



JOBBER HOME SERVICE ECONOMIC REPORT

Special HVAC Edition | May 2022

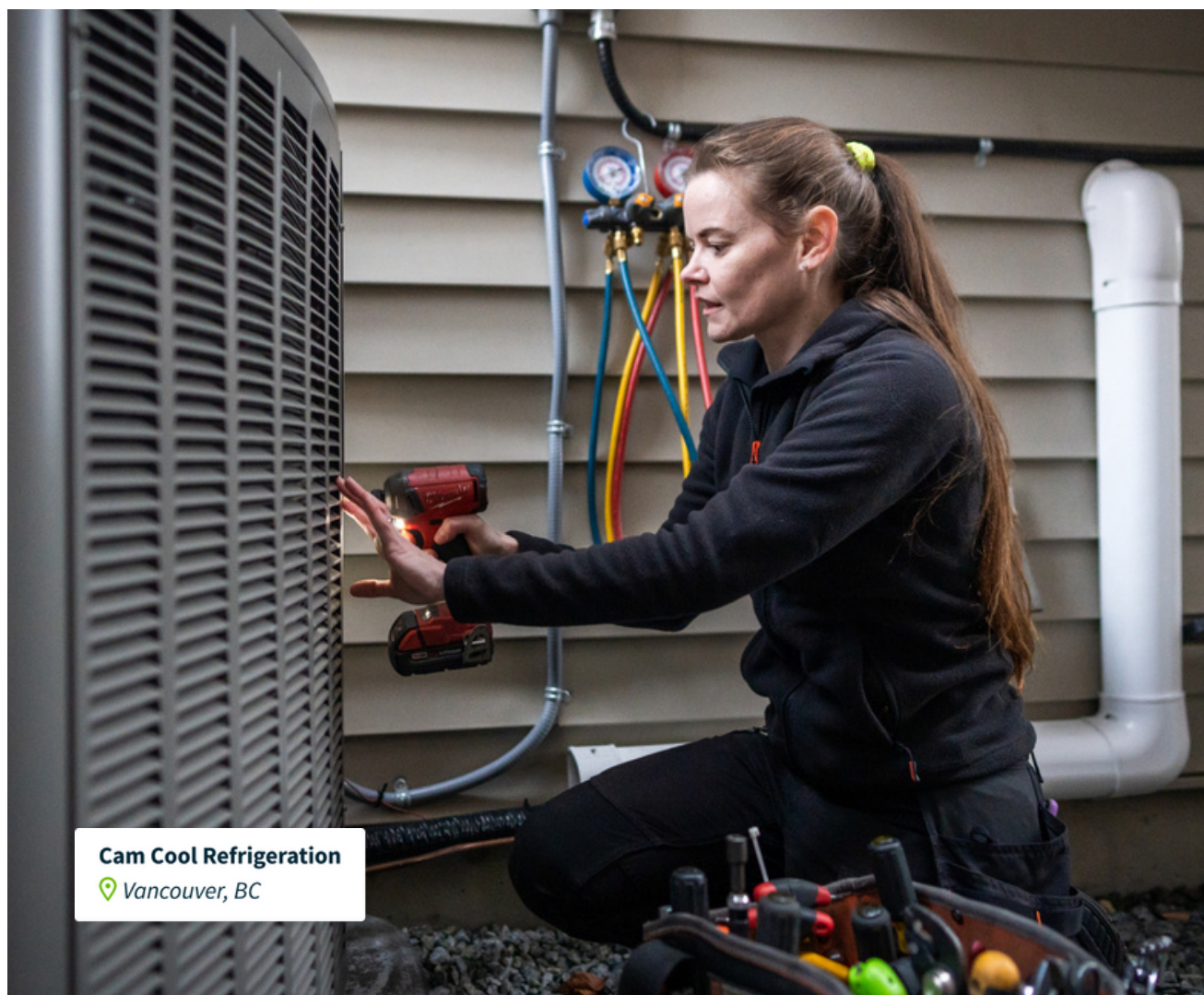


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Introduction

Small businesses make up 47% of the private labor force and contribute 44% to GDP in the United States [1]. As the leading business management platform for Home Service businesses, Jobber is uniquely positioned to identify aggregate trends and insights in this important small business segment. More than 160,000 residential cleaners, landscapers, HVAC technicians, and more, keep track of jobs and charge their customers for work using Jobber.

The Home Service category experienced strong growth in 2021, and 2022 started off in a similar fashion. Intensified by the growth in home renovations, customer demand for home services has been at an all-time high. One industry showing remarkable growth in customer demand and revenue is HVAC, making it an attractive market for entrepreneurs or those considering a career in skilled trades. As one of the fastest-growing industries in Home Service, it's worthwhile to investigate this industry's performance in greater detail.

The report will first provide an overview on how the whole Home Service category is performing by analyzing factors such as construction and home renovation, customer demand, and revenue. To help put the performance into perspective, we will also compare Home Service to other major categories such as Restaurants, Automotive, and Grocery Stores.

The report then looks at the performance of businesses that operate within the HVAC industry, examining metrics such as customer demand and revenue. It will also evaluate the impact of labor shortages and supply chain issues on this booming industry.



Takeaways

- Home improvement and maintenance expenditures continue to see strong performance with incredible growth last quarter, and projected to see even high levels next quarter.
- Even with the slowdown of new work scheduled in the Home Service category, revenue continues to grow very well year-over-year.
- There was a large increase in net new HVAC businesses added in 2021, and 2022 is looking to extend that growth even further so far this year.
- The HVAC systems market was valued at \$16.54 billion in 2021 and is projected to grow at a CAGR of 5.6% from 2022 to 2030.
- More than 50% of U.S. home are 40+ years old, creating a strong market for repair and replacement of HVAC systems and other components.
- Government regulations to reduce energy consumption and carbon emissions from HVAC systems will grow this industry further.
- Q1 2022 saw 10% growth in new quotes created and 6% growth in new work scheduled.
- Revenue for HVAC businesses experienced high growth in all of 2021 and is continuing to grow even further in 2022.
- Invoice size increased by 23% year-over-year in Q1 2022 as a result of the expanding cost of services and growth in project scope and size.
- It's predicted that 1.8 positions will be available for every technician working in HVAC as a result of the labor shortage.
- Businesses that added headcount in Q1 2022 grew by an average rate of 27% while businesses that decreased headcount only grew revenue by an average of 1%.

