Building Products Report

Seeking Stability in a New Normal

December 2023

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Note: All data in *Macroeconomic Market Update* section is through 12/15/2023, while data in the remainder of the report is through 9/30/2023

Elements of stabilization in the building products market are emerging despite continued headwinds in 2023. Following significant volatility in 2021 and 2022, input price growth has moderated, supply chains have been restructured and project timelines have become more dependable, if not normalized. Despite these positive developments, the building products market continues to face near-term headwinds in the form of multi-decade high interest rates, overlaid with continued labor shortages and elevated prices for most key construction materials. The longer-term outlook for residential and nonresidential segments remains robust, with significant underlying demand for new construction and the continued renovation of existing space.

In the **residential** segment of the market, long-term demographic trends continue to support meaningful future investment in housing. The demand for housing units – as measured by current household formation and the coming-of-age of prospective first-time homebuyers – continues to outstrip housing supply. This widening supply-demand gap has stimulated new single-family and multifamily construction throughout 2023, which should continue until the supply shortage is meaningfully alleviated. Further, while high interest rates are creating strain in the housing market through reduced affordability and an emerging "lock-in" effect, the higher rate environment has resulted in shifting demand for building products. Many aspiring homeowners are opting to "trade down" in their first home, choosing to make "project purchases" that require significant investment to renovate and remodel. Further, existing homeowners discouraged by higher borrowing costs are increasingly committing to their homes for the long-term, opting to reimagine their existing space to meet their evolving needs. The frequency and magnitude of homeowner renovation spending saw strong growth through YTD 2023, as high interest rates, which stymied volume in the home sales market, have buoyed the renovation market.

In the **nonresidential** segment of the market, construction activity remains strong – with increases during YTD 2023 in both current spending and future project planning. The U.S. economy continues to evolve, with ongoing demand shifts for nonresidential space types toward the needs of the modern economy – with healthcare, education and industrial (manufacturing / warehouse) facilities realizing the strongest demand. Conversely, while high office vacancy rates resulting from the long-tail effects of the pandemic have stalled new construction, the changing-of-hands of office buildings is likely to catalyze a wave of retrofit activity. At large, the national nonresidential building stock continues to be characterized by significantly aged and outdated buildings, with more than 60% constructed prior to 1990, thus lacking the functionality, aesthetics, air quality, telecommunications infrastructure and energy efficiency of modern buildings. However, as is the case for the residential market, the nonresidential market remains highly tied to interest rates. Recent months have seen nonresidential construction lending continue to tighten, with lenders becoming increasingly guarded in their underwriting. While this has yet to have a material impact on project activity and planning, it is worthwhile to mention, as the availability of financing will impact future activity levels.

Both **public and private investment** continues to flow into the building products sector at large, but the story varies by subsector. Private equity activity in the sector started the year slow, with the mid-to-large cap segment of the market experiencing the strongest slowdown in deal activity, largely due to tightening credit. Deal activity accelerated in the third quarter, as investment firms deployed more capital and opportunistically exited platform investments in sectors with more defined near-term outlooks. In public markets, performance has been mixed, with subsectors tied to contemporary residential and nonresidential building and renovation trends (Glass, HVAC, Outdoor Products)

outperforming the benchmark S&P 500, while others (Lumber & Panels, Home Improvement) have underperformed.

Despite near-term uncertainty – primarily due to elevated interest rates – there are reasons for building products sector optimism heading into 2024. The recent slowdown in key economic indicators such as consumer spending, consumer confidence and job openings has led to a pivot in FOMC commentary –from interest rates likely remaining "higher for longer", to the expectation of three rate reductions in 2024, which has ignited a stock market rally. A reduction in the Fed's benchmark rate could stimulate residential and nonresidential market transaction activity due to reduced borrowing costs and greater financing availability. Furthermore, input prices and supply chain pressures have eased, providing more certainty to sector participants regarding project timelines and costs, resulting in more accurate and predictable financial results. These systemic improvements, overlaid with an enduring wave of demographic-driven demand for residential properties and continually shifting demands for nonresidential space types, will support several building products subcategories, and provide reason for sector optimism.

Macroeconomic Market Update

Federal Reserve's Aggressive Interest Rate Hiking Campaign

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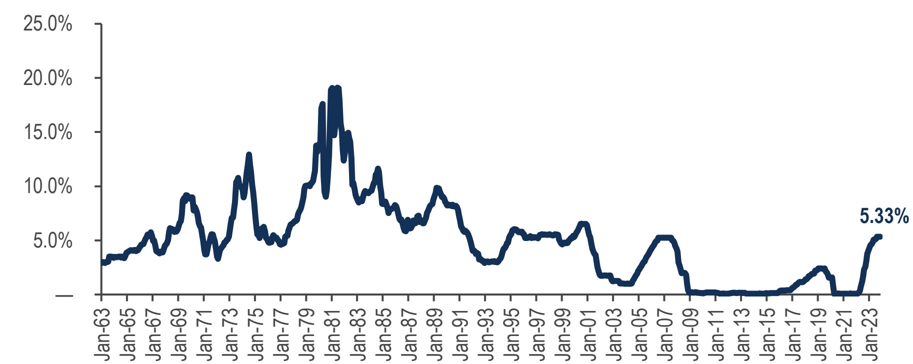
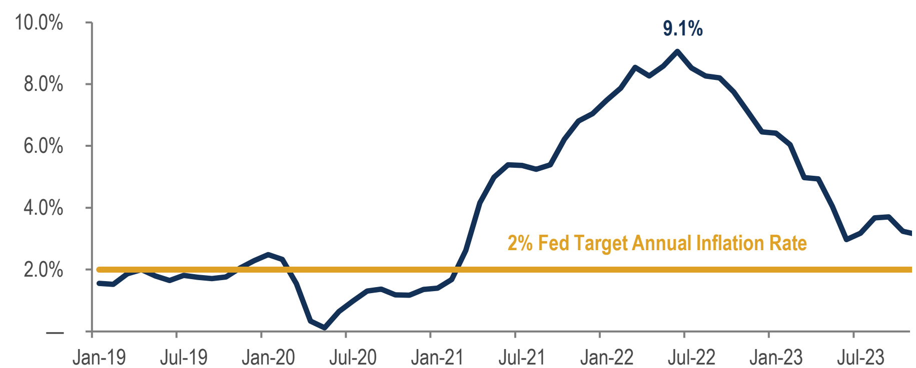
The Federal Reserve has increased its benchmark interest rate 11 times since March 2022, bringing the federal funds rate to a range of 5.25% to 5.50% currently – the highest level in over 22 years

- To curb rapidly rising inflation, the Federal Reserve began a series of federal funds rate increases in March 2022
  - By June 2022, inflation reached 9.1% – the highest level since the 1980s
  - To curb borrowing and with the goal of a non-recessionary "soft landing", the Federal Reserve commenced an aggressive rate hiking campaign resulting in 11 rate increases since March 2022, with the most recent increase in July 2023 to a range of 5.25% to 5.50%
  - Recent economic data on jobs, consumer spending and economic growth has begun to signal economic slowdown, potentially portending rate cuts in 2024
- The Federal Open Market Committee ("FOMC") declined raising the federal funds rate at their three latest policy meetings in September, October and December 2023 as inflation has cooled
  - Inflation as measured by the Consumer Price Index ("CPI") fell to a 3.1% annual rate in the twelve months ended in November – down significantly from the peak in June 2022, but still above the Fed's long run goal of 2%
  - The FOMC decided to hold rates steady at its final policy meeting of 2023 in December, with Fed Chairman Jerome Powell indicating that the Committee is currently anticipating three interest rate reductions in 2024 if current economic trends continue

Effective Federal Funds Rate (1)



Annual Inflation Rate (1)



(1) Federal Reserve Economic Data

Economic Resilience Beginning to Reverse, Potential Rate Cuts in '24

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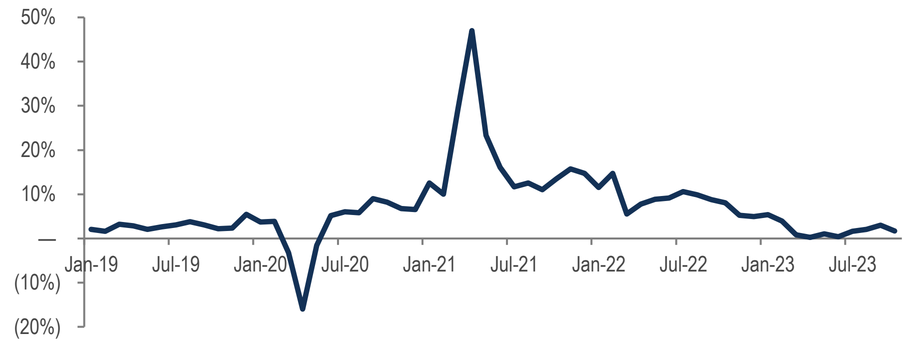
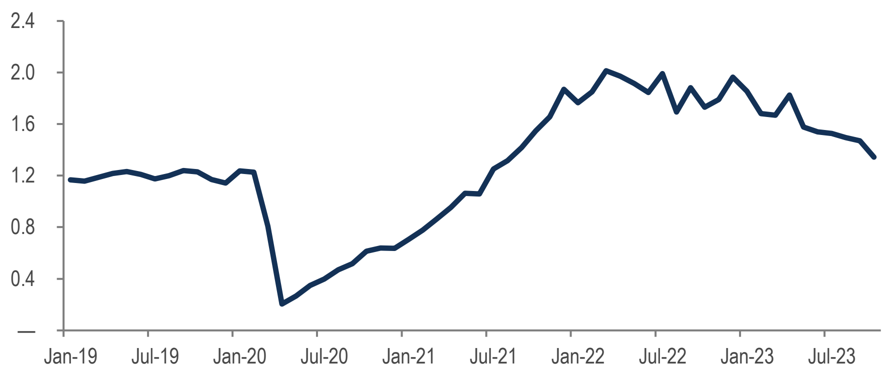
Consumer spending and the labor market remained resilient amidst the Federal Reserve's interest rate hiking campaign but have begun to show signs of a slowdown – as a result, analysts and economists now expect three interest rate reductions in 2024, to bring the federal funds rate to 4.6%

- Despite the Fed's interest rate hiking campaign, retail sales have remained resilient
  - Retail sales rose 0.8% in November from October and 4.2% compared with the same period a year prior
  - Retail spending metrics are not adjusted for inflation, indicating consumer spending growth is outpacing inflation – which registered 0.1% month-over-month in September, or 3.1% on annual basis
  - Despite rising retail sales, consumer confidence declined for three straight months (August to October), before increasing modestly in November
  - The *Expectations Index*, which measures consumers' short-term outlook, improved marginally in November, but remains in the territory that signals near-term economic pessimism for the third straight month
- Similarly, the strong labor market is beginning to exhibit signs of slow down, with 8.7 million job openings as of the end of October – down from the 9.4 million at the end of September, and the 9.5 million at the end of August
  - There were 1.3 job openings for every unemployed worker in October, down from the peak of two jobs-per-worker in March 2022, but still higher than the 1.2 jobs-per-worker that were open before the pandemic

Annual Retail Spending Growth [1]



Job Openings per Unemployed Individual



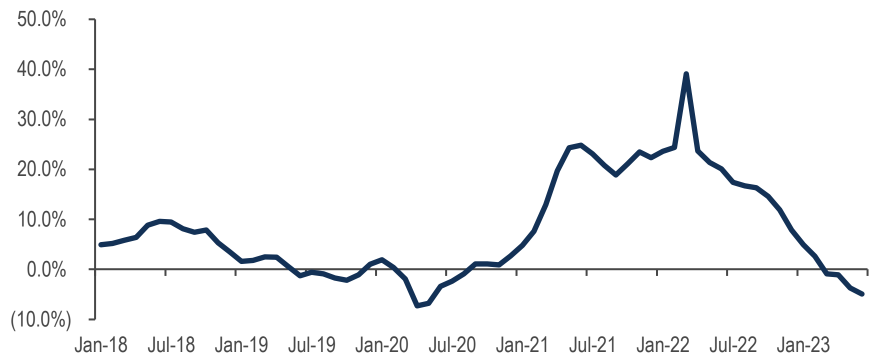
(1) Federal Reserve Economic Data

Construction Material Input Price Growth has Moderated

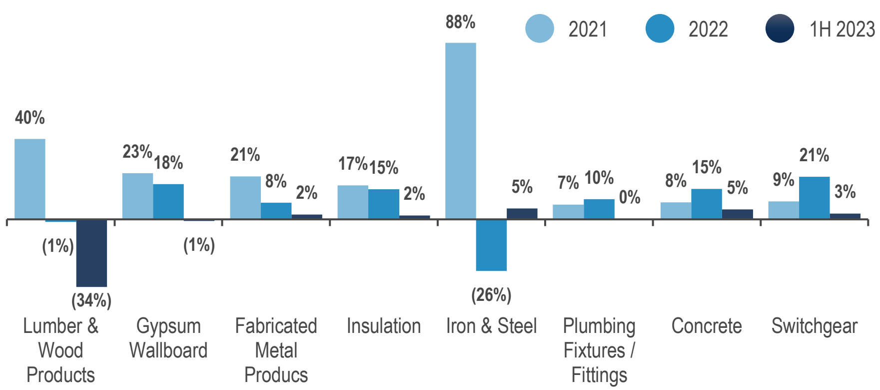
Construction input cost growth moderated considerably following historic increases in 2021 and 2022, but remains elevated relative to pre-pandemic levels; continued demand for construction materials could drive cost increases in the near-term

- Most construction input costs are normalizing following pandemic-induced volatility
  - ~83% of construction materials experienced a significant cost increase since 2020, with an average total cost increase since 2020 of ~19%
  - After a period of extremely high pricing for many materials, most commodities experienced year-over-year declines in pricing growth throughout 2023
  - In September, producer prices in the U.S. rose 0.5% month-over-month, the lowest level in three months
- Prices for key construction materials are expected to continue to moderate into 2024, but remain elevated relative to pre-pandemic levels
  - Strong levels of anticipated construction activity and investment in the medium-term could continue the upward pressure on prices, albeit at lower rates than experienced in 2021 and 2022

Construction Input Cost Index – Annual Change in Material Cost [1]



Annual Cost Increases for Key Construction Materials [1]



(1) U.S. Bureau of Labor Statistics

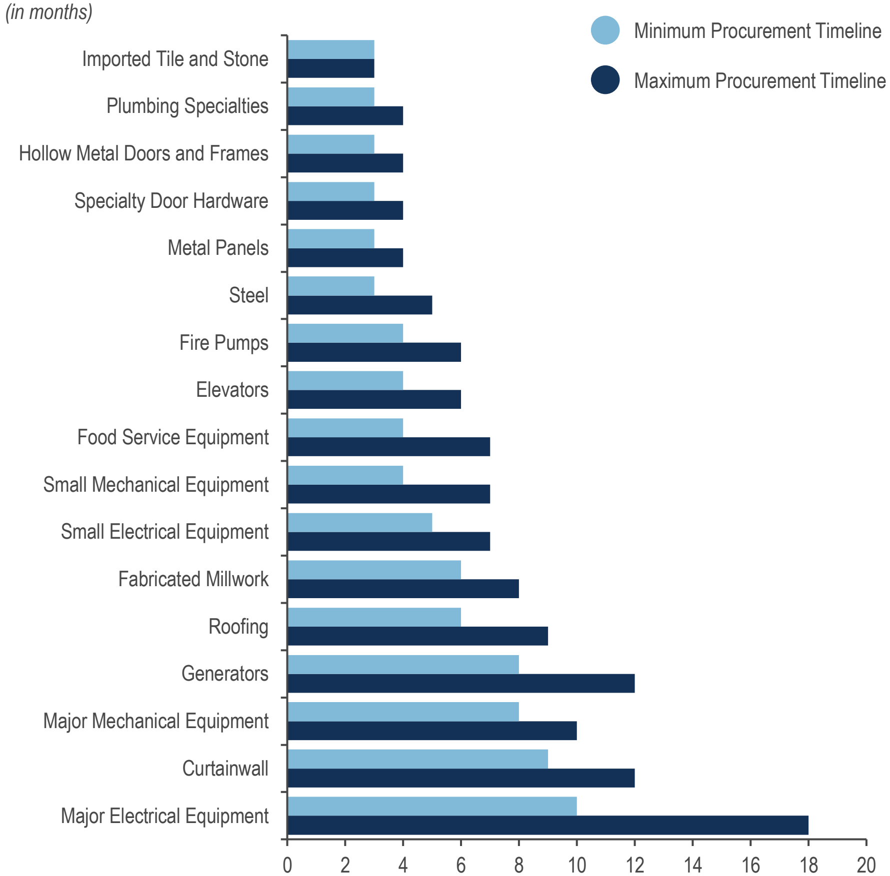
Construction Material Lead Times have Eased, but Remain Elevated

Procurement timelines and availability of construction materials have improved from the pandemic-induced volatility experienced in 2021 and 2022, but both remain elevated relative to historic levels, contributing to a slowdown in project timelines

- Material availability and procurement durations remain extended relative to historical norms, but are more stable and predictable than procurement timelines experienced in 2021 and 2022
  - Pandemic-induced interruptions and restrictions levied upon supply chains led to the decoupling and reconstruction of many once-global supply chains
  - There is a trend toward near-sourcing, with many materials previously sourced overseas now manufactured in closer geographic proximity to the eventual project location
  - The transition to near-sourcing has led to longer lead times in some cases, as regional manufacturing capabilities are being developed
  - Lead times for most construction materials range between four and eighteen months currently, a key consideration for developers when establishing project timelines
- Longer lead times are contributing to extended project timelines for both residential and nonresidential builders and developers
  - The average new single-family home took 8.3 months to complete in 2022, up from 7.2 months in 2021 and 6.8 months in 2020
  - The average new multifamily property took 17.0 months to complete in 2022, up from 15.4 months in 2021 and 2020

Construction Material Procurement Timelines (1)

(in months)



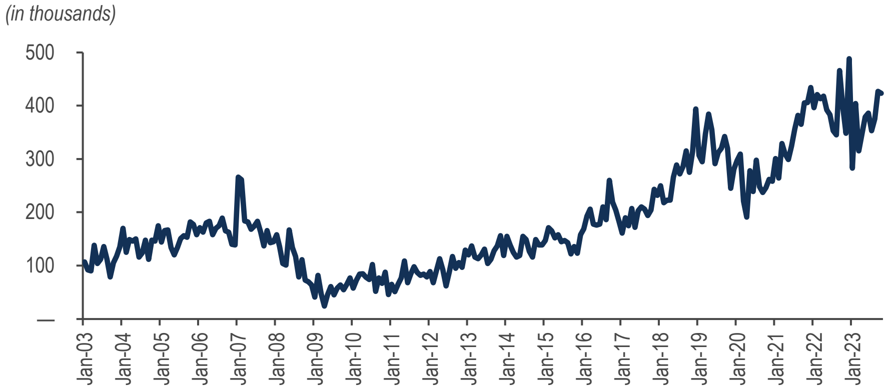
(1) HardHatChat: Trends in Commercial Construction, Development & Management; August 2023

Construction Labor Shortage Continues to Grow, Driving up Wages

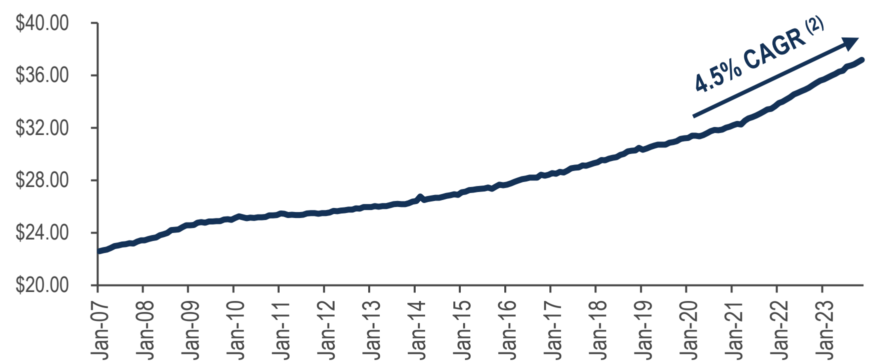
The shortage of construction labor continues to grow, driving up project costs due to higher wages and resulting in delays to project timelines – projections indicate the industry will need to significantly increase the pace of hiring to keep up with the demand for labor

- The construction labor shortage continues to grow and contribute to higher building costs and longer project durations
  - The shortage of construction labor can be traced back to the Great Recession, which resulted in about half of all construction companies going out of business, and many skilled construction laborers finding jobs in new industries
  - In 2022, the construction industry averaged more than 390,000 job openings – the highest annual average on record; as of September, there were ~431,000 openings
  - As of November, the construction industry unemployment rate was 4.8%
- To meet the increasing demand for construction labor, the industry will need to expand its labor pool dramatically; this will be a difficult problem to address in the short term
  - In 2023, it was estimated that over 546,000 additional workers, on top of the normal hiring pace, would be needed to meet demand
  - In 2024, that trend continues with the projected need for more than 342,000 additional workers on top of the normal pace of hiring
  - With 25% of construction workers over the age of 55, the industry is also likely to face a wave of retirements of highly-experienced and productive laborers

Construction Job Openings (1)



Average Hourly Earnings of Construction Workers (1)



