



THE INDUSTRY'S ANNUAL REPORT



LOOKING BACK, MOVING FORWARD

Dig Into the NHPA 2026 Market Measure Report

As you dive into this year's *Market Measure Report*, things might look a bit different than they have in the past,



DAN TRATENSEK

particularly when you browse the size of market numbers and market breakdown. The numbers themselves aren't radically different from what the North American Hardware and Paint Association (NHPA) has published in the past, but we have revised our estimates on the makeup of the industry in terms of store counts, unit breakdown and sales contribution.

The reasoning behind these changes is pretty simple—the industry is changing rapidly.

We have said it before in this report and in our presentations that the

speed of change the industry has seen over the last five years has been nearly impossible to keep up with.

The models we built 20 years ago to determine size of market, unit counts and contribution simply couldn't keep pace with the rapid evolution of the home improvement retail landscape.

Add to that the emergence of online players and the increasing sales of hardlines and home improvement through general merchandise retailers, and it's easy to see how quickly old methodology can become outdated.

To account for that, we have revised our industry unit counts. Instead of trying to force retailers into one of three buckets (hardware stores, home centers, lumberyards), we have built new, more inclusive buckets. Now, our breakdown looks at independent hardware, paint, farm supply and allied retailers in

one category, and then has separate categories for independent home centers, independent lumber and pro dealers and national home improvement chains.

On the sales contribution side, we have taken the overall market sales estimates and put them through a similar process. Instead of cramming those numbers into the three categories we have used in the past, we took a deeper look at contribution by type and added a separate category for general retail to the mix.

We think all of these changes give a much more accurate picture of the industry's makeup and make it easier to understand how sales of products flow through the channel.

No model is perfect, and we will continue to revise this model as we move forward, but we are confident that the new presentation of the data will be much more useful for everyone who interacts with the data.

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Ups and Downs Average Out to Stagnant Growth

It's not a cop out, but since the home improvement industry was upended by the COVID-19 pandemic, there is little about industry performance that has been easy to predict.

Yes, the pandemic is now edging into six years ago, but the ripples of the pandemic and the “pandemic adjacent” impacts still working their way through the global economy continue to drive uncertainty, particularly in the home improvement space.

After three years of rapid expansion, the home improvement industry entered a massive cool-down period at the start of 2024 that showed the industry posting its first year-over-year sales declines in more than a decade.

So, as 2025 began, NHPA was anticipating a return to modest growth for the industry somewhere in the mid-2% range for the year. And while there are some positive numbers being reported, when you strip out inflation and look at organic growth, the industry is still sitting on the launch pad, awaiting lift off.

Industry performance in the first half of 2025 was essentially flat, with NHPA reporting 0% growth through June and U.S. Census data estimating a slight 0.5% dip during this period. Key performance indicators showed customer transactions down 0.4% while average ticket rose 0.2%, signaling softer foot traffic but resilient spending per visit. Major chains mirrored those trends: Home Depot posted small gains

year over year, while Lowe's hovered between flat and slightly negative.

Outside of sales growth, we are still seeing businesses try to cope with the post-pandemic operational challenges that are impacting net operating profits. From 2020 to 2022, hardware stores, home centers and LBM dealers enjoyed double-digit increases in top-line sales, but they also posted some of the highest-ever net operating profits. And similar to how sales have cooled sharply in the last two years, profitability has also normalized: hardware stores' profit before taxes peaked above 9% during the pandemic but has since settled to 4.7%—still above pre-2020 norms but well below recent highs.

Retailers are responding by concentrating investments in core categories including paint and sundries (48%), lawn and garden (43%) and hardware and fasteners (38%). Many plan more aggressive inventory strategies in 2026 as they anticipate improving demand.

Because we saw some incremental improvement in the third quarter and favorable weather patterns emerging in Q4, NHPA's forecasts for the industry in 2025 point to “slightly up” year-over-year performance. Once again, when you try to mitigate inflation's impact on sales increases and look at organic growth, we feel the year will end slightly positive, with growth of just below 1% (0.89%).

This malaise is being driven by a number of factors that seem unfortunately persistent: consumer sentiment, rising costs of living, elevated interest rates and potential tariff-driven

price increases still creating headwinds for channel growth. On the positive side, as we head into 2026, a cooling inflationary environment and added interest rate relief could help stimulate discretionary project spending.

Because of these potential positives, outlook for the industry strengthens in 2026, when both NHPA and the Home Improvement Research Institute (HIRI) expect conditions to improve. NHPA projects 2.4% sales growth if weather patterns remain favorable. HIRI's projections are somewhat more optimistic, estimating 3.8% total market growth, with the consumer segment expanding 4.3% and the professional segment up 2.9%. Over the following three years, HIRI anticipates a return to long-term normalized growth of roughly 3.5% annually and NHPA's outlook is slightly more guarded, anticipating growth of approximately 2.7%.

Macroeconomic indicators seem to support the cautious optimism. S&P Global expects U.S. GDP growth of 1.7% in 2025 and 2.4% in 2026. Inflation is easing, CPI rose only 0.2% in July, though core inflation remains above 3%. Employment continues to soften, with July's 73,000 job gain falling below expectations and unemployment edging up to 4.2%.

Taken together, the data signals an industry emerging from a period of correction and preparing for slow but steady improvement over the longer term—driven by macroeconomic stabilization, gradual increases in consumer confidence and renewed investment at the store level.

2025	
Home Improvement Sales by Month	
(in billions)	
January	\$32.9
February	\$31.5
March	\$39.8
April	\$45.0
May	\$46.8
June	\$43.9
July	\$43.2
August	\$40.3
September	\$40.4
October	—

Sales Growth 2024 vs. 2025	
January	0.95%
February	-6.13%
March	3.48%
April	1.15%
May	-2.82%
June	1.22%
July	-1.39%
August	-5.35%
September	0.81%
October	—
YTD	-0.89%

2023-2028		
Sales by Store Type (in billions)		
2024	Independent HI*	\$60.7
	Home Centers	\$36.8
	LBM/PRO	\$86.8
	Chain	\$285.0
	General Retail	\$56.8
	TOTAL	\$526.1
2025	Independent HI*	\$61.6
	Home Centers	\$37.0
	LBM/PRO	\$88.5
	Chain	\$285.4
	General Retail	\$58.1
	TOTAL	\$530.6
2026	Independent HI*	\$62.7
	Home Centers	\$38.2
	LBM/PRO	\$90.4
	Chain	\$292.8
	General Retail	\$59.2
	TOTAL	\$543.3
2027	Independent HI*	\$63.8
	Home Centers	\$39.8
	LBM/PRO	\$94.4
	Chain	\$302.2
	General Retail	\$60.5
	TOTAL	\$560.7
2028	Independent HI*	\$66.9
	Home Centers	\$41.6
	LBM/PRO	\$95.8
	Chain	\$312.2
	General Retail	\$63.3
	TOTAL	\$579.8
2029	Independent HI*	\$70.3
	Home Centers	\$40.2
	LBM/PRO	\$98.9
	Chain	\$325.4
	General Retail	\$65.8
	TOTAL	\$600.6
Compound Annual Growth Rate 2024-2029	Independent HI*	3.0%
	Home Centers	1.8%
	LBM/PRO	2.6%
	Chain	2.7%
	General Retail	3.0%
	TOTAL	2.7%

2023-2028		
Outlets		
2024	Independent HI*	18,780
	Home Centers	4,640
	LBM/PRO	5,675
	Chain	10,890
	TOTAL	39,985
2025	Independent HI*	18,775
	Home Centers	4,630
	LBM/PRO	5,650
	Chain	10,900
	TOTAL	39,955
2026	Independent HI*	18,760
	Home Centers	4,610
	LBM/PRO	5,625
	Chain	10,900
	TOTAL	39,895
2027	Independent HI*	18,730
	Home Centers	4,595
	LBM/PRO	5,610
	Chain	10,900
	TOTAL	39,835
2028	Independent HI*	18,710
	Home Centers	4,575
	LBM/PRO	5,595
	Chain	10,880
	TOTAL	39,760
2029	Independent HI*	18,685
	Home Centers	4,545
	LBM/PRO	5,575
	Chain	10,860
	TOTAL	39,665
Compound Annual Growth Rate 2024-2029	Independent HI*	-0.5%
	Home Centers	-2.0%
	LBM/PRO	-1.8%
	Chain	-0.3%
	TOTAL	-0.8%

