NHPA

MARKET 2023 MEASURE

THE INDUSTRY'S ANNUAL REPORT

CONTENTS

This Market Measure report is compiled by NHPA staff from a variety of sources that are attributed throughout.

While we have all grown somewhat hardened to hearing terms like "uncertainty" and "unprecedented" over the past two years, as we close the books on 2022, we are still left trying to accurately define what the home improvement market is going through and how to measure its trajectory.

Factoring in decades-high inflation, fluctuations in sales through the pro versus consumer markets, and a supply chain that is still struggling to recover there remain a number of questions as we wrap up last year and head into 2023.

Looking back to the beginning of 2022, home improvement retailers were coming off of two of the strongest years the North American Hardware and Paint Association (NHPA) has ever recorded. The two-year period of 2020-2021 saw consumers embrace investment in their homes and home improvement projects like never before. This pandemic-fueled spending propelled the U.S. home improvement industry to a two-year stacked increase of more than 30%. In the 2022 Market Measure Report, NHPA estimated that the size of the U.S. home improvement retailing market hit nearly $527 billion in 2021.

Those consumer-led investments contributed to the unprecedented growth in the industry, which not only gave the independent channel an increase in its overall market share, but also saw independent retailers posting record-setting profits.According to the *2022 Cost of Doing Business Study*, independent home improvement retailers' net profits were as much as three times what we would see in a typical year in 2021. For example, in 2021, the average hardware store saw net operating profits of approximately 9.1% of sales—this is up from a typical average of about 3%.

Despite posting strong sales and profitability numbers, however, as 2021 wound down, most home improvement retailers were very cool on the prospects of additional growth in 2022.

Much of this conservative outlook was being driven by the major uncertainties the industry was facing in the supply chain and the economy overall, along with a pressing pessimism that there was no way the pace of the previous 24 months could persist.

Entering 2022, additional external factors gave rise to even more concerns about how the industry would perform. From rising gas prices, decades-high inflation, interest rate hikes, war in Eastern Europe and the continuing specter of COVID-19, it felt like everyone was bracing for a crash not seen since the Great Recession.

However, as we trudged along throughout 2022, it became apparent that despite all of these gail-force headwinds, the strength of consumers' desire to spend money on their homes was not in steep decline. In fact, at the midway point in the year, roughly two-thirds of independent retailers were reporting sales increases over the previous year. As far as the overall home improvement market, NHPA pegged growth through June around 7%.

It is important to note a few things about this growth that do somewhat muddy the waters on how great a year the industry was actually having.

While sales for the industry were up, inflation of roughly 9.5% on home improvement items actually meant that, comparing apples to apples, the year was flat to down.

It's also worth mentioning that while most home improvement retailers were reporting increases in transaction size over the previous year, the number of transactions continued a downward trend throughout 2022. The same was true for transaction unit count, which was down by nearly 4%.

On the positive side, the majority of independent retailers are reporting that, despite inflation and price changes, they were managing to maintain or grow their gross margins through most of the year. However, as we entered the fourth quarter, this trend appeared to be wavering.

Entering the fourth quarter, most categories and regions appeared to be softening from the strength they had seen in the first three quarters of the year. This waning appears to be dragging industry growth back from the mid 6% range to high 5%. All in all, NHPA is predicting that the overall U.S. home improvement retail market will hit approximately $566.1 billion in sales in 2022, representing a year-over-year growth of 5.9%.

This growth, while primarily fueled by inflationary prices and strong sales to the pro market, should translate to another strong year of profitability for independent retailers who have managed to hold margins.

Looking ahead, we're anticipating the word of the moment to shift to "sustainable." While we do anticipate industry sales to soften in 2023 and early 2024, there is normalcy on the horizon. Over the next two to three years, industry growth will return to slower growth in the mid 2% range through 2026.

2022

Home Improvement Sales by Month

(in billions)

January	$33.8
February	$33.5
March	$44.5
April	$46.1
May	$50.1
June	$48.2
July	$43.5
August	$45.2
Septmber	$42.6
YTD	$387.5

Sales Growth 2021 vs. 2022

January	9.3%
February	14.5%
March	3.4%
April	-0.8%
May	8.2%
June	7.3%
July	5.6%
August	14.1%
September	9.6%
YTD	7.5%

Source: U.S. Department of Census/Monthly Retail Sales Report NAICS 444/NSA

2021-2026

Sales by Store Type

(in billions)

2021	Hardware Stores	$63.1
	Home Centers	$335.1
	Lumberyards	$136.4
	TOTAL	**$534.6**
2022	Hardware Stores	$66.2
	Home Centers	$354.8
	Lumberyards	$145.1
	TOTAL	**$566.1**
2023	Hardware Stores	$68.1
	Home Centers	$361.4
	Lumberyards	$148.5
	TOTAL	**$578.0**
2024	Hardware Stores	$71.4
	Home Centers	$370.4
	Lumberyards	151.3
	TOTAL	**$593.1**
2025	Hardware Stores	$74.2
	Home Centers	$379.7
	Lumberyards	$155.7
	TOTAL	**$609.6**
2026	Hardware Stores	$78.8
	Home Centers	$389.1
	Lumberyards	$158.2
	TOTAL	**$626.1**
Compound Annual Growth Rate 2021-2026	Hardware Stores	4.5%
	Home Centers	3.0%
	Lumberyards	3.0%
	TOTAL	**3.2%**

Source: NHPA calculations

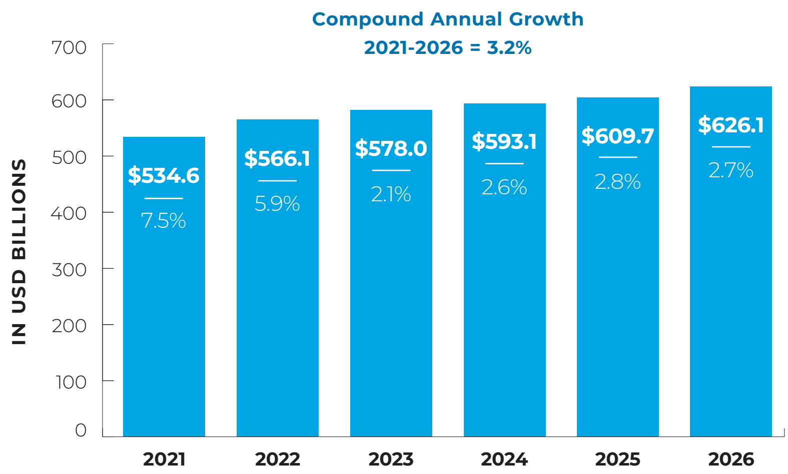
2021-2026

Outlets

2021	Hardware Stores	18,600
	Home Centers	9,650
	Lumberyards	9,580
	TOTAL	**37,830**
2022	Hardware Stores	18,350
	Home Centers	9,600
	Lumberyards	9,520
	TOTAL	**37,470**
2023	Hardware Stores	18,100
	Home Centers	9,525
	Lumberyards	9,510
	TOTAL	**37,135**
2024	Hardware Stores	17.950
	Home Centers	9,485
	Lumberyards	9,480
	TOTAL	**36,915**
2025	Hardware Stores	17,910
	Home Centers	9,450
	Lumberyards	9,465
	TOTAL	**36,825**
2026	Hardware Stores	17,870
	Home Centers	9,400
	Lumberyards	9,395
	TOTAL	**36,665**
Percent Change 2021-2026	Hardware Stores	-3.9%
	Home Centers	-2.6%
	Lumberyards	-1.9%
	TOTAL	**-3.1%**

