



● INDUSTRY REPORT

Painting & Wall Covering Contractors

NAICS: 238320

SIC: 1721

prepared September 30th, 2023

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Table of Contents

1. [Current Conditions](#)
2. [Industry Structure](#)
3. [Geographic Breakdown](#)
4. [How Firms Operate](#)
5. [Industry Trends](#)
6. [Credit Underwriting and Risks](#)
7. [Industry Forecast](#)
8. [Working Capital](#)
9. [Capital Financing](#)
10. [Business Valuation](#)
11. [Financial Benchmarks](#)
12. [Bank Product Usage](#)
13. [Quarterly Insight](#)
14. [Industry Terms](#)
15. [Web Links](#)
16. [Related Profiles](#)

Current Conditions

Recent Developments ([Expand All](#) / [Collapse All](#))

Sep 15, 2023 -- Nonresidential Projects Drive Construction Spending Growth

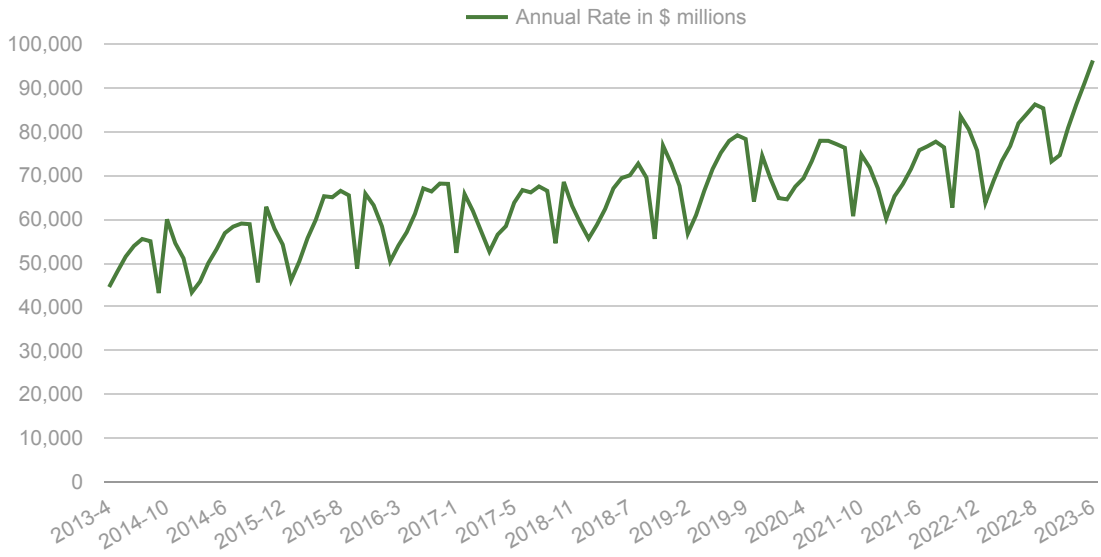
- Nonresidential and residential construction spending have posted steady growth in 2023. However, while nonresidential spending was up year-over-year in mid-2023, residential spending was down over the same period as high interest rates and home prices have curbed demand. Producer prices for manufacturers of paint, coatings, and adhesives have remained flat in 2023 but, by midyear, were up slightly compared to a year earlier. However, painting and wall covering contractors' materials costs are up significantly compared to pre-pandemic levels. Job growth in the painting and wall covering contracting industry has been steady in 2023, and by midyear, seasonal peak employment was on par with a year earlier. Painting and wall covering wages saw nominal growth so far in 2023, but at midyear, they were flat compared to a year earlier.
- Single-family home sizes increased during the pandemic as families sought more space for activities like working and learning remotely. However, rising interest rates and higher housing costs have since reversed the trend, according to National Association of Home Builders analysis of US Census Bureau data. In the second quarter of 2023, the median size of a new, privately-owned, single-family home was 2,191 square feet. That's down nearly 6.2% from a pandemic-era high of 2,335 square feet in the fourth quarter of 2021. Second-quarter 2023 median single-family square footage was the lowest since the end of 2010.
- The Dodge Momentum Index (DMI) decreased 6.5% in August 2023 to 178.0 (2000=100), down from the revised July reading of 190.3. The Momentum Index is a monthly measure of the first (or initial) report for nonresidential building projects in planning, which has been shown to lead construction spending for nonresidential buildings by a full year. On a monthly basis, the institutional planning component dropped by 14.8%, and commercial fell by 1.6%. Institutional planning weakened amid a drop in education and healthcare projects. In the commercial segment, stronger hotel planning activity helped partially offset weakness in the office market. Dodge's associate director of forecasting, Sarah Martin, said, "Overall activity remains above historical norms, but weaker market fundamentals continue to undermine planning growth. It's likely that the full year of tightening lending standards and high interest rates has begun to affect institutional planning, which has otherwise been resistant to these market headwinds. Also, planning in the sector continues to revert from the strong spike in activity back in May. As we move into the final four months of 2023, both commercial and institutional planning will continue to be constrained."
- The NAHB/Westlake Royal Remodeling Market Index (RMI) reading for the second quarter of 2023 was 68, down 2 points from the first quarter of 2023, according to a July report by the National Association of Home Builders (NAHB). Any RMI reading over 50 indicates that most remodelers feel market conditions are good. In the first quarter, the Current Conditions Index portion of the RMI rose two points from Q1 2023 to 77. The Future Indicators Index component of the RMI fell four points to 60 over the same period. The NAHB noted that although high borrowing costs and inflation continue to pose challenges, remodeling growth will continue in 2023 but at a slower pace than in 2022.

Revenue and Demand Drivers

Nonresidential construction spending rose from a year ago

Nonresidential construction spending was at a seasonally adjusted annual rate of \$96 billion in June, a 17.5% change compared to a year ago and a 5.6% change from the previous month, according to the latest data from the Census Bureau.

NONRESIDENTIAL CONSTRUCTION SPENDING

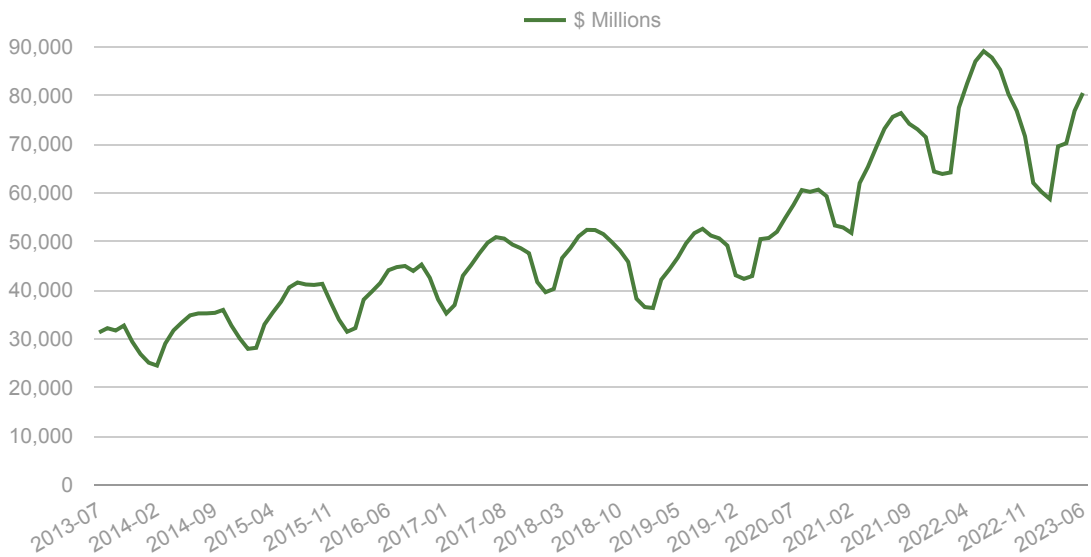


Source: Census Bureau

Residential construction spending fell from a year ago

Residential construction spending was at a seasonally adjusted annual rate of \$80 billion in June, a -9.66% change compared to a year ago and a 4.76% change from the previous month, according to the latest data from the Census Bureau.

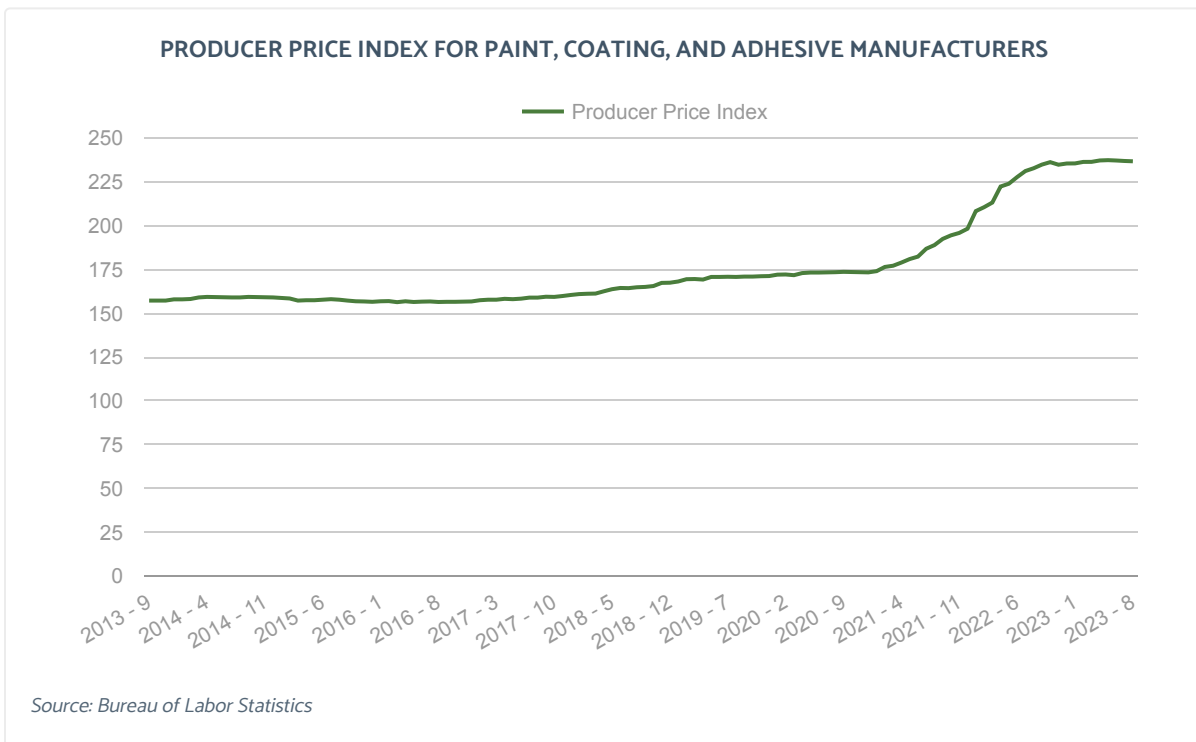
RESIDENTIAL CONSTRUCTION SPENDING



Source: Census Bureau

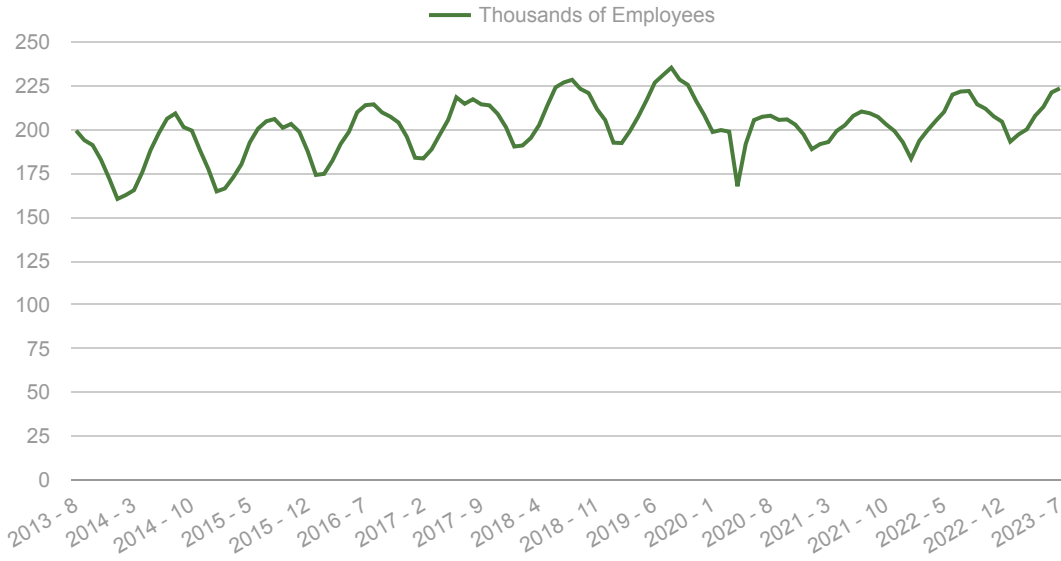
Pricing and Input Costs

Producer Prices for paint, coating, and adhesive manufacturers rise – The Producer Price Index for paint, coating, and adhesive manufacturers changed 1.71% in August compared to a year ago, according to the latest data from the Bureau of Labor Statistics.



