

ABSTRACT FOR THE CATALINA REPORT ON KITCHEN CABINETS AND COUNTERTOPS

SUMMARY OF MAJOR FINDINGS

The \$23.0 billion U.S. cabinetwork and countertop manufacturing industry has been a growing sector of the domestic building material shipments over the past decade. Manufacturers were able to take advantage of rising housing demand and consumer's desire for larger, more expensive homes by supplying higher-end cabinets and countertop materials. However, market trends turned sluggish in the second half of 2006 as rising interest rates, higher energy costs, and slower economic growth resulted in U.S. housing demand to decline sharply. This adverse market environment is expected to continue through 2007 due to the current drop in residential building permits, housing starts, and existing home resales. Market growth is forecast to rebound in 2008 as housing costs move more in line with personal income gains, and favorable demographics stimulate underlying housing demand. As a result, industry growth is projected to increase closer to long term industry trends over the 2007 to 2012 period.

CABINETWORK AND COUNTERTOP SHIPMENT TRENDS

Catalina Research has uncovered these trends in our 206-page in-depth report on the North American cabinetwork and countertop industry. Report sections cover the U.S. market for kitchen cabinets, bathroom vanities, other cabinetwork, and countertop materials. Cabinetwork shipments are further segmented by stock line, semi-custom, and custom cabinets, and by wood and laminate kitchen cabinets. Countertop shipments are provided for plastic laminated, solid surface, dimension stone countertops, and other countertop materials. Price trends are provided for all types of cabinetwork and plastic laminated countertops.

INTERNATIONAL TRADE ACTIVITY

The report also reviews the inroads made by foreign-made kitchen cabinets. Import data is provided for major country of origin. Similar data is available for export shipments.

END-USE MARKETS AND DISTRIBUTION CHANNELS

Cabinetwork purchases are provided for new residential construction, residential remodeling, manufactured housing, and nonresidential construction markets. The analysis includes data on purchases per new single-family home constructed and new multi-family housing unit built. Leading brand market penetration rates are provided for builders and remodeler contractors. For the top brands, penetration rates are provided by region, type of house, and size of builder or remodeler. Home center and other retail channels are analyzed as well.

FACTORS AFFECTING DEMAND

A separate section analyzes the role of new and remodeled residential kitchens and bathrooms as a determinant of demand. The number of bathrooms per new housing unit is calculated by type of housing unit and region. Homeowner spending on kitchen and bathroom remodeling is also investigated. Cabinetwork and countertop demand is correlated with U.S. housing demand, nonresidential construction spending, mortgage interest rates, and other economic and demographic indicators. This provides insights into the direction of domestic demand in 2007 and beyond.

PROFIT MARGINS AND THE COMPETITIVE ENVIRONMENT

Catalina Research examined the cost structure and profitability of U.S. cabinetwork and plastic laminated countertop plants. Data trends are compiled for labor, material, and capital inputs. As part of this analysis, Catalina Research profiled 30 leading North American manufacturers. Company profiles cover product lines, manufacturing and distribution, acquisitions, and new products. Sales data was compiled in order to calculate cabinetmaker market share.

CANADIAN CABINETWORK AND COUNTERTOP INDUSTRY

Catalina also analyzed the Canadian cabinetwork and countertop industry. Shipments are provided for kitchen cabinets and vanities. Exports and imports are provided by countries of destination and origin. Data on Canadian plants and operating ratios are also included. In addition, Canadian construction activity is analyzed.