Conducted jointly by the National Kitchen & Bath Association and John Burns Real Estate Consulting, the Kitchen & Bath Market Index (KBMI) examines current kitchen and bath industry demand, future expectations, and issues and challenges that industry professionals are facing in their businesses. The Q2 report is based on findings from 457 NKBA members across four primary industry segments:

- Design
- Building and construction
- Retail sales
- Manufacturing

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
EXECUTIVE SUMMARY

Kitchen & Bath Market Index

Current Business Conditions

Future Business Conditions

Health of the Industry

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19) *Values are KBMI totals.
EXECUTIVE SUMMARY

We are pleased to release the Q2 2019 NKBA / John Burns Kitchen & Bath Market Index (KBMI), the industry’s definitive gauge of kitchen and bath industry conditions. This quarterly index is the result of a partnership between John Burns Real Estate Consulting and the National Kitchen & Bath Association.

The industry continues to grow, but our survey shows a clear shift in expectations for 2019. Our survey shows:

- **Expansion continues in Q2.** The kitchen and bath industry expanded in Q2 2019, as the KBMI remained above 50 at 65.7 on a scale of 0–100, with 50 being flat. Q2’s KBMI is notably weaker than the previous two quarters’ ratings of 71.0 and 69.2, as industry members report rising costs and a shift in demand to lower-priced products.

- **Future industry outlook remains positive.** The industry is still more positive on future conditions (69 index reading) than on current conditions (63 index reading), but 2019 sales growth expectations moderate downward due to declining per sale revenue and rising material and labor costs.
  
  - The industry now expects 4.7% full-year sales growth in 2019, down slightly from 5.4% expected growth reported by NKBA members last quarter.

- **Big shift underway: Rising costs are driving shift to smaller projects, more affordable finishes.**
  - Increases in average customer spending are being driven by material and labor cost inflation.
  - Decreases in budget sizes are being driven by shift to more affordable, lower-priced options.

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
EXECUTIVE SUMMARY

• The big three challenges and concerns of the industry remain the availability of skilled labor, cost of materials, and trade issues.

• NKBA members across manufacturing, building/construction, retail/sales, and design have highlighted their biggest barriers to growth, the impact it has had on their businesses, and how they are changing to overcome them. Please see pages 21–27 for more detail.

  o Designers say higher total project costs and declining consumer confidence are causing consumers to shift to lower price point kitchen and bath products and finishes. Designers report they are offering more lower-price point big-ticket options like cabinets and fixtures to appeal to the increasingly price sensitive consumer.

  o Building and construction companies cite that the lack of skilled subcontractors in the market is preventing them from doing more projects. Remodeling companies say they are investing in project management software to create efficiencies as availability of trades worsens.

  o Retail/sales companies say flattening real estate values, economic uncertainty, and higher product costs are negatively impacting clients’ urgency and budgets.

    • Brick and mortar retailers also report it’s increasingly more difficult to compete with e-tailers, which is causing many of these companies to adopt new business models that enable bundling of more value-added services like design and construction.

  o Manufacturers report increasing labor and material costs are their biggest barriers to increasing capital expenditures. Many express a need to drive operating efficiencies to improve financial position and better compete and invest in their business.

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
At 65.7, the Kitchen & Bath Market Index indicates growth in current quarter, a generally optimistic view of future kitchen and bath sales and a positive view of industry health. Manufacturing was the strongest index at 73.9, while design, retail sales, and building and construction companies all indexed slightly lower, between 65.2 and 69.4.

*Scores above 50 indicate industry growth, while scores below 50 indicate slowing activity.*
At 65.7, the Q2 2019 KBMI is lower than the prior two quarters. While NKBA members are still optimistic about current and future kitchen and bath business conditions and industry health, the industry is slightly less optimistic about both than in it was in Q1 2019 and Q4 2018.

