



FURNITURE & HOUSEWARES - INTERNATIONAL

CURRENT TRENDS

- U.S. furniture and home furnishings stores increased sales by 16% in August 2021 over the previous year, marking 15 consecutive months of growth for the sector.
- Furniture and housewares sales in the U.K. dropped by 0.8% in 2020, a less severe decline than expected. Sales have increased by 4.7% in 2021 and analysts expect this momentum to continue.
- Experts project revenue for U.S. furniture stores will increase by 3.2% in 2021 as the economy continues to recover from the COVID-19 pandemic.
- Increased demand and ongoing supply chain constraints are driving furniture sector price inflation and higher freight costs across the globe.

PROJECTED VALUES (12-MONTH OUTLOOK)



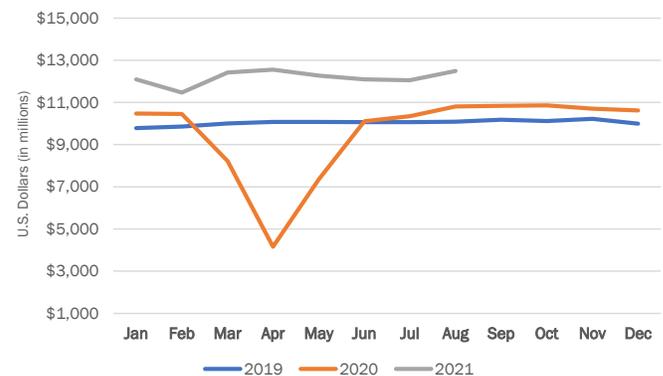
APPROXIMATE NET RECOVERY ON COST

65%-75%
residential furniture

75%-95%
housewares-general assortment

60%-70%
housewares-narrow assortment

U.S. RETAIL SALES: FURNITURE AND HOME FURNISHINGS STORES



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POST-COVID-19 SALES BOOST: Furniture and home goods retailers started strong in early 2020 but soon faced plummeting sales as the COVID-19 pandemic surged around the world. According to U.S. Census Bureau data, U.S. retail sales dropped nearly 59% by April 2020 over the previous year. Despite an annual sales trend of negative 4.9%, sales began to rebound by June 2020 as consumers shifted focus to home improvement projects.

E-commerce sales and the implementation of convenient, no-contact delivery options drove significant topline growth for furniture and home goods retailers in the second half of 2020. Sales have continued to increase in 2021 as vaccinated consumers return to stores. U.S. furniture and home goods stores increased sales by 16% in August 2021 over the previous year, marking 15 consecutive months of growth for the sector.

Industry leader Bed Bath & Beyond reported a 49% increase in first quarter net sales over 2020 even after the divestiture of non-core brands brought total sales down by 24%. The company's core brand sales and comparable sales increased 73% and 86%, respectively, for the period.

Experts predict revenue for U.S. furniture stores will increase by 3.2% in 2021 as economic recovery continues and homeownership rates increase. New privately owned housing starts grew 3.9% month-over-month in August 2021, which represented a 17.4% increase over August 2020. However, a recent Reuters report suggests "the sector is returning from the stratosphere and coming back to pre-COVID levels."

Building permits, a more forward-looking indicator, were down 1.5% in August from a March 2021 peak, but remain 14.4% above the average 2020 rate. New home construction may return to pre-pandemic levels, but researchers suggest revenue for home goods retailers will continue to increase at an annual growth rate of 3.6% through 2026.

Increased demand and supply chain constraints have led to stock replenishment challenges for retailers. In turn, these challenges are driving price inflation and higher freight costs. Even so, experts predict profitability will likely remain above historical averages and sector credit ratings will remain steady for the home goods and appliance segment.

EUROPEAN TRADING TRENDS: Furniture and housewares sales in the U.K. dropped by 0.8% in 2020, a less severe decline than expected. Sales have increased by 4.7% in 2021 and this momentum is expected to continue. Consumers in most European countries, especially the more affluent sectors, continued to spend as much or even more on the home than in

previous years. Contributing factors include the re-evaluation of living spaces, which became communal areas due to work-from-home and home-schooling activities and money saved by non-spend in other sectors such as travel, leisure and clothing. Additionally, and particularly in the U.K., this spending was additionally buoyed by the strength of the housing market.

EVOLVING ONLINE SHOPPING EXPERIENCE: Augmented reality (AR) is a growing trend in furniture retailing with the potential to reinvent the furniture shopping experience. The technology generates 3D images of furniture in consumers' homes on their smartphones, bridging the gap between the online and in-store shopping experience. Research shows furniture is the most popular item consumers shop for using AR.

E-commerce sales remain key to sales growth for segment retailers while major brick-and-mortar retailers reported mixed performances in 2021. Store closures in 2020 boosted e-commerce sales, and while that has since steadied, data shows e-commerce sales grew more in the first quarter of 2020 than in the past 10 years combined. Consumers have continued to shop online throughout the pandemic, and most categories, including home furnishings, have seen significant increases in online consumer growth since June of 2020.

Brick-and-mortar-based home goods retailers reported significant increases to e-commerce sales, building on growth that began before the pandemic. For example, The Container Store reported 96% growth for their e-commerce sales for the year ended April 3, 2021. In late September 2021, HomeGoods finally ventured online, noting that it sees the e-commerce channel as a complement to its well-developed network of over 820 brick-and-mortar locations.

However, not all retailers have maintained the same level of momentum online. Wayfair, which reported a 49.2% sales increase in the first quarter of 2021, saw a 10.4% decrease by the end of the second quarter because of high period comps, though the company noted some consumer spending has begun to flow back to experiential categories. Bed Bath & Beyond's digital sales represented 38% of sales in the first quarter of 2021, down from the extraordinary 66% in the first quarter of 2020 but still well above the 20% in the pre-pandemic first quarter of 2019.

MOVE TO E-COMMERCE: Since the start of the COVID-19 pandemic, U.K. furniture markets have seen an unprecedented shift to online shopping. In fact, 80% of consumers have shopped for furniture online as result of not being able to visit a store, and 77% have purchased online, up from 63% in the previous year ended June 2021. Additionally, consumers have grown more confident in buying expensive furniture online; 30% of consumers purchasing online spent more than £500. In-store purchases decreased from 53% to 35% over the same period.

The pandemic has also influenced the fragmentation of expenditure to non-specialists such as Amazon.com, big box and other superstore formats. While this fragmentation presents a challenge for furniture specialists, the sector will likely regain momentum as restrictions and anxiety ease in the second half of 2021. Additionally, many consumers still prefer in-person, in-store contact, particularly for bigger ticket items.

Non-specialists will need to be proactive to retain the foothold established during the pandemic as pure players regain customers. The challenge for the furniture specialists will be eased by pent up demand as some customers have delayed purchasing furniture during the pandemic.

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