

The Furnishings Digest

Third Quarter 2024
Volume 31, Issue #3

The latest news, views, and announcements

IN THIS ISSUE

Reading Time: 18
min

Contents:

Las Vegas Market

Atlanta
Outdoor/Summer
Furniture Show

The Big Picture and
the FED

GDP is Looking Up

Housing Recovery is
Inevitable (You
read it here first!)

Latest Import
Statistics



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WELCOME TO LAS VEGAS

Market conditions remain challenging BUT the recent ATLANTA OUTDOOR / CASUAL FURNITURE MARKET has received STRONG REVIEWS BY RETAILERS AND VENDORS ALIKE!

LAS VEGAS has broadened its appeal and has more for more retailers. Mattresses, furniture, gifts, accessories, wall decor, gifts, rugs, and did we mention gifts?

THE BIG PICTURE

Interest rates continue to clog economic expectations even with some modestly better recent data on inflation.

The FED recently hinted we could possibly have two or even three interest rate reductions this calendar year and more in 2025. No promises however. Right now, I would consider ONE a welcome gift. I believe many of our financial institutions are looking for that first assurance that rates can drop so they can initiate their various programs that can offer an array of borrowing options to a broad mix of borrowers who have been waiting for a LONG TIME.

These programs can help spur the obvious (HOUSING) but much more and help end 2024 with momentum for 2025.

OTHER CONSIDERATIONS

This has been an expensive year weather-wise for consumers and retailers alike. And inflation continues to bite us and others. Are you tired of seeing articles on how to save \$ on groceries and drug store items? Auto sales are running flat to down and the strongest housing category remains multi-family thanks to the Millennials.

The ELECTION was already full of drama and exaggeration even before the shocking events of the last few weeks (the attempted assassination, the Biden health speculation then resignation, the Harris assumption of the top Democratic running spot, and so much more!) Today our military intercepted both Russian and Chinese bombers heading towards Alaska!?! To me, it appears we are being tested on many fronts just as the Presidential Election gets SERIOUS.

INDUSTRY SPECIFIC ISSUES

Expect higher prices on home furnishings of all types thanks to complex logistical issues which are back after some relief earlier in year. Asia to U.S. shipping is nearing \$10,000 in some routes, containers are playing hide and seek AGAIN, port complications are challenging here and there, and rail and trucks are both more expensive. In many ways, we feel like we are being taken advantage of— but with the consumers decided lack of enthusiasm, it could be worse, I guess.

According to Drewry:

- Ended the week at \$5,806 per 40ft container following a period of continuous increases since week 18, and has increased 268% when compared with the same week last year.
- The latest Drewry WCI composite index of \$5,806 per 40ft container is 44% below the previous pandemic peak of \$10,377 in September 2021, but it is 309% more than average 2019 (pre-pandemic) rates of \$1,420.
- The average composite index for the year-to-date is \$3,886 per 40ft container, which is \$1,108 higher than the 10-year average rate of \$2,777 (which was inflated by the exceptional 2020-22 Covid period).
- Freight rates from Shanghai to Los Angeles decreased 5% or \$354 to \$6,934 per 40ft box. Similarly, rates from Shanghai to New York dropped 4% or \$399 to \$9,213 per 40ft container.

Drewry World Container Index (WCI) - 25 Jul 24 (US\$/40ft)



Talking to furniture store chains, year to year sales declines of 15% to 20% are not uncommon for our recent Spring months. And only a few years ago, even in soft sales periods we could still count on the big sale weekends to pull in traffic and sales but not this year. Nuts!

ONE OBSERVATION

Unless I am misreading my AD AGE stats, it appears that home furnishings retailers have allowed advertising budgets to slide. Obviously, if you read the multi-category retailers discuss their sales, all appear to be pointing at weaker home-related sales, especially vs. the last two calendar years. Even the e-commerce retailers are experiencing this same lull. But furniture stores seldom have the extra merchandise sales we used to like appliances, floor coverings, electronics, etc. and we all have seen how the mattress specialty retailers (landed and e-commerce) have stolen sales from us.

