Outdoors

Identifying US Market's Size, Growth and Distribution

The outdoors furniture market continues to parallel the steadily rebounding economy, making even stronger increases and projected to finish 2015 with 4.5% overall growth. On the plus side, home builders and architects are reporting an ever-increasing demand for outdoor rooms and outdoor spaces for entertaining and recreating. Landscape architects and interior designers, as well, are finding their projects expanding to include places and furnishings for outdoor dining, conversation and entertainment. Other economic factors are contributing to the pace of the category's growth.

Coming into the fourth quarter of 2015, the Consumer Confidence Index was up to 103, after a sharp increase in August and a lesser increase in September. The Conference Board reported that consumers were generally more positive about current economic conditions, and more of them are expecting business conditions to improve than to worsen in the next six

Products

Chat groups: Includes all conversation, chat and cuddle groups and configurations. Groups may include chairs, occasional tables, Loveseats, sofas and ottomans. Also includes fire pit chat groups.

Grills: Includes gas, electric, charcoal, smokers, infrared, built-in and/or island grills.

Outdoor dining sets: Includes all three-piece, five-piece and sevenpiece sets.

Other seating: Includes lounge chairs/chaises, as well as stack chairs, benches, hammocks, gliders, rockers, anti-gravity chairs, swings and other miscellaneous chairs. Does not include deep seating products included as part of a conversation/chat group, fire pit chat group or chairs included with dining sets.

Other outdoor furniture: Includes tables not included within a dining set or conversation/chat group. Also includes stand-alone fire pits, serving carts, bars, étagères, storage pieces and other furniture.

Shade: Includes all umbrellas, such as beach, cafe, giant, market, patio, shade sails and/or table umbrellas. Also includes shade structures such as pergolas, gazebos and garden pavilions.

BY PRODUCT

$ in millions

	2014 estimated	2015 projected	% change
Grills	$2,390	$2,500	4.6%
Dining sets	$2,035	$2,102	3.3%
Chat groups	$1,021	$1,087	6.4%
Shade	$564	$592	5.0%
Other seating	$335	$347	3.7%
Other furniture	$255	$267	4.7%
TOTAL	**$6,600**	**$6,895**	**4.5%**

All figures are based on retail sales, Figures have been rounded

Source: Casual Living market research

BY CHANNEL

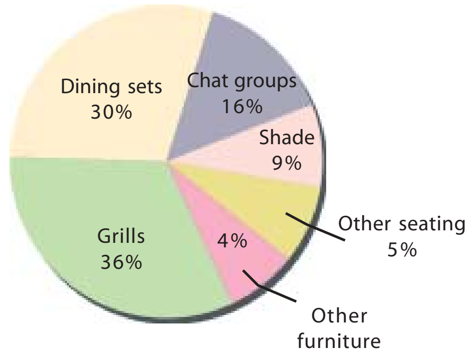
$ in millions

	2014 estimated	2015 projected	% change
Home improvement centers	$2,094	$2,187	4.4%
Discount department stores	$1,718	$1,790	4.2%
Warehouse membership clubs	$660	$690	4.5%
Specialty stores	$631	$651	3.2%
Others*	$621	$651	4.8%
Furniture stores	$475	$500	5.3%
Direct-to-customer	$401	$426	6.2%
TOTAL	**$6,600**	**$6,895**	**4.5%**

*Includes department stores, garden centers, feed & seed stores, hardware stores, interior designers, supermarkets, drug, utility companies, propane dealers, home accent and gift stores and other minor outlets.

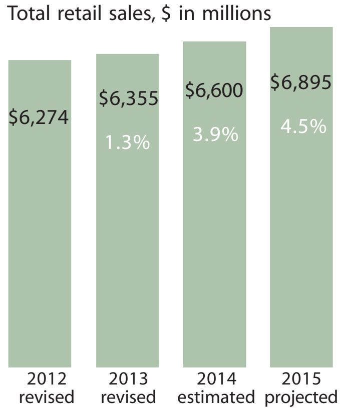
months. Meanwhile, 30-year mortgage rates have continued to hold under the 4% Level throughout this year, and unemployment rates have continued their downward trend, reaching 5.1% in both August and September, according to the U.S. Bureau of Labor Statistics.

