

China Home Improvement Overview

The home improvement market in China varies greatly from other parts of the world. In the 1990s, the government's reform of the housing system led to private homeownership, which is now a major trend and rapidly growing market sector in China.

Through its acquisition of The Home Way, The Home Depot is bringing the world's leading home improvement merchandising and store operations capability to one of the fastest growing economies in the world.

Statistics:

- China now has one of the highest homeownership rates in the world. In just 20 years, Chinese homeownership has gone from zero to about 70 percent.
- China's GDP is nearly \$1.5 trillion.* The country's population is growing, along with personal wealth. It is estimated that the Chinese home improvement market today is at nearly \$50 billion.* and growing at a compounded annual rate of 20 percent.

**Expressed in U.S. dollars.*

Home Building in China:

In the major cities, homebuyers typically purchase an apartment that needs a range of finishing work. In many cases, after purchasing a home, Chinese consumers must:

1. Select a contractor for design, decoration and finishing service
2. Develop a home design plan in conjunction with the contractor
3. Select and purchase construction materials – through the contractor or in consultation with the contractor or by the homeowner himself
4. Agree to the finishing schedule and pricing
5. Allow time (on average 2-3 months) for the work to be completed
6. Conduct the final check of the whole project when finished

Those consumers who buy a home where the finishing work has already been completed still need access to innovative home-related merchandise and services at attractive prices.

The Home Depot in China:

The characteristics of the Chinese home improvement market create a solid growth opportunity for The Home Depot, given the company's strength in merchandise and services geared to finishing out a home.

In the United States, Canada and Mexico, The Home Depot has developed a core competency in installation services, especially in categories like kitchens, countertops, windows and other design services. In addition, The Home Depot's strength in identifying and offering innovative merchandise at low prices complements the current strategy of Home Way. Quality installation services and innovative merchandise are the top needs of homebuyers in China.