Jobber Home Service Economic Report

2024 Q2

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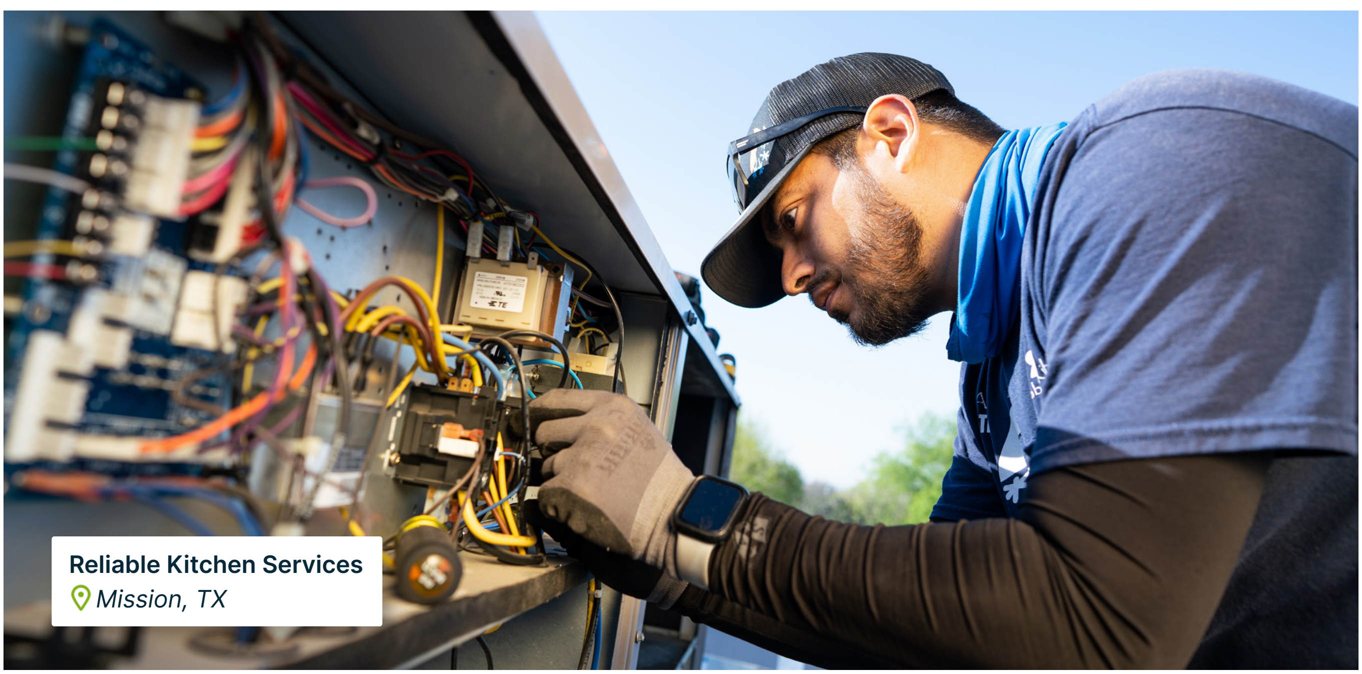
Introduction

Small businesses employ 61.7 million Americans, totaling 46.4% of private sector employees[1]*. As the leading software for Home Service businesses, Jobber is uniquely positioned to identify aggregate trends and insights in this important small business segment. More than 200,000 residential cleaners, landscapers, HVAC technicians, and more, keep track of jobs and charge their customers for work using Jobber.*

Careful consumer spending shows signs of increasing as inflation subsides alongside discussions of potential interest rate cuts—a boon for aging housing stock.

In 2023, we witnessed the Home Service economy returning to normal levels after experiencing tremendous growth since the onset of the pandemic. In the first half of 2024, we saw demand for Home Service cooling off, but already the segment shows signs of picking up in the second half of the year.

In this Jobber Home Service Economic Report, we will provide an update on consumer demand, housing trends, and take a deeper look at the segments that make up Home Service, including Green, Cleaning, Contracting, and Construction.

