



State of the Home Improvement Industry

** Important disclosures can be found in the appendix*

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**...how did we
do in 2025?**

Final Thoughts

Summarizing our expectations for the next 12 months

- Bottomed and bouncing...**but not yet recovering!**
- Traffic can turn positive year/year in 2025 but **similar average ticket growth less likely** (however it may not collapse)
- Anticipate **low growth environment for next 12-24 months** and plan for the potential of a mid-single digit growth year within next 3 years
- Mortgage rates in / around **5.5%** (vs nearly 7.0% today) **is likely the key to unlocking the next upside cycle** (unlocks big ticket, large remodel and discretionary; although these areas have likely seen their worst days / largest drops this cycle)
- Maximize the traffic opportunity across channels and regions with **more retailers set to participate in the next recovery** compared to the last 20 years.

2025

“Not terrible but definitely not improving”



“We see a cautious consumer with an unclear recovery date for housing”

“There is no turnaround coming and 2026 growth rates are likely a carbon copy of 2025”

“No one is thinking 1H26 will have any sort of vitality to it”

“Stable but in a slightly downward direction”

“We just don’t see a catalyst in the market right now; we’re in a period of underspend”



“Nothing bad...just nothing good”

“The only upside sales we see is driven by favorable weather or stronger promotions; demand is not better beyond that”

“Consumer pressures are broadening and the trend is deteriorating without weather help”

“The ridiculousness of the market in 2025 may stabilize itself...finally...in 2026”

“Bouncing around the bottom despite easier comps”

Top Themes in 2025

Spending headwinds were in-place 'on day 1' – i.e. very little went right for homecenter vendors in 2025

- New administrations typically cause a pause in corporate investments / spending to begin the year. Further, tariff headlines began in February with new distractions impacting businesses weekly
- Vendors and retailers had to shift the majority of their focus and energy (**as much as 90%**) from sales and innovation to managing / negotiating price, costs and manufacturing shifts
- Weather, once again, was not normal within seasons, further impacting shopper footsteps in home improvement (homecenter traffic deteriorated when weather was not favorable...or even normal)
- Mortgage rates did not move lower as expected (and needed) and housing turnover stalled (affordability and uncertainty); zero urgency for homebuyers and homeowners
- Consumer uncertainty, affordability dynamics and continued pressure across housing are disproportionately impacting home improvement spending
- GMROI / weeks of supply levels one area retailers can ensure success (*“can’t base our success off comp store sales”*); accelerating focus in 2H is making the exit rate in 2025 feel much worse than recent years

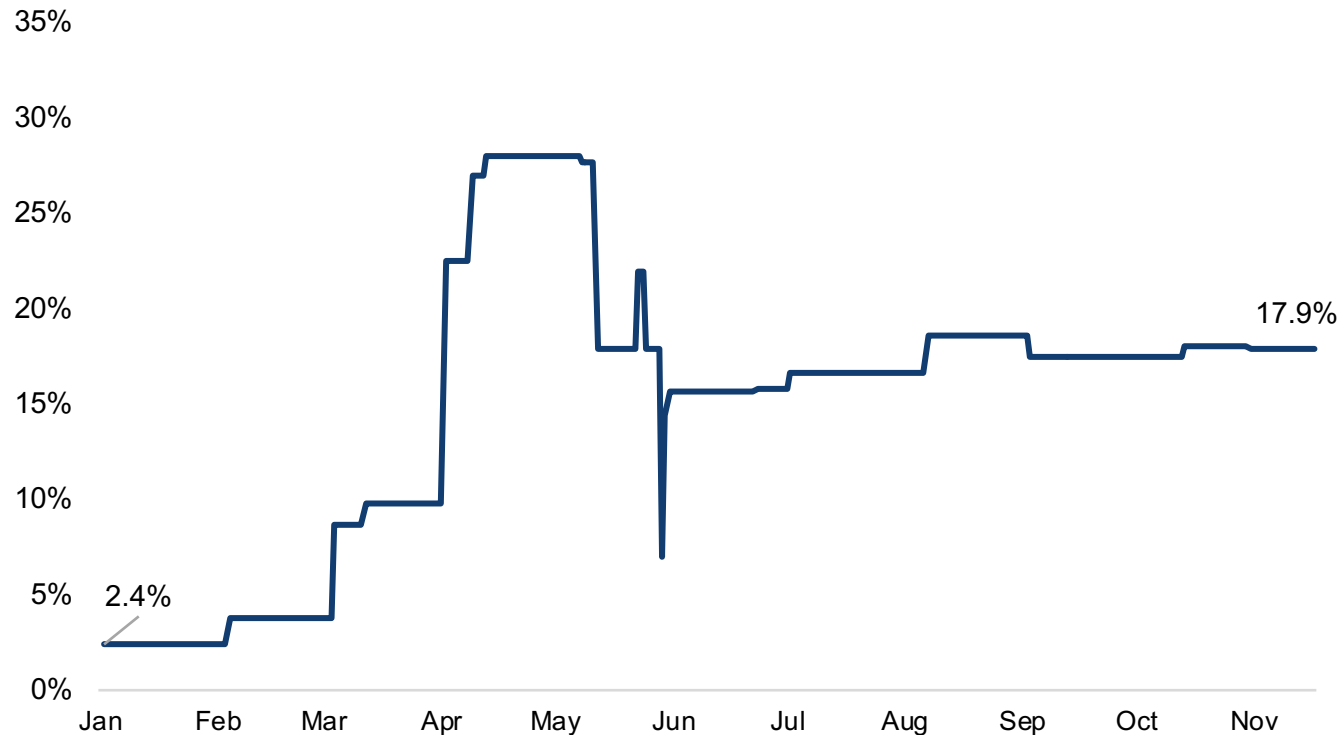
Trade and Tariffs

Tariff rates significantly higher than early 2025

Tariffs have risen with frequent pauses and rollbacks

2025 U.S. Average Effective Tariff Rates

without change in share of imports



Current 2025 tariffs (as of November 2025)

🌐 Global

- 10% baseline “reciprocal”
- 40% transshipment penalty
- De Minimis exemption suspended

🚗 Product Specific

- Softwood timber and lumber 10%
- Aluminum, copper and steel 50%
- Cabinets and vanities 50%
- Upholstered wooden furniture 30%
- Automobiles, trucks and parts 25%

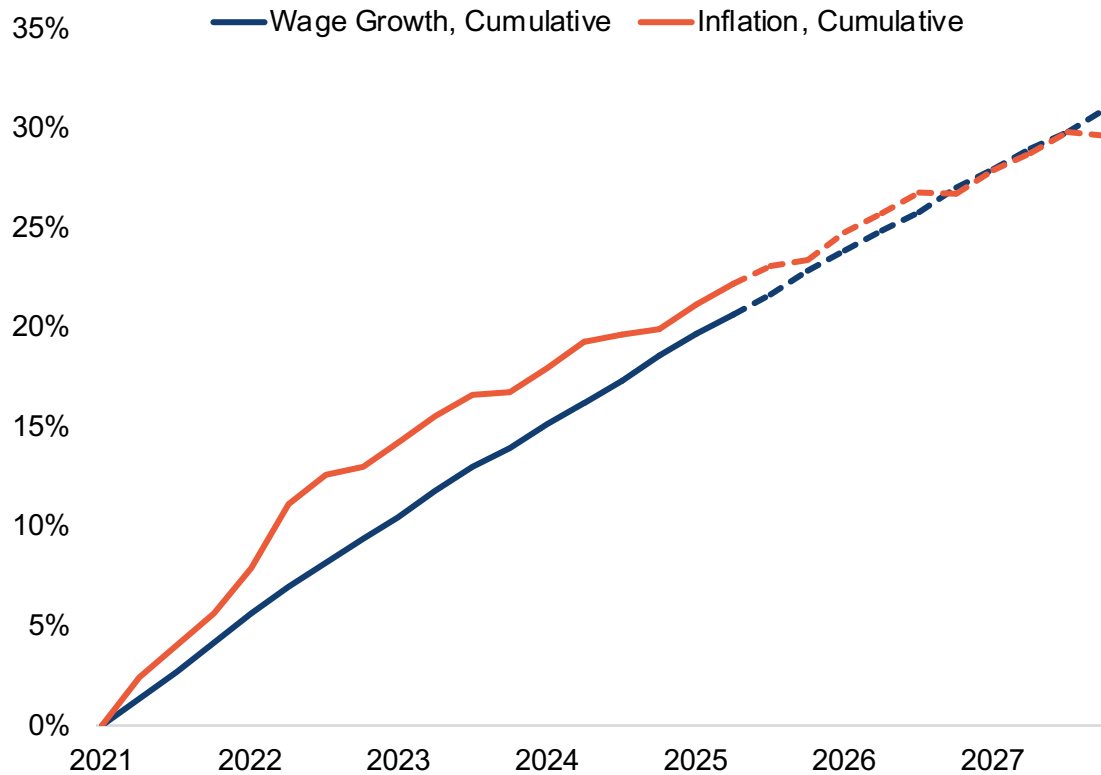
🇺🇸 Country Specific (including “reciprocal”)

- Canada 35%, Mexico 25% on non-USMCA products (*Actual effective rate has been 3.8% for Canada and 4.7% for Mexico*)
- China 20%, Japan 15%, South Korea 15%
- EU 15%, UK 10%
- India 50%, Vietnam 20%, Malaysia 19%
- Brazil 40%

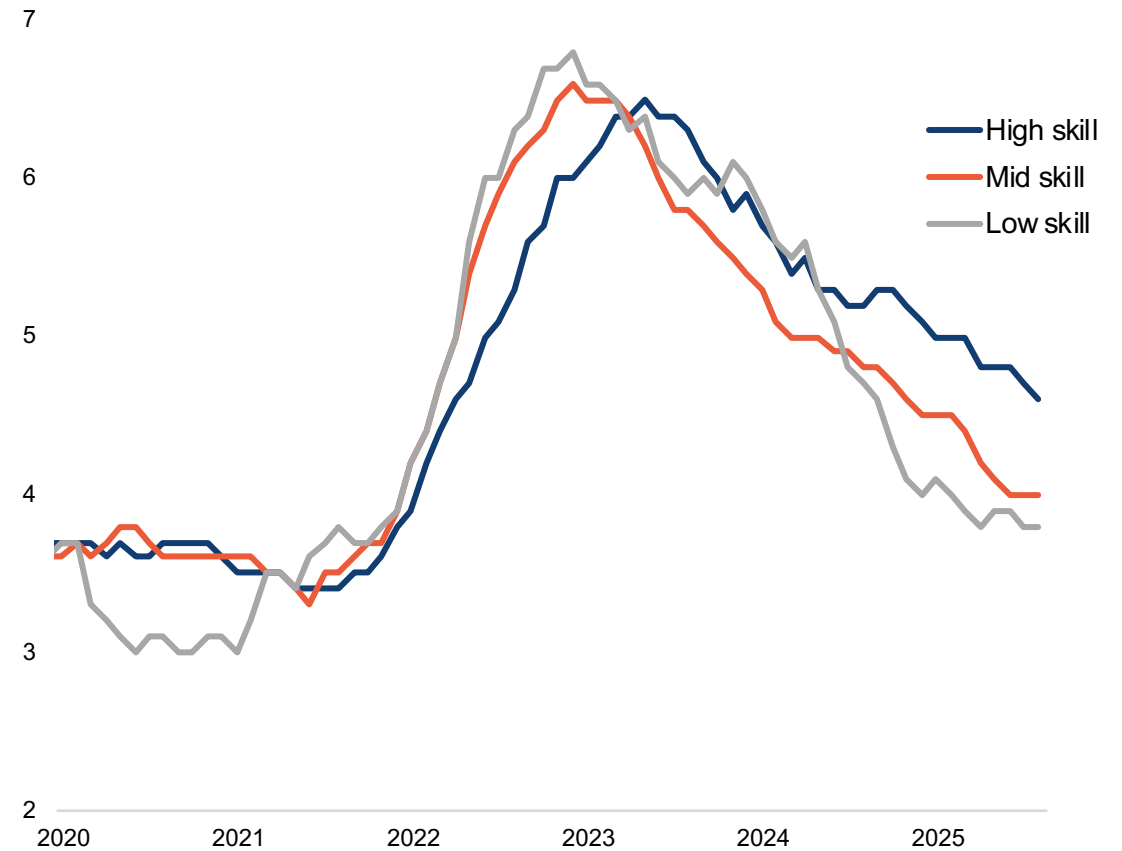
Household Financials

Wage growth has yet to keep up with inflation and low-income under the most pressure

Cumulative Wage Growth and Inflation Forecast Cumulative growth since 1Q21



Wage Growth Y/Y by Skill Level



Source: CRC's calculation of BEA data; CRC Consumer Survey (n = 600)

Consumer Spending

Categories hit the hardest by tariffs saw larger deceleration in demand

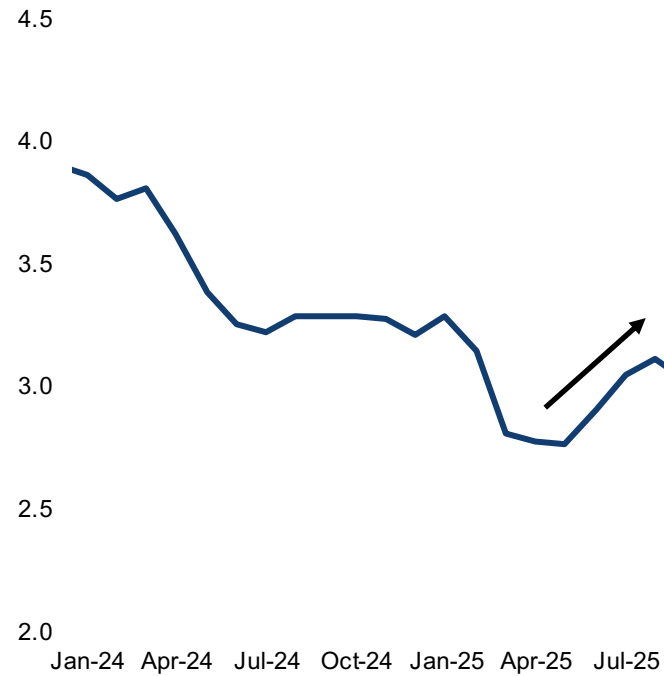
Category	Goods vs. Services	Y/Y Pricing Growth			Y/Y Quantity Growth		
		April	June	Change	April	June	Change
Furnishings and durable household equipment	Durables	-1.0%	2.1%	3.0%	5.7%	1.1%	-4.6%
Recreational goods and vehicles	Durables	-1.7%	0.8%	2.5%	6.1%	2.2%	-3.9%
Transportation services	Services	3.4%	4.3%	0.8%	1.5%	-2.3%	-3.8%
Clothing and footwear	Nondurables	-1.0%	-0.3%	0.6%	4.8%	4.2%	-0.6%
Other services	Services	1.9%	2.4%	0.5%	2.5%	2.3%	-0.2%
Food and beverages (off-premises)	Nondurables	1.9%	2.2%	0.3%	1.6%	1.3%	-0.3%
Recreation services	Services	3.4%	3.7%	0.2%	0.7%	-0.3%	-0.9%
Motor vehicles and parts	Durables	0.6%	0.7%	0.1%	12.0%	7.1%	-4.9%
Housing and utilities	Services	4.4%	4.4%	0.0%	1.3%	1.0%	-0.3%
Health care	Services	2.4%	2.4%	0.0%	4.4%	4.7%	0.3%
Other nondurable goods	Nondurables	1.4%	1.4%	0.0%	4.6%	3.7%	-0.9%
Food services and accommodations	Services	3.0%	2.9%	-0.1%	1.4%	1.5%	0.1%
Financial services and insurance	Services	5.2%	5.1%	-0.2%	2.3%	2.5%	0.2%
Other durable goods	Durables	1.5%	-0.1%	-1.6%	1.7%	1.8%	0.1%

2025

Reflation and spending pullback smaller than feared but the disruption was not

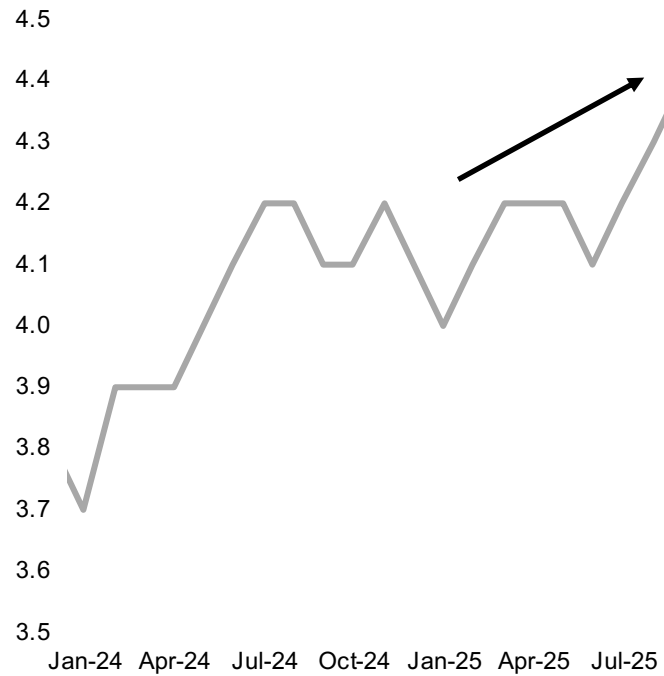
Mildly reflatd prices

Core CPI



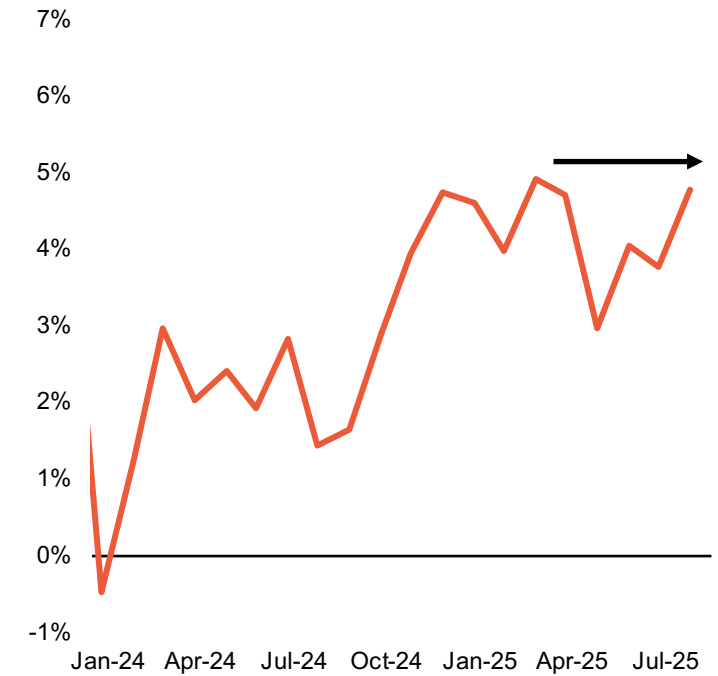
Softening labor market

Unemployment Rate



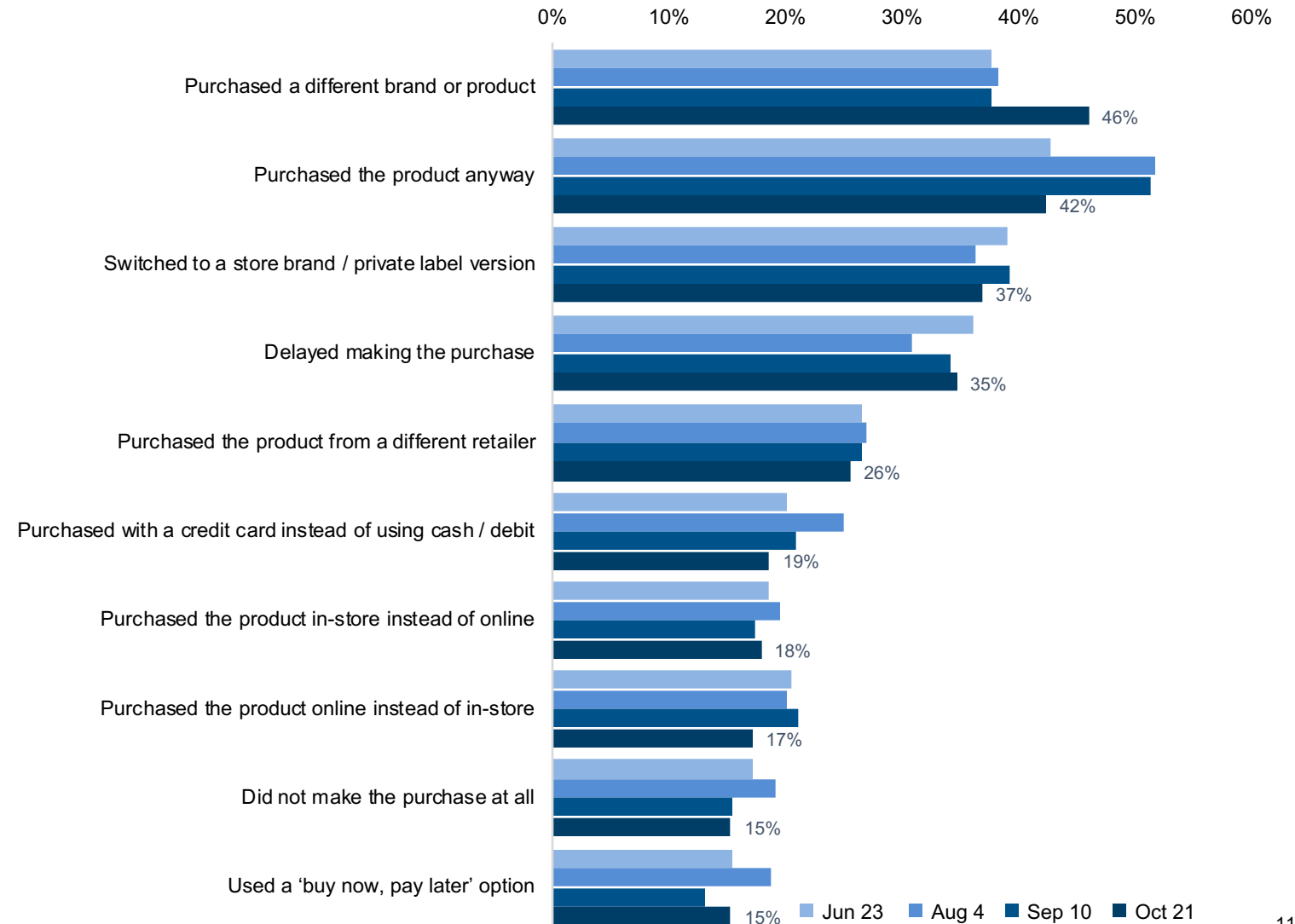
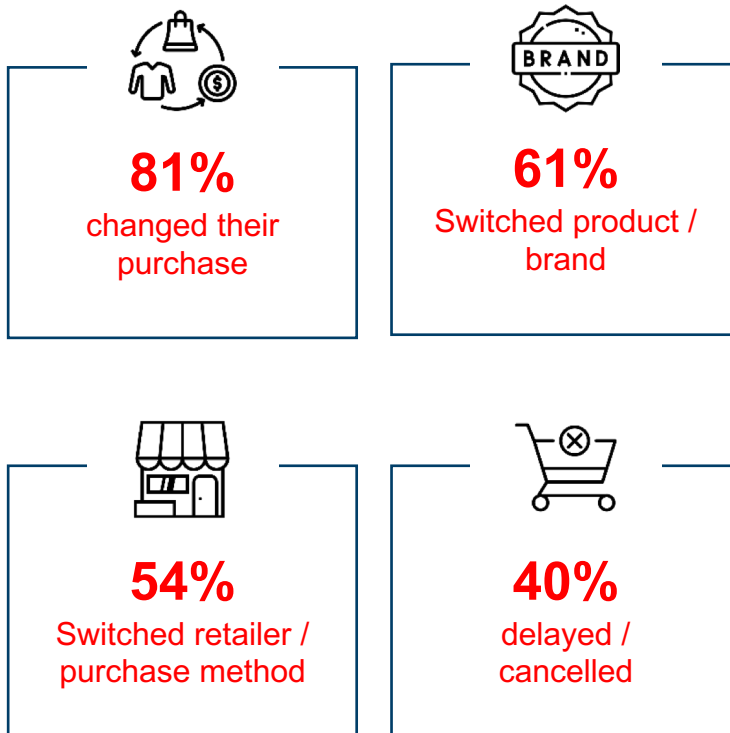
Total spending resilient so far

Retail Sales



When faced with price increases, most consumers changed their purchases in one way or another with over half switching products or brands, and about half changing retailers or purchase methods