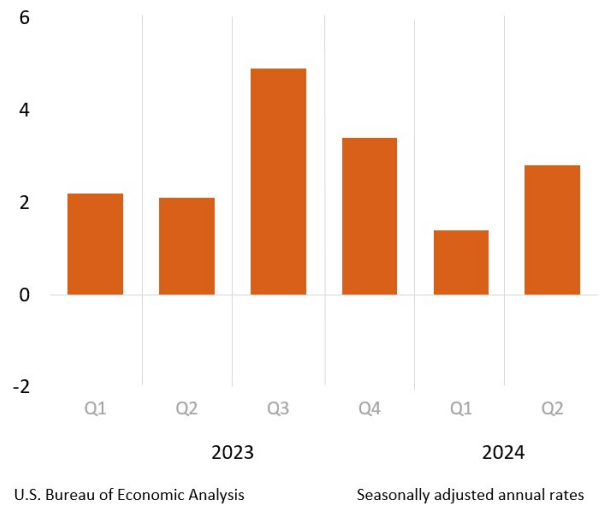
GDP is Looking Up

The advance estimate just released by the U.S. Bureau of Economic Analysis shows that Real GDP increased at an annual rate of 2.8% in the second quarter of 2024 way ahead of the expected 2.0%.

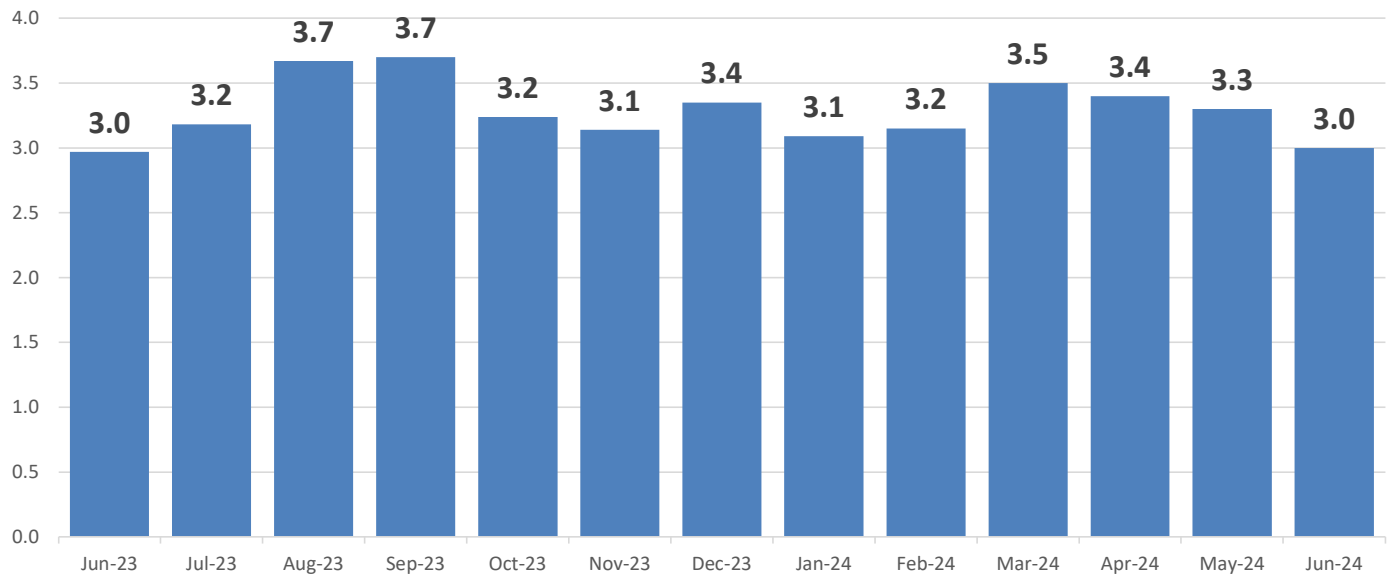
But what does this mean, is everything fixed? Not exactly, but we are headed in the right direction. Consumers were spending, cautiously, but spending. Personal Consumption, or consumer spending which accounts for roughly 2/3rd of GDP showed spending increased 2.3% for the quarter. Rising costs and inflation meant that people have been paying more for the necessities such as groceries, fuel, etc. and getting a lot less.

