VALUE FOCUS

CONSTRUCTION & BUILDING MATERIALS INDUSTRY

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SECOND QUARTER 2026 | SECTOR FOCUS: BUILDING MATERIALS

Executive Industry Trends

- Real GDP and construction GDP both rose in Q1 2026, increasing 2.7% and 0.8%, respectively, from Q1 2025.
- June labor data were mixed: the national unemployment rate increased slightly to 4.2%, while construction unemployment rose more sharply to 4.7%.
- Residential and highway spending, industrial production, and all three tracked commodity input-price indexes increased year-over-year, while non-residential spending declined.

In This Issue

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Construction Overview

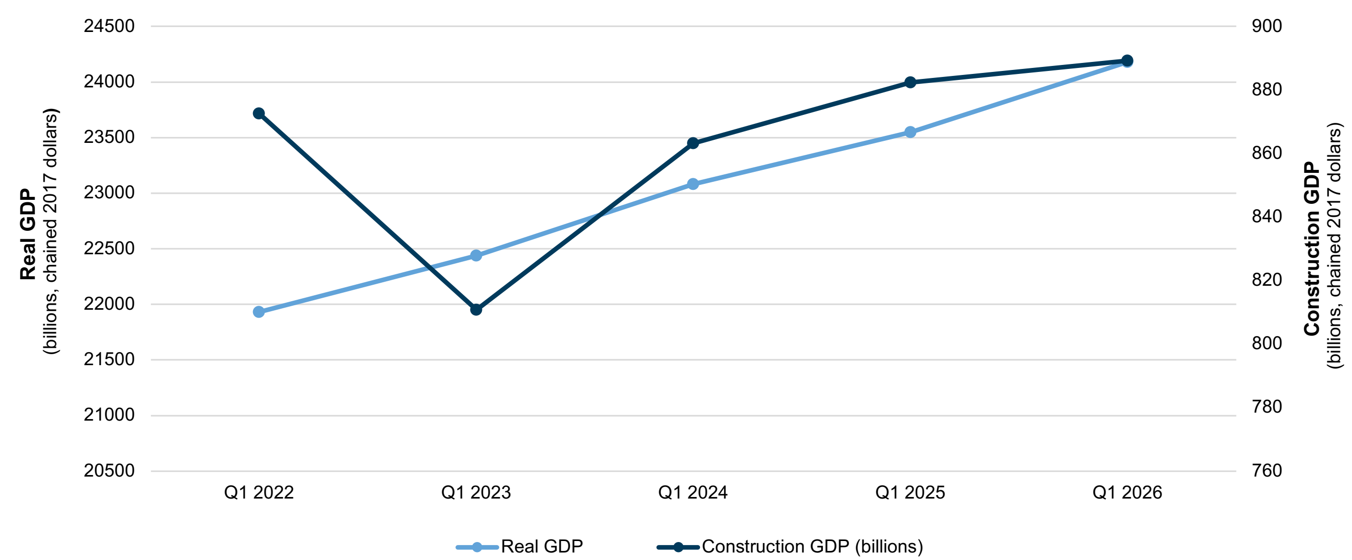
Construction & National GDP

The broad economy stayed on a modest growth path in Q1 2026. Real GDP reached $24.18 trillion, up 2.7% from Q1 2025, while real construction GDP increased to $889.2 billion, up 0.8% year over year. The gap suggests construction remained positive, but was not a clear engine of growth on its own.

Labor conditions were also mixed. The national unemployment rate increased to 4.2% in June 2026 from 4.1% a year earlier, while construction unemployment rose to 4.7% from 3.4%. The sharper construction increase suggests the market became more selective about labor and project timing rather than broadly frozen.

GDP growth remained respectable in the first quarter, yet the construction component kept pace only modestly. For materials suppliers, the message is not recession, but caution: private demand is still working, but the revenue mix continues to depend on project selection, backlogs, and the health of residential activity.