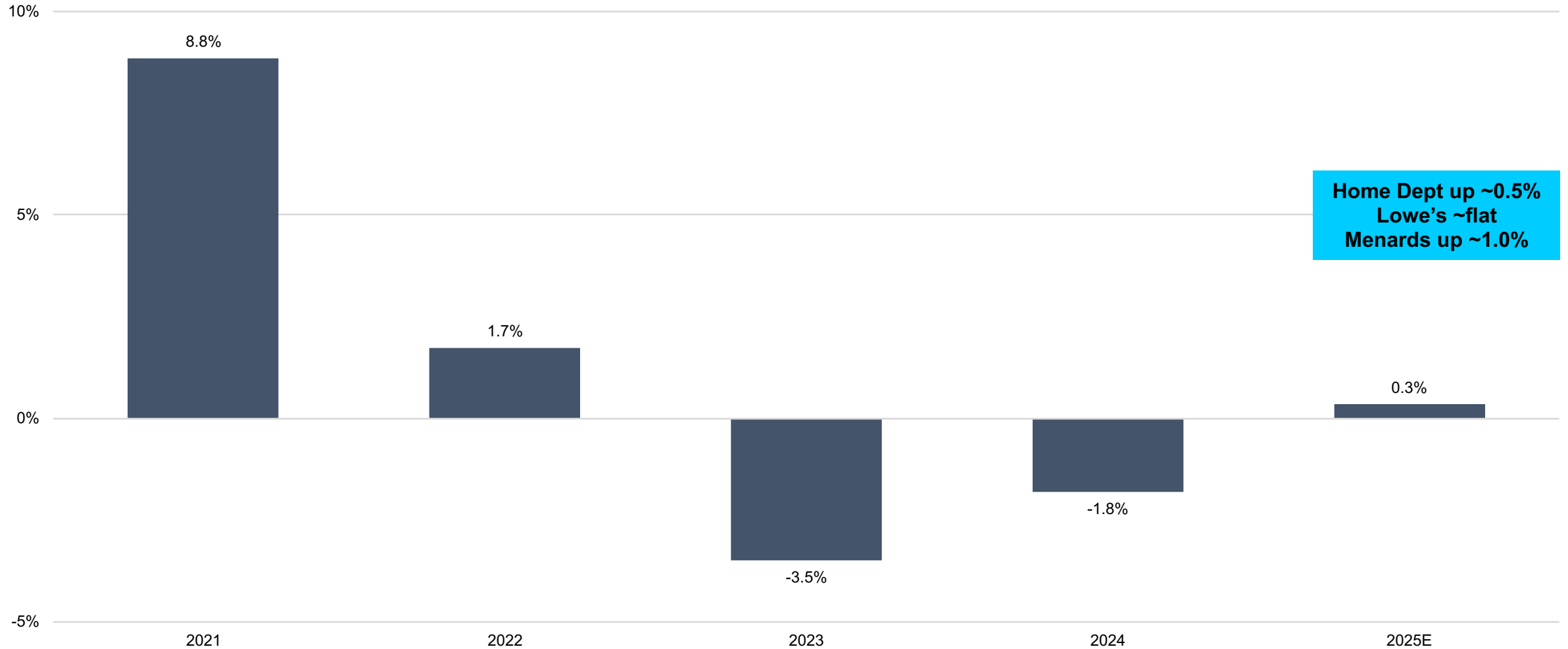
Shopper behavior when noticing higher prices in 2025



Homecenters

Comp store sales up slightly in 2025

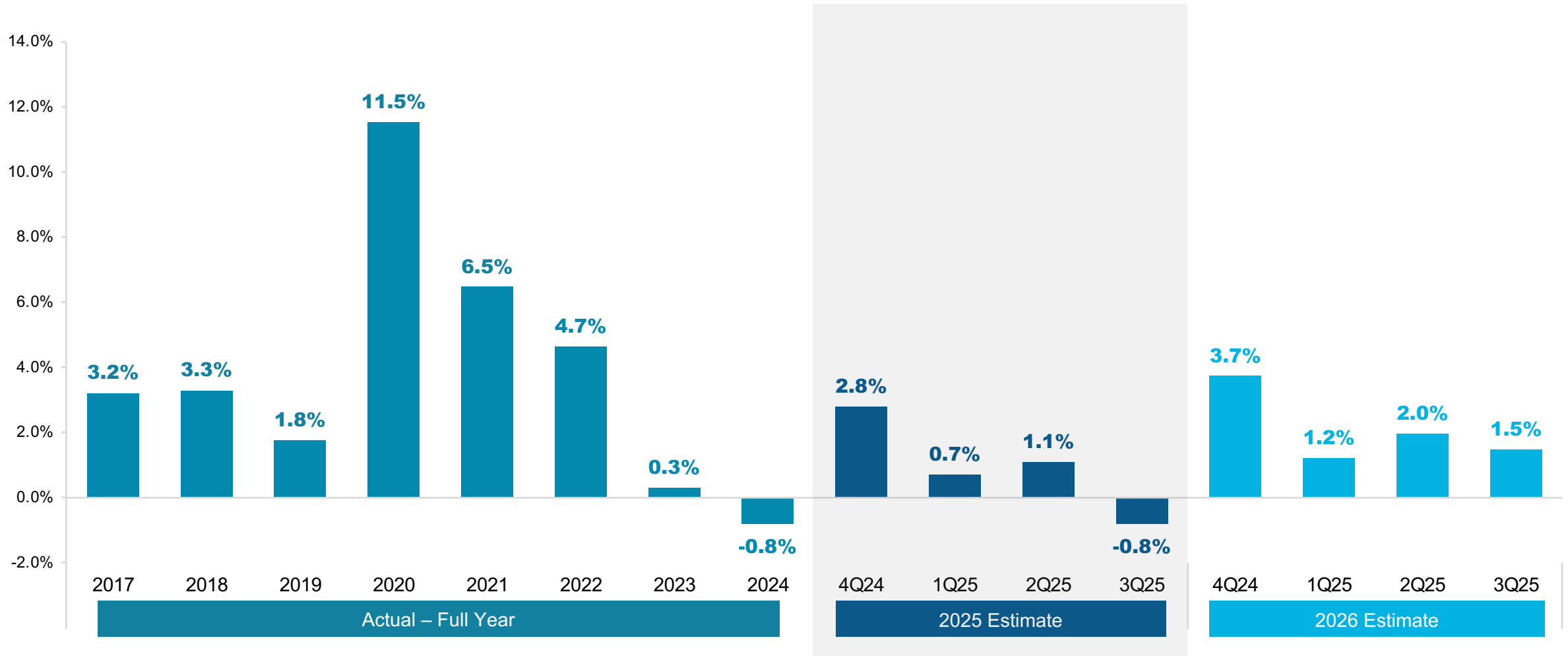
Homecenter Comp Store Sales (Weighted Average)



Hardware Stores

Comp store sales expected to decrease slightly in 2025

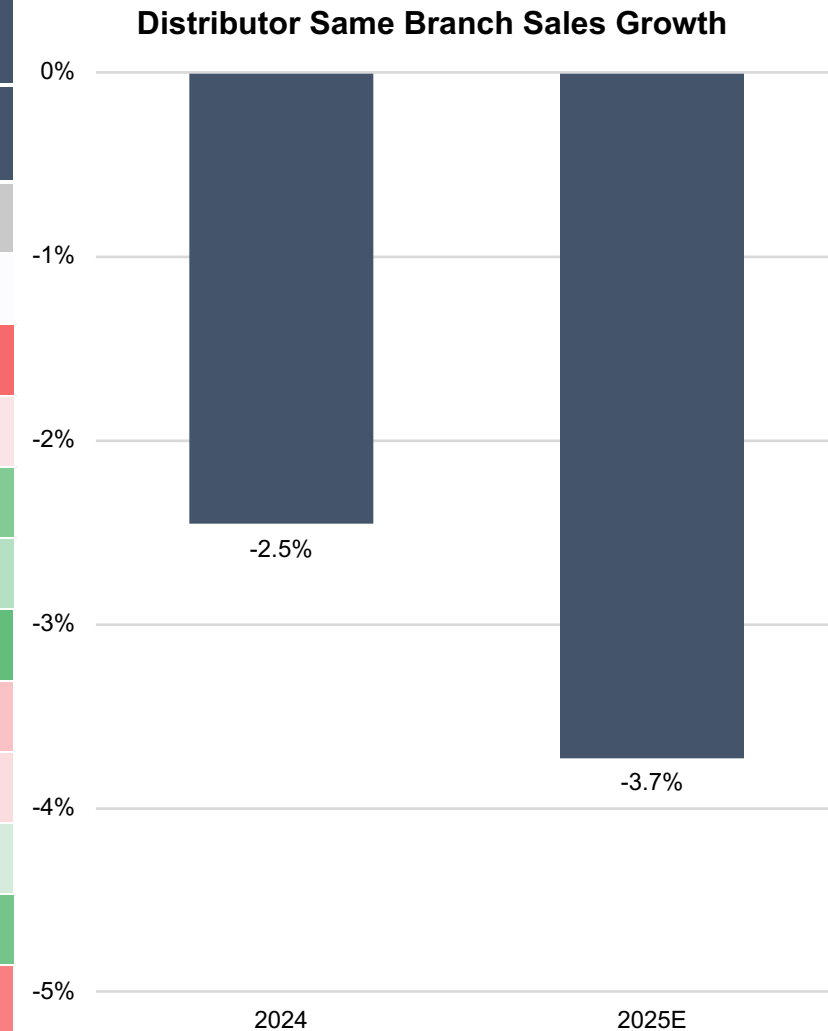
Yearly - Comparable Sales Growth Forecast – Actuals and Time Series for 2025 and 2026



Distribution

Footsteps set to decline 'at least' low-single digits in 2025, the largest decline since COVID-19

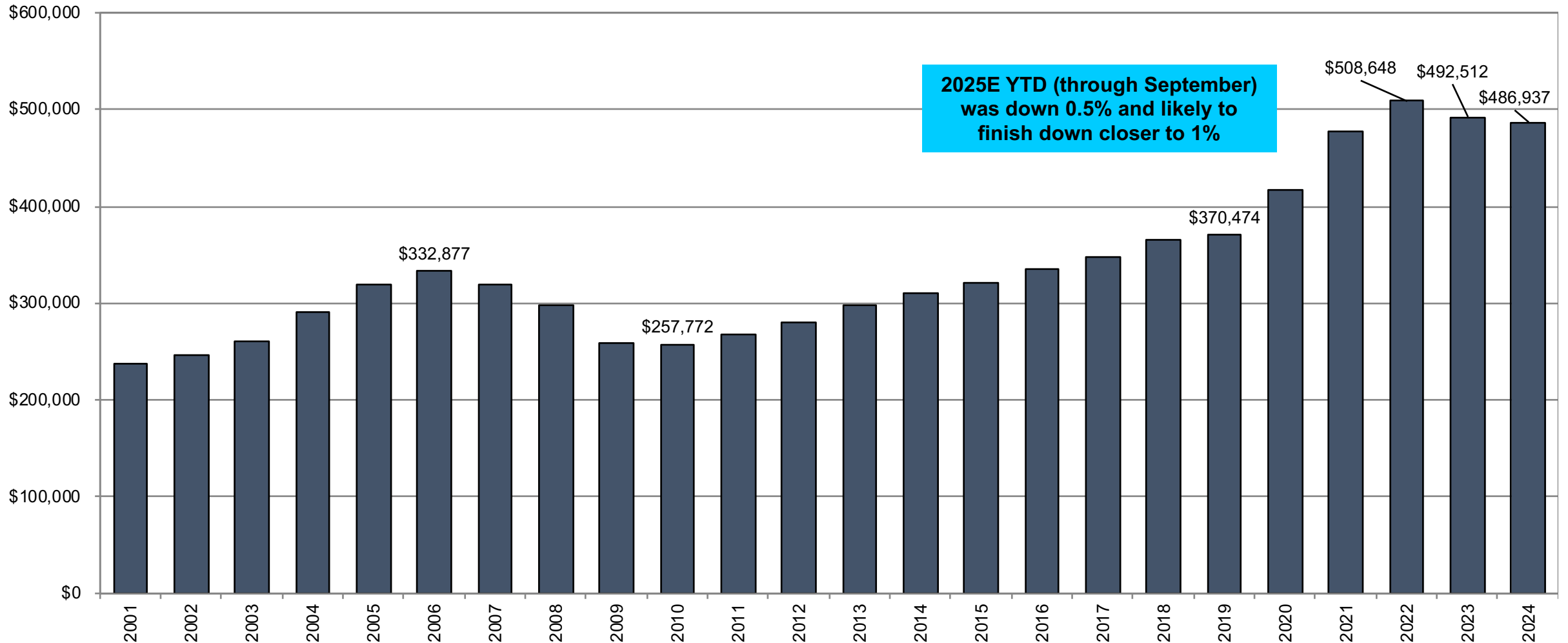
Retailer	Annual Growth (Historical Year/Year Change)						YTD Growth
	2020 y/y	2021 y/y	2022 y/y	2023 y/y	2024 y/y	2024 vs 2019	2025 y/y
Pro Distribution	-3%	9%	3%	1%	-1%	8%	-3%
84 Lumber	8%	-9%	-4%	1%	-2%	-7%	-4%
ABC Supply	-6%	2%	5%	4%	0%	5%	-6%
Ferguson	-11%	12%	1%	-4%	-4%	-7%	-4%
Grainger	-21%	13%	9%	4%	1%	1%	-1%
Hajoca	-9%	12%	9%	0%	1%	12%	-2%
Horizon Distributors	8%	-4%	4%	6%	-1%	13%	0%
Leslie's Pool Supplies	5%	10%	2%	-1%	-3%	13%	-4%
Pinch A Penny	4%	4%	6%	5%	0%	20%	-4%
R.P. Lumber	9%	-9%	0%	-3%	1%	-3%	-3%
SiteOne Landscape Supply	11%	4%	4%	5%	5%	33%	0%
United Rentals	-17%	7%	8%	13%	-3%	4%	-6%



Industry

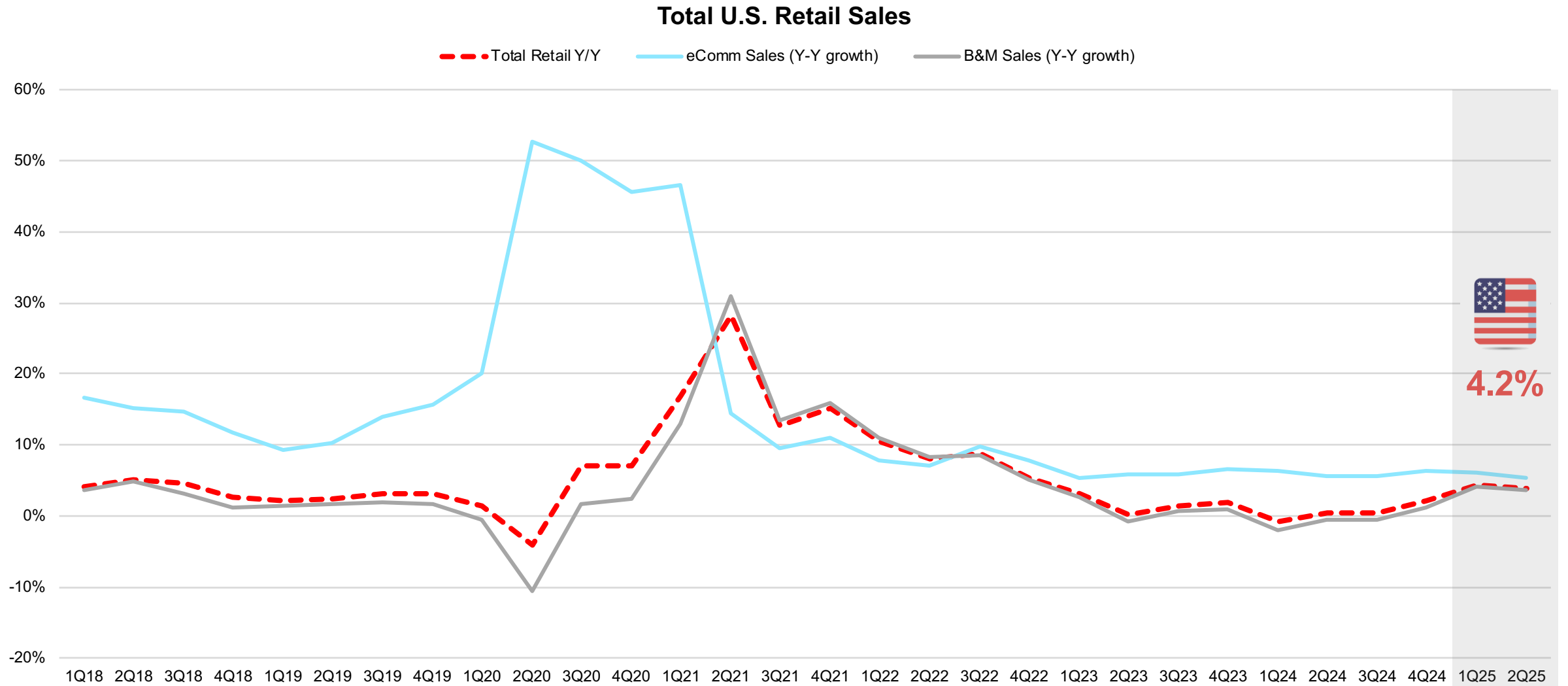
Net-net, the industry is expected to decline 0-1%

Building Product Retail Sales (in millions)



Total Retail

Total retail sales growth in the US (online + stores) was up more than 4% in 1H25...

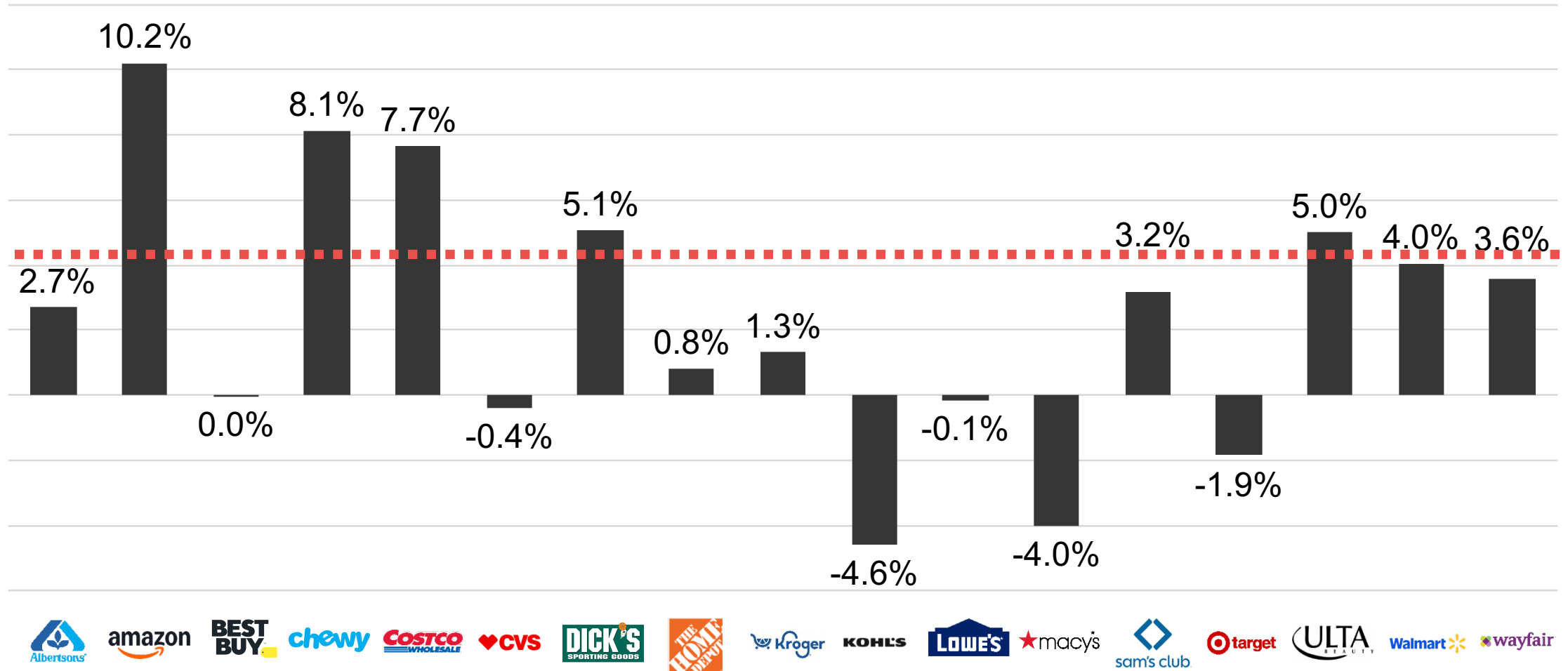


Total Retail

...driven by Amazon and Costco

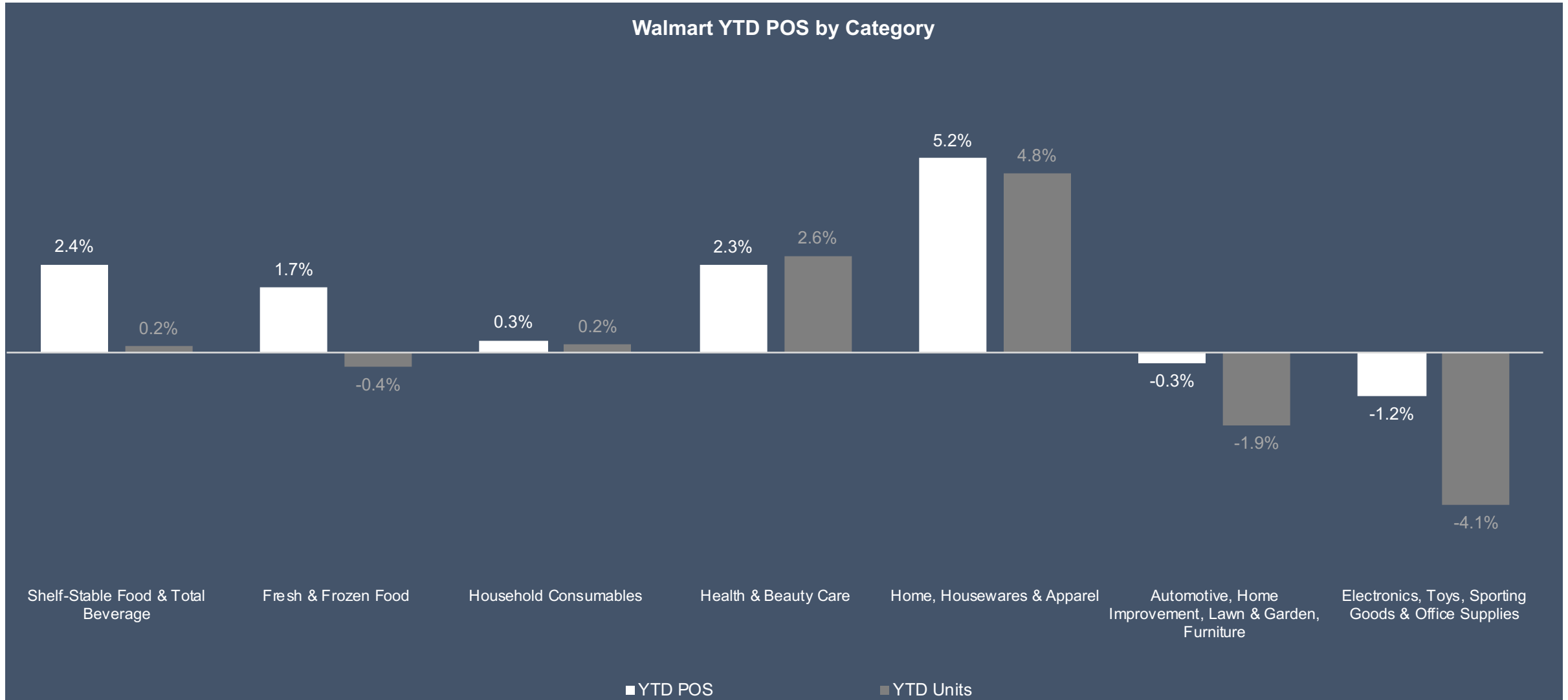


4.2%
Total U.S. in
1H25



Home Improvement

The category was also a point of pressure for Walmart in 2025 (units down 2%)...it's a shopper problem



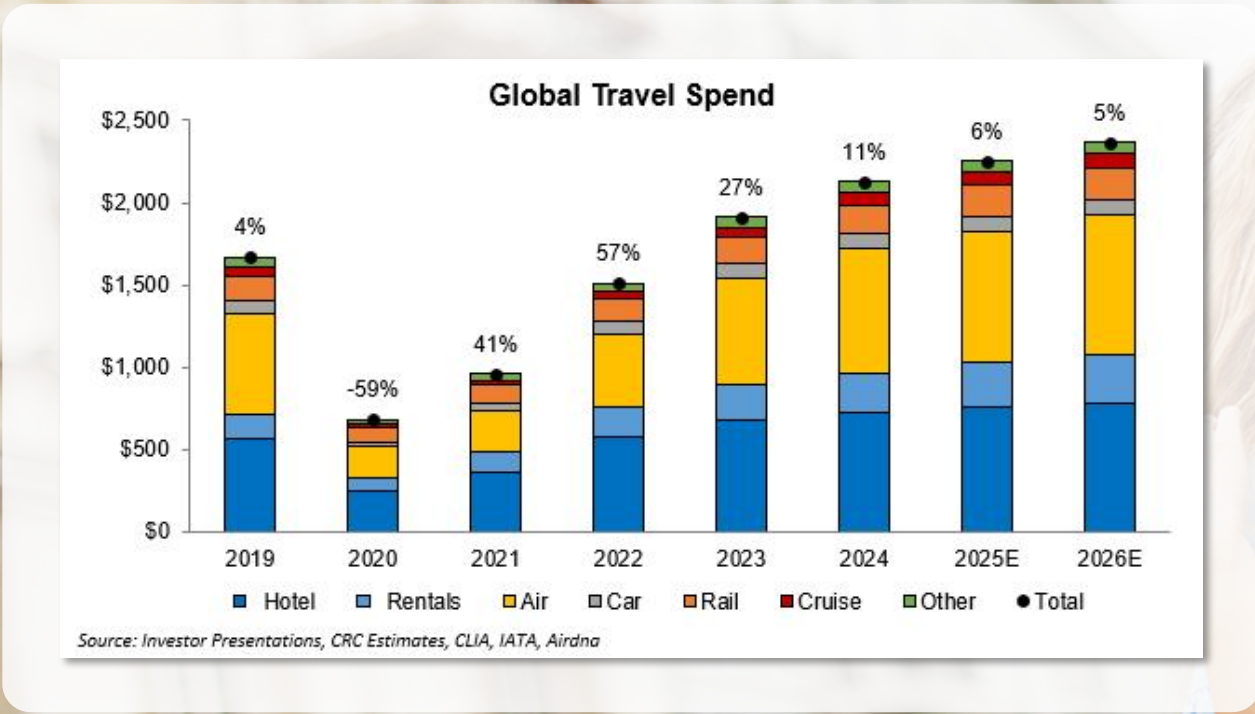


5 Things That Drove Share in 2025

Needs
Value
Convenience

Scale
Reinvestment Dynamics
(efficiencies and alternative profits that create stronger retailers)