<table>
<thead>
<tr>
<th>KBMI Total</th>
<th>Q4 2018</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>% change vs prior quarter</td>
<td>N/A</td>
<td>3%</td>
<td>-7%</td>
</tr>
<tr>
<td>Current Business Conditions</td>
<td>70.3</td>
<td>67.5</td>
<td>62.7</td>
</tr>
<tr>
<td>% change vs prior quarter</td>
<td>N/A</td>
<td>-4%</td>
<td>-7%</td>
</tr>
<tr>
<td>Future Business Conditions</td>
<td>68.8</td>
<td>76.1</td>
<td>68.7</td>
</tr>
<tr>
<td>% change vs prior quarter</td>
<td>N/A</td>
<td>11%</td>
<td>-10%</td>
</tr>
<tr>
<td>Health of the Industry</td>
<td>6.8</td>
<td>6.8</td>
<td>6.6</td>
</tr>
<tr>
<td>% change vs prior quarter</td>
<td>N/A</td>
<td>0%</td>
<td>-3%</td>
</tr>
</tbody>
</table>

2019 Full-Year Sales Growth Outlook

<table>
<thead>
<tr>
<th></th>
<th>Q4 2018</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in guidance vs prior quarter</td>
<td>N/A</td>
<td>-0.8%</td>
<td>-0.7%</td>
</tr>
</tbody>
</table>

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
Overall, the current business conditions index is 62.7. Manufacturers index well above the total weighted average at a 77.7, while retail sales and design firms under-index at 60.4 and 62.3, respectively.

**Current Business Conditions**
Sales last quarter vs. same period prior year

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
A **68.7** signals the industry expects sales to grow year over year in Q3 2019. Building and construction companies are the most optimistic, while design firms are slightly less optimistic than other segments.

**Future Business Conditions**

Sales next quarter vs. same period prior year

- **KBMI total**: Higher
- **Design**: Stayed the same
- **Retail sales**: Higher
- **Manufacturing**: Higher
- **Building and construction**: Higher

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
The overall kitchen and bath industry currently rates industry health at a **6.6 out of 10**. Retail sales professionals and design firms are slightly less optimistic than manufacturing and construction businesses.

**Health of the Industry**
Segment rating from Extremely Strong to Extremely Weak

<table>
<thead>
<tr>
<th>Segment</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>KBMI total</td>
<td>6.6</td>
</tr>
<tr>
<td>Retail sales</td>
<td>6.6</td>
</tr>
<tr>
<td>Design</td>
<td>6.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6.7</td>
</tr>
<tr>
<td>Building and construction</td>
<td>7.0</td>
</tr>
</tbody>
</table>

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
SALES ENVIRONMENT
Among kitchen and bath industry professionals, 63% of manufacturers expect the industry to expand in Q3 2019. Slightly more than half of the companies in other segments believe the industry will expand in Q3.

### Q3 2019 Growth Expectations

**Will your segment expand, stay the same, or contract next quarter?**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Contract</th>
<th>Stay the same</th>
<th>Expand</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KBMI total</strong></td>
<td>11%</td>
<td>36%</td>
<td>53%</td>
</tr>
<tr>
<td><strong>Retail sales</strong></td>
<td>12%</td>
<td>37%</td>
<td>51%</td>
</tr>
<tr>
<td><strong>Building and construction</strong></td>
<td>11%</td>
<td>36%</td>
<td>53%</td>
</tr>
<tr>
<td><strong>Design</strong></td>
<td>11%</td>
<td>37%</td>
<td>52%</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>9%</td>
<td>29%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
The industry expects +4.7% sales growth in 2019, down slightly from +5.4% reported last quarter. Among the kitchen and bath industry, manufacturers are more optimistic about 2019 sales growth outlook (+6.7%) than building and construction companies (+5.2%), design firms (+4.4%), and retail sales businesses (+4.2%).

**2019 Industry Growth Outlook**

Weighted average sales growth outlook (%): prior quarter vs. current quarter comparison

- KBMI total: +4.7% (prior) vs. +5.4% (current)
- Manufacturing: +6.7% (current)
- Building and construction: +5.2% (current)
- Design: +5.4% (current)
- Retail sales: +4.2% (prior) vs. +5.3% (current)

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
CUSTOMER SPENDING
57% of kitchen and bath industry customers increased total spending year over year while 26% spent about the same as they did last year. Design and retail sales companies reported 19% and 21% of their customers have decreased their spending year over year, largely due to their selection of lower-priced products.