Home Service Category Performance

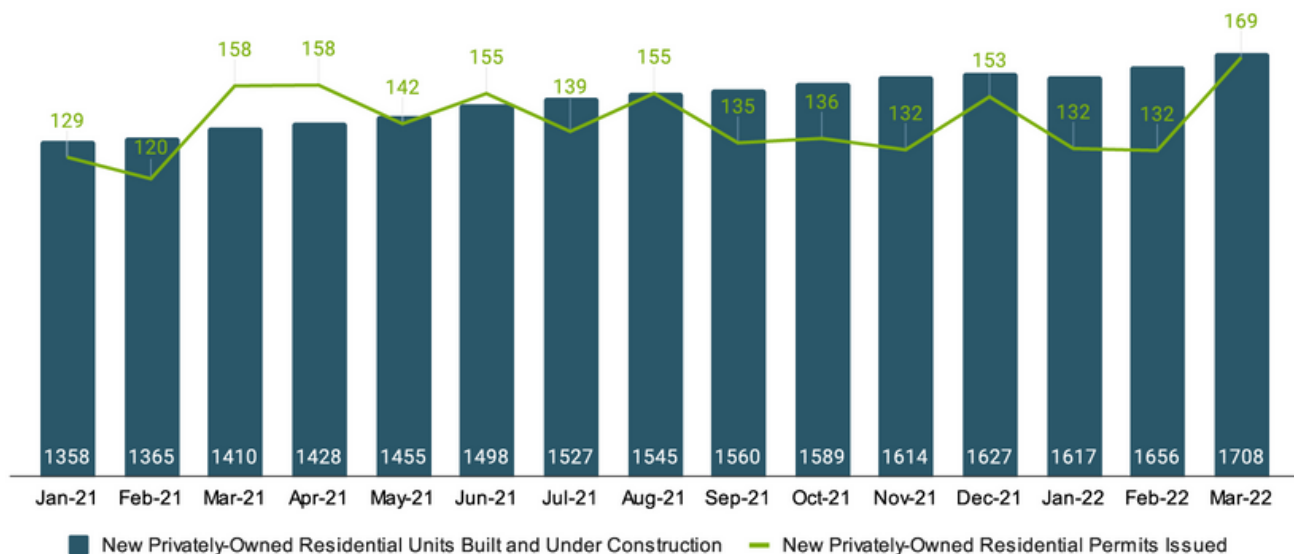
Construction and Renovation Projects

Since the start of COVID-19, we have seen consistent growth in new privately-owned residential units under construction and permits issued for future construction. This growth is driven by the lifestyle changes brought on by the pandemic and the desire for many homeowners to invest in their homes. Although 2022 started at a slight decline compared to December 2021, March 2022 saw record-breaking growth in new construction permits being issued. We expect this trend to continue as we enter the summer months.[2]

TAKEAWAY

Home improvement and maintenance expenditures continue to see strong growth performance with March 2022 reaching record-breaking growth.

New Privately-Owned Residential Units Built and Under Construction and Permits Issued ('000s)

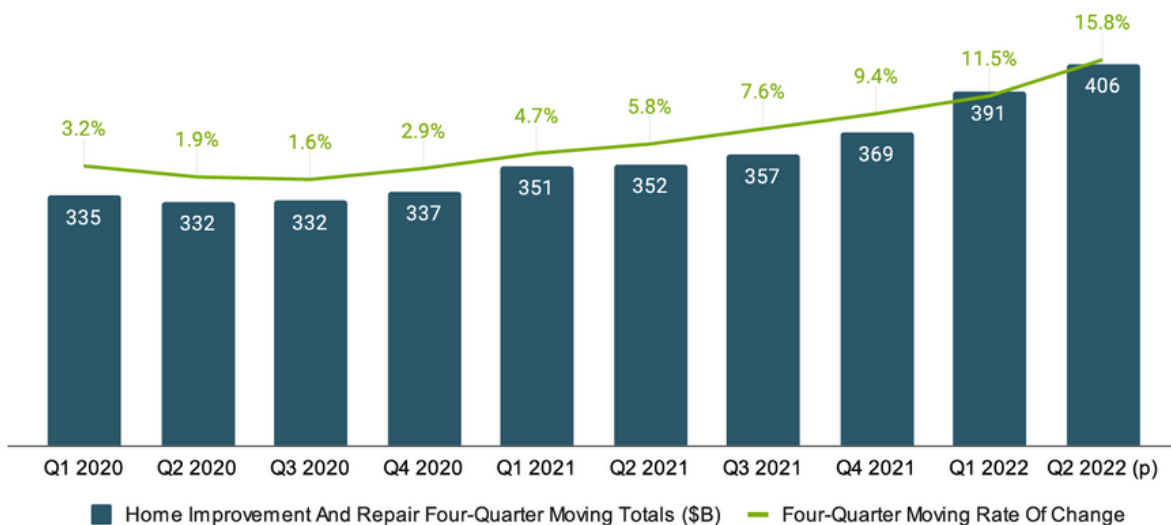


The Leading Indicator of Remodeling Activity (LIRA) report published by the Joint Center for Housing Studies of Harvard University shows strong growth in home improvement and maintenance expenditures in 2021 with continued growth in 2022. Spending in 2022 Q1 grew 6% compared to the previous quarter and shows no signs of slowing down, with a prediction to grow by another nearly 4% in Q2 2022. Strong increases in home sales activity, household incomes, and home equity levels are continuing to support a faster expansion of the home remodeling market throughout this year.[3]

TAKEAWAY

Spending in 2022 Q1 grew 6% compared to the previous quarter and shows no signs of slowing down.

Leading Indicator of Remodelling Activity (Total Spending and Growth)



TAKEAWAY

Home sales activity, household incomes, and home equity levels are supporting faster expansion of the home remodeling market.

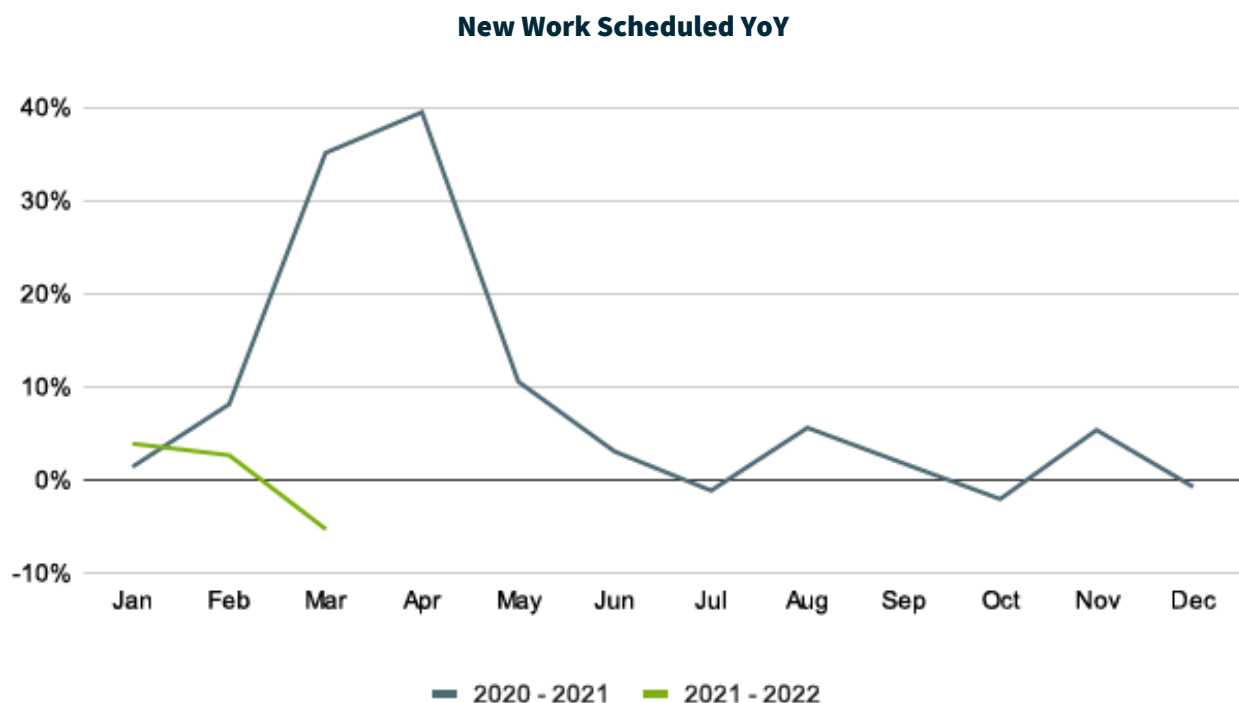
Customer Demand & Revenue

Growth of new work scheduled dropped in March 2022 after a healthy start to the year. This is against a very strong March 2021 where Home Service businesses were experiencing a ton of COVID-related tailwinds. The slowdown may be a result of service providers' inability to meet the rising demand of homeowners due to the scarcity of materials and challenges related to hiring referenced in previous reports. It could also be a result of inflation and anticipated interest rate hikes starting to soften consumer demand.

