

KROLL

U.S. and Canada Building Products & Materials

INDUSTRY INSIGHTS

FALL 2024

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143

M&A transactions closed in the U.S. and Canadian building products and construction materials industry in TTM June 2024, compared to 124 closed in 2023

91%

Percentage of M&A transactions completed by strategics or sponsor-backed strategics in TTM June 2024

6.54%

Average 30-year fixed mortgage rate in August 2024, down from the highest average rate in the past decade (7.66% in October 2023)

\$1.2
Trillion

U.S. nonresidential construction spending in May 2024, a 12% increase over the prior year

U.S. Market Update

U.S. Housing Indicators

The U.S. housing market continues to show mixed trends well into 2024. After holding above 7% for the past year, the average 30-year mortgage rates fell in August to 6.47%. Although rates have begun to trend lower, the market for single-family homes continues to be sluggish as buyers and sellers anticipate a rate cut. Nearly 60% of current homeowners hold a mortgage of 4% or less. Home prices remain at high levels, creating even further disconnect between buyers and sellers.

Multi-family housing continues to be challenged by increased borrowing costs and higher costs of building materials. Although prices for input materials have begun to level or decline, costs still remain well above pre-pandemic levels. With longer construction lead times, and permitting and financing requirements, the commercial market is expected to have a slower recovery even with an expected rate cut. The National Association of Home Builders' (NAHB) Q2 2024 survey of multi-family developers reflected the pessimism with a Multi-family Production Index (MPI)* of 44, down 12 points YoY. As of June 2024, multi-family housing starts declined -23.8% over the prior year.

*The MPI measures builder and developer sentiment about current production conditions in the apartment and condo market on a scale of 0 to 100. The index and all its components are scaled so that a number below 50 indicates that more respondents report poor conditions than report good conditions.

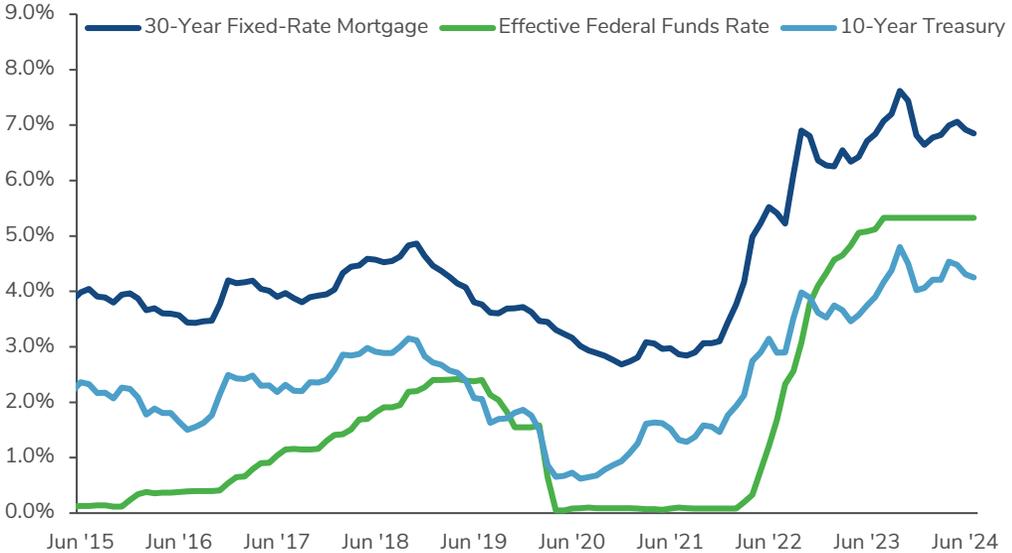
The 30-year fixed mortgage rate, effective federal funds rate, 10-year treasury rate and Housing Marketing Index (HMI) are not seasonally adjusted.

Sources: New York Times, NAHB, Reuters, U.S. Department of Commerce: Census Bureau

U.S. Housing Indicators

In August 2024, 30-year mortgage rates dropped to 6.54%, the lowest level in more than a year. The Consumer Confidence Index (CCI) has shown mixed trends through the summer, increasing slightly from 97.8 in June to 100.8 in July. Overall economic uncertainty and anticipated rate cuts have kept the Housing Market Index (HMI) stable but reflective of the near-term industry challenges.

