



Kitchen & Bath Market Index (Q3 2023 KBMI)

NKBA | KBIS  **JOHN BURNS**
RESEARCH & CONSULTING

October 2023



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[Cover image] Design: Lori Kurnitsky, Co-Designer: Michele Plachte | Photo: Christian Garibaldi

[Page 2 image] Design: Rebecca Foster | Photo: Tracey Ayton



About this report

Conducted jointly by the National Kitchen & Bath Association and John Burns Research and Consulting, the Kitchen & Bath Market Index (KBMI) Survey examines current residential kitchen and bath industry demand, future demand expectations, and issues and challenges that industry professionals are facing in their businesses. The Q3 2023 report is based on findings from 761 members of the NKBA community across four primary industry segments, which are listed below:



Design



**Building and
construction**



**Retail
sales**



Manufacturing

The Q3 2023 Kitchen & Bath Survey ran from October 3-12, so responses, commentary, and sentiment reflect the very latest shifts in the kitchen and bath industry.



Executive summary

Kitchen and bath firms face a margin squeeze in Q3 2023.

A “lull in sales:” The **Q3 2023 Kitchen & Bath Market Index (KBMI)** dipped two points, marking a nearly two-year period of market deceleration. The market for residential kitchen and bath (K&B) products and services slowed to a near-standstill.

- Project completions were down by low-single digits in Q3 2023, yet many K&B pros **expect a return to growth in 2024, citing opportunities to serve households in aging homes and those trading up in place.**
- **Gross margins are under pressure: firms are getting “hit with further rising material costs” while sales slow.** Retail sales declined by 1.3% YOY, on average, even as vendors passed on markups of 8% or more for multiple product categories: countertops, lighting, cabinets, vanities, refrigerators, hardware, dishwashers and tile.
 - Rising labor costs also challenge margins; a third of K&B firms expect to raise their hourly labor rate by 6% or more in 2024. 2024 performance will be more varied based on how firms react to these margin challenges.
- **Building and construction firms reported an uptick in cancelations and postponements** post-design as interest rates rose. Even so, deferred activity adds to pent-up demand that will help elevate the market when rates eventually moderate.
- **New project leads have slowed down.** Leads slowed most for mid-size projects priced \$50K–\$100K. Many firms shifted to higher price points (\$100K) with wealthier consumers.



Design: Sandra Diaz-Velasco | Photo: Eugenio Wilman & Kris Tamburello

5 key takeaways from the Q3 2023 Kitchen & Bath Market Index survey

1 While kitchen and bath sales slowed across the country, the Southeast fared better (especially Florida).

K&B firms reported that sales rose by over 10% in the Sunshine State and by 1% in the remainder of the Southeast. Strong employment growth, more trade-ups in place, and hurricane-related activity boosted Florida sales.

2 “Terrific prospects going into 2024.”

A solid share (44%) of K&B firms expect that sales revenue will increase in 2024. Only 13% expect sales to decline, and many said, “An existing backlog will keep us going.” Most firms expect any significant pick-up to occur in the second half of 2024.

3 Margins are under increasing pressure.

One in four K&B firms reported that their gross margins were lower than a year earlier. Rising costs and slowing sales challenged managers to pursue higher levels of efficiency. Savvy firms feel more “focused” and are raising their marketing budgets and focusing their sales message to maximize leads.

4 Price increases for the products K&B firms sell decelerated and are trending in line with inflation.

Year-over-year price increases in Q3 2023 were on par with inflation growth (3.6%), and K&B firms reported that they will increase their prices by only 1.7% through Q1 2024. Also in support of stable pricing is the fact that supply chain challenges have nearly vanished.

5 Rising labor costs and availability of labor remain the industry’s biggest challenge.

K&B firms rated the cost and availability of skilled labor as a highly pressing concern. They expect to raise their hourly wages by 4.9% on average in 2024, and many are actively seeking to recruit skilled trades.

Challenging times call for creative focus: In Q3 2023, K&B design firms spoke about the toll that inflation-related stress is having on their customers (page 37). Designers also discussed the impact of higher interest rates (page 41). Many are re-adjusting by focusing on design and consultation only, eliminating the need to “deal directly with material and labor costs.”

Q3 2023 KBMI Report Summary

While the macro and financial backdrop warrants a dose of caution, opportunities remain in the K&B market. A majority of NKBA members expect a return to normal (pre-COVID) seasonal trends and look forward to **diversifying offerings** and **expanding their market share** to get ahead in the coming year.



Design: Sandra Gjesdahl | Photo: Reid Rolls

We are pleased to share the Q3 2023 National Kitchen & Bath Association / John Burns Kitchen & Bath Market Index (KBMI).



Overview of the KBMI Index

The Kitchen & Bath Market Index (KBMI) is a diffusion index that reflects sentiment on current sales growth, industry health, and an outlook for near-term growth among US-based kitchen and bath industry professionals. **A rating above 50 indicates industry growth; a rating below 50 indicates slowing activity.**

Current growth

Current Conditions

Gauges sales growth in the most recent quarter vs. the prior year

Industry rating

Industry Health

Reflects overall sentiment on the economic health of the kitchen and bath industry, ranging from extremely weak to extremely strong

Future growth

Near-Term Activity

Indicates sales growth in the upcoming quarter (next 3 months)



KBMI Index Rating:

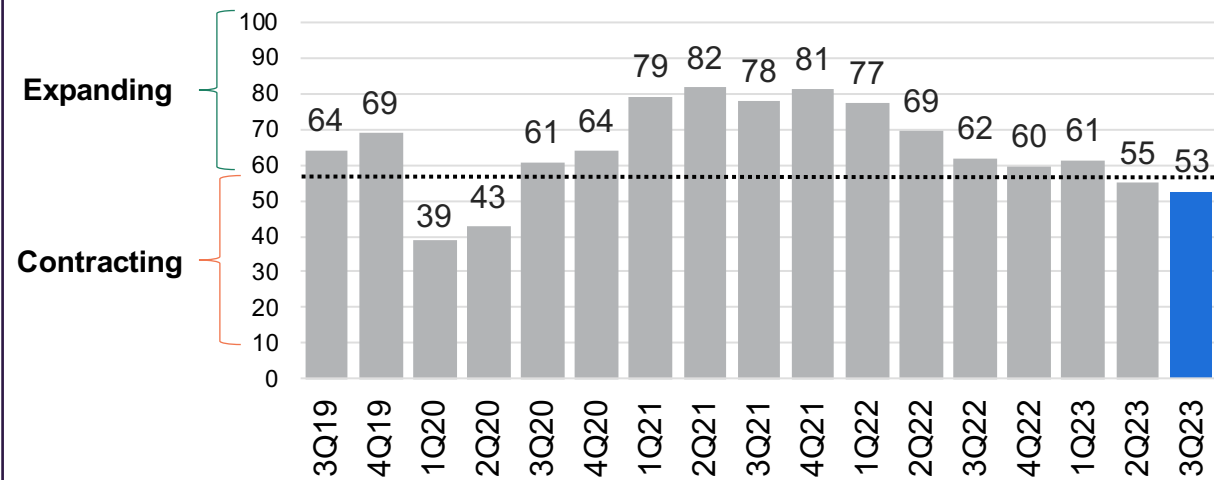
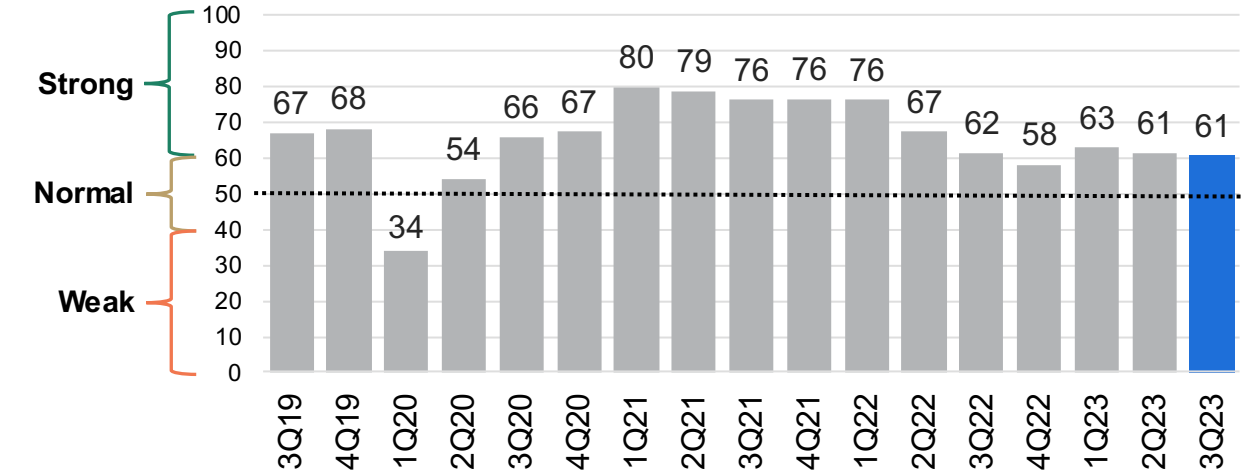
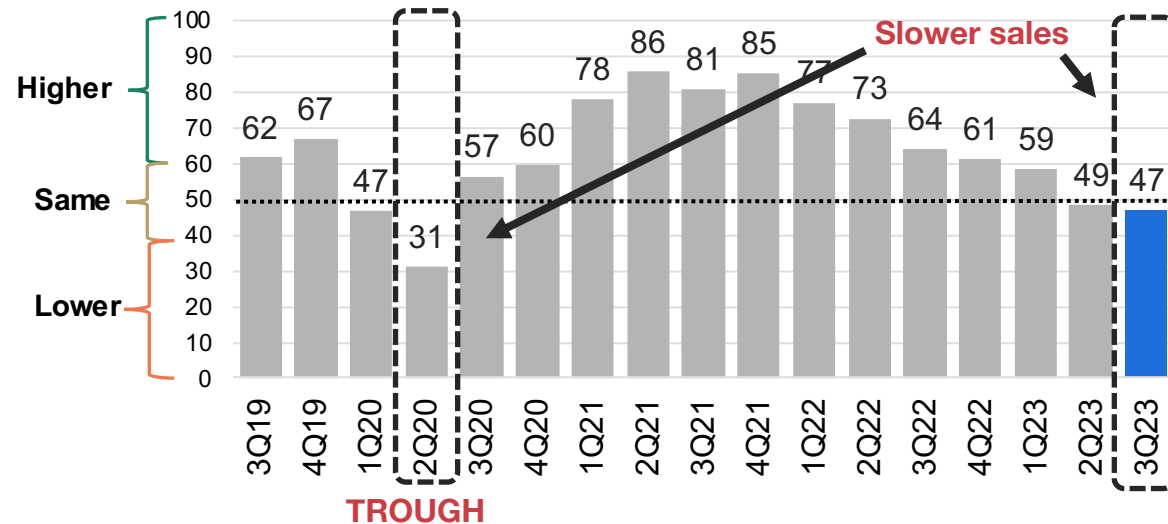
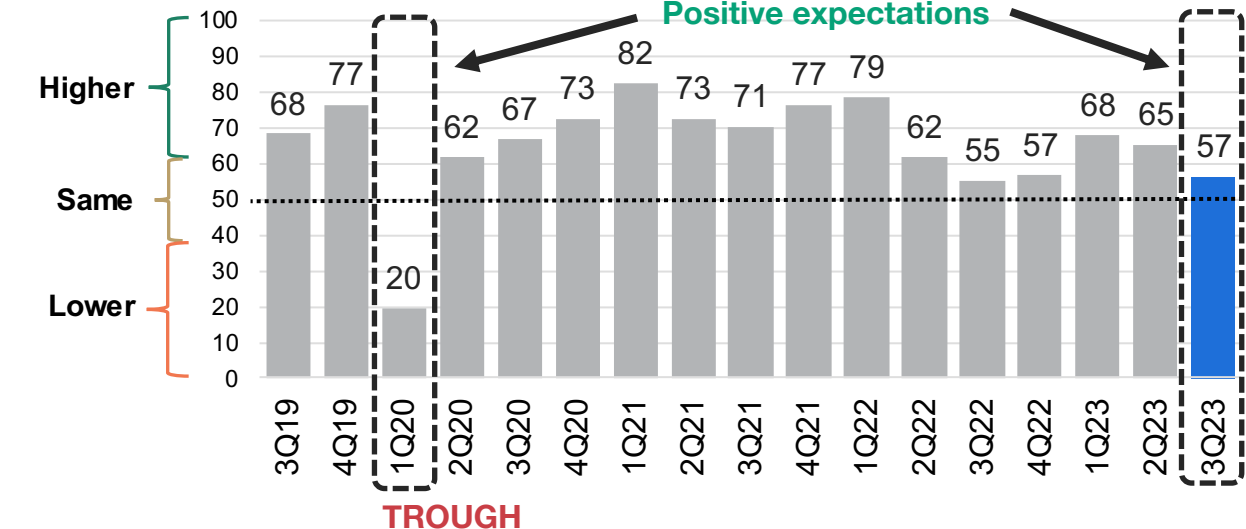
53 out of 100

The KBMI Index rates **53** out of 100 (**down** from 55 in Q2 2023), indicating that kitchen and bath industry growth decelerated. While project/order volumes declined in the third quarter, and new leads are down, most companies expect slower growth will be short-lived.



Conducted jointly by the National Kitchen & Bath Association and John Burns Research and Consulting, the Q3 2023 report reflects findings from 761 members of the NKBA community across four primary industry segments: design, building and construction, retail sales and manufacturing.

The KBMI flattened in Q3 2023 as sales slowed, but the near-term outlook is for growth. The last time this happened (in Q2 2020) was the trough of the COVID-induced recession.

Kitchen & Bath Market Index (KBMI)**Health of the Kitchen & Bath Industry****Current Kitchen & Bath Activity Index****Near-Term Kitchen & Bath Activity Index (Next 3 Mos.)**

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

The Kitchen and Bath Market Index (KBMI) survey tracks four key segments.

The Kitchen and Bath Market Index survey identifies key trends across four major K&B industry segments. Survey respondents were asked to think only in terms of their “**residential kitchen and bath**” activity.



Design

- Kitchen Designer
- Bath Designer
- Interior Designer
- Architect
- Draftsman
- Planner



Building and construction

- Builder
- Remodeler
- Installer
- Fabricator
- Developer
- Trades Professional



Retail sales

- Dealer
- Multi-Branch Retailer
- Showroom
- Online Kitchen and Bath Seller



Manufacturing

- Manufacturer
- Cabinet Shop
- Supplier
- Wholesale Distributor
- Manufacturers' Rep

Key Q3 2023 takeaways by kitchen and bath industry segment

Design as well as building and construction firms continue to report substantial opportunities in the market and benefit from their backlogs. Retailers and some manufacturers were challenged to expand their addressable market to meet sales goals.



Design

- Designers' sales turned negative as higher prices and financing costs weighed on consumers.
- With new leads declining, many designers readjusted—pursuing larger, higher-margin projects. Some even outsourced materials purchasing to the consumer.
- Performance varied—more than a quarter saw double-digit sales growth. Overall backlogs remain solid at an average of 2.4 months.



Building and construction

- Fewer new leads and project completions compared to a year earlier led to a continued draw-down in project backlogs—which still average a healthy 3.1 months.
- With fewer households moving, many remodelers reported a solid market of households eligible to trade-up in place.
- Installers/tradespeople face greater competition, especially on price and use of technology.



Retail sales

- Sales growth remained negative versus the prior quarter, although foot traffic losses were less severe.
- With lower sales, covering fixed costs became a concern. Many strove to diversify/expand their offerings to meet sales goals.
- Higher vendor pricing is finally slowing, yet the improvement comes late for some retailers that didn't raise prices fast enough.

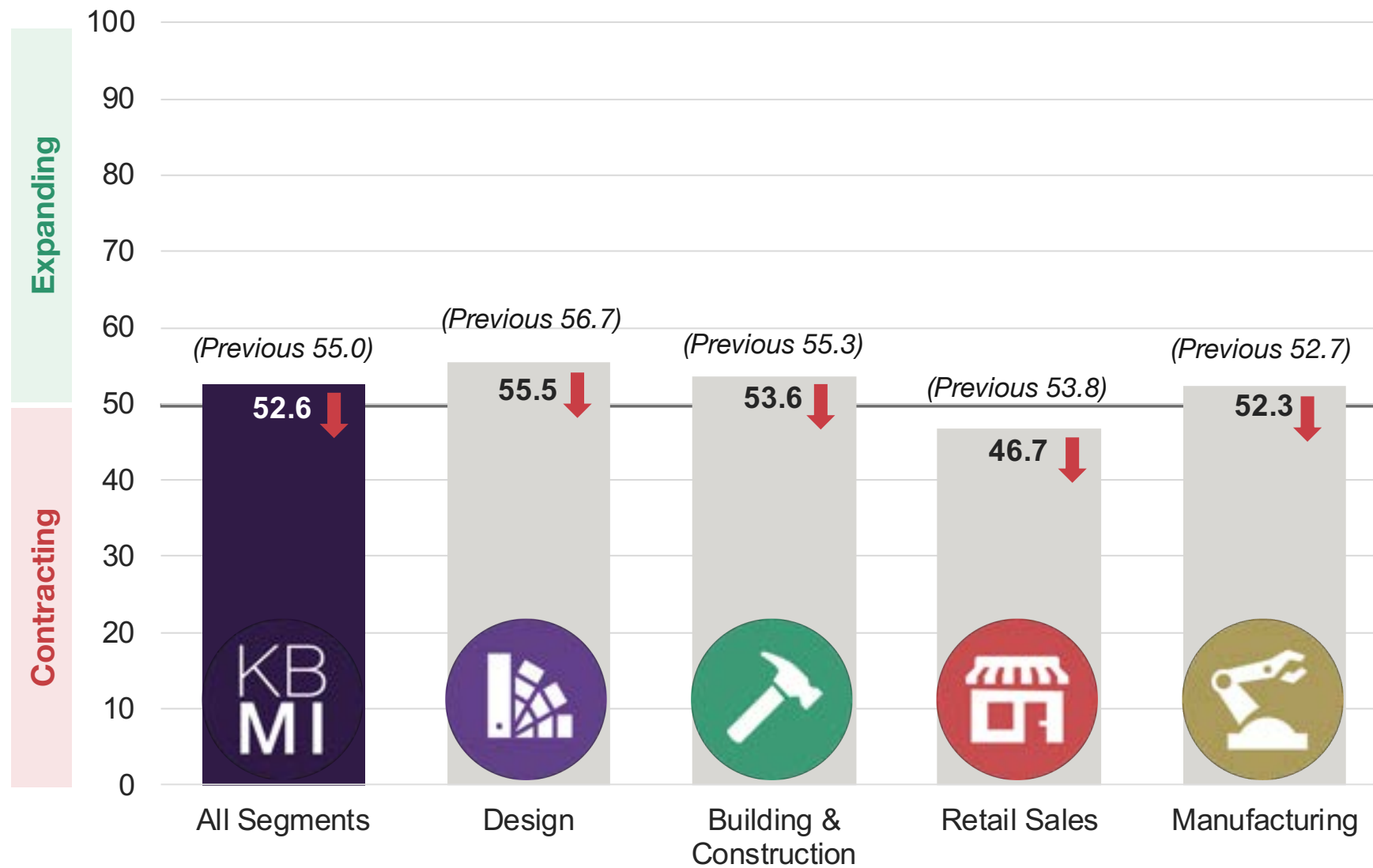


Manufacturing

- Manufacturers' orders declined again by low single digits on average.
- Increased competition, especially on price, and higher costs prompted efforts toward higher productivity and cost control.
- Companies operating on volume with low margins will struggle.
- Cabinet shops were the only segment seeing significant capacity constraints.

Kitchen & Bath Market Index by Segment (Q3 2023)

The Kitchen & Bath Market Index (KBMI) is a composite **diffusion index** reflecting sentiment on **current year-over-year sales growth**, the **health of the industry**, and an **outlook for next-quarter growth** among kitchen and bath industry professionals in the US.



Kitchen and bath firms report a mixture of low growth and contracting market activity.

The KBMI Index rated 52.6 on a 100-point scale in Q3 2023, down from 55 reported in Q2 2023. This places the index in the **expanding** range, albeit at a near-standstill.

Designers, with their more affluent customers, rated demand as most resilient.

Retailers, who are unprotected by backlogs and exposed to a broader range of consumers, cited contracting conditions.

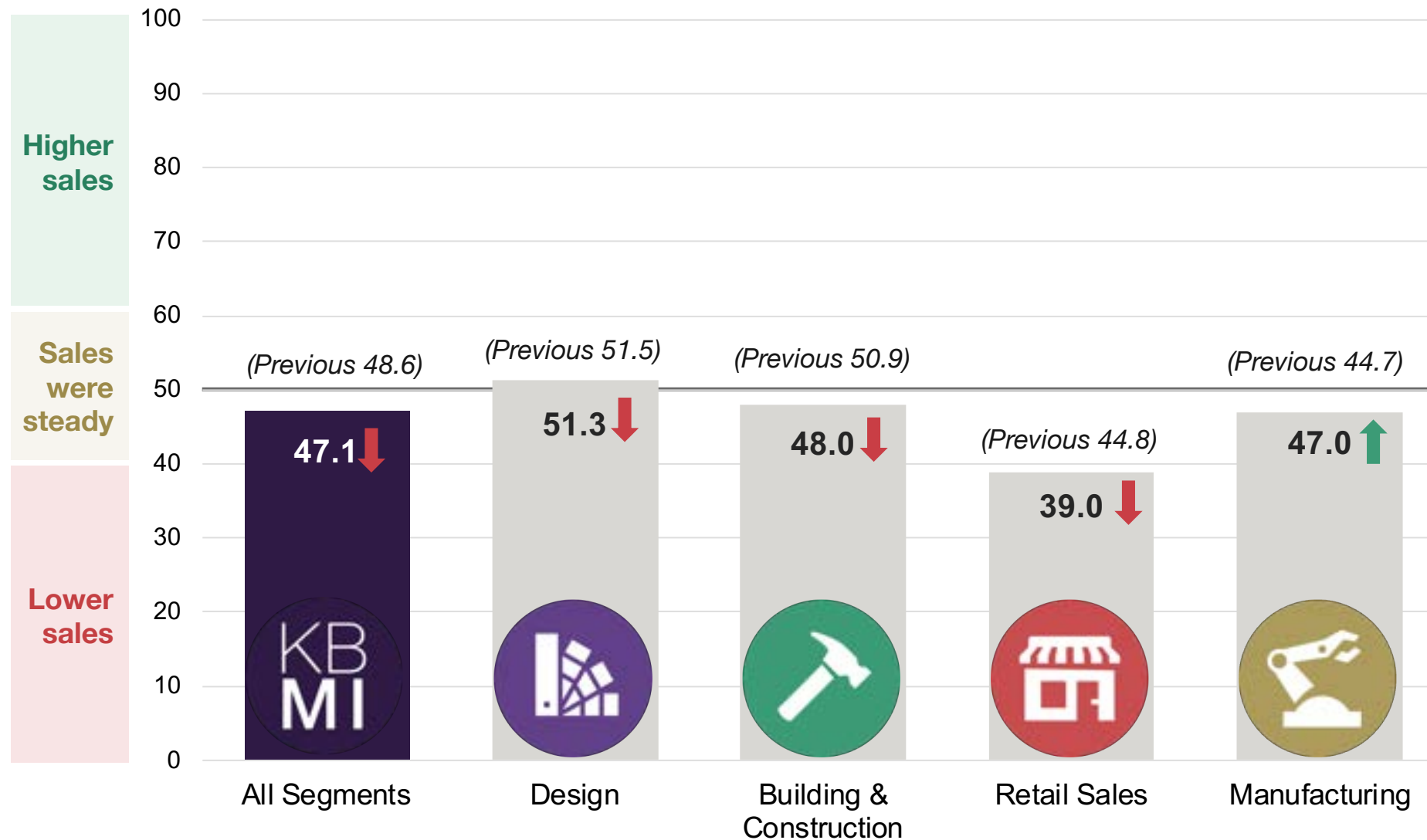
Note: Ratings above 50 indicate industry growth, while ratings below 50 indicate slowing activity.