People are also getting used to the prices now, conceding that “this is what it costs, so this is what I pay” (for those who can afford it) on things like eating out, purchasing that new car and even new homes.

Real GDP: Percent change from preceding quarter



U.S. Inflation Rate



Source: U.S. Bureau of Labor Statistics

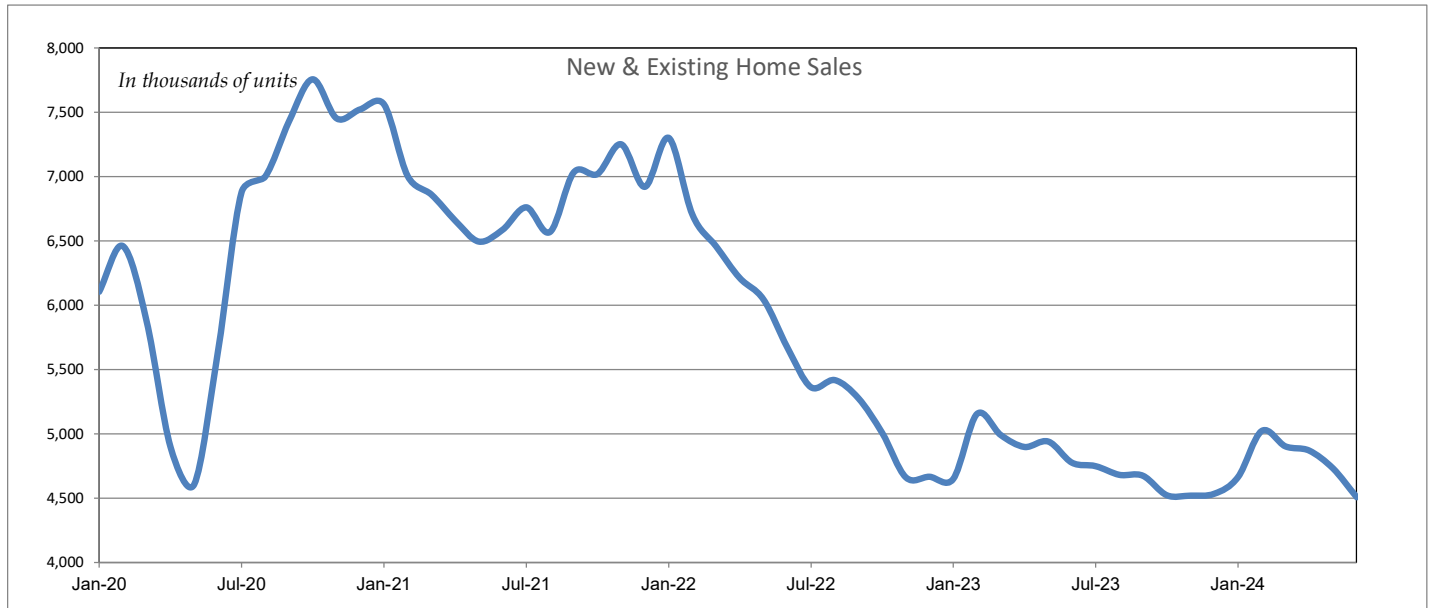
But bottom line, this positive report has economists optimistic forecasting the Fed to lower its rates by this fall, possibly as early as September.

BUT NOW IS TIME ...

To remind us all that we sell 55% to 57% of our annual sales in the second half of our calendar year. It will be a massive challenge this year but think how great you will feel if it happens!

