

◆ 2015 ◆

— Second Quarter —

# Industry Report

INSIGHTS FROM:



WarmlyYours

As an established leader in the radiant heating industry, WarmlyYours Radiant Heating issues its Q2 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 second quarter of 2015 as well as a look ahead at the trends and growth expected for the rest of the year.

## Housing Market on the Rise

The first quarter of 2015 was negatively impacted by a severe winter and sluggish existing home sales. But, winter's icy grip on the housing market has officially ended.

Both the building of new homes and remodeling of existing homes improved in the second quarter of 2015. In fact, builder confidence hit the highest level since November 2005 in July, and remodeler confidence continued its positive run for the ninth consecutive quarter, according to the National Association of Home Builders (NAHB).

"The rebound in remodeler confidence tracks the overall arc of the housing industry as it gains strength through new and existing home sales," said NAHB Chief Economist David Crowe in a statement.

"The fact that builder confidence has returned to levels not seen since 2005 shows that housing continues to improve at a steady pace," said NAHB Chairman Tom Woods in a statement. "As we head into the second half of 2015, we should expect a continued recovery of the housing market."

As the housing market improves, so will home improvement spending, according to the Leading Indicator of Remodeling Activity (LIRA), released by the Remodeling Futures Program at the Joint Center for Housing Studies at Harvard University. The LIRA expects annual spending growth for home improvement projects to accelerate to 4 percent in the first quarter of 2016.

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The majority of remodelers (69 percent) reported growth in their businesses during the second quarter, according to the National Association of the Remodeling Industry's (NARI) second-quarter Remodeling Business Pulse (RBP) survey. In particular, they noted an increase in the number of inquiries, requests for bids, and conversion of bids to jobs in the quarter. Plus, they reported a 4.7 percent increase in the value of jobs, meaning that bigger dollar projects are becoming more common. This all impacts the performance of the housing market.

As the housing market "gains strength," it's projected to get even stronger in the second half of 2015, according to industry experts.

"A major driver of the anticipated growth in remodeling spending is the recent pick-up in home sales activity," said Chris Herbert, managing director of the Joint Center for Housing Studies of Harvard University, in a statement. "Recent homebuyers typically spend about a third more on home improvements than non-movers, even after controlling for any age or income differences, so increasing sales this year should translate to stronger improvement spending gains next year."

"Other signals of strengthening remodeling activity include sustained growth in retail sales of home improvement products and ongoing gains in house prices across much of the country,"



said Abbe Will, a research analyst in the Remodeling Futures Program at the Joint Center, in a statement. “Rising home prices means rising home equity, which should encourage improvement spending by a growing number of owners.”

NARI remodelers affirm these predictions, with 68 percent of them expecting to see some level of growth in remodeling projects during the third quarter, according to NARI’s second-quarter RBP survey.

## Radiant Heating Performance

As remodeling projects pick up their pace, so does the radiant heating market.

In the second quarter of 2015, WarmlyYours’ total sales in the United States and Canada increased 8.2 percent compared with the second quarter of 2014. Growth was primarily led by third-party integration kits, mirror defoggers, countertop heaters, and snow-melting systems.

Third-party integration kits, which enable WarmlyYours floor-heating systems to work with smart thermostats like the Nest, increased more than 900 percent in sales during the second quarter, compared with the prior-year period.

