



Kitchen & Bath Market Index (Q1 2024 KBMI)

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

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[Cover image] Design: Trish Knight, Co-designer: Nicole Varga | Photo: Janis Nicolay Photography

[Page 2 image] Design: Jerel Lake | Photo: Marc Mauldin Photography



About this report

Conducted jointly by the National Kitchen & Bath Association (NKBA) and John Burns Research and Consulting (JBREC), the Kitchen & Bath Market Index 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 Q1 2024 KBMI report is based on findings from 508 members of the NKBA community across four primary industry segments, which are listed below:



Design



Building and construction



Retail sales



Manufacturing

The Q1 2024 KBMI Survey ran from April 3–12, so responses, commentary, and sentiment reflect the latest shifts in the kitchen and bath industry.

The Kitchen & Bath Market Index Survey tracks four key segments.

Responses from these firms include information about US residential kitchen and bath projects and sales only (excludes commercial 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



Executive summary

Q1 2024 NKBA / John Burns Kitchen & Bath Market Index (KBMI)



Overview of the KBMI Index

The Kitchen & Bath Market Index (KBMI) measures market growth in the US residential kitchen and bath industry. As a composite diffusion index, ratings above 50 indicate industry **expansion**; ratings below 50 indicate industry **contraction**.

The KBMI is calculated as a weighted average of 3 sub-indices:



Current Activity Index

Sales growth in the current quarter vs. the prior year



Industry Health Index

Sentiment on the economic health of the kitchen & bath industry



Near-Term Activity Index

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



KBMI Index Rating:

56 out of 100

The KBMI Index rates 56 out of 100 (up from 54 in Q4 2023), indicating that the kitchen and bath industry was beginning to expand. While this is the highest KBMI rating over the past year, it is still far below the rating registered during the post-Covid market recovery (79 in Q1 2021).

Note: The Q4 2023 KBMI was revised from 53 to 54.

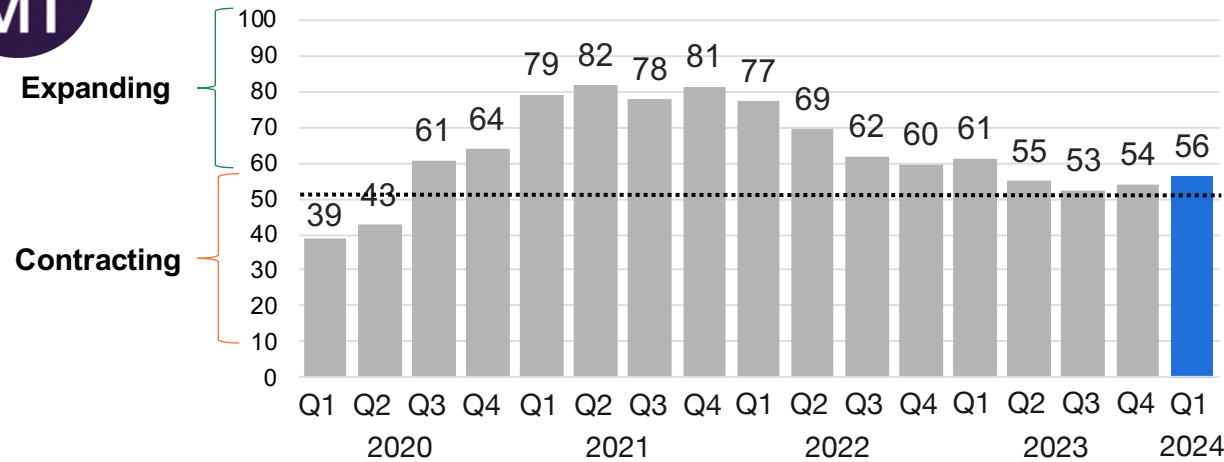
Composite KBMI weights are 55% current conditions, 30% industry health, and 15% next-quarter growth. See Methodology section for more details (page 61).

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

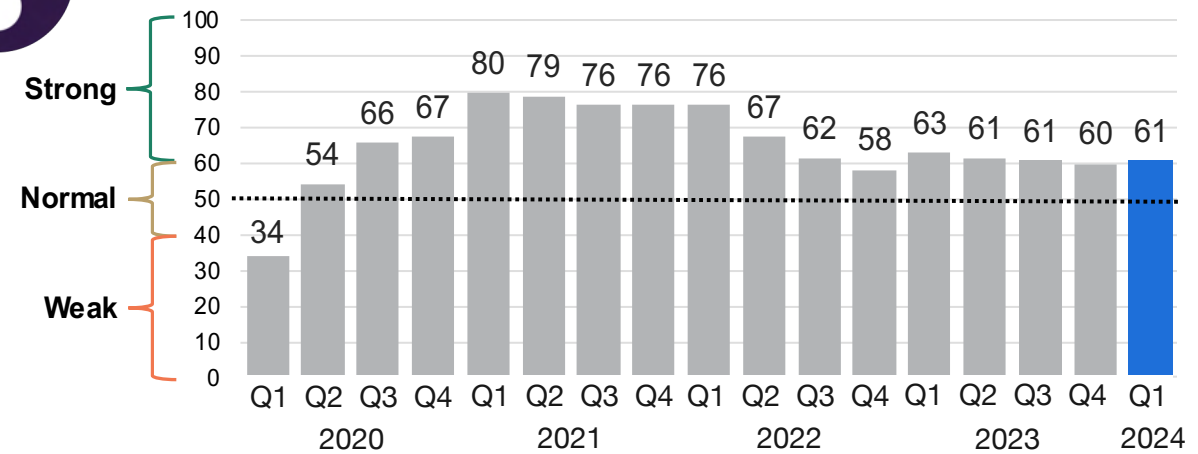
The KBMI, a leading indicator of US K&B market performance, turned up through the first quarter. Near-term conditions remain positive and are improving vs. a year earlier.



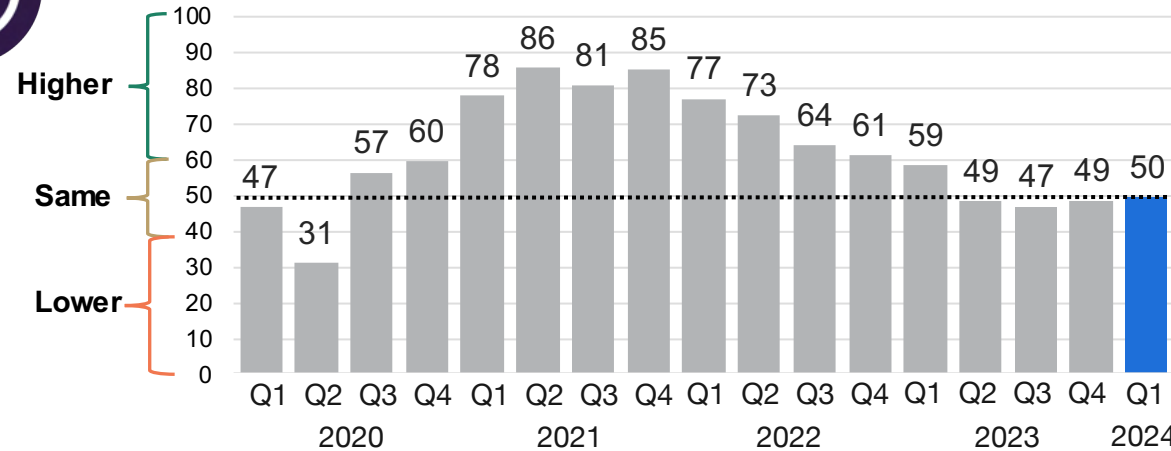
Kitchen & Bath Market Index (KBMI)



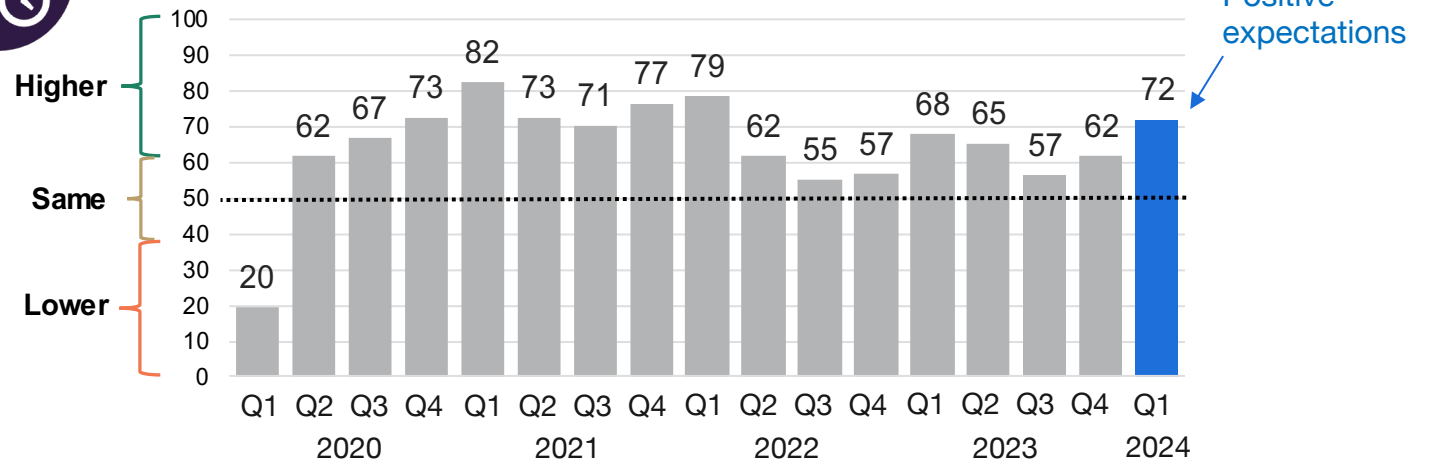
Health of the Kitchen & Bath Industry



Current Kitchen & Bath Activity



Near-Term Kitchen & Bath Activity (Next 3 Mos.)



Note: The Q4 2023 KBMI was revised from 53 to 54 and the Q4 2023 Health of the Industry measure was revised from 56 to 60.
Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Q1 2024 KBMI Overview

While recent inflation continues to dampen demand from low- and middle-income consumers, many positive trends are uplifting the US kitchen and bath market, including high levels of wealth (particularly among boomers), aging-in-place renovations, and a strong labor market. Many NKBA members look forward to **increased sales** in 2024 despite expecting interest rates to remain elevated for longer.

Although the **Q1 2024 Kitchen & Bath Market Index (KBMI)** rose to 56.4 from 54.1 in Q2 2023 (ratings above 50 signal expansion), **US consumers still feel sticker shock at higher kitchen and bath (K&B) prices.** Slowing increases in the cost of goods provided relief to gross margins, yet demand has yet to pick up substantially year over year (YOY).

- **Increases in the cost of goods slowed.** On average, price increases were up **3.6% YOY** in Q1 2024, down from a **4.6%** increase in Q4 2023. Mirrors, faucets, sinks, and lighting saw the biggest markups.
- Sales were flat (**+0.7% YOY**), and **K&B firms completed fewer projects vs. a year ago**, reflecting sluggish demand and a trend toward larger projects with extended timelines.
- Project backlogs increased slightly for the first time in two years. **K&B retailers told us foot traffic ticked up 2% quarter over quarter (QOQ) for the first time in nearly two years, yet demand is choppy.**

- **Manufacturing and distribution firms reported an uptick in orders YOY (4.2%). Year-over-year performance for cabinet shops, a manufacturing subsegment, was strong (+10%).**
- **Respondents say, “The recognition that 3% mortgages are gone has sunk in.”** Higher-for-longer interest rates continue to weigh on firms that rely on consumers tapping home equity for projects, even as high-net-worth consumers remain resilient.
- Although sales were muted, Q1 2024 kitchen and bath project deferrals and cancelations remain low. **Many pros (56%) expect a return to growth in 2024, citing opportunities to meet rising demand for large, higher-end projects, mainly from trade-ups-in-place.**
- On average, K&B firms expect **5.7%** revenue growth in 2024, down from an expectation of a **6.6% increase** in Q4 2023, with moderating guidance across three of the four segments.
- **Boomers and Gen X clients are proceeding with remodels to fit family and lifestyle needs** (retirement, etc.). Millennial activity is beginning to tick up in the Southwest.

Note: The Q4 2023 KBMI was revised from 53 to 54.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Q1 2024 KBMI Overview (cont'd)

- **Lead quality continued to increase at the high end.** Projects priced over \$100K yielded increasing profit potential at year-end.
- Inventory positions are relatively balanced/normal with little excess capacity, yet **labor bottlenecks remain a top concern for industry professionals.**
- **K&B firms have significant pricing power.** On average, designers feel they could push price increases as high as 7.3% in 2024, and building and construction firms reported that consumers could accept increases as high as 6.4%. Confidence about the ability to raise prices this year is consistent with a stable demand outlook, particularly in the absence of significant supply/capacity constraints.
- **Lower-end homes are underperforming.** Affordability is weighing on lower-income and younger households, dragging down overall growth. Many firms in our sample reported catering to clients with significant disposable income by necessity, as this is where demand remains resilient.
- **Sustainability could be a bigger focus.** Only one in four manufacturing firms reported that sustainability is their focus. Several companies reported that they had no sustainability efforts. Using recycled products, reclaims, and off-cuts were frequently mentioned among those engaged in sustainable initiatives.



Design: Aimee Pearson, CKD | Photo: Lori Douthat

Q1 2024 KBMI Takeaways by Kitchen and Bath Industry Segment

Retailers' and manufacturers' performance improved over the prior quarter. Design and building and construction firms continue to report opportunities in the market and benefit from their backlogs.



Design

- With project sizes trending larger, job completions by design firms in the first quarter were muted.
- Resilient high-end consumers remained a growth area for the industry. **Lead quality for these high-ticket jobs increased.**
- Sales were flat, yet backlogs stabilized just above 2 months.
- Outlook for 2024 is upbeat: **Design firms expect an average 6% increase in sales in 2024.**



Building and construction

- Project scopes increased, possibly reflecting a **narrower pool of wealthier owners pursuing projects.**
- **Backlogs ticked up to 2.8 months, suggesting strengthening demand.**
- With project sizes getting larger, job completions moderated.
- Building and construction firms downgraded their growth forecast to a still-solid 4.2% for 2024.



Retail sales

- Sales growth and foot traffic both ticked up versus the prior year, and inventories remain balanced.
- **Retailers are cautiously optimistic about 2024 (expecting 4.8% growth).**
- **Cost of goods rose by only 3.2%, an improvement from past quarters.**
- Retailers report elevated lead times for cabinets, vanities, and refrigerators.

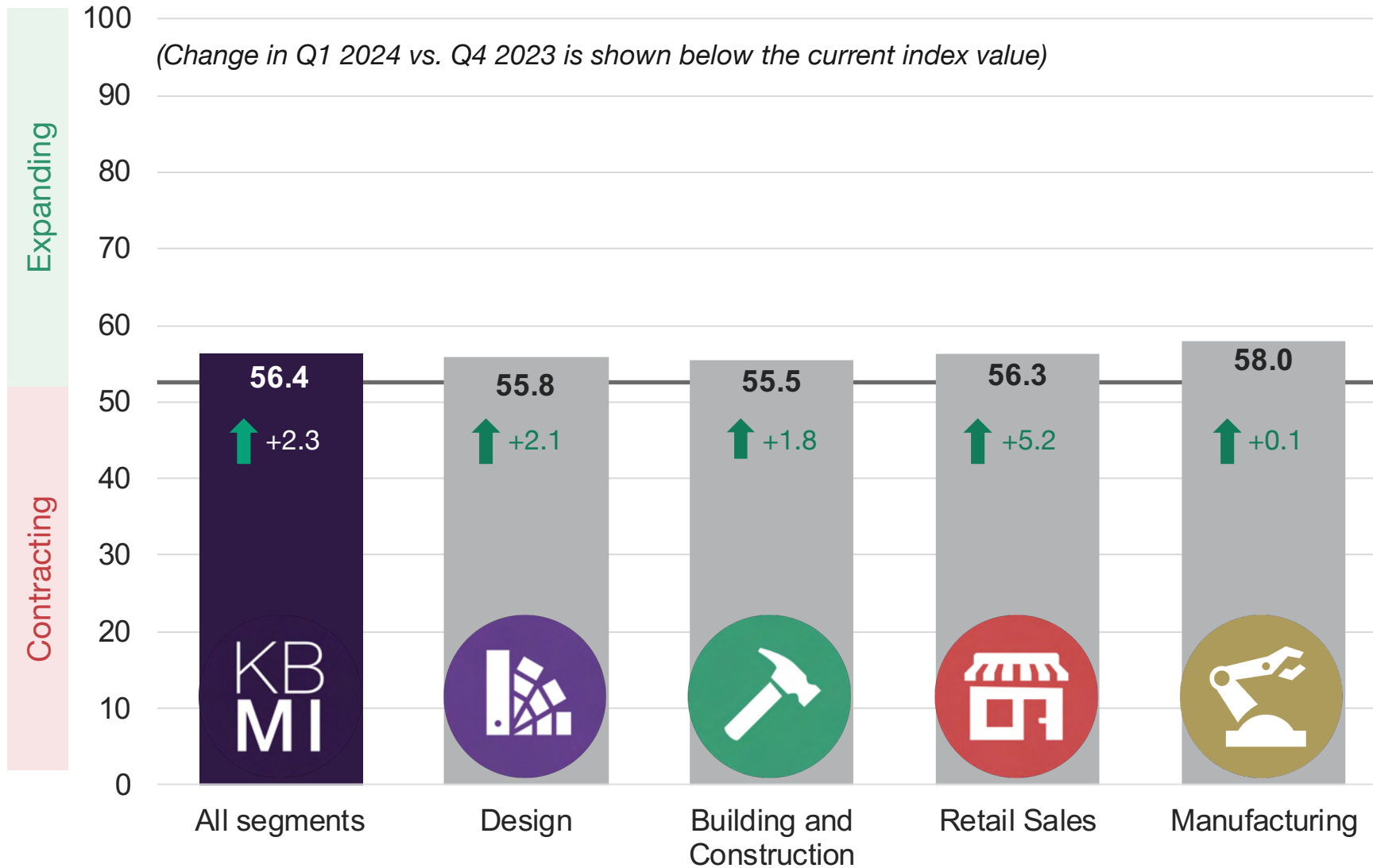


Manufacturing

- Orders rose YOY for the second time since early 2023.
- **Cabinet shops report solid growth conditions.**
- Manufacturer inventories remain relatively balanced, and capacity is available to meet demand.
- **Manufacturers generally expect steady growth for the year (no fall-off in demand).**
- **R&D for new products is widespread.**

Kitchen & Bath Market Index (Q1 2024)

The KBMI is a composite diffusion index measuring current sales growth, industry health, and near-term growth expectations among US kitchen and bath industry professionals.



The KBMI—a leading indicator for the US residential kitchen and bath market—rated 56.4 on a 100-point scale in Q1 2024 (low “expanding” range), up slightly from Q4 2023.

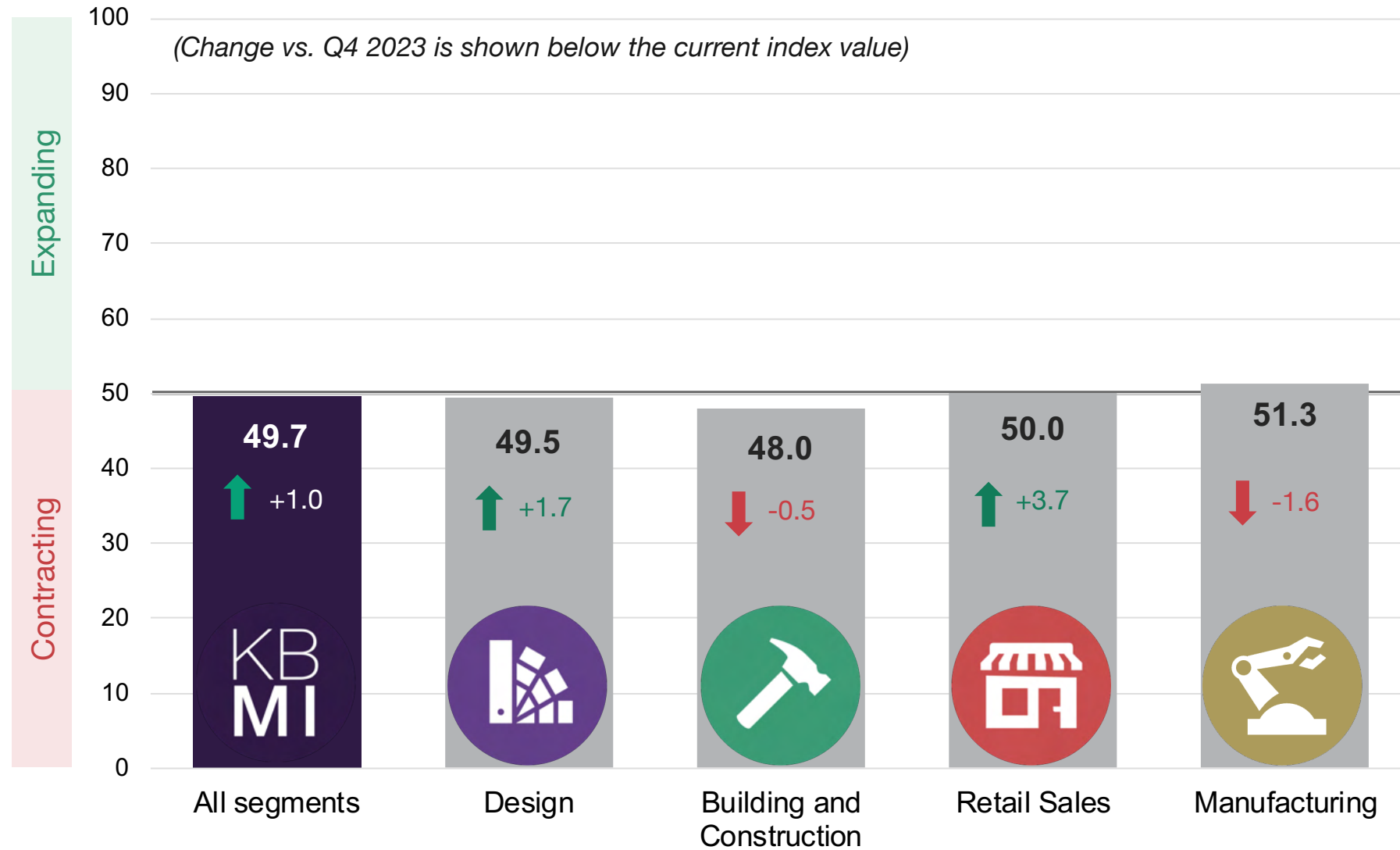
The manufacturing segment—which led the post-Covid recovery in early 2020—showed early signs of an upswing.