Employment by painting and wallcovering contractors increases – Overall employment by painting and wallcovering contractors changed 0.8% in July compared to a year ago, according to the latest data from the Bureau of Labor Statistics.

PAINTING & WALL COVERING CONTRACTORS EMPLOYMENT



Source: Bureau of Labor Statistics

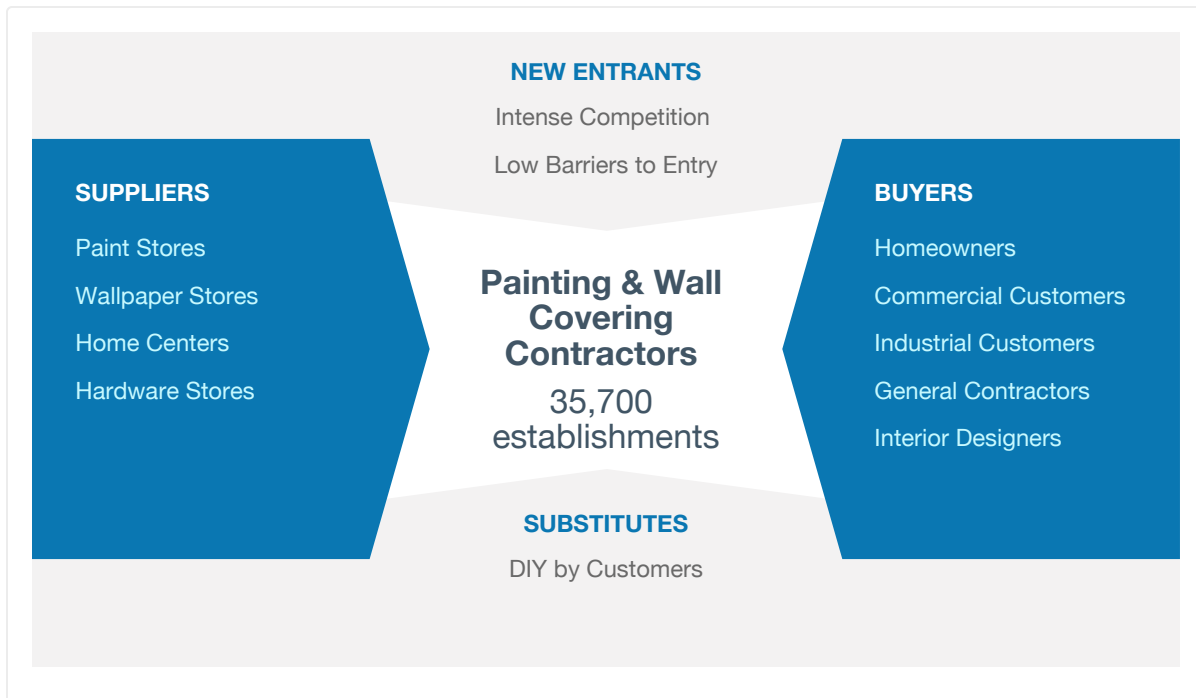
Wages at painting and wallcovering contractors rise – Average wages for nonsupervisory employees at painting and wallcovering contractors were \$27.03 per hour in July, a 1.4% change compared to a year ago.

AVERAGE WAGES FOR NONSUPERVISORY EMPLOYEES



Source: Bureau of Labor Statistics

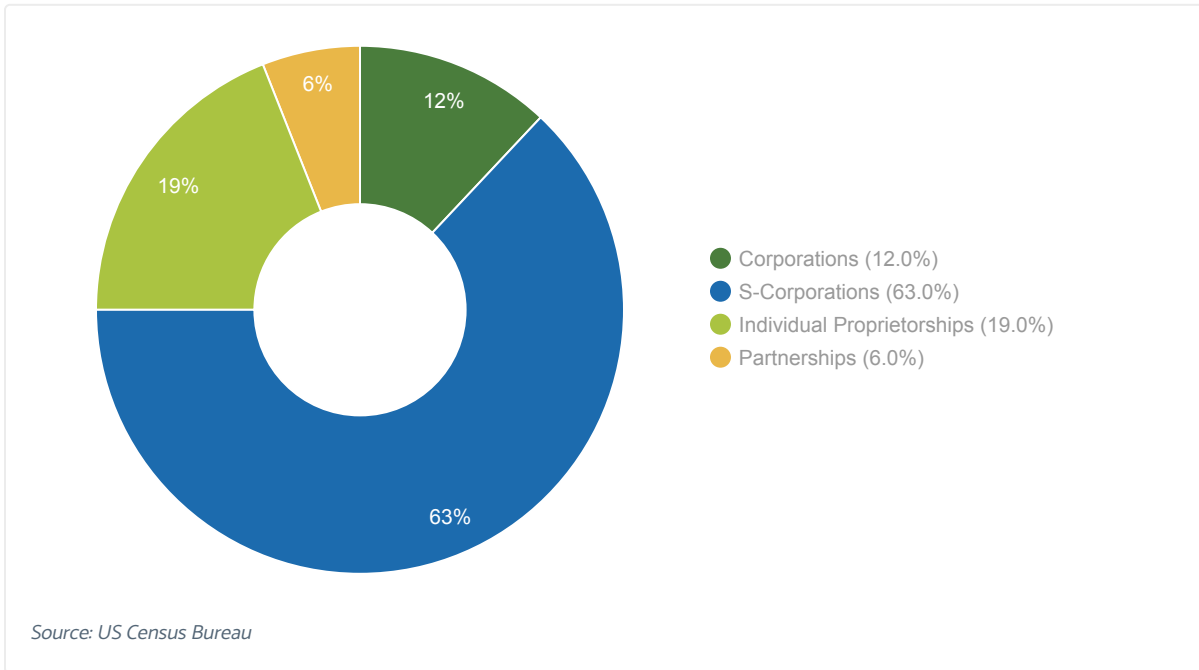
Industry Structure



The average paint and wall covering contractor operates out of a single location, employs 6 workers, and generates about \$700,000 annually.

- The paint and wall covering contractor industry consists of about 35,700 establishments that employ about 207,600 workers and generate about \$25 billion annually.
- The industry is highly fragmented; the majority of firms are small, independent operators. Many painting and wall covering contractors are self-employed.
- Large companies, such as the Brock Group, offer industrial painting as part of a larger portfolio of services.

Industry Demographics



Female Owned

13.0%

Source: Census Bureau



Minority Owned

32.0%



Veteran Owned

10.7%

Geographic Breakdown

STATE	NUMBER OF ESTABLISHMENTS	% OF TOTAL US ESTABLISHMENTS	ANNUAL CHANGE Q1-2022 VS. Q1-2023	% CHANGE Q1-2022 VS. Q1-2023
Alabama	369	0.9%	22	6.3%
Alaska	112	0.3%	7	6.7%
Arizona	712	1.7%	29	4.2%
Arkansas	194	0.5%	17	9.6%
California	5131	12.2%	184	3.7%
Colorado	1165	2.8%	43	3.8%
Connecticut	484	1.1%	5	1.0%
Delaware	140	0.3%	5	3.7%
Florida	5570	13.2%	143	2.6%
Georgia	881	2.1%	-102	-10.4%
Hawaii	237	0.6%	0	0.0%
Idaho	651	1.5%	62	10.5%
Illinois	1633	3.9%	47	3.0%
Indiana	715	1.7%	2	0.3%
Iowa	292	0.7%	3	1.0%
Kansas	346	0.8%	8	2.4%
Kentucky	387	0.9%	12	3.2%
Louisiana	389	0.9%	22	6.0%
Maine	260	0.6%	-7	-2.6%
Maryland	672	1.6%	-35	-5.0%
Massachusetts	1394	3.3%	32	2.3%
Michigan	1030	2.4%	97	10.4%
Minnesota	750	1.8%	25	3.4%
Mississippi	142	0.3%	1	0.7%
Missouri	691	1.6%	45	7.0%
Montana	330	0.8%	35	11.9%
United States	42196	100.0	974	2.4%

STATE	NUMBER OF ESTABLISHMENTS	% OF TOTAL US ESTABLISHMENTS	ANNUAL CHANGE Q1-2022 VS. Q1-2023	% CHANGE Q1-2022 VS. Q1-2023
Nebraska	325	0.8%	-12	-3.6%
Nevada	246	0.6%	-26	-9.6%
New Hampshire	220	0.5%	3	1.4%
New Jersey	990	2.3%	6	0.6%
New Mexico	171	0.4%	2	1.2%
New York	2553	6.1%	-70	-2.7%
North Carolina	1285	3.0%	109	9.3%
North Dakota	119	0.3%	2	1.7%
Ohio	1090	2.6%	38	3.6%
Oklahoma	335	0.8%	8	2.4%
Oregon	1187	2.8%	59	5.2%
Pennsylvania	1176	2.8%	9	0.8%
Rhode Island	218	0.5%	11	5.3%
South Carolina	456	1.1%	-20	-4.2%
South Dakota	140	0.3%	10	7.7%
Tennessee	430	1.0%	23	5.7%
Texas	1514	3.6%	34	2.3%
Utah	708	1.7%	29	4.3%
Vermont	184	0.4%	8	4.5%
Virginia	1117	2.6%	83	8.0%
Washington	2136	5.1%	-13	-0.6%
West Virginia	94	0.2%	-7	-6.9%
Wisconsin	707	1.7%	-8	-1.1%
Wyoming	118	0.3%	-6	-4.8%
United States	42196	100.0	974	2.4%

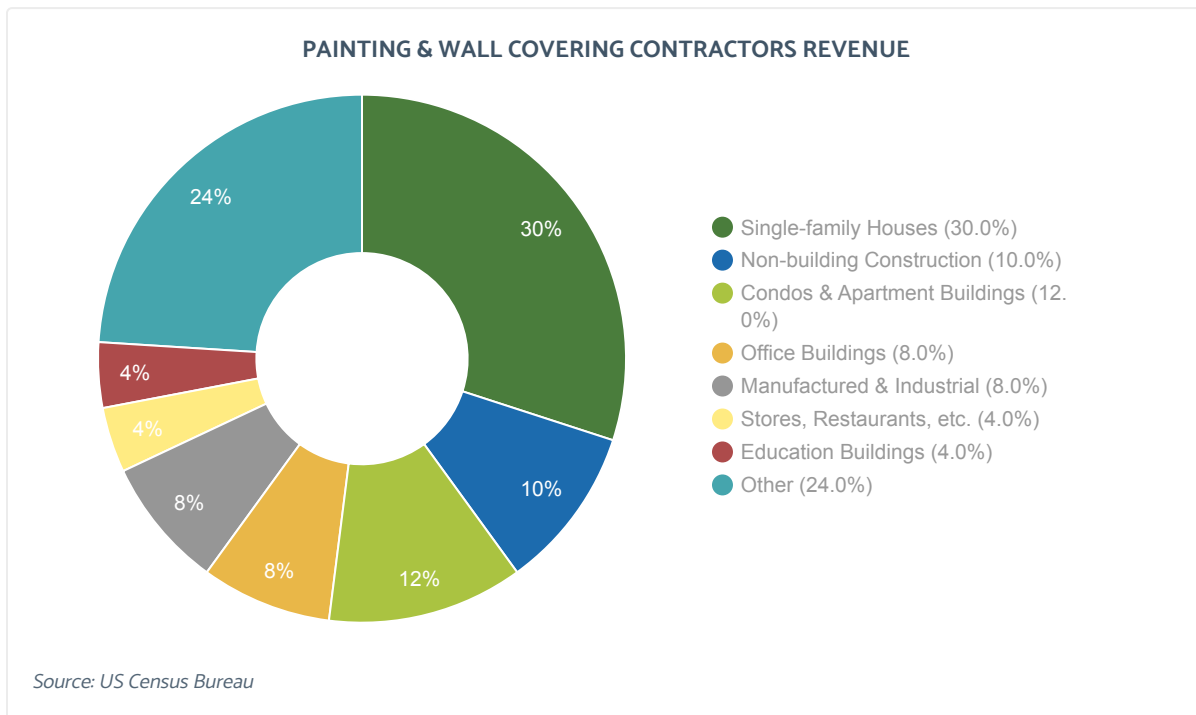
Source: Bureau of Labor Statistics

How Firms Operate

Products and Operations

Companies apply paint, stain, coatings, and wall coverings to walls, buildings, bridges, and other structures.