(1) Federal Reserve Economic Data
(2) Jan-20 to Nov-23

Residential Market Update

The "Gridlock Effect" has Emerged in the Residential Housing Market

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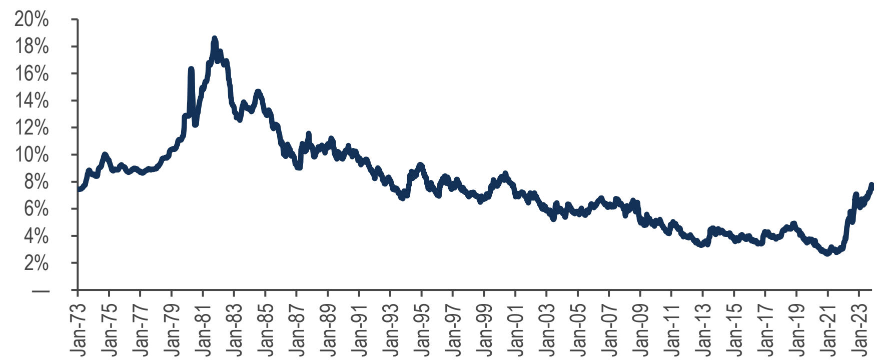
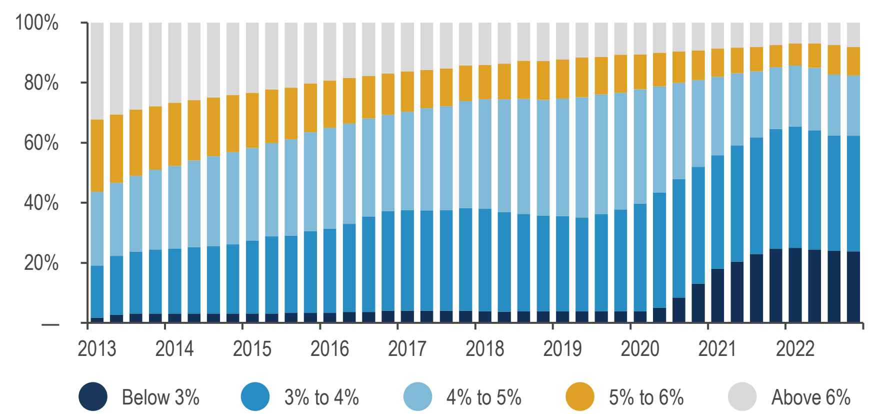
The rapid rise in mortgage rates from ~3% in 2021 to ~8% currently has resulted in nearly every existing U.S. homeowner having a lower rate than what is currently offered in the market, creating a "gridlock effect" whereby both buyers and sellers are discouraged from transacting

- After bottoming out at 2.93% in January 2021, the national average rate for a 30-year fixed mortgage increased to 7.31% as of the end of September – nearly the highest level since 2000
  - Many homeowners capitalized on low rates offered in 2020 & 2021, choosing to refinance their existing mortgage or take out their first mortgage
- The recent spike in mortgage rates has created a so-called "gridlock effect", whereby homeowners feel locked into their home and deterred from selling due to the substantial difference between their existing mortgage rate and what is currently offered in the market
  - More than 9 out of every 10 (92%) U.S. homeowners with mortgages have an interest rate below 6%
  - Roughly 83% of U.S. homeowners have an interest rate below 5%, which is believed to be a critical tipping point according to a recent report from Zillow, which aggregated homeowner feedback and concluded homeowners are twice as willing to sell their home if their mortgage rate is 5% or higher
  - **"High mortgage rates are a double whammy because they're discouraging both buyers and sellers – and they're discouraging sellers so much that even buyers who are out there are having trouble finding a place to buy," said Taylor Marr, Redfin Chief Economist**

30-Year Fixed Rate Mortgage – National Average Rate (1)



Existing Homeowner Mortgage Rates (as of June 2023)



(1) Federal Reserve Economic Data
(2) FHFA, National Mortgage Database

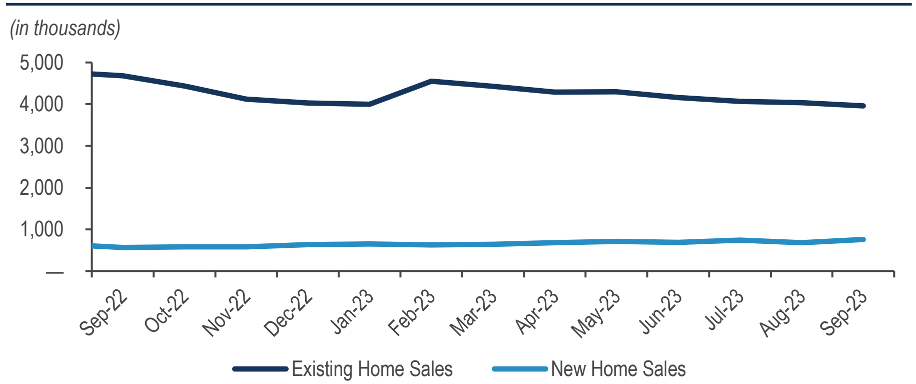
“Gridlock” is Reducing Inventory & Sale Activity for Existing Homes

The number of homes available for sale continues to drop amidst the “gridlock effect”, with September estimates indicating there are ~3 months of available-for-sale inventory on the market at the current sales pace

- In September, there were 1.53 million homes available-for-sale, down 1.6% from August and down 14.6% from the same period in 2022
  - At the current pace of sales, the total number of homes available-for-sale represents an ~3-month supply, which is far below typical levels of ~6 months
  - The number of number of newly listed homes for sale in September was ~511,000, down 8.3% from August and down 9.9% from the same period in 2022
- Existing home sales in September registered a seasonally adjusted annual rate of 3.96 million units – the lowest annual rate since January
  - September’s existing home sales reading was 2.0% below August and 15.4% below the same period in 2022
- Contrary to existing home sales, new home sales surged in September to a seasonally adjusted annual rate of 759,000 units
  - October’s new home sales reading was up 12.3% relative to August and up 33.9% compared to the same period a year prior
  - With limited inventory in the existing homes market, new construction has been an appealing alternative and has attracted determined buyers frustrated by the historically low inventory of existing homes

Total Homes Available for Sale (1)

New & Existing Home Sales – Seasonally Adjusted Annual Rate (2)



(1) Redfin
(2) Federal Reserve Economic Data

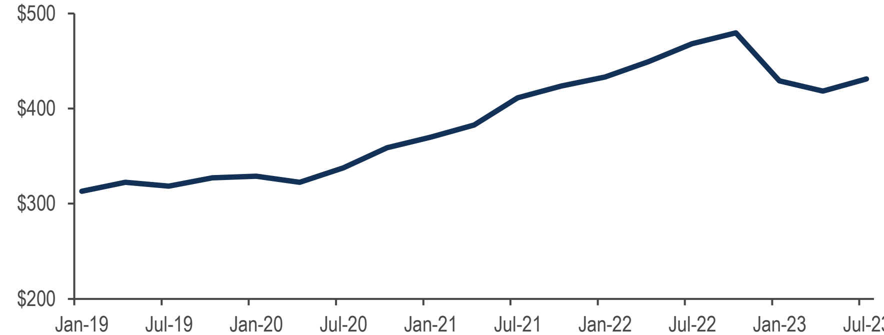
Home Prices Remain Elevated, Constraining Affordability

Persistently high home prices, combined with the highest mortgage rates in decades has increased the cost of ownership by ~65% since the beginning of 2019, constraining affordability and reducing the practicality of homeownership for many would-be home buyers

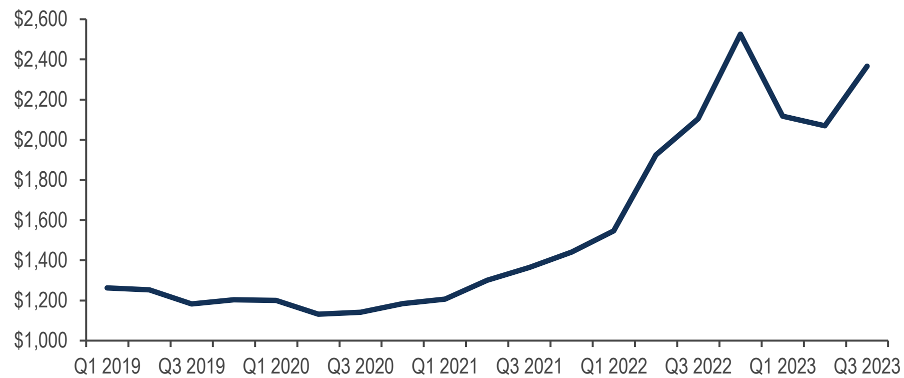
- The national median home sale price in Q3 2023 reached $431,000, up 3.0% from the Q2 2023 reading of $418,500
  - Listing and sale prices have been buoyed by scarce inventory and new construction activity that can not meet the demand required to bridge the inventory gap
- The combination of elevated home prices and multi-decade high mortgage rates created an affordability crunch, forcing many would-be homebuyers to remain on the sidelines
  - Rising mortgage rates have increased the cost of financing 80% of the median home price by roughly $1,167 per month (+97%) since the beginning of 2020, far outpacing cumulative wage growth and inflation over the same period (~20% cumulative growth for both)
  - The monthly mortgage payment for 80% of the value of the median home sale price ($329,000) at the national average mortgage rate (3.6%) in Q1 2020 was ~$1,200
  - As of the end of Q3 2023, the monthly mortgage payment for 80% of the value of the median home sale price ($431,000) at the national average mortgage rate (7.3%) was ~$2,366 – 97% higher than Q1 2020
  - First time homebuyers are often the most sensitive to affordability challenges, given they typically have less cash on-hand for a down payment than elder buyers

Median Home Sale Price [1]

($ in thousands)



Mortgage Payment for Median Priced Home at National Average 30-Year Rate



(1) Federal Reserve Economic Data

Existing Homeowners are Increasingly Turning to Remodeling

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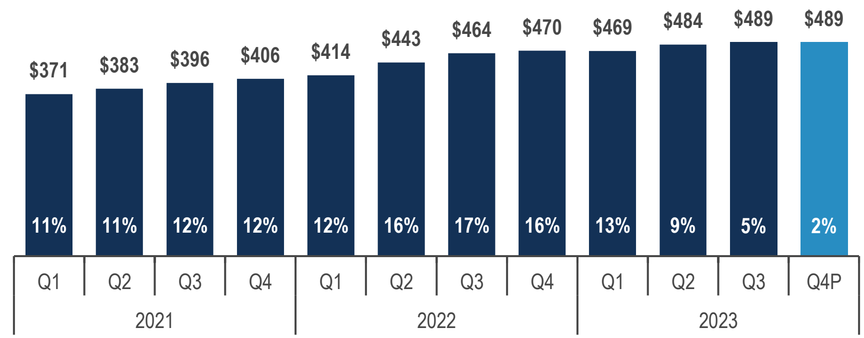
Remodeling volume and spending continues to grow, as homeowners across the demographic spectrum are increasing their remodeling investment and planning to remain in their home long-term following renovations

- Homeowner remodeling activity continues to accelerate amidst the "gridlocked" residential housing market
  - The rolling four-quarter total for remodeling spending increased to $489 billion as of the end of Q3 2023, representing a 5% increase over the prior four-quarters
  - Nearly 3 in 5 homeowners remodeled in 2022 (58%), representing an increase over 2021 (55%), 2020 (53%) and 2019 (54%)
  - Renovation is continuing at a high rate in 2023, with over half (55%) of homeowners indicating planned projects
- An increasing number of homeowners are indicating plans to remain in their home long-term following the completion of renovations
  - Existing homeowners are reluctant to leave their homes in the current high mortgage rate environment
  - In 2022, 60% of homeowners indicated they plan to remain in their home for 11+ years following renovations, compared to 6% that plan to sell soon after renovating, which is down from 12% in 2018
  - The median spend for home renovations increased by more than 20% in 2022, with the median spend for the top 10% of spend increasing by 40%

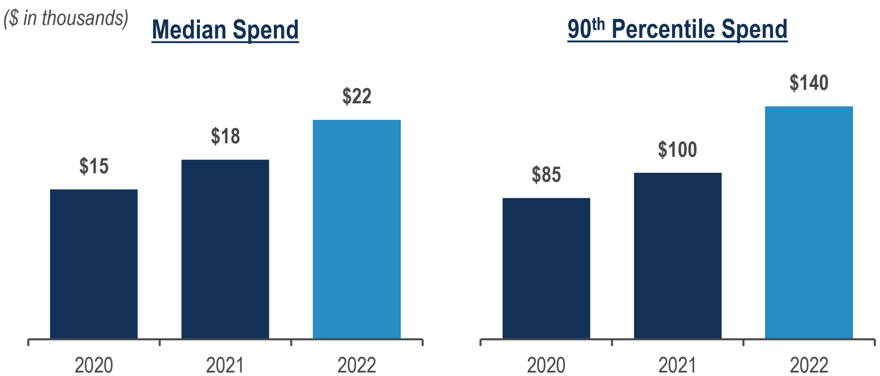
Rolling Four-Quarter Homeowner Remodeling Spending (Quarterly Growth) (1)

($ in billions)



Continued Growth in Median Homeowner Renovation Spend per Household (1)

($ in thousands)



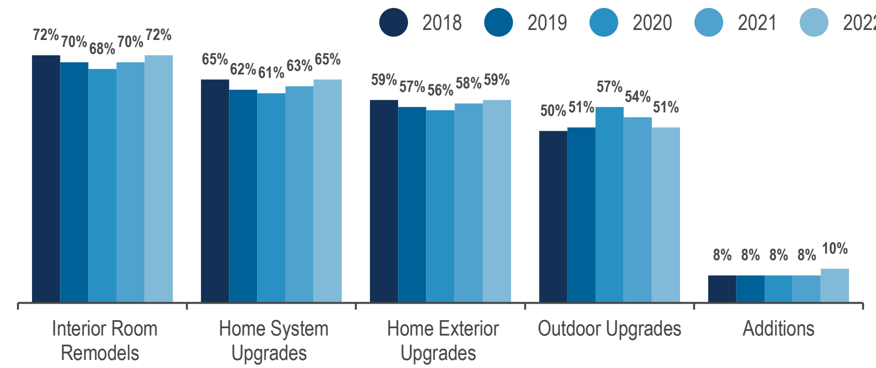
(1) LIRA
(2) Houzz

Remodeling Focus on Interior Renovation & Professional Service

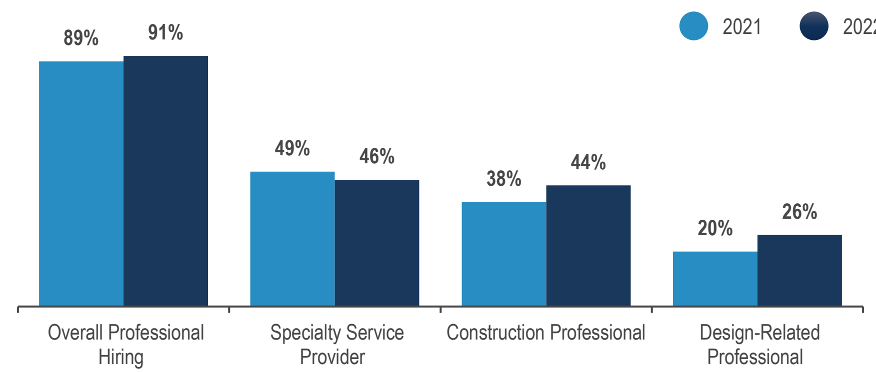
Interior spaces – including kitchens and bathrooms – remain the most popular and highest-spend remodeling projects, while home system upgrades focused on automation and security gain momentum with millennial homeowners

- Interior spaces remain the most popular remodeling projects, with homeowners tackling an average of three interior projects at a time
  - Kitchen and bathroom remodels remain top interior remodeling projects, with a larger share of homeowners upgrading these spaces in 2022 (28% and 25%, respectively) compared to 2021 (27% and 24%)
  - Kitchen and primary bathroom remodels command the highest median spend of all interior projects, at $20,000 and $13,500, respectively
  - Kitchen and primary bathroom remodeling spend continues to grow, with the median expenditure increasing by 33% and 50% in 2022, respectively
- After interior spaces, home system upgrades were the second most common renovation, and particularly popular amongst millennial homeowners
  - Millennials undertook the most home system upgrades (72% of millennial remodelers) in 2022 compared with older generations, with automation and security as the top two priorities (34% and 31% of remodelers, respectively)
- Homeowners continue to increasingly rely on professional help in their remodeling projects, with more than 90% of renovating homeowners hiring professional assistance in 2022

Frequency of Renovation Activity [1]



Frequency of Professional Hiring by Renovating Homeowners [1]



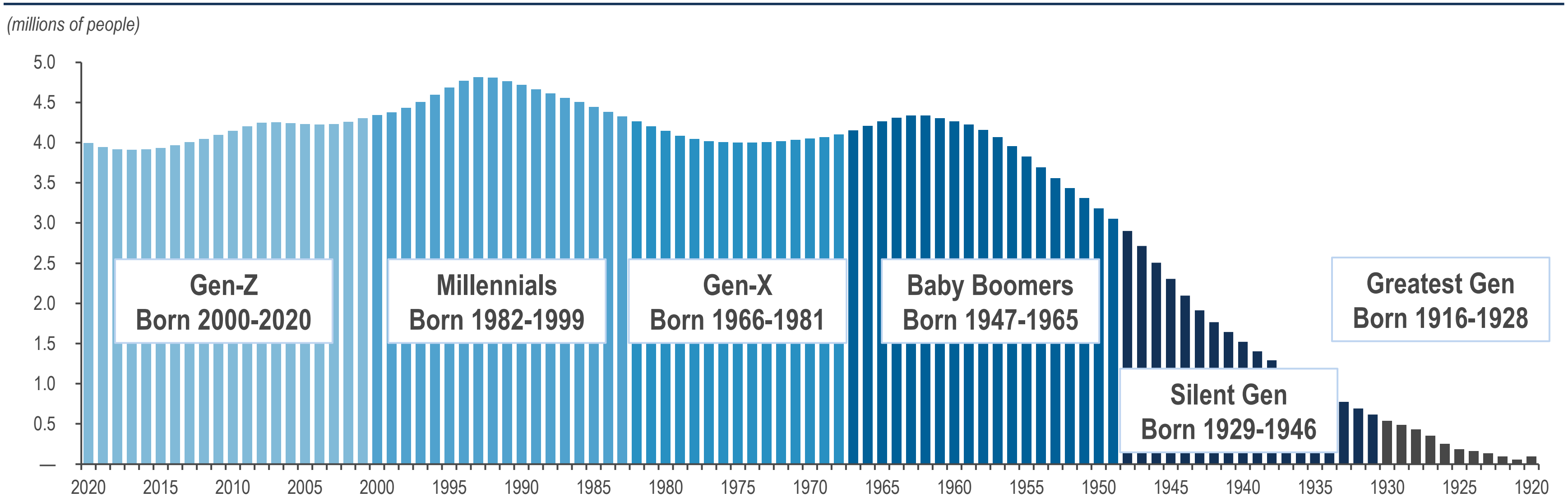
(1) Houzz

Long-Term Demographics Remain Favorable for Housing Demand

The long-term demographics for housing demand remain robust, as there are more than one-hundred million Americans set to cross the median home buying age of thirty-four by 2040

- Despite short-term challenges around inventory availability and affordability, the long-term demand outlook for the residential housing market remains robust
  - The younger Millennials and Gen Z cohorts combine to total more than one-hundred million individuals that are set to cross the median home buying age of thirty-four by the year 2040 – both cohorts continue to express strong interest in homeownership, with roughly two-thirds believing that homeownership is a critical tenet of the American Dream
  - Due to challenges associated with the Global Financial Crisis, COVID-19 pandemic and availability / affordability challenges, younger Millennials and Gen Z have entered the home buying market more slowly than past generations
  - However, during 2022, Millennials accounted for 43% of home buyers, the most of any generation; Gen Z accounted for just 2% of buyers

Total U.S. Population by Birth Year – Impending Wave of Millennial Home Buyers Approaching Prime Home Buying Ages [1]



(1) Knoema

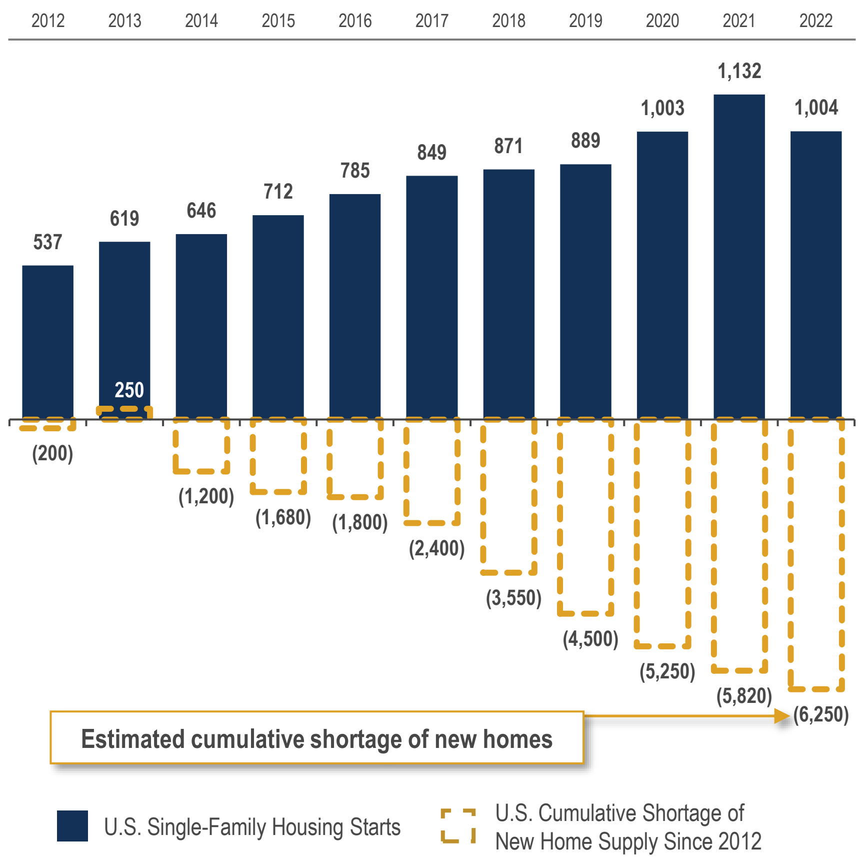
Growing Shortage of Single-Family Homes

The United States is experiencing the largest housing shortage in its history, with an estimated shortage of 6.3 million units as of the end of 2022 – requiring significant construction to address the shortage

- The estimated 6.3-million-unit shortage in the U.S. can be traced back to both supply and demand drivers:
  - From a supply perspective, the primary driver of the shortage has been historical underbuilding, much of which can be traced back to the Great Recession
  - Following the Great Recession, with about 50% of construction companies going out of business and construction labor exiting the industry, builders have not been able to meet demand
  - There was a roughly 80% drop in new construction from the peak in Q3 2005, to the trough in Q1 2009
  - The industry continues to face challenges, including the aforementioned availability of construction labor and cost of building materials
  - From a demand perspective, the U.S. population has more than doubled since 1950; additionally, Americans are living longer
  - There are many more people living alone today – both seniors, and young unmarried adults – increasing the need for housing units relative to decades ago
- Builders need to introduce more than 1.1 million homes annually to meaningfully reduce the deficit, after taking into account hundreds of thousands of homes lost each year to disasters