Note: The Q4 2023 KBMI was revised from 52.8 to 54.1 (All segments). These QOQ changes are based on the revised Q4 2023 figures.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24).

Current Kitchen & Bath Activity Index (Q1 2024)

Rates current quarter (Q1 2024) residential kitchen and bath sales compared to one year ago (Q1 2023)

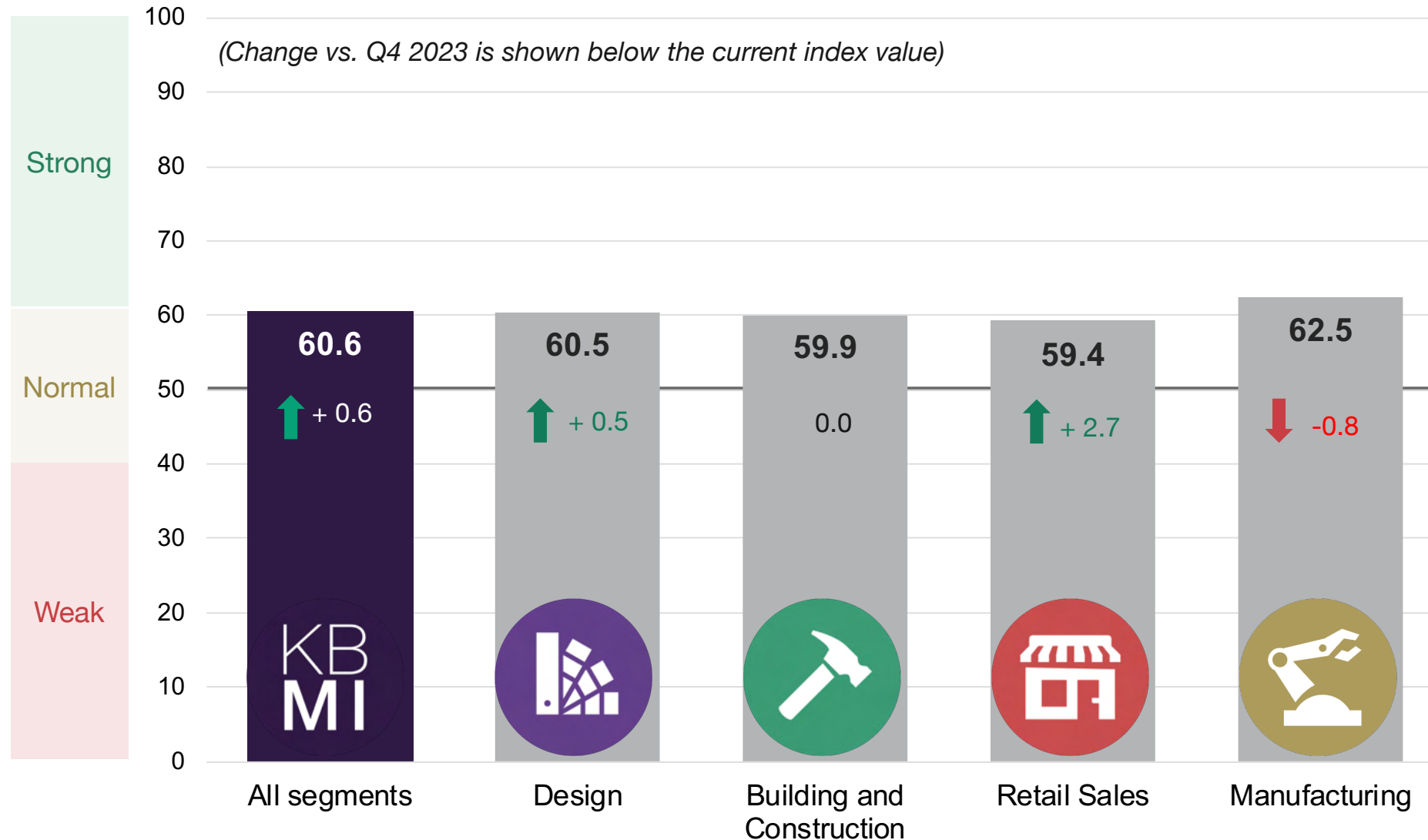


The most important component of the KBMI is “current business conditions.”

In Q1 2024, current measures came in close to 50, signifying market stability: neither large increases nor decreases in sales.

Kitchen and Bath Industry Health Index (Q1 2024)

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



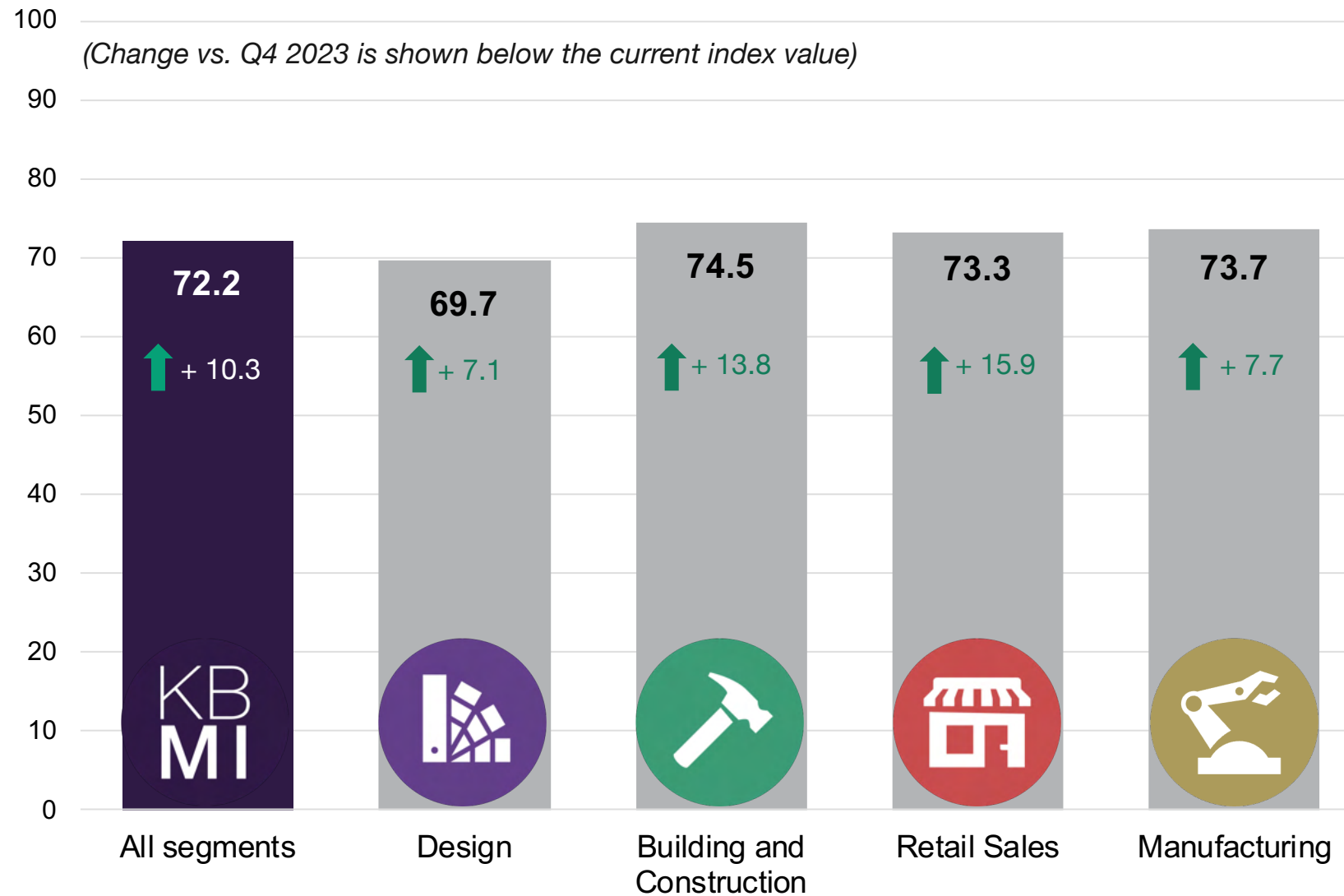
Kitchen and bath firms rate their industry in the normal-to-strong health range.

High home equity levels, aging homes needing renovations, and deferred discretionary remodels support the industry's remarkable resilience.

Note: The Q4 2023 KBMI Industry Health Index was revised from 55.6 to 60.0 (All segments). These QOQ changes are based on the revised Q4 2023 figures.
Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Near-Term Kitchen & Bath Activity Index (Q1 2024)

Represents kitchen and bath firms' sales expectations for the next quarter (Q1 2024) vs. the most recent quarter (Q4 2023)



Kitchen and bath professionals across all four industry segments expect sales conditions to improve during the next 3 months.

This quarter's result reflects seasonality and a general expectation that the market will recover soon: it is greater than 4 index points higher than last year's Q1.



Small project remodeling will continue as the population ages and places importance on home safety additions. We do not see a slowdown in the near term and are forecasting high single-digit growth through 2026.

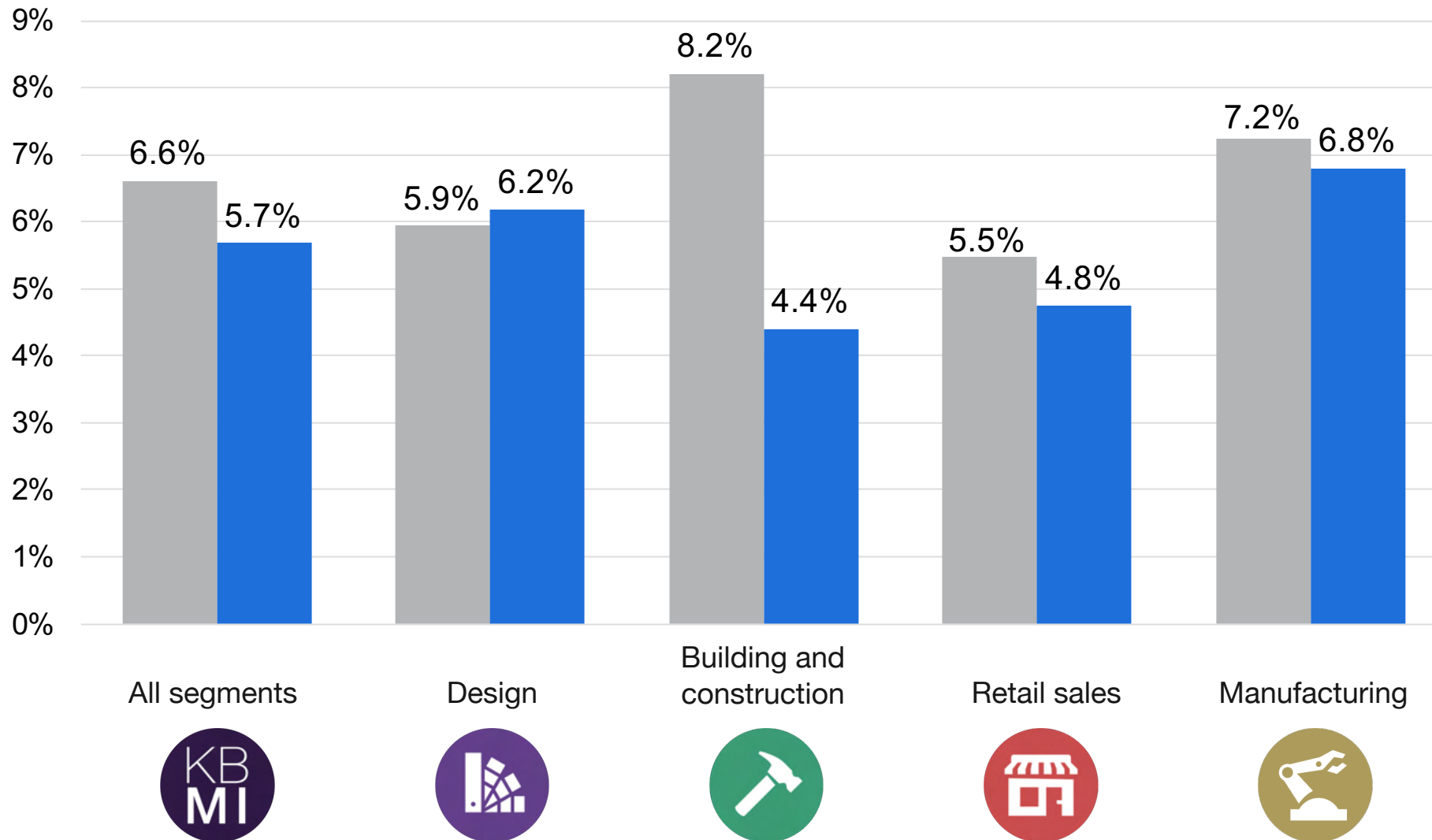
- Manufacturer across the US

Kitchen and bath professionals expect 6% revenue growth in 2024 on average.

Residential Kitchen and Bath Expected 2024 Sales Growth

Represents the average amount that K&B firms anticipate their sales to increase in 2024

Q4 2023 Q1 2024



Building and construction firms downgraded their full-year 2024 outlook, while other sectors' outlooks remained relatively unchanged.

Firms that attended KBIS this year are slightly more optimistic than those that did not.

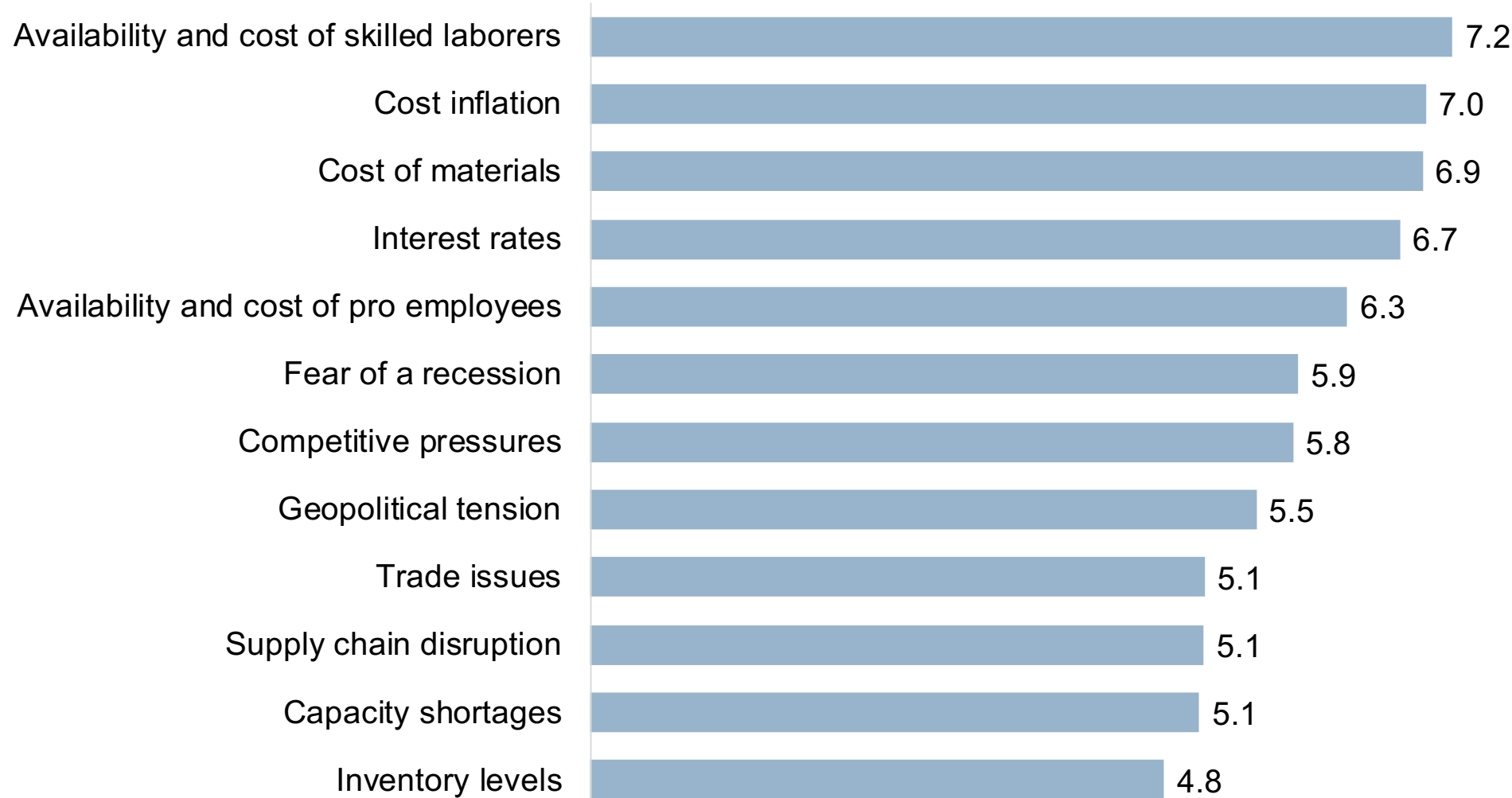
“ We are up from last year, where we suffered a loss. I was revived by going to KBIS 2024 and will be changing my showroom to reflect current trends. Our outlook for 2024 is good.
 – Dealer in California

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Availability and cost of skilled labor remains a persistent structural issue for the kitchen and bath industry, followed by cost inflation and interest rates.

Kitchen and Bath Industry Top Concerns in Q1 2024

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



“ A lot of jobs are being bid right now. Slow to close these jobs due to labor shortages.
- Manufacturer’s Rep in the Midwest ”

“ Consumer demand for remodels continues to increase, and the labor force cannot keep up with the demand.
- Design firm in the Southeast ”

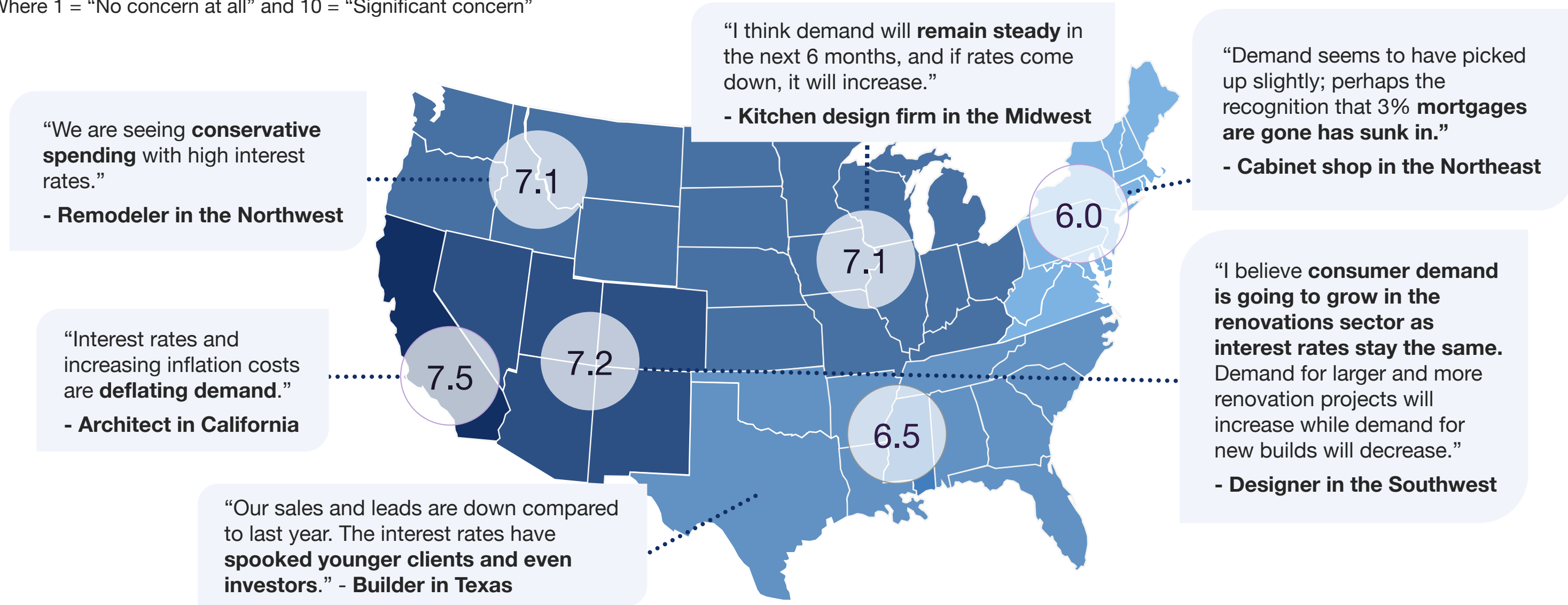
“ Our demand seems to be steady, and our lack of labor is the main thing keeping us from increasing sales.
- Cabinet shop in the Midwest ”

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

The US residential kitchen and bath industry’s concern over higher interest rates is highest in the West. Several firms cited a gradual acceptance of higher rates.

Kitchen and Bath Firms’ Average Level of Concern over Interest Rates in Q1 2024

Where 1 = “No concern at all” and 10 = “Significant concern”



Sources: John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

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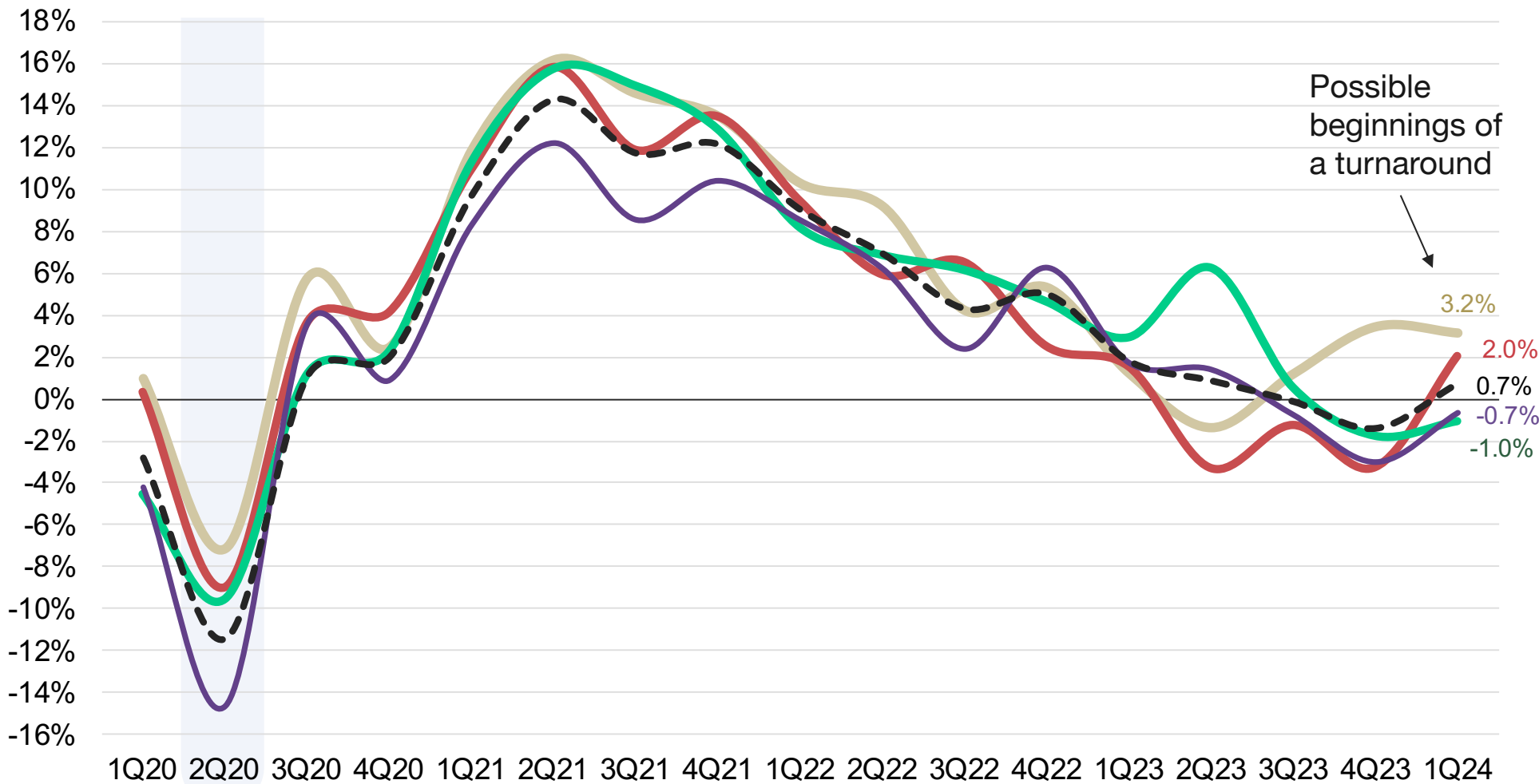
Industry sales

US kitchen and bath industry sales continued to show preliminary signs of a recovery.