MARKET SHARE BY PRODUCT, 2015



THE OUTDOOR MARKET

Total retail sales, $ in millions



Includes sales from grills, dining sets, chat groups, shade products, other seating and other outdoor furniture.

Source: Casual Living market research

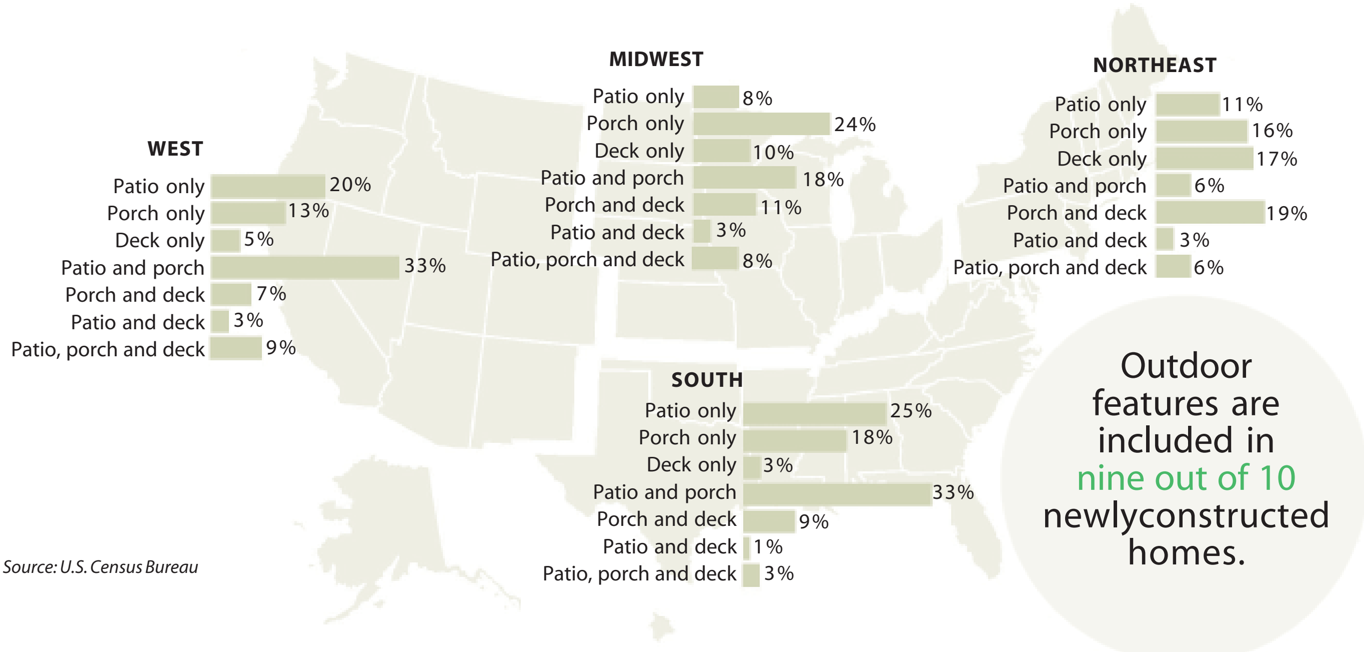
With confidence edging upward and economic growth moving into the black as well, outdoor furniture sales continue to grow as the demand for outdoor living - be it decks, patios, balconies, porches, gardens or poolside - continues to build.

Taking all this into consideration, forecasts are more optimistic than they were two years ago. Casual Living projects the 2015 outdoor market - including furniture, shade products and grills -will total nearly $7 billion, up 4.5% from 2014 sales of $6.6 billion.

