

## STATISTICAL REPORT '06

### Housing woes wreak second-half havoc on floor covering industry

It is times like these it is important to take the broader view of the \$24.18 billion flooring industry and recognize that the long-term demographics for housing are sound, that the greatest transfer of wealth this country will ever see will occur over the next 10 to 25 years, thereby fertilizing the housing market for another generation.

Those only concerned with the present and near-term future will have to bite the bullet, for 2006 was a tough year for flooring — with the fourth quarter performance especially painful for sectors like hardwood, which saw a 15.2 percent drop in square-foot sales in the final three months.

Overall, U.S. flooring sales lost 1.2 percent in 2006 to \$24.18 billion compared with \$24.48 billion in 2005. It was the weakest performance since the 2001 recession. The flooring industry's small dip in '06 could have been worse were it not for the strength of the commercial segment which offset weak residential sales.

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From the second to the fourth quarter of 2006, residential building permits dropped by 35.3 percent, housing starts declined by 31.2 percent, and existing home sales by 25.3 percent, Catalina reported. This resulted in an 18.8 percent drop in U.S. floor coverings square-foot sales over the last two quarters of 2006. (See main charts on pages 8, 10 and 12).

By category, carpet and area rugs fell nearly 1.9 percent in 2006 to \$15.06 billion. Considering the plight of the housing market, the drop was not so much. The series of price increases dating to 2004 kept the category from falling farther. The increases in carpet prices continued into 2006.

Vinyl was one of those sectors hardest hit by the housing slump. The category fell 6.6 percent in value from 2005, losing more than \$120 million in sales as a result of poor market conditions and increased competition in the other flooring segments.

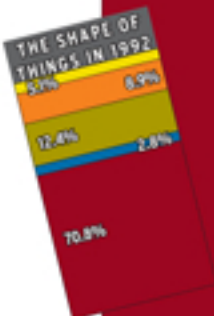
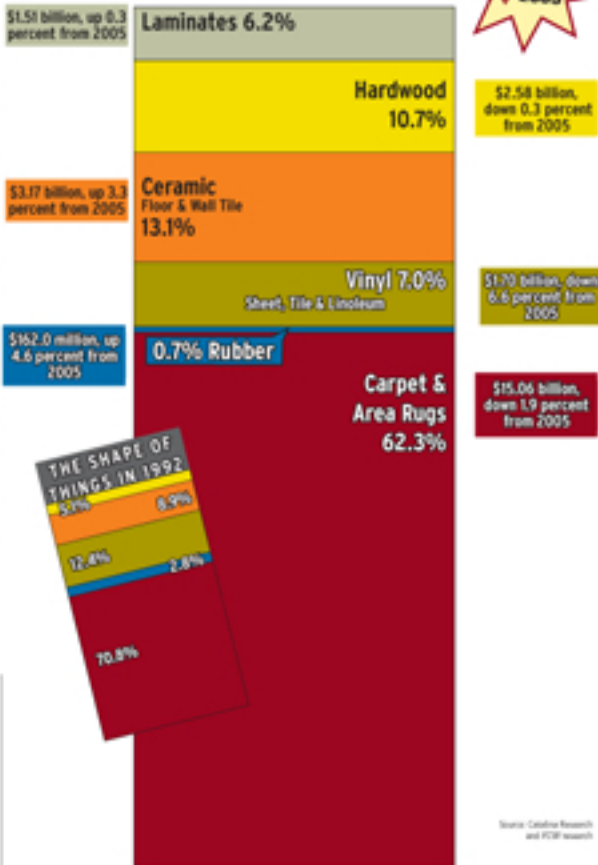
Ceramic tile was one of the strongest segments of the flooring industry in 2006, according to suppliers and dealers. Sales increased 3.3 percent to \$3.17 billion. In most any other year, such an increase would be modest, at best. But in 2006, 3.3 percent was downright robust. Were it not for the fourth quarter, ceramic tile's increase would have been higher still. Through September, the sector was up 3.3 percent, but the fourth quarter ended the rally.

Laminate flooring sales received a boost from their reliance on the relatively healthy residential remodeling and replacement markets in 2006. However, sales in this sector declined in the second half of the

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Table 1

## 2006 U.S. Floor Covering Sales: \$24.18 billion (in wholesale dollars)



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