Methodology Note: Historical values for the Kitchen and Bath Market Index have been recalculated to reflect revisions to the Health of the Kitchen & Bath Industry Index and will not match previous releases.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Current Kitchen & Bath Activity Index by Segment (Q3 2023)

Pros' rating of their current quarter (Q3 2023) residential kitchen and bath sales compared to one year ago (Q3 2022)



Current business conditions slowed as Q3 2023 sales slid marginally lower than year-ago levels.

Manufacturers upgraded their view of current sales from 44.7 to 47.0, suggesting that we may be getting closer to the cyclical trough.

*Note: Ratings of 0–39 mean **lower sales**, 40–59 mean **steady sales**, and 60–100 mean **strong sales** for the current quarter compared to one year ago.*

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Health of the Kitchen & Bath Industry Index by Segment (Q3 2023)

Represents NKBA members' rating of the **overall health** of their segment of the kitchen and bath industry, from extremely strong (100) to extremely weak (0)



K&B professionals rated their industry as *somewhat strong* despite a slowdown in sales. High home equity levels, aging homes in need of renovations, and deferred discretionary remodels all support this view.

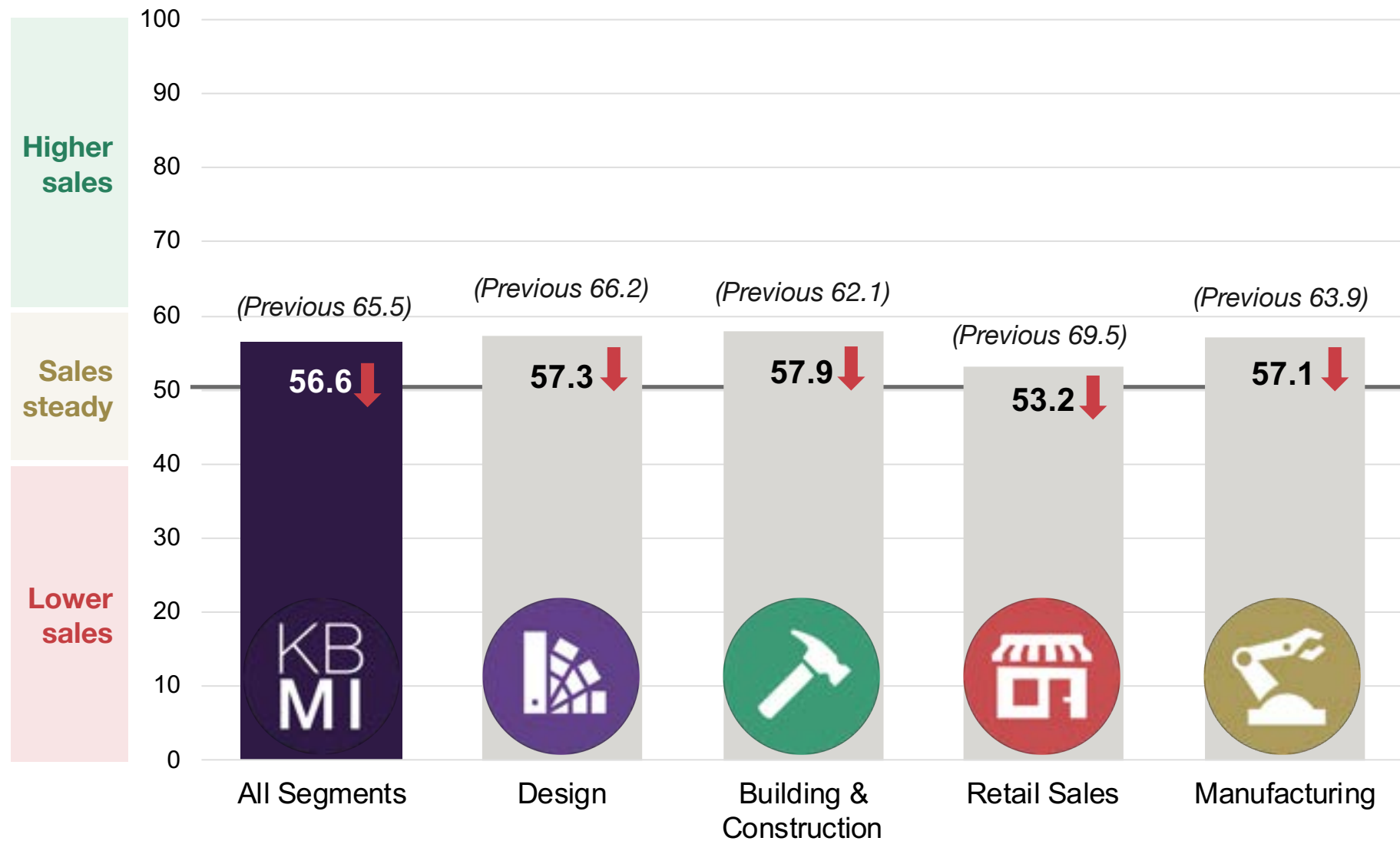
Design, building and construction firms reported greater confidence versus last quarter, while those in the retail and manufacturing downgraded their ratings.

*Note: Ratings of 0–39 mean **weak**, 40–59 mean **normal**, and 60–100 mean **strong** industry health.*

Methodology Note: Historical values for the Health of the Kitchen & Bath Industry Index have been recalculated to a 0-100 scale and will not match previous releases. This change also impacts the overall Kitchen and Bath Market Index. Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Near-Term Kitchen & Bath Activity Index by Segment (Q3 2023)

Represents sales expectations for the **next quarter** (Q4 2023) vs. the most recent quarter (Q3 2023)



K&B professionals across all segments expect conditions will not worsen appreciably in Q4 2023. In fact, they said sales were more likely to remain steady or even *increase*—which should come as welcome news for those experiencing a slowdown.

*Note: Ratings of 0–39 mean **lower sales**, 40–59 mean **steady sales**, and 60–100 mean **strong sales**.*

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

The availability and cost of skilled laborers continue to rate high as a concern for the kitchen and bath industry, followed by interest rates and cost inflation.

Kitchen and Bath Industry Top Concerns in Q3 2023

Represents average response by category where 1 is "Not A Concern At All" and 10 is a "Significant Concern"



Labor constraints will moderate any expansion of activity into 2024.

Interest rates' high ranking on the list of K&B firm concerns relates to the fact that around 1 in 4 large discretionary projects are financed.

Geopolitical tensions are now more pressing than supply chain disruptions.



Action item: Many firms are developing apprenticeship programs and/or are increasing their networking efforts to find skilled laborers.

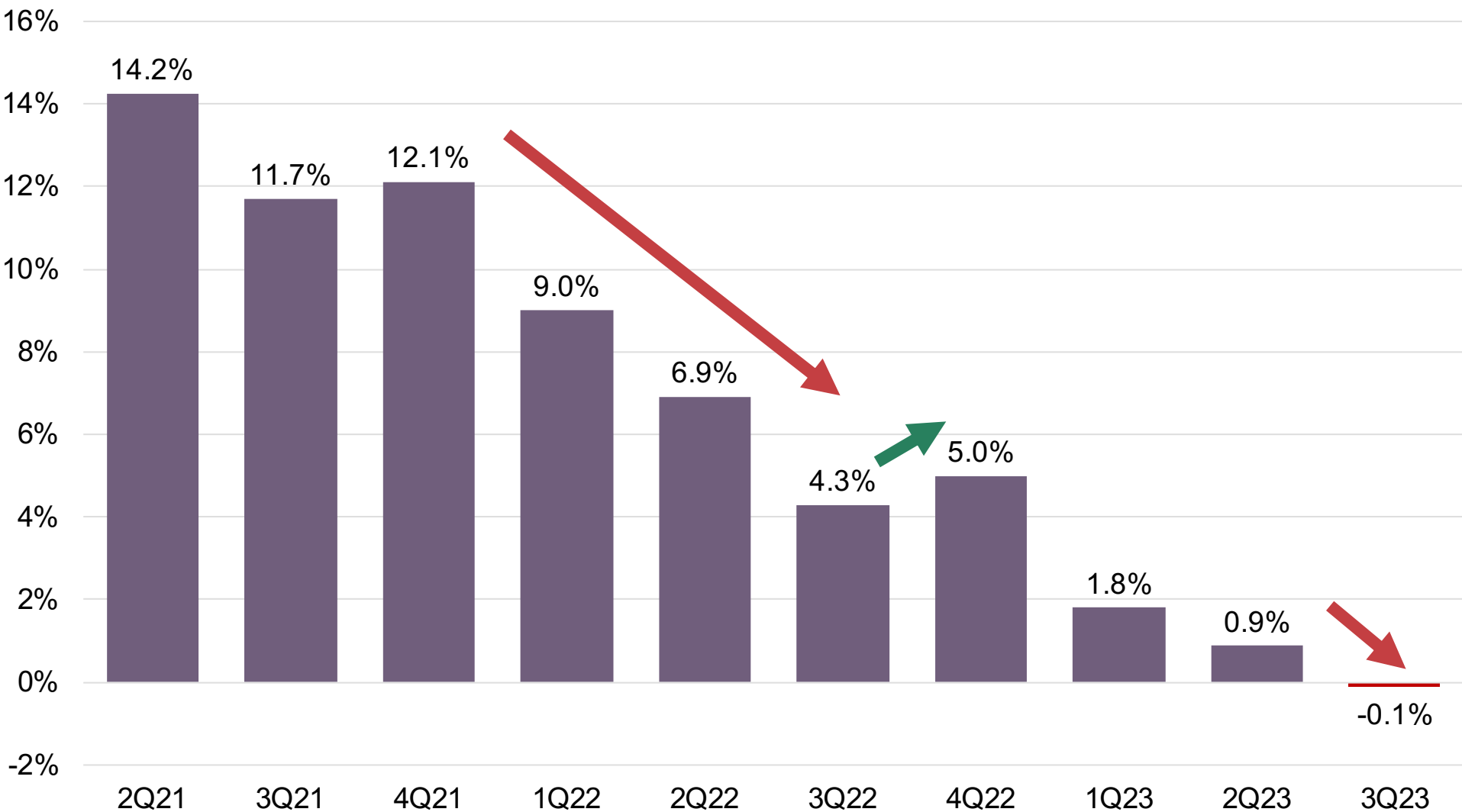


Industry sales

After two quarters of decelerating growth, average kitchen and bath industry sales growth flattened out to -0.1% in Q3 2023 on a year-over-year basis.

Residential Kitchen and Bath YOY Sales Growth

Represents average year-over-year sales change reported by respondents in all segments



“...existing clients’ [sales] volume is down. Builders aren’t building as many homes, and/or have switched from single-family to multifamily, which are less expensive per cabinet. Higher volume but lots of delays on multifamily means it takes longer to get paid. My company is working to find new accounts so that our revenue can still increase.

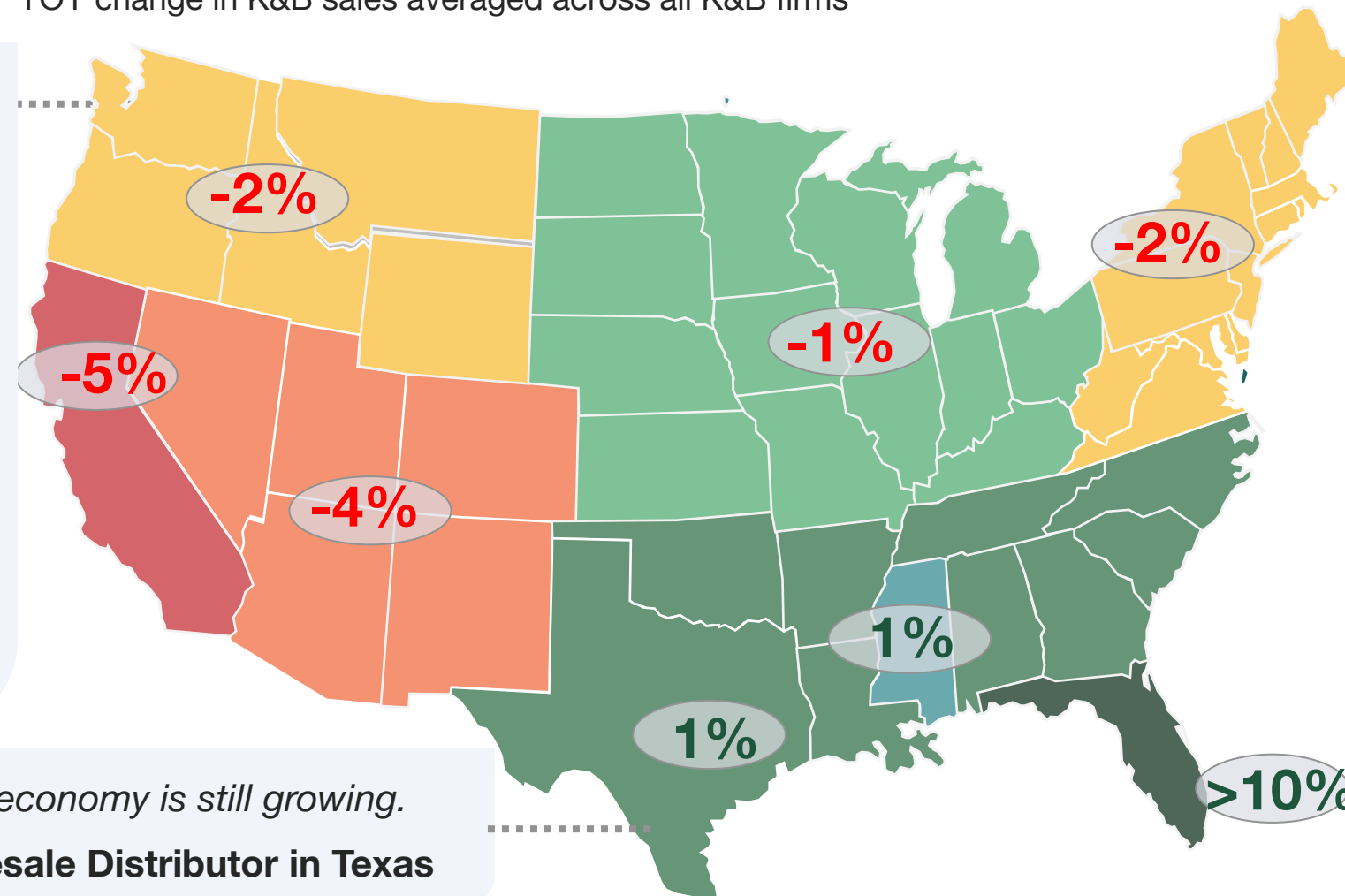
- Manufacturer’s Rep in Northeast

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Kitchen and bath industry sales slowed across most of the country. Growth turned negative in the West and Northeast, while the Southeast (especially Florida) was a bright spot.

Kitchen and Bath Sales Growth by Region (Q3 2023 YOY)

YOY change in K&B sales averaged across all K&B firms



Region-specific – we have a lot of time issues with permitting... I hope that this can be cleared up with evolution on city and county officials to make the process of (residential) permitting human-centric and more efficient and consistent.

Interior Designer in the Northwest

Texas economy is still growing.

Wholesale Distributor in Texas

We are in a market that is somewhat insulated as some of our clients are affluent and many pay cash, so they are not tied to the economy so much.

Kitchen Designer in Southeast

We have several projects we're still designing and presenting to customers that we will be closing in the next months, so are confident that we'll close 2023 strong!

Kitchen Designer in Florida

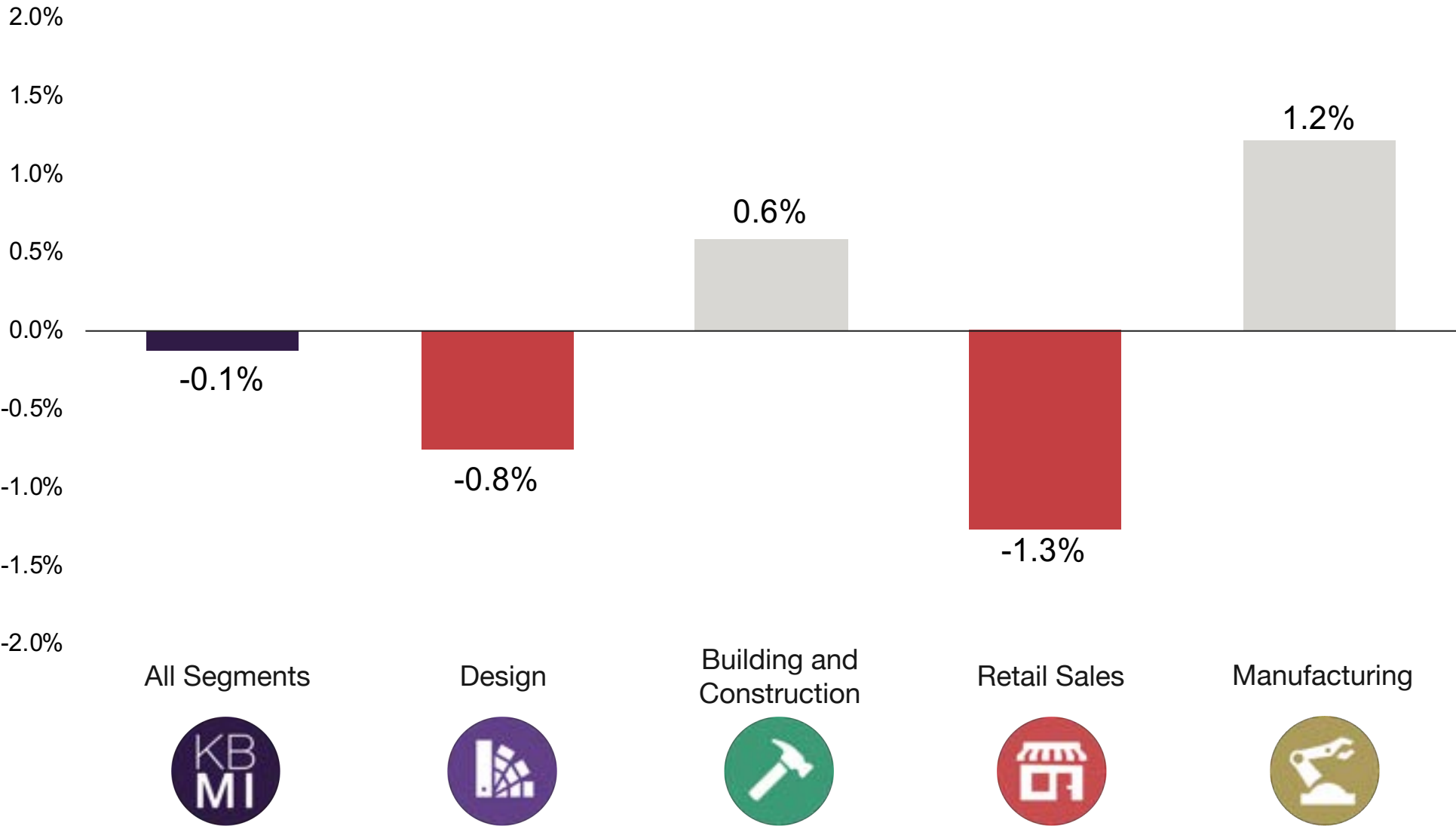
Note: average sales growth for Florida was above 10%.

Sources: John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Design and retail firm sales averaged marginally negative K&B sales (-0.1%) on a year-over-year basis. Other K&B segments reported flat growth.

Residential Kitchen and Bath Year-over-Year Sales Growth (Q3 2023)

Represents year-over-year sales change in Q3 2023 compared to Q3 2022



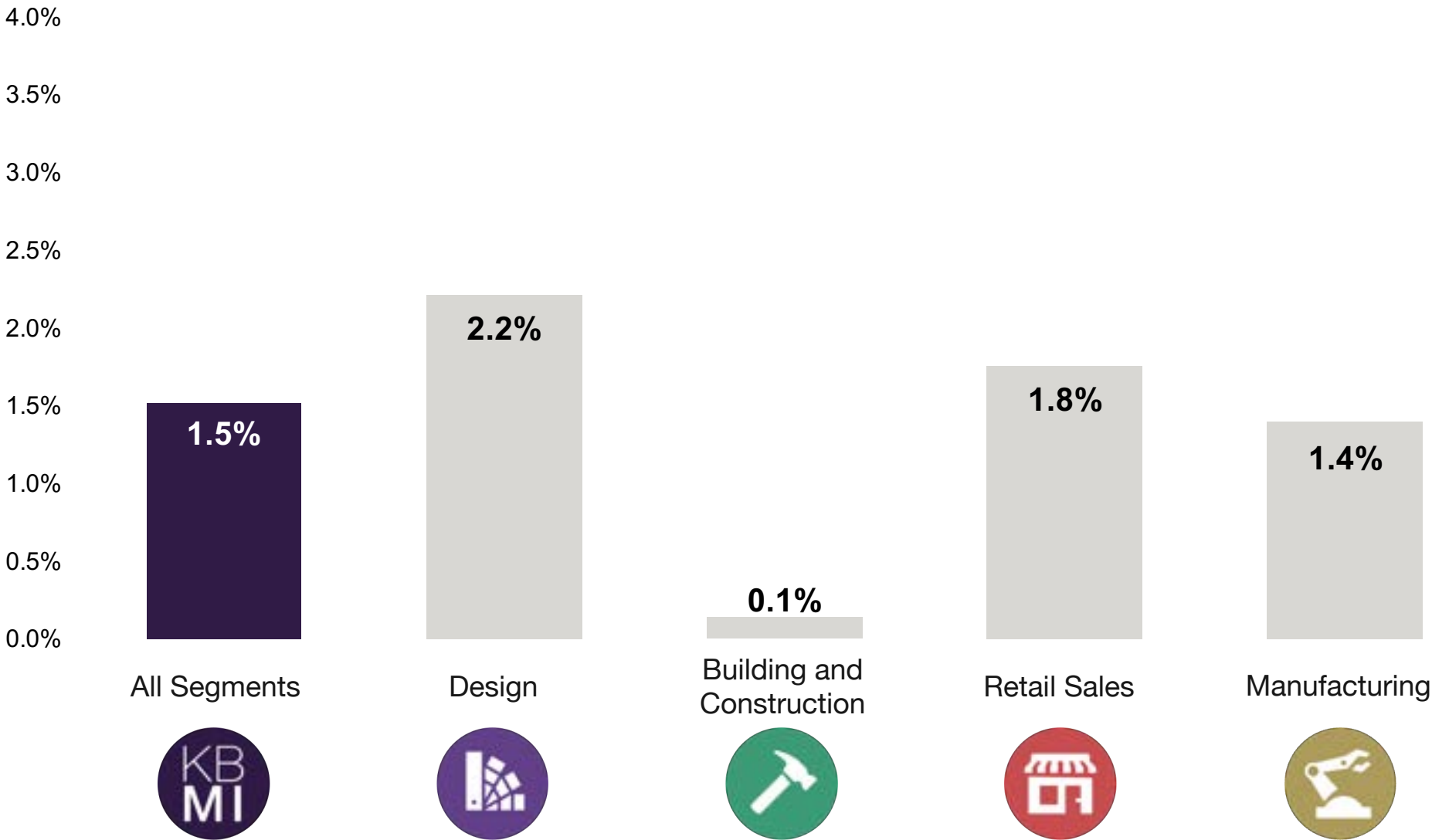
Since these growth rates don't factor into price increases, we know that project/order volumes were down.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Kitchen and bath companies expect low single-digit growth (1.5%) in sales for the next quarter.