Residential Kitchen and Bath YOY Sales Growth

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

— Manufacturing — Retail sales — Building and construction — Design - - All segments



The manufacturing segment (which includes distribution) continued to register low single-digit sales growth for kitchen and bath products.

Rising sales in this segment point to stronger growth conditions ahead and reflect the recent uptick in new construction.

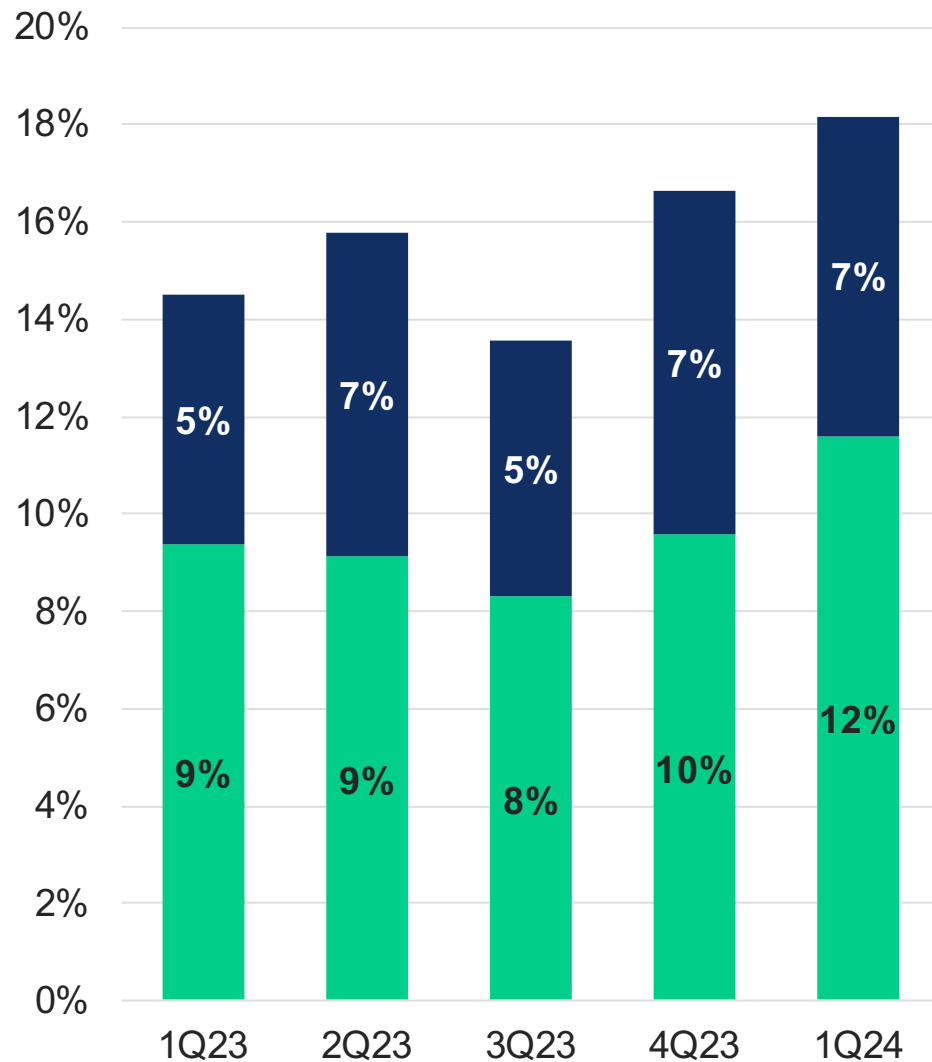
Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Kitchen and bath project cancelations and postponements remain low.

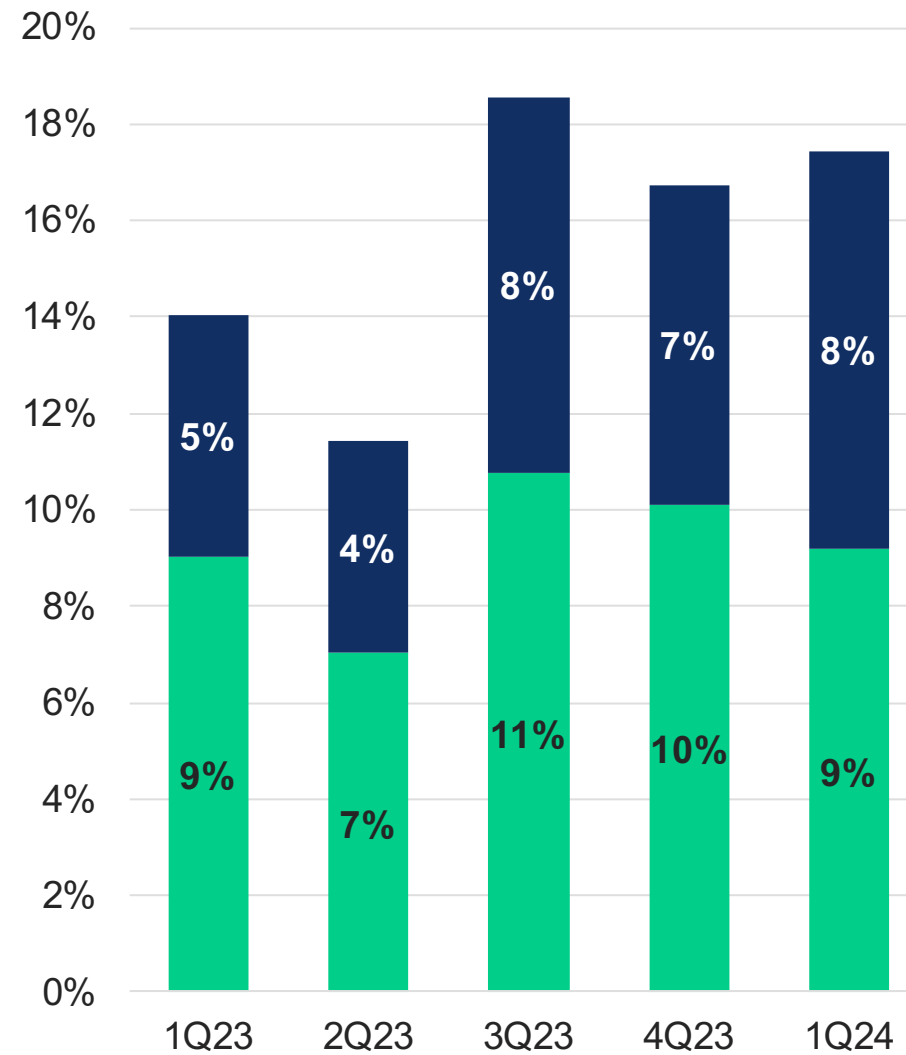
Share of Planned Residential Kitchen and Bath Projects That Did Not Continue

■ Postponed ■ Canceled

Design



Building and Construction



We are a little slower than we have been going into spring. As materials keep going up, the overall cost of a remodel continues to rise, making some customers decide not to do the remodel.

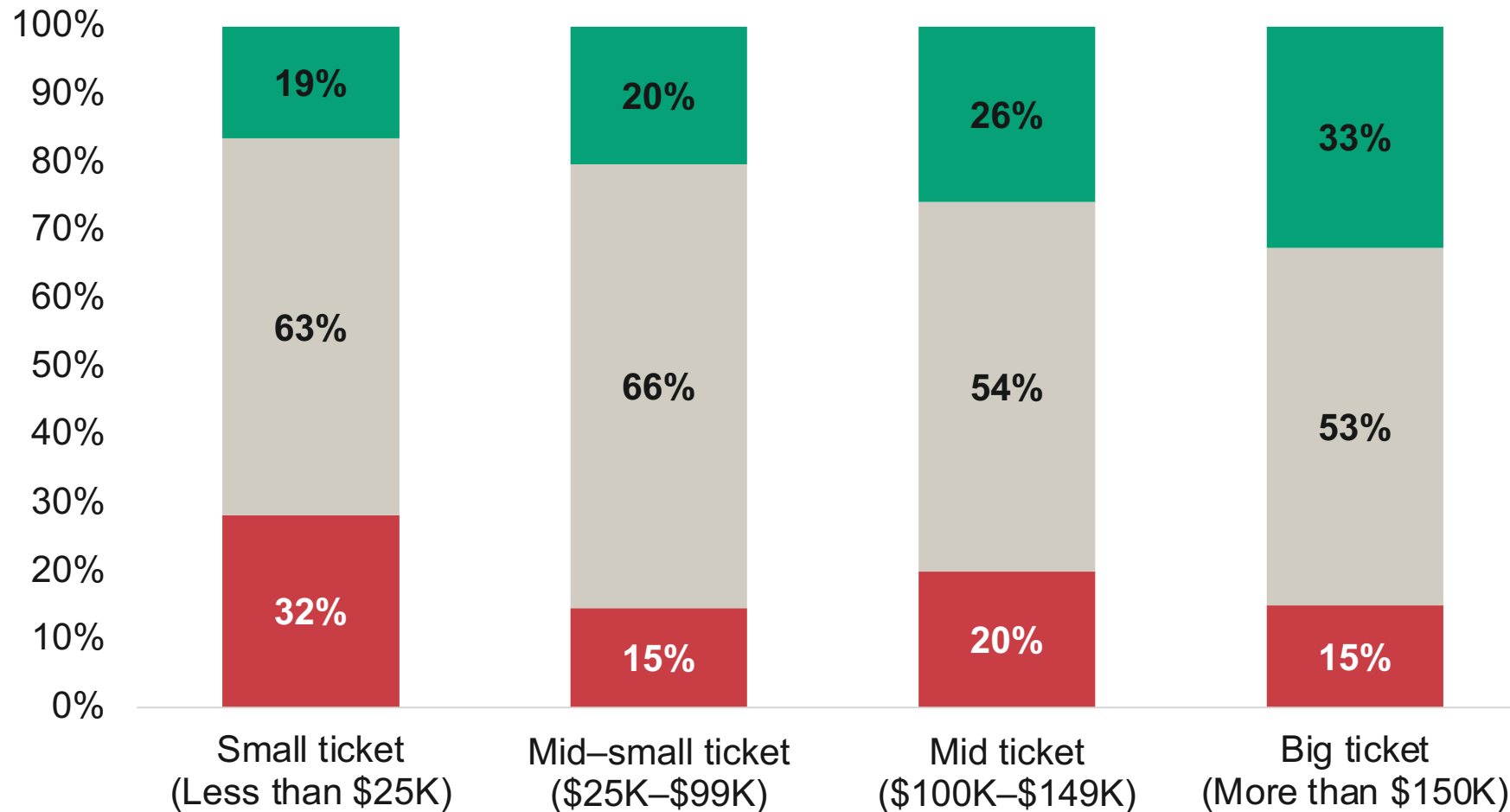
- Remodeler in the Midwest

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

KBMI results support increasing optimism: lead quality improved in Q1 2024 for high-end / luxury projects.

Change in Lead Quality for Kitchen and Bath Projects vs. Prior Quarter (Q1 2024)

■ Lower margin/profit potential ■ Similar margin/profit potential ■ Higher margin/profit potential



Kitchen and bath firm's typical ticket size

Improving profit potential for firms concentrating on big-ticket projects (more than \$150K) implies relative strength in big-ticket activity.

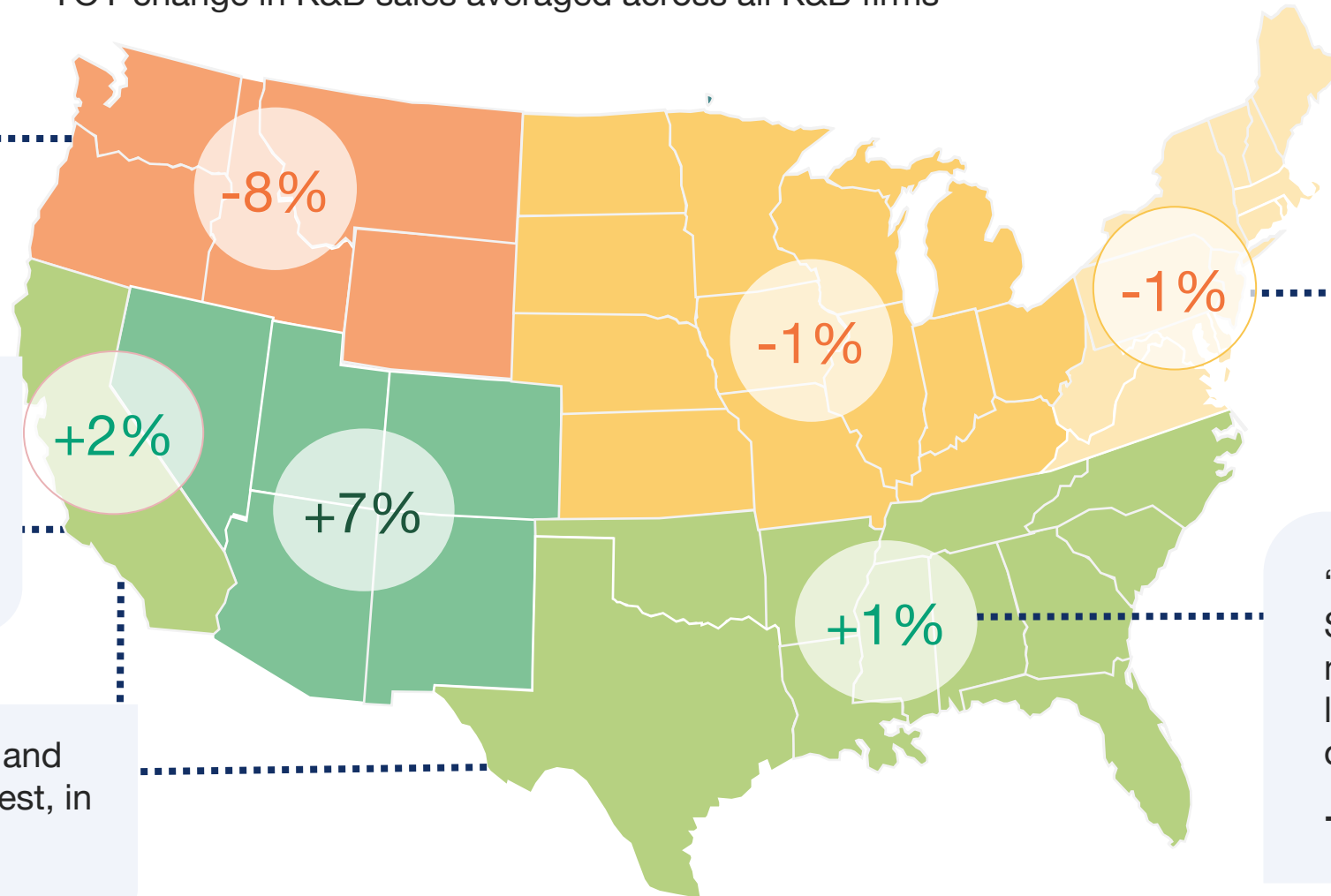
Lead quality for small-ticket projects (less than \$25K) continued to deteriorate slightly, along with the average US consumer's budget position (given recent inflation, etc.).

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24); Note: includes design and building and construction segments.

Q1 2024 sales for the kitchen and bath industry slowed across most of the US, yet pockets of the South reported improving conditions.

Residential Kitchen and Bath Sales Growth by Region (Q1 2024 YOY)

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



“Leads have dried up considerably since Nov. 2023 — very few inquiries.”

- Remodeler in the Northwest

“Central/Sacramento Valley is overperforming, mainly due to affordability.”

- Manufacturer’s rep in California

“For us, NY and NC, as well as TX and CA, are overperforming. The Midwest, in general, is underperforming.”

- Manufacturer across the US

“Mid-Atlantic and NY Metro are performing well. New Englanders seem to be a little more cautious.”

- Wholesale distributor across the US

“The housing market in the Southeast US is stronger than most. The growth potential is larger in this market than any others.”

- Manufacturer across the US

Sources: John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

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Market conditions

With general pricing for building products up 40% since pre-Covid, many K&B firms described consumers' ongoing experience of sticker shock.

“People are concerned and shocked by prices. **They have had to scale back their projects almost 100% of the time.**”

- Remodeler in the Northeast

“We are a little slower than we have been going into spring. As materials keep going up, the overall cost of a remodel continues to rise, **making some customers decide not to do the remodel.**”

- Remodeler in the Midwest

“I believe there is still interest in remodeling. However, the cost needs to make financial sense. In some cases, the **cost of a remodel exceeds the amount of added value to an individual's home. There is a shock factor** with current remodeling prices; the increase is due to inflation. My hope is that over the next six months, the shock of price increases wears off, and

clients understand that inflation happens in all markets; it is the same as the price of groceries increasing drastically.”

- Design-build remodeler in the Northwest

“Leads and sales have picked up since last quarter. Customers are much more conscious of price. They were in the last quarter, too, which has caused us to tighten our margins to remain competitive. I don't see this changing anytime soon.”

- Trades professional in the Southwest

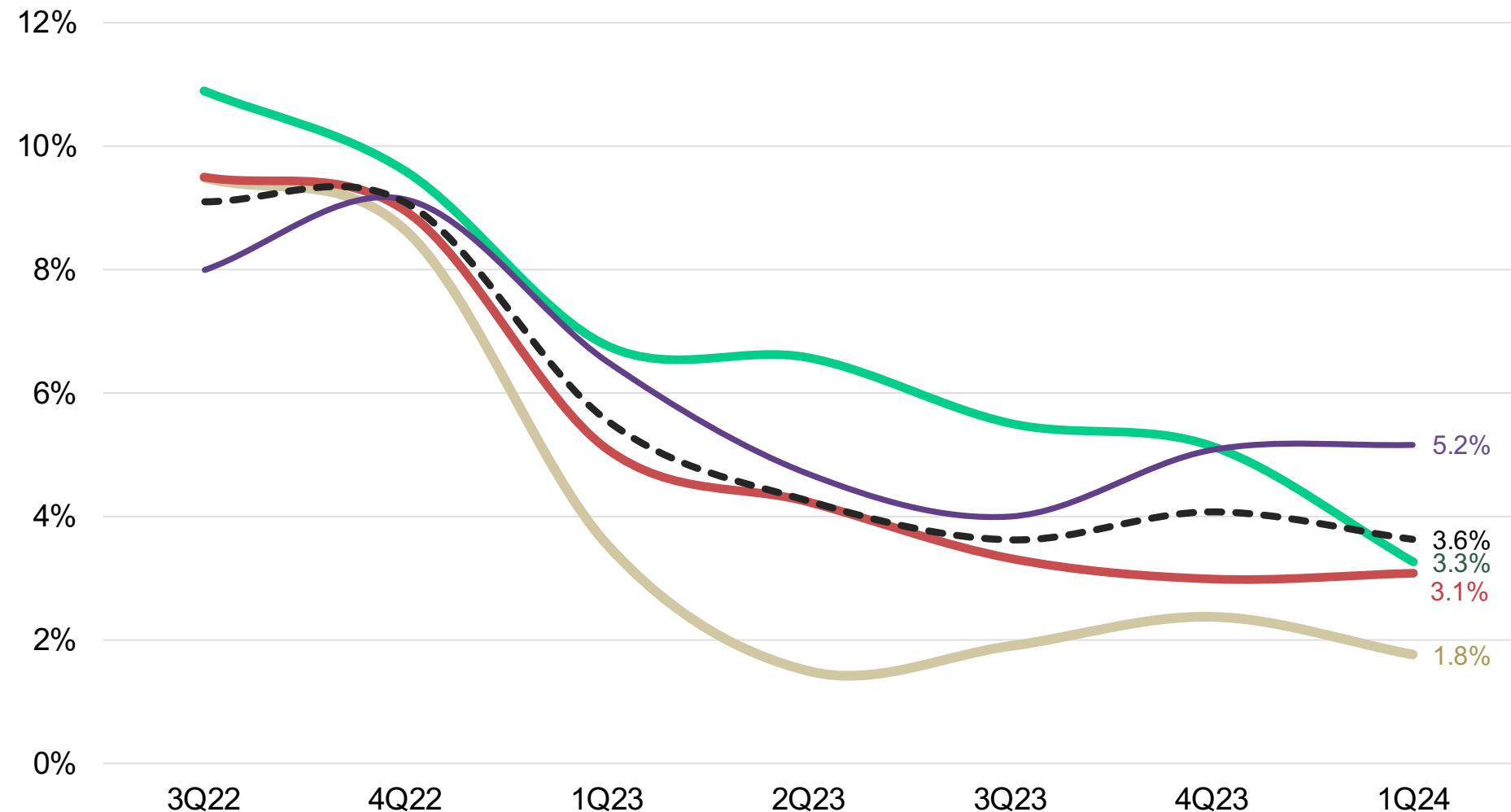


Relief for the US kitchen and bath industry: Average kitchen and bath product/project price increases are stabilizing on a YOY basis.