Single-Family Starts & Cumulative Housing Shortage [1]

(thousands of units)



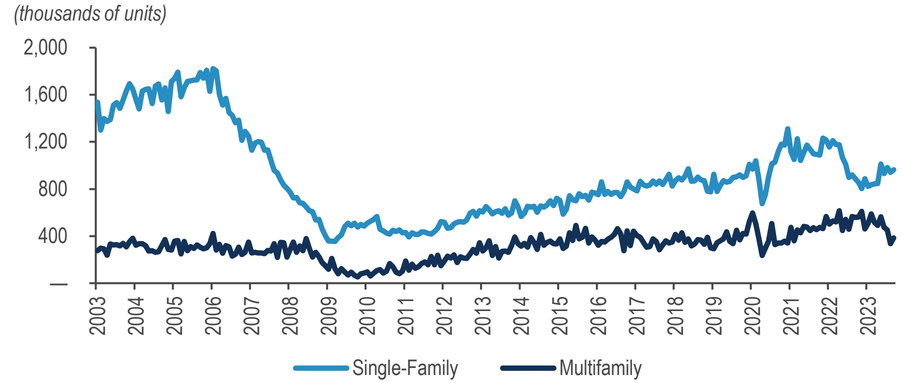
(1) Federal Reserve Economic Data; housing shortage calculation considers current levels of housing formation, rate of new formation and rate of new home construction

Strong Single-Family Construction, Moderating Multifamily Construction

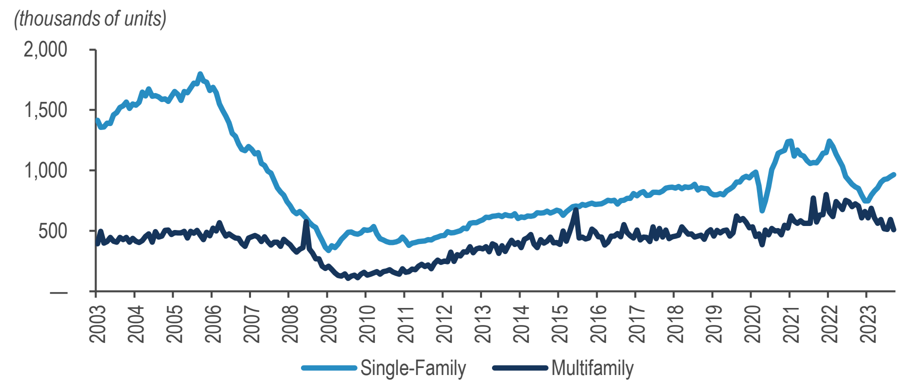
Single-family starts and permit levels have been strong throughout 2023, as homebuilders introduce new supply to a tight, "gridlocked" residential housing market; multifamily starts and permit levels have cooled from peak levels experienced in 2022

- The "gridlock effect" in the existing homes market fueled investment in new homes at an elevated pace throughout much of 2023, as builders aim to bring new inventory to a supply-constrained market
  - Single-family housing starts rose to a seasonally adjusted annual rate of 963,000 in September – 3.2% above the August reading and 8.6% higher than the same period a year prior
  - Single-family housing permits increased 1.8% from August and 11.6% from the same period a year prior to a seasonally adjusted annual rate of 965,000 units
- Multifamily starts and permit activity has moderated in 2023, following heightened activity in 2022; however, starts and permit levels remain in-line with the trendline of the past decade
  - Multifamily housing starts (5+ units) rose to a seasonally adjusted annual rate of 383,000 in September – 17.1% above the August reading, but 31.5% below the same period a year prior, when multifamily starts were near peak levels
  - Despite the ~32% year-over-year decline in multifamily starts in September, YTD starts were ~360,000, down only ~10% from the ~400,000 starts for YTD September 2022

Single-Family & Multifamily Unit Starts [1]



Single-Family & Multifamily Permits [1]



(1) Federal Reserve Economic Data

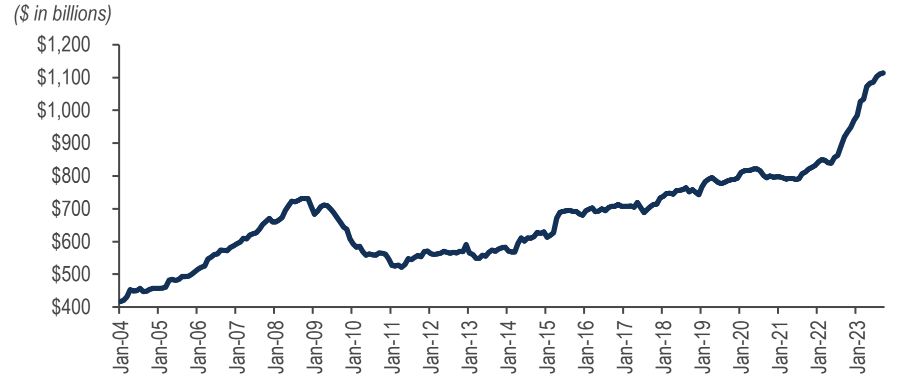
Nonresidential Market Update

Nonresidential Construction Activity Remains Above Historical Levels

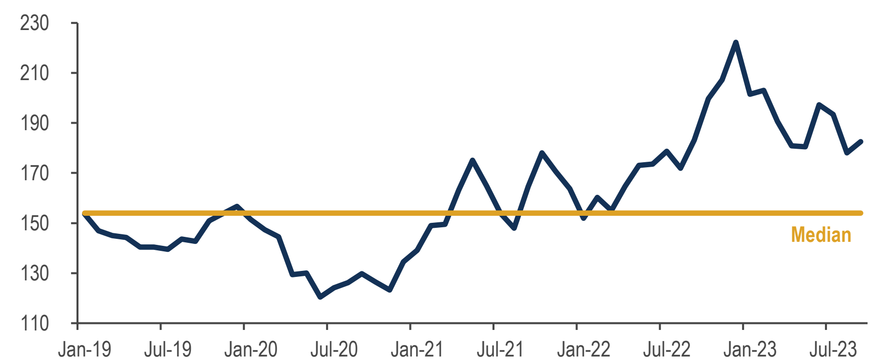
Nonresidential construction activity remains well-above historical levels, driven by significant investment in the nation's infrastructure, as well as a variety of other commercial and institutional sectors that are experiencing growing demand from an evolving economy

- The seasonally adjusted annual rate of nonresidential construction rose to $1.1 trillion in September 2023, up 0.4% from the August reading, and up 8.7% from the same period a year prior
  - Numerous sectors are driving the year-on-year increase, including manufacturing (+62%), education (+19%), healthcare (+15%) and lodging (+15%), all of which are generating annual growth in spending exceeding 15%
  - Additionally, the sectors collectively defined as "Infrastructure" (communication, highway & street, power, sewage & waste disposal, transportation and water supply) generated an annual spending rate of $415 billion in September – up 12% from last September's rate of $369 billion
- The Dodge Momentum Index ("DMI"), a monthly measure of nonresidential projects in planning, increased 3.0% month-over-month in September to a reading of 182.5
  - The commercial component of the DMI fell by 1.0% from August, while the institutional component increased by 9.4%, driven by strong planning activity for education and healthcare facilities
  - The commercial segment was primarily impacted by weaker office planning activity

Seasonally Adjusted Annual Rate of Nonresidential Construction Spending (1)



Dodge Momentum Index (2)



(1) U.S. Census Bureau
(2) Dodge Construction Network

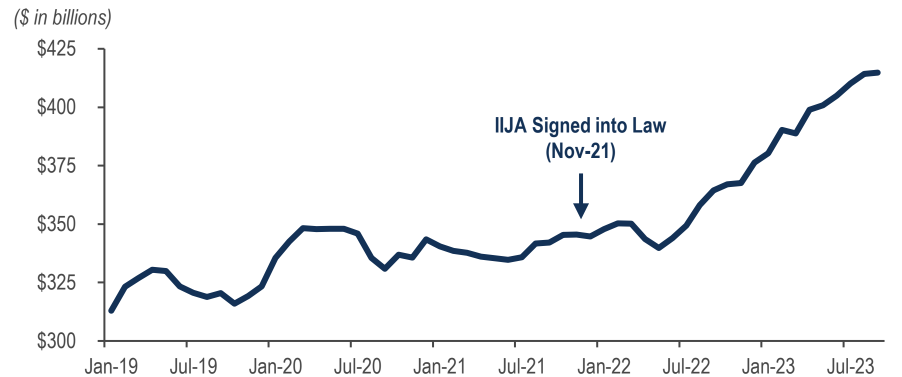
Infrastructure & Manufactured-Related Spending is Strong

The combination of the 2021 Infrastructure Investment & Jobs Act ("IIJA") and 2022 CHIPS & Science Act, which allocate $1.2 trillion and $250 billion, respectively, to improving the nation's infrastructure and manufacturing capabilities, are in the initial phase of deployment

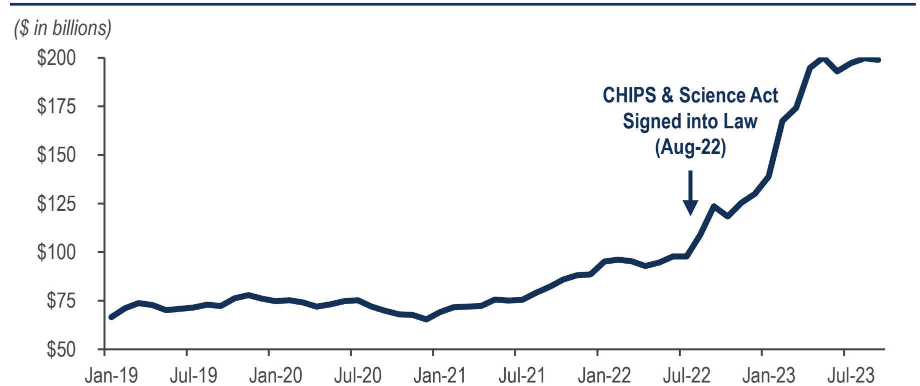
- The Infrastructure Investment & Jobs Act ("IIJA"), also known as the Bipartisan Infrastructure Law (BIL), was signed into law on November 15, 2021
  - The law authorizes $1.2 trillion in infrastructure spending over the next five-to-ten years, including $550 billion authorized toward "new" investments and programs:

$110b *Roads & Bridges*	**$66b** *Railroads*
$65b *Power Grid*	**$65b** *Broadband*
$63b *Water Infrastructure*	**$50b+** *Cybersecurity*
$39b *Public Transit*	**$25b** *Airports*
$21b *Environmental Clean-Up*	**$17b** *Ports*
$15b *Electric Vehicles*	**$11b** *Safety*

Seasonally Adjusted Annual Rate of Infrastructure Construction Spending (1) (2)



Seasonally Adjusted Annual Rate of Manufacturing Construction Spending (1)



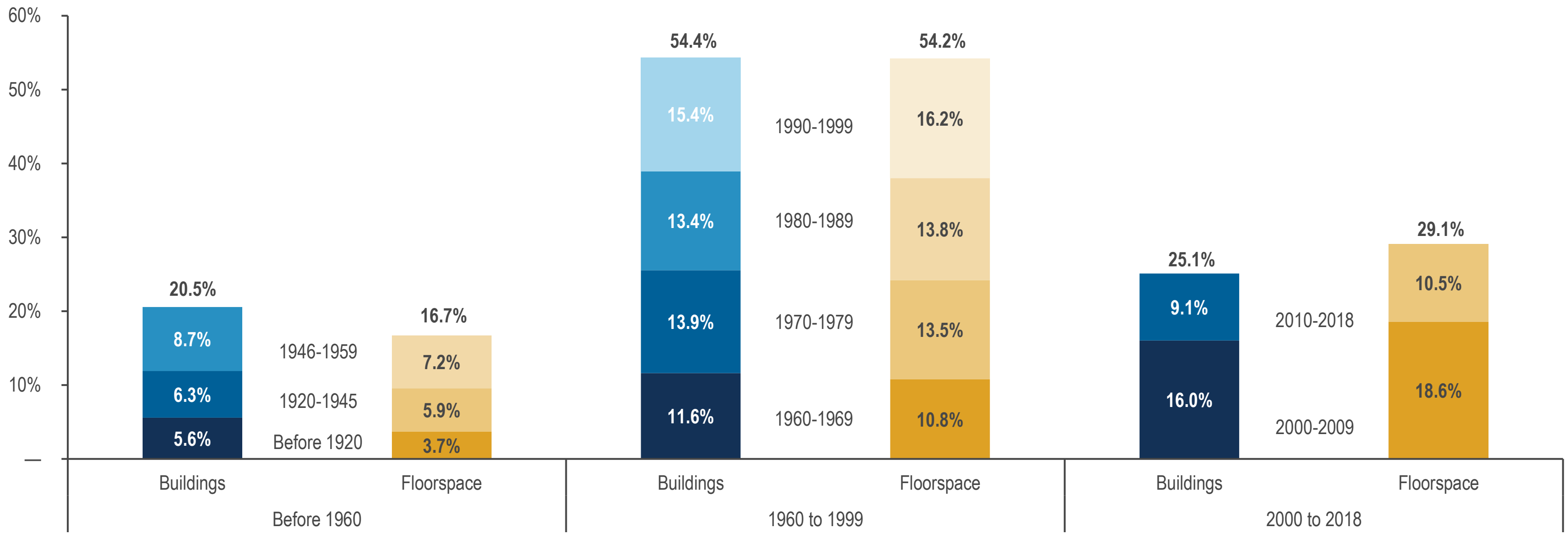
(1) U.S. Census Bureau
(2) "Infrastructure" includes communication, highway & street, power, sewage & waste disposal, transportation and water supply sectors

Aging Installed Base Supports Continued Investment

A rapidly aging and outdated installed base, an evolving modern economy generating shifting demands for space and building types and significant federal infrastructure investment will all contribute to meaningful nonresidential construction activity in the decade to come

- Multiple underlying growth drivers will continue to fuel significant nonresidential construction activity and investment:
  - First, the U.S. nonresidential building stock is largely comprised of aging buildings – more than 60% of buildings and floorspace were constructed before 1990; these 30+ year-old structures lack the aesthetic and functional characteristics of modern buildings, which will drive the need for renovation and updates
  - Second, the evolving modern economy is continuing to generate changing demands for space types, which will require the construction of new buildings, as well as the retrofit / repurpose of existing buildings
  - Finally, historic levels of planned investment to refresh and expand the nation's infrastructure will take effect over the next decade

U.S. Commercial Buildings by Year Constructed (1)



(1) U.S. Energy Information Administration

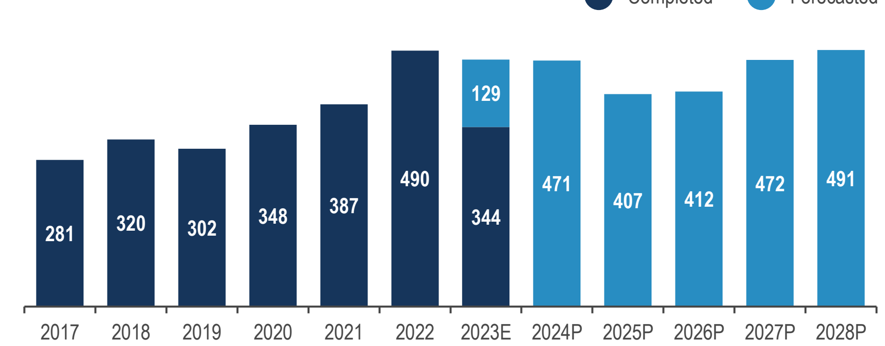
Long-Term Fundamentals Remain Strong for Warehouse Demand

Demand for warehouse space remains strong, driven by continued growth in eCommerce sales, expanded distribution networks and shifting company philosophies toward carrying higher inventory levels to mitigate supply chain delays and disruptions

- Warehouse construction slowed modestly thus far in 2023 from record-high levels in 2022, but remains elevated compared to historical levels experienced pre-2022, driven by:
  - eCommerce sales totaled $277.6 billion in the second quarter of the year, up 2.1% from the first quarter and 7.5% from the second quarter of 2022
  - eCommerce's share of core retail sales (excluding food, automobiles and gasoline) increased to 18.4% in the second quarter, up from 18.1% in the first quarter
  - Online sales require more logistics space than brick-and-mortar because distribution networks need to be larger and decentralized to deliver goods quickly
  - Further, because of the pandemic, many firms moved from just-in-time inventory management to just-in-case, which reduces exposure to supplier delays but requires more warehouse space
- Rental rates for warehouse space reached $9.59 per sq. ft. in the second quarter, up 16.1% from the same period a year prior
  - Customers and suppliers typically sign deals with terms of three-to-five years, thus increasing rental rates signal strong medium-term demand for space
  - 4.1% vacancy rate in the second quarter remains well below the ~5% average vacancy rate in 2020

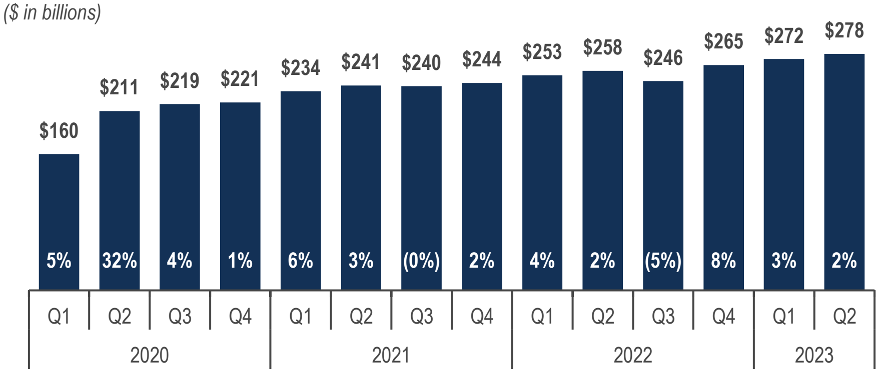
National New Warehouse Supply Forecast (1)

(millions of square feet)



eCommerce Sales by Quarter (% Quarterly Growth) (2)

($ in billions)



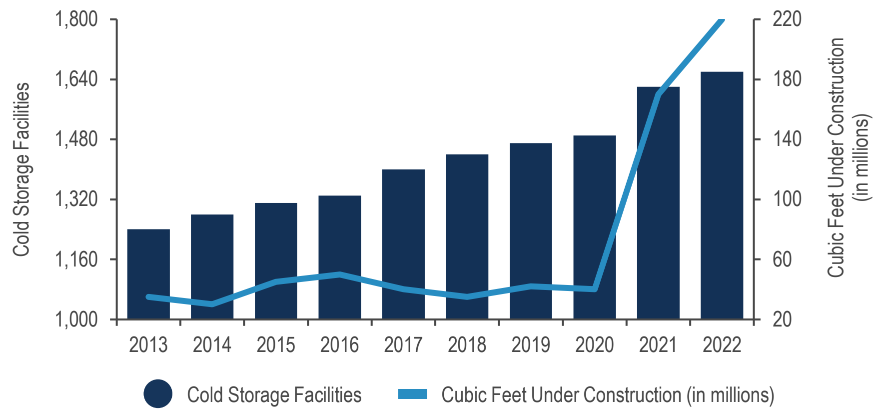
(1) Yardi
(2) U.S. Census Bureau

Demand for Cold Storage Space is High, Attracting Investor Interest

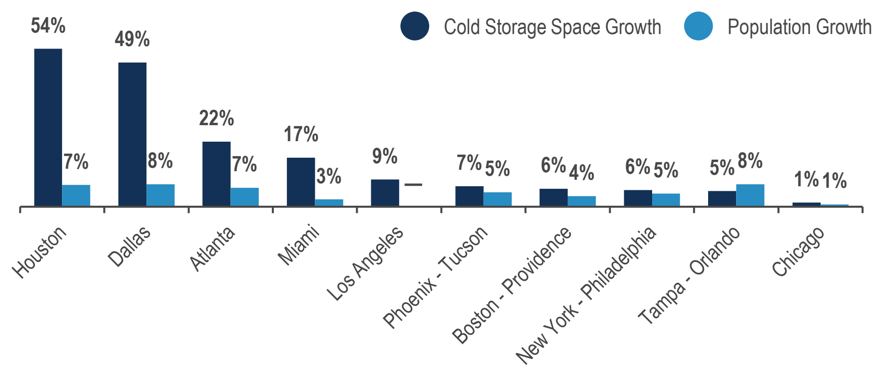
The cold storage sector continues to experience strong demand, driven by pandemic-fueled online food & grocery trends – thus attracting institutional investment and further development of supply across the country

- The cold storage segment is rapidly growing and continuing its pandemic-induced momentum, thus attracting significant investor interest
  - New cold storage development hit an all-time high of 9.8 million square feet (an estimated 216.2 million cubic feet) by the end of 2022
  - 7 of the top 10 cold storage markets are in the Sunbelt states, 6 of which have seen the largest increases in cold storage space since 2017 (26% CAGR)
- Trends in the food supply business that began pre-pandemic, such as the rise of meal prep kits and grocery home delivery services, took off during the pandemic and continue to grow
  - eCommerce's share of total grocery sales in the U.S. is projected to increase from 13% in 2021 to 22% in 2025, a CAGR of ~7%, compared to the projected in-store sales CAGR of ~2%
  - Online food and grocery delivery sales require "last-mile" cold storage fulfillment operations
- Additionally, despite significant new supply, the average age of cold storage facilities in the top U.S. markets is 37 years
  - The average age of facilities presents challenges due to inefficient systems and the need for modern functional space, driving the need for renovation

Cold Storage Facility & Capacity Growth (1)



Top Cold Storage Markets by Capacity (2)



(1) U.S. Bureau of Labor Statistics
(2) Newmark; 5-Year Growth from 2017 to 2022

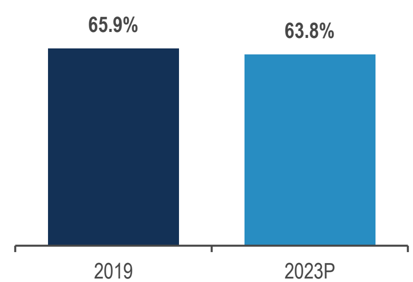
Hospitality Volume has Rebounded, Driving New Hotel Construction