Residential Kitchen and Bath Next Quarter Sales Growth Expectations (Q3 2023)

Represents expected quarter-over-quarter sales change in Q4 2023 compared to Q3 2023



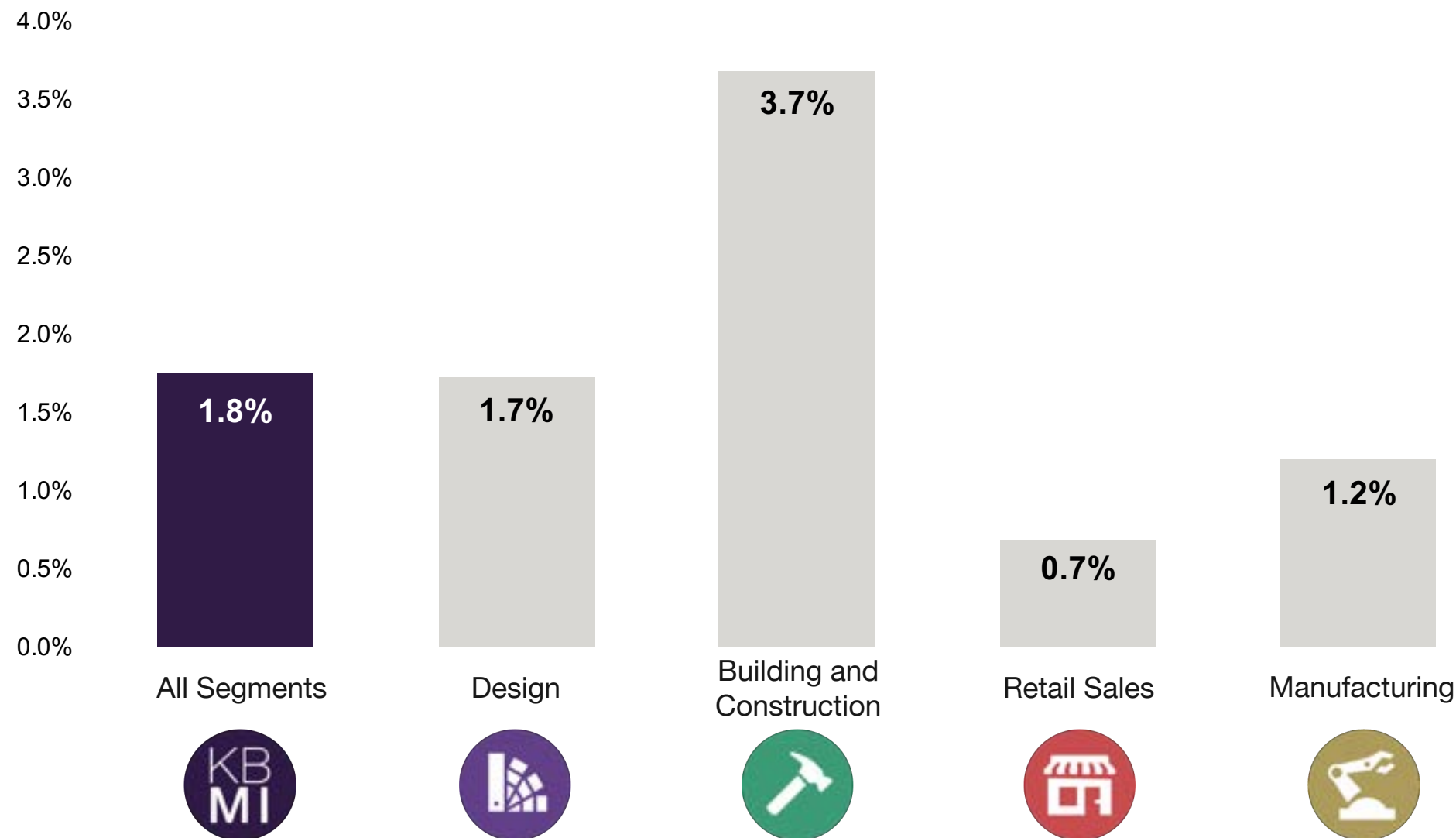
Designers are most optimistic, anticipating quarter-over-quarter sales growth of 2.2% in Q4 2023, while building and construction firms anticipate a seasonal pause in activity.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Kitchen and bath firms expect to record 1.8% sales growth for 2023 (down from prior expectations of 5%).

Residential Kitchen and Bath Full-Year 2023 Sales Growth Expectations (Q3 2023)

Represents expected full year sales change in 2023 compared to 2022



Again, we know that with price increases, actual order/project volumes were down.

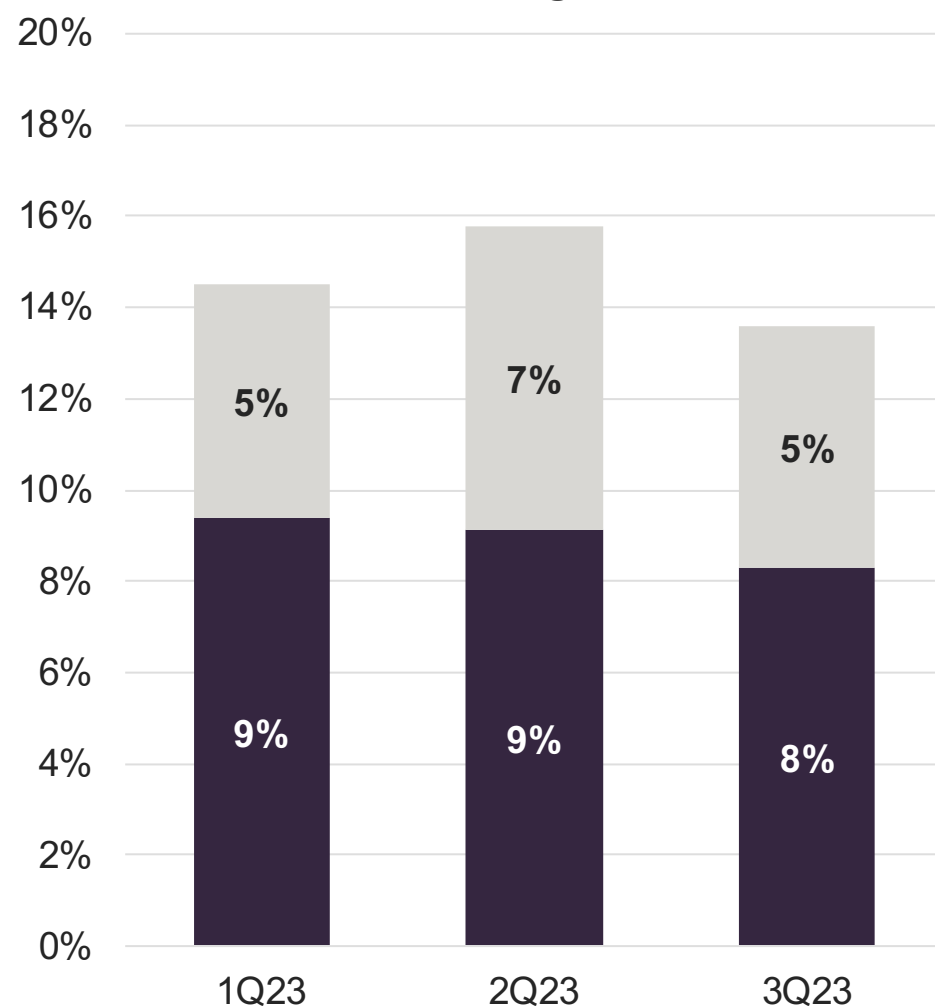
Builders/remodelers best weathered the storm that was 2023; they expect annualized growth of 3.7% for the year following a stronger first half of 2023.

Project deferrals continue to outpace cancelations, and these postponed projects will build up to fuel future demand.

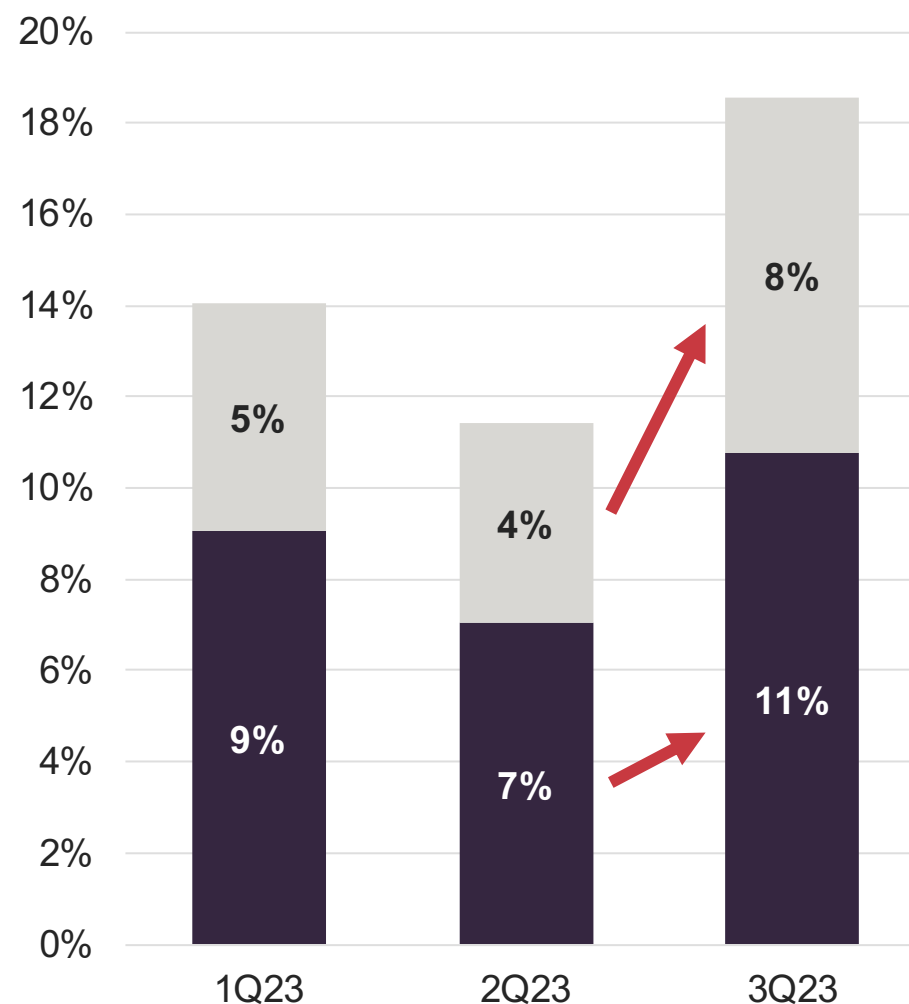
Share of Planned Q3 2023 Residential Kitchen and Bath Projects that were Canceled/Postponed

■ Postponed ■ Canceled

Design



Building and Construction



Building and construction firms saw a slight uptick in project postponements *and* cancelations.

We believe pent-up demand from projects *never started* is even higher.



Where we used to see most clients financing their projects easily, we now see holds and cancelations after they take a cost number to the bank. We have seen numerous competitor quotes to know we are less than any we have seen to date and are still seeing postponements.

- Bath Designer in the Northeast

Over half of builder/remodeler project deferrals/cancellations are high-end (over \$50K).

Breakdown of Kitchen and Bath Postponements/Cancelations in 3Q23 by Project Size

Reported by building and construction firms

- Less than \$8,500

■ \$8,500 - \$20,000

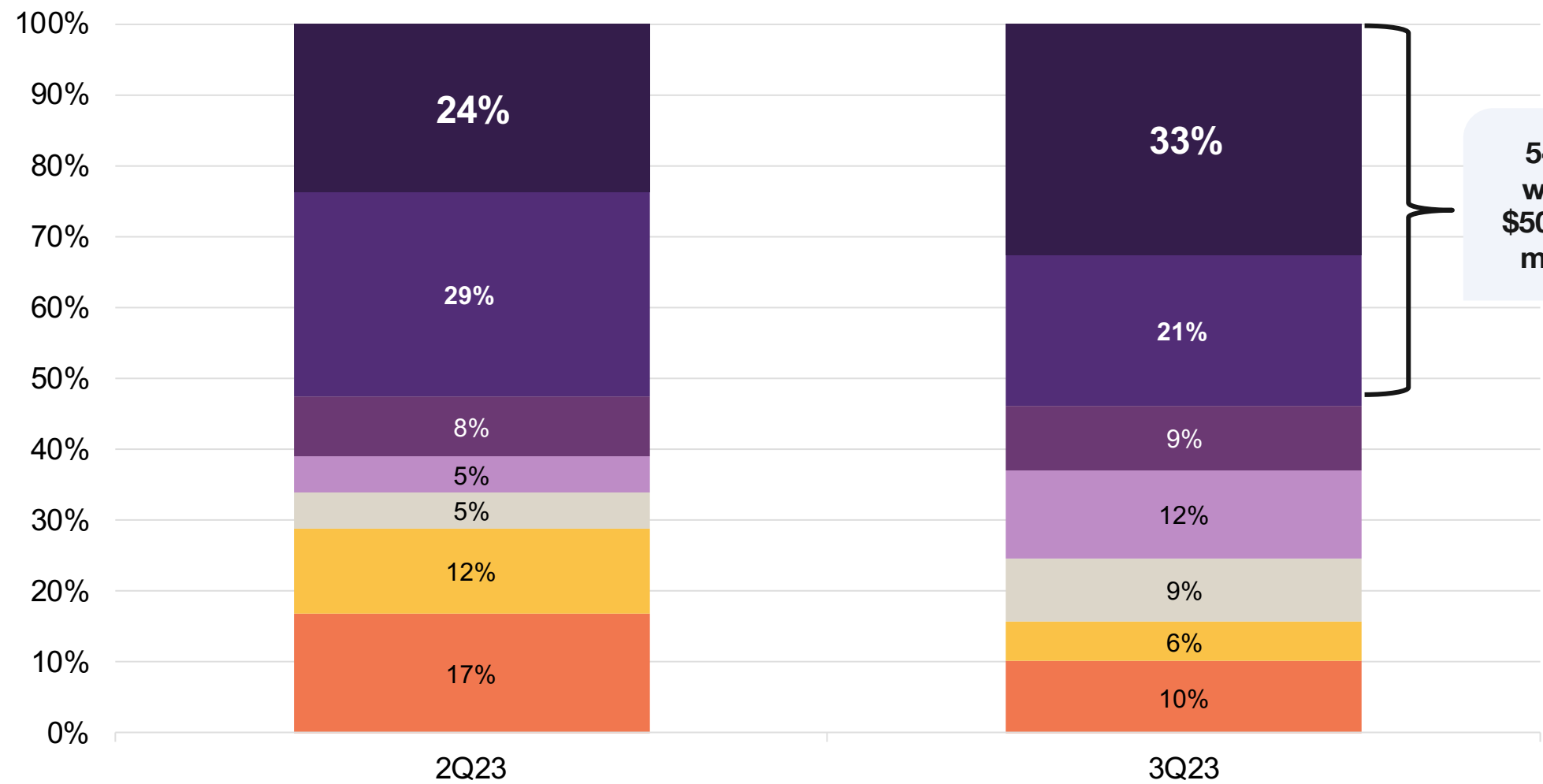
■ \$20,001 - \$30,000

■ \$30,001 - \$40,000

■ \$40,001 - \$50,000

■ \$50,001 - \$100,000

■ \$100,001+



54%
were
\$50K or
more

In many cases, these large jobs go through the design process, but are canceled before the construction phase.

When the market picks up again, these large deferred projects will help fuel demand.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

New customer leads slowed. Companies that focus on mid-sized projects (\$50K–\$100K) saw the steepest quarterly slowdown in leads.

Kitchen and Bath Design, Builder and Construction Firms’ New K&B Leads Received vs. Prior Quarter (Q3 2023)



Reflecting the general trend toward smaller projects, the decline was steepest for larger projects—but only up to around \$50K–\$100K.

Companies that generally complete larger \$100K+ projects were supported by more economically-resilient wealthy households.



Action item: Many firms are re-evaluating their marketing budgets for 2024 to ensure an optimal supply of new leads in a tougher economic environment.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

The mixed outlook for Q4 2023 and 2024 is balanced by many who expect a return to ‘pre-COVID’ growth conditions.



Some fear interest rates will have an outsized impact on consumer spending...

“We expect continued softness in sales revenues and profits primarily due to current high interest rates and threat of the Fed increasing them further. In addition, there is the threat of a recession as inflation has taken a significant toll on the average workers’ purchasing power while income has not kept pace.”

- Wholesale Distributor in the Northeast

“We expect lower sales due to inflation and fear of recession as well as high interest rates. People are afraid of investing in the building industry.”

- National Manufacturer

“For the rest of 2023, we will maintain the same business performance. Concerns surrounding higher interest rates along with inflation will affect 2024.”

- National Manufacturer



... while others anticipate a return to pre-COVID growth patterns.

“After a slow summer, the remainder of the year looks strong. The market is looking more and more like the pre-COVID market. The same periods of strong and weak business.”

- Retailer in the Midwest

“I think the outlook is strong. We were a little slow this summer, which is back to the norm we experienced before COVID, but the fall and winter are our busiest seasons. We are currently pretty busy, and I expect that to increase.

- Retailer in the Northeast

“The balance of 2023 will be down about 20% versus last year. We expect that to continue into 2024, but hopefully starting to grow again by the second quarter.”

- Manufacturer in the Midwest

“I believe this year will be over in a hurry, and most lead times and processes will almost be back to normal (compared to pre-COVID) except pricing.”

- Retailer in the Midwest

At this point in the cycle, longer-term ‘structural’ drivers are beginning to make a difference, including aging homes and households sitting on trillions in wealth.

“

It is a bit nerve-racking not knowing where the economy is going and how that might affect homeowners looking to remodel. On the other hand, with interest rates where they are and the cost of homes rising so much, people are opting to stay in their current homes. **Many homes in our area are in desperate need of remodeling, so we are hopeful that no matter what happens with the economy, there will always be people wanting our services.**

- Remodeler in Southwest



“

Inflation is affecting affordability for consumers. Interest rates are high making borrowed money more expensive or doing a cash-out refinance for a large remodel unlikely as people are locked in at <5% rates. **One positive is we see more homes that are aged around 20–30 years, which typically is when people start to look at remodels. Homeowners also tend to be older, which often means they have money available for remodels.**

- National Wholesale Distributor

“

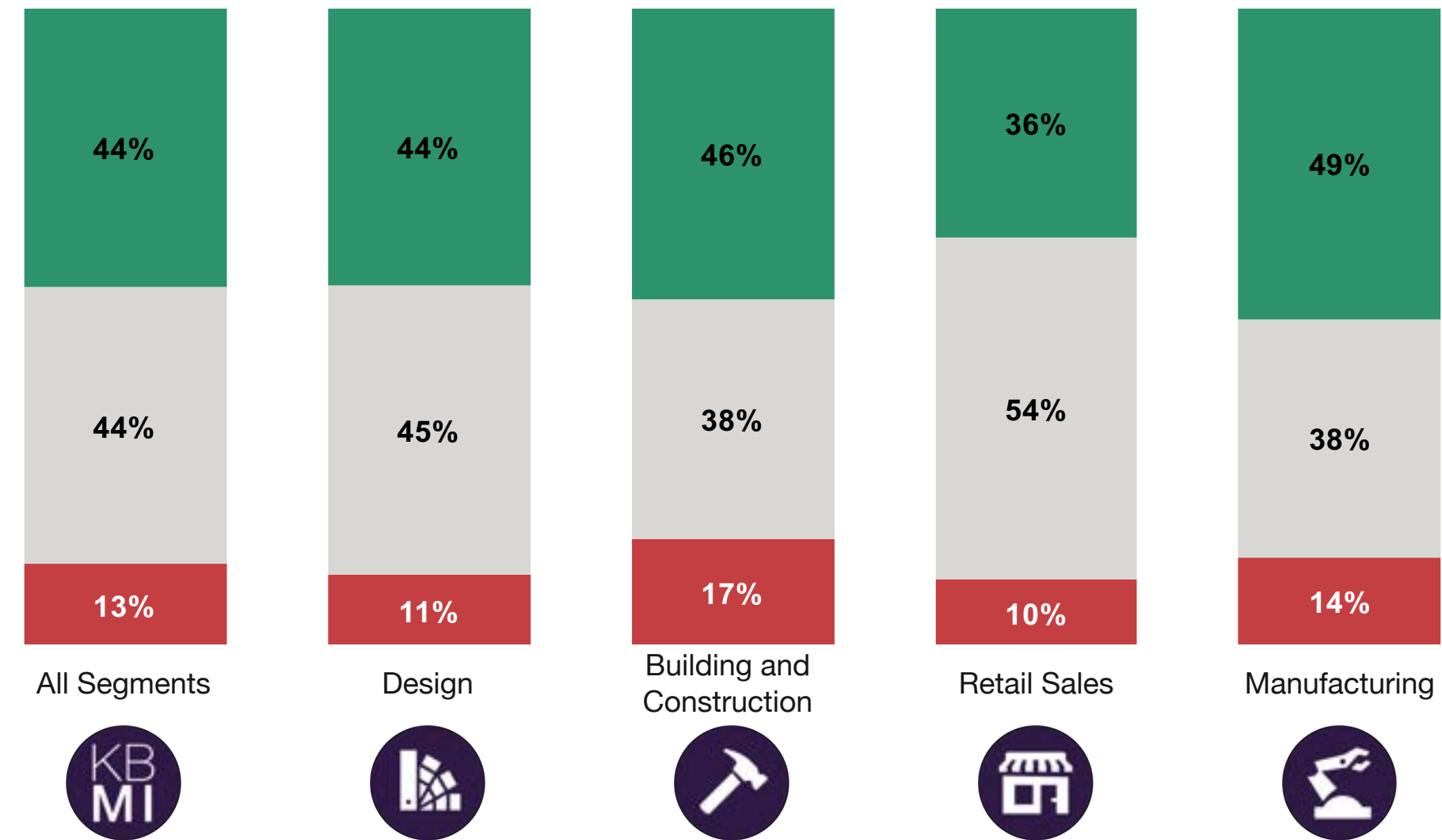
Still have clients who are willing to work with us. We are trying to keep these customers happy. **We do have a large group who have cash** but are worried about labor and materials costs.

- National Interior Design Firm

Kitchen and bath professionals expect a return to growth in 2024: 44% expect revenue to grow versus only 13% expecting a decline.

2024 Full-Year Revenue Outlook for the Kitchen and Bath Industry (3Q23)

■ Lower ■ Stay the same ■ Higher



Companies in the manufacturing segment remain the most optimistic, with 49% anticipating higher revenue (down from 60% in Q2 2023).

“ We are on track for our largest sales year ever for 2023 and have terrific prospects going into 2024. We are working on expanding our company and growing at a healthy rate.

- Cabinet Shop in Midwest

Things are looking up for our company for 2024. Lots of work still coming in, as well as an existing backlog will keep us going.

