

North America Bathroom News

December 2008



International Market Strategy

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USA: The Obama Economy

The US construction and alternative energy industries are slated to enter into one of the largest boom periods in American history.

The Economic Stimulus Program

President-Elect Obama has declared the revival of the US economy as his highest priority and has put together a strong economic team. An economic stimulus package is central to Obama's plan.

Estimates of how much might be spent on a multiple-year stimulus package range as high as \$500 billion to \$700 billion.

Fixing the US Infrastructure / Achieving Energy Independence

At the center of the plan are investments in the nation's roads, bridges, schools and alternative-energy infrastructure. According to the American Society of Civil Engineers, the total investment needed to fix our country's infrastructure is estimated at \$1.7 trillion dollars.

Obama has said his plan will lead to the creation of 2.5 million jobs. We're talking here about what could be the biggest jobs-spending program since FDR and the New Deal!

President-elect Barack Obama again linked economic recovery with new jobs in the sustainable-energy sector. He has vowed that within ten years, the United States will finally end its dependence on oil from the Middle East. This means investments in non-oil consuming energy such as solar, wind, geothermal and water powered energy.

The US construction industry and the US alternative energy industry is slated to enter into one of the largest boom periods in American history.

Obama's Health Care Program

Obama has put forth an ambitious health care plan. The plan proposes the expanding eligibility for existing public programs, including both Medicaid and the State Children's Health Insurance Program.

According to some of the best independent research groups, the Obama Health Insurance proposal would increase the federal spending by about \$1.2 trillion over the next 9 years with expenditures of \$133 billion per year.

The Cost of the New Obama Economy

Based on the investments targeted for the US infrastructure, on investments for non-oil consuming energy and expanded health care, we can foresee federal expenditures in the range of \$633 - \$833 billion per year.

This type of governmental spending may not be good for the US currency. It is probable, that as the Obama government pumps more into the economy, the US dollar may weaken in purchasing power if compared to the Yen, the Euro and/or the Swiss Franc. The new government has indicated its plans to raise taxes on the top 5% of the income earners. It will most probably issue new federal bonds to



raise the difference.

Good for Exports / Not So Good for Imports

A weaker US dollar is good for US exports. US goods will be cheaper in foreign countries, resulting in higher overall exports. Imports, on the other hand, will become more expensive. With large trade imbalances that we currently have, with a weaker dollar, imports – in particular those from China and from Europe, may become more expensive. Manufacturers who are producing overseas with the intent of selling their goods in the United States, may see their costs go up. A tendency to pass the cost increases onto the consumer will be tempting, which could result in spiraling inflation costs.

Are You Ready?

President-Elect Obama has declared the economic revival as his highest priority. We can expect to see major federal expenditures being made to boost the infrastructure, to deliver energy independence and to greatly expand the national health coverage in America.

This could be one of the largest jobs-creating programs since FDR and the New Deal. Are you ready?

About BRG

BRG is a global market information supplier covering the construction material industry. BRG specializes in market sizing and helps companies with market sizing, market and competitive intelligence, market opportunity identification, market due diligence, mergers and acquisitions support and global market information. For more information, visit our website at www.brgconsult.com.

Source: BRG Consult North America



USA: 25,000+ Attend Greenbuild, Green Building Could Triple By 2013

19 November 2008 - More than 25,000 attended the U.S. Green Building Council's Greenbuild International Conference and Expo in Boston, Nov. 19-21. The theme of this year's expo was "Revolutionary Green: Innovations for Global Sustainability." Phoenix will be the site of the next GreenBuild, scheduled for Nov. 11-13, 2009.

The U.S. green building market is accelerating at a dramatic rate, according to McGraw-Hill Construction's "Green Outlook 2009: Trends Driving Change" report, released Nov. 18 at the Greenbuild International Conference and Expo in Boston. The value of green building construction starts was up five-fold from 2005 to 2008 (from \$10 billion to \$36-\$49 billion), and could triple by 2013, reaching \$96-\$140 billion.

McGraw-Hill Construction's Green Outlook 2009 estimates the value of the U.S. green building market over the next five years, based on data found in the McGraw-Hill Construction Network — powered by the Dodge database, construction industry surveys, data analysis and analysis of other indicators, including increases in LEED certification and government regulation.