Key Interest Rates



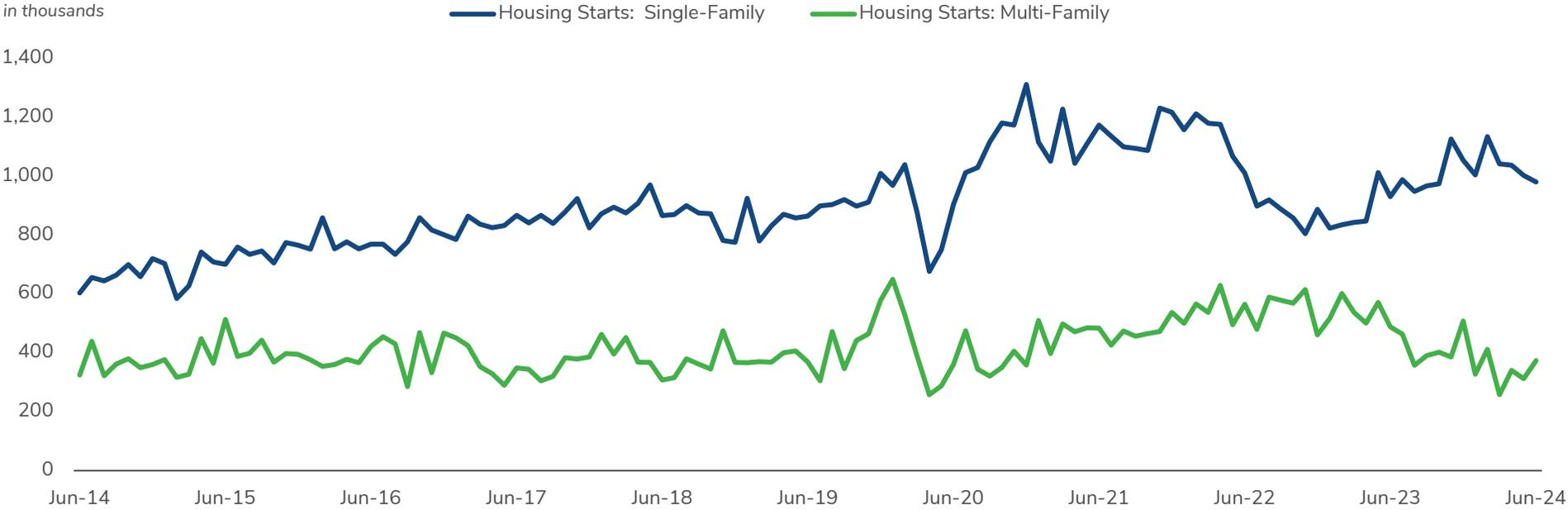
Key Housing Indicators*



*Index values greater than 50 indicate a positive view by builders.
 The 30-year fixed mortgage rate, effective federal funds rate, 10-year treasury rate and HMI are not seasonally adjusted.
 CCI indexed to 1985.
 Sources: Federal Reserve Economic Data , The Conference Board, National Association of Home Builders, U.S. News and World Report, Seeking Alpha

U.S. Housing Starts

Trailing Annual U.S. Housing Starts



Single-Family

June 2024 YoY Δ 5.4%



Multi-Family

June 2024 YoY Δ (23.6%)

