

Building Products Year-End Market Update

Industry Specialty Team | Building Products | December 2024

Taylor Howerton | Manager | Taylor.Howerton@Truist.com

Carlos Yepez | Associate | Carlos.Yepez@Truist.com

Omar Azmi | Analyst | Omar.Azmi@Truist.com

Current Themes

- Non-residential, while slowing, continues to be supported by advanced manufacturing and infrastructure spend
- Anemic home sales and affordability challenges have led to weaker repair and remodel spend throughout the year
- Single-family starts remain resilient against higher rates. Multi-family starts are down y/y largely due to oversupply in major markets
- Distributors and manufacturers investing in new equipment and automation to drive growth and efficiency

2025 Outlook

- Non-residential spend will continue to benefit from ongoing Federal funding. Of note, the \$1.2B IIJA bill is ~50% allocated while only 25-30% has been spent
- Growing optimism that residential spend is poised for stronger growth as the Fed lowers rates (assuming mortgage rates follow)
- Ongoing tariff and geopolitical uncertainty creates a more complex environment going forward
- Skilled labor shortage will remain a challenge

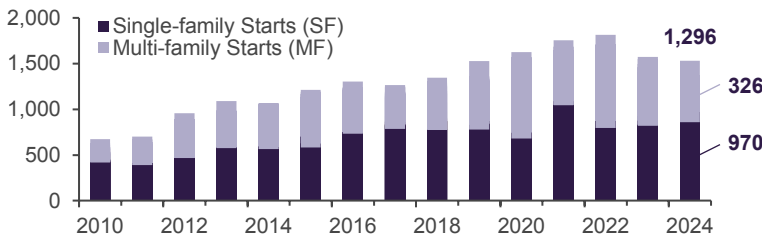
Key Indicators

30 Yr. Fixed Mortgage Rate			10 Yr. Treasury Yield			Core PCE		
6.79%	-66 bps	+303 bps	4.38%	-11 bps	+256 bps	2.8%	-65 bps	+117 bps
Nov 2024 avg	1 YR Δ	5 YR Δ	Nov 2024 avg	1 YR Δ	5 YR Δ	Oct 2024	1 YR Δ	5 YR Δ

Residential Housing Starts⁽¹⁾

Total starts remain subdued; weighed down by MF. SF starts and permits are higher y/y and are poised for growth going forward

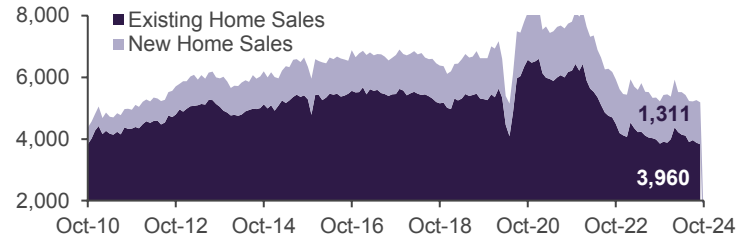
(in 000s annualized)



Residential Home Sales⁽¹⁾

Home sales near multi-decade lows; improving fundamentals and declining rates may provide some relief from "lock-in effect"

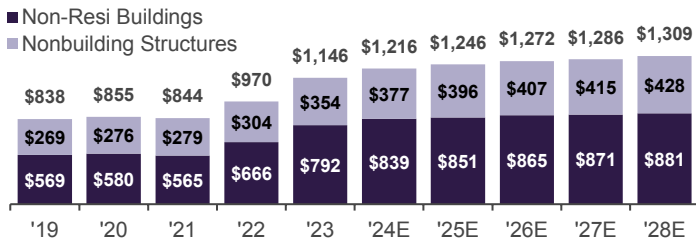
(in 000s, annualized)



Non-Residential Construction Spend Outlook

Ongoing investments in infrastructure & advanced manufacturing, and improving rate environment contribute to a favorable outlook

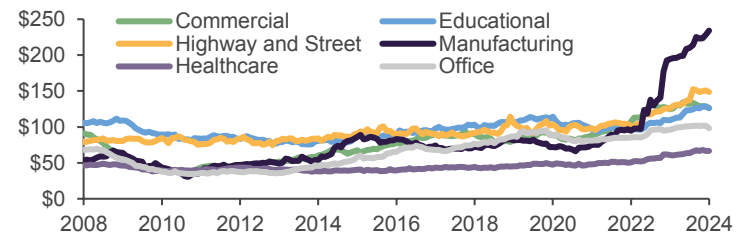
(in Billions)