"The business opportunities afforded by green building, even in the midst of a global economic crisis, are real and recognized by industry players," said Harvey M. Bernstein, vice president of industry analytics, alliances and strategic initiatives, McGraw-Hill Construction. "Furthermore, green building has great potential to help tackle unemployment through green jobs, and can address other societal issues, such as creating healthier places where we live and work."

Green building is the bright spot in an otherwise tough economy. U.S. Green Building Council members report green building to be less affected by the down market compared to non-green building, and homebuyers are willing to pay more for a green home. Perceived economic benefits are driving green building, including higher revenues, lower lifecycle costs and lower operating costs, but builders and buyers are also motivated by health benefits, new government regulation and pressure from global competition.

McGraw-Hill Construction attributes green building's rapid expansion to growing public awareness, an increase in government regulations and recognition of bottom-line advantages. Since 2005, the perceived benefits of green building have increased and differentiated as people become more knowledgeable about green building. The decrease in operating costs is the most often cited benefit (13.6 percent, up from 8-9 percent in 2005), followed by the increase in building values (10.9 percent, up from 7.5 percent in 2005).

Source: Plumbing & Mechanical



USA: KOHLER Laying Off 80 More Workers

7 November 2008 - KOHLER CO. will lay off 80 employees in the coming weeks, a move that — like the layoff of 50 workers a month ago — is blamed on the slumping housing market, a union official said today.

Pete Behrensprung, president of United Auto Workers local 833, said KOHLER CO. will cut 60 workers in the brass division and 10 each in the distribution center and the foundry. The employees affected have as many as 10 years of experience. Behrensprung said decisions on the three divisions were made separately, with the brass division layoff determined several weeks ago and the distribution center move finalized Thursday.

The affected employees will leave during the next week or two, Behrensprung said. As they leave, KOHLER plans to restructure production in those divisions, adjusting the number and length of shifts for the remaining employees. “You’re re-crewing into different jobs and different shifts, so people select jobs by seniority,” Behrensprung said.

The layoffs are termed “indefinite,” meaning workers were not told when they may return, he said. Laid-off employees — who will receive no severance package — can return as late as 30 months after a layoff, and Behrensprung said the economy will determine whether these reductions are permanent. “It’s certainly reflective of the housing market,” he said. “If things turn around, obviously these people will come back.”

Behrensprung said the reductions are not a result of production shifting overseas, as some employees have speculated. He said he is not aware of plans to move local production out of the country. “I think if you take a look at the size of the layoffs we are talking about, these are adjustments to how bad the economy is,” Behrensprung said. “It’s not a matter of shutting down an area and moving the work out.”

Repeated phone calls and e-mails to KOHLER CO. spokesman Todd Weber were not returned. The cutbacks are the second in less than a month, following an Oct. 14 layoff when 38 administrators and 12 production workers were let go. Weber said at that time that the decision was made due to the “overall weakened economy, fueled by the housing slump.” Those layoffs were described as permanent.

KOHLER — which has more than 7,500 employees in Sheboygan County — is the county’s largest employer and the fifth-largest non-government employer in the state, trailing WAL-MART, MENARDS, WALGREEN Drug Stores and KOHL’S, officials say. The company, founded in 1873 and headquartered in Kohler, manufactures kitchen and bath products, home interiors, engines and power generation systems. It also provides hospitality services.

The largest KOHLER layoff prior to October came in July 2007, when the company idled 160 permanent employees and about 30 temporary workers, Behrensprung said. None of those positions were refilled, a change from similar layoffs in June 2005 and March 2003 after which most employees eventually returned.

Source: www.sheboyganpress.com



USA: LOWE'S Cuts Forecast as Profit Drops

17 November 2008, New York - LOWE'S COs. on Monday cut its profit forecast for the year after reporting a 24% drop in fiscal third-quarter profit, hurt by consumers paring back on discretionary and big-ticket spending in the face of an uncertain economic outlook.

The No.2 home improvement retailer said net income in the quarter ended Oct. 31 fell to \$488 million, or 33 cents a share, from \$643 million, or 43 cents, a year earlier. Sales rose 1.4% to \$11.7 billion.

The Mooresville, North Carolina-based company forecast fourth-quarter profit of 8 cents to 16 cents a share, missing Wall Street expectations, with same-store sales expected to decline 5% to 10%.

