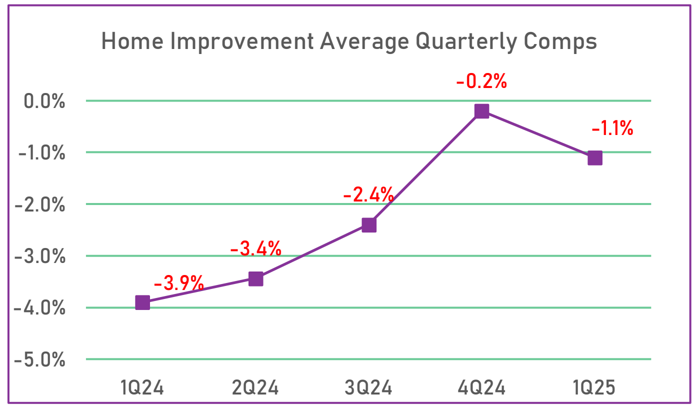
Home Improvement

Key Takeaways

- Industry average comps and sales show signs of stabilization
- Housing affordability, tariff threats and weakening consumer confidence are difficult challenges
- Spending on residential improvements and repairs is forecast to expand through early 2026

	Comps	Sales (millions)	YoY Sales % Change	E-Comm % Growth	E-Comm % of Sales	Quarter-End Date
Retail Home improvement						
ACE Hardware	0.0%	$2,227.2	4.2%	N/A	N/A	3/29/25
Floor & Decor	-1.8%	$1,160.7	5.8%	2.0%	18.0%	3/27/25
Home Depot	-0.3%	$39,856.0	9.4%	10.9%	15.5%	5/4/25
Lowe's	-1.7%	$20,930.0	-2.0%	6.0%	13.0%	5/2/25
Sherwin-Williams	1.2%	$5,305.7	-1.1%	N/A	N/A	3/31/25
Tile Shop	-4.0%	$88.0	-4.1%	N/A	N/A	3/31/25
Tractor Supply	-0.9%	$3,467.0	2.1%	N/A	N/A	3/29/25
Average - Retail	-1.1%		2.0%			
Building & Materials Suppliers						
Beacon Roofing	N/A	$1,907.8	-0.2%	N/A	N/A	3/31/25
BlueLinx	N/A	$709.2	-2.3%	N/A	N/A	3/29/25
Boise Cascade	N/A	$1,536.5	-6.6%	N/A	N/A	3/31/25
Builders FirstSource	N/A	$3,657.5	-6.0%	N/A	N/A	3/3/25
Fastenal	N/A	$1,959.4	3.4%	N/A	N/A	3/31/25
Ferguson	N/A	$6,872.0	3.0%	N/A	N/A	1/31/25
Graybar Electric	N/A	$2,949.8	7.9%	N/A	N/A	3/31/25
MSC Industrial	N/A	$891.7	-4.7%	N/A	N/A	3/1/25
Patrick Industries	N/A	$1,003.4	7.5%	N/A	N/A	3/30/25
W.W. Grainger	N/A	$4,306.0	1.7%	N/A	N/A	3/31/25
WESCO	N/A	$5,343.7	-0.1%	N/A	N/A	3/31/25
Average - Building & Material			0.3%			

In 1Q25, the home improvement sector showed signs of stabilization despite continued macroeconomic challenges, including elevated interest rates, soft big-ticket discretionary spending, and persistent tariff concerns. While Home Depot CEO Ted Decker noted the Company saw continued customer engagement across smaller projects and in spring events. Home Depot's comparable sales were down 0.3% (up 0.2% in the U.S.), with average comp ticket flat, and comp transactions down 0.5%. Big-ticket comp transactions (over $1,000) were up 0.3% on solid performance in categories such as building materials, lumber and hardware. However, there was softer engagement in larger discretionary projects where customers typically use financing to fund the project, such as kitchen and bath remodels. Finally, online sales represented 15.5% of net sales in 1Q25 and increased 10.9%. As for Lowe's, the April announcement that it would acquire Artisan Design Group (ADG) was a significant step to increase its own penetration of Pro customer spending and better position itself to gain share in a highly fragmented $50-billion market. Management believes that with an estimated 18 million homes needed in the U.S. by 2033, new home construction should be a major driver of Pro plan spend over the next decade. ADG, a nationwide provider of interior surface design, distribution, and installation services, will help Lowe's better compete in professional finish categories such as flooring, cabinetry, and countertops—narrowing the Pro share gap with Home Depot. Meanwhile, M&A activity is expected to remain robust throughout 2025, with strategic transactions like Lowe's purchase of ADG and Home Depot's June 2025 agreement to buy GMS Inc. (GMS), a leading North American specialty building products distributor for $5.50 billion. These deals reflect ongoing efforts to consolidate market share and enhance service offerings to high-value contractor customers.