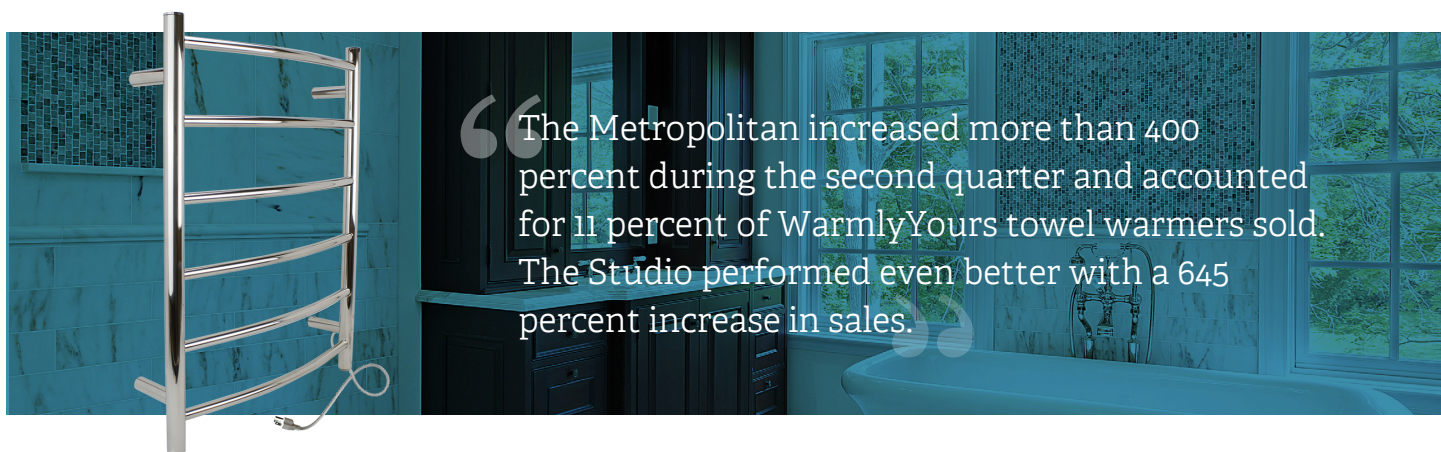
Luxury accessories also experienced significant growth. WarmlyYours’ ClearlyYou™ mirror defoggers increased more than 170 percent, and Feels-Warm® countertop heaters grew more than 50 percent in the second quarter.

As expected, snow-melting systems also continued their strong performance from the first quarter of 2015. In the second quarter, roof and gutter deicing systems increased more than 470 percent, and snow-melting systems grew nearly 40 percent. The second and third quarters are the prime seasons for installing outdoor radiant heating solutions, so these systems are projected to continue growing into next quarter.

Towel warmers also experienced double-digit growth in the second quarter. The segment grew 24 percent during the timeframe. Much of this can be attributed to the success of WarmlyYours’ new Metropolitan and Studio towel warmers.

## New Products Hitting Their Stride

WarmlyYours’ Metropolitan and Studio towel warmers were exclusively available through outside retailers last year, but this year their availability expanded to [www.warmlyyours.com](http://www.warmlyyours.com) and other outlets.



This increase reflects the growth of Wi-Fi-enabled thermostats, which are expected to quadruple between 2013 and 2017, according to IMS Research Data, as reported in “The News” magazine.

As a result, the Metropolitan increased more than 400 percent during the second quarter and accounted for 11 percent of WarmlyYours towel warmers sold.

The Studio performed even better with a 645 percent increase in sales, accounting for 4 percent of total WarmlyYours towel warmers sold.

Both towel warmers feature a polished chrome finish. However, the Metropolitan is a hardwired towel warmer and WarmlyYours' largest model with 10 bars; the Studio is a plug-in towel warmer with six curved bars.

"The growth in our newest towel warmers proves that customers are interested in a wide range of styles," said WarmlyYours President and Owner Julia Billen. "By adding new models to our portfolio, we can better cater to our customers' needs, which is what we aim to do every day."

WarmlyYours' TempZone™ floor-heating cable also performed particularly well during the second quarter. The twin-conductor cable first made its debut in early 2014. During the second quarter of 2015, it increased 65 percent in sales, compared with the prior-year period.

WarmlyYours' TempZone™ Cable offers an affordable alternative to TempZone™ Flex Rolls and Custom Mats, which are designed to be easy to install. TempZone™ Cable is a bit more labor-intensive to install, but it offers maximum flexibility and coverage for a minimal price, which is ideal for many experienced trade professionals.