For the year, LOWE'S pegged its profit estimate at \$1.46 to \$1.54 a share with comparable-store sales declining as much as 7%. That fell short of its previous projection of profit of as much as \$1.56.

Analysts, on average, expected the company to earn 28 cents a share in the third quarter, 18 cents in the fourth quarter and \$1.51 for the year, according to FactSet Research. LOWE'S shares dropped 1.3% in pre-market trading.

Sales got a pick-up in demand from home maintenance and outdoor projects as well as from hurricane-related boost in the Gulf Coast, but they weren't enough to offset the negative impact of consumers continuing to delay discretionary and bigger-ticket purchases that led to a drop in sales at stores open at least a year, LOWE'S said.

While oil prices have come down and the housing turnover showed some initial signs of stabilization, the worsening economic outlook led to a decline in sales trends in the last week of October that has continued into November, LOWE'S said.

"We expect continued, broad-based external pressures on our industry, as rising unemployment, falling home prices, tight credit and volatile equity markets continue to erode consumer confidence and impact sales," said Chief Executive Robert Niblock. LOWE'S is controlling expenses and has said it would pare back its store-opening plan.

The fallout from the housing market's collapse and the downturn in the U.S. economy also are expected to hurt LOWE'S larger rival HOME DEPOT INC., which is expected to say Tuesday that profit fell to 38 cents a share, according to the average estimate of analysts surveyed by FactSet Research. HOME DEPOT also was estimated to have declining sales at stores open at least a year, analysts said.

Both retailers have curtailed their store-opening plans, with HOME DEPOT abandoning new openings in its pipeline.

The housing-market downturn and battered consumer confidence have lowered demand for cabinets, countertops and other big-ticket home-improvement purchases, especially in weak housing markets such as California and Florida.

Source: MarketWatch



USA: THE HOME DEPOT Announces Third Quarter Results

ATLANTA, Nov 18, 2008 -- The HOME DEPOT, the world's largest home improvement retailer, today reported fiscal 2008 third quarter consolidated net earnings of \$756 million, or \$0.45 per diluted share, compared with \$1.1 billion, or \$0.60 per diluted share, in the same period in fiscal 2007. Earnings per diluted share from continuing operations in the third quarter of fiscal 2008 were \$0.45, compared to \$0.59 per diluted share in the third quarter of fiscal 2007.

Sales for the third quarter totaled \$17.8 billion, a 6.2 percent decrease from the third quarter of fiscal 2007, reflecting negative comparable store sales of 8.3 percent, offset in part by sales from new stores.

The Company had 53 weeks in fiscal 2007, which shifted the 2008 fiscal calendar. Because of this shift and given the seasonal nature of its business, third quarter sales, on a like for like calendar basis, were negatively impacted by approximately \$225 million. Excluding the calendar shift, the Company's like for like comp for the quarter was negative 7.1 percent.

"The housing and home improvement markets remain challenging. Across our entire business, we are making the adjustments necessary to respond to a tough market environment," said Frank Blake, chairman & CEO.

"We are focused on the things we can control with a commitment to provide value and service to our customers," said Blake. "I am proud of what our associates have accomplished in a very difficult sales environment."

Fiscal Year 2008 Financial Outlook

Given the continued softness in the housing and home improvement markets as well as negative macro economic conditions, the Company now believes that fiscal 2008 sales could be down as much as 8 percent for the year. The Company expects that earnings per share from continuing operations will decline by approximately 24 percent, consistent with previous guidance.

The Company's 2008 earnings per share guidance does not include its store rationalization charge from the closing of 15 stores and removal of 50 stores from its future growth pipeline.

At the end of the third quarter, the Company operated a total of 2,268 retail stores, which included 1,970 THE HOME DEPOT stores in the United States (including the Commonwealth of Puerto Rico, the territory of the U.S. Virgin Islands and the territory of Guam), 172 stores in Canada, 73 stores in Mexico, 12 stores in China, as well as 2 THD Design Centers, 5 YARDBIRDS stores and 34 EXPO Design Center locations. The Company employs more than 300,000 associates. THE HOME DEPOT's stock is traded on the New York Stock Exchange (NYSE: HD) and is included in the Dow Jones industrial average and Standard & Poor's 500 index.