The story within the story is about the sales and distribution channel data by category. Eating tops the list of activities outdoors, with grills and dining sets taking two thirds of the market share for all outdoor furnishings. In the pages that follow, figures are based on U.S. retail sales and Casual Living market research estimates, showing again that consumers are still enjoying their outdoor spaces.

OUTDOOR FEATURES IN NEW HOME

% of homes completed in 2014



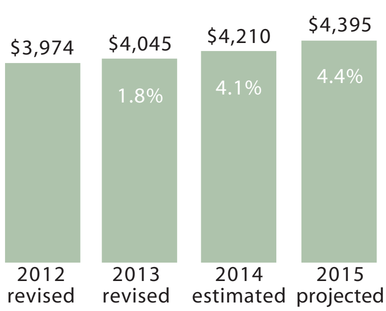
Source: U.S. Census Bureau

Chat Groups, Shade and Other Furniture among fastest growing products

Consumer demand for outdoor furniture increased 4.1% between 2013 and 2014 to an estimated $4.21 billion in U.S. retail sales. Casual Living projects outdoor furniture sales will grow by 4.4% this year, to $4.39 billion. Those impressive figures make outdoor furniture one of the fastest-growing categories within the entire furniture industry. The chat group category is exploding.

OUTDOOR FURNITURE

Total retail sales, $ in millions



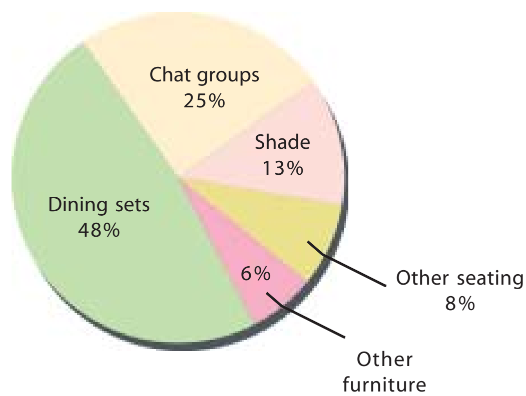
Includes sales from dining sets, chat groups, shade products, other seating and other outdoor furniture

All figures are based on retail sales. Figures have been rounded

BY PRODUCT

$ in millions

	2014 estimated	2015 projected	% change
Dining sets	$2,035	$2,102	3.3%
Chat group	$1,021	$1,087	6.4%
Shade	$564	$592	5.0%
Other seating	$335	$347	3.7%
Other	$255	$267	4.7%
TOTAL	**$4,210**	**$4,395**	**4.4%**

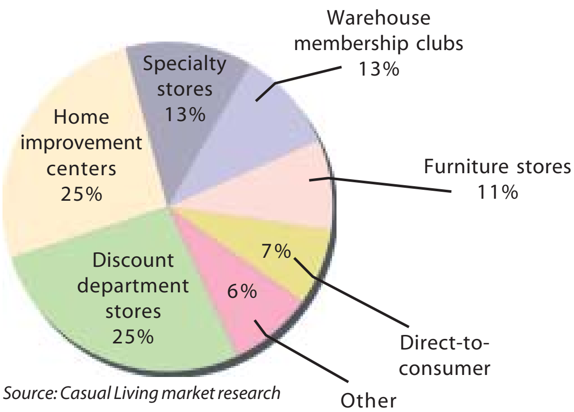


Last year, sales for chat groups were up by 5.8%, and this year sales are expected to jump by another 6.4%. They comprise 25% of all outdoor furniture sales. Many manufacturers note that fire pit chat sets are the best sellers.

Shade products also are experiencing substantial growth. Sales for shade, including umbrellas and structures, reached $564 million last year and are expected to increase by 5.0% in 2015 to $592 million.

Dining sets garnered $2.04 billion worth of sales last year and are projected to increase by 3.3% this year to $2.1 billion.

