



**September 2020
Special Edition
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This is the seventh edition that will list all the harm that the Coronavirus has brought to the doorsteps of all Americans. It is an effort for all of us to be better prepared for the continued uncertainty that our country faces in the very near future. This virus has changed our world in a matter of weeks, and possibly forever.

Life Alert: The person we all love and appreciate is the one who's coming in the door when everybody else is going out.

Flooring Flashes:

1. The International Surface Event (TISE): SURFACES | StonExpo/Marmomac TileExpo is making plans for the industry! The TISE advisory council, a group of industry leaders with expertise in each industry specialty, gathered from around the world, virtually, in July to have deep discussions and make plans! The meeting brought forward incredible ideas on ensuring the industry receives the resources they all need at TISE 2021. **Check the website** to meet and hear about the council, watch some fun videos, as well as follow updates as the event team unfolds all the 2021 plans...Link points to: <https://www.intlsurfaceevent.com/en/page/2021-plans.html>
2. The **International Design Guild** launched the 2020 Design For A Difference *Home Is Where the Heart Is* campaign. This community-driven design movement and nationwide contest awards community heroes with free flooring and expert advice for a complete room makeover. Neighbors, friends, and family can nominate their favorite community hero for a chance to win free flooring and design advice

valued at up to \$10,000, plus a one-on-one design consultation with a leading design expert. Additionally, there are four secondary prizes awarded valued at up to \$2,500. *Home Is Where The Heart Is* is not only geared toward front line workers but also anyone who has helped hold the community up during this trying time.

3. I am estimating market share in dollars by flooring product for this year in dollars will be: Carpet & Area Rugs 40% to 41%, Resilient 23% to 24%, Wood 12% to 13%, Ceramic 19% to 20% and Laminate 3% to 4%.
4. I estimate that dollar sales for the first six months of 2020 in the flooring industry overall to be down between 2% and 4%. (I hope I am wrong and the results end up positive). If we did not have the LVT product the results would be much worse. It is the only product segment in the industry that sales are currently positive and I expect that will be the same story at the end of 2020.
5. **Engineered Floors** is preparing to manufacture Luxury Vinyl Tile in Dalton, Ga. It will be a 1.2 million square foot facility.

Corporate Results/Builders, Home Centers:

1. **Lowe's** reported sales gains for their 2nd quarter of 30% with comp sales up 34.2%. Net income was up 69%. For their six month period sales were up 20.5% and comp sales were up 23.6%. Net income was up 52%.
2. **Home Depot** reported a 2nd quarter sales gain of 23.4%. Comp sales were up 23.4%. Comp sales for the six month period were up 15.6% and net income was up 24.5%. Sales for their six month period were up 15.9% and net income was up 9.8%. Their average sales per square foot is now \$548.
3. **Toll Brothers** reported a 3rd quarter and nine month sales drop of 6.5%. Net income was down for both periods 12% and 36% respectively. Backlog in units and dollars were up 5.8% and 4% respectively.

Positives Observations:

1. The stock market indexes did well again in August. The DJIA was up 8%, the S&P was up 8% and the NASDAQ was up 10%. **See Exhibit IV** for year to date results.
2. New home sales in July were 13.9% better than June and 36.3% better than last year. **See Exhibit II.**
3. Existing home sales were up 24.7% in July compared to June and 8.7% compared to last year. **See Exhibit I.**
4. U.S. consumer spending rose by 1.9% in July compared to June. This was the 3rd consecutive month of increased consumer spending.
5. The unemployment rate dropped to 8.4% in August compared to 10.2% in July. Last year's August rate was 3.7%. 1.4 million jobs were added in August.
6. Personal income rose by 0.4% in July.
7. Brooks Brothers, who had filed for bankruptcy, has been bought and will now keep 125 stores open. Approximately 200 stores will close.
8. 30-Year mortgage rates fell to 2.94% in August.
9. U.S. factory orders were up in August compared to July.
10. J.C. Penney may survive in part after filing for bankruptcy protection.