Non-Residential Construction Spend by Category

While commercial and office continue to face headwinds, largely due to excess supply, growth remains strong across multiple sectors

(in Billions)

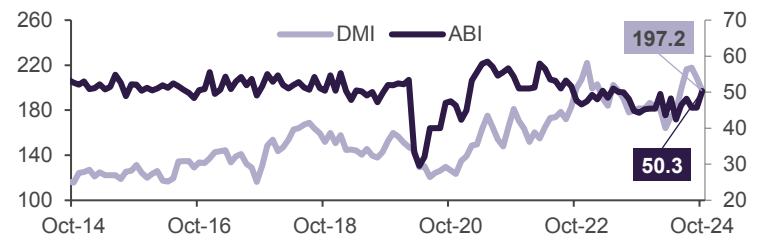


ABI⁽²⁾ & Dodge Momentum Index

Both indexes highlight lackluster non-resi planning activity, however, the data is very uneven across project type and size

(2000=100)

(benchmark=50)



Fiscal Stimulus Tracker⁽³⁾

Allocation of federal funds have started to ramp; however, outlays have lagged, suggesting stronger actual project spend going forward

	Budget	Allocated	Outlays
IIJA	\$1.2T	50-60%	25-30%
CHIPS	\$280B	17-20%	10-13%
IRA	\$485B	75-80%	30-40%



Sources: Bloomberg, S&P Capital IQ, Fast Markets, American Iron and Steel Institute, Company Filings, Moody's, Equity Research Reports, Data updated as of 11/27/2024

(1) Architecture Billings Index

(2) SAAR Figures

(3) Investment Infrastructure Act, CHIPS and Science Act, and Inflation Reduction Act since 2022

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Sector Highlights

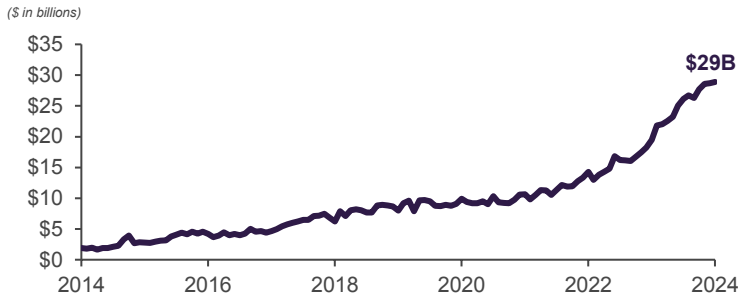
- Data center development continues to be a tailwind for non-residential construction spend, and will be a strong source of demand for building materials, including aggregates, metals, electrical, HVAC, and concrete suppliers
- The substantial energy demand for data centers, projected to grow ~12-15% CAGR from 2023 -30', is driving the need for more robust power infrastructure, both on-site and through new utility construction
- Energy constraints are expanding data center construction beyond Virginia, with rapid growth expected in Texas, Georgia, Ohio, Arizona, and Nevada

Commodity Prices

Hot Rolled Coil Steel (\$ per ton)			Cement and Concrete Products (PPI)			High Grade Copper (\$ per ton)		
\$710	-31.4%	+25.0%	248	+13.0%	+41.5%	\$9,551	+12.6%	+61.0%
Nov 2024 avg	1 YR Δ	5 YR Δ	Oct 2024	1 YR Δ	5 YR Δ	Nov 2024 avg	1 YR Δ	5 YR Δ

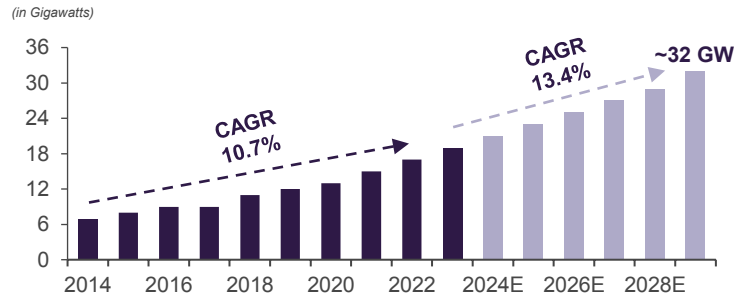
U.S. Data Center Construction Spending

Substantial growth since 2020 (~190%), driven by the overall expansion and investment in AI, cloud services, and digital infrastructure