OUTDOOR FURNITURE MARKET SHARE BY CHANNEL, 2015



Source: Casual Living market research

OUTDOOR FURNITURE SALES BY CHANNEL

$ in millions

	2014 estimated	2015 projected	% change
Discount department stores	$1,047	$1,090	4.1%
Home improvement centres	$1,041	$1,085	4.2%
Specialty stores	$548	$566	3.3%
Warehouses membership clubs	$540	$565	4.7%
Furniture stores	$475	$500	5.2%
Direct-to-consumer	$291	$310	6.6%
others*	$268	$279	4.1%
TOTAL	**$4,210**	**$4,395**	**4.4%**

Includes department stores, interior designers, garden centres, feed & seed stores, hardware stores, supermarkets, drug store, home accent and gift stores and other minor outlets.

All figures are based on retail sales. Figures have been rounded

Dining sets were purchased by 4.4 million U.S. households, according to Casual Living's exclusive 2015 Consumer Buying Trends Survey.

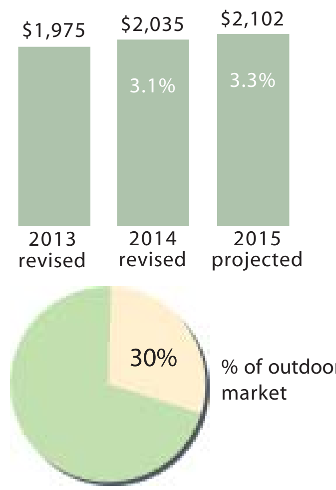
Half of all outdoor furniture is purchased through either a discount department store, such as Walmart or Target, or a home improvement center, such as Home Depot or Lowe's. Outdoor specialty stores have a 13% market share, while warehouse clubs have a 13% share and furniture stores own 11% of outdoor furniture sales. Direct-to-consumer outlets, including online, have a 7% market share.

Direct retailers and furniture stores are increasing sales at the fastest rates. In 2015, outdoor furniture sales for the direct to consumer channel will grow by a predicted 6.6%, and furniture stores will rise by 5.2%.

There's little doubt that outdoor living continues to be a vital part of consumers' lives. Data from the Census Bureau indicates that outdoor features, including patios, porches and decks, are included within nine out of 10 newly constructed homes today.

Nine out of 10 consumers answering the Survey relax within their home's outdoor spaces. Another 76% read outside, and 71% use their outdoor spaces to grill and entertain family and friends. Nearly half of consumers work on laptops or tablets outside, and 49% Listen to music outside.

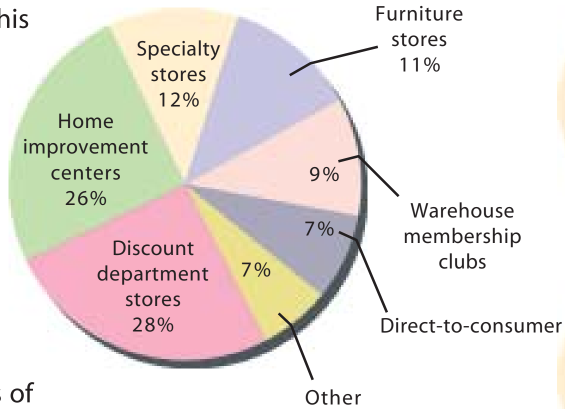
Dining Sets grow slower than overall outdoor segment