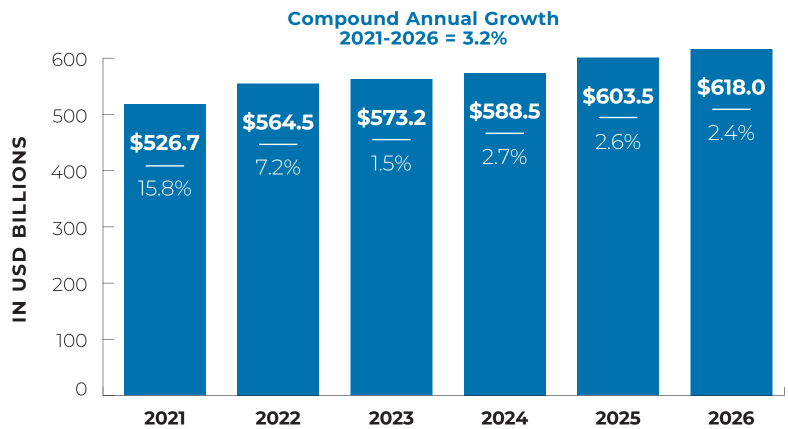
U.S. Home Improvement Industry Sales

North American Hardware and Paint Association Projections



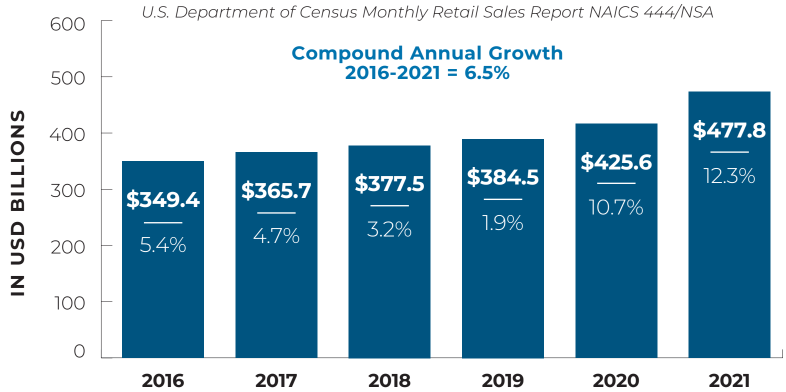
Home Improvement Product Sales Performance

Home Improvement Research Institute/IHS Projections at Current Prices



Home Improvement Retail Sales

U.S. Department of Census Monthly Retail Sales Report NAICS 444/NSA



Top Chains: Individual Performance

	2021 Sales (in billions)	Stores at End of FY2021	Stores in 2022 (as of Dec. 1, 2022)
Home Depot Atlanta	$151.2	2,317‡	2,319‡
Lowe's Mooresville, North Carolina	$96.3	1,971^	1,969^
Menards Inc. Eau Claire, Wisconsin	$13.1*	328*	—
Tractor Supply Brentwood, Tennessee	$12.7	2,181	2,027
Sherwin-Williams> Cleveland, Ohio	$19.9	4,859#	4,891#

Sources: Company reports and NHPA research
‡Store counts include operations in the U.S., Canada, Mexico and all other locations
^Store counts include operations in the U.S. and Canada, including RONA operations
**Source: National Retail Federation Top 100 Retailers 2022 List*
#includes locations in U.S., Canada, Latin American and the Caribbean region
>not represented in Market Share Profile results

Market Share Profile

Top Chains: Industry Share			Top Chains: Combined Performance		
	Sales (as % of total industry)	**No. of Stores** (as % of total industry)		**Net Sales** (in billions)	**No. of Stores** (at the end of FY2021)
2017	51.9%	17.7%	**2017**	$168.6	6,988
2018	52.5%	18.0%	**2018**	$183.6	6,941
2019	51.3%	15.4%	**2019**	$208.5	6,983
2020	50.7%	15.6%	**2020**	$252.6	7,043
2021*	51.1%	18.0%	**2021***	$273.3	6,797

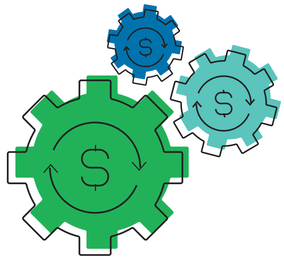
Source: NHPA calculations
Note: For the 2023 Market Measure Report, NHPA eliminated lumber chains from its data. As such, percentage point change and compound annual growth rate are not represented in this year's report.

2021 Financial Profiles of Leading Publicly Held Chains

Operating and Productivity Profile	Home Depot	Lowe's	Sherwin-Williams
Number of Stores (at end of FY2021)	2,317	1,971	4,859#
Distribution Centers	~200	37*	23#
Average Size of Selling Area (sq. ft.)	104,000	106,000	—
Total Sales	$151.2 billion	$96.3 billion	$19.9 billion
Total Asset Investment	$71.9 billion	$44.6 billion	$20.7 billion
Total Inventory	$22.1 billion	$17.6 billion	$1.9 billion
Sales Per Square Foot	$604	$908	—
Inventory Turnover	1.5x	3.6x	6.0x
Net Sales to Inventory	6.9x	5.5x	10.5x
Total Sales Per Employee	$308,194	$283,236	$414,925
Average Size of Transaction	$83.04	$96.09	—
Gross Margin Return on Inventory	230.3%	182.1%	443.3%
Income Statement	**Home Depot**	**Lowe's**	**Sherwin-Williams**
Net Sales	100.0%	100.0%	100.0%
Cost of Goods Sold	66.4%	66.7%	57.3%
Gross Margin	33.6%	33.3%	42.8%
Total Operating Expenses	18.4%	19.0%	27.9%
Net Income (Before Taxes)	15.2%	14.3%	14.9%
Balance Sheet	**Home Depot**	**Lowe's**	**Sherwin-Williams**
Total Current Assets	19.2%	21.4%	25.4%
Cash	0.8%	1.2%	3.3%
Receivables	2.3%	n/a	11.4%
Inventory	14.6%	18.3%	9.3%
Other	0.8%	1.1%	2.9%
Fixed Assets	80.8%	78.6%	74.6%
Total Assets	100.0%	100.0%	100.0%
Current Liabilities	39.9%	44.1%	27.7%
Long-Term Liabilities	62.5%	66.7%	60.5%
Net Worth	-2.4%	-10.8%	11.8%
Total Liabilities and Net Worth	100.0%	100.0%	100.0%

Sources: Company annual reports
**Includes U.S., Canada and the Caribbean; #includes locations in U.S., Canada, Latin American and the Caribbean region*

THE COST OF DOING BUSINESS



ANNUAL BENCHMARKING STUDY

The *2022 Cost of Doing Business Study* presents the North American Hardware and Paint Association's (NHPA) annual financial and operational profile of independent hardware stores, home centers, lumber and building materials (LBM) outlets and paint and decorating outlets. This study assesses the financial performance of home improvement retailers who graciously submitted confidential financial reports for fiscal year 2021 to NHPA. The study presents composite income statements and balance sheets plus averages for key financial performance ratios.

Retailers can use this data to measure their own performance against industry averages. The data develops benchmarks retailers can use to establish financial plans to improve profitability. Purchase your copy of the 2022 study at **YourNHPA.org/codb**.

Methodology

The annual *Cost of Doing Business Study* is made possible through the cooperation of hardware store, home center, LBM outlet and paint and decorating outlet owners and managers who provide detailed financial and operational information on their individual companies.

Questionnaires were mailed to a sampling of hardware stores, home centers, LBM outlets and paint and decorating outlets in the U.S. to collect detailed financial and operational information for 2021.

The analysis in this report is the result of extensive review by NHPA. All individual company responses are completely confidential.