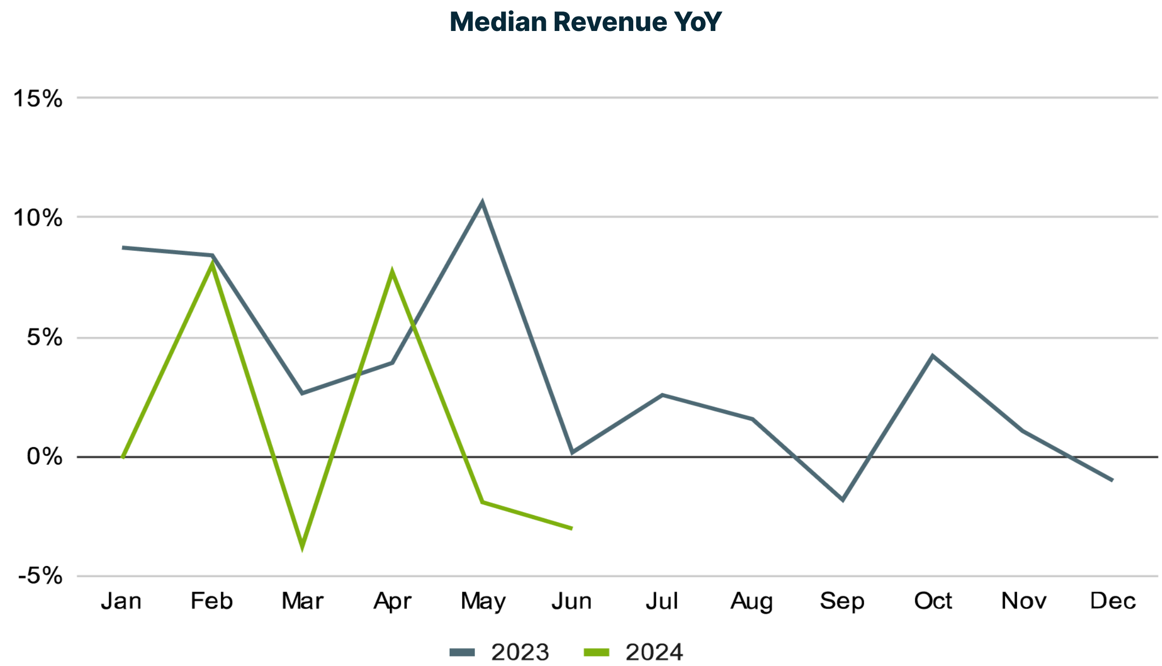


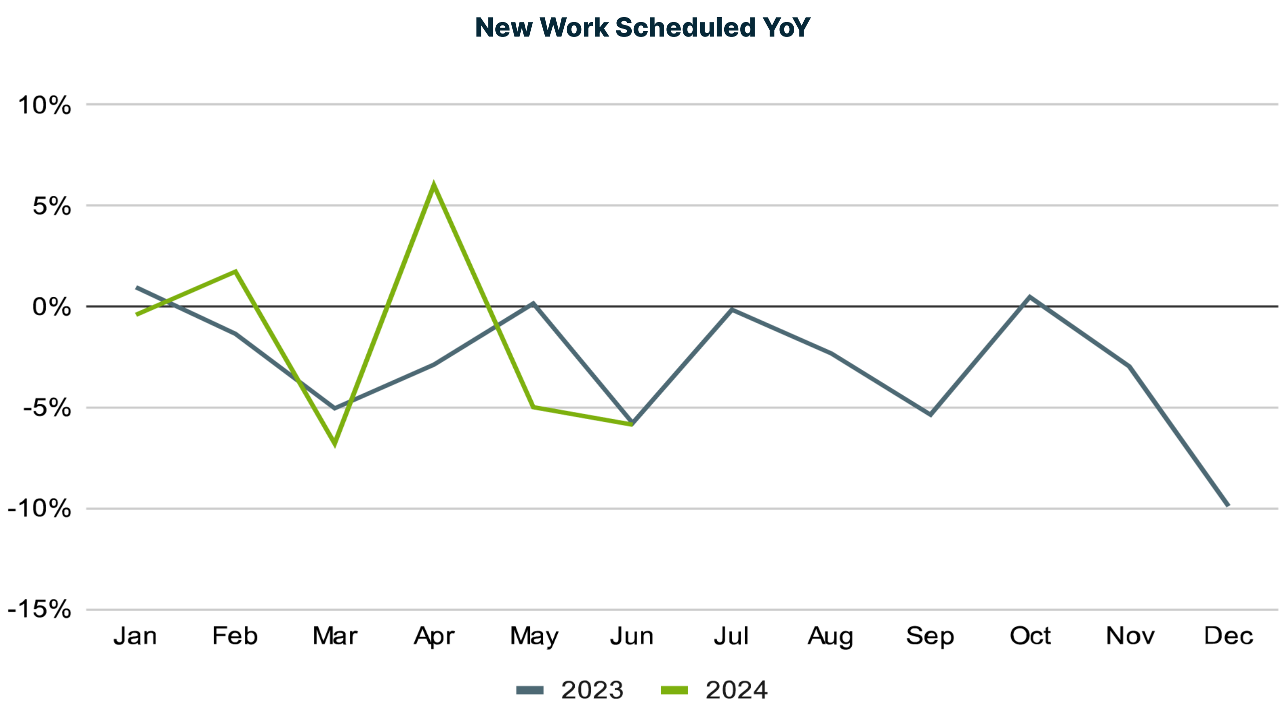
Key Takeaways:

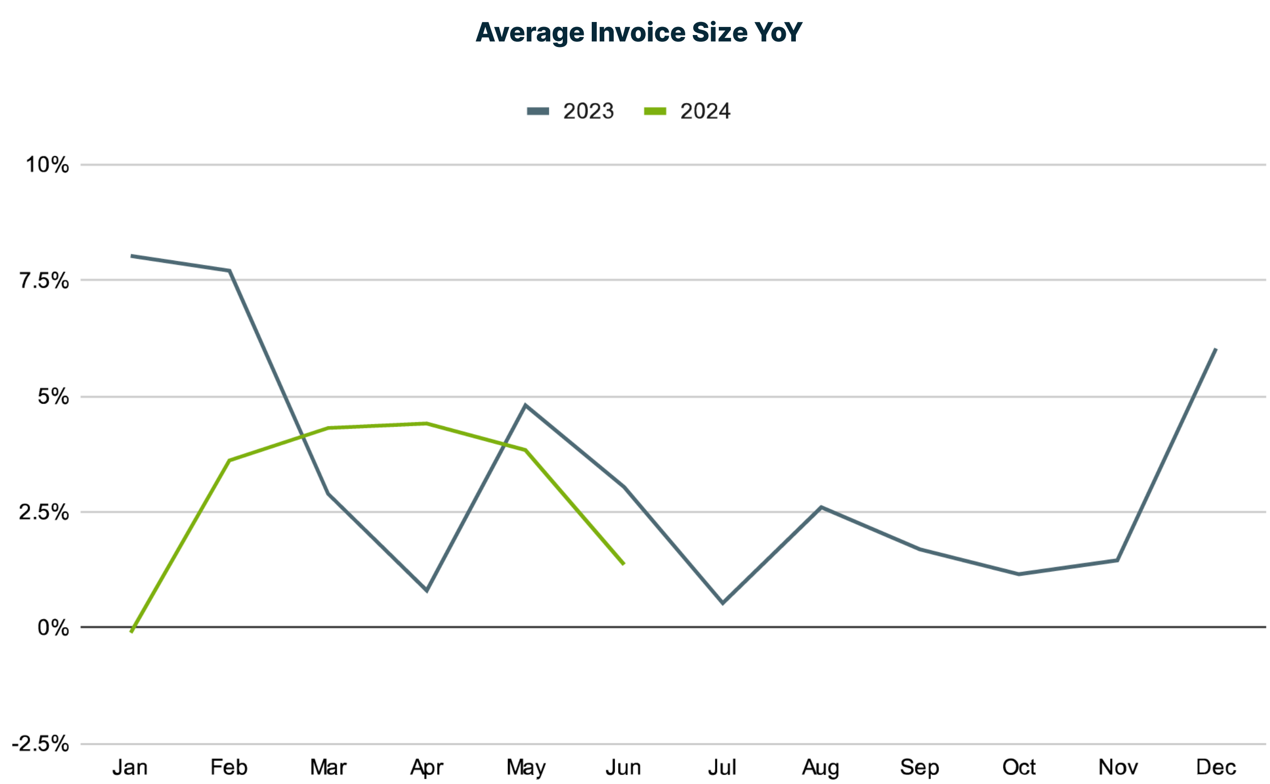
- Consumers are starting to feel more financial pressure and are pulling back spending, but service provider revenue is still growing at low single digits for Q1 and Q2 2024 due to increased average invoice size.
- Real disposable income growth has significantly slowed, leading to a decline in consumer sentiment.
- Experts predict consumer spending will increase in H2 2024 and 2025 as inflation subsides and potential interest rate cuts take effect, boosting housing and home services.
- Home equity values continue to rise, but new permits and housing starts are declining, creating headwinds for the Home Service category for the rest of 2024 and 2025.
- Remodeling activity is slowing due to high interest rates and reduced consumer confidence but is expected to recover in early 2025 and is poised for long-term growth due to the aging housing stock.
- The Green segment shows steady growth with increasing median revenue, as consumers focus on smaller home upkeep investments.
- Cleaning services see a decline in scheduled work but maintain flat or slight revenue growth through higher prices and premium services, while the Contracting segment experiences mixed results and flat growth, and Construction sees the largest decline in new work partly driven by high interest rates.