Source: Casual Living market research

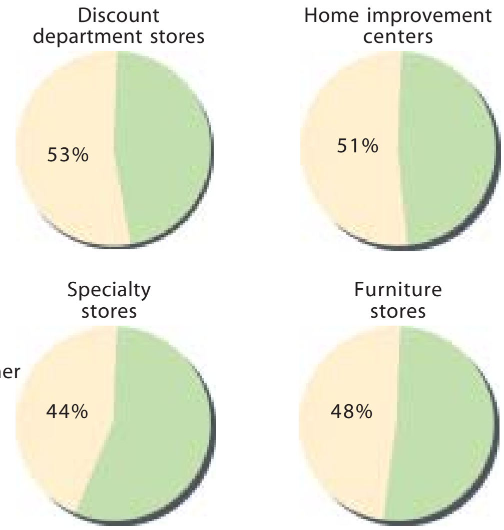
Still leading outdoor furniture in dollars spent, the growth of the dining sets segment is growing slower than some of its other outdoor counterparts. Even so, the rate of retail sales increases has increased since the Casual Living Universe study in 2013.
Two years ago, outdoor dining sets accounted for about $1,975 million, an increase of 1.4% over the previous year and fully a third of the total outdoor market. This year, retail sales for the segment are projected to hit $2,102 million for an increase of 3.3% over 2014. Yet the dollars spent bring it to 30% of the total market, three percentage points lower than in 2013.

According to Casual Living's Consumer Buying Trends Survey earlier this year, 4.7 million households said they planned to purchase an outdoor dining set in 2015. Nearly half of dining set buyers spent between $100 and $399 for a set. Encouragingly, the most affluent consumers surveyed, defined as those with incomes of $100,000 or more, spent in 2014 more than a third of total dollars in the segment. In that same survey, Casual Living found that affluent households planned to buy outdoor dining sets this year at a rate 1.6 times greater than their presence in the population.



Discount department stores and home improvement centers together account for more than half of outdoor dining set sales at $578 million (a 28% share) and $554 million (a 26% share) respectively. Each of these two distribution channels grew at 3.2% over 2014 retail sales levels. Walmart and Target continue to be leaders in the discount department stores, while Home Depot and Lowe's lead in home improvement sales, all of which are projected to finish well this year.

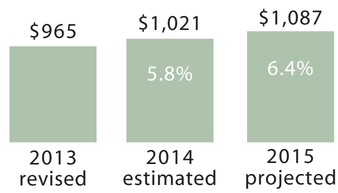
Direct-to-consumers sales are showing the biggest rate of increase for 2015, jumping 6.4% over last year's sales to $156 million. While growing at twice the pace of the segment's leading channels, direct-to consumer sales still fall behind those of specialty stores and warehouse membership clubs at $247 million and $190 million respectively.

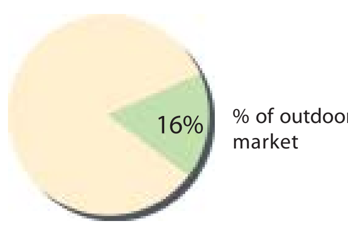


Furniture stores' sales of dining sets also are projected to increase for 2015 at 3.7%, outpacing the rate of increase for specialty stores. Dining sets are projected to account for nearly half the outdoorfurniture sold in furniture stores this year. The furniture store distribution channel includes traditional full-line furniture stores as well as lifestyle stores such as Ikea, Pier 1, Pottery Barn and Restoration Hardware.

CHAT GROUPS

Total retail sales, $ in millions





Source: Casual Living market research

Chat Groups outpace dining sets and shade products

Chat groups comprised of seating groups with and without fire pits-are projected to outstrip shade and dining sets are the fastest growing segment of outdoor furniture for 2015. Coming in at just under the $1 billion mark two years ago, this year the segment is projected to hit $1,087 million in sales for a projected 6.4% jump over last year's numbers.

Interestingly, direct-to-consumer sales and furniture store sales are growing at 7.8% and 7.3% respectively.