"We originally developed TempZone™ Cable in response to half of European installers' preferences for loose cable over rolls or mats," Billen said. "We predicted that interest in free-form cable would also grow in the United States and Canada, and it did!"

"With our range of floor-heating solutions, homeowners and trade professionals have the ability to select from Flex Rolls, Custom Mats, Easy Mats and Cable, so they can match the ideal product to their particular project and level of expertise," she continued. "We are proud of the performance of all of our floor-heating systems in the second quarter."

## Upcoming Launches

In the spirit of adding variety and convenience to its portfolio, WarmlyYours plans to launch four different product lines in the third quarter of 2015.

The first two product lines to make their debut are Installation Accessory Kits and Electrical Rough-in Kits.

The Installation Accessory Kits were developed to ensure that installers have all of the tools needed to begin installation of a TempZone™ floor-heating system. Four kits will be available: Basic, Silver, Gold and Platinum. Each kit suits a different type of installation, such as one-step or a project with underlayment.

The Electrical Rough-in Kits were created to help customers safely and properly install a floor-heating thermostat. They will be available in two options — one with conduit and one without conduit — both of which will feature a 4- by 4-inch dual gang box, which prolongs the life of a thermostat because it allows air to circulate around the control, keeping it from overheating.

The Installation Accessory Kits and Electrical Rough-in Kits are slated to launch by the end of July.

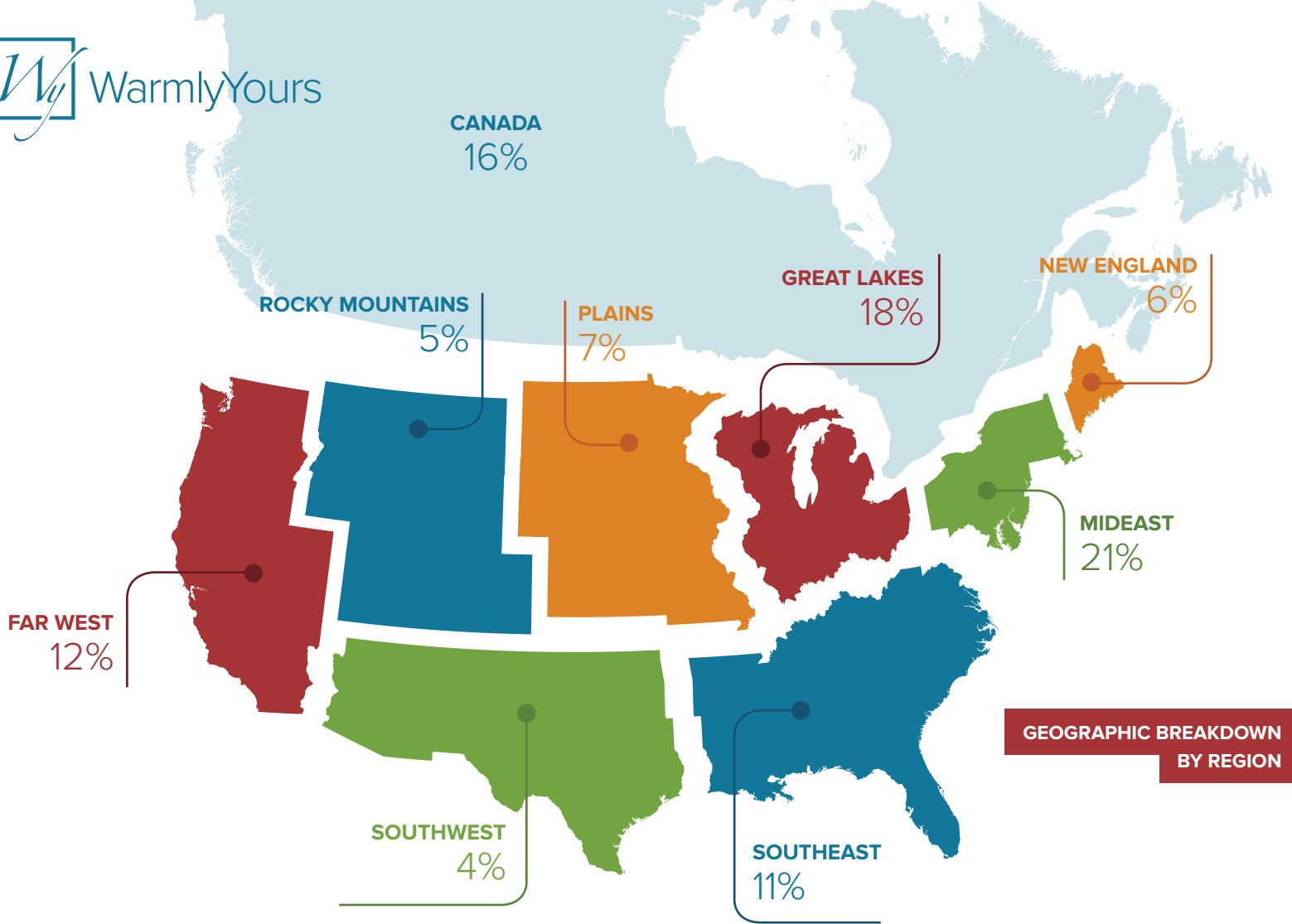
WarmlyYours also plans to expand its snow-melting line with a new 277-volt cable for commercial applications and new power management electrical boxes for multi-zone snow melting.