Real GDP vs. Construction GDP

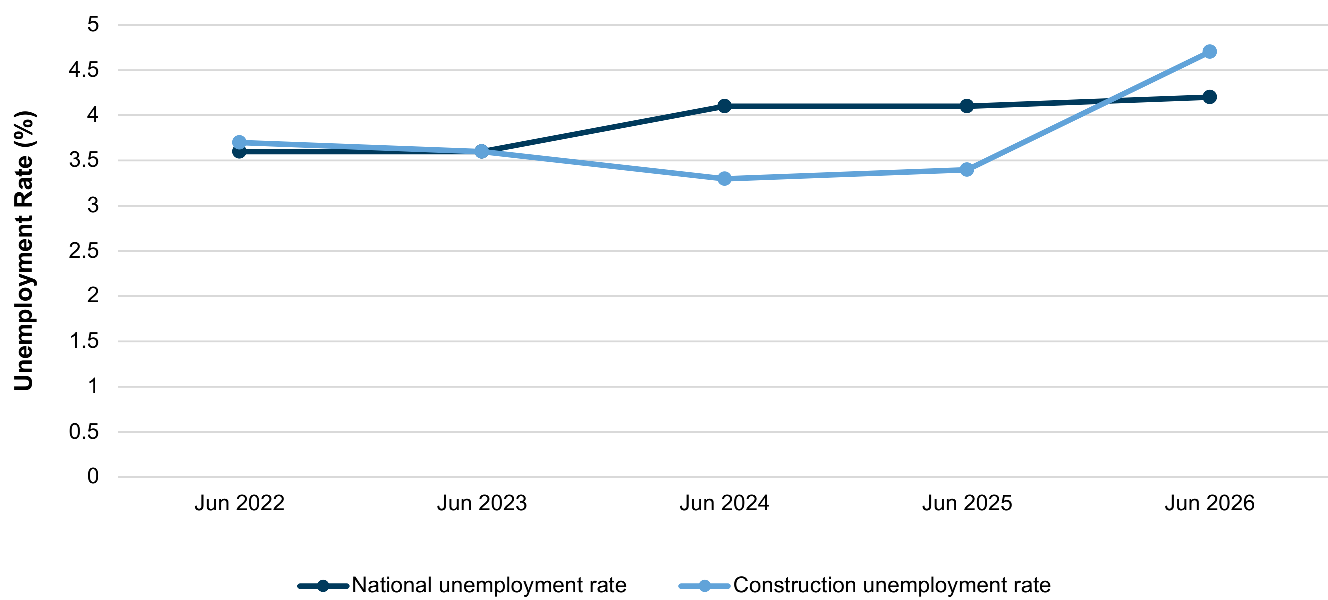


Construction Overview

Construction & National Unemployment

June labor data were comparatively steady at the national level but noticeably softer in construction. The 1.3-percentage-point year-over-year increase in construction unemployment matters for materials businesses because hiring and retention pressures can ease quickly when the cycle slows, even before top-line demand visibly weakens.