Consumer Demand

Consumer demand has continued to cool off but is still growing at low single digits for Q1 and Q2 2024. The rise in median revenue has been driven primarily by increases in average invoice size as new scheduled work has been lower in all months this year relative to last year, besides a particularly strong February and April. As 2024 is a leap year, a portion of that increase in February is due to the extra day versus last year. A more cost conscious consumer is driving part of this weakness.



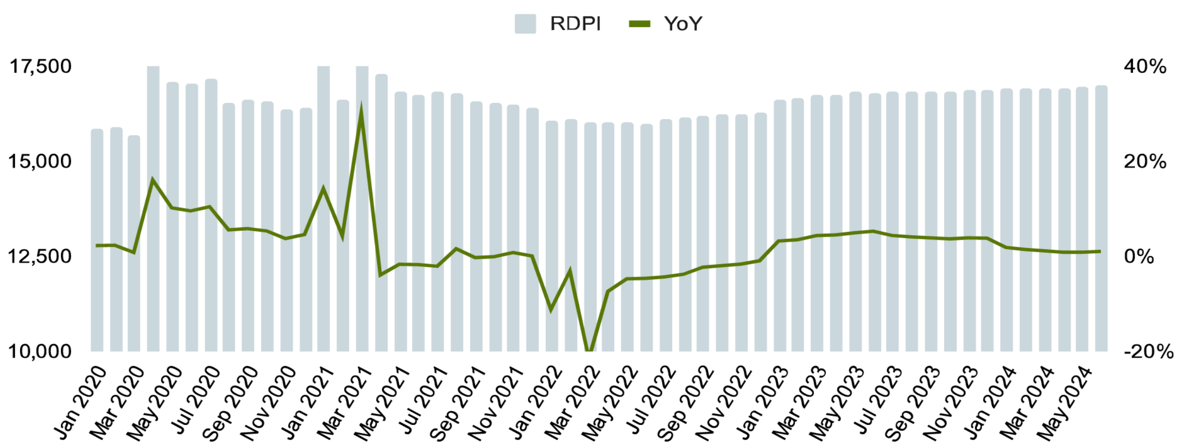

New Work Scheduled YoY
10%
5%
0%
-5%
-10%
-15%
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2023
2024


Average Invoice Size YoY
2023
2024
10%
7.5%
5%
2.5%
0%
-2.5%
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

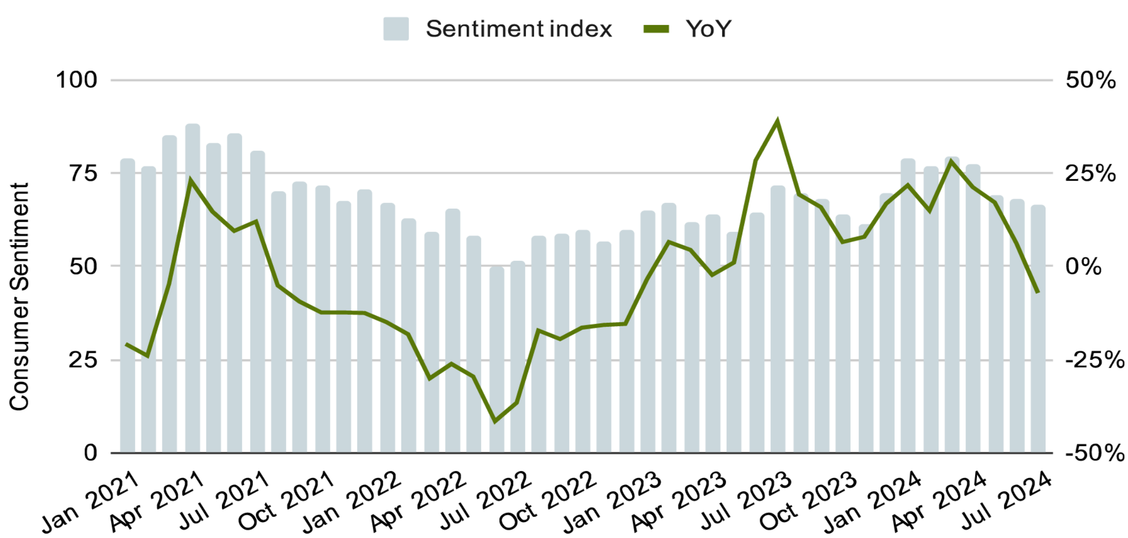
Real Disposable Income[2], or the amount of income left to spend after paying taxes, adjusted for inflation, has slowed to a crawl this year. This has caused consumer sentiment[3], or how Americans feel about the economy and their own financial situation, to decline the past few months.

Going forward, however, many experts predict spending should pick up in the second half of 2024 and in 2025 as inflation subsides and the Federal Reserve cuts interest rates. This should have a particularly strong effect on housing and home services as mortgages and financed home improvement projects become more affordable. The timing and pace of interest rate cuts still remains highly uncertain.