Most of the figures in this report are medians. The median for a particular calculation is the middle number of all values reported when arranged from lowest to highest. The median represents the typical company's results and is not influenced by extremely high or low reports.

To determine high-profit stores, all participating companies were ranked based on net profit before taxes. The high-profit companies in each segment are those that make up the top 25%. The figures reported for each of the high-profit segments represent the median for that group.

While reviewing the numbers on the following pages, it is extremely important to note that each year, this report contains figures from a different sample group of stores. That means overall figures have the potential to vary widely from year to year based on the respondent group of stores participating each year. We use year-to-year comparisons to illustrate general trends over time, not to draw specific year-over-year conclusions.

In this year's study, 1,050 independent home improvement stores participated, a 5.8% decrease from the prior year.

Hardware Stores

Hardware comparable store sales were up 5.46%, which was the lowest amount of the four home improvement categories; however, this is on top of a 22.3% increase in the prior year. Typical store sales reached record levels exceeding $2.9 million. While customer count was down 8.3%, sales per customer grew to $32, eclipsing last year's record amount by $3.

Despite supply chain issues and inflation worries, cost of goods sold actually dropped 70 basis points to 59.6%, which helped drive gross margin after rebates to 42.5%. Employee headcount dropped from 14 to 12, and yet payroll expenses rose 50 basis points from 18.8% to 19.3%. Owners' payroll rose 70 basis points, which offset the loss in headcount and savings in employee payroll.

With occupancy expenses remaining fairly flat and other operating expenses dropping 50 basis points, the result was another record-breaking year, with profit before taxes finishing at 9.1%.

Home Centers

Comparable sales at home centers were up an incredible 16.5% on top of the 25.5% a year ago. Customer count was down 6.8%, but sales per customer increased to a five-year high of $49.

Home centers felt the effects from inflation as cost of goods sold rose 160 basis points to 67.7%, which drove gross margin after rebate to 33.9%. Home centers also saw more revenue with fewer employees, with headcount dropping by 1. This lowered payroll expenses to 17%, its lowest level since 2017. That said, employee productivity rose for the fourth year in a row, as both sales ($302,463) and gross margin per employee ($102,535) reached all-time highs.

With the rise in revenue, a slight uptick in cost of goods sold and the lowering of operating expenses—including occupancy expenses at its lowest level since 2010—home centers again experienced record profits of 8.3%.

One concern for home centers is inventory levels. The 43.9% inventory level on the balance sheet is the lowest level since 2015, which led to inventory per square foot being reduced by $20 over the prior year.

Lumber and Building Material Outlets

As one might expect, lumber was the segment with the biggest fluctuations in financial statements. Comparable store revenue rose 21.9% on top of 24.6% the previous year. Customer count dropped 12.7% and was down for the fourth consecutive year, and yet sales volume per store ($14.1 million) and sales per customer ($782) reached all-time highs.

Cost of goods sold rose 200 basis points, and at 75%, is at the highest level since 2017. However, even though lumber was the only segment to actually add employee count, payroll expenses fell compared to the prior year, reaching the lowest level since 2017. Coupled with all-time lows in occupancy and other operating expenses, lumber retailers achieved another record year with profits of 6.9%.

Lumber retailers are sitting on more assets than ever before, which exceed $5 million and cash at its highest level since 2010. Inventory levels also increased for the fourth consecutive year. The excess cash retailers have lowered debt to equity (0.6) to its lowest level since 2018.

The high price of lumber commodities pushed sales ($2,720), gross margin ($715) and inventory per square foot ($416) all to record levels.

Paint and Decorating Outlets

While paint is the newest segment to the study, paint retailers have been slow to participate. Data for this year is limited to 10 companies representing 27 units, which is not a significant subset for comparison. No other segment is affected as much by it being a function of the data.

Comparable store sales were up 10.7% on top of the 10.7% in the previous year. Customer count fell the most of any segment by 19%, but sales per customer was up $3, so sales were driven all by price.

Cost of goods sold (58.4%), payroll expense (19.7%) and occupancy expense (4.8%) were all at the lowest levels since we've added this segment, and each contributed to the highest profits ever at 14.5%.

Paint retailers are sitting on a tremendous amount of cash, as it represents 22% of their assets, but inventory is at an all-time low, which supports the supply chain issues.

When assessing productivity ratios: sales, gross margin and inventory, as they relate to square footage, are all down. However, even with the drop in headcount of two employees, sales per employee and gross margin per employee are at all-time highs.

How to Use This Study

To get the most out of these selected results from the *2023 Cost of Doing Business Study*, follow these tips.

- **Compare numbers.** Determine your operating expenses as a percentage of sales and calculate your balance sheet as a percentage of total assets. Compare those numbers to the study results for typical and high-profit stores.
- **Look beyond the percentages.** Compare your real-dollar expenditures as well.
- **Consider the results.** If you find your store's individual data veers sharply from what's contained within the study, explore the cause behind the discrepancy and develop a plan to bring your numbers on par with high-profit stores.
- **Participation counts.** Overall figures can vary from year to year based on the group of participating operations. Year-to-year comparisons are helpful for illustrating general trends over time.

Figures to Know

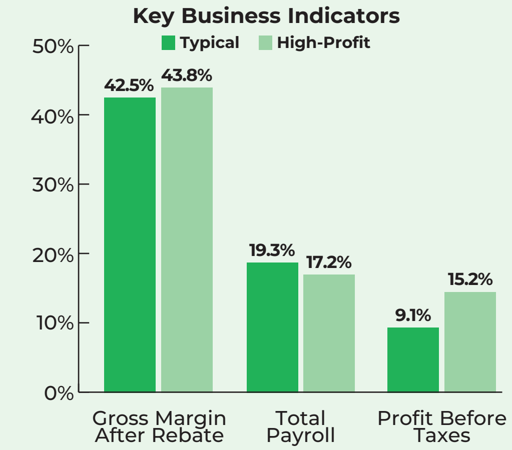
- **Average transaction size** is the total sales over a period of time divided by the total number of transactions in that same period.

  Use It: Measure your average transaction size weekly to spot shopping trends and establish a baseline for your business.

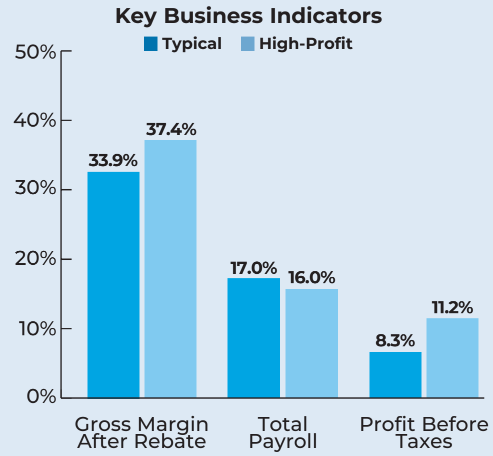
- **Payroll** is the total cost of owner and employee salaries, insurance payments and benefit plans.

  Use It: Compare your payroll expenses to typical and high-profit operations to find areas you could cut.

