

Home Improvement / Building Materials

KEY TAKEAWAYS

- Big box comps improved but stayed modest, with Home Depot up 1.7% and Lowe's up 0.2%, and growth still driven by Pro, online, and acquisitions rather than DIY.
- Higher mortgage rates and the collapse of the Iran ceasefire have made the macro backdrop less supportive since last quarter.
- Industrial and electrical distributors posted double digit growth while new construction remained the weakest link, with Builders FirstSource down 8.8%.

PERFORMANCE COMPARISON

Company Name	Comps	Sales	YoY Sales % Change	E-Comm % Growth	E-Comm % of Sales	Quarter-End Date
		(millions)				
Retail Home improvement						
ACE Hardware	1.1%	\$2,985.9	5.9%	N/A	N/A	7/4/2026
Floor & Decor	-2.1%	\$1,250.3	3.0%	N/A	N/A	6/25/2026
Home Depot	1.7%	\$47,861.0	5.7%	11.0%	16.6%	8/2/2026
Lowe's	0.2%	\$25,956.0	8.3%	N/A	N/A	7/31/2026
Sherwin-Williams	4.2%	\$6,789.3	7.5%	N/A	N/A	6/30/2026
Tractor Supply	-1.5%	\$4,541.3	2.3%	N/A	N/A	6/27/2026
Average - Retail	0.6%		5.5%	11.0%	16.6%	
Building & Materials Suppliers						
BlueLinx	N/A	\$814.1	4.4%	N/A	N/A	7/4/2026
Boise Cascade	N/A	\$1,831.3	5.2%	N/A	N/A	6/30/2026
Builders FirstSource	N/A	\$3,862.5	-8.8%	N/A	N/A	6/30/2026
Fastenal	N/A	\$2,386.9	14.7%	N/A	N/A	6/30/2026
Ferguson	N/A	\$8,751.0	4.6%	N/A	N/A	6/30/2026
Graybar Electric	N/A	\$3,769.0	11.8%	N/A	N/A	6/30/2026
MSC Industrial	N/A	\$1,047.1	7.8%	N/A	N/A	5/30/2026
Patrick Industries	N/A	\$1,041.7	-0.6%	N/A	N/A	6/28/2026
W.W. Grainger	N/A	\$5,021.0	10.3%	N/A	N/A	6/30/2026
WESCO	N/A	\$6,665.1	13.0%	N/A	N/A	6/30/2026
Average - Building & Material			6.2%			

OVERVIEW

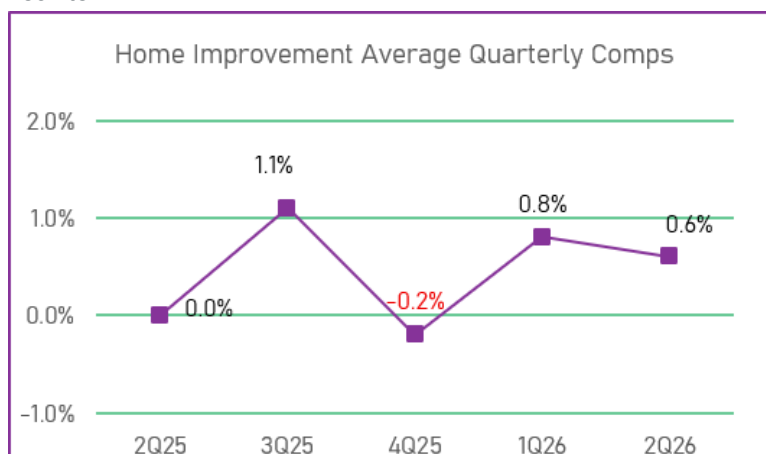
The home improvement sector improved modestly in 2Q26, though demand continues to center on smaller projects and Pro customers rather than large discretionary remodels. Home Depot's comps rose 1.7% (up 1.3% in the U.S.), exceeding management's expectations, as average ticket gains of 2.8% more than offset a 1% decline in transactions and Pro customers outperformed DIY. Online sales grew 11% and now represent 16.6% of net sales, and the Company reaffirmed its full year outlook for comps of flat to up 2%. Lowe's comps rose a more modest 0.2%, its fifth consecutive positive quarter, as strength in Pro, home services, and 15.7% online growth offset persistent pressure on DIY spending. Lowe's also lowered its full year comp outlook to flat, citing heightened competition as rivals used tariff refunds to cut prices late in the quarter.