None of that affected the revenue growth, however, as last quarter resulted in average year-over-year growth of 19% across the whole Home Service category.[4]

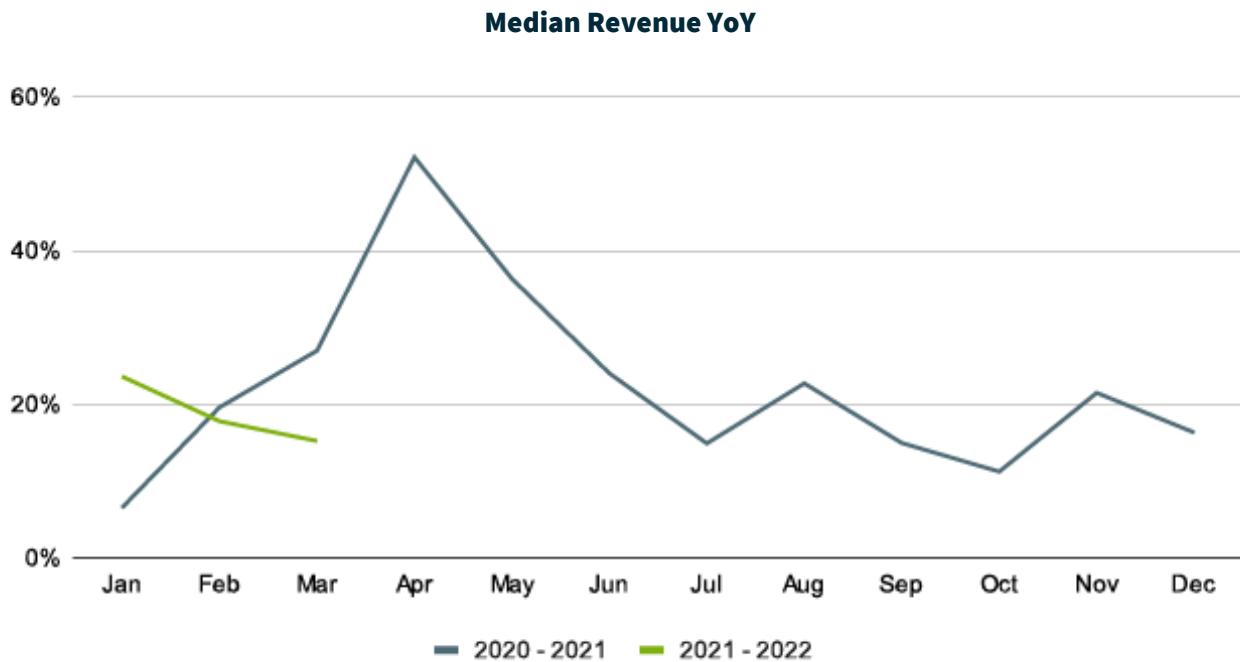
TAKEAWAY

After a hot start to the year, there was a drop in new work being scheduled in March 2022. Revenue growth looked positive throughout the quarter.



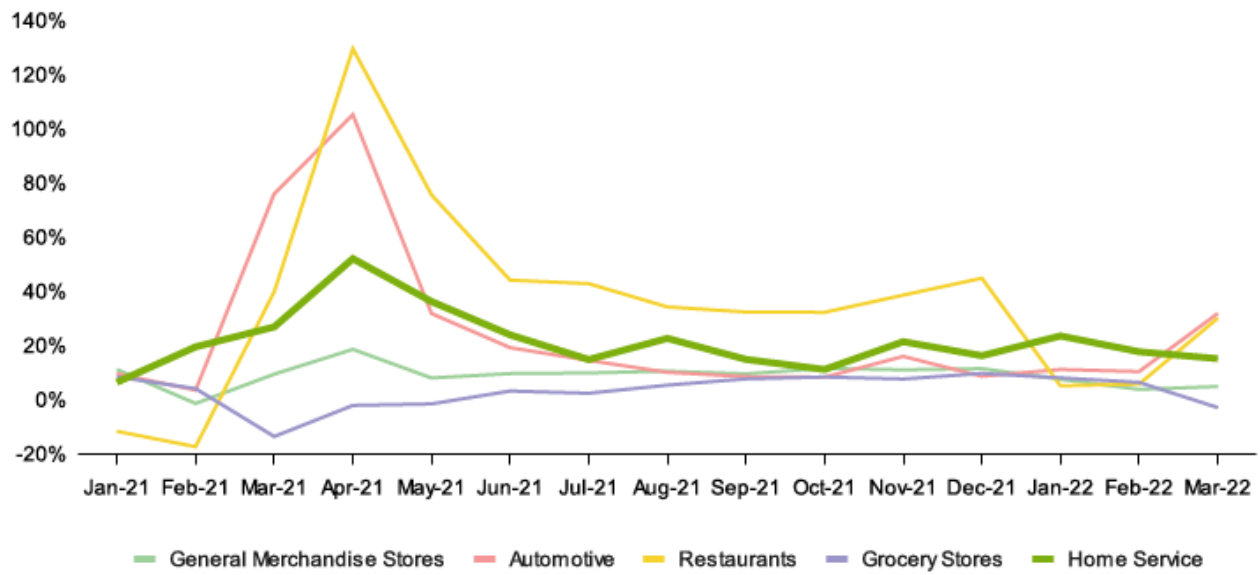
TAKEAWAY

Material scarcity and labor shortages are likely causes for the decline in new work scheduled, while inflation may have contributed, as well.



When we compare the revenue of Home Service to other categories such as Grocery Stores, Automotive, and Restaurants, it has been very stable throughout 2020, consistently positive throughout 2021, and still looks healthy. Since some of the other categories like Restaurants were hit very hard by the pandemic in 2020, their year-over-year growth looks incredibly high in early 2021, followed by a return to normalcy towards the end of the year and into the last quarter. With average year-over-year revenue growth of 19% in Q1 2022, Home Service continues to perform exceedingly well and better than many other consumer categories.[5]

Category Revenue Comparison — YoY



TAKEAWAY

Spending on Home Service continues to perform exceedingly well and better than many other consumer categories.

HVAC Industry Performance

Heating, Ventilation, and Air Conditioning (HVAC) is one of the fastest-growing Home Service industries in the U.S. According to a report by Grand View Research published in April 2022, the U.S. HVAC systems market was valued at \$16.54 billion in 2021 and is projected to grow at a compound annual growth rate (CAGR) of 5.6% from 2022 to 2030.[6] The HVAC equipment market was valued at \$130 billion in 2021 and is projected to hit \$206.89 billion by 2030, growing at a CAGR of 6.1% from 2021 to 2030.[7]

TAKEAWAY

The HVAC systems market was valued at \$16.54 billion in 2021 and is projected to grow at a CAGR of 5.6% from 2022 to 2030.

The desire for efficient units is a big trend for the HVAC industry heading into 2022. Impending government regulations designed to reduce energy consumption and carbon emissions from HVAC systems are anticipated to play an important role in growing this industry even further.[8] To support consumers in making informed decisions around their energy consumption, the U.S. government introduced the Energy Star Program that rates the efficiency, performance, and savings of products. Programs such as this one, combined with active efforts taken by HVAC pros to provide energy-efficient products, are expected to fuel the growth of energy-efficient equipment.[8]

TAKEAWAY

HVAC equipment market was valued at \$130 billion in 2021 and is projected to hit \$206.89 billion by 2030.