Real Disposable Income ($Billions)[2]



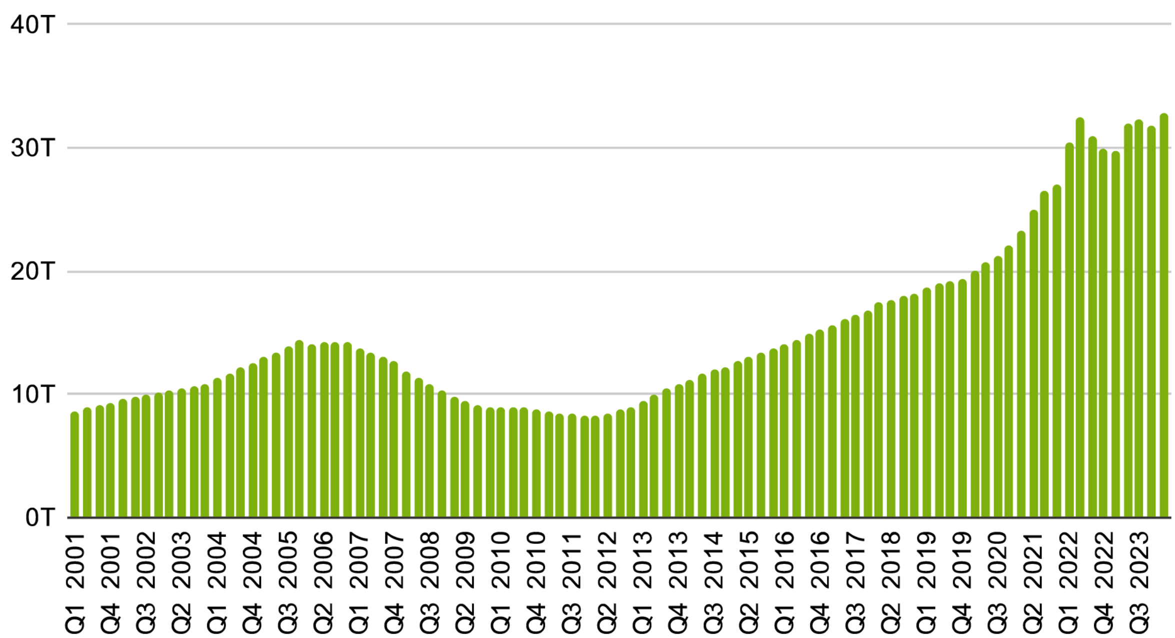
Index of Consumer Sentiment YoY[3]



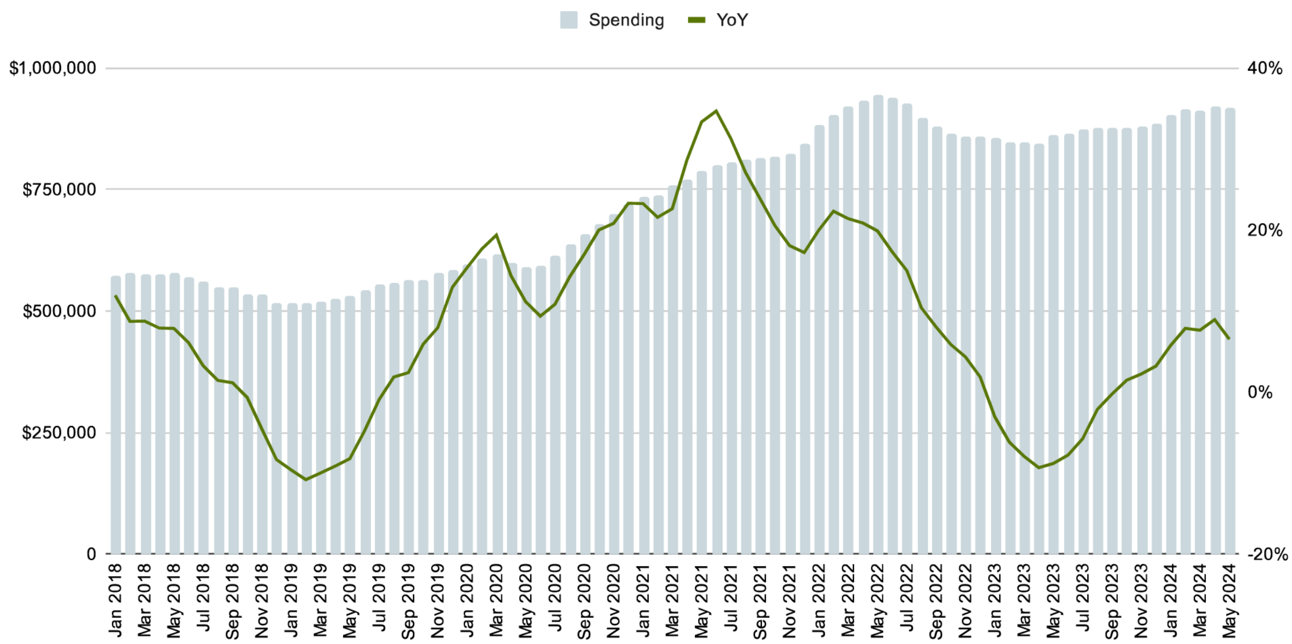
Housing Market: Mixed Outlook

The performance and activity of the housing market is closely linked to demand for home services. So far this year, home equity values[4] continue to rise, even as interest rates stay persistently high, partly due to the undersupply of inventory in the United States. As well, monthly construction spending[5] has mostly increased so far this year. New permits[6] and housing starts[7], however, have slumped the past few months which will have an effect on homes available for purchase in the coming few quarters. New home purchases are closely linked with home service spending presenting some headwinds for home service demand for the rest of 2024 and 2025.

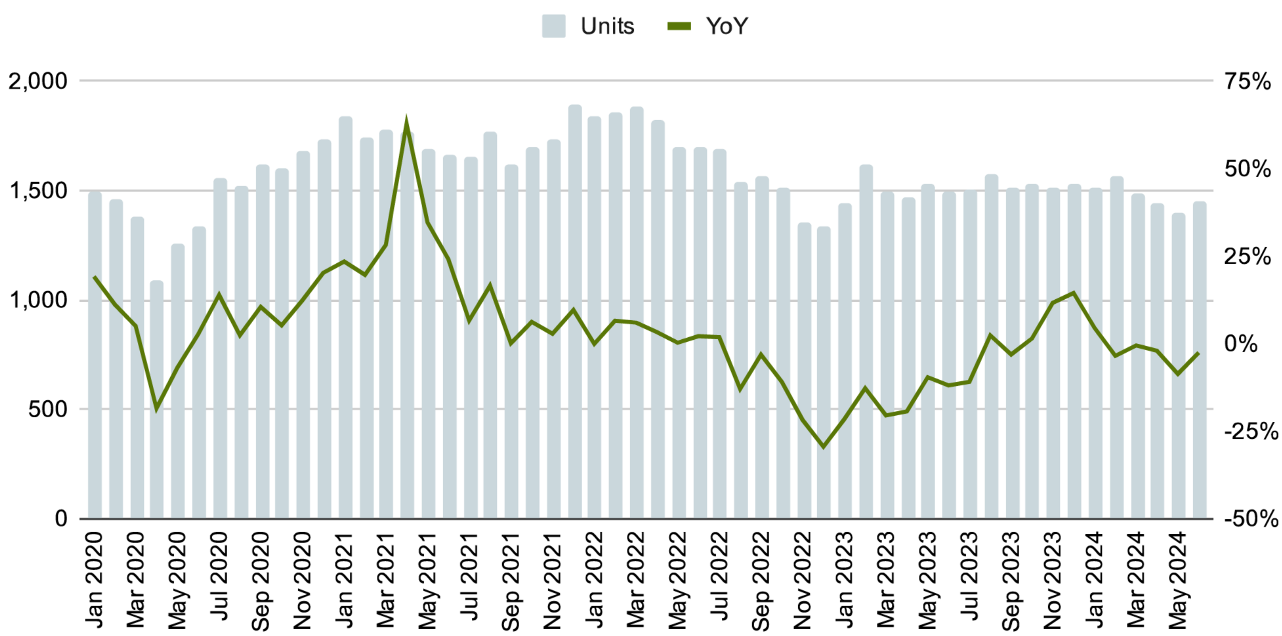
Home Equity Values ($Trillions)[4]



