BUILDING PRODUCTS | March 2026

Industry Update

Market Overview and 2026 Outlook

Residential Poised for a Rebound

- **Rate Relief:** 30-year mortgage rates dipped below 6.0% in February for the first time since 2022, potentially unlocking pent-up demand.
- **Affordability Improving:** While home prices remain historically high, prices have moved below peak levels. Declining rates, builder concessions, and better inventory balance could further improve affordability.
- **The Outlook:** Despite broader macro uncertainty, lower rates could set the stage for a modest recovery in residential in the back half of the year.

Hyperscaler Infrastructure: The "Power" Bottleneck

- **Capex Explosion:** 2026 hyperscaler spending is projected to hit $673B+, with physical buildout costs exceeding the prior five years combined.
- **Supply Constraints:** Record demand is colliding with multi-year backlogs for electrical equipment and gas turbines, alongside massive grid interconnection delays.
- **The "BYOG" Pivot:** To bypass utility lag, hyperscalers are accelerating "Behind-the-Meter" onsite generation (modular gas + storage) to secure reliable power paths.

Labor is a Key Constraint

- **The Gap:** The construction sector faces a structural shortage, requiring an additional 349,000 workers in 2026 to meet current demand.
- **Delivery Risk:** Persistent wage inflation and limited labor availability are primary drivers of material shortages and project delays.
- **The Winners:** Specialty contractors with scale and modular/prefab capabilities are best positioned to capture awards by bypassing traditional labor constraints.

Macro Indicators

3.1%	4.4%	2.9%	52.4
Q1 '26E Real GDP (Atlanta GDPNow)	Feb '26 Unemployment Rate	4Q '25 Core PCE (Inflation)	Feb '25 ISM Manufacturing Index

= positive trend = neutral trend

Residential Market Dashboard

	Metric	Current Data	2026 Outlook
Tailwinds	Mortgage Rates	5.98% as of late February, first dip below 6.0% since 2022; down 91bps YoY	Expected to average slightly below 6% by year-end 2026
Tailwinds	Housing Deficit	National deficit of 4.0–4.7M homes; persistent structural undersupply	Long term floor for demand despite near-term macro volatility
Tailwinds	Existing Home Sales	Jan '26: 3.91M SAAR; first-time buyers make up ~31% share (vs. 28% YoY)	10–20% projected increase in 2026 as "lock-in" effect eases with sub-6% rates
Tailwinds	New Home Sales	Dec '25: 745K SAAR; Median price $405K	Median price $405K; New home sales forecast to increase 1% to 690K in 2026
Headwinds	Tariffs / Input Costs	SCOTUS (Feb 20th) struck down IEEPA tariffs, discontinued Feb 24th. New Sec 122 global tariffs implemented	Tariff volatility will remain, prolonging uncertainties and volatility
Headwinds	Housing Starts	FY25: 1.36M (-0.6% YoY); Dec single-family starts 981K SAAR	Multi-family starts forecast -5% to 392K in 2026
Headwinds	Labor Shortages	Estimated 349,000 additional construction workers needed in 2026	Wage inflation remains sticky, with labor gap a larger constraint than material costs now
Headwinds	Consumer Sentiment	Consumer sentiment index at 56.6, with economic uncertainty dampening decisions	65% of households priced out of median new home

**Seasonally adjusted annual rate ("SAAR") data. Charts seen in dashboard are for last 12-months of available data*
Sources: Truist Research, Bloomberg, FRED, University of Michigan, BEA, Census, GDPNow, HUD, NAHB, Freddie Mac, Fannie Mae, Mortgage Bankers Association, NAR

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AI Race Fuels Hyperscaler Data Center Buildouts

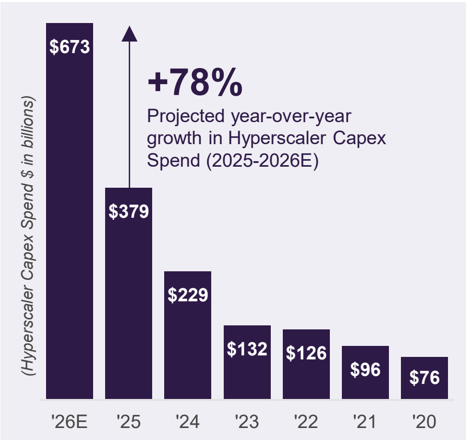
AI Infrastructure: The $13 Trillion Catalyst