**What happened in
the last 12 months...**

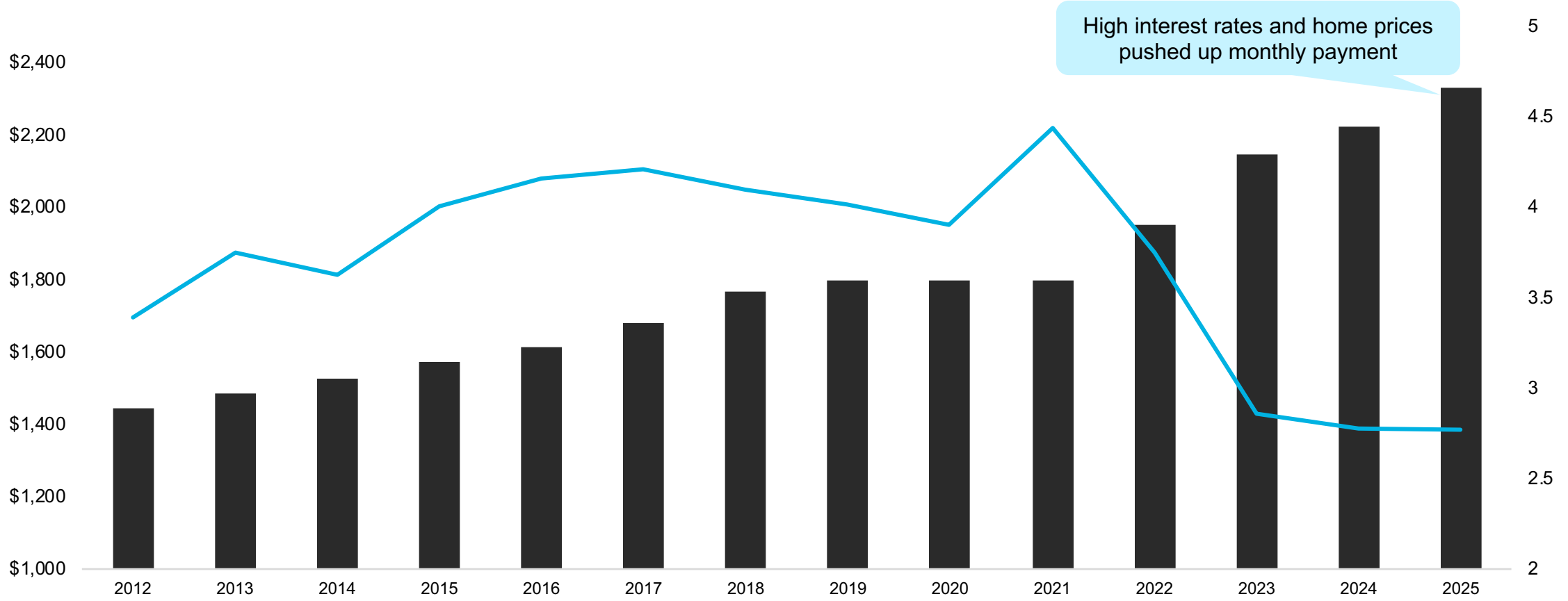


Interest Rates

Higher mortgage payments discouraging moving / homebuying

Monthly Mortgage Payment vs Home Turnover Rate

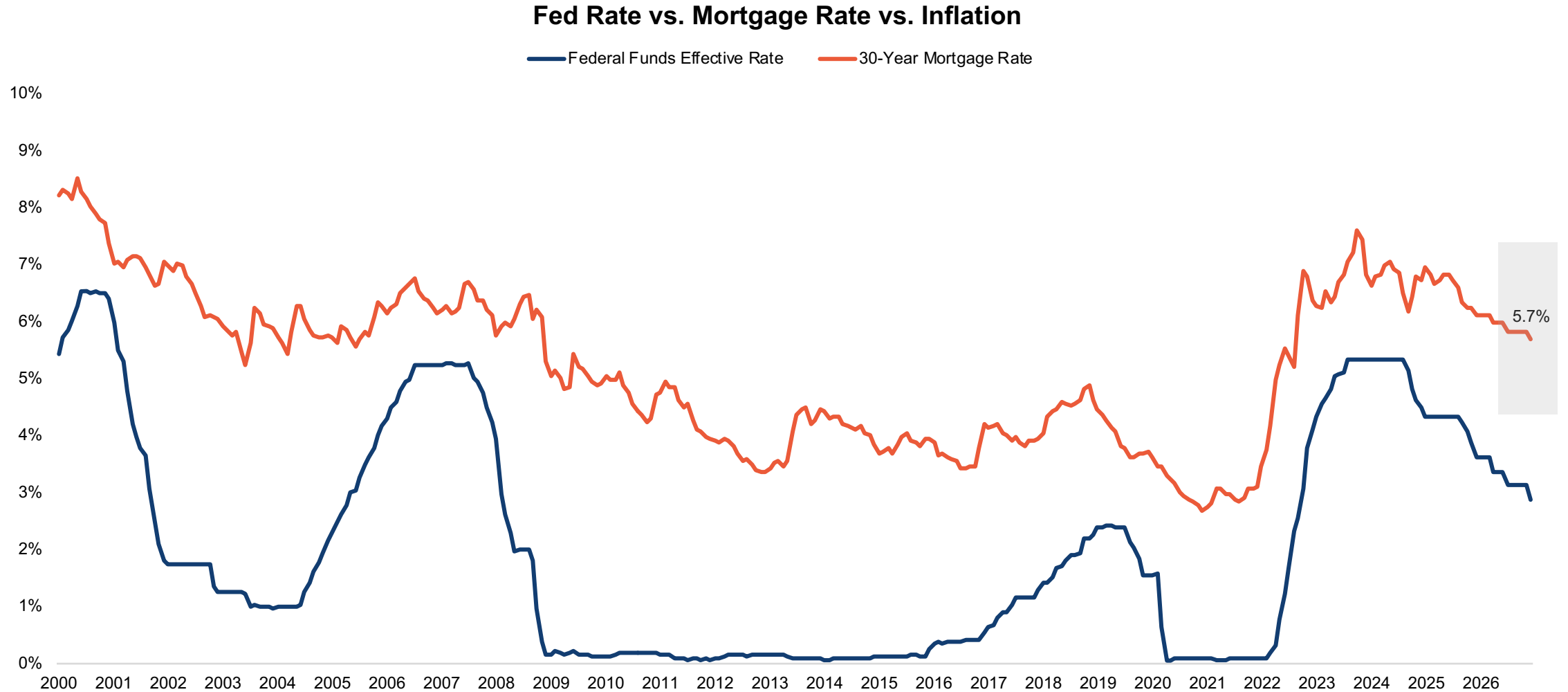
■ Median Monthly Mortgage Payment Moved in the Survey Year — Home Turnover Rate (Right)



Source: Census, Refin, Cleveland Research Company

Interest Rates

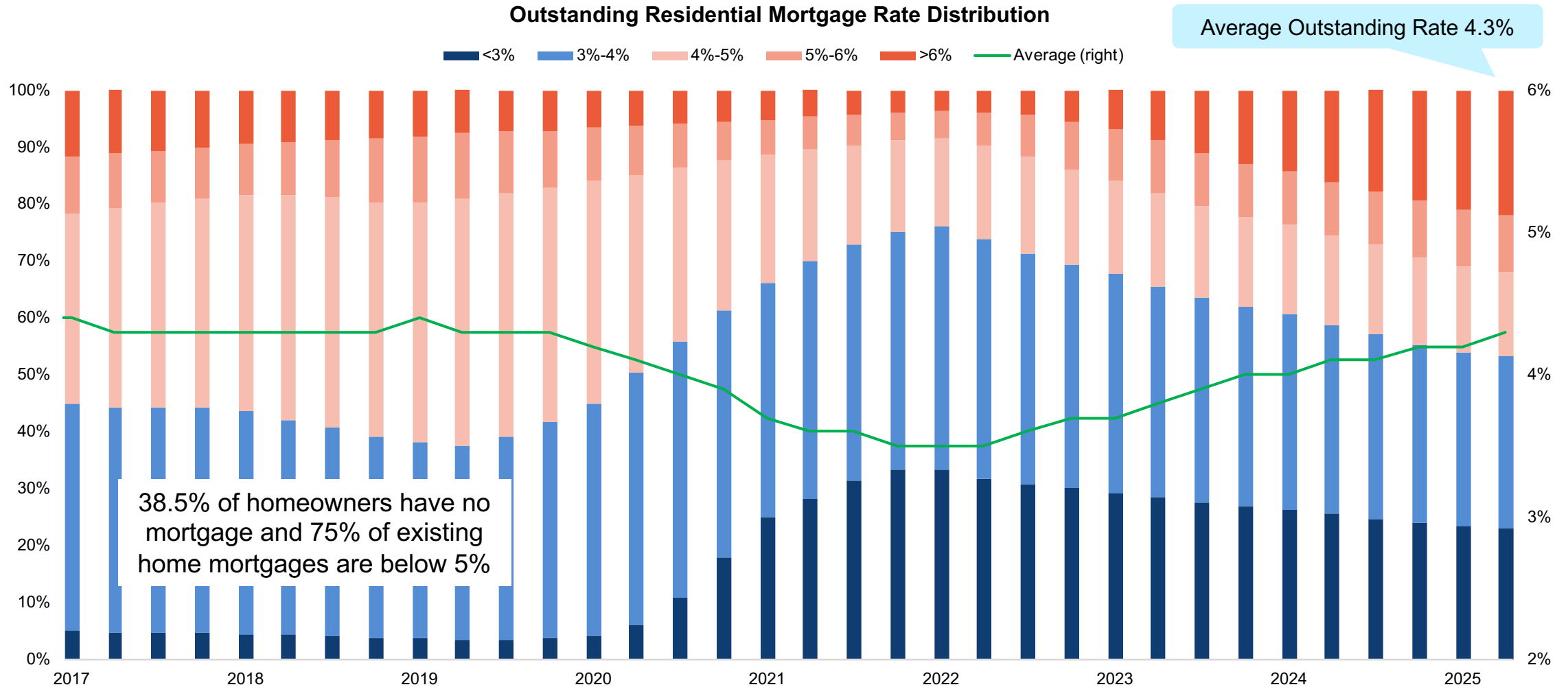
Expect mortgage rate to move below 6% by end of 2026 (much later than previously expected)



Source: Board of Governors of the Federal Reserve System, Freddie Mac, U.S. Bureau of Economic Analysis, Realtor, Cleveland Research Company

Interest Rates

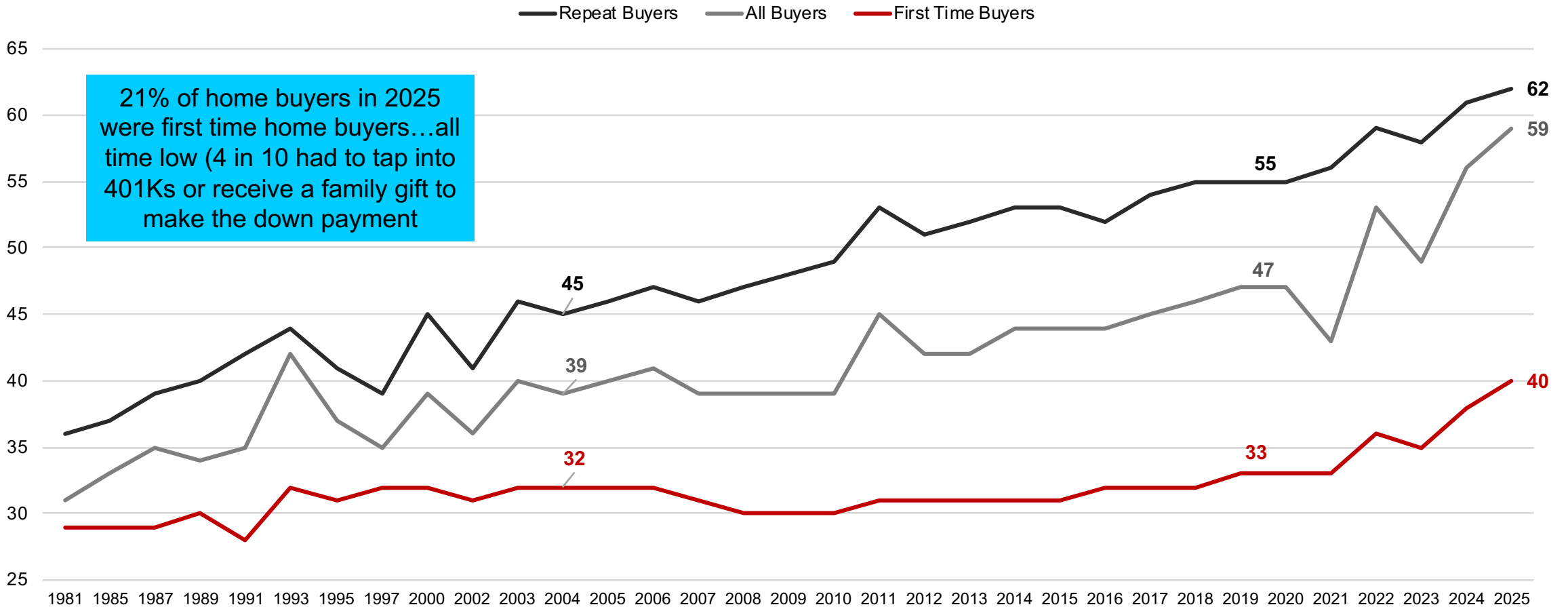
Lock-in effect will likely continue in 2026



Household Budgets

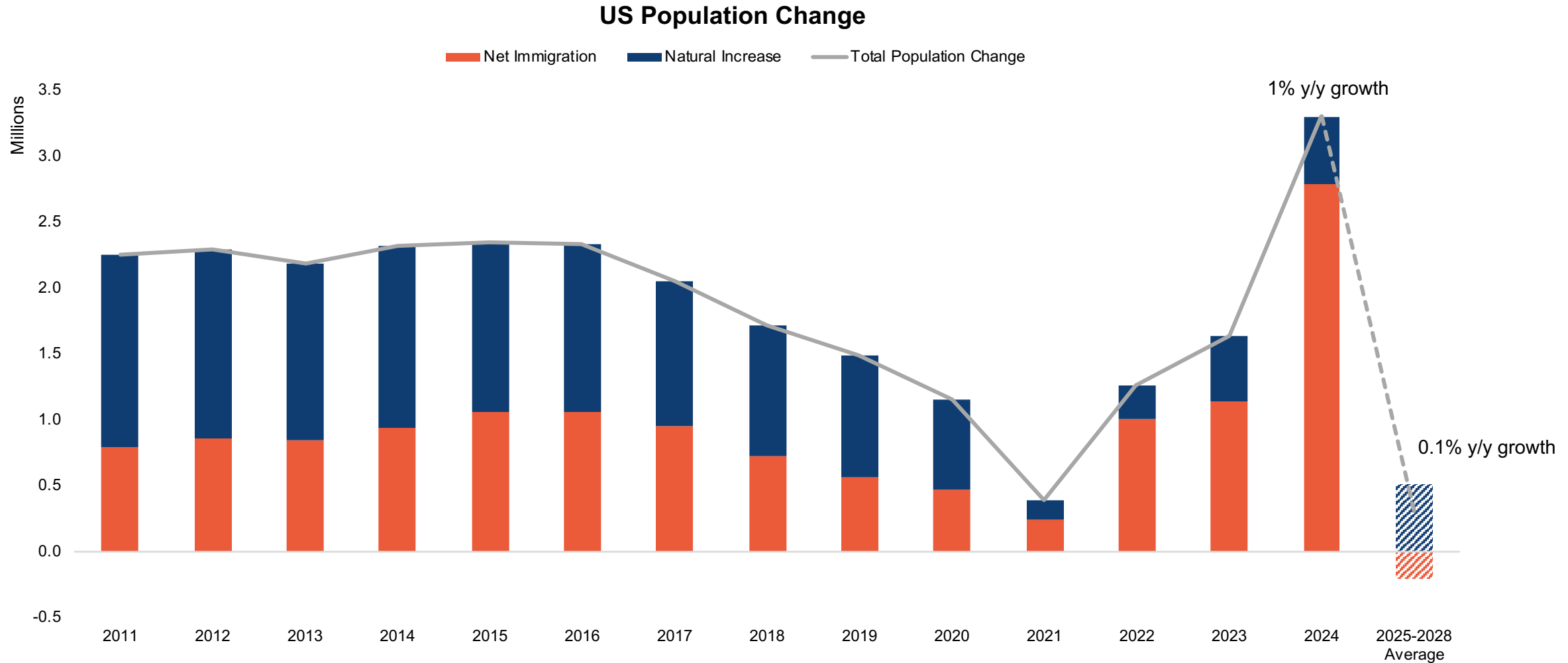
Affordability challenges are evident in homebuyer data (median first-time home buyer now 40!)

Home Buyers by Age



Demographic Shifts

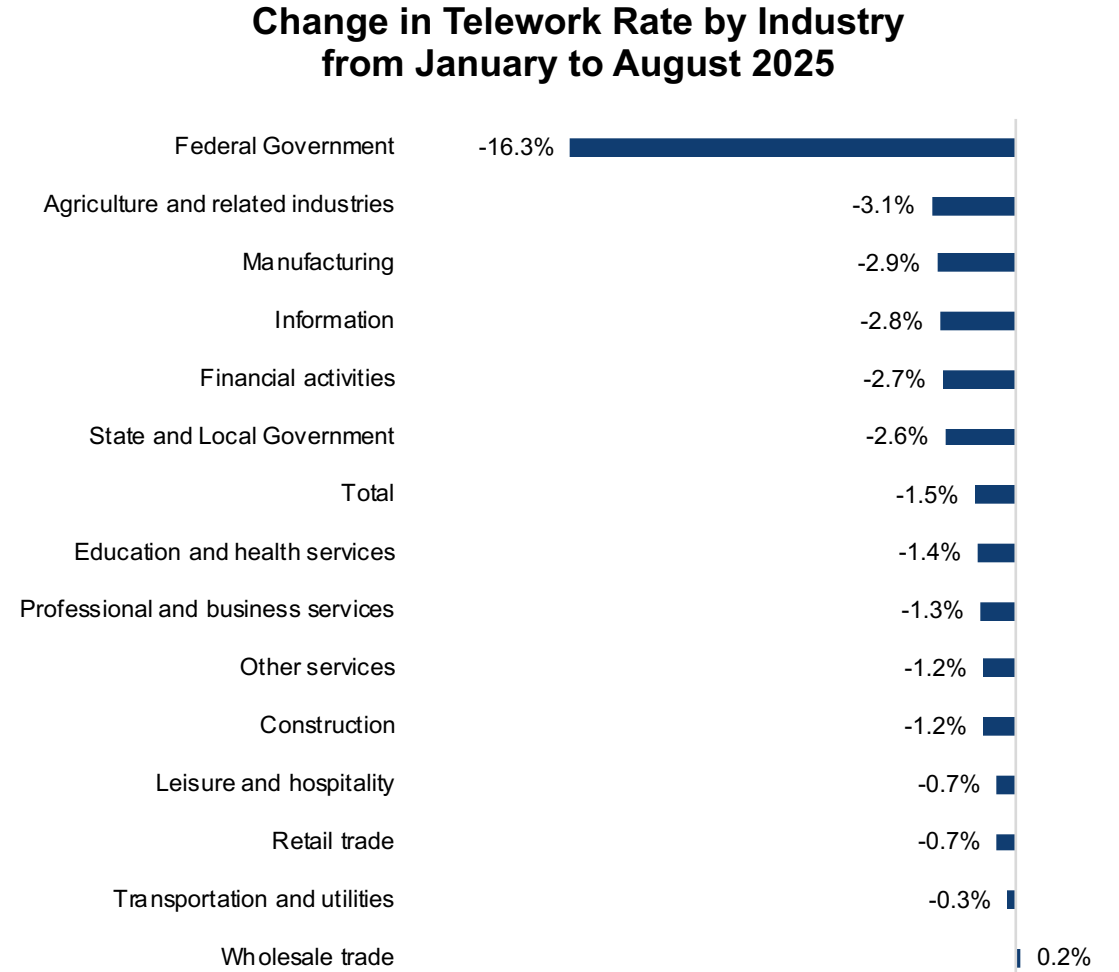
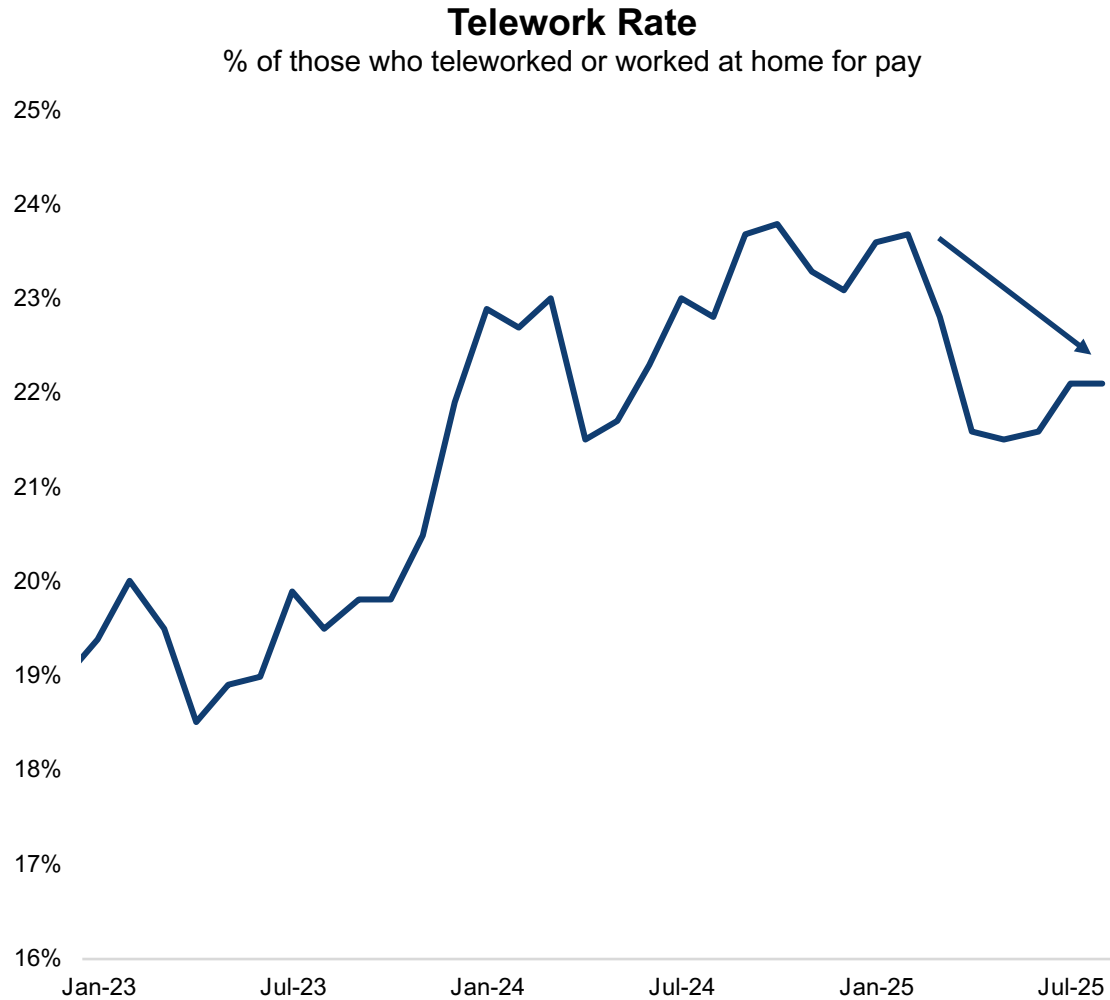
Tighter immigration policy slowing U.S. population growth



