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RESEARCH & CONSULTING

March 2022 Release

US CONSTRUCTION INDUSTRY ANALYSIS
“POST COVID”

**Updated Analysis and Outlook for
2022 -2023**



Founded in 1961, Ducker is a global market research, strategy consulting and M&A Advisory firm that delivers custom, industry-centric solutions which *improve client performance* and *enable business growth* across complex markets.

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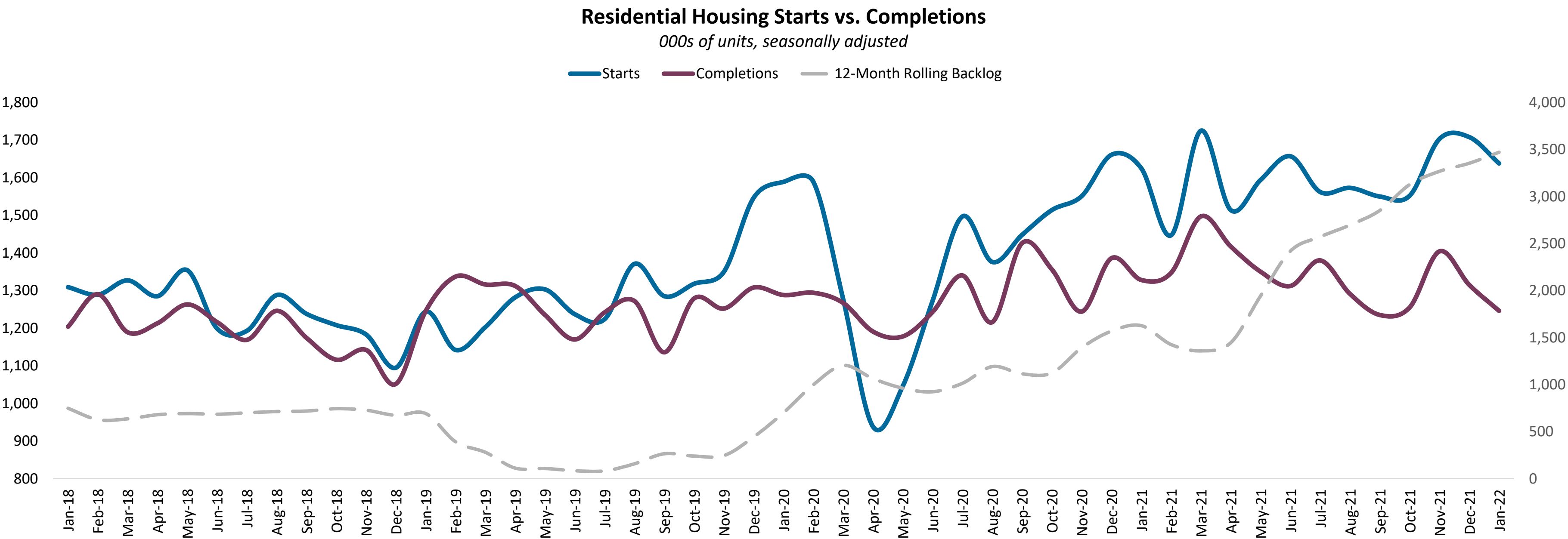
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Gap between residential housing starts and completions growing due to extended permit-to-build cycles resulting from COVID supply chain constraints