Sources: U.S. Department of Census, Monthly Retail Sales Report NAICS 444 and NSA and NHPA calculations

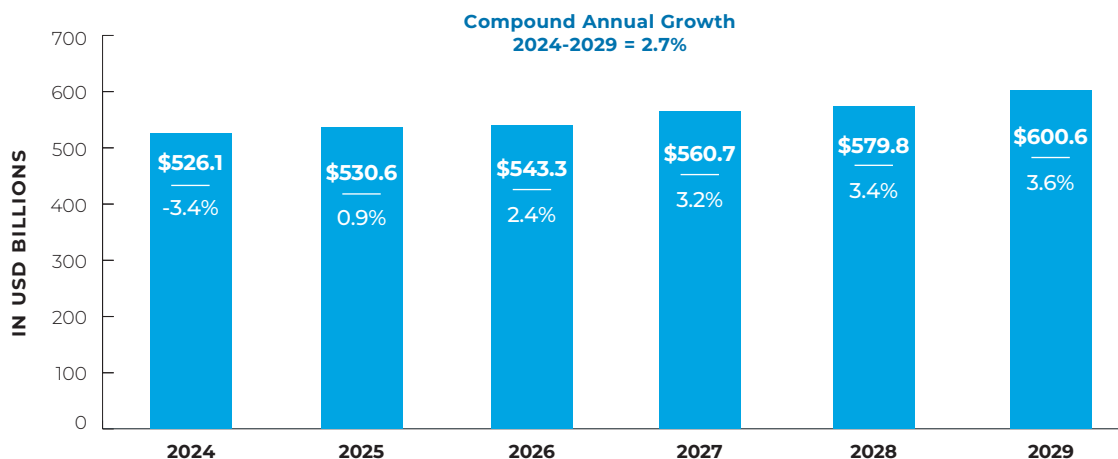
*Includes independent hardware, paint, farm supply and allied retailers

LEGEND

Sales
YOY Growth

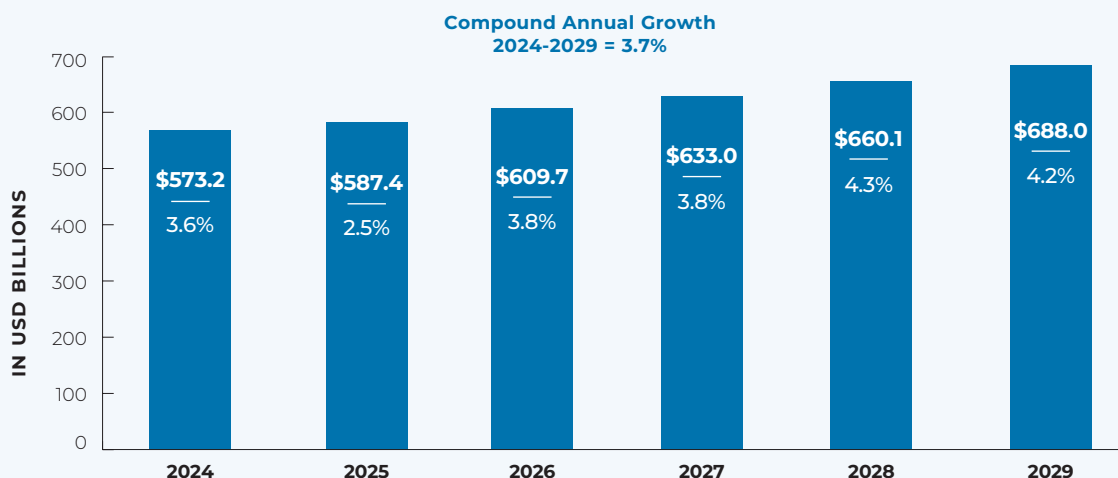
U.S. Home Improvement Industry Sales

North American Hardware and Paint Association Projections



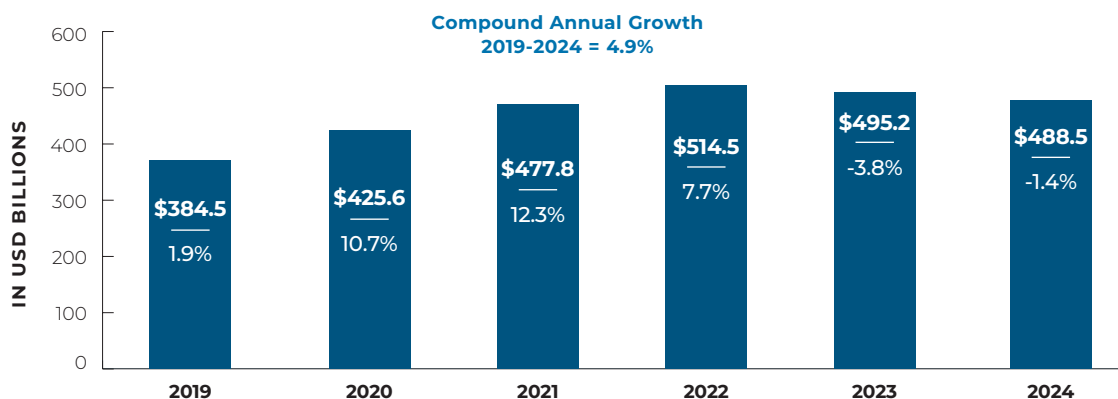
Home Improvement Product Sales Performance

Home Improvement Research Institute/IHS/Current Prices



Home Improvement Retail Sales

U.S. Department of Census Monthly Retail Sales Report NAICS 444/NSA



Top Chains: Individual Performance			
	2024 Sales (in billions)	Stores at End of FY2024	Stores in 2025 (as of Q3 2025)
The Home Depot Atlanta	\$159.5	2,347	2,356
Lowe's Mooresville, North Carolina	\$83.6	1,748	1,756
Menards Inc. Eau Claire, Wisconsin	\$13.2	341*	341
Sherwin-Williams Cleveland, Ohio	\$23.1	4,773‡	4,834‡
Tractor Supply Co. Brentwood, Tennessee	\$14.9	2,296	2,364

‡ Paint Stores Group in U.S. and Canada stores only
*Sources: Company reports and NHPA research

Market Share Profile					
Top Chains: Industry Share			Top Chains: Combined Performance		
	Sales (as % of total industry)	No. of Stores (as % of total industry)		Net Sales (in billions)	No. of Stores (at the end of FY)
2020	50.7%	15.6%	2020	\$210.2	9,379
2021	51.1%	18.0%	2021	\$251.9	9,475
2022	53.7%	29.5%	2022	\$304.2	10,992
2023	53.3%	30.7%	2023	\$290.2	11,243
2024	55.9%	28.8%	2024	\$294.3	11,505

Source: NHPA calculations
Top Chains include The Home Depot, Lowe's, Menards, Sherwin-Williams and Tractor Supply Co.