Source: CRC's analysis of Census Bureau population estimates from 2011 to 2024 (July 1 to June 30 of each year); 2025-2028 net immigration based on the median estimates by the American Enterprise Institute

Work Shifts

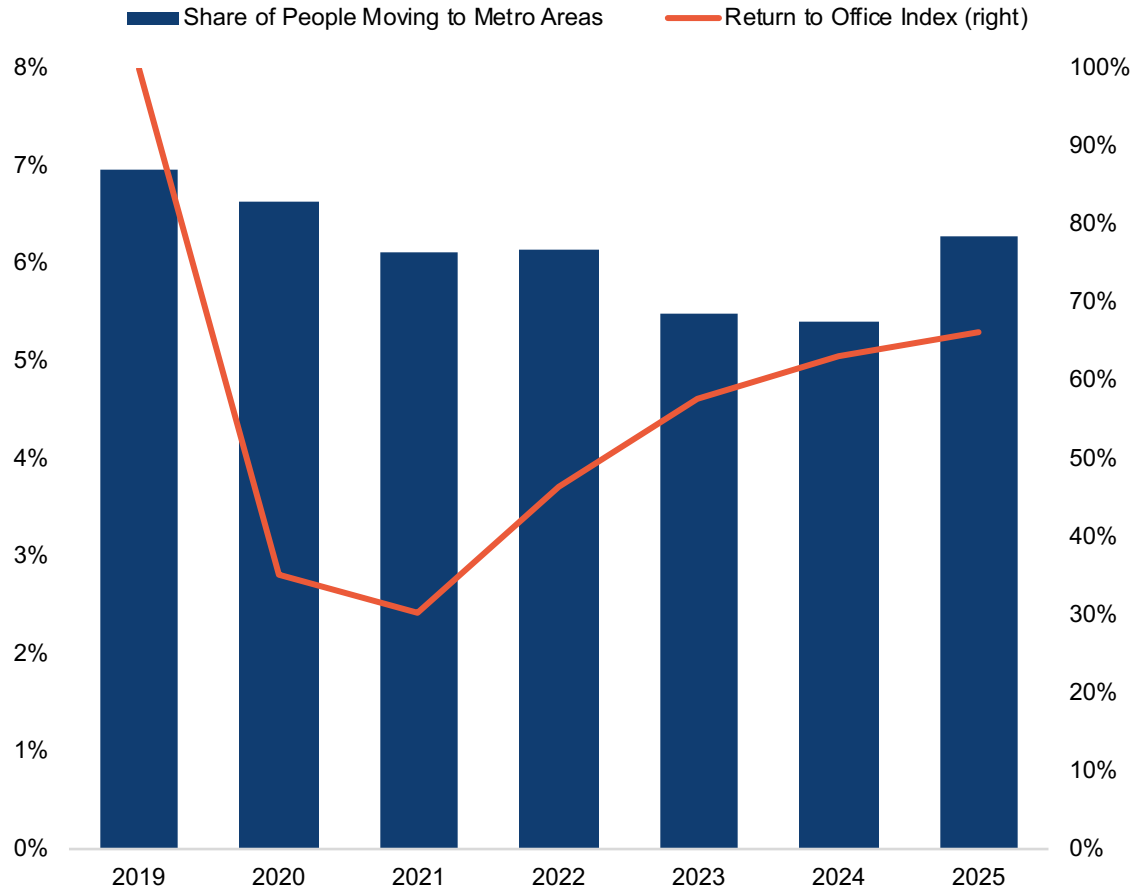
Remote work is reversing, led by federal return-to-office mandates



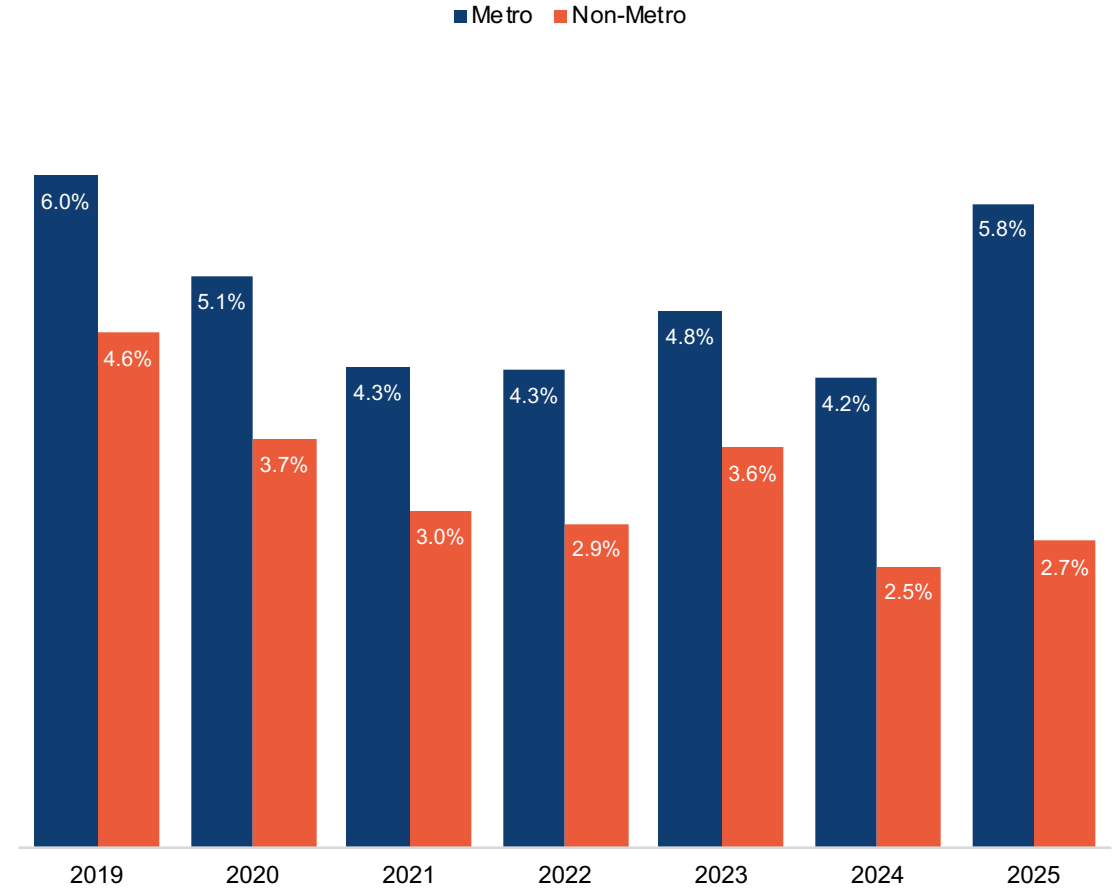
Work Shifts

More movers are returning to metro areas (often to be closer to work)

Share of People Moving to Metro Areas vs. Return to Office



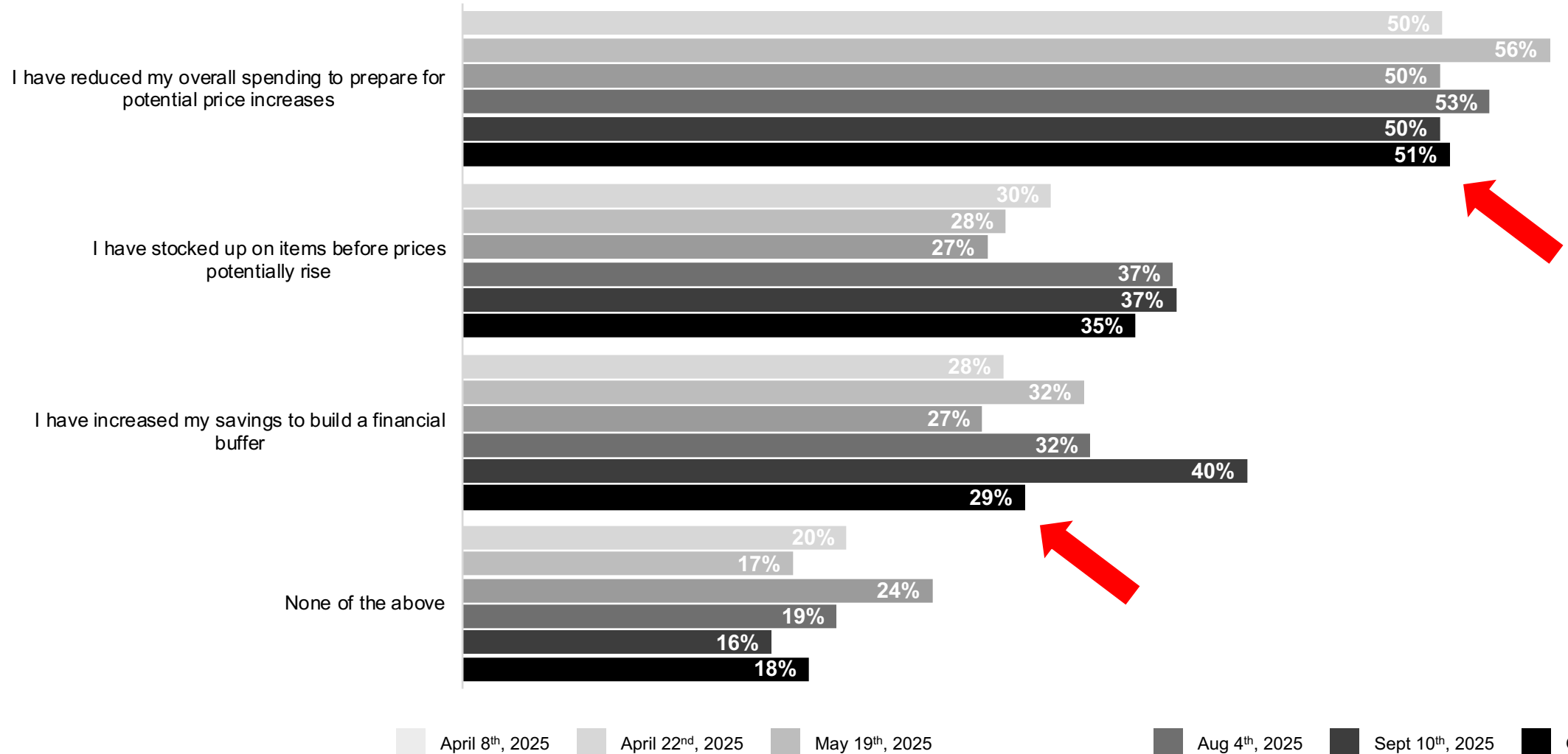
Reason for Moving: To be closer to work/easier commute



Source: CRC's analysis of Census Bureau Current Population Survey data

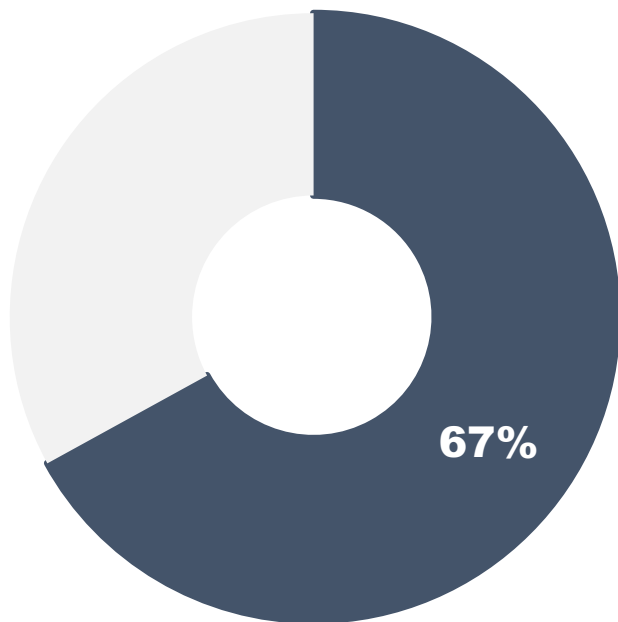
50-60% of shoppers have reduced their overall spending in 2025 to prepare for potential price increases

How have you prepared for the potential risks of higher prices due to tariffs?



The majority of home improvement shoppers think Home Improvement shelf prices will continue to rise the next 6-12 months and the negative sales impact from tariffs was estimated to be nearly 1.6 points in 2025

% who think that home improvement prices will continue to rise over the next 6-12 months as a result of tariffs

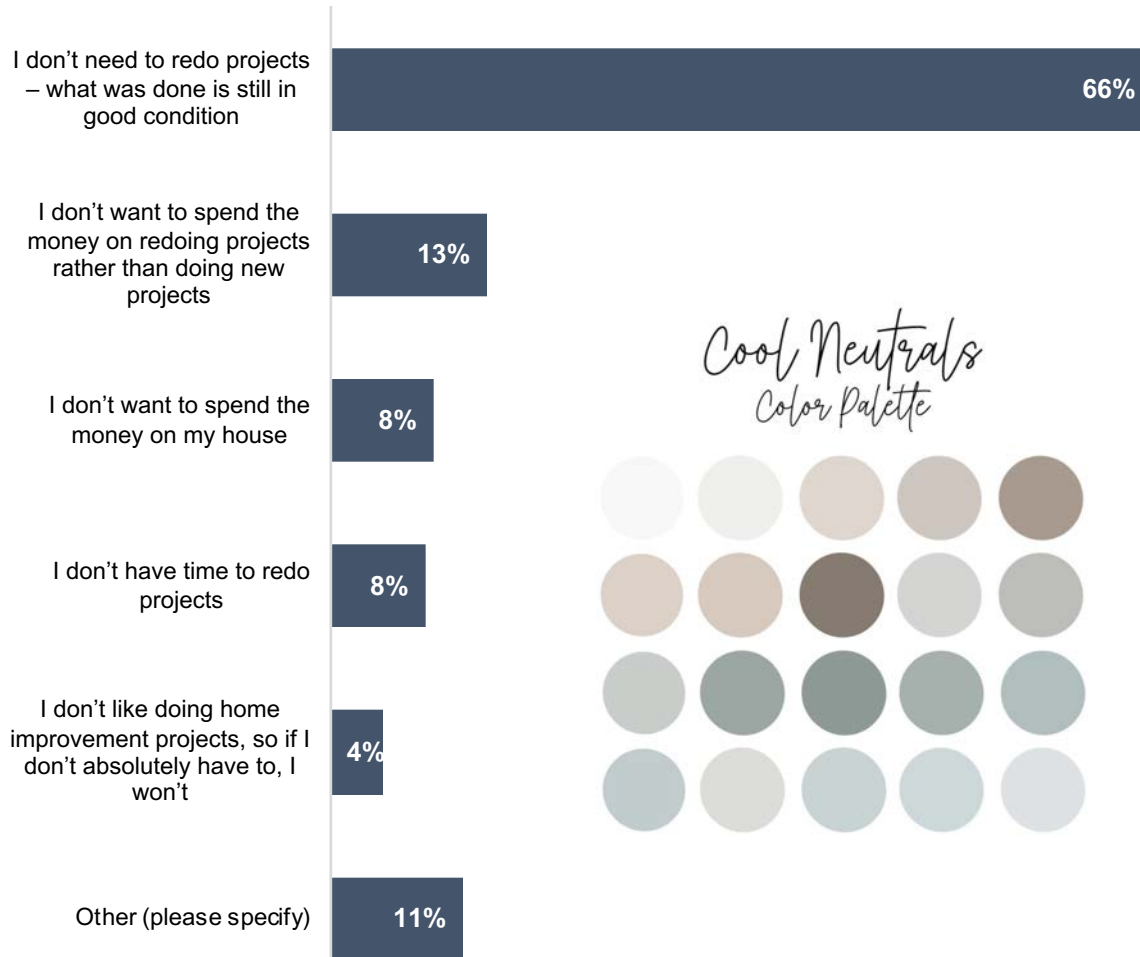


1.56%
...negative sales impact from tariffs in 2025

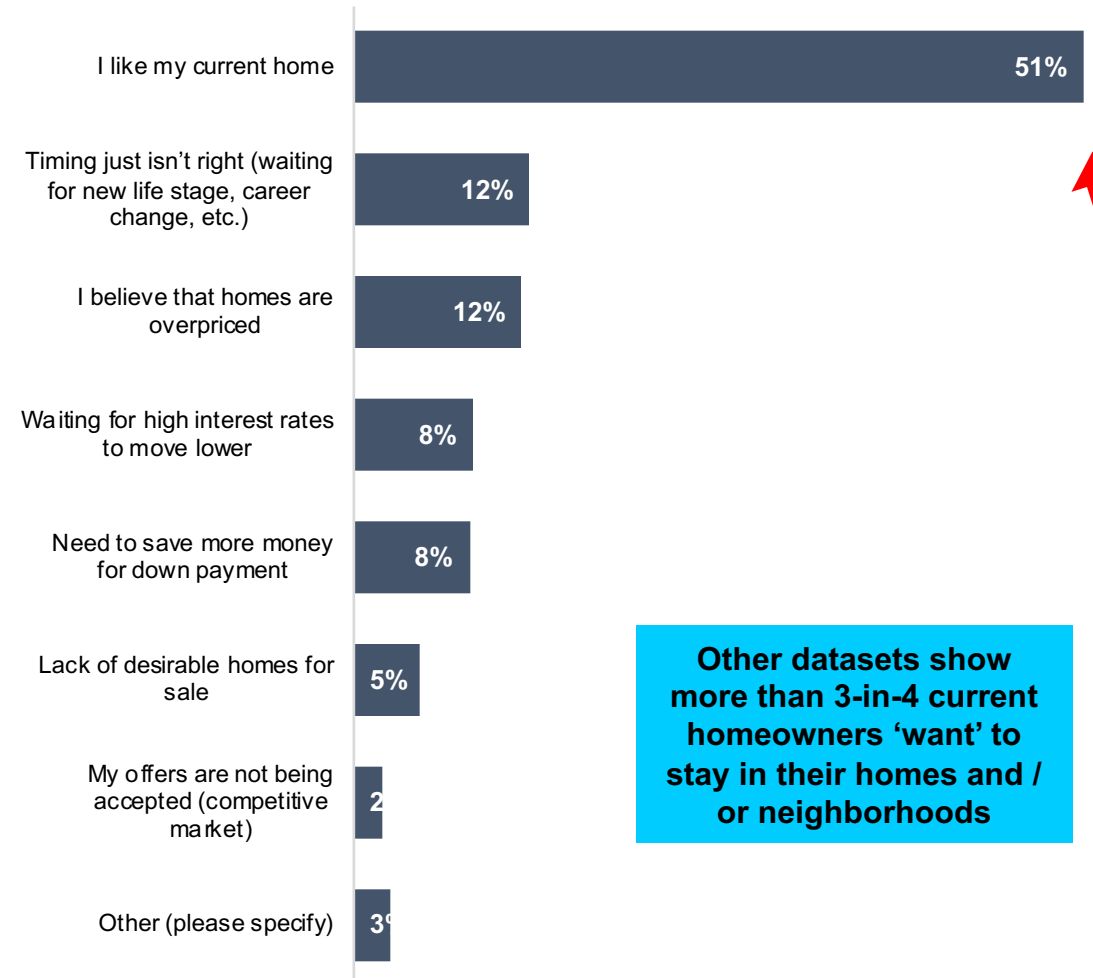
COVID-19

Homeowners still happy with their COVID updates (over invested) and 'like' their homes

Why don't you plan to redo the projects you did in 2020?



What is the biggest factor preventing you from buying a new home?

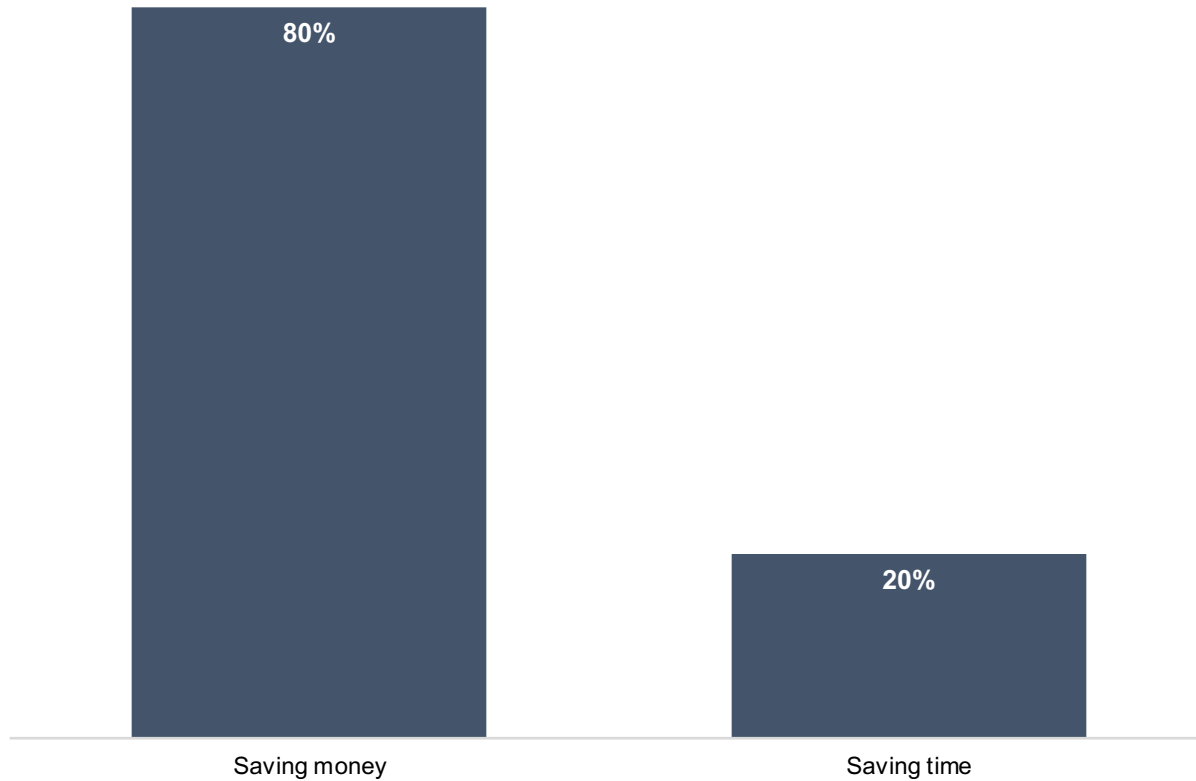


Other datasets show more than 3-in-4 current homeowners 'want' to stay in their homes and / or neighborhoods

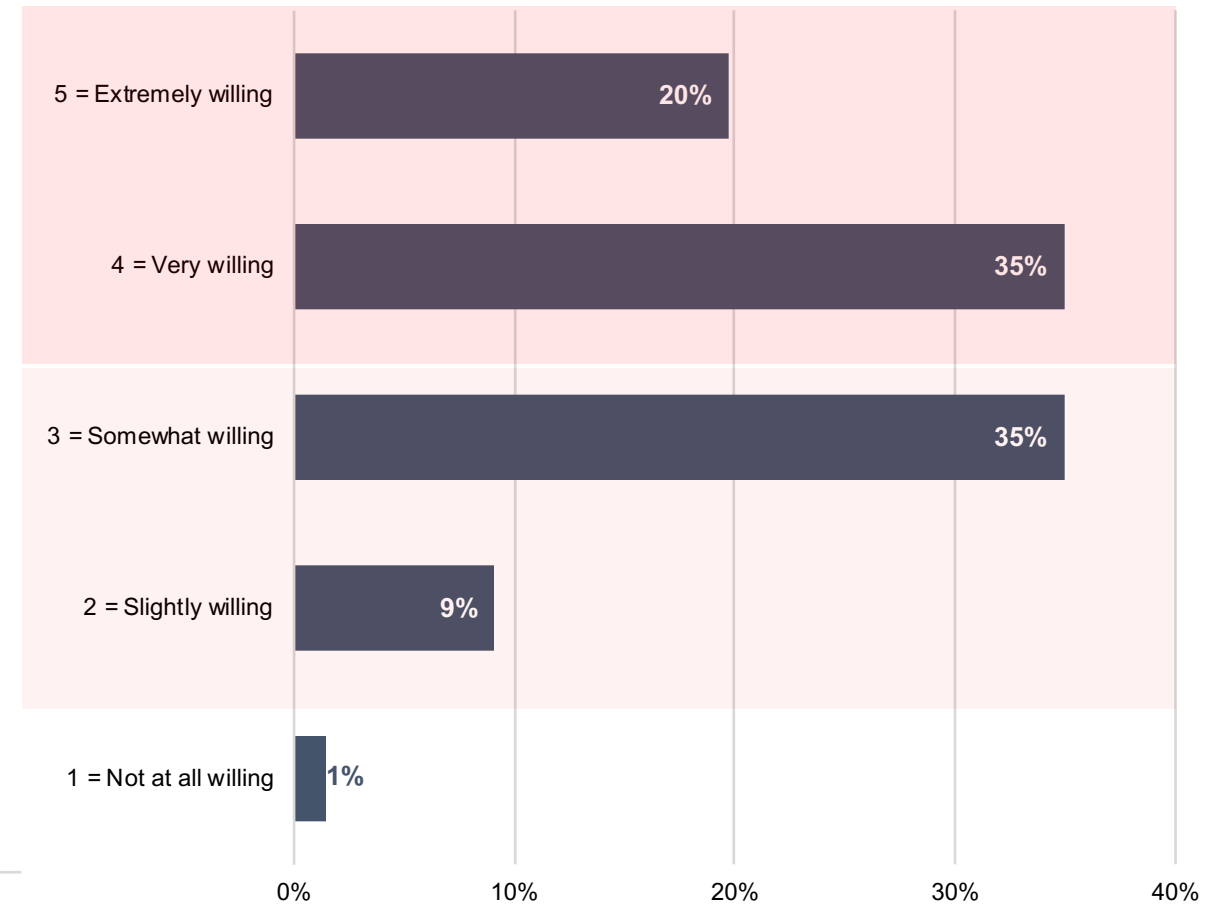
Project Savings

4-in-5 homeowners are looking to save money on projects with mixing down a top priority (99% willing)

When you think about a home improvement project, what is more important to you today?