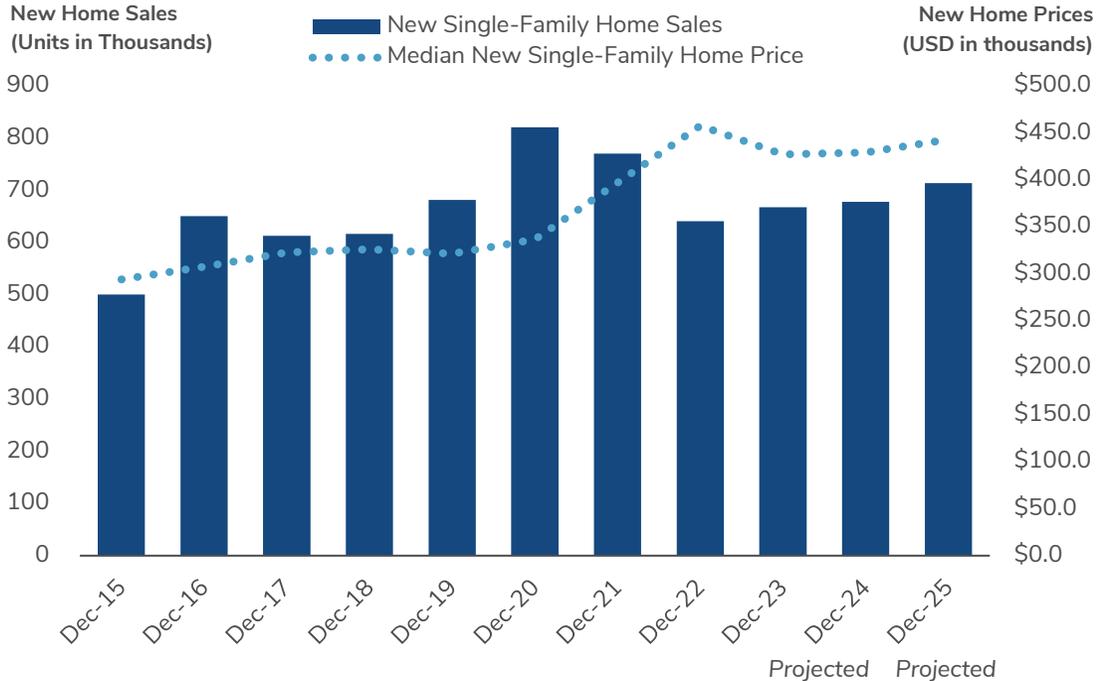
Seasonally adjusted annual rate
Sources: Reuters, U.S. Department of Commerce: Census Bureau

U.S. Home Sales and Inventory

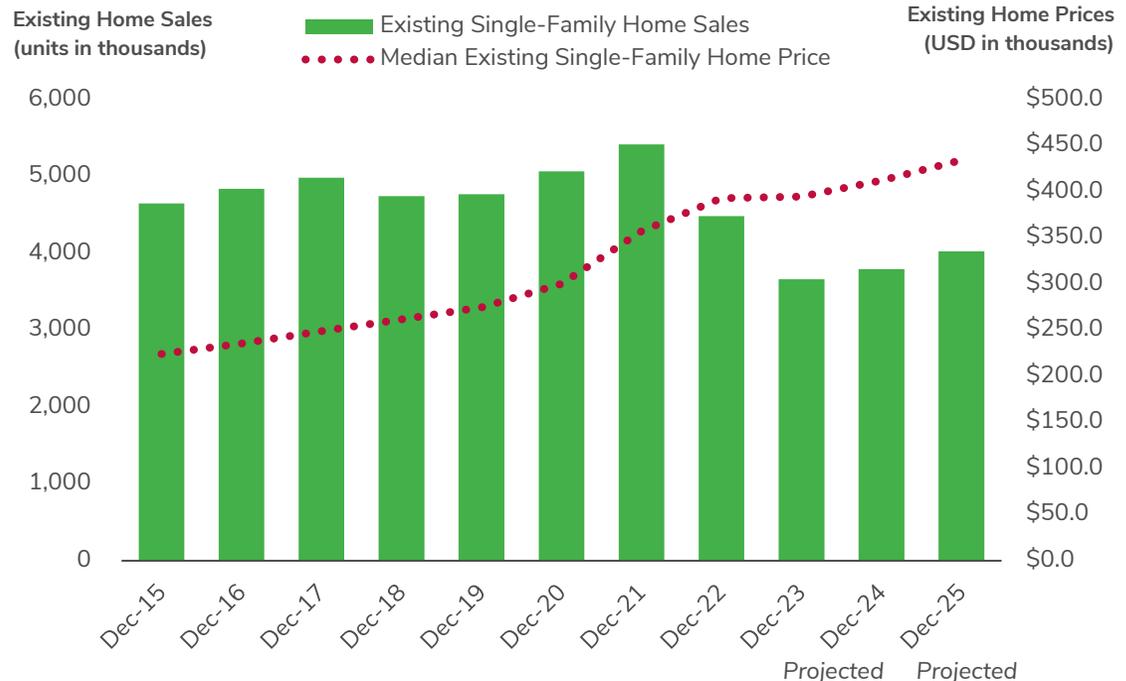
New home supply remains tight, but the December 2024 new home sales volume is expected to increase 1.5% from December 2023. Median new home prices remain elevated post-pandemic but have leveled from 2022 prices. Higher new home pricing reflects elevated borrowing costs and building material inflation.