To accommodate for the rise in consumer demand, IBIS reports that the total number of HVAC businesses in the U.S. is growing at a healthy rate.[9] 2021 showed record-breaking growth in the number of HVAC businesses in the country, and so far, 2022 is continuing this trend.

TAKEAWAY

Government regulations to reduce energy consumption and carbon emissions from HVAC systems is helping grow this industry quickly.

SMB HVAC Business Profiles

AVERAGE INVOICE SIZE

\$2,018

AVERAGE ANNUAL REVENUE

\$162,505

per employee

1-10 EMPLOYEES

\$51,097

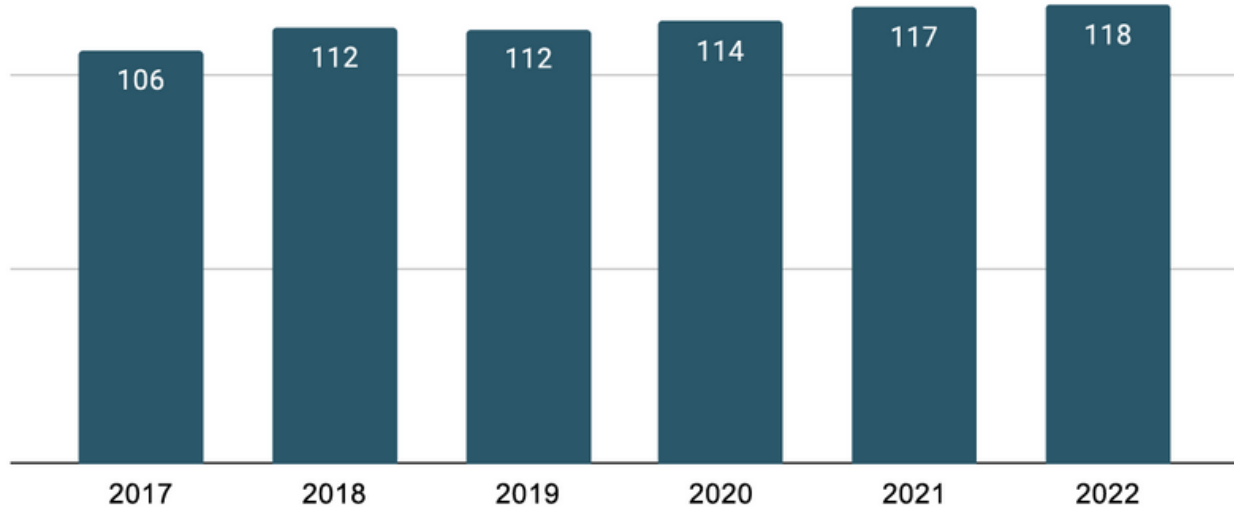
average monthly revenue

10+ EMPLOYEES

\$198,112

average monthly revenue

Number of HVAC Businesses in the U.S. ('000s)



Consumer Demand

New quotes created and new work scheduled for HVAC businesses grew dramatically in the early parts of 2021, primarily because of the heavy slowdown that occurred due to COVID in March and April 2020. Throughout the remainder of 2021, both new quotes created and new work scheduled continued to see high growth due to the increased need for HVAC services as heat-waves spread across the U.S. As a result, air conditioner shipments in 2021 peaked at 6.28M total shipments.[10]

TAKEAWAY

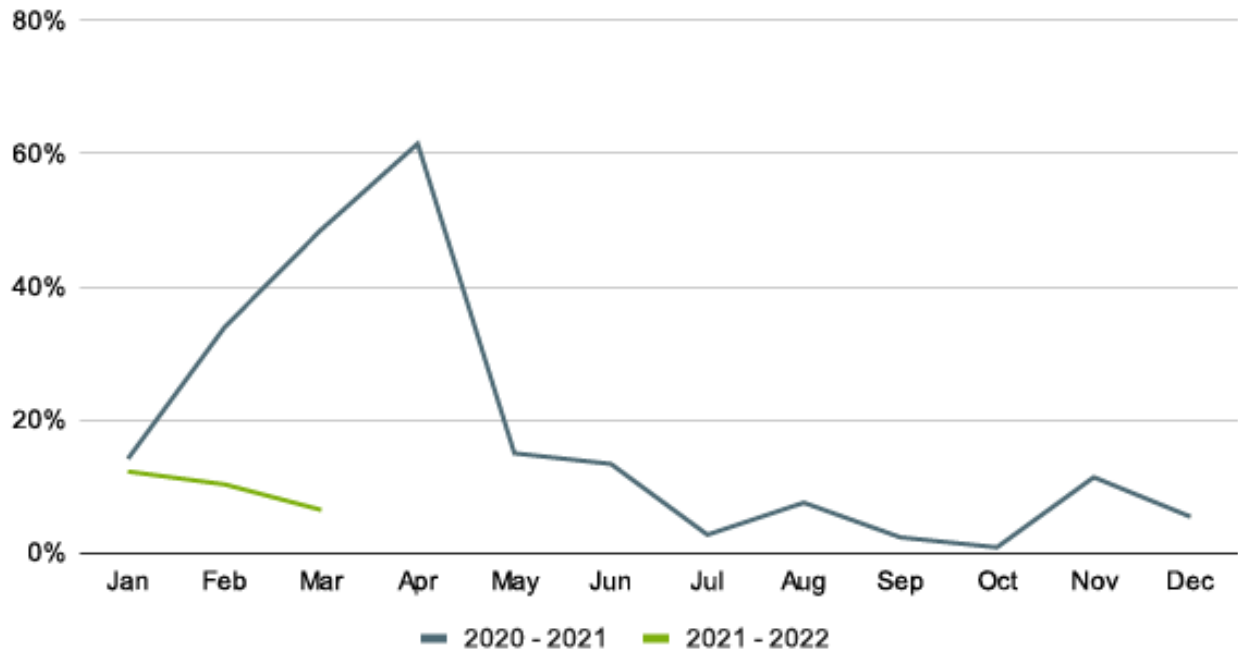
New quotes created and new work scheduled saw high growth throughout 2021.

Despite a slowdown in the year-over-year growth rate, demand continues at a strong pace with an average year-over-year growth of 10% and 6% in new quotes created and new work scheduled, respectively. Many HVAC businesses are booked through the summer in anticipation of yet another hot season.[4]