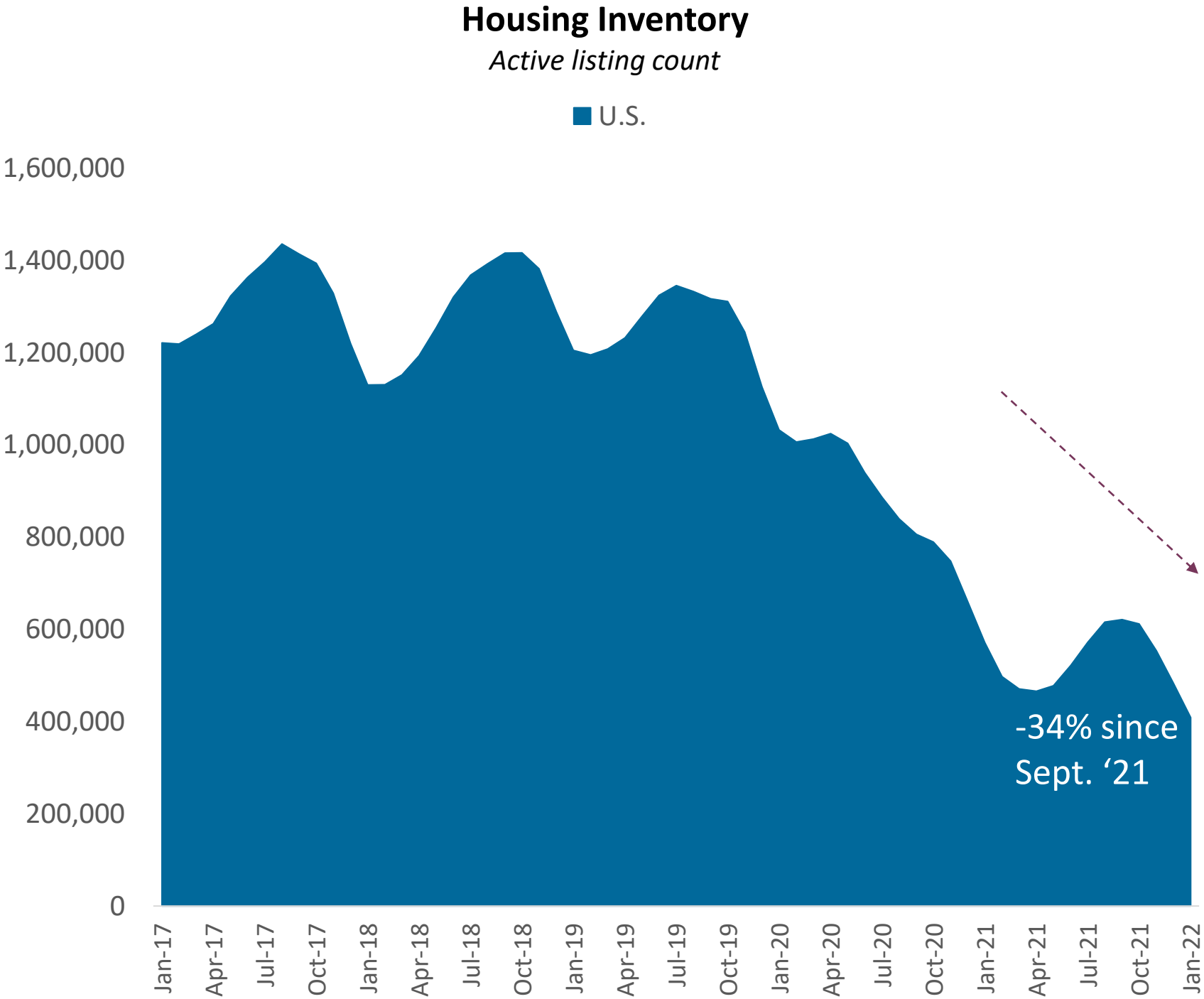
- The gap between residential starts has been steadily increasing since early 2020 (*12-month backlog is ~6% CAGR from Feb. 2020 – Jan. 2022*) as permit cycles have become longer; while a growing backlog is indicative future new construction spend growth, longer construction cycles increases the possibility of unit cancellations on projects waiting to launch



Housing Inventory has fallen from an average of 1.27 M lists pre-Covid to an average of 677 K since March of 2020

