Home Improvement

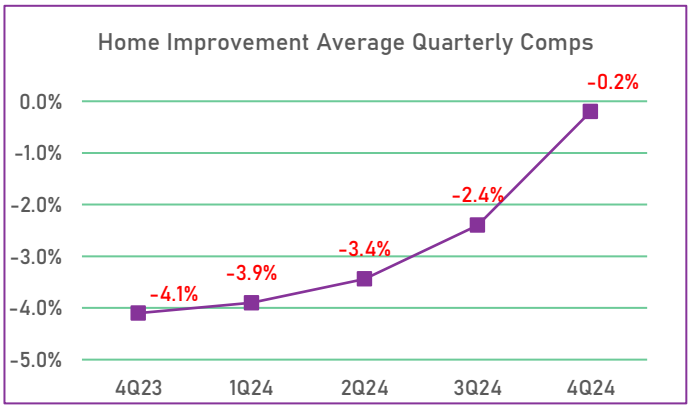
Key Takeaways

- Industry average comps and sales continue to improve
- Housing affordability, tariff threats and weakening consumer confidence are difficult challenges
- Spending on residential improvements and repairs is forecast to expand in mid-2025

	Comps	Sales (millions)	YoY Sales % Change	E-Comm % Growth	E-Comm % of Sales	Quarter-End Date
Retail Home improvement						
ACE Hardware	1.6%	$2,286.9	7.6%	N/A	N/A	12/28/24
Floor & Decor	-0.8%	$1,107.4	5.7%	6.0%	18.0%	12/26/24
Home Depot	0.8%	$39,704.0	14.1%	14.8%	16.3%	2/2/25
Lowe's	0.2%	$18,553.0	-0.3%	9.0%	14.0%	1/31/25
Sherwin-Williams	2.0%	$5,297.2	0.9%	N/A	N/A	12/31/24
Tile Shop	-5.8%	$79.5	-5.9%	N/A	N/A	12/31/24
Tractor Supply	0.6%	$3,773.5	3.0%	N/A	N/A	12/28/24
Average - Retail	-0.2%		3.6%			
Building & Materials Suppliers						
Beacon Roofing	N/A	$2,403.6	4.5%	N/A	N/A	12/31/24
BlueLinx	N/A	$710.6	-0.3%	N/A	N/A	12/28/24
Boise Cascade	N/A	$1,567.5	-4.7%	N/A	N/A	12/31/24
Builders FirstSource	N/A	$3,820.3	-8.0%	N/A	N/A	12/31/24
Central Garden & Pet	N/A	$656.4	3.5%	N/A	N/A	12/28/24
Fastenal	N/A	$1,824.5	3.7%	N/A	N/A	12/31/24
Ferguson	N/A	$6,872.0	3.0%	N/A	N/A	1/31/25
Graybar Electric	N/A	$2,928.0	7.4%	N/A	N/A	12/31/24
MSC Industrial	N/A	$891.7	-4.7%	N/A	N/A	3/1/25
Patrick Industries	N/A	$846.1	8.3%	N/A	N/A	12/31/24
W.W. Grainger	N/A	$4,233.0	5.9%	N/A	N/A	12/31/24
WESCO	N/A	$5,499.7	0.5%	N/A	N/A	12/31/24
Average - Building & Material			1.6%			

In 4Q24, the home improvement sector experienced modest growth, influenced by high interest rates and inflation, particularly in the DIY segment. Major retailers are focusing on professional contractors and digital sales channels to drive future growth, while Home Depot CEO Ted Decker noted ongoing pressure on large remodeling projects. Home Depot's comparable sales growth was modest at 0.8%, but the positive result snapped a streak of eight straight down quarters; U.S. comps were up 1.3%. Customer transactions and average ticket were up 7.6% and 0.3%, respectively, while sales per square foot rose 1.2% to $556.90. As for Lowe's, comps also returned to positive territory, edging up 0.2%, driven by high-single-digit Pro and online comparable sales, strong holiday performance and rebuilding efforts in the wake of recent hurricanes, partially offset by continued near-term pressure in DIY discretionary spending. Both companies continue to emphasize the professional contractor market and digital expansion as growth areas. Home Depot continues to outpace Lowe's in Pro market share, but Lowe's should close that gap somewhat with its mid-April agreement to acquire Artisan Design Group (ADG) from The Sterling Group (Sterling), a private equity firm, for about $1.30 billion. ADG is a nationwide provider of design, distribution and installation services for interior surface finishes, including flooring, cabinets and countertops. Meanwhile, Home Depot's acquisition of SRS Distribution last June will go a long way toward helping it build out the capabilities it needs to serve what it calls “complex pro” customers who interact with their suppliers much differently than they do with Home Depot.