2025 Financial Profiles of Leading Publicly Held Chains

	Home Depot	Lowe's	Sherwin-Williams
Number of Stores (at end of FY2024)	2,347	1,748	4,773 [‡]
Distribution Centers	500	120*	130-plus
Average Size of Selling Area (sq. ft.)	103,749	112,000	—
Total Sales	\$159.5 billion	\$83.6 billion	\$23.09 billion
Total Asset Investment	\$96.1 billion	\$43.1 billion	\$23.63 billion
Total Inventory	\$23.5 billion	\$17.4 billion	\$2.28 billion
Sales Per Square Foot	\$655	\$428	—
Inventory Turnover	4.8x	3.3x	5.15x
Net Sales to Inventory	13.9x	20.5x	9.9x
Total Sales Per Employee	\$339,289	\$309,630	\$360,781
Average Size of Transaction	\$89.31	\$103.37	—
Gross Margin Return on Inventory	240.0%	162.5%	484.8%
Income Statement			
Net Sales	100%	100%	100%
Cost of Goods Sold	66.6%	66.6%	51.5%
Gross Margin	33.4%	33.3%	48.5%
Total Operating Expenses	19.9%	12.5%	32.1%
Net Income (Before Taxes)	12.1%	10.9%	14.9%
Balance Sheet			
Cash	1.7%	4%	1.1%
Receivables	5.1%	1.1%	10.1%
Inventory	24.2%	40.3%	9.6%
Other	2%	1.9%	2.1%
Fixed Assets	67.0%	52.7%	77.1%
Total Assets	100%	100%	100%
Current Liabilities	29.8%	43.5%	28.8%
Long-Term Liabilities	63.3%	89.4%	54.1%
Shareholder Equity	6.9%	-33.0%	17.1%
Total Liabilities and Equity	100%	100%	100%

Source: Company annual reports

[‡] Paint Stores Group in U.S. and Canada stores only

*Includes regional distribution centers (RDCs), flatbed distribution centers (FDCs), import distribution centers (IDCs), bulk distribution centers (BDCs), cross-dock terminals (XDTs) and Fulfillment Centers (FCs)



CANADIAN INDUSTRY CONTINUES POST-COVID DOLDRUMS

By Steve Payne, Editor-in-Chief, Hardlines Inc.

The health of the retail hardware and home improvement industry in Canada had its ups and downs both during and following the COVID-19 pandemic. In 2023, industry sales declined by 3.7%, and in 2024 sales dropped a further 2.3%. The Canadian industry ended up at C\$57.317 billion in 2024—still up 14.2% from the last pre-pandemic year of 2019, but a far cry from the giant 21.2% leap that Canadian retailers in this industry took during the pandemic.

Now, Canada's retail home improvement industry is experiencing two challenges. Inflation is a common problem both in Canada and the U.S. The pandemic brought to both countries government-stimulated economies that ended up being inherently inflationary. Canada went from 0.7% inflation in the

first year of the pandemic to a high of 6.8% in 2022. Canada's current rates of inflation are now running closer to 2%.

Tariffs are also having an impact. Canada exports 77% of its goods and services to the U.S., while only 18% of U.S. exports go to Canada. In particular, sizable American tariffs on car parts, aluminum and steel have damaged the economy of Ontario—38% of the Canadian economy.

Fortunately, an estimated 90% of this industry's products still cross the border tariff-free, thanks to the U.S.-Canada-Mexico Agreement (USCMA). However, the USCMA deal is up for renegotiation in 2026.

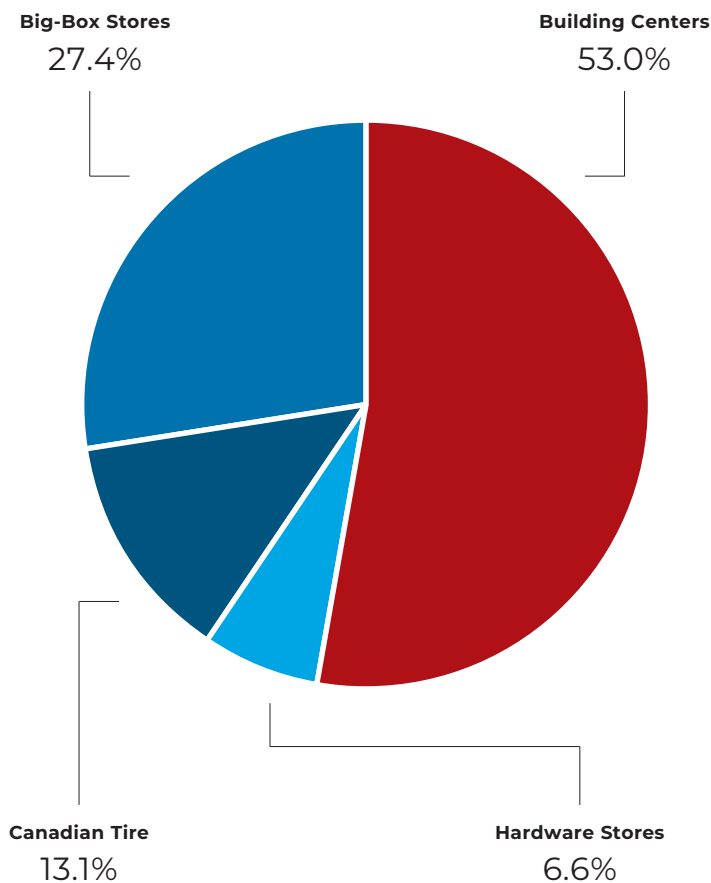
In this industry, the 2.3% drop in retailer revenues in 2024 was not felt by all the types of stores that Hardlines measures, of course.

Canada's 3,179 building centers, still running on from the COVID-era construction boom—and added by building materials inflation—posted a 0.6% shrink. They did better than other types of retail measured in our industry. Home goods retailer Canadian Tire, a category unto itself in Canada, posted a decline in revenues of 2.8% in 2024. (Hardlines measures only the home improvement side of Canadian Tire's diversified retail sales from 502 Canadian Tire stores).

Canada's 293 big boxes suffered largely from a consumer confidence deficit, as they continue to do in the U.S. We measure them losing 4.2% in sales in 2024. Finally, hardware stores shrank the most, with a negative 5.4% in sales from their 896 units across the country in 2024.

Canadian Sales by Store 2024

**The industry, as measured by Hardlines, consists of sales at retail by all hardware stores,*



Looking ahead, hardware stores, with their convenience aspect and their connection to small communities and urban neighborhoods, are expected to remain destinations for cautious consumers. They do, however, face tough competition from discount chains and dollar stores.

Building centers will be the most sensitive to the slowdown in housing and resales. Big boxes, and Home Depot Canada in particular, are expected to make gains next year after slower growth in 2025.

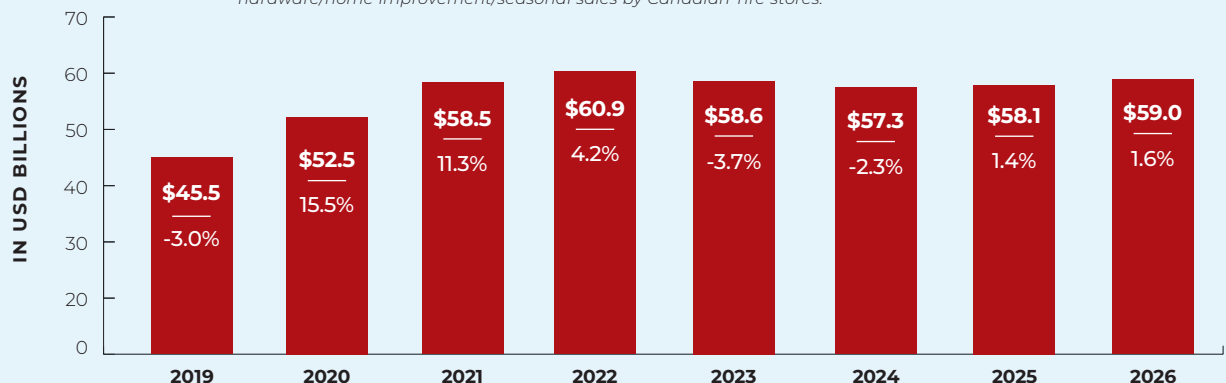
One of the big trends all home improvement retailers must adapt to is the changing consumer. As demographics evolve, product assortments must change as well. The ageing Baby Boomer consumer has fueled the growth in safety and convenience products. These can include grips inside showers and even walk-in tubs.

Younger consumers, representing a generation that is not comfortable fixing and repairing, require dealers to provide convenience LBM assortments, time-saving products and space-saving ideas.

While the Bank of Canada is forecasting GDP to grow as much as 2.5% in 2025, the major banks are being more cautious, setting target growth at 1.5 to 1.8%. Meanwhile, affordability remains an issue, meaning demand will ease, compounded by a slowdown in immigration. In addition, unemployment rates have climbed through the middle of 2025, hovering at almost 7% this year, the highest it's been since 2016. Our target for growth in 2025 is flat to 1.4% and slightly stronger in 2026, in anticipation of an easing of tariff concerns.