CHAT GROUP SALES BY CHANNEL
$ in millions

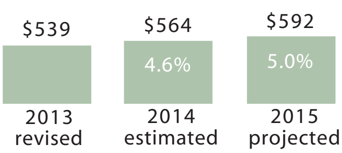
	2014 Estimated	2015 projected	% change
Home improvement centers	$225	$239	6.2%
Discount department stores	$203	$215	6.2%
Furniture stores	$184	$198	7.3%
Warehouse membership clubs	$153	$163	6.3%
Specialty stores	$153	$162	5.4%
Direct-to-consumer	$62	$67	7.8%
Other*	$41	$43	6.4%
TOTAL	**$1,021**	**$7,087**	**6.4%**

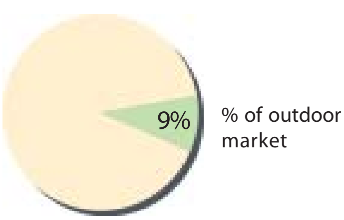
*Includes department stores, interior designers, garden centers, feed & seed stores, hardware stores, supermarkets, drug stores, home accent and gift stores and other minor outlets.
All figures are based on retail sales. Figures have been rounded.

Direct-to consumer sales are projected to reach $67 million this year, while furniture stores are expected to climb to nearly $200 million. However, in terms of total dollars for this segment in 2015, furniture stores only fall behind home improvement centers and discount department stores for chat group retail sales. Home improvement centers are projected to hit $239 million, while discount department stores are nipping at their heels at $215 million, both growing at a 6.2% rate. In this trends survey, consumers listed style and design issues as the most important factors for affluent buyers of chat groups. The most affluent households, those with incomes of $150,000 or more, indicated they planned to purchase chat groups in 2015 at a rate 2.1 times greater than their occurrence in the population.

Shade products to reach nearly $600mn.

Retail sales of shade products are predicted to reach $592 million this year, a 5.0% increase over the category's 2014 sales of $564 million. Shade comprises 9% of the entire outdoor market, including grills, and a significant 13% of all outdoor furniture. Shade category includes beach, cafe, giant, market, patio and table umbrellas, shade sails and shade structures, such as gazebos, pergolas and garden pavilions. In this segment, mass merchants accounted for 67% of retail shade sales last year, a combined $379 million. Projections for 2015 indicate sales through home improvement centers and warehouse clubs will each rise by 5.0%, and discount department stores will grow by 4.8%. The direct-to-consumer channel, including online retailers and catalogs, will experience the fastest growth in 2015, increasing by 6.3% to an expected $40 million in sales. Three out of 10 consumers plan to buy a shade product this year or next year, according to survey of the readers of New York-based Apartment Therapy. One respondent from Georgia plans to buy "a roll-up shade" for her patio. She further explains, "It's a bit warm in the afternoon and shade would also protect my new rug from fading."





Source: Casual Living market research

SHADE SALES BY CHANNEL
$ in millions

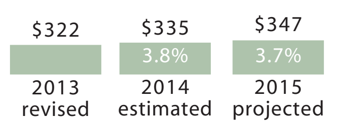
	2014 Estimated	2015 projected	% change
Home, improvement centers	$136	$142	5.0%
Warehouse membership clubs	$130	$136	5.0%
Discount department stores	$113	$118	4.8%
Specialty stores	$78	$82	4.5%
Other*	$70	$74	5.4%
Direct-to-consumer	$37	$40	6.3%
TOTAL	**$564**	**$592**	**5.0%**

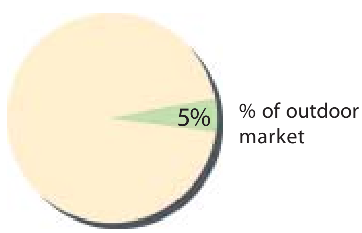
*Includes department stores, furniture stores, garden centers, feed & seed stores, hardware stores, supermarkets, drug stores and other minor outlets.
All figures are based on retail sales. Figures have been rounded.

'Other seating' sales to grow at 3.7%

Nearly $350 million - that's the 2015 projected retail sales for the 'other seating' category. That represents a 3.7% rate of growth over 2014 category sales of $335 million, according to Casual Living market research estimates.