Specialty flooring retailer Floor & Décor reported better-than-expected comps, down just 0.8% (following declines of 6%, 9% and 12% in the prior three quarters). Weak comps were due to a 2% decline in transaction volumes, offset by an increase in average ticket and a 110-bps benefit from Hurricanes Helene and Milton. Similarly, The Tile Shop reported a 6% decline in sales and comps due to a decrease in traffic, partially offset by a modest increase in average order value.



We note that the sector's medium- to long-term outlook remains strong, supporting our expectation that M&A activity will remain robust going forward. However, the near-term macroeconomic backdrop remains somewhat cloudy. While the Federal Reserve maintained the federal funds rate at 4.25% to 4.50% as of March 2025, with projections indicating two rate cuts later this year, tariffs are a lingering, though difficult to quantify threat, which may reignite the inflation fire the Fed has been fighting to put out. Finally, according to the Leading Indicator of Remodeling Activity (LIRA), annual expenditures for improvements and maintenance to owner-occupied homes are expected to grow at a mild pace throughout 2025. The LIRA projects that year-over-year spending on home renovation and repair will increase by 1.2% in 2025.

In 4Q24, Building & Materials Suppliers had mixed performances, continuing the trend from recent quarters. Industrial sales remained resilient, while construction-related distributors saw declines, reflecting economic and labor challenges. Beacon Roofing continued to perform well with 5% sales growth, driven by strong roofing demand and acquisitions; Beacon recently agreed to be acquired by technology solutions company QXO, Inc. Conversely, price deflation led to sales declines of 8% at Builders FirstSource and 5% at Boise Cascade. Industrial distributor sales fared better overall. Graybar Electric reported strength in electrical, communications, and data networking products (sales up more than 7%), W.W. Grainger grew 6% on expanded offerings, and Patrick Industries saw an 8% rise in sales on acquisitions and improvement in the housing market. However, MSC Industrial fell 5% primarily due to non-repeating orders in the prior year. Softness in heavy manufacturing markets, where MSC has significant exposure, also contributed to the decline.

For questions or analytical support, please call:

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2024 Seasonally Adjusted Retail Sales (Monthly % Change Year-Over-Year) Source: U.S. Census				Upcoming Comparative Periods		
	Jan'25	Feb'25	Mar'25	Apr'24	May'24	Jun'24
Total Retail Sales	4.2%	5.6%	4.6%	2.8%	2.4%	2.3%
Retail Sales Ex Auto	4.3%	5.7%	3.6%	3.2%	2.8%	3.5%
Retail Sales Ex Auto and Gas	5.4%	6.9%	4.5%	3.4%	3.0%	3.8%
By Category:						
Furniture & home furnishings	-10.0%	-3.3%	7.7%	-5.3%	-4.1%	-4.5%
Electronics & appliance	-4.9%	-0.6%	1.8%	2.5%	3.4%	1.2%
Building materials, garden equip. & supplies	-6.5%	-6.1%	2.6%	-1.6%	-3.9%	-0.4%
Food & beverage stores	4.3%	3.8%	3.6%	2.0%	1.7%	2.6%
Grocery stores	4.5%	3.6%	3.7%	1.6%	1.6%	2.5%
Health & personal care	8.3%	8.7%	7.2%	0.1%	0.8%	1.7%
Gasoline stations	-5.7%	-4.4%	-4.3%	1.2%	1.3%	1.2%
Clothing & clothing accessories	2.2%	3.9%	5.4%	2.9%	3.3%	3.6%
Sporting goods, hobby, musical instrument & book stores	-5.2%	-4.3%	2.7%	-5.7%	-4.0%	-3.4%
Footwear	-11.3%	-7.6%	TBD	-3.8%	-5.0%	-4.8%
General merchandise	3.7%	4.2%	3.8%	2.8%	2.7%	2.9%
Department stores	-7.6%	-7.1%	-2.5%	-1.7%	-1.4%	1.1%
Nonstore retailers	12.8%	15.7%	4.8%	7.3%	6.9%	8.6%
Food services & drinking places	7.9%	9.6%	4.8%	6.2%	4.6%	4.1%

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