- K&B Remodeler in the Northeast

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Executive
summary

Industry
sales

Market
conditions

Design
update

Retail
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Construction
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Manufacturing
update

Methodology



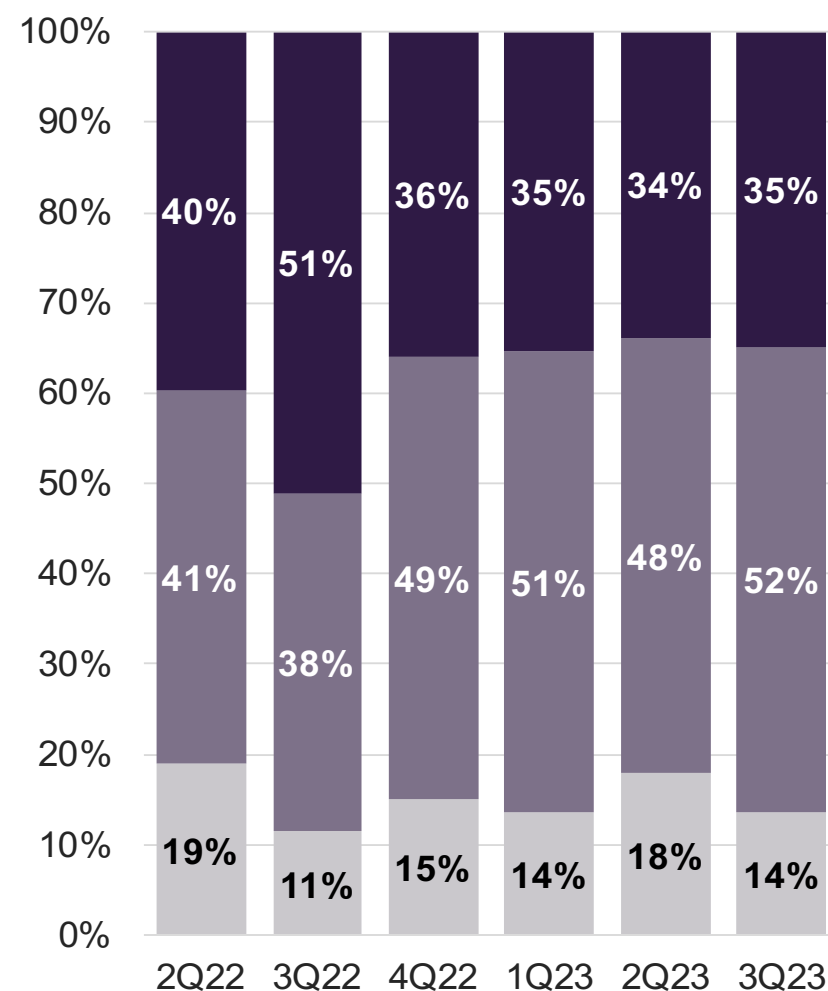
Market conditions

A third of manufacturers reported inventory build-up in Q3 2023 as demand slowed. On the positive side, most retailers felt their inventory position was right-sized.

Kitchen and Bath Inventory Levels vs. the Prior Quarter

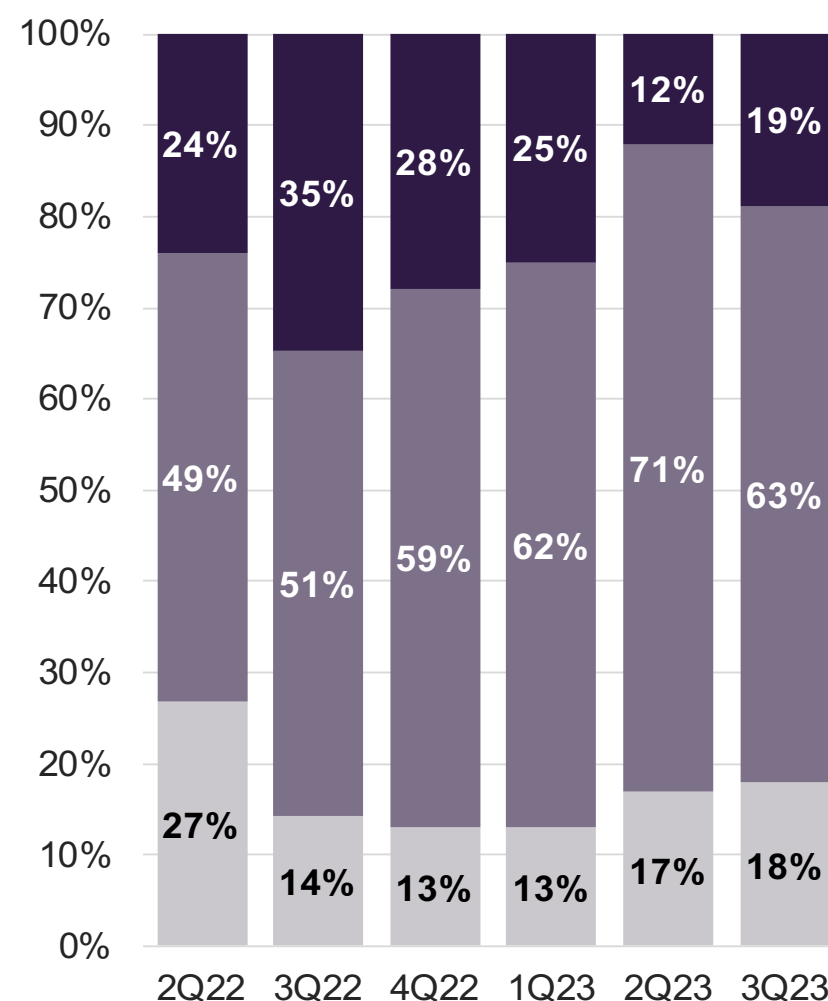
Manufacturing

■ Lower ■ About the same ■ Higher



Retail

■ Lower ■ About the same ■ Higher



Retailers managed their inventories well. Showrooms cited “keeping inventory levels under control” as a strategy to preserve margin. Only 1 in 5 retailers said inventory was “higher than I want it to be.”

Manufacturer inventory build-up was more widespread (more than 1 in 3 continued to say inventories were higher).

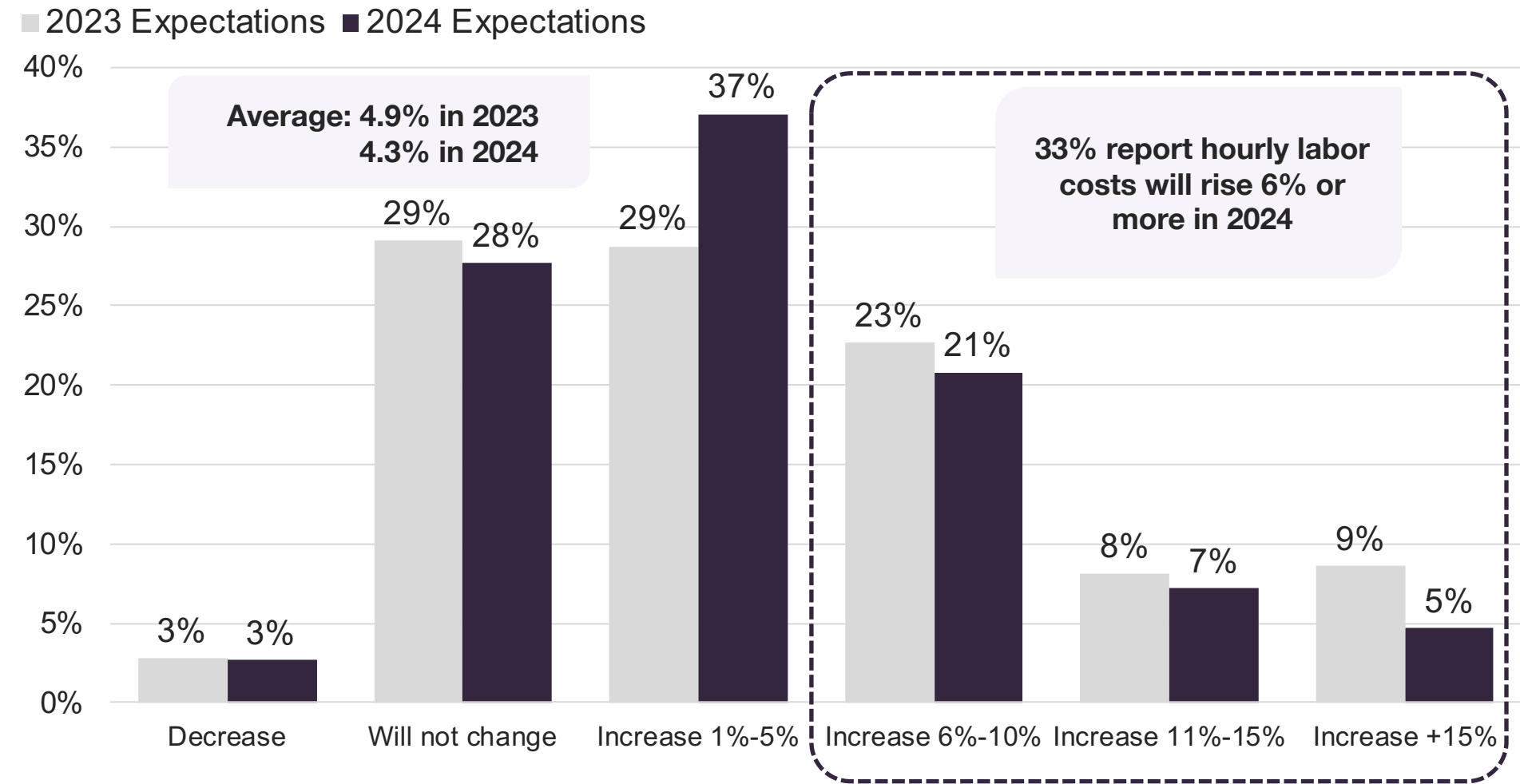
“Supply chain has improved, and most cabinet manufacturers now have excess inventory. They stocked up whenever they could during 2020–2022, and now, they need to sell that inventory of materials.”

- Manufacturer’s Rep in the Northeast

Labor costs have been outpacing inflation. One in three kitchen and bath firms expect their hourly wages to rise by 6% or more in 2024.

Kitchen and Bath Professionals Report Their Expected Changes For Year-over-Year Labor Costs Per Hour

Represents labor costs per hour for your average worker (including benefits)



With rising labor costs, some looked to technology and machinery enhancements to raise productivity, while others looked to optimize existing employees’ time with more training, greater oversight and larger projects.

“ Our productivity increased by buying new machines and improving technology.

- **Cabinet Shop in Southeast**

More focus on larger projects, eliminating the time-consuming small jobs that slow down production.

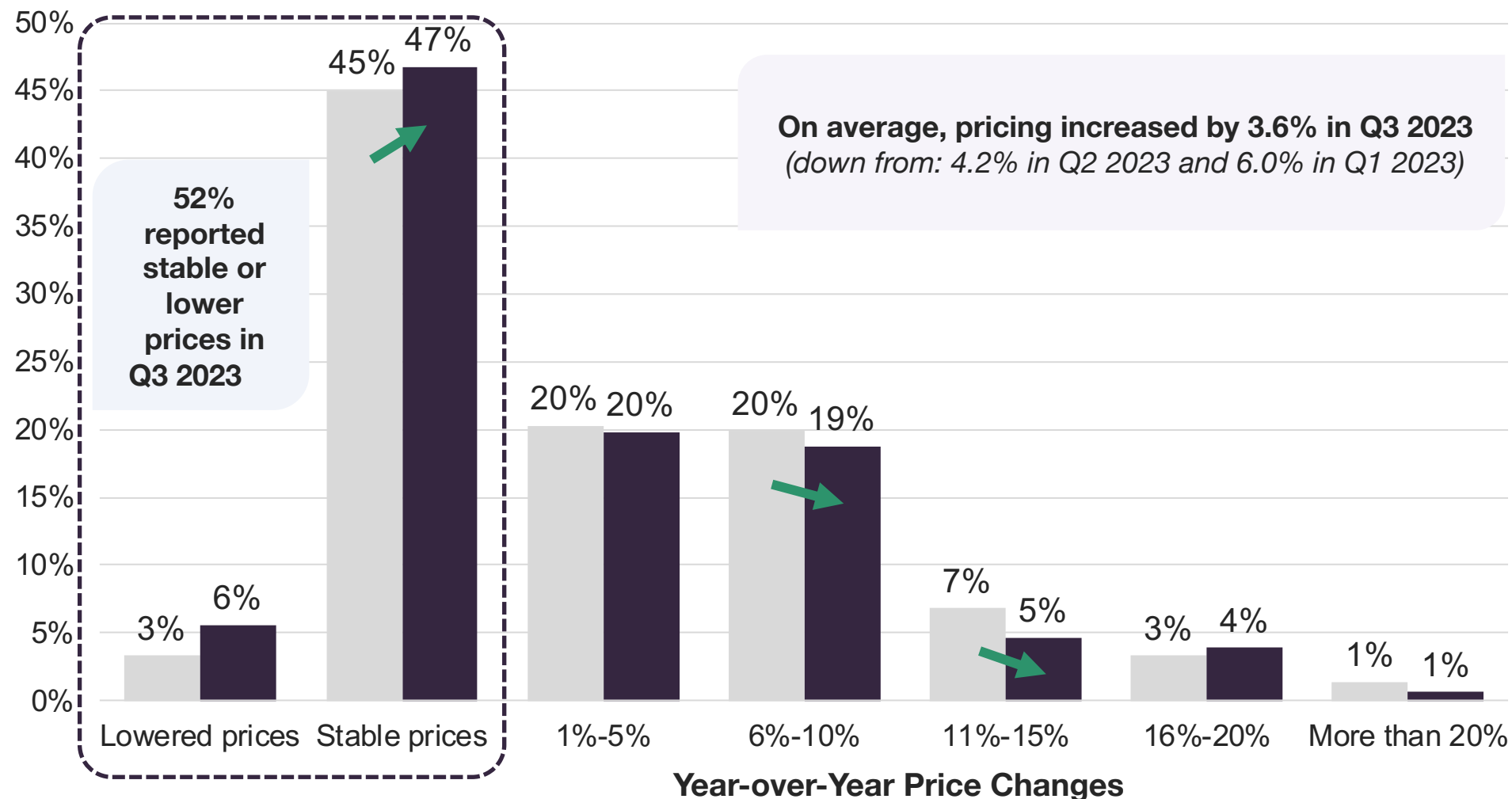
- **Remodeler in Southwest**

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Kitchen and bath companies reported that the pricing of the products they sell was on par with general inflation in Q3 2023. Over half of firms maintained stable or lower pricing.

Kitchen and Bath Professionals Report Their Average Year-over-Year Pricing Changes (Share reporting in Q3 2023)

■ 2Q23 ■ 3Q23

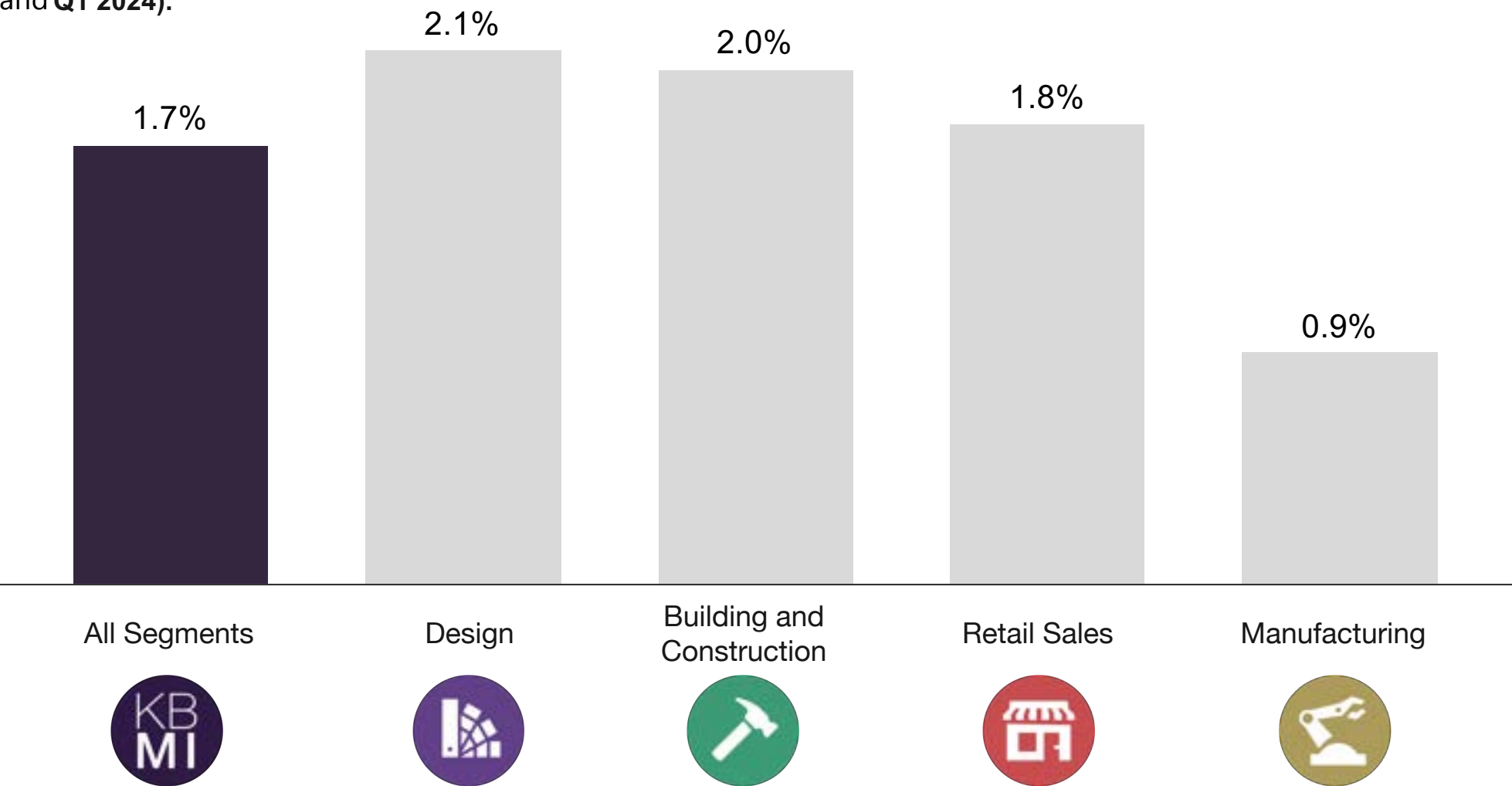


With price increases leveling off to the same rate as overall inflation, consumers may soon have time to adjust to the new higher-pricing environment.

No big surprises planned for near-term price increases: K&B firms expect to increase their prices by 1.7% on average through Q1 2024.

Residential Kitchen and Bath Expected Price Growth

Represents the average amount that K&B firms anticipate changing their pricing over the next two quarters (Q4 2023 and Q1 2024).



Designers and building and construction firms expect to raise prices by roughly 2% through the first quarter of 2024—about on par with expected inflation.

Manufacturers expressed the least optimism about their ability to raise prices in 2024, which is bad news for them, but should come as welcome news to others downstream.

Will have to increase prices again (3–5%) in anticipation of getting hit with further rising material costs.

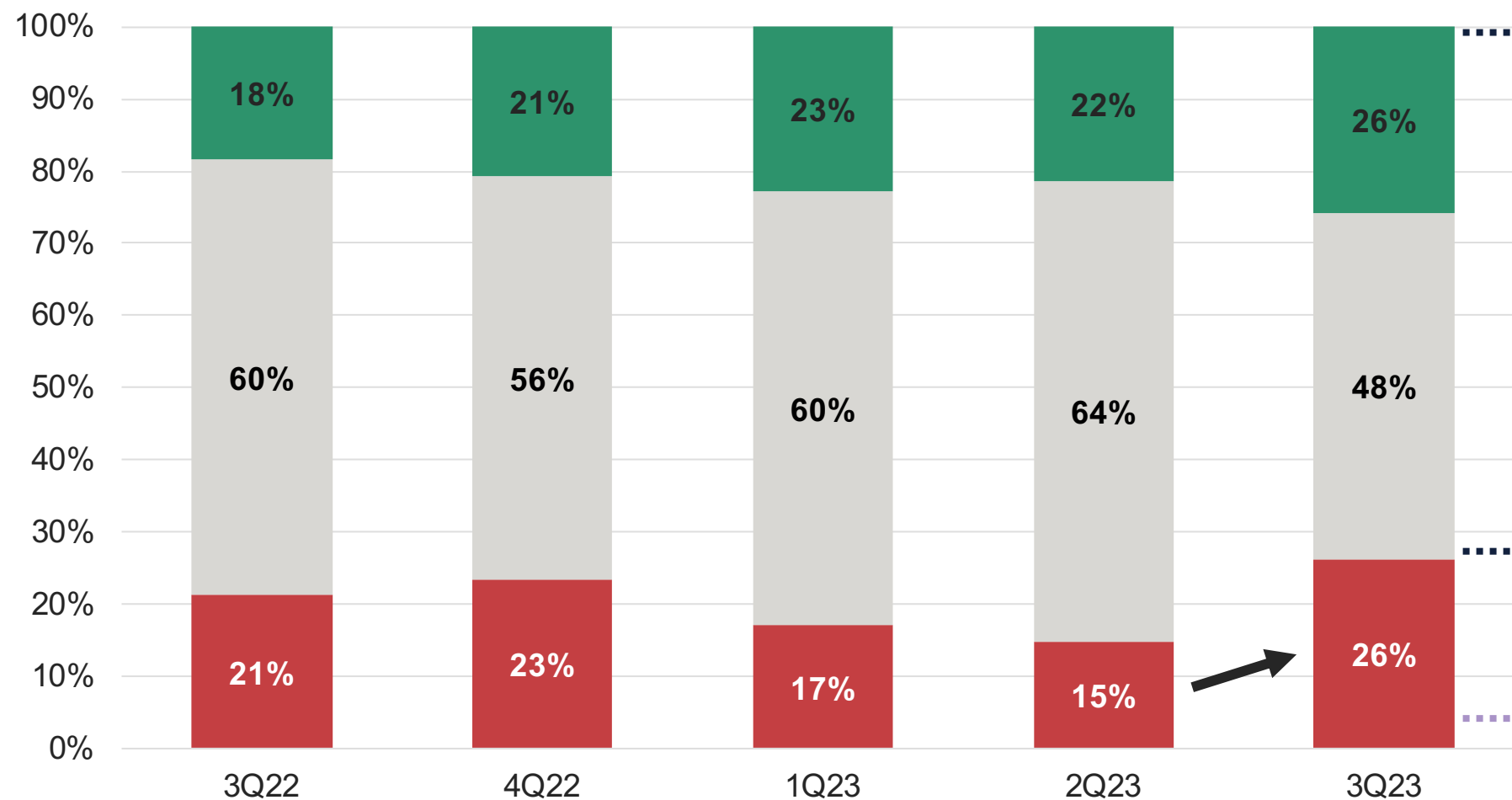
- Designer in the Midwest

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Some additional gross margin pressure evident this quarter. Many K&B firms were able to overcome cost pressures with good management.

Kitchen and Bath Industry Margins Compared to a Year Ago

■ Lower ■ About the same ■ Higher



76% cite flat or higher margins, down from 86% last quarter

For an increasing share of K&B companies, sales have been the same or lower, but the cost of doing business has increased. As a result, 26% of firms reported lower gross margins versus a year ago, up from 15% in Q2 2023.

