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Posted: Sat., Oct. 16, 2010, 4:00am PT

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Housing slump good for HGTV

Focusing on higher end of the market has boosted ratings, profits

By SAM THIELMAN

The housing market is still in the dumps, but HGTV has managed to keep its foundation in good shape and even build some equity amid troubled times for its core aud.



The popular 'HouseHunters' is getting even more exposure these days as a nightly series as HGTV adapts to the collapse of the housing market.

Thanks to high ad sales and aggressive carriage negotiations with Cablevision, the house-hunting-and-fixing net is one of the most valuable cable channels out there, repping a reported \$4.9 billion value, with gross ad revenues rising from \$533 million last year to \$556 million this year. Subscriber fees are expected to go up 2¢ to a national monthly average of 16¢ per sub, and the net's approximate production spend is on track to come in at a scant \$221.4 million.

Ken Lowe, head of Scripps Networks Interactive (which owns HGTV) says the network "caught a wave" of viewer interest last year, resulting in six consecutive months of ratings growth. And while its audience has leveled off, it is now among the upper-echelon of cablers. Nielsen estimates that HGTV ranked 12th among all cabler networks in primetime during the third quarter of 2010, with its average aud of 1.3 million viewers topping the likes of Lifetime, MTV and Bravo.

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There's little question that the housing crisis affected what HGTV's viewers wanted to see, but the network quickly developed several programming and advertising strategies to compensate -- tweaks to popular skein "HouseHunters," a search for advertisers to fill the void left by collapsing financial firms, and development of new shows that spoke to homeowner unease.

But HGTV prexy Jim Samples says that when times got tough, the programming didn't necessarily change in predictable ways.

"I came on in 2007, right as the market was really beginning to shift," says Samples with a laugh. "It was like, 'Welcome to HGTV!'" Like everyone else, Samples saw the storm coming and got worried, but he says the team resisted the urge to hit the panic button. "We sat down and talked about it, and we worked it out," he says.

Surprisingly, high-end housing shows actually became more popular.

Manhattan real estate skein "Selling New York" is "the kind of ride that people like to go on," Samples says. It turns out the overpriced apartments are a selling point to folks outside of Gotham. "You watch it so you can go, 'How could anyone spend \$2 million on that small a space?'"

The popular "HouseHunters" had to be given a twist. Samples saw that spinoff series "HouseHunters International" was doing well, so the net doubled production on the series and ran it nightly. Suddenly, a show that had been about watching your fellow Americans search for the house with the white-picket fence gave way to wilder fantasies, in which viewers get to see what happens when you purchase that villa in Tuscany you'll never be able to afford.

At the same time, the cabler went in entirely the opposite direction with a batch of more pragmatic skeins: "Income Property" gives watchers how-to's on turning their unfinished basements and attics into rentable spaces, and "Real Estate Intervention" tells hapless would-be home-sellers how to fix up their houses and get real about property value.

These shows hit close to home for viewers. "Real Estate Intervention" in particular features more than one homeowner crying as she realizes, even after fixing up her fixer-upper, that she's going to have to sell her house for less than her mortgage is currently worth.

And of course, there's the net's top-rated program, competish skein "HGTV Design Star," which Samples calls "a huge revenue generator." The designing-on-a-budget show is a mix of both the practical and the fantasy elements that have helped boost the net's other programs -- for one challenge, contestants are given \$500 and an hour to shop at national chain crafts store Michael's in order to decorate a room. The next week, they're given \$15,000 to

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The network's ad sales also presents a complicated story. When the recession hit, many of HGTV's advertisers were firms like Coldwell Banker and Re/Max Realty -- financial institutions for whom housing loans were bread and butter. Those staples were left in the basement by the housing collapse.

"We had to find more ways to become competitive in the movie categories and the DVD category," says ad sales head Jon Steinlauf, reasoning that entertainment advertising had remained strong. "During a recession, people are more interested in their health, so we tried to set up sponsorship opportunities for pharma advertising, too."

With DVRs driving more cable advertisers away from spot sales and toward in-show integration, the net emphasized the glamour of shows like "HouseHunters International" by having, say, Josh Duhamel and Kristen Bell introduce an Italy-set seg as a promotion for "When In Rome."

At the same time, they doubled down with advertisers like Lowe's and Home Depot, which had cut their ad spends but stayed with HGTV. "They limited their ad buys to places that were right in the wheelhouse for their demographics," Steinlauf explains. "Things like local and magazine ads really suffered," he says.

The programming and advertising reshuffles were effective: HGTV kicked off this year with its best-ever ratings. And around the same time, Scripps stared down New York cable giant Cablevision, withholding HGTV and the Food Network for weeks until the cable provider capitulated to higher subscriber fees.

Deal details weren't disclosed, but Scripps chief finance officer Joe NeCastro told Multichannel News that Scripps was "very, very pleased with how those renewals came out."

A lot of the net's staying power has to do with its aud, which skews heavily toward affluent women. A study by NBC Universal advisory board Women at NBCU finds that women are more involved than ever in big-ticket purchases like cars and houses. "They control so many of the purchase decisions -- cars, finance, and travel," Steinlauf says. "It's not just grocery shopping."

HGTV has been a target for acquisition in the past, but industry analyst Hal Vogel thinks it's unlikely the net will migrate away from Scripps in the near future. "I don't know if Scripps would want to get rid of it" he says.

Vogel observes that a sea change in the economy might be required before HGTV begins "to grow enormously," since the net already has penetration into about 100 million households, so opportunities for expanding viewership are likely to stay fairly flat.

In the meantime, struggling employment rates and loan costs shouldn't hurt HGTV. "Americans watch about 5 hours of television a day," Steinlauf notes. "Even more during the recession."

(Robert Voris contributed to this report.)

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