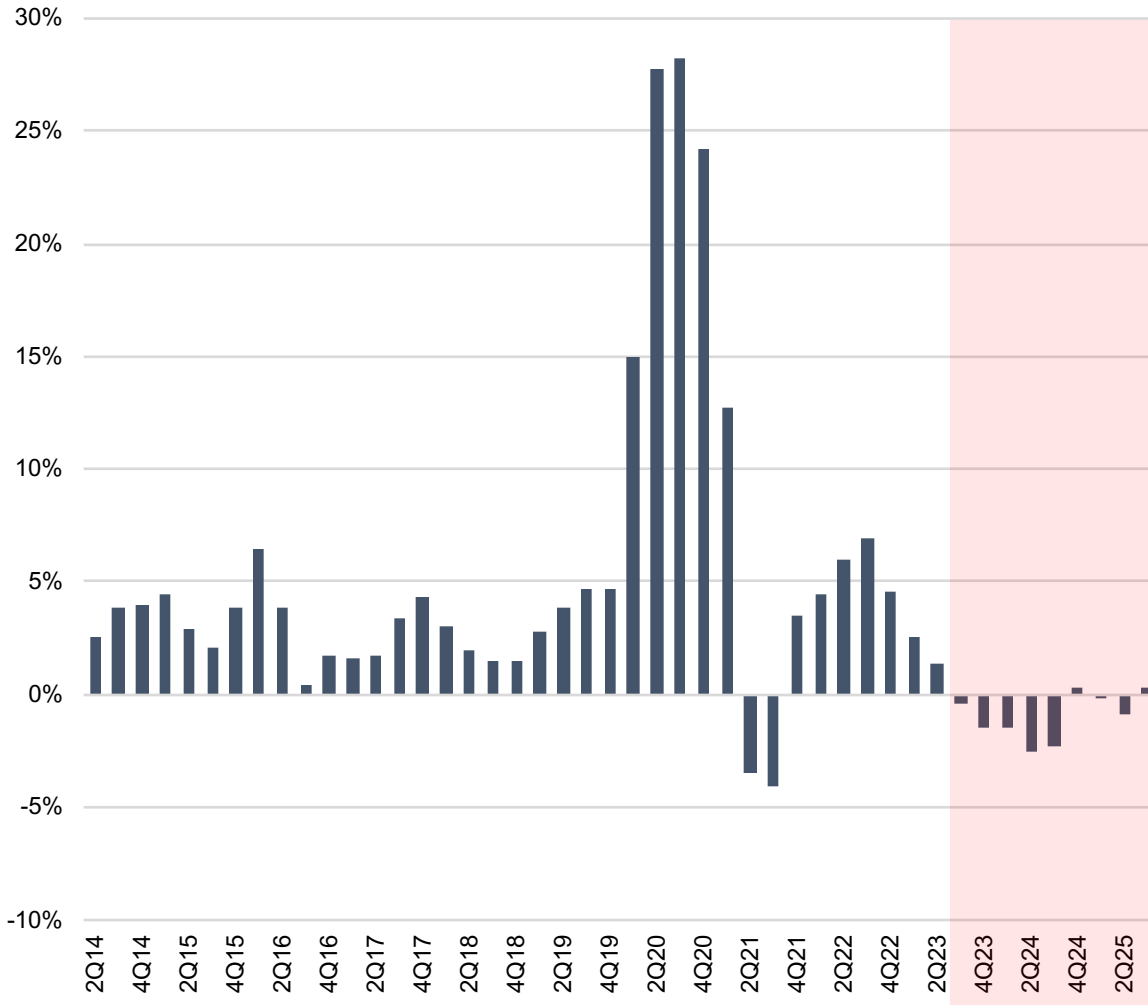
Are you more willing to buy a STORE BRAND / PRIVATE LABEL home improvement product today?



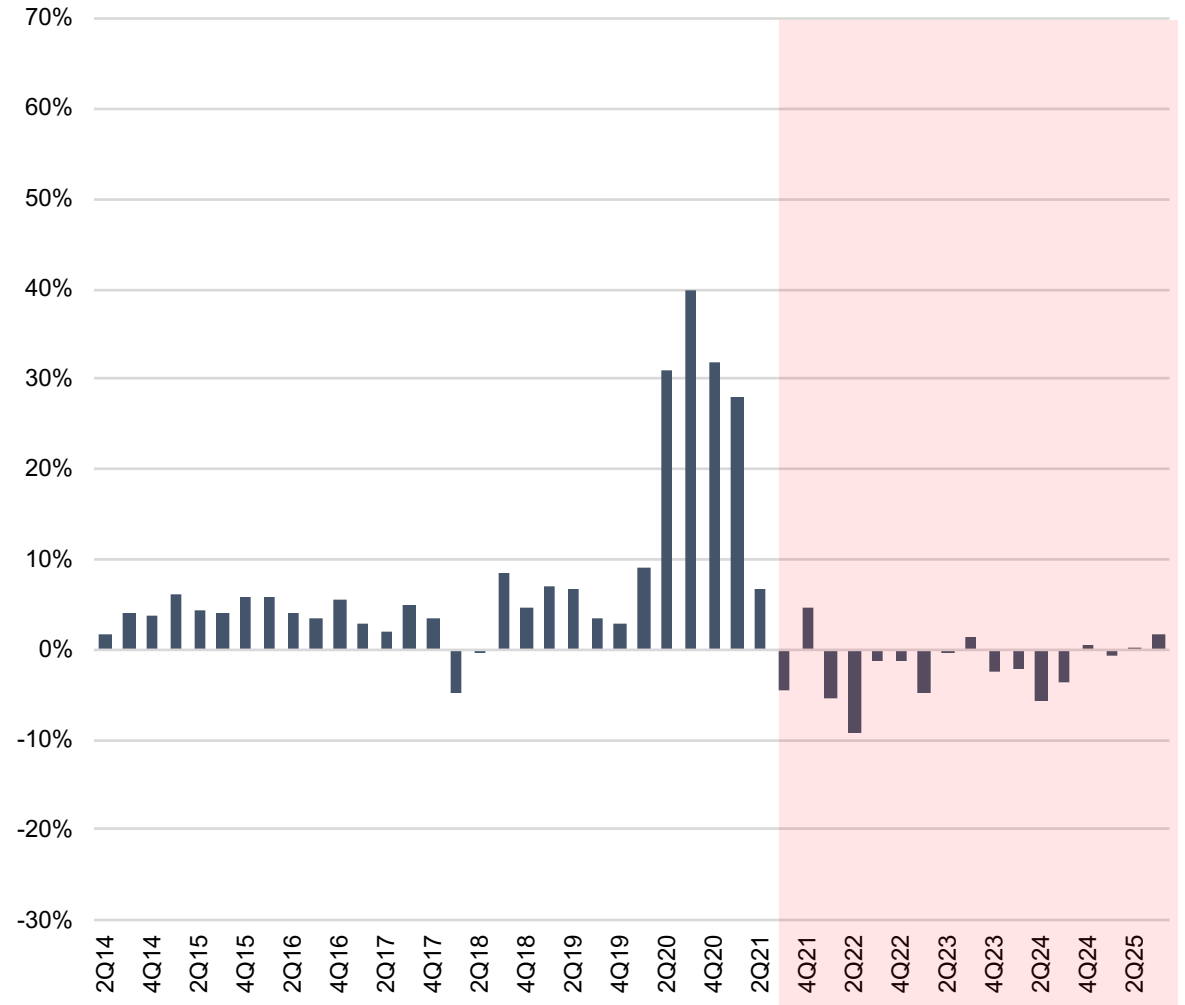
Category Dynamics

The cheapest 'upgrade projects' remain negative year-to-date one year later...

Homecenter Paint Category Sales



Homecenter Seasonal Category Comps



Rates

housing turnover / affordability limited by elevated rates (everyone remembers 3%)

Innovation

'once in a lifetime' business challenges impacted R&D and lack of innovation delaying shopper urgency (no stainless steel, composite decking, etc)

Time

work / life imbalance limiting ability to focus on home improvement projects

Finances

growing constraints of the middle-income / low-income homeowner pushing home improvement participation to all-time lows in these groups

Remodel

homes that need the most upgrades are more often owned by those unable (financially) / unwilling (older) to invest

Projects

homeowners, especially older generations, more focused on repair and maintenance spend (15-20% larger share of spending dollars)

Jobs

A.I. acceleration and economic uncertainty creating higher job loss concerns year-to-year

Remote Work

back to work and COVID-19 purchase trends delaying replacement cycles

Regions

biggest and previously strongest markets now some of the softest (AZ/CA/FL/ TX; ICE impact)

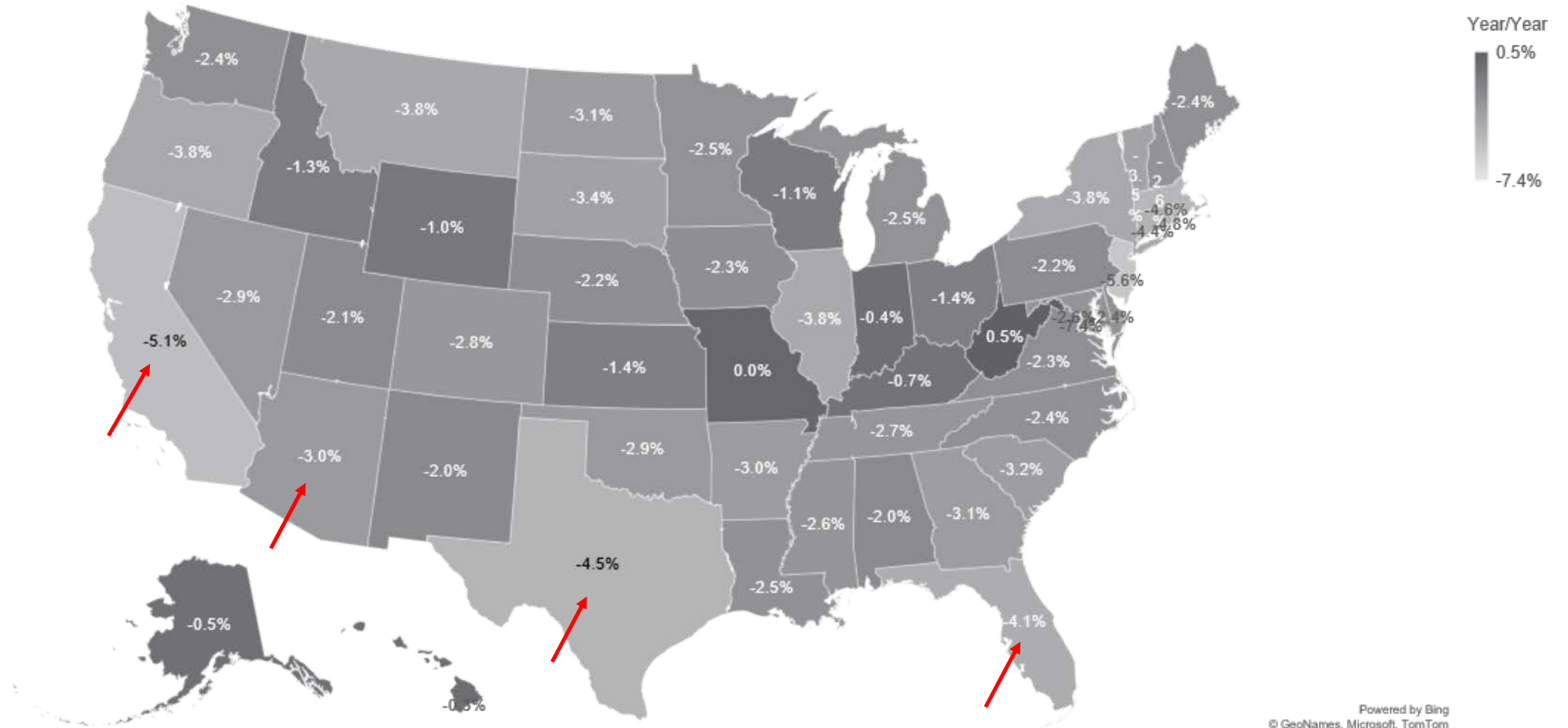
How has the Industry changed...

Regionality

The big 4 states' footsteps are down 4.2% versus the nationwide average down 2.7%

Total Homecenter Traffic 2025 Year/Year

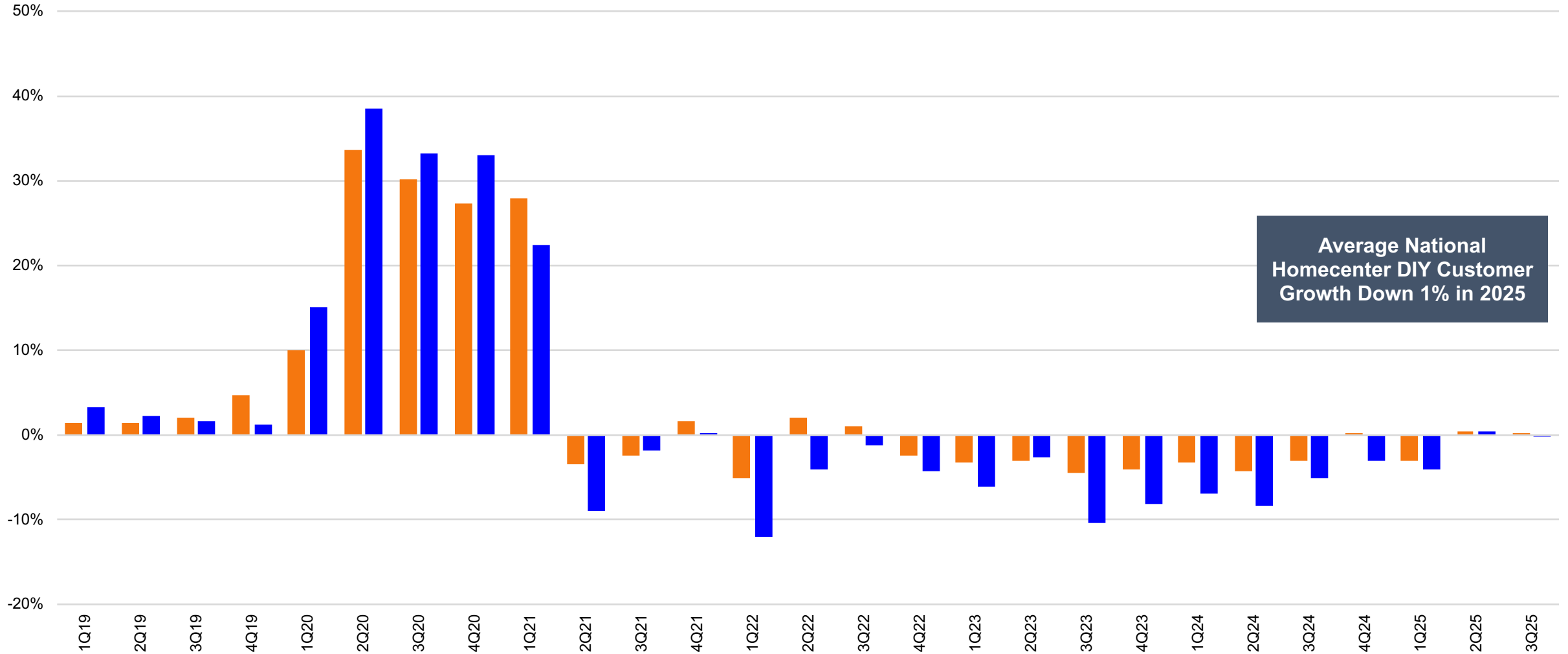
January to October



DIY

No growth with DIY customers...

Homecenter DIY Customer Growth

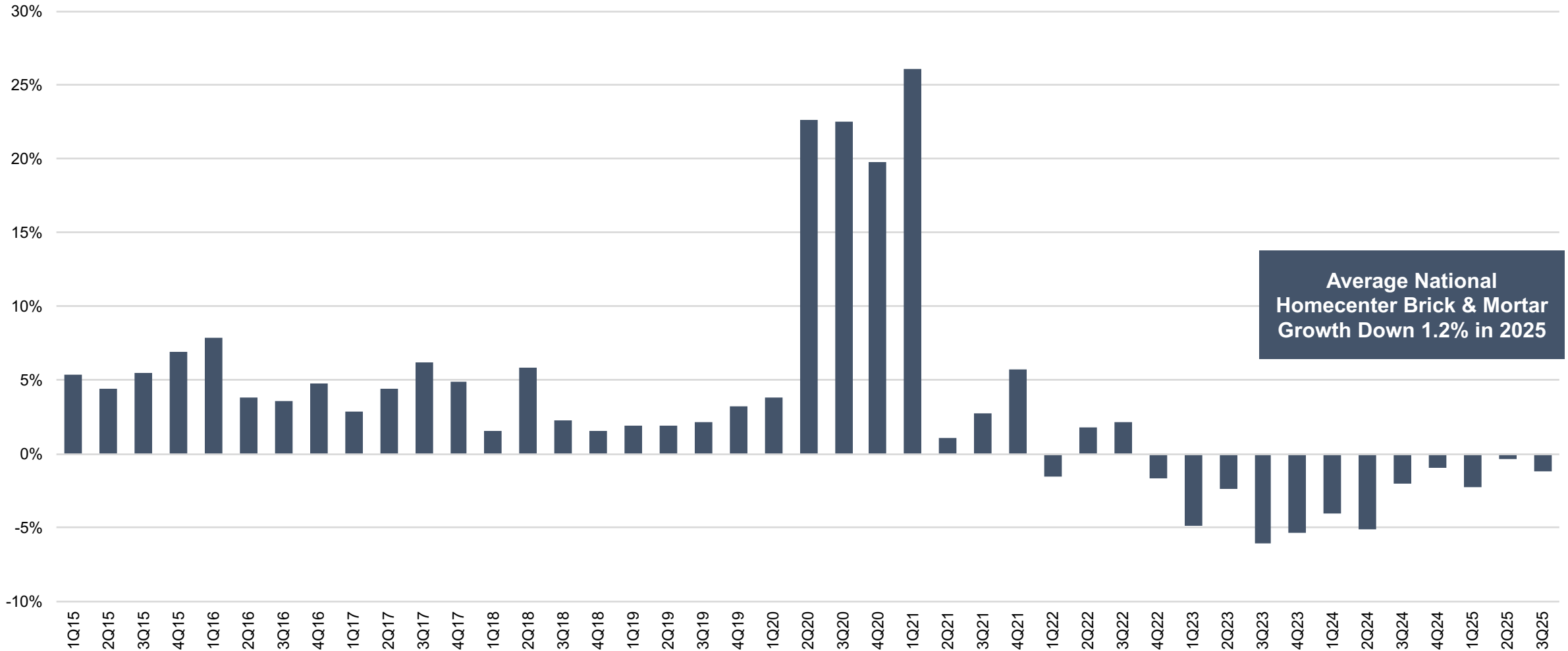


Average National Homecenter DIY Customer Growth Down 1% in 2025

Brick & Mortar

...and no growth in the stores

Homecenter Brick & Mortar Growth



Average National Homecenter Brick & Mortar Growth Down 1.2% in 2025

~65%

...of sales are DIY customers

~85%

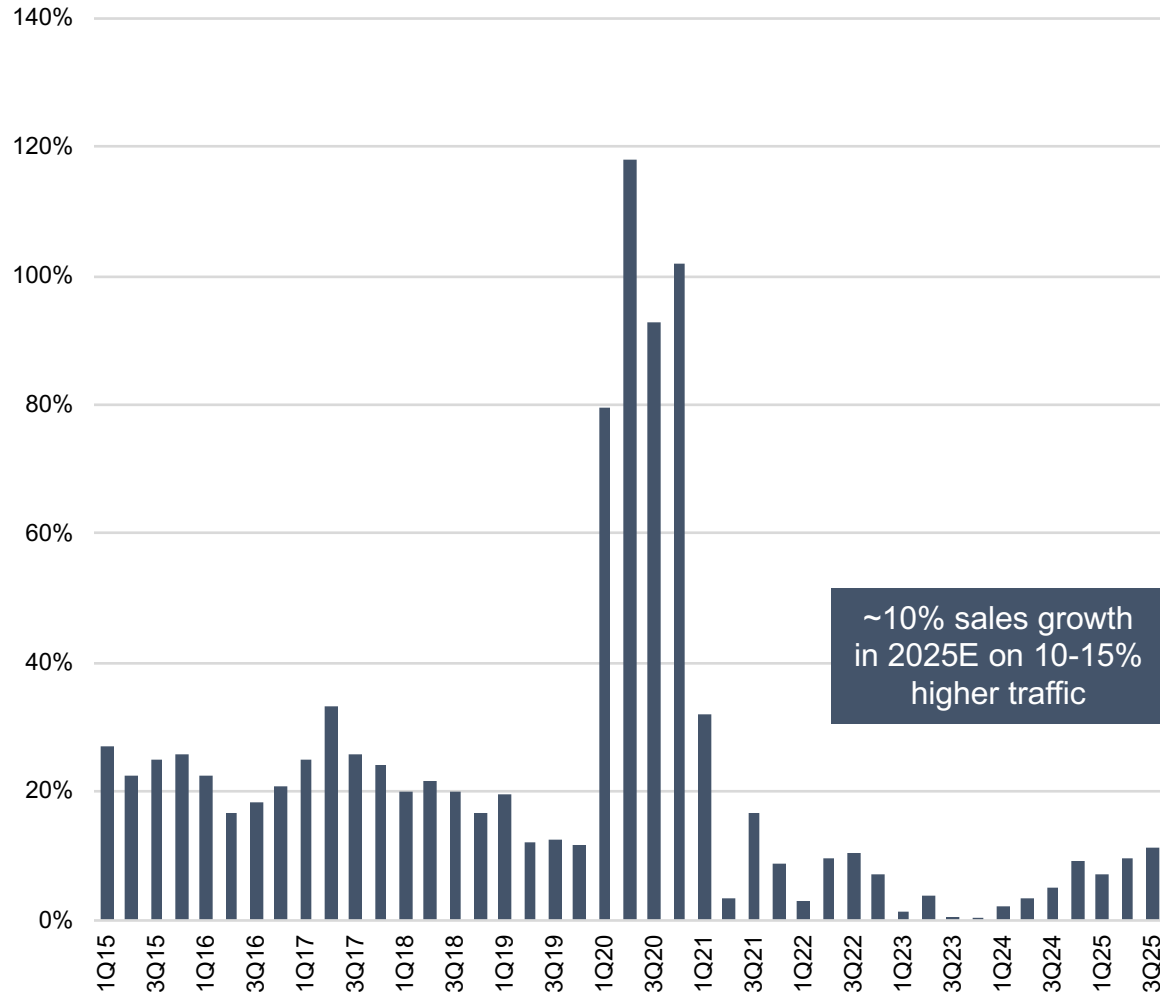
...of sales are **Brick & Mortar** purchases