This catchall seating category contains all seats not sold as part of a chat group or dining set. That includes lounge





Source: Casual Living market research

OTHER SEATING SALES BY CHANNEL

$ in millions	2014 Estimated	2015 projected	% change
Discount department stores	$92	$95	3.7%
Home improvement centers	$65	$67	3.6%
Specialty stores	$48	$50	2.8%
Warehouse membership clubs	$47	$49	3.9%
Other*	$35	$36	3.9%
Direct-to-consumer	$27	$29	5.4%
Furniture stores	$20	$21	3.6%
TOTAL	**$335**	**$347**	**3.7%**

*Includes department stores, garden centers, feed & seed stores, interior designers, hardware stores, supermarkets, drug stores, home accent and gift stores and other minor outlets.
All figures are based on retail sales. Figures have been rounded.

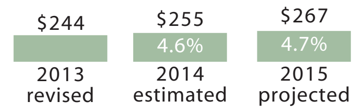
chairs, chaises, stack chairs, benches, hammocks, gliders, rocking chairs, benches, swings and anti-gravity chairs.

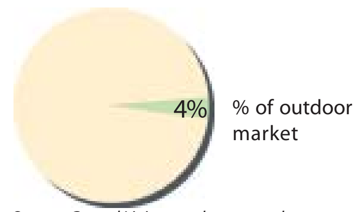
The direct-to-consumer channel is poised to grow the fastest for 'other seating' this year. In 2015, retail sales through direct sellers, including etailers, will increase by a predicted 5.4% to $29 million.

Walmart, Target, Kmart and the like are the category's volume leader, accounting for 27% of all sales. Discount department stores will together sell an expected $95 million in 2015, up 3.7% from last year. More than one-fourth of consumers answering this survey bought 'other seating,' specifically benches or hammocks, within the past year. Per the data, benches and hammocks are on the buying plans of 42% of consumers with an outdoor room for the second-half of 2015 and into 2016.

Home Improvement Centres own 31% of ‘other furniture’ sales

The wide-ranging 'other furniture' category garnered an estimated $255 million in U.S retail sales last year, a 4.6% increase over 2013 category sales of $244 million. For 2015, Casual Living market research projects sales will hit $267 million, up by 4.7%. For this classification, the report includes all tables not sold as part of a dining set or chat group, as well as stand-alone fire pits, serving carts, bars, étagères and storage pieces. Industry insiders believe stand-alone fire pits will continue to fuel category growth and the data concurs. The Decorating Survey reveals that 27% of consumers plan to purchase an outdoor fire pit in the next couple of years.





Source: Casual Living market research

Home improvement centers and discounters together own six out of 10 'other furniture' dollars, a combined $165 million. Home improvement sales are predicted to grow by 4.7% and discounters by 4.5% in 2015. The direct channel is expected to increase category sales by 6.2% in 2015.

OTHER FURNITURE SALES BY CHANNEL

$ in millions	2014 Estimated	2015 projected	% change
Home improvement centers	$79	$83	4.7%
Discount department stores	$79	$82	4.5%
Warehouse membership clubs	$27	$28	4:6%
Specialty stores	$25	$26	4:5%
Direct-to-consumer	$18	$19	6.2%
Other*	$14	$15	4.6%
Furniture stores	$13	$14	5.0%
TOTAL	**$255**	**$267**	**4.7%**

*Includes department stores, garden centers, feed & seed stores, interior designers, hardware stores, supermarkets, drug stores, home accent and gift stores and other minor outlets.
All figures are based on retail sales. Figures have been rounded.

Sales through furniture stores, including traditional stores and lifestyle furniture stores such as Ikea, RH and Pottery Barn, will rise by an estimated 5.0%. And, 'other furniture' sales through outdoor specialty stores will grow by an estimated 4.5%.