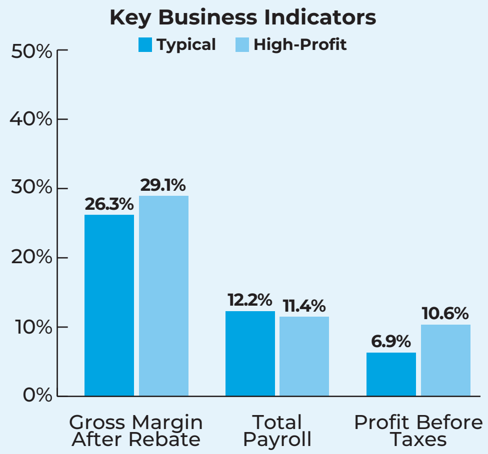
Hardware Stores



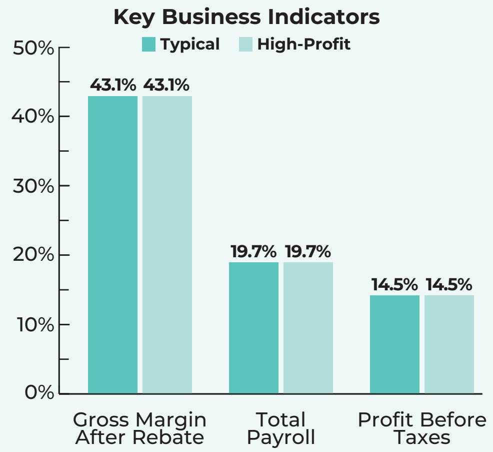
Home Centers



Lumber and Building Material Outlets



Paint and Decorating Outlets



Quarterly Report: Independent Retailer Index

The Independent Retailer Index, developed with the North American Hardware and Paint Association and The Farnsworth Group, is a regular measure of the independent channels' performance. Access data at **YourNHPA.org/retailer-index** each quarter. All data is presented in aggregate. The Index tracks quarterly and year-over-year changes in various business areas including:

- Total sales
- Transaction count
- Inventory investment
- Cost of goods
- Gross profit margins
- Future expectations
- Investment plans: inventory, staff, property, plant and equipment

Q1 2023 Anticipated Investments

56% of retailers intend to make some investment in technology solutions

54% of retailers intend to make some investment in inventory

50% of retailers intend to make some investment in property, plant or equipment

47% of retailers intend to make some investment in employees

Q4 2022 Survey Respondent Store Type

Hardware Store	44%
Home Center	34%
Paint & Decorating	16%
Lumberyard	3%
Hardware & Locksmith	3%
Consultant	3%
Department Store	2%

Source: Independent Retailer Index, Q3 2021-2022 YOY Performance Survey, NHPA & The Farnsworth Group, November 2022

THEME OF 2022: UNMET EXPECTATIONS

Provided by the Home Improvement Research Institute

To a start 2022, the U.S. market was expected to transition out of the supply chain and labor difficulties caused by the pandemic. However, continued product and staffing shortages remained and were only intensified by inflation and subsequent interest rate increases made by the Federal Reserve throughout the year.

At the start of 2022, inflation was expected to level off at around 4.5%, but it ended up peaking at about 9% in June. Subsequently, consumer confidence has decreased throughout the year to levels not seen in over a decade. At the end of the year, inflation remained high—close to 8%—but it's forecasted to drop to close to 4% or 5% by the end of 2023. The Fed is expected to ease rate hikes this year as the economy slows, but it will likely continue rate increases until inflation begins to come down more.

With increasing interest rates in 2022, new and existing home sales slowed significantly from where they were in 2021. To begin 2022, expectations for housing starts were around 1.7 million and trailed off to be about 1.4 million at the end of 2022. All regions continue to show significant decreases in single-family housing starts compared to 2021. Single-family building permits have also continued their steady decline since February, now decreasing 21.9% since 2021. Compared to 2021, new home sales are down 5.8%.

Additionally, housing affordability has decreased 34% over the last year while housing prices remain 13% above 2021. The introduction of interest rate hikes will likely slow demand for housing in 2023 as it is greatly increasing the total cost of purchasing a home compared to 2021.

The Home Improvement Research Institute's (HIRI) Size of the Home Improvement Products Market report shows the extent to which much of the industry flourished over recent years; overall sales in 2021 are estimated to have grown 15.8% following a 14.2% growth in 2020.

While 2020 was very much led by consumers doing DIY projects, the pro market was the driver in 2021 showing over a 20% year-over-year growth. Although the market is cooling, expectations for 2022 are for an increase of 7.2% and then an increase of 1.5% in 2023.

So far, 2023 is shaping up to be another uncertain year, less robust than 2022, and certainly less so than 2021 and 2020. The overall outlook for the home improvement market in 2023 is becoming more tempered. As we walk into 2023 with some uncertainty relative to how the Federal Reserve will continue to address inflation, the outlook from pros appears to be muted but more stable than consumers; HIRI projects pro spending to grow in 2023 by 3.6%, and the consumer market is forecasted to remain relatively flat, growing 0.6% in 2023.

Projected housing starts for 2023 are forecasted to be like 2022 with multi-family starts increasing and single-family starts decreasing slightly. While declining home prices remain a challenge as the availability of home equity and credit standards tighten, there is a reason for hope. There is a backlog of work for pros, and as current homeowners opt to delay a new home purchase, there will be an increase in remodeling activity in 2023.

About HIRI

HIRI
HOME IMPROVEMENT RESEARCH INSTITUTE

The Home Improvement Research Institute (HIRI) is the only nonprofit organization dedicated to home improvement research. The organization empowers its members with exclusive, ongoing home improvement data and information for making better business decisions. Members are the home improvement industry's leading manufacturers, retailers and allied organizations. Learn more at **hiri.org**.

2022 Housing Starts

JAN	121.0
FEB	126.1
MAR	142.6
APR	164.3
MAY	140.6
JUNE	144.9
JULY	123.7
AUG	134.5
SEPT	129.7
OCT	120.6

Source: Monthly New Residential Construction NSA data, U.S. Census Bureau, October 2022

Over 2021, affordability has decreased

34%

In 2021, prices are up

13%

Pro Market Expectations

2022:

7.2%

2023:

1.5%

2023 Pro Vs. DIY Spending Projections

Pro Spending

3.6%

Consumer Spending

0.6%

CANADIAN INDUSTRY MARKET REPORT

CANADIAN DEALERS ENJOY STABLE SALES IN 2022

Provided by Michael McLarney, President, Hardlines Inc.

Hardware and home improvement sales accelerated at a terrific rate through two years of COVID-19, resulting in a second year of record sales growth in 2021. However, that momentum slowed considerably through 2022.

The good news is that the slowdown has constituted more of a correction than a retreat. Strong demand, coupled with inflated prices, especially on lumber and building materials, helped drive those sales results for retailers across the country during the height of the pandemic. But inflation on timber and commodities has eased, while people, no longer focused solely on improving their homes, are spending money more diversely once again.

How big were the gains in 2021—and how are retailers faring since then? According to data from the Hardlines Retail Report, the industry grew by a healthy 11.3% in 2021, after even bigger growth the preceding year, reaching total sales volume of CAD$58.5 billion. With people staying close to home during COVID, the importance of convenience and accessibility became very important. That trend was reflected in the performance of hardware stores, which experienced national growth of almost 16%.

Over the last two years of the pandemic, hardware and building supply retailers saw retail sales advance by almost 27%.

Canada's Top Players

The Home Depot Canada remains the leader, followed by Home Hardware Stores Ltd., which moved into the No. 2 spot in 2021. Next is Lowe's Canada, whose business model, with its variety of banners that are both corporately held and dealer-owned, is different from that of its U.S. parent.

While sales from all business units makes Canadian Tire Corp. one of the largest retailers in Canada, its core hardware and home improvement sales, through its Canadian Tire Retail stores, are strong enough to keep this hardlines mass merchant firmly in fourth position.

Big boxes represent the retail format with the largest rate of growth after hardware stores. Large-format retailers saw their collective sales increase by 12% last year, slightly ahead of the industry's average growth rate of 11.3%. Their sales remained strong through 2022, but at less dramatic rates than before the pandemic, reflecting that the industry is in a correction. Home Depot's revenues were up by 5.6%, while comp sales for its third quarter were up by 4.3%. Canadian comps were slightly below that average. At Lowe's, sales reached $23.5 billion, up 2.5%, while Canadian comp sales grew by an estimated 2%, results that were slightly behind its U.S. parent's.