**So where should I focus
more resources...**

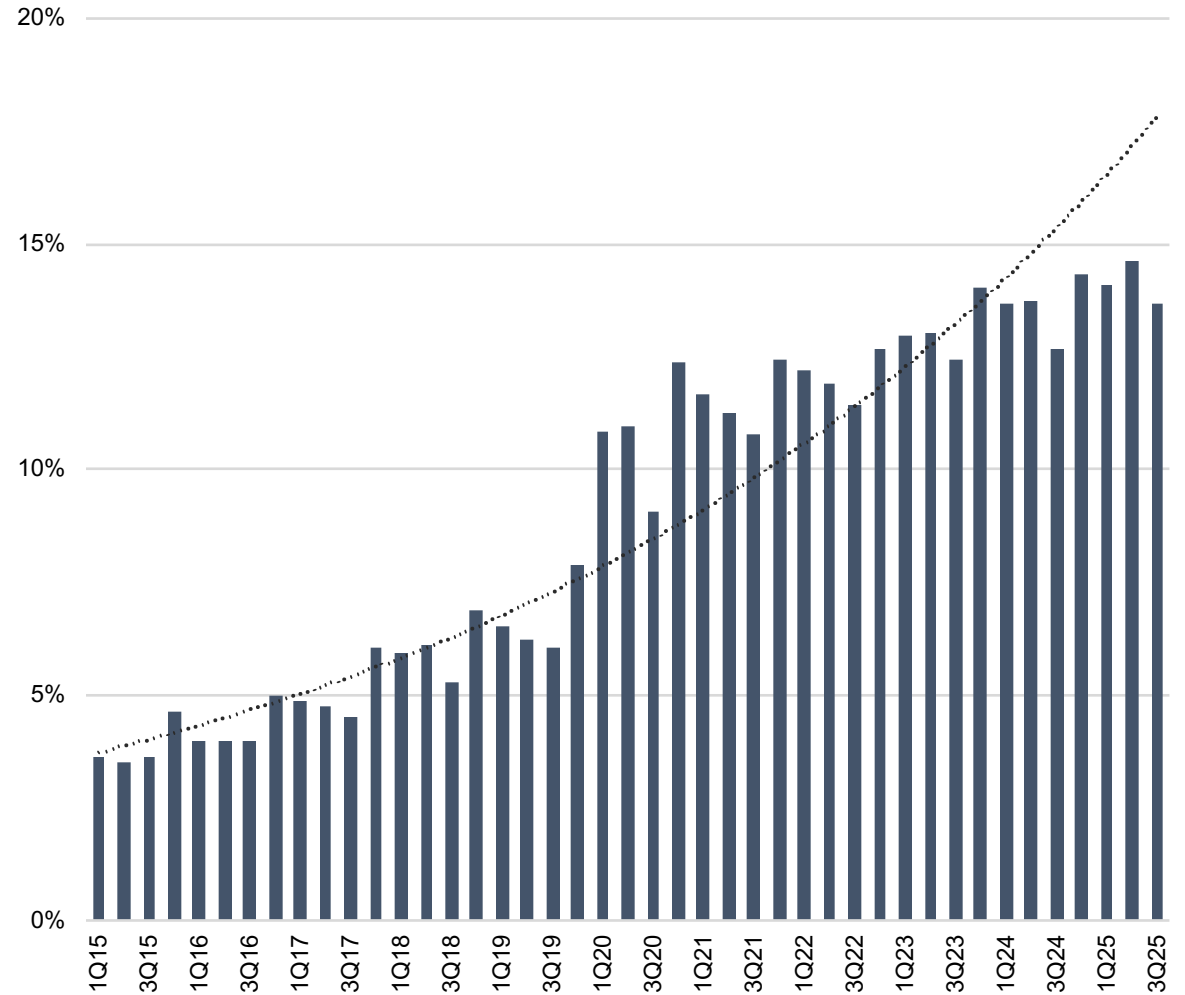
Online

Online sales set to increase ~10% in 2025, improving 4 points versus 2024 and 8 points versus 2023

Average Online Growth



Average Homecenter Online Share of Sales



~30%

...long-term online share at
Home Depot vs 15% today

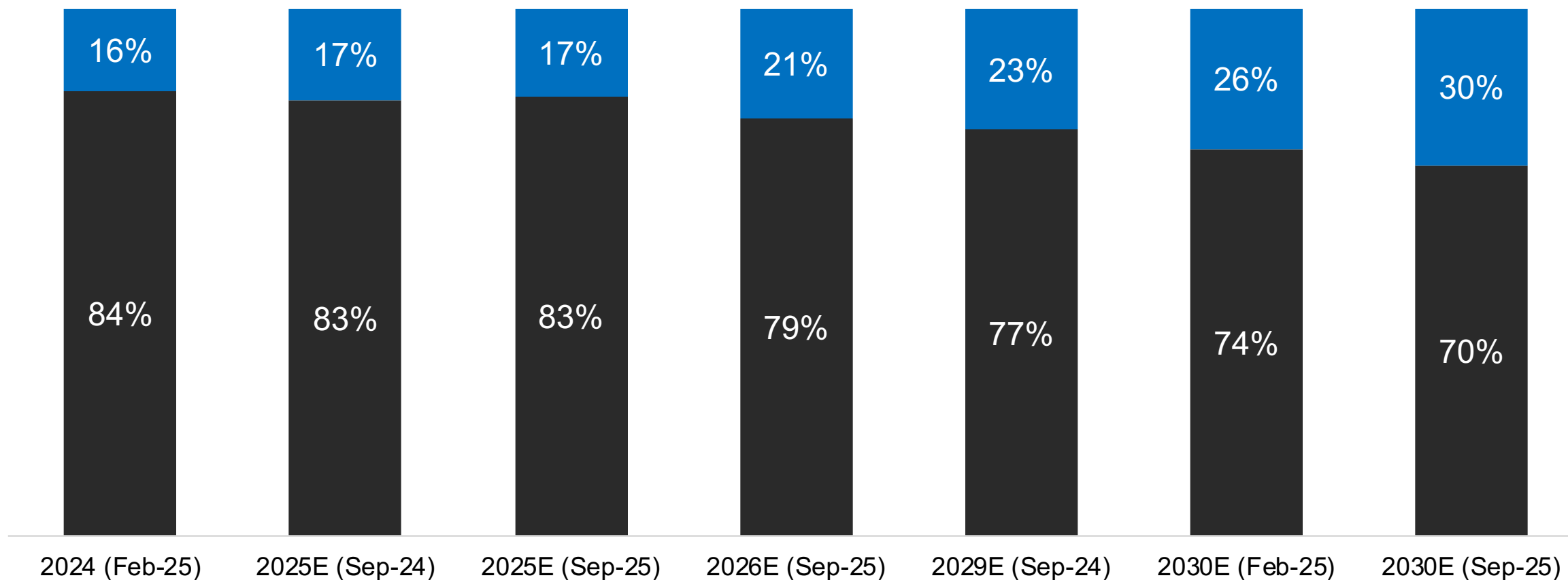
~25%

...long-term online share at
Lowe's vs 13% today

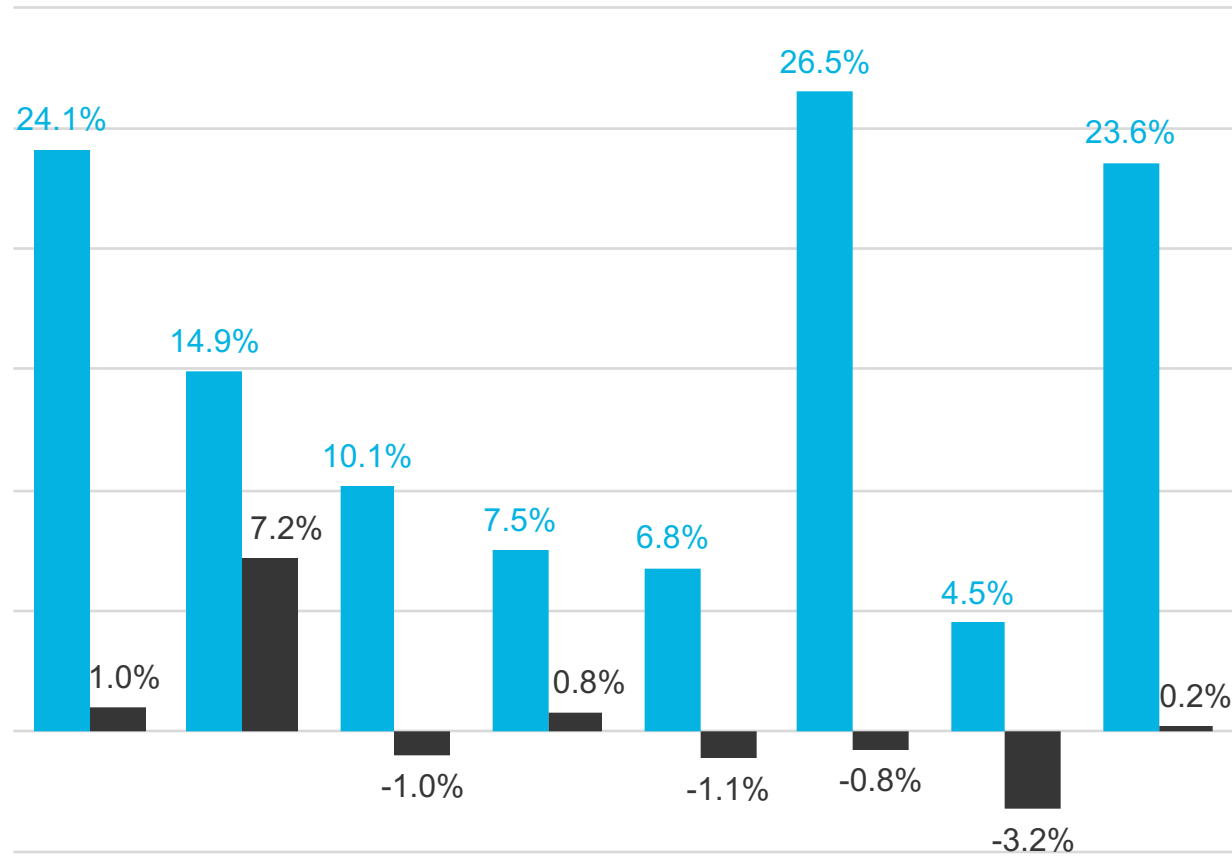
Walmart Vendors Expect Digital Mix to Increase 1,000+ bps Over Next 5 Years

Store vs Digital Sales Mix

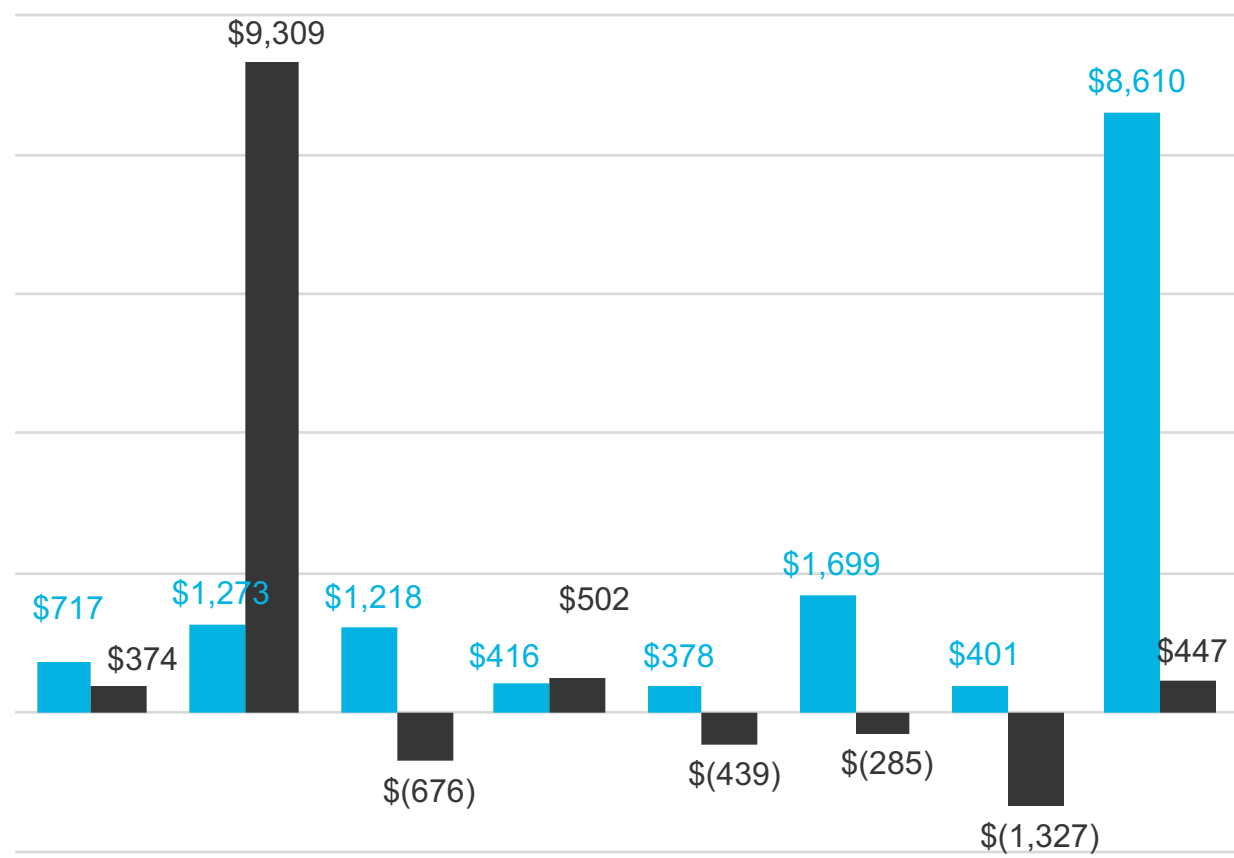
■ Store ■ Digital



1H25 (1Q + 2Q) **eCom** vs. **B&M** Performance (%)
Y-Y Sales Growth (%)



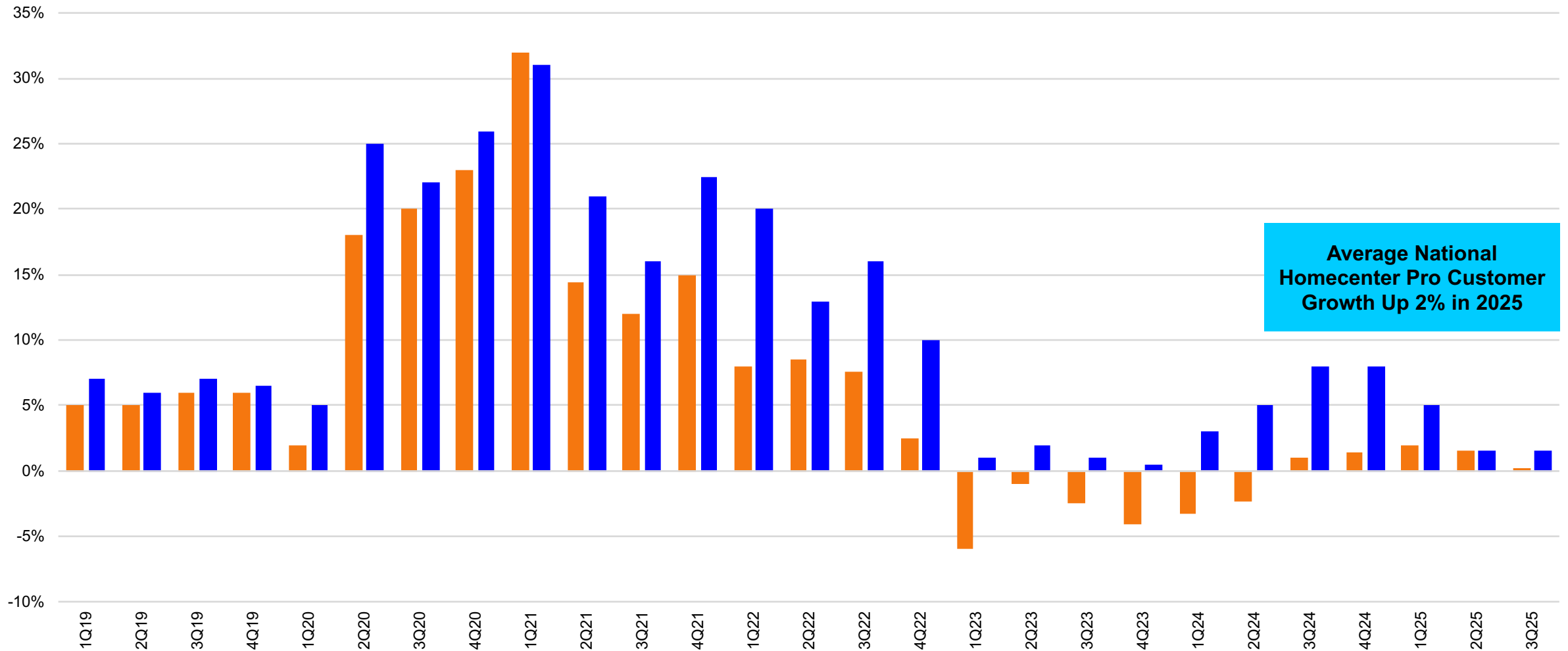
1H25 (1Q + 2Q) **eCom** vs. **B&M** Performance (\$)
Y-Y Incremental Sales Growth (in millions)



Pro Customer

Sales to the Pro expected to increase ~2% at the homecenters in 2025

Homecenter Pro Customer Growth

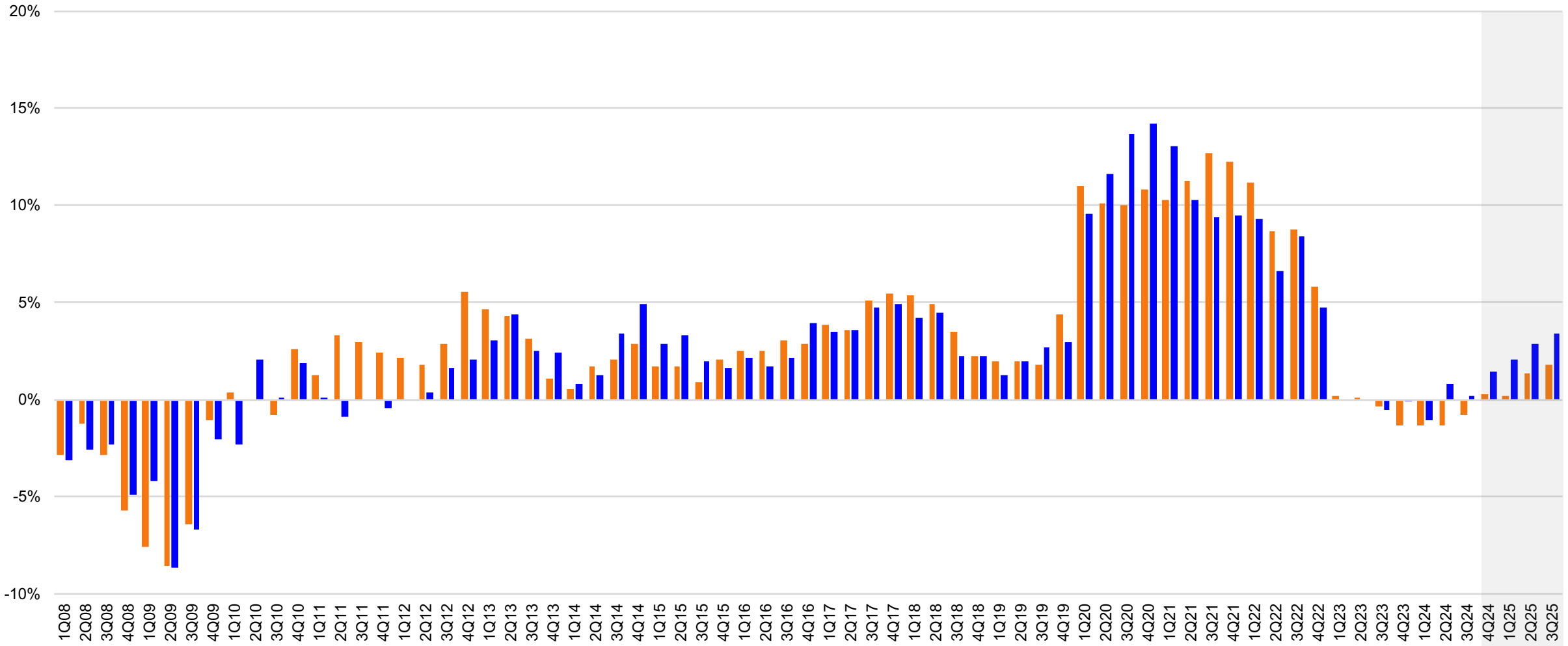


**What do I need to
'watch out' for...**

Ticket

Average ticket growth has quickly re-accelerated...

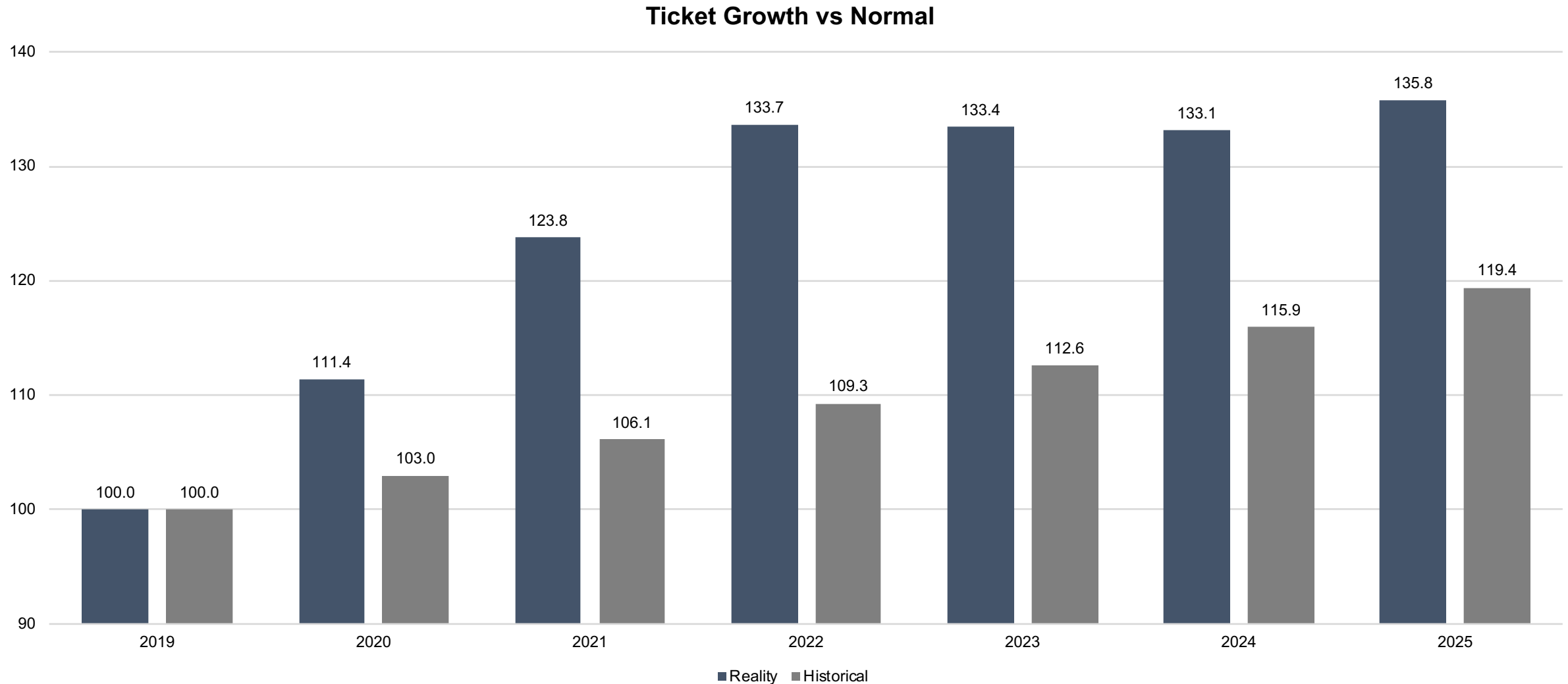
Homecenter Average Ticket Growth



Source: Company reports, CRC estimates

Ticket

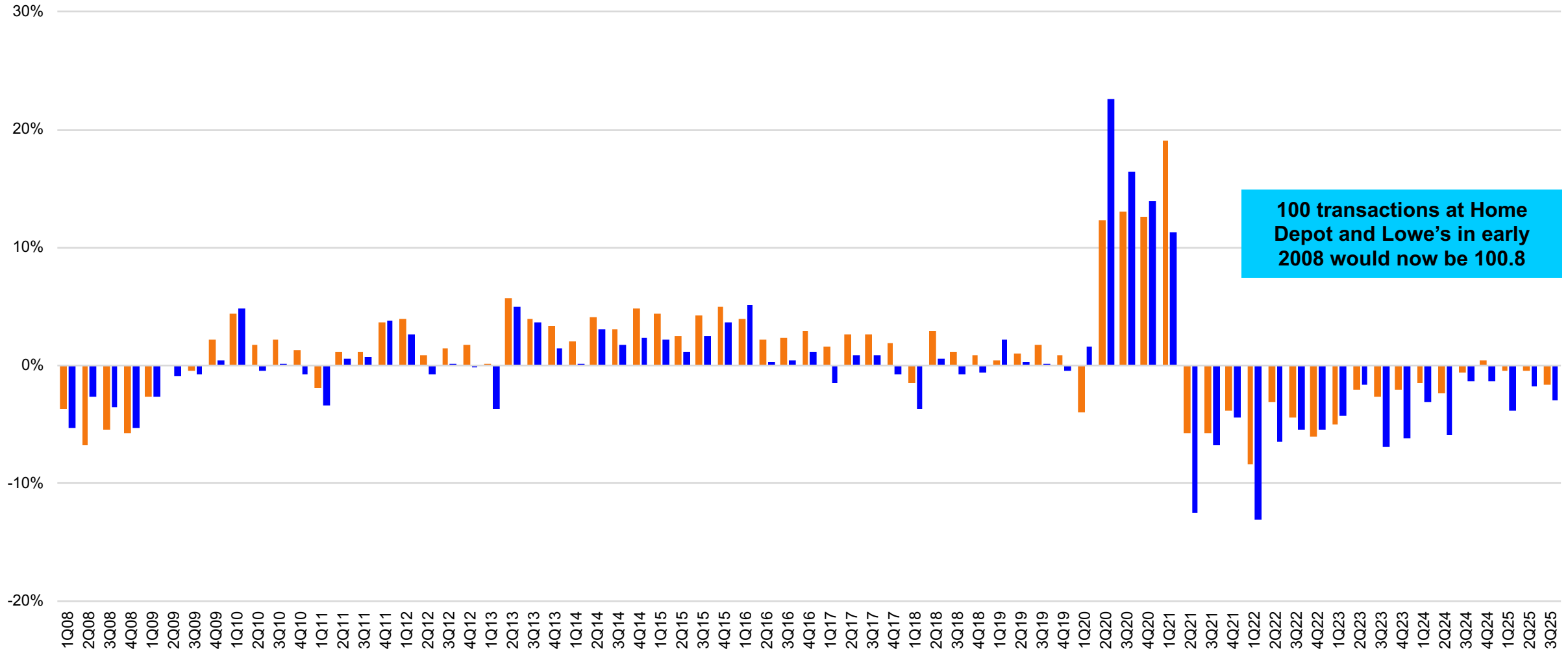
...and is now 14% above historical trend since COVID-19