- Companies provide services to single family homes, non-building construction (bridges, highways, ships), office buildings, apartment buildings, stores, restaurants, gas stations, manufacturing and industrial facilities, educational buildings, and health care and institutional buildings.
- Companies may specialize in a particular type of application, such as residential, industrial, or decorative painting.
- Other services include pressure washing, deck finishing, wood staining, drywall finishing, and exterior waterproofing/sealing.



Companies typically prepare bids for work based on the amount of space that needs painting or covering. Preparation may include protecting floors and furniture with drop cloths or tarps, removing fixtures, filling holes and cracks with putty or plaster, and erecting scaffolding or ladders to reach high spots. Some surfaces require primers or sealers so paint or wallpaper will adhere. Painters use brushes, rollers, or sprayers to apply paint. Companies may have to strip old wallpaper or paint before applying new coverings.

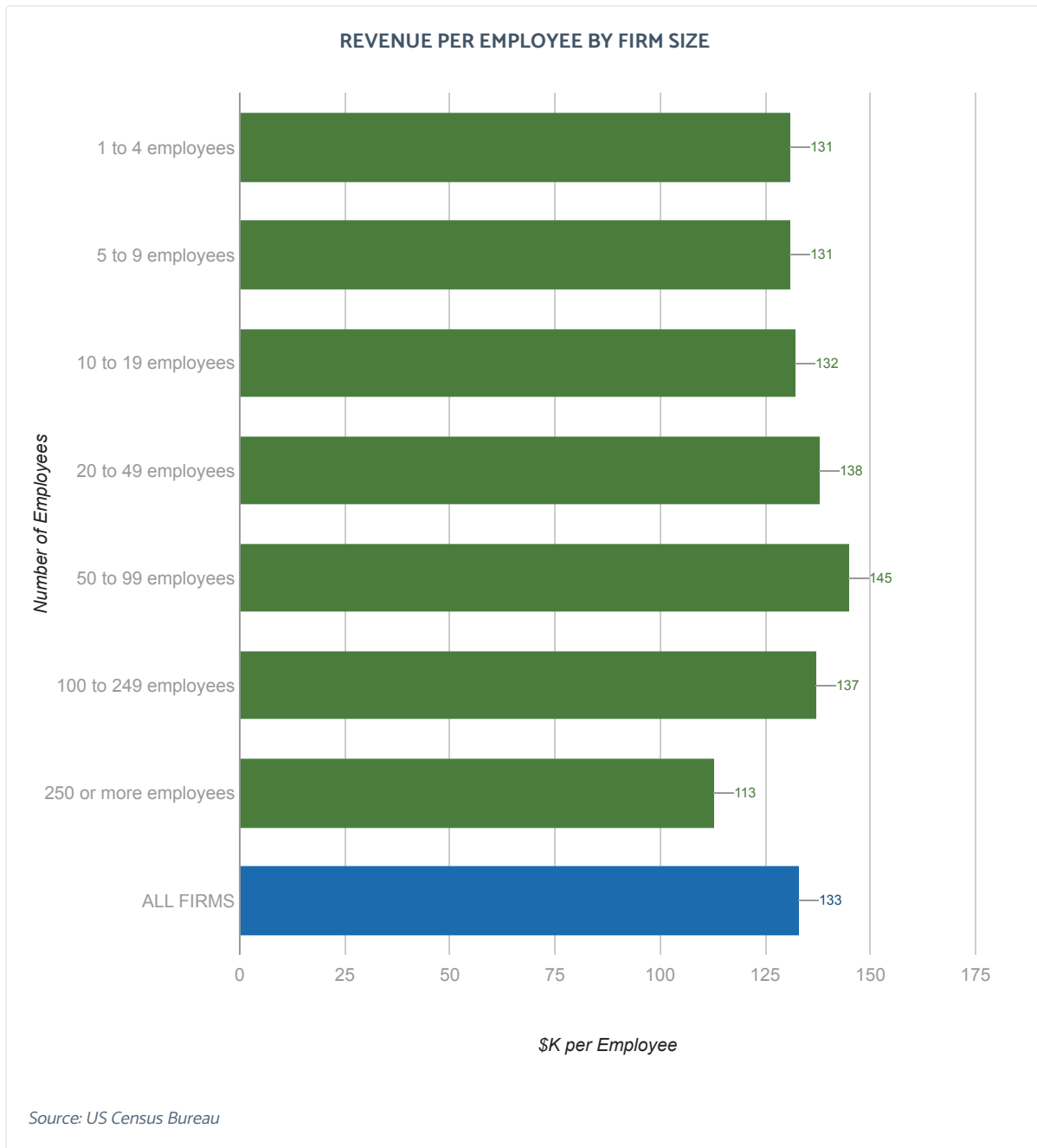
Industrial projects are often driven by the need to prevent corrosion and deterioration. Protective coatings can prolong the life of structures, such as storage tanks and bridges. Industrial painters use specialized safety equipment, such as special chairs and harnesses, to paint large structures. Jobs may require using abrasives to remove rust and chemicals prior to painting. Powder coating involves applying an electrostatic charge and heat to dry paint, and requires specialized equipment.

Types of wallpaper include vinyl coated, coated fabric, paper backed vinyl, fabric backed vinyl, solid vinyl, and paper. Wallpaper may be scrubbable, stain resistant, colorfast, peelable, or strippable. Although sold in single rolls, most wallpaper is packaged as double or triple rolls to provide more material. Pattern matching during application requires

some degree of skill.

Referrals are an important source of new business. Companies may rely on general contractors or interior designers to incorporate painting and wall covering services as part of larger construction or design projects. Paint stores are also a good source of referrals. Marketing and promotional vehicles include local print and newspaper advertising, direct mail, and Internet/email programs.

Workers generally require little to no formal training, and often learn on the job. Because construction-related projects can be cyclical, many companies rely on part-time workers. In some areas, painters belong to unions. To keep costs low, some contractors hire undocumented workers.



Profit Drivers

Growing Project Volume

Painting and wall covering contractors rely primarily on referrals from customers, paint stores, and interior designers for new business. They also develop relationships with general contractors to secure business for new homes and buildings. To grow their project volume, many are also investing in local advertising, direct mail, and Internet marketing. Creating an online presence and working with contractor referral sites, such as Angie's List, is becoming more important as more consumers shop online for services.

Accurately Estimating Costs

Contractors submit bids for new projects and must accurately estimate the labor and material costs for the job in order to price it correctly. Underestimating costs can lead to unprofitable jobs, while overestimating may cause the contractor to lose the business. Contractors typically estimate the amount of labor and materials needed based on the square footage of the job, with adjustments for any special requirements. A clearly defined statement of work include with the bid can help avoid incurring added cost for new requirements that arise during the job.

Efficiently Scheduling Crews

Paint and wall covering contractors increase revenue and profits by working on multiple jobs at the same time. Keeping projects on track requires efficient scheduling of workers and timely delivery of paint and wall coverings. Schedules for interior jobs are more predictable than exterior jobs, where weather delays can idle crews and postpone completion dates. Since workers can often cover multiple jobs in the same day, firms often seek to secure jobs in the same neighborhood through yard signs, marketing flyers and door-to-door canvassing.

Industry Trends

Housing Market Strengthens

Along with the economy, the housing market has improved. New single-family home sales increased 12% in 2016, 9.3% in 2017, 0.7% in 2018, 10.7% in 2019 and 19.3% in 2020. Existing home sales rose 3.8% in 2016 and 1.1% in 2017, fell 3.1% in 2018, were flat in 2019, then rose 5.6% in 2020. Sales have been stifled somewhat by limited housing inventory that has driven up home prices, according to the National Association of Realtors (NAR). Low interest rates have helped the residential real estate market, but tight lending can depress sales volume growth. Home sales are an important factor in driving demand for paint and wall covering services.

Green Painting Technology

Increasing concern over the environment and the emission of volatile organic compounds (VOC) during the painting process has led the industry to create more eco-friendly options. While considered hazardous to human health at high levels, VOCs are a critical component of paint that helps with the curing and adhesion process. Painting contractors can select low toxicity, low-emitting paints certified through third parties. In addition, adjustments to the painting process, such as good ventilation and odor assessments, help ensure a healthier indoor environment. Removal of carpets and furniture prior to painting can also minimize absorption of emissions.

Paint Prices Rise

Compounding competitive pressure to keep prices low, paint contractors have been dealing with steadily increasing costs for paints and coatings over the last decade. Manufacturer's prices for paint and coatings increased 49% in the last decade. Prices for oil, a key input for many paint and coating raw materials, were trending higher before Russia's invasion of Ukraine in February 2022. The war reduced global oil supplies which pushed prices even higher. Producer paint and coating prices rose 23.1% in 2022 over 2021.

Wallpaper Revival

Interest in wallpaper is growing, driven by new products and technology. For years, consumers had shied away from wallpaper in favor of paint, which is easier to change. New products, including organic and wood tones, custom wallpaper, laser engraved and textured wallpaper, and noise reduction papers, are rejuvenating sales. Three-dimensional wallpapers and designs that create movement are among the fastest growing segment of wallpapers, according to the Wallcoverings Association. Technology that makes wallpaper easier to apply and remove, lowers hurdles for consumers.

Paint Additives Evolving

Increasing environmental regulations have given rise to development of new paint additives which enhance performance, some of which are made with natural or renewable materials. Additives provide a range of benefits, including improving adherence, limiting mildew growth, and enhancing flow characteristics. Micronized waxes can provide water repellency and moisture resistance. Other additives accelerate the drying process, which allows painting and coating contractors to operate faster.

Industry Indicators have moved to [Current Conditions](#)

Credit Underwriting and Risks



Business Exit Rates:	7.0	Higher than US average for all businesses
Cyclical Sensitivity:	6.5	High Sensitivity
Barriers to Entry:	6.5	Low initial capital; low regulatory/technical barriers; high concentration
External Risk:	5.0	Moderate external risk
Industry Outlook:	2.4	Higher than GDP;
Financial Summary:	3.5	Average margins; Very high liquidity; Low leverage

Key Metrics

METRIC	VALUE	COMPARISON
Business Exit Rate 2019–2020	11.52%	9.0% All Industries
Compound Annual Growth Forecast (2022–2027)	4.96%	4.30% GDP
SBA 7(a) Default Rate by Number of Loans (2010-2022)	5.52%	4.26% All Industries
SBA 7(a) Default Rate by Gross Loan Amount (2010-2022)	2.35%	1.36% All Industries

Underwriting Considerations

- Does the company have someone designated to track AR? Review a current AR Aging looking for concentrations and AR over 90 Days. Look at AR Day trends and compared to industry average.
- Labor is a primary expense. What is the company's track record with acquiring and retaining good staffing?
- What are the company GPM trends and compared to industry average? Is the company generating a surplus of cash flow? A cash flow cushion is helpful during cyclical periods.
- Also, compare the company leverage and liquidity to the industry averages. A sound balance sheet helps a company manage through economic turns.