**Average Customer Spending**

Weighted average total spending growth (%): prior year vs. current year comparison

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Down 10%+</th>
<th>Down 1%-10%</th>
<th>Flat</th>
<th>Up 1%-10%</th>
<th>Up 10%+</th>
</tr>
</thead>
<tbody>
<tr>
<td>KBMI total</td>
<td>5%</td>
<td>13%</td>
<td>26%</td>
<td>35%</td>
<td>22%</td>
</tr>
<tr>
<td>Building and construction</td>
<td>3%</td>
<td>11%</td>
<td>22%</td>
<td>39%</td>
<td>25%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3%</td>
<td>12%</td>
<td>20%</td>
<td>42%</td>
<td>23%</td>
</tr>
<tr>
<td>Design</td>
<td>7%</td>
<td>12%</td>
<td>26%</td>
<td>33%</td>
<td>22%</td>
</tr>
<tr>
<td>Retail sales</td>
<td>5%</td>
<td>16%</td>
<td>30%</td>
<td>33%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
Commentary on Drivers of Increased Customer Spending:

“Our costs are increasing in every area, which makes projects more expensive for the consumer.”

“Increases in material and labor costs are eliminating some potential customers from the market and driving total spending up for the remaining. Customers’ budgets have not increased at the same level as costs.”

“Higher material costs are increasing total spending. Consumers don’t want to spend more; they have to.”

“Real costs and consumers’ expectations of real costs never align, but lately this gap has widened. Consumers continue to expect more for less, but our rates and material costs continue to go up.”

“Higher total spending is impacted mostly by tariffs and inconsistent supply of products.”

“The tariffs play a big role here. We’re seeing increases in materials cost (tariffs or not), and subcontractors’ costs are also driving up project totals.”

“Tariffs leading to price increases on imports is the biggest influence on rising project costs.”

“Higher prices on goods and increasing contractor bids are causing the increase.”

“Higher costs across the board. Clients are learning they have to spend more to get the design they want.”

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
Commentary on Drivers of Decreased Customer Spending:

“There is downward pressure in the market due to increased competition. **Dealers are lowering their prices as a tool to beat competition** (smaller contract value is better than no contract at all), and **consumers are opting for lower price options as total project costs inflate overall**. It’s not just homeowners who are selecting cheaper. I also see lower budgets coming in from builders and architects.”

“My middle-class clients are not spending as much because of their uncertainty about the economy. My affluent clients are signing on with me more frequently, but they still want cheaper pricing.”

“Clients are increasingly more concerned with price than quality.”

“Consumers desire to get the same or better for less; they want to save more in a risky market.”

“The availability of lower price cabinets is driving down total project spending.”

“Customers are shopping around more than ever. Many vendors are selling products a little above cost.”

“It is becoming more common for consumers to want to spend less and cut costs where they can.”

“People are cautious to spend more given the current economic and political environment.”

“Clients close to retirement age are spending conservatively because they worry about the stock market.”

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
The **availability of skilled labor, cost of materials, and trade issues** top the list of industry challenges and concerns. Labor costs, economic uncertainty and consumer confidence are also still major concerns of kitchen & bath industry professionals in Q2 2019.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Not a concern</th>
<th>Somewhat of a concern</th>
<th>A significant concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of skilled laborers</td>
<td></td>
<td></td>
<td>8.2</td>
</tr>
<tr>
<td>Cost of materials</td>
<td></td>
<td></td>
<td>7.7</td>
</tr>
<tr>
<td>Trade issues (e.g. tariffs)</td>
<td></td>
<td></td>
<td>7.4</td>
</tr>
<tr>
<td>Labor costs</td>
<td></td>
<td></td>
<td>7.4</td>
</tr>
<tr>
<td>Economic uncertainty</td>
<td></td>
<td></td>
<td>7.0</td>
</tr>
<tr>
<td>Consumer confidence</td>
<td></td>
<td></td>
<td>6.8</td>
</tr>
<tr>
<td>Repair / Remodel demand</td>
<td></td>
<td></td>
<td>6.6</td>
</tr>
<tr>
<td>Fear of recession</td>
<td></td>
<td></td>
<td>6.6</td>
</tr>
<tr>
<td>Stock market volatility</td>
<td></td>
<td></td>
<td>6.5</td>
</tr>
<tr>
<td>Availability of professional employees</td>
<td></td>
<td></td>
<td>6.5</td>
</tr>
<tr>
<td>Home prices</td>
<td></td>
<td></td>
<td>6.5</td>
</tr>
<tr>
<td>Government regulations</td>
<td></td>
<td></td>
<td>6.4</td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
<td>6.3</td>
</tr>
<tr>
<td>Interest rates</td>
<td></td>
<td></td>
<td>5.8</td>
</tr>
<tr>
<td>Employee retention</td>
<td></td>
<td></td>
<td>5.8</td>
</tr>
<tr>
<td>New construction (starts)</td>
<td></td>
<td></td>
<td>5.7</td>
</tr>
</tbody>
</table>