Construction and National Unemployment Rates



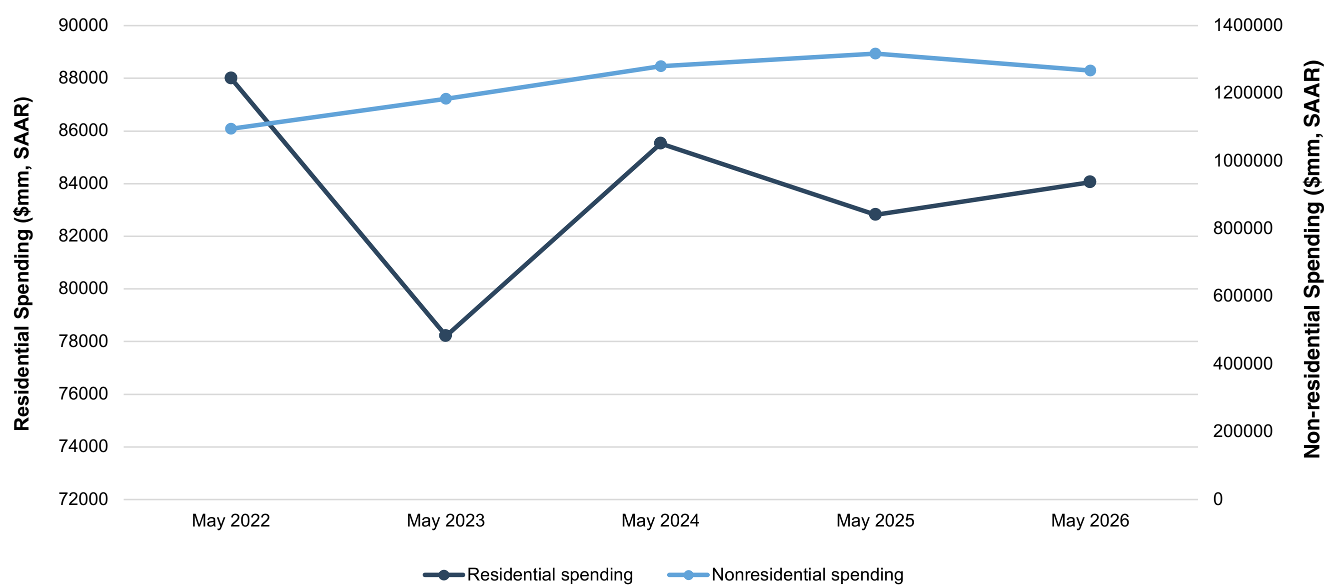
Source: Federal Reserve Economic Date

Construction Overview

Value of Construction Put-in-Place

Residential spending increased modestly to $84.1 billion in May 2026, while non-residential spending declined to $1.27 trillion. That split is consistent with a market that still has pockets of strength, but not broad-based momentum across every end market.

Value of Construction Put-in-Place



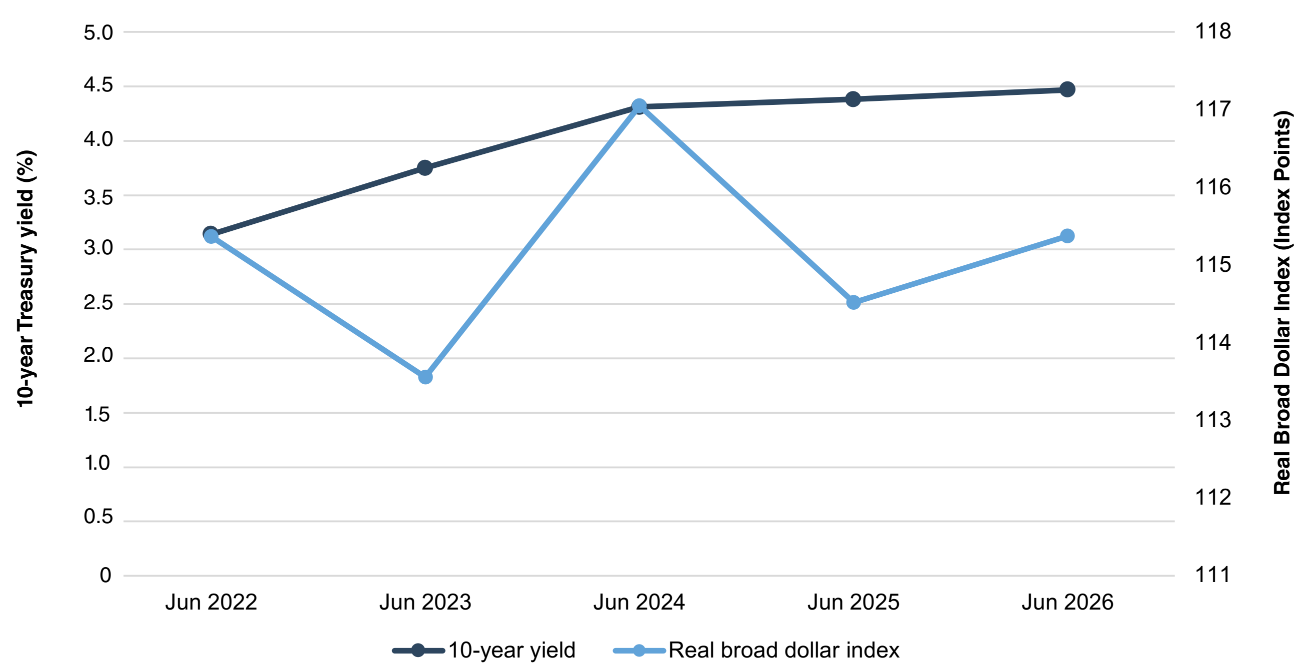
Source: US Census Bureau

Construction Overview

10-Year Yield and Real Broad Dollar Index

Financing conditions remain a meaningful part of the story. The 10-year Treasury yield ended June 2026 at 4.47%, up from 4.38% a year earlier, a level that still makes debt-funded projects more expensive than during the pre-tightening years. The real broad dollar index increased only 0.7% year-over-year, so currency effects were not materially changing the operating picture.