Canadian Home Improvement Industry Sales

**The industry, as measured by Hardlines, consists of sales at retail by all hardware stores, building centres and big box stores in Canada, including estimated related hardware/home improvement/seasonal sales by Canadian Tire stores.*





2026 HOME IMPROVEMENT OUTLOOK: A YEAR OF REBOUND AND REALIGNMENT

By Dave King, Executive Director of The Home Improvement Research Institute

After a period of muted growth across 2024 and 2025, 2026 is shaping up to be a growth year for the home improvement industry. With several key economic and behavioral drivers aligning, retailers, manufacturers, and service providers can prepare for renewed momentum.

A Turn in the Housing Cycle

Modestly declining mortgage rates are expected to increase existing home inventory and boost housing turnover, a trigger for home improvement activity. As homes change hands, demand

for both necessary repairs and personalization projects will climb. Many homeowners are also sitting on historically high levels of home equity, which they're more likely to tap into as borrowing becomes more affordable and the "lock-in" effect persists.



Dave King leads the Home Improvement Research Institute (HIRI) as executive director, a role he assumed in 2022 after belonging to HIRI as a member and subsequently serving on HIRI's Board. He brings more than 25 years of experience in research, strategy and advanced analytics, with a dedicated focus on the home improvement market since 2013. HIRI, founded in 1981 as a cooperative of six manufacturers and retailers, has grown into the leading nonprofit research organization serving many of the industry's largest brands. Members receive approximately \$1 million of proprietary research annually, with roughly 50 deliverables that track contractor and homeowner behavior, forecast category dynamics and translate insights into practical guidance for product, pricing and go-to-market decisions.



Spending Power Shifts

The days of pandemic-fueled cash cushions are largely behind us. In 2026, growth will stem from wage gains (though this is under threat) and wealth accumulation. With real disposable income forecasted to rise 3.3%, homeowners are expected to cautiously return to project spending, particularly those in the top 20% of income earners, who continue to account for roughly half of all home improvement spend.

Category performance will vary considerably, and nuances matter. DIY and emergency-driven spending will remain strong, while pro-led segments will see slower momentum due to labor challenges and cost pressures. That said, over half of contractors still anticipate revenue growth, reflecting resilience even amid tighter competition.

"2026 will be defined by homeowners re-engaging with projects they've put off, not because of sudden confidence, but because waiting any longer no longer makes sense," says Dave King, executive director of HIRI. "With increased access to financing and more homes changing hands, the industry should prepare for a lift, especially among high-income households and strategic remodels."

The Cost Question

While tariffs are expected to continue inflating the cost of building materials in 2026, only about one-third to

one-half of that inflation is currently being passed on to consumers. That gap may shrink in the year ahead, with suppliers absorbing less of the burden. Higher prices will contribute to greater overall dollar volume, though they may also lead to more deliberate purchasing behavior.

Looking Ahead

After two slower years, the industry is entering 2026 with pent-up demand and conditions primed for a rebound under threat. Stakeholders who stay agile and customer-focused will be best positioned to capture that demand.

Stay Ahead With HIRI

In a dynamic market shaped by economic shifts, consumer behavior and evolving channel preferences, access to accurate, forward-looking data is essential. HIRI members gain exclusive access to proprietary forecasts, in-depth homeowner and contractor studies, product category tracking and macroeconomic indicators that impact every corner of the home improvement industry.

Whether you're a manufacturer, retailer, distributor or service provider, HIRI delivers timely insights that help you make smarter business decisions, identify growth opportunities and understand your customers more deeply.

Join hundreds of industry leaders who rely on HIRI to stay informed, competitive, and ready for what's next. Learn more at **HIRI.org**.

"After two slower years, the industry is entering 2026 with pent-up demand and conditions primed for a rebound under threat. Stakeholders who stay agile and customer-focused will be best positioned to capture that demand."

—Dave King, HIRI



A MEASURE OF SUCCESS

Looking at how fellow independent home improvement operations are performing throughout the year gives retailers in the channel the data to make improvements to their operations.

Since 2022, the North American Hardware and Paint Association (NHPA) has partnered with The Farnsworth Group to produce the *Independent Retailer Index*, which tracks key performance metrics quarterly.

Every quarter, the index asks independent home improvement retailers to share year-over-year changes in:

- Transaction size and count
- Inventory investment
- Cost of goods

- Profit margin dollars
- Future operational investments

The most recent *Independent Retailer Index* released in Q4 2025, shares some insight on how retailers are performing amid economic uncertainty.

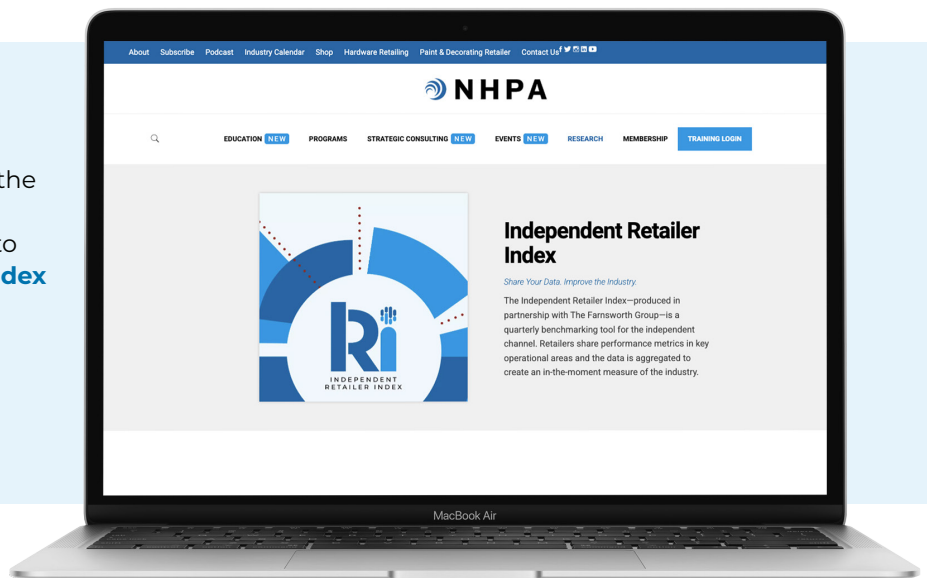
According to the index, which fielded responses from 57 different companies, representing hundreds of independent stores across the U.S., 57% of respondents reported increased sales growth year over year, up 29% from Q3 2024 and continuing the upward trend from 2023.

“The third quarter was a small bright spot in an otherwise mediocre year for independent retailers,” says

Dan Tratensek, NHPA chief operating officer. “The majority of our respondents indicated that sales were up year over year during the quarter, on average, about 2%. However, when you factor that 73% of our respondents were reporting increases in cost of goods, a fair bit of this positive momentum is likely due to rising prices. A stronger indicator of potential market momentum might be found in the second straight quarter, where we are registering an increase in transaction count from 2024. If dealers can continue to drive more transactions, it could be one key to breaking out of the malaise the industry has been in.”

ACCESS THE INDEX

Be sure you're on the list to receive the newest data from the Independent Retailer Index quarterly. Head over to YourNHPA.org/research/retailer-index to subscribe today.



EVALUATE YOUR OPERATION

The *2025 Cost of Doing Business Study* presents the North American Hardware and Paint Association's (NHPA) annual financial and operational profile of independent hardware stores, home centers, lumber and building materials (LBM) outlets and paint and decorating outlets. Retailers can use this data to measure their own performance against industry averages. The data develops benchmarks retailers can use to establish financial plans to improve profitability.