The majority of independent retailers in Canada operate as part of a larger buying group. Together, they represent almost 2,600 retailers nationwide and represent more than one-third of the market.

These LBM buying groups collectively had strong sales performance in 2021, even though those sales fell slightly below the 11.3% growth of the industry overall. These numbers reflect the durability of the independent retailers that make up the buying groups, which are reporting, for the most part, a busy 2022.

Flattening Forecast

Forecasts for 2023 indicate that the slowdown will continue. The Bank of Canada is expected to hold its prime interest rate at around 4% for well into the middle of next year as it attempts to put a damper on inflation. Housing prices continue to increase, while housing starts in Canada are expected to ease. In 2022 alone, The Canadian Real Estate Association expected sales of existing housing to fall by 14.7%, while the national average home price was forecast to rise by 10.8% on an annual basis.

Through 2023, rising mortgage rates will continue to have a cooling effect on housing sales, which are expected to decline by between 29% and 34% by midyear.

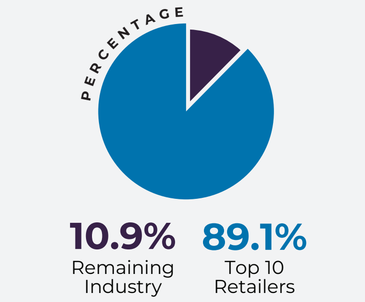
Some commercial activity, a market for many pro and commercial retailers, stayed steady through the fall of 2022. But if the economy keeps slowing, that inflation threatens to become a recession, which some economists predict could last through 2023.

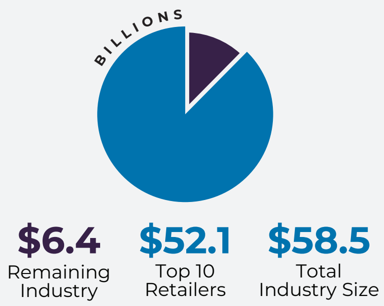
Hardlines forecasts industry growth in 2022 by around 3%, with similar gains in 2023. That's a big drop from the double-digit increases of the previous two years, but it's more in line with the kinds of normal—and more manageable—gains retailers typically experience. Nevertheless, it represents a significant drop, so some belt-tightening may be necessary in the coming year.

Top 10 Home Improvement Retailers

Rank	Company	2020 Sales (in billions)	2021 Sales (in billions)	Percentage Change
1	Home Depot Canada	$10.4	$11.7	11.8%
3	Home Hardware Stores	$7.7	$8.9	14.8%
2	Lowe's Canada	$7.9	$8.5	8.1%
4	Canadian Tire Retail[1]	$7.3	$7.9	7.4%
5	ILDC	$4.4	$4.6	3.3%
6	TIMBER MART	$3.5	$4.1	15.7%
7	Sexton Group	$2.4	$3.3	35.8%
8	Castle Building Centres	$1.7	$1.9	12.0%
9	BMR Group*	$1.4	$1.5	12.5%
10	Canac	$1.1	$1.3	14.4%

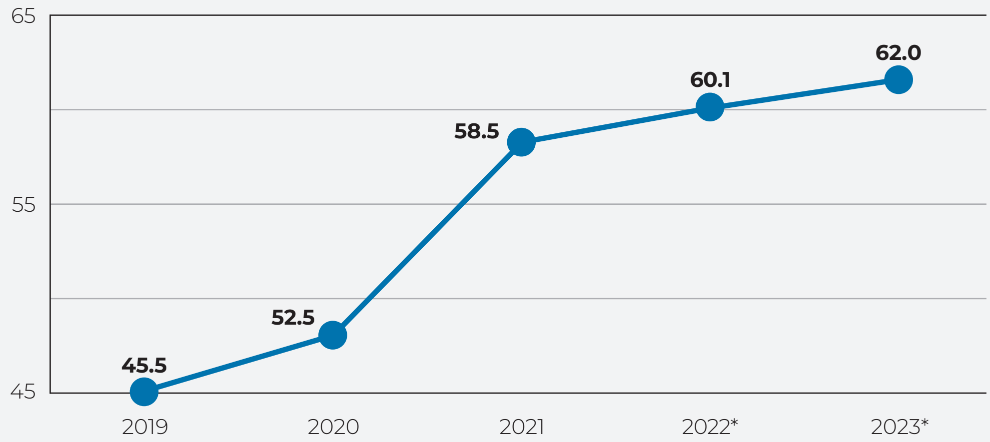
Canadian Market Share Breakdown





Home Improvement Industry Sales Growth

(IN $CD; IN BILLIONS)



*Forecasted numbers

Source: Hardlines 2021 Retail Report

FORWARD THINKING WITH

John Venhuizen

President & CEO | Ace Hardware

What were some challenges in 2022 and how did Ace address them?

Inflation is a beast and the "tools" to tackle it—Federal Reserve tightening and interest rate hikes—are all designed toward demand degradation.

In uncertain times like these, the natural inclination is to hunker down, but it is important to remain strategically consistent and control what you can control. For over 98 years, Ace Hardware has shown that when we stay true to our game, it serves us well. We want to continue to be the best at service and leverage the convenience our retailers offer in their neighborhoods.

What types of operational investments will Ace make in 2023 and what will be the impact on your members?

Despite headwinds and uncertainty, Ace's capital expenditures in 2023 will be the largest in company history.

We want to stay strategically consistent and operationally aggressive, but will also stay fiscally conservative, being more judicious with spending while still investing in the resources and capital that are fueling the business. We believe we have a plan for what's working, and we are going to stay consistent with that strategy. We're not cutting back on what drives our growth and expands our capacity, which includes all of our retail tools and initiatives and the expansion of our distribution center capacity. Ace has committed to investing $800 million in the next five years to Ace's supply chain, focusing on personnel, technology and network expansion.

We remain enthusiastically bullish about the continued prospect for new store growth. I applaud our local Ace owners for the pace with which they've integrated our digital efforts with our physical assets. Seventy percent of Acehardware.com orders are picked up in store, and 20% are delivered to customers by our own red-vested heroes, thus further advancing the relevance and necessity of our neighborhood stores.

How are you helping your members address technology?

Our digital transformation initiatives began long ago. We are thankful first, to be agnostic as to how, when and where customers shop and also to have the resources to continuously invest in technology to improve speed, reduce cost, and drive the business forward.

How are you helping your members address business transition and succession planning?

We have internal and external resources for business planning, succession planning and business valuation. When the time comes, our passion is to help hardware store owners (of any affiliation) monetize their life's work.

How are you helping your members address company culture and employee engagement?

We have a plethora of tools to help Ace owners measure employee and customer engagement, improve employee and customer engagement, and to operationalize these initiatives into the values and culture of the business.

There's really no silver bullet to solve hiring issues, and while it's not perfect, the Ace way of retailing includes numerous paths, from recruiting to onboarding to development, that offer hiring tools and resources for retailers along every step. Local owners can also use their store and community culture to their advantage to recruit and retain employees. When store owners are capable of executing on the basic tools we offer them, their culture is what will help bring in and retain good workers.

What are your projections for 2023 for the industry and for your organization?

The battlefield is fraught with challenges, but we believe we are up for the fight.

FORWARD THINKING WITH

Michael Beaudoin

Executive Vice President | ALLPRO

How did business change for ALLPRO in 2022 compared to 2021?

