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ABSTRACT FOR THE CATALINA REPORT ON THE FLOOR COVERINGS INDUSTRY CR041 (July 2006)

SUMMARY OF MAJOR FINDINGS

The \$26 billion (manufacturers' dollars) U.S. floor coverings market continued to experience relatively strong growth in 2005, however, demand is slowing in 2006. U.S. floor coverings demand has begun to slow in the face of rising interest rates. Currently, rising interest rates have primarily impacted the residential builder market. The residential replacement market remains on an upward swing, which can be seen in specialty floor covering retail sales trends. Nonresidential sales also continue to rebound. In addition, consumers are benefiting from competitively priced foreign-sourced flooring products. This has offset some of the increase in pricing pressures from rising material costs. The growth of flooring demand will increasingly depend on the actions of the Federal Reserve Board and their efforts to battle inflation as oil prices rise. Additional interest rate increases could lead to an even weaker housing market in the fourth quarter of 2006 and throughout 2007. This would result in flooring manufacturers and marketers further increasing their reliance on residential replacement markets.

FLOORING SECTOR TRENDS

Catalina Research uncovered these trends in our in-depth 275-page report on the U.S. floor coverings industry. U.S. shipments, exports, imports, and price trends are evaluated for carpet and area rugs, wood flooring, ceramic tile, vinyl sheet and floor tile, rubber sheet and floor tile, other resilient flooring, and laminate flooring.

PROFIT MARGINS AND THE COMPETITIVE ENVIRONMENT

In addition, Catalina Research investigated the cost structure and profit margins of U.S. floor coverings plants. Data trends are compiled for material, labor, and capital inputs. As part of this analysis, Catalina Research profiled 11 leading U.S. manufacturers, compiled company sales and profit margins, and calculated market share. Company profiles cover product lines, manufacturing and distribution, capital investments, acquisitions, and new products.

END-USE MARKET ANALYSIS

Our end-use market analysis segments residential, non-residential, and transportation equipment markets. Construction markets are further segmented into new and replacement purchases, and purchases by manufactured housing manufacturers. End-use market trends are correlated with U.S. housing demand, non-residential construction, mortgage interest rates, and other economic indicators to uncover the factors affecting U.S. floor coverings demand, and provide insights into the direction of domestic demand in 2006 and beyond.

DISTRIBUTION CHANNELS AND DEMOGRAPHICS

Sales are analyzed for retail and wholesale distribution channels. Retail floor coverings sales are supplied for specialty floor coverings stores, home centers, hard surface flooring and other building material dealers, furniture stores, department stores and mass merchandisers, paint and wallpaper stores, and other retailers. The total number of retail outlets selling floor coverings and total floor coverings sales by region and state are provided as well. Based on this data Catalina Research calculated per capita sales. The report also includes a regional and state analysis of floor coverings sales by retail outlet and flooring type. In addition, Catalina provides sales estimates for the leading specialty floor coverings retailers and flooring distributors. A separate section investigates the demographics of household floor coverings purchases. Household spending trends are studied by family income, age of household head, persons per household, and region. Spending demographics are segmented for soft surface and hard surface flooring.

INSTALLATION CONTRACTOR MARKET

A section analyzing the installation market is also included. Data trends are provided for the number and revenues of U.S. floor coverings installation contractors, revenues by type of job and building, revenue per square foot of floor coverings installed, and regional and state data. Installation costs are evaluated to consider their impact on the different types of floor coverings sales.



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CANADIAN FLOOR COVERINGS MARKET

The Canadian floor coverings market is analyzed as well. Five types of floor coverings are evaluated. Data trends include market sales, shipments, exports, and imports.

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