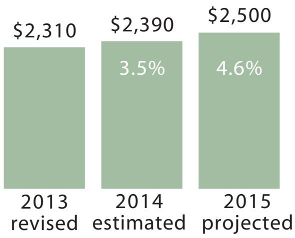
Grills pick up pace between 2013 and 15

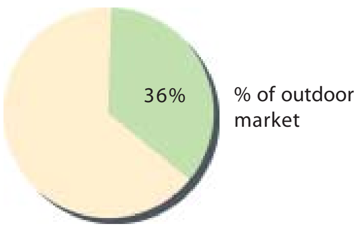
While the Casual Living Universe study of two years ago showed grill sales as remaining relatively flat the past two years have shown a decided upswing in those numbers. In 2014, grill sales are estimated at $2,390 million for a 3.5% increase over the previous year, and the pace picks up again for 2015 with projected retail sales of $2.5 billion, up 4.6% for the year.

That rate of growth was fairly constant across all distribution channels. Direct-to-consumer performed

GRILLS

Total retail sales, $ in millions





Source: Casual Living market research

ahead of other channels in terms of the percentage change in sales, projected to be up 5.7% for 2015. In terms of total retail dollars for the segment, home improvement stores far outpace all other channels with 44% of all grill sales for a total of $1,102 million projected by the end of 2015. Discount department stores are the next closest channel by total retail sales at $700 million in 2015, for more than one-fourth of all grills sold.

In a survey on consumers by Casual Living and Apartment Therapy earlier this year, 51% of consumers said they expected to replace their grills every five to nine years. Overall, 15% of those surveyed said they planned to replace their grills this year, and another 34% said they will purchase a new grill in 2016 or"! 7. With those purchasing plans in mind, retail sales for the grill segment have nowhere to go but up. ■

Source: Casual Living Survey

GRILLS BY CHANNEL

$ in millions

	2014 Estimated	2015 projected	% change
Home improvement centers	$1,053	$1,102	4.7%
Discount department stores	$671	$700	4.5%
Hardware stores	$165	$174	4.9%
Warehouse membership clubs	$120	$125	4.6%
Direct-to-consumer	$110	$116	5.7%
Department stores	$105	$111	4.6%
Other*	$83	$87	4.6%
Specialty stores	$83	$85	3.1%
TOTAL	**$2,390**	**$2,500**	**4.6%**

*Includes garden centers, feed & seed stores, supermarkets, drug stores, utility companies, propane dealers, builders, appliance dealers and other minor outlets. All figures are based on retail sales. Figures have been rounded.

All figures are based on retail sales. Figures have been rounded.

Distribution Channels

Department stores: Includes Sears, as well as full-line department stores, such as Macy's and JCPenney.

Direct-to-consumer: Includes retailers with primary distribution through the internet, catalogs, home television shopping networks and/or home parties.

Discount department stores: Includes discount and supercenter stores such as Walmart, Target, Kmart, Meijer, Fred Meyer, close-out retailers such as Big Lots and Tuesday Morning, dollar stores such as Family Dollar and Dollar General, and other discount formats such as Kohl's and TJ. Maxc.

Furniture stores: Includes traditional furniture stores, manufacturer branded furniture stores and lifestyle furniture stores. Examples include Ethan Allen, Haverty's, Ikea, La-Z-Boy, Pier 1 Imports, Pottery Barn and RH, as well as local and regional players.

Home improvement centers: Includes big box stores such as Lowe's and Home Depot, as well as other local home improvement stores.

Specialty stores: Includes casual furniture specialists, hearth and patio specialists, pool and patio specialists, and grill specialists, most of which are local retailers.

Warehouse membership clubs: Includes Sam's Club, Costco and BJ's Wholesale Club, as well as other local clubs.

Other: Varies for each product category. Often includes interior designers, garden centers, feed and seed stores, hardware stores, supermarkets, drug stores and other minor outlets, including custom made, museum shops, road-side stands, gas stations, antique shops, home accent stores, awning specialists, utility companies, propane dealers, builders and appliance dealers.