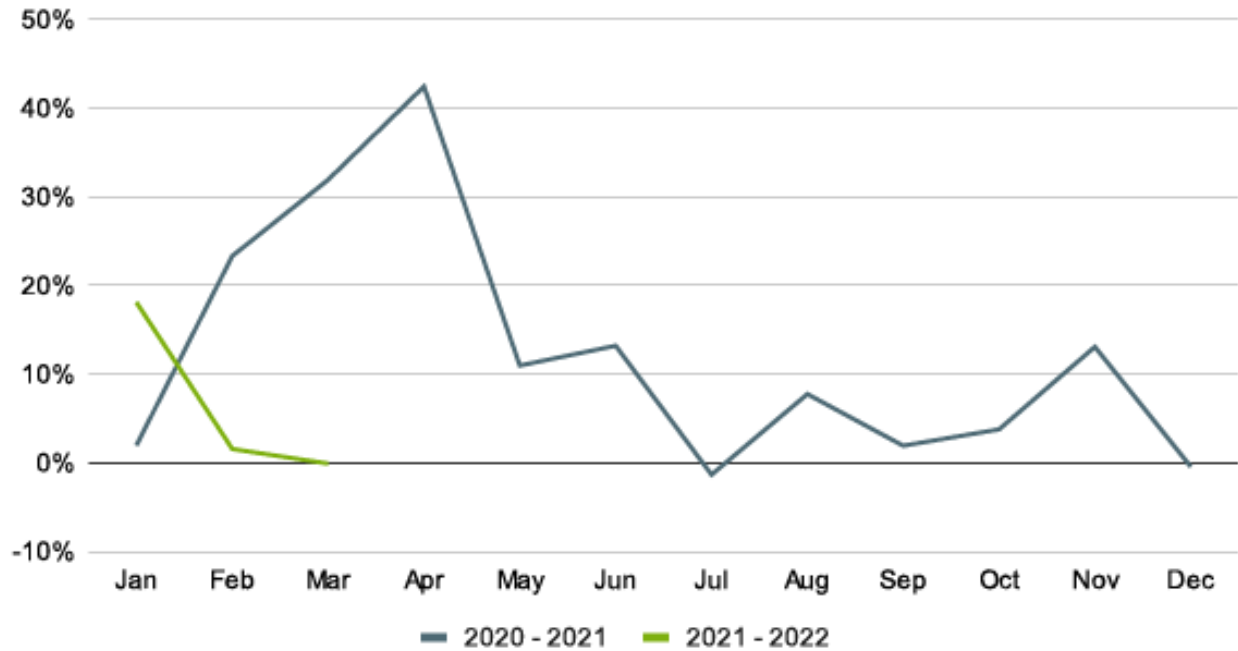
TAKEAWAY

Q1 2022 saw 10% growth in new quotes created and 6% growth in new work scheduled.

Average Number of Quotes Created in HVAC — YoY



New Work Scheduled in HVAC — YoY

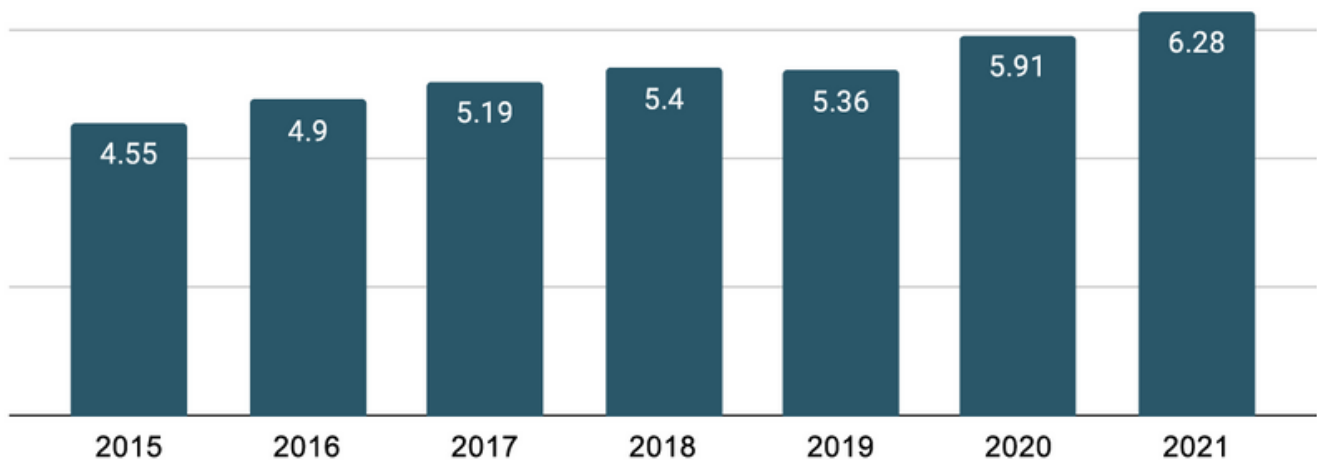


According to Lowe's Companies Inc.'s CEO Marvin Ellison, the HVAC residential market has been the strongest performer since the pandemic started, and the company's executives foresee that continuing. [11] Ellison says that more than half of the homes in the U.S. are more than 40 years old, which creates a strong market for repair and replacement of HVAC systems and other components. As more and more people are moving to warmer climate states, with Florida as the leading destination, there will be increased demand for air conditioning units.[11]

TAKEAWAY

More than 50% of U.S. home are 40+ years old, creating a strong market for repair and replacement of HVAC systems and other components.

Air Conditioner Shipments in the U.S. ('000,000s)



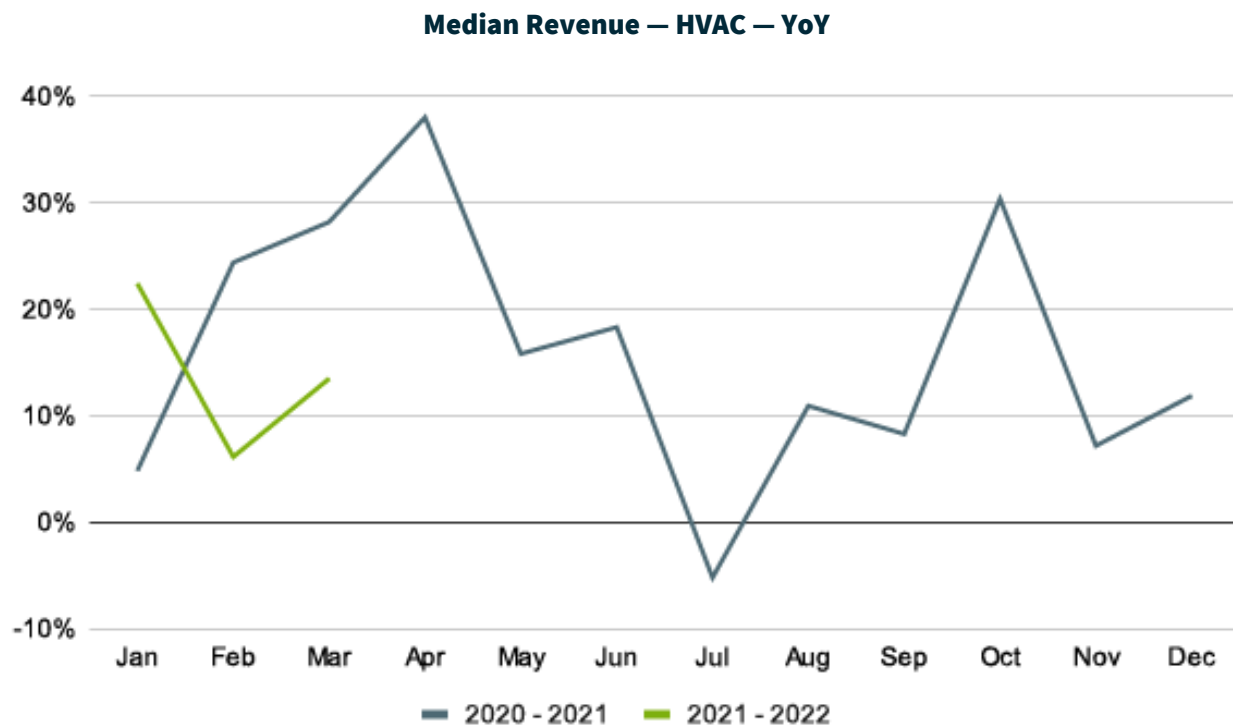
While all HVAC markets are predicted to enjoy continued growth in 2021, in a recent *ACHR News* interview with Brandy Powell, vice president and general manager of residential air conditioning at Emerson, said the commercial markets are rebounding at a higher rate than residential, and above 2021 rates.[12] Growth in the residential market peaked earlier as the initial lockdowns eased in 2021. While the market continues to grow, Emerson believes it will be at lower rates in 2022.[12]

Revenue

Following a similar trend as new work scheduled, growth in revenue for HVAC businesses looked great throughout 2021, and looks very healthy in 2022 thus far.[4]

TAKEAWAY

Revenue for HVAC businesses experienced high growth in all of 2021 and is continuing to grow well in 2022 .