- **Economic Impact:** AI is projected to contribute $13 trillion to global GDP by 2030, necessitating a massive expansion of data center and power infrastructure.
- **Supply Chain Momentum:** Increased commitment is already evident through surging general contractor bids, distributor forward orders, and record specialty contractor backlogs.
- **Construction Opportunity:** Of the total AI capex, ~40% ($269B+ in 2026) is directly addressable by the construction industry for physical shells, cooling, and power systems.

> ***"Technology dominated by data center work was 45% of our revenue, an increase from 33% the prior year. Industrial, and especially technology, is the largest driver of pipeline and backlog... we'll see whatever commitments [hyperscalers] are making now…in '27, '28 in our revenue"***
>
> *— Bill George, CEO*
>
> COMFORT SYSTEMS USA

U.S. Hyperscaler Capex — Scale, Trajectory, and Construction Implications

35+ gigawatts of data center capacity is currently under construction in North America, with vacancy at 1% for two consecutive years. The physical buildout at $269B+ represents an outsized share of premium trade labor and high-specification Mechanical, Electrical, and Plumbing ("MEP") work along with power.



Company	2025A	2026E	YoY Δ	Key Projects / Focus
amazon	$132B	$200B	+52%	AWS hyperscale · Anthropic JV (VA/GA) · New Carlisle, IN (2GW+)
Google	$91B	$185B	+102%	GCP expansion · Columbus, OH · Red Oak, TX · Mesa, AZ (1.5GW+)
Meta	$70B	$135B	+94%	AI inference · Monroe, LA (5GW planned) · Ohio (1GW+)
Microsoft	$65B	$103B	+59%	Azure · Wisconsin campuses (4GW potential) · San Antonio, TX (5GW)
ORACLE	$21B	$50B	+136%	OpenAI infra JV · Abilene, TX (4.5GW + 1.4GW addition)
Total	**$379B**	**$673B**	**+78%**	**$269B+ to physical buildout (40%)**

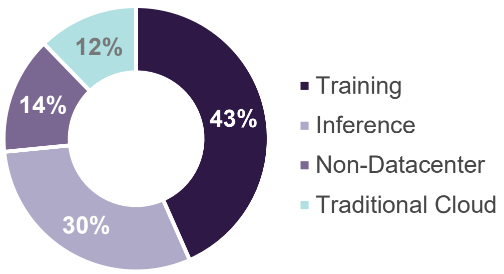
High-Density Infrastructure: Mapping Building Product Winners Across the 2026 Buildout

Electrical Moats and High-Density Power: The technical requirements for Training Compute (~43% share) and infrastructure cable systems have created a "first-mover" advantage in Electrical & Switchgear. Companies with existing MSAs and secured contract coverage are insulated from competition by massive 40–65-week lead times that disadvantage late entrants.

Thermal Management Dominance in Inference: With Inference Infrastructure representing ~30% of 2026E capex spend, building products companies are capturing significant share in Mechanical/HVAC by addressing 24/7 high-thermal density loads. Precision cooling and chilled water systems remain structurally undersupplied relative to committed demand.

Premium Pricing for Deployment Speed: To support the ~12% share of Traditional Cloud and broader shell construction, Prefab & Panelized Systems are commanding price premiums by solving for critical labor shortages. General Contractors ("GCs") are increasingly prioritizing project schedules over first costs by utilizing pre-finished MEP racks and modular components.

FY 2026E Hyperscaler Capex by Category [1]



(1) Training involves building an AI model's basic knowledge base and inference is the execution or deployment phase of the AI lifecycle where a pre-trained model processes new, real-world data to generate a prediction or decision. Inference workloads will be persistent and distributed, unlike one-off training cycles.
Sources: Company Filings, Bloomberg Intelligence, JLL Data Center Research, Truist Research