New hotel construction continues to experience strong growth, particularly in the upscale and upper-midscale segments of the market, driven by rising travel volume and occupancy rates that have met or exceeded pre-pandemic levels

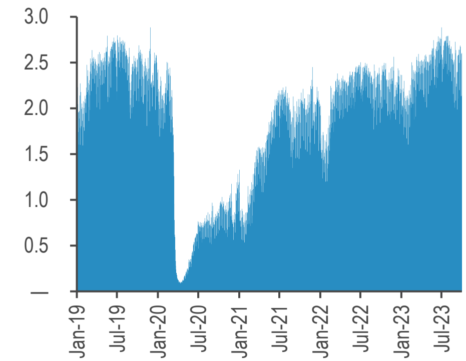
- Travel and tourism volume has recovered to pre-pandemic levels, driving significant construction activity in the hospitality / lodging sector
    - Hotel occupancy rates are projected to average ~64% throughout 2023, roughly in line with 2019 levels, and up from a historic low of 44% in 2020
    - TSA checkpoint volume has exceeded 2019 levels in recent months
- The return of travel and tourism volume, combined with continued consumer spending and confidence, is driving builder confidence and significant new hotel construction activity
    - The current hotel new construction pipeline stands at 5,572 projects with 660,061 rooms – representing a 7% annual increase in projects and 6% annual increase in rooms
    - Further, projects and rooms scheduled to start construction in the next twelve months are 2,232 and 260,595, respectively – up 11% and 12% annually
    - The second quarter of 2023 marked the 10th consecutive quarter that the number of hotel rooms in early planning for development has exceeded 200,000
    - Upscale and upper-midscale new hotels account for 62% of projects and 57% of rooms in the pipeline

Hotel Occupancy Rates & TSA Checkpoint Volume

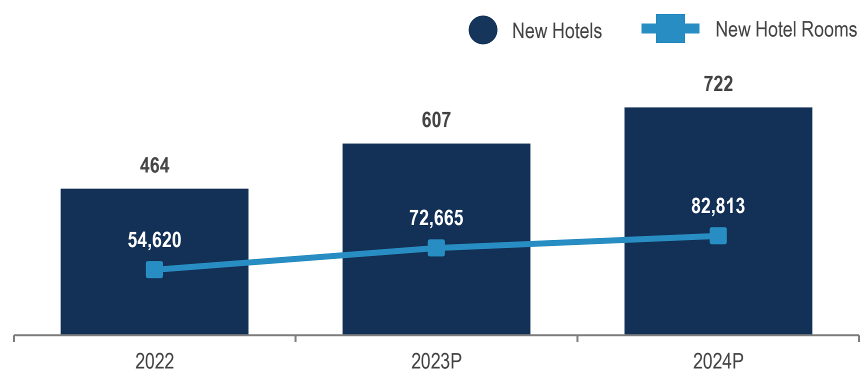
Hotel Occupancy Rates [(1)]



TSA Checkpoint Volume [(2)]



New Hotel & Hotel Room Openings by Year [(3)]



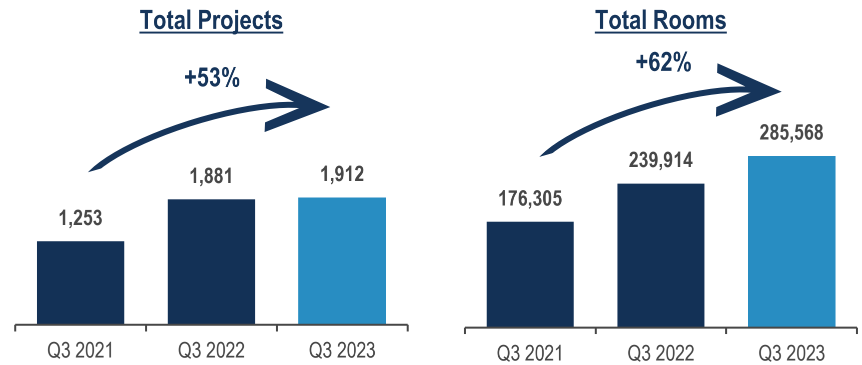
(1) American Hotel & Lodging Association
(2) TSA (in millions of travelers)
(3) Lodging Econometrics

Return of Hotel Renovation Spending Deferred During the Pandemic

The "pent up" backlog of renovation and brand conversion projects has begun to unwind itself, resulting in record levels of renovation and conversion activity and driving capital expenditure growth for hotel owners

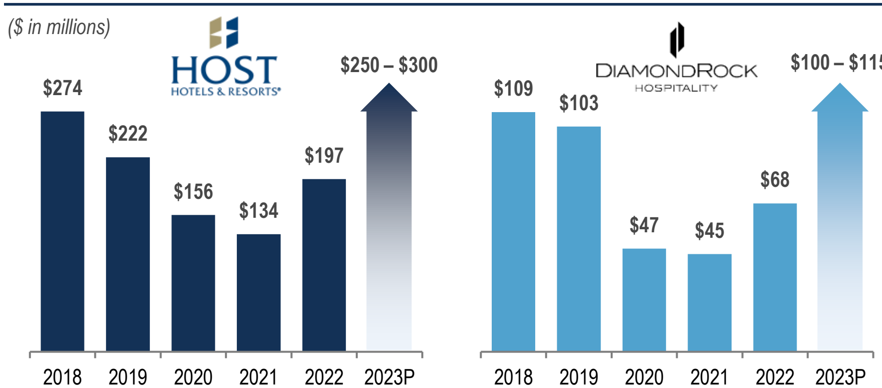
- In addition to strong new construction activity, meaningful renovation and brand conversion activity is taking place in the hospitality / lodging market
  - During the COVID-19 pandemic, hotels were challenged by historically low occupancy and daily average rates, leading to significant capital constraints
  - In response, hotels largely deferred capital expenditures – given the short planning time required and discretionary nature of renovations in the short term, "refresh spending" was more heavily impacted than new construction spending
  - However, now that occupancy and daily rates have rebounded, hotels have begun to unwind the significant backlog of "refresh spending", driving strong renovation and brand conversion activity
  - The combined renovation and conversion activity pipeline accounts for 1,912 projects and 285,568 rooms, a peak total room count at the end of Q3 2023
- Hotels have significant economic incentives to renovate rooms
  - The average RevPAR[3] delta for recently renovated hotels and those that have not been renovated in the past five years reached ~$19 in Q3 2022, up from ~$6 in 2020 – providing significant financial reward for hotel owners' capital investments

Hotel Renovation and Conversion Activity Pipeline [1]



Example Hospitality-Focused REIT Renovation & Repair CapEx [2]

($ in millions)



(1) Lodging Econometrics
(2) CapitalIQ

(3) Revenue per Available Room is a metric in the hospitality industry used to measure hotel performance; RevPAR is calculated by dividing a hotel's total room revenue by the total number of available rooms in the period being measured

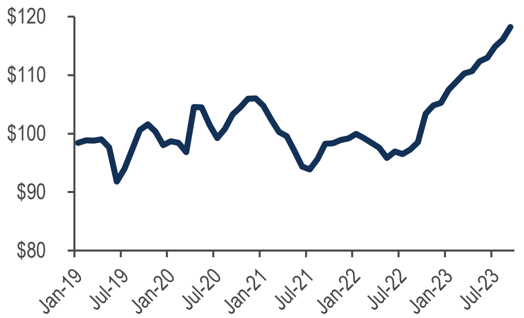
Education & Healthcare Construction Spending Continues to Rise

Educational and healthcare facility-related construction spending continues to rise, underpinned by structural tailwinds and public and private investment that portend continued spending growth in the years to-come

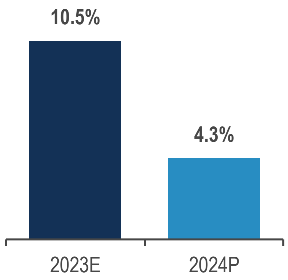
- The seasonally adjusted annual rate of construction spending related to educational facilities reached $118 billion in September 2023, up 20% from the $99 billion annual rate in the same period a year prior
  - Educational facility-related construction spending is being driven by several factors, including (i) general population growth, (ii) the integration of technology into schools, (iii) increased focus on STEM education and the specialized facilities required, (iv) aging installed base requiring modernization and refreshment, and (v) public and private sector investment
- The seasonally adjusted annual rate of construction spending related to healthcare facilities hit $62 billion in September 2023, up 18% from the $53 billion annual rate in the same period in 2022
  - Fundamentally, the outlook for construction spending related to healthcare facilities remains strong, largely driven by structural factors including (i) the rapidly aging U.S. population, (ii) the extension in life expectancy across the country, and (iii) significant public and private investment, particularly by venture capital

Historical & Projected Education-Related Construction Spending

Seasonally Adjusted Annual Rate of Spending (1)

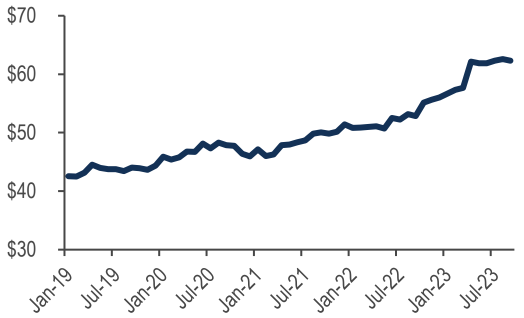


Projected Spending Growth (2)

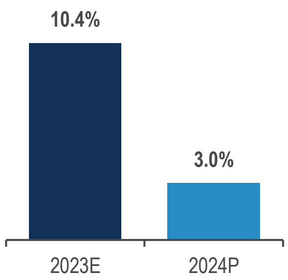


Historical & Projected Healthcare-Related Construction Spending

Seasonally Adjusted Annual Rate of Spending (1)



Projected Spending Growth (2)



(1) U.S. Census Bureau
(2) The American Institute of Architects

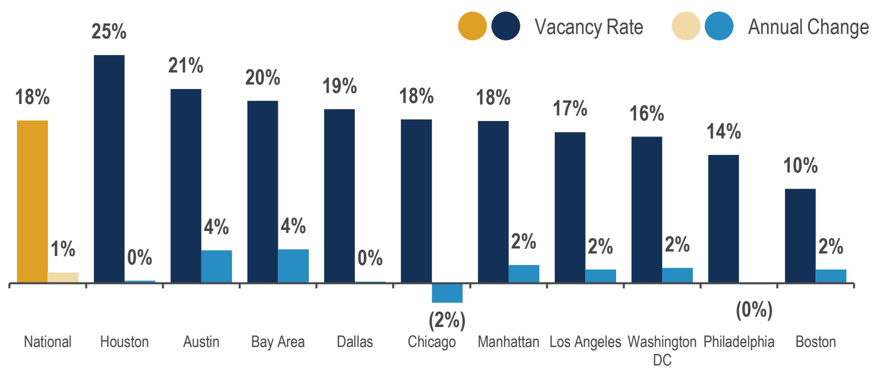
Office Vacancy Rates Rise as Return-to-Office Momentum Slows

Office occupancy rates have eclipsed 50% for the first time since prior to the pandemic, but remain about half of what they were pre-pandemic; the widespread adoption of remote work and decline of return-to-office momentum is sustaining high vacancy rates

- A post-labor day surge increased office occupancy rates across ten of the largest U.S. metros to 50.4% for the week ended September 27th, the highest occupancy rate since the onset of the pandemic
  - Despite the surge, occupancy rates in big cities are still approximately half of what they were in 2019
  - Trends have emerged showing most employees going to the office in the middle of the week, with office attendance being the lowest on Mondays and Fridays
  - For the week ended September 27th, the lowest occupancy day of the week was Friday, at 33%, while the highest occupancy day of the week was Tuesday, at 59% – a dynamic that holds true across metro areas
  - Return-to-office momentum is slowing, with commute time being the main reason cited by employees – many are unwilling to give up the extra daily time they have become accustomed to
- The national average office vacancy rate in September was 17.8% – 1.2% higher than the same period a year prior
  - Tech markets in the west, particularly San Francisco and Seattle, continued to record some of the highest vacancy rates in September – tech dominated metros are facing headwinds due to widespread industry layoffs and the increased adoption of remote work

Office Occupancy Rate Over Time – Average of Top 10 U.S. Metros (1)

Office Vacancy Rates & Annual Change by Top U.S. Metros (2)



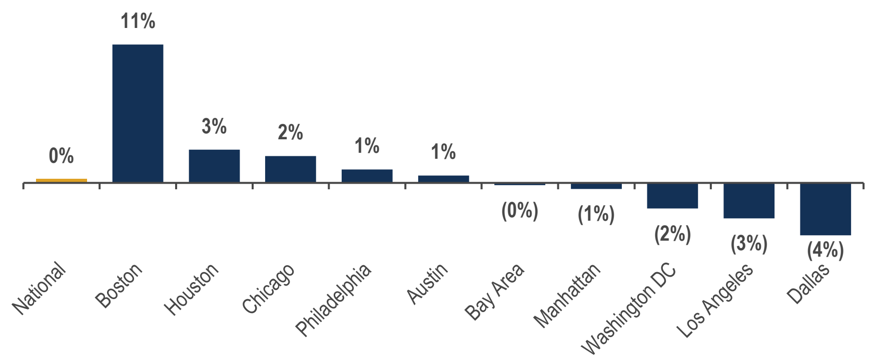
(1) Kastle
(2) CommercialEdge; Annual Change measured as Sep-23 vs. Sep-22

Declining Office Rents & an Uncertain Outlook

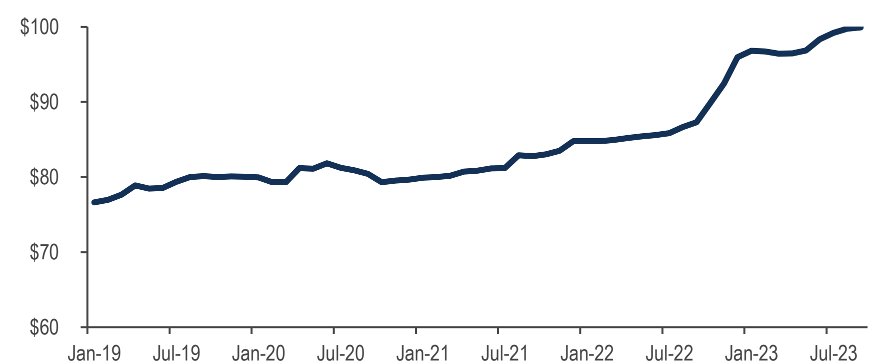
High vacancy rates have cooled office rents, but office construction spending remains resilient, driven by in-process projects and the need to modernize an aging installed base

- The result of slowing return-to-office momentum and rising vacancy rates is moderating, or reducing, listing rental rates across the country
  - Tech heavy metros such as San Francisco and Seattle show annual growth, due to favorable comps to the year-ago period, while "hot" pandemic markets such as Miami (3.5%) are showing lower listing rates
- Despite the negative outlook, the seasonally adjusted annual rate of office construction spending reached $100 billion in September, up 15% from the annual rate a year prior
  - There are two main drivers of office construction spending: long-planning / development cycles and retrofit / modernization
  - The new construction pipeline is more indicative of past years' trends, as roughly 40% of the stock under construction started in 2020 and 2021, with planning occurring prior to the pandemic
  - The age of the installed base is necessitating retrofits / upgrades to adapt to modern work styles – for example, the prevalence of video meetings requires more private workspaces
- The office asset class remains popular candidate for conversions – to this point, conversion activity has been limited due to challenging economics and zoning laws that restrict developers

Annual Change in Office Rents in Top U.S. Metros (1)



Seasonally Adjusted Annual Rate of Office-Related Construction Spending (2)



(1) CommercialEdge
(2) U.S. Census Bureau

Sector Spotlights

Sector Spotlight: HVAC Manufacturing & Distribution

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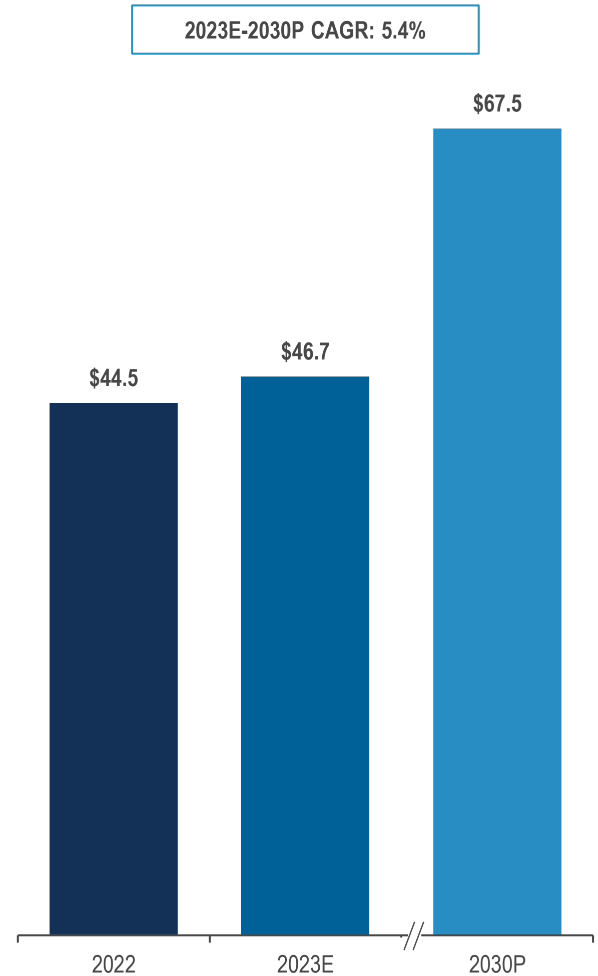
HVAC Manufacturing & Distribution Market Growth Drivers

Rising Demand for Energy-Efficient Systems	Growing emphasis on building sustainability and cost-effectiveness is driving the adoption of innovative HVAC solutions to optimize energy consumption and reduce negative environmental consequences
Aging Infrastructure	Aging building infrastructure driving replacement and upgrade demand for HVAC systems / components to meet modern efficiency and environmental standards
Heightened Indoor Air Quality Standards	Increasing awareness of, and research regarding the importance and benefits of indoor air quality (IAQ) is driving demand for HVAC systems / components
Technological Advancements	Ongoing technological innovations, such as smart systems, IoT integration and advanced control systems, enhance energy efficiency, comfort and ease of use, which are driving HVAC demand
Increasing Infrastructure Spending & Supportive Government Regulations / Incentives	The Bipartisan Infrastructure Law authorizes $1.2 trillion for infrastructure and transportation spending over 10 years and there are numerous government standards being implemented (i.e., energy efficiency, refrigerant phaseouts, building code) that will drive HVAC demand
Urbanization & Population Growth	Population growth, along with continued urban migration, will drive increased HVAC demand as densely populated areas require effective heating and cooling solutions

North American HVAC Systems Market (1)

($ in billions)

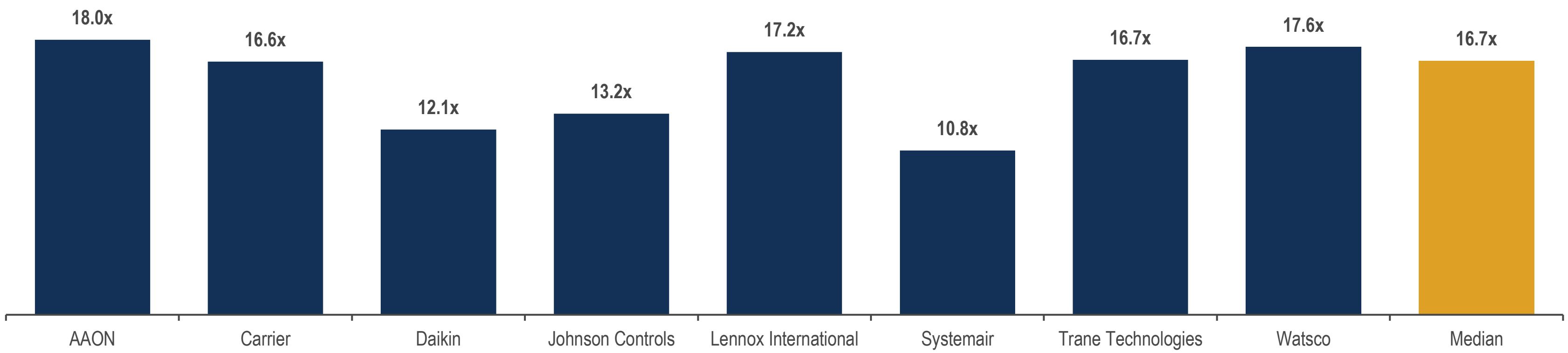


(1) Fortune Business Insights

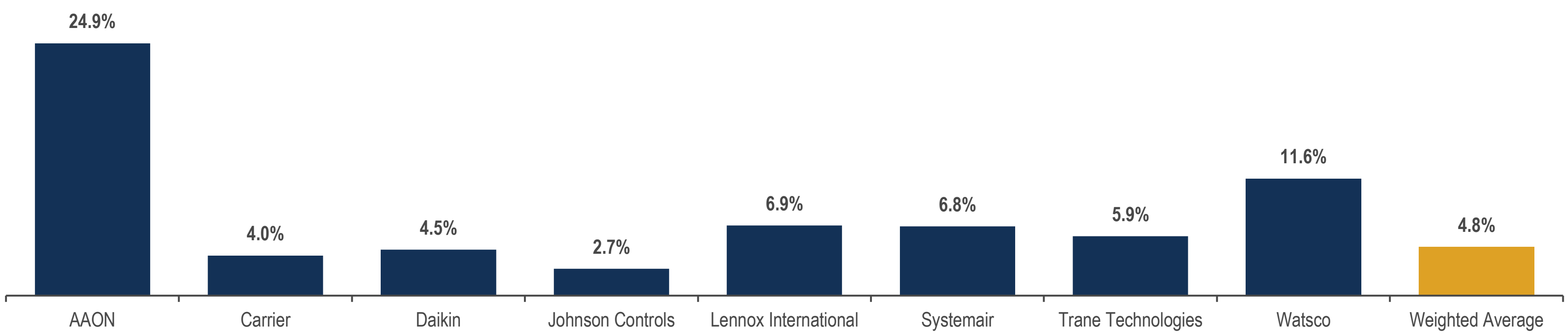
Sector Spotlight: HVAC Manufacturing & Distribution

Public Company Analysis – Representative Companies (1)

EV / LTM EBITDA Multiples



4-Year Revenue Growth CAGR (1)



(1) As of September 30, 2023; 9/30/2019 – 9/30/2023

Recent M&A Activity – HVAC Manufacturers

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Aug 2023 — $82 — < 7.0x
Smiths ACQUIRED HCP

Heating & Cooling Products manufactures and distributes sheet metal ductwork and fittings for commercial and residential applications

Jun 2023 — $418
SPX Technologies ACQUIRED ASPEQ Heating Group

Aspeq Heating Group manufactures electric heating and thermal management equipment for industrial and commercial applications

Apr 2023 — $125
SPX Technologies ACQUIRED TAMCO

TAMCO manufactures motorized and non-motorized dampers for commercial and industrial airflow control applications

Jan 2023 — $131
Olympic Steel ACQUIRED Metal-Fab Inc.