Pros told us that a combination of reducing expenses, strategic price mark-ups, and larger projects helped them preserve margin.



We've added more staff and have higher product inventory, yet our revenue has been about the same.

- Wholesale Distributor in the Southeast.

Note: % values may not total to 100% for each segment due to rounding.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

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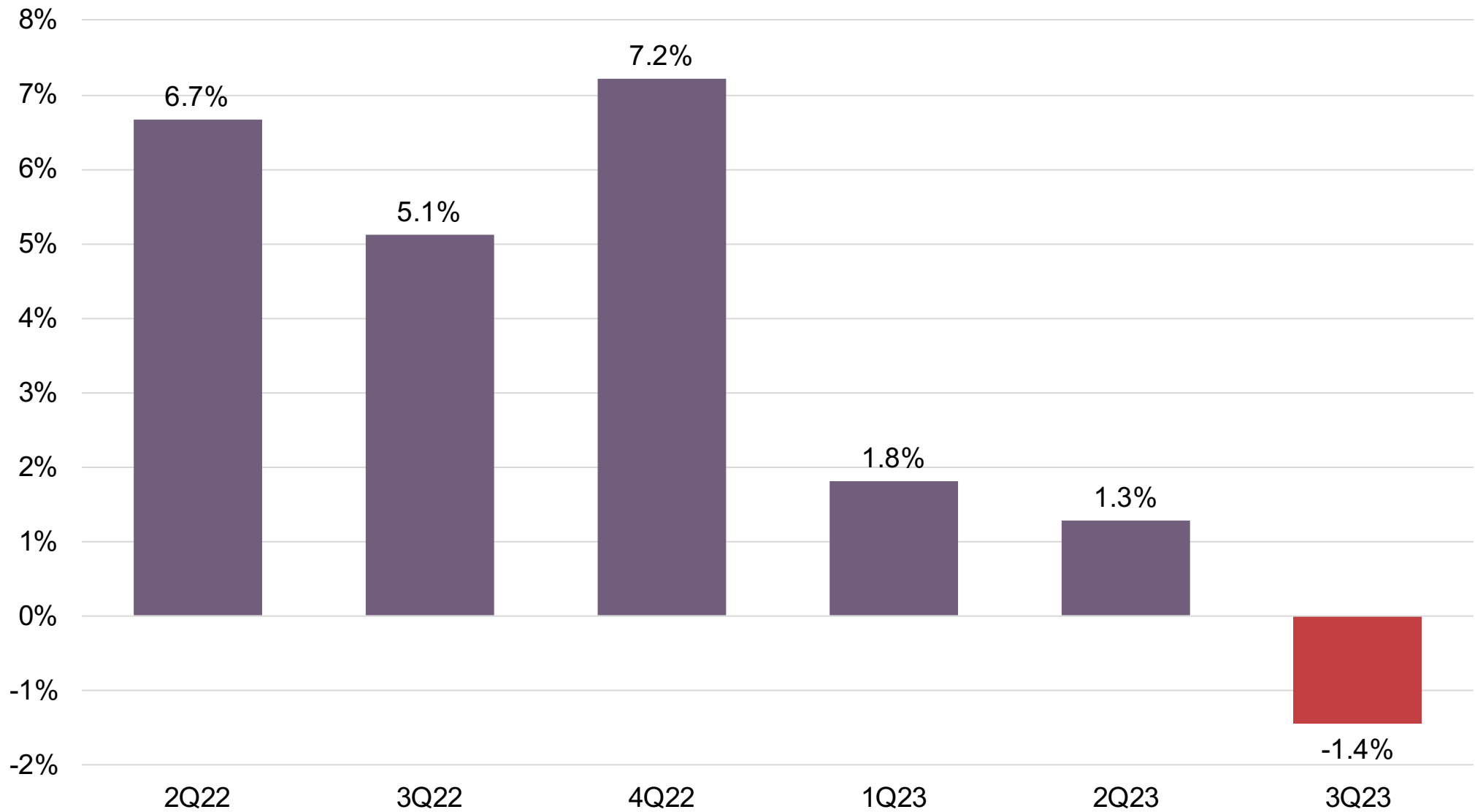


Design segment update



Design firms’ kitchen and bath project completions slipped into negative territory in Q3 2023, slowing by -1.4% YOY.

Year-over-year Growth in Designers' Residential Kitchen and Bath Project Completions



Lower K&B designer project completions are the culmination of three quarters of slowing activity. Higher lending costs and prices are impacting consumer discretionary spending habits. Some design firms intentionally made a switch to fewer but larger high-end projects.

“Moving to a higher level of clients and adjusting pricing to reflect that. Working on fewer projects with higher budgets.”
- Kitchen Designer in Northeast

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

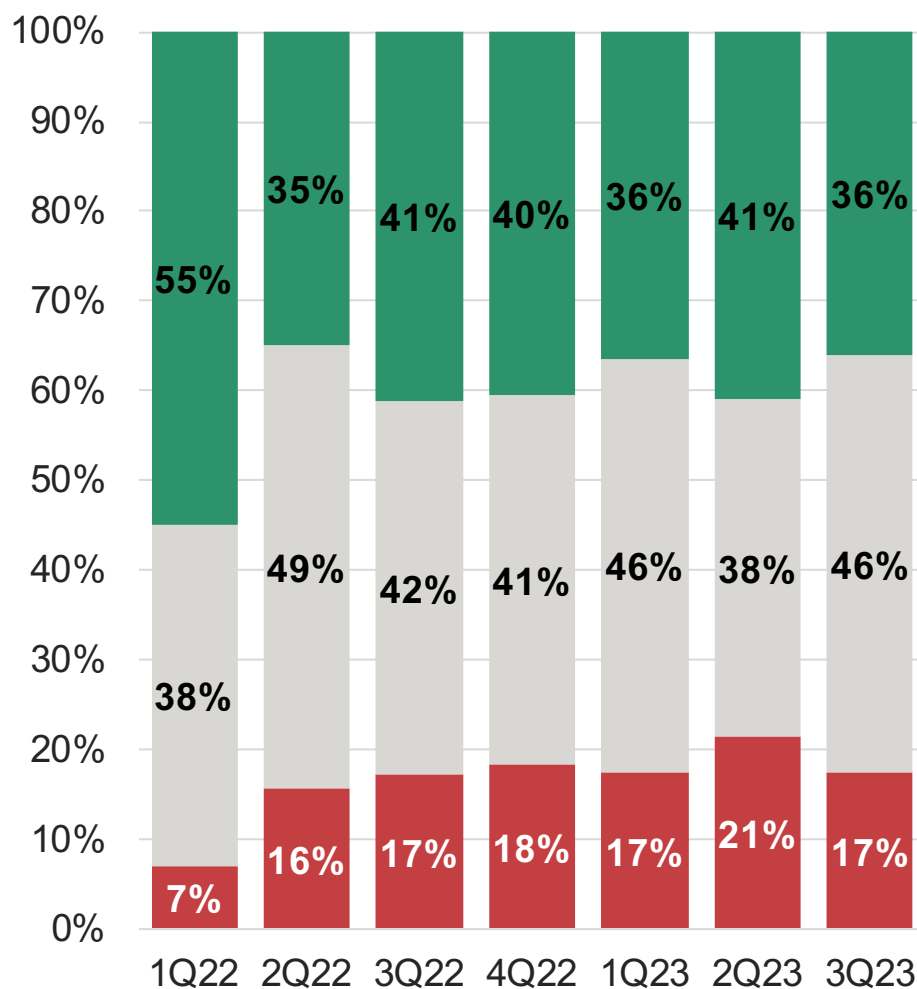


Price-sensitive consumers downgrade, while wealthier consumers chase even higher quality levels.

Kitchen and Bath Designers Report YOY Growth:

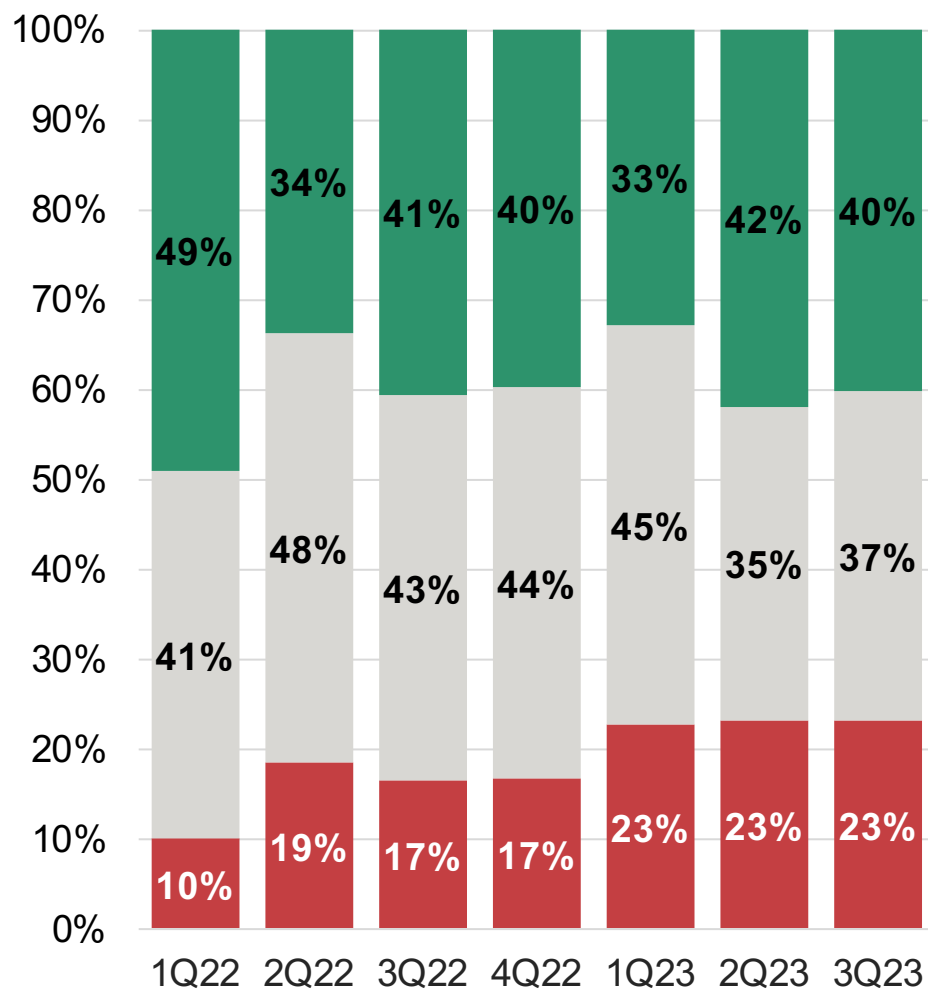
Average Size/Scope of Projects

■ Increasing ■ Staying the same ■ Decreasing



Typical Price Point of Materials/Finishes

■ Higher price ■ No noticeable price shift ■ Lower price



The share of K&B designers reporting lower project sizes/scopes held steady at 17% in Q2 2023.

A larger share of designers continued to indicate that consumers are unfazed by higher pricing and doing more work at higher price points.

Perhaps in response to this trend, we heard multiple comments from designers who are optimizing their marketing to attract more luxury clients.



Our company is moving into the luxury market.

- National Interior Design Firm



The ‘stress of inflation’ has changed the mood among many customers. Some designers are responding by outsourcing purchasing to the customer.

“[Customers] want more for less and are far **more sensitive to inconveniences** during a project. The **stress of inflation** is influencing how much clients are willing to budget and where they are willing to spend their money, even more so than usual.

- Kitchen Designer in the Midwest

“Noticed this year more than other years that more and more customers are **not paying the balances right away**—they are stalling by either overly complaining about the smallest little stuff (like a little scratch on a door or a missing knob) and **withholding the entire payment** or completely ghosting me by not responding to calls or emails.”

- Kitchen Designer in the Northeast

“We have been receiving fewer leads, and more of those leads are **willing to do some of the legwork on their own**, (i.e., preliminary searching for materials, ordering and checking in materials, or communications with the vendors).

- Interior Designer in California

“As an interior designer and CKBD, I used to be able to sell services and products. **I have had to switch to design only**, linking products to affiliate links, and letting customers go direct with vendors in order to keep projects moving forward. **The prices have gone up so much that clients are hesitant to purchase.**”

- Interior Designer in the Northeast

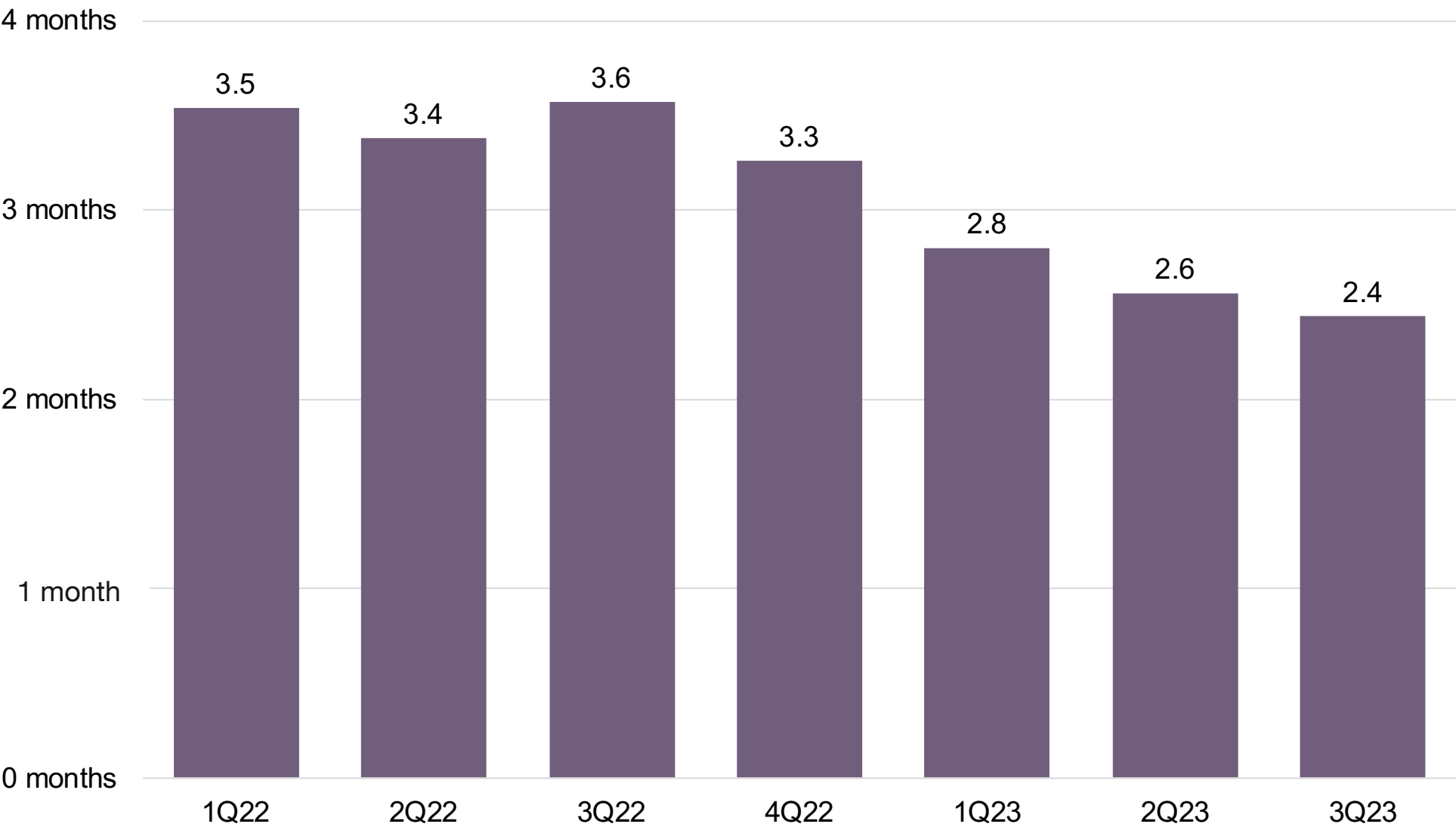


Design: Nar Bustamante | Photo: Fred Donham



Drawdown in design firm backlogs for kitchen and bath projects is continuing. On average, firms now have enough work to last through year-end.

Average Kitchen and Bath Project Backlogs for Design Firms



Many design firms reported having enough work to get through the end of 2023.

“My outlook is great. I have clients that are booked out two months for consultations, so I don't have to worry about getting new clients to get me through the rest of the year.”
- Interior Designer in the Northwest

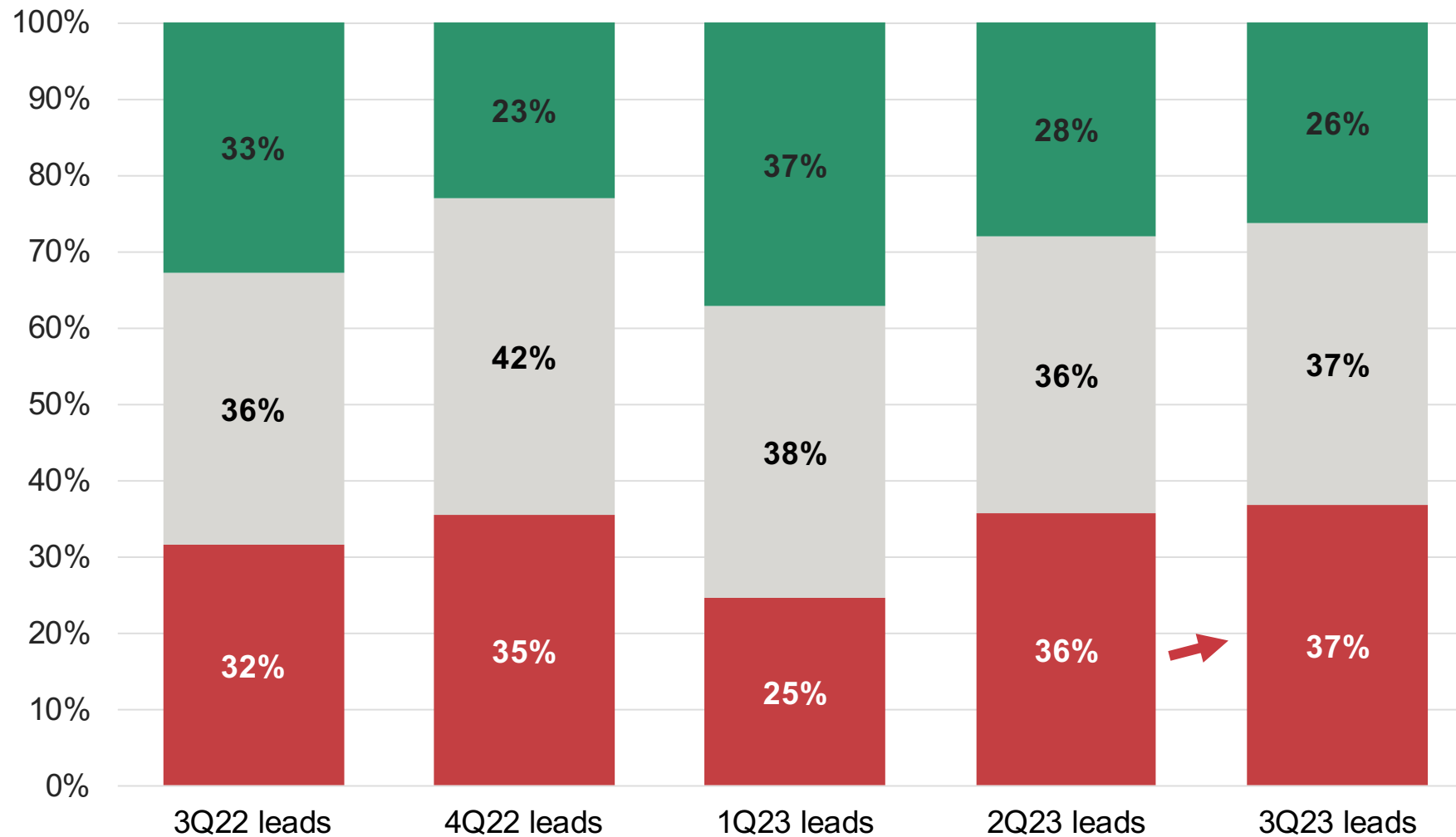
Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



Demand from new customers continues to wane. In the third quarter, designers' 'new' project leads continued to moderate.

Kitchen and Bath Designer's New Leads Received vs. Prior Quarter

■ Decreased ■ Stayed the same ■ Increased



This extends the slowing we saw in Q2 2023 and should result in even lower backlogs.

The silver lining? Many established designers told us they are being supported by repeat and referral customers.

“Leads have slowed down, so we need to get more aggressive with putting ourselves out there so that we can maintain what has recently been built (keeping employees' salaries and benefits, maintaining company programs that have been implemented, etc.).

- Kitchen Designer in the Midwest



Design industry pros raise pricing while struggling to manage extended project timelines. Targeting larger projects can help support margins.

Residential Kitchen and Bath Design Segment: Reasons cited for ▼ lower / ▲ higher margins in Q3 2022

Architects/Planners



- ▼ Reduced scope of work on projects
- ▼ Summer vacations reducing work
- ▼ Government approval times
- ▼ Insufficient quality leads
- ▲ Controlling costs and focus on customer service
- ▲ New home market exposure helps offset remodeling retail softness with prior contracts starting to close

Kitchen Designers



- ▼ Overall inflation
- ▼ Fewer referrals, new leads; lower household formation
- ▼ Lack of understanding of the value of certified professionals vs. DIY
- ▼ Price increases mid-project; extended project timelines
- ▲ Supplier discounts
- ▲ Higher design fees, higher mark-up
- ▲ Larger projects

Bath Designers



- ▼ Higher material prices
- ▼ Price sensitivity leading to cancellations and postponements
- ▲ Steady markup
- ▲ Purchasing materials in a timely manner (at the time of job closing)
- ▲ Directing clients toward “deals” on certain materials, looking for salvageable items
- ▲ Cut down overhead, work from home
- ▲ Improved vendor relationships
- ▲ Larger project scopes allow larger markup



Many K&B design firms expressed a mixture of caution and optimism on interest rates moving into 2024.

“I’m fairly sure that Q4 will be slow for business. It is typically slow, and now, **with interest rates high, [we are seeing] no new business.**”

- *Kitchen Designer in the Northwest*

“**Interest rates are still very high.** The housing market is all over the place and nobody really knows where it’s heading. **Material costs keep going up without any forewarning, and...labor/installation costs are only going to get worse as well—all while our customers don’t want to spend any money.**” - *Kitchen Designer in the Midwest*

“**Interior design is a luxury service,** and during difficult financial times, there is often **less business as customers are more conservative with their money.** Things will improve as the economy improves.”

- *National Interior Designer*

“**[We are] optimistic that interest rates will begin to lower,** and gas prices and all affected material costs will begin to lower.”

- *Interior Designer in the Southeast*

Economic footnote:

As of October 2023, most professional forecasters expect interest rates to moderate while maintaining positive GDP growth by Q3 2024. If this bears out, K&B designers may see much-needed financing cost relief before the end of 2024.