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
Designers Say Slowing Luxury Market, Shift to Lower Price Points Is Biggest Barrier to Growth

“The slowdown in the luxury market has impacted our business by 20%.”

“Luxury demand is flat, so we’re trying to bring in lower price options, but I fear it will hurt our reputation.”

“Customers are selecting lower-quality/priced materials. I’m doing the same number of projects for half the revenue as last year.”

“More building codes that apply to existing homes is costing clients a lot more to remodel. Clients look for less expensive products, while at the same time manufacturers are raising prices due to tariffs. I lost about $150,000 in sales because of both of these things.”

“There are fewer high-end kitchen remodels than last year. Clients are doing low-cost baths instead.”

“Our biggest challenge is educating our clients on the quality of our product over cheaper brands. It’s hard to say how much cheaper cabinets have cost us, maybe 15 to 20 percent of our business. We are looking to bringing in some less expensive brands to drive sales.”

“Luxury remodeling is slowing down and people are spending less. There are less projects than last year, and it has effected average project size by about $25,000–$30,000.”

“My business is down approximately 50%, almost entirely due to per sale revenue. The area I lost was at the high-end of the market. My average sale is about half of what is was for most of 2018.”

“Several clients are downsizing their budgets until they feel good about the economy.”

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
“Clients increasingly have nicer taste, but lower budgets. We are trying to carry more reasonable cabinet lines, so we don’t have to cut so many corners on the project.”

“Consumers suddenly have unrealistic project timelines and ridiculous, unattainably low budgets.”

“I am a high-end designer now working in a market that is much more price sensitive than it has ever been. My margins are hurting, so I am now using more stock cabinetry and looking for other ways to provide my look for less. It’s getting harder and harder to sell the dream.”

“Our clientele is now a younger generation, and they seem to do all their planning and research online and they pick the low-quality products that look similar to the brands we carry. If we offered more ways to facilitate the online discovery, we'd most likely have more traffic coming in and signing up with us.”

“Competition is growing with inexpensive cabinets entering the marketplace and builders caring more about costs than quality. It’s impacted our business by 20%, so we’re exploring new cabinet lines.”

“Contractors are increasingly selling cheap cabinets to clients, which is hurting my showroom cabinet sales. My cabinet sales are down 20%–25% because of this.”

“The limited buying power of younger cohorts is a huge barrier to growth. We appeal to them, but they can’t afford us. We’re looking at new suppliers to offer products they can afford.”

“The younger generation wants immediate satisfaction and have totally unreasonable budgets.”

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
Retail / Sales Companies Say It’s Getting Harder to Compete with E-Tailers, Remodeling Companies

“Lack of labor force has prevented us from moving to a design-build business model from a showroom/dealer business model. We are bringing in a business partner/new owner with design-build experience to help us grow.”

“Competing with e-tailers is really hurting us. We have clients ask us daily to match pricing, whether we have it in stock or not. The free freight offered only makes it more difficult to fight that battle. We have started giving a slight discount, but we can’t match the online pricing and make money. It’s getting hard to sell product profitably.”

“Biggest barrier to our growth is entrance of other trades (every contractor is now a designer) into the K&B business as an add-on to their core offerings. This is exacerbated by manufacturers making their products, materials, and cabinetry available to everyone and not maintaining exclusivity to K&B businesses. The Internet also plays a part in that homeowners can purchase everything and anything online—even complete kitchens—and their perception is that they can save a lot of money by doing so.”

“I have to change my business model to compete. Gone are the days that designers or showrooms can make it alone. I’m looking at finding a business partner to expand the value-add we can offer clients.”

