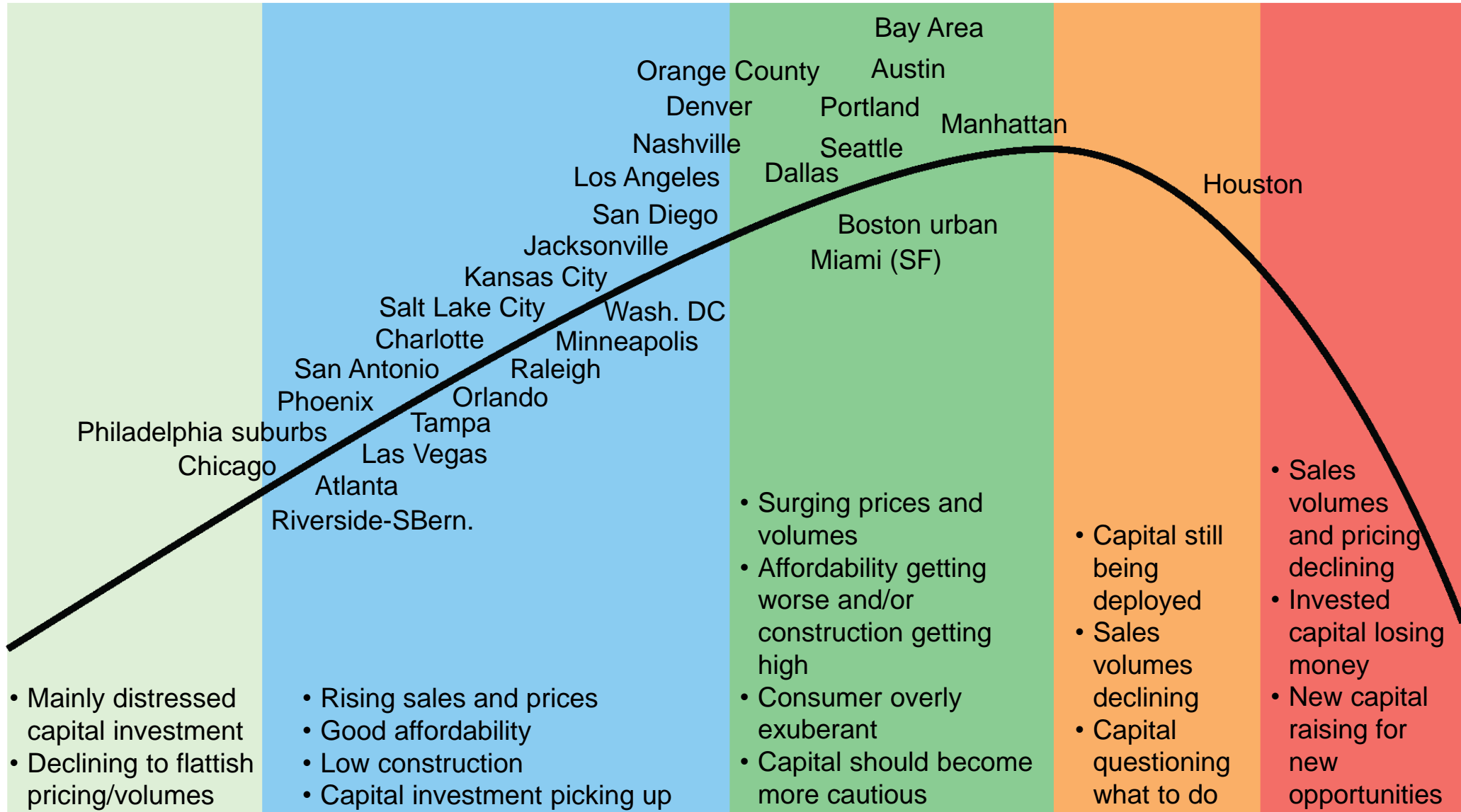
Expansion

## Phase 3

Exuberance

## Phase 4 Phase 5

Contraction / Full Downturn /  
Early Downturn Recession





# What do these people have in common?



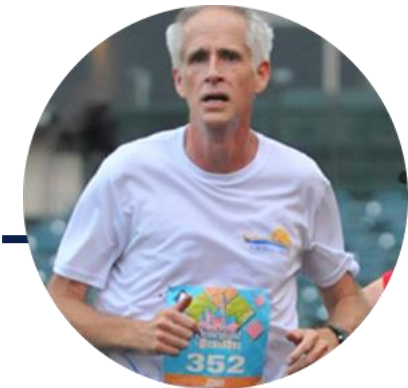
**32 years old**  
Working Father



**16 years old**  
High School Junior



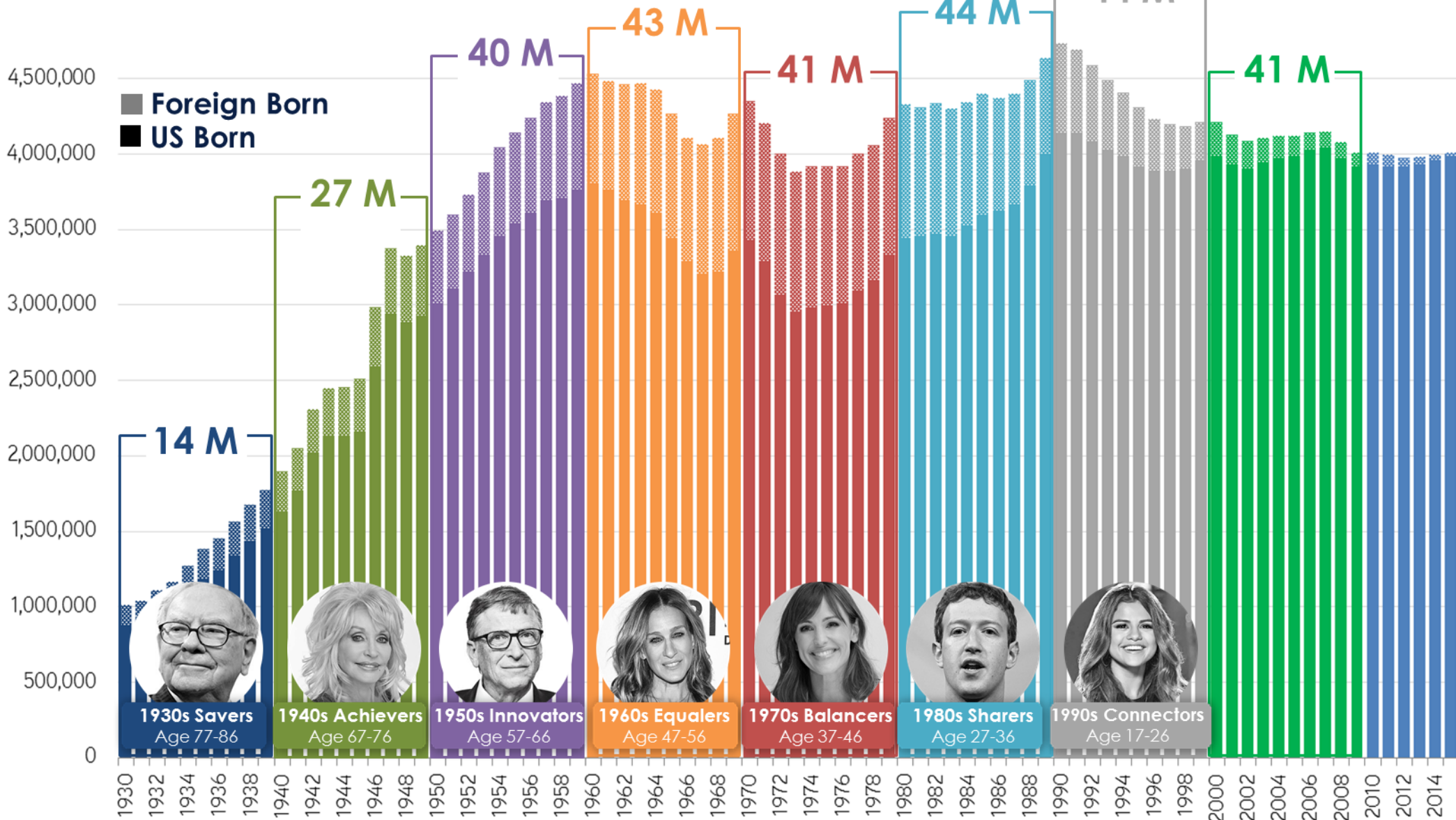
**70 years old**  
Retired Grandfather



**53 years old**  
Junior's Father

# 321 million Americans identify well with people their own age

2015 US POPULATION BY PLACE OF BIRTH



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2014 National Projections

# Your buyer profile continues to shift

## Prior Profile



1930s Savers



1940s Achievers



1950s Innovators



1960s Equalers



1970s Balancers

## Future Profile



1950s Innovators  
Age 57-66



1960s Equalers  
Age 47-56



1970s Balancers  
Age 37-46



1980s Sharers  
Age 27-36

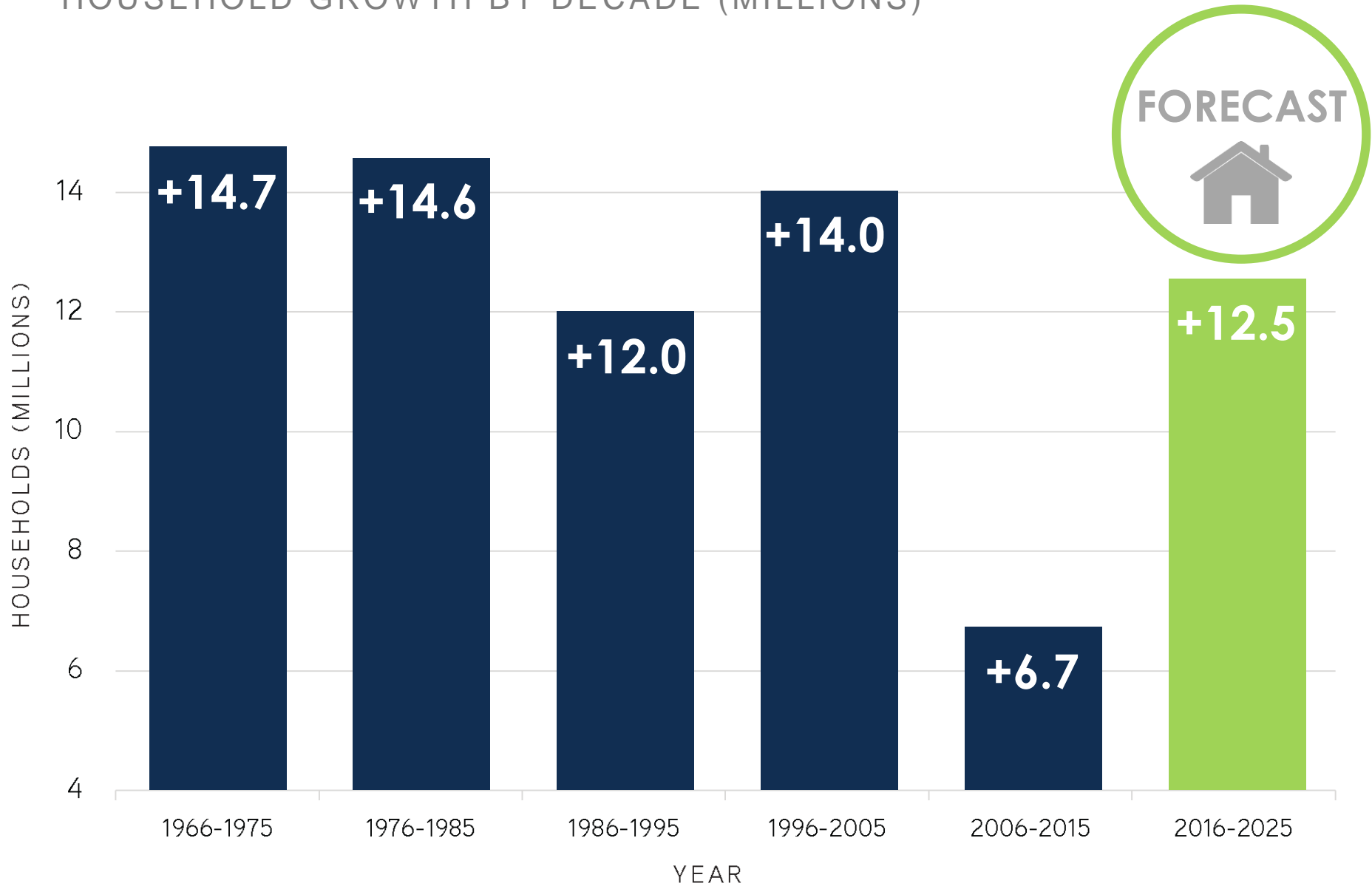


1990s Connectors  
Age 17-26



# 12.5 million more households will boost the economy

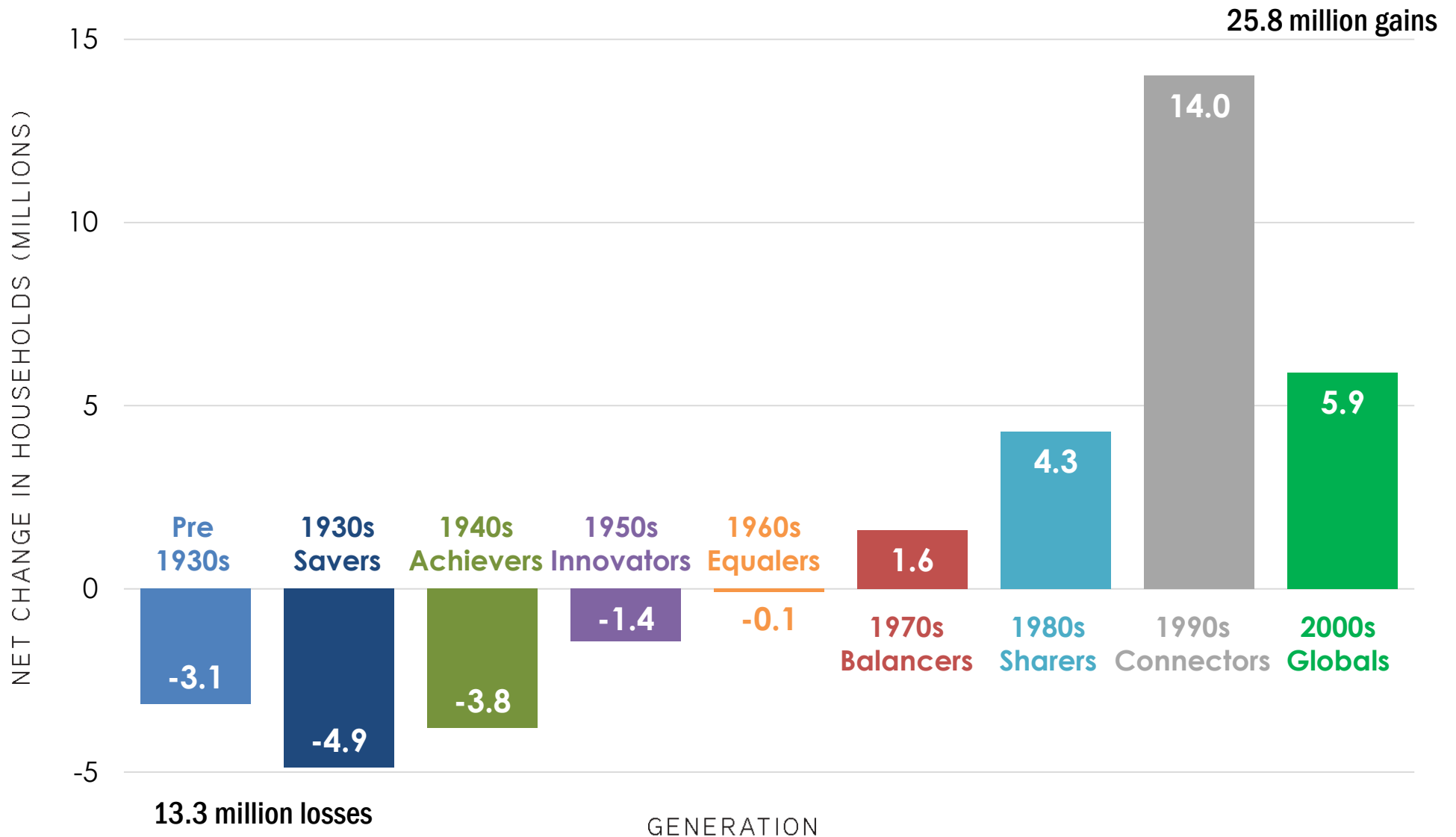
HOUSEHOLD GROWTH BY DECADE (MILLIONS)





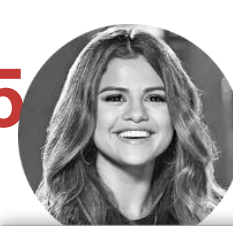
# Those born in the 1990s and later will drive most future household formations

NET CHANGE IN HOUSEHOLDS BY DECADE BORN, 2016–2025 (MILLIONS)