For information about WarmlyYours' sales during the first half of the year, view the infographic below.

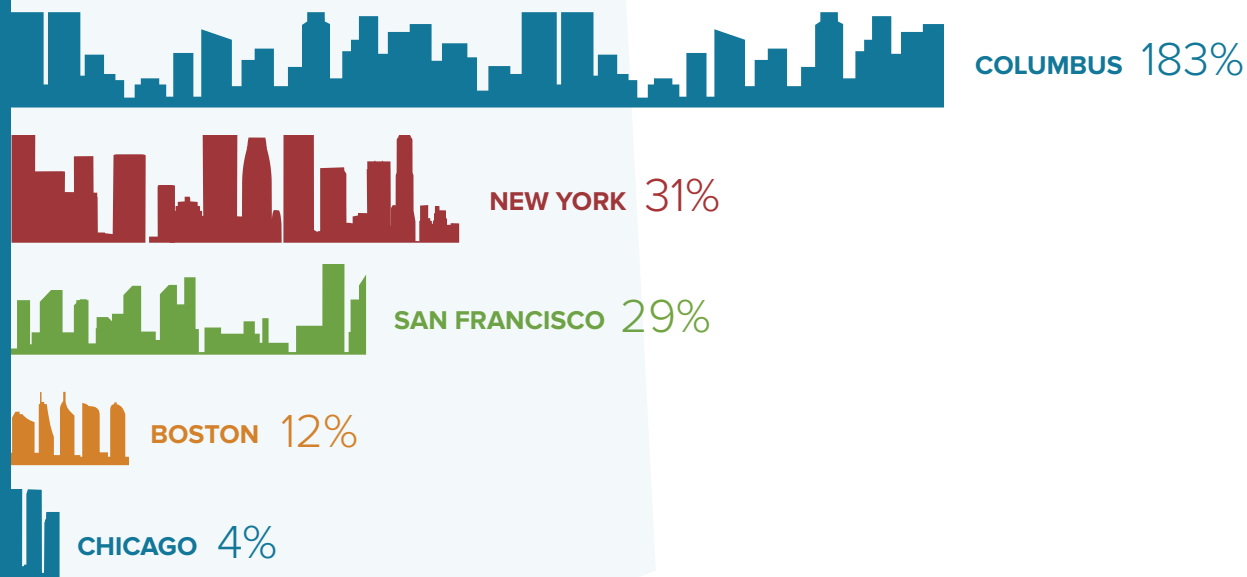
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### Sources:

