

◆ 2015 ◆

— First Quarter —

Industry Report

INSIGHTS FROM:

 WarmlyYours

As an established leader in the radiant heating industry, WarmlyYours Radiant Heating issues its Q1 2015 Industry Report in order to serve as a resource to our business and trade partners. This report includes a recap of industry news and WarmlyYours sales for the first quarter of 2015 as well as a look ahead at the trends and growth expected for the rest of the year.

Radiant Heating Performance Mirrors Remodeling Market Growth

Although sluggish existing home sales, continued labor shortages and a severe winter threatened the performance of the remodeling industry during the first quarter of 2015, industry experts are projecting slow and steady growth throughout the remainder of the year.

According to the Leading Indicator of Remodeling Activity (LIRA), healthy gains in residential remodeling activity are expected to decelerate in the first half of the year, but they will gain traction again by the end of the year. The LIRA estimates that annual spending on home improvements will increase 2.9 percent in 2015. “One of the largest contributors to this dampening of remodeling growth in 2015 is the sluggish existing home sales activity last year,”

Remodeling Business Pulse (RBP) data, which analyzes current and future remodeling business conditions, the majority of contractors reported that their current business conditions are better than they were last year at this time.

Similarly, the National Association of Home Builders (NAHB) reported a Remodeling Market Index (RMI) of 57 in the first quarter of 2015. An RMI above 50 indicates that more remodelers report that market activity is higher when compared with the prior quarter. This RMI averages ratings of current remodeling activity with indicators of future remodeling activity. The RMI was 59 in the Northeast, 54 in the Midwest, 56 in the South and 62 in the West.

“Remodelers remain positive about the gradual pace of market improvement”

said Chris Herbert, managing director of the Joint Center for Housing Studies of Harvard University, in a statement. “Housing turnover typically sparks significant improvement spending as new owners customize their recent purchases to fit their needs and, with sales down last year, remodeling will feel the effects this year.”

Remodeling Growth

Nevertheless, many remodelers are reporting stronger growth compared with the first quarter of 2014.

According to the National Association of the Remodeling Industry’s (NARI) first-quarter 2015

“Remodelers remain positive about the gradual pace of market improvement, but that confidence was tempered by a severe winter and continued labor shortages,” said NAHB Remodelers Chair Robert Criner, a remodeler from Newport News, Va., in a statement. “Clients continued to call for consultations for home remodeling jobs at the beginning of 2015.”

Great Expectations

Furthermore, the majority (74 percent) of NARI remodelers said they expect to see growth next quarter. Only 8 percent expect business to decline, and 17 percent predict sales to be about the same as they were last year.

Tom O’Grady, president of O’Grady Builders in Drexel Hill, Pa., and chairman of NARI’s Strategic Planning & Research Committee, noted that pent-up demand from homeowners will drive steady growth in the market.

“I see a large amount of interest in work based on pent-up demand,” O’Grady said in a statement. “I also hear the same thing from my fellow NARI remodelers. We see this pent-up demand driving the market for the foreseeable future.”

Radiant Heating Performance

Because radiant floor heating requires remodeling, its performance is linked to the state of the remodeling market.

Consolidated gross sales of snow melting and roof and gutter deicing systems grew 30 percent during the quarter, led by roof and gutter deicing systems, which grew nearly 350 percent in the timeframe. These systems are expected to grow even more significantly during the second and third quarters, which are the prime seasons for installing outdoor radiant heating solutions.

Other products that contributed significantly to WarmlyYours’ growth include third-party integration kits, countertop heaters, mirror defoggers and radiant panels. Third-party integration kits, which enable WarmlyYours floor-heating systems to work with smart thermostats like the Nest, increased more than 3,000 percent in sales compared with the prior-year period. Countertop heaters grew more than 500 percent;



Therefore, like the remodeling industry, WarmlyYours Radiant Heating experienced slow growth in the first quarter of the year, with stronger growth anticipated for the remainder of the year. In line with industry data, as remodeling projects increase, radiant floor heating purchases are expected to increase as well.

During the first quarter, much of WarmlyYours’ growth was attained as a result of this year’s severe winter.

mirror defoggers grew more than 200 percent; and radiant panels grew more than 60 percent. At a time when many remodeling projects are on hold, these small upgrades allow homeowners to renovate their kitchens, bathrooms and other rooms of the house without breaking into the walls or floor.

Similarly, towel warmers are another bathroom upgrade that improved during the first quarter.

The entire segment grew nearly 10 percent, with the Barcelona, Sierra and Riviera models selling the best.