Metal-Fab manufactures venting and filtration products for residential, commercial and industrial applications

Aug 2022
NSI Industries ACQUIRED Supco

Sealed Unit Parts designs, manufactures and distributes high-performing HVAC parts, components, test instruments and tools

Jun 2022
Grip Lock Systems ACQUIRED cable grippers inc.

Cable Grippers, Inc. manufactures precision cable grippers, mounting components and related products

Jan 2022
Mestek, Inc. ACQUIRED Transom

Transom Corporation manufactures HVAC products, specializing in air source and water source heat pumps

Dec 2021 — $2,200
Partners Group ACQUIRED DiversiTech

DiversiTech manufactures and distributes HVAC products, including condenser pads, service components and related products

Dec 2021 — $180
AAON ACQUIRED BasX Solutions

BasX manufactures high efficiency data center cooling solutions, cleanroom systems, custom HVAC systems and modular solutions

Nov 2021 (TM Capital Transaction)
NSI Industries ACQUIRED Duro Dyne

Duro Dyne manufactures and distributes mission-critical HVAC sheet metal components and accessories

Oct 2021
Duravent ACQUIRED Hart & Cooley

Hart & Cooley manufactures and distributes HVAC and air distribution products for commercial and residential applications

Jun 2021 — $3,600 — 12.5x
Madison Industries ACQUIRED Nortek Air Solutions

Nortek Air Solutions manufactures custom HVAC solutions for commercial, industrial and institutional applications

Enterprise Value (*$ in millions*) | EV / EBITDA Multiple | **TM Capital Transaction**

Recent M&A Activity – HVAC Distributors

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Dec 2023
F.W. WEBB COMPANY
ACQUIRED
J.D. Johnson Co. Founded 1858

JD Johnson distributes HVAC and plumbing products for commercial and residential climate control and building automation applications

Sep 2023
$103
watsco COOLING THE AMERICAS
ACQUIRED
GATEWAY SUPPLY CO.

Gateway distributes commercial and residential plumbing and HVAC products and accessories throughout the Southeast

Sep 2023
$18
13.4x
HERITAGE DISTRIBUTION HOLDINGS
ACQUIRED
AMSCO Supply

Amsco Supply distributes commercial and residential HVAC products and equipment for contractors

Apr 2023
INVESTCORP
ACQUIRED
SHEARER SUPPLY

Shearer Supply distributes commercial and residential HVAC parts, equipment and specialty supplies

Jan 2023
BEIJER REF
ACQUIRED
HERITAGE DISTRIBUTION HOLDINGS

Heritage Distribution Holdings distributes HVAC parts, equipment and supplies to contractors in the Southeast

Jan 2023
DAIKIN
ACQUIRED
Williams Distributing

Williams Distributing distributes HVAC, hearth, garage door and kitchen / bath products throughout the Midwest

Nov 2022
MUNCH'S SUPPLY
ACQUIRED
BellSimons COMPANIES HVAC • REFRIGERATION • PLUMBING

BellSimons distributes of HVAC, hydronic heating, refrigeration and plumbing parts / systems throughout New England

Oct 2022
HERITAGE DISTRIBUTION HOLDINGS
ACQUIRED
CSC COASTAL SUPPLY

Coastal Supply distributes HVAC parts, motors and air distribution supplies via six branch locations throughout Tennessee

Nov 2022
Master
ACQUIRED
FORTRESS HVAC/R LUXAIRE

Fortress Luxaire distributes HVAC products and accessories for residential and light commercial applications

Nov 2022
FERGUSON
ACQUIRED
GDC Guarino Distributing Co.

Guarino Distributing distributes HVAC parts and equipment throughout Louisiana and Mississippi

Mar 2022
$35
5.2x
Goodman
ACQUIRED
CCOM GROUP, INC.

CCOM Group distributes HVAC products, building management systems, plumbing and electrical supplies and parts and accessories

Feb 2022
GRYPHON INVESTORS
ACQUIRED
Benoist Bros. Supply Company Wholesale Heating & Air Conditioning

Benoist Bros. Supply Company distributes HVAC parts, equipment and supplies throughout the Midwest

Enterprise Value
($ in millions)

EV / EBITDA Multiple

TM Capital Transaction

Sector Spotlight: Glass

Glass Market Growth Drivers

Focus on Energy Efficiency, Sustainability, and Environmentally-Friendly Building Solutions

Increasingly stringent building codes / regulations regarding, and architect / builder focus on energy efficiency and environmental sustainability are driving demand for advanced solutions such as low-emissivity glass (has coating that reduces heat transfer), smart glass (can change transparency, opacity or color based on external stimuli such as electrical voltage, heat or light) and bird-friendly glass (incorporates features to make glass visible to birds, to prevent bird-window collisions)

Architectural Design Trends – Aesthetic & Functional

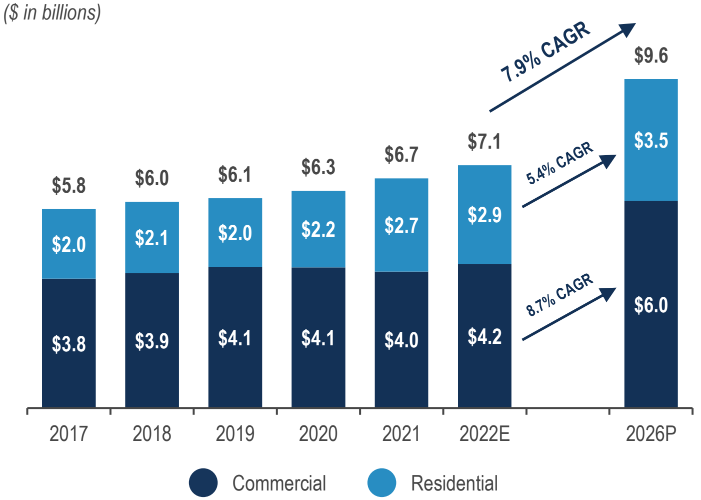
Architects and developers are increasingly choosing glass products to enhance building aesthetics and functionality in a variety of ways including strength / durability, natural light / daylighting, thermal performance, soundproofing / acoustics, transparency / openness, privacy, unique shapes / patterns / textures, mirrored surfaces and reflective coatings

Advancements in Technology & Automation

Advancements in glass manufacturing, coatings and laminates are driving use high-performance, multifunctional glass products; major sector participants are investing in automation through robotics and CNC systems which will enhance production precision, quality and efficiency

U.S. Demand For Fabricated Flat Glass in Construction (1)

($ in billions)



"Hot Button" Topics Across North American Glass Landscape

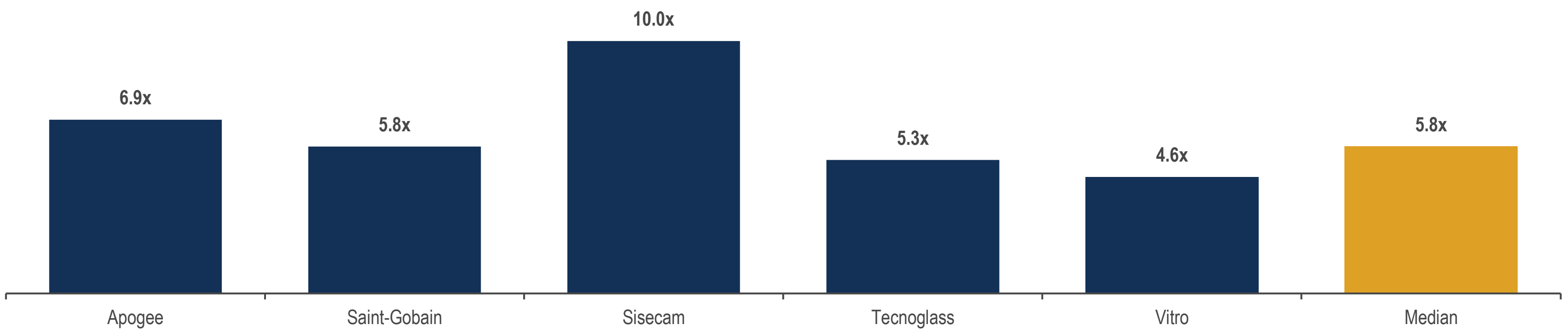
- **Material Sourcing / Availability & Pricing**
- **Labor Availability & Increase in Wages**
- **Identifying Growth Areas & Differentiated Capabilities**
- **Capital Investments including Automation**

(1) Freedonia Research
(2) US Glass Magazine

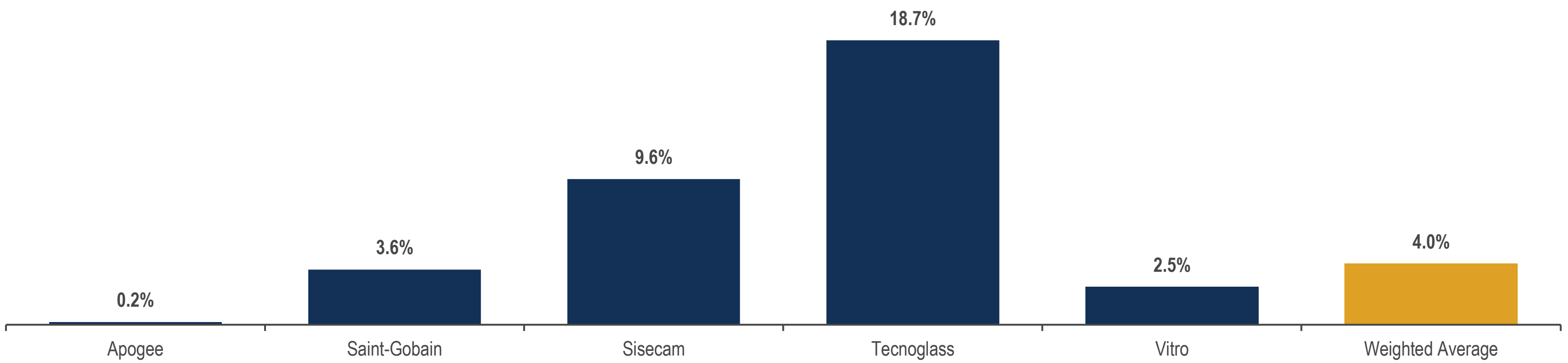
Sector Spotlight: Glass

Public Company Analysis – Representative Companies (1)

EV / LTM EBITDA Multiples



4-Year Revenue Growth CAGR (1)



(1) As of September 30, 2023; 9/30/2019 – 9/30/2023

Recent M&A Activity – Glass

TM CAPITAL
SUCCESS. REALIZED.

AUG 2023
APOLLO
ACQUIRED
ARCONIC

Arconic manufactures aluminum sheets, plates, extrusions and architectural products for industrial end markets

JUN 2023
Oldcastle BuildingEnvelope
ACQUIRED
SYRACUSE GLASS COMPANY

Syracuse Glass is the leading independent fabricator and distributor of architectural glass and aluminum products serving Upstate New York, Eastern Pennsylvania and New England

MAR 2023
EIC Exchange Income Corporation
ACQUIRED
BVGLAZING SYSTEMS

BV Glazing manufactures glazing systems intended to cater to the needs of the mid-rise and high-rise multi-residential developments

JAN 2023
GUARDIAN GLASS
ACQUIRED
Vortex Glass

Vortex Glass manufactures laminated and insulated glass that is resistant to hurricane impacts

NOV 2022
TRUELINK CAPITAL
ACQUIRED
Trulite GLASS & ALUMINUM SOLUTIONS

Trulite Glass manufactures architectural aluminum, architectural glass and specialty glass products

OCT 2022
Ironbridge EQUITY PARTNERS
ACQUIRED
WALKER

Walker Glass is a leading manufacturer of acid-etched glass substrates, premium quality mirrors and bird-friendly glazing solutions

AUG 2022
AEQUITA
ACQUIRED
ECKELT & GLASZIEGLER

Eckelt produces thermal insulation solutions for commercial markets

Glas Ziegler manufactures energy control glass and safety glass

MAY 2022
M3 Glass Technologies
ACQUIRED
THERMOTEC GLASS INSULATED GLASS MANUFACTURER

Thermotec Glass manufactures and distributes exterior insulated glass intended to serve the central Texas market

APR 2022
tvitec
ACQUIRED
CRICURSA

Cricursa manufactures architectural and artistic glass, and is a leader in curved glass solutions

APR 2022
KPS Capital Partners, LP
ACQUIRED
Oldcastle BuildingEnvelope

Oldcastle BuildingEnvelope supplies value-added, glazing-focused products and services to industrial and residential end markets

MAR 2022
HAERENS
ACQUIRED
VD-INDUSTRY

VD-Industry manufactures fire-resistant glazed products used in entrance halls and automatic opening doors that facilitate safety

NOV 2021
ISOCLIMA High-Tech Security Glass
ACQUIRED
Global Security Glazing
DLUBAK SPECIALTY GLASS CORPORATION

Global Security Glazing & Dlubak are leading fabricators of complete, security glass solutions that meet stringent bullet, forced entry, blast and fire resistance requirements

Enterprise Value *($ in millions)*
EV / EBITDA Multiple
TM Capital Transaction

Sector Spotlight: Flooring

Flooring Industry Overview

An essential element within the construction process and directly tied to both new construction and remodeling, the U.S. flooring industry should experience sustained growth as homebuilders address the housing shortage, the aging commercial building stock is refreshed and homeowners invest in high-ROI renovations. Following COVID-fueled growth in the home renovation market, increasing raw material costs and rising interest rates impacted the U.S. flooring market (and the broader building products market). The good news for the flooring market is that regardless of end market or sector, residential or commercial, new build or renovation, every construction project requires some level of flooring. Looking forward into 2024 and beyond, the flooring market should benefit from added interest rate stability (and potential decreases in the second half of 2024) and an uptick in both residential and commercial construction.

Flooring Industry Growth Drivers

Looking forward there are several key trends that support the long-term growth of the flooring market in the U.S., which is expected to grow at a CAGR of over 6% from 2024 to 2032:

Homeowners will Focus on High-ROI Renovations

Overall renovation spending is projected to decline through 2024 according to the Leading Indicator of Remodeling Activity ("LIRA"), released by Harvard University's Joint Center for Housing Studies. Any renovations taken on by homeowners will likely be those that can provide a higher return on investment, while also upgrading the existing living space. According to the National Association of Realtors, new wood flooring will return approximately 118% of the cost (second only to hardwood floor refinishing with an ROI of 147%). Additionally, should mortgages and home prices remain elevated, and home supply remain tight, homeowners looking to stay-in-place may choose to undertake larger, higher-ROI renovation projects (i.e.: kitchen / bathroom remodels) to add additional living space or enhance existing – many of which require the installation of new flooring

Sustained Shift Towards Hard-Surface Flooring

Hard-surface flooring continues to take share from carpet and other floor coverings. Ease of maintenance, wear-resistance, waterproofing, cleanliness and overall aesthetics are the main drivers of growth. While hardwood flooring remains the luxury standard, competition from wood-look products including Luxury Vinyl Plank / Luxury Vinyl Tile, Wood Plastic Composite and laminate continue to take market share. As consumers seek flooring, these hardwood-alternatives offer a lower price point along with being marketed as "indestructible", "waterproof", "pet-proof" and "life-proof"

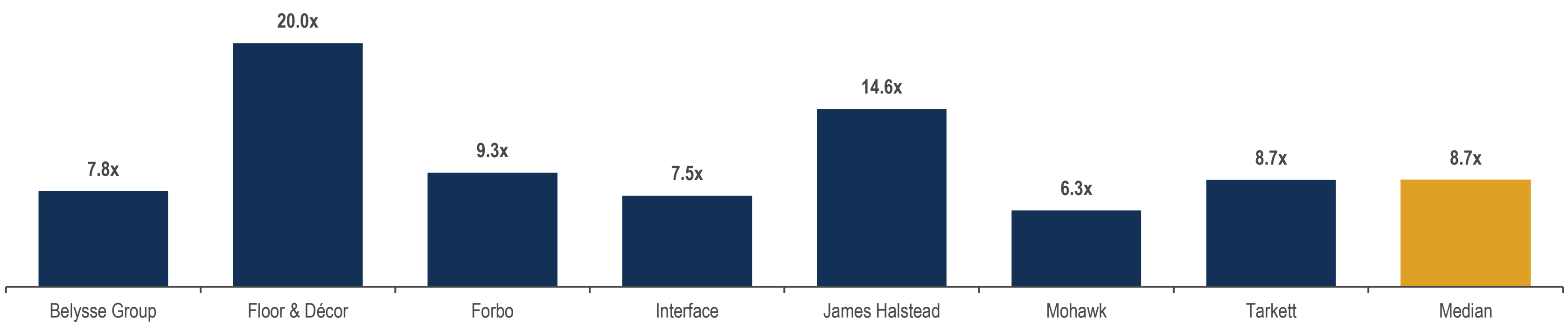
Rapidly Changing Consumer Preferences

The prevalence of social media has significantly shortened the lifecycle of trends, especially in what were historically longer trend cycles, like flooring. While it used to take years for design trends to migrate inward from the coasts, today trends change in a matter of days. This is causing flooring manufacturers to be nimbler, reassessing go-to-market strategy, material sourcing, production cycles and size of inventory builds. While today customers may prefer a more natural white oak finish, in the future that could change overnight. Trends that are likely to remain include: lower maintenance more durable flooring, longer and wider planks and sustainable materials

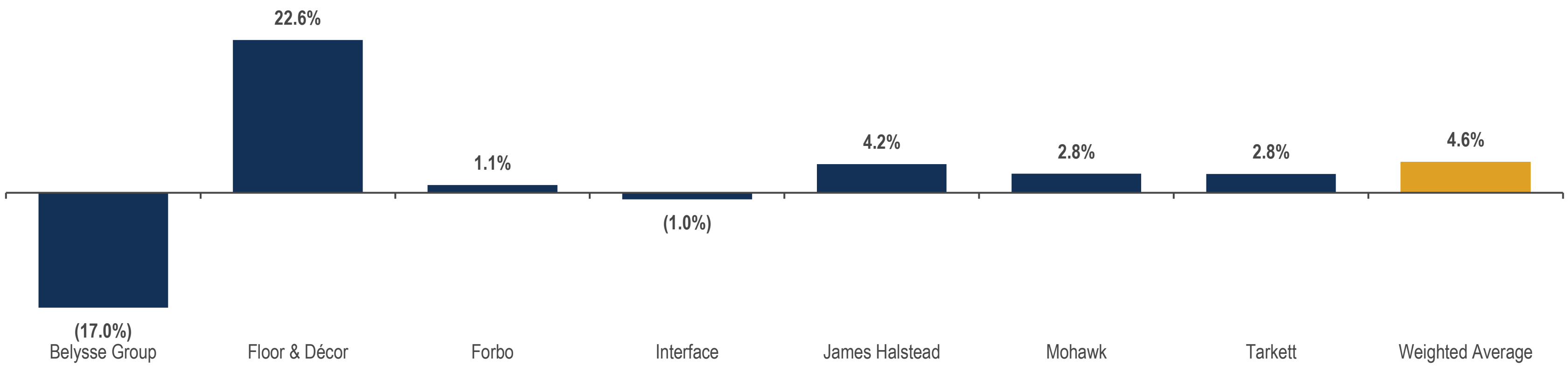
Sector Spotlight: Flooring

Public Company Analysis – Representative Companies (1)

EV / LTM EBITDA Multiples



4-Year Revenue Growth CAGR (1)



(1) As of September 30, 2023; 9/30/2019 – 9/30/2023

Recent M&A Activity – Flooring

TM CAPITAL
SUCCESS. REALIZED.