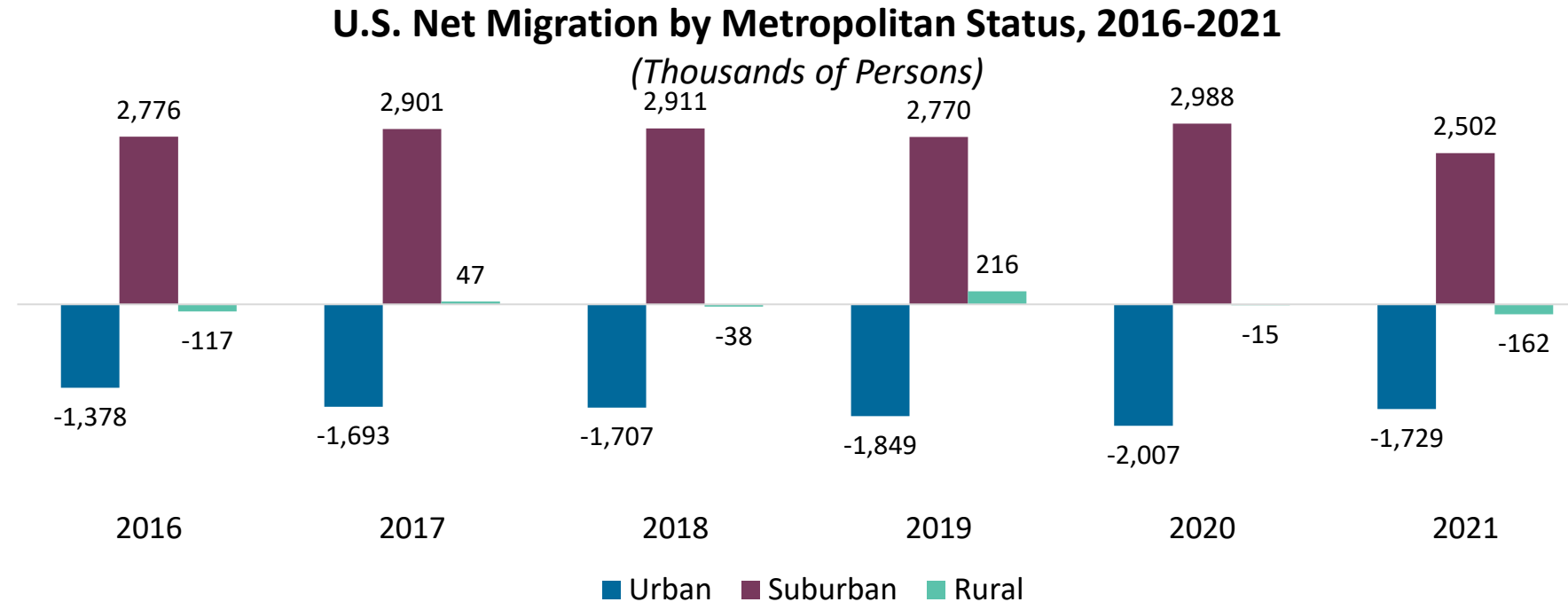
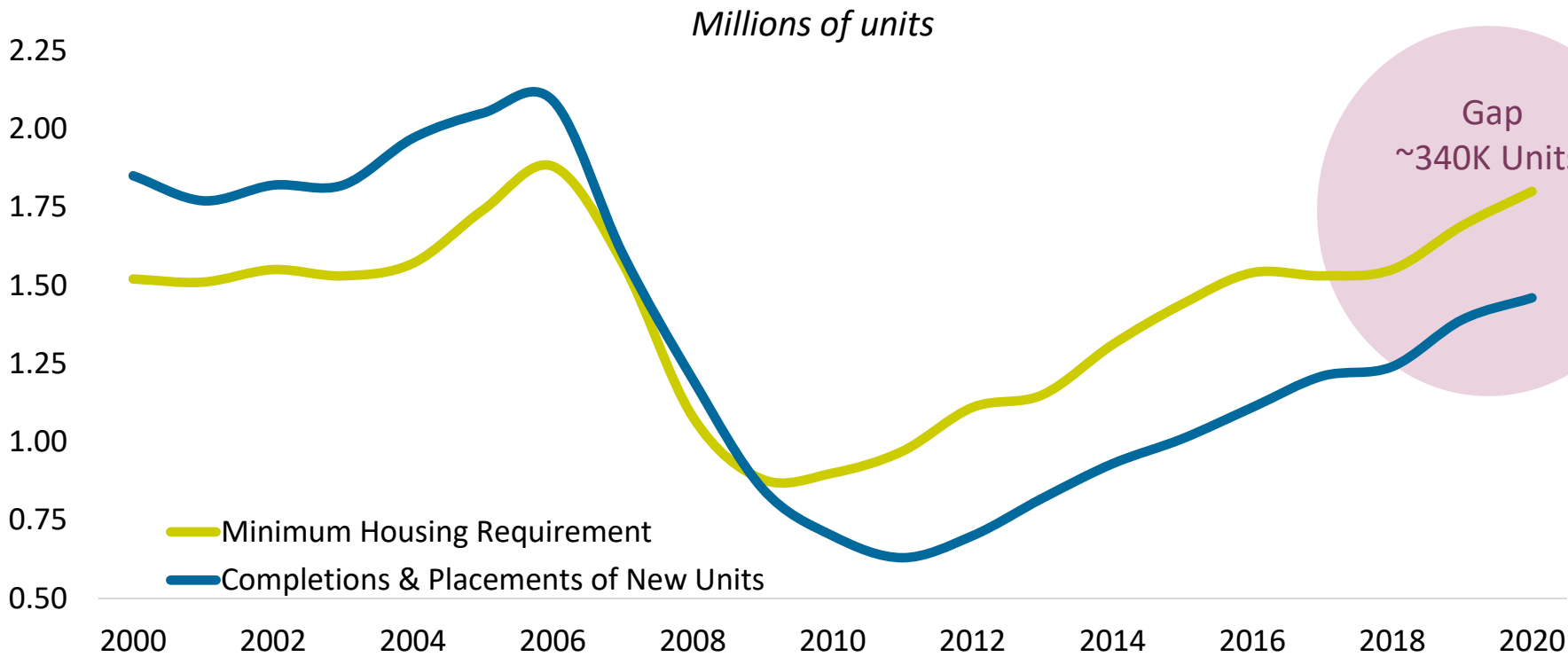