Existing home sales volume is expected to increase 3.6% from December 2024 compared to the prior year. The shortage of new residential construction continues to drive existing home purchases. Median existing home prices are expected to increase 3.6% in 2024 compared to 2023. Median existing home prices have increased 84% over the past decade.

New Home Sales and Supply



Existing Home Sales and Supply



Source: Wells Fargo U.S. Housing Forecast

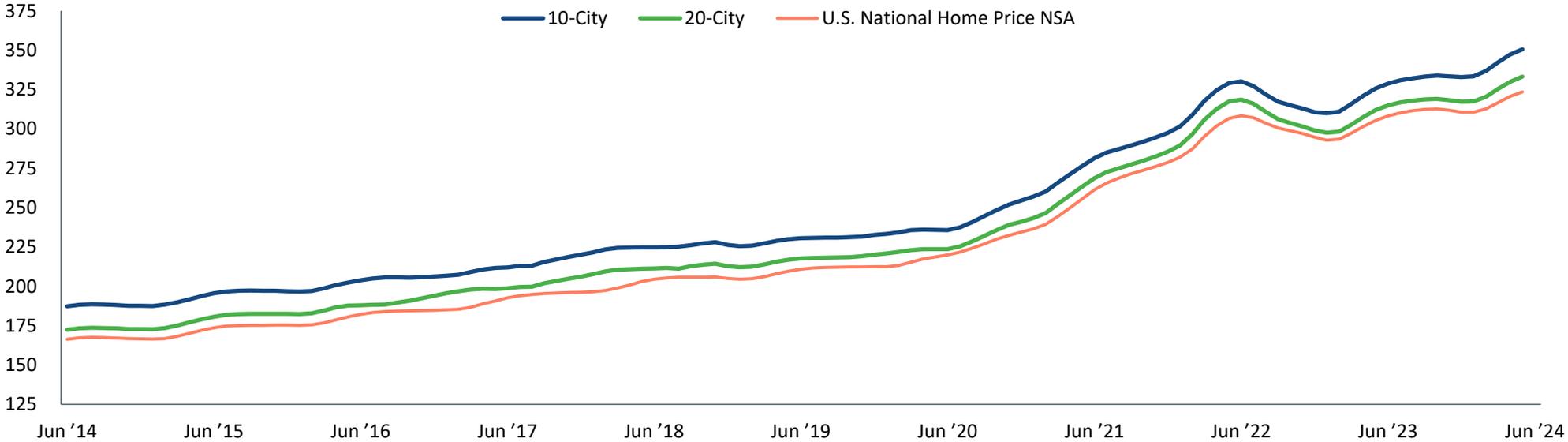
U.S. Home Prices

The S&P CoreLogic Case-Shiller U.S. National Home Price (NSA) Index, which measures average home prices in major metropolitan areas across the nation, rose 5.9% in May 2024 from the prior year.

The Case-Shiller 10-City Index increased 7.6% in May 2024 over the prior year, while the 20-City Index increased 6.8%.

U.S. home prices have risen 6.6% between Q1 2023 and Q1 2024. Home prices have now risen over the last six consecutive quarters due to low inventory of homes for sale and existing homeowners who are reluctant to forfeit their existing lower interest rates as mortgage rates hover around 7%.