Industry Risks

Dependence On The Construction Industry And Economy

Demand for painting and wall covering services is closely tied to the health of the construction industry, which is

influenced by the state of the economy. About 40% of the value of construction work comes from new construction, 26% from maintenance and repair, and 24% from additions, alternations, or reconstruction. During the last recession, companies dependent on new construction experienced severe drops in demand and turned to remodeling, maintenance, and repair work. As a result, competition in the latter segments increased, forcing many contractors to bid lower than they would have liked.

Risk Of Injury And Illness

Workers are constantly working at heights that require ladders, scaffolding, lifts, or harnesses. Because industrial jobs may involve extreme heights or exposure to hazardous materials in confined space, painters face an increased risk of injury. In addition to falls, workers may suffer from muscle strains related to lifting and exposure to irritants, such as plaster dust. The lingering presence of lead paint in older structures has led the EPA to require special contractor certification to minimize the dispersal of lead from sanding or painting preparation.

Seasonality

In many parts of the country, sales for exterior painting services are seasonal. Demand is typically highest during the spring and summer months. In some cases, demand exceeds supply, with contractors turning down or delaying jobs due to heavy backlogs. Many companies must hire seasonal help to fulfill commitments. Demand for exterior painting drops during the winter, simply because extremely cold, snowy, or rainy weather is not conducive to outdoor painting.

Competition From DIY Customers

Residential customers may opt to paint or put up wallpaper in lieu of outsourcing to save money. Paint and wallpaper application requires few skills, and most inexperienced consumers can generally master the process with a little practice. By providing “free” labor, consumers only cover the cost of materials. Because industrial paint projects can be more complex and involve government safety regulations, many industrial clients prefer to hire experienced contractors versus performing work internally.

Company Risks

Dependence On General Contractors

Some paint and wall covering contractors are heavily dependent on general contractors (GC) for the majority of sales. While GCs can provide a steady stream of work, a variety of problems can compromise business and affect sub-contractors. Personality conflicts or disputes over pricing may encourage GCs to switch contractors. With heavy competition within the paint and wall covering services industry, GCs can switch providers relatively easily and reduce costs.

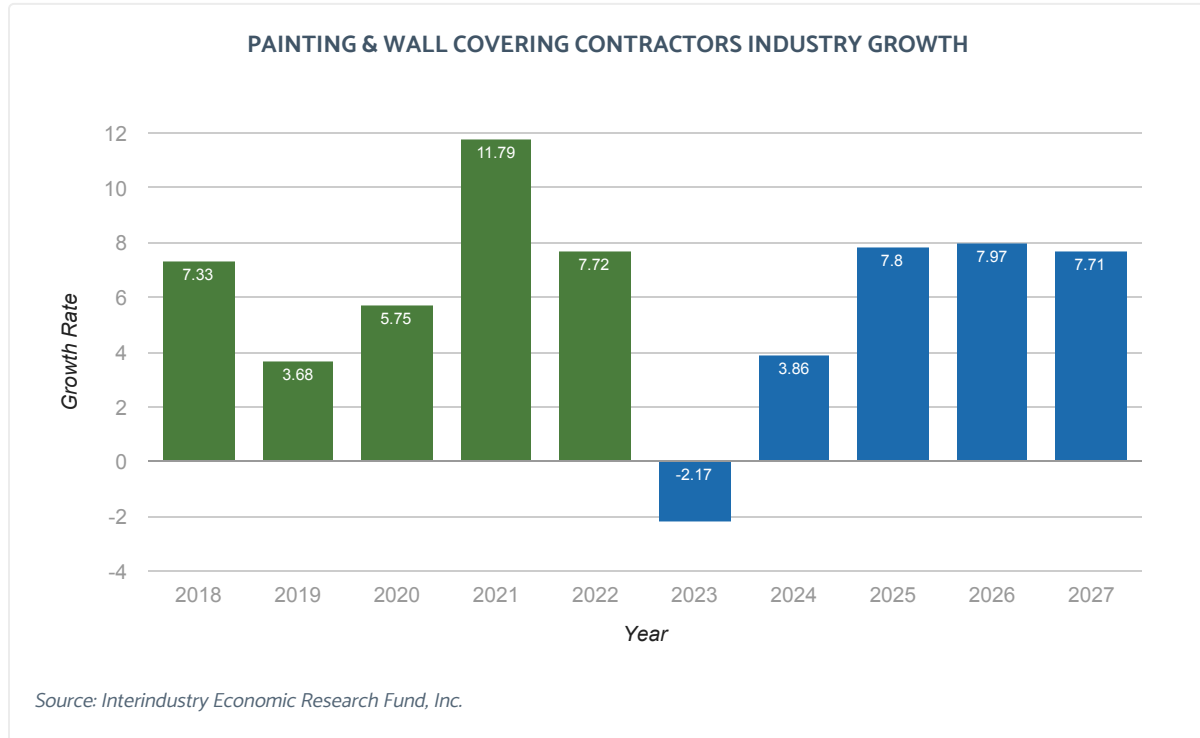
Maintaining An Adequate Workforce

Because of the cyclical nature of construction work, companies may have difficulty maintaining an adequate workforce. During peaks, paint and wall covering contractors often experience staffing shortages and may employ inexperienced workers to help fulfill demand. Off-peak, companies may struggle to keep crews busy and prevent staff from seeking employment elsewhere.

Industry Forecast

Sales for the US painting and wall covering contractors industry are forecast to grow at a 4.96% compounded annual rate from 2022 to 2027, faster than the growth of the overall economy.

Last Update: August 2023



Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.

Construction Sector Forecast

The sector forecast discusses the outlook, trends, and data that contains this industry.

Forecast Outlook

Inflation-adjusted GDP gained 5.9% in 2021 and 2.1% in 2022. GDP may decelerate further, to about 1.5% in 2023 and 0.6% in 2024. In the longer run, real GDP will sustain average growth of about 2.0% annually. Inflation likely will continue to subside in coming years to satisfy the Federal Reserve target of 2.0%, though the pace of decline is uncertain. Many hope that higher global output and better freight transportation will continue to ease shortages and reduce prices for goods in short supply. These are important factors, but much also depends on the extent to which tighter monetary policy can control overall inflation without spurring recession. Midway through 2023, inflation rates remain elevated but seem to be declining, and real growth seems healthy despite vulnerabilities. Labor markets continue to adjust, with more people seeking and holding jobs and with workers moving to industries that need them most. This rebalancing is key to relieving shortages in labor markets that drove rapid wage growth and boosted production costs. Greater availability of workers also allows firms facing high demand to expand production and thus relieve price pressure for goods and services in short supply.

Residential – The housing supply (the ratio of new houses for sale to houses sold) reached its lowest point on record in Q3 2020; it then increased substantially, but homeowner and rental vacancy rates remain low. Though starts remain relatively high, the pace of construction recently subsided and real spending dropped sharply; spending fell about 10.7% in 2022. Rising mortgage interest rates, high materials prices, and labor shortages could cause further slowing. Still, recovering real disposable income following steep decline in 2022, together with subsiding inflation and improving supplies of labor and materials, will support stronger investment activity in years ahead. If inflation can be controlled effectively in 2023 without spurring recession, so that employment continues to rise, then households could continue to drive economic growth. Higher real disposable income, together with subsiding inflation and improving supplies of labor and materials, ultimately will support stronger residential investment growth in years ahead, but residential construction spending may decline at double-digit rates again in 2023.

Nonresidential – Higher household spending drives higher sales that encourage businesses to invest in capital equipment, facilities, and intellectual property. Nonresidential fixed investment was mixed over the past two years; equipment and intellectual property investment rose rapidly in 2021 and 2022 while nonresidential construction spending fell. Overall spending rose 6.4% in 2021 and 3.9% in 2022 following a fall of 4.9% in 2020. Nonresidential investment may rise slowly, about 1.6% in 2023 and 0.7% in 2024, before gaining strength. After dropping 10.1% in 2020, real spending for nonresidential structures slid another 6.4% in 2021, with partial recovery of energy exploration offset by weakness in other major components. Spending fell another 6.6% in 2022, but significant improvement came in Q4 2022 and H1 2023. Recovery ultimately will depend on changes in consumer and business practices, as remote work and online shopping currently limit demand for office and retail structures. Private spending on equipment dropped 10.5% in 2020 and rose 10.3% in 2021 and 4.3% in 2022; spending may slip about 2.1% in 2023 before gaining 0.9% in 2024. Investment in intellectual property products, including software, research and development, and other intangible assets, rose 4.8% in 2020, 9.7% in 2021, and 8.8% in 2022; it may rise by about 3.9% in 2023 and 1.0% in 2024.

President Biden signed a \$1 trillion infrastructure bill in November 2021 that includes over \$100 billion for roads and bridges, about \$90 billion in funding for public transportation (e.g., buses and rail), and over \$65 billion to upgrade the nation's power infrastructure. The White House estimates the infrastructure bill will support more than 700,000 jobs per year. A substantial increase in infrastructure spending could provide much-needed repairs, improvements, and modernization to transportation systems that will improve efficiency for American businesses. In addition, the CHIPS (Creating Helpful Incentives to Produce Semiconductors for America) Act provides \$52 billion in subsidies and tax credits to support U.S. manufacturing, R&D, and workforce development, while the \$750 billion Inflation Reduction Act supports domestic production of wind, solar, and battery technologies. These programs may support construction spending on manufacturing facilities, together with investment in energy production and distribution structures. This could reduce the America's reliance on foreign nations while facilitating a transition to clean energy technologies. If crafted and implemented effectively, these types of legislation could simultaneously fortify U.S. supply chains, create American jobs by improving competitiveness, and reduce trade dependence with geopolitical rivals.

Recent Trends

The precipitous decline in the first half of 2020 upset years of economic growth and rising employment. The U.S. economy proved resilient, and recovery came rapidly though unevenly. After real (inflation-adjusted) GDP (2012\$) fell 2.8% in 2020, it expanded 5.9% in 2021 and 2.1% in 2022. Still, the economy decelerated in 2022, and GDP fell slightly in the first half before strengthening. Prices accelerated in 2021, with levels rising rapidly through the second half of the year. Inflation continued to rise through the first half of 2022 before generally subsiding. Prices were boosted by aggressive fiscal and monetary policies in 2020 and 2021, with additional pressure caused by supply chain disruptions and war in Ukraine. GDP inflation averaged 7.0% and PCE inflation 6.2% in 2022. GDP inflation reached 9.0% SAAR (Seasonally Adjusted Annual Rates) in Q2 2022, forcing substantial tightening of monetary policy that led interest rate yield curves to invert and residential investment to slow sharply. Even so, real GDP expanded more than 2.0% SAAR in H1 2023, and the net effect was a level in Q2 2023 6.2% higher than in Q4 2019. Labor markets collapsed in 2020, elevating unemployment rates from 3.5% in December 2019 to 14.7% in April 2020 before they subsided to 3.6% in June 2023. Payroll employment fell 21.9 million between February 2020 and April 2020. Despite the reported contraction of GDP in H1 2022, payroll jobs rose by 4.8 million in 2022 and another 1.7 million in H1 2023; by June 2023, payroll jobs rose 3.8 million above the pre-

pandemic level.

Residential – Despite disruptions during the lockdown, housing starts rose from 1.29 million units in 2019 to 1.38 million in 2020 and 1.60 million in 2021. Housing starts then peaked in April 2022, reaching 1.80 million units SAAR (the fastest pace since April 2006), before dropping as mortgage interest rates rose; 1.55 million homes were started in 2022, and 1.42 million SAAR were started in H1 2023. Real residential investment spending showed similar patterns, with a 1.0% decline in 2019 followed by 7.2% growth in 2020 and 10.7% expansion in 2021. In the face of high materials prices, labor shortages, and climbing mortgage interest rates, residential investment peaked in Q2 2021, well before the Fed began to raise interest rates; real spending fell 10.6% in 2022. Even with recent weakening, housing starts and investment levels remained moderately healthy relative to norms following the Great Recession; Q2 2023 investment levels were higher than those seen between Q1 2008 and Q4 2015, but substantial gains since 2015 recently were lost.

