

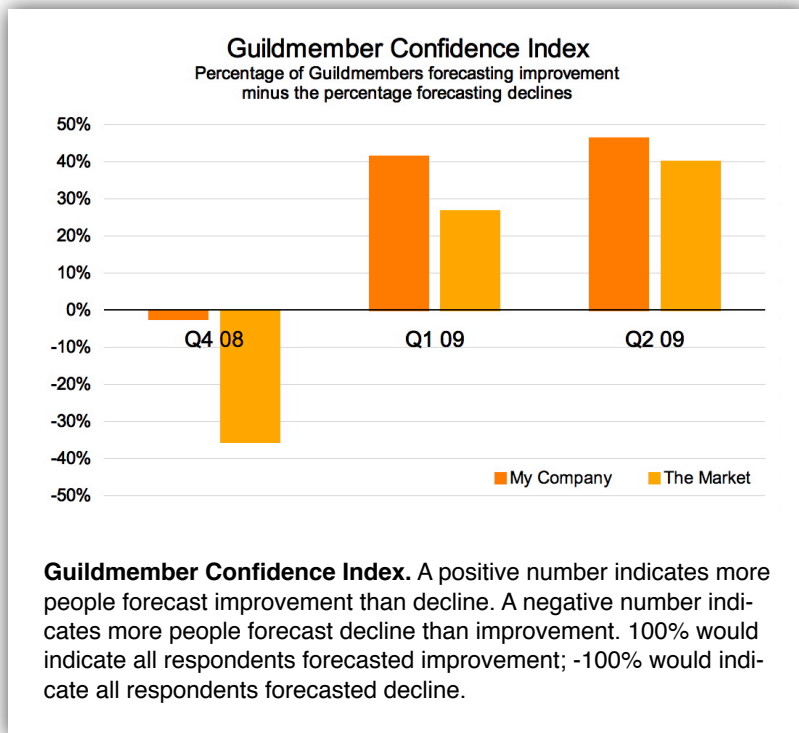
## Guildmember Predictions

From feedback received in June of 2009

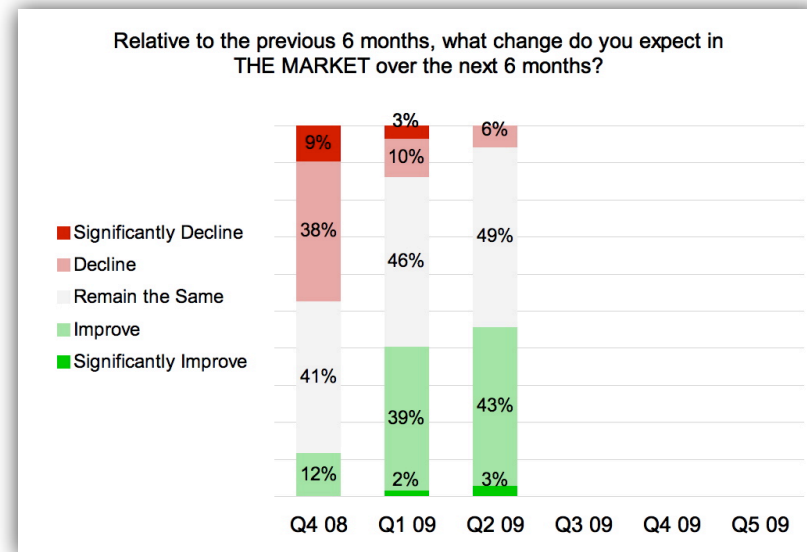
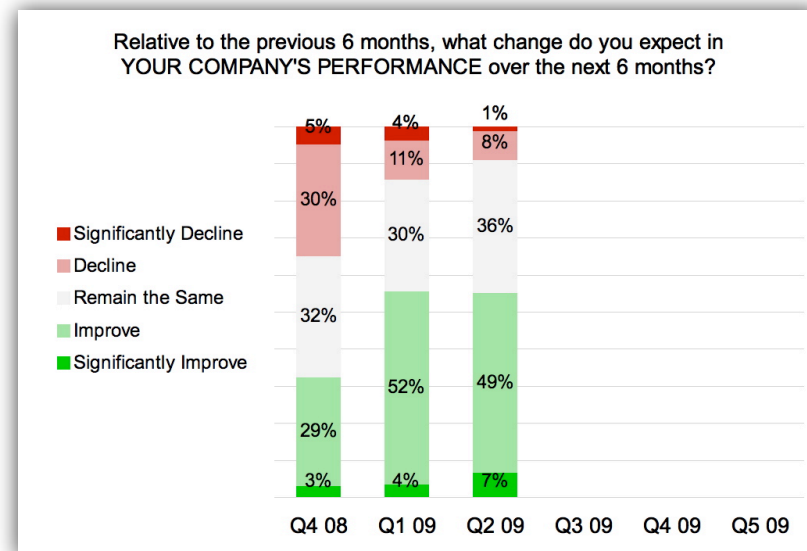
This summary of feedback from GuildQuality's June 2009 Market Predictions Survey is a follow up to the survey we conducted in October 2008. In this and prior surveys, GuildQuality requested feedback from all "Super" and "Admin" users -- approximately 800 people from more than 500 companies -- and received about 100 responses each time.