S&P CoreLogic Case-Shiller Home Price Indices*



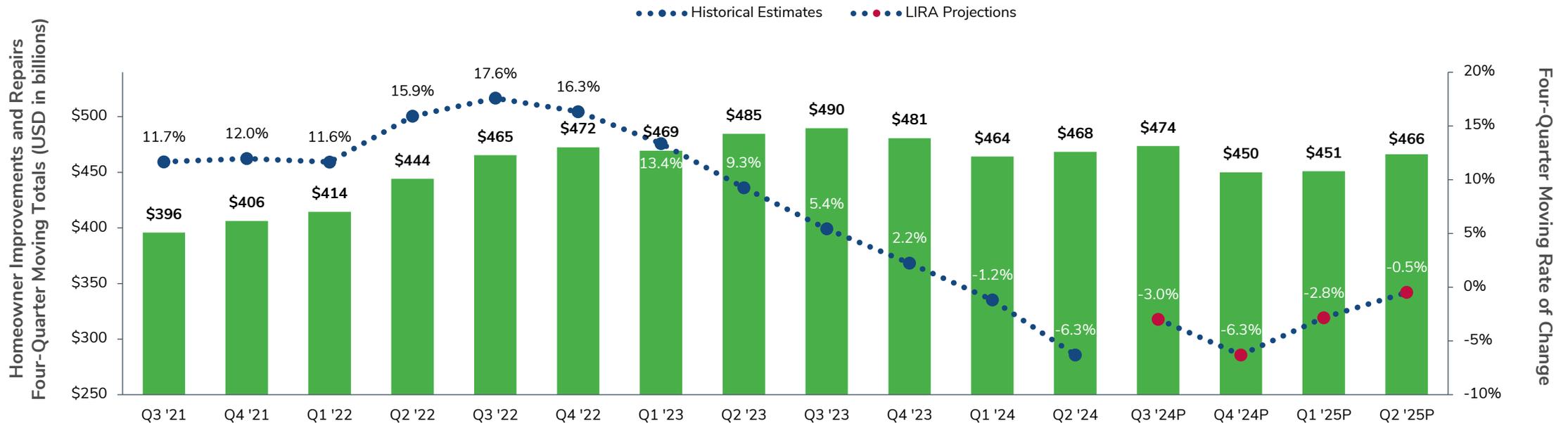
Monthly, indexed to January 2000
*The S&P CoreLogic Case-Shiller Home Price Indices are not seasonally adjusted; they are calculated monthly using a three-month moving average and published with a two-month lag.
Sources: S&P Dow Jones Indices LLC, Federal Housing Finance Agency, Federal Reserve Bank of Chicago, Federal Reserve Bank of St. Louis

U.S. Home Remodeling Activity

Based on the Leading Indicator of Remodeling Activity (LIRA*), spending for improvements and repairs to owner-occupied homes dramatically decreased 6.3% in Q2 2024. Remodeling activity is expected to decline throughout 2024 and into 2025, driven by increased housing prices and higher rates.

The remodeling market slowdown relates to the spike in home prices across the country. In the current high-interest-rate environment, homeowners do not expect home renovations to generate significant incremental value. Although substantial remodeling projects have slowed, if the demand for new homes continues to outweigh the supply, homeowners will return to improving their existing properties.

Leading Indicator of Remodeling Activity (LIRA*)



*The LIRA represents the estimated annual rate of change in spending for the current quarter and subsequent three quarters. This annual or moving four-quarter rate of change compares total spending in any given four-quarter period to the total spending that occurred in the four quarters prior to that period. As of April 21, 2016, the LIRA has undergone a major rebenchmarking and recalculation to better forecast a broader segment of the national residential remodeling market.