Residential Kitchen and Bath YOY Price Growth

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

— Manufacturing — Retail sales — Building and construction — Design - - All segments



Disinflation (lower rates of price increases) is a positive for the kitchen and bath industry and the economy as it eases affordability pressures and suggests fewer supply chain disruptions. The average price increase was 3.6% in Q1 2024.

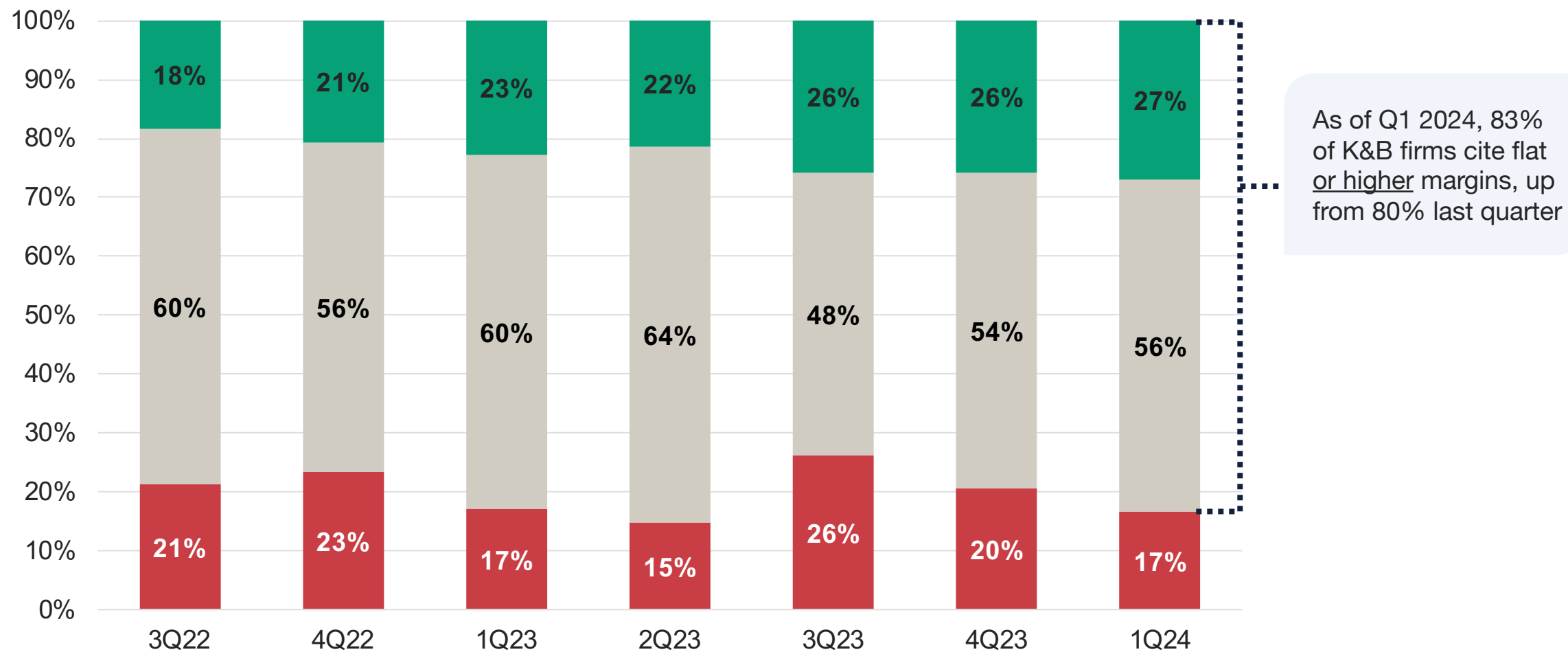
For comparison, general US inflation was up 3.2% in Q1 2024.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Stabilizing material prices continued to remove some of the intense pressure from kitchen and bath firms' margins.

Kitchen and Bath Industry Gross Margins Compared to a Year Ago

■ Lower ■ About the same ■ Higher



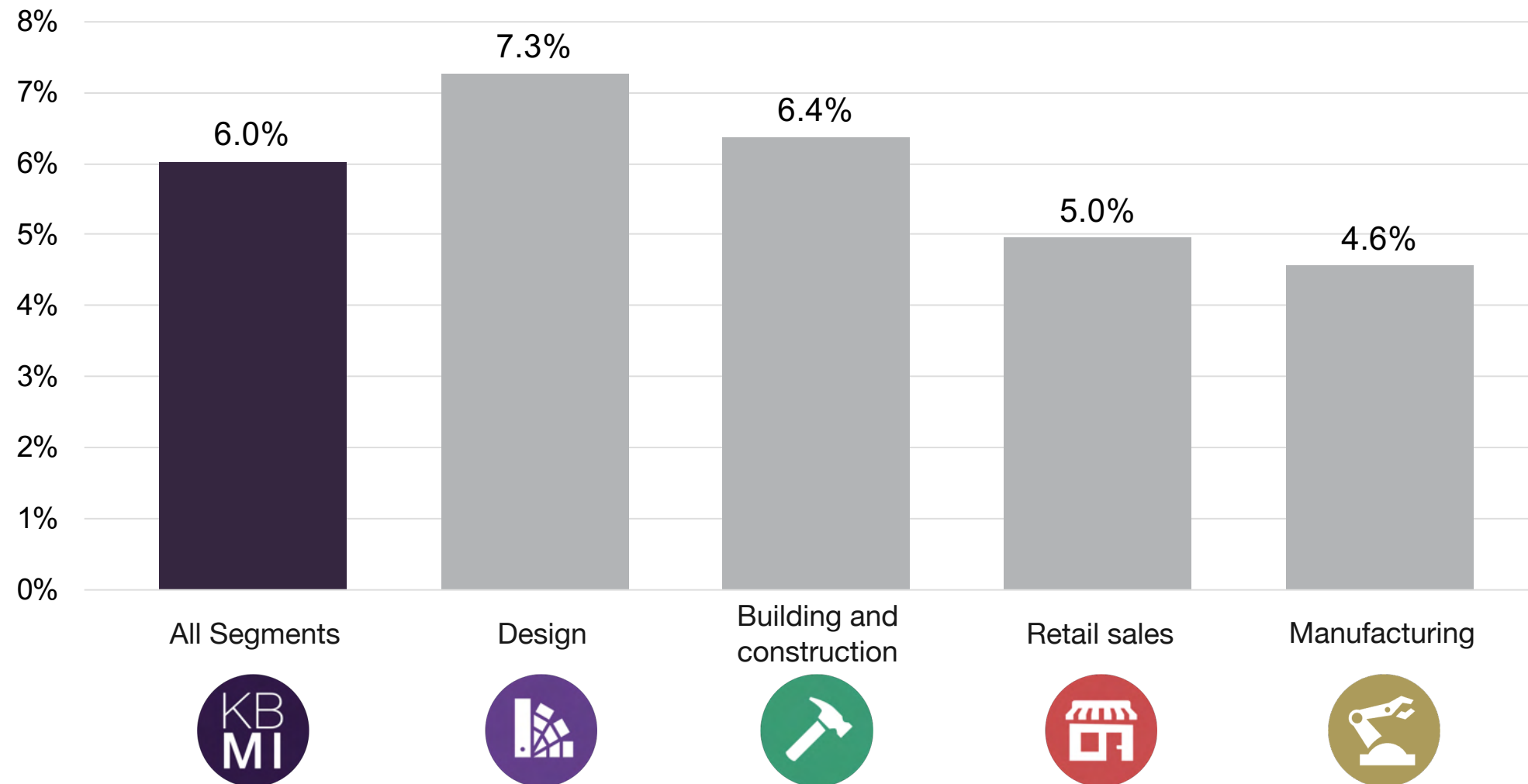
Note: % values may not total to 100% for each segment due to rounding.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

More price increases could be on the horizon: Design and building and construction firms feel they have strong pricing power in 2024.

Residential Kitchen and Bath Expected 2024 Pricing Power

Firms were asked: What do you think is the highest percentage of price increases you'll be able to pass along to your customers for the full year of 2024? (Average is shown.)



Confidence about the ability to raise prices this year is generally consistent with a stable demand outlook, particularly in the absence of significant supply/capacity constraints.

In the next six months, overall pricing of projects will be higher due mostly to the rise in materials.
- Remodeler in the Midwest

Affordability continues to weigh on lower-income and younger households.

We asked: *Are there any demographic groups or geographic areas that are overperforming or underperforming for your business?*

“Lower-end homes are underperforming.” - Cabinet shop

“Middle class is very cautious.” - Manufacturer’s rep

“Millennials are underperforming for our business.” - Kitchen design firm

“Most clients are in their 40s/50s. We don’t see a lot of clients in their 30s or younger. Clients in their 60s are a decent percentage as well.” - Showroom

“Our market caters to a small segment of the population with access to disposable income. Younger clients are typically tied to their parents’ wealth.” - Architect

“Aging-in-place remodeling continues to fuel our growth and will for the foreseeable future.” - Manufacturer across the US

“Our customer base is primarily boomers, with some moving toward Gen Xers. Not much difference yet between demographic groups, but we expect a significant shift when millennials take over.” - Online retailer



Design: Jennifer Hale | Photo: Eric Zepeda

Amid higher overall prices, US consumers are seeking higher levels of ‘affordable luxury’ in the kitchen and bath space.

“Consumers are changing. **Customers do not seem to know difference in quality, think they know more than they do, and often have misinformation.** They do not have realistic expectations of cost.” - **Dealer in the Southwest**

“Our customers are **looking for new styles and fair prices.** Demand is increasing, and our builder’s forecast for 2024 is strong.” - **Dealer across the US**

“More of our customers have begun and will be **looking for ways to make their dollar go farther in their project**—so decreasing quality of finishes, simplifying decorative features to save money, and potentially taking on some of the labor themselves.” - **Remodeler in the Midwest**

“I feel that people will need to redo their kitchens. **Clients may want to downgrade the cabinets slightly to get the look they want.**” - **Dealer in the Northeast**

We are winning multifamily quotes as a value-oriented brand... **Our showroom growth is due to rebranding along with selling more value-oriented “affordable luxury” products as consumers seek cheaper options.**” - **Manufacturer across the US**

“The older the client, the more demanding for better products and services! The younger clients are looking for quicker experiences with more lower-priced options.” - **Dealer in the Northeast**



Design: Cindy Steele | Photo: Ross Pushinaitis

Millennial customers are emerging as an opportunity in the Southwest.

California

“Our clients are widespread and range in age, style preferences and budgets. The main common denominator seems to be **homeowners that have been in the home 2+ years at minimum or repeat clients** that we’ve completed projects for. We’ve seen an increase in leads for homeowners’ wanting to remodel **multiple spaces.**” - **General contractor**

Southwest

“Gen Z and millennials are underperforming. **Boomers and Gen X are strongest.**”

- **Trades professional**

“**I am starting to see millennial customers more in 2023 and 2024 than I ever have before**, and this demographic is proving to be great clientele, maybe because I am a millennial and understand this generation better. There are fewer boomer leads than there once were and none from Gen Z.”

- **Dealer**

“**I’ve been seeing a lot of millennials with higher budgets**, which has been interesting to see.”

- **Interior design firm**

“**Second homes are being remodeled at a higher percentage** than last year as Airbnb owners and rental units are requiring updates.”

- **Remodeler**

Northwest

“I have high-end clients, but they want to do things on their own and spend more on goods, or they’ve figured out ways to purchase on their own or through an architect/contractor and get goods at cost, so I’ve lost profit that way.”

- **Interior design firm**

Midwest K&B firms report strong growth from suburban, boomer/empty-nester, and Gen X clients.

Midwest

“Gen-X and boomers far outpace millennials as our customer base.”

- Remodeler

“A lot of people have been wanting their shower redone. It has been a big hit for our location. Customers have mostly wanted top-notch tile or a typical acrylic tub/shower combo.”

- Design firm

“Empty-nesters are my best clients.”

- Kitchen design firm

“City projects (condo upgrades) look to be softening while suburban projects (single-family homes) seem to be on the rise. Secondary (vacation properties) are holding steady from a deep low in ‘20/‘21.” - Remodeler

“Columbus has a unique economy, so we tend to be insulated from economic downturns. With the massive amount of construction underway in the metro area right now, I don’t foresee any major underperforming areas for us.”

- Kitchen and bath firm

“Downtown neighborhoods are stagnant right now.”

- Manufacturer’s rep



Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

For the purposes of this report Midwest includes: Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

Design: Jennifer McGee | **Photo:** Marco Ricca

Gen X segment is overperforming in pockets of the Northeast.

Northeast

“We are seeing an increase in **boomers with aging-in-place renovations** and have not seen any Gen Z clients.” - **Remodeler**

“**We encounter a healthy mix of clientele, the majority of them being Gen-X or boomers.** The boomers are less price-cautious whereas Gen-X are more strict about sticking to their budgets.”

- **Kitchen design firm**

“**Gen X has the money, some boomers do too;** they tend to make one big last purchase before they retire.” - **Showroom**

“As Gen X begin to move into the next stages of life, they are looking to **renovate before they retire.**” - **Interior design firm**

“**The Gen X segment is overperforming.**”
- **Interior design firm**

“I am seeing more late-aged millennials and Gen X clients either looking for a remodel or addition. But boomers tend to be our bread and butter.” - **Remodeler**

“Mid-Atlantic and NY Metro are performing well. New Englanders seem to be a little more cautious.” - **Distributor**

“**Second-home owners are overperforming.**” - **Manufacturer’s rep**

“We are seeing far fewer younger clients as inflation remains high. Middle-aged clients are resolved to stay in place and renovate.”
- **Bath design firm**

“The boomers are more willing to spend for better quality and service.” - **Dealer**



Design: Gina D'Amore Bauerle | Photo: Eric Lucero

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

For the purposes of this report Northeast includes: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia.

Southeast K&B firms report pockets of growth: second homes, older households, and households staying in place.

Southeast

“Second homes continue to be strong.”

- Showroom

“Clients with less income are more reluctant to do projects.” **- Kitchen design firm**

“Gen X and boomers are primarily dominant in the single-family residential homes sector that is just outside the main city (Atlanta) and are understanding on pricing. Millennials are my main demographic when dealing with homes inside the city (townhomes or areas being rehabilitated). They seem to give a little more pushback on pricing.” **- Installer**

“Lots of younger people are purchasing boomers’ old houses and doing massive renovations projects to them rather than tear down and build new construction.” **- Builder**

“The 27–35 segment has slowed and it’s probably due to interest rates. The 35–65 segment is the range of most of our sales and it has slowed down some.”

- Showroom

“The housing market in the Southeast US is stronger than most. The growth potential is larger in this market than any others.”

- Manufacturer

Florida

“Gen Z is underperforming, but my guess is due to the cost of housing.”

- Interior design firm

“We are seeing mainly remodels— they seem to be an abundance. Households are not moving as much!”

- Kitchen design firm

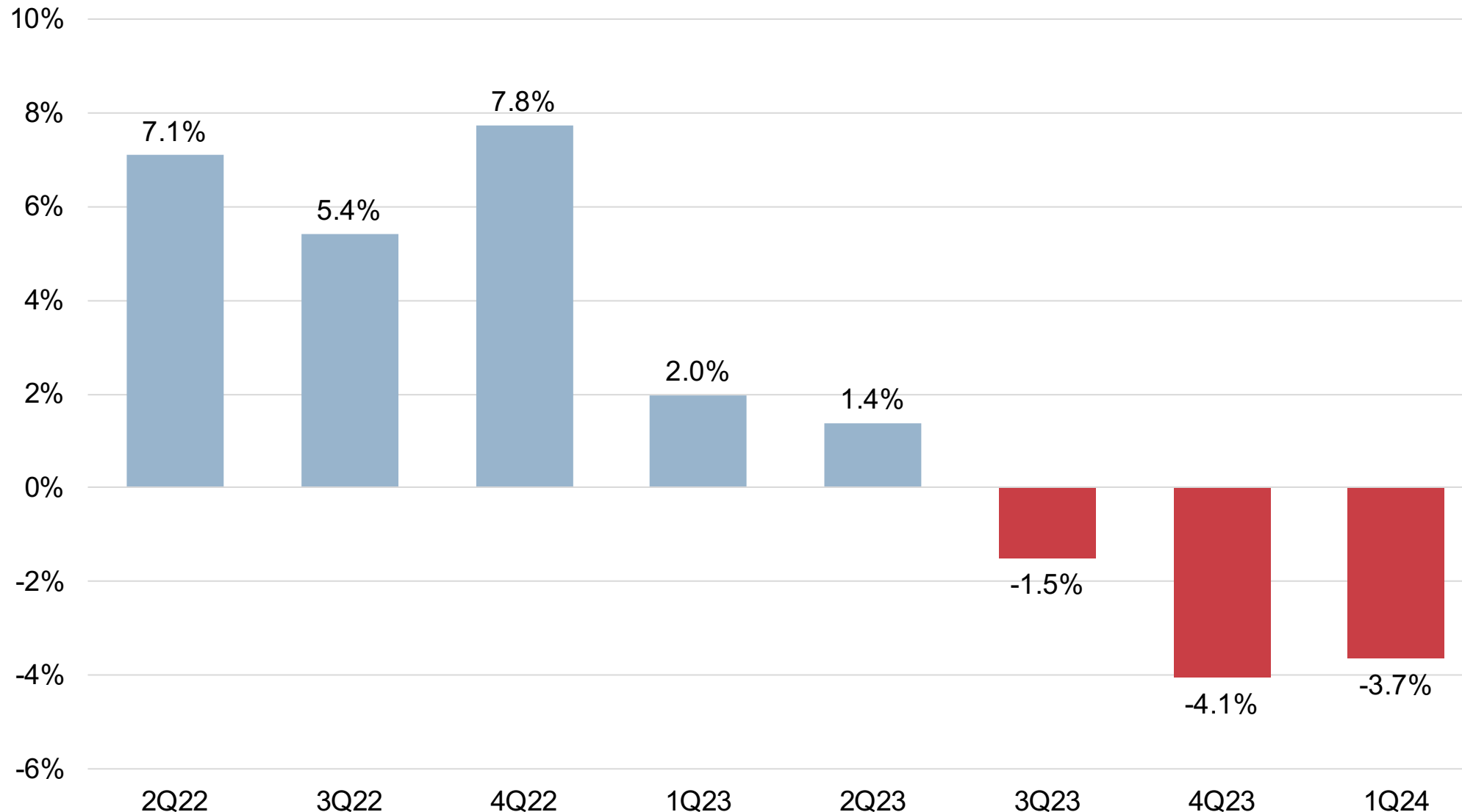
“Our data shows uniform sales trends, indicating that all customer demographics are equally engaged with our products. There is no single group outperforming or underperforming, which reflects the broad appeal and steady demand for our products.” **- Showroom**



Design segment update

Design firms' kitchen and bath project completions remained negative in Q1 2024, with little change from last quarter.

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



Higher lending costs and prices are impacting consumers' discretionary spending habits.

The large-project clients are more willing to move forward, but the development time is long before we start to see revenue. The bread-and-butter projects—kitchens and baths—are where we are seeing more sensitivity to price.

- Interior design firm in California

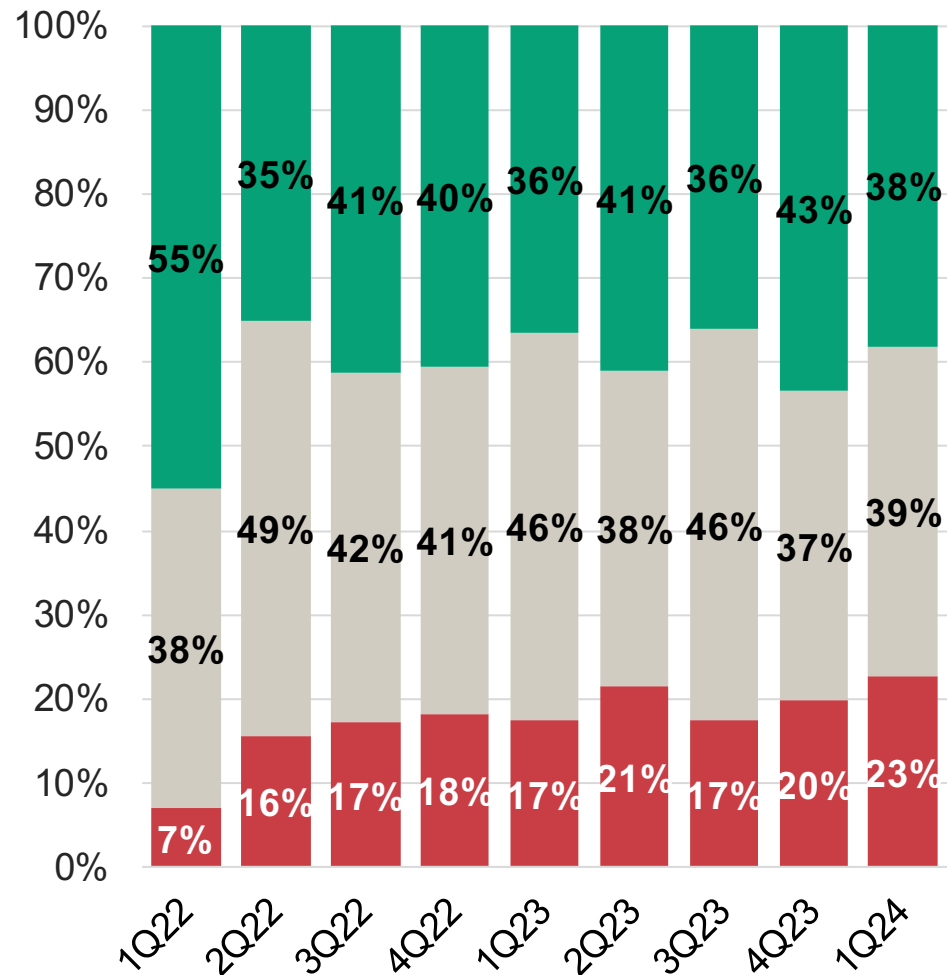
Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Design firms continue to see a solid share of resilient high-end consumers who can upgrade even in a high-interest-rate environment.