Hardware Store Highlights

- Sales Per Customer of **\$39** is an all-time high
- Profit Before Taxes of **4.7% dropped** for the third year in a row but is the fifth highest on record
- Gross Margin After Rebate of **42.6%** is the highest since 2016

Home Center Highlights

- Comp Sales were **down 1.18%**
- Inventory Turnover (2.0) and Sales Per Inventory (2.9) are the **lowest levels ever recorded**
- Typical store Gross Margin After Rebate of **32.4%** is the same as the prior year

LBM Outlet Highlights

- Comp Sales were **up 1.57%**
- Purchase Rebates of **2.0%** is the highest ever recorded
- Sales Per Employee of **\$521,494 is the third highest** since the study began

Paint Outlet Highlights

- Owners' Salary (**0.4%**) is the **lowest** since the paint segment became part of the study
- Comp Sales were **down more** than any other segment at **2.22%**
- Employee Headcount is **up +2**, the highest level since 2020

Hot Topics Highlights

- E-Commerce and Delivery: Average percentage of sales online across all segments was **2%** and the **median was 1%**
- Inventory and Loss Prevention: Shrink expense as a percent of sales across all segments was an **average of 1.7%** and **median of 1%**
- Staff and Wages: Employee Turnover across all segments was at an **average of 28.4%** and **median of 27%**

A CONVERSATION WITH ANDY SCHMITT FROM ACE

What are some of the biggest challenges you feel independent retailers faced this past year?

Across store tours and owner discussions, several consistent operational pressures stood out. Many retailers struggled with increased labor costs and the difficulty of finding and keeping qualified employees. Owners also highlighted the ongoing complexity of keeping up with pricing as tariff impacts and rising product costs continued to affect operation margins.



ANDY SCHMITT
Vice President of
Retail Operations
and New Business

Retailers also felt growing tension between what customers expect. Shoppers increasingly want fast service, accurate inventory availability and seamless convenience, whether that's quick checkout, easy fulfillment of online orders or fast delivery. For many retailers, meeting those expectations meant adopting new processes and adjusting operations. Owners shared that while they see the value in these changes, the pace can feel challenging when layered on top of day-to-day demands.

What were some of the biggest opportunities for independent retailers you saw develop this past year?

At Ace, we launched a new store concept called Elevate, designed to create an experiential shopping environment that makes the customer experience easier and more enjoyable. We're already seeing strong adoption, with a record number of Ace retailers embracing this format—and it's driving double-digit sales growth.

In addition, new partnerships with DoorDash and Affirm are giving our retailers more tools to meet evolving customer expectations, making it easier than ever to offer convenience, speed and flexibility.



What do you see as the challenges and opportunities in the coming year?

The quest for speed in delivery will continue to be both a challenge and an opportunity for our retailers in the year ahead. On one hand, customer expectations for fast, convenient delivery are higher than ever, putting pressure on retailers to adapt their operations, manage inventory efficiently and meet demand without sacrificing in-store service. On the other hand, this shift creates a significant opportunity to differentiate their stores, build stronger customer loyalty and drive incremental sales by offering solutions that their competitors may not provide.

How would you recommend retailers budget for 2026?

From a top-line perspective, Ace retailers should plan for modest growth next year. While we remain optimistic about opportunities ahead, winning consumer loyalty and capturing discretionary spend will continue to be a challenge in a competitive retail landscape. To succeed, retailers will need to focus on operational efficiency and smart resource management.

One key area of focus will be labor productivity. Leveraging smart scheduling tools can help our retailers ensure the right team members are in the right place at the right time, reducing labor costs while maintaining excellent customer service.

What were some of the specific highlights from your company in 2025?

From a supply chain perspective, we continue to expand to better serve our

retailers. In July, we opened a new 1.5 million-square-foot retail support center in Kansas City, enhancing our ability to deliver products quickly and reliably across our network.

From a growth perspective, we plan to open 175 new Ace Hardware stores and complete over 500 store projects this year, with many of these locations adopting the new Elevate store concept to create a more engaging and convenient shopping experience for customers.

What are you focusing on in 2026?

In 2026, our focus will continue to be on service, convenience and quality. For quality, we will prioritize a fresh, differentiated assortment with the best brands that drive sales growth, ensuring in-stock and accurate inventory—critical for both in-store and e-commerce fulfillment. Convenience will center on fast, frictionless fulfillment and speed in delivery, leveraging our physical stores, which are already close to most homes, through our Red-Vested Heroes or partnerships like DoorDash. Deep digital engagement will further strengthen customer loyalty. Finally, service remains key, with in-aisle assistance driving sales.

By training associates to actively help customers and fostering a customer-first sales culture, stores that invest in training see higher performance and stronger engagement.

How are you encouraging growth in 2026 and beyond?

The combination of our Higher Ground Retailer growth strategy and the ingenuity of local owners continues to drive success. We focus on equipping retailers with the right tools—marketing, training, store design, digital convenience and operating methods—to help them compete and grow.

Read the full Q&As with wholesaler execs at [hardwareretailing.com/Market-Measure-2026](https://www.hardwareretailing.com/Market-Measure-2026)

A CONVERSATION WITH MICHAEL BEAUDOIN FROM ALLPRO

What are some of the biggest challenges you feel independent retailers faced this past year?

There was flattening demand that created a super competitive environment where the only way to grow would be either to diversify your business or steal market share from someone else, which usually came at a cost. The flattening demand worked in tandem with the issue of understanding your cost of goods due to numerous price increases that came in many different fashions: tariff surcharges, select items going up significantly and overall price increases. In many instances, it would change from month to month depending on the political situation.



MICHAEL BEAUDOIN
Executive
Vice President

What were some of the biggest opportunities for independent retailers you saw develop this past year?

For many independents looking to grow into new markets, there were several retailers (in and out of the group) looking to sell their business. We had several members sell the business to other members, as well as a few cases where members were purchased by



outside entities. With sales being flat this year, there were opportunities to get better deals for larger purchases. Suppliers were hungry to grow sales, and they were much more receptive to opportunities than in prior years.

What do you see as the challenges and opportunities in the coming year?

There is an opportunity to have a more stable business environment pertaining to cost of goods, which will help focus attention on growing business. There is also the opportunity to grow market share with several national chains announcing significant price increases. When there is a significant change in cost, it opens the door for contractions to evaluate new options. Some of the challenges will be balancing the desire to focus on running the business, which is important when sales are flat, and having rising costs of doing business to switching gears to going on the offense and winning new business.

How would you recommend retailers budget for 2026?

ALLPRO is budgeting a modest 3% gain

for 2026. This factors in a slightly better business environment, and the hope for better weather and members working hard to grow their business.

What were some of the specific highlights from your company in 2025?

The highlight from 2025 was our Fall Show in Dublin, Ireland. Despite the challenges of the year, we had over 900 attendees join us in Ireland, which was one of the biggest events in Ireland (per a government official). It had a big impact on the attendees due to the unique experience that will hopefully recharge batteries for next year.

What are you focusing on in 2026?

We are going to focus on growth in 2026 at all levels from membership, distribution sales, technology, show attendance and overall being a more impactful group for our stakeholders. We are also moving our offices in the first quarter next year for the first time in two decades, which will be challenging but exciting.

How are you encouraging growth in 2026 and beyond?

Our plan is to work with the suppliers and start the year off with great promotions for the spring buying period along with the spring show deals. This will hopefully jump start the year off in a positive way for all.

“The highlight from 2025 was our Fall Show in Dublin, Ireland. Despite the challenges of the year, we had over 900 attendees join us in Ireland, which was one of the biggest events in Ireland (per a government official).”

—Michael Beaudoin, ALLPRO

A CONVERSATION WITH DAN STARR FROM DO IT BEST AND TRUE VALUE

What are some of the biggest challenges you feel independent retailers faced this past year?

Across the industry, retailers undeniably felt the impact of a softer retail environment and the rollercoaster of tariffs. Inflationary pressures, higher borrowing costs and inconsistent consumer confidence created a year of volatility that tested



DAN STARR
CEO

everyone's ability to adapt. But the real story is how effectively they were able to navigate those challenges with the strength of a united Do it Best and True Value team behind them.

Consumer behavior also shifted significantly. People are still spending, but they're more discerning—seeking value, trustworthy service and businesses that deliver a strong local connection. That's where independents have a distinct advantage, and we've been intentional about equipping them to win. Our combined merchandising, supply chain and branding teams have worked together to deliver better buying opportunities, stronger assortments and more reliable distribution performance across the network.