Growth among trade professionals

Furthermore, sales were particularly strong to trade professionals during the first quarter of 2015. In the United States, sales to trade professionals grew 5.4 percent. The fastest-growing product lines were snow-melting systems (82 percent growth); underlayment (41.3 percent growth), which includes WarmlyYours' CeraZorb® synthetic cork underlayment; and towel warmers (33 percent growth). The most popular towel warmer was the hardwired Sierra model, which features eight bars and a polished stainless steel finish.

Within the floor-heating segment, U.S. trade professionals increasingly purchased Environ™ Flex Rolls and Easy Mats as well as TempZone™ Cable. Purchases of Environ™ Flex Rolls and Easy Mats grew more than 100 percent, and purchases of

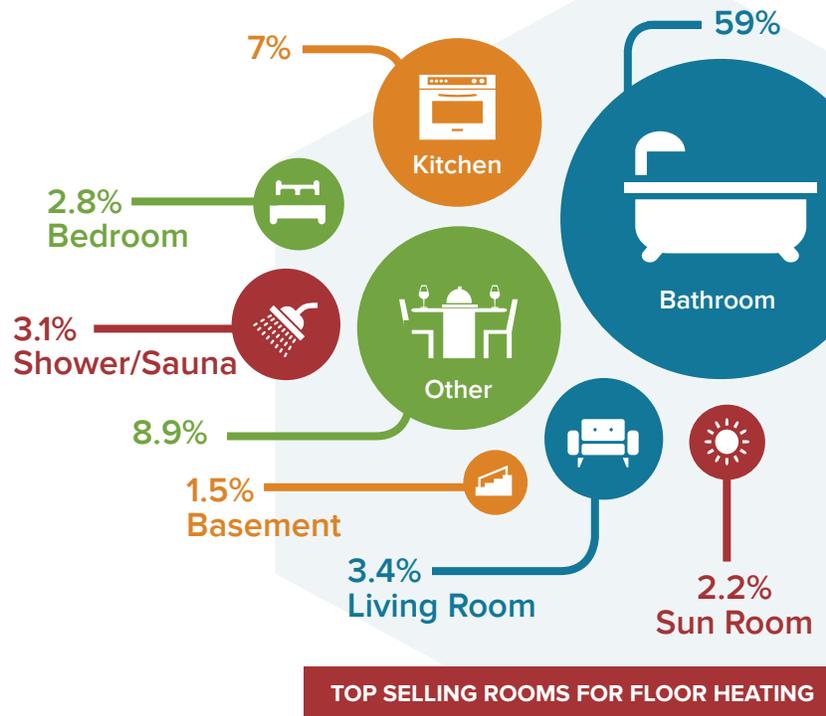
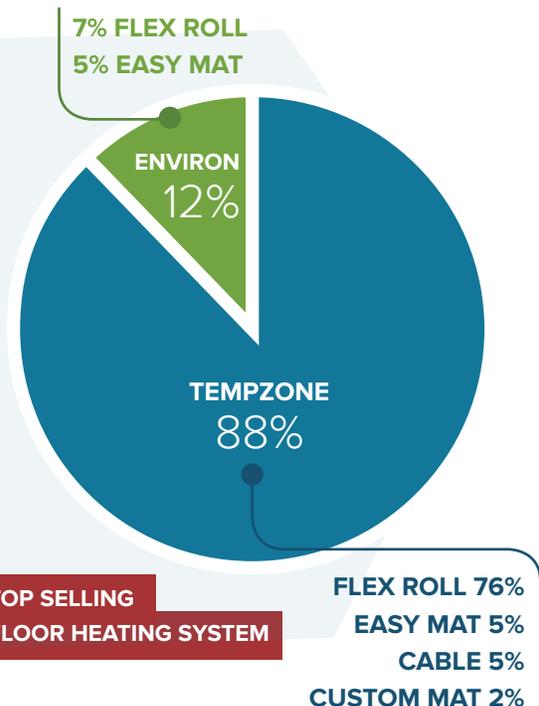
TempZone™ Cable grew 93 percent during the timeframe, compared with the prior-year period.