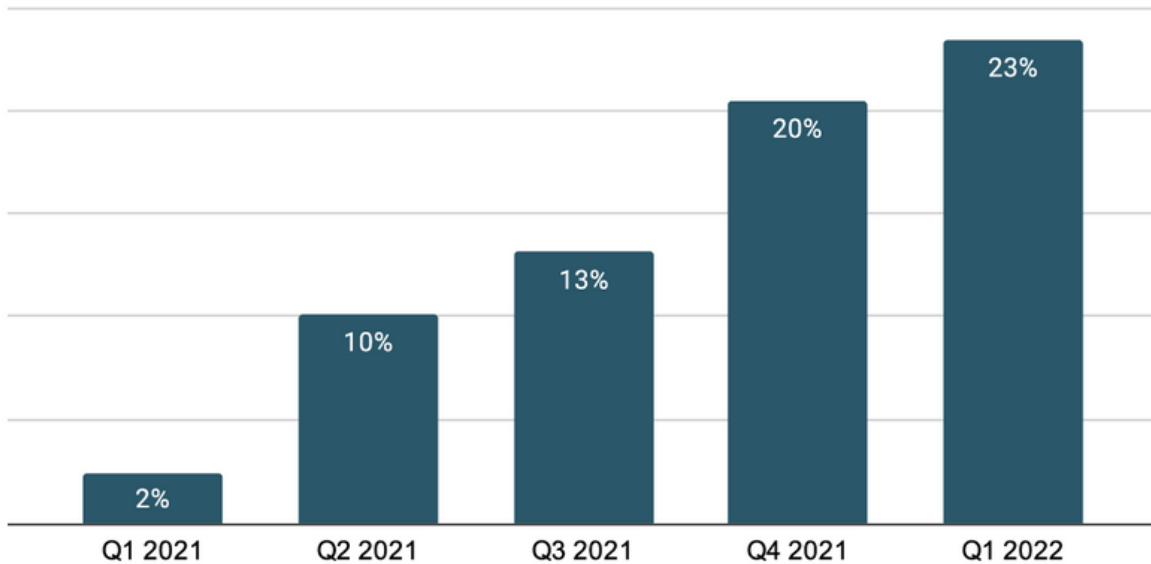


In Q1 2022, invoice size increased by 23% year-over-year as a result of the expanding cost of services and growth in project scope and size. The increase in labor cost also contributed to the growth in invoice size, as we'll see in the next two charts.

TAKEAWAY

Invoice size increased by 23% year-over-year in Q1 2022 as a result of the expanding cost of services and growth in project scope and size.

Growth in Invoice Size — HVAC — YoY

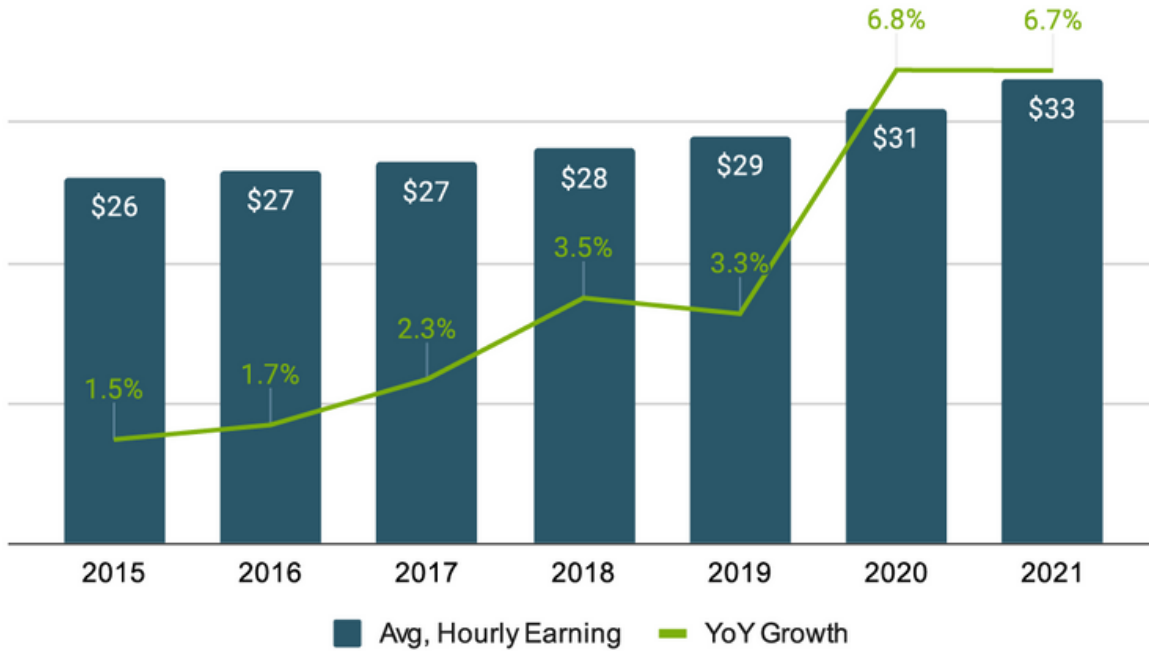


The average hourly earnings of production and nonsupervisory employees in HVAC grew by 6.8% in 2020 and 6.7% in 2021, twice the growth rate of 2018 and 2019.[13] Using Jobber data, we see that the median cost of labor grew by 13% year-over-year in 2022 compared to the same period last year, a peak high since the onset of the COVID-19 pandemic.

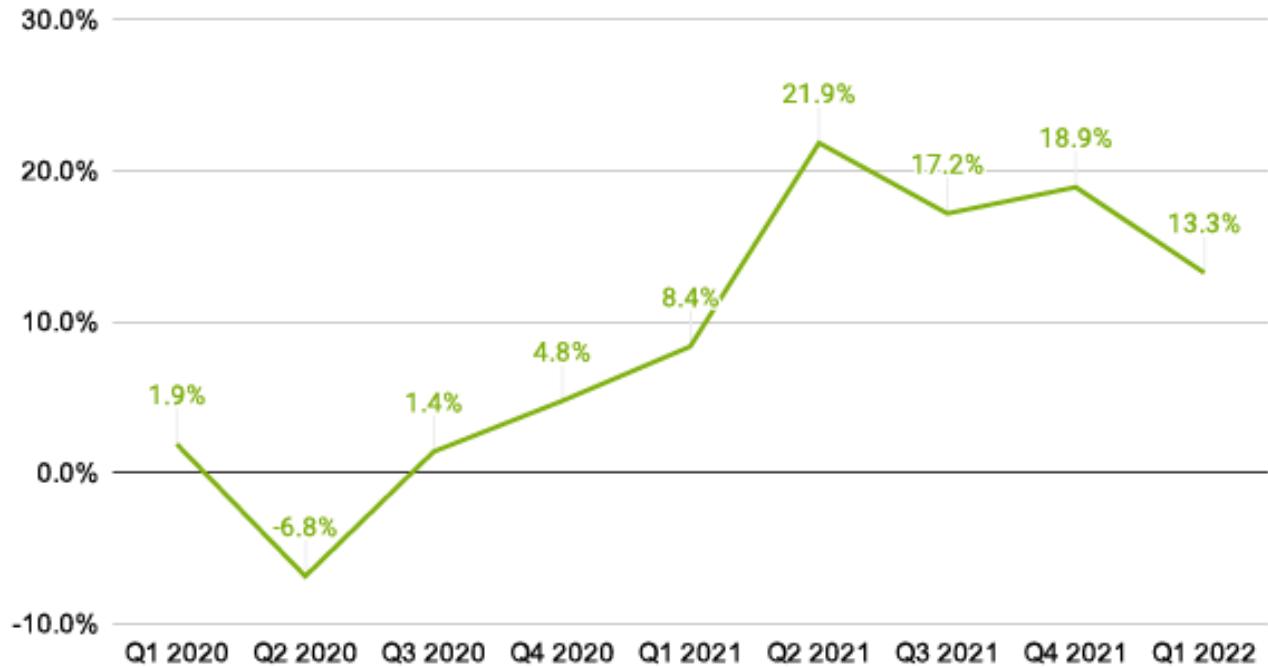
TAKEAWAY

The median cost of labor grew by 13% year-over-year in Q1 2022 compared to Q1 2021, a peak high since the onset of the pandemic.