“Our big challenge is competing with e-tailers. Our customers will purchase direct (often with mistakes), which takes away from what they pay us and adds complexity to the overall project.”

“I don’t know many showroom owners or designers that understand what SEO is. We know we need to compete online but are unsure of how. Our vendors are not protecting us online, so we have to change to survive.”

“Shopping online is relatively easy and consumers get free shipping. Having huge investments in brick and mortar puts our profitability in jeopardy. The threat used to be big box. That’s no longer the issue; we all got over that. Now the availability on the Internet is insane, and the cheapest product wins.”
“We have a lot of quotes out for projects, but clients don't seem to be in a hurry to make decisions. Our local market is affluent, and I believe the stagnation of home values and looming property tax increases are depressing spending.”

“More clients want to do ‘face lifts’ instead of full remodels—changing counters, sink, back splash, even floors, but leaving cabinetry alone. Cabinetry sales year over year are off about 13%.”

“Clients are downsizing their budgets or not remodeling because of the lack of return on their investment in this flat real estate market.”

“Consumers spend a lot of money when they feel good about the real estate market and the economy. People pay attention to it and make remodeling decisions on those two things. Neither are positive now.”

“The rising cost of materials and labor in the kitchen and bath industry is a big deal because they are the two costliest spaces in the home and a huge commitment / investment. With an uncertain market and ROI, clients are becoming reluctant to sign up to do a remodel.”

“We cannot find installers that are not booked out 6 months. They are raising their rates and increasing the total cost of the project, which is pushing homeowners to lower their cabinet and countertop budgets or postpone completely.”

“Election years always create some hesitation with consumers, but we are in many markets and are seeing reluctance across all of them this time around.”

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
Manufacturers Say Increasing Labor, Material Costs Are Biggest Barriers to Investing in Growth

“We’re struggling to deal with price and cost increases in materials and labor. We can’t invest in equipment to grow when we’re paying 40% more year over year in standard costs.”

“The increasing cost of materials and labor is hurting. Our customers are not willing to pay for them. We decreased our margin dramatically to maintain a stream of work (and keep our people employed).”

“We could easily double our sales if we had more resources to satisfy the demand. The big manufacturers continue to put the smaller manufacturers out of business.”

“The lack of available skilled labor pool results in higher turnover and a reduction in consistent quality limiting our ability to grow our R&R business. We’d rather turn down business than hurt our reputation.”

“We know we need to invest in people to keep them around and to grow, but we’re waiting for the finalization of the anti-dumping on cabinets and the trade wars to settle down. We need to determine the true overall cost before making the investment in human resources, warehouses, equipment, etc.”

“Rising people and material costs leaves less on the table to invest in growing our company. We recently made the leap and invested in software to speed up our processing time for each order and give our production more time to manage a ‘boom’ cycle more effectively by not extending our lead time and damaging our reputation. We have also purchased new equipment to improve our production flow.”

“Every sub in the market has suddenly turned into a GC who operates their business out of the back of their truck, and it’s hurt our growth quite a bit.”

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
Building and Construction Companies Report Lack of Skilled Available Trades as Biggest Barrier to Growth

“Not being able to find experienced staff and available subs hurts. If we had more skilled carpenters and cabinet makers, we’d be able to grow in the areas we want to grow in. It’s held sales back by 20%.”

“Finding and retaining skilled employees as well as trade partners is our biggest barrier to growth. I have to beg to get a sub out to a job for a bid, and clients will walk when things aren’t progressing quickly.”

“We turn about 15% of jobs away because we can’t line up the subs to get the work done.”

“We’re quoting 10% more on the jobs we can get to simply because we can’t find enough people to complete the number of jobs we want to take on.”

“So far this year I’ve had to turn away $200,000 in projects because there are no crews available.”

“We’ve been in business 20 years and have a good reputation in our market, but we’re having more trouble than ever keeping our summer crews around when things slow down in the winter.”

“We can’t keep talented people. They go off on their own once they realize how in demand they are.”

“Things are really hard right now. Clients want more for less, and we’re having a difficult time finding people to do the work. Basically, we’re raising our fees to create some attrition in demand.”

“We could be more competitive on price if we had more people and more loyal trades.”