AND IT SEEMS HARD TO BELIEVE BUT...

From the number of contacts, we are receiving from lenders and various buyers (strategic, foreign, individual, family groups, private equity and more), it appears interest in the HOUSING SECTOR is growing! To us and others who study and read about our economy and our demographics, a housing recovery is INEVITABLE.



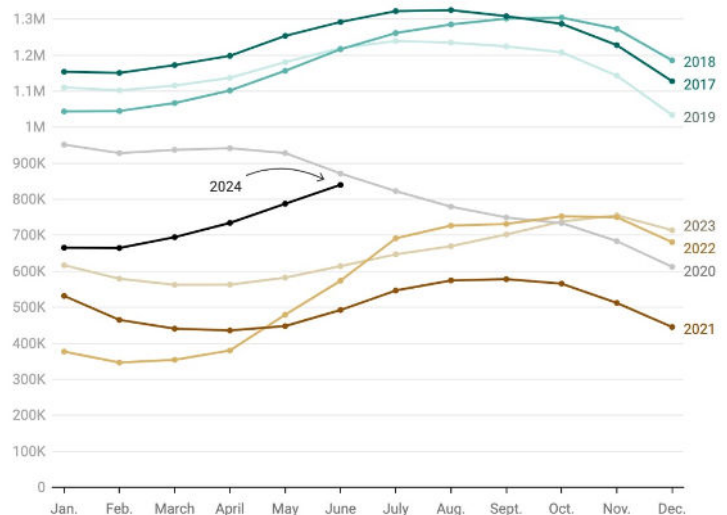
How could this be? A combination of things. Inventory of homes available for sale is growing which gives more potential home buyers a chance to buy by easing the upward trajectory of home prices.

Home prices have been going down (ever so slightly). Median sales price of houses sold in the second quarter of 2024 was \$412,300 vs. \$426,800 in the first quarter of this year and \$418,500 a year ago.

Also, price reductions are up. “The percentage of listings that have cut their asking price from the original list price is now up to 38% of the market. It’s one of the indicators that shows us that home prices will be flat.” (housingwire.com).

Coupled with the previously mentioned possible lowering of interest rates later this year, the housing market is poised for recovery.

Active U.S. housing inventory for sale, according to Realtor.com



Monthly active listings (i.e. inventory) on Realtor.com
 Chart: Lance Lambert • Created with Datawrapper

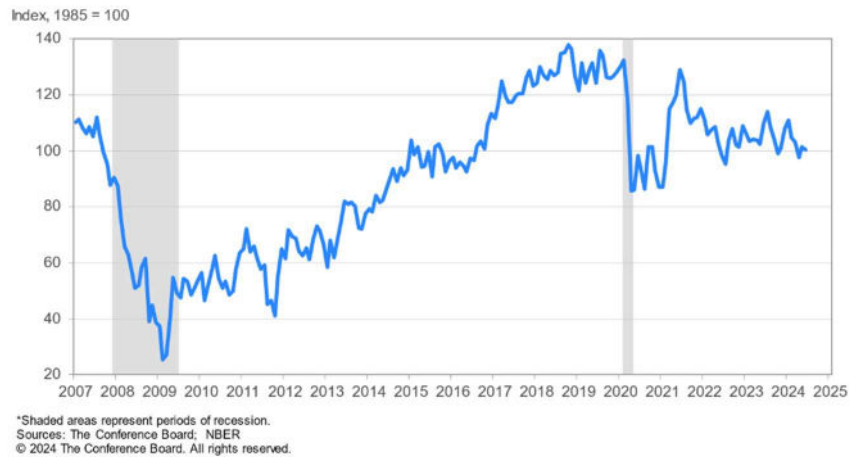


Consumer Confidence

Consumer confidence dropped slightly in June to 100.4 vs. 101.3 in May. With so much tension and speculation like we have seldom seen before about the upcoming elections we do not foresee any improvements until after November.