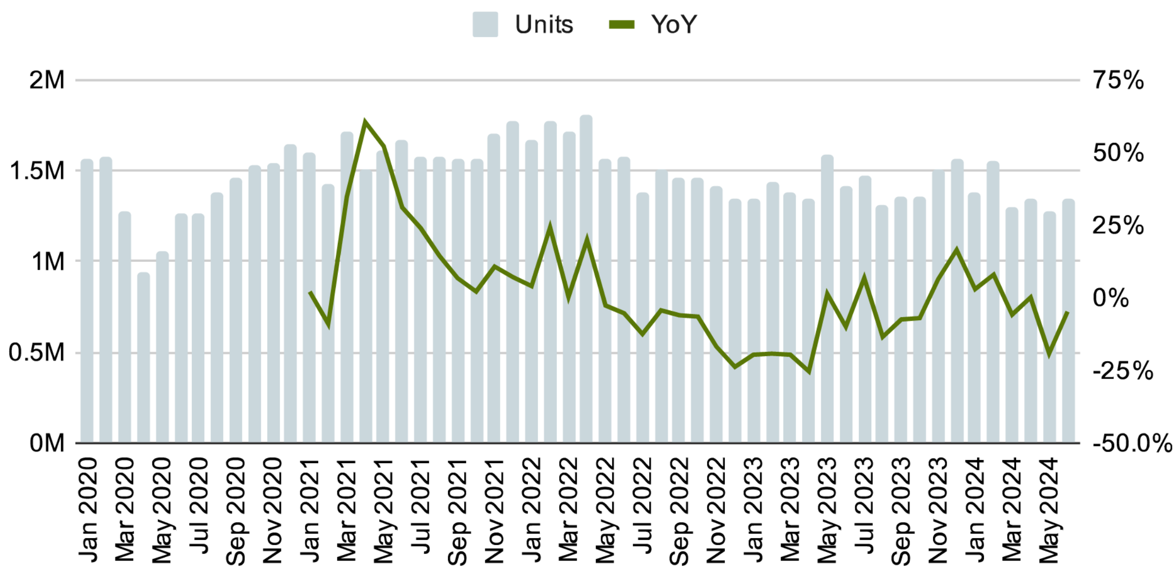
Monthly Construction Spend[5]



Housing Permits YoY[6]



Housing Starts YoY ($Millions)[7]

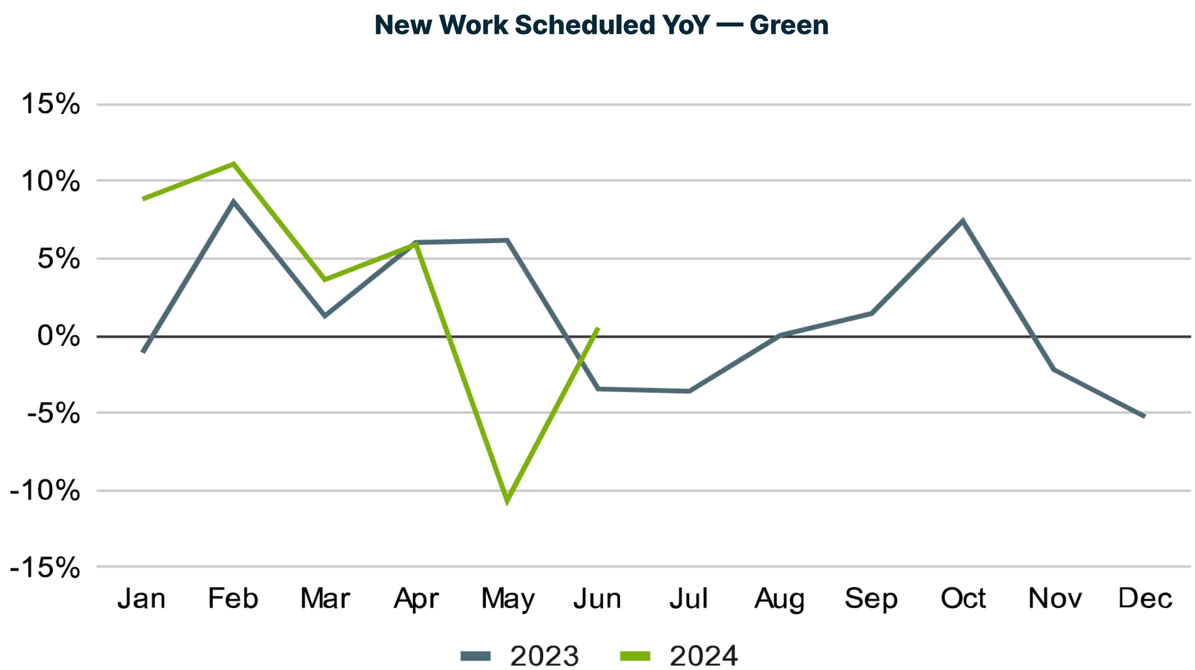


Remodeling activity is continuing to slow down as high interest rates and reduced consumer confidence lead people to delay or cancel repair and improvement projects. The Joint Center for Housing Studies of Harvard[8] predicts moderate slowdowns in activity will continue bottoming out in Q4 of this year and recovering in the first half of 2025 as owners start making upgrades and repairs at a steadier pace. As well, the aging housing stock in the U.S. means critical replacements and modernizations will be needed driving increases over the medium to long term.

