

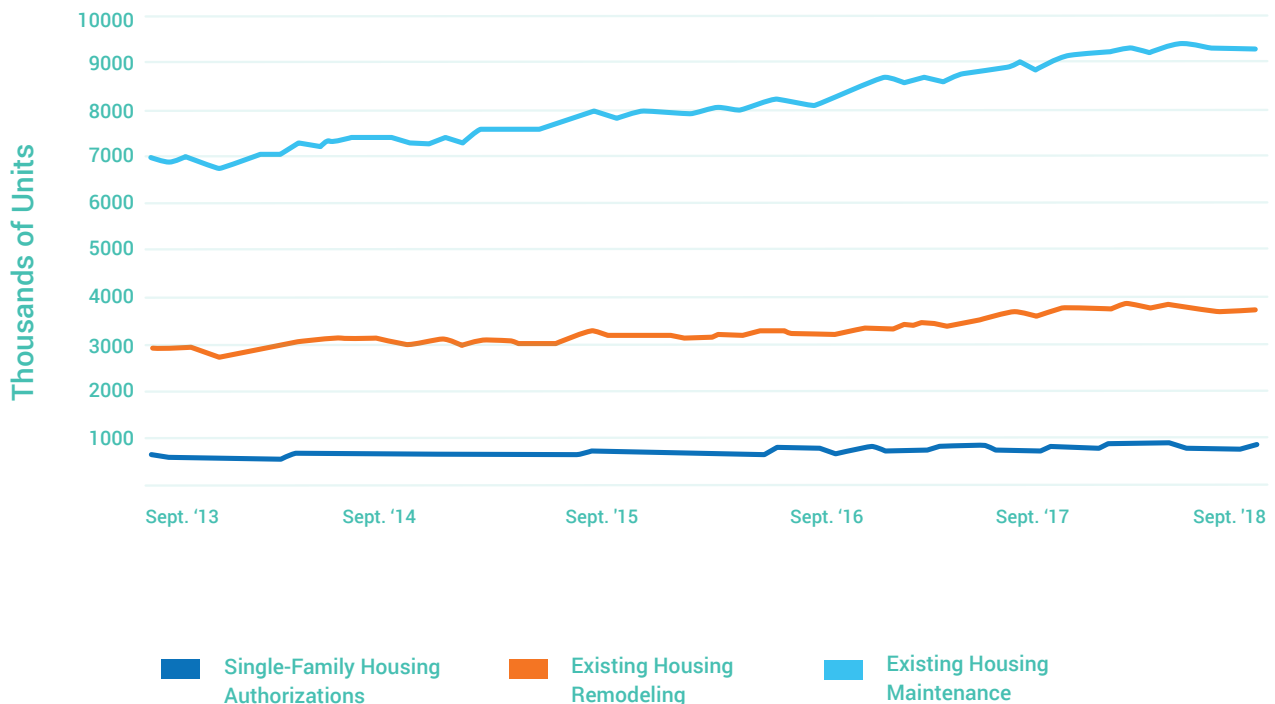
BuildFax Housing Health Report

A sharp spike in maintenance activity sees direct impact from 2017 hurricane season

SEPTEMBER 2018

BuildFax has leveraged its proprietary database of property condition and history data to present three major economic indicators for the housing market: single-family housing authorizations, existing housing maintenance and existing housing remodeling.

BUILD FAX HOUSING HEALTH TRENDS



KEY FINDINGS

BuildFax research revealed the annual rate of single-family housing authorizations picks up pace, while the annual rate of single-family housing starts begins to slow in September.

Existing U.S. housing maintenance project volume and spend are still showing annual rate increases at progressively larger margins. However, the pace of remodeling – a subset of maintenance that includes renovations, alterations, and additions to a structure – has shown for a third month in a row that it is leveling out after a few years of steep increases. Gains in remodel and maintenance spend demonstrate continued improvements to the health of the existing

housing supply as homeowners look to maintain their properties instead of investing in new homes.

"Typically, we see dips in maintenance and remodeling activity immediately following a natural disaster, as we saw in Florida following Hurricane Irma, which caused \$10 billion in insured losses. Irma's impact on Florida in September 2017 directly contributed to last month's 5.06 percent increase in maintenance activity," said BuildFax COO Jonathan Kanarek. "Hurricane Harvey is a different story. Harris County's non-traditional permitting strategies spiked maintenance activity shortly after landfall. This will likely impact remodeling and maintenance activity well into 2019 and we'll be tracking these trends in depth over time." See In-Depth section below for added context.

NEW HOUSING SUPPLY

- Single-family housing authorizations increased at a seasonally adjusted rate of 3.20% from August to September of 2018
- Single-family housing authorizations in September 2018 increased at a seasonally adjusted annual rate of 10.91% over September 2017

EXISTING HOUSING MAINTENANCE


- The annual rate of housing maintenance volume increased 5.06%
- In September 2018, housing maintenance spend increased at a year-over-year rate of 18.14% from September 2017

EXISTING HOUSING REMODELS

- The annual rate of remodel volume has increased 2.39%
- In September 2018, remodel spend increased at a year-over-year rate of 15.96% from September 2017

THIRD-QUARTER LOOKBACK

	Change Compared to Q3 2017	Change Compared to Q2 2018
Maintenance	4.35%	-0.87%
Remodeling	1.70%	-1.77%