Neutral Observations:

1. Jeffrey Katzenberg, the entertainment mogul, sold his Beverly Hills home for \$125 million. He bought it in 2009 for \$35 million!
2. The five states with the worse unemployment rates are Hawaii, Nevada, New York, California and Connecticut.

Unfortunately, the negatives continue to far exceed the positives. Due, of course, to the Corona Virus epidemic.

Negative Observations:

1. U. S. jobless claims are holding steady at over 875,000 weekly. Over 30 million people are receiving state or federal jobless aid. And since the pandemic began over 55 million people have rec'd benefits.
2. The U.S. debt is expected to exceed 100% of GDP this year. This has not happened in almost 80 years.
3. 40% of Americans who lost their jobs, or had their income reduced during the pandemic, cannot last a month on savings.
4. The PPI increased 0.6% in July. For the 12 month period ending in July the PPI increased 0.4%.
5. Second quarter sales for Lyft, the ride-hailing company, dropped \$393 million.
6. American Airlines is cutting 19,000 jobs when federal aid ends in October. On October 1, they will have 40,000 less employees than they had a year ago.
7. United Airlines plans to cut 16,370 staff employees.
8. Airlines, in total, will be cutting more than 50,000 employees.
9. MGM Resorts is laying off 18,000 workers.
10. The United Kingdom economy is shrinking more than any other rich country.
11. The Empire State buildings observation deck took in \$86,000 in the second quarter. A year ago they took in \$32.9 million.
12. Macy's comp sales were down 35% for the second quarter, even though their digital sales were up significantly. Without the digital sales increase the sales drop was 61%.
13. **Stein Mart** filed for bankruptcy and plans to close most, if not all, of its stores, which number 281.

SUMMARY

The pandemic continues to have a profound effect on our every day's activity. Certainly, those of us that are rational are listening to the scientists and doctors who are recommending how we should conduct ourselves during this very challenging pandemic. It certainly is my hope that a vaccine will be available that is truly tested and proven to offer a safety wall against falling prey to this horrendous virus. Every one of us should wear a protective mask in any public environment- Good health and safety to all.

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PREDICTION

It is hard to forecast a positive sales and profit picture for the flooring industry. We are facing continued problems with the current pandemic, we have 30 million people receiving jobless benefits, we have the largest debt in our history and we have the most divisive political environment in our history. However, we are receiving scattered reports that flooring retailers have had very good sales activity the last few months. Hopefully, this good news will prevail during the fall season.

Exhibit I- *will now include all existing home sales condos, etc.- numbers are approx..

Existing Single Family Home Sales Annual Averages Based on Monthly Sales

	Adjusted Number	Year/Year % Change	Month/Month % Change
Jan 19	4940	-8.5	-1.2
Feb19	5510	-1.8	11.8
Mar 19	5210	-5.4	-4.9
Apr 19	5190	-4.9	-0.4
May 19	5340	-1.1	2.7
Jun 19	5270	-2.2	-1.7
Jul 19	5420	0.6	2.5
Aug 19	5490	2.6	1.3
Sep 19	5380	3.9	-2.2
Oct 19	5460	4.6	-1.5
Nov 19	5350	2.7	-1.7
Dec 19	5460	10.8	3.6
Jan 20	5389	9.6	-1.3
Feb 20	5777	7.2	6.5
Mar 20	5270	0.8	-8.5
Apr 20	4333	-17.2	-17.8
May 20	3910	-9.7	-26.6
Jun 20	4700	-11.3	20.7
Jul 20	5860	8.7	24.7
For 2017	5510		1.2
For 2018	5340		-3.1
For 2019	5540		3.7

EXHIBIT II- *WILL NOW INCLUDE ALL HOUSING, INCLUDING CONDOS, ETC.