## Guildmember Confidence

To boil our members' predictions down to a single number, we created the "Guildmember Confidence Index." When the index is negative, more members are predicting a decline in performance than an improvement. When the index is positive, more members are predicting improvement than decline.



The following stacked bar charts break represent the feedback in another way by showing the percentage of respondents that answered "significantly decline," "decline, remain the same," "improve," or "significantly improve."



Looking at the feedback this way, it is still clear that confidence is higher than it was last quarter. Perhaps more accurately, *lack of confidence is lower*. The bulk of the improvement is from people who now feel like they have landed and are no longer plummeting, but are not confident enough to predict that their businesses (or the market in general) is going to start climbing within six months.

Of note, for the first time in the three quarters we've been conducting this survey, not a single respondent predicted that the market would significantly decline over the next six months.

### Comments

Following are the additional comments provided by our members.

1. *Things have definitely loosened up for us. New business was slim to dead in the first quarter, but the second quarter is much improved!*
2. *Overall the market has flat lined and I see it remaining about the same.*
3. *The telephone is still ringing; projects are "practical" or "necessary". The components of kitchens and baths are more conservative. Job size has been slightly lower. We are very close to the projected revenue for our fiscal year (ended 6/30/09).*
4. *The last 6 months in our region have been brutal for sales for most design/build companies and other general remodelers. In a local round-table meeting we just had, most companies are reporting leads down 30-50% from 4 years ago and volume off 40-50% or more than there 2005 numbers. Most disconcerting is that YTD (Jan to June 15.) sales numbers for 2009 are only at 27% of 2008 total sales for this group as a whole.*
5. *My belief is things are not going to get easier unless we adapt our business models significantly for more value minded buyers. We need to learn how to offer more for less. over the last four years our lowest price point has been \$400k. Now we are releasing many properties from \$200-\$400k using more efficient designs, leaner overhead, low construction costs, etc.*
6. *We have seen an up tick in business but, people are still very aggressive about price shopping and there is still little urgency.*
7. *Business is off 40% year on year.*
8. *We anticipate a continued slow market until spring 2010, then hope to see improvement from there.*
9. *We have seen the number of leads pick up in the last month. The job sizes are still smaller but we do see request for work in projects over 100K; However with that said, the Houston market has been stronger than a lot of other areas in the country.*
10. *We have notice an up tic in the market but we always do over the summer. People want to buy. The new appraisal rules are making it tough.*
11. *When the market has hit bottom, it can't keep getting worse, and there is a whole lot of nothing happening in the midatlantic. We are now completing the last of the work we had lined up as things fell apart, and new leads are scarce.*
12. *We feel hopeful about the future but don't see a significant improvement trend in sight. We have a backlog to get us through the next six months but it will be at a virtual breakeven gross profit.*
13. *Great April, May, and June from an interest and sales perspective.*
14. *Right now we are doing extremely well in both residential and commercial construction. I have several current projects going at once and many more in the pipeline. We are a unique company with a very high value for cost--as well as a classical and quintessential designs that do well in an economy reacting with disgust to the excesses of the past couple of decades. I am also fortunate to be associated with some outstanding green development companies that have a real vision for sustainable development, which goes well with our exceedingly green design ethic.*
15. *I hope we are at the bottom, but if interest rates go up we could be toast. Sales year to date are down 72%.*
16. *Leads are strong. Previously, no leads for additions & significant remodeling converted to Project Development Agreements. Now, one recent and two pending yet. Window replacement jobs are still strong.*
17. *Prices are down but the work is still out there and available, must be willing to adapt to the current market conditions to thrive through this shake-up.*
18. *Distressed sales are the biggest threat to the industry / economy - need them to go away, then things will start to improve.*
19. *We are scheduled for 30% growth over the next 12 months. 50% of this work is under contract with more coming in. We are very thankful. The Washington, DC metro area has not been hit as hard as others due to built-in insulation by the Fed.*