10-Year Treasury Yield and Real Broad Dollar Index



Source: Federal Reserve Economic Date

Sector Focus

Building Materials

Building materials remain the connective tissue of the construction cycle. The quarter's signal was mixed but still constructive: government consumption and investment increased, industrial production rose, and each tracked commodity input-price index finished above its year-earlier level.

That combination tends to help diversified producers with pricing power and cost control while leaving more commodity-sensitive names with less room to absorb volatility.

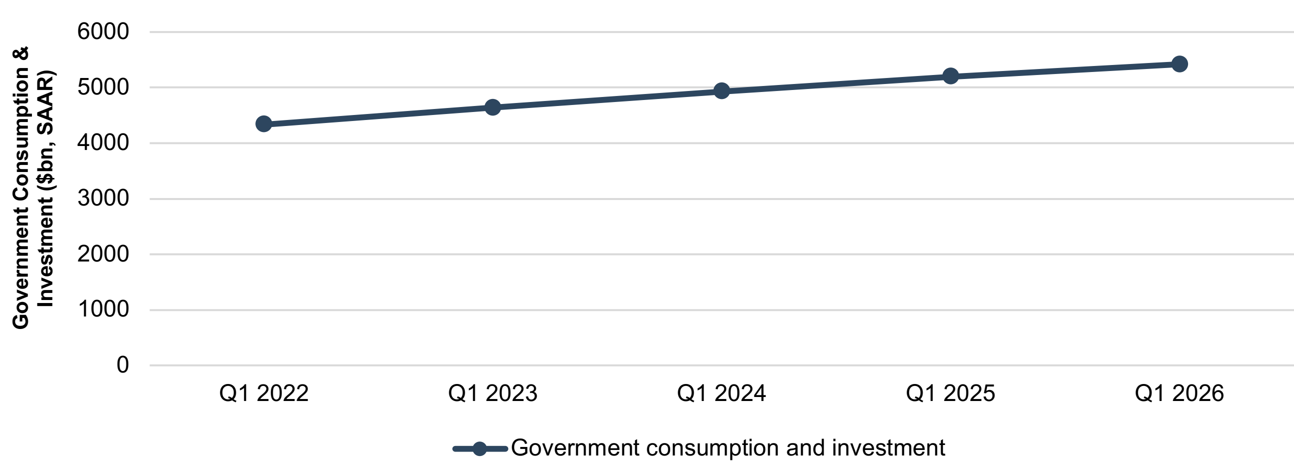
Building Materials Overview

The important readthrough this quarter is that end-demand did not collapse, but it also did not re-accelerate in a way that would leave inputs or capacity tight across the board. The market still looks like one where execution matters more than simple volume beta.

Government Consumption and Investment

Government consumption and investment increased to $5.417 trillion in Q1 2026, up 4.3% year over year. That matters for aggregates, paving, and infrastructure-adjacent products because public budgets continue to provide a floor when private demand is uneven.

Government Consumption and Investment



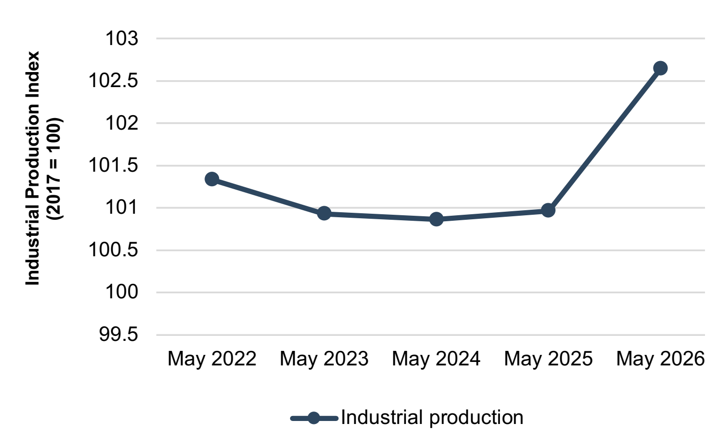
Sector Focus

Building Materials

Industrial Production Index

Industrial production reached 102.65 in May 2026, up 1.7% from a year earlier. It is not a boom reading, but it supports the view that underlying industrial activity is still expanding enough to absorb steady materials demand.