Currently ~1/3 of current available homes are new construction compared to typical levels of 1/10



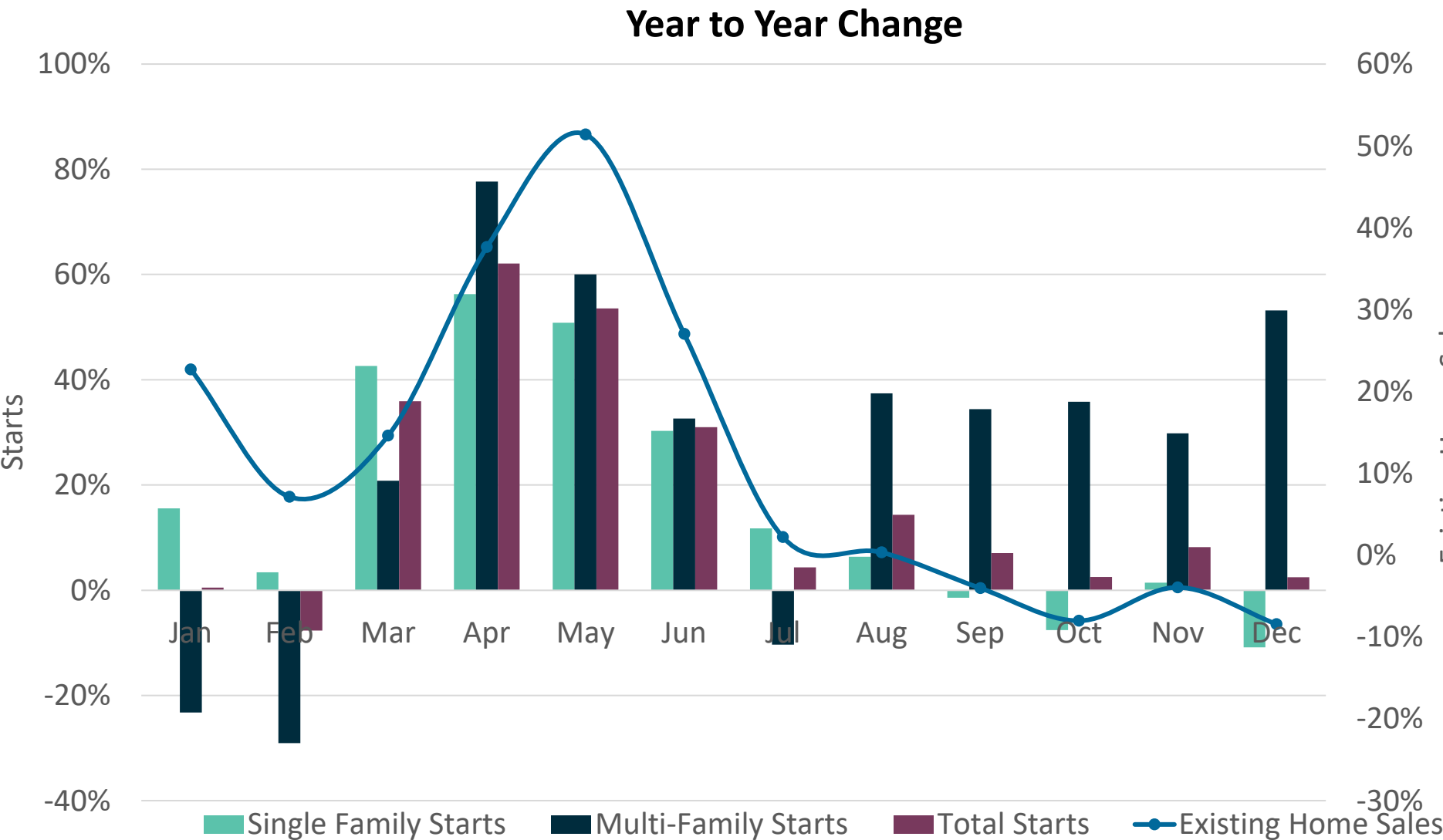
Sources: Ducker Analysis, U.S. Census Bureau (CPS/HVS), Realtor.com