At the same time, ongoing supply chain adjustments, vendor consolidation and evolving labor challenges pushed retailers to think more strategically about efficiency and differentiation. Effective inventory management, strong value communication and the right investments in technology weren't optional; they were essential to staying competitive.

This is where our integration is already making a measurable impact. By aligning systems, consolidating

programs and leveraging our expanded vendor relationships, we're helping independents simplify their operations, improve fill rates and access more competitive pricing and product options than ever before. The challenges were real—but so were the solutions—and we're making sure our dealers aren't just keeping up, but moving ahead.

What were some of the biggest opportunities for independent retailers you saw develop this past year?

One of the greatest strengths of independent retailers is their deep connection to their communities and an ability to leverage those connections. Now they have a unified team behind them that amplifies those strengths with better tools, better programs and better buying power. Even in a year of economic uncertainty, retailers partnered with us can make decisive moves to personalize the shopping experience to reflect their unique markets.

The most successful retailers took this period as a chance to evolve. They've been refreshing their layouts, upgrading technology and leaning into e-commerce and digital marketing. They found ways to grow market share and strengthen customer loyalty by meeting customers where they are, whether that's online, in-store or through new fulfillment options.

Our integrated merchandising and supply teams helped them secure key inventory, protect margins and take advantage of strategic buying opportunities through our Spring and Fall Markets. That adaptability is what defines the independent channel. It's

nimble, creative and deeply attuned to its customers.

What do you see as the challenges and opportunities in the coming year?

The broader economic landscape will remain challenging in the short term, from consumer caution to any potential lingering supply and cost pressures in trade.

But the outlook is strong for independents, and I'm optimistic about what lies ahead. Consumers are increasingly choosing to shop local, repair or improve before replacing and invest in quality, service and expertise. Those values align perfectly with what independent home improvement dealers stand for.

For our members and retailers, the opportunity is to lean into that momentum to strengthen customer relationships, communicate the value of expertise and ensure their stores are positioned as trusted community resources. It's about marrying innovation with the timeless appeal of local service.

How would you recommend that retailers budget for 2026?

This is the time to be strategic. Focus your investments where they'll make the most impact. I always encourage our store owners to prioritize loyalty: loyalty from your customers and loyalty to your brand.

Invest in programs and services that make it easy for your customers to find your store, connect with you and purchase from you, whether





that's through e-commerce, digital marketing or in-store experiences. The right brand presence can make a huge difference when competition is tight. Our combined strength filters through to our expert teams who are on hand to connect our dealers to the best programs in order to connect more easily and strategically with their customers.

At the same time, I recommend dealers manage costs with discipline, but avoid cuts that undermine long-term growth. The retailers who outperform in their markets are the ones who continue investing wisely in people, technology and customer experience, even during leaner periods.

What were some of the specific highlights from your company in 2025?

2025 was a strong year for Do it Best and True Value. We delivered an industry-leading \$132.1 million rebate to our members—another powerful example of how the co-op model directly supports dealer profitability.

We also launched three branding programs designed to meet the needs of any independent dealer, giving them the most comprehensive and flexible brand offering in the industry. This ensures every business can align

with the brand strategy that best fits their community and growth goals.

Our Do it Best e-commerce platform saw a 28% increase in digital sales, reflecting our continued investment in technology that drives local traffic and online sales. And the relaunch of Destination True Value has exceeded expectations—with more than 40 implementations and work starts in just the first couple of months.

Together, these achievements show how we're helping our dealers strengthen their businesses, increase profitability and position themselves for long-term success.

What are you focusing on in 2026?

Our focus is on innovation, optimization and brand strength. These are the three pillars that will define the next phase of our growth.

We're investing in innovative technology to make doing business easier and more profitable for our dealers. We're optimizing our distribution network and systems integration to improve efficiency, reduce costs and strengthen service reliability. And we're doubling down on brand support to help every store, whether Do it Best or True Value,

maximize the power of their brand to win in their local market.

We're guided by a simple principle—keeping our dealers at the forefront of everything we do.

How are you encouraging growth in 2026 and beyond?

Our purpose has never changed. We're here to serve our members and retailers and help them grow. Every initiative we develop, every system we modernize, every partnership we build is designed to maximize their profit and position them for long-term success.

The "how" of that varies across our network of more than 9,000 independent dealers. For some, it's expanding into new categories. For others, it's modernizing store formats, building e-commerce capabilities or leveraging private label brands. But the common themes are clear: meet your customer where they are, understand your local market and manage your inventory smartly.

Looking ahead to the new year, we're building a stronger foundation for the next decade of independent home improvement. And based on what we're seeing from our members and retailers, the future is very bright.

A CONVERSATION WITH BOYDEN MOORE FROM ORGILL

What are some of the biggest challenges you feel independent retailers faced this past year?

I would say the ongoing uncertainty in the economy has been the overarching challenge facing the entire channel for most of this year. Continuing on what we saw in 2024, home improvement in general faced continued headwinds throughout 2025, with interest rates remaining high, disruptive weather patterns and continued inflation all playing a role in restricting consumer spending on their homes. These are obstacles to growth that all businesses in this industry are facing, and we think you see that bearing out in the sales numbers being reported. The industry has had a decline in sales in 2023 and 2024 as well.

At the store level, retailers are still working to drive customer traffic, with transaction counts remaining relatively flat. Meanwhile, wage pressures and increasing cost of goods are making it more challenging for retailers to maintain profit margins.

All of these challenges, however, are prompting retailers to become stronger, more intentional operators. Across our customer base, we're seeing owners and managers take a more strategic approach—focused on how they buy, what they buy and how they are communicating with their customers.

We're partnering with more retailers than ever to support these efforts. Whether it's ensuring they have the right product mix, securing the most competitive pricing, or aligning their inventory and store layout with the specific needs of their markets, our goal is to help retailers make informed decisions that improve performance today and position them for success tomorrow.



BOYDEN MOORE
President & CEO

Ultimately, the retailers who lean into these operational improvements—who use data, insights, and strategic support to adapt—will be best equipped to thrive when the market strengthens. These times are challenging, but they are also creating opportunities for disciplined, proactive retailers to emerge even stronger.

What were some of the biggest opportunities for independent retailers you saw develop this past year?

While it has been a tough year to find growth, we've seen retailers create opportunities. As the industry works through challenges we talked about earlier, many retailers are examining new ways to drive growth and profitability regardless of external market conditions. Right now, we are supporting hundreds of store reset projects, new store openings and conversions. All of this suggests that retailers aren't waiting for the broader economy to drive their growth, they are creating their own momentum. They are identifying opportunities within their own communities, strengthening the in-store experience and positioning their businesses to capture demand wherever it emerges.

On the operational side, we are also seeing retailers lean into solutions to help maintain margins and profits. Retailers are looking at all aspects of their businesses and evaluating how to do things better. We're seeing growing interest in technologies to improve sales-floor efficiency, expand their digital presence and gain a better understanding of things like inventory productivity and customer behavior. Challenging times tend to bring out the best in independent retailers. And this year has been no exception. The actions

they are taking now will continue to have a positive impact on their businesses in the years to come.

What do you see as the challenges and opportunities in the coming year?

Looking ahead, we don't expect a sudden shift in the market volatility that we are seeing. We can hope that interest rates continue to moderate and that this moderation will spur some organic growth for home improvement activity.

That being said, retailers will need to continue to be vigilant and aggressive in the way they run their operations. Success will depend on staying hyper focused on assortment planning, buying right and streamlining operations, adopting technology where it makes sense and honing their multi-channel approach to interacting with customers.

The good news is that these efforts are not just defensive—they're investments. As the market eventually begins to show more consistent signs of growth, retailers who have put in the work now will be positioned to capitalize on that momentum quickly. Their stores will be better aligned with customer needs, their pricing and inventory strategies will be sharper, and their operations will be running with greater precision.

How would you recommend that retailers budget for 2026?

Every retailer's plan should start with a clear understanding of the realities in their local market. This is an area we work closely with many of our customers—helping them evaluate opportunities in their specific markets, identifying opportunities for growth and then enabling them to make the changes they need to strengthen their businesses.