JUL 2023
LOUISVILLE TILE
ACQUIRED
AOM AMERICAN OLEAN MIDWEST

American Olean Midwest distributes and installs ceramic tiles for its clients throughout the Midwest

JUN 2023
SWITCHBACK CAPITAL
ACQUIRED
CWPF CARLISLE wide plank floors®

Carlisle is a nationally recognized leader in the design, manufacture and direct sale of luxury hardwood wide plank flooring

MAR 2023
LVC LONGUEVUE CAPITAL
ACQUIRED
tilebar

Tilebar manufactures mosaic, tile and specialty interior products intended for professional and retail customers

MAR 2023
GRC GREAT RANGE CAPITAL
ACQUIRED
AMERICA'S Best CARPET & TILE

Americas Best provides flooring installation services intended for commercial and residential clients

JAN 2023
NORTHSTAR FLOORING
ACQUIRED
SAR FLOORS

SAR Floors manufactures and supplies premium vinyl plank flooring for residential and commercial buildings

JUL 2022
SHERWIN-WILLIAMS.
ACQUIRED
DUR-A-FLEX INNOVATION FROM THE FLOOR UP

Dur-A-Flex is a manufacturer of resinous floor and wall systems intended for commercial and industrial applications

JUL 2022
MOHAWK
ACQUIRED
FOSS FLOORS

Foss Floors manufactures engineered and non-woven fabrics intended for residential and commercial use

JAN 2022
SAW MILL CAPITAL
ACQUIRED
Rasa FLOORS®

Rasa Floors provides flooring installation services intended for multi-family and single-family homes

OCT 2021
DUNES POINT CAPITAL
ACQUIRED
STANTON CARPET • CUSTOM RUGS • RUNNERS

Stanton Carpet manufactures and supplies decorative carpets and soft flooring products serving residential and commercial end markets

JUN 2021
VICTORIA PLC
ACQUIRED
CALI

Cali Flooring is a highly disruptive, online-first, omni-channel platform offering a range of innovative, branded flooring, decking and home décor products

MAY 2021
FLOOR & DECOR
ACQUIRED
SPARTAN SURFACES

Spartan Surfaces distributes specialty hard-surface flooring with a focus on commercial spaces

JAN 2021
AHF PRODUCTS
ACQUIRED
PARTERRE

Parterre is a leading independent designer, marketer and provider of luxury vinyl tile and plank ("LVT") flooring products serving a broad range of end-use segments

Enterprise Value (*$ in millions*)

EV / EBITDA Multiple

TM Capital Transaction

Private Equity Activity

Private Equity Building Products Investments

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Recent Acquisitions of North American Building Products Companies by Private Equity Firms (October 2022 – September 2023)			
Transaction Close Date	**Target**	**Acquirer / Investor**	**Target Description**
9/29/2023	Cook & Boardman Group (LittleJohn)	Platinum Equity	Leading distributor of commercial door and security integration solutions
9/22/2023	Francis-Schulze Company	Trimlite (Wynnchurch Capital)	Distributor of wholesale building materials to lumber dealers, home centers and door specialists
9/6/2023	1st United Door Technologies	Safe-Way Garage Doors (CW Industrial Partners)	Manufacturer and installer of unique and distinctive garage doors
7/29/2023	LaForce	DNS Capital	Leading distributor and technical solutions provider of commercial door opening products and security systems
7/11/2023	SCI Flooring	Ranier Partners	Provider of floor covering solutions to multifamily, commercial and single-family property managers and builders
6/28/2023	Carlisle Wide Plank Floors (JMH Capital)	Switchback Capital	Nationally recognized leader in the design, manufacture and direct sale of luxury hardwood wide plank flooring
6/23/2023	Washoe Building Supply	SRS Distribution (Leonard Green)	Distributor of commercial and residential roofing products
3/29/2023	TileBar (LongueVue Capital)	AEA Investors	Distributor and marketer of wall and floor tile, as well as natural stone and LVT, for residential and commercial applications
3/27/2023	Appalachian Truss	The Oxford Group	Leading manufacturer of custom roof and floor truss systems
3/23/2023	America's Best Carpet & Tile	Great Range Capital	Provider of flooring services including installation, cleaning and repair for commercial and residential customers
3/15/2023	C.I. Banker Wire and Iron Works	Lincolnshire Management	Manufacturers of woven and welded wire mesh products for both functional and decorative applications
2/9/2023	Viking Fence	Crossplane Capital	Manufacturer of wood, cedar, iron, metal, chain link and other fences for the residential and commercial end markets
2/9/2023	Sullivans Brands	ICV Partners	Distributor of seasonal and all-occasion home décor products to specialty retailers
1/24/2023	Synergi	Eureka Equity Partners	Leading fabricator and installer of highly engineered modular staircases & architectural features
1/17/2023	CMI (Heartwood Partners)	Charger Investment Partners	Manufacturer of vinyl seawalls and bulkheads
12/14/2022	Resource 4 Floors	Lynx Equity	Distributor and installer of flooring materials
11/30/2022	Dutchland	Lindsay Precast (MiddleGround Capital)	Leading manufacturer and installer of precast concrete tanks across the water and wastewater treatment market
11/16/2022	Sprouse Windows and Doors	Santiago Investment Group	Manufacturer of residential windows and doors for both new construction and replacement / remodeling
11/9/2022	Artistic Paver Manufacturing	Blue-Ridge Construction Company	Manufacturer of premium interlocking, decorative concrete pavers for outdoor living applications
11/1/2022	Trulite Glass & Aluminum (Sun Capital Partners)	Truelink Capital	Leading architectural glass and aluminum fabricator

Private Equity Building Products Exits

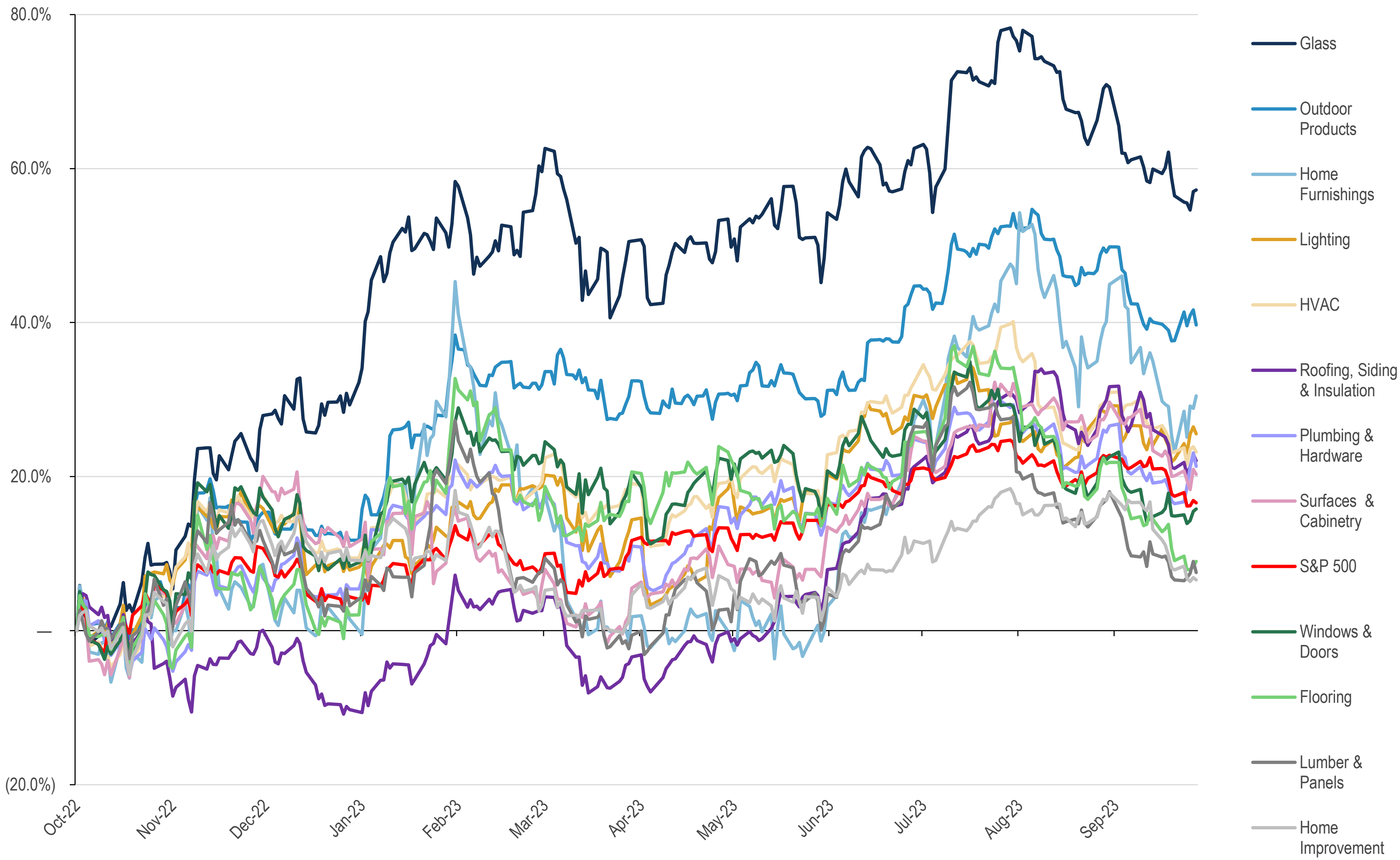
TM CAPITAL
SUCCESS. REALIZED.

Recent Exits of North American Building Products Companies by Private Equity Firms (October 2022 – September 2023)				
Transaction Close Date	**Target**	**Seller**	**Acquirer / Investor**	**Target Description**
9/29/2023	Cook & Boardman Group	LittleJohn & Co.	Platinum Equity	Leading distributor of commercial door and security integration solutions
9/17/2023	MAC Metal Architectural Inc.	Caron Capital	Cornerstone Building Brands, Inc. (Clayton, Dubilier & Rice)	Designs, engineers, manufactures, markets, and installs external building products for the commercial, residential, and repair and remodel markets
7/5/2023	Form Tech Concrete Forms	Kirtland Capital Partners; Midwest Mezzanine Funds	White Cap Supply Holdings, LLC	Provides concrete forming and shoring rental equipment and related consumable products
7/5/2023	UKFD Realisations Ltd	BGF Investment Management Ltd.	Keswick Flooring Limited (Nestware Holdings Limited)	Leading online retailer of real wood, laminate and vinyl flooring
7/1/2023	STARC Systems	Blue Heron Capital, North Haven Capital	North Branch Capital	Leading designer and manufacturer of modular wall systems
6/28/2023	Carlisle Wide Plank Floors	JMH Capital	Switchback Capital	Nationally recognized leader in the design, manufacture and direct sale of luxury hardwood wide plank flooring
6/20/2023	Syracuse Glass	Lineage Capital	Oldcastle Building Envelope	Leading glass fabricator offering custom fabricated glass and metal products
6/24/2023	Contour Glass	Cardinal Equity Partners	Kissel Capital	Manufacturer of glass products for interior and building products applications
6/5/2023	Parkline	Summit Park	Palladium Equity Partners, Trachte	Manufacturer of custom engineered modular metal building solutions
4/28/2023	BVGlazing Systems	Hennick & Company	Exchange Income Corp. (TSX:EIF)	Manufactures window, door and railing systems for mid-rise and high-rise building projects
3/29/2023	TileBar	LongueVue Capital	AEA Investors	Distributor and marketer of wall and floor tile, as well as natural stone and LVT
3/23/2023	Skamol A/S	FSN Capital Partners AS	Etex N.V. (ENXTBR:094124453)	Manufacturer and distributor of thermal insulating materials for heat-intensive industries and passive fire protection
2/23/2023	Burrow's Post Frame Supply	Woodlawn Partners	Morton Buildings	Manufacturer of custom wood trusses and roll-formed metal roofing & siding
2/1/2023	Direct Cabinet Sales	US LBM Holdings	Express Kitchens	Manufacturer of kitchen cabinetry and bath remodeling products
1/17/2023	CMI	Heartwood Partners	Charger Investment Partners	Manufacturer of vinyl seawalls and bulkheads
12/15/2023	Momentum Glass	Tulcan	Hitt Contracting	Manufacturer of glazing systems intended for architects and general contractors
11/24/2022	Ylda S.p.A.	Alchemy Partners LLP	TOI TOI & DIXI Group GmbH	Manufacturer and rental provider of portable toilets and sanitation facilities
11/1/2022	Coastal Construction Products	Supply Chain Equity Partners	Beacon Roofing Supply (NSDQ:BECN)	Leading independent distributor of specialty waterproofing products
11/1/2022	Trulite Glass & Aluminum	Sun Capital Partners	Truelink Capital	Leading architectural glass and aluminum fabricator
10/17/2022	Martin Door Manufacturing, Inc.	Black Oak Capital Partners	WWS Acquisition, LLC	Manufacturer and designer of custom garage doors

Public Equity Performance

Public Equity Stock Price Performance

1-Year Stock Price Performance [1]



(1) For the period October 1, 2022 to September 30, 2023

Building Products Sector Constituents

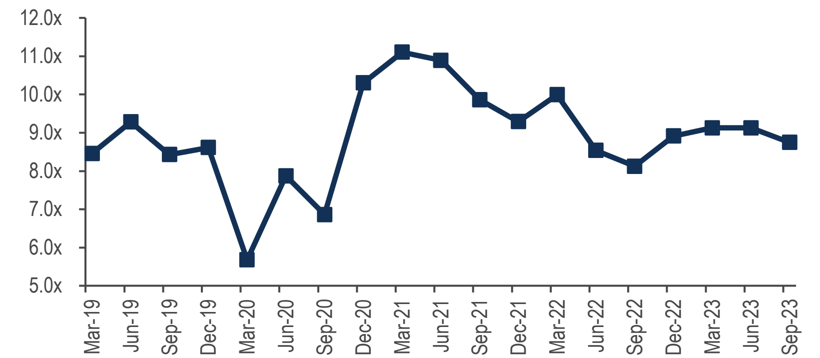
TM Capital's Building Products Sectors are equally weighted, and comprised of the following companies:

- **Flooring:** Belysse Group, Floor & Décor Holdings, Forbo Holding AG, Interface, James Halstead, Mohawk Industries, Tarkett
- **Glass:** Apogee Enterprises, Saint-Gobain, Sisecam, Tecnoglass, Vitro
- **Home Furnishings:** Arhaus, La-Z-Boy, MillerKnoll, Restoration Hardware, Wayfair, Williams Sonoma
- **Home Improvement:** Home Depot, Lowe's, Tractor Supply Company
- **HVAC:** AAON, Carrier Global, Daikin Industries, Johnson Controls, Lennox International, Systemair, Trane Technologies, Watsco
- **Lighting:** Acuity Brands, Fagerhult Group, Hubbell, LSI Industries, Signify
- **Lumber & Panels**: BlueLinx Holdings, Boise Cascade, Canfor, Interfor, Lousiana-Pacific, West Fraser Timber, Western Forest Products
- **Outdoor Products**: Central Garden & Pet, CRH, Hayward, Maytronics, Pentair, Pool Corporation, Scotts Miracle-Gro, Spectrum Brands, The Toro Company, Trex
- **Plumbing & Hardware**: Ferguson, Fortune Brands Innovations, LIXIL, Masco Corporation, Mueller Water Products, Toto, Villeroy & Boch, Zurn Elkay Water Solutions
- **Roofing, Siding & Insulation**: Beacon Roofing Supply, Carlisle Companies, James Hardie Industries, Owens Corning
- **Surfaces & Cabinetry**: Adentra, American Woodmark Corporation, Caesarstone, Patrick Industries, Quanex Building Products, Sherwin Williams
- **Windows & Doors**: Assa Abloy, Fortune Brands Innovations, JELD-WEN, Masonite, PGT Innovations, Tyman

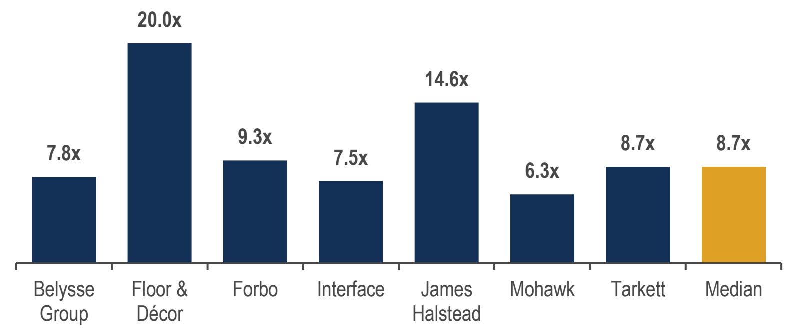
Public Sector Performance: Flooring

Representative Public Companies

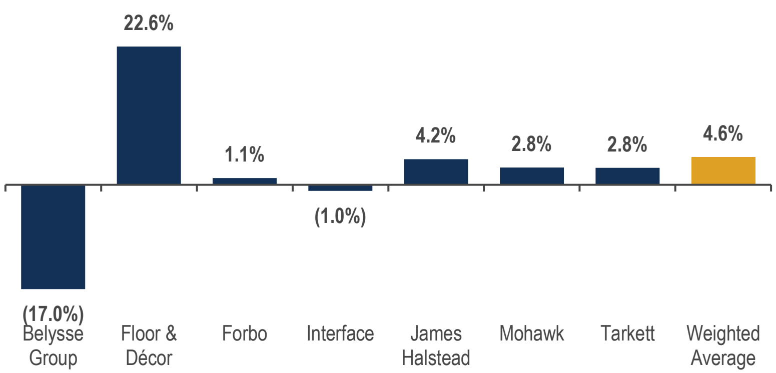
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



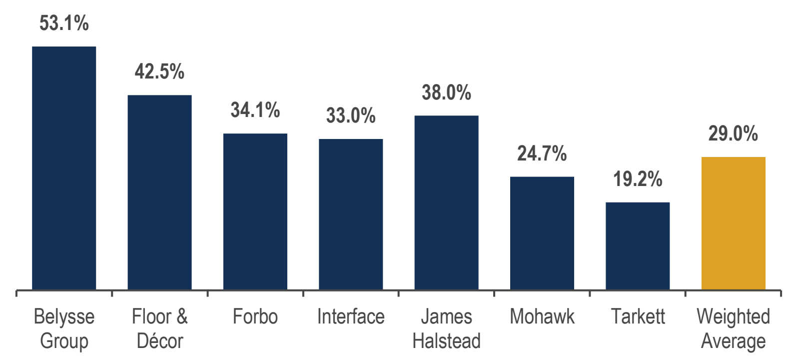
EV / LTM EBITDA Multiples



4-Year Revenue Growth (9/30/2019 – 9/30/2023)



LTM Gross Margins



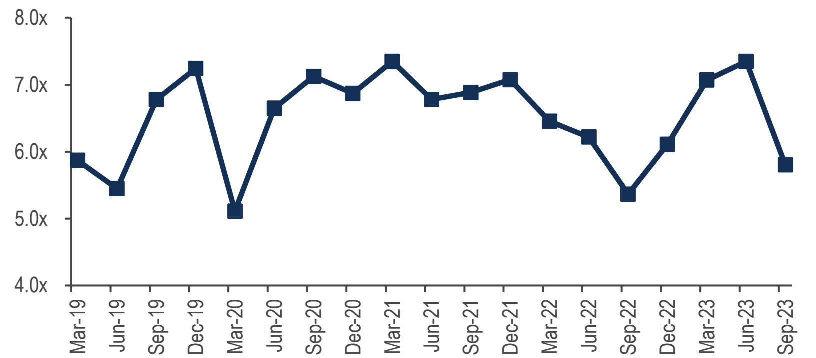
Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

Public Sector Performance: Glass

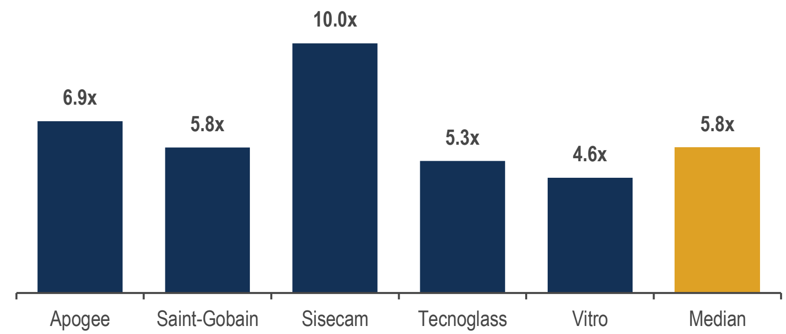
Representative Public Companies

apogee enterprises, inc. | SAINT-GOBAIN | ŞİŞECAM | TECNOGLASS | Vitro

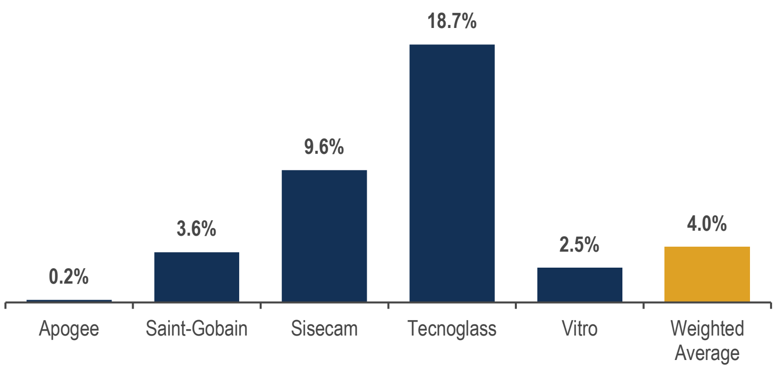
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



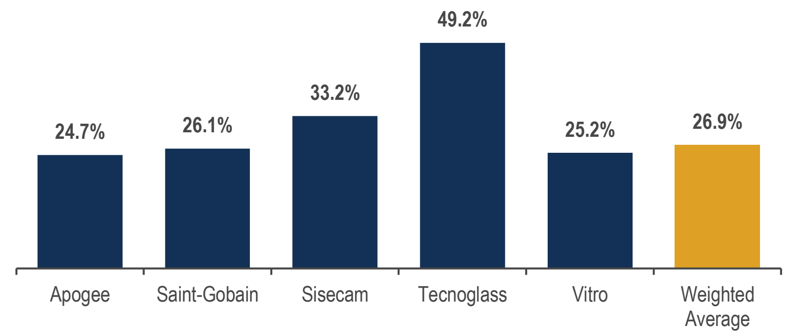
EV / LTM EBITDA Multiples



4-Year Revenue Growth (9/30/2019 – 9/30/2023)



LTM Gross Margins



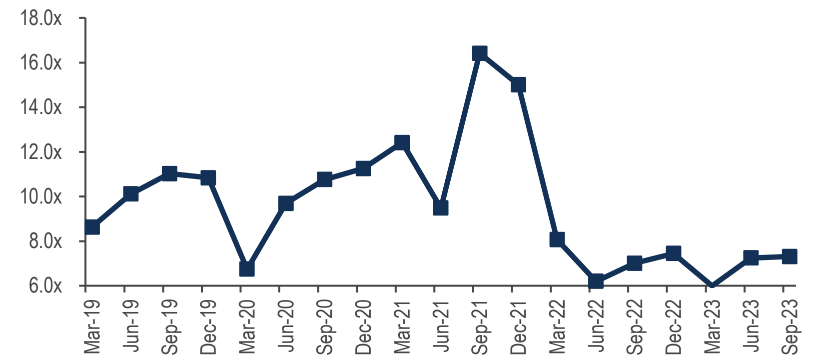
Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