Average Hourly Earnings of Employees — HVAC



YoY Growth in Median Cost of Labor — HVAC



Employment

Heating, air conditioning, and refrigeration mechanics and installers is part of the subcategory *Installation, maintenance, and repair occupations*. According to the U.S. Bureau of Labor Statistics, Employment Projections (EP) program, employment of heating, air conditioning, and refrigeration mechanics and installers is forecasted to grow at an annual rate of 5% from 2020 to 2030.[14]

TAKEAWAY

Employment of heating, air conditioning, and refrigeration mechanics and installers is forecasted to grow at an annual rate of 5% from 2020 to 2030.

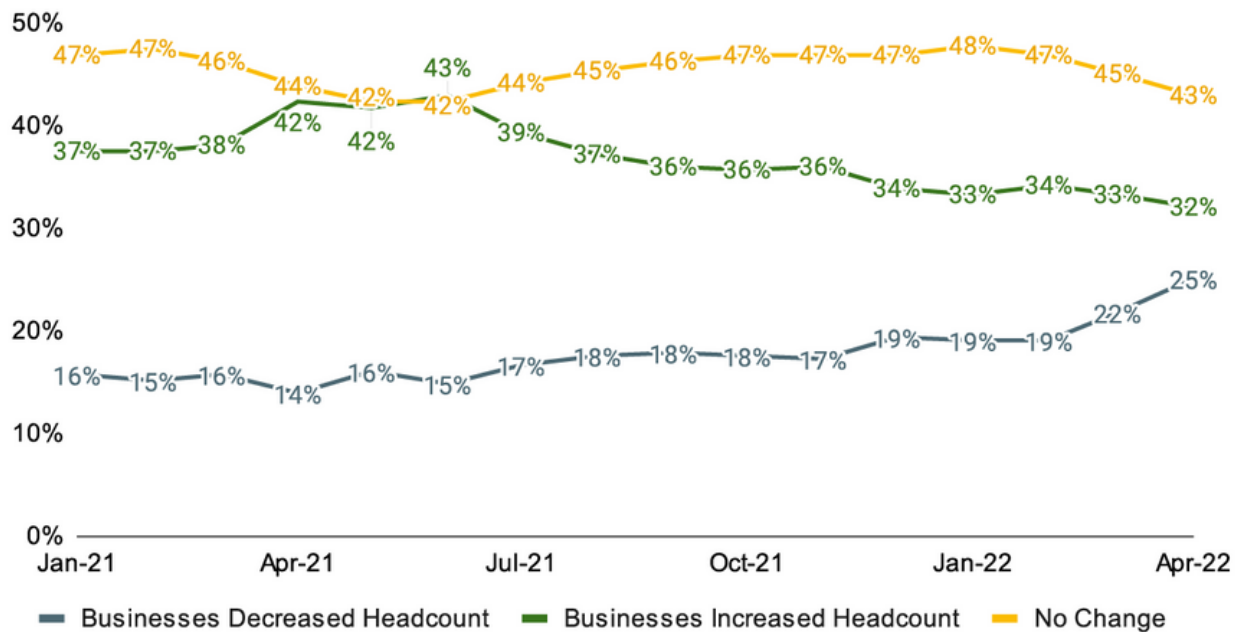
While employment in HVAC should be increasing with the rise in consumer demand, the industry is experiencing labor shortage challenges that we see from Jobber's proprietary data. According to *ACHR News*, the labor shortage has always been a problem for the HVAC industry and it's predicted to get worse. They estimate that there will be 1.8 positions available for every technician working in this industry.[15]

TAKEAWAY

It's predicted that 1.8 positions will be available for every technician working in HVAC as a result of the labor shortage.

According to Jobber data, there has been a constant decline over the last year in businesses being able to grow their headcount, and a constant increase in businesses experiencing a decrease in headcount. We believe this dynamic is due to the labor shortage challenges that HVAC businesses are facing.

% of Service Providers by Net Employee Growth — HVAC — YoY

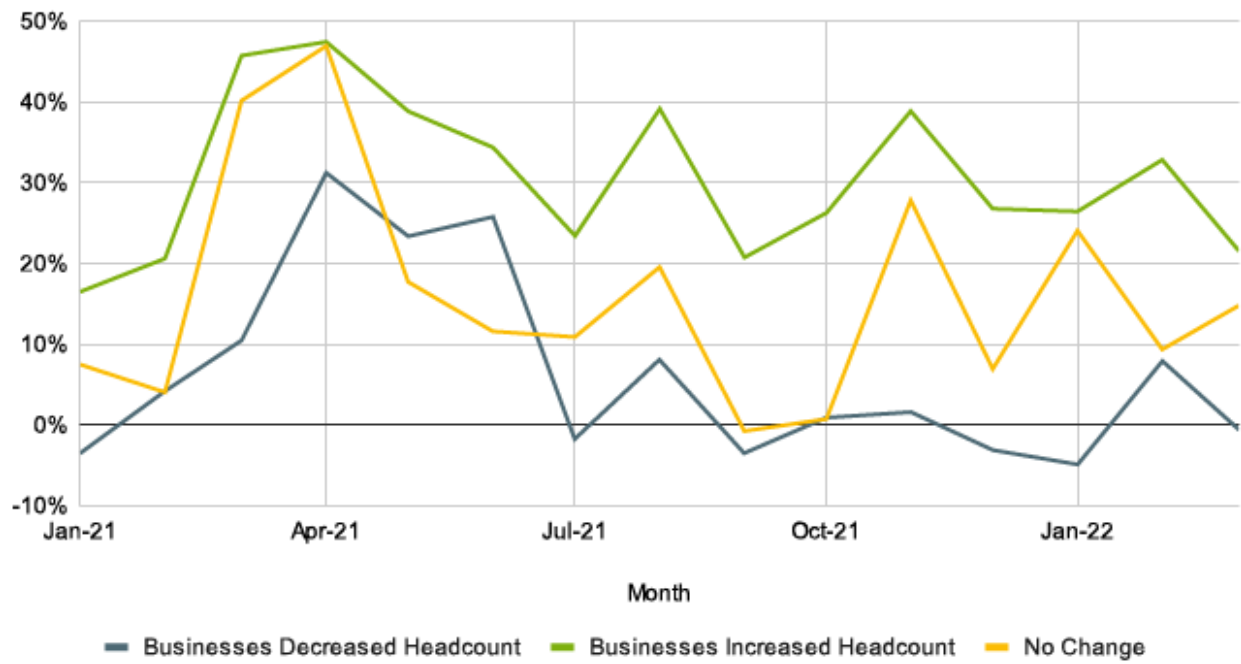


Regardless of the ability to hire more headcount, HVAC businesses are largely successful. However, the businesses able to hire are growing better than others. In Q1 2022, businesses that added headcount grew by an average rate of 27% year-over-year, while businesses that decreased headcount only grew revenue by an average of 1%.