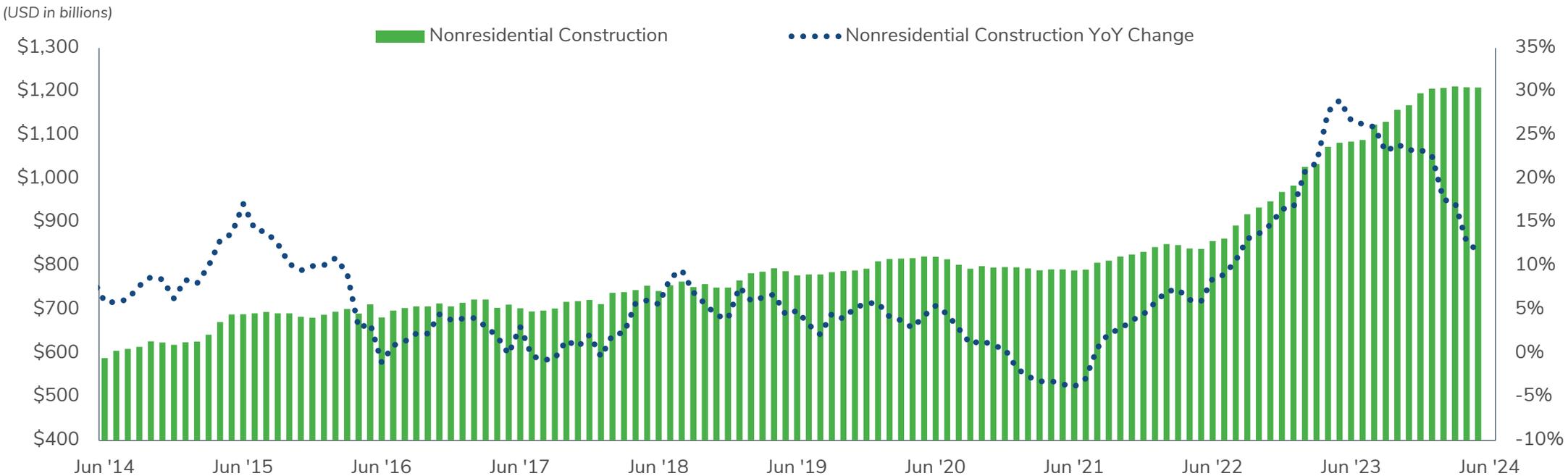
Source: Joint Center for Housing Studies, Harvard University

U.S. Nonresidential Construction Activity

In May 2024, nonresidential construction was at a seasonally adjusted annual rate of \$1.2 trillion, representing an increase of 11.7% over the prior year. Commercial and office investments have slowed substantially, while public safety, transportation and manufacturing have grown.

Segment growth is expected to stabilize and return to historic levels. Recent investment was fueled by government subsidies such as the Infrastructure Investment and Jobs Act, Inflation Reduction Act and Creating Helpful Incentives to Produce Semiconductors.

