BUILDING PRODUCTS | Q3 2026

Industry Update

U.S. Residential Market Backdrop

Current Themes

- Single-family starts and sales remain pressured by elevated rates and inflation, compounding affordability challenges
- Builders curtailed spec construction in 1H 2026 amid slower sales and rising inventory, though build-to-order demand remains resilient
- Repair and remodel (R&R) activity remains stable, supported by an aging housing stock, record home equity, and aging-in-place trends

Looking Forward

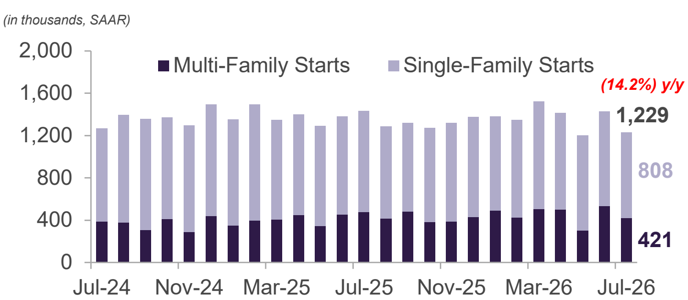
- First-time buyer affordability remains strained by elevated home prices, though equity-rich buyers will sustain higher-end demand
- ROAD to Housing Act risks constraining supply by disincentivizing build-to-rent (BTR) development, exacerbating price pressures
- Persistent affordability headwinds will support multifamily demand as renters defer home purchases

Key Indicators

30 Yr. Fixed Mortgage Rate			10 Yr. Treasury Yield			Core PCE		
6.7% *Aug 26 avg.*	-2 bps *1-YR Δ*	+388 bps *5-YR Δ*	4.6% *Aug 26 avg.*	+41 bps *1-YR Δ*	+341 bps *5-YR Δ*	3.3% *Jun 26*	+60 bps *1-YR Δ*	-60 bps *5-YR Δ*

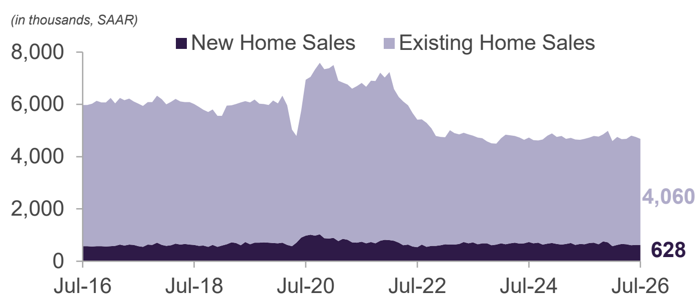
Residential Housing Starts

July total starts declined to 1.23MM SAAR (-14.2% YoY), driven by pullbacks in both single-family (-15.7%) and multifamily (-11.0%)



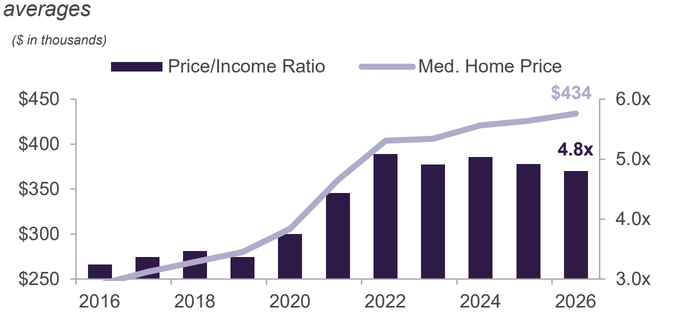
Residential Home Sales

Existing-home sales linger near multi-decade lows as high mortgage rates suppress turnover despite chronic housing undersupply



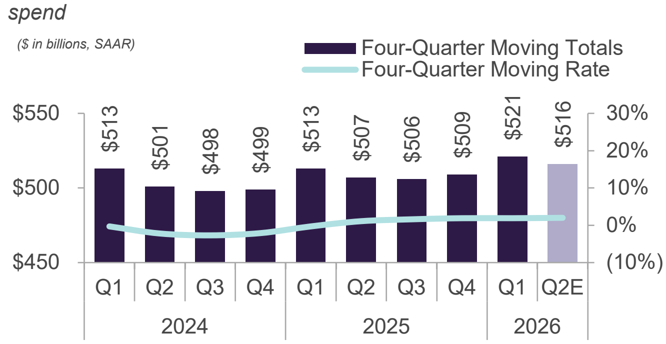
Median Home Price to Income

Median home prices have increased ~45.0% since 2020, pushing the price-to-income ratio to ~4.8x; significantly higher than historical averages