Transactions

Transaction count growth is basically flat since the great financial crisis

Homecenter Transaction Growth

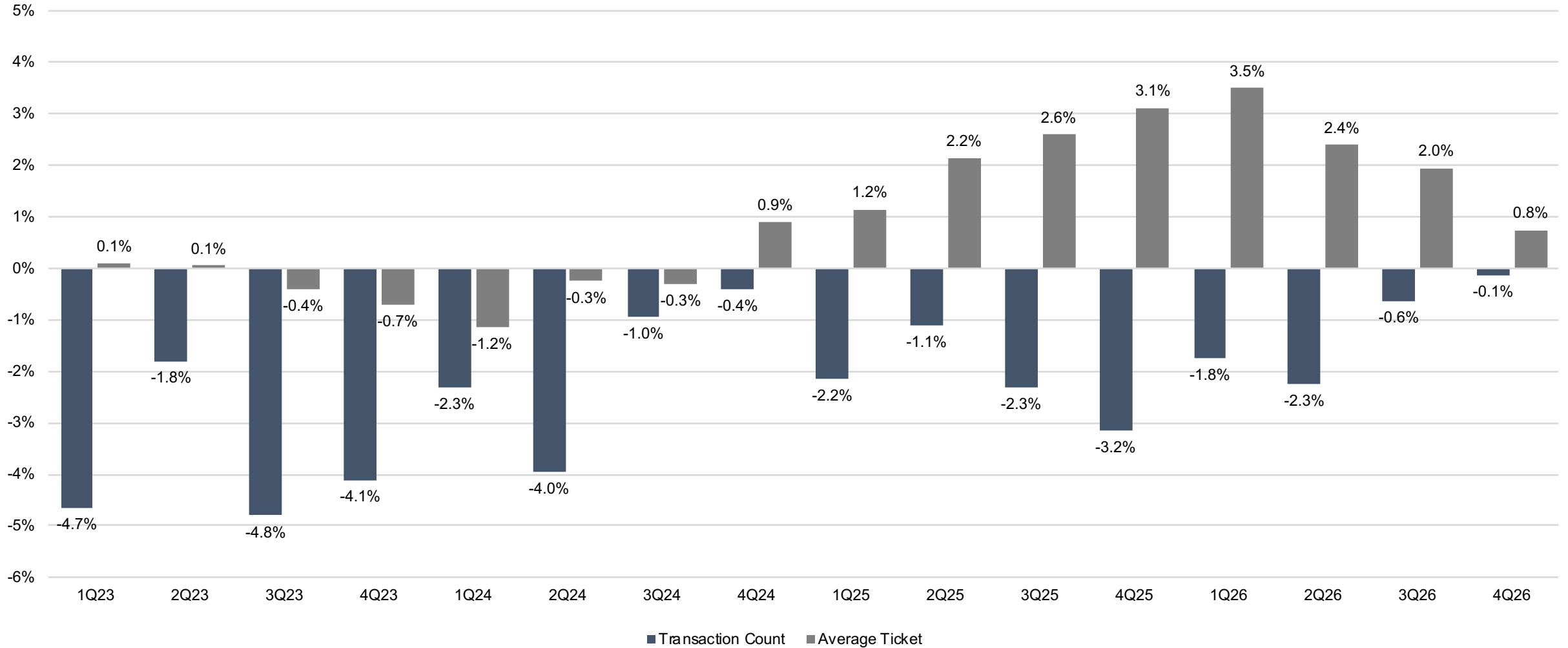


100 transactions at Home Depot and Lowe's in early 2008 would now be 100.8

Ticket vs Transactions

Volume recovery likely needed within 12 months

Transactions vs Ticket

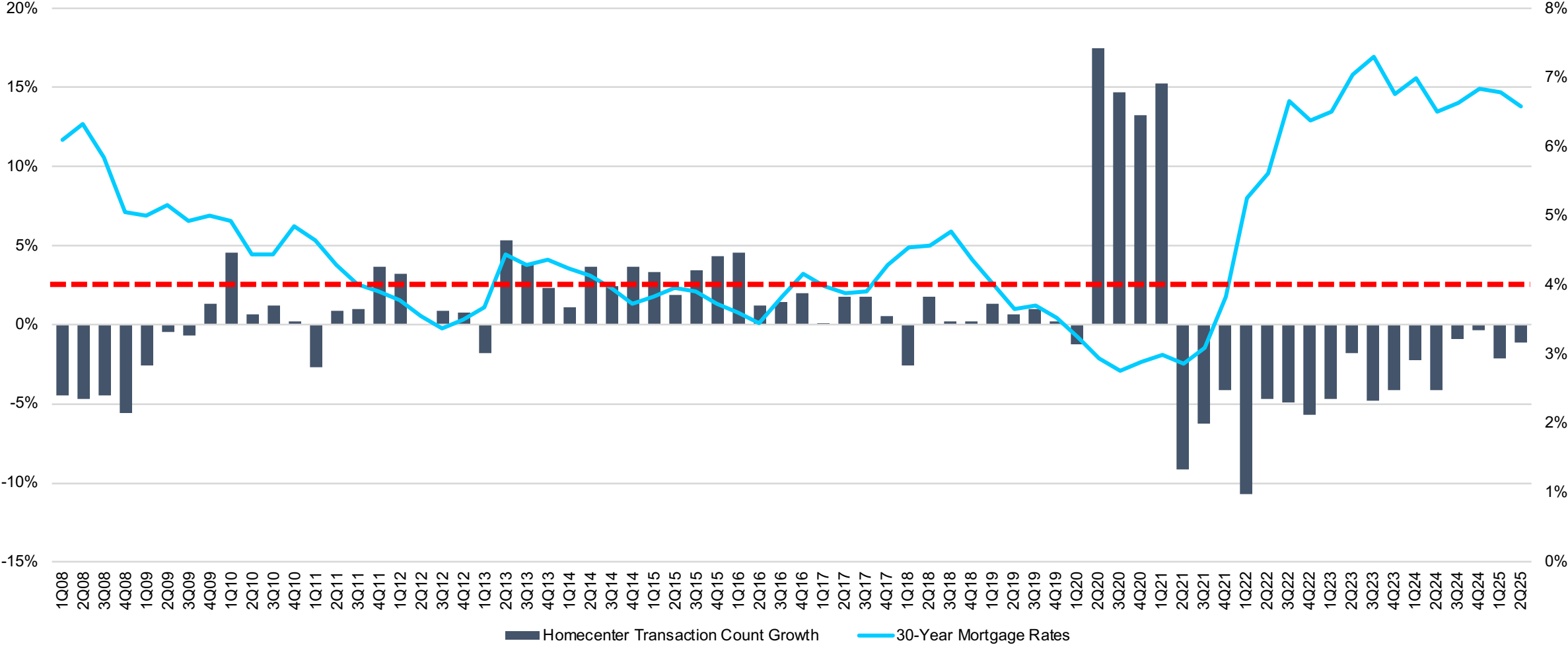


■ Transaction Count ■ Average Ticket

Transactions

Over the last 15 years, when rates are above 4% transactions slow notably

Homecenter Transactions vs Mortgage Rates



Source: Company reports, CRC estimates, FRED

-65%

...correlation between 30-year mortgage rates
and monthly homecenter comp store sales

-55%

...correlation between 30-year mortgage rates
and homecenter transaction counts

**Should we think
differently about
Home Improvement ...**

30 minutes with CRC CEO...

“Historically, there are two things that drive the industry. Housing turnover and secular trends driven by maintenance free innovation. I don't see any stainless steel or composite decking-like innovations. And, **strong housing turnover may not happen again unless Travis Kelce and Taylor Swift buy a house.**”

“If I were running Home Depot and Lowe's, it would be about share. **You need to strategically gain share. Everyone wants traffic and volume right now.** Price creates conflict and fear. The goal in a year is to be able to say 'I am so glad I have more retail shelf space.' And, one-time benefits are good for business. Yes, wins are likely at a lower margin rate, and you may not get it back, but **sales and share growth seem to be worthwhile tradeoff at this point in the cycle.**”

“Why is it that Home Depot and Lowe's are so focused on the Complex Pro? **They are adding Pro assets to create broader playing field.** These Pro asset additions are similar to the new store story 25 years ago. **You need to be along for this ride similarly.**”

30 minutes with CRC CEO...

“ The curve of online growth is accelerating. Once something slows, it is supposed to stay slow. It slowed but is now re-accelerating. **I bet we’re still talking about online upside in 12 months...not upside ticket.** ”

“Productivity by definition is units over your cost to produce, which in the past meant produce the same amount of stuff cheaper. But, in reality, **you should try to sell more stuff at a similar cost. Volume makes your life much easier.**”

“Some of your business needs to chase gross margin dollars in 2026. Milwaukee is a winning story b/c they care most about gross margin dollars...not rate. They win, and then win again. **The scoreboard is dollars not rate.** No one wins vendor of the year at Home Depot and Lowe’s by making more margin. **Everyone celebrates dollar growth. Investors always want sales first and margin second.**”

2026

2025 likely established the 'new baseline' for Home Improvement...time to create some shopper urgency

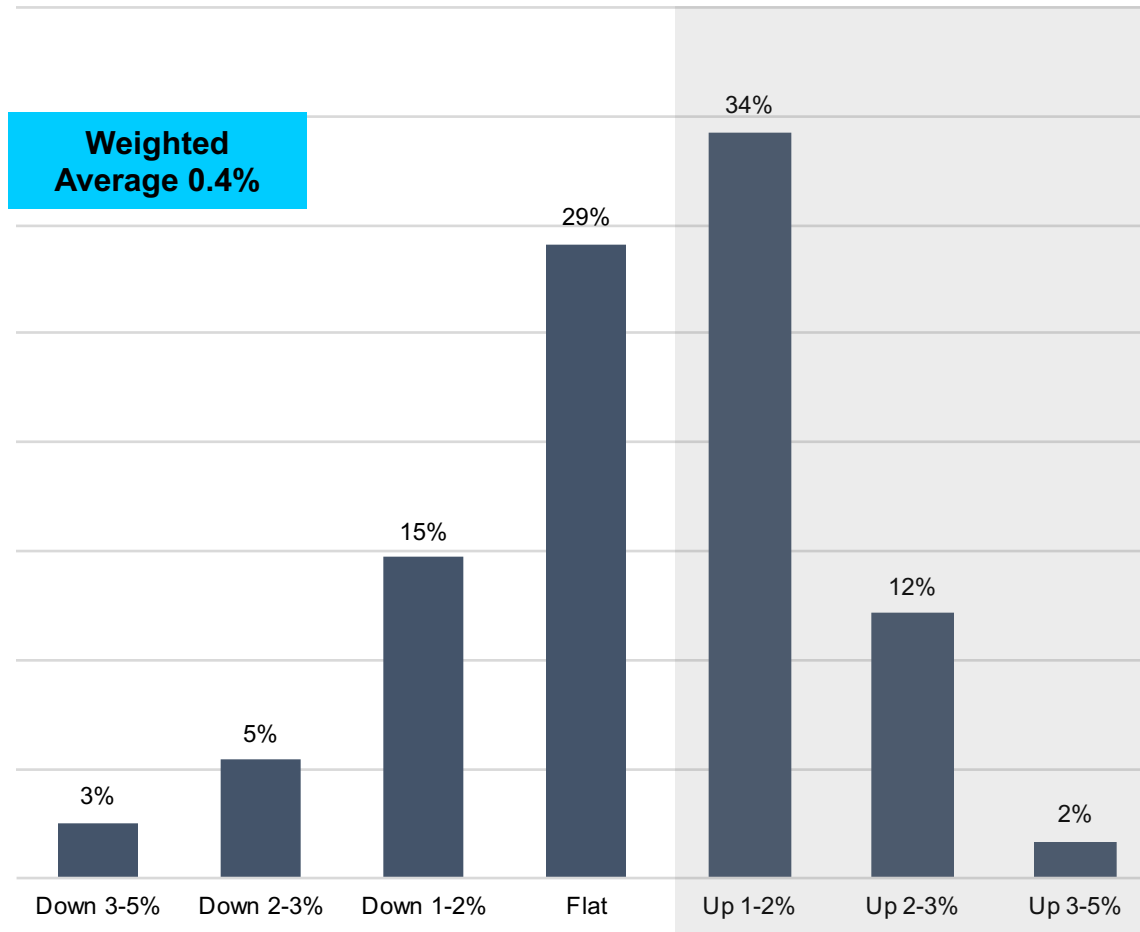
- Every year at this time, the industry (vendors, retailers, distributors, CRC, etc) expects stronger industry growth and / or a recovery the next 12 months...**not this year**. The current assessment is 2026 is a carbon copy of 2025.
- The good news is 2025 established a 'new baseline' for the industry. **Most companies have reset for this 'new market.'** The 'tough' boxes were checked, potentially fixing larger challenges that had been kicked down the road.
- The retail **environment should have less distractions in 2026**. In 2025, industry capital and company resources were used to simply spin in circles rather than innovate, grow sales and produce value added products for the customer.
- **Back-to-office dynamics could bring stronger productivity gains**, better best practices and improved collaboration. Maximize this opportunity.
- **New store additions and store remodel activity is also a newer benefit** for Home Depot and Lowe's. The fragmented / smaller resets in the past are set to become larger, massive projects in 2026.
- The industry will likely have plenty of inventory so **managing deflation and driving volume should become a focus** for you through 2026.
- **If rates drop, shoppers typically feel better. If tariffs gain clarity, prices should settle.** Then, it is your job to create the purchase urgency for the homeowner.

Forecasts...

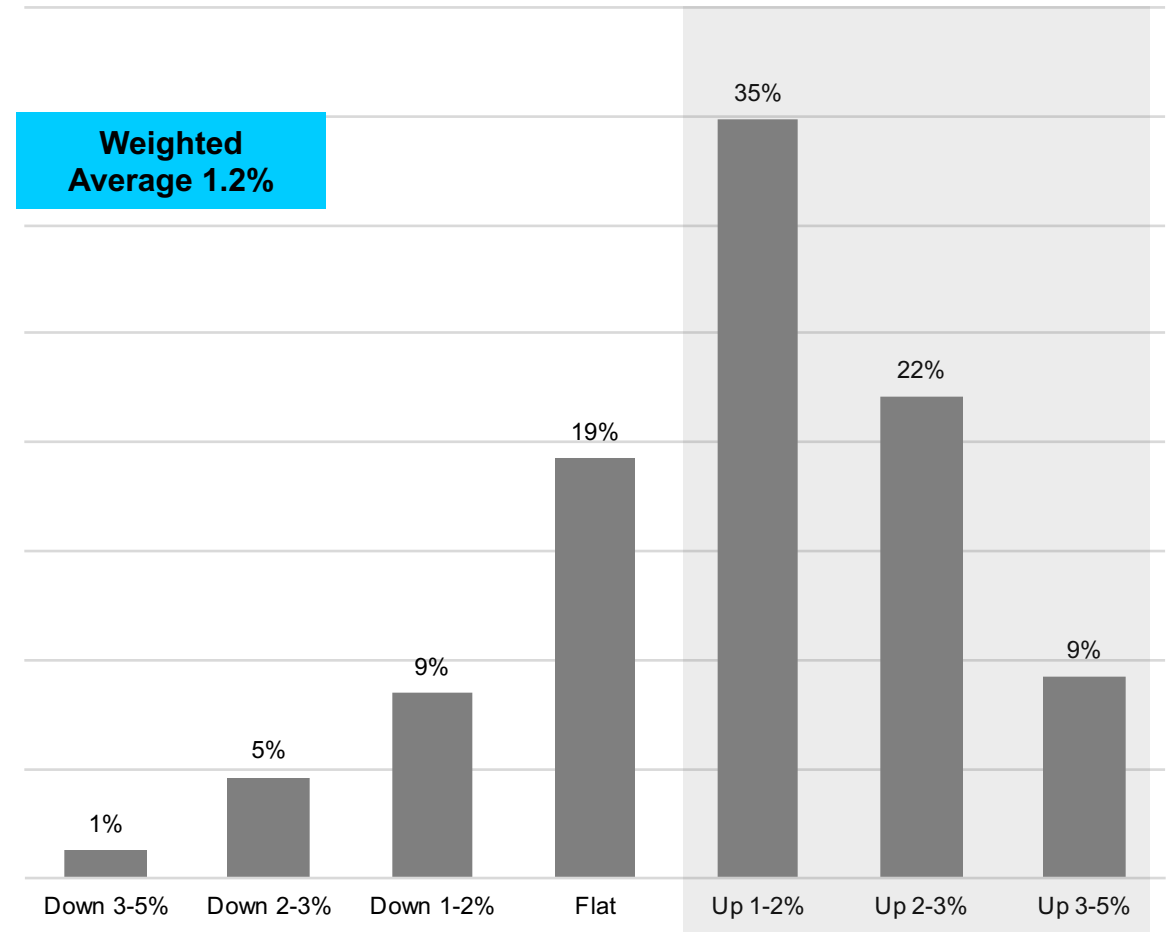
Scenario Probability

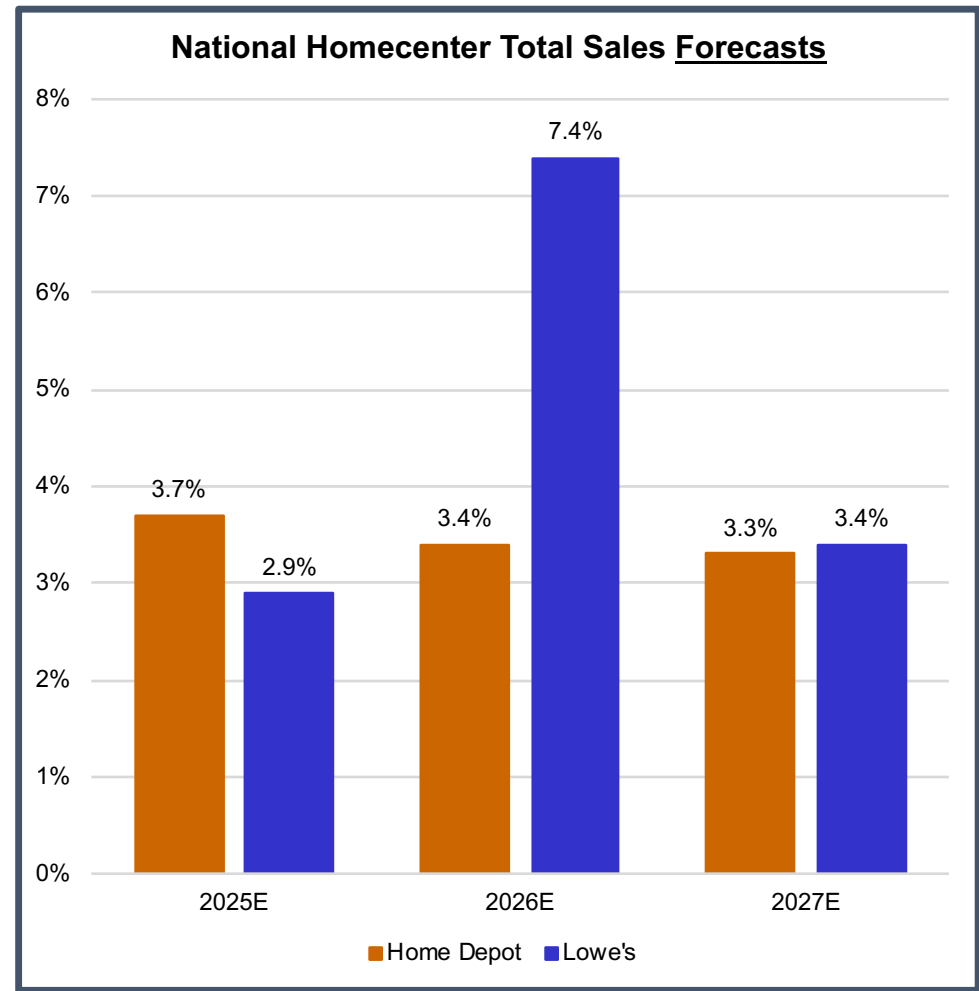
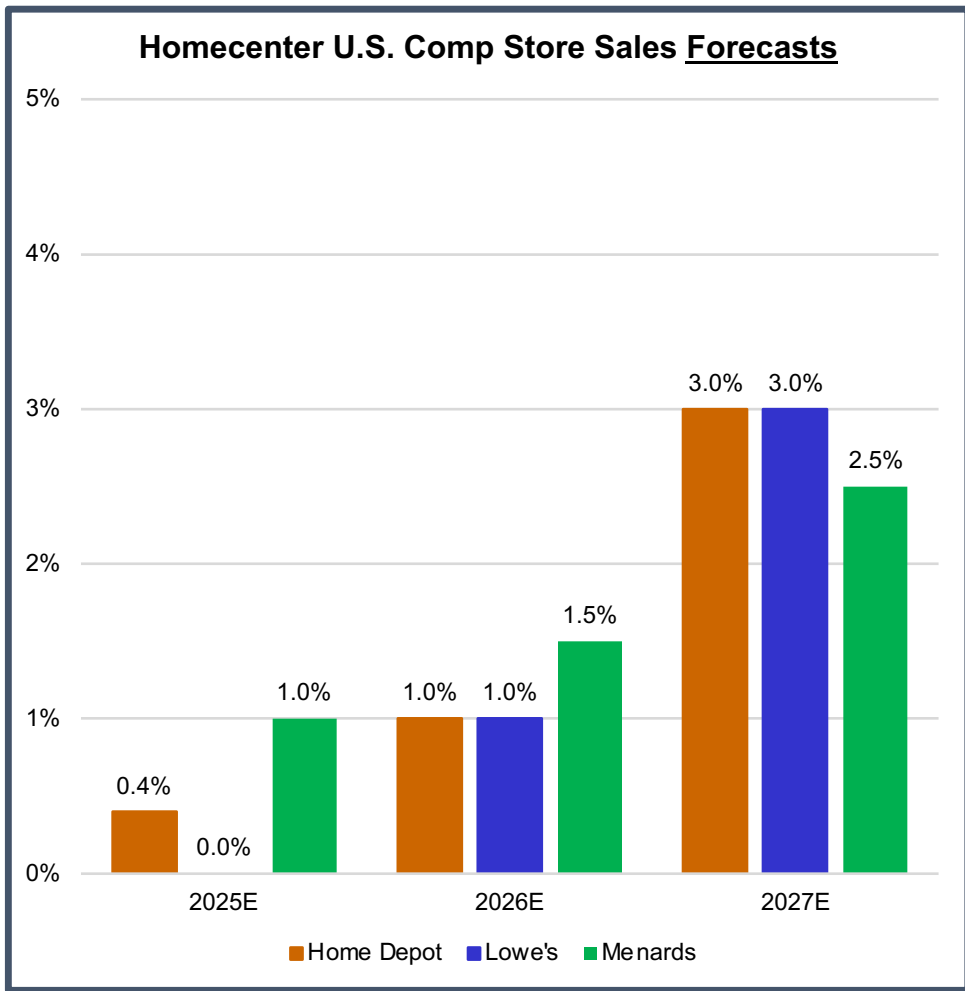
Team Bosshard more negative than retailers, vendors and shoppers