There were a tremendous amount of price increases that made going through the normal vetting process impossible. In addition, there were also product shortages that required larger more strategic purchases to ensure there were products to offer the group. Last year was a much "grittier" year than 2021, when sales were very robust and keeping up with demand was the main issue.

What were some challenges in 2022 and what were the solutions ALLPRO has taken to address them?

The challenges were to make smart purchases to acquire goods that were in demand but on allocation and then manage through a tremendous amount of backorders as a result. Managing the price increases was also a challenge. It led to an opportunity for price protection purchases although we had to consider cash flow.

What types of operational investments do you anticipate making in 2023 and what will be the impact on your customers?

We are in the process of launching a new platform with Enable that will provide better tracking of the Volume Incentive Program (rebates) along with a better reporting system creating a dashboard for members and suppliers to track. We are also exploring launching a vendor invoice portal to allow suppliers more visibility to invoicing with the group.

How are you helping your members address critical industry issues including technology, business transition and employee engagement?

We routinely invest in our own technology such as the latest SAP, new connectors, servers and all the necessary hardware. We also utilize our shows to allow our technology suppliers to showcase their new products and technologies.

At our stockholders' meeting in the fall, we offered two popular seminars. One focused on succession planning to help members better plan for the future. In addition, succession planning is a routine topic for discussion at our Next Gen group meetings where succession planning is the most critical. Another seminar, called 5 Tips to Energize Your Employees,was the most popular breakout session at the stockholders' event.

What are your projections for 2023 for the industry and for your organization?

I am budgeting a 5% increase next year in dollars which is basically flat considering price increases. The group had explosive growth over the past four years, and maintaining the market share gains in an era where other channels have gained supply will be a challenge. I anticipate the paint industry also being close to flat in 2023 given the slowdown in housing and the uncertainty in the economy.

FORWARD THINKING WITH

Dent Johnson

Executive Vice President of Operations | Do it Best

How did business change for Do it Best in 2022 compared to 2021?

There were several notable business changes over the last year. We announced a major e-commerce initiative that will put our members in an even stronger position in-store and online with fully integrated point-of-sale and customer convenience at the forefront. The next big one for us was the onboarding of a record number of new stores—over 300. That includes member acquisitions and new store expansions, as well as those joining our industry with new businesses. That pace hasn't slowed. And we're continuing to make major investments in growth-driven infrastructure to support that additional business.

At the same time, we have been actively monitoring pricing in an inflationary period to ensure our members are protecting their margins. This last year has also seen a greater stabilization of the supply chain and we've been aggressively working with our vendor partners to drive service level improvements.

What were some challenges in 2022 and how did Do it Best address them?

Our No. 1 priority has been to ensure our members have product to sell. That has required solid partnerships with our key vendors to provide more than our share of inventory. It has also meant developing relationships with new vendors and exploring new product lines. We also increased our management of port congestion issues by opening up new channels to move more product from the ports on to our distribution centers. This effort is improving our agility and enhancing our member responsiveness.

What operational investments will you make in 2023 and how will they impact your members?

We're aggressively investing in the elements of the business that drive and support member growth. E-commerce is central in that strategy as we set members up to drive more traffic in-store and online. We're focused on supporting member growth through our Gear Up 4 Growth initiatives. With low-interest loans, rebate advances, preference share redemption and substantial incentives for major store improvement projects, we're helping our members expand their businesses. We're also continuing to invest in the infrastructure that supports this substantial growth, including a new distributed order management system, our next-gen warehouse management system, a comprehensive overhaul of our core financial systems and targeted facility expansion.

How are you helping your members address key industry challenges, including technology, business transition, and culture and employee engagement?

Earlier this year, we announced a preferred partnership with Epicor, a leader in POS systems. This closer working relationship will offer our members numerous tech benefits to enhance their business operations.

We also have increased our engagement with our members to strengthen their e-commerce capabilities, with an eye on driving online customers into the store. For example, at our last spring market, we debuted the very popular automated locker system for online orders. We're supporting these efforts with a new white glove service to provide in-store support to implement these major technology projects.

What are your projections for 2023 for the industry and for your organization?

While we believe the overall economy will slow in 2023, we are excited about our growth prospects. We're projecting continued unit sales growth, with some softening in pricing, especially in lumber. Our members are moving forward to re-invest in their businesses with a record number of store resets and expansions in the pipeline, including a focus on acquisitions to drive even more growth.

FORWARD THINKING WITH

Steve Synnott & Shari Kalbach

CEO *President*

Hardlines Distribution Alliance

How did business change for HDA in 2022 compared to 2021?

Distribution America and PRO Group joined forces in April 2022 to form Hardlines Distribution Alliance (HDA). We are striving to become a larger, more impactful and more efficient organization by combining the best of both organizations. Generally, in 2022, supply chain issues improved (though not yet to pre-pandemic performance), while distributor sales outperformed 2021 in high single digits.

What were some challenges in 2022 and how did HDA address them?

Staffing, fuel costs and transportation were three top challenges experienced by HDA members. A gradual return to face-to-face office environments validated the importance of physical presence that platforms like Zoom and Teams simply cannot deliver. Staff have adapted once again to an office environment, but we did learn the importance of virtual interactions during the pandemic, prompting hybrid schedules and more regular, interactive virtual communications. A portion of rising fuel and transportation costs had to be passed on to customers, but members also absorbed a portion of these costs. We are optimistic that 2023 will be less inflationary with respect to fuel and transportation.

How are you helping your members address technology?

HDA has just signed a commitment to outsource software that will streamline rebates and member purchase data, improving the accuracy and turnaround time to members in 2023.

Periodically, we conduct an operational performance survey that gathers key metrics and comparables that help members identify how their companies compare to their peers. Access to this data helps prioritize member technology investments that make the most sense. We have scheduled a warehouse operations workshop in April 2023 where members will bring in their top logistics personnel to share best practices in material handling and order fulfillment to retailers. Automation is a major focus of the workshop, and it's the first time we have been able to gather in-person since the pandemic.

Additionally, we have updated and streamlined the Central Pay process to accommodate more frequent payments that improves benefits to wholesalers and suppliers.

How are you helping your members address succession planning?

We have several members who are focused on growth via acquisition. HDA is in a good position to identify and then facilitate communication between members who have transition and succession opportunities over the next several years.

What are your projections for 2023 for the industry and for your organization?

We believe the economy will show less growth than 2022, but we still see solid opportunities for business improvement by becoming more efficient as an organization. By continuing to communicate, share best practices and adopt the most efficient processes and technology available, we will strive to help all member businesses capture margin and productivity gains that will lead to a stronger overall performance in 2023.

FORWARD THINKING WITH

Rob Wallace

Chief Retail Operations Officer | Home Hardware Stores Ltd.

How did business change for Home Hardware in 2022 compared to 2021?

Home Hardware Stores Ltd. stepped into 2022 focused on our vision to be Canada's most trusted and preferred home improvement retail brand. Throughout the year, our team worked to update and implement our strategic approach, adapt to market conditions and ensure Home dealers had the products, services and resources they need to serve the communities in which they operate. We leveraged the lessons learned during the pandemic, such as the importance of data-driven decision making, strengthening our omnichannel experience, enhancing our supply chain and warehouse operations and ensuring our team members have opportunities to collaborate on achieving our goals.

What were some challenges in 2022 and how did Home Hardware address them?

Customers are expecting us to provide an omnichannel experience and give them options to shop. We have addressed this by providing a full range of services that extend from our brick-and-mortar locations to online. We also lean into what we do best—providing quality service and the product knowledge customers are looking for to complete their projects, big and small.

What operational investments are you making 2023 and how will they impact your members?

Looking into 2023, we plan to continue optimizing our processes and operations to support our dealer network and strengthen our distribution operations across the country.