Nonresidential – Spending on nonresidential structures declined sharply in the first three quarters of 2020, including a collapse in Q2, with a brief respite coming in Q4 2020 and Q1 2021. Declines resumed through Q3 2022, even as most other sectors began to recover, but spending then rose abruptly in Q4 2022 through Q2 2023. This recent improvement cut losses to 16.9% for total real investment in nonresidential structures from Q4 2019 to Q2 2023. All major types saw substantial losses except manufacturing. In the first three quarters of 2020, the decline in mining exploration was the biggest cause of reduced total spending. Investment in this sector began to recover in Q4 2020 while construction spending continued to fall for other major sectors (investment was flat for manufacturing structures). Higher oil prices ultimately may support greater investment in the mining industry (still down 15.9% from Q4 2019 in Q2 2023), but a wider recovery is needed to boost nonresidential construction spending for stores, offices, and medical facilities (down 18.9% from Q4 2019); schools, hotels, churches, etc. (down 23.6%); and power and communications facilities (down 37.2%). Manufacturing facilities nonetheless saw significant gains of 40.5% since Q4 2019.

Macroeconomic Indicators

	History					Forecast				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<i>Nominal, Annual Growth Rates</i>										
GDP	5.4	4.1	-1.5	10.7	9.2	3.7	4.4	4.5	4.4	4.4
Personal Consumption	5.1	3.5	-1.9	12.7	9.2	4.0	4.2	4.2	4.1	4.0
Nonresidential Fixed Investment	7.4	4.9	-4.2	8.1	10.4	3.9	4.0	5.2	5.0	5.0
Structures	5.7	6.5	-8.9	-2.6	7.8	3.6	5.0	9.3	8.8	8.4
Equipment	6.7	1.4	-10.9	10.8	10.7	3.1	3.3	4.5	4.4	4.2
Intellectual Property	9.4	8.2	6.7	11.5	11.4	4.9	4.1	4.0	3.8	4.1
Residential Investment	5.0	1.8	10.8	23.0	1.7	-0.9	4.1	7.9	7.5	6.9
Exports	6.3	0.0	-15.4	18.2	17.4	4.0	4.0	6.2	5.5	5.9
Imports	7.0	-0.4	-10.9	22.5	16.2	2.6	3.8	4.7	4.8	4.9
Government Consumption & Investment	5.4	5.1	4.5	5.9	6.9	3.3	3.4	4.0	3.8	3.8
<i>Quantities, Annual Growth Rates</i>										
GDP	2.9	2.3	-2.8	5.9	2.1	-0.2	2.0	2.3	2.4	2.4
Personal Consumption	2.9	2.0	-3.0	8.3	2.8	0.6	1.8	2.0	1.9	1.9

	History					Forecast				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Nonresidential Fixed Investment	6.5	3.6	-4.9	6.4	3.6	0.0	2.6	4.1	3.9	4.0
Structures	4.1	2.3	-10.1	-6.4	-7.4	-2.3	2.7	6.9	6.5	6.0
Equipment	6.6	1.3	-10.5	10.3	4.3	-0.3	2.3	3.7	3.5	3.5
Intellectual Property	8.1	7.3	4.8	9.7	8.7	1.4	2.9	3.1	3.0	3.4
Residential Investment	-0.6	-1.0	7.2	10.7	-10.7	-6.4	1.9	5.8	5.6	4.9
Exports	2.8	0.5	-13.2	6.1	7.2	1.8	3.2	3.9	4.3	4.5
Imports	4.2	1.1	-9.0	14.1	8.1	-0.2	2.0	2.9	2.9	3.1
Government Consumption & Investment	1.7	3.3	2.6	0.6	-0.6	-0.6	0.6	1.4	1.3	1.4
<i>Prices, Annual Growth Rates</i>										
GDP	2.4	1.8	1.3	4.5	7.0	3.8	2.3	2.1	2.0	2.0
Personal Consumption	2.1	1.5	1.1	4.0	6.2	3.4	2.3	2.2	2.1	2.1
<i>Labor and Income</i>										
Real Disposable Income Growth	3.3	3.5	6.2	1.8	-6.4	1.6	3.3	3.1	2.2	2.1
Employment Growth	1.7	1.2	-5.4	2.5	3.7	0.3	0.8	0.6	0.4	0.4
Unemployment Growth	3.9	3.7	8.1	5.4	3.6	4.4	4.3	4.2	4.1	4.1
<i>Interest Rates</i>										
Treasury Bills, 3-Month	1.9	2.1	0.4	0.0	2.1	4.4	4.0	2.6	2.4	2.4
Treasury Bonds, 10-Year	2.9	2.1	0.9	1.4	3.0	3.8	4.2	3.2	3.1	3.2

Sector Components

- Residential building construction
- Nonresidential building construction
- Heavy and civil engineering construction (including utilities, highways/streets)
- Specialty trade contractor

Forecast Drivers

- Household income
- Production volume growth
- Government investment
- Interest rates

The Inforum LIFT Model

LIFT (Long-term Interindustry Forecasting Tool) is an interindustry-macro (IM) model of the U.S. economy. The model incorporates annual economic and demographic data from government statistical agencies, and relationships among the data are employed to simulate and to project economic developments. It is useful for forecasting and for addressing questions that involve interactions between industries and the interplay between industry and the macro economy.

The LIFT model provides historical data and forecasts for:

- **Sectoral detail** (121 commodities, 71 industries, 83 consumption categories) - Output, employment, value added, personal consumption, residential and nonresidential investment, government expenditures, exports, imports, and more.
- **Macroeconomic variables** - GDP, net exports, inflation, population, unemployment rate, household income, and more.

LIFT employs a "bottom-up" approach to macroeconomic modeling. This structure supports analysis of how changes in one industry, such as increased productivity or changing international trade patterns, affect related sectors and the aggregate quantities. In this way, the model works like the actual economy, building the macroeconomic totals from details of industry activity.

The model is well-suited to the exploration of policy questions or analysis where both industry and macroeconomic behavior are important. The model has been used to identify impacts of tax policies, tariffs and free trade agreements, carbon taxes or cap and trade programs, infrastructure improvements, electrification of the vehicle fleet, port closures and other disruptions, immigration, defense spending cuts, health care finance, deficit reduction, and many other scenarios.

Working Capital

Sell and invoice

Companies generate revenue by providing painting and wall covering services to a variety of industries, including customers in the residential, commercial, and government sectors. Contractors typically prepare bids based on estimates of the number of labor hours and materials required, and may incorporate square footage into pricing. Work that requires extra time, such as detail/trim work or extensive surface prep, is an important consideration when preparing bids.

Collect

Many companies offer customer credit. Collection periods range 53 to 64 days, and receivables average 33-43% of assets. Some companies require a down payment before the start of job and collect installments throughout the process.

Manage Cash

Gross margins average 36-38% of sales. Depending on the type of job, materials may include paint, wallpaper, primers, sealers, stains, and adhesives. The cost of paint and wallpaper can vary significantly, depending on the brand name and quality of goods. Inexpensive paint may require more coats and end up being more expensive than higher quality paint. Labor is a significant cost. Underestimating labor can result in financial losses. General contractors typically pay invoices within 30 to 60 days, which delays cash flow. Companies generally have very little cash tied up in inventory, and purchase paint and supplies as needed.

Revenue for exterior paint jobs is seasonal, and can be uneven due to extended periods of inclement weather. Rainy or cold weather is not conducive to outdoor painting. Bad weather can cause work stoppages and delay payments.

Pay

Payroll averages 8-11% of sales. Larger crews allow companies to work faster and complete more jobs. Companies may rely on part-time workers to supplement staff during peak periods. Some contractors hire undocumented workers to keep costs low.

Companies typically receive contractor discounts on paint and supplies from paint shops and other retailers. Suppliers often allow companies to purchase goods on account. Other expenses include rent, advertising, fuel, vehicle maintenance, and insurance.

Report

After-tax net profit averages 8-9% of sales. Some companies monitor the number of leads, estimates, and closes to assess the effectiveness of marketing plans and the competitiveness of bids. Calculating profitability by job helps assess the accuracy of estimating procedures. Increases in the number of callbacks can indicate unsatisfactory work.

63% of specialty trade contractors said they go to their accountant or bookkeeper for cash flow advice, while 28% turn to their banker, 15% turn to a colleague or industry partner, and 29% do not seek advice, according to a survey of small businesses by Barlow Research Associates.

Source: Barlow Research Flash Panel 2023

Cash Management Challenges

Cash Shortfalls When Construction Activity Declines

A large portion of the demand for painting and wall covering contractors is driven by new residential and commercial construction. They may experience cash shortfalls when construction activity declines due to economic conditions or projects are delayed by severe weather. Weak construction activity not only decreases demand for painting new buildings, but also increases competition for remodeling projects as contractors attempt to make up for the shortfall.

Seasonal Demand For Exterior Painting

Painting contractors who specialize in exterior painting face lower demand during the winter months in cold climate areas. Oil-based paints generally require temperatures above 40 degrees F. to bond correctly and latex paints are best at 50 degrees or above. Extremely hot summer weather (above 90 degrees) can also cause paint to dry too quickly. Frequent rains in the spring can reduce demand and slow project completions.

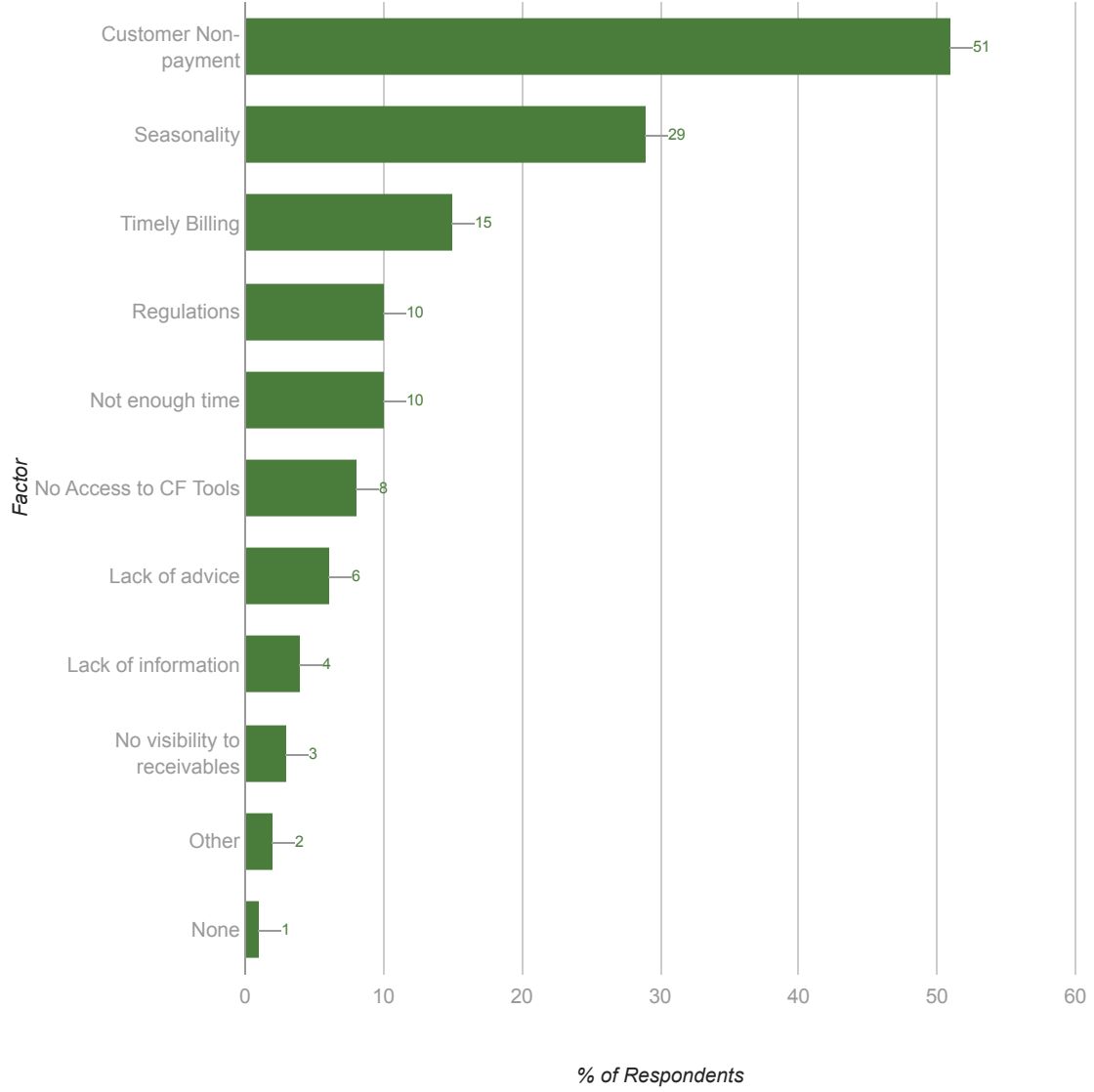
Timely Collection From General Contractors

Painting and wall covering contractors working for general contractors often experience payment delays. General contractors may have “pay when paid” clauses in agreements with subcontractors, so the subcontractor is not paid until the general contractor is paid. Even though the painting work is complete, other aspects of the project may be delayed and stretch out payments. Payment delays are usually not as long for painting contractors as some other subcontractors, since painting is done in the final stage of the project.