Kitchen and bath designers report shifting demand for product scopes and price points

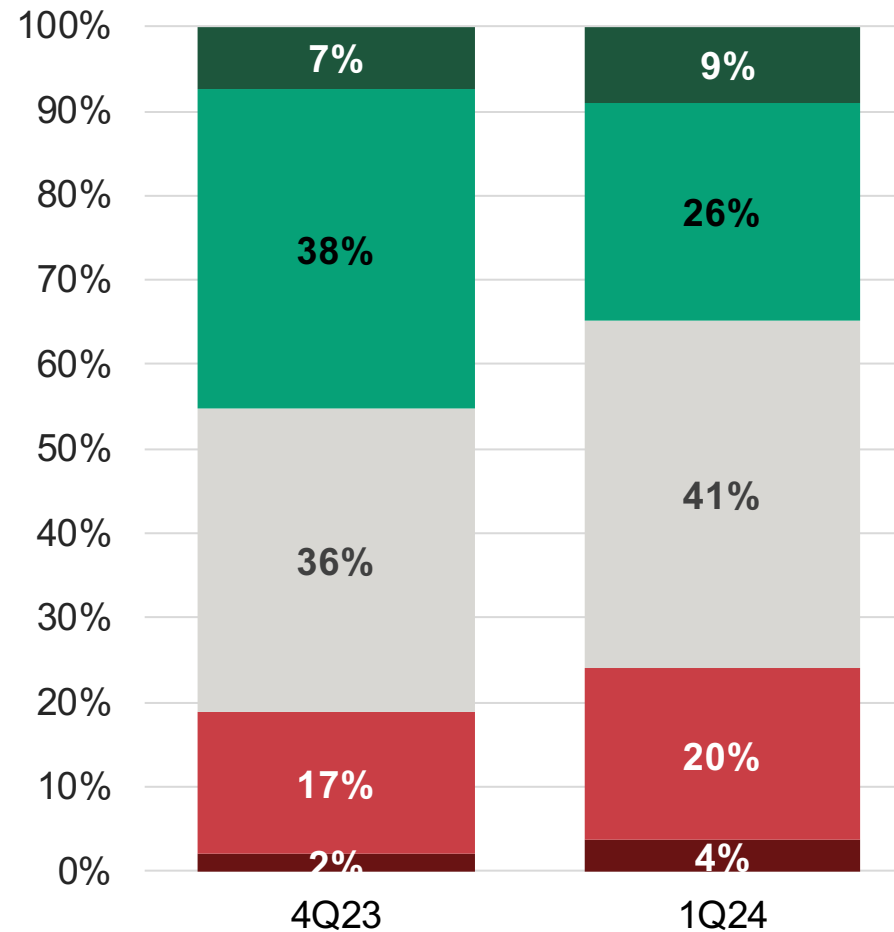
Average Size/Scope of Projects (vs. Prior Year)

■ Increasing ■ Staying the same ■ Decreasing



Product Grades/Price Points Demanded

■ Widespread shift higher ■ Slight shift higher
 ■ No noticeable shift ■ Slight shift lower
 ■ Widespread shift lower



“ I believe consumer spending and demand will continue to increase for the next six months due to larger-size projects coming through. Consumers are seeing the value in paying more for products/services.
 - Interior Design firm in Colorado

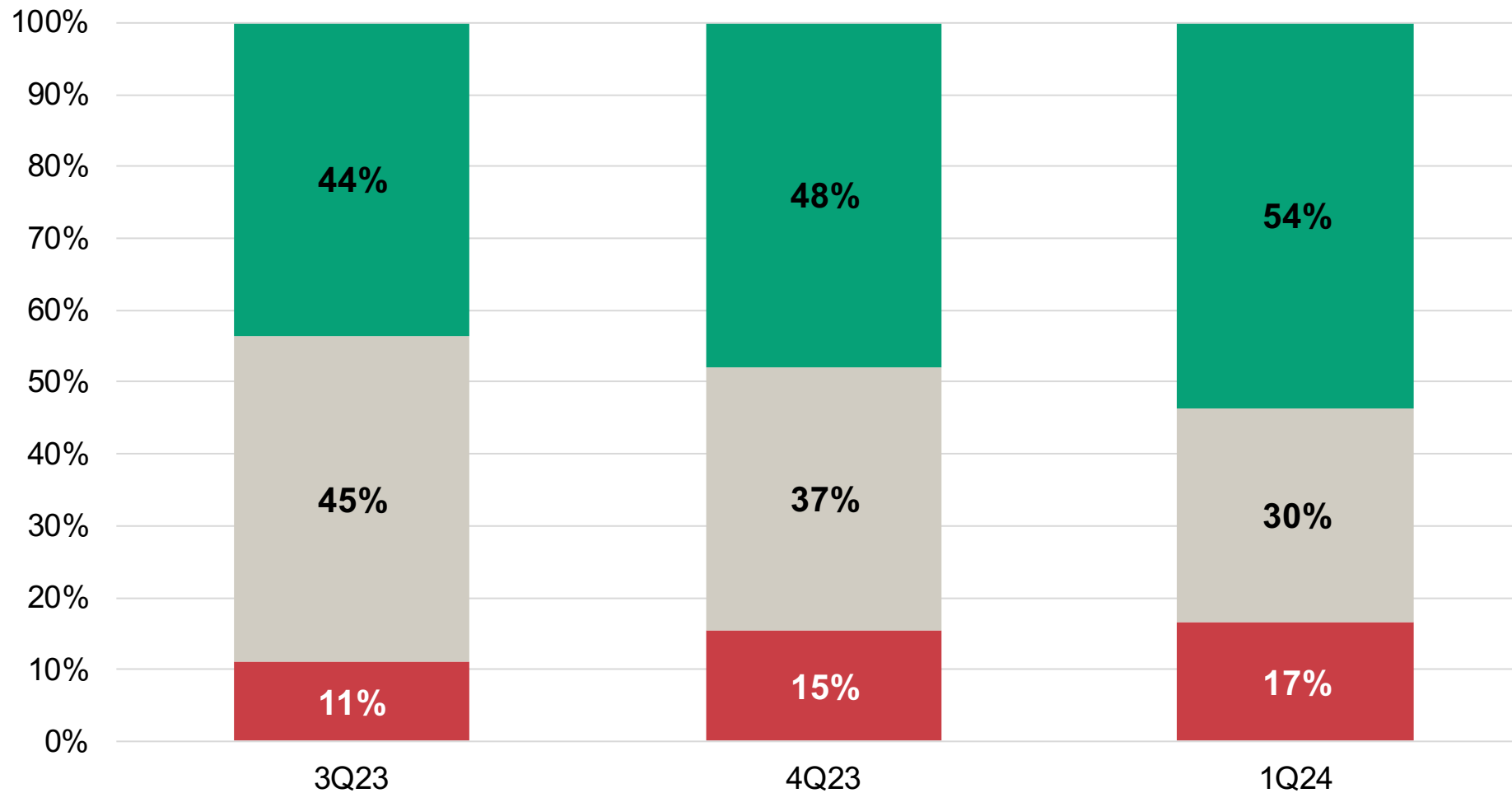
“ I see an increase in demand and find that consumers don't mind upgrading if it's beneficial. They still want the luxury spa feeling and don't mind paying more for higher priced finishes, etc.
 - Design firm across the US

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24):

An increasing segment of design firms expect positive 2024 kitchen and bath revenues. Fears of a downturn remain muted.

Kitchen and Bath Design Firms' Full-Year 2024 Sales Revenue Expectations Compared to 2023

■ Lower ■ Stay the same ■ Higher



Average growth forecast for 2024: **6.2%**



I see a trend of growth, but more consumer hesitation as they navigate fears of a recession and deal with continued higher interest rates especially during a presidential election year and global tensions. Homeowners are distracted and stressed.

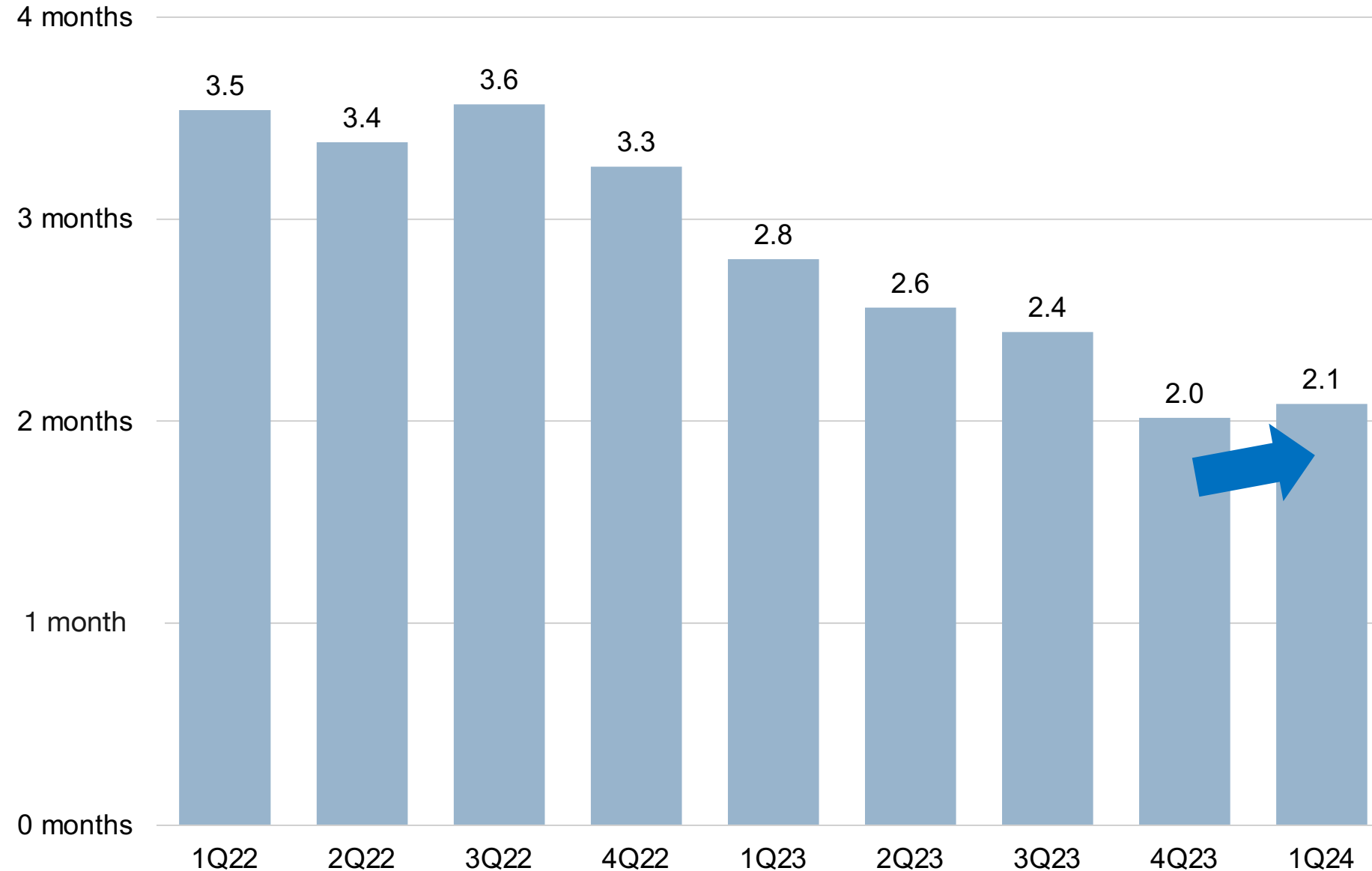
- Kitchen design firm across the US

Note: Percent values in chart may not add to 100% due to rounding.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Design firm backlogs stabilized in Q1 2024.

Average Kitchen and Bath Project Backlogs for Design Firms



Stabilizing backlogs is a promising sign for 2024 performance and suggests that design firms are not unfounded in their optimism for the year.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24):

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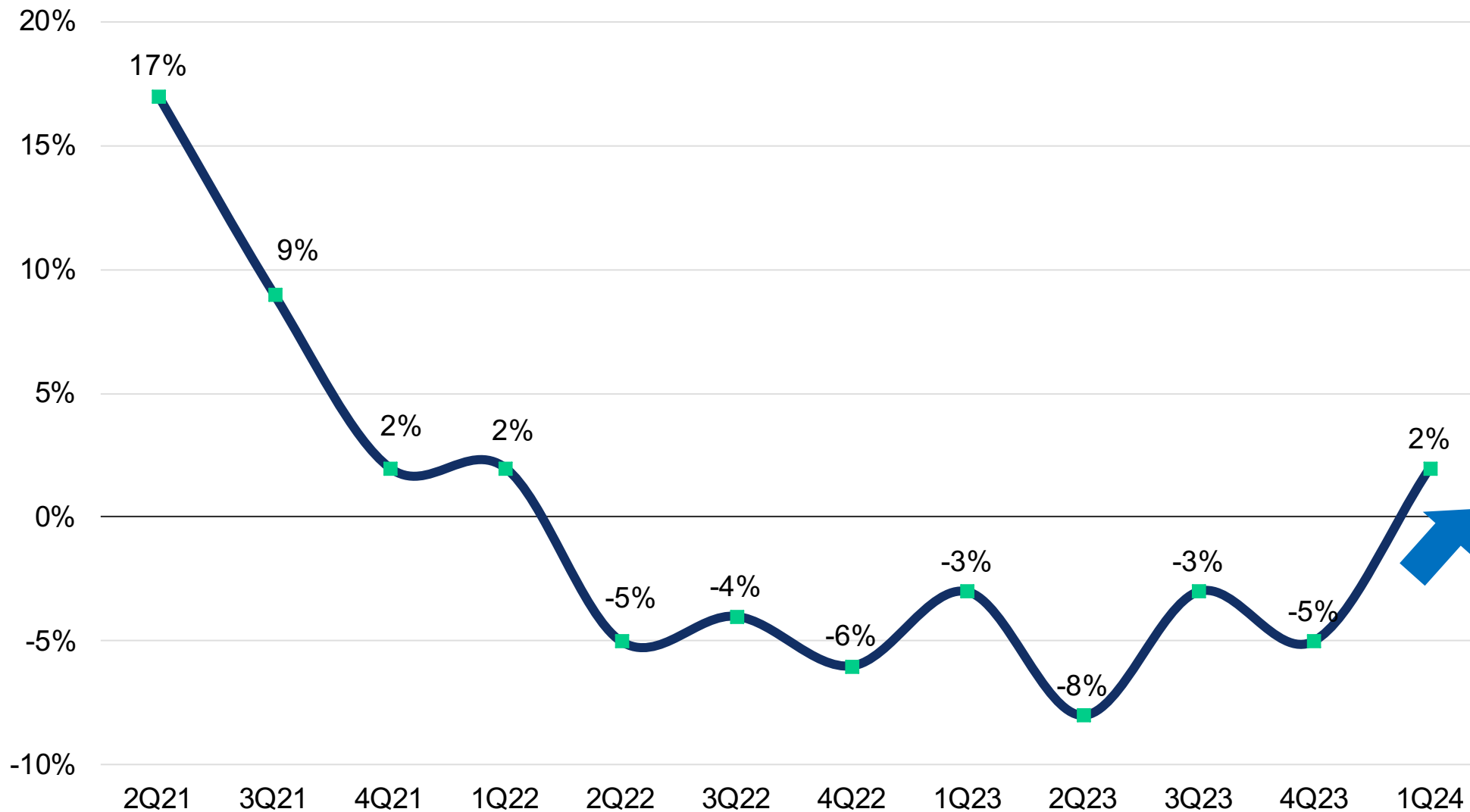
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Retail segment update

Foot traffic increased on average for the first time in nearly two years, a positive sign amid inconsistent demand for US kitchen and bath retail products.

Kitchen and Bath Retailers' Average *Quarter-over-Quarter* Change in Foot Traffic (%)



The market has been stronger lately, and we have had an increase in the number of customers that have been shopping. Also, our product selection is better than it was last year. I believe that the spending will stay the same or increase within the next six months.

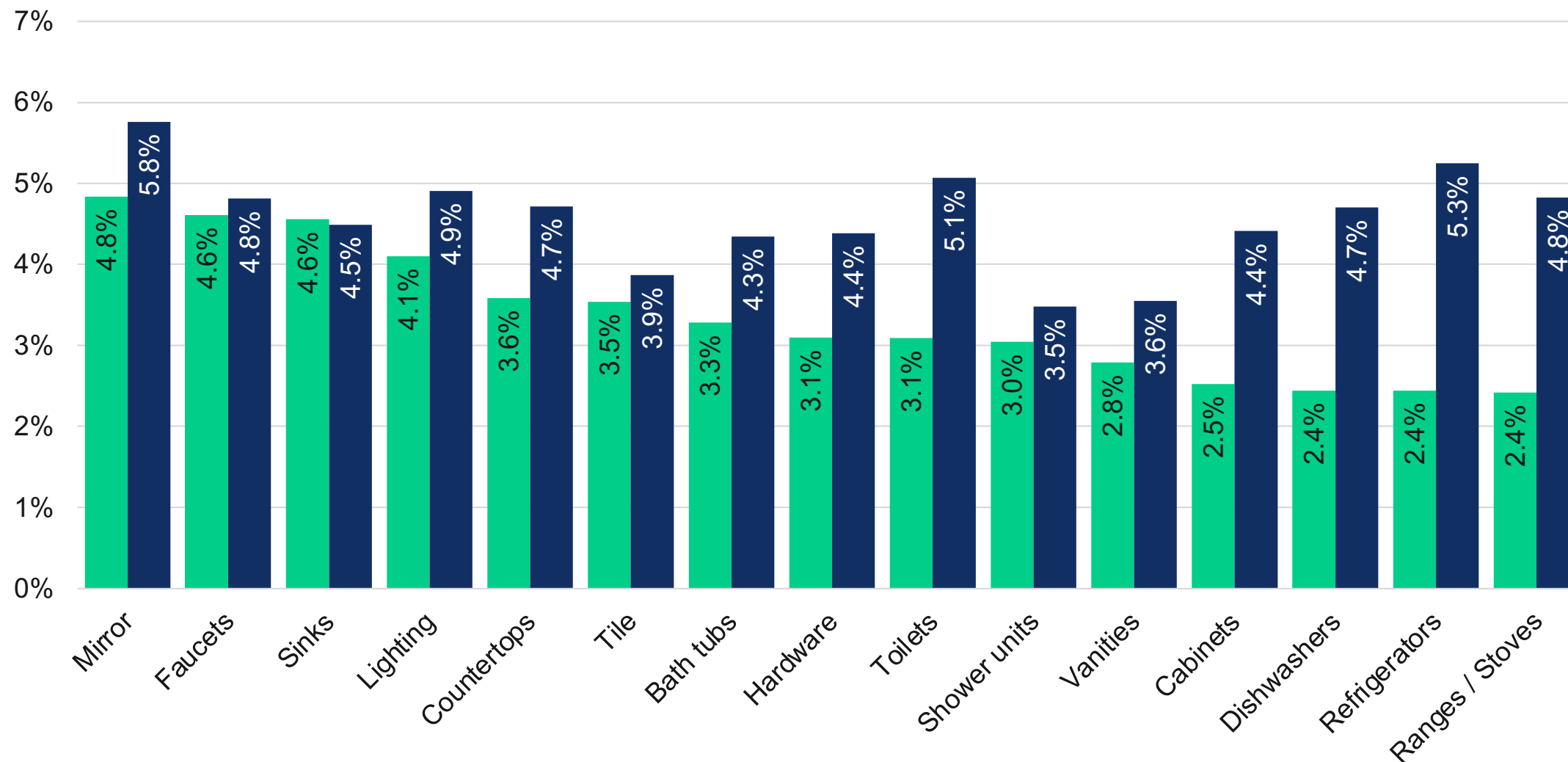
- Showroom across the US

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Cost of goods for kitchen and bath products continued to ease nearly across the board through the first quarter.

Kitchen and Bath Retailers Reported YOY Price Change from Suppliers

By product ■ Q1 2024 Q4 2023



15-category
average increase:

3.2%

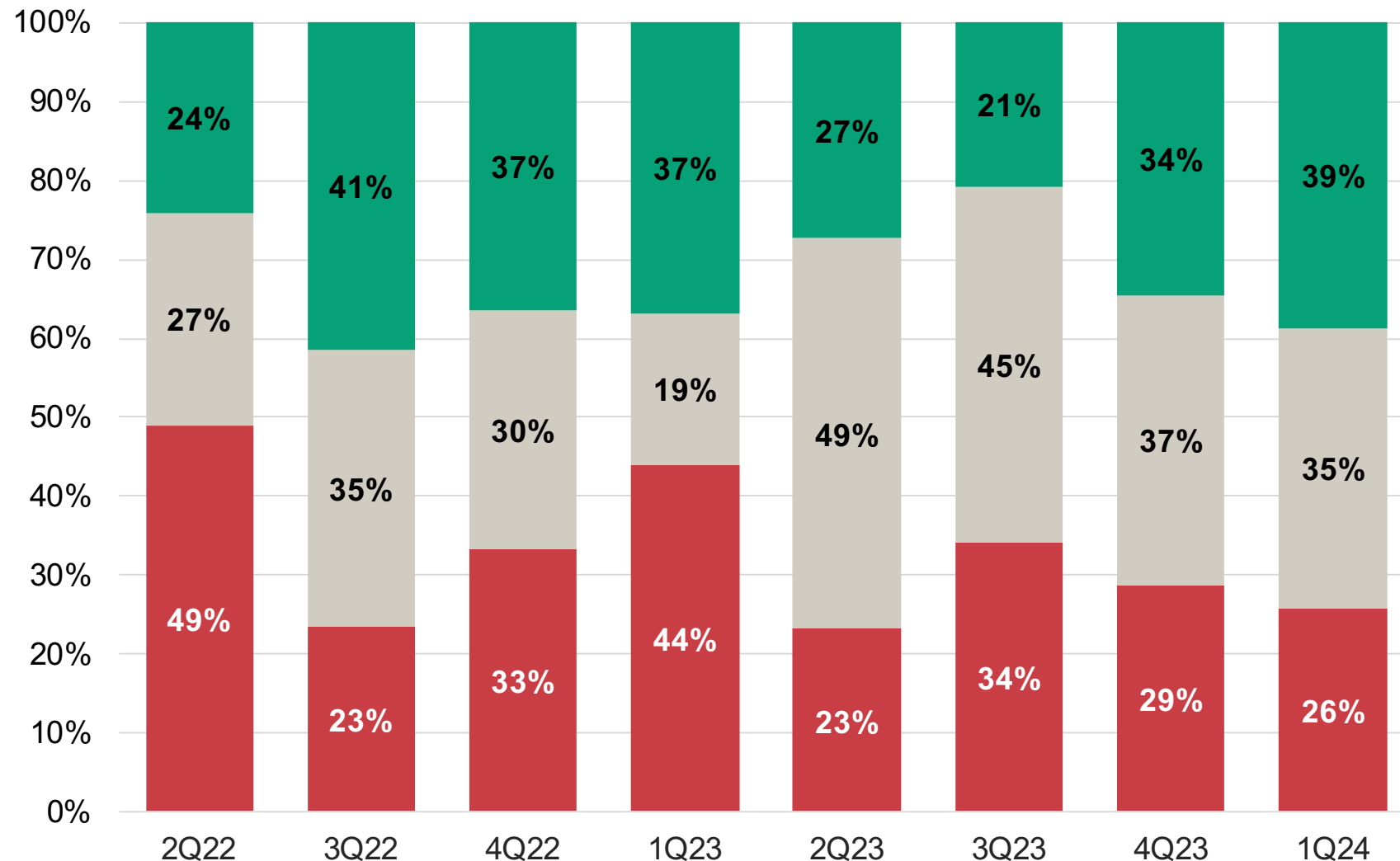
*Down from 4.6% in Q4 2023

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24); Note: inflation as measured by CPI-U YOY.

