

# Industrial Investment Banking Weekly Round-Up

## Building Products

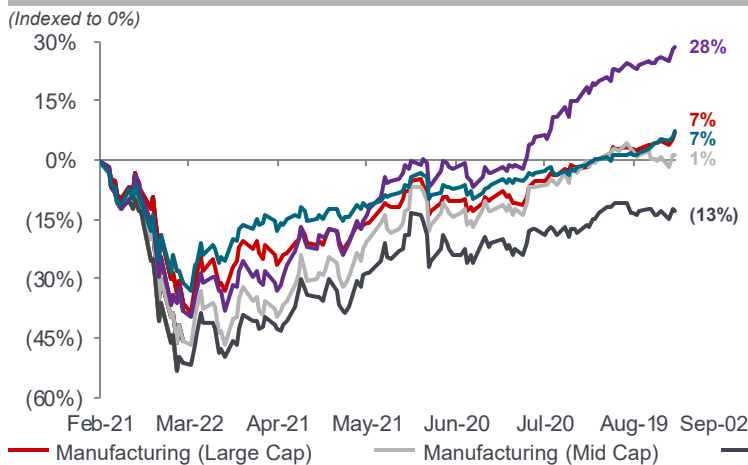
Week Ending September 4<sup>th</sup>, 2020



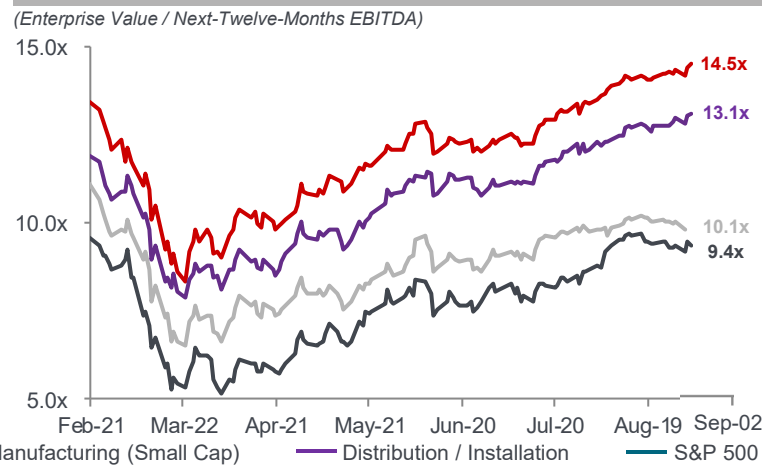
### Building Products Market Perspectives

- Employment conditions improved last week while the Labor Department recorded 881,000 new unemployment claims, lower than economists' estimates of 950,000
  - Additionally, the Labor Department recorded a significant drop in continuing unemployment claims, which decreased by 1 million this week to 13.3 million. The decrease in continuing claims paints a clear picture of economic improvement throughout the country
- The NAHB detailed the large suburban flight of homebuyers this week, highlighting COVID-19's role in shifting consumer preference away from cities and towards the more spacious suburbs and small towns
  - Despite total single family housing starts falling by 24% in the second quarter, single family housing starts in suburbs, small towns and exurbs performed exceptionally well, growing by 10.6%, 9.3% and 5.6%, respectively, during the same period
  - Market share of low density areas in the single family and multifamily homebuilding markets both grew, reaching 48.4% and 34.0%, respectively
  - Apartment construction followed the trend of exodus from large cities, seeing its largest growth in the suburbs, exurbs and low density rural areas
- The World Trade Organization released its decision over the lumber dispute between Canada and the United States, siding with Canada and further exacerbating trade issues between the two countries
  - The NAHB penned a letter to government officials two weeks ago, asking for the President to reach a new softwood lumber agreement with Canada as lumber prices continued to rapidly grow and place serious constraints on the construction supply chain
  - In 2017, the Trump administration placed a 20% tariff on Canadian softwood lumber, citing Canada's improper subsidizing of lumber production. The tariff has cost Canadian producers ~\$5 billion annually
  - Framing lumber prices have increased ~110% since mid-April and have added more than \$14,000 and \$5,000 to the final price of new single family homes and apartments, respectively

### Public Company Stock Performance Since February 21



### Public Company Trading Performance Since February 21



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Sources: NAHB, NAR, Wall Street Research

Note: Market data as of 8/5/2020; **Manufacturing (Large Cap)**: ALLE, AOS, ASX:JHX, CSL, FBHS, HUBB, IR, LII, MAS, MHK, NYSE:CNR, OC, SHW, SWK; **Manufacturing (Mid Cap)**: AAON, AMWD, AWI, AYI, BCC, CREE, CVCO, DOOR, FRTA, GFF, JELD, LPX, NYSE:LCII, PATK, ROCK, SSD, TILE, TREX, TSX:OSB, WMS; **Manufacturing (Small Cap)**: AFI, APOG, CSTE, DXYN, IIII, LYTS, NX, NYSE:SKY, PGTI, TGLS; **Distribution / Installation**: BECN, BLD, BLDR, BMCH, BXC, FBM, GMS, HDS, IBP, POOL, SIC, SITE, TSX:HDI, UFPI, WSO

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