Acquisitions continue to account for a large share of top line growth at both companies. GMS contributed \$1.40 billion to Home Depot's net sales, lifting total revenue 5.7% to \$47.9 billion. Lowe's grew total sales 8.3% to \$26 billion on contributions from Foundation Building Materials (FBM) and Artisan Design Group (ADG), though gross margin fell 80 bps to 33.0%, reflecting acquisition dilution and higher fuel and transportation costs. In our view, trading near term margin for a larger position in professional distribution remains sound, but the payoff increasingly depends on a housing recovery that has yet to arrive.

The macro backdrop has become less supportive. The Iran ceasefire collapsed in early July, and oil reached \$109 in early September, keeping fuel, freight, and raw material costs elevated. On September 16 the Federal Reserve raised rates 25 bps, its first increase since 2023, and the 30-year mortgage rate climbed to 7.03% by late September. We believe higher borrowing costs pose the greater risk to financing dependent projects and housing turnover.

Results elsewhere in the space were mixed. Sherwin-Williams again stood out, with Paint Stores Group same store sales up 4.2% on mid-single digit pricing and low-single digit volume growth; it also raised its FY26 outlook and announced an 8% price increase effective September 1. Floor & Decor's comps declined 2.1%, an improvement from the 3.7% decline in the first quarter, with trends improving to nearly flat by June. Tractor Supply comps fell 1.5%, while Ace Hardware comps rose 1.1%. Among distributors, results again split along end market lines, with industrial and electrical names including Fastenal (up 14.7%), WESCO (up 13%), Graybar (up 11.8%), and W.W. Grainger (up 10.3%) posting double digit growth. Builders FirstSource sales fell 8.8%, and it now expects single-family starts in its markets to decline by a mid- to high-single digit percentage, reinforcing that new construction remains the weakest link in the chain. Census data showed building materials and garden supply sales up 5.1% to 5.8% from June through August, with negative prior year results ahead pointing to easier comparisons in the coming months.

Our view of the sector's medium to long term trajectory is unchanged. Chronic housing undersupply, durable Pro demand, deepening digital and physical integration, and ongoing consolidation remain powerful structural supports, in our view, even as rising borrowing costs, renewed energy volatility, and intensifying price competition keep a lid on large discretionary projects in the near term.



2026 Seasonally Adjusted Retail Sales (Monthly % Change Year-Over-Year) Source: U.S. Census				Upcoming Comparative Periods		
	Jun'26	Jul'26	Aug'26	Sep'25	Oct'25	Nov'25
Total Retail Sales	6.3%	5.0%	6.0%	4.1%	3.3%	3.2%
Retail Sales Ex Auto	6.5%	5.8%	6.9%	3.8%	3.7%	4.1%
Retail Sales Ex Auto and Gas	5.3%	4.7%	5.6%	4.0%	3.9%	4.2%
By Category:						
Furniture & home furnishings	-1.5%	-2.5%	1.9%	-2.0%	0.3%	-1.4%
Electronics & appliance	7.1%	5.6%	7.8%	5.7%	3.3%	3.0%
Building materials, garden equip. & supplies	5.2%	5.8%	5.1%	-2.8%	-4.1%	-2.4%
Food & beverage stores	1.0%	0.5%	0.5%	2.1%	1.9%	1.8%
Grocery stores	1.1%	0.6%	0.5%	2.5%	2.3%	2.3%
Health & personal care	1.8%	0.4%	1.9%	5.4%	5.8%	5.6%
Gasoline stations	18.9%	17.2%	21.0%	2.8%	1.4%	2.6%
Clothing & clothing accessories	4.8%	4.4%	4.3%	6.0%	6.7%	7.2%
Sporting goods, hobby, musical instrument & book stores	12.3%	10.9%	10.7%	1.8%	4.4%	5.1%
Footwear	1.1%	0.1%	TBD	0.7%	3.8%	3.0%
General merchandise	3.4%	3.7%	4.5%	1.8%	1.9%	1.9%
Department stores	3.7%	2.8%	1.9%	-1.9%	3.1%	2.0%
Nonstore retailers	10.8%	8.7%	9.9%	6.7%	6.9%	7.1%
Food services & drinking places	4.5%	4.9%	5.8%	5.7%	4.9%	5.2%
*Sporting goods figures are not seasonally adjusted						

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