New Single Family Home Sales Averages Based on Monthly Sales

	Adjusted Number	Year/Year % Change	Month/Month % Change
Jan 19	644	-3.3	1.5
Feb19	669	0.6	4.9
Mar 19	693	3.2	4.5
Apr 19	658	1.6	-6.7
May 19	604	3.5	6.7
Jun 19	728	7.0	20.5
Jul 19	635	4.3	-12.8
Aug 19	713	18	12.3
Sep 19	738	7.2	-0.7
Oct 19	710	31.6	-3.8
Nov 19	697	16.9	1.3
Dec 19	694	23.0	-0.4
Jan 20	764	18.6	7.9
Feb 20	765	14.0	Flat
Mar 20	615	-9.5	-15.4
Apr 20	619	-6.0	0.6
May 20	682	12.7	19.4
Jun 20	791	6.6	13.8
Jul 20	901	36.3	13.9
For 2017	613		8.3
For 2018	622		1.5
For 2019	681		10.3

EXHIBIT III***Unemployment Percentages-Month End***

	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	4.1	4.0	3.6
February	4.1	3.8	3.5
March	4.1	3.8	4.4
April	3.9	3.6	14.7
May	3.8	3.6	13.3
June	4.0	3.7	11.1
July	3.9	3.7	10.2
August	3.7	3.7	8.4
September	3.7	3.5	
October	3.7	3.6	
November	3.7	3.5	
December	3.9	3.5	

**EXHIBIT IV-Stock Market Analysis YTD
(Percentages) At the End of the Month**

	<u>DJIA</u>	<u>S&P</u>	<u>NASDAQ</u>
Jan 19	7.2	7.8	9.7
Feb 19	11.1	11.0	13.5
Mar 19	11.2	13.1	16.5
Apr 19	18.0	18.0	22.0
May 19	7.5	10.7	13.1
Jun 19	14.0	17.4	20.1
Jul 19	15.2	18.9	23.2
Aug 19	13.1	16.7	20.0
Sep 19	15.3	18.7	20.5
Oct 19	15.9	21.2	25.0
Nov 19	20.2	25.3	30.6
Dec 19	22.3	28.9	35.2
Jan 20	0.99	0.16	1.99
Feb 20	-11.0	-8.6	-4.5
Mar 20	-23.2	-20.0	-14.2
Apr 20	-14.7	-9.9	-0.9
May 20	-11.1	-5.8	5.7
Jun20	-9.6	-4.1	12.1
Jul 20	-7.6	1.3	19.8
Aug 20	0.4%	8.3	31.0

EXHIBIT VI As of 9/11/20
Flooring-Furniture Public Companies

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$67.90	62.03-111.46
Armstrong Flooring	AFI	\$3.74	1.12-7.52
Dixie	DXYN	\$0.87	.053-2.09
Ethan Allen	ETH	\$14.06	8.38-20.76
QEP	QEPC	\$14.30	5.03-20.02
Interface	Tile	\$6.81	5.06-17.68
Lumber Liquidators	LL	\$22.30	13.77-29.60
Mohawk	MHK	\$96.94	56.62-153.05
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	NA	NA
Floor & Decor	FND	\$71.56	24.36-76.34

*Approx.-changes daily

Exhibit VII As of 9/11/20
Builders-Retailers-Public Companies

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$12.37	4.39-17.23
DR Horton	DHI	\$71.30	25.51-77.45
Home Depot	HD	\$276.33	140.63-292.95
Hovnanian	HOV	\$30.67	5.12-36.43
KB	KBH	\$36.72	9.82-40.51
Lennar	LEN	\$77.48	25.42-80.00
Lowes	LOW	\$161.89	60.00-171.32
NVR	NVR	\$4047	2043-4318
Pulte	PHM	\$45.30	17.12-48.00
Toll Bros	TOL	\$44.50	13.28-49.31

*Approx.-changes daily

BIBLIOGRAPHY/SOURCES: CATALINA RESEARCH, WSJ, NYT, FORBES, FORTUNE, NEWSWEEK, TIME, BUSINESS WEEK, SUN-SENTINEL, GOLF POETRY, VARIOUS INVESTMENT STRATEGY REPORTS, CNN, USA TODAY, U.S. NEWS, INVESTORS BUSINESS DAILY, U.S. COMMERCE DEPT., FLOOR COVERING NEWS, FLOOR COVERING WEEKLY, TALKFLOOR, BLOOMBERG BUSINESSWEEK, OXFORD DICTIONARY OF QUOTATIONS
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