# Households headed by those under 45 will grow by 3.3 million over 10 years.

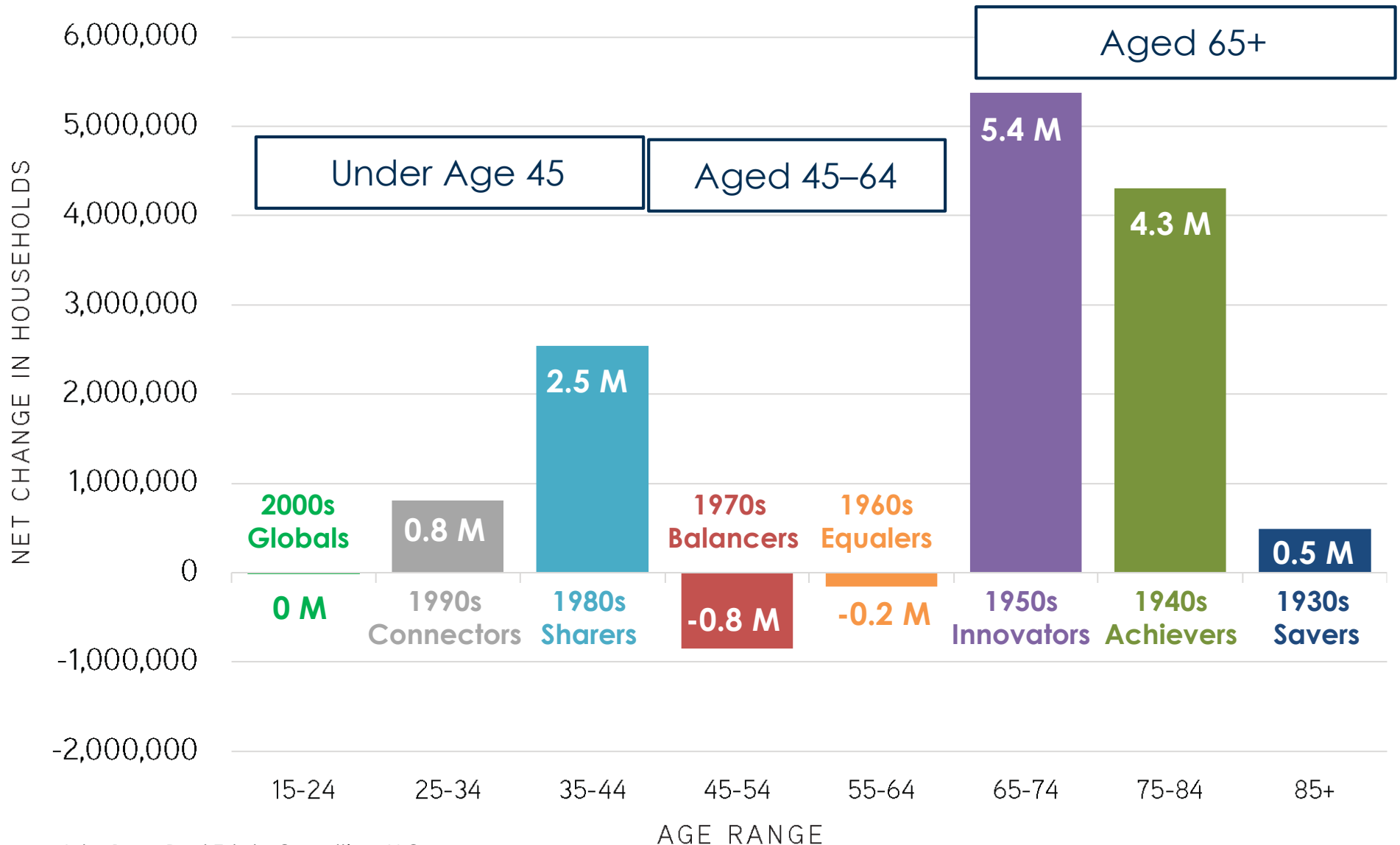
HOUSEHOLD FORMATION BY AGE GROUP, 2016–2025



**1990s Connectors**  
Age 17-26



**1980s Sharers**  
Age 27-36



Source: John Burns Real Estate Consulting, LLC

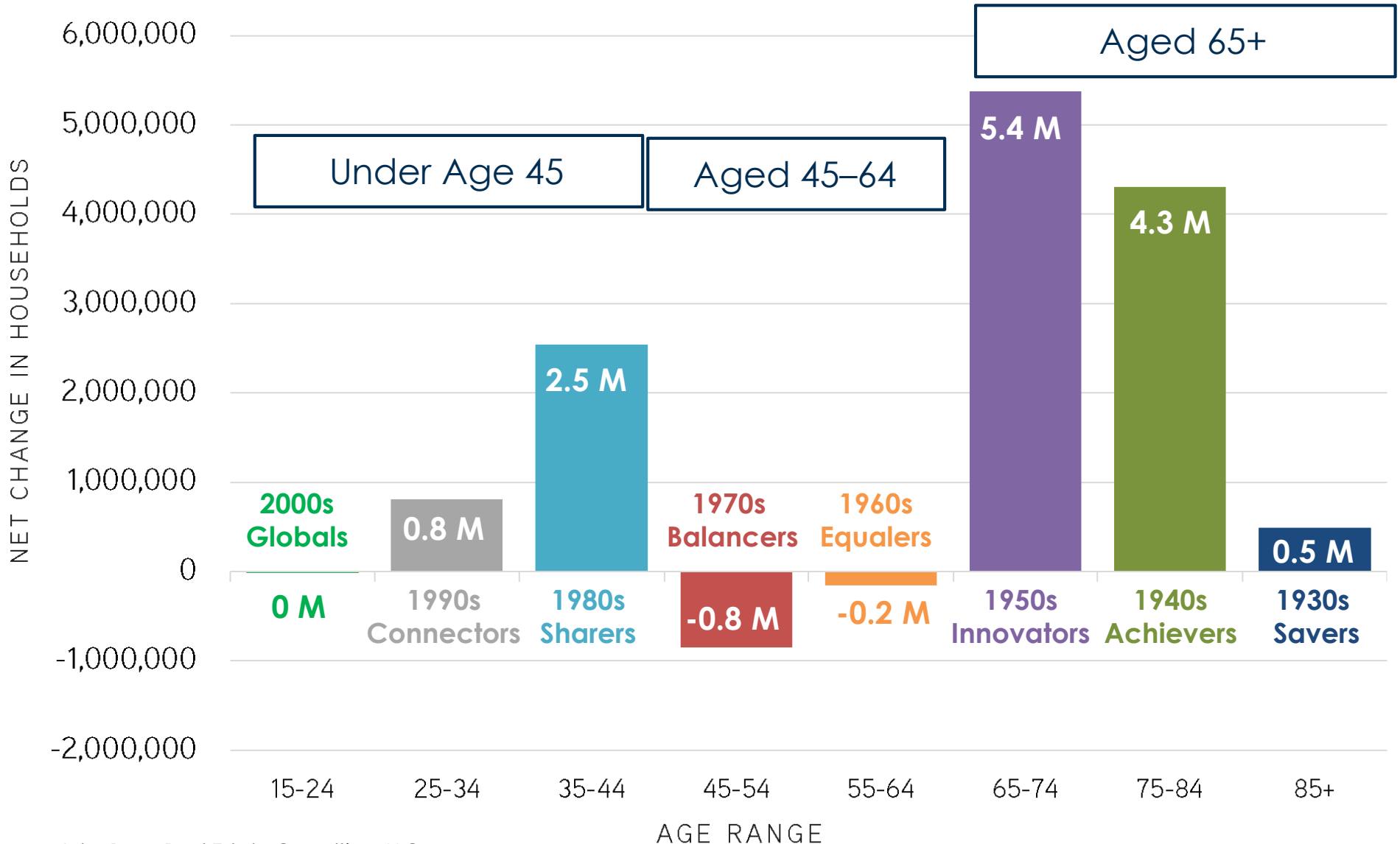
# Households headed by people 45-64 year olds will actually shrink.

HOUSEHOLD FORMATION BY AGE GROUP, 2016–2025



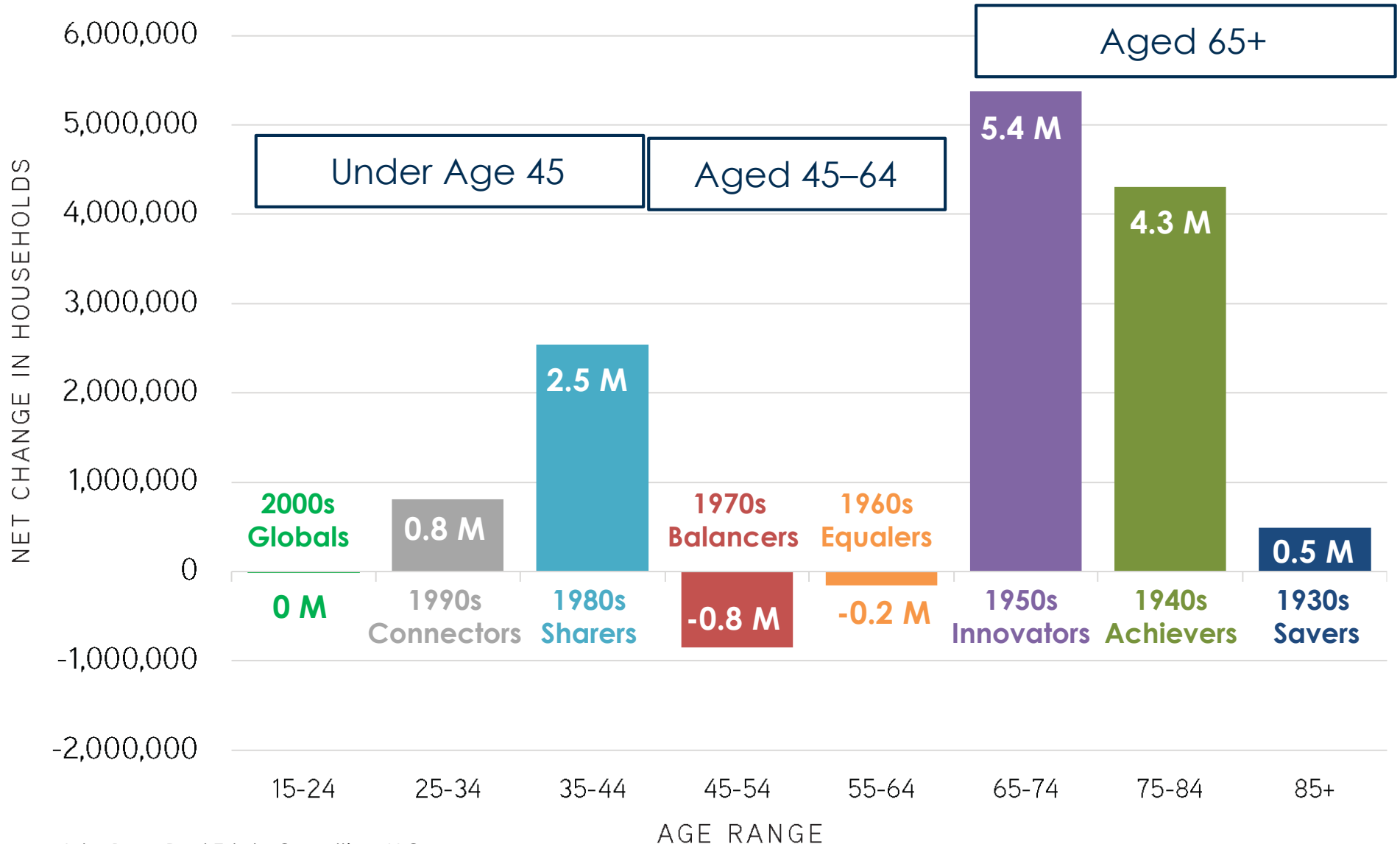
1970s Balancers

1960s Equalers



# The shift will be 10.2 million more 65+ households by 2025!

HOUSEHOLD FORMATION BY AGE GROUP, 2016–2025



Source: John Burns Real Estate Consulting, LLC



# 4 Big Influencers create shifts



## Government Policies

- 21 million additional homeowners due to GI Bill, HUD, GSEs
- 17 million additional immigrants today after new 1980s laws
- Almost triple the share of household growth going urban after huge city investments in downtowns



## Economic Cycles



## Technological Revolutions

- 260 million fewer people today due to decline in fertility rate since birth control pill in 1960
- Life expectancy rising 2-3 months every year
- Smartphone enables the Sharing and Trust Economies

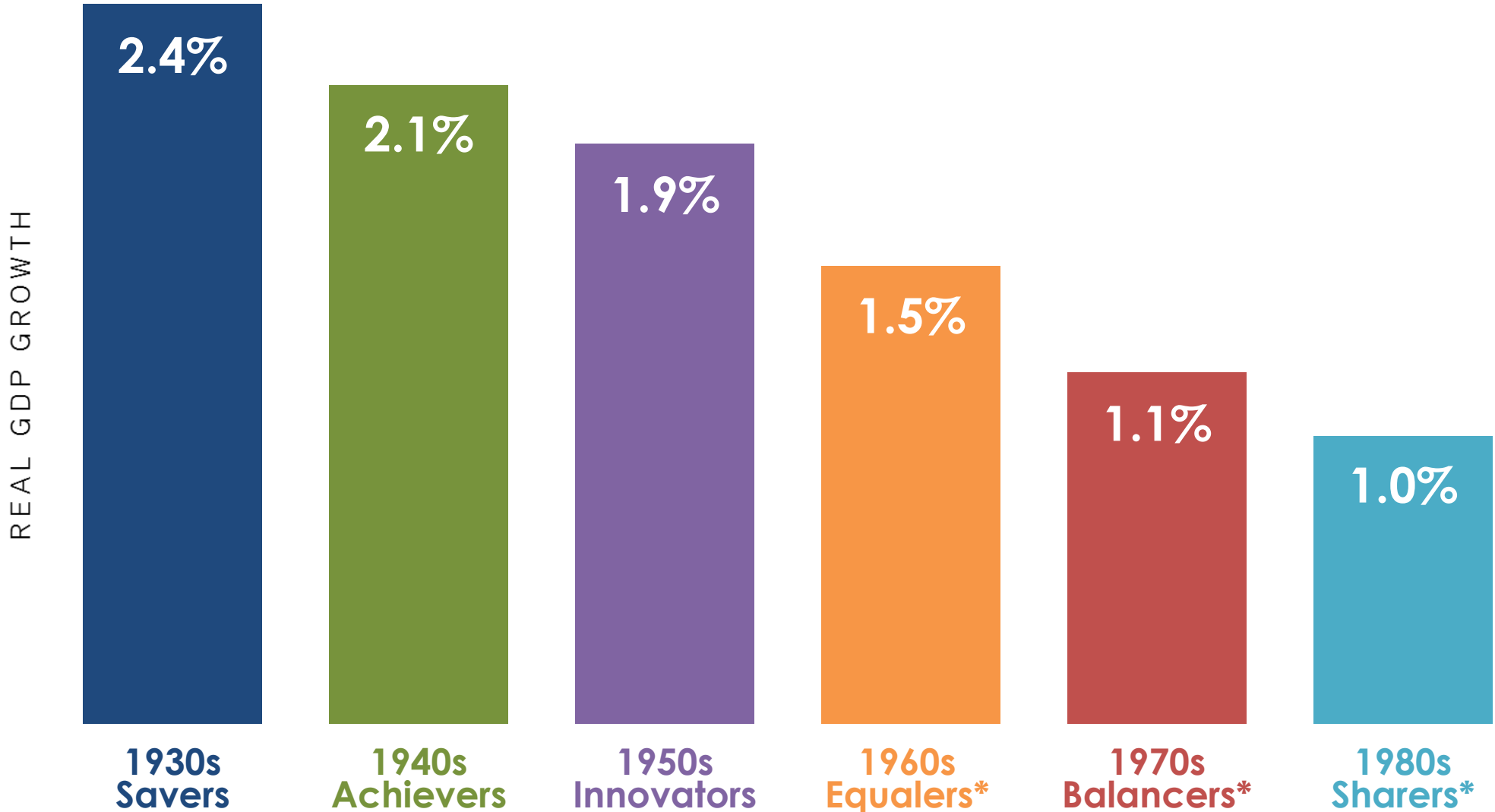


## Shifts in Social Acceptability

- Living at home longer is financially smart

# Declining economic growth has lowered disposable income for each generation

AVERAGE REAL GDP GROWTH PER PERSON DURING PRIME WORKING YEARS (25-54)