“We’ve had to significantly raise rates due to tariffs. We’re charging 10%–15% more for the same project.”

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
The NKBA / John Burns Real Estate Consulting *Kitchen & Bath Market Index (KBMI)* gauges the pulse of kitchen and bath industry in the US. The KBMI is based on a quarterly survey of the NKBA membership conducted jointly by NKBA and John Burns Real Estate Consulting.

The NKBA membership base consists of thousands of industry professionals including remodelers, installers, fabricators, trades, kitchen designers, bath designers, interior designers, architects, planners, product manufacturers, cabinet makers, kitchen and bath product suppliers, wholesale distributors, manufacturer’s representatives, dealers, retailers, showrooms, and kitchen and bath e-tailers.

The *Kitchen & Bath Market Index (KBMI)* is a diffusion index comparing weighted responses of NKBA members on three key aspects of their business: most recent quarterly sales, expectations about next quarter’s sales growth, and an overall perception of the health of the kitchen and bath industry.

The KBMI survey asks NKBA members to rate latest quarterly sales and next quarter sales expectations as “higher”, “the same”, or “lower” than the same period in the prior year. NKBA members also rate the health of the overall kitchen and bath industry on a scale from 1–10, with 0 being “extremely weak” and 10 being “extremely high.”

### Survey Responses

<table>
<thead>
<tr>
<th></th>
<th>Building and construction</th>
<th>Design</th>
<th>Manufacturing</th>
<th>Retail sales</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Index</strong></td>
<td>124</td>
<td>338</td>
<td>65</td>
<td>125</td>
<td>457</td>
</tr>
<tr>
<td><strong>Current sales</strong></td>
<td>121</td>
<td>310</td>
<td>59</td>
<td>117</td>
<td>607</td>
</tr>
<tr>
<td><strong>Customer spending</strong></td>
<td>122</td>
<td>319</td>
<td>60</td>
<td>121</td>
<td>622</td>
</tr>
</tbody>
</table>

Note: Respondents may identify their company as belonging to multiple sectors; however, we only count their index responses once. Total responses are higher for current sales and customer spending categories because these responses are recorded under each sector selected.

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
Conducted jointly by the National Kitchen & Bath Association and John Burns Real Estate Consulting, the Kitchen & Bath Market Index (KBMI) examines current kitchen and bath industry demand, future expectations, and issues and challenges that industry professionals are facing in their businesses.

Responses by segment

- **52%** Design
- **19%** Retail sales
- **19%** Building and construction
- **10%** Manufacturing

Sources: NKBA; John Burns Real Estate Consulting, LLC (Data: Jul-19, Pub: Aug-19)
LIMITING CONDITIONS

The conclusions and recommendations presented in this report are based on our analysis of the information available to us from our research as of the date of this report. We assume that the information is correct and reliable and that we have been informed about any issues that would affect project marketability or success potential.

Our conclusions and recommendations are based on current and expected performance of the national, and/or local economy and real estate market. Given that economic conditions can change and real estate markets are cyclical, it is critical to monitor the economy and real estate market continuously, and to revisit key project assumptions periodically to ensure that they are still justified.

The future is difficult to predict, particularly given that the economy and housing markets can be cyclical, as well as subject to changing consumer and market psychology. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the differences may be material. We do not express any form of assurance on the achievability of any pricing or absorption estimates or reasonableness of the underlying assumptions.

In general, for projects out in the future, we are assuming “normal” real estate market conditions, and not a condition of either prolonged “boom” or “bust” market conditions. We do assume that economic, employment, and household growth will occur more or less in accordance with current expectations. We are not taking into account major shifts in the level of consumer confidence; in the ability of developers to secure needed project entitlements; in the cost of development or construction; in tax laws that favor or disfavor real estate markets; or in the availability and/or cost of capital and mortgage financing for real estate developers, owners and buyers. Should there be such major shifts affecting real estate markets, this analysis should be updated, with the conclusions and recommendations summarized herein reviewed and reevaluated under a potential range of build-out scenarios reflecting changed market conditions.

We have no responsibility to update our report analysis for events and circumstances occurring after the date of our report. This analysis represents just one resource that should be considered when assessing a market opportunity.
Kitchen + Bath Market Index

Please contact any of us with questions, feedback, or requests for more information.

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