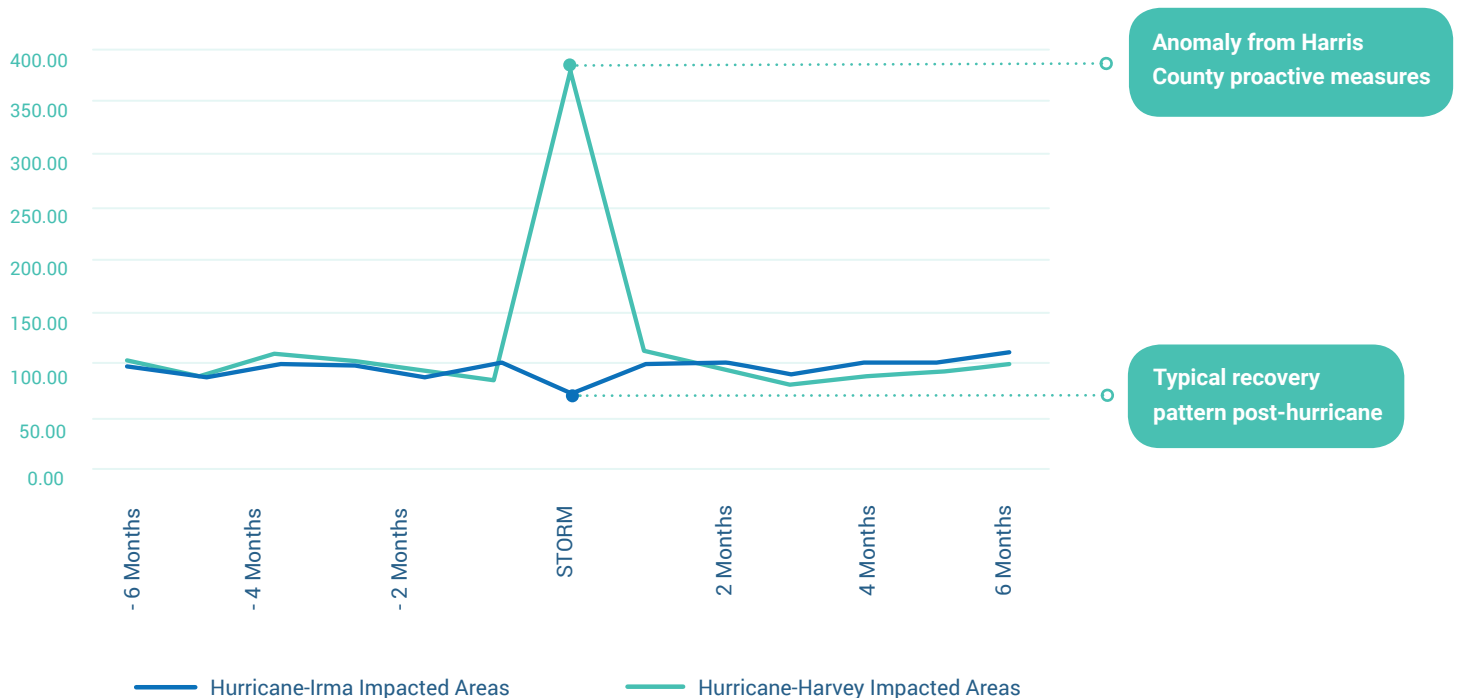


IN-DEPTH: HURRICANE HARVEY RECOVERY

We noticed an anomaly in BuildFax data stemming from Hurricane Harvey, which impacted the greater Houston area in 2017. Further investigation revealed the spike was due to authorities in Houston's Harris County travelling to affected areas and flagging properties that suffered damage due to the storm. This process was implemented to designate impacted properties as eligible for FEMA funding.¹ Harris County flagged tens of thousands of properties in September and October 2017, which manifested as a drastic spike in maintenance and remodeling activity, displayed below. This instance is unique. Traditionally, as with Irma, we see a noticeable drop in maintenance and remodeling activity in the month a hurricane makes landfall. We salute the efforts of Harris County to adopt innovative techniques in easing hurricane recovery, however these records do not represent true maintenance activity or repairs, but rather a high-level assessment of damage. As a result, we are excluding these records from the *BuildFax Housing Health Trends* graph and key findings above to avoid skewing the data.

“One of our core principles at BuildFax is to ensure our data and insights accurately represent construction records,” said BuildFax Director of Production Mike Carpenter. “Specifically, we strive to validate permit records with actual work completed – a hammer was swung. In this case, upon further examination we have determined that these permit records do not indicate actual work was performed during this timeframe on these Harris County properties. Although this set of records does not meet our 'work performed' standard, the high-level assessment of damage at these properties is incredibly critical in determining the long-term health of Harvey-impacted properties. As a company, we are dedicated to following the post-Harvey reconstruction process as it unfolds in the years to come.”

MAINTENANCE ACTIVITY PRE- AND POST- 2017 HURRICANES



1 Harris County Residential Debris & Damage Assessment

ABOUT BUILDFAX

BuildFax, headquartered in Austin, Texas, is trusted by the largest insurance and financial institutions in the world to deliver business-critical property condition and history data. With the only database of its kind encompassing more than 23 billion data points on commercial and residential structures, BuildFax delivers detailed data on remodeling, solar installations, new construction, roof age, major systems, maintenance history and more. To learn more about BuildFax, visit www.buildfax.com.

METHODOLOGY

BuildFax conducted this study by examining properties in the U.S. between the years 2013 and 2018. The statistics in this report are calculated using sampled data from across the U.S. All data is seasonally adjusted and imputed to reflect numbers representative of the entire country. Due to historical revisions made by permitting authorities, the data is subject to change. Estimates are as of October 8, 2018.