Repair & Remodel Spend

A median home age of 44 years and record home equity underpin R&R spending; accounts for ~45% of total residential construction spend



Sources: U.S. Census Bureau, U.S. Department of Housing and Urban Development (HUD), National Association of Realtors, Freddie Mac, U.S. Bureau of Economic Analysis, National Association of Homebuilders, Harvard Joint Center for Housing Studies (LIRA), FRED

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State of the Residential Housing Market

New Construction: Overhang of Unsold New Homes

Production builders enter 2H 2026 pacing supply as elevated inventory weighs on sales. Unsold new homes sit at ~9.3 months of supply (a post-2009 high), prompting builders to curtail spec starts and prioritize build-to-order demand in luxury, active-adult, and move-up segments

Key Trends

High-End Strength

Higher-end sales outperformed in July: $1MM+ activity rose 15% YoY, followed by $750K-$1MM (+11%) and $500k-$750k (+9%)

Builder Discounts

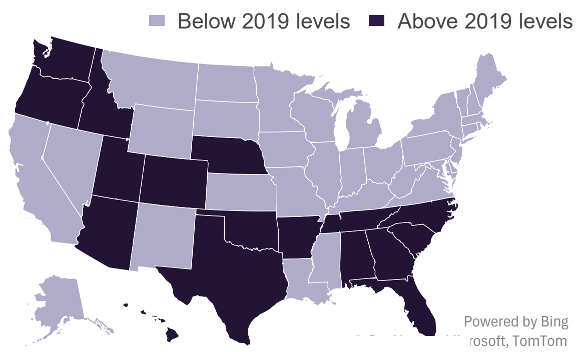
Builders have relied heavily on rate buydowns and concessions; 63% offered incentives in August, marking 16 straight months above 60%

Builder Confidence

Builder sentiment remains weak; the HMI (1) registered 35 in August, the 27th consecutive month below neutral (<50)

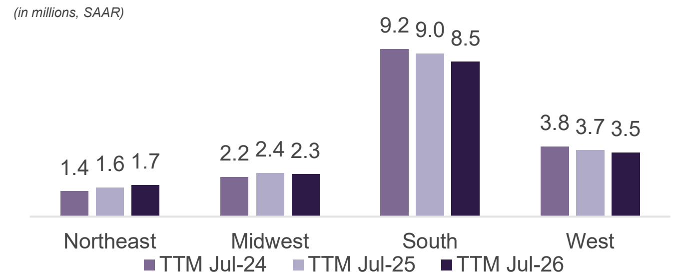
Housing Inventory: Active Listings vs. Pre Covid

National inventory remains below pre-COVID levels, though several Sun Belt and Mountain West markets now exceed 2019 levels



Housing Starts by Region

While starts have moved down in the South, the region continues to lead nationally on total volume and spend



July Year over Year Performance			
Northeast	Midwest	South	West
+9.0%	*-3.0%*	*-5.1%*	*-3.7%*

Repair & Remodel Demand

R&R activity remains resilient, anchored by record homeowner equity and an aging housing stock. Meaningful acceleration hinges on existing-home turnover to unlock pre-and post-sale demand; creating multiple touchpoints for R&R spend

Key Trends

44 Years	$35.9T	61	4.2MM
Median Home Age	*Homeowners' Equity (Q1 26)*	*26th quarter RMI (2) > 50*	*Existing Home Sales (SAAR), 22% below 2019*

Tailwinds

+ **Homeowner Equity:** ~$11T of tappable equity provides sustainable capacity for larger, discretionary remodeling projects
+ **Aging Housing Stock:** aging housing stock underpins structural demand, keeping remodeler sentiment firmly above builder confidence
+ **R&R Spend:** expanding above ~$400B in 2019 to $500B+ today, R&R spend cushions building products demand as new construction cools

Headwinds

- **Stagnant Growth**: growth has normalized at $500B+, following the 2021-2022 pandemic pull-forward surge
- **Housing Turnover:** Existing home sales remain near multi-decade lows, limiting the flow of pre-and post-sale renovation projects
- **Market Headwinds:** Elevated inventory, input costs, and labor shortages continue to pressure residential construction activity

(1) The Housing Market Index (HMI) is a monthly survey of single-family builders who rate specific market conditions
(2) The Remodeling Index is a quarterly survey of NAHB remodeler members on current market conditions
Sources: U.S. Census Bureau, HUD, NAHB HMI and RMI, National Association of Realtors, FRED, U.S. Bureau of Labor Statistics, Truist Research