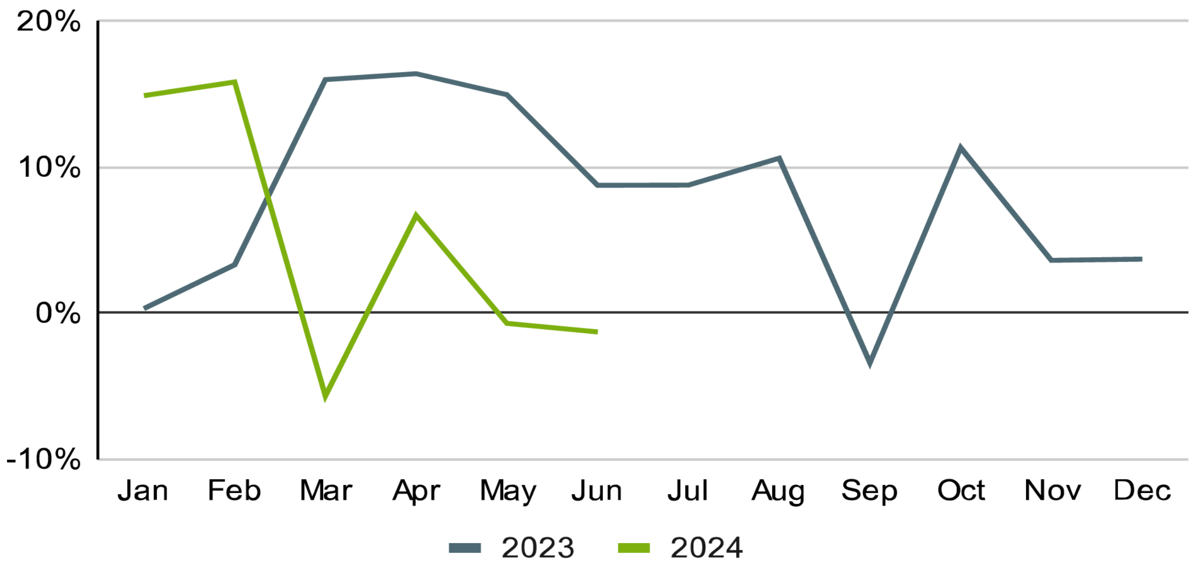
Home Service Category Performance

Green

The Green segment includes lawn care, landscaping, and other related outdoor services. These businesses performed rather well with new work scheduled growing every month other than May and median revenue growth up overall in the first half of 2024. This trend of spending more on Green services is a continuation of the trend we saw throughout most of 2023. As consumers scale back on larger discretionary purchases it may be that they're finding smaller ways to invest in the upkeep and aesthetics of their homes.