Minimum Housing Requirements vs. Completions & Placements of New Housing Units



Shifting geographies of housing demand and investment will favor single-family construction next year while multi-family works through inventory and backlog

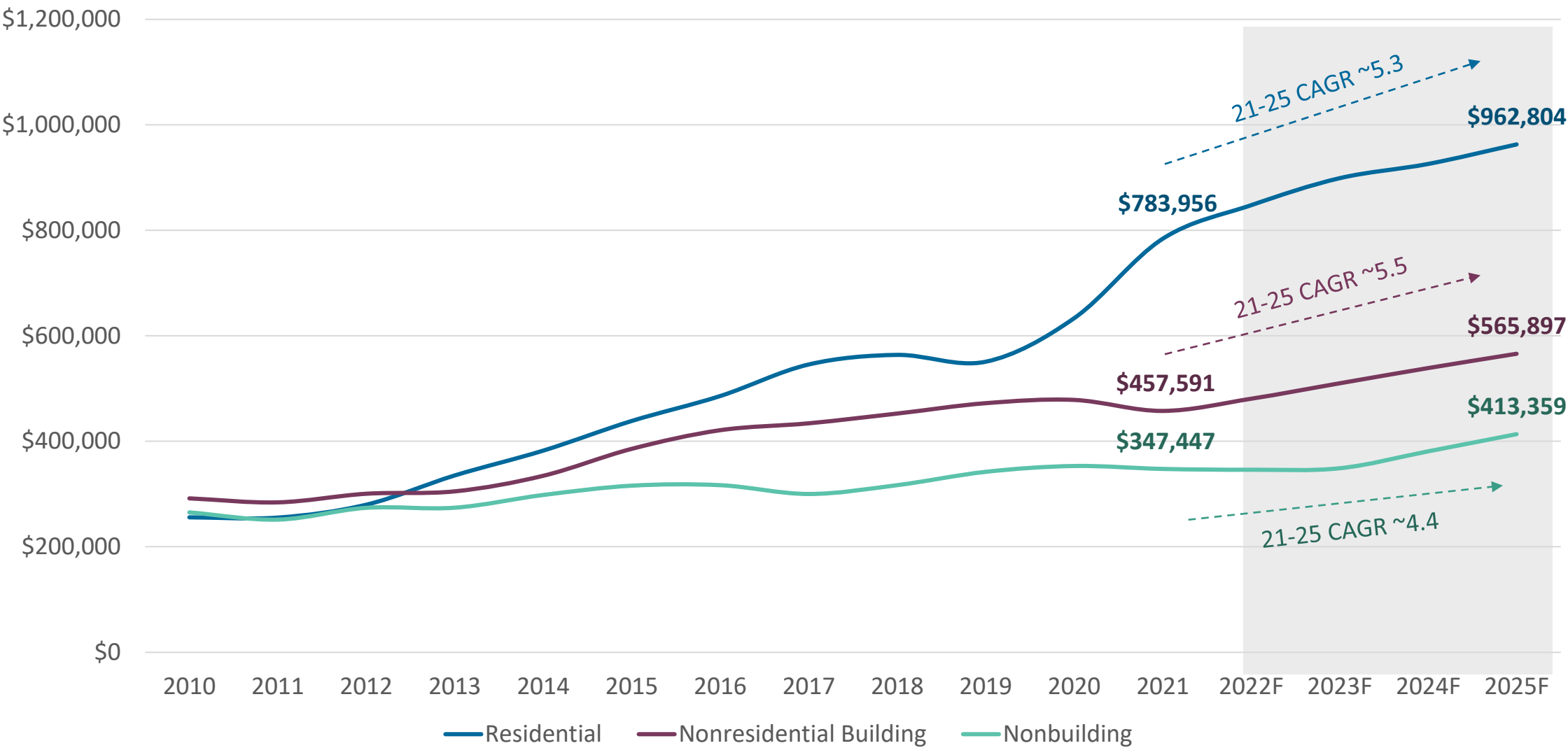
Multi-family has outperformed single family for the last several years but has been more volatile through the COVID crisis. Single family to be the growth driver going forward, particularly in nonurban areas