Kitchen and bath retailers continued to report more upgrades to higher-grade / higher-cost options in Q1 2024.

Kitchen and Bath Retailers' Price Point Shifts (QOQ)

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



I see a bigger spread between what clients are willing to spend. Luxury level no limits, middle class very price conscious.

- **Showroom in the Northeast**



I believe fewer customers will spend at a higher rate than typical. While some customers on tight budgets will forgo updates altogether.

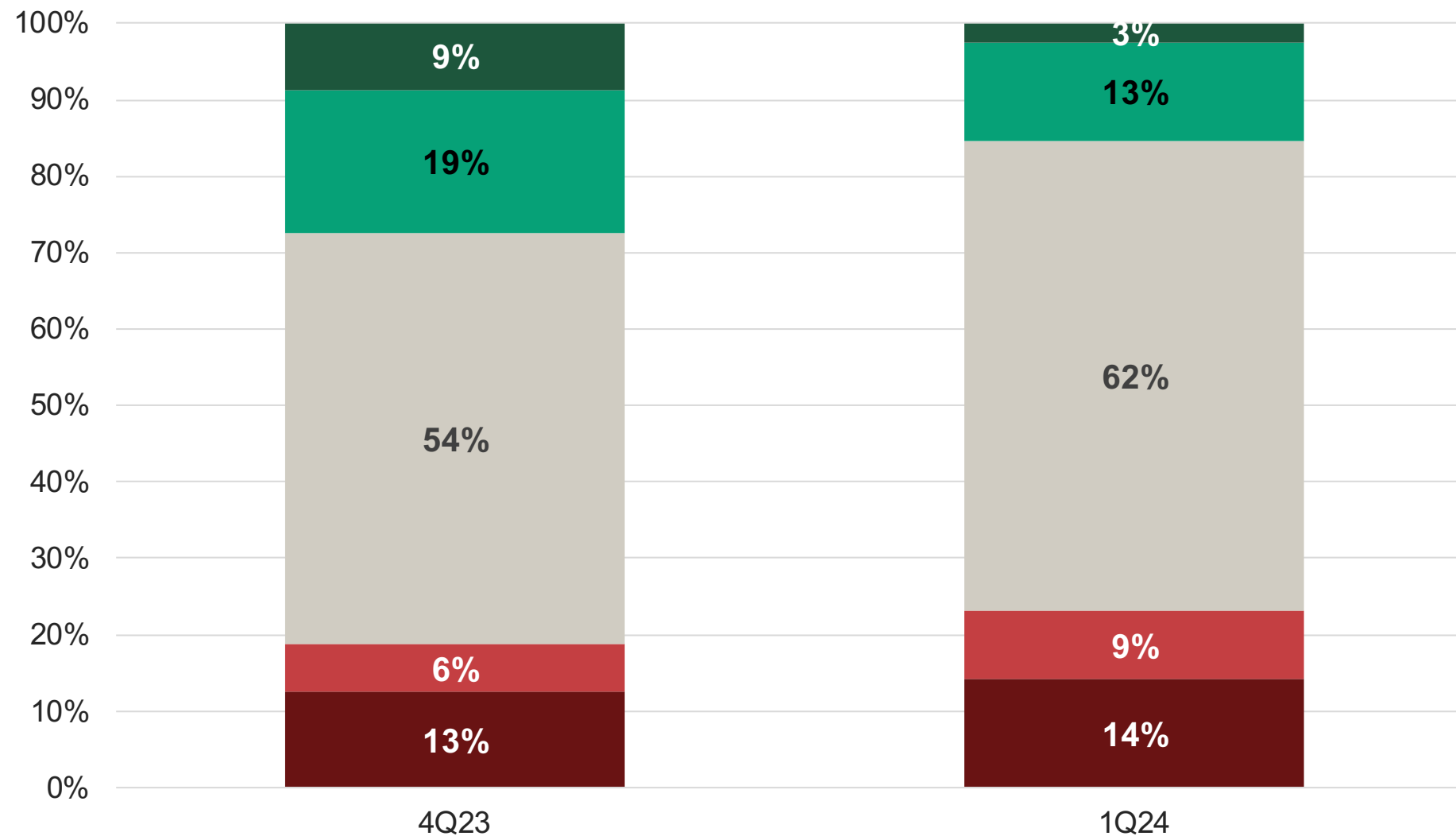
- **Muti-branch retailer in the West**

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Most K&B retailers report balanced inventories—suggesting they are adjusting well to muted demand conditions.

Retailers' Current Inventory Status for Residential Kitchen and Bath Products

■ High / Excess ■ Moderately Elevated ■ Balanced / Normal ■ Slightly Low ■ Very Low / Tight



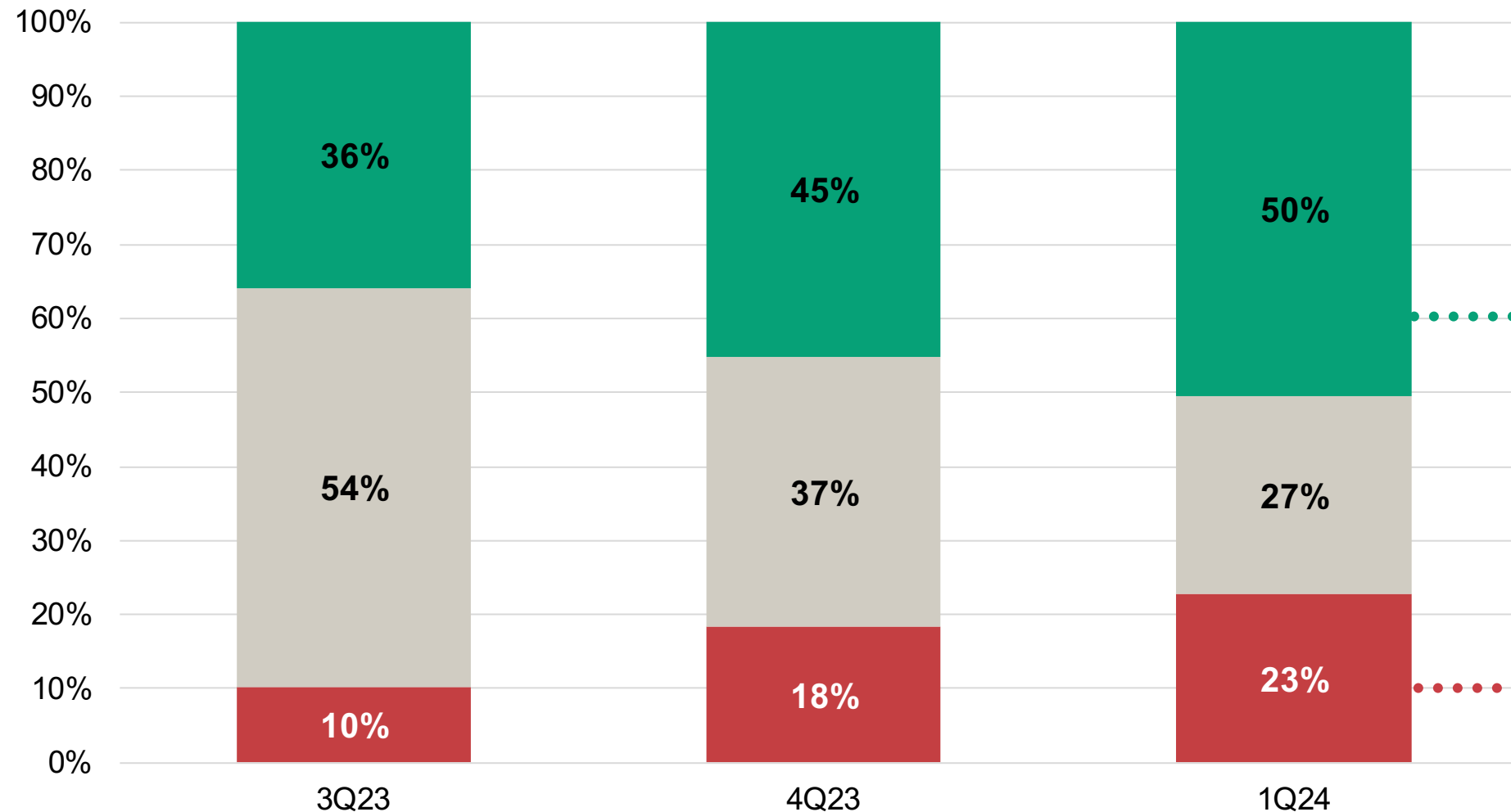
Balanced inventory positions are a positive sign that the industry remains relatively healthy and has adapted proportionally to muted sales.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Most retailers (now over 75%) expect 2024 to bring steady or higher kitchen and bath sales.

Kitchen and Bath Retail Firms' Full-Year 2024 Sales Revenue Expectations Compared to 2023

■ Lower ■ Stay the same ■ Higher



Average growth forecast for 2024: **4.8%**

I am optimistic on my outlook regarding consumer demand and spending for the next six months because we have projects lined up which should be fulfilled.

- Dealer in the Southeast 👍

If interest rates don't improve, I think we will see sales go down.

- Multibranch retailer in Northeast 👎

US kitchen and bath retailers report elevated lead times for cabinets, vanities and select appliances due to hardware and electronic component issues.

Average Lead Time in Weeks Reported by Retail Firms:

Product	1Q24 Lead Time
Cabinets	6.7 weeks
Vanities	5.9 weeks
Refrigerators	4.9 weeks
Ranges/stoves	3.6 weeks
Countertops	3.4 weeks
Shower units	3.1 weeks
Lighting	2.9 weeks
Bath tubs	2.9 weeks
Faucets	2.9 weeks
Mirrors	2.7 weeks
Dishwashers	2.5 weeks
Tile	2.2 weeks
Toilets	1.9 weeks
Sinks	1.8 weeks
Hardware	1.6 weeks



Some of our **import cabinets** are taking an unusually long time to arrive in the States.

- **Manufacturer's rep in Florida**



Still-limited or unreliable supply of specific production components, **mostly electronic components.** - **Manufacturer across the US**

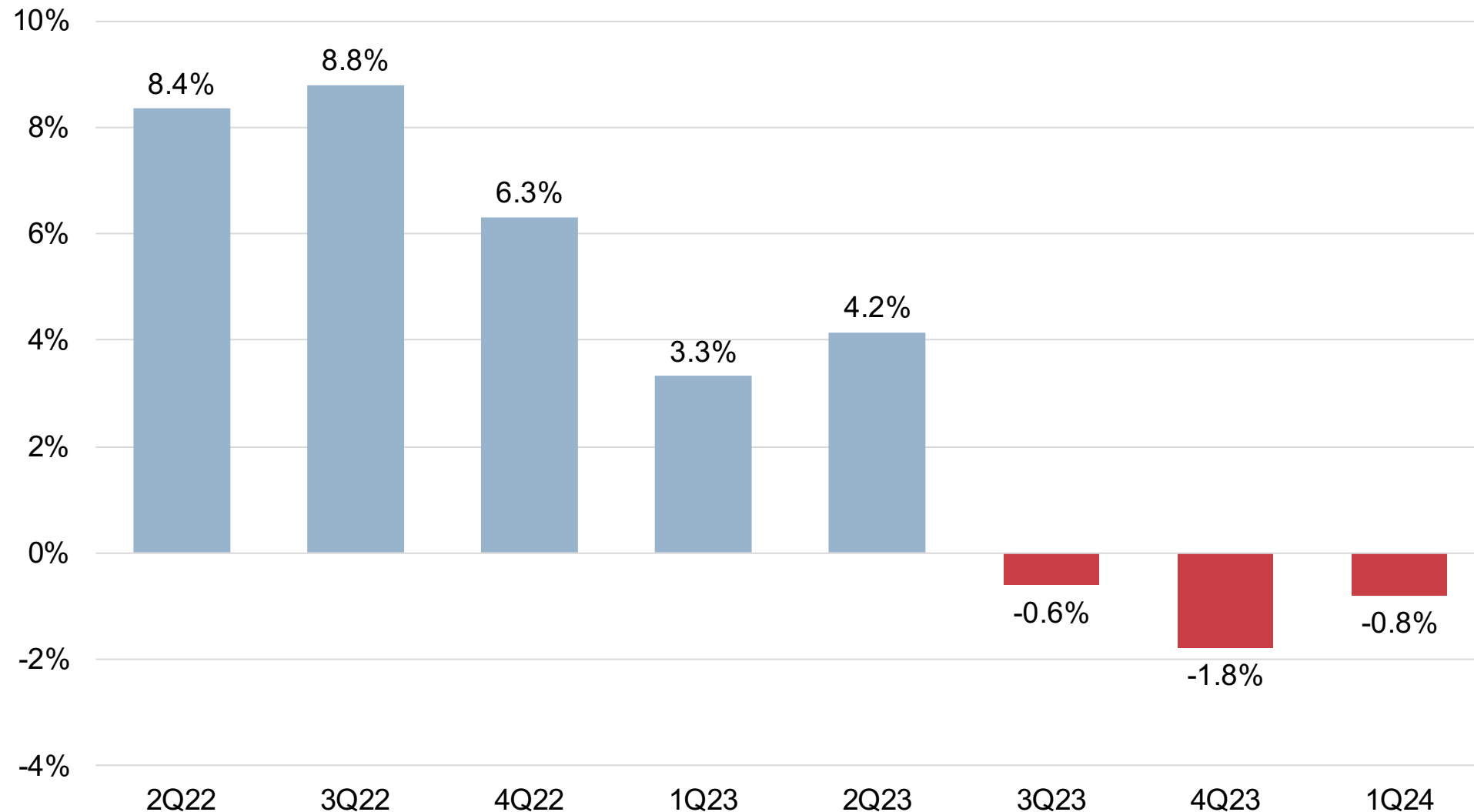
Some minor hardware items have been on backorder **influencing the availability of various appliances.** - **Wholesale distributor**



Building & construction segment update

Building and construction firms completed slightly fewer kitchen and bath renovations vs. a year earlier (0.8%).

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



Customers have tightened their belts on spending and are not investing in high-cost products/projects as much as they were two years ago. This has been the trend noticed since Q1 of 2023. I think demand for lower-cost projects will remain strong, and people should pivot to cater to those types of projects.

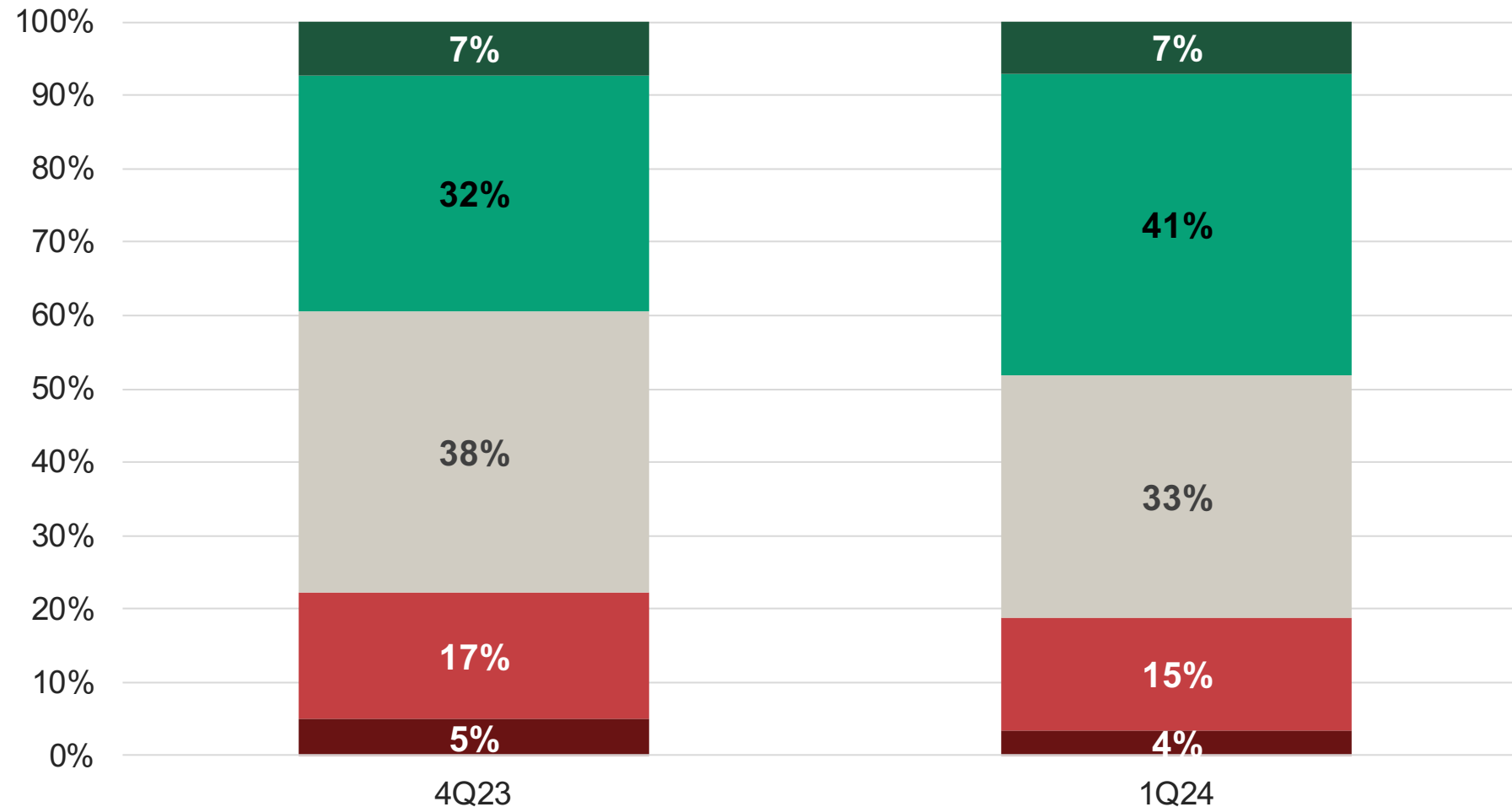
- Remodeler in Colorado

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Remodelers reported that kitchen and bath project sizes/scopes continued to increase in Q1 2024.

Kitchen and Bath Building and Construction Firms' Average Size/Scope of Projects Compared to Last Year

■ Significantly increased
 ■ Somewhat increased
 ■ Same or similar
■ Somewhat decreased
 ■ Significantly decreased



This widening divergence between large and small projects reflects the progressive weakening of the middle-income consumer segment (particularly given recent inflation), while high-income and net-worth segments remain considerably more resilient.



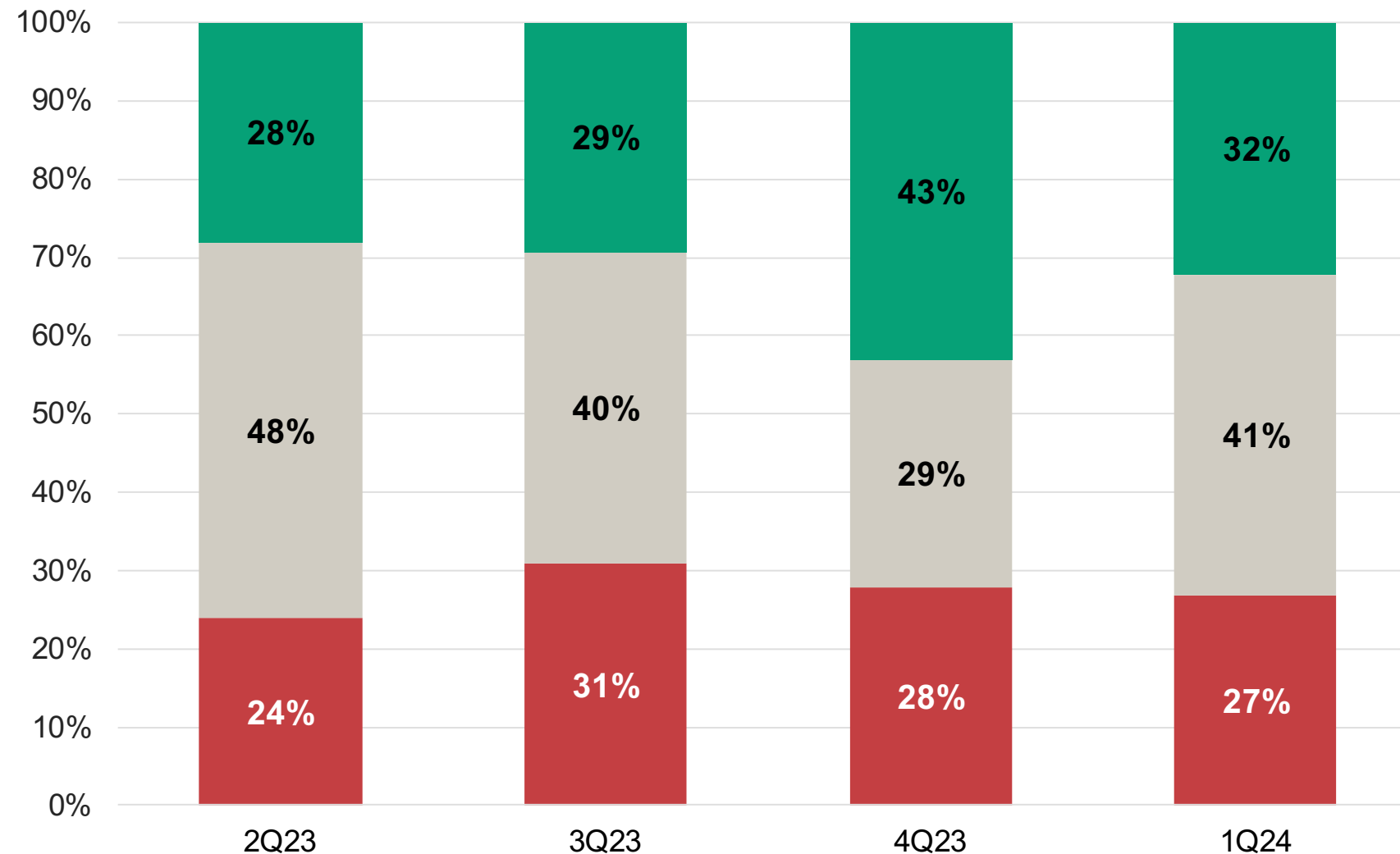
I think that consumer demand is going to shift to the two extremes. There are going to be a larger number of smaller projects (<\$30,000) and a larger number of very large projects (>\$200,000). Not as many in the middle range.

- Remodeler in Michigan

Shares of consumers either trading down or up are relatively balanced.