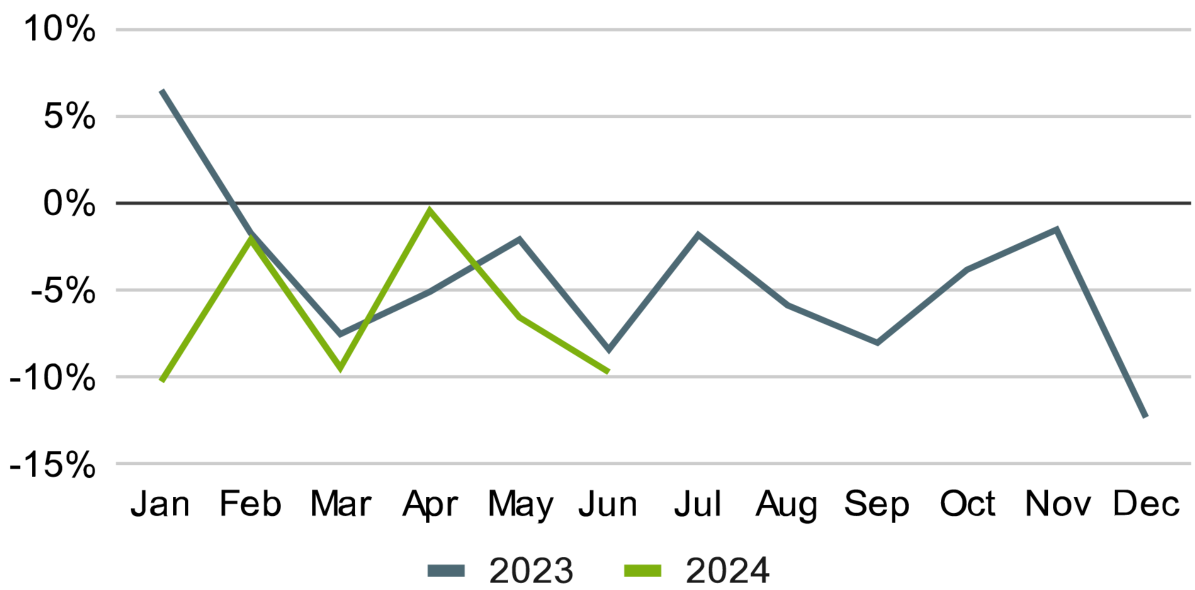
Median Revenue YoY — Green



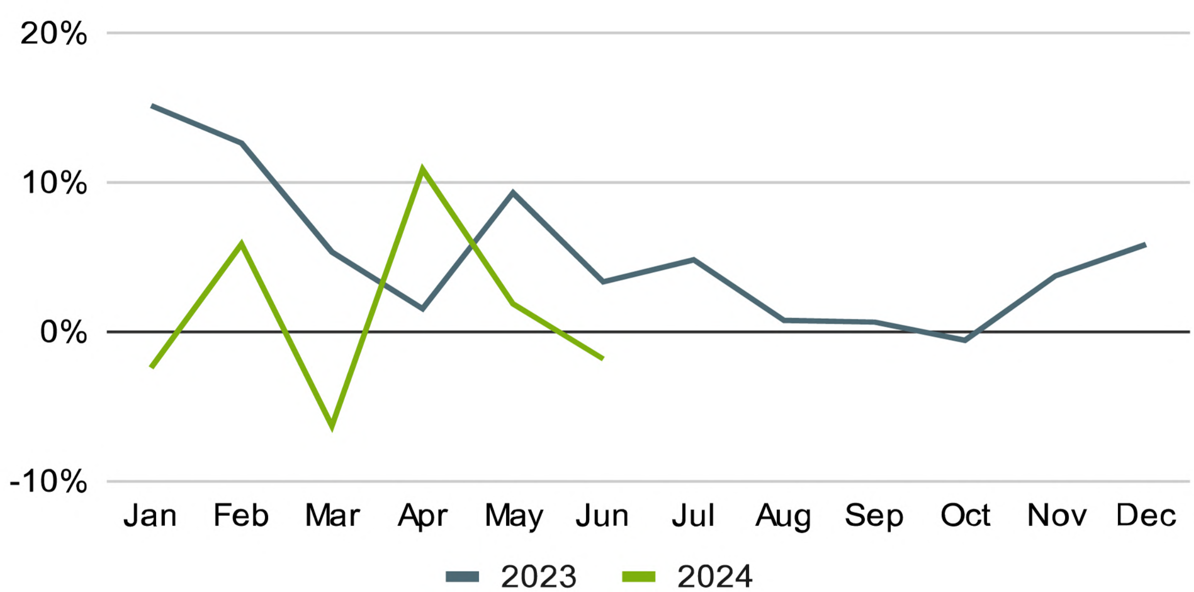
Cleaning

Cleaning services encapsulate residential and commercial cleaning, carpet cleaning, junk removal, and other similar services. While many cleaning services can be considered essential, a large portion of this segment can be rather discretionary in nature and as consumers pulled back on spending this year, we saw continued declines in overall work scheduled by cleaning companies. This is a continuation of the trend we saw throughout much of 2023. Cleaning companies were however able to keep revenue growth flat or slightly up in Q1 and Q2 as service providers were able to increase prices and sell higher ticket services.

New Work Scheduled YoY — Cleaning



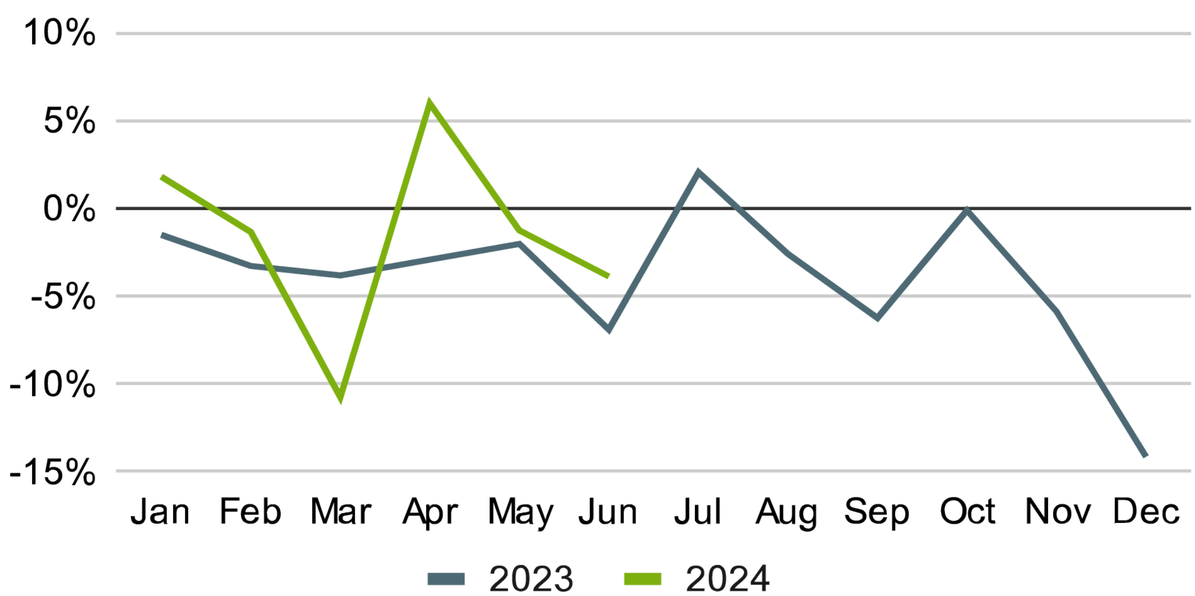
Median Revenue YoY — Cleaning



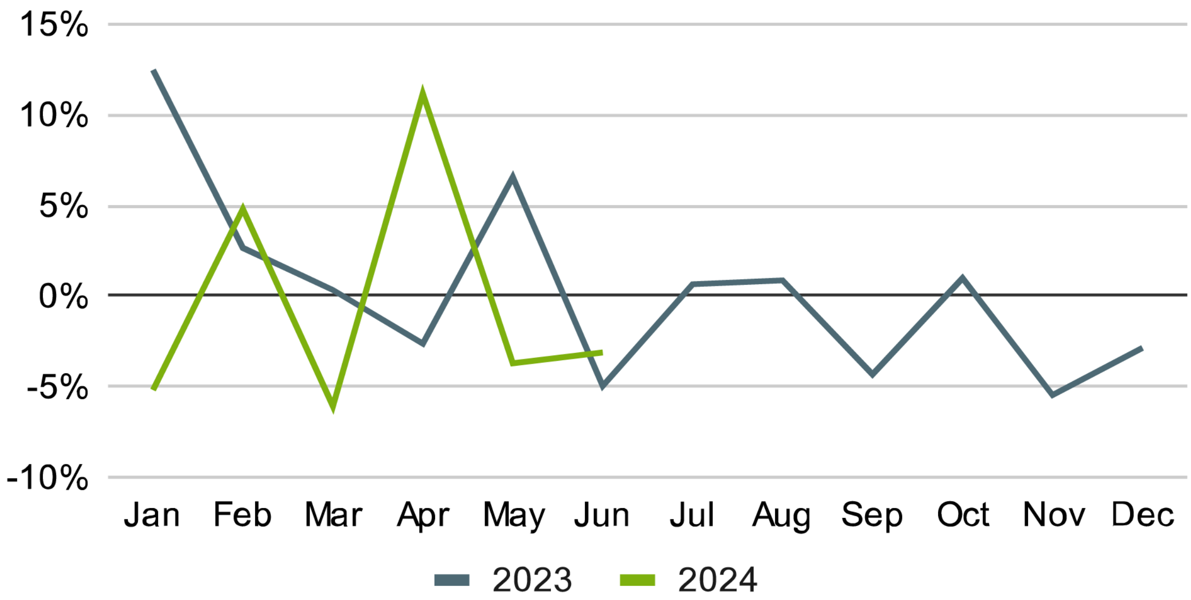
Contracting

The Contracting segment includes arborists, electricians, handymen, HVAC, plumbers and other non-construction contractor services. Similar to other segments, this segment had mixed results in terms of new work scheduled and median revenue growth so far in the year. Contractors had a particularly strong February and April increasing revenues 5% and 11% in those months, respectively. However, declines in other months resulted in this segment having flat growth through the first half of 2024.