Source: www.homedepot.com



USA: DURAVIT Opens Showroom in New York

17 November 2008, New York, NY: Stuttgart-based architects design for DURAVIT New York.

DURAVIT, a leading manufacturer of innovative bathroom furnishings, opens DURAVIT New York, a grand 4,000 square-foot showroom on Madison Avenue. Designed by Stuttgart-based architects Schmutz & Partner, DURAVIT New York is an impressive space guided by the signature aesthetic of DURAVIT's sleek bathroom and wellness products. Inspired by the notions of endlessness, vastness and openness, the architects designed DURAVIT New York in the form of a "blue space" – a seamless showroom with inherent, boundless movement.

"Our ultimate goal was to create a unique exhibition space for DURAVIT products and communicate the essence of the brand by building a mood rather than a formal idea," said Schmutz & Partner.

Without an initial location to develop the showroom's first stages of design, Schmutz & Partner focused less on physical parameters of space and more on thematic ideas, namely those of water, light, texture and color. Using these components, the architects successfully produced a complete, multi-sensorial experience of a space dissolved of physical boundaries. In DURAVIT's new showroom, water, sky and air metaphorically converge to produce a vast and weightless atmosphere of flowing space where the conventional intersections between wall, floor and ceiling fade away seamlessly. The grand oval portals that cut into the ceiling are the most striking example of these vanishing planes, serving as interior skylights that illuminate the ground floor's watery blue environment and wellness products below. The choice of the color blue to help define DURAVIT New York's environment was also an important one – suggestive of tranquility, blue also creates the perfect color complement and background against which DURAVIT's white ceramic fixtures are displayed.

Great attention was focused on how the interior installation of seating, media displays and platforms for the presentation of products would encourage fluid movement between spaces. To achieve this, Schmutz & Partner designed special "D-cubes" as flexible and adaptable "room fragments." Fitted with their own roofs, floors, and ceilings, the D-cubes can be furnished with varying surfaces and materials to translate the concept of DURAVIT's "living bathroom environments" into tangible bathroom vignettes. D-cubes also dually function as media displays – installations that nod to DURAVIT's distinctive brand communication. Visible likewise from showroom's exterior, these cleverly designed D-cubes engage the curiosity of pedestrians, alluding to the partially concealed character of the space inside.

Specially constructed anthracite oak benches are another component of DURAVIT New York's interior installation that serve as "communication points" throughout. Finished with a coated glass surface and fitted with a reflective blue light, the benches features "cut surfaces" for use as additional display cases. According to Schmutz & Partner, "These are island-like elements that we've always regarded as a sort of driftwood," poetic extensions of the aquatic metaphor guiding their design concept.

"The bathroom is currently undergoing a major transformation as the notion of 'living bathrooms' gains momentum amongst lifestyle and furnishing experts," explains Franz Kook, DURAVIT's management board chairman. "In contrast to the demands of everyday life, it offers modern users the desired space for relaxation and regeneration." It is in keeping with this distinctive vision of the bathroom that DURAVIT New York represents a successful marriage of two seeming opposites – an expansive



showroom space evoking wellness and tranquility has met its perfect match in the form of a bustling Manhattan avenue. Situated seamlessly among its neighbors, DURAVIT New York transcends the traditional, defying spatial boundaries in creation of the ultimate living space for DURAVIT's living bathrooms.

Source: www.duravit.us

USA: GROHE Appoints New President, Chief Executive Officer for the Americas

24 October 2008, Bloomingdale, IL -- GROHE, a global leader in premium-quality kitchen and bathroom faucets and shower products, has named Jeffrey C. Ackerberg president and chief executive officer for GROHE America, a subsidiary of GROHE Water Technology AG & Co.

In his new role, Ackerberg is responsible for overall growth of the GROHE brand in the United States, Canada, Central and South America. Ackerberg will take over his position from Andrew Stearns who was recently appointed global chief supply officer for GROHE AG.