Even if the Fed induces a short/shallow recession as some fear, it would be partially offset by:

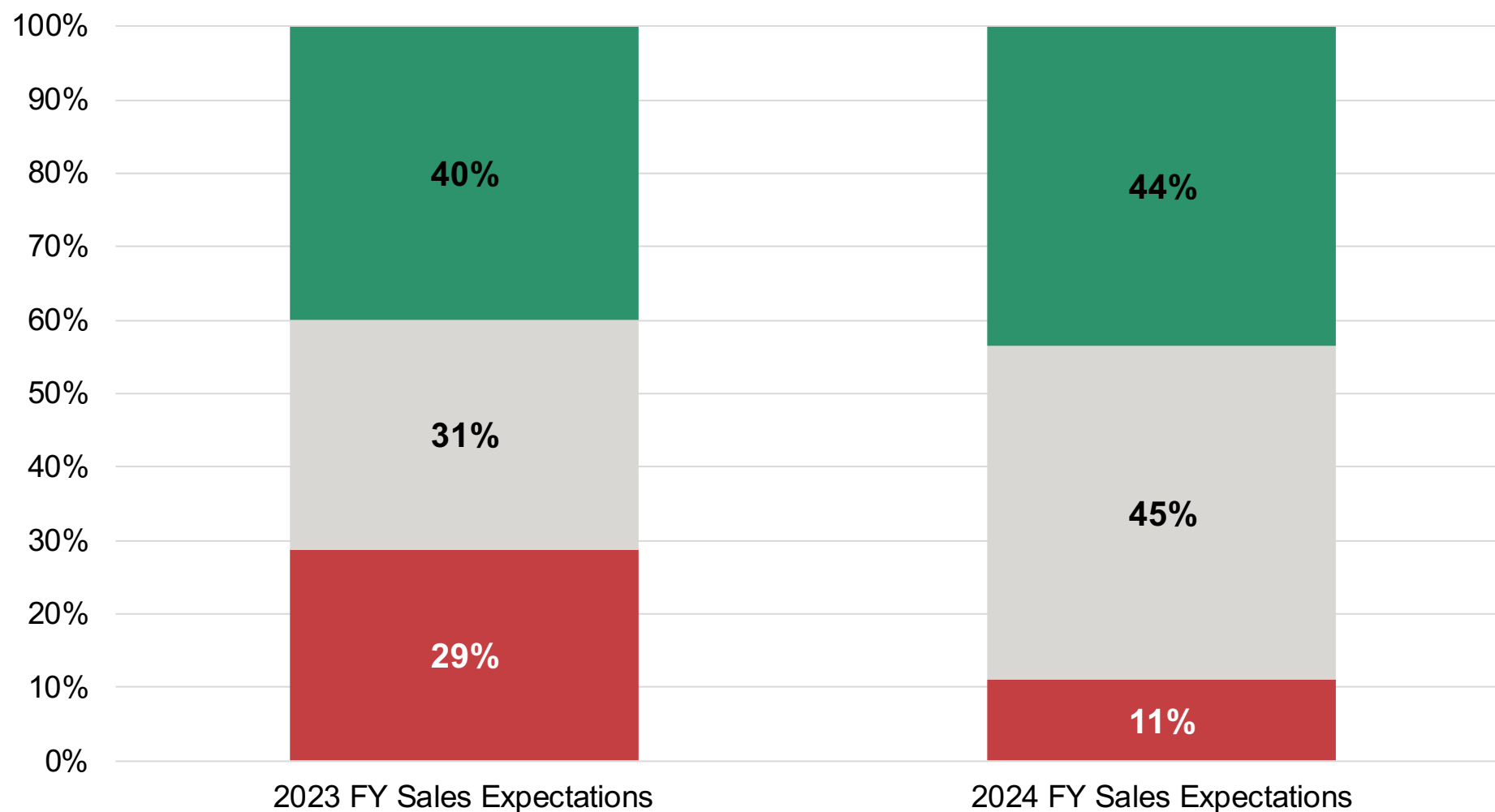
- *Lack of housing inventory and pent-up demand supporting home prices (and thus home equity needed to fund projects) even if the economy does soften.*
- *Multiple strong structural drivers including aging homes, pending household formations, and intergenerational wealth transfers.*



While new customer leads are slowing, 40% of designers still expect positive 2023 revenues. Designer firms' optimism is even stronger looking ahead to 2024.

Kitchen and Bath Design Firms' Full-Year Sales Revenue Expectations Q3 2024

■ Lower ■ Stay the same ■ Higher



40% of design firms expect revenues to remain positive this year (down from 47% last quarter), and a similar share expects growth for 2024.

Only 11% of designers expect their revenues to decline in 2024, versus 29% now citing a possible decline in 2023.

Renewed optimism for the coming year is consistent with US homeowners' high levels of home equity, as well as increasing numbers of older homes (20–39 years) needing a design refresh in coming years.

“My book is very full, and I plan to increase my rate to new clients.”
- Kitchen Designer in the Southeast



When asked how they plan to address the shortage of skilled labor, Design firms cited both outsourcing and in-house training programs.

“We are currently working on **marketing directly to skilled trades** to bring them on board. Additionally, we are utilizing opportunities to attend trade industry events associated with the Home Builders Associations or other organizations like it to **try to recruit trades and contractors.**” - Kitchen Designer in the Midwest

“We **partner with contractors** to create a “one-stop shop” for our customers. **We recommend them, and they, in return, refer back to us.** This relationship gets us higher priority on our projects when we send one their way.” - Kitchen Designer in the Midwest

“Continue **working with local VO Tech, and Trade Schools**” - Kitchen Designer in the Midwest

“**Hire Apprentices** and participate in community outreach programs.” - Interior Designer in the Midwest

“If we continue to be unsuccessful in hiring new younger trades, we will have to **outsource more of the work to subcontractors.**” - Kitchen Design Firm in the Midwest

“Encourage contractors to reward new hires, train, and have succession plans.”
- Kitchen Designer in the Northeast

“We are **expanding our list of trade partners** to work with.” - Kitchen Designer in the Northeast

“**Apprenticeships and active recruiting of the younger generation** to incentivize them to learn and practice a trade with long term commitment to our company and profit sharing.” - Remodeler in the Northeast

“**Subcontract more work** instead of trying to use our own labor.” - Remodeler in the Midwest



Design: Nancy Finneson, CKBD | Photo: Tammy Dwight

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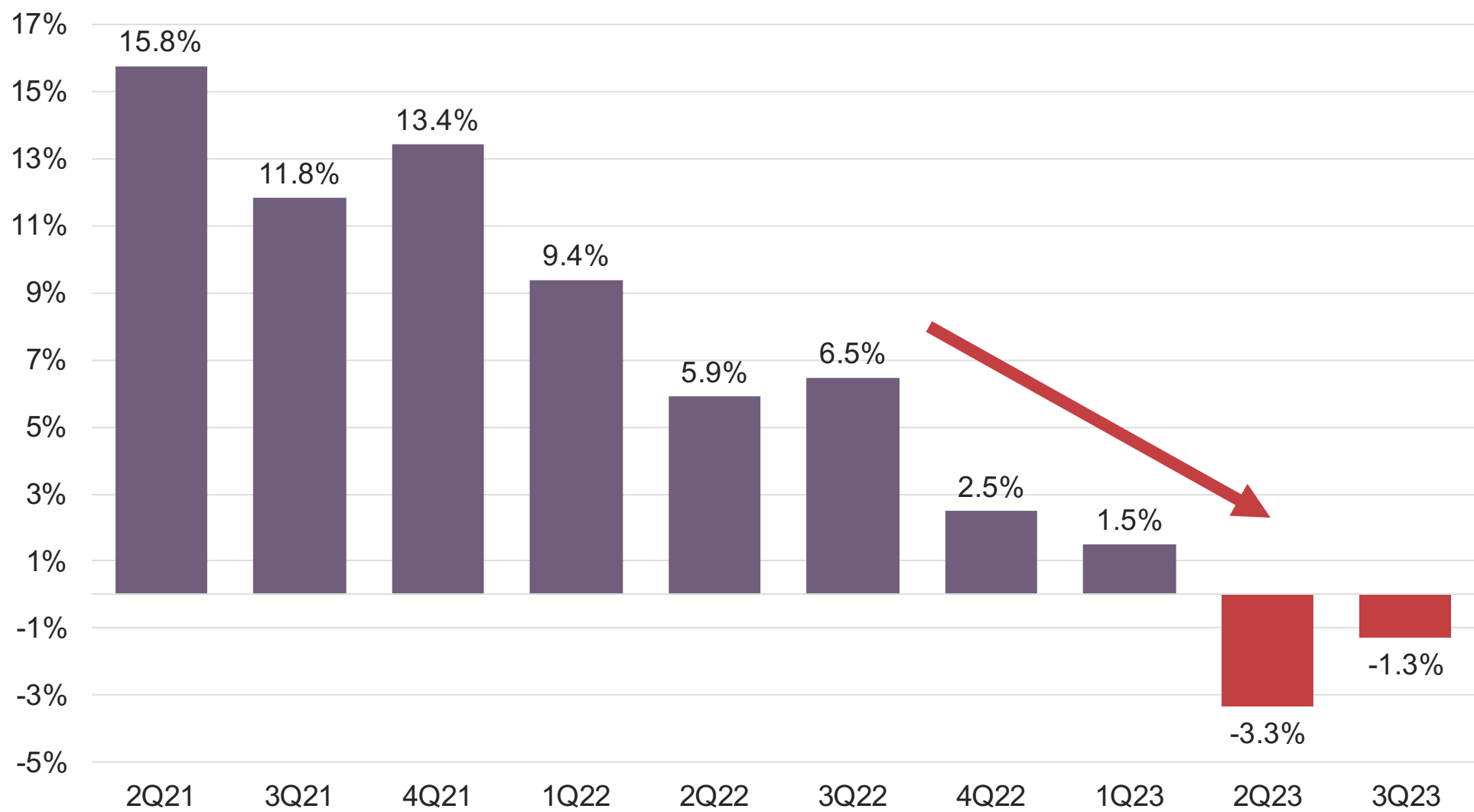
Retail segment update



Retailers report slowing demand for kitchen and bath products. Q3 2023 sales growth remained negative at -1.3% (up from -3.3% last quarter).

Kitchen and Bath Retailers’ Industry Sales Growth Year over Year

Represents average year-over-year sales growth reported by respondents in the retail segment



Higher interest rates, economic uncertainty, and higher prices for kitchen and bath products cooled consumer purchasing to focus on more “needs” versus “wants.”

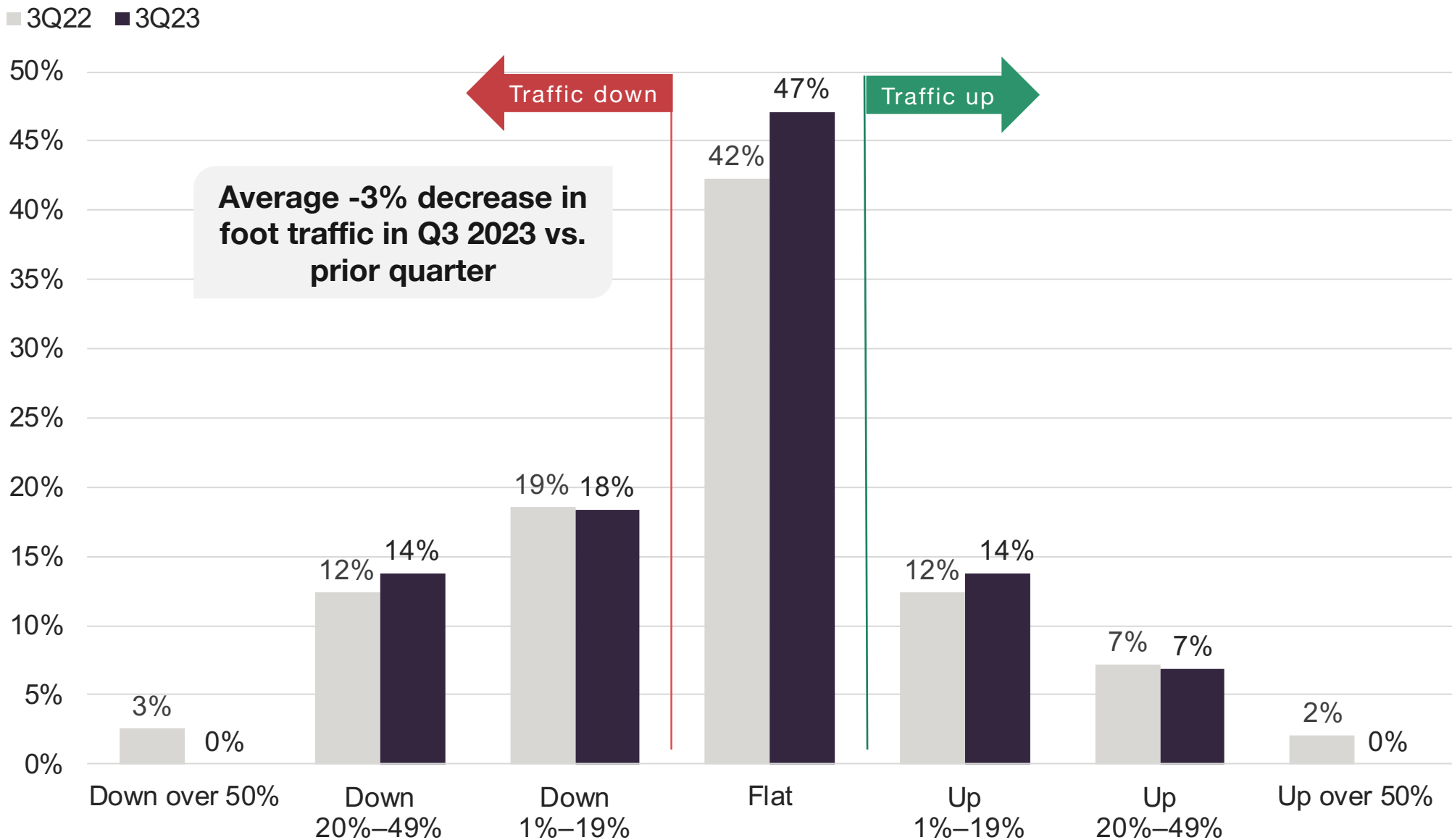
“ Trying to find ‘need-based’ products we can sell to homeowners who have drastically pulled back on their spending, especially for want/nice-to-have kitchens.
- Dealer in Northeast

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



Good news: Foot traffic declines slowed by only -3% QOQ in Q3 2023, an improvement from -8% QOQ in Q2 2023 and -4% a year earlier.

Kitchen and Bath Retail Foot Traffic Patterns (QOQ)



“ I do feel that this last quarter [Q4 2023] will remain steady with foot traffic but not necessarily sales until spring/summer of 2024 due to interest rates and political unrest.

- Showroom in the Midwest

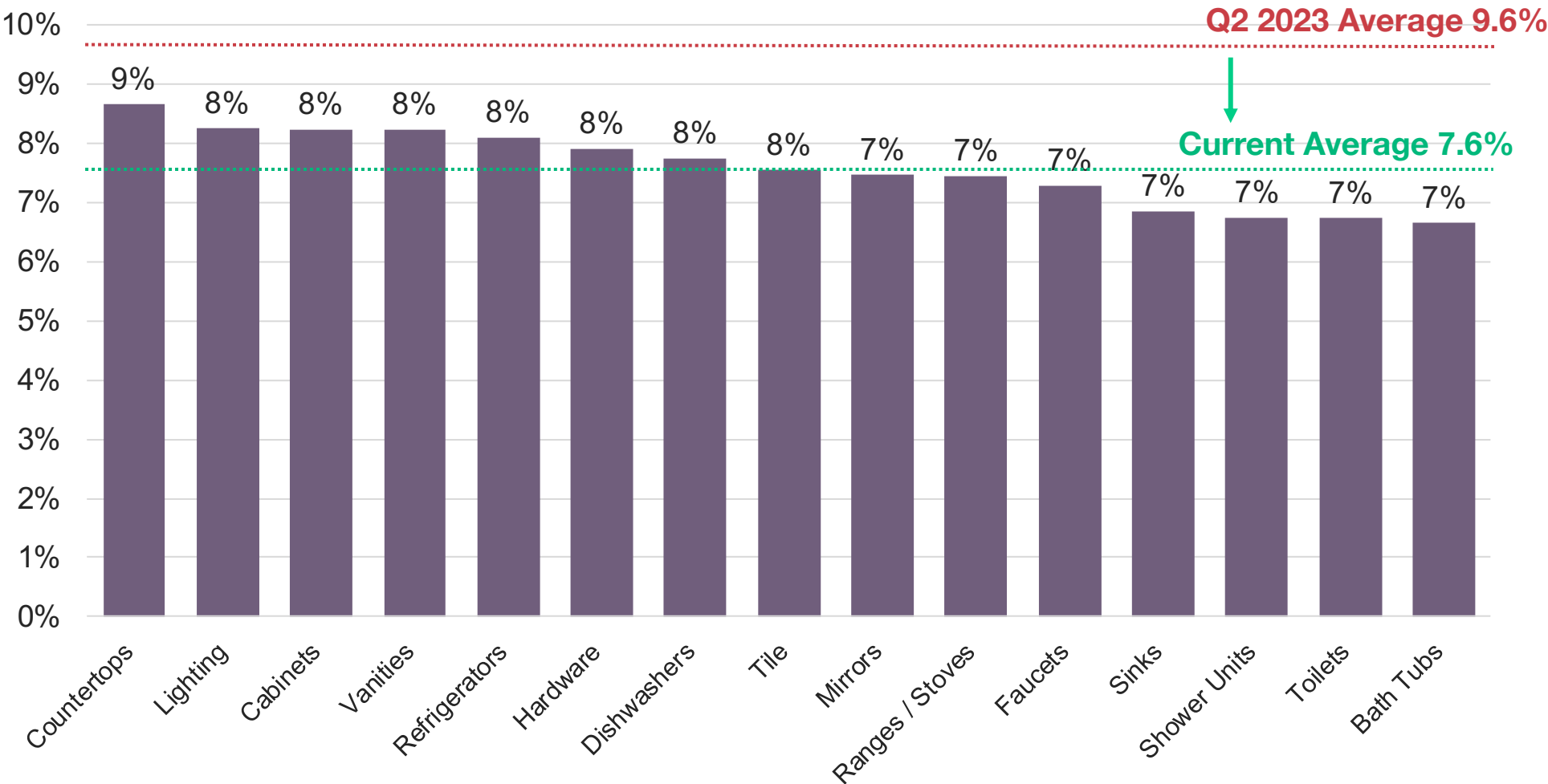
Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



The pace of price markups slowed: Retailers received K&B product price increases of 7–9% on average YOY in Q3 2023 (down from 8–11% in Q2 2023).

Average Price Increase from Vendors for Kitchen and Bath Products in Q3 2023 Year over Year

*We asked respondents to select the top three product categories experiencing above-average inflation and report a % average increase.



Vendor price increases in the K&B market continued to outpace general inflation, although they slowed. Countertops underwent the steepest (9%) year-over-year price increases in Q3 2023.

Thankfully, the spiraling price increases have slowed, but we have still seen **smaller, less frequent price increases on main products:** cabinets, countertops, and hardware/plumbing. We have increased our prices accordingly to protect our margins.

- Dealer in the Midwest

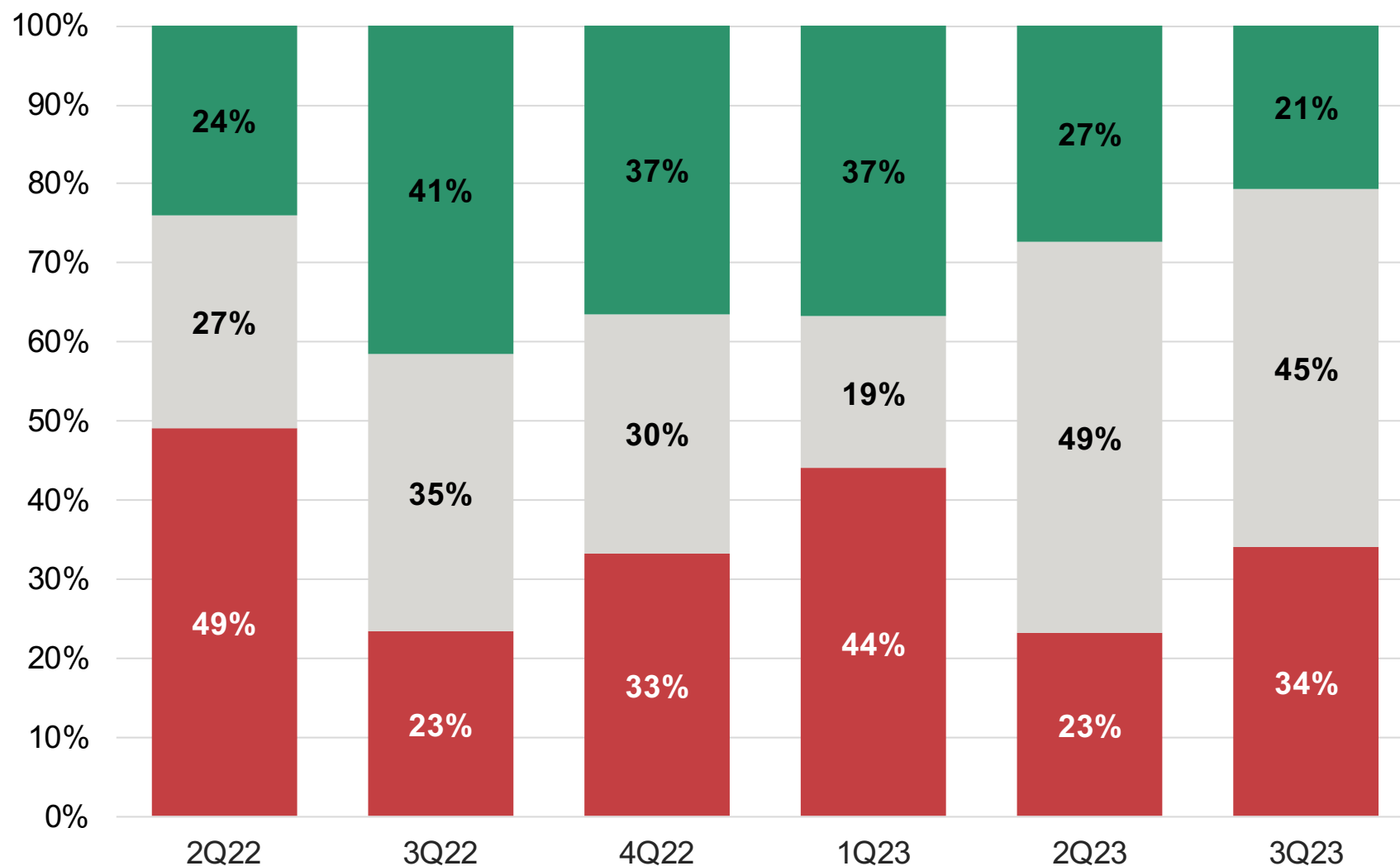
Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



Consumers react to higher prices: While many are shifting to lower-grade products, a segment of wealthier customers are unfazed.

Retail Price Point Shifts Quarter over Quarter

■ Yes, to lower-grade/cost options ■ No noticeable shift ■ Yes, to higher-grade/cost options



1 in 3 K&B retailer firms told us customers shifted to lower-cost options vs. the prior quarter. Meanwhile, 1 in 5 said customers gravitated to higher-end options. Wealth, income, and pricing trends are at the root of this divergence:

- Higher prices prompted many customers to downgrade to lower price points while rising incomes also buoyed smaller project growth.
- More homes built-to-rent generally also means fewer luxury products.
- A smaller subset of wealthy consumers are not as affected by rising prices and financing costs.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



Kitchen and bath retailers struggled to cover fixed costs as sales dipped. Failure to raise prices to cover vendor markups hurt some showrooms.