New Work Scheduled YoY — Contracting



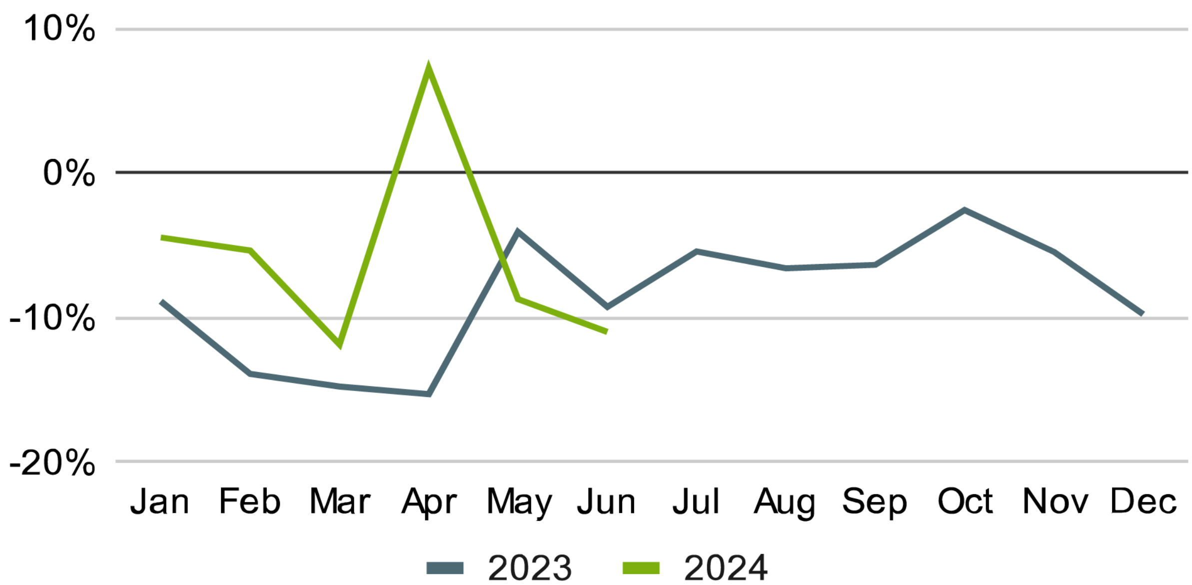
Median Revenue YoY — Contracting



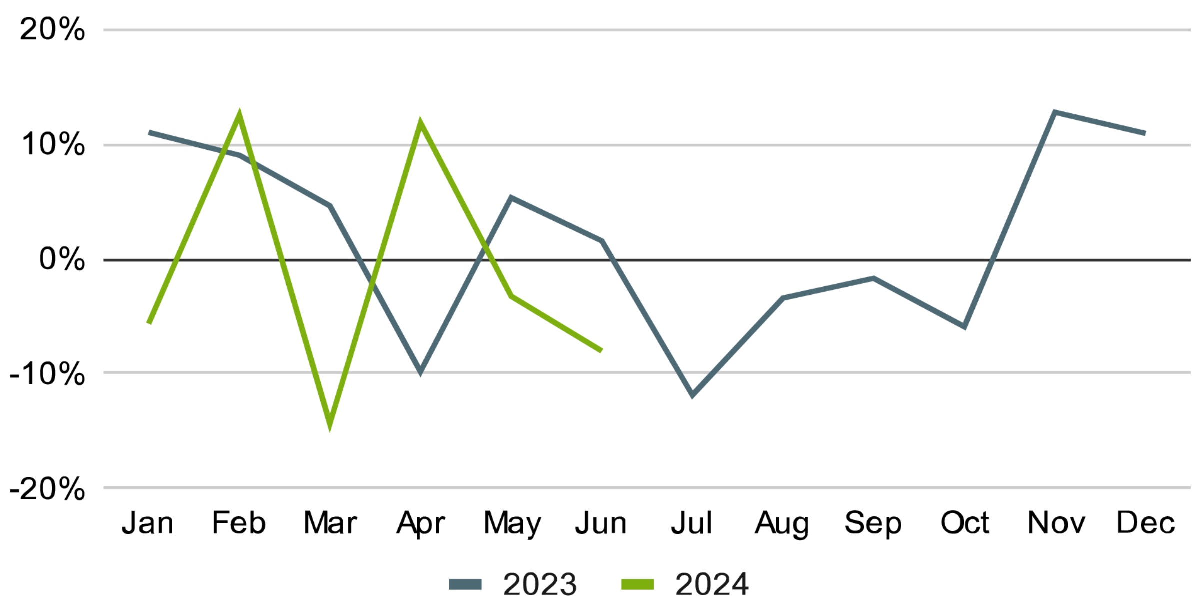
Construction

Construction services include businesses in residential and commercial construction, remodeling, and related industries. Construction had the largest decline in new work, however declined less than in the same period last year. Construction tends to be the most expensive service and likely to be impacted by high interest rates. This may explain why the segment is the hardest hit, but also started strengthening as inflation eased and the first interest federal reserve rate cuts started to become more likely.

New Work Scheduled YoY — Construction



Median Revenue YoY — Construction



Future Outlook

Despite current economic challenges, there are signs of recovery and potential growth in Home Service. As financial conditions improve in the latter half of 2024 and beyond, consumer spending is expected to increase, particularly in housing and home improvement services, aided by potential interest rate cuts. The housing market remains a crucial factor influencing these trends, and the shift towards more manageable home improvement investments in the face of broader economic uncertainty reflects cautious optimism from consumers. Long-term, aging homes, which require significant updates, will continue to drive demand for home services.

Methodology & Data Sources

[1] The small business data provided is sourced from the FAQ section of the U.S. Small Business Administration Office of Advocacy.

[2] The Real Disposable Personal Income data and chart is sourced from the Federal Reserve Bank of St. Louis.

[3] The Index of Consumer Sentiment was sourced from Surveys of Consumers by the University of Michigan.

[4] The Home Equity Values data and chart were sourced from the Federal Reserve Bank of St. Louis.

[5] The monthly construction data and chart were sourced from the United States Census Bureau: Construction Spending.

[6] The new permits data and chart were sourced from the United States Census Bureau: New Residential Construction.

[7] The new housing starts data and chart were sourced from the United States Census Bureau: Monthly New Residential Construction, June 2024.

[8] The Leading Indicator of Remodeling Activity data andc chart are sourced from The Joint Center for Housing Studies of Harvard.

[9] The year-over-year change in median revenue, new work scheduled, and invoice sizes were calculated by aggregating data from a cohort of businesses using Jobber since January 2021. This doesn't include any new businesses that started using Jobber during that period.

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