\* Prime working years not yet complete

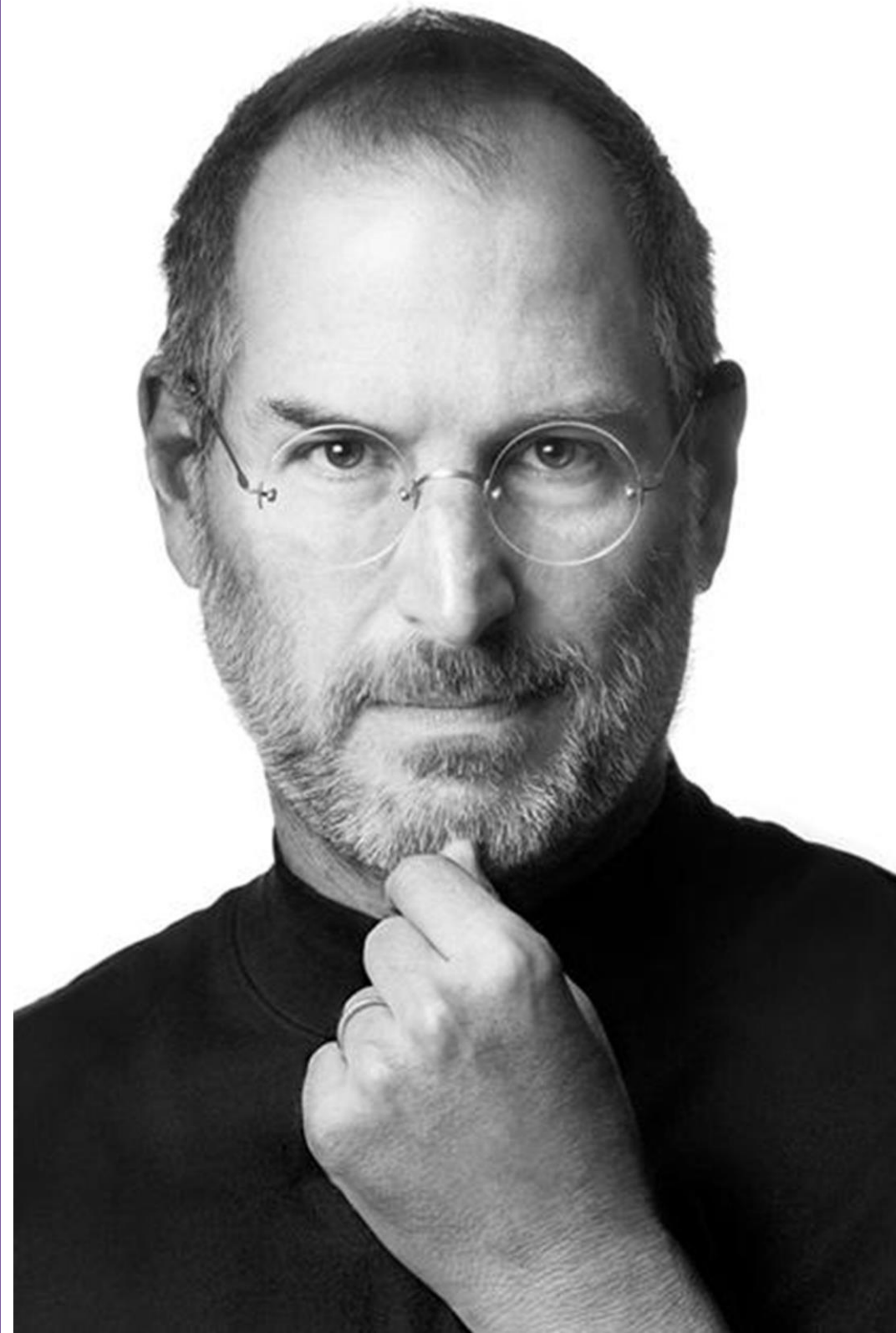
Source: John Burns Real Estate Consulting, LLC calculations of Bureau of Economic Analysis data



— 1950s —

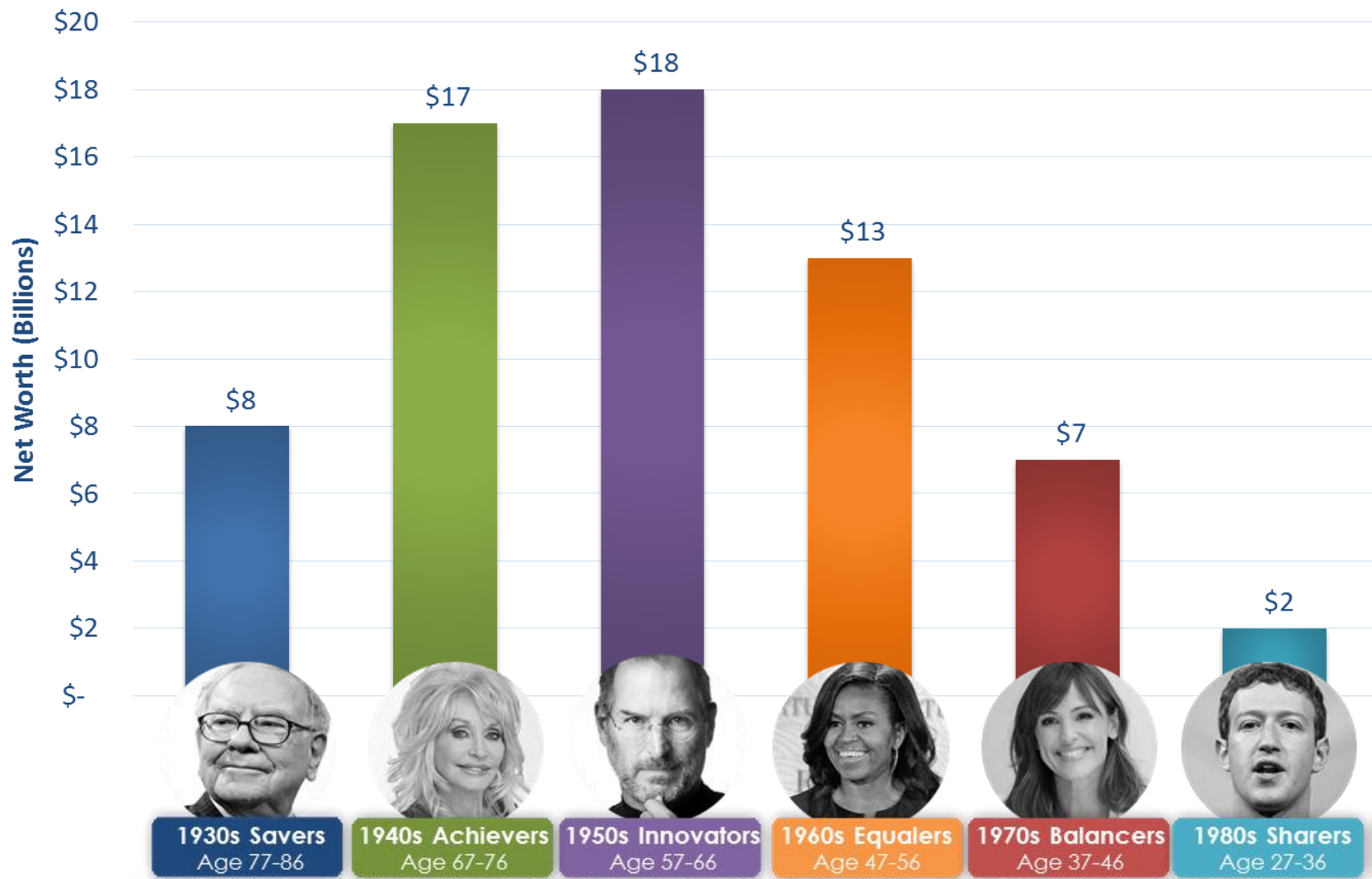
# INNOVATORS

40 Million Aged 57-66



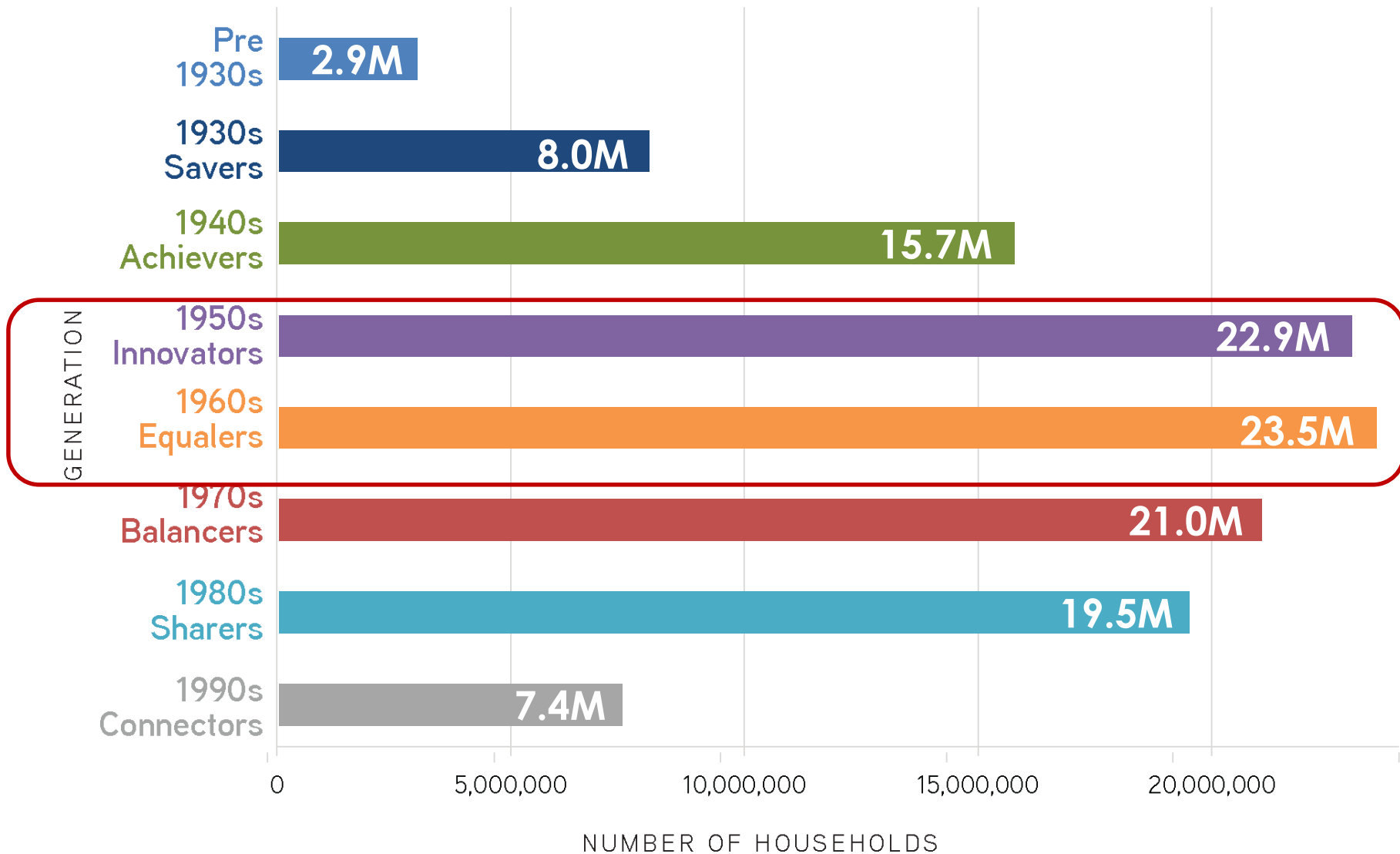
# Innovators have the highest net worth

ESTIMATED 2016 NET WORTH BY DECADE BORN



# Innovators and Equalers have the highest number of households today

ESTIMATED 2016 HOUSEHOLDS BY DECADE BORN



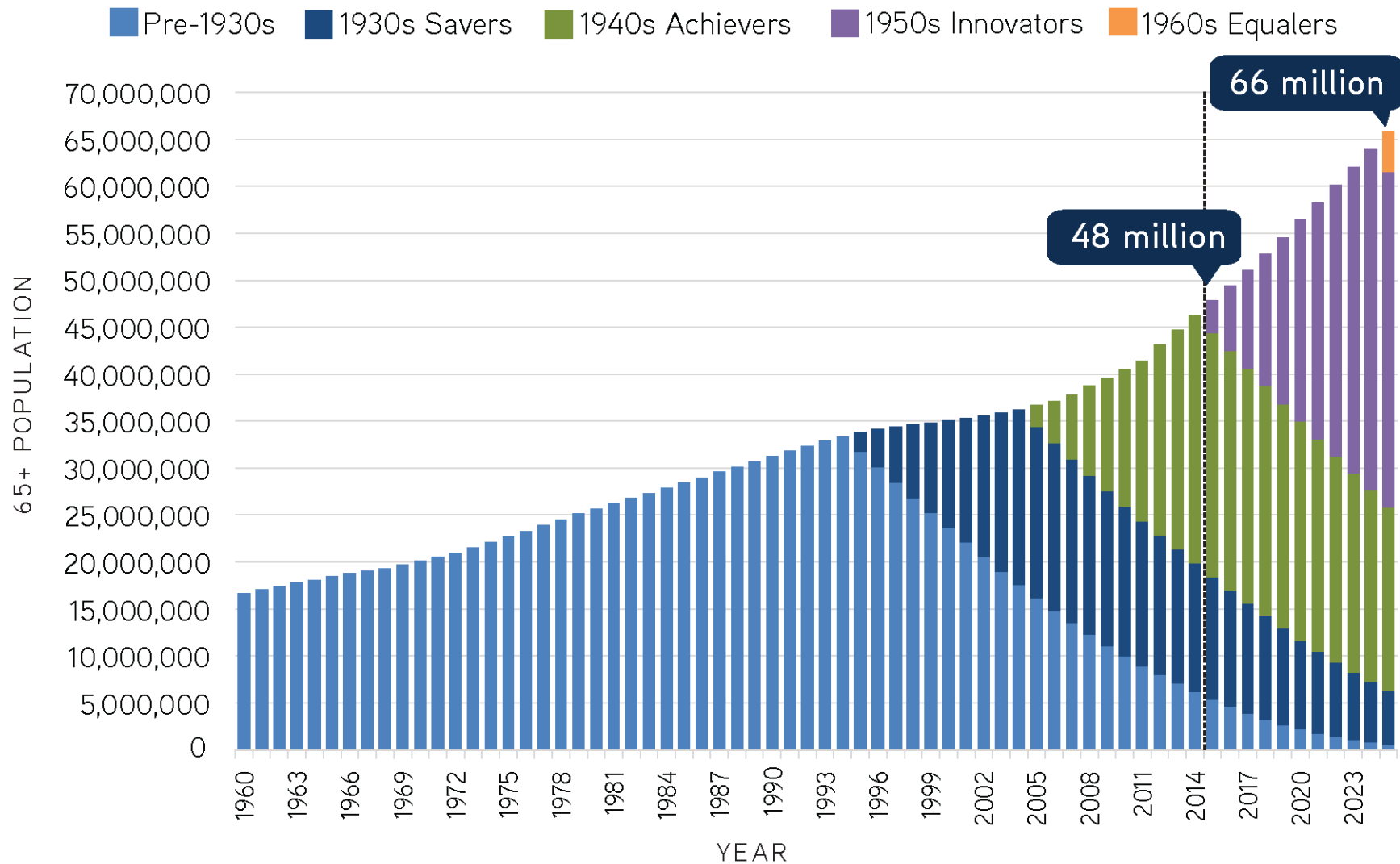
Sources: John Burns Real Estate Consulting, LLC based on US Census Bureau data





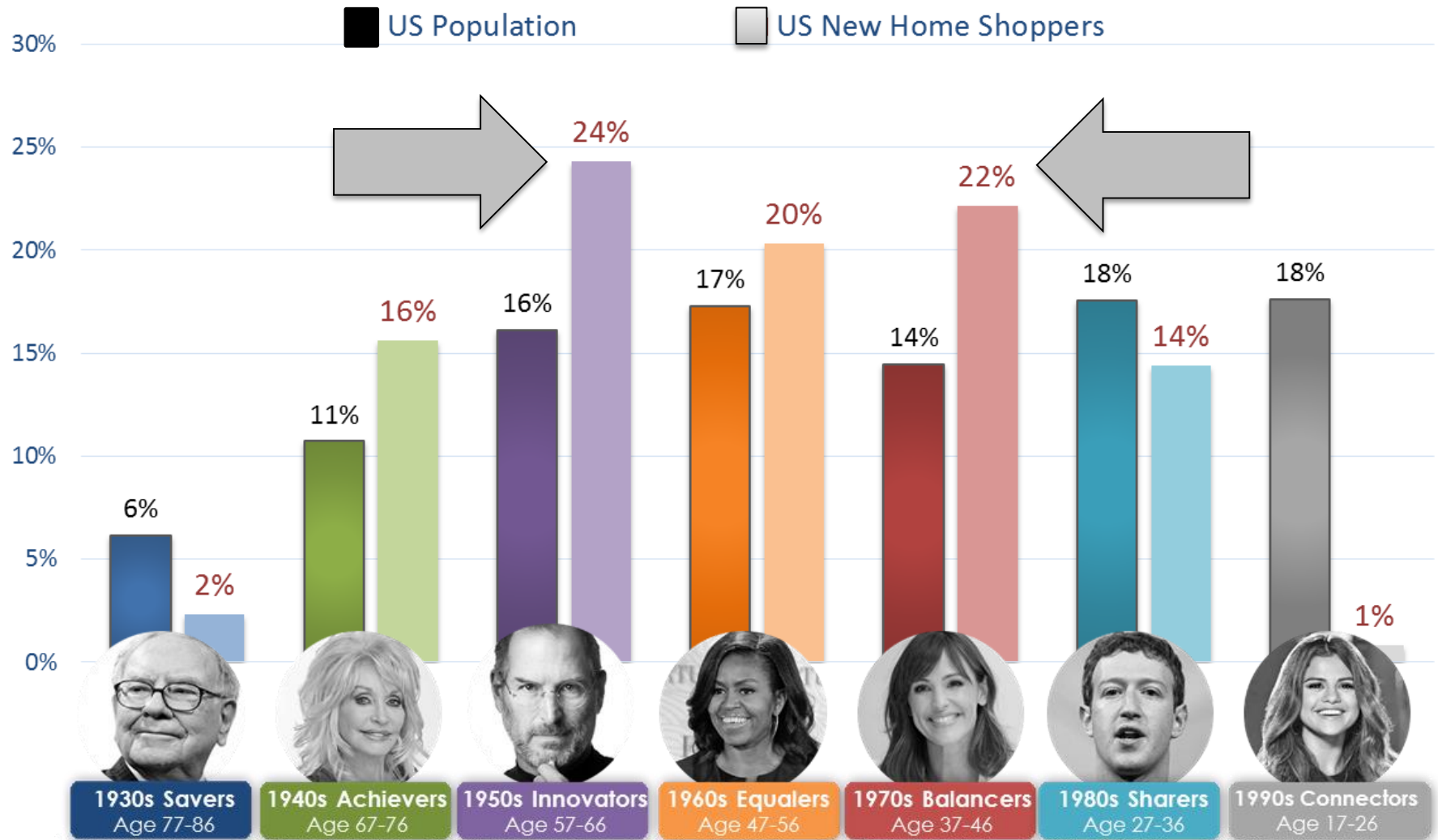
# The 1950s Innovators will drive an explosion of 18 million more people aged 65+ over the next 10 years.