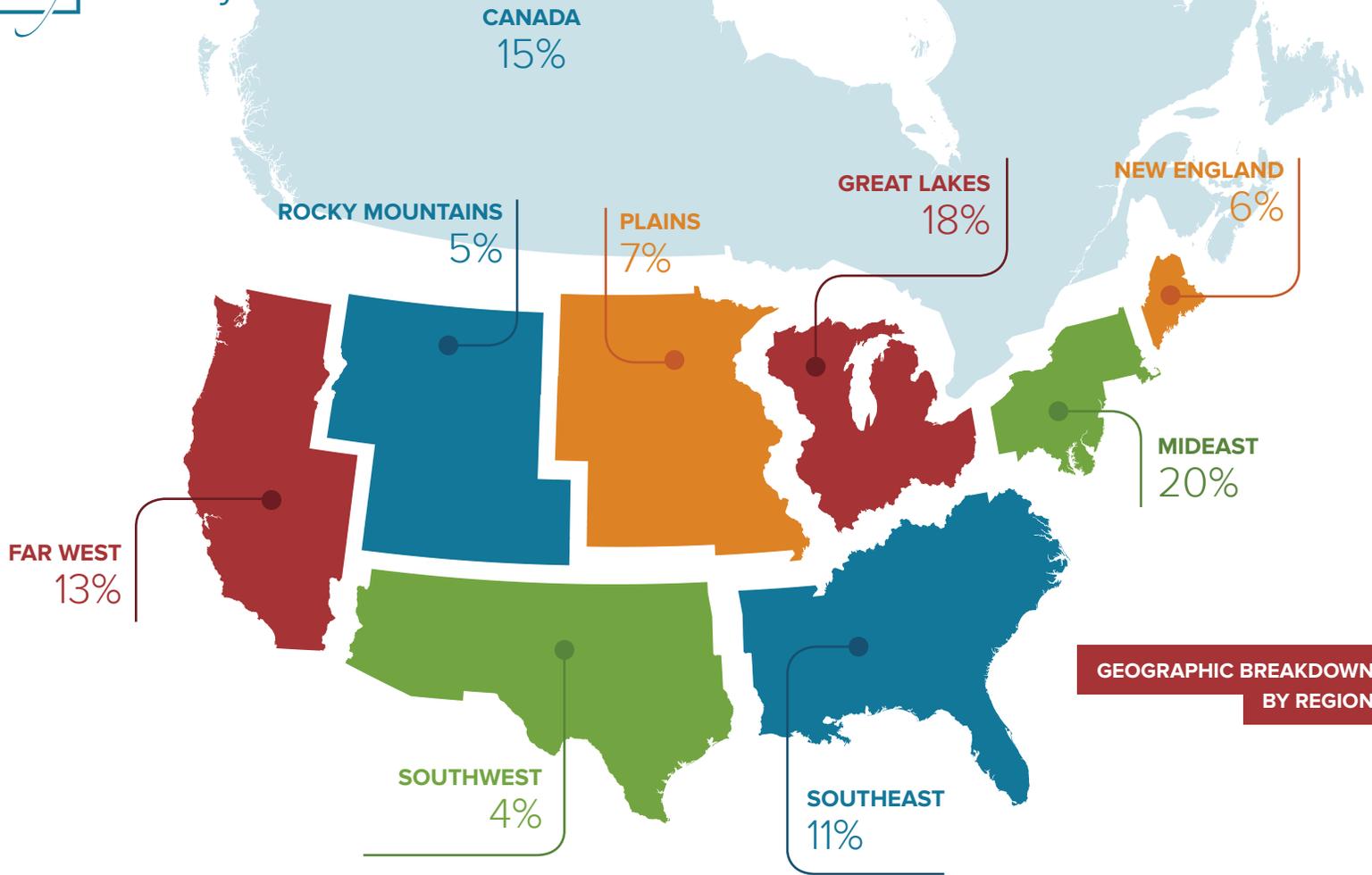
Trade professionals on the East Coast exercised their buying power more than in other U.S. regions. Sales in New York, New Jersey and Maryland all were up during the first quarter. In Canada, sales in British Columbia outperformed other Canadian regions.

For more information about overall sales of WarmlyYours radiant heating products, view the infographic below.

Sources:

1. <http://www.jchs.harvard.edu/slowing-growth-home-renovations-should-stabilize-year%E2%80%99s-end>
2. <http://www.nari.org/remodeling-continues-its-growth-driven-by-pent-up-demand/>
3. http://www.nahb.org/news_details.aspx?newsID=17231





TILE, MARBLE OR STONE 87.8%

ENGINEERED (FLOATING) 3.8%

CARPET 2.3%

WOOD (NAILED) 1.4%

WOOD (GLUED) 1.3%

LAMINATE 1.2%

TOP SELLING FLOORING TYPES FOR FLOOR HEATING

46% NEW YORK

36% ST. LOUIS

21% CLEVELAND

8% DETROIT

7% PHILADELPHIA

FASTEST-GROWING U.S. METRO AREAS