Team Bosshard 2026E Industry Forecasts



Team Bosshard 2027E Industry Forecasts

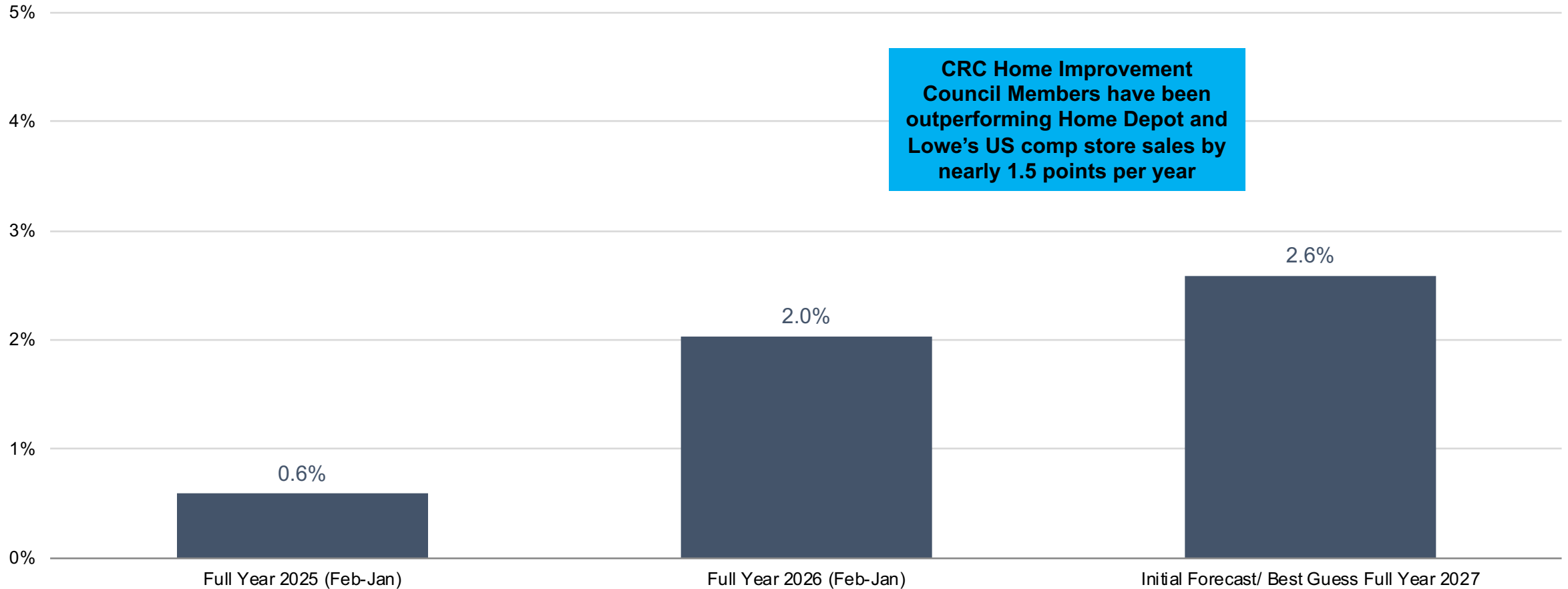




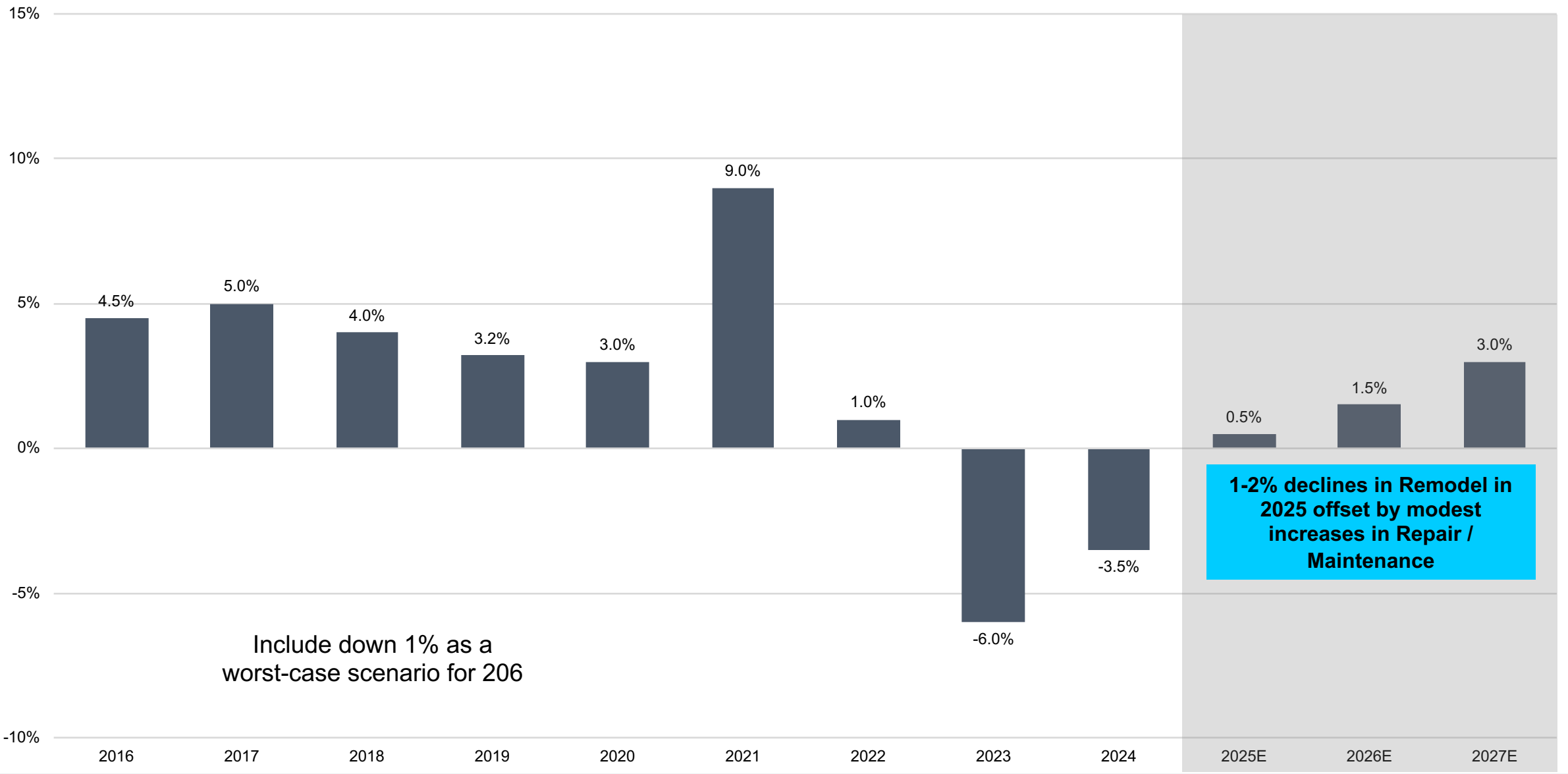
Homecenter Vendors

Vendors expecting more improvement than CRC

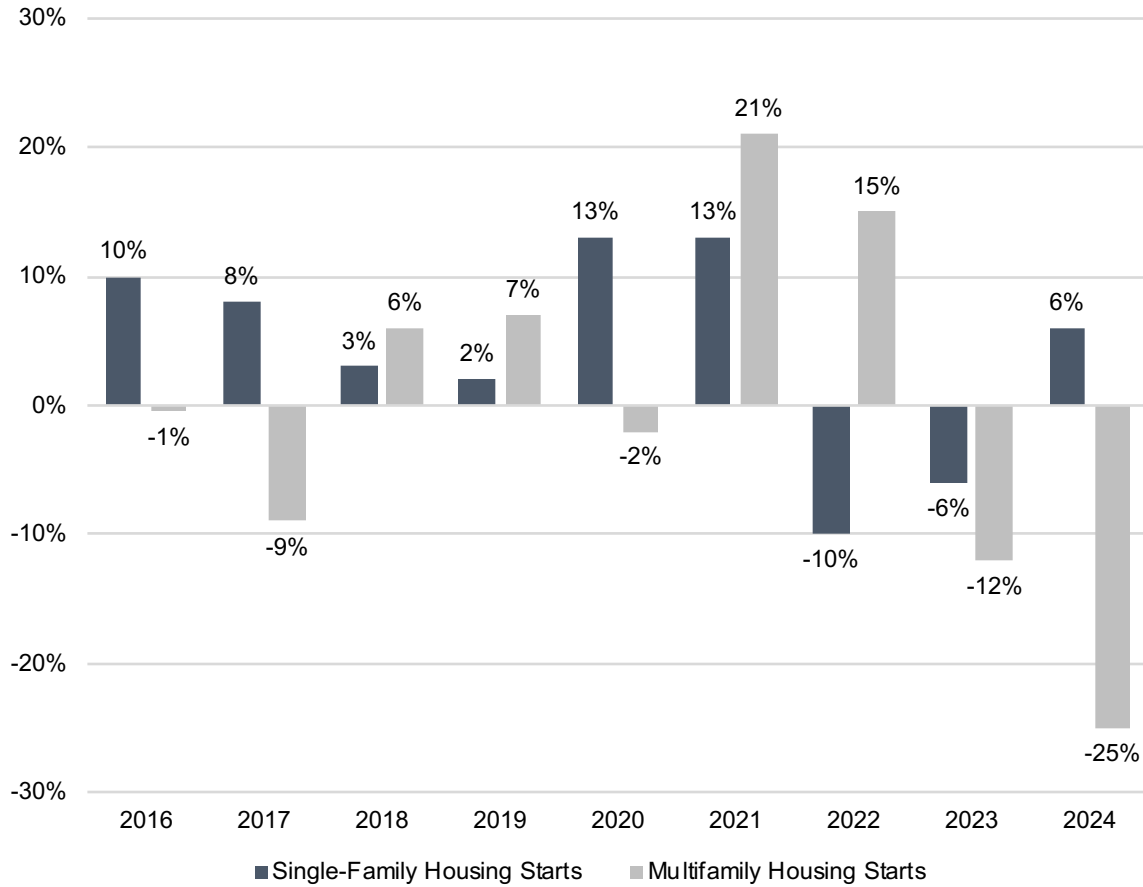
Please estimate your comparable POS growth in the following periods?



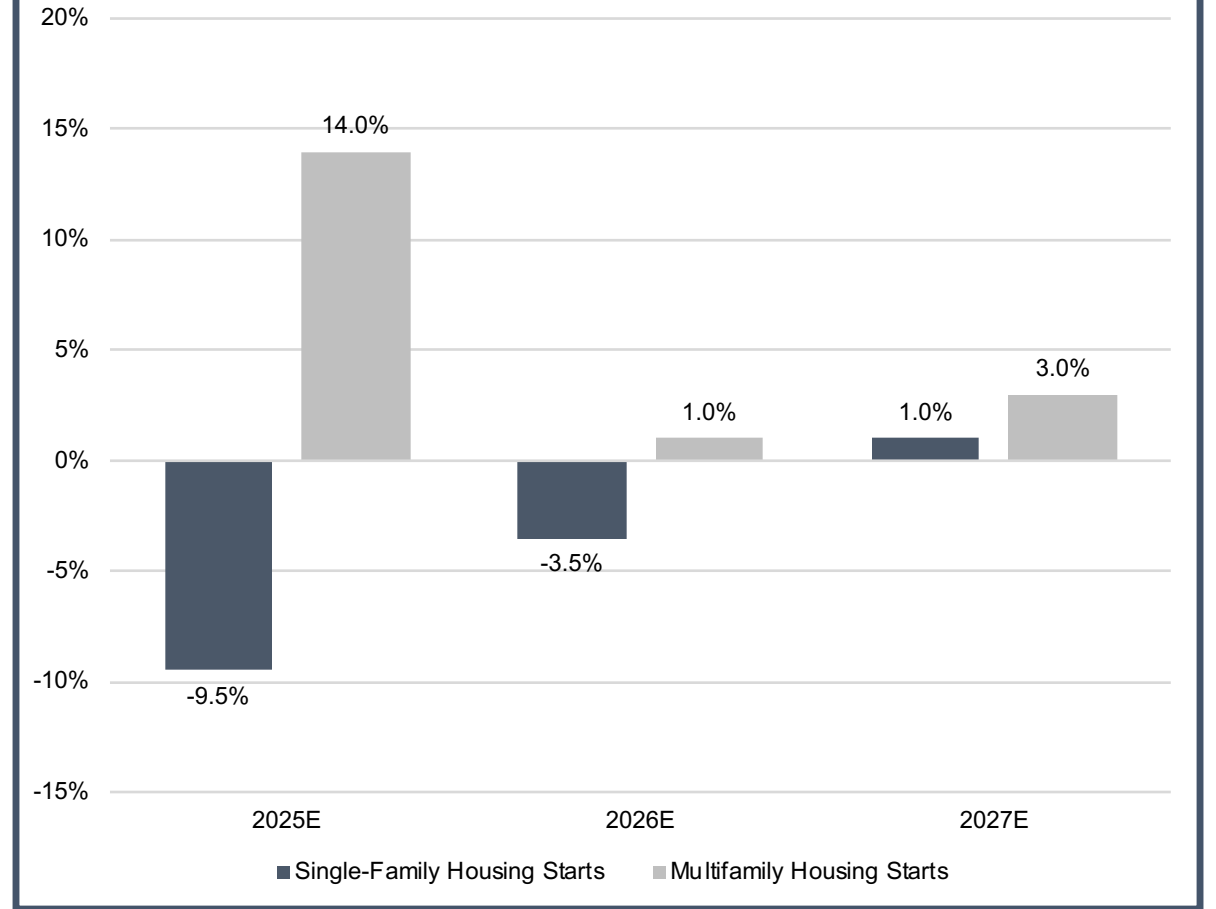
Remodel, Repair & Maintenance



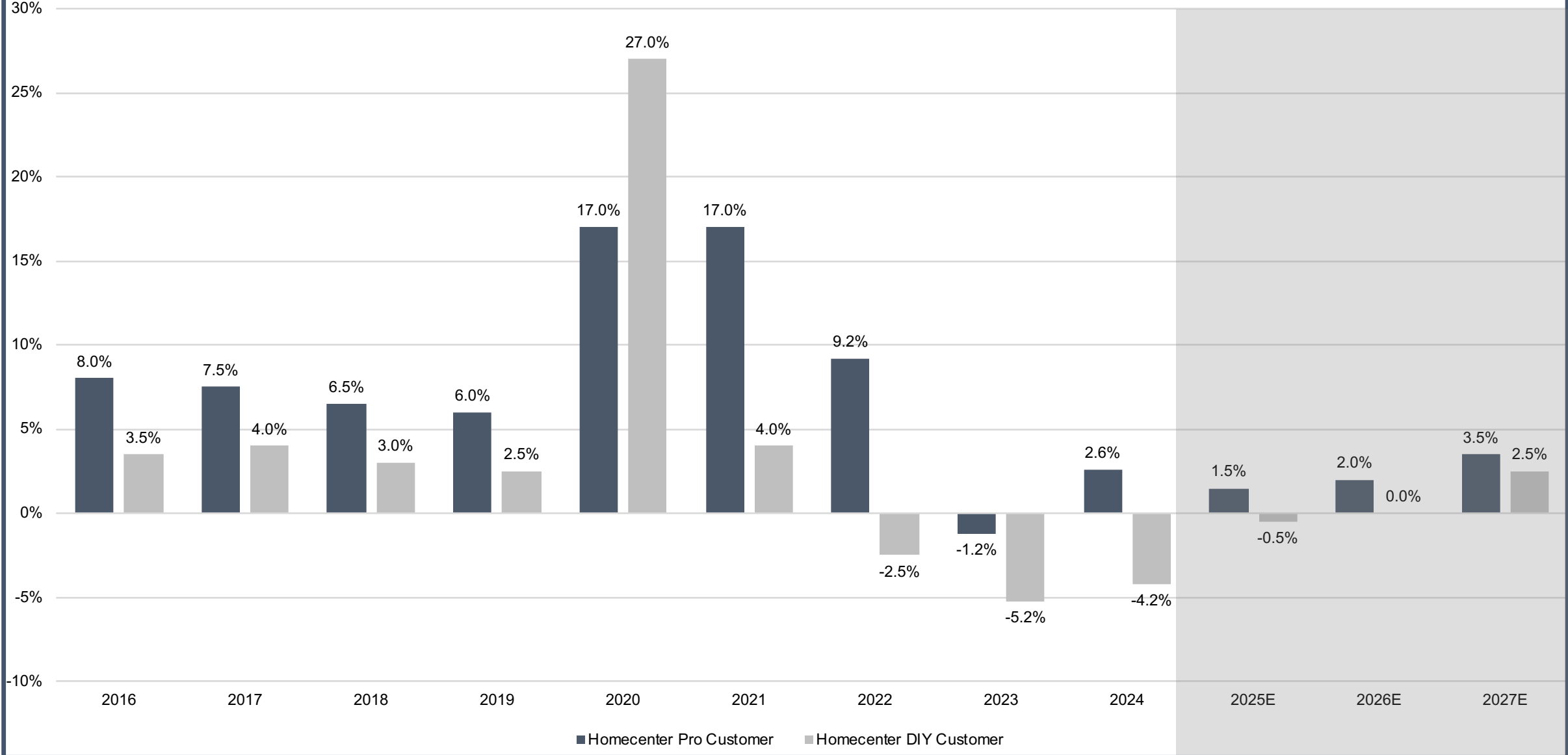
Historical Housing Starts



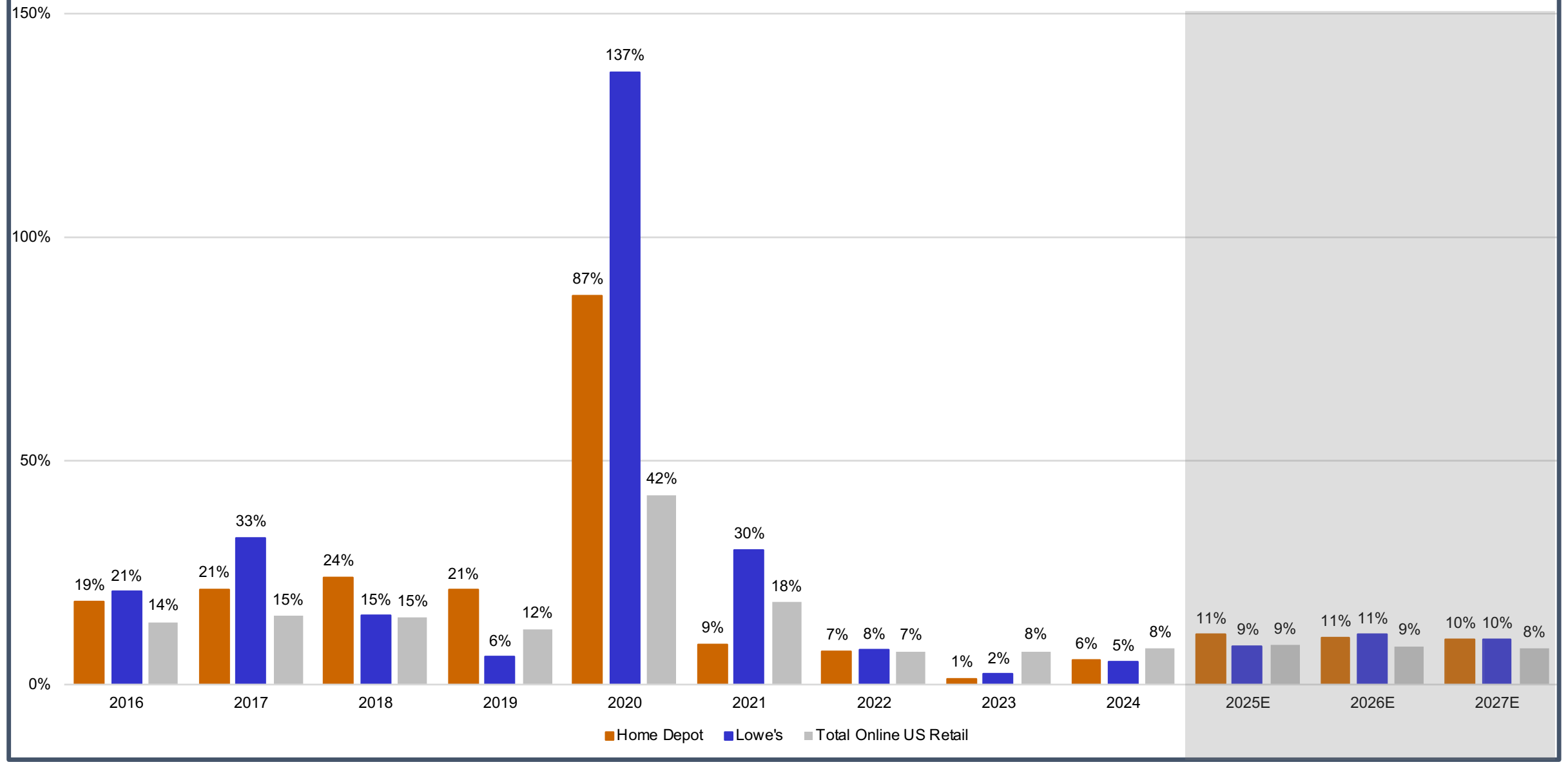
Housing Starts Forecasts



Homecenter DIY / Pro Customer Growth Forecasts

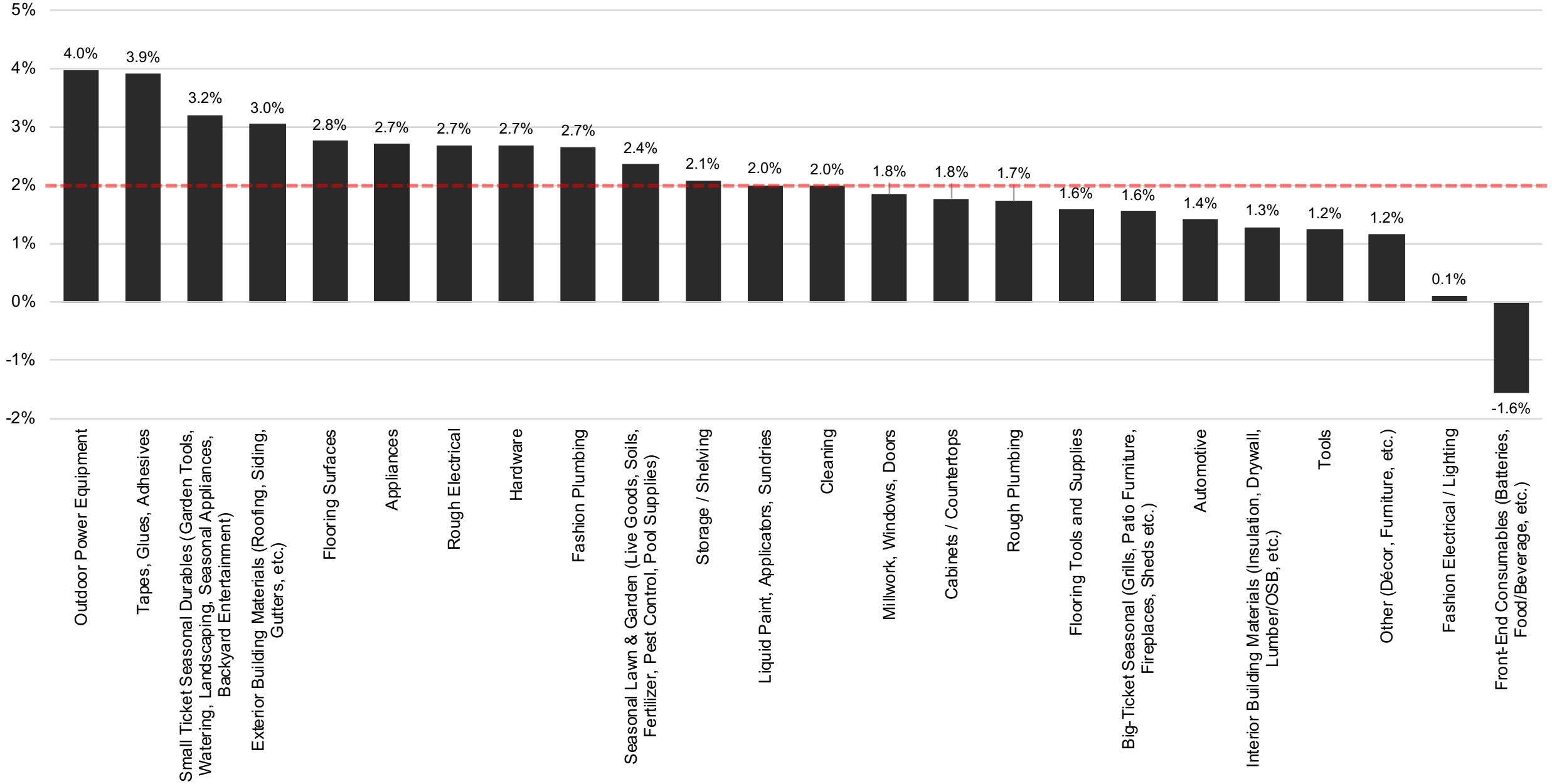


Homecenter Online Growth



Source: Census, Company reports, CRC estimates, CRC surveys

Average Homecenter Merchants' Category Forecasts – 2026E



Final Thoughts

Summarizing our expectations for the next 12 months

- No one has a line of sight for when volume gets meaningfully better. **Anticipate an industry in 2026 with 1-2% volume declines.** You can have a reach goal of 3% (dollars) in your scenario planning but you also need a -1%.
- Short-term is likely to remain tough but mid-to-long-term term outlooks are supported by healthy fundamentals, pent up demand and replacement / breakage. Homeowner equity will get used at some point but the rate lock-in effect and project sticker shocks are real, suggesting **homeowners may be more likely to invest in their existing home rather than give up their 3% loan.** Prepare and build a strategy that doesn't waffle between units and margin for another 3 years.
- **Share, share, share.** In 5 years, we expect you won't be disappointed that you have more shelf space. Focus where 1 point of share drives the most dollars for Home Depot and Lowe's. **'Win with the winners' means winning with the acquirers. Gain scale, reinvest and leverage alongside the winners.**
- **P O S: Pro Customer Penetration, Online Maximization and Share Gains Focus. Improved Online and Pro penetration across your categories in 2026 will be key.** Frame your items more often as Pro or online conversions.
- Home Depot and Lowe's are likely to need ideas to improve traffic. Help them kickstart sales in 2026. There should be opportunities. 2025 was wasted energy. **2026 can build back positive sales and innovation momentum.** Someone in your category is probably going to offer margin in 2026. Be prepared to compete and participate in the volume recovery.
- **Do not get lazy on inflation / ticket benefit...**unlikely to last and the growth is not sustainable long-term (and could reverse to larger-than-expected deflation as a share focus emerges). Volume gains can make your life easier.
- Figure out where you can **give some costs back** in 2026 and / or **operate on a slightly lower margin rate.** It is unlikely you can offset SKU losses at Home Depot and Lowe's. But, you can potentially make back the margin rate.



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Appendix

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