65+ POPULATION BY DECADE OF BIRTH



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau Population Estimates and 2014 National Projections

# Innovator “Retirees” are the top US new home shopper, followed by Balancer moveup families

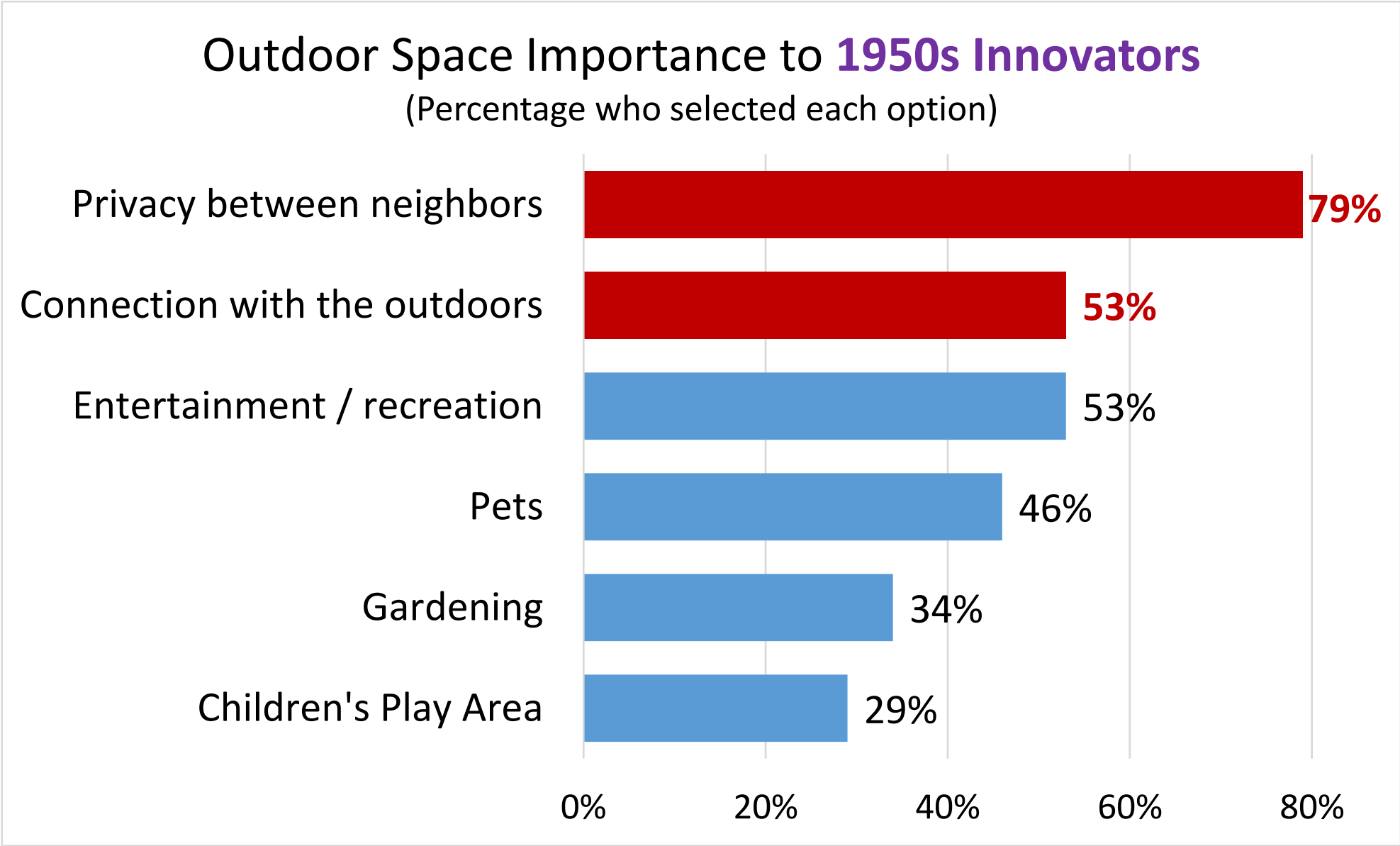


# Innovators have dogs

Over 50%  
have dogs...



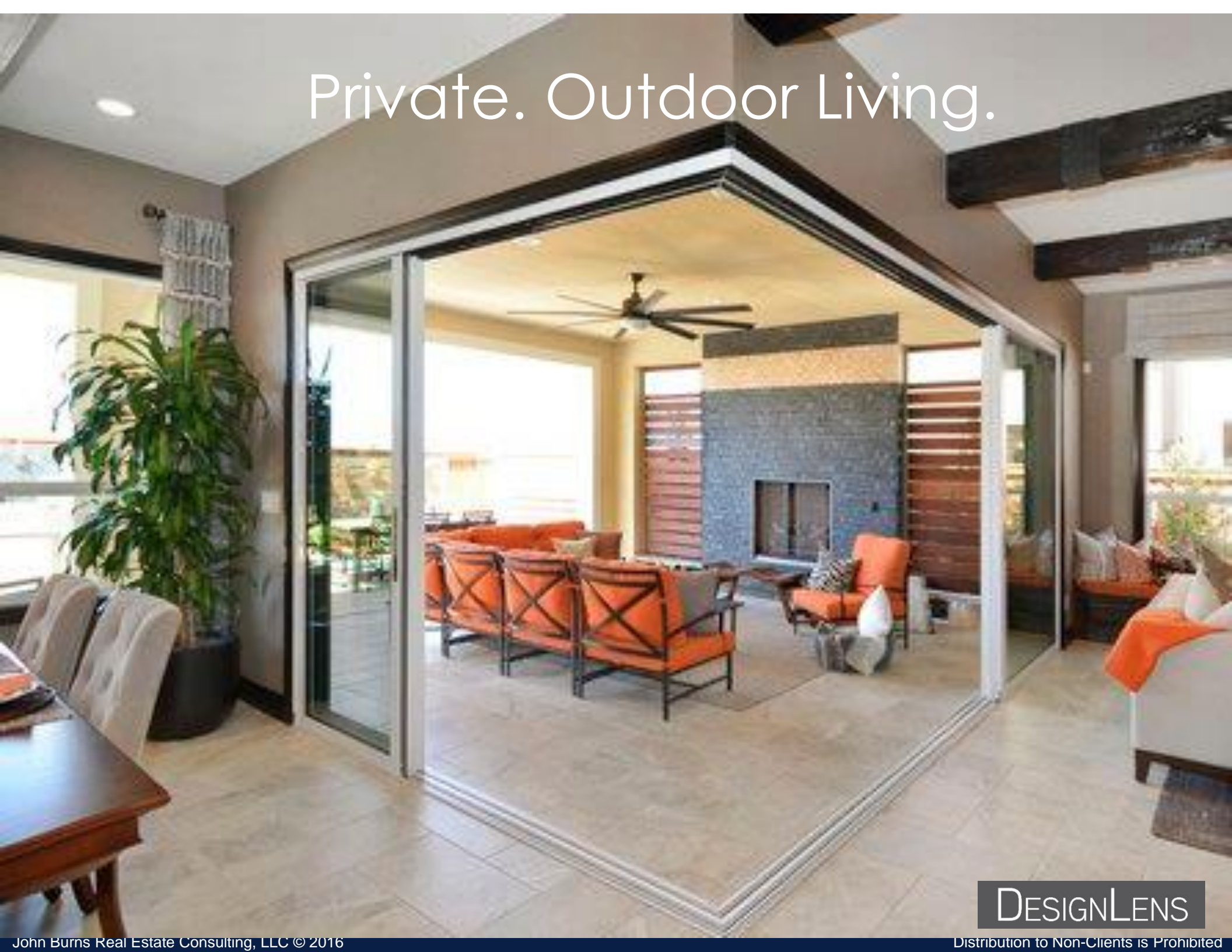
# Innovators want their house to have an outdoor connection with some privacy.



Source: John Burns Real Estate Consulting 2016 Consumer Insights survey of more than 21,000 new home shoppers



Private. Outdoor Living.



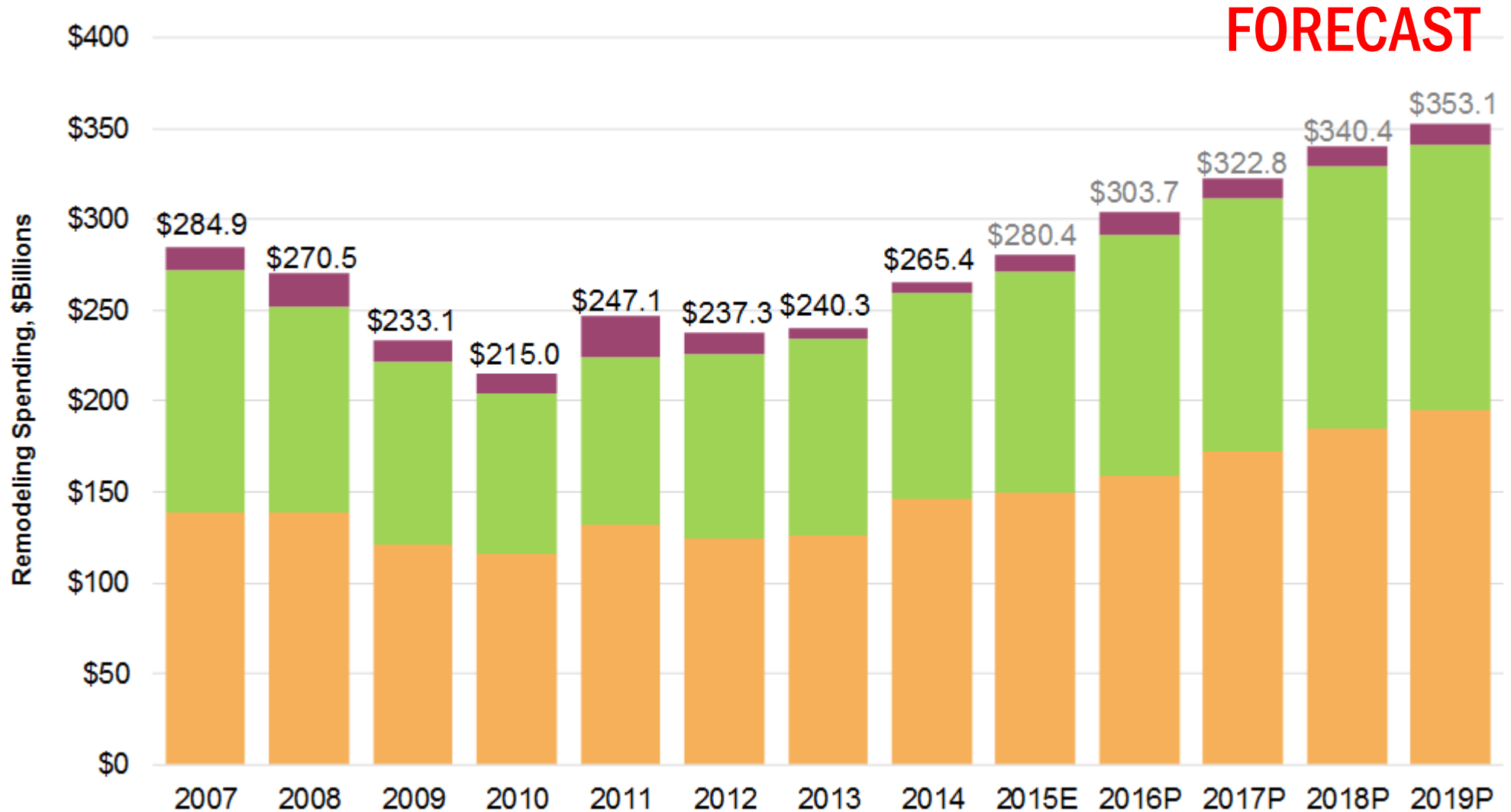
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# We Forecast Residential Repair and Remodel Spending to Grow 6.3% in 2017.

## Burns Residential Repair and Remodel Spending™

Small project discretionary    Big project discretionary    Disaster repairs



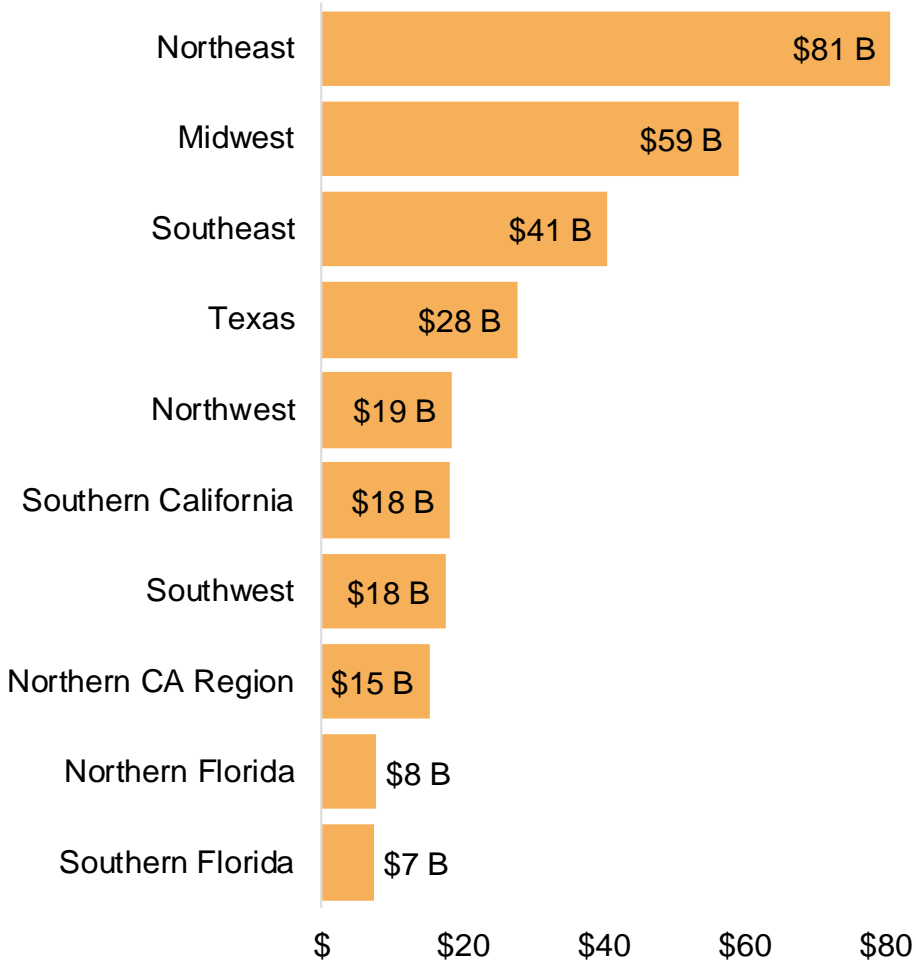
Source: John Burns Real Estate Consulting, LLC (Data: Aug-16, Pub: Nov-16)

# Huge Regional Differences in Remodeling Growth to Occur in 2017

\$140 billion of remodeling spending will occur in the Northeast and Midwest.