Public Sector Performance: Home Furnishings

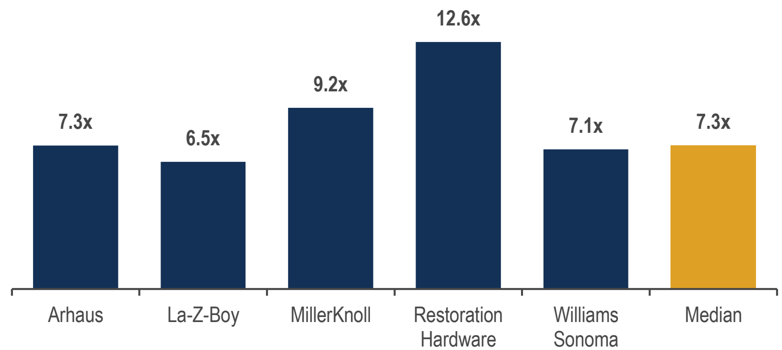
Representative Public Companies

ARHAUS · LA-Z-BOY · MillerKnoll · RH Restoration Hardware · wayfair · WILLIAMS-SONOMA

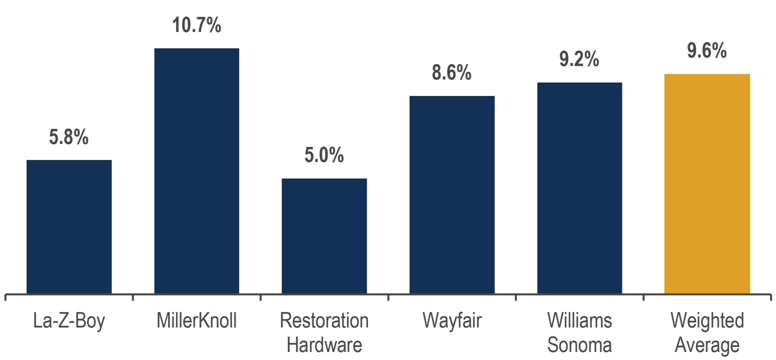
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



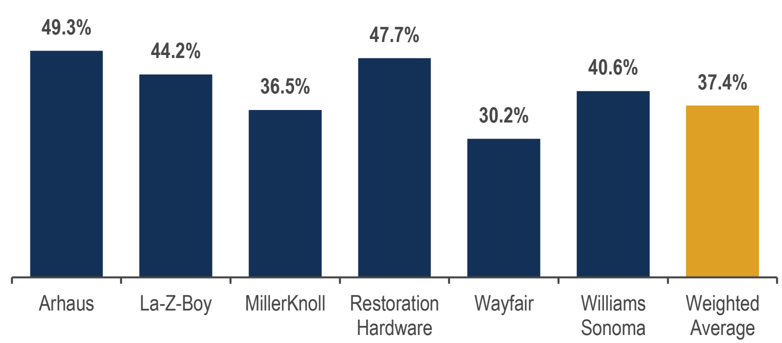
EV / LTM EBITDA Multiples [1]



4-Year Revenue Growth (9/30/2019 – 9/30/2023) [2]



LTM Gross Margins



Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

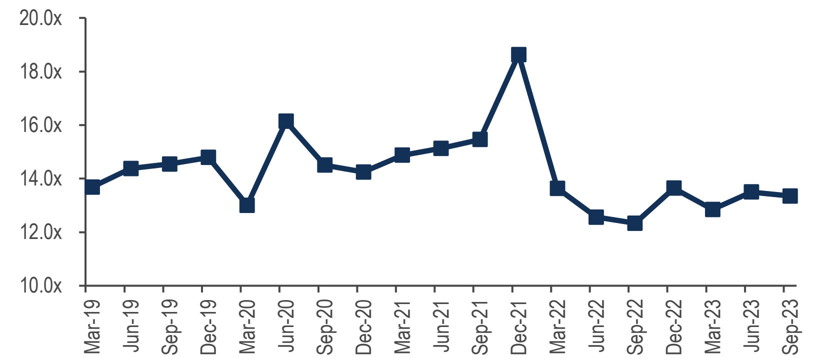
(1) Wayfair excluded due to negative LTM EBITDA

(2) Arhaus excluded due to not being public in 2019

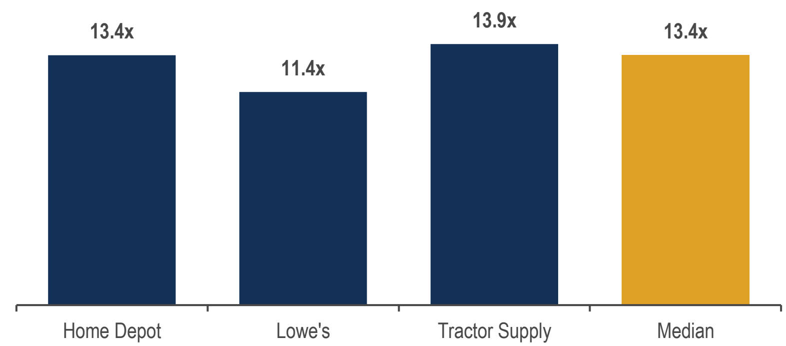
Public Sector Performance: Home Improvement

Representative Public Companies

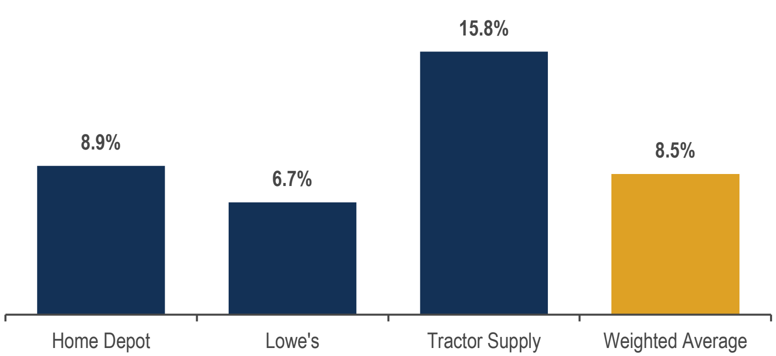
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



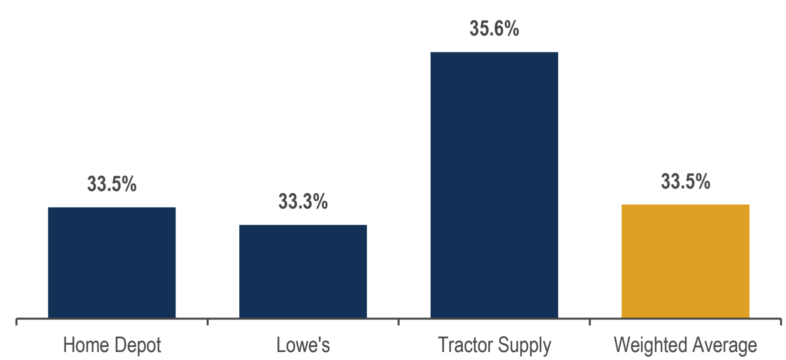
EV / LTM EBITDA Multiples



4-Year Revenue Growth (9/30/2019 – 9/30/2023)



LTM Gross Margins



Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

Public Sector Performance: HVAC

TM CAPITAL
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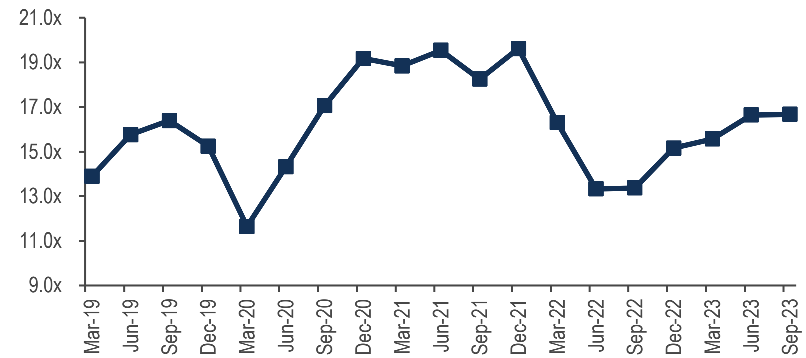
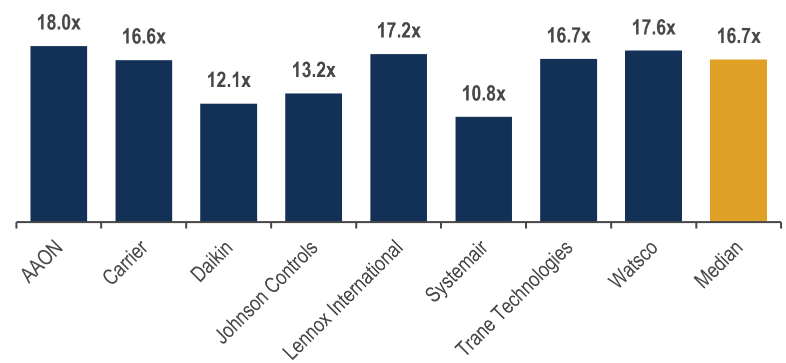
Representative Public Companies

AAON | Carrier | DAIKIN | Johnson Controls | LENNOX INTERNATIONAL | systemair | TRANE TECHNOLOGIES | watsco COOLING THE AMERICAS

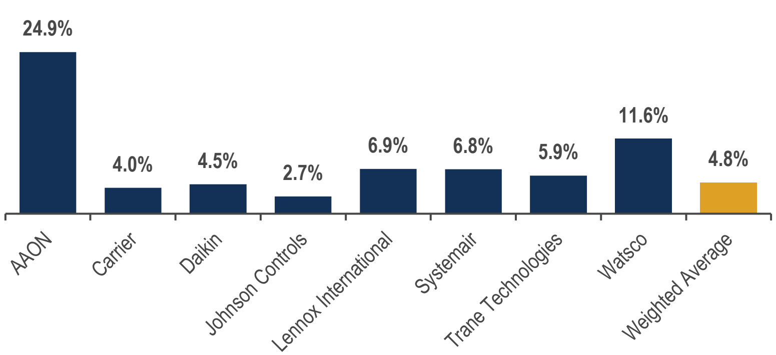
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



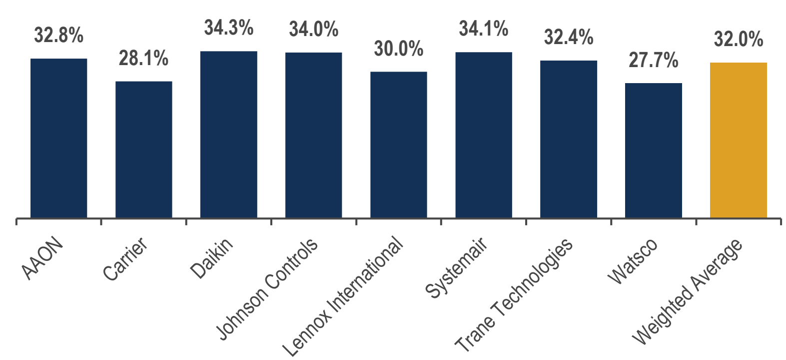
EV / LTM EBITDA Multiples



4-Year Revenue Growth (9/30/2019 – 9/30/2023)



LTM Gross Margins



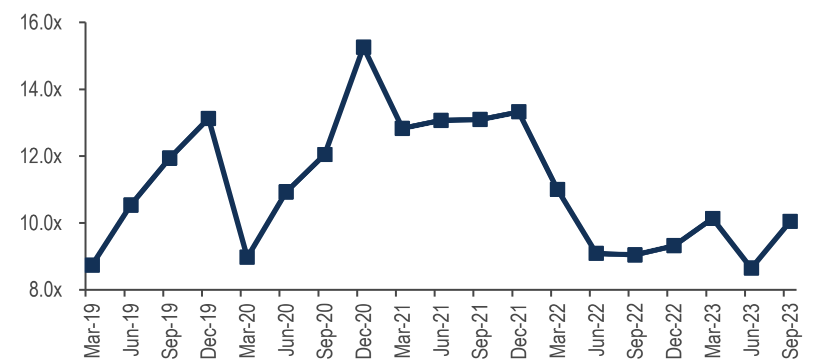
Public Sector Performance: Lighting

TM CAPITAL
SUCCESS. REALIZED.

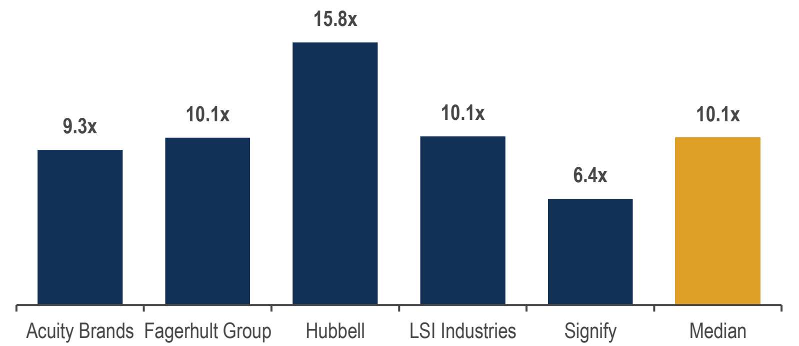
Representative Public Companies

Acuity Brands | FAGERHULT | HUBBELL Lighting | LSI | Signify

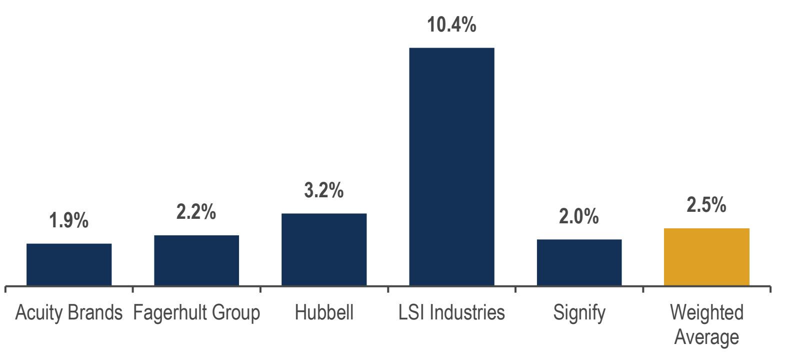
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



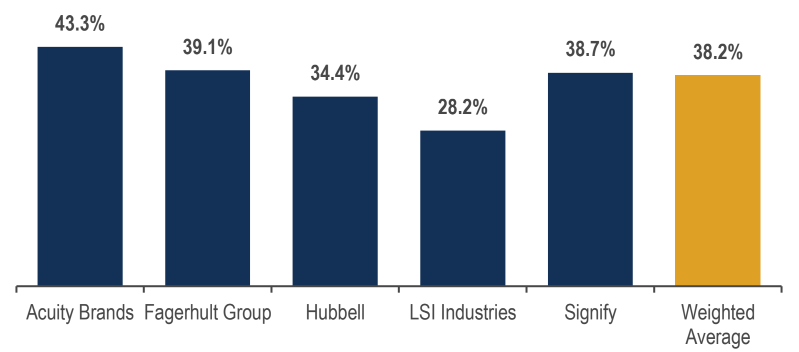
EV / LTM EBITDA Multiples



4-Year Revenue Growth (9/30/2019 – 9/30/2023)



LTM Gross Margins



Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

Public Sector Performance: Lumber & Panels

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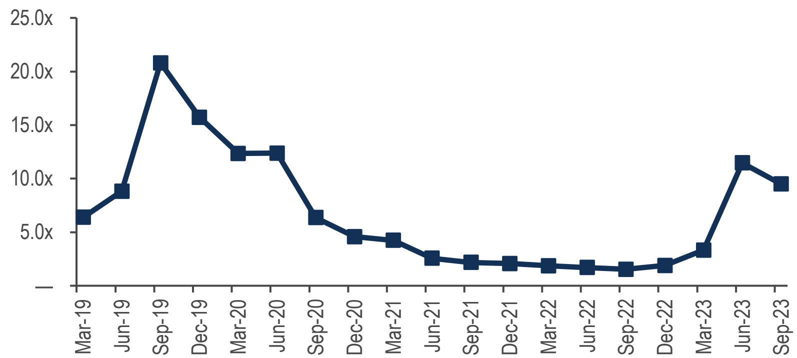
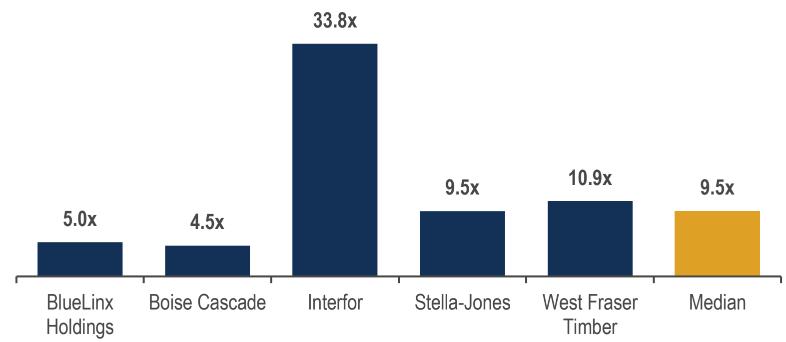
Representative Public Companies

BLUELINX · Boise Cascade · CANFOR · INTERFOR · LP Building Products · West Fraser · WFP westernforestproducts

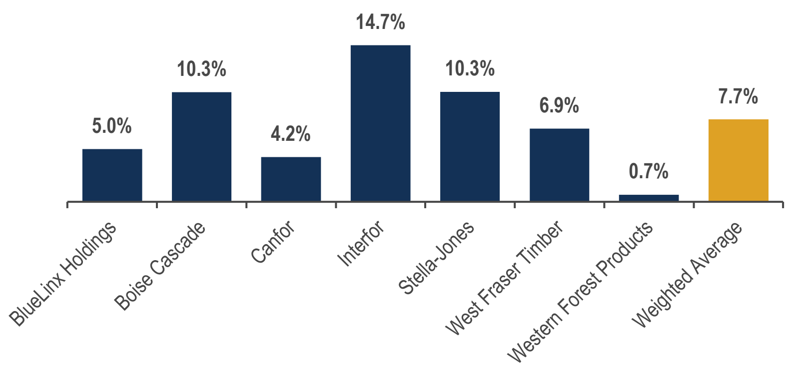
Historical Quarterly EV / LTM EBITDA Multiples – Index Median (1)



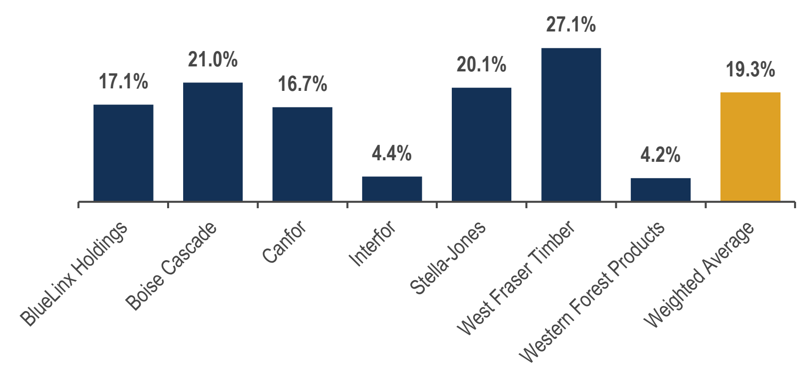
EV / LTM EBITDA Multiples (2)



4-Year Revenue Growth (9/30/2019 – 9/30/2023)



LTM Gross Margins



Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

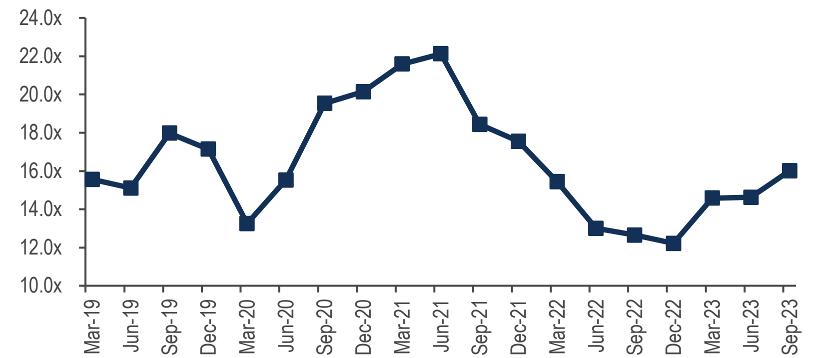
(1) Earnings declines over the LTM period driving higher EBITDA multiples

(2) Canfor & Western Forest Products excluded due to negative LTM EBITDA

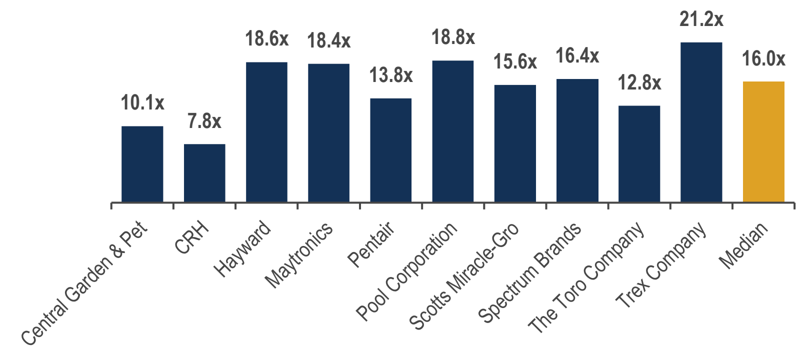
Public Sector Performance: Outdoor Products

Representative Public Companies

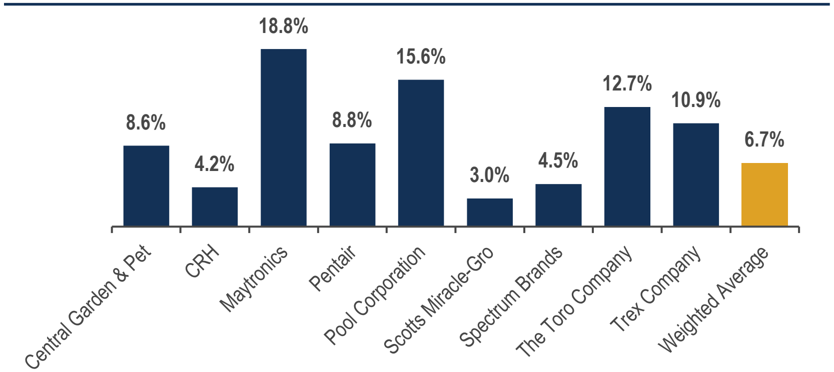
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