An industry veteran with more than 20 years experience, Ackerberg most recently served as president of Global Workspace Tools for ACCO BRANDS INC. For more than six years previous to that, Ackerberg held senior roles in marketing and business unit management at Kohler. He also has held various sales and marketing leadership roles with EVEREADY-ENERGIZER, EMERSON ELECTRIC and ROBERT BOSCH CORPORATION

"Jeff comes to GROHE with exceptional industry experience," said Hans-Gerd Fuechtenkort, global executive director of sales for GROHE. "His priorities include bottom-line management responsibility and responsibility for business strategy, sales, new product development, marketing, customer service and financial planning."

Ackerberg earned his Master's degree in Management from Northwestern University (Kellogg) and holds an undergraduate degree from North Central College, Naperville, IL.

Source: www.buildingonline.com



USA: MTI WHIRLPOOLS Partners with Leading Designer Matthew Quinn!

Atlanta, GA - October 21, 2008. Matthew Quinn, one of the nations leading designers in the luxury kitchen and bath design industry and MTI WHIRLPOOLS, a high-end kitchen and bath manufacturer famed for its innovation and endless customization options, announce their new design partnership. MTI WHIRLPOOLS and Matthew Quinn are collaborating on the design and development of a new luxury collection of baths, sinks and bath furniture. Combining the uncompromising attention to detail of Quinn and the technological innovation of MTI WHIRLPOOLS, the collection will capture the imagination of the luxury design industry and offer the individuality of customization.

Matthew Quinn is one of the nation's leading experts in kitchen and bath design. A major force in the design community for over 15 years, Quinn has garnered numerous design awards, including first place in the National Sub Zero/Wolf Kitchen Design competition. With projects spanning the globe, Quinn's timeless work has been featured in a multitude of national publications. Quinn's commitment to excellence and his design philosophy of simplicity as the ultimate sophistication is echoed in each of his projects.

"We are delighted to be working with such a talented designer," stated Kathy Adams, President of MTI WHIRLPOOLS. "His design philosophy of simplicity will work well with the MTI product style. We look forward to presenting the industry with an exciting collection, sure to be the hallmark of luxury."

MTI WHIRLPOOLS will showcase the new products at the 2009 Kitchen/Bath Industry Show in Atlanta, Georgia on May 1, 2009. The Matthew Quinn Collection by MTI WHIRLPOOLS will be available through MTI WHIRLPOOLS' network of exclusive dealers nationwide, as well as through Matthew Quinn's elegant new design showroom in Atlanta.

Since 1988, MTI WHIRLPOOLS has earned a reputation for impeccable quality, innovation and unique customizations for its extensive line of bath products. The company offers over 100 bath models, most of which can be specified as soaker, air bath, whirlpool or combination whirlpool/air bath, manufactured in LUCITE cross-linked cast acrylic with a wide variety of styles and options. MTI also offers acrylic sinks and shower bases, frameless glass enclosures, bath furniture, specialty products and design-savvy solid-surface tubs and sinks. The Atlanta-based, employee-owned company offers its award-winning products through kitchen and bath showrooms nationwide.

Source: www.mtiwhirlpools.com



USA: MAAX Partners with METROREP to Provide Products to New York City & Metro Homeowners

Minneapolis, Minnesota, October 28, 2008 – MAAX, a leading North American manufacturer of bathroom products today announced a strategic partnership with METROREP to represent and sell MAAX bath products in the New York City & metro area.

"We're excited about this new partnership because the METROREP team is a growth oriented sales group. Their proven track record of positively influencing the entire buying chain will help MAAX achieve its growth goals in the territory," stated Kyle Straub, Vice President of Sales, North American Professional Division. "They have the talent and relationships with the design community, developers, showrooms, installers and wholesalers that we look for in a strategic selling organization to represent MAAX."

METROREP will be representing and selling MAAX products, including PEARL BATHS, MAAX Collection and the AKER line of bath products. "METROREP has over 25 years of experience and has built an extensive network of contacts and relationships in the plumbing industry as well as with designers, architects and engineers in the New York City area. My team and I are thrilled to be providing sales support to MAAX and there is no doubt that their stylish and outstanding line of products will appeal to New Yorkers," said J. John Alimo, President of METROREP.

Source: www.maax.com

USA: WINWHOLESALE Cited On Prestigious List

WINWHOLESALE, one of the nation's largest wholesale distributors, was ranked number 112 in the 2008 InformationWeek 500 list of companies recognized for innovative use of information technology. Only one other company ranked higher than WINWHOLESALE in the list's distribution industry category.