All that being said, we anticipate modest, single-digit growth in 2026 for the industry. But it's important to remember that growth can come in

ORGILL

many forms. Retailers can grow by refining their assortments to better reflect customer needs, adding high-potential niche categories, enhancing their selling space or opening new locations in underserved markets.

Ultimately, we recommend that retailers balance a realistic view of the market with a proactive mindset. Build a budget that reflects the current environment—but look for specific investments and operational improvements that could generate meaningful growth.

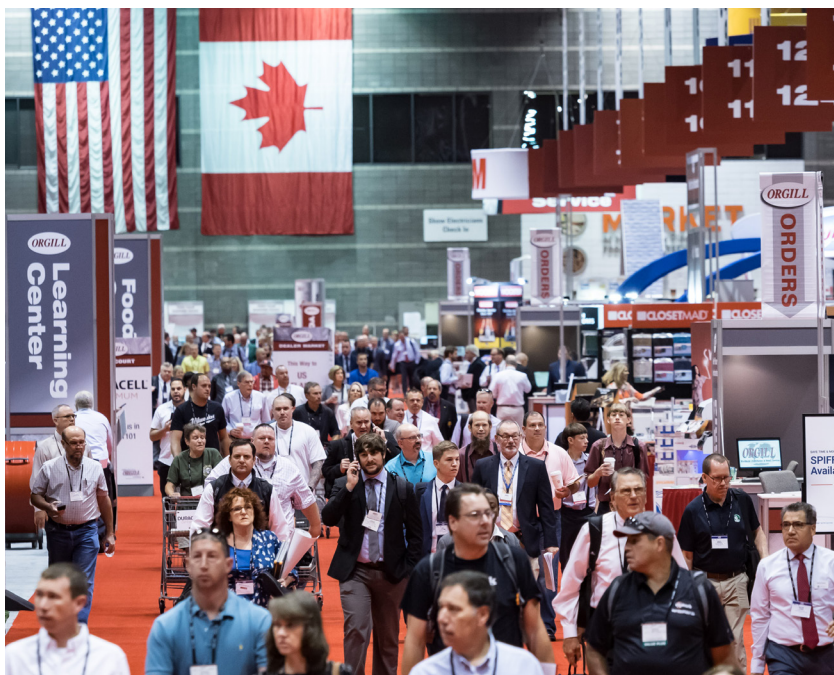
What were some of the specific highlights from your company in 2025?

There is no doubt that, despite the market being relatively flat this year, it has been a big year for Orgill. And as always, the highlights for our company begin with the progress we've helped our customers achieve.

One of the clearest indicators of that progress is the record number of store resets and conversion projects we completed in 2025. Our teams have been working around the clock alongside retailers to reinvigorate their businesses, optimize their assortments and position them to prosper over the long term. Beyond physical store improvements, we've supported numerous initiatives to strengthen retailers' online presence, enhance their loyalty programs and sharpen their marketing messages. Seeing our customers take these steps—and witnessing the positive results—has been one of the most rewarding aspects over the past 12 months.

Specific to Orgill, we continued to have strong engagement with our restructured approach to buying events. Adding multiple, seasonal online buying events to our annual live Dealer Market, have created a cadence that provides greater flexibility, better timing and more agility for our customers as they make purchasing decisions.

And of course, one of the biggest milestones for us this year was the opening of our new Innovation Center. This one-of-a-kind facility was designed from the ground up to serve retailers—giving them a dedicated space to explore emerging technologies, test new merchandising concepts and see



firsthand how innovative tools and strategies can enhance their operations. Since opening, we've hosted numerous customers, vendors and industry partners for events—and the response has been overwhelmingly positive. It represents a major investment in the future of our customers, our company and our industry and we believe it will play a pivotal role in helping retailers strengthen their businesses.

What are you focusing on in 2026?

As we look ahead to 2026, our focus remains the same as it has always been: “helping our customers be successful.” That’s not to suggest that we won’t continue to push improvements and innovations but I also think it is important that we don’t lose our focus on aligning the products, programs and services we offer to meet the real-world needs of our customers.

It is so easy to be distracted if you stray from your core mission. Our promise to our customers is that we will not allow this to happen at Orgill. We will remain 100% focused on how we can do a better job of supporting their growth.

We will do this by sharpening our programs, identifying new opportunities within our customers’ markets and engaging in projects that offer them the support and scale they need to better compete. This includes

continued investments in improving our already modern supply network, enhancing our integrated eCommerce platform and sharpening our focus on building stronger assortments to meet the needs of our diverse customer base.

We realize that we can’t be distracted or become complacent when it comes to how our own business evolves. Our customers rely on us to help them stay competitive in areas like technology, inventory management, pricing and assortment planning and we will continue to push our teams to offer solutions that address these areas. But rest assured that each and every project we engage in will start with the question, “how does this help our customers grow?”

How are you encouraging growth in 2026 and beyond?

Growth for Orgill starts and ends with our ability to help our customers grow. No matter what the economy brings, our role is to support retailers as they navigate real-world challenges and uncover new opportunities.

To do that, we’re continuing to focus on being the most efficient, cost-effective distribution partner we can be. We’re investing in our distribution network and working closely with our vendor partners to ensure we deliver the products, programs and pricing that is going to help our customers be successful.

A CONVERSATION WITH SHARI KALBACH FROM HDA

What are some of the biggest challenges you feel independent retailers faced this past year?

Some of the main challenges independent retailers faced in 2025 were navigating price increases and volatile tariff policies. These fluctuations made it difficult to adjust pricing while keeping an eye on rising inflation rates. In addition, inflation and increased costs of doing business made it difficult to retain staff and invest in training and advancement.



SHARI KALBACH
President

What were some of the biggest opportunities for independent retailers you saw develop this past year?

Independent retailers are in unique positions to respond to market changes quickly. Therefore, there are so many opportunities for retailers to invest in and emphasize local niche categories and products. They also have the ability to offer unique or in-demand services that differentiate their store from big box competition.

What do you see as the challenges and opportunities in the coming year?

If lending rates continue on a downward trend, upward pressure on the housing market will create opportunities in both new construction and DIY home projects and remodeling. We remain optimistic that

repair and maintenance demands will remain steady as some homeowners choose to tackle urgent projects on their own.

How would you recommend retailers budget for 2026?

Retailers might look beyond static annual budgets and instead focus on flexible models where spending can be adjusted depending on multiple criteria including demand, ROI, costs and personnel. In a market with persistently high costs, investing in areas that directly impact margins and increase efficiency can be helpful.

What were some of the specific highlights from your company in 2025?

In addition to continuing to enhance the existing financial resources available to our group, we searched for a strategic acquisition that would create opportunities for growth and broaden collaboration within the independent channel.

With that goal in mind, we completed the agreement in November 2025 that unites HDA

with North American Tool Suppliers (NATS), a buying group that specializes in the automotive category and compliments the hardware and farm members we serve.

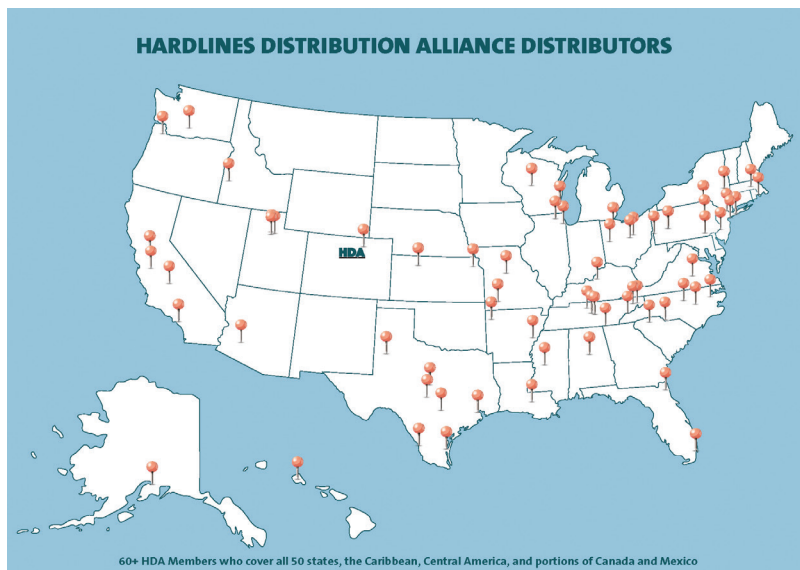
What are you focusing on in 2026?