This will include adjustments that will leverage our warehouse management system and its technology to reduce our environmental impact. We look forward to future environmental benefits such as decreasing single use cardboard, scheduling more efficient deliveries, decreasing our use of paper in our distribution centers and, in some areas, eliminating the need for paper altogether.

As part of the logistics improvements, the St. Jacobs project included the addition of an automated storage and retrieval system that will benefit us with greater efficiencies and accuracy. These supply chain initiatives lay the foundation to optimize operating costs and allow a streamlined flow of products to move through the system.

All of our initiatives are designed to support the success of our dealer-owners, as we remain focused on our goal to provide the best program for independent home improvement retailers in Canada.

How are you helping your members address technology?

Our Home team has been working hard to strengthen our e-commerce capabilities and has made several significant enhancements to various platforms. We are working with customer data to make informed decisions, as well as performance-related items to enhance the overall website experience, specifically in terms of speed.

We've made changes to our buying strategies by optimizing and leveraging the data we collect from stores to provide our customers with what they want, when they want it and how they want it. To optimize the flow of goods through our supply chain and respond to the record level of e-commerce orders, we hired new team members, repurposed areas within our distribution centers, set up electrical requirements, sorting stations, packing stations and processing stations.

What are your projections for 2023 for the industry and for your organization?

We will be joining Scene+, one of Canada's largest and most flexible loyalty programs, in summer 2023. Scene+ allows Home Hardware to bring the best rewards program to our loyal customers, giving them the opportunity to earn and redeem points for entertainment, travel, shopping, dining, banking, grocery—and in summer 2023—home improvement.

FORWARD THINKING WITH

Nick Weiner

Senior Marketing Coordinator | Lancaster

How did business change for Lancaster in 2022 compared to 2021?
Even with the supply chain challenges in 2021 and 2022, Lancaster has been fortunate to maintain strong sales as a result of working more closely with our suppliers to obtain inventory when available. Even our customers have been more open to trying new products and brands due to disruption in the supply chain.

What were some challenges in 2022 and how did Lancaster address them?
The continuing supply chain issues have challenged us to be a more proactive company as far as purchasing and marketing. We have worked more closely with our vendor sales contacts, who have turned into inventory control specialists, to ensure we have product to sell.

What types of operational investments do you anticipate making in 2023 and what will be the impact on your customers/members?
We launched a new website in December in an effort to make our ordering process easier while providing more information to customers. Retailers can see the new site at **lancasterco.com**.

How are you helping your customers address technology?
We are now providing more instructional videos through our new website and through our e-newsletter. Lancaster's Sundry Scene magazine also provides an outlet for information regarding technology in the industry. Customers who attend our buying shows can also meet with some of the key technology providers. Our sales team is trained to help our customers keep up with Lancaster's technology advances. (Learn more about the Lancaster 2023 Buying Market taking place Feb. 17-18 in Orlando at **lancasterco.com/events**.)

What are your projections for 2023 for the industry and for your organization?
Despite inflationary pressures of 2022, we are still very optimistic for 2023 as the supply chain issues continue to improve. Lancaster also has several key initiatives launching in the coming months that we feel will keep our business strong in the coming year. Our customers will be exposed to many of these initiatives at our 2023 Buying Show in February.

FORWARD THINKING WITH

Boyden Moore

President and CEO | Orgill

How did business change for Orgill in 2022 compared to 2021?

After two strong years of growth, we began to see growth moderate in 2022 and expect to end the year with an 8% increase in sales, which is likely more the result of inflation. After a very intense period of price changes in the past two years, we are now seeing much more stability in pricing. In fact, we have the lowest level of price change requests in process than we've seen in a long time and are even beginning to see some declines in pricing. With demand moderating, we were able to make more and sustained progress improving our service levels to our customers. As COVID has decreased, we've had fewer absences and more reliable staffing levels.

What operational investments will you make in 2023 and how will they impact your customers?

We celebrated the one-year anniversary of our newest distribution center in Rome, New York, in June. We've made a lot of progress in the first full year of having that facility online, but we have more opportunity to continue to improve our operations there. We completed a significant expansion of our Hurricane, Utah, distribution center this year which will really have more impact on our business in 2023. We recently announced the investment in a new distribution center in Tifton, Georgia, to replace our current facility in the same area. This new distribution center will include robotics in a goods-to-man picking solution that we expect to drive more efficiency, accuracy and speed. That project will be ongoing in 2023 and begin to impact our business in 2024. We continue to make these investments to support our customers' growth and our ability to provide the lowest possible prices "to help our customers be successful." We also continue to invest in our fleet and drivers. Our truck drivers are key in the relationships we build with our customers delivering goods reliably and efficiently.

How are you helping your customers address technology?

We are using our CNRG stores as a lab environment to develop and test technology solutions in our own stores then sharing best practices where we are able to build demonstrable success. Those solutions include technology that supports merchandising, marketing, e-commerce, loyalty programs, pricing, store communications, staff scheduling, managing shrink and more. We have a big vision for how we can work on technology solutions for our customers as part of our mission "to help our customers be successful" and we have a lot of opportunities to continue to improve this.

How are you helping your customers address succession planning?

While Orgill has many customers who are considering the right plan for succession, it also has many customers who are trying to find ways to grow their businesses through acquisition. We have found ways to be helpful to both types of dealers in this process, whether through assistance with transaction planning and business valuation or through the various retail support programs that make the transition process much less disruptive to the dealer's business.

What are your projections for 2023 for the industry and for your organization?

We expect the industry will grow modestly in 2023—maybe 1% or 2% based on the researchers we follow. If that is the case, we expect to grow 4% to 5% in 2023 driven by continued improvement in our service levels to our customers and some new business growth. We've really had to pause new business growth to support higher service levels for our current customers. With continued improvement, however, we look forward to growing more new business.

FORWARD THINKING WITH

Chris Kempa

CEO | True Value

How did business change for True Value in 2022 compared to 2021?

This year has been about maintaining and growing the pandemic-related boom the industry saw in 2021 and the sudden shift in consumer demand, specifically in the DIY and home repair space. Our market has continued to evolve and shift, and customers keep coming back to their local stores. We work in lock-step with our independent retailers, who know best how to manage their specific communities and customers, so we have dived deeper into understanding what their needs are and how we can best serve them.

What were some challenges in 2022 and how did True Value address them?

We are no stranger to the supply chain and economic factors that have dominated our industry. From fuel prices to material and labor shortages, we have had to remain nimble, and the True Value team (including our retailers) has done an exceptional job at rising to these challenges. We've done everything we can to absorb rising costs, while making significant investments in our operations to improve efficiencies. We've also strengthened key vendor relationships and overhauled our assortment strategy to better support those relationships.

What operational investments will you make in 2023 and how will they impact your customers?

In 2022, we refreshed a record number of new assortments compared to any pre-pandemic year, and in 2023, we will continue to prioritize the operational improvements that made that possible. From inventory investments to new tools for easy assortment implementation, we are helping our retailers future-proof their businesses and serve their communities.

How are you helping your customers address business transition and succession planning?

This is a priority for us in 2023 as we continuously work to better support our retailers. As the only distributor servicing independent retailers, we have made a conscious decision as a company not to own and operate retail stores or compete in any way with the stores we support. Our key focus is providing our customers with tools to help them with transitions, while not getting in the way of local store owners running their own businesses as independent entities.

What are your projections for 2023 for the industry and for your organization?