WINWHOLESALE provides support, including IT, finance, marketing and human resources to its local wholesaling operations in 44 states. These local operations go to market under the WINNELSON, WINLECTRIC, WINAIR, WINDUSTRIAL, WINSUPPLY, WINWATER and NOLAND brands.

"We're pleased to be recognized on this list. With more than 570 local operations across the country, we need to use technology that can grow with us, support our unique business model and bolster our efforts to serve customers better than any other wholesaler," said Steve Hangen, WINWHOLESALE CIO.

InformationWeek has identified and honored the nation's most innovative users of information technology with its annual listing, now in its 20th year, and has tracked the technology, strategies, investments and administrative practices of America's best-known companies. The list is unique among corporate rankings because it spotlights the power of innovation in information technology, rather than simply identifying the biggest IT spenders.

Source: The Wholesaler



USA: KALDEWEI USA Adds Staff Members to its New US Corporate Office

18 November 2008 - KALDEWEI has added three members to the staff for its new U.S. corporate office in Indianapolis, which will serve as the base for expanding its luxury baths and shower trays in the U.S. market. Robert Sapienza was named vice president sales - North America. Most recently he was regional sales manager for DELTA FAUCET CO. Previously he has worked for JACUZZI WHIRLPOOL BATH and KOHLER CO. Chad Novinger joins the company as inside sales/e-commerce sales representative. Formerly he was e-commerce manager and channel manager at the DELTA FAUCET CO. Kelly Dolan is now business development manager, with key responsibility for the hospitality segment and developers. Previously she was director of showroom development for LEE SUPPLY CORP., which operates eight kitchen and bath showrooms in Indiana.

Source: www.appliancemagazine.com

USA: OECD Says World Has Slipped Into Recession

Nov. 14, 2008. The world's developed economies are in recession and will shrink further in 2009, according to the Organization for Economic Cooperation and Development (OECD). In its latest economic forecasts, the group said gross domestic product was likely to fall by 0.3% in 2009 for its 30 member countries, representing democracies with market economies. It said the U.S. economy would contract by 0.9%, Japan's by 0.1% and the euro area by 0.5%. Jorgen Elmeskov, director of the policy studies branch and the OECD's economics department, said the picture was uncertain but "projections point to a protracted downturn" with recovery not likely before the second half of next year, with the U.S. leading the way out of recession.

The OECD forecast also predicts economies in all 30 OECD countries will contract by 0.3% in 2009. Unemployment, currently at 5.9% in OECD countries, is predicted to climb to 6.9% in 2009 and 7.2% in 2010.

Source: www.ApplianceMagazine.com



USA: Economic Slowdown Stalls Remodeling Activity

November 11, 2008 - The residential remodeling market continued its slump during the third quarter of 2008, according to the National Association of Home Builders' (NAHB) Remodeling Market Index (RMI). The current market conditions indicator declined to 33.5, from 41.8 in the last quarter. Future expectations of remodeling work also slid to 27.7 (from 38.0 in the second quarter). Both these indices rest at historic lows since the start of the RMI in 2001.

The RMI measures remodeler perceptions of market demand for current and future residential remodeling projects. Any number over 50 indicates that the majority of remodelers view market conditions as improving. The RMI has been running below 50 since the final quarter of 2005, implying decreasing remodeling expenditures since that time.

"Remodelers reported another drop in major home improvements and expectations for future work have also declined," said NAHB Remodelers Chairman Lonny Rutherford, CGR, CAPS, CGP, a remodeler from Farmington, N.M. "A slight increase in minor remodeling projects for owner-occupied home suggests customers are cutting back on home improvement spending."

Nationally, current activity for major additions and alterations shrank to 29.38 (from 43.18 in the second quarter) during the third quarter, while minor additions and alterations slowed to 38.51 (from 42.89). Maintenance and repair dropped to 30.92 (from 39.06).

"The remodeling market declines follow the pattern of the home building slow down to a lesser degree," said NAHB Chief Economist David Seiders.

The remodeling market is tightening due to more home builders taking on remodeling work, creating a more competitive marketplace and flattening out calls for bids and appointments for proposals.