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2. <http://www.nahb.org/en/news-and-publications/Press-Releases/2015/july/builder-confidence-hits-highest-level-since-november-2005.aspx>
3. <http://www.jchs.harvard.edu/pick-projected-home-improvement-activity-moving-2016>
4. <http://www.achrnews.com/articles/123561-study-wireless-thermostats-to-quadruple-by-2017>



FASTEST-GROWING U.S. METRO AREAS



**TILE, MARBLE OR STONE 86.6%**

**ENGINEERED (FLOATING) 3.5%**

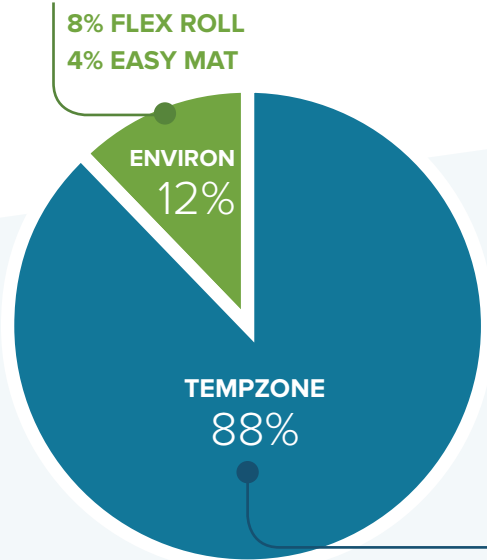
**CARPET 2.6%**

**WOOD (NAILED) 1.7%**

**LAMINATE 1.7%**

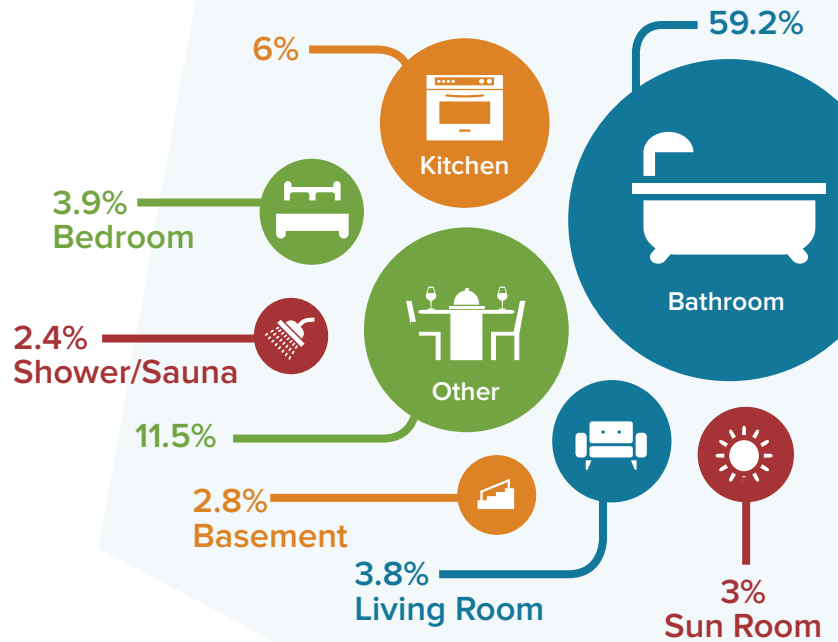
**WOOD (GLUED) 1.5%**

**TOP SELLING FLOORING TYPES FOR FLOOR HEATING**



**TOP SELLING FLOOR HEATING SYSTEM**

**FLEX ROLL 76%**  
**EASY MAT 5%**  
**CABLE 6%**  
**CUSTOM MAT 2%**



**TOP SELLING ROOMS FOR FLOOR HEATING**