Cash Flow Management Feedback

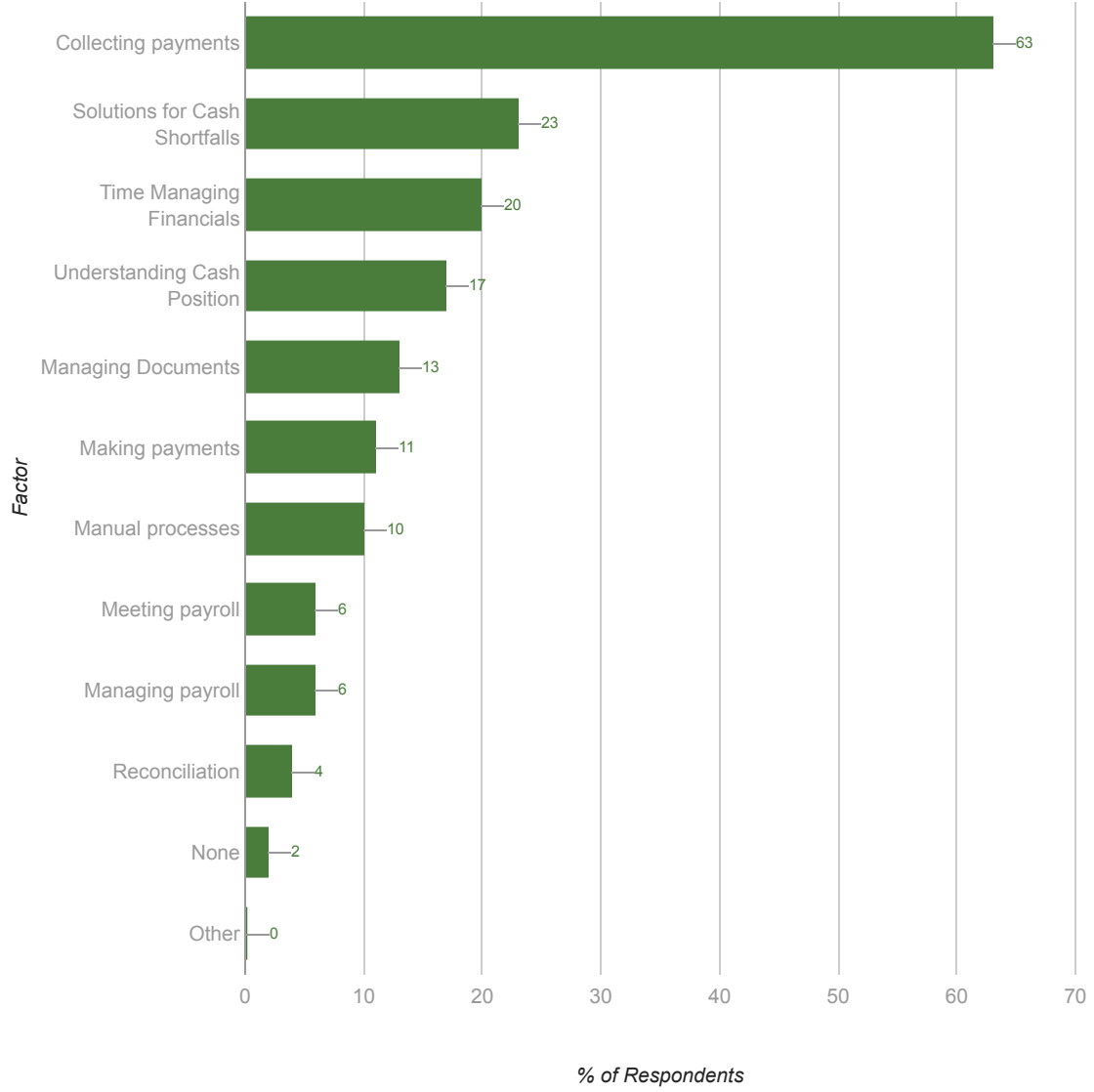
The following graphs represent responses to cash flow management questions by owners of small businesses with \$100K to \$10M in sales in a 2023 Flash Panel conducted by Barlow Research Associates. Owners were asked to select all answers that apply to their business, so responses add up to more than 100%. Some answers had zero responses. To ensure an adequate sample size, the data may represent a broader industry category.

FACTORS CAUSING CASH FLOW STRESS: SPECIALTY TRADE CONTRACTORS



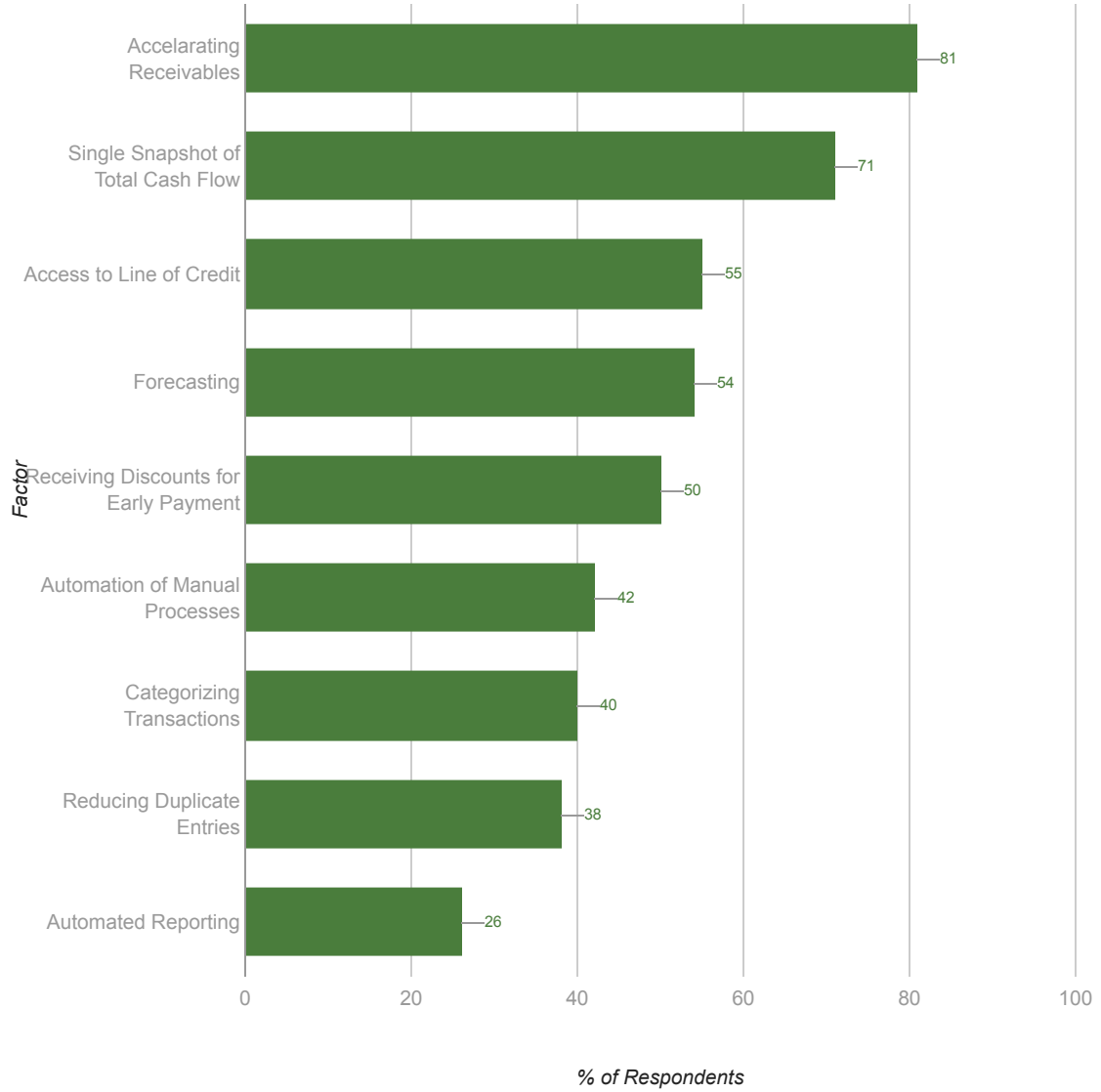
Source: Barlow Research Flash Panel 2023

MOST CHALLENGING CASH FLOW PROCESSES: SPECIALTY TRADE CONTRACTORS



Source: Barlow Research Flash Panel 2023

IMPORTANCE OF CASH FLOW ACTIONS: SPECIALTY TRADE CONTRACTORS



Source: Barlow Research Flash Panel 2023

Capital Financing

Projects that typically require capital include the purchase of property, buildings, equipment, vehicles, and information systems. Most companies rent space to minimize upfront investments. Small contractors may operate out of the owner's residence, and generally have low start-up costs. Equipment includes sprayers, pressure washers, brushes, rollers, ladders, and scaffolding. Industrial jobs may involve coatings which require specialized spraying systems. High quality equipment can greatly improve productivity. Large operations may have multiple vehicles to transport crews and equipment to job sites.

Computerized information systems help companies perform day-to-day activities and operate more effectively. Estimating software programs create bids automatically and allow contractors to provide more consistent pricing.

Most paint and wall covering contractors are small, independent businesses. Common sources of financing include commercial loans and personal savings.

Examples of Equipment Purchases



Airless Paint Sprayer

\$500 - 4,000

Spray system that can operate one or more spray guns at the same time. System typically has an electric motor, but some are gas powered for remote applications without access to electricity.



Pressure Washer

\$500 - 3,000

Provides high-pressure water stream for cleaning surfaces. Models vary by pressure and water volume, ranging from 3,000 to 5,000 PSI and 2.5 to 5.0 GPM.



Paint Spray Gun

\$200 - 500

Handheld gun for spraying primer and paint. Guns may have detachable heads for easily switching between paints.



Cargo Van

\$25,000 - 40,000

Cargo van for carrying paint and painting equipment.