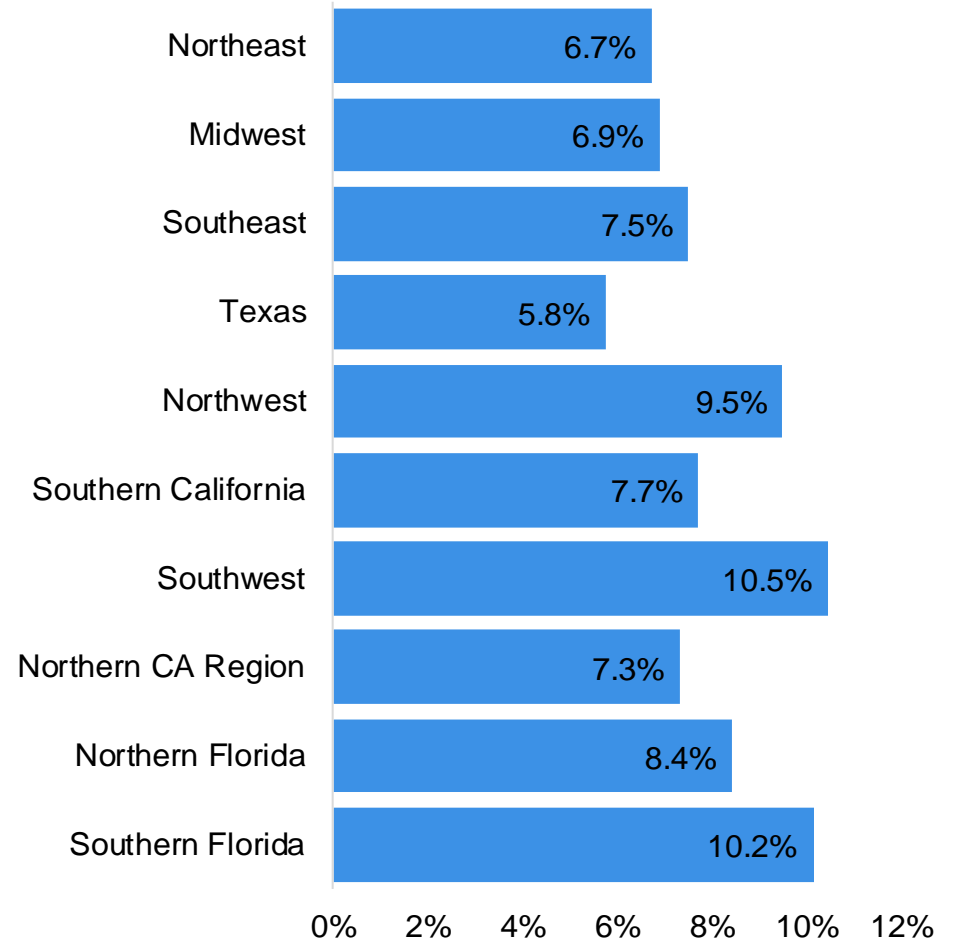
**2016P Total Remodel Spending (Owner and Rental)**

\$ billions



**2017P Total Remodel Spending (Owner and Rental)**

YOY % change

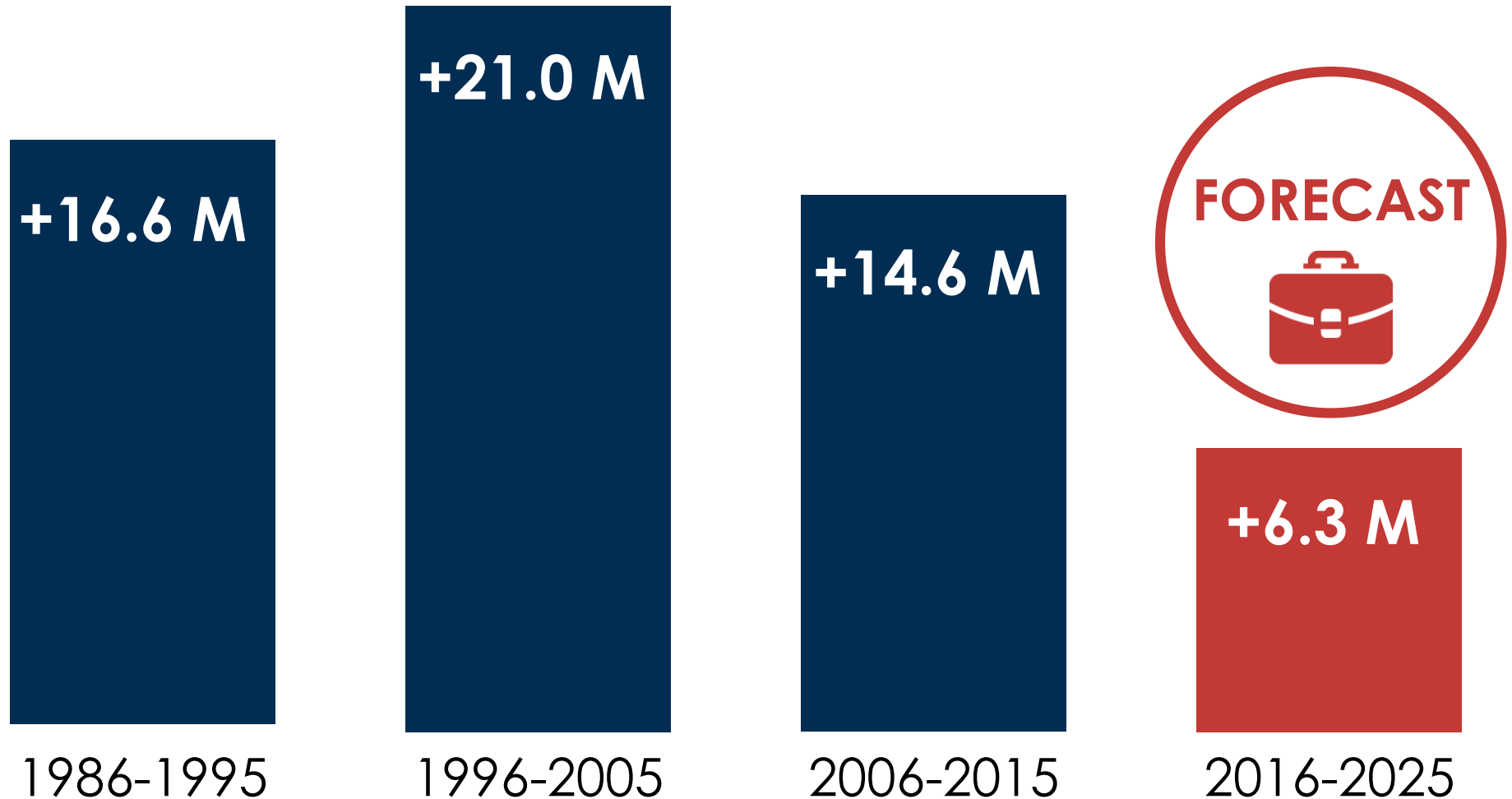


Sources: John Burns Real Estate Consulting, LLC (Data: Sep-16, Pub: Nov-16)



# The retirement surge will force the “labor pool” to grow much more slowly over the next decade

GROWTH OF US RESIDENT POPULATION AGED 20–64





— 1960s —

# EQUALERS

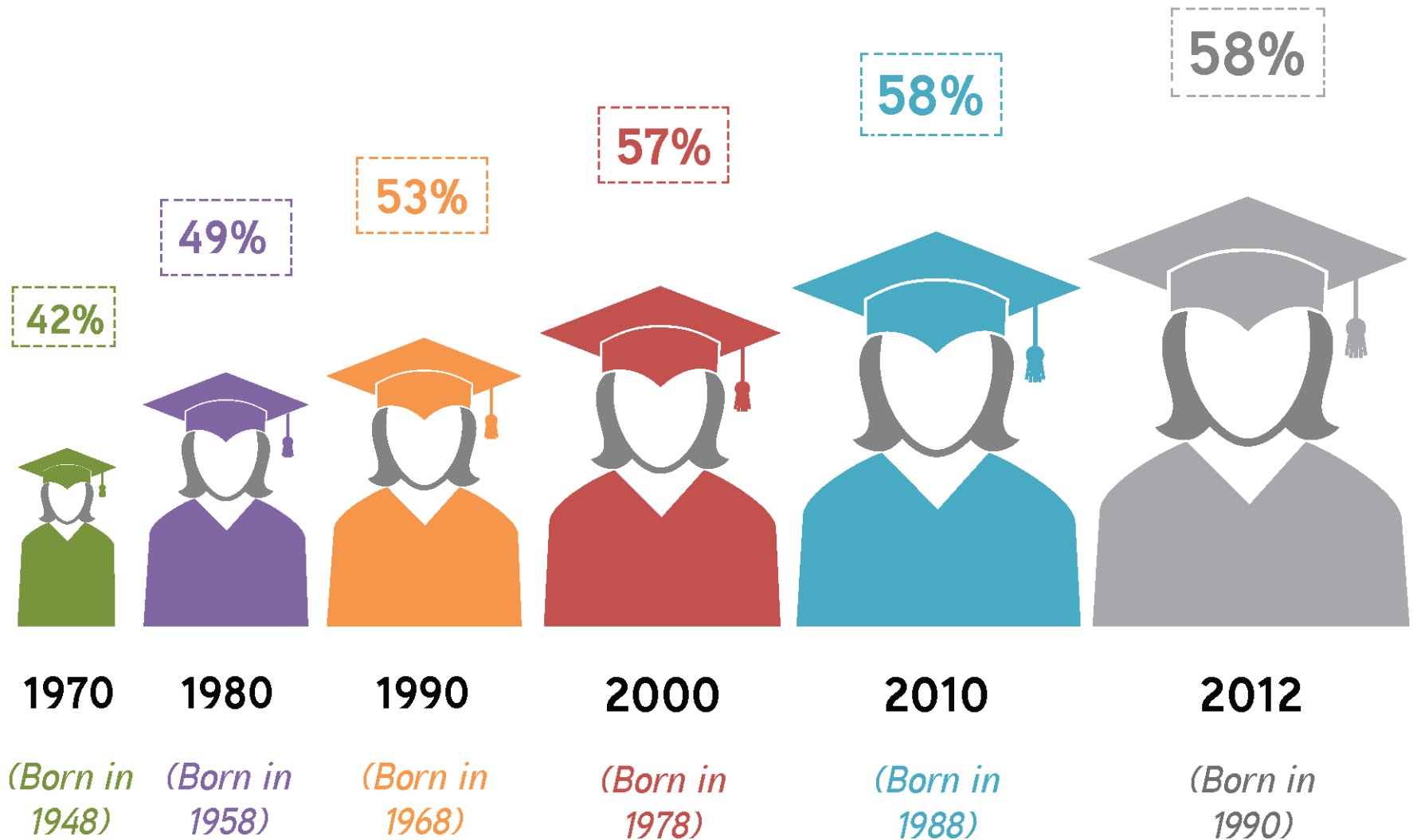
43 Million Aged 47-56



# Women receive 58% of college degrees



PERCENT OF ALL BACHELOR'S AND MASTER'S DEGREES CONFERRED







# SURBAN™



# Expect more Surban™ homes - Urban-like living in a suburban environment.

Santana Row, San Jose



City Centre, Houston



Viridian in Arlington  
Starting at \$229,000

Affordable. Functional.



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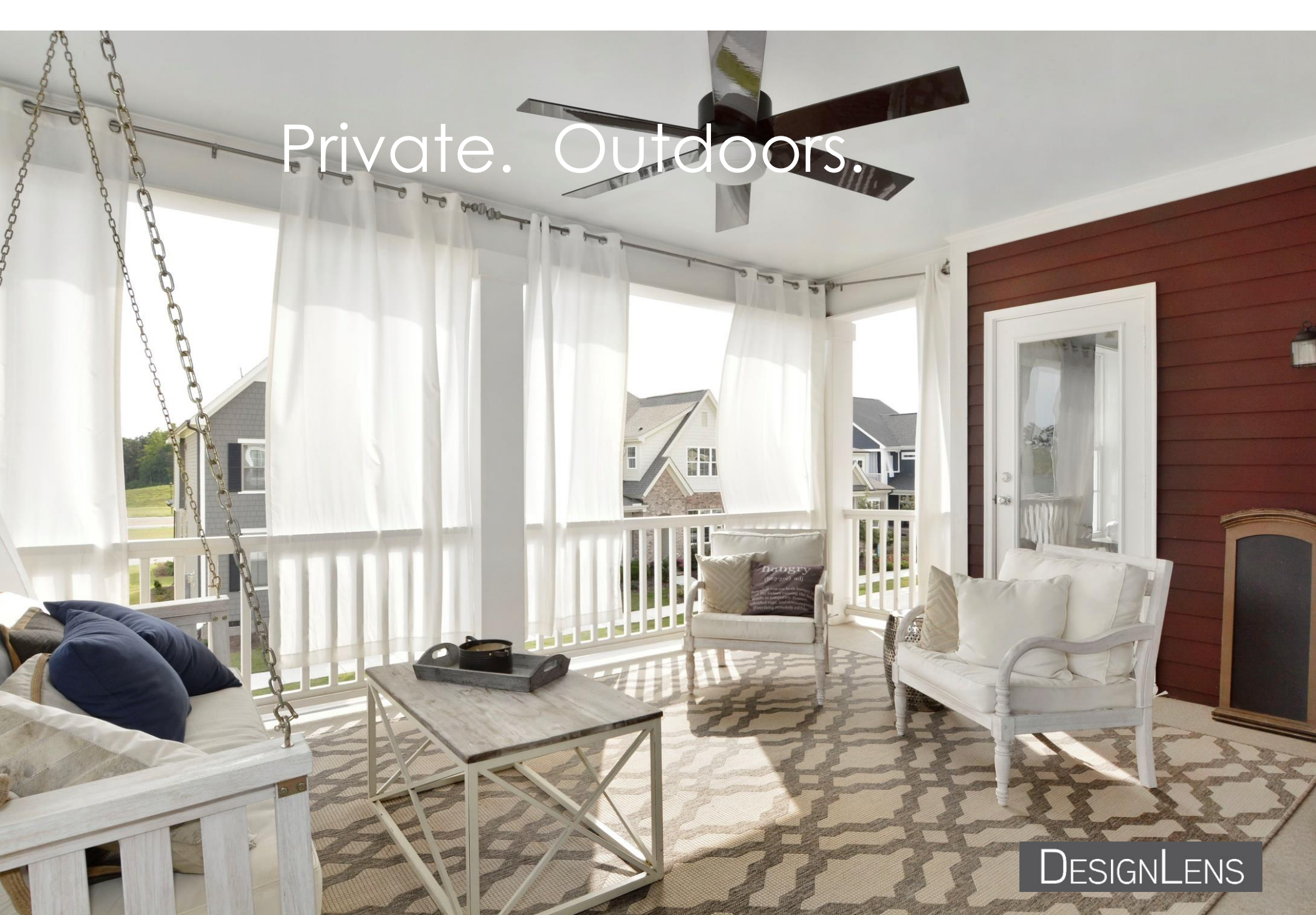


Outdoors.  
Another kind of privacy.

DESIGNLENS



Private. Outdoors.