Dana Peterson, Chief Economist at The Conference Board said, “Compared to May, consumers were less concerned about a forthcoming recession. However, consumers’ assessment of their Family’s Financial Situation (both currently and over the next six months) was less positive.”

Consumer Confidence Index®



LATEST IMPORT STATISTICS

We offer the following quarterly tables to show and quantify the latest the important source nations for the U. S.

All Household Furniture Imports by Significant Countries

Table 1.

USD \$ (millions)

Country	4Q22	1Q23	4Q23	1Q24	4Q%Δ	1Q%Δ
China	2,508.6	2,467.8	2,377.0	2,652.9	-5.2%	7.5%
Vietnam	2,316.0	1,902.4	2,332.5	2,413.2	0.7%	26.9%
Mexico	853.8	871.4	767.5	667.2	-10.1%	-23.4%
Canada	544.9	546.5	543.4	496.5	-0.3%	-9.1%
Indonesia	382.0	378.4	318.2	330.5	-16.7%	-12.7%
Italy	353.9	302.7	325.0	328.0	-8.2%	8.4%
Malaysia	353.5	272.1	292.2	287.9	-17.3%	5.8%
India	182.1	164.1	164.9	152.4	-9.4%	-7.2%
Taiwan	180.0	141.3	173.7	133.2	-3.5%	-5.7%
Thailand	183.6	143.0	115.2	122.0	-37.2%	-14.6%

Wood Furniture Imports by Significant Countries

Table 2.

USD \$ (millions)

Country	4Q22	1Q23	4Q23	1Q24	4Q%Δ	1Q%Δ
Vietnam	1,534.8	1,155.5	1,351.3	1,385.8	-12.0%	19.9%
China	476.9	428.7	435.8	444.5	-8.6%	3.7%
Malaysia	295.8	227.2	236.4	241.7	-20.1%	6.4%
Canada	268.2	259.8	249.4	237.7	-7.0%	-8.5%
Indonesia	242.2	227.9	166.4	198.8	-31.3%	-12.8%
Mexico	252.5	236.2	189.7	193.0	-24.9%	-18.3%
Italy	190.3	167.3	184.8	186.9	-2.9%	11.7%
India	118.5	108.2	110.9	104.3	-6.4%	-3.6%
Thailand	101.3	74.2	59.6	61.9	-41.2%	-16.6%
Poland	62.2	55.3	56.7	60.0	-8.8%	8.4%

Upholstered Furniture Imports by Significant Countries

Table 3.

USD \$ (millions)

Country	4Q22	1Q23	4Q23	1Q24	4Q%Δ	1Q%Δ
China	712.5	591.2	794.2	756.5	11.5%	28.0%
Vietnam	536.4	501.3	722.7	737.2	34.7%	47.0%
Mexico	240.3	228.0	217.9	212.6	-9.3%	-6.8%
Italy	94.6	82.7	87.6	87.9	-7.4%	6.2%
Canada	71.5	87.9	71.5	70.2	0.0%	-20.1%
Cambodia	39.2	44.5	48.9	49.0	24.9%	10.1%
Malaysia	42.8	35.1	42.5	35.8	-0.7%	2.0%
Indonesia	24.4	22.5	26.8	24.4	9.8%	8.2%
Thailand	22.1	15.3	18.5	16.7	-16.6%	9.0%

Metal & Other Furniture Imports by Significant Countries

Table 4.