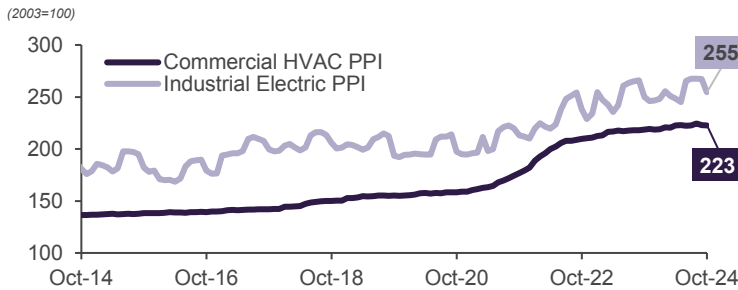
U.S. Data Center Energy Demand

Data center energy demand is expected to grow from ~19 GWs in 2023 to over 30 GWs in 2029 (13.4% CAGR)



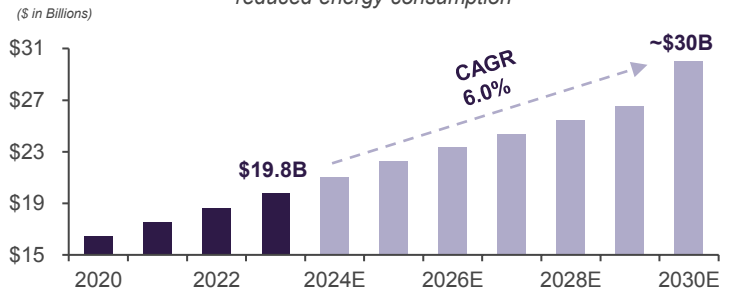
Commercial HVAC & Electric PPI

With industrial expansion, there's a larger emphasis on cooling technologies, energy storage, and power distribution

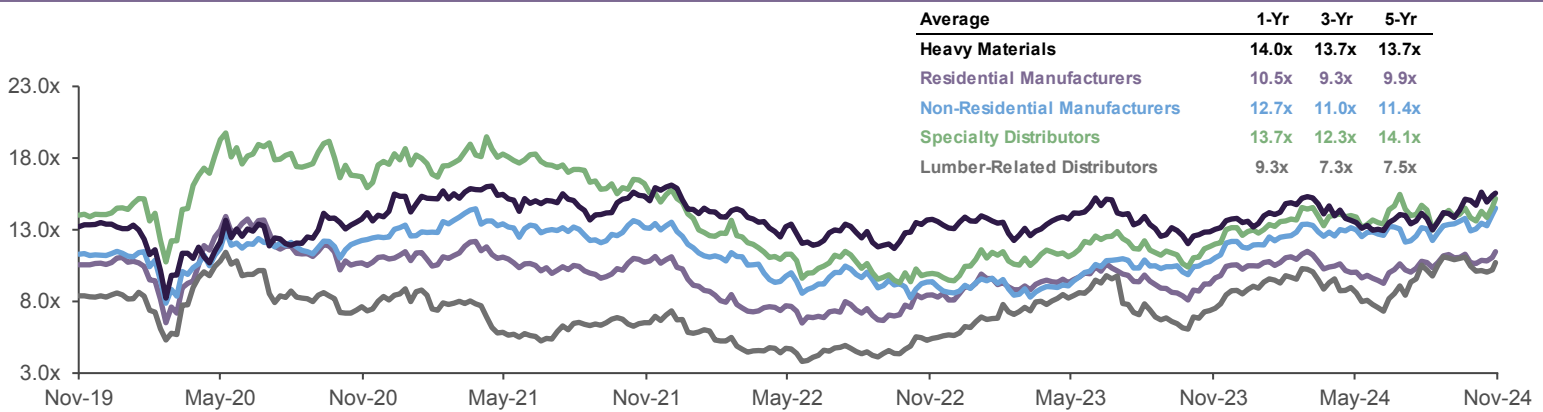


U.S. Precast Market Size

Data centers are driving greater use of precast concrete due to advantages in speed of construction, space optimization, durability, and reduced energy consumption



Building Products Industry – Historical EV / Forward EBITDA



Sources: Bloomberg, S&P Capital IQ, Grand View Research, NAHB, Company Filings, McKinsey Research
Data updated as of 11/27/2024