DESIGN LENS





— 1970s —

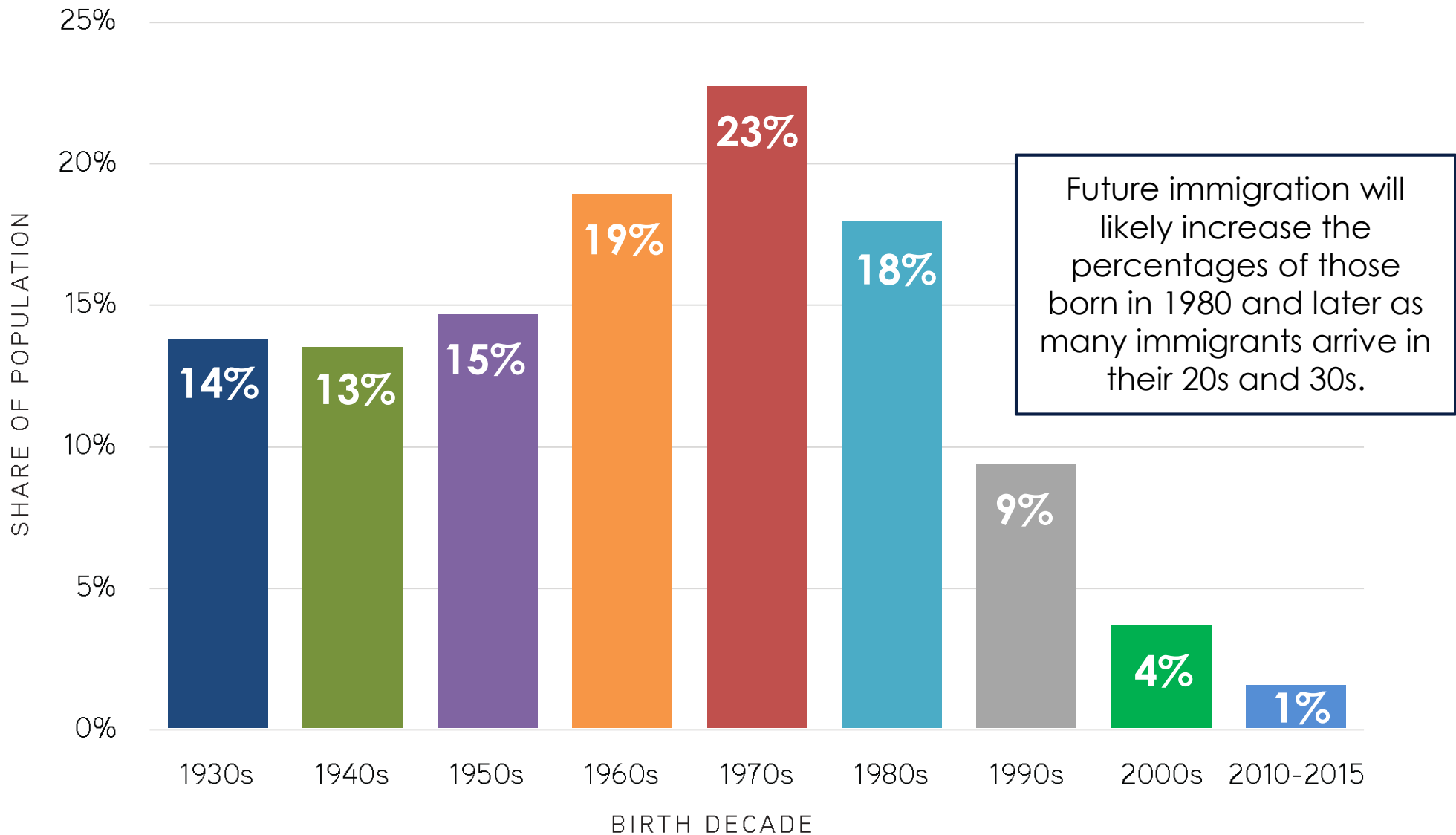
# BALANCERS

41 Million Aged 37-46



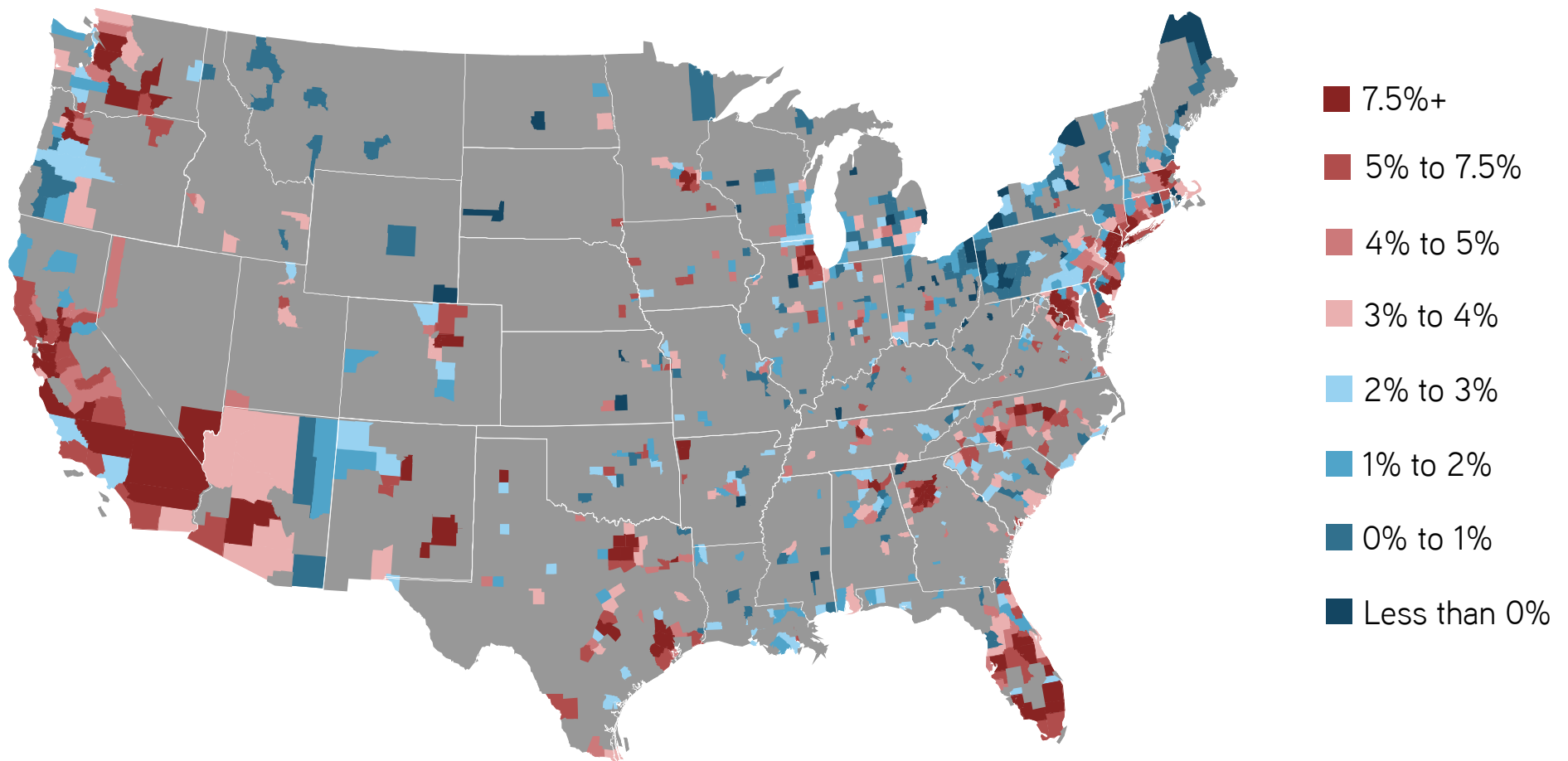
# The 1970s Balancers boast the greatest foreign diversity, with 23% foreign-born

PERCENT OF 2015 POPULATION THAT IS FOREIGN-BORN



# Foreign-born households are on the rise in many markets throughout the South and on the coasts

INCREASE IN FOREIGN-BORN SHARE OF POPULATION, 1990-2010

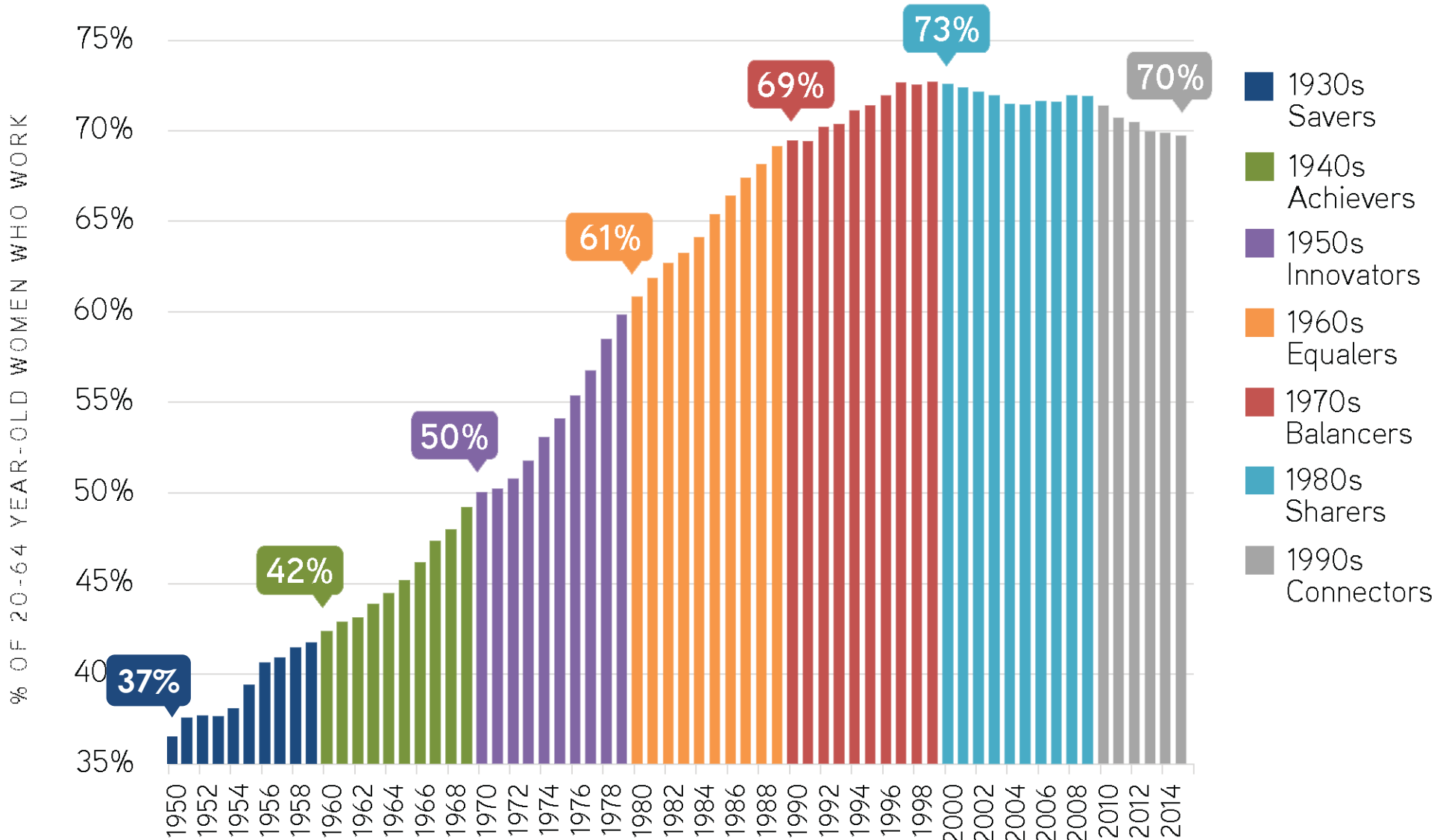


Source: John Burns Real Estate Consulting, LLC calculations of Census Bureau Decennial Census (1990) and American Community Survey (2010); only shown are counties of 60,000+ total population in 2010



# Since 9/11, women are 3% less likely to work, and men 5% less likely.

FEMALE LABOR FORCE PARTICIPATION RATE, AGES 20-64

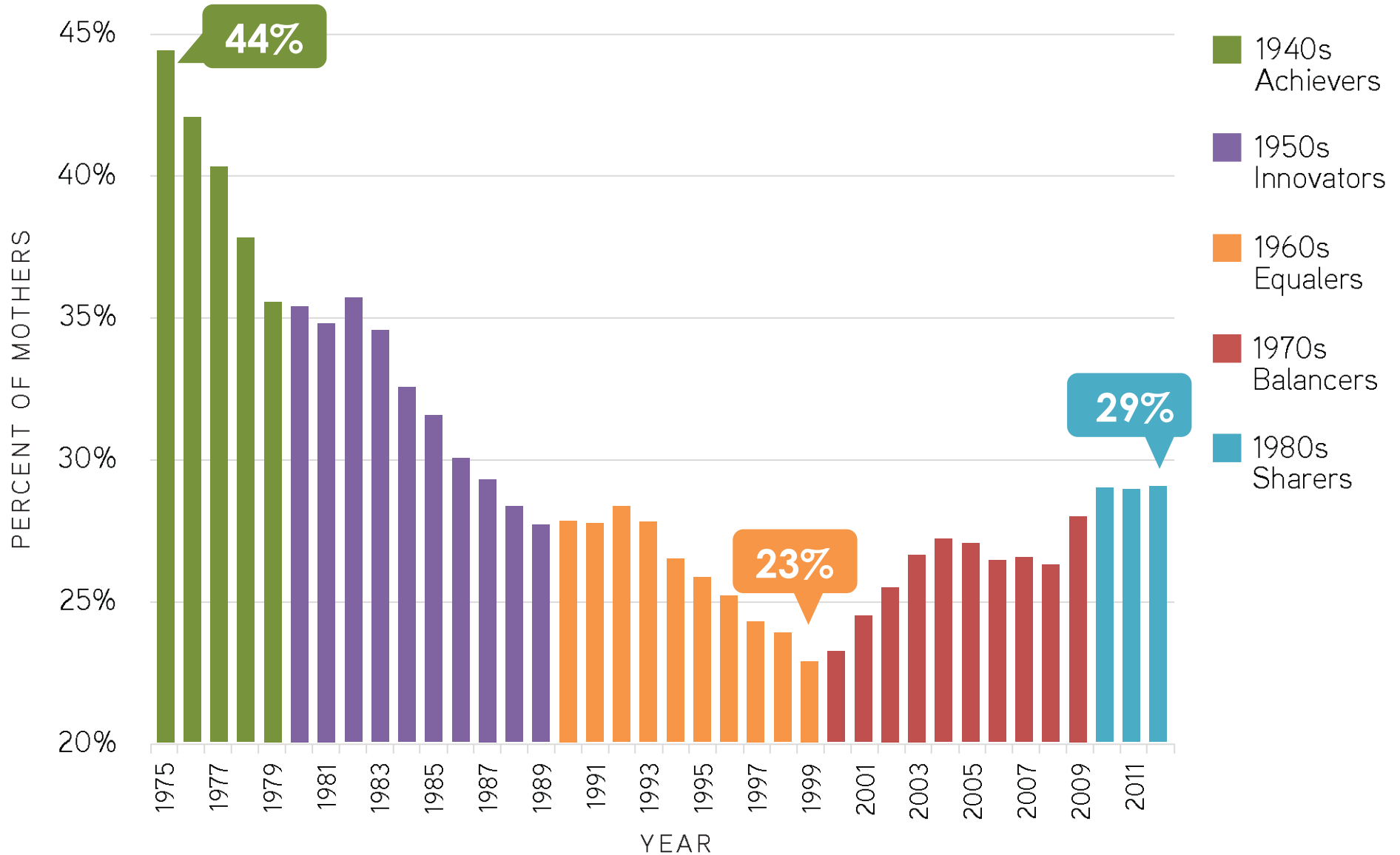


Source: John Burns Real Estate Consulting, LLC calculations of Bureau of Labor Statistics data; color-coded based on the year a generation turns 20



# The 1970s Balancers led a reversal, with more stay-at-home moms

SHARE OF MOMS WHO STAY AT HOME FULL TIME

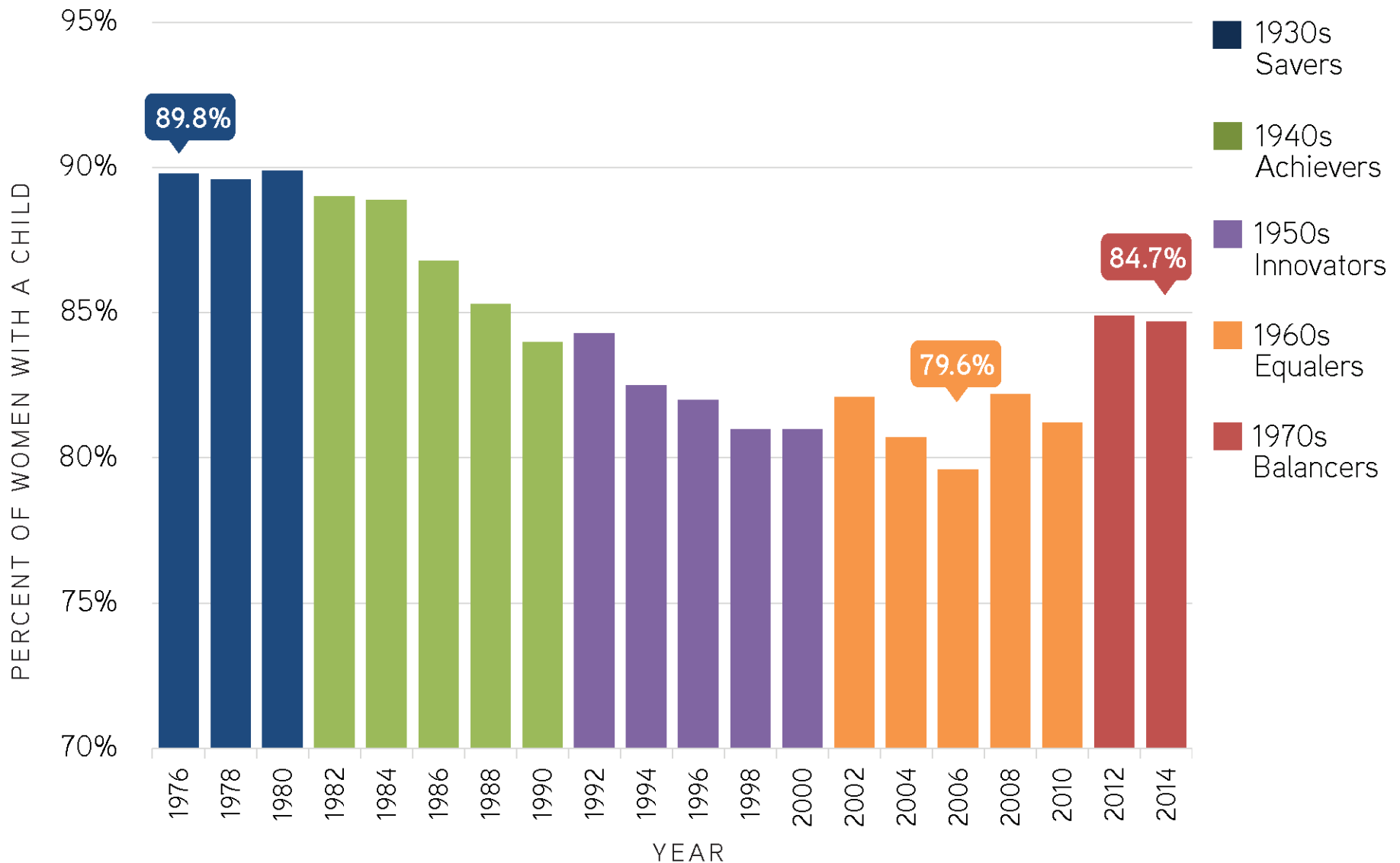


Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau, Current Population Survey, Annual Social and Economic Supplements via IPUMS-CPS; colors based on a 30-year-old mother



# 1970s Balancer women have led a resurgence in parenting

PERCENT OF WOMEN AGED 40-44 WHO ARE MOTHERS



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau, Current Population Survey, Annual Social and Economic Supplements via IPUMS-CPS. Note: 1996 is averaged