Nonresidential Construction Spending



Seasonally adjusted annual rate
Source: U.S. Census Bureau

Canadian Market Update

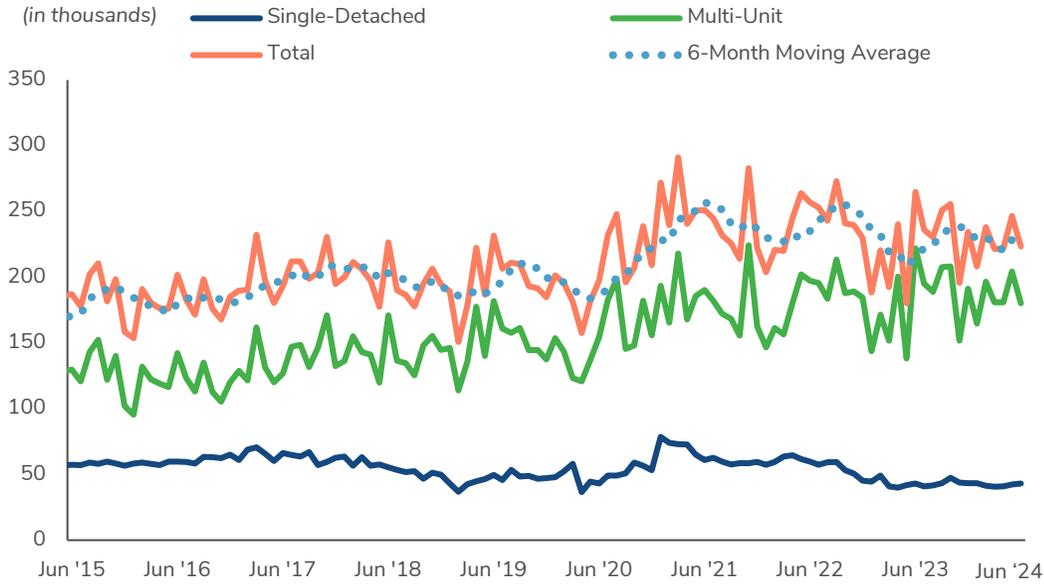
Canadian Housing Indicators

In June 2024, Canadian housing starts decreased 15.7% YoY and decreased 9.4% when compared to May 2024. The YoY decline was predominately driven by an 18.8% YoY decrease in multi-unit housing starts. Housing starts in the second quarter of the year were slightly higher than the first quarter. Elevated cost of building inputs and high interest rates has led to the general slowdown in multi-unit starts, particularly in Toronto and Vancouver.

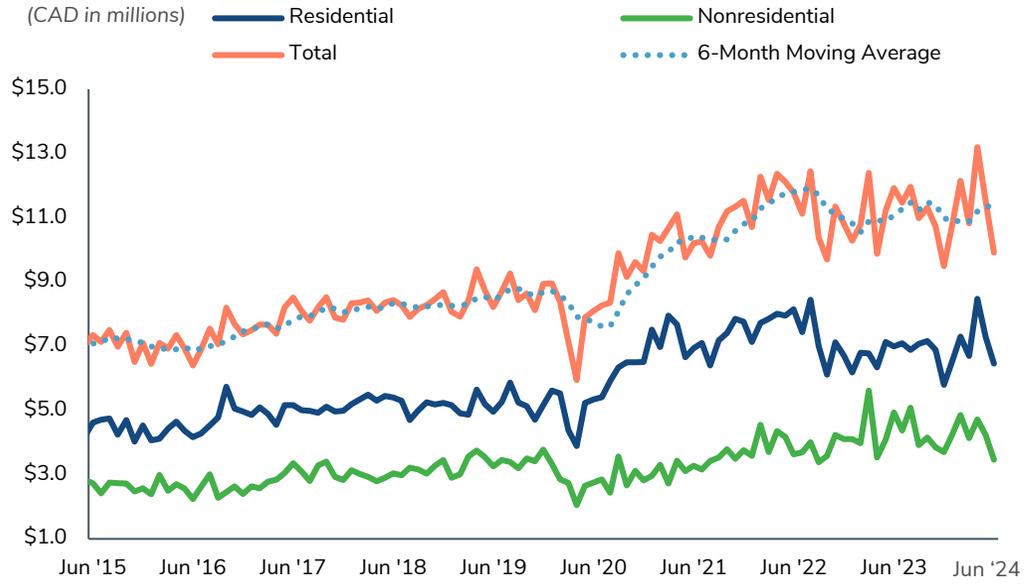
The value of authorized building permits declined MoM by 13.9% in June 2024. YoY, the value of authorized building permits decreased by 16.8%, mostly attributed to a 29.7% decline in the nonresidential category.