Residential Kitchen and Bath Retail Segment: Reasons cited for ▼ lower / ▲ higher margins in Q3 2022:

Dealers



- ▼ Prices from suppliers increasing
- ▼ Increased labor, rent costs
- ▼ Decreased demand/sales
- ▼ Quality issues resulting in higher rework
- ▲ Negotiate better/bulk pricing
- ▲ Careful / built-in price increases
- ▲ Lowering overhead
- ▲ No more deep discounts
- ▲ Higher-end work, larger projects

Multi-branch Retailers



- ▼ Price increases from vendors
- ▼ Online retailers: more low-value orders that don't justify shipping costs
- ▲ Lower logistics costs
- ▲ Increasing mark-up gradually
- ▲ Note: some retailers *lowered* prices to sell more inventory
- ▲ Vendor promotions

Showrooms



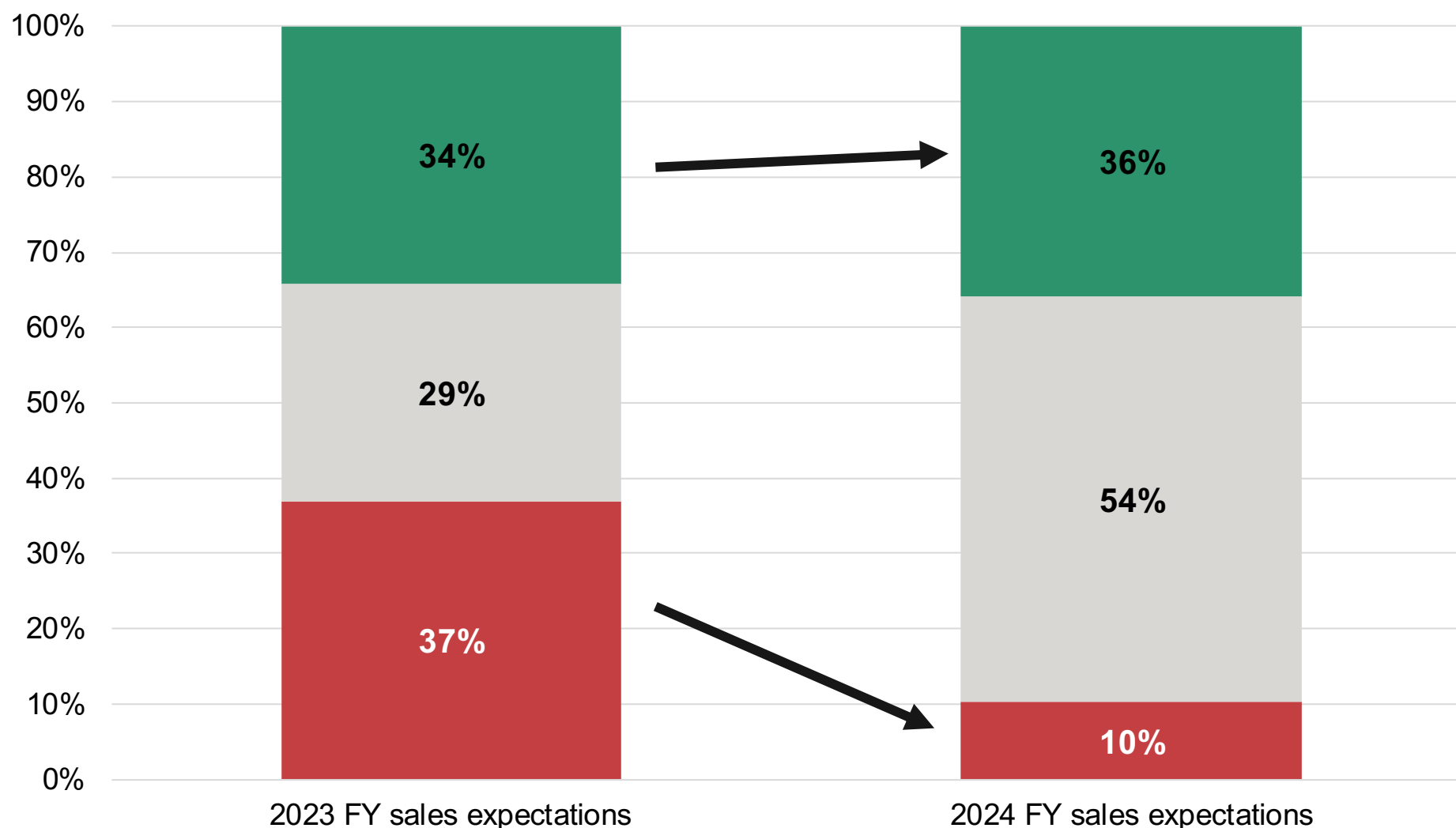
- ▼ Didn't raise prices enough to reflect manufacturer /vendor price increases
- ▼ Employee salary and benefit costs up
- ▼ Increased competition with online sales
- ▼ Lower sales not covering fixed costs
- ▼ Lower average project size
- ▲ Raised pricing to cover cost increases
- ▲ Dropping lower-profit margin items
- ▲ Coordination with contractor base
- ▲ Purchasing less inventory
- ▲ Marketing and strong customer service



Over a third of retail firms expect kitchen and bath sales to increase in 2024. Expectations for 2024 sales are significantly less negative than for 2023.

Kitchen and Bath Retail Firms' Full-Year Sales Revenue Expectations (Q3 2023)

■ Lower ■ Stay the same ■ Higher



Retailers generally do not expect a dip in sales next year: 36% say they expect increased sales revenue, 54% anticipate flat sales, and only 10% expect a decline in sales next year.

This marks an improvement from conditions in 2023, where 37% expect a decline in sales.

“We are still experiencing a lot of traffic in our showrooms. We are experiencing some shortage of products, but not as bad as it's been in the past. I keep hearing that we are heading to a recession, but the project that I'm seeing looks like they may carry us through the year.”

- **National Dealer**

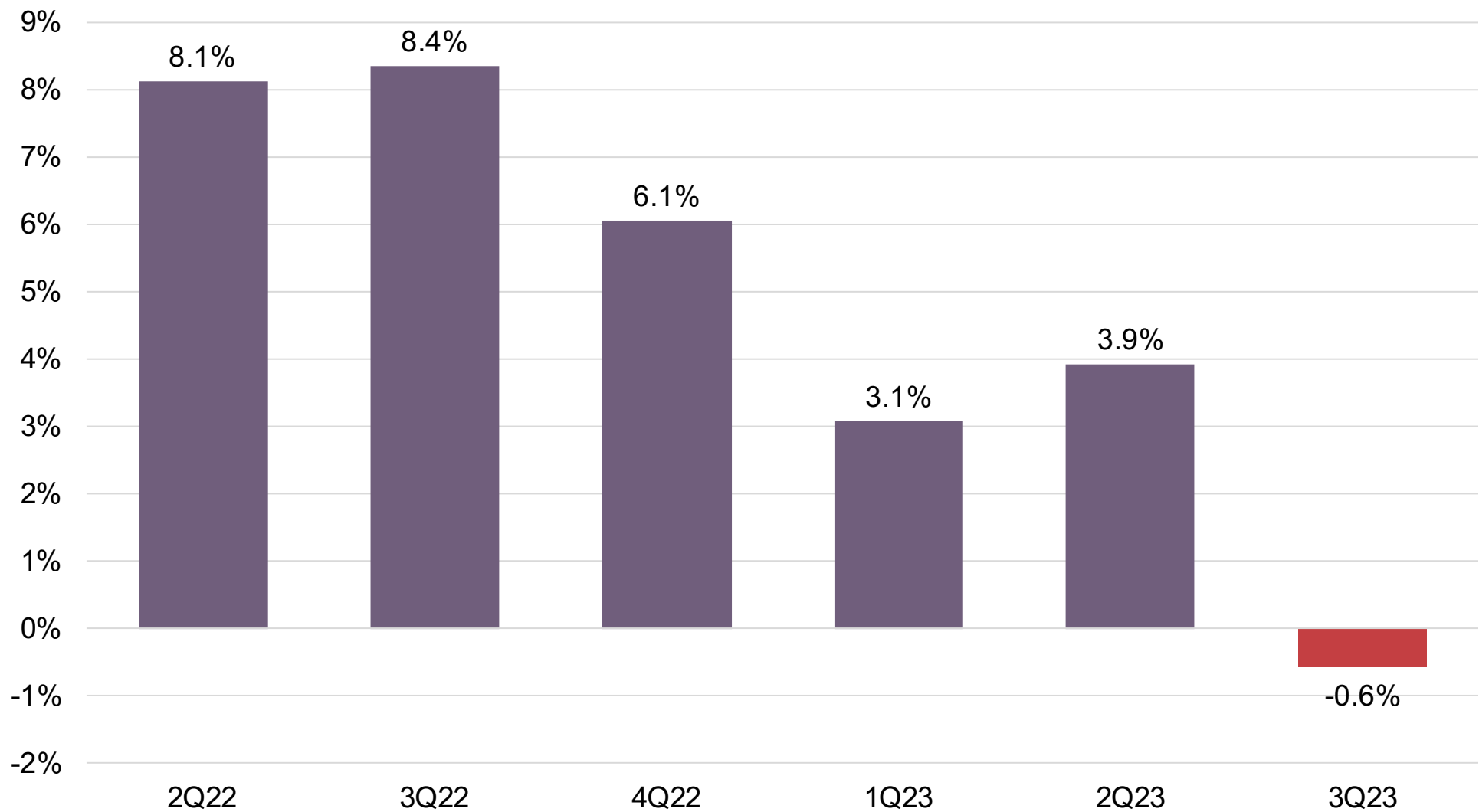


Building and construction segment update



Growth in completed K&B renovations slipped into negative territory in Q3 2023, falling by -0.6% as the industry underwent a ‘lull in sales.’

Year-over-Year Growth in Building and Construction Firms’ Residential Kitchen and Bath Project Completions



The decline would have been steeper had it not been for backlogs that are slowly drawing down.

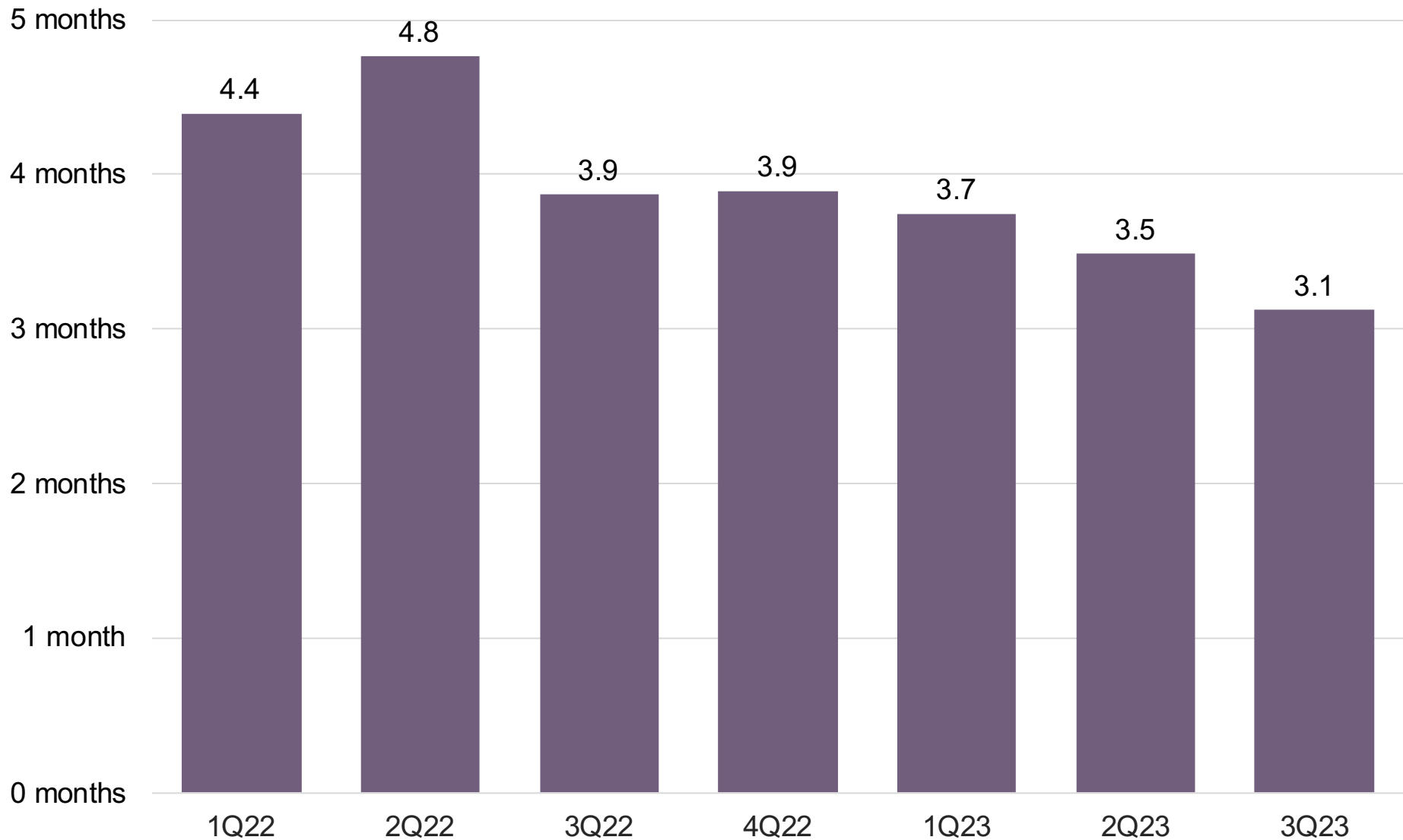
“ We feel that the 4th quarter will end up being better than the 3rd quarter, but definitely down from last year. The lull in sales from the 3rd quarter affects our workflow, but we expect things to pick back up by the end of the year.
- Remodeler in the Midwest

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



Building and construction firm backlogs are drawing down, although at 3 months, they still have enough work to last through mid-Q1 2024.

Average Kitchen and Bath Project Backlogs for Building and Construction Firms



Things are looking up for our company for 2024. Lots of work still coming in, as well as an existing backlog will keep us going.

- Remodeler in the Northeast

We are working on advertising only to our targeted audience to acquire only quality leads rather than quantity.

- Remodeler in the Northeast

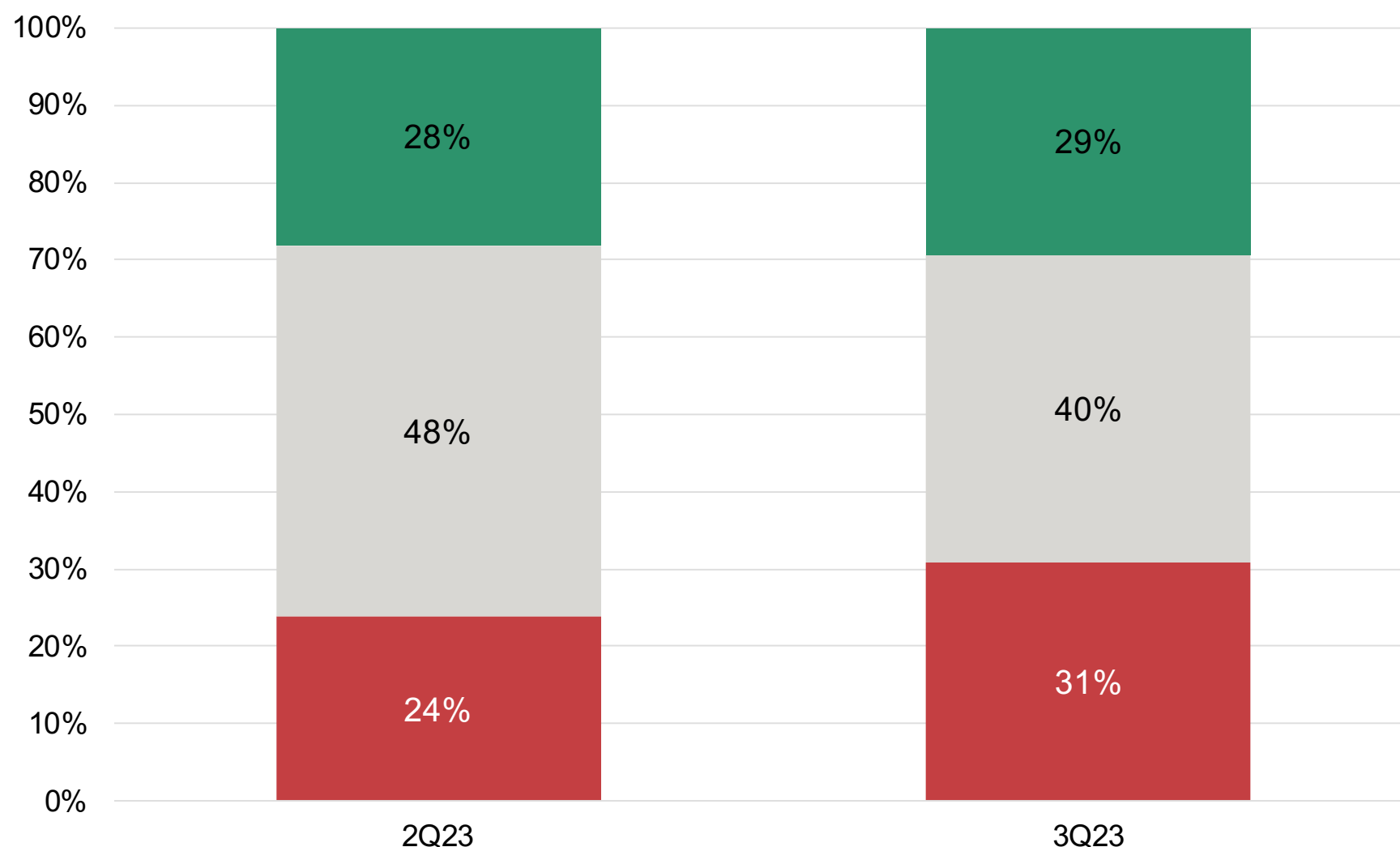
Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



The tale of two markets: Similar shares of remodelers/builders say K&B customers are driving to higher quality (29%) vs. lower quality price points (31%).

Kitchen and Bath Building and Construction Firms Who Report Shifting Demand for Product Grades/Price Points

■ Yes, to higher-grade/cost options ■ No noticeable shift ■ Yes, to lower-grade/cost options



Selecting lower quality products is a way some consumers respond to higher costs and smaller budgets.

In contrast, many wealthy homeowners with cash on hand are unfazed by higher pricing and demand even higher quality products and finishes. With this shift, K&B building material suppliers are now grappling with the question of how much “luxury” inventory to carry.

“ Understanding the **post-pandemic spending dynamics of luxury customers** is the biggest challenge we face. Travel restrictions during the pandemic led to disproportionate “at home” expenditures; determining the “new normal” is the challenge.

- National Wholesale Distributor

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



Installers are feeling squeezed from more competition, while remodelers are more confident in their ability to choose only high-quality leads and projects.

Residential Kitchen and Bath Building and Construction Segment: Reasons cited for ▼ lower / ▲ higher margins in Q3 2022:

Builder/Developer



- ▼ Higher labor cost
- ▼ Rising costs of production and shipping
- ▼ Customer price sensitivity
- ▲ Getting several bids for same job from vetted vendors
- ▲ Eliminate cost uncertainty through careful design/pricing phase
- ▲ Reducing in-house employees; rely on subcontractors on every phase
- ▲ More oversight on production

Fabricator/Installer/Trades



- ▼ Higher payroll and overall costs
- ▼ Unable to pass costs on to consumer
- ▼ More competition for sales
- ▼ Market saturation with unskilled labor outbidding projects. Homeowner not caring about quality or service but price.
- ▲ New software to control scrap
- ▲ Wholesale purchasing and material consignment
- ▲ Price increases to reflect higher labor costs

Remodeler



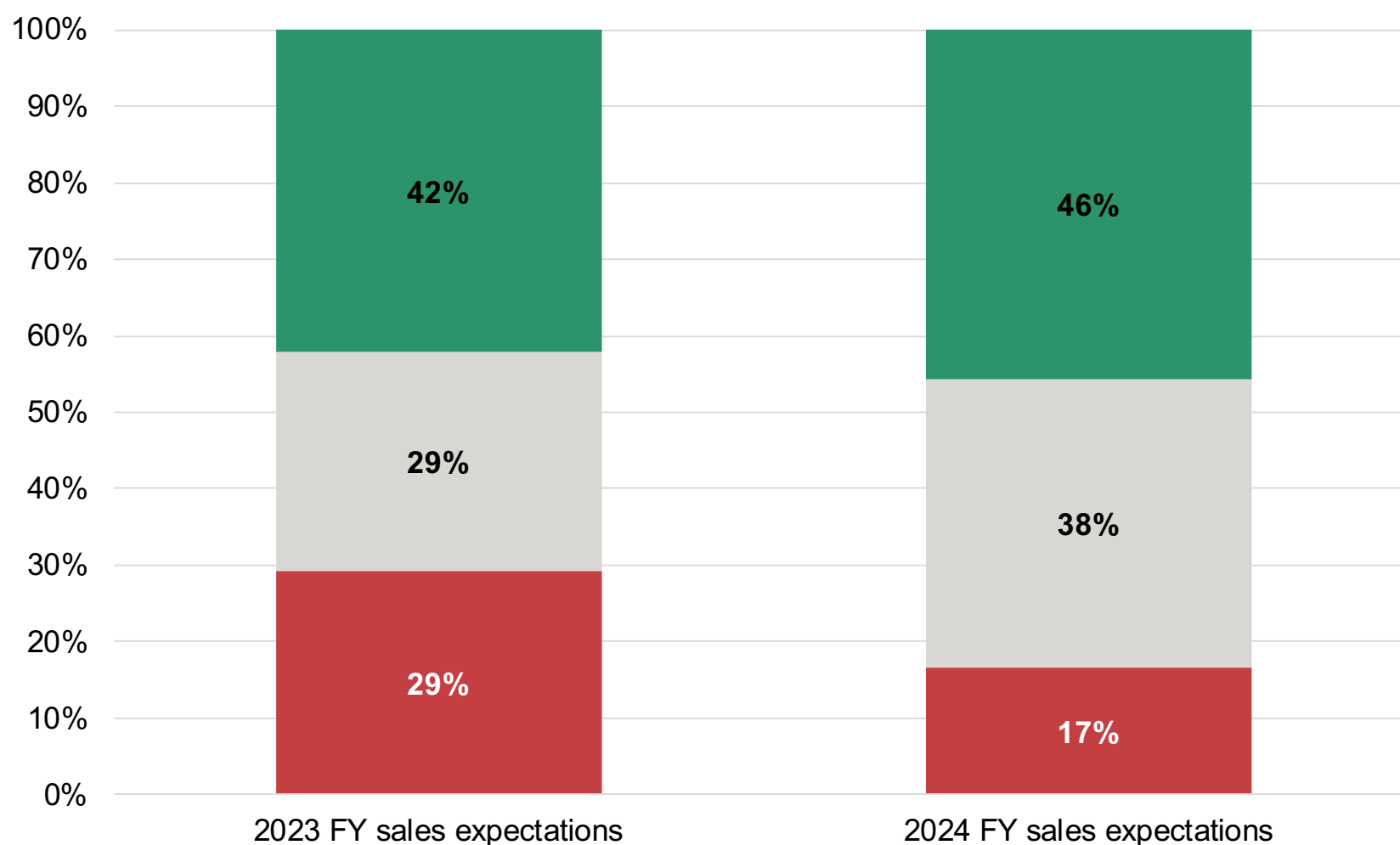
- ▼ Project delays, extended timelines
- ▼ Higher costs and less-skilled workers
- ▼ Failure to pass on costs to consumer
- ▼ Project cancellations post-design
- ▲ Raised prices / wrote contract cause stipulating pass-through of price increases
- ▲ More simultaneous projects, more expensive projects
- ▲ Selecting higher quality projects
- ▲ More oversight
- ▲ Lower lead times helped reduce costs



Nearly half of companies in the building and construction segment expect higher revenue growth in 2024.