20. *Leads are good. Serious prospects. There is pent up demand.*
21. *We are seeing clear signs of homeowners ready to revisit projects put on hold last year and others beginning to explore the possibilities of moving forward with their plans to remodel. Our clients are much more budget conscious now and are looking for alternative products that will help them stay within their budgets. There is still a high inventory of new specs in the 1mm. to 3mm. range in the Dallas market, so I don't expect to re-enter the spec building for another 12 to 24 months.*
22. *We're all economists now. I think we may see a 20% increase in leads/sales 1 year from now. If so we will remain fortunate.*
23. *Business has been pretty good for us this year but we are a little worried that we are in a bit of a bubble at the moment. There has been a lot of government spending which could be creating a false sense of security for us. Ontario is also going to harmonize its federal and provincial sales taxes in July 2010 which will add about 5% onto the cost of remodeling projects. We have heard people wanting to do their work this year to get ahead of the tax increase. Overall things are good at the moment but the future seems unstable.*
24. *We are currently down on work 90%, we have laid off more than half of our work force. We are clinging by our finger nails. Our business model gets us through to the end of 2009 battered but not beaten. we are tightening our procedures, cutting excess and developing systems to come out leaner and streamlined. Benefits have been cut, gas card usage curtailed, and now we may reduce pay for management. Through all this we are upbeat and believe in the future. We are expecting a pickup in the last quarter / first quarter 2010.*
25. *Even though 93% of Canadians are still working, everyone is still very hesitant to spend their money. The Government has promised money to various sectors but not released yet, the Banks here are not lending money to commercial businesses which makes it tough on businesses.*
26. *The market in the Greater Little Rock Arkansas area has remained reasonably strong during the past 12 months. It appears to be gaining strength monthly.*
27. *We have seen a significant drop in business in the past 12 - 18 months. Our work has begun to stabilize.*
28. *As new construction home starts lag - aging in place homes will require remodeling and general maintenance in the next 2 years. Competition will be brisk as more home builders are attempting to transition to remodeling*

*to survive the current market conditions. Cost savings on labor using new construction models will initially be appealing, but service and processes will be compromised if builders are not quick to recognize the issues of building while families are in the home. Seasonal peaks relevant to our industry should see increases during 2nd and 3rd quarters followed by declines in 4th and 1st quarters into 2010. Material and fuel costs will still have a significant impact on overall pricing as surviving businesses struggle for profit margin and market share.*

29. *While we believe conditions are improving, our sense of the market is that the improvement is extremely gradual. Overall business conditions are still weak and we don't see that changing drastically until late in the year or the first quarter of 2010.*
30. *Our market (Denver metro) is reported to be among the strongest and best poised for recovery, but there is little evidence that prospective buyers see it that way. They still seem reluctant to commit to purchasing and they seem to believe that deep discounts and high incentives are the norm...and as that is what they believe, that is what it takes to make sales.*
31. *I'm waiting to see how this shakes out; no building now. Have become a landlord.*
32. *Slight improvement possible. Not out of the woods yet.*
33. *We are having significant leads desiring potential project starts, while not immediate, in the next 3-9 months.*

#### **A note about responses that were not included in this report.**

Not included in this report is feedback from about 75 prospective members -- builders, remodelers, contractors, and developers who are not Guildmembers. After a few more quarters of these surveys, I intend to produce a larger, more comprehensive summary that will include everyone's feedback.

#### **Future Reports**

We will continue to conduct this survey in the last month of each quarter, with the next survey to occur in September 2009.

I believe that our members are representative of the best businesses in the building and real estate profession. Just as the strength of the building indus-

try has historically forecasted the strength of our entire economy, I believe that our member sentiment is a leading indicator within the building industry.

I look forward to continuing to provide you the kind of information contained herein, and I greatly appreciate your participating in the survey.

**Thanks to all those that participated!**

Thanks for your participation in the survey. I welcome any comments, suggestions, or requests you have about this and future reports.

Sincerely,

Geoff Graham

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