2026-8-18
Gen RE

WSJ Print Edition

image

Home Improvement's Hangover Could Last

Note

Most retailers make their year around Christmas, but the festive season for home improvement is just winding down.

Second-quarter results this week for **Home Depot** and **Lowe's** , and numbers already released two weeks ago by Floor & Decor, will make for a muted celebration. Earnings-per-share expectations for the two big-box giants are down by about 11% each for the period since last summer. The three companies' shares have trailed the S&P 500 by between 35 and 50 percentage points in the past year.

This was supposed to be the year that U.S. home-improvement spending finally recovered from its hangover. The problem wasn't so much what went wrong in the 2023-2025 period when comparable sales retreated. It was what went so incredibly right the years before that. Pent-up savings from the pandemic, new reasons to freshen up homes in an era of remote work and the lowest mortgage rates in history made mid-2020 through mid-2022 a golden era.

Note

An expected recovery is running into new problems that will keep same-store sales growth around zero this year for the group. The housing market itself is one, as sales of existing homes, a key driver of improvement spending, stagnate.

"There's no doubt the housing market would be thriving if aver--age mortgage rates were to return near 6%," wrote Lawrence Yun, chief economist at the National Association of Realtors.

Note

Maybe, but with the AI boom soaking up a disproportionate share of investment and bondmarket jitters worldwide, longerterm interest rates and residential construction are headed in the wrong direction for now. The Leading Indicator of Remodeling Activity published by Harvard University suggests spending will stay muted through at least the middle of next year.

There isn't that much Kevin Warsh's Fed can do about it, either. Since the central bank started cutting in 2024, overnight interest rates have come down 1.75 percentage points. Yet the average 30-year mortgage rate has risen by about half a percentage point.

Tariffs and inflation in general are often cited as a headwind for home improvement. Don't confuse merchants' health with consumers', though.

If paint, lumber or dishwashers are 30% more expensive, fewer will be sold. But retailers' sales and margins won't necessarily suffer. They also might have received a modest boost last quarter from tariff refunds.

Note

Home Depot and Lowe's are still impressively profitable. Both have made acquisitions recently that will help them better cater to home builders and other professionals. The timing wasn't great given the pressures facing home construction, but pent-up residential construction demand is certainly there.

Even with all the pessimism about housing, though, the stocks are hardly a screaming bargain. It could take stronger signs of a turnaround to reinvigorate their share prices.

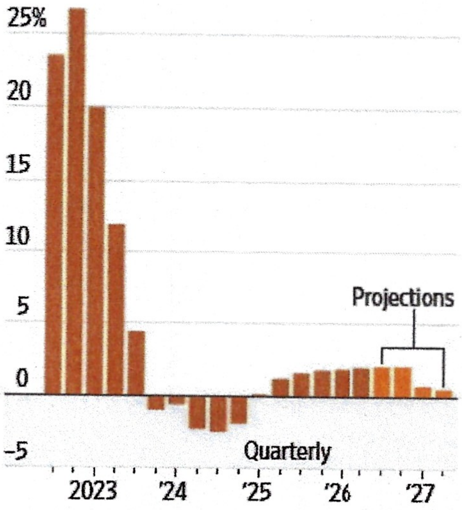
—

Spencer Jakab

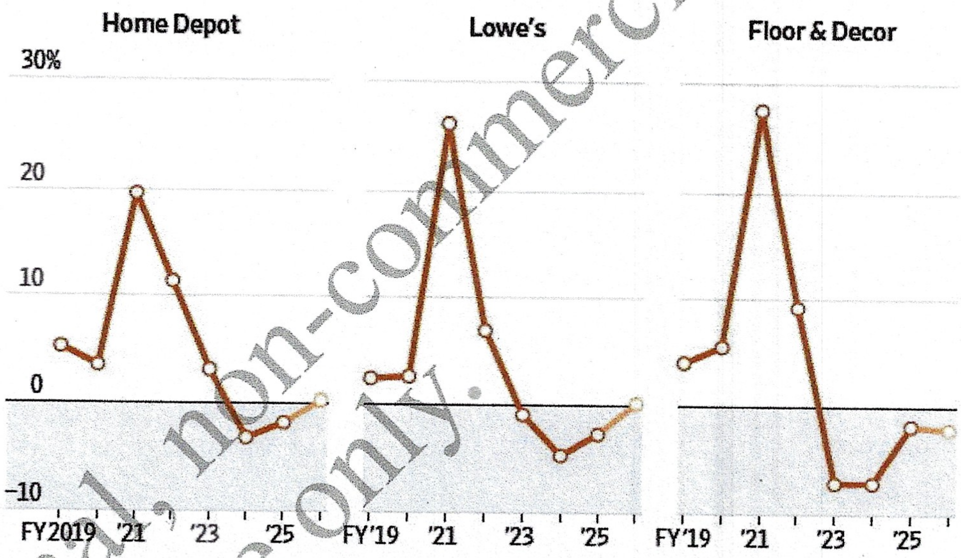
Tuesday, 08/18/2026 Page .B010

WSJ Print Edition

Leading Indicator of Remodeling Activity*



Same-store sales, change from a year earlier†



*Four-quarter rolling rate of change †Fiscal year 2026 are projections

Sources: Harvard University Joint Center for Housing Studies (leading indicator); FactSet (same-store sales)