Regionally, current market expectations fell in the third quarter, with the South dropping to 31.5 (from 40.1 in the second quarter), the Midwest to 36.2 (from 52.9), and the West to 36.1 (from 42.4). The Northeast increased slightly to 32.9 (from 32.8). The Midwest, however, increased to 52.9 (from 44.1). All measures for future expectation (calls for bids, amount of work committed for next three months, backlog of remodeling jobs, and appointments for proposals) declined.

The special questions section of the survey asked remodelers about energy efficiency products, finding increased customer calls for work to improve home energy efficiency since the question was asked in the third quarter of 2006 (up to 26 percent increase in calls from 24 percent). While low-energy windows remain the top customer request, 50 percent of remodelers report installing water-saving faucets and fixtures (up from 36 percent) and 38 percent installed on-demand water heaters (up from 29 percent).

Source: www.nahb.org



USA: Housing Starts Seen Lowest in Over 60 Years

16 November 2008, WASHINGTON -- Few observers have ever seen anything like the economic data that will be released in the coming week, with the consumer price index and housing starts each expected to breach records dating back to the late 1940s.

With the global economy descending into a nasty recession, the October data could send a chill down the spine of policymakers, who are pulling out all the tricks in their tool kit to prevent a wider meltdown.

As everyone knows, this downturn began in the housing sector, with a global credit bubble inflating US home prices, and homebuilders responding with a frenzy of construction. Now that the bubble has collapsed, everyone is looking to housing for any sign that the worst may be over. Treasury Secretary Henry Paulson said last week that "market turmoil will not abate until the biggest part of the housing correction is behind us."

It's not behind us yet.

In October, credit markets essentially stopped working, which constrained potential home buyers' ability to find a mortgage. For home builders, it was the latest in a thousand cuts that have destroyed confidence about their industry.

Housing

After housing starts tumbled to a seasonally adjusted annual rate of 817,000 in September, the second-lowest level on record, economists surveyed by MarketWatch expect starts to fall to 776,000 in October, a post-war low that would knock out a record set in January 1991.

"It's natural to wonder how much more room they still have to go," wrote Meny Grauman, an economist for CIBC World Markets. "History and the natural rate of household formation would suggest that we are near the bottom of a two-year slide, but the outstanding stock of new homes and the overall health of the economy point to even further declines ahead."

The vacancy rate for homes typically occupied by their owner was at 2.8% in the third quarter, near the all-time record and almost twice as high as during normal times.

"Household formation has slowed noticeably as people losing their jobs or homes to foreclosures move in with relatives," wrote Brian Bethune and Nigel Gault, U.S. economists for IHS Global Insight. It's "one more obstacle that will prolong the downturn in housing starts."

"We expect builders to continue to cut construction through the middle of next year," wrote economists for Barclays Capital.

On Tuesday, the National Association of Home Builders is also scheduled to release its monthly survey of builder sentiment. The MarketWatch survey expects the index to remain at a record-low 14 in November, indicating that only about one in seven builders is optimistic about the market over the next six months.

Inflation vs. Deflation



As the economic slump has spread around the globe, commodity prices have plummeted. The Federal Reserve no longer considers inflation to be much of a worry, and no wonder: The consumer price index is expected to fall 0.9% in October, the biggest one-month decline since the government began tracking the CPI in 1947.

Retail gasoline prices fell a record 17% in October as the global price for crude oil collapsed. Prices have continued to fall in November, signaling another big drop in the CPI. After peaking at 5.5% in July, the year-over-year increase in the CPI will likely dip below 4% in October and go below 2% by the middle of next year, said CIBC's Grauman.

Core inflation -- which excludes food and energy prices -- is expected to rise 0.1% in October. On a year-over-year basis, the core CPI should moderate from 2.4% to 1.3% by the end of next year, said economists for UBS.

Output

Industrial production should show a modest rebound in October, recovering from the impact of hurricanes in September. The survey tips output rising 0.5% in October after plunging 2.8% in September.

Refining and chemical output should bounce back, "but the rest of manufacturing remains in a headlong retreat," wrote Gault and Bethune. The survey from the Institute for Supply Management and the regional surveys suggest output is falling rapidly.

"The outlook for industrial production is worrisome as slower export activity due to a stronger U.S. dollar and slower global growth may limit improvement in the second half of 2008 and early 2009," wrote economists for Wachovia.

Source: MarketWatch