

Consumer Spending Highlights – Building, hardware and garden stores

October 2017



Building, hardware and garden store sales are booming as consumers opt to remodel homes

Consumer spending at building, hardware and garden stores increased 12.8 percent year-over-year (YoY) in **August**, according to the **Visa Retail Spending Monitor**, which reports spending on all forms of payment. While U.S. housing supply is keeping some prospective buyers at bay—housing stock grew only 5.9 percent over the last 10 years, compared to an 8 percent uptick in population—many consumers are opting to remodel rather than wait for the elusive housing market to pick up, a boon for building, hardware and garden sales. (The **August** data reflects minimal building impact from the recent hurricanes, since Harvey happened at the end of August and Irma was in September.)

The tight housing market is also driving home prices up. With prices increasing at a faster pace than household incomes, some consumers are finding it difficult to afford a new home. As a result, boomers are staying in their homes longer and often remodeling, while many first-time home buyers are purchasing fixer-uppers. This was the case last year as well, when millennials' credit card spending at building, hardware and garden stores grew 23 percent YoY in 2016, more than double overall growth in the category.

Key Points:

Building, hardware and garden store sales were strong in August

Lower prices are helping drive business

Millennials and low-income consumers move more—and may need more home supplies too

Change in U.S. civilian population and housing stock (1Q2007-1Q2017)



8.0%



5.9%

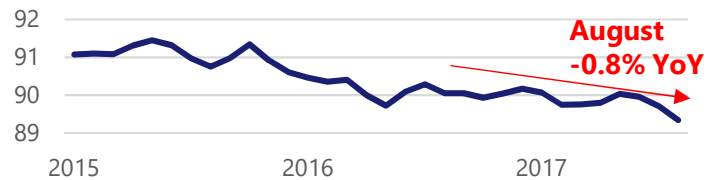
Sources: Visa Retail Spending Monitor (reports spending on all forms of payment); Census Bureau; TransUnion LLC



Lower prices are helping drive business

Pricing is among the top three reasons why consumers choose their preferred home improvement and hardware merchants, including location (58 percent of consumers), price (43 percent of consumers), and product selection (36 percent).^{*} With inflation down 0.8 percent YoY in August, declining prices are helping to boost sales in the market.

Deflation in tools, hardware, outdoor equipment and supplies (seasonally adjusted, Dec 1997=100)

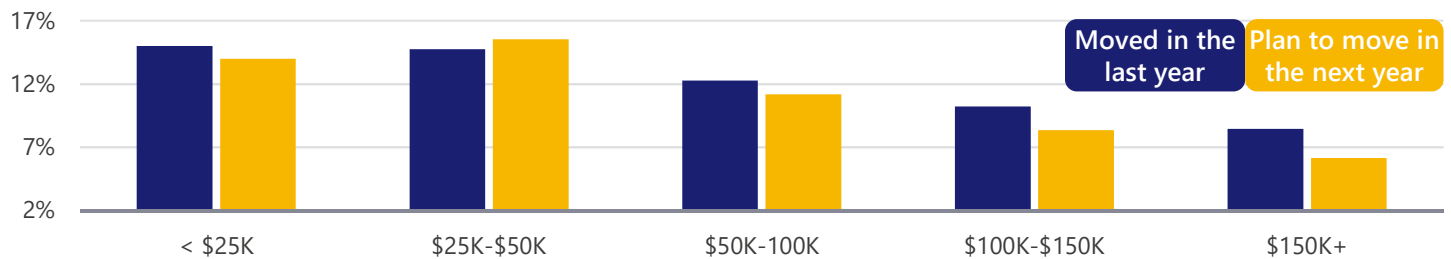


Sources: Haver, Consumer Price Index/Bureau of Labor Statistics; Visa Business and Economic Insights; Prosper Insights & Analytics^{*}

Millennials, low-income consumers move more—may need home supplies more too

In 2016, millennials represented 30 percent of the adults who changed residences. Not surprisingly, the main reasons millennials moved were for a new job or more space. According to a recent survey,^{*} 11 percent of adult consumers (58 percent being millennials) said they plan to move to a new home, apartment or condo between July 2017 and July 2018. Income level also plays a role in residential moves, with lower-income adults (who are likely renters and have more flexibility) moving more than higher income adults—which may help to drive growth in home supplies, too.

Lower-income adults tend to move more (by average annual household income)



Sources: American Community Survey; Visa Business and Economic Insights; Prosper Insights & Analytics^{*}

Sources: Demographic statistics from U.S. Census Bureau, American Community Survey. Millennial credit card spending from TransUnion LLC.

Inflation statistics based on the Consumer Price Index, according to the U.S. Bureau of Labor Statistics

^{*}Online survey of American consumers on behalf of Visa by Prosper Insights & Analytics, July 2017

Analysis provided by Visa Business and Economic Insights

Disclaimer: Monthly retail spending highlights are based on Visa's Retail Spending Monitor, which measures estimated historical performance of certain segments of the U.S. economy across payment types. Retail sales (sales by establishments engaged in retailing merchandise) in the context of Retail Spending Monitor is a set of industry segments defined by the U.S. Department of Commerce. The Retail Spending Monitor analyzes data in a manner consistent with this definition for industry segments that are not auto related. The Retail Spending Monitor is based on a sample of aggregated, depersonalized Visa transaction data analyzed utilizing a proprietary economic and statistical model and is not reflective of Visa operational and/or financial performance. The Retail Spending Monitor is provided on an "as is" basis without any warranties of any kind, express or implied, including, without limitation, as to the accuracy of the data or the implied warranties of merchantability, fitness for a particular purpose, and/or non-infringement. The Retail Spending Monitor is intended for informational purposes only and should not be relied upon for marketing, legal, technical, tax, financial or other advice. Visa is not responsible for your use of the information contained herein, including errors of any kind, or any assumptions or conclusions you might draw from its use. Each Retail Spending Monitor report is as of the publication date, and Visa has no obligation to update the data contained therein.

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