MAY 23
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Home-related retailers and brands feel the weight of the tough housing market

Article

The trend: It’s incredibly hard to buy a house right now.

- **Home prices reached record highs in April.** The median price of an existing home rose 5.7% year over year in April to $407,600, per the National Association of Realtors (NAR).
- **Mortgage rates are elevated.** Mortgage rates have been north of 7% since the week ending April 18, per Freddie Mac. That's over 300 basis points higher than rates prior to the pandemic.
- **Inventory remains constrained.** Total housing inventory at the end of April was 1.21 million units, which is just a 3.5-month supply at the current sales pace (a six-month supply is considered balanced between buyers and sellers).

Not surprisingly, the market remains stuck in neutral; **sales of previously owned homes fell 1.9% month over month in April**, and are also down 1.9% from April 2023, per NAR.

- The challenging situation is impacting consumer sentiment and resulting in an environment where only 21% of consumers say it's a good time to buy a house, which is tied for the worst reading in history, per a May Gallup survey reported in CNN.

Why it matters: The combination of a lack of housing turnover and elevated interest rates is weighing on a host of retailers and brands.

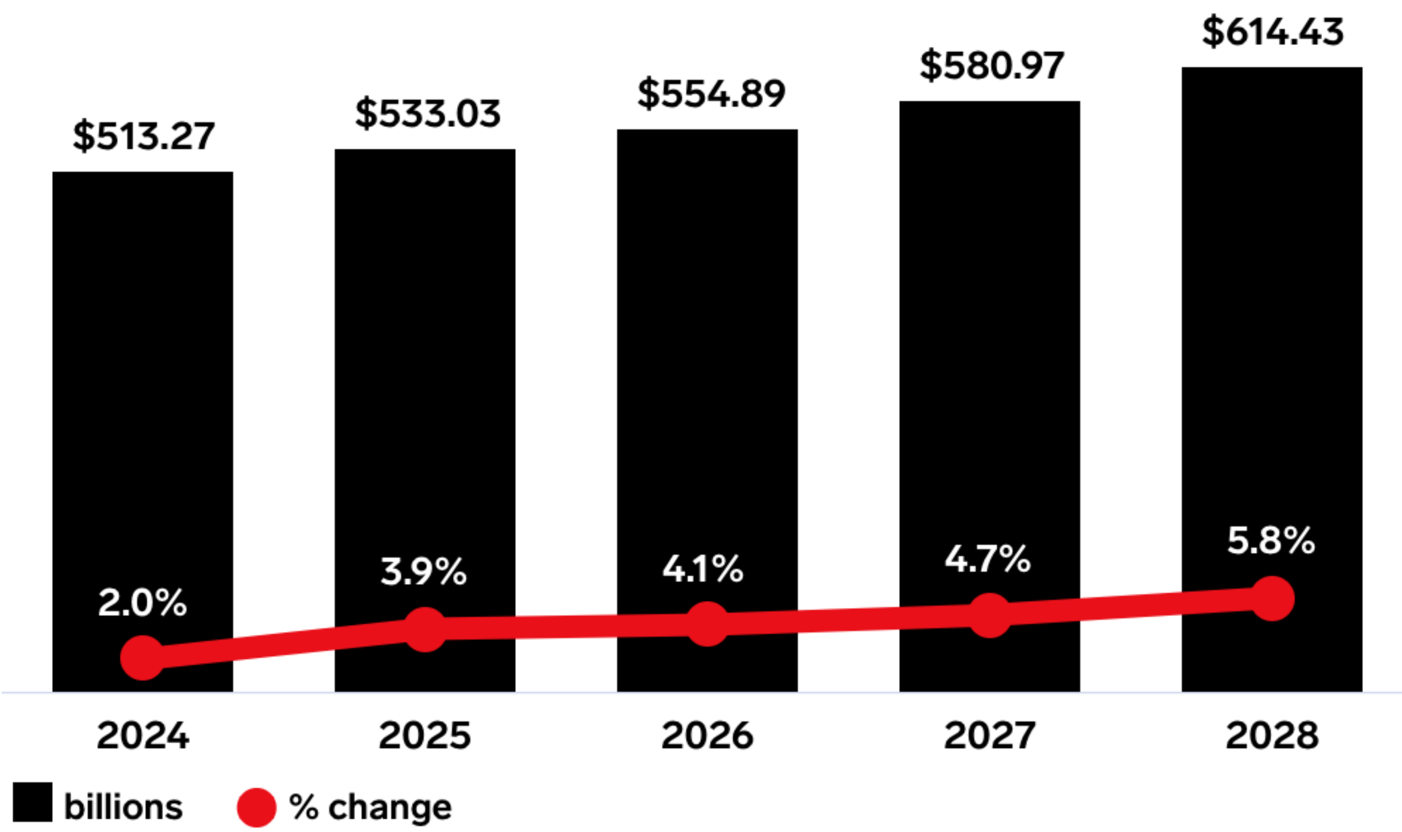
- Sales are down 9.0% YoY at furniture and home furnishing stores in the first four months of the year, and down 0.2% at electronics and appliance store sales, per the US Commerce Department.
- Both **Home Depot** and **Lowe's** attributed their Q1 sales declines to the limited market for big-ticket items such as household appliances and kitchen fixtures.
- A host of other companies, including furniture retailers **Wayfair** and **Williams-Sonoma**, appliance maker **Whirlpool,** and paint company **Sherwin-Williams**, also saw Q1 sales declines.

Brighter days ahead? There's growing sentiment from experts such as **Goldman Sachs** CEO **David Solomon** that the Federal Reserve may not cut interest rates at all this year.

- That would lock the current conditions in place and make for a continuously challenging year for home-related retailers and brands. We expect home improvement and large appliance sales will grow just 2% this year, while furniture and home furnishing sales will increase by 3.4%.

Home improvement Retail Sales

US, 2024-2028



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: EMARKETER Forecast, February 2024

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