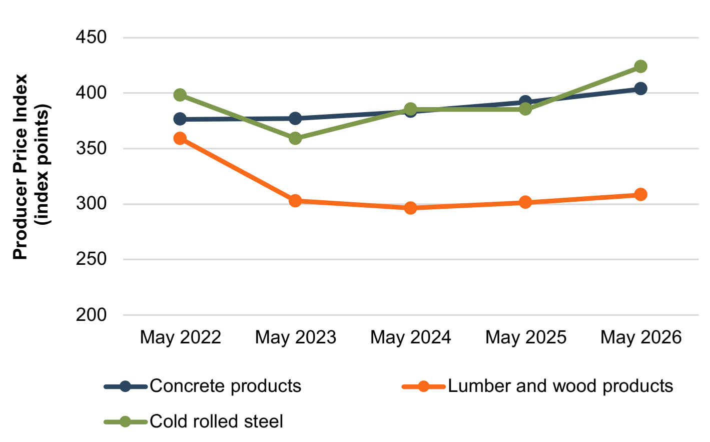
Industrial Production Index (IPI)



Commodity Input Price Index

Input inflation remained relevant. The concrete-products PPI increased to 403.620, lumber and wood products to 308.429, and cold rolled steel to 423.758 in May 2026. Cold rolled steel posted the largest year-over-year increase, while the broader mix suggests suppliers cannot assume cost relief will arrive in a straight line.