Housing Starts ('000)	2021A	2022F	change	2023F	Change
Single Family	1,127	1,196	+6%	1,240	+4%
Multi-Family	472	473	0%	460	-3%
Total Starts	1,595	1,669	+5%	1,700	+2%

- Housing starts recovered rapidly after April-May 2020 collapse led by single family activity
- Single family starts finished 2021 up 13 percent over prior year. Multi-family up 21 percent
- Existing home sales in 2021 up 9 percent; pace has slowed since the second half of 2020 as the market adjusts to more normal conditions
- Activity still constrained by a lack of inventory despite recent increases but demand still high even if not as excessively high as 2020, home values stabilizing
- Momentum of multi-family starts through the back half of 2021 expected to continue due to pockets of strength and continued growth in suburban and Tier 2 or 3 markets

CONSTRUCTION (\$) PIP FORECAST – MARCH 2022 SCENARIO
FOR FUTURE (POST-COVID) BASE 000s of \$



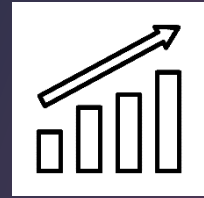
Residential – continued strength in all market segments through the time period. '22 should be a strong year across markets; MF and renovation likely to have a year in which the markets “catch their breath” in 2023 with growth following in out years. Both will continue to be important sectors for building products.

Nonresidential – starts bottomed out but negative impact and declines to continue into 2022. Healthcare, lodging and commercial offer shorter opportunities of demand, while office and manufacturing sectors extended slowdown.

The long-term growth of infrastructure has paused until Federal stimulus kicks ins. Some tail of activity continuing due to bonds passages and multi-year funded projects. Future local government balance sheets likely to be strained – tax revenues down, reducing project spend and a lag period of impact. OPEX likely to outperform CAPEX.

Sources: Census, NAHB, AIA, FRED, CBRE, HUD, NAR, Ducker Interviews and Expertise

What we learned from the IBS KBIS 2022 about the residential construction market



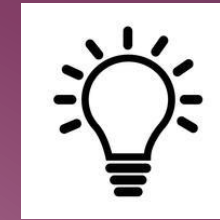
POSITIVE SENTIMENTS

- Strong industry outlook, not concerned with short-term pause
- Demand continues to exceed supply
- Public builders limiting sales, acquiring land
- Residential focus to shift to remodeling, still catching up on backlogs
- Commercial and nonresidential to outpace new residential



CONTINUED SUPPLY CONCERNS

- Continuing inflationary climate for construction inputs
- Builders adjusting pricing practices for risk management
- Extended cycle times, builders competing for trade partner business
- Labor shortages driving interest in off-site construction, novel methods
- Supplier investments in capacity longer term