Paint retailer Sherwin Williams was the only retailer in our coverage to generate positive comps, up 1.2%, reflecting the benefit of higher pricing and growth in protective/marine coatings, residential repaint, and new residential business. Meanwhile, The Tile Shop posted the weakest numbers among home improvement retailers in the group, reporting a 4% decline in sales and comps due to a decrease in traffic, partially offset by a modest increase in average order value.

We believe the sector's medium- to long-term outlook remains strong, supporting robust M&A activity going forward, but the near-term macroeconomic backdrop is less certain. While the Federal Reserve maintained the federal funds rate at 4.25% to 4.50% in June 2025 and is projected to hold steady at their upcoming meeting in July, some economists now anticipate potential rate cuts could begin as early as September 2025. Despite these projections for potential easing, the threat of new tariffs could still reignite inflation. Finally, according to the Leading Indicator of Remodeling Activity (LIRA), annual expenditures for improvements and maintenance to owner-occupied homes are now expected to grow by 2.5% through 1Q26, reaching a record $526 billion, driven by a modest recovery in the sector.

In 1Q25, 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 struggled a bit with sales falling 0.2%, despite strong roofing demand and recent acquisitions; in April, Beacon was acquired by technology solutions company QXO, Inc. Conversely, price deflation led to sales declines of 6% at Builders FirstSource and nearly 7% at Boise Cascade. Industrial distributor sales fared better overall. Graybar Electric reported strength in electrical, communications, and data networking products (sales up more nearly 8%), W.W. Grainger grew 2% 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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2025 Seasonally Adjusted Retail Sales (Monthly % Change Year-Over-Year) Source: U.S. Census				Upcoming Comparative Periods		
	Mar'25	Apr'25	May'25	Jun'24	Jul'24	Aug'24
Total Retail Sales	5.1%	4.8%	3.3%	2.0%	3.0%	1.9%
Retail Sales Ex Auto	4.2%	4.0%	3.5%	3.4%	3.4%	2.2%
Retail Sales Ex Auto and Gas	5.2%	5.2%	4.6%	3.7%	3.6%	3.2%
By Category:						
Furniture & home furnishings	8.7%	8.4%	8.8%	-3.7%	-0.7%	-1.0%
Electronics & appliance	2.5%	-0.1%	-1.9%	0.7%	3.7%	-0.6%
Building materials, garden equip. & supplies	1.0%	1.7%	-1.1%	-1.0%	0.3%	-0.3%
Food & beverage stores	3.4%	2.6%	2.2%	2.1%	2.8%	1.6%
Grocery stores	3.5%	2.7%	2.3%	2.0%	2.8%	1.5%
Health & personal care	9.4%	8.5%	7.7%	1.0%	6.3%	4.5%
Gasoline stations	-4.9%	-7.3%	-6.9%	0.6%	1.3%	-6.7%
Clothing & clothing accessories	7.1%	4.1%	3.7%	3.9%	2.8%	0.3%
Sporting goods, hobby, musical instrument & book stores	3.0%	1.2%	1.8%	-3.5%	-7.1%	-3.7%
Footwear	5.8%	-0.9%	TBD	-4.4%	1.2%	-6.5%
General merchandise	2.8%	2.5%	2.2%	2.0%	2.8%	1.4%
Department stores	-0.1%	-3.9%	-2.8%	-3.6%	-4.8%	-6.1%
Nonstore retailers	6.6%	8.2%	8.3%	9.4%	5.8%	6.6%
Food services & drinking places	6.3%	6.9%	5.3%	4.8%	4.3%	4.2%