Commodity Input Price Index



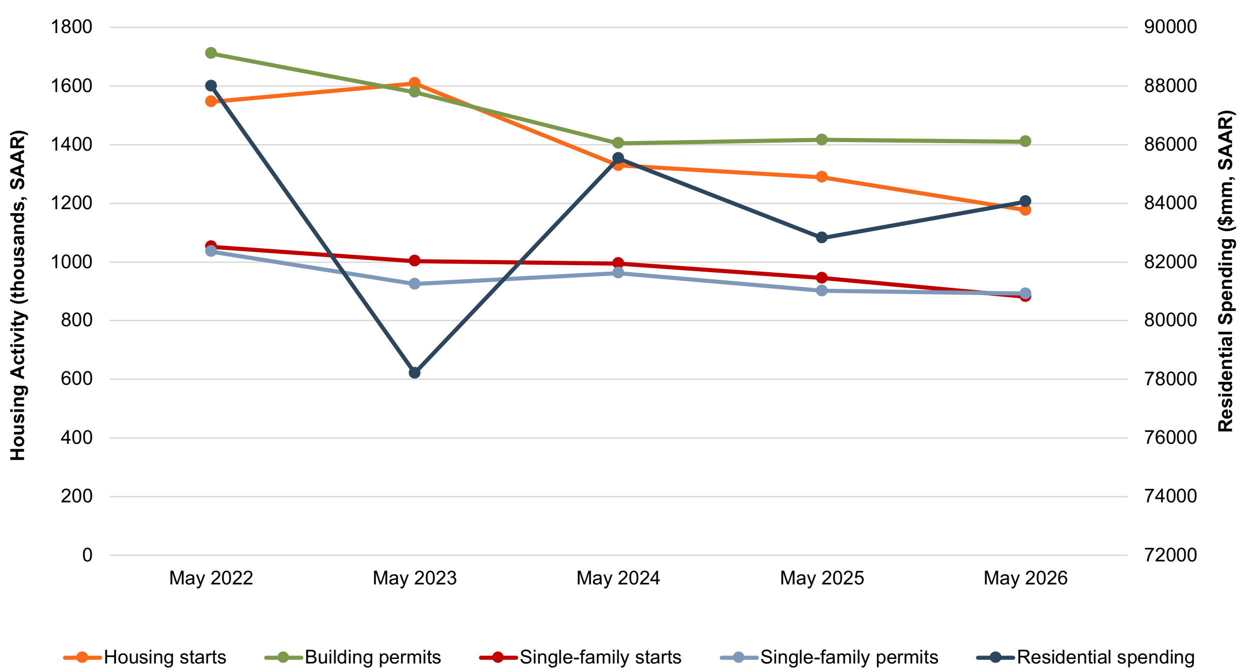
Sector Round-up

The major end markets remained differentiated. Residential spending and highway spending increased from a year earlier, while housing starts and non-residential spending declined. That split is a useful shorthand for the quarter: activity remained available, but there was no single broad macro tailwind.

Residential Construction

Residential spending totaled $84.1 billion in May 2026, up 1.5% year-over-year. Even so, starts and permits remained under pressure. Total housing starts fell 8.7% year-over-year to a seasonally adjusted annual rate of 1.177 million, while permits slipped 0.4% to 1.410 million. Single-family starts declined 6.7% and single-family permits declined 1.1%, which remains relevant for gypsum, insulation, roofing, and other incremental materials that follow a home start.

Residential Construction Indicators



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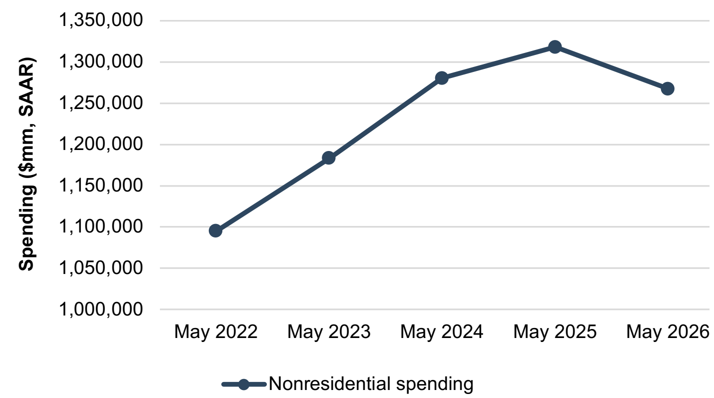
Sector Round-up

Non-Residential Construction

Non-residential spending declined to $1.267 trillion in May 2026, down 3.8% from a year earlier. The trend indicates that project mix remains selective, which generally benefits contractors and suppliers with disciplined execution more than those relying on broad-based volume growth.

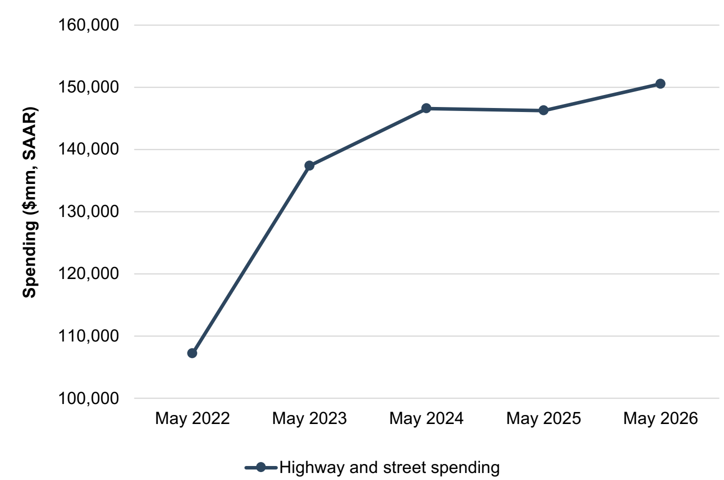
Non-residential Construction Spending ($mm, SAAR)



Roads, Bridges, and Highways

Highway and street spending reached $150.6 billion in May 2026, up 2.9% year-over-year. Public infrastructure spending continued to act as a stabilizer and remained one of the stronger offsets to the uneven private-construction backdrop.