TAKEAWAY

Businesses that added headcount in Q1 2022 grew by an average rate of 27% while businesses that decreased headcount only grew revenue by an average of 1%.

Median Revenue Growth — HVAC — YoY

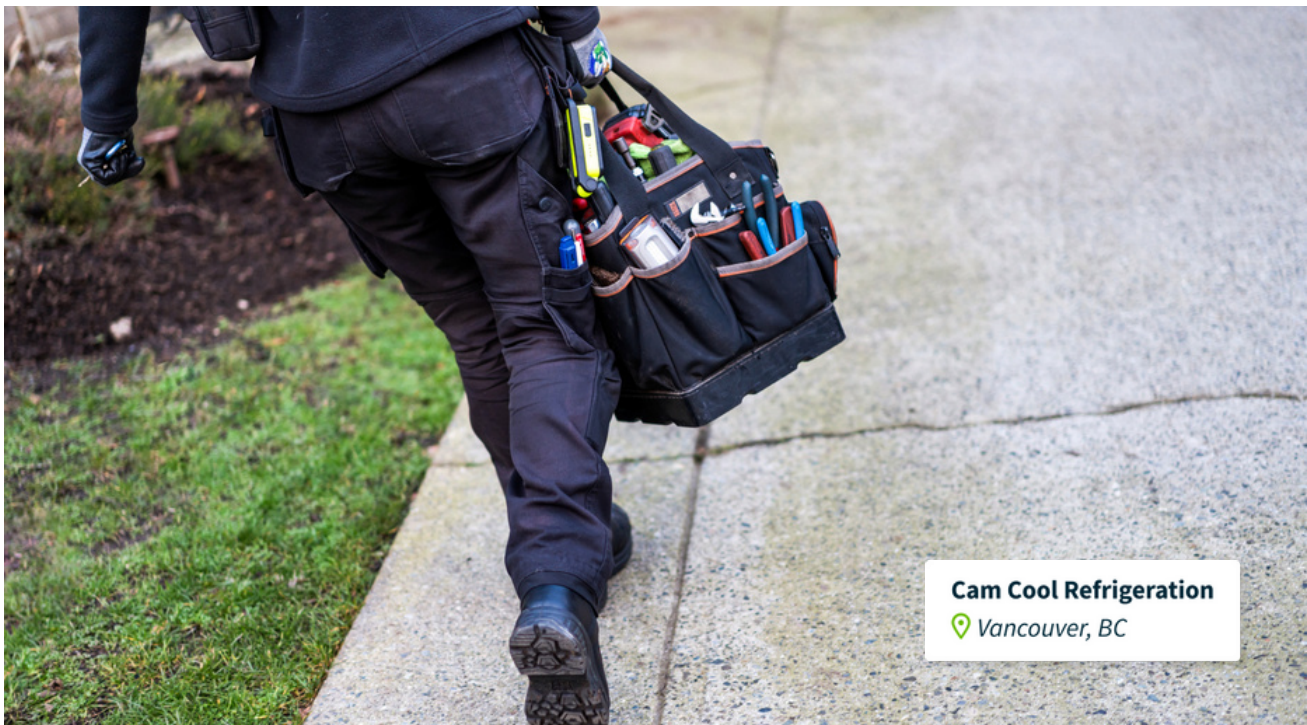


Future Outlook

As a result of increased consumer demand for construction and renovation projects, Home Service has proven to be one of the most stable and lucrative categories throughout the past few years. Despite supply chain challenges and labor shortages impacting every sector, Home Service businesses continue to preserve, and in most cases, grow revenue year-over-year.

Although these challenges are affecting new work scheduled, revenue growth for the category has remained healthy. With inflation remaining high, and interest rate hikes starting to take effect, it will be interesting to see how this impacts consumer demand for home services in coming quarters.

As shown in this report, HVAC is one Home Service industry showing tremendous growth. Amplified by government regulations to reduce energy consumption from HVAC systems, the need for repairing and replacing systems in older homes, and the growing desire for Americans to relocate to warmer climates, the demand for HVAC pros is booming and shows no signs of slowing down. With *ACHR News* reporting that there will be an estimated 1.8 positions available for every technician working in this industry, there is ample opportunity for entrepreneurs and skilled workers to explore.



Cam Cool Refrigeration
Vancouver, BC

Data Sources & Methodology

[1] The small business data provided is from the U.S. Small Business Administration Office of Advocacy. The specific metrics shared are from a [Research Summary](#) published by the organization, as well as an annual [FAQ](#) they provide.

[2] The data for new residential units built and under construction and new privately owned residential building permits issued is compiled from the [U.S. Census Bureau's Monthly New Residential Construction Report](#). Total residential sales are calculated by combining new residential sales from the [U.S. Census Bureau's Monthly New Residential Sales Report](#) with the sales of previously owned houses from the [Trade Economics](#) report.

[3] The home renovation's actual and projected growth is captured from [April's press release](#) published by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University.

[4] The year-over-year change in new work scheduled, median revenue, employees and invoice sizes have been calculated by aggregating data across a cohort of businesses using Jobber since 2020. This doesn't include any new businesses that started using Jobber during that period. HVAC business definition includes businesses that have created an invoice related to HVAC and belong to the contractor segment.

[5] All category data outside of Home Service comes from the U.S. Census Bureau's Advance Monthly Retail Trade Report. The year-over-year change in median revenue has been used as a proxy for the Home Service category data point, which is the Home Service equivalent to 'same-store sales growth.' As a result, we believe this to be a conservative estimate for the category as a whole because it doesn't include new business starts, while the U.S. Census Bureau's trade

report includes all sales from new business starts as well as same-store sales.

[6] U.S. HVAC systems market size data is from report [U.S. HVAC Systems Market Size, Share & Trends Analysis Report By Product \(Heating, Ventilation, Cooling\), By End Use \(Residential, Commercial, Industrial\), By Region, And Segment Forecasts, 2022 - 2030](#), published by Grand View Research in Apr, 2022.

[7] The projections are extracted from the [report](#) published by Precedence Research.

[8] Reference to the US HVAC Systems Market research [report](#).

[9] HVAC business statistics in the US are extracted from the [industry report](#) published by IBISWorld.

[10] Consumer demand data is from [statistics on Central Air Conditioners and Air-Source Heat Pumps](#) provided by the Air-Conditioning, Heating, and Refrigeration Institute (AHRI).

[11] Industry comments are shared by the article '[Outlook for Residential, Commercial HVAC Looks Good](#)' from The Air Conditioning, Heating and Refrigeration NEWS (ACHR News)

[12] Comments from the interview with the vice president and general manager of residential air conditioning at Emerson is from the article '[HVAC Industry Is Poised for Growth in 2022](#)' from The Air Conditioning, Heating and Refrigeration NEWS (ACHR News)

[13] The data on hourly earnings of production and nonsupervisory employees is sourced from the [U.S. Bureau of Labor Statistics](#).

[14] Heating, air conditioning, and refrigeration mechanics and installers data is sourced from the [occupational outlook handbook](#) published by [U.S. Bureau of Labor Statistics](#)

[15] HVAC labor forecast is from the article '[HVACR Industry Must Work Harder To Retain Technicians](#)' by The Air Conditioning, Heating and Refrigeration NEWS (ACHR News)

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