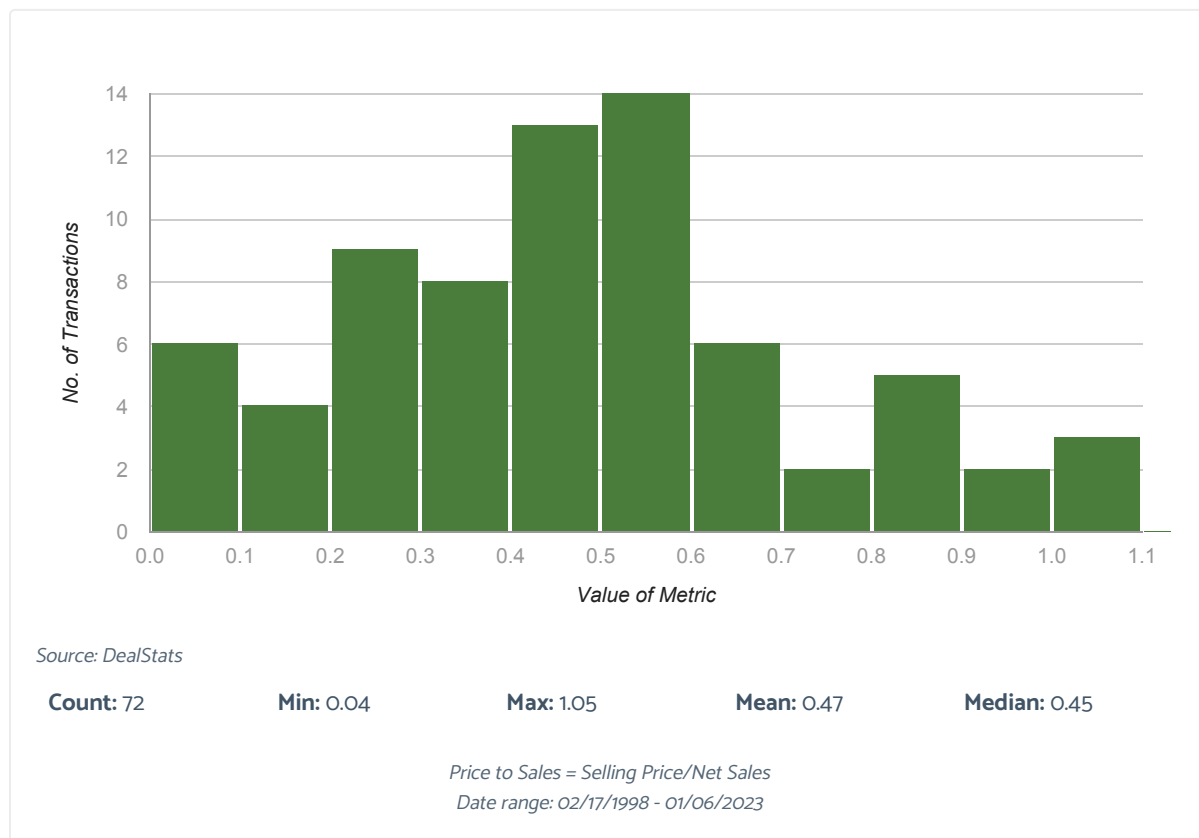
Business Valuation

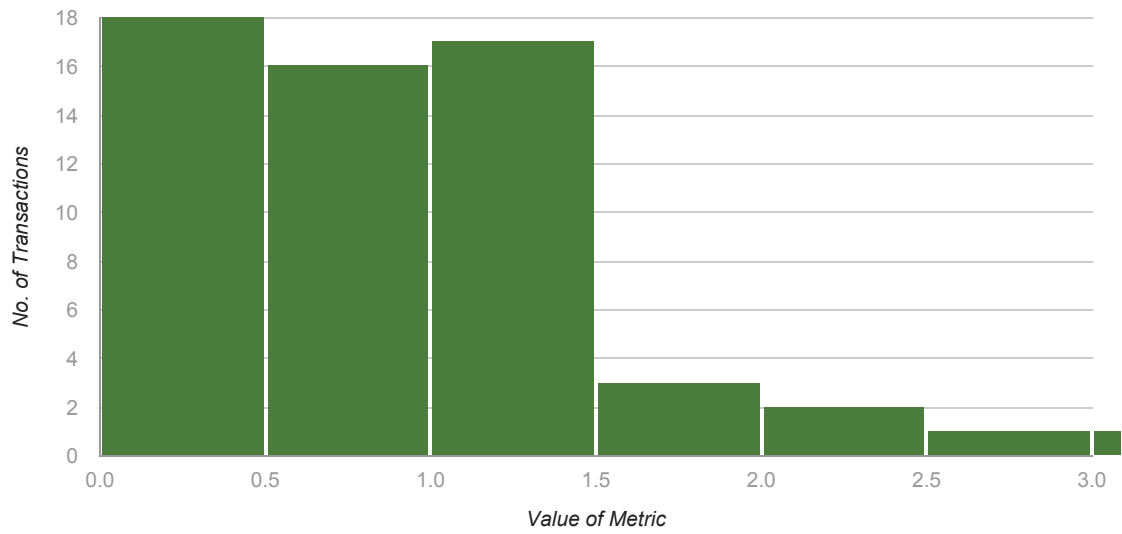
This data on business valuations is supplied by DealStats, an online database with the most complete financial details on over 42,500 acquired companies. These companies are mostly small and medium-sized private firms.

Summary Valuation Data for Painting & Wall Covering Contractors

	MEDIAN	MEAN	# TRANSACTIONS	DATES
Price to Net Sales	0.45	0.47	72	02/17/1998–01/06/2023
Price to Gross Profits	0.79	0.94	58	02/17/1998–01/06/2023
Price to EBITDA	2.85	8.08	42	02/17/1998–01/06/2023
Price to EBIT	2.77	3.64	63	02/17/1998 –01/06/2023

Click on the metric below to see a distribution of transactions for the industry:





Source: DealStats

Count: 58

Min: 0.09

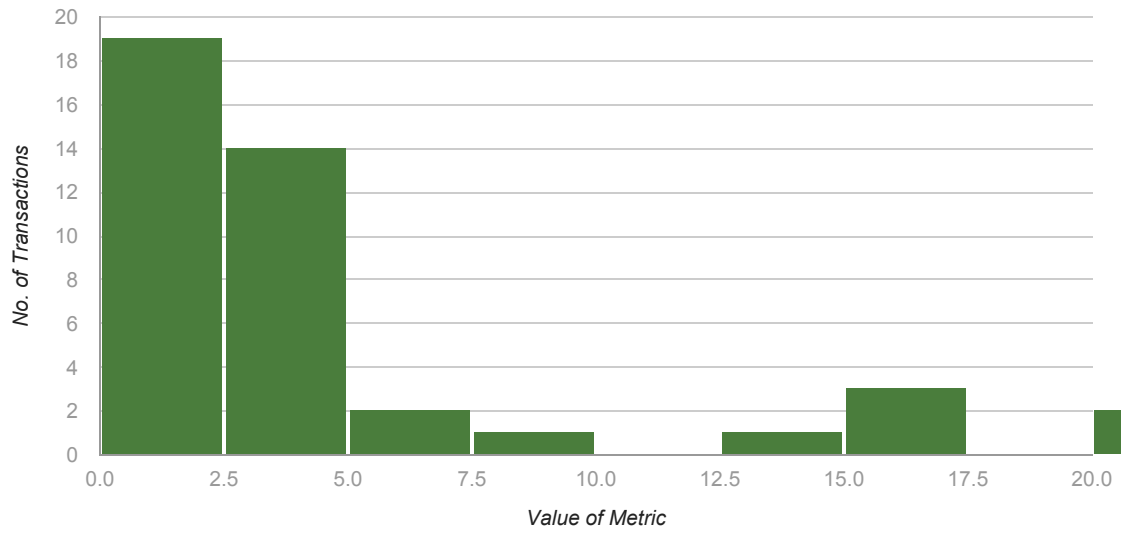
Max: 4.2

Mean: 0.94

Median: 0.79

Price to Gross Profit = Selling Price/Gross Profit

Date range: 02/17/1998 - 01/06/2023



Source: DealStats

Count: 42

Min: 0.46

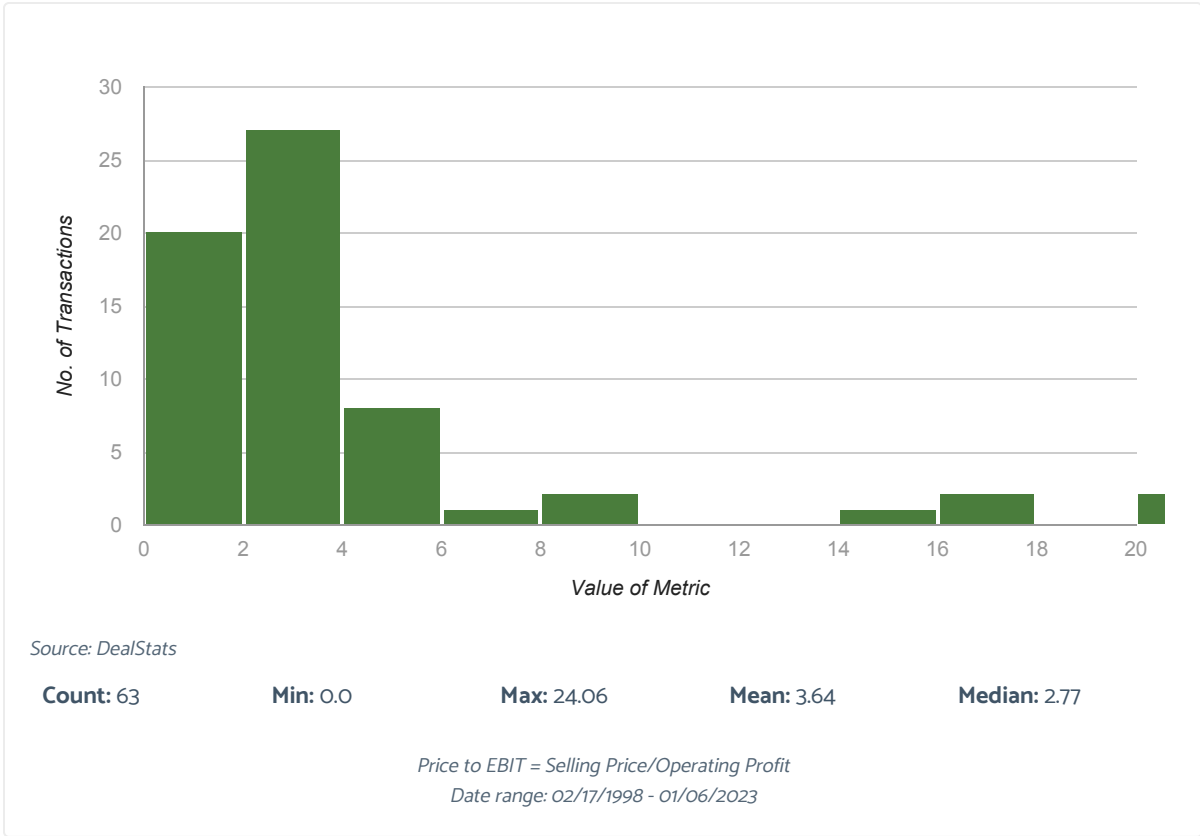
Max: 159.88

Mean: 8.08

Median: 2.85

Price to EBITDA = Selling Price/Operating Profit + Depreciation & Amortization

Date range: 02/17/1998 - 01/06/2023



Selling Price, also known as MVIC (Market Value of Invested Capital) is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer. The MVIC price includes the noncompete value and the assumption of interest-bearing liabilities and excludes (1) the real estate value and (2) any earnouts (because they have not yet been earned, and they may not be earned) and (3) the employment/consulting agreement values. In an Asset Sale, the assumption is that all or substantially all operating assets are transferred in the sale. In an Asset Sale, the MVIC may or may not include all current assets, non-current assets and current liabilities (liabilities are typically not transferred in an asset sale).

Source: DealStats 2023 (Portland, OR; Business Valuation Resources LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

Financial Benchmarks

The following financial benchmark data is based on annual financial statements submitted by member institutions of the Risk Management Association from Q2 of the first year listed through Q1 of the following year.