USD \$ (millions)

Country	4Q22	1Q23	4Q23	1Q24	4Q%Δ	1Q%Δ
China	1,318.1	1,446.9	1,146.2	1,451.3	-13.0%	0.3%
Vietnam	237.9	236.3	245.4	276.2	3.2%	16.9%
Mexico	263.0	305.2	263.7	200.4	0.3%	-34.3%
Canada	195.8	191.9	216.6	182.4	10.6%	-4.9%
Taiwan	108.5	90.4	124.7	96.8	15.0%	7.0%
Italy	64.9	49.9	50.7	52.4	-21.9%	4.9%
Thailand	60.2	53.5	37.2	43.5	-38.2%	-18.7%
Indonesia	37.0	40.0	31.8	41.9	-14.1%	4.7%
India	51.4	42.7	42.6	38.2	-17.0%	-10.4%
United Kingdom	27.1	22.8	34.8	37.0	28.3%	62.6%
Cambodia	37.8	25.5	25.4	27.8	-32.8%	9.3%

Mattress Imports by Significant Countries

Table 5.

USD \$ (millions)

Country	4Q22	1Q23	4Q23	1Q24	4Q%Δ	1Q%Δ
Indonesia	78.4	88.1	93.3	65.5	19.0%	-25.6%
Mexico	98.0	102.0	96.2	61.2	-1.8%	-39.9%
Vietnam	7.0	9.2	13.1	14.0	86.8%	51.8%
Kosovo	22.5	24.9	26.2	12.4	16.4%	-50.3%
Singapore	1.2	2.1	8.1	9.9	589.8%	382.4%
South Korea	3.4	3.1	15.8	8.0	362.8%	158.1%
Canada	9.4	6.9	5.8	6.2	-38.1%	-11.1%
Taiwan	24.0	10.5	17.9	4.7	-25.6%	-55.0%
Burma	3.2	10.1	65.9	4.1	1952.3%	-59.4%
Spain	7.3	6.4	8.2	3.6	13.3%	-44.2%

Furniture Imports by Category

Table 6.

USD \$ (millions)

Furniture Category	2021	2022	2023	22-21%Δ	23-22%Δ
Total Furniture	38,640.1	41,431.4	32,433.8	7.2%	-21.7%
Wood Furniture	16,063.5	17,981.4	13,553.5	11.9%	-24.6%
Upholstered Furniture	9,919.4	9,449.6	7,688.4	-4.7%	-18.6%
Metal & Other	11,325.3	12,544.8	9,843.8	10.8%	-21.5%
Mattresses	1,331.9	1,455.5	1,348.1	9.3%	-7.4%

* All import data is from the United States International Trade Commission

INVESTING IN HOME FURNISHINGS COMPANIES TODAY: MERGERS AND ACQUISITIONS

In the universe of acquirers of home furnishings businesses today, there are strategic buyers already in home furnishings, foreign buyers looking to establish a stronger presence in North America, wealthy families who make long-term investments for stability and growth, and investment funds that buy companies to improve and grow them usually with the expectation to sell these investments in five to seven years, often called “private equity investors”. There are thousands of these funds of all sizes, various interests and expertise, and with different preferences. It is an important part of our business to be aware of and have contacts with these possible acquirers.

Our home furnishings universe is furniture, mattresses and accessory manufacturers, importers, retailers and suppliers.

A key to acquirers’ interest in home furnishings is the encouraging outlook for our population mix, the increasing demand for residential housing, and the growing importance of the home in everyone’s lives with new technology that allows more people to work, study, shop, be entertained and to communicate from their homes.

Mann, Armistead and Epperson would like to meet with companies that wish to learn more about the current market and demand for home furnishings companies.

Monthly Numbers

Table 7.

% Change y/y	2024											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total consumption of furniture & bedding (a)	(4.2%)	(2.7%)	(2.0%)	(0.1%)	(0.3%)	(1.8%)						
Furniture stores sales (b)	(11.8%)	(5.3%)	(11.5%)	(4.1%)	(2.7%)	(6.4%)						
Furniture factory shipments (c)	(13.0%)	(5.0%)	(17.5%)	(5.0%)	N/A	N/A						
% Change y/y	2023											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total consumption of furniture & bedding (a)	8.2%	1.9%	(0.1%)	(3.6%)	(2.7%)	(1.0%)	(0.5%)	(1.5%)	(1.5%)	(4.1%)	(0.4%)	(0.0%)
Furniture stores sales (a)	10.0%	2.5%	(1.5%)	(9.3%)	(4.2%)	(1.9%)	(5.0%)	(5.3%)	(5.4%)	(9.5%)	(4.0%)	(5.3%)
Furniture factory shipments (b)	(0.6%)	(6.5%)	(21.8%)	(28.5%)	(18.1%)	(28.5%)	(20.6%)	(17.0%)	(20.5%)	(8.1%)	(16.0%)	(14.4%)