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



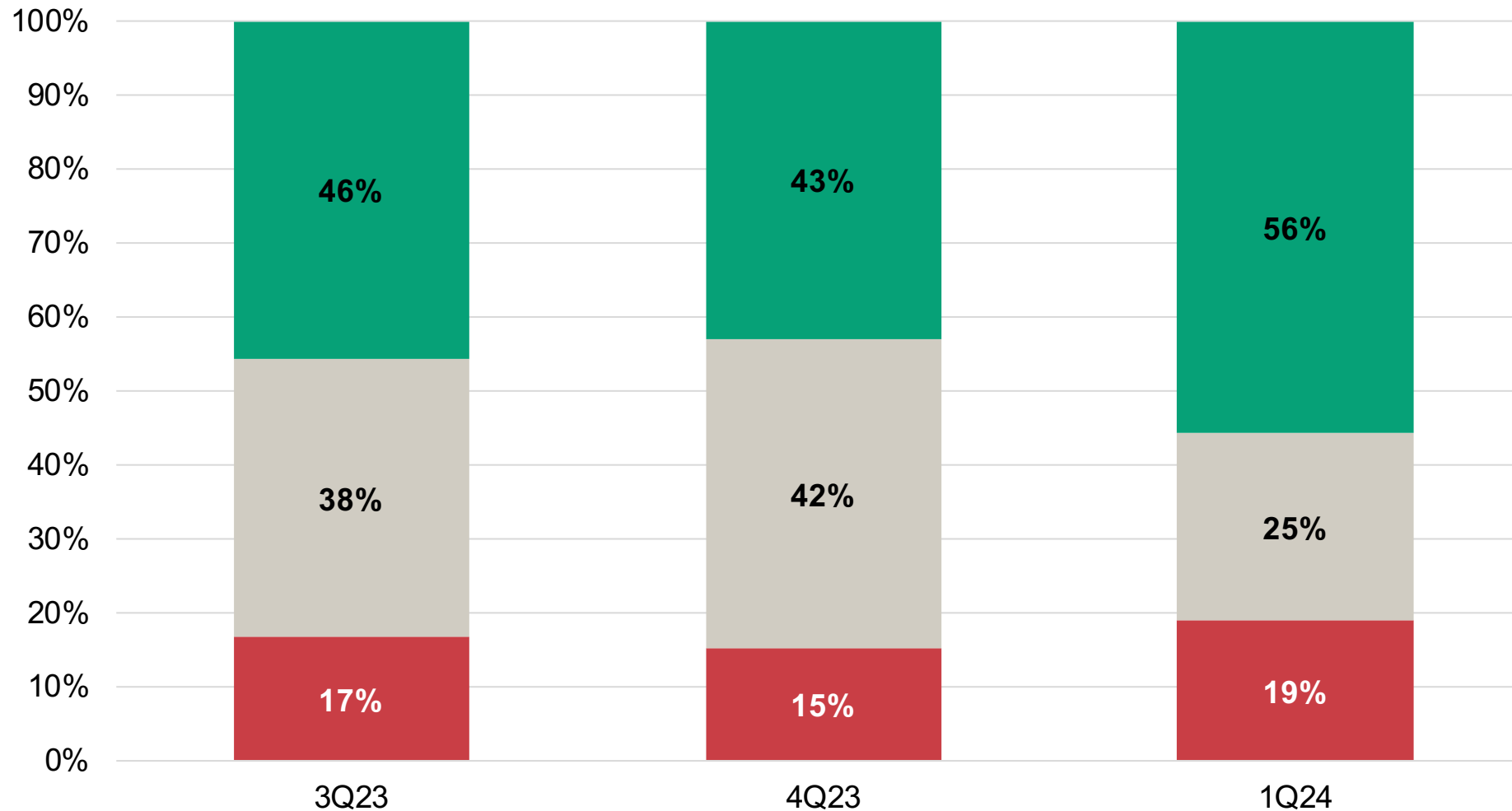
The theme of “affordable luxury” came up several times (see page 29 for color commentary). As always, consumers want the best they can get at the lowest cost.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24): Note: Firms were asked to rate changes compared to the prior quarter.

A significant majority of companies in the building and construction K&B segment expect stable or higher revenue growth in 2024.

Kitchen and Bath Building and Construction Firms' Full-Year 2024 Sales Revenue Expectations Compared to 2023

■ Lower ■ Stay the same ■ Higher



Average growth forecast for 2024: **4.2%**

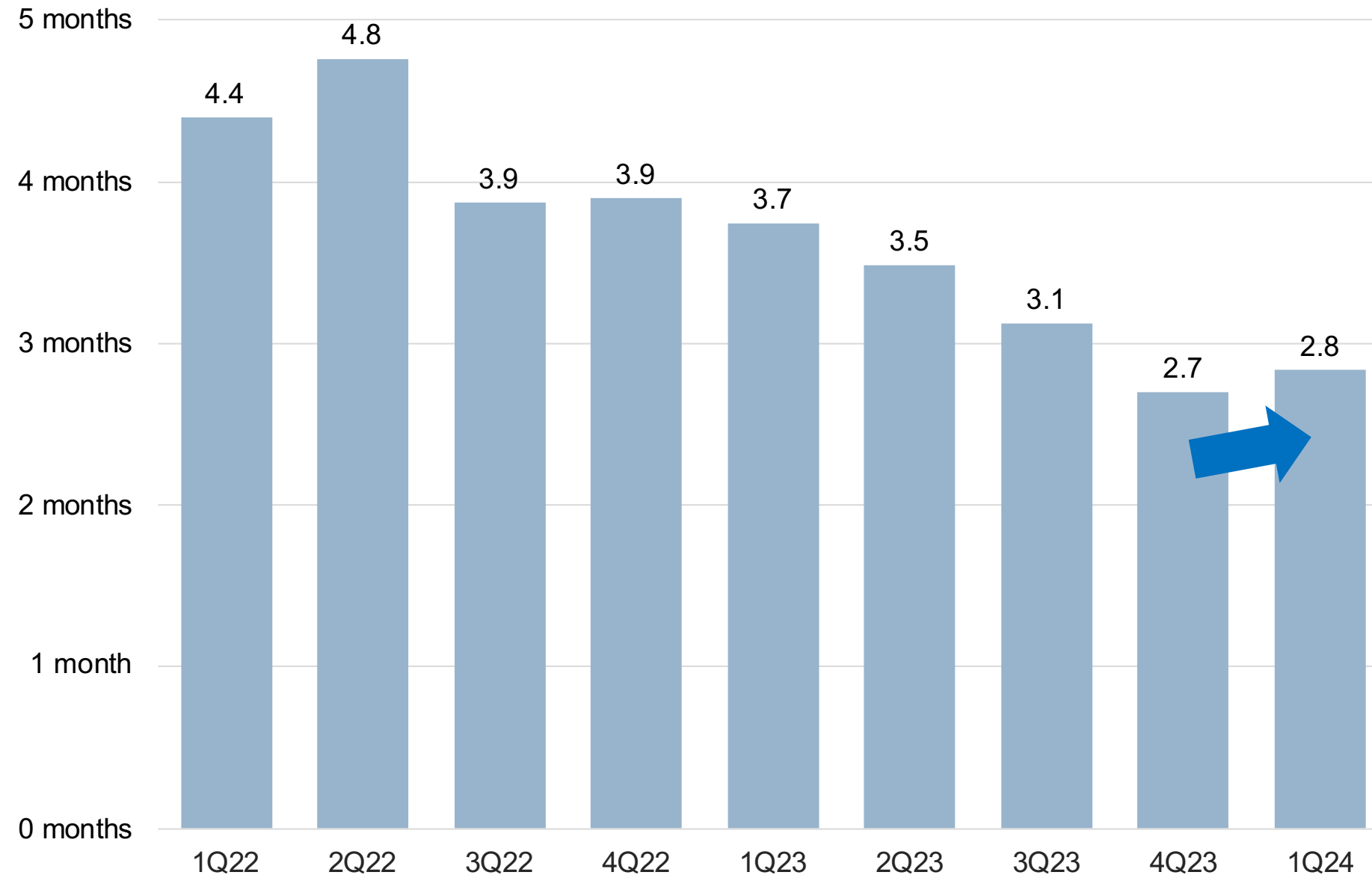


Our outlook on consumer demand for the next six months is good because the clients that are scheduled to start work in the next six months are willing to pay for what they want and have high-end expectations.

- Remodeler in Texas

Kitchen and bath renovation backlogs stabilized in Q1 2024.

Average Kitchen and Bath Project Backlogs for Building and Construction Firms



We are seeing an increase in people reaching out for more work to be done. We are optimistic for a solid year.

- Remodeler in Illinois

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

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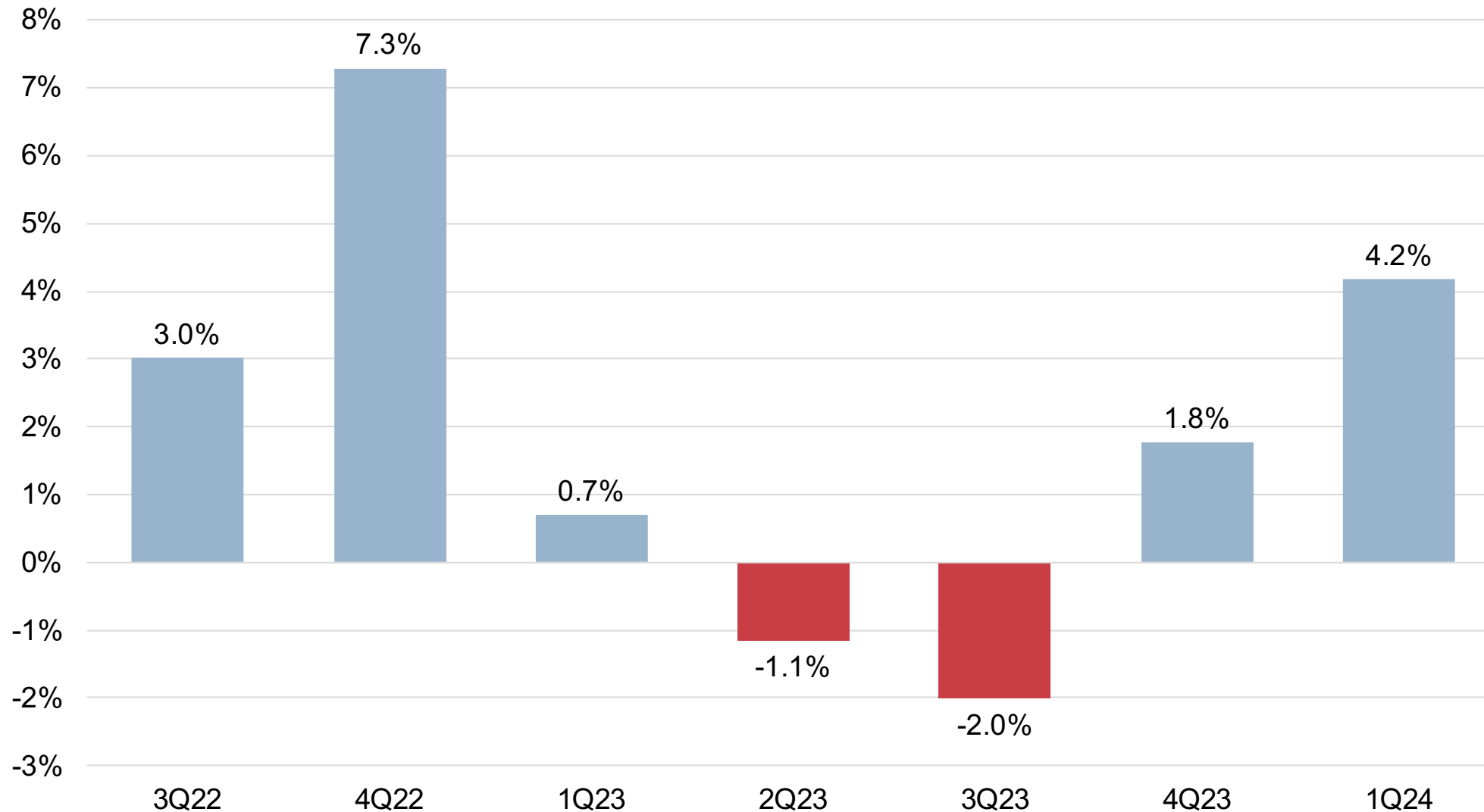
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Manufacturing segment update

Kitchen and bath manufacturers began the year positively, with orders rising by 4.2% YOY in Q1 2024.

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



While several large manufacturers described demand as “holding back” or “soft and unpredictable,” many others reported positive trends: smaller projects, demand from older households, and resilience in the premium segment. We heard a general expectation that “pent-up demand” will materially benefit sales.

“ Demand seems to have picked up slightly, perhaps the recognition that 3% mortgages are gone has sunk in.
- **Cabinet shop in the Northeast**

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

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Cabinet shops reported solid (10%) YOY order growth in Q1 2024, with strong demand outlook commentary for the next six months.

US cabinet shop outlook for next six months:

“Consumer demand in our area has not waned. It appears that **spending has increased** due to increased demand for items such as dovetail drawers, undermount guides, etc.”

- **Cabinet shop in the Midwest**

“Clients are willing to wait longer and are signing contracts sooner to get on our schedule. We have been at 16–20 weeks for over a year.”

- **Cabinet shop in the Midwest**

“It seems to have **picked up slightly**; perhaps the recognition that 3% mortgages are gone has sunk in.”

- **Cabinet shop in the Northeast**

“I always expect the worst, but it rarely happens when I expect it. I think the next six months will be just fine. **We are already booked for almost a year.**”

- **Cabinet shop in the Northeast**

“From our company’s standpoint, we see **no slowdown in the next six months.**”

- **Cabinet shop across the US**

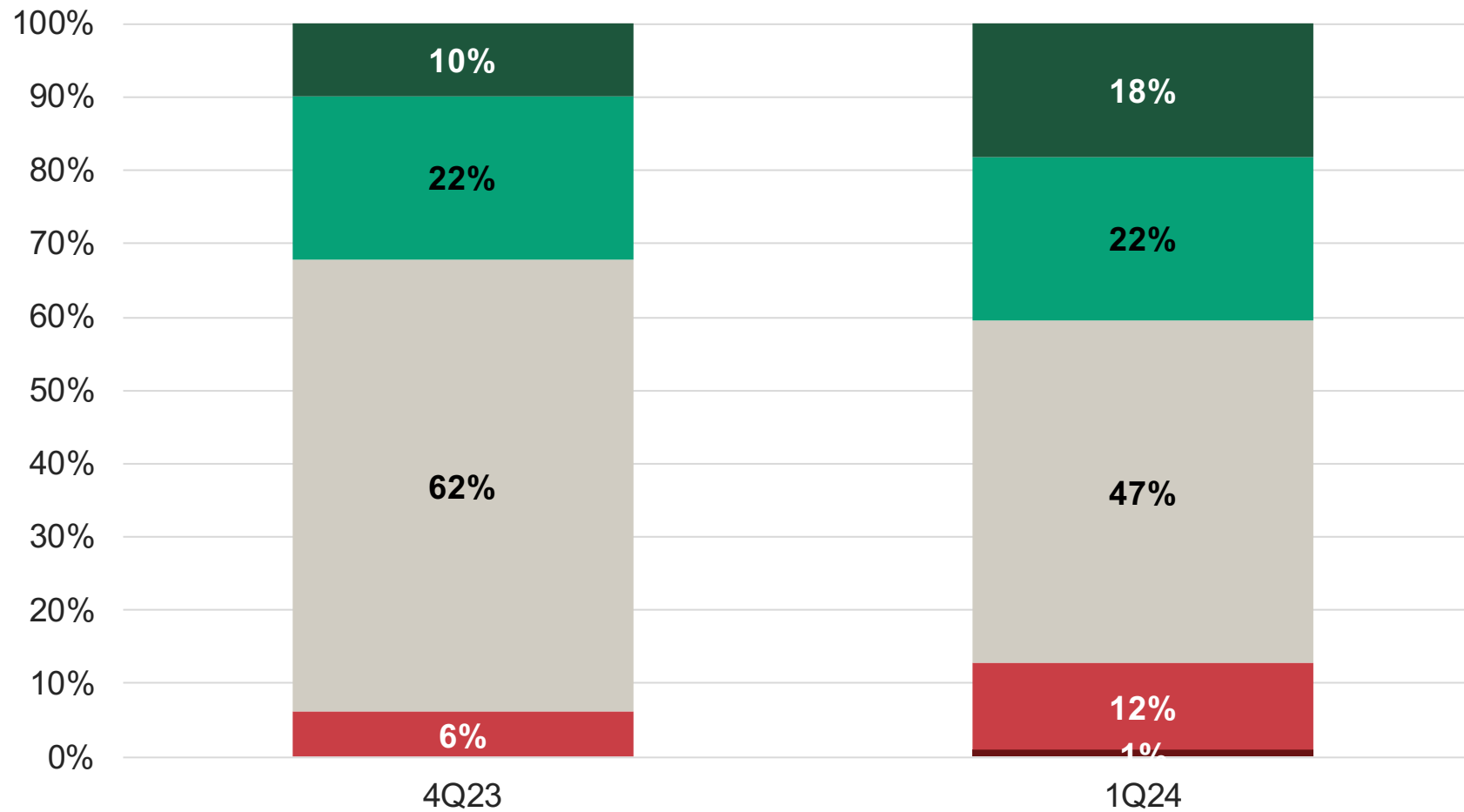
Cabinet shop supply chain commentary:

- “Occasionally MDF is still a problem to get.”
- “**Currently it’s harder to get some of our more popular wood species** (good Maple and Rift White Oak).”
- “We are finding Rift Cut White Oak materials to be in limited supply. The demand has increased, so inventory at our suppliers has decreased. We are reaching out to others than our standard supply chain.”
- “The amount and variety of materials being stocked by distributors has decreased.”
- “For the most part we can get our materials in a timely manner. **We are the supply chain problem in some cases, as we can't get enough labor to produce the demand of sales we have.**”

The supply side of the kitchen and bath industry is poised to meet future growth in 2024, with little to no capacity shortages or constraints.

Manufacturers' Current Production Capacity for Residential Kitchen and Bath Products

■ Significant shortages ■ Limited shortages ■ Balanced / normal ■ Limited excess ■ Significant excess



Most manufacturing segment firms reported having balanced / normal capacity. Only 1 in 5 reported significant excess capacity.



Consumer demand will move from discretionary travel to home improvement.
- **Manufacturer across the US**

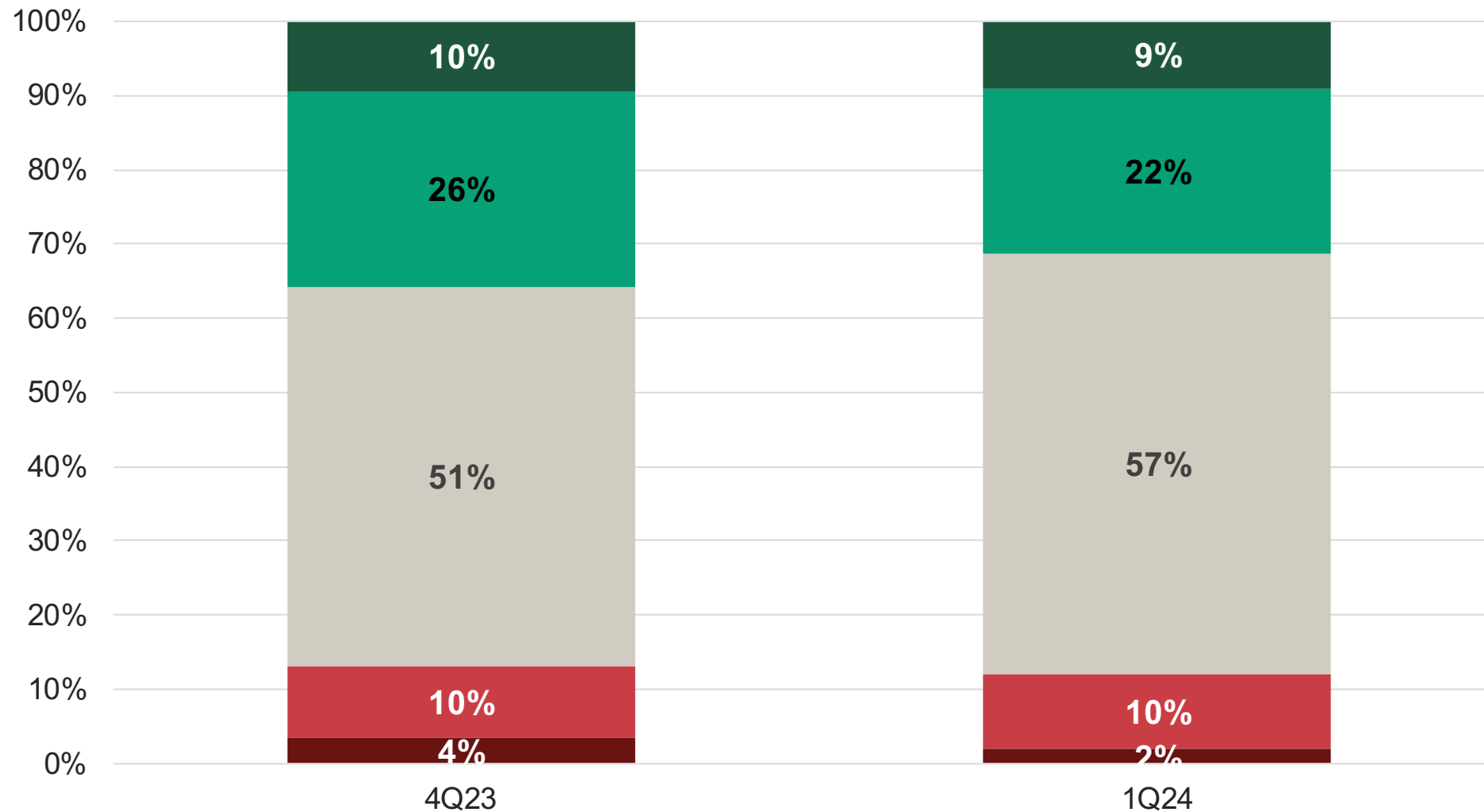
Note: % values may not add to 100% each quarter due to "unsure" response counts being excluded from graph.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

A majority of kitchen and bath product manufacturers report that their inventories are balanced.