Canadian Housing Indicators

Housing Starts



Value of Authorized Building Permits

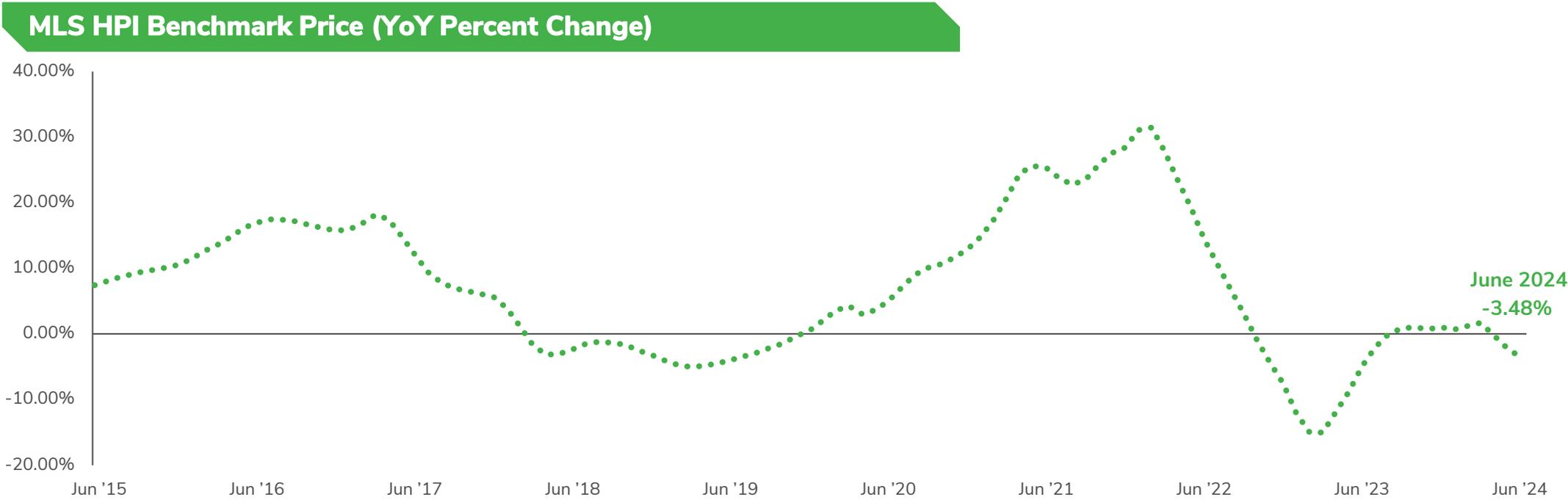


Seasonally adjusted, areas 10,000+
Source: Canadian Real Estate Association (CREA)

Canadian Housing Market – Existing Prices

The June 2024 Multiple Listing Services (MLS) Home Price Index (HPI) Benchmark Price decreased 3.5% YoY, but experienced slight growth MoM. The category that was least impacted by price changes were one-story homes, which declined 1.2% YoY. Two-story homes were most impacted by price changes. There were no home categories in June 2024 that experienced a price increase YoY.

In the first half of 2024, both Canadian home sales and home prices have been relatively flat. Although interest rates are decreasing and further cuts are expected in the balance of the year, there has not been enough relief to drive up home prices. The decline in home prices has varied across regions with areas including Toronto and Vancouver experiencing the greatest impact.



Seasonally adjusted, areas 10,000+
Source: CREA

Relevant Kroll Building Products Experience

Kroll's Industrials Investment Banking Practice Advised Fleetwood Aluminum Products on Its Sale

Modern Door and Window Manufacturer for the Luxury Residential Market

Financial Advisor



has been acquired by



MASONITE.

Financial advisor to Fleetwood Aluminum Products

- A family-owned business since 1961, Fleetwood Aluminum Products (“Fleetwood”) designs and manufactures high-quality doors and windows for luxury homes with a core specialty in window walls. The company’s exceptionally high-quality product offerings are fully customizable and feature modern designs, sleek hardware and precision locking and rolling systems.
- The company is headquartered in Corona, CA, and operates a 200,000 square-foot manufacturing facility with approximately 350 employees.
- A network of exclusive Fleetwood dealers partners with homebuilders and architects to offer the industry-leading products to homeowners throughout North America.

“Kroll provided **unparalleled guidance and dedication** throughout the deal process. Being a family-owned and operated manufacturer since 1961, we were determined to find the right buyer for the family and Fleetwood. Kroll’s **resources and expertise** allowed us to find the perfect fit with Masonite. We could not be happier with the outcome, and it was only possible with Kroll as our partner.”

– Gary Gumbleton, Fleetwood CEO



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<p>Sell Side Advisor</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>a portfolio company of</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p> <p><i>John Sterling Corporation</i></p> <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 
<p>Sell Side Advisor</p>  <p>has been acquired by</p>  <p>a portfolio company of</p> 	<p>Sell Side Advisor</p>  <p>a subsidiary of</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p> <p>K.C. COMPANY, INC.</p> <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 
<p>Sell Side Advisor</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>a portfolio company of</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 	<p>Sell Side Advisor</p>  <p>has been acquired by</p> 	<p>Capital Raise</p>  <p>has completed a senior debt recapitalization with</p> 



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