— 1980s —

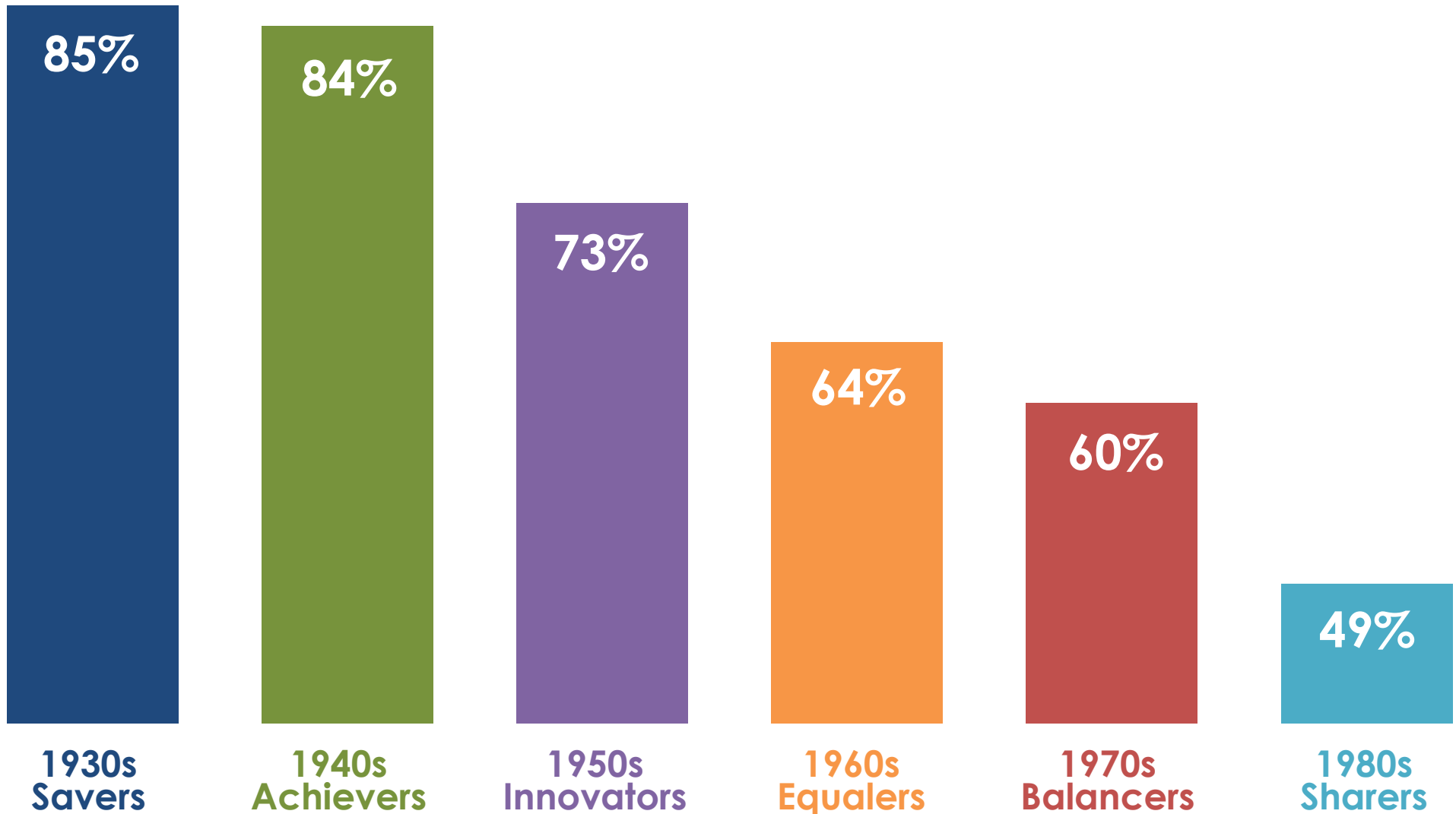
# SHARERS

44 Million Aged 27-36





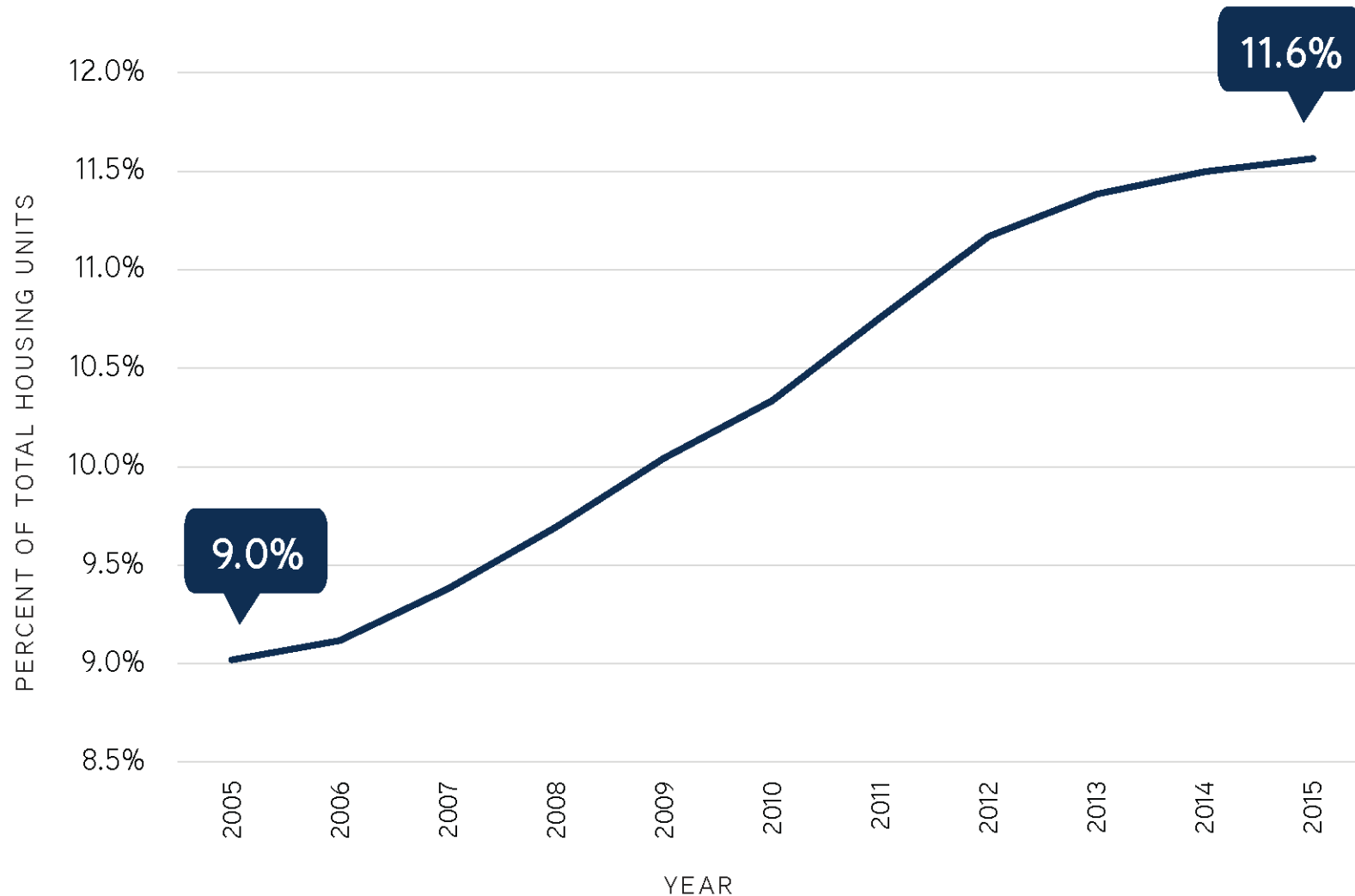
# Less than 1/2 of 1980s Sharers are married / with a partner at their 10-year high school reunion



Source: US Census Bureau Decennial Census (1950-2000), American Community Survey (2010-2013) via IPUMS-USA, forecast by JBREC

# Almost 12% of America rents a single-family home

SINGLE-FAMILY RENTAL HOMES AS A PERCENT OF TOTAL HOUSING UNITS



# Technology they will pay for:

1. Air Conditioning
2. Fans
3. Keyless Entry
4. Smart Technology
5. USB Outlets
6. Security with Two Security Cameras



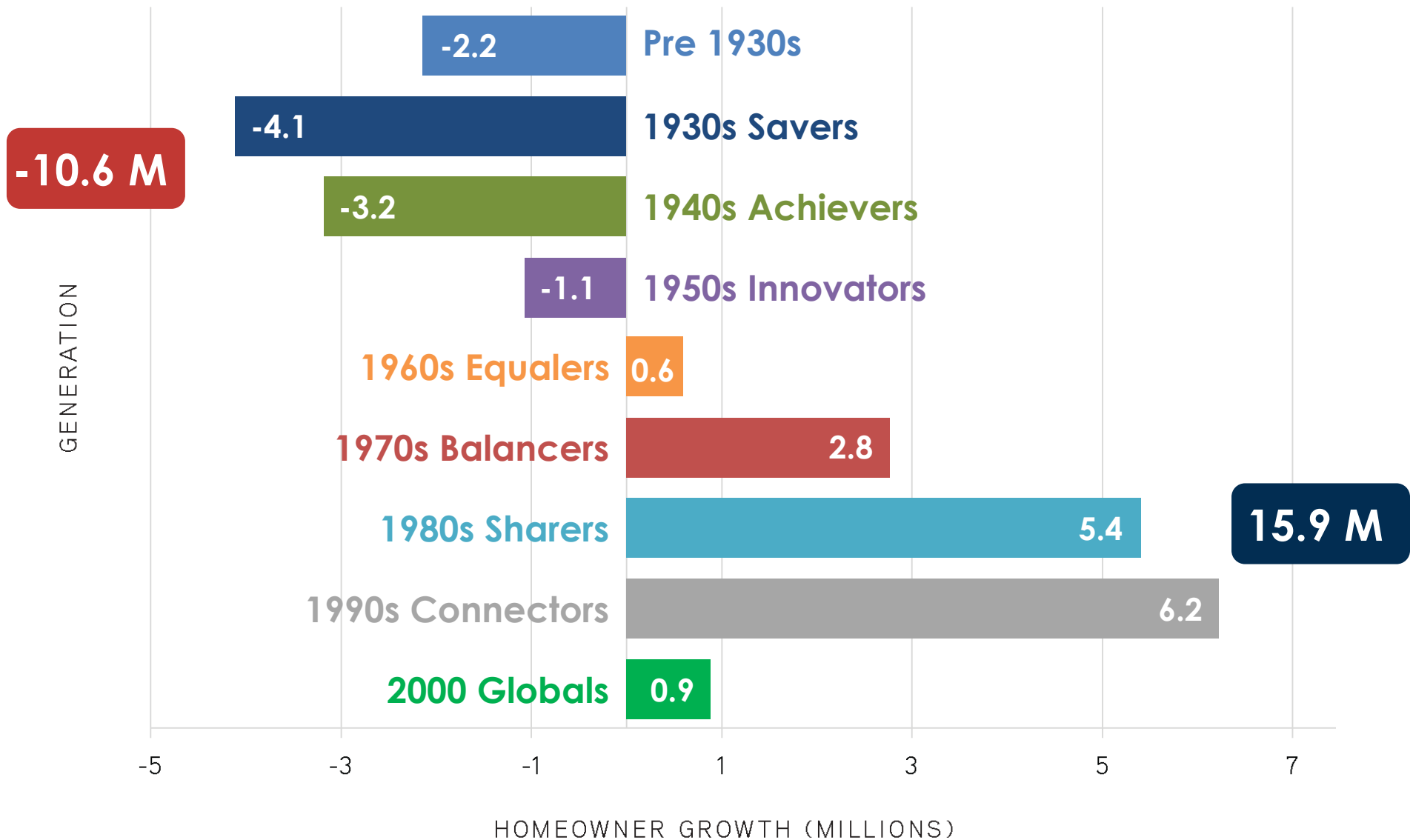




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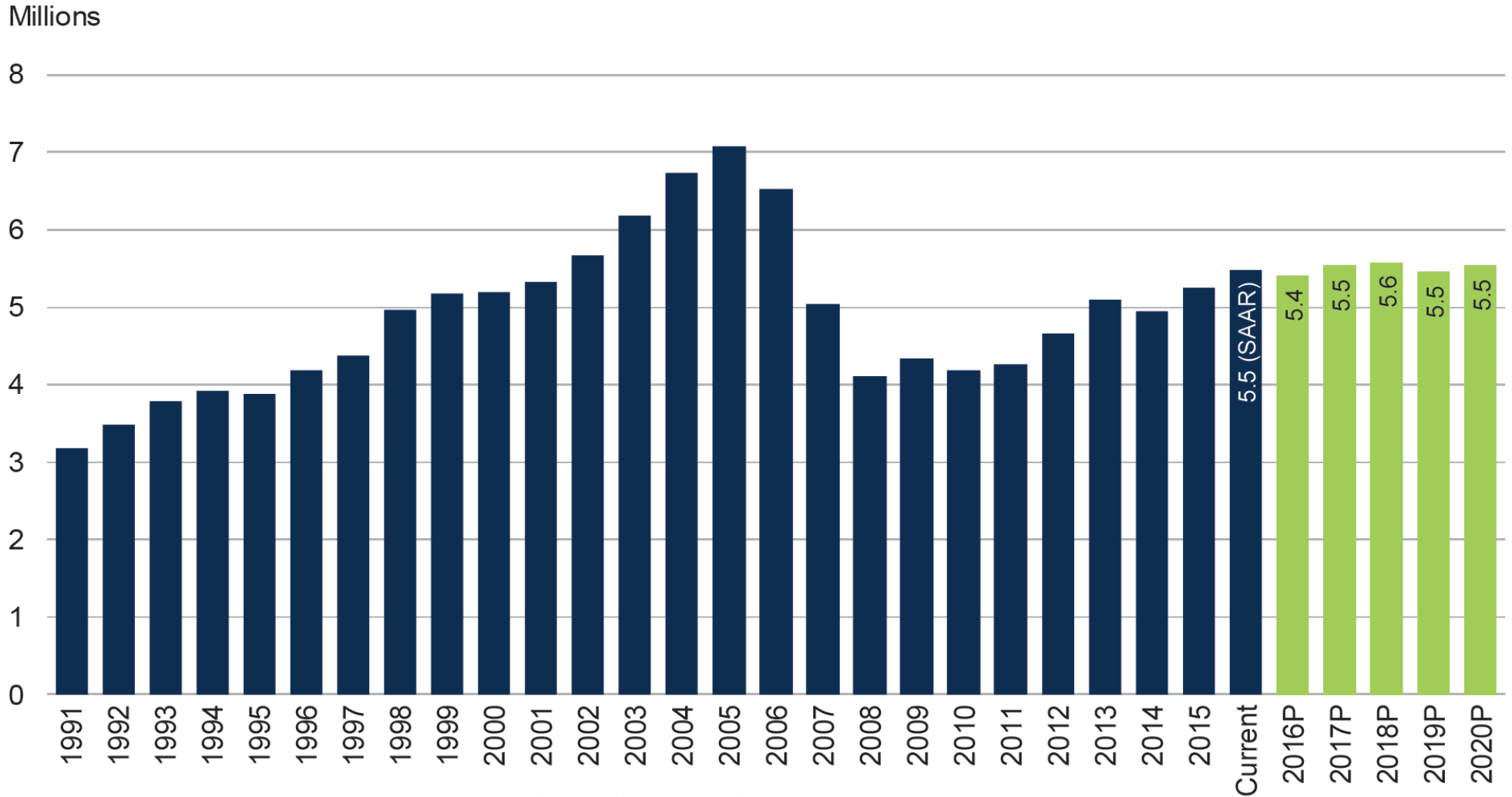
# We forecast 5.2 million more homeowners by 2025

HOMEOWNER GROWTH BY GENERATION (MILLIONS), 2016–2025



# Expect resale volumes to remain near current levels. The economy matters more than mortgage rates.

## US Existing Home Sales



Sources: NAR; U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data: Sep-16, Pub: Nov-16)

