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ABSTRACT FOR THE CATALINA REPORT ON FLOOR COVERINGS INDUSTRY TRENDS AND END-USE MARKETS

SUMMARY OF MAJOR FINDINGS

The U.S. floor coverings market is currently increasing at the sharpest rate in dollars and square feet since the housing boom of the mid-2000s. The estimated 6.3% increase in dollar sales during 2013 is being led by the builder market. The builder market is benefiting from a more than 25% annual average increase in housing starts in 2012 and 2013 as the inventories of homes for sale declined. Household finances and confidence has also improved. These factors gave a boost to existing home sales, which stimulates homeowner remodeling spending. Rising housing demand pushed home prices higher, providing non-movers an incentive to upgrade their flooring. Growth during 2013 is lifting all boats, even sales of wall-to-wall carpet, which was hit especially hard over the recession. However, ceramic tile, resilient flooring, and wood flooring are leading industry growth. The ceramic tile and wood flooring sectors are receiving a boost from the surge in builder sales, while resilient flooring is benefiting from the introduction of new products. Meanwhile, margins could be squeezed due to rising material costs and increased competition from foreign-sourced products. Profits can also be adversely affected in the sectors that are heavily dependent on nonresidential markets, which are being hurt by the sharp cutback in public building construction spending.

FLOORING SECTOR TRENDS

Catalina Research uncovered these findings in our in-depth 215-page report on U.S. floor coverings industry trends and an analysis of end-use markets. U.S. shipments, exports, imports, and price trends are evaluated for carpet and area rugs, wood flooring, ceramic tile, vinyl sheet and floor tile, other resilient flooring, laminate flooring, and stone flooring. Data is in dollars and square feet. Import sales are tracked by major country of origin, which uncover the inroads made by Chinese and other foreign-based manufacturers. U.S. export shipments are analyzed by major country of destination. World market trends by flooring material are evaluated as well.

PROFIT MARGINS AND THE COMPETITIVE ENVIRONMENT

In addition, Catalina Research investigated the cost structure and profit margins of U.S. floor coverings plants. Data trends are compiled for material, labor, and capital inputs. As part of this analysis, Catalina Research profiled 13 leading U.S. manufacturers, compiled company sales and profit margins, and calculated company market shares. Market shares were also calculated for the soft and hard surface flooring sectors. Company profiles cover product lines, manufacturing and distribution, capital investments, acquisitions, and new products.

END-USE MARKET ANALYSIS

Catalina investigates the industry's end-use markets in three separate sections: Residential Replacement Sales, Builder and Manufactured Home Producer Purchases, and Commercial and Transportation Equipment Markets. Each section evaluates end-use market sales trends, purchases by flooring type, share of industry total sales, and floor coverings share of each end-use market. For example, Catalina examines flooring material's share of total builder spending and the average value per square foot of flooring purchased. For the residential replacement market, Catalina Research tracks the number of replacement jobs for hard surfaces and wall-to-wall carpet, as well as for movers and non-movers. This data was used to estimate the spending and square footage for each type of job. Existing home sales, housing characteristics, and household income and demographics are analyzed to evaluate the drivers of residential replacement demand. A similar analysis was conducted for the builder and manufactured home producer market. In this section, Catalina analyzed new home completions, total square footage built, housing starts and permits to uncover opportunities in this market. For commercial markets, Catalina tracked flooring purchases for new construction and remodeling projects. Construction spending by type of building and region was analyzed as part of this process. Catalina also segmented the commercial soft surface market into wall-to-wall carpet and carpet tile sales.

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