

Building Products Market Update

Industry Consulting Team | September 2023

Matt Roth

Industry Consultant
Building Products
Matt.Roth@truist.com

Shelby Jackson

Analyst
Building Products
Shelby.Jackson@truist.com

Highlights

- Annual spending on homeowner improvements and repairs is expected to decrease from \$486 billion through the second quarter of this year to \$457 billion over the coming four quarters.
- The ongoing reductions in household moves will cause a decline in the remodeling and repair activity that typically occurs around the time of a home sale.

Truist Partner Spotlight



Service Finance Company, LLC is a nationally licensed sales finance company and an approved FHA Title I Lender. We provide in excess of fifty financing solutions which include promotional and standard installment terms for home improvement contractors enrolled in the SFC Financing Program. Our program strives to provide our contractors with the flexibility they require to offer their customers the ability to finance their purchases of products such as: HVAC, Windows, Doors, Siding, Sunrooms, Flooring, Water Treatment, Plumbing, Solar, Roofing, Insulation and many more.

	Current Rate	90 Day Low	90 Day High
30yr Mortgage	7.55%	6.99%	7.62%
10yr Treasury	4.40%	3.70%	4.40%
30 Day SOFR	5.32%	5.08%	5.33%

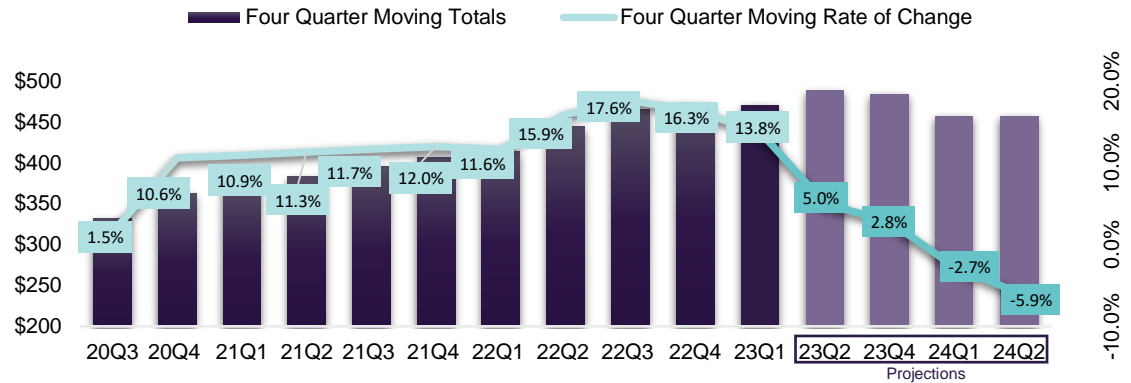


Repair & Remodel Spending Update

Leading Indicator of Remodeling Activity (LIRA) - LIRA is used to provide a short-term outlook of national home improvement and repair spending to owner-occupied homes.

- According to Remodeling Futures Program, through the first half of 2024 annual expenditures for improvements and repairs to owner-occupied homes are expected to decline at an accelerating rate primarily due to:
 - Elevated interest rates
 - Weakened house price appreciation
 - Stagnant home sales
- Decline in remodeling and repair activity may be offset by owners with ultra-low mortgage rates who continue to renovate with renewed expectations of staying in their existing space longer term.

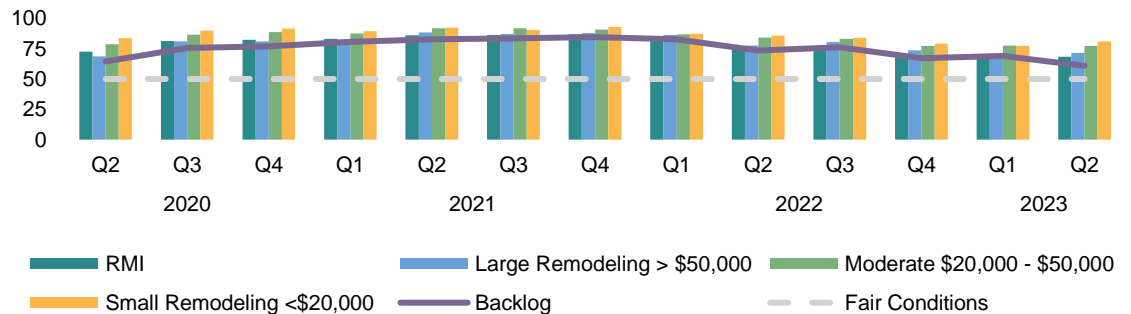
Repair and Remodel Spending is Flattening as Growth Rate Normalizes



Remodeling Market Index (RMI) - RMI provides insight on current market conditions by polling contractors and summarizing their sentiment around various market indicators.

- According to NAHB Remodelers Chair Alan Archuleta “demand for remodeling is holding up despite higher prices and borrowing costs.”
- The latest reading indicates demand for remodeling larger projects is relatively flat and smaller projects are taking more market share.

Positive Conditions Remain, but Outlook Among Remodeling Contractors has Started to Cool



*Any number over 50 indicates a positive outlook

Latest Trends from Lowes Home Improvement

Big box retailer trends are a good way to gauge what is happening with overall residential repair and remodel spending. Lowes reports Q223 sales down 9.2% citing sluggish (DI) spending and slightly lower average ticket sales. On a positive note, Lowes' Pro desk results were positive due to strong paint sales more than offsetting lumber deflation. Below is a summary of how major product categories are performing:

- **Stronger Results** - Building Materials, Paint, Rough Plumbing, Lawn & Garden, Seasonal & Outdoor Living, and Hardware
- **Weaker Results** - Lighting, Tools, Electrical, Lumber, Flooring, Millwork, Appliances, and Kitchen & Bath