Financial Ratios (Painting & Wall Covering Contractors, Industry-wide)

MEASURE	2019-20	2020-21	2021-22
Current Ratio [?]	1.87	2.73	2.53
Quick Ratio [?]	1.55	2.47	2.04
Days Inventory [?]	2.0	2.0	6.0
Days Receivables [?]	53	64	62
Days Payables [?]	36.0	17.0	19.0
Pre-tax Return on Revenue [?]	10.64%	7.70%	8.30%
Pre-tax Return on Assets [?]	32.43%	18.18%	18.25%
Pre-tax Return on Net Worth [?]	73.91%	32.60%	32.99%
Interest Coverage [?]	21.57	42.75	15.99
Current Liabilities to Net Worth [?]	.81	.52	.49
Long Term Liabilities to Net Worth [?]	0.47	0.27	0.32
Total Liabilities to Net Worth [?]	1.28	.79	.81
Number of Firms Analyzed	122	76	96

Income Statement (Painting & Wall Covering Contractors, Industry-wide)

ITEM	2019-20	2020-21	2021-22
Revenue	100.0%	100.0%	100.0%
Cost of Sales	63.07%	63.73%	62.52%
Gross Margin	36.93%	36.27%	37.48%
Officers Compensation	3.03%	2.79%	2.29%
Salaries-Wages	7.02%	8.43%	9.07%
Rent	2.21%	2.28%	2.43%
Taxes Paid	1.97%	2.27%	2.41%
Advertising	0.43%	0.52%	0.56%
Benefits-Pensions	1.35%	1.86%	1.97%
Number of Firms Analyzed	122	76	96

ITEM	2019-20	2020-21	2021-22
Repairs	0.55%	0.56%	0.59%
Bad Debt	0.09%	0.12%	0.13%
Other SG&A Expenses	10.54%	9.61%	9.85%
EBITDA	9.74%	7.83%	8.18%
Amortization-Depreciation	1.45%	1.09%	1.74%
Operating Expenses	28.64%	29.53%	31.04%
Operating Income	8.29%	6.74%	6.44%
Interest Expense	0.43%	0.22%	0.46%
Other Income	-0.08%	-1.87%	-3.09%
Pre-tax Net Profit	7.94%	8.39%	9.07%
Income Tax	0.03%	0.01%	-0.38%
After Tax Net Profit	7.91%	8.38%	9.45%
Number of Firms Analyzed	122	76	96

Balance Sheet (Painting & Wall Covering Contractors, Industry-wide)

ASSETS	2019-20	2020-21	2021-22
Cash	21.63%	29.32%	27.26%
Receivables	43.22%	36.86%	32.93%
Inventory	0.94%	2.04%	2.01%
Other Current Assets	7.14%	4.4%	7.54%
Total Current Assets	72.93%	72.62%	69.74%
Net Fixed Assets	16.58%	14.37%	16.95%
Net Intangible Assets	4.93%	3.77%	6.12%
Other Non-Current Assets	5.58%	9.3%	7.09%
Total Assets	100.0%	100.0%	100.0%
LIABILITIES			
Accounts Payable	9.25%	9.73%	6.74%
Loans/Notes Payable	16.67%	13.34%	13.1%
Other Current Liabilities	13.11%	15.2%	12.5%
Number of Firms Analyzed	122	76	96

LIABILITIES

Total Current Liabilities	39.03%	38.26%	32.34%
Total Long Term Liabilities	18.21%	26.25%	26.84%
Total Liabilities	57.24%	64.52%	59.18%
Net Worth	42.75%	35.52%	40.85%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
Number of Firms Analyzed	122	76	96

Vertical IQ financial benchmark data is based on data provided by the Risk Management Association (RMA) and Powerlytics, Inc. RMA's Annual Statement Studies provide comparative industry financial benchmarks based on financial statements of small and medium business clients of RMA's member institutions. Additional detail on income statement line items is provided using Powerlytics financial benchmarks, which are based on reporting submitted to the IRS. Additional detail on these data sources can be found at [RMA](#) and [Powerlytics](#).

Bank Product Usage

Top Bank Products Used by Painting & Wall Covering Contractors

The following table provides the frequency of bank product usage by Painting & Wall Covering Contractors with less than \$10 million in annual revenue. It is provided by Barlow Research Associates, Inc., the premier market research firm in the financial services industry.

BANK PRODUCT	% OF FIRMS
Business checking account services	100.0
Remote deposit capture (scanning checks at your office or by mobile device for electronic deposit)	64.0
Business savings or money market account	60.0
Business debit card or business check card	56.0
Electronic payments initiated through the Internet (Bill Payment)	56.0
Business credit card issued in your company's name (Visa, MasterCard, Amex, etc.)	55.0
Overdraft protection for business checking	50.0
Point-of-sale credit card processing	42.0
Automated clearing house services (ACH)	40.0
Wire transfer services	27.0
Money market mutual funds or short-term investments	24.0
Certificates of deposit	18.0
SBA loans	17.0
Credit lines secured by receivables, inventory, property or other assets	16.0
Payroll processing	11.0
Accounts receivable collection (lockbox)	11.0
Unsecured short-term loans or working capital line of credit (less than one year)	11.0
International (foreign exchange, import/export letters of credit)	8.0
Commercial real estate mortgage (company occupied building)	7.0
Commercial real estate mortgage	7.0
Account reconciliation processing (ARP)	5.0
Company sponsored 401(k), SEP, pension or profit sharing plan	4.0
Term loans or equipment financing (one year +)	4.0
Equipment leasing	2.0
Commercial real estate mortgage (investment property)	2.0

BANK PRODUCT**% OF FIRMS**

Overnight investment or sweep accounts

2.0

Barlow's Small Business Banking program is a multi-client research program sponsored by leading banks. Each quarter, a stratified random sample of businesses throughout the United States with sales between \$100,000 to \$10 million compiled from an independent list provider are invited to participate in a comprehensive banking survey of over 100 questions. The results measure channel adoption, bank satisfaction, brand power, account management, service quality, business product usage and the selling abilities of leading providers. The results in this chapter are calculated directly from the business product usage section and represent usage for the average small business (\$100K-\$10MM).

For more information on Barlow's banking research, go to <http://www.barlowresearch.com/>

Quarterly Insight

3rd Quarter 2023

Remodeling Growth Slows

The NAHB/Westlake Royal Remodeling Market Index (RMI) reading for the second quarter of 2023 was 68, down 2 points from the first quarter of 2023, according to a July report by the National Association of Home Builders (NAHB). Any RMI reading over 50 indicates that most remodelers feel market conditions are good. In the first quarter, the Current Conditions Index portion of the RMI rose two points from Q1 2023 to 77. The Future Indicators Index component of the RMI fell four points to 60 over the same period. The NAHB noted that although high borrowing costs and inflation continue to pose challenges, remodeling growth will continue in 2023 but at a slower pace than in 2022.

2nd Quarter 2023

Remodeling Spending to Slow

Home remodeling spending is expected to continue growing in 2023 but will slow by 2024, according to the Leading Indicator of Remodeling Activity (LIRA) report released in April by the Joint Center for Housing Studies at Harvard. Homeowner improvements and repairs are expected to increase 9.7% to \$487 billion in the second quarter of 2023 compared to Q2 2022. In the third quarter of 2023, remodeling spending will reach \$492 billion, up 5.8% over Q3 2022. Spending will then decline to \$484 billion in Q4 2023, 2.6% over Q4 2022. In the first quarter of 2024, year-over-year spending is forecast to drop 2.8% to \$458 billion. The Joint Center expects high interest rates, slower sales of existing homes, and recession worries to reduce remodeling activity as homeowners delay or scale back projects.

1st Quarter 2023

Weak US Housing Market to Tip US Into Recession

A slowdown in the US housing market is expected to trigger a mild recession in 2024, according to National Association of Home Builders (NAHB) chief economist Rob Dietz. High interest rates and inflation have compounded the material and labor shortages and elevated building costs that have challenged home builders since the onset of the pandemic. At a press briefing at the International Builders' show in Las Vegas, Dietz said, "We've never had a period where home prices have declined, and there has not been a recession. I think the rest of the economy will feel it in 2023 via slowing economic output and rising job losses." The NAHB believes the net effect of the Federal Reserve's rate hikes, aimed at curbing inflation, will peak around 7%. Rates are projected to drop below 6% in 2024, which will help support a rebound in housing demand.

4th Quarter 2022

Remodeling Market Softens

The NAHB/Westlake Royal Remodeling Market Index (RMI) reading for the third quarter of 2022 was 77, down 10 points from the third quarter of 2021, according to an October report by the National Association of Home Builders (NAHB). In the third quarter, 23% of remodelers said conditions were worse than they were three months earlier, 10% said they were better, and 67% said they were about the same. While the RMI reading for Q3 2022 dropped from a year earlier, overall conditions remained positive amid rising home equity, durable work-from-home trends, and aging housing stock. The NAHB expects a slight uptick in remodeling activity in 2023 as new home construction continues to slow.

3rd Quarter 2022

Existing Home Sales Drop

US existing home sales, a demand driver for painting and wall covering services, declined 3.4% in May from the prior month and fell 8.6% compared to May 2021, according to the National Association of Realtors (NAR). The NAR said rising interest rates and home prices are reducing consumers' buying power. The NAR said home sales have essentially returned to pre-pandemic levels after a surprising demand surge that lasted two years.

2nd Quarter 2022

Housing Market Shows Signs of Softening

The percentage of adults who plan to buy a home fell for the third straight quarter in the first three months of 2022, according to the National Association of Home Builders (NAHB). The share of Americans who plan to buy a home within a year fell to 13%, the lowest level since the second quarter of 2020 when 11% planned to buy a home. The NAHB suggests the drop in home-buying intent is evidence that the pandemic-era boom in home buying is softening. First-time buyers led the decline in buying interest. In the first quarter of 2022, 60% of prospective homeowners were first-time buyers compared to 65% in the first quarter of 2021. Rising home prices and a lack of affordable housing inventory may be keeping some potential first-time buyers on the sidelines.

1st Quarter 2022

Job Growth Expected to Continue

Construction hiring has remained "solid" despite pandemic-related labor shortages, according to Contractor Magazine. LaborIQ predicts a 3.9% growth in construction jobs in 2022, a commensurate 3.9% median wage growth and, in some metropolitan regions, even wage growth of over 4.5%. Many experts say that increased wages may bring people back to work to some extent and lessen the impact of labor shortages in certain geographical areas.

4th Quarter 2021

Provisions From Stalled PRO Act Moved To Other Proposed Legislation

The Protecting the Right to Organize (PRO) Act appears stalled in the US Senate after being passed by the House of Representatives, and Democrats are trying to include some PRO Act provisions in a massive reconciliation bill. Experts say that the PRO Act would change the definition of "employee" and "employer", making it easier for workers to qualify for benefits, and making employers more responsible for employees that have any impact on employer worksites. Proposed penalties from the PRO Act that Democratic lawmakers hope to put in the reconciliation bill include fining employers that hold staff meetings at which union organizing is discussed, and creating new fines of \$50,000 per firm for unfair labor practices. Such fines could put small firms out of business or discourage them from challenging union organizing. The PRO Act needs 60 votes in the Senate to move to President Biden's desk for signature, but the reconciliation bill, which deals with taxes and spending, needs only a simple majority.

Industry Terms

Callback

Request by customer to return to complete unfinished work or remedy unsatisfactory work

Close Rate

Percent of leads or estimates that result in a signed contract

GC

General Contractor

Powder Coating

Process of coating a surface by applying powder with electrostatic or compressed air, creating a smooth film with a durable finish

VOC

Volatile Organic Compounds

Web Links

[Painting Pro Times](#)

News, trends, product and company information

[Painting Contractors Association \(PCA\)](#)

Business advice from trade association

[American Painting Contractor](#)

News, trends, and product information

[Wallcoverings Association](#)

News, trends, and basic wall covering definitions

Related Profiles

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Electrical Contractors

NAICS: 238210 SIC: 1731

HVAC & Plumbing Contractors

NAICS: 238220 SIC: 1711

Residential Building Contractors

NAICS: 2361 SIC: 1521, 1522, 1531

Site Prep Contractors

NAICS: 238910 SIC: 1629, 1794, 1795, 1799

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