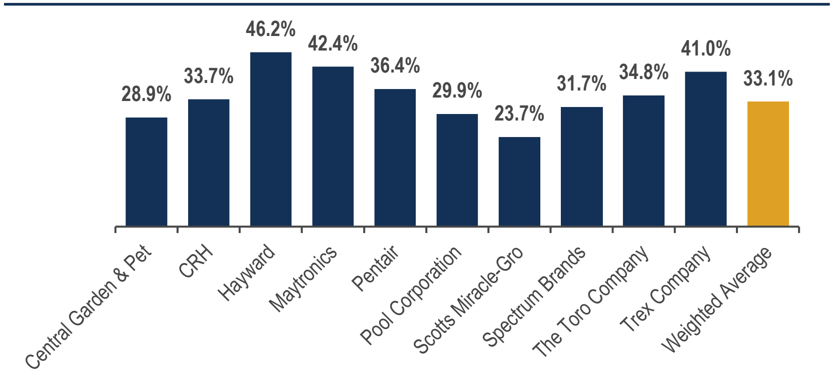
EV / LTM EBITDA Multiples



4-Year Revenue Growth (9/30/2019 – 9/30/2023) (1)



LTM Gross Margins



Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

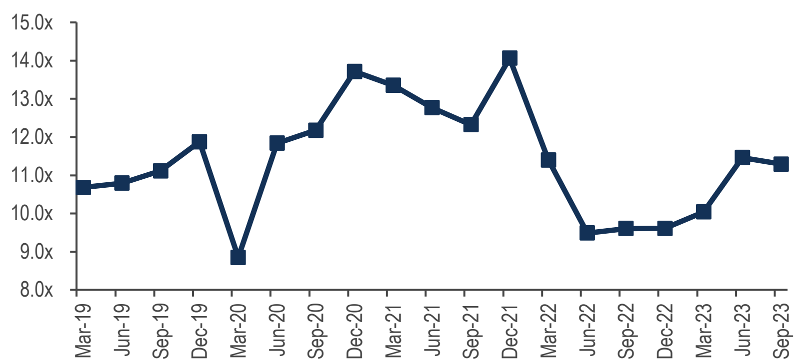
(1) Hayward excluded due to not being public in 2019

Public Sector Performance: Plumbing & Hardware

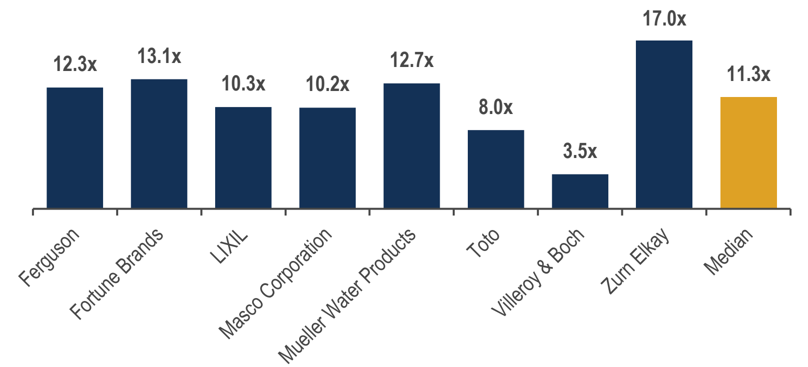
Representative Public Companies

FERGUSON | FORTUNE BRANDS | LIXIL Link to Good Living | MASCO | MUELLER | TOTO | Villeroy & Boch 1748 | zurn ELKAY

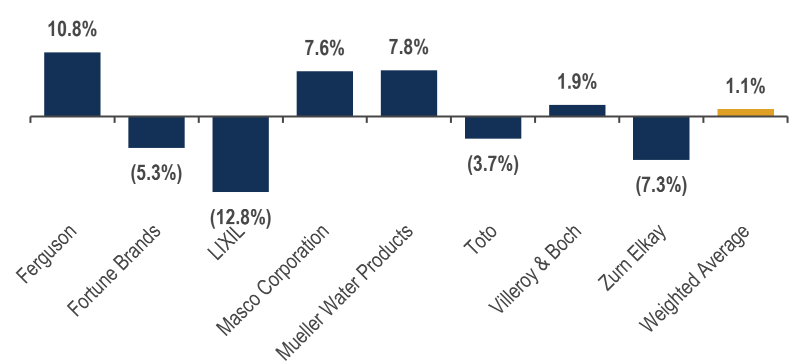
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



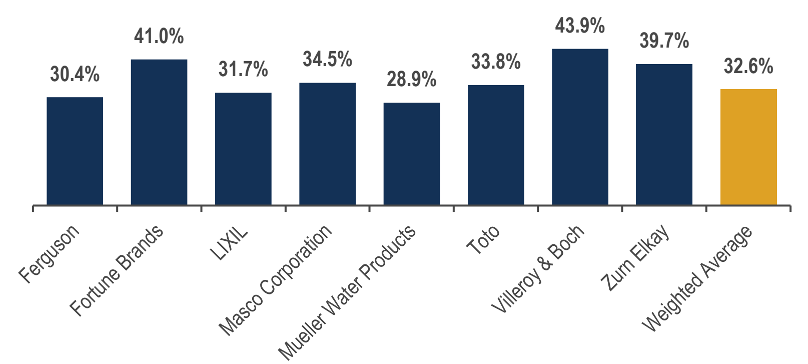
EV / LTM EBITDA Multiples



4-Year Revenue Growth (9/30/2019 – 9/30/2023)



LTM Gross Margins



Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

Public Sector Performance: Roofing, Siding & Insulation

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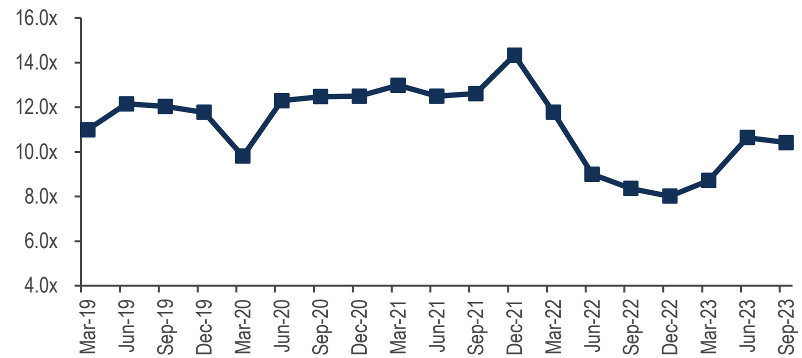
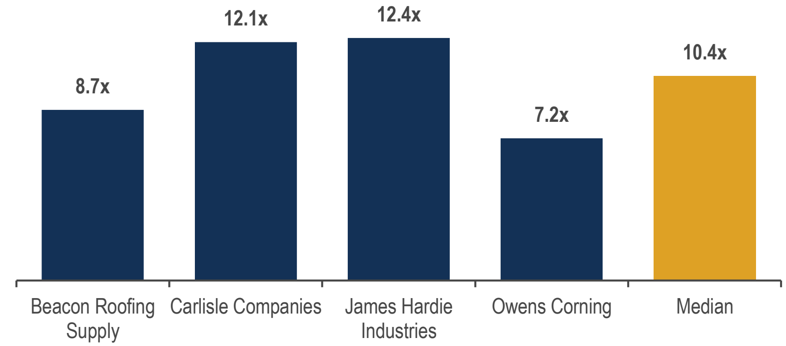
Representative Public Companies

BEACON | CARLISLE | JamesHardie | OWENS CORNING

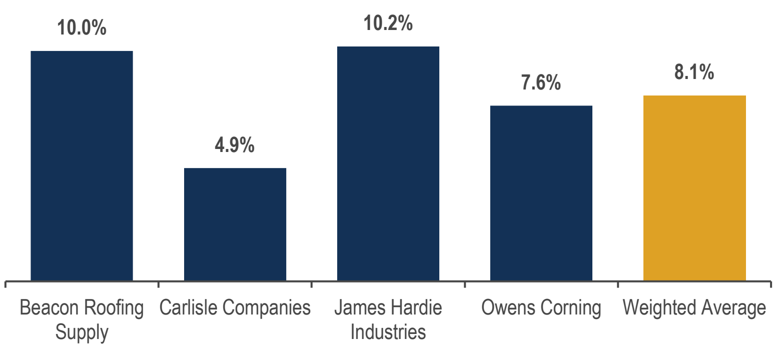
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



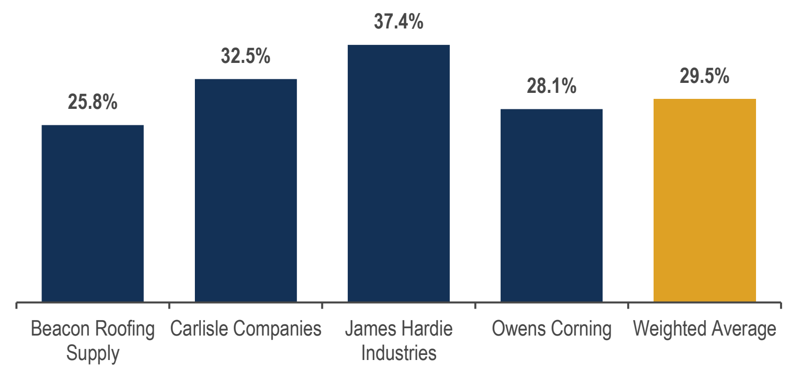
EV / LTM EBITDA Multiples



4-Year Revenue Growth (9/30/2019 – 9/30/2023)



LTM Gross Margins



Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

Public Sector Performance: Surfaces & Cabinetry

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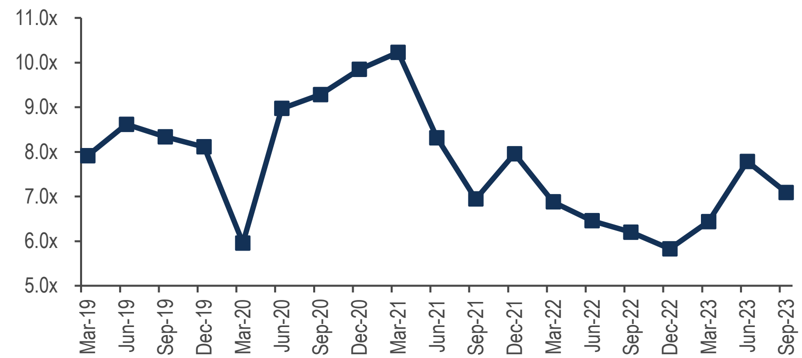
SUCCESS. REALIZED.

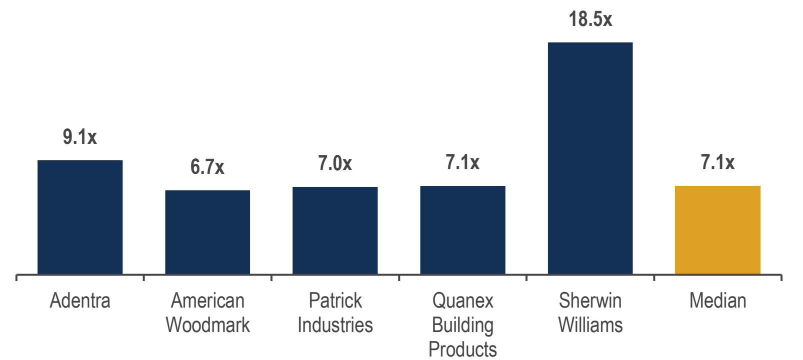
Representative Public Companies

ADENTRA | American Woodmark | caesarstone | PATRICK | Quanex building products | SHERWIN-WILLIAMS

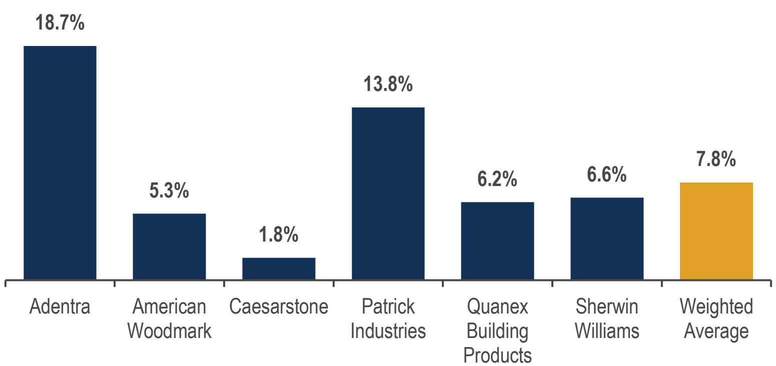
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



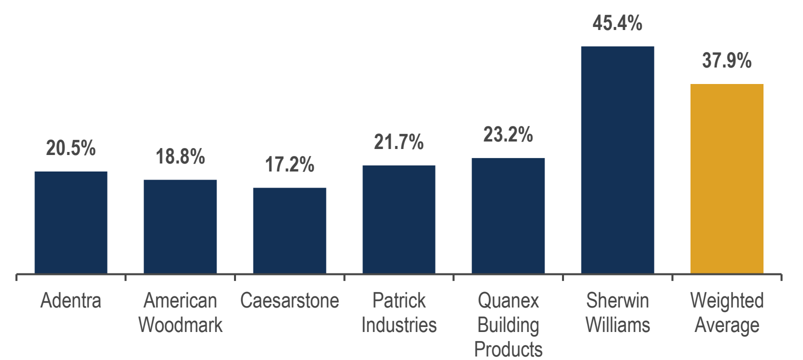
EV / LTM EBITDA Multiples [1]



4-Year Revenue Growth (9/30/2019 – 9/30/2023)



LTM Gross Margins



Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

(1) Caesarstone excluded due to negative LTM EBITDA

Public Sector Performance: Windows & Doors

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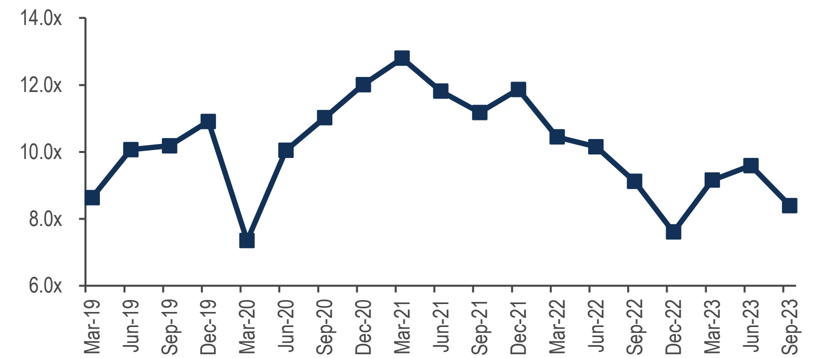
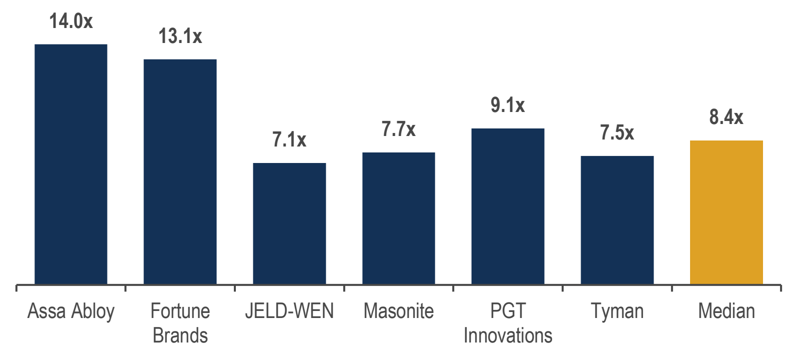
Representative Public Companies

ASSA ABLOY | FORTUNE BRANDS | JELD-WEN | MASONITE | PGT INNOVATIONS (1) | TYMAN PLC

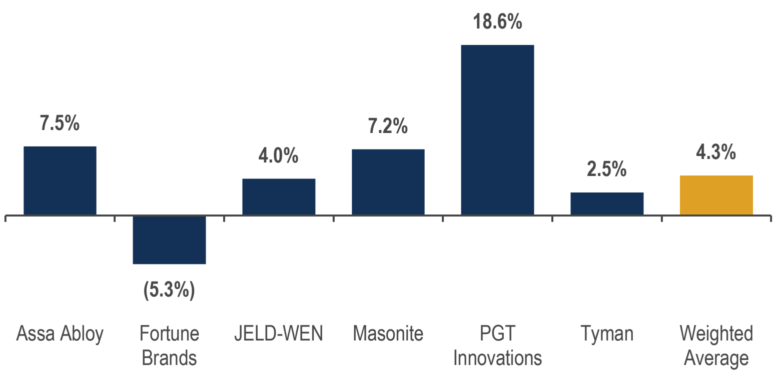
Historical Quarterly EV / LTM EBITDA Multiples – Index Median



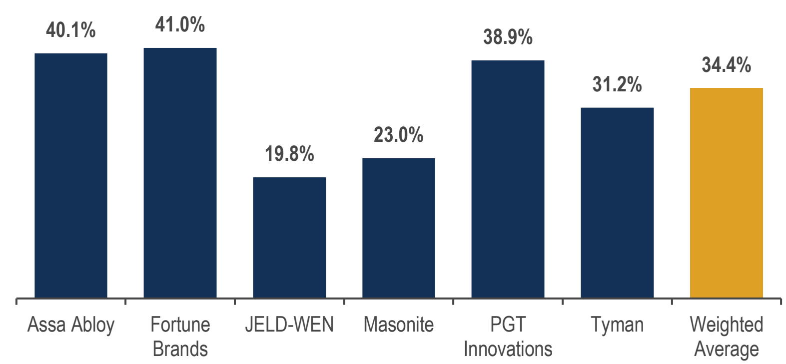
EV / LTM EBITDA Multiples



4-Year Revenue Growth (9/30/2019 – 9/30/2023)



LTM Gross Margins



Public Equity Performance; LTM Performance reflects (i) most recently reported financial performance as of 9/30/2023, and (ii) market data as of market close on 9/30/2023

(1) On 12/18/2023, Masonite International Corporation announced the pending acquisition of PGT Innovations, Inc.

TM Capital's Building Products Team & Transaction Experience

Selected Transactions

CARLISLE wide plank floors
A PORTFOLIO COMPANY OF
JMH Capital
HAS BEEN ACQUIRED BY
SWITCHBACK CAPITAL
The undersigned served as financial advisor to Carlisle Wide Plank Floors, Inc. in connection with this transaction.
TMCAPITAL

MOTOR CITY INDUSTRIAL
A PORTFOLIO COMPANY OF
KIAN CAPITAL / OAKLAND STANDARD CO
HAS BEEN ACQUIRED BY
AFC Industries
A PORTFOLIO COMPANY OF
BERTRAM CAPITAL
The undersigned served as financial advisor to Motor City Fastener, LLC (d/b/a Motor City Industrial) in connection with this transaction.
TMCAPITAL

WALKER
A PORTFOLIO COMPANY OF
KENSINGTON
HAS BEEN ACQUIRED BY
Ironbridge EQUITY PARTNERS
The undersigned served as financial advisor to Walker Glass Company Ltd. in connection with this transaction.
TMCAPITAL

BellSimons COMPANIES
HAS BEEN ACQUIRED BY
MUNCH'S SUPPLY
A SUBSIDIARY OF
marcone
A PORTFOLIO COMPANY OF
GENSTAR CAPITAL
The undersigned served as financial advisor to BellSimons in connection with this transaction.
TMCAPITAL

PROSOURCE
A PORTFOLIO COMPANY OF
CIDCAPITAL
HAS BEEN ACQUIRED BY
BLUE SEA CAPITAL
The undersigned served as exclusive financial advisor to ProSource, LLC in connection with this transaction.
TMCAPITAL

Halco LIGHTING TECHNOLOGIES
A PORTFOLIO COMPANY OF
SUMMER STREET CAPITAL PARTNERS
HAS DIVESTED ITS SPECIALTY LIGHTING ASSETS TO
HAYWARD
The undersigned served as exclusive financial advisor to Halco Lighting Technologies, LLC in connection with this transaction.
TMCAPITAL

RP LIGHTING · FANS
A PORTFOLIO COMPANY OF
FULTON-CAPITAL / MIDWEST MEZZANINE FUNDS
HAS BEEN ACQUIRED BY
FERGUSON
The undersigned served as financial advisor to Royal Pacific Limited in connection with this transaction.
TMCAPITAL

SBS HOLDINGS, LLC
San Benito Shutter / LEWIS
A PORTFOLIO COMPANY OF
LONGWATER OPPORTUNITIES
HAS BEEN RECAPITALIZED BY
MONUMENT MICROCAP PARTNERS
The undersigned served as financial advisor to SBS Holdings, LLC in connection with this transaction.
TMCAPITAL

DURO DYNE
HAS BEEN ACQUIRED BY
nsi INDUSTRIES
A PORTFOLIO COMPANY OF
ODYSSEY INVESTMENT PARTNERS, LLC
The undersigned served as financial advisor to Duro Dyne National Corp. in connection with this transaction.
TMCAPITAL

Pebble Technology INTERNATIONAL
A PORTFOLIO COMPANY OF
GRAYCLIFF PARTNERS / SEASIDE EQUITY PARTNERS
HAS BEEN ACQUIRED BY
Oldcastle APG A CRH COMPANY
The undersigned served as financial advisor to Pebble Technology, Inc. in connection with this transaction.
TMCAPITAL

Global Security Glazing / **DLUBAK** SPECIALTY GLASS CORPORATION
HAVE BEEN ACQUIRED BY
ISOCLIMA High-Tech Security Glass
A PORTFOLIO COMPANY OF
STIRLING SQUARE CAPITAL PARTNERS
The undersigned served as financial advisor to Global Security Glazing and Dlubak Specialty Glass Corporation in connection with this transaction.
TMCAPITAL

BREWSTER HOME FASHIONS
AND
fine decor
HAVE BEEN RECAPITALIZED BY
IOP INDUSTRIAL OPPORTUNITY PARTNERS
The undersigned served as financial advisor to Brewster Home Fashions LLC and Fine Decor Wallcoverings Ltd in connection with this transaction.
TMCAPITAL

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