I fully expect to see occasional challenges with the supply chain, and we will continue to keep an eye on inflation. While we don't have a crystal ball for these conditions, we have built an incredible team to weather the challenges of 2022 that will serve us well moving forward. From our sales team building deep relationships with local communities and store owners, to our merchandising and inventory teams staying on top of an unpredictable market, True Value is in a great spot to excel. Evolving our business and staying innovative is how we've stayed in business for 75 years, which is a major milestone we will celebrate in 2023. I'm optimistic about True Value's future in 2023 and beyond.

Danushka Nanayakkara-Skillington is the assistant vice president for forecasting and analysis at the National Association of Home Builders (NAHB). She oversees the activities of the forecasting & analysis section of the economics group which includes housing market analysis, industry surveys, developing and maintaining national, regional, long-term and remodeling expenditures forecasts. Prior to joining NAHB, Nanayakkara-Skillington worked at J.D. Power as a senior economic analyst in the automotive industry. She holds a bachelor of arts in economics and business administration from Otterbein University and a master's in applied economics from Johns Hopkins University.

What key trends did you see in 2022 in the housing market? Will they continue in 2023?

In an effort to fight persistent inflation, the Federal Reserve continues to tighten monetary policy and raise interest rates. This will cause some economic pain, including a weaker economy and job losses, and we expect a mild recession in the coming year given tightening financial conditions and increased economic uncertainty.

The single-family housing market is weakening as permits and starts continue to decline due to high mortgage rates, ongoing building material production disruptions and lagging demand stemming from rising affordability challenges. Given these market challenges, 2023 would be the first year since 2011 to record an annual decline in single-family home building. And given expectations for ongoing elevated interest rates due to actions by the Fed, the year is forecasted to see additional single-family building declines as the housing contraction continues.

In contrast, multifamily starts posted strong gains this year due to low vacancies and solid demand for rental housing. Home improvement spending also increased as the surge in home equity enabled more homeowners to finance remodeling projects. We expect both multifamily construction and renovation projects will remain strong, though high construction costs and affordability challenges are making some developers increasingly cautious about 2023. We expect multifamily starts to decline next year as supply increases and the unemployment rate rises.

How has inflation affected the market, and how will it continue to affect the market?

Persistently elevated inflation is the immediate trigger for current conditions. Inflation has eased but remained near a 40-year high in October, with the CPI up 7.7% year over year. The Fed forecasted its rate hikes would raise the unemployment rate to 4.4% in 2023. This is an optimistic forecast, as NAHB projects a rate above 6% at the end of 2023. Fed Chair Jerome Powell indicated this is part of the "pain" the economy will endure as the central bank combats a 40-year high for inflation. However, economic policy needs to focus on improving the supply side of the economy by bringing down energy, transportation and material costs. Without such policy actions, the Fed is left to do all the work of fighting inflation, and the Fed's tools are crude: Raising rates slows demand and has an outsized impact on interest-rate-sensitive sectors such as housing.

What are some short and long-term impacts of affordability?

Rising interest rates, ongoing building material bottlenecks, labor shortages and high inflation continue to drive up housing costs. Builder confidence in the market for newly-built single-family homes posted its 11th straight monthly decline in November, dropping five points to 33, according to the NAHB/Wells Fargo Housing Market Index. This is the lowest confidence reading since June 2012, with the exception of the onset of the pandemic in the spring of 2020. Higher home costs and elevated mortgage rates are pricing buyers out of the market, especially entry-level and first-time buyers. The best way to ease growing affordability challenges is for policymakers to address ongoing supply chain disruptions to help builders bring down construction costs and increase production to meet market demand. But the primary challenge for housing and the economy is higher interest rates, and that will continue to be true until early 2024.

ECONOMY & HOUSING INSIGHTS

Marine Sargsyan is a staff economist at Houzz, the leading platform for home remodeling and design. She specializes in survey and data science providing timely insights on national and international renovation market trends, confidence levels of industry professionals and homeowner motivations and preferences. Her team's surveys, analytics and reporting initiatives regarding home building, renovation and design, offer unique perspectives drawn from Houzz's community of more than 65 million homeowners and home design enthusiasts and over 2.7 million professionals. Houzz research findings have appeared in media coverage around the world, including CNBC, *Bloomberg*, Associated Press, *Reuters*, *The Wall Street Journal*, *The New York Times*, *The Washington Post* and *Forbes*.

What key trends did you see in 2022 in the housing market? Will they continue in 2023?

We predict renovation activity will continue at a slower pace. The home improvement industry, especially residential renovations and design, has been relatively stable over the last eight years. During this time, more than 50% of homeowners across the country upgraded their homes, undertaking large or small projects every year, according to our *2022 U.S. Houzz & Home Study*. That said, we think residential renovations will continue into 2023, though at a slower pace than we saw at the activity peak in 2021.

We also do not expect housing availability or people's preferences to stay put to change. Our *2022 U.S. Houzz & Home Study* shows that homeowners who have lived in their homes for a long period of time make up the largest share of renovating homeowners and a significant portion of them do not have intentions to move out of their current home. This is a result of multiple factors.

First, homeowners do not have a wide variety of choices when it comes to housing. Second, the current situation with mortgage rates forces homeowners to think very carefully about starting anew with higher rates. Finally, many homeowners suggest that they have a special attachment to their home and therefore do not consider moving. As we do not expect major shifts in new housing availability and people changing their mind around staying put, we also think that this will be characteristic of renovating homeowners in 2023.

Cash from savings remains the No. 1 source of renovation financing. Three-quarters of renovating homeowners used cash from savings to fund their projects (76%) in 2022, however this declined by 7 percentage points in 2021. On the other hand, the share of homeowners financing projects with credit cards increased by 6 percentage points and stands at 35% at the end of 2022.

Lastly, one of the driving factors for home renovation and design in the U.S. is the limited and aging housing stock. Nearly half of homes renovated in 2022 were built before 1981 (46%), meaning they were at least 40 years old. With older homes, many homeowners are investing in maintenance-related home system upgrades, including plumbing, electrical and heating. Regardless of home age, more than 9 in 10 homeowners turn to home professionals for help with their projects. Depending on the complexity of the projects undertaken in 2023, we will continue to see many homeowners relying on professionals to upgrade their homes.

How has inflation affected the market and how will it continue to affect the market?

For homeowners, products and services are more expensive, and their purchasing power has declined. Consumer confidence in the economy has subsequently declined, bringing additional downward pressure on spending across the economy.

For industry professionals, managing business and customer expectations is challenging in this environment. According to our Houzz Renovation Barometer, which tracks residential renovation market expectations, project backlogs and recent activity among businesses in the construction sector and the architectural and design services sector in the U.S., professionals are expressing uncertainty around business activity and performance, particularly among professionals in the construction industry, which are typically sole proprietors or operations with up to four employees.

Luckily we are seeing some improvements in the consumer price index and inflation, which is showing some softening after its peak in the middle of 2022. If the trend persists, the initial negative impact we have been observing on home improvement activity can potentially see some relief. In addition, a 2022 Houzz survey of homeowners showed that less than 1% of homeowners have canceled their renovation projects despite economic uncertainty as of October. This, along with some stability in the otherwise volatile prices for products and materials, will be key for renovation activity in 2023.

Take Your Next Step

Are you expanding your operation or looking for an exit strategy? Connect with 40,000 home improvement retailers on the NHPA Retail Marketplace.

Are you selling your business?

NEW: Ask us about valuation as the first step!

List your business for sale on the NHPA Retail Marketplace to reach interested and motivated home improvement retail buyers. Public and private listings are available.

Are you interested in buying stores?

If you are currently looking to expand your business through acquisition, the NHPA Retail Marketplace can connect you with potential sellers in the industry. Public and private listings are available.

Are you hiring?

Find talented, qualified people in the home improvement industry. List your open position on the NHPA Retail Marketplace to find the best personnel fit for your business.

Get started today!

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