In 2026, we are looking forward to integrating the merger with NATS and dynamically responding to the needs of our members, vendor partners and independent retailers.

How are you encouraging growth in 2026 and beyond?

The merger with NATS presents us with several opportunities to boost growth including streamlined collaboration, combined conferences and events and access to a broader range of resources and programs.

We are optimistic that with these resources, we can position the HDA network to quickly respond to market fluctuations, implement technology and programs that increase efficiency and pursue manufacturer partners that allow them and their retailer customers to grow and evolve.



THE PATH TO PROGRESS: HOUSING AFFORDABILITY KEY TO UNLOCKING GROWTH

In mid-December the Federal Reserve took measures to lower interest rates for the third time in 2025, by an additional quarter point, attempting to bring inflation rates back down to 2% long term and as insurance policy against a weakening labor market due to policy uncertainty and tariffs.

In a press conference detailing the measure, Fed Chair Jerome Powell noted that activity in the housing sector remains “weak” and supply remains low, with many homeowners “locked-in” to low-rate mortgages around 3%. He also indicated that the U.S. has not built enough housing, leading to affordability challenges due to a structural housing shortage. At time of publication, the 30-year fixed mortgage rate stood at approximately 6.2%, down from the 6.8% average recorded in the second quarter of 2025.

While the home improvement industry has been fixated on how a third rate drop in 2025 would impact housing activity, how the additional quarter point rate drop factors into a housing market recovery remains unclear, especially since other factors, including historically high home prices, lagging wage growth and inflation, may play a bigger role in overall housing affordability.

Noting that homebuying levels are at a 30-year low, the Harvard Joint Center for Housing Studies (HJCHS) reported in November that it’s not simply high interest rates alone, but high home prices that serve as the major barrier to housing affordability today.

“Mortgage payments on the median-priced home in the U.S. are more than double what they were in 2020, and for the typical first-

time homebuyer loan with a 3.5% downpayment, mortgage costs soared from \$1,200 per month in 2020 to over \$2,500 per month in mid-2025,” says Harvard Center for Joint House Studies senior research associate Daniel McCue. “The annual income needed to afford these costs has nearly doubled from under \$70,000 in 2020 to over \$130,000 in 2025, pricing out millions of potential first-time homebuyers.”

According to the National Association of Realtors Housing Affordability Index, the qualifying median family income needed to afford the median priced existing single-family home has increased from \$84,720 for a \$392,800 home in 2022 to a \$101,376 income for a \$420,700 home in Q3 2025. While varying widely by region, the data suggests that home turnover will have to come from a slowdown in the growth of home prices so household incomes can “catch up,” which further delays entry into homeownership for first time homebuyers. Currently the average age for a first-time homebuyer is 40 years old, up from 32 years old pre-pandemic.

“The decline in interest rates is a positive step for millions of potential first-time homebuyers facing historically low affordability. But for homeownership to be attainable long term, far more needs to be done to increase the supply of modestly priced homes affordable to those with median incomes,” McCue says.

McCue says the half-percentage point reduction in the interest rate that took place between May and October had the same effect on monthly mortgage payments as a 6% decline in home prices.

“Another full percentage-point decline in interest rates (to 5.2%) would reduce monthly payments as much as a 10% drop in home prices,” McCue says. “Helpful, but nowhere near offsetting the impact of the surge in home prices since 2020.”

He says it would take reducing interest rates to nearly zero to bring the monthly mortgage payment on the median-priced home back to its 2020 level.

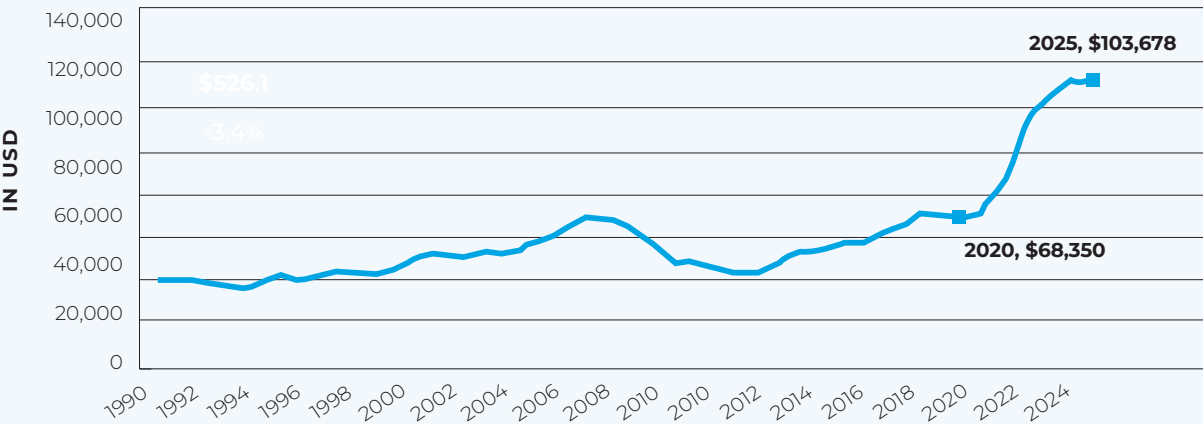
“But even then, total monthly costs would still be higher than in 2020 due to rising property taxes and insurance premiums,” he says.

“Another full percentage-point decline in interest rates (to 5.2%) would reduce monthly payments as much as a 10% drop in home prices. Helpful, but nowhere near offsetting the impact of the surge in home prices since 2020.”

— Daniel McCue, Harvard Center for Joint House Studies

Annual Income Required to Afford US Median-Priced Home

JCHS tabulations of Freddie Mac, Primary Mortgage Market Surveys; National Association of Realtors, Existing Single-Family Home Sales



Notes: Shows annual income needed for monthly housing costs (PITI) on the median priced home in the US to be no more than 31 percent of a household's annual income. Monthly payments on the median priced US home assume a mortgage with a 3.5% downpayment on a 30-year fixed rate loan with zero points and 0.55% mortgage insurance, 0.35% property insurance, and a 1.15% property tax rate.

Nationally, according to the quarterly House Price Index (HPI) released by the Federal Housing Finance Agency, U.S. home prices rose 3.3% in the third quarter of 2025, compared to the same period in 2024, representing the slowest year-over-year price appreciation since 2013. While home prices are still appreciating, albeit at a lower rate, this indicates home prices are cooling off following a decade of robust price growth.

Remodeling Activity Set to Grow in 2026

According to Harvard Joint Center for Housing Studies Leading Indicator of Remodeling Activity (LIRA) annual expenditures for home improvement and maintenance are projected to remain steady into the middle of 2026, which is good news for independent home improvement

retailers catering more to repair and maintenance projects. The LIRA projects that year-over-year spending on home renovation and repair will rise by 2.4% in early 2026 before easing to 1.9% in the third quarter of next year.

The director of Harvard's Remodeling Futures Program, Rachel Bogardus Drew says that demand will remain stable in 2026, and remodeling spending is expected to reach \$524 billion early in 2026, which is a new record high.

"If the housing market begins to show signs of momentum, remodeling could be poised for stronger growth into 2027," she says. "However, sluggish housing starts and uncertainty in the broader economy, which are factors in predicting remodeling expenditures, are creating headwinds to larger gains in renovation and repair spending."

Home Depot on Housing Recovery

At its 2025 Investor and Analyst Conference in early December, Home Depot's executive VP and CFO Richard McPhail stated its market recovery case reflects performance expectations "once we see momentum in housing activity and increased spend on larger projects driven by pent-up demand."

"We believe that the pressures in housing will correct and provide the home improvement market with support for growth faster than the general economy, and we expect to continue to grow faster than our market," McPhail says. "In our Accelerated Recovery Case, we could see sales and earnings per share grow faster in the event of a sharper housing recovery."