Kitchen and Bath Building and Construction Firms' Full-Year Sales Revenue Expectations (Q3 2023)

■ Lower ■ Stay the same ■ Higher



Many building and construction segment companies cited their stellar brand, quality service, and increased marketing as key factors in their expectation for higher growth. When the market picks up again, performance also will depend on companies' ability to maintain high-quality labor.



2023, with its challenges of slowing lead flow and more fickle consumers, was still better than 2022. Even though we still expect the same challenges and the same overall economic outlook, we intend to increase our marketing budget in order to generate more leads for the coming year.

- Builder in the Northwest

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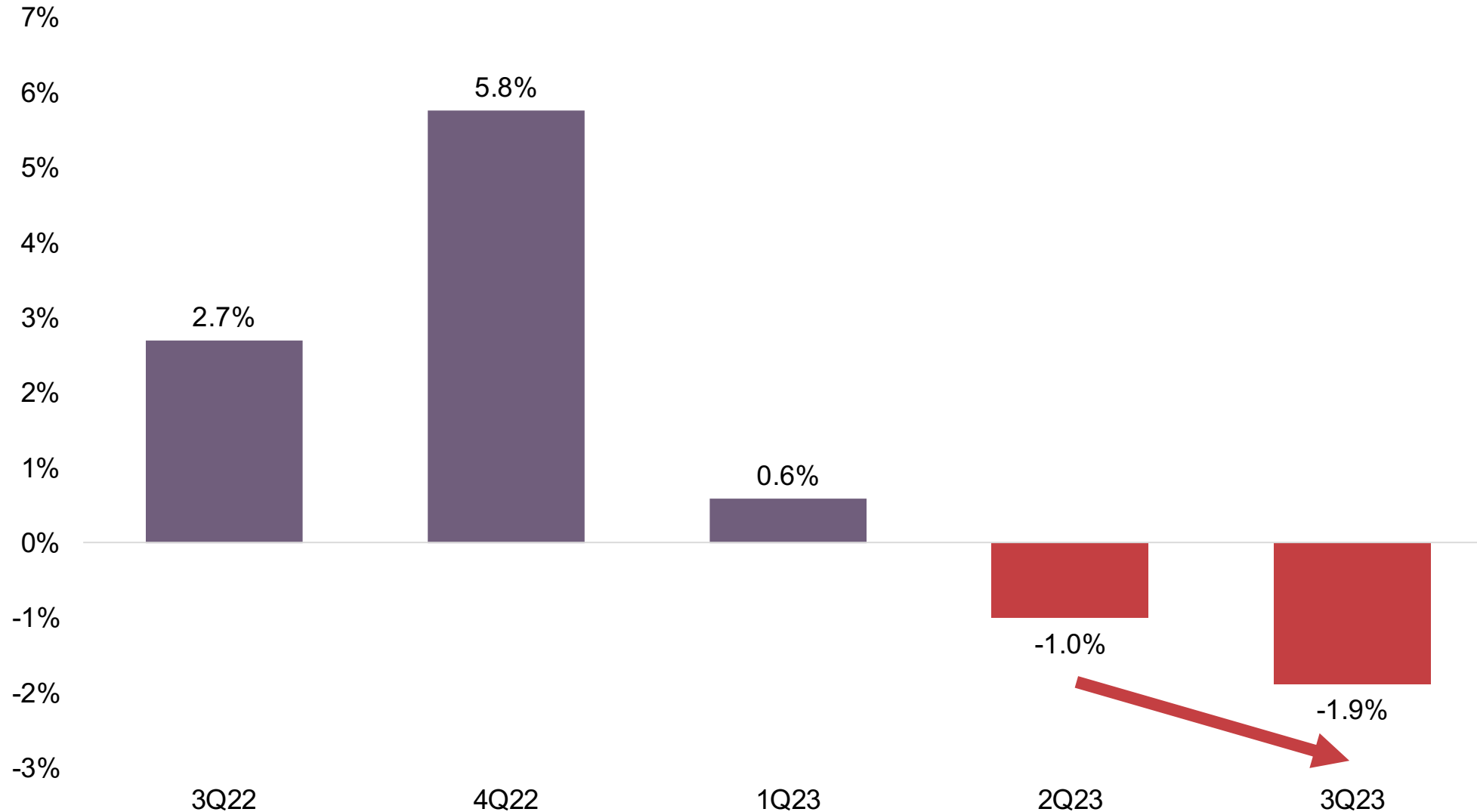
Manufacturing segment update





Kitchen and bath manufacturers' orders declined (by -1.9%) YOY in Q3 2023.

YOY Growth in Manufacturer's Orders for Residential Kitchen and Bath End Use



Orders are coming in slower, and we do not have a backlog of orders.

- National Manufacturer

I expect many cabinet shops/dealers will close next year. Some are already barely hanging on and are behind on invoices. I also expect many manufacturers to close or be bought out over the next year, continuing the move from independent manufacturers to big conglomerates.

- Manufacturer's Rep in the Northeast

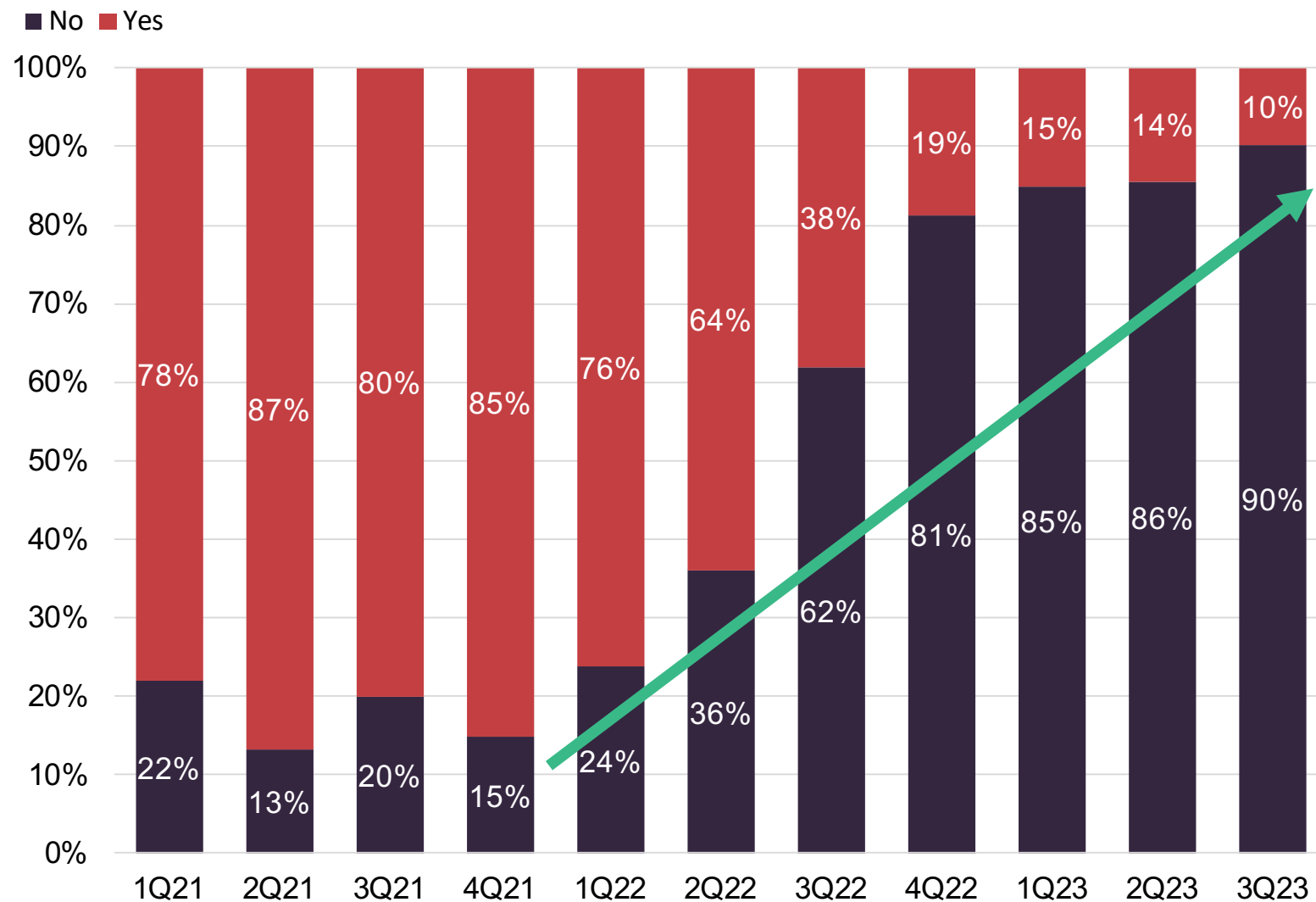
Note: Retail Sales is no longer asked to report project completions.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



Most K&B manufacturers did not face capacity constraints in Q3 2023.

% Manufacturers Reporting Significant Capacity Constraints for Kitchen and Bath Products



Slower demand in Q3 2023 allowed production to catch up. Having fewer capacity constraints frees up manufacturers to meet demand and reduces overall lead times—a major positive for the industry.

Within manufacturing, **cabinet shops were more likely to cite capacity issues** (24% cited capacity constraints). Stone fabricators also cited concerns about pending regulations that will make it harder to do business (in California).

“We’ve had a lack of sales. Q3 was one of our slowest quarters in the past 10 years.”

- **National K&B Manufacturer**

We can’t produce fast enough for our demand. We need more employees and more space. We are currently adding square footage to our shop.

- **Cabinet Shop in the Midwest**

Note: % values may not add to 100% each quarter due to ‘unsure’ response counts being excluded from graph.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



K&B product supply chain issues have become more isolated.

Product	3Q23 Lead Time	Change vs. 2Q23
Refrigerators	9.3 weeks	0.5 weeks
Cabinets	8.1 weeks	-0.1 weeks
Ranges/stoves	7.6 weeks	0.3 weeks
Dishwashers	6.7 weeks	0.1 weeks
Vanities	6.4 weeks	0.1 weeks
Other	5.0 weeks	0.2 weeks
Shower units	3.7 weeks	0.1 weeks
Bath tubs	3.6 weeks	0.3 weeks
Countertops	3.5 weeks	0.1 weeks
Sinks	2.9 weeks	0.3 weeks
Lighting	2.8 weeks	0.2 weeks
Faucets	2.8 weeks	-0.3 weeks
Tile	2.7 weeks	0.0 weeks
Mirrors	2.6 weeks	0.2 weeks
Toilets	2.5 weeks	0.1 weeks
Hardware	2.1 weeks	-0.1 weeks

Lead times for refrigerators and cabinets are still extended on average, although this varies widely by brand and place of origin. Companies mainly cited a few luxury brands, including high-end refrigerators, as having extended lead times.

Lead times were remarkably stable for most product categories.

“ Some of the ranges are coming from Europe. We ship full containers, and it takes about 4–5 months for them to arrive. The ranges are also made to order, so we do not stock them.

- **Manufacturer’s Rep in California**

Supply is stable for the most part, but there are still some products, especially imported, that can be an issue and not show up when scheduled.

- **National Supplier**

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)



K&B manufacturers are working hard to overcome margin squeeze with higher productivity, strategic purchasing, and other low-cost improvements.

Residential Kitchen and Bath Manufacturing Segment: Reasons cited for ▼ lower / ▲ higher margins in Q3 2022:

Cabinet shops



- ▼ Quality issues resulting in higher inventory and labor cost
- ▼ Higher material + labor cost
- ▼ Downward pricing pressure
- ▼ Decreased demand/sales
- ▲ Price increases
- ▲ Productivity increase through new machines and improving technology

Manufacturers



- ▼ Customers overstocked, ordering less
- ▼ More foreign competition
- ▼ Higher material + labor cost
- ▼ Decreased demand/sales
- ▲ Normalized freight and raw material costs
- ▲ Price increases
- ▲ Productivity/efficiency gains
- ▲ Low-cost product variations to appeal to customers

Suppliers/Distributors



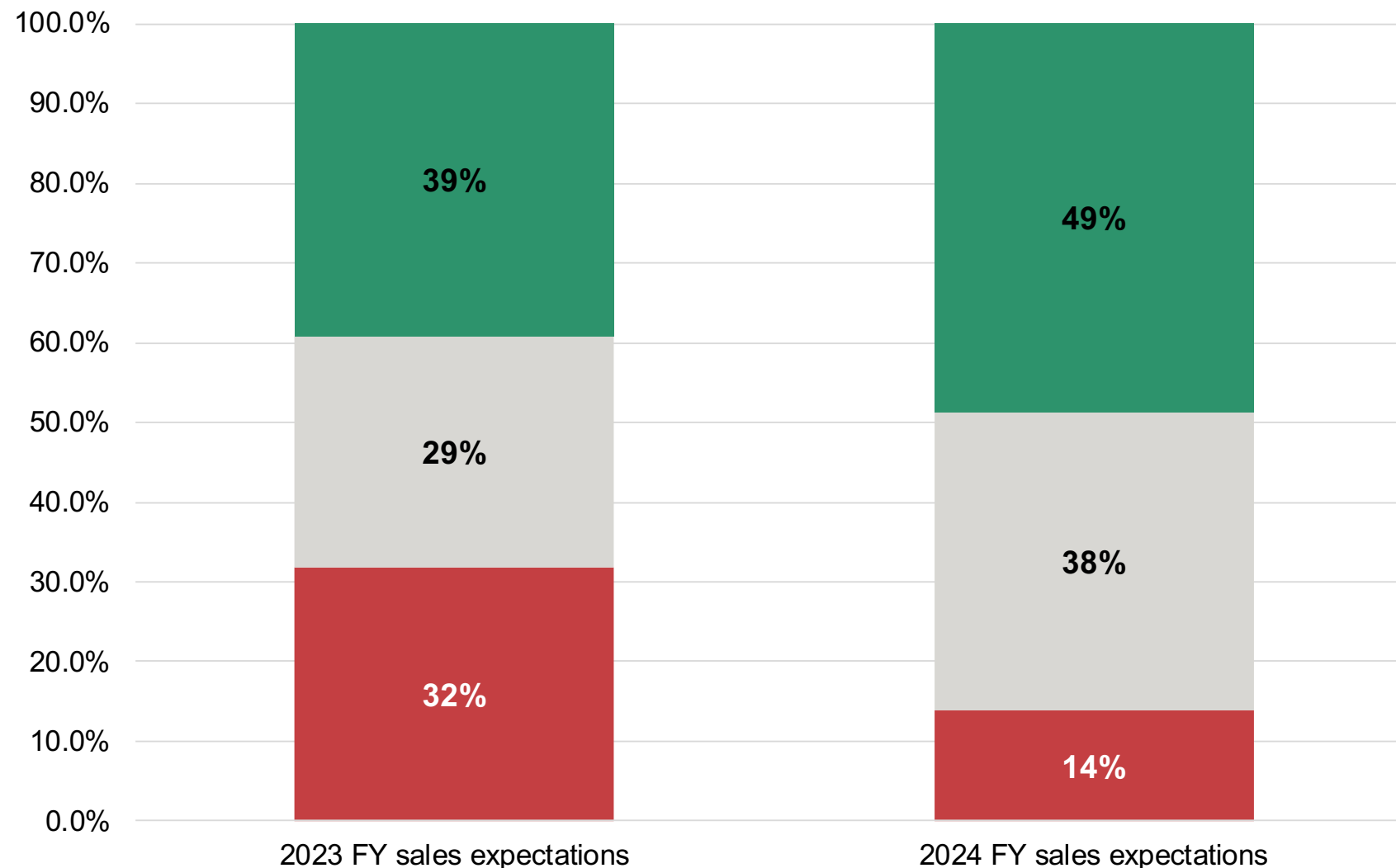
- ▼ Competitor pricing pressure
- ▼ Higher fixed costs (e.g., labor, energy)
- ▼ Decreased demand
- ▼ Higher product inventory
- ▲ Higher markup, raised rates and fees
- ▲ Pre-ordering to maintain prices
- ▲ Cabinetry layout changes to reduce number of “boxes”
- ▲ More strategic purchasing
- ▲ Selling new products, higher-end brands



Half of manufacturers expect renewed growth in 2024. Many companies cited new product lines and sales efforts to increase market share.

Kitchen and Bath Manufacturing Firms' Full Year Sales Revenue Expectations

(Q3 2023) ■ Lower ■ Stay the same ■ Higher



Kitchen and bath product manufacturers are optimistic about 2024.

Half expect their revenues to grow in 2024, an indication that the current slowdown will be limited in duration.

Only 14% of manufacturers expect their 2024 revenues to decline.



The balance of 2023 will be down about 20% versus last year. We expect that to continue into 2024 but hopefully starting to grow again by the second quarter.

- Manufacturer's Rep In the Midwest

2023 was a down year; we expect to introduce new product lines and gain new retailers in 2024.

- National Wholesale Distributor



Methodology

Kitchen & Bath Market Index (KBMI)

The NKBA / John Burns **Kitchen & Bath Market Index (KBMI)** gauges the pulse of the kitchen and bath industry in the United States. Conducted jointly by NKBA and John Burns Research and Consulting, the KBMI is based on a quarterly survey of members of the NKBA community.

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, manufacturers’ representatives, dealers, retailers, showrooms, and kitchen and bath retailers.

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 overall perception of the health of the kitchen and bath industry.

The KBMI survey asks NKBA members to rate the latest quarterly sales as “higher,” “the same,” or “lower” than the same period in the prior year and next quarter sales expectations as “higher,” “the same,” or “lower” than the prior quarter.* NKBA members also rate the health of the overall kitchen and bath industry on a scale from 1–10, with 1 being “extremely weak” and 10 being “extremely high.” This is converted to a 100-point scale.

Survey responses

Segment	Responses	% of Total
Design	274	36%
Manufacturing	182	24%
Building and Construction	151	20%
Retail Sales	154	20%
Total responses	761	100%

Index weighting

Metric	Weight
Current Business Conditions	55%
Future Business Conditions	15%
Health of Industry	30%
Kitchen & Bath Market Index	100%

Note: *The current and future conditions diffusion indices are each calculated as: $[100+100 \times (\text{the share of respondents reporting “higher”} - \text{the share of respondents reporting “lower”})] / 2$.
Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

Responses by segment

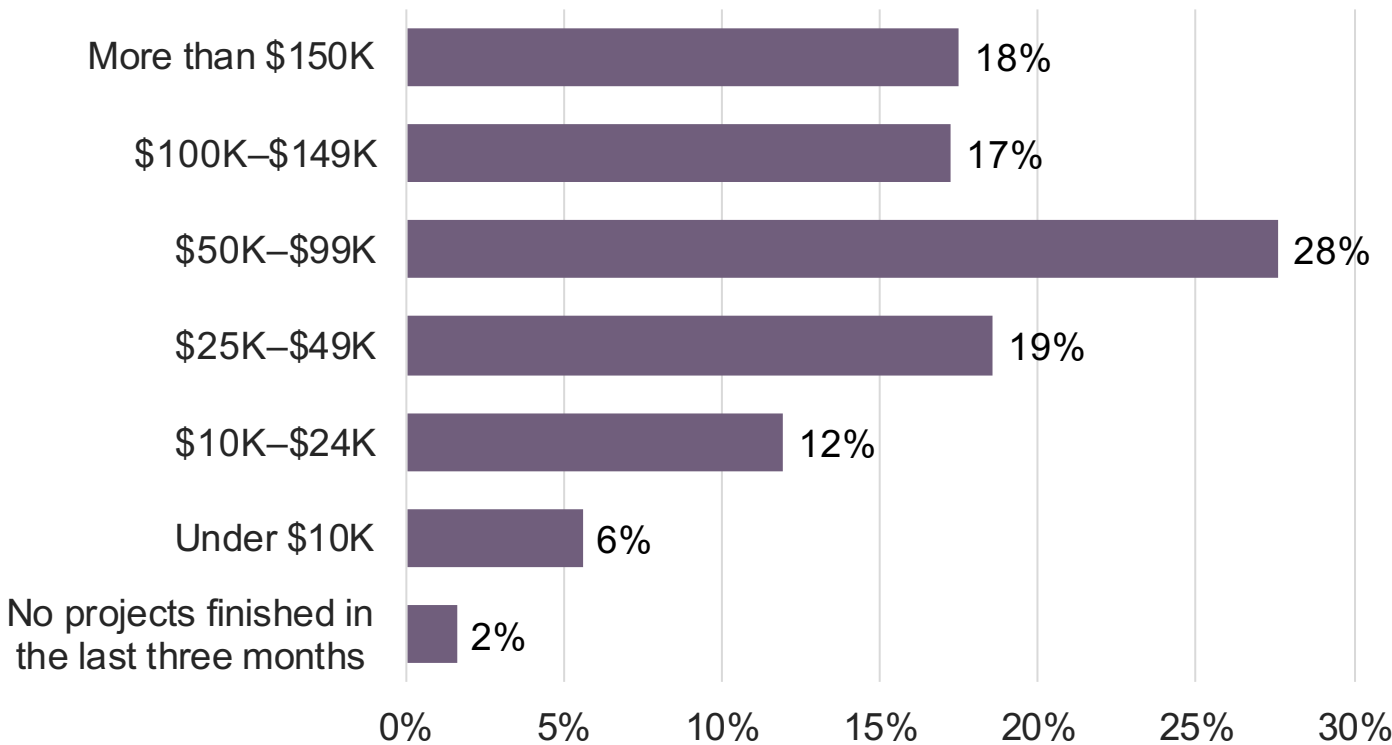
Conducted jointly by the **National Kitchen & Bath Association** and **John Burns Research and Consulting**, the **Kitchen & Bath Market Index (KBMI)** examines current kitchen and bath industry demand, future expectations, and issues and challenges that industry professionals are facing in their businesses.

Responses by segment:



Most KBMI members' project sizes are priced \$25K–\$150K.

Kitchen and Bath Professionals' Average Cost Billed to Customers the Last 3 months (Q3 2023)



Note: This question was posed to retailers/showrooms, designers, and builders/remodelers.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q3 2023, Pub: Oct-23)

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 affecting project marketability or success potential.

Our conclusions and recommendations are based on the 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 revisit key project assumptions periodically to ensure they are still justified.

The future is difficult to predict, particularly given that the economy and housing markets can be cyclical and 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 the 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 such major shifts affect 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



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Q3 2023 KBMI

All NKBA market research reports are available at nkba.org/research.

The NKBA is the not-for-profit trade association that owns the Kitchen & Bath Industry Show® (KBIS), as part of Design and Construction Week® (DCW). With nearly 50,000 members in all segments of the kitchen and bath design and remodeling industry, the NKBA has educated and led the industry since the association's founding in 1963.

The NKBA's mission is to inspire, lead and empower the kitchen and bath industry through the creations of certifications, specialty badges, events and summits, research and community. The NKBA envisions a world where everyone enjoys safe, beautiful and functional kitchen and bath spaces.

For more information, visit nkba.org or email us at info@nkba.org.

NKBA | KBIS