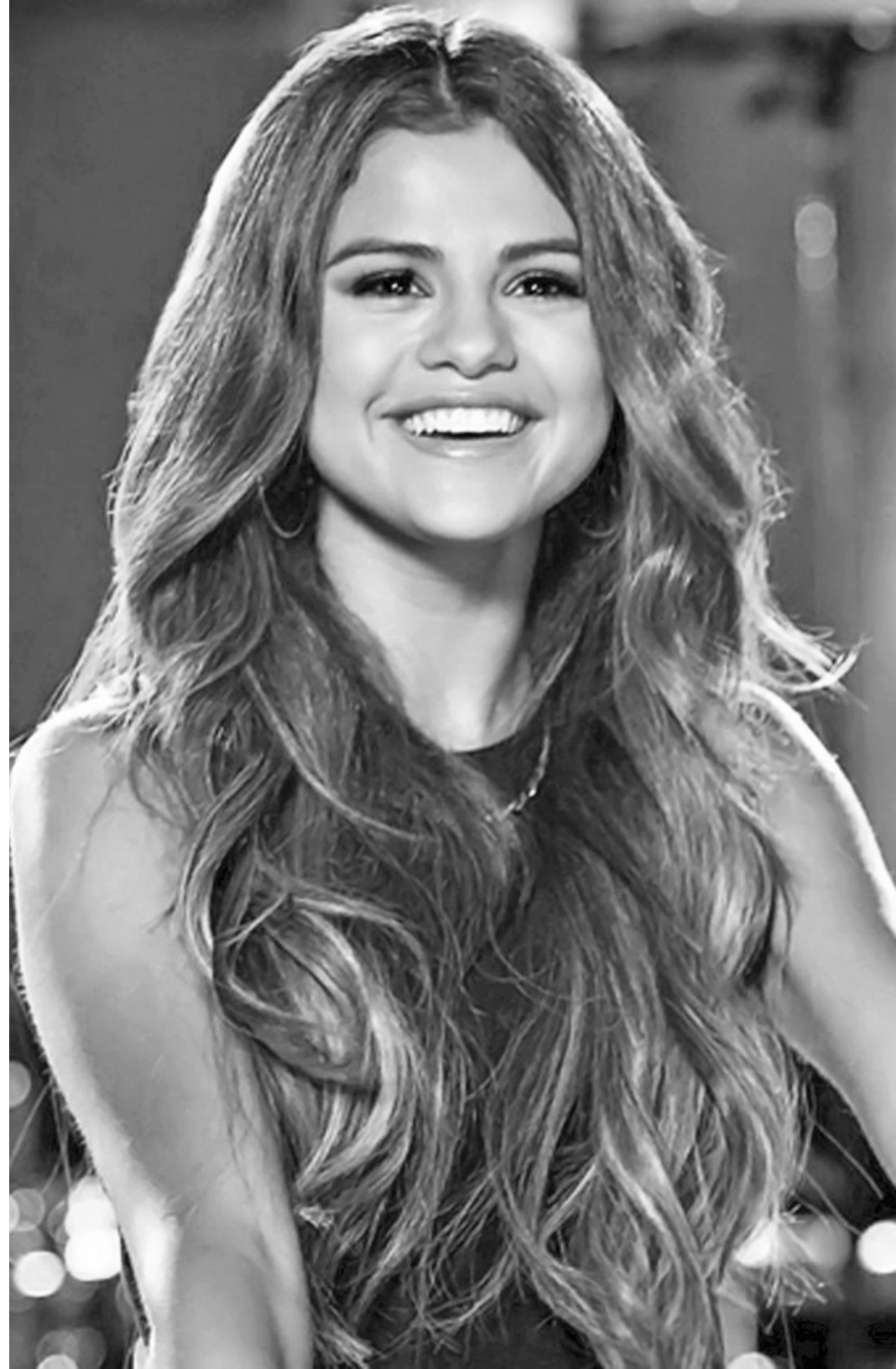
JOHN BURNS



— 1990s —

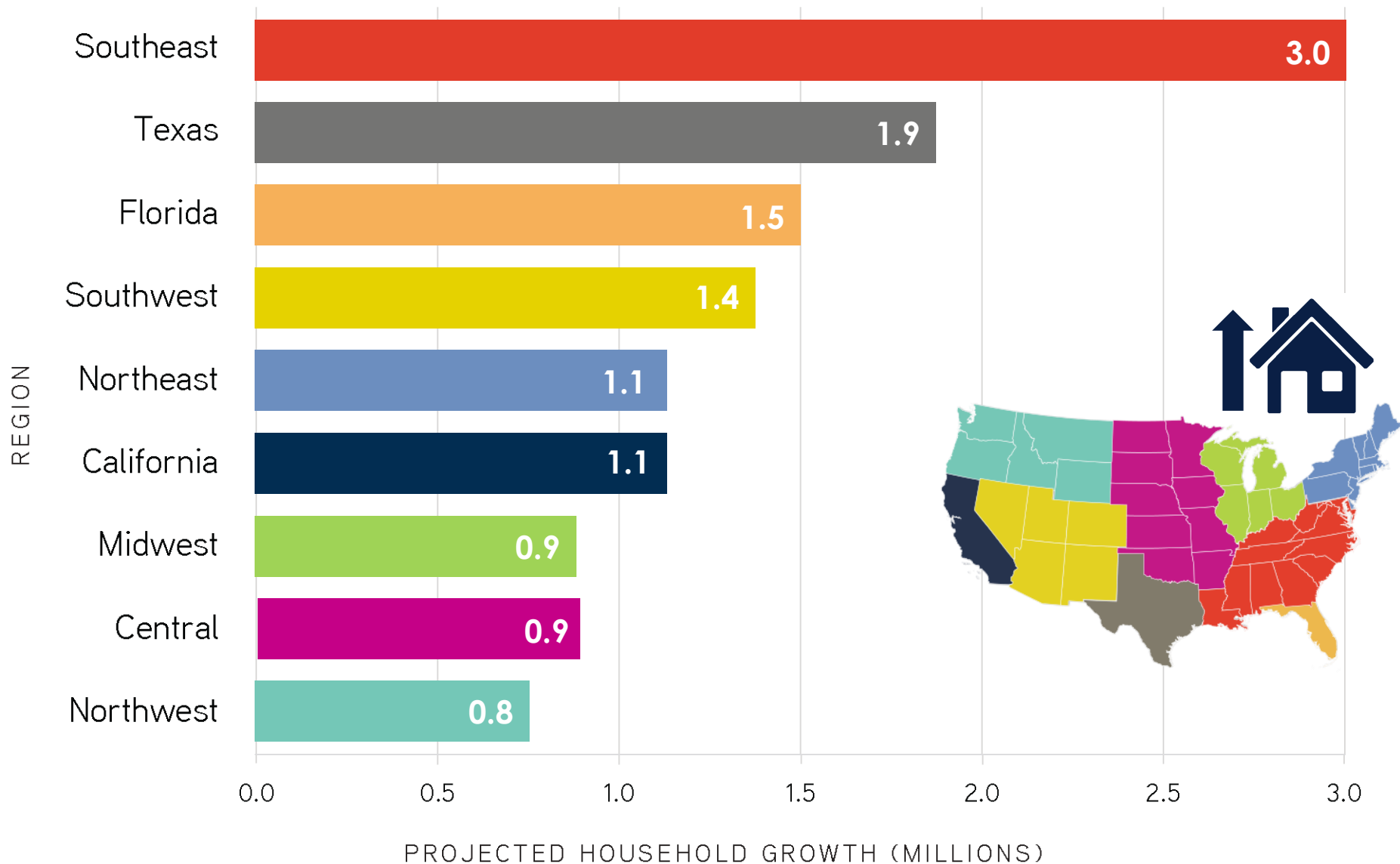
# CONNECTORS

44 Million Aged 17-26



# The South will capture 7.8 million of the 12.5 million households added

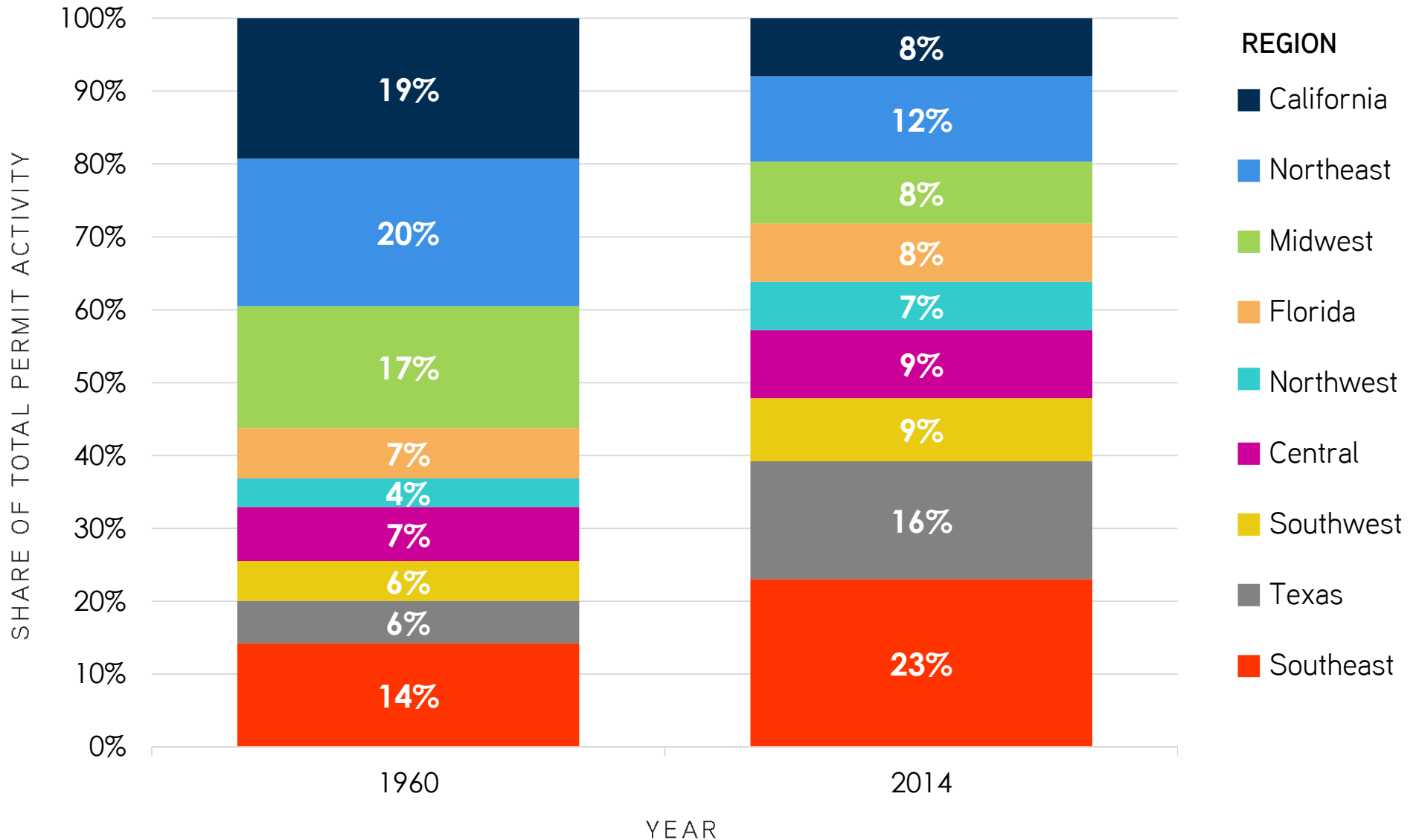
PROJECTED HOUSEHOLD GROWTH BY REGION (MILLIONS), 2016–2025





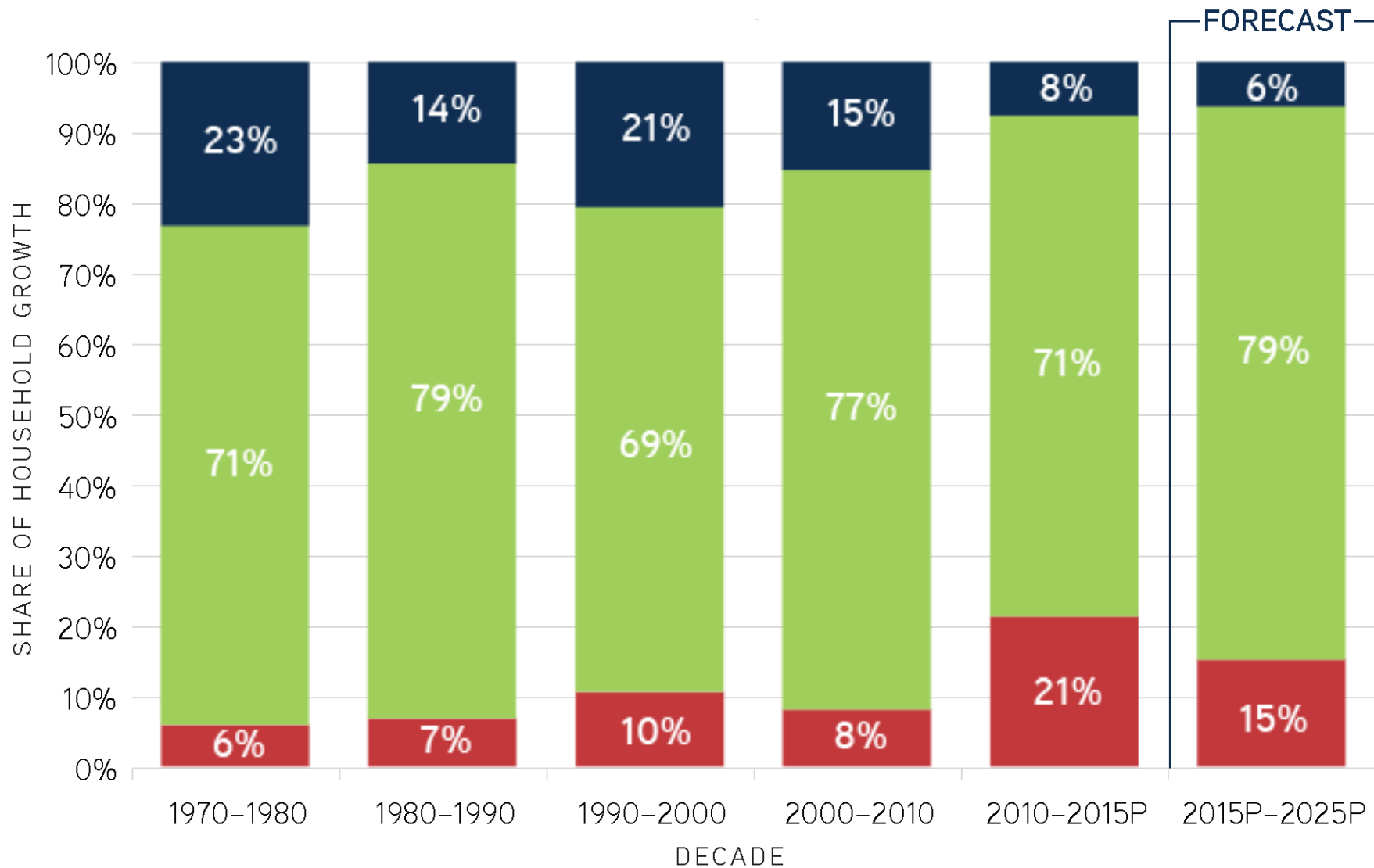
# Construction has shifted South

SHARE OF TOTAL PERMIT ACTIVITY BY REGION, 1960 AND 2014



# Both urban and suburban locales will capture a high share of growth

SHARE OF HOUSEHOLD GROWTH BY DECADE



# Five opportunities over the next decade, much of which will be surban™ living:



**+8 million** more busy working **women**



**+8 million** more increasingly affluent **immigrants**



**+18 million** increasingly affluent **retirees**



**+26 million** (net 12.5) newly formed **households**



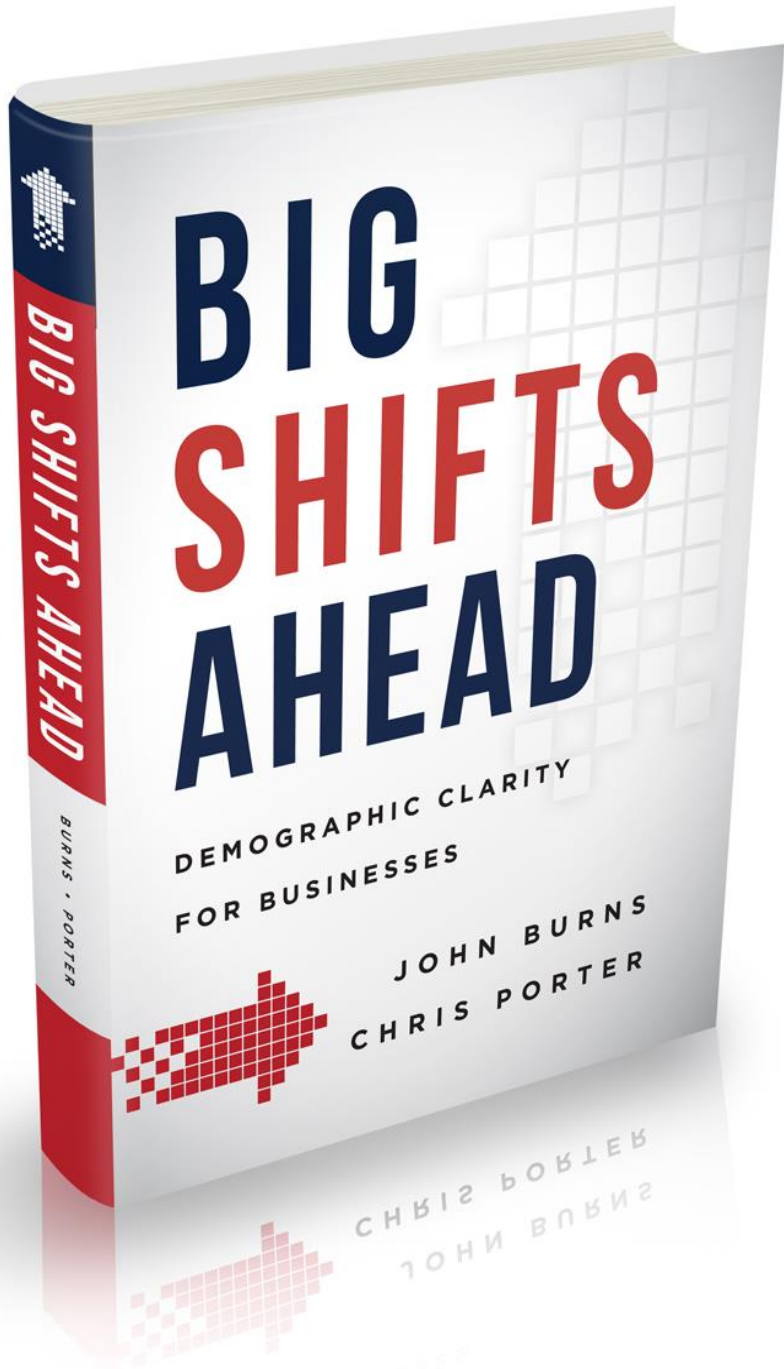
**+16 million** (net 5.2) new **homeowners**

# 5 Furniture Industry Insights

1. Household Formations – 12.5 million over 10 years, 7 million rented, 1990s Connectors (technology)
2. Home Sales– Expect stable volumes, less traditional “move up” than usual
3. New Construction– 13.7 million over 10 years, 62% in the South where 42% currently live
4. Remodeling– spending up 6% in 2017
5. Design trends – Covered outdoor living; roof decks; shared spaces







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