Sources:

(a) U.S. Department of Commerce (b) U.S. Census Bureau (c) "Furniture Insights" a monthly publication by Smith Leonard

About Mann, Armistead & Epperson, Ltd.

Mann, Armistead & Epperson, Ltd. is a privately owned investment banking and corporate advisory firm. Our clients deal directly with the founding partners, who bring to the table over 120 years of aggregate investment banking experience. While possessing specialized professional experience in the furnishings industry, the firm has extensive experience in a wide range of industries. Please see our website at **MAELTD.com**.

The professionals at Mann, Armistead & Epperson, Ltd. specialize in the following services:

- Merger, acquisition, sell-side and buy-side advisory services including fairness opinions where appropriate.
- Corporate finance and strategic advisory services, such as advising on capital formation, balance sheet and bank debt restructurings, valuations and other specialized professional services.
- Furnishings industry research and extensive expertise accumulated in over five decades.

The collage consists of seven framed certificates:

- SHERWOOD BEDDING:** has sold a majority ownership interest, previously held by STEINHOFF INTERNATIONAL HOLDINGS N.Y., to a wholly-owned subsidiary of TEMPUR+SEALY.
- KINGSDOWN:** Kingsdown, Incorporated has merged with Owen & Company USA Holdings, Inc., which is an affiliate of Owen & Company, Ltd., the owner of the rights to manufacture and sell products in Canada under the Kingsdown brands.
- CORSICANA BEDDING, INC.:** with its owners and management have completed a recapitalization in partnership with an investment group led by LONG POINT CAPITAL. The undersigned served as financial advisor to Corsicana Bedding, Inc. in this transaction.
- SYMBOL:** Symbol Mattress, formerly known as Eastern Sleep Products Company, Inc., and Therford Leasing, LLC, has sold all of its stock and membership interests to Corsicana Bedding, LLC. The undersigned acted as financial advisor to Eastern Sleep Products Company, Inc., and Therford Leasing, LLC in this transaction. MANN, ARMISTEAD & EPPERSON, LTD. INVESTMENT BANKERS and ADVISORS.
- Mor:** has sold a majority ownership interest to Healthcare Co., Ltd. A public company registered on the Shanghai Stock Exchange d/b/a MLILY. The undersigned acted as financial advisor to Mor Furniture For Less, Inc. in this transaction. MANN, ARMISTEAD & EPPERSON, LTD. INVESTMENT BANKERS and ADVISORS.
- Rent-A-Center, Inc.:** has acquired substantially all of the assets of C/C Financial Corp. d/b/a Merchants Preferred. The undersigned acted as financial advisor to Rent-A-Center, Inc. in this transaction. MANN, ARMISTEAD & EPPERSON, LTD. INVESTMENT BANKERS and ADVISORS.
- Badcock HOME FURNITURE & more:** W. S. Badcock Corporation has been acquired by Franchise Group, Inc. FRG FRANCHISE GROUP, INC. The undersigned acted as financial advisor to W. S. Badcock Corporation in this transaction. MANN, ARMISTEAD & EPPERSON, LTD. INVESTMENT BANKERS and ADVISORS.

For more information on our firm www.maeltld.com



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About the Furnishings Digest Newsletter

Driven by Jerry Epperson's respected insight and long-term commitment to the furniture and mattress industries, Mann, Armistead & Epperson, Ltd. publishes The Furnishings Digest Newsletter. For more information, please email research@maeltld.com or call (804) 644-1200.