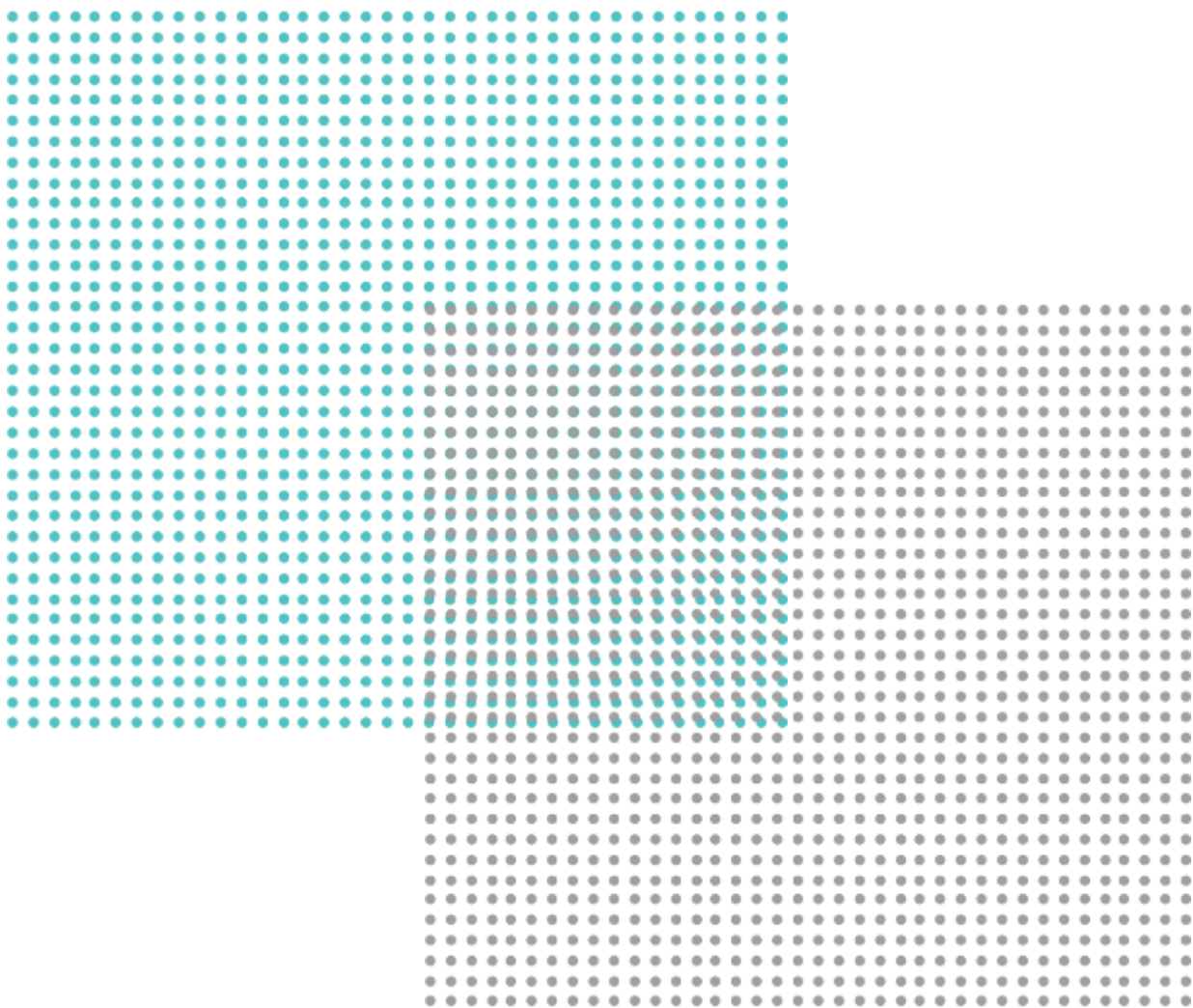
INNOVATION

- Focus on ease of installation, time/labor saving - materials, products, tools
- Application of material science advances/coatings to integrate functions - structure, air & moisture, fire etc.
- Lightweight, ease of use
- Contemporary designs and features; smooth, narrow lines; novelty accents
- Heavy presence of innovative outdoor living design elements



SUSTAINABILITY & ENERGY EFFICIENCY

- Novel solar energy options – shingles, transparent PV
- Growing use of technology, smart products – e.g. electric panels
- Importance to baby boomers of energy efficiency, ratings
- Corporate emphasis on ESG initiatives



THIS CONCLUDES OUR PRESENTATION. THANK YOU.

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