Manufacturers' Current Inventory Status for Residential Kitchen and Bath Products

■ High / Excess ■ Moderately Elevated ■ Balanced / Normal ■ Slightly Low ■ Very Low / Tight



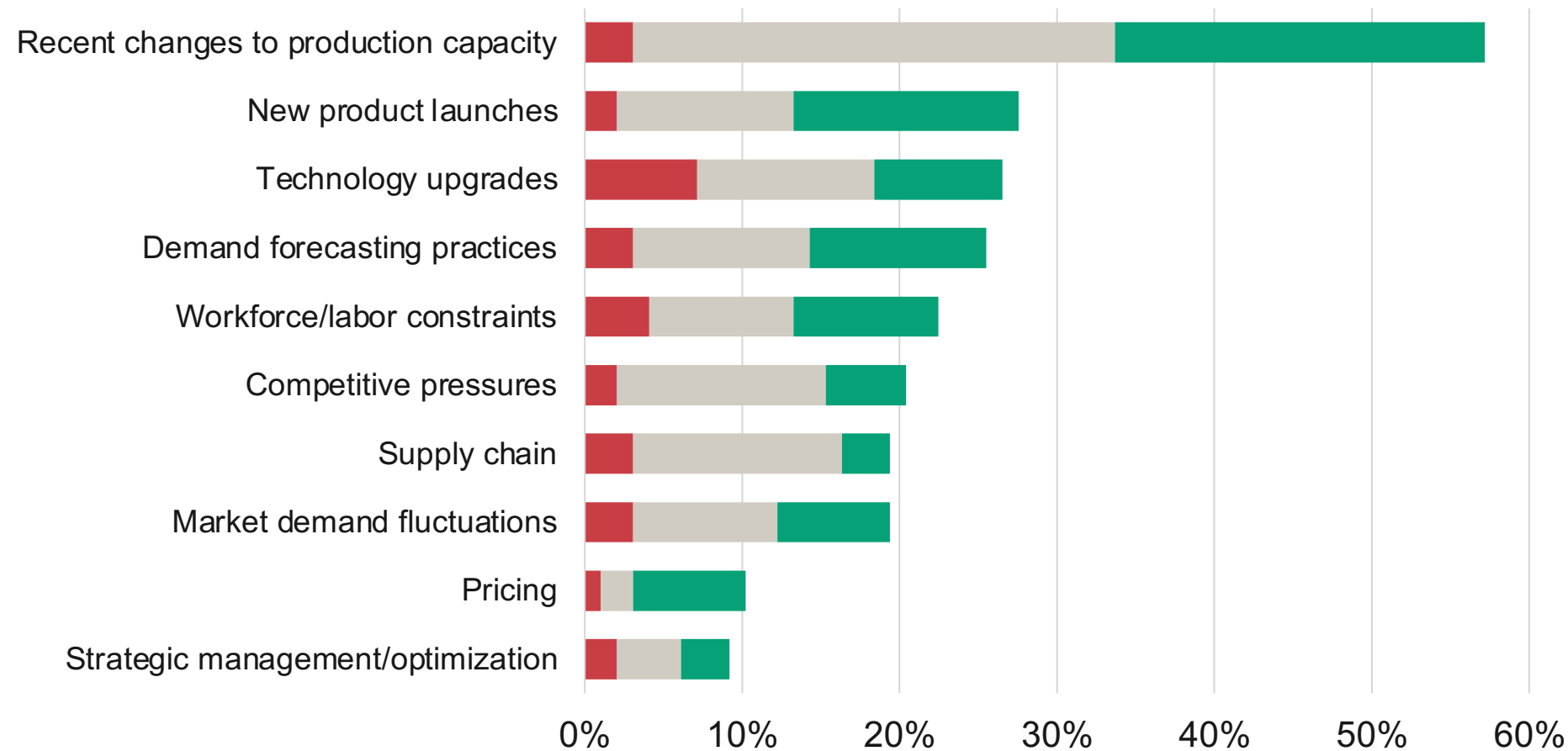
Stronger than anticipated inflation and concerns over the Fed holding interest rates higher for longer appear to have put a temporary pause on ramping up inventory in anticipation of stronger demand.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

Nearly half of firms that recently ramped up production capacity reported higher-than-normal inventory. We will monitor this as the year progresses.

Share of K&B Manufacturers' Citing Each of the Following as a Primary Reason for Their Q4 2023 Capacity and Inventory Position (by Inventory Level %)

■ Lower-than-normal inventory ■ Balanced inventory ■ Higher-than-normal inventory



Consumer demand continues to be soft and unpredictable. While store foot traffic seems to be showing signs of improvement, POS trends remain pressured. Also, the move by retailers to strategically stock/display significantly more private label products is enabling consumers to trade down.

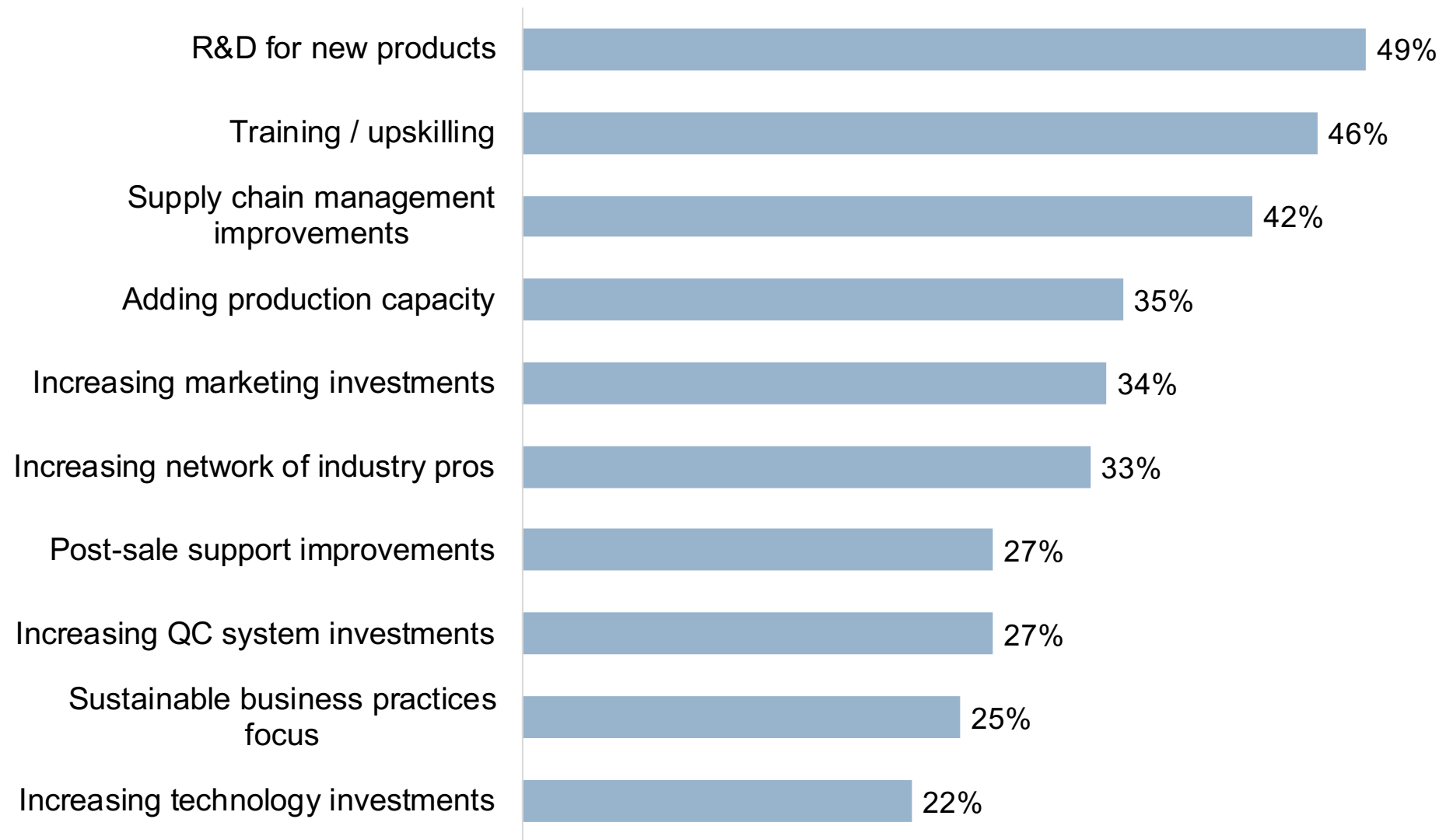
- Manufacturer across the US

Note: Respondents were able to select multiple reasons. 'Lower-than-normal inventory' group includes respondents who indicated 'Very low' or 'Low' inventory levels; 'Higher-than-normal inventory' group includes respondents who indicated 'Moderate' or 'High' inventory levels (from previous slide).

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

The number one investment manufacturers are undertaking is R&D, followed by training/upskilling.

Share of Kitchen and Bath Manufacturers Focused on the Following Initiatives (Q1 2024)



The industry's focus on R&D for new products is consistent with its high potential for innovation to fuel future growth.

Training and upskilling is a focus given the industry's labor supply challenges.

We were surprised by the K&B industry's relatively low adoption of technology investments and sustainable business practices—these represent a major untapped opportunity for the industry.

K&B manufacturing segment firms' sustainability practices range from robust to needing improvement.

Manufacturer comments on the extent to which their business practices or products are focused on sustainability:

Robust

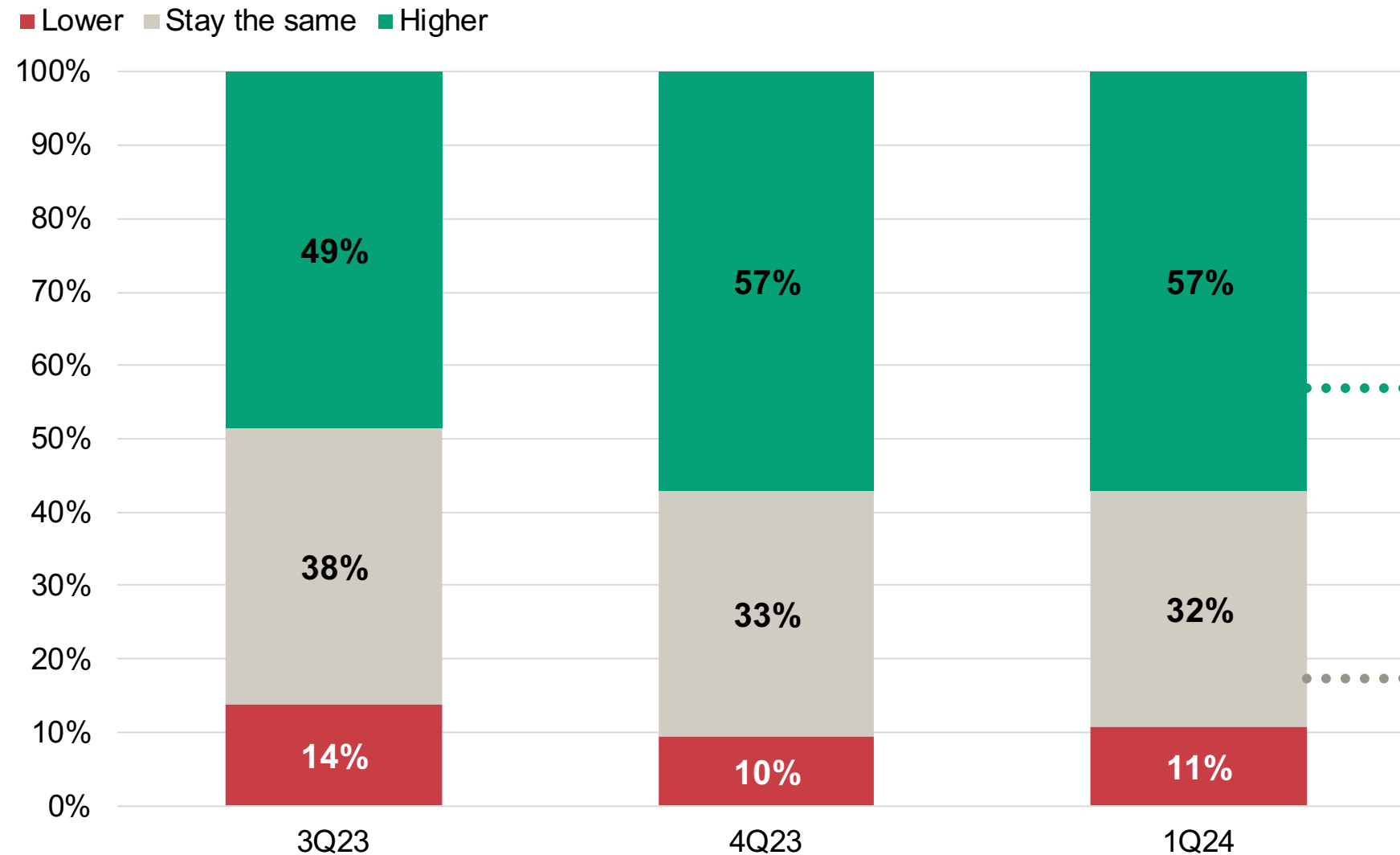
- “**Our company is highly focused on sustainable products**, and we use recycled goods or native materials in our tile manufacturing.”
- “**All of our wood panels are of 100% recycled content** and 99% sourced from US and Canada.”
- “We try to **use all of our off-fall material in different ways** and our saw dust and shop dust is recycled for yard work. We order raw materials from sustainable forest suppliers. We participate in our city’s electrical service for conservation program.”
- “We have pushed harder to **use reclaims and off-cuts more effectively.**”
- “We strive to design products with sustainability in mind, utilizing eco-friendly materials and manufacturing processes whenever possible. This includes **using recycled materials, reducing waste during production, and ensuring products are energy-efficient.**”
- “Products that have water-saving or energy-saving technologies are growing.”
- “We are limiting printing by producing more PDFs instead of printed specs and brochures.”

- “No significant sustainability programs currently underway.”
- “Sustainability is not a focus for our business at this time.”

To be improved

Bright outlook for kitchen and bath industry: Over half of manufacturers expect renewed growth in 2024. Only 11% expect a decline.

Kitchen and Bath Manufacturing Firms' Full Year 2024 Sales Revenue Expectations Compared to 2023



Average growth forecast for 2024: **6.8%**

I foresee customers are going to be spending a bit more for products this year as the trend to warmer colors of natural stone are more popular.

- **Supplier across the US**

Consumer demand will continue to be flat (similar to 2023) and possibly continue into 2025 until the US distances further from the Covid pandemic demand the industry benefited greatly from.

- **Wholesale distributor**

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Kitchen & Bath Market Index (KBMI)

This report gauges the pulse of the kitchen and bath industry in the United States. Conducted jointly by NKBA and JBREC, the KBMI is based on a quarterly survey of members of the NKBA community.

The KBMI is a diffusion index comparing weighted responses of NKBA members on three key aspects of their business:

- 1) Most recent quarterly sales (“Current Activity”)
- 2) Expected next quarter’s sales growth (“Near-Term Activity”)
- 3) Perception of the health of the kitchen and bath industry (“Health of the Industry”)

Survey responses

Segment	Responses	% of Total
Design	193	38%
Manufacturing	114	22%
Building and Construction	100	20%
Retail Sales	101	20%
Total responses	508	100%

In survey work, a diffusion index is used to highlight the main results on how a market, field, or industry is generally performing within a given time point. Our KBMI diffusion index value (ranging from 0 to 100) demonstrates how far responses vary from the baseline (50).

For example, a value not far from the baseline indicates little change, whereas a value far from the baseline indicates great change.

Values less than 50 indicate a tendency toward **contraction**, and values over 50 indicate a tendency toward **expansion**.

Index weighting

Metric	Weight	Response Choices
Current Business Conditions	55%	Current quarter sales to prior year: <i>Higher, The Same, Lower</i>
Future Business Conditions	15%	Next quarter sales to current quarter: <i>Higher, The Same, Lower</i>
Health of Industry	30%	Rating on current economic health: <i>0 (Extremely Weak), 5 (Normal), 10 (Extremely Strong)</i>
Kitchen & Bath Market Index	100%	

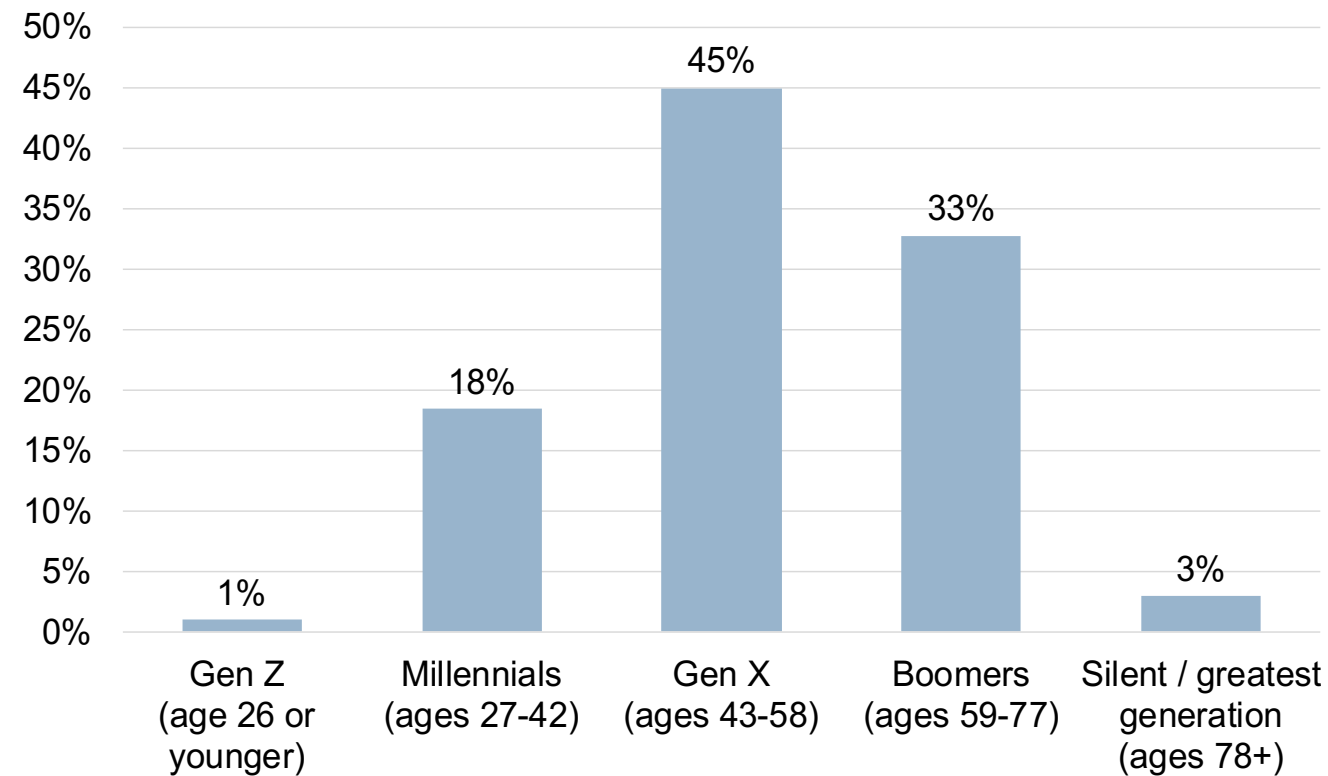
Note: % of total may not add to 100% due to rounding. *The current and future conditions diffusion indices are each calculated as: $[100 + 100 * (\text{the share of respondents reporting “higher”} - \text{the share of respondents reporting “lower”})] / 2$.

Sources: NKBA; John Burns Research and Consulting, LLC (Data: Q1 2024, Pub: Apr-24)

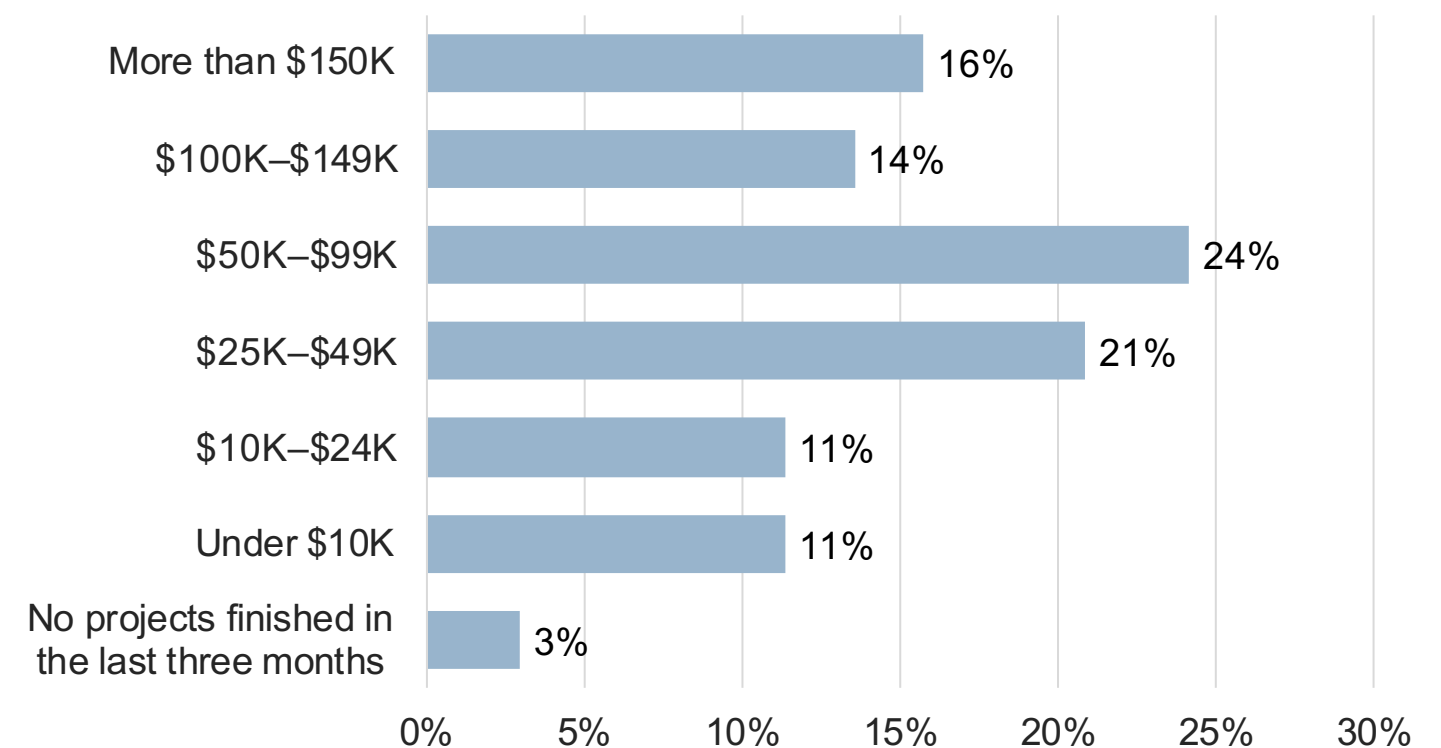
KBMI sample demographics

Conducted jointly by the National Kitchen & Bath Association and John Burns Research and Consulting, the Q1 2024 report reflects findings from 508 NKBA members across four segments: design, building and construction, retail, and manufacturing.

Typical Demographic Profile of Kitchen and Bath Clients (Q1 2024)



Kitchen and Bath Professionals' Average Cost Billed to Customers the Last 3 months (Q1 2024)



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

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 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.



Design: Kathleen Donohue, CMKBD | Photo: Tim Cotter Photography

Kitchen & Bath Market Index



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