Highway and Street Spending ($mm, SAAR)



Bellwether Stocks & Industry Participants

	Ticker	Price at 6/30/26	52-Week Perf.	LTM Revenue	Enterprise Value	Debt / MVTC	EBITDA Margin	EV / EBITDA (x)	TEV / Next Yr EBITDA (x)	Price / LTM Earnings	Price / TBV
Residential											
Beazer Homes USA, Inc.	BZH	$28.05	25.4%	$2,111	$1,876	62.3%	0.2%	375.2x	17.9x	7.2x	0.5x
D.R. Horton, Inc.	DHI	$162.88	26.3%	$33,348	$51,488	12.5%	12.8%	12.1x	11.2x	9.7x	1.6x
KB Home	KBH	$62.59	18.2%	$5,504	$5,606	33.9%	7.6%	13.4x	12.3x	7.0x	0.9x
Lennar Corporation	LEN	$90.49	(18.2%)	$32,737	$26,281	21.6%	7.4%	10.9x	11.6x	9.1x	1.5x
LGI Homes, Inc.	LGIH	$63.68	23.6%	$1,674	$3,133	53.6%	5.3%	35.2x	nm	6.6x	0.6x
NVR, Inc.	NVR	$6,813.40	(7.7%)	$9,917	$17,836	4.9%	16.8%	10.7x	12.4x	15.2x	5.6x
PulteGroup, Inc.	PHM	$137.21	30.1%	$16,828	$26,782	8.2%	17.5%	9.1x	9.7x	7.4x	1.7x
Taylor Morrison Home Corporation	TMHC	$71.74	16.8%	$7,613	$8,375	26.2%	13.9%	7.9x	10.4x	7.1x	1.2x
Meritage Homes Corporation	MTH	$83.85	25.2%	$5,616	$6,728	24.8%	8.9%	13.4x	12.8x	6.8x	0.9x
Tri Pointe Homes, Inc.	TPH	$42.56	46.9%	$3,674	$3,657	26.2%	8.7%	11.5x	nm	7.1x	0.9x
Toll Brothers, Inc.	TOL	$164.75	44.4%	$11,045	$17,228	15.3%	16.7%	9.3x	9.3x	8.5x	1.4x
Median		**$83.85**	**25.2%**	**$7,613**	**$8,375**	**24.8%**	**8.9%**	**11.5x**	**11.6x**	**14.6x**	**1.2x**

All figures reported in millions, except per share data

Source: Capital IQ

Bellwether Stocks & Industry Participants

	Ticker	Price at 6/30/26	52-Week Perf.	LTM Revenue	Enterprise Value	Debt / MVTC	EBITDA Margin	EV / EBITDA (x)	TEV / Next Yr EBITDA (x)	Price / LTM Earnings
Building Materials										
Eagle Materials Inc.	EXP	$225.00	11.3%	$2,309	$8,450	20.2%	32.4%	11.3x	11.3x	17.1x
Martin Marietta Materials, Inc.	MLM	$576.70	5.1%	$6,350	$40,045	13.3%	33.2%	19.0x	16.2x	36.1x
Vulcan Materials Company	VMC	$295.01	13.1%	$8,062	$43,354	10.8%	29.2%	18.4x	17.2x	34.9x
CEMEX, S.A.B. de C.V.	BMV:CEMEX CPO	$1.20	62.2%	$16,537	$23,453	26.4%	18.9%	7.5x	6.8x	30.0x
CRH plc	CRH	$107.00	16.6%	$38,061	$90,160	21.1%	20.0%	11.9x	10.8x	19.8x
Heidelberg Materials AG	XTRA:HEI	$166.90	(16.3%)	$21,552	$36,319	22.2%	20.0%	8.4x	7.4x	14.9x
Holcim AG	SWX:HOLN	$72.88	23.7%	$15,724	$44,824	18.7%	22.1%	12.9x	10.4x	104.1x
Median		**$166.90**	**13.1%**	**$15,724**	**$40,045**	**20.2%**	**22.1%**	**11.9x**	**10.8x**	**30.0x**
Roads, Bridges, and Highways										
Granite Construction Incorporated	GVA	$158.08	69.1%	$4,637	$7,886	15.2%	10.1%	16.8x	11.8x	42.7x
Sterling Infrastructure, Inc.	STRL	$839.36	263.8%	$2,885	$25,593	1.1%	20.1%	44.0x	27.9x	75.0x
Construction Partners, Inc.	ROAD	$118.77	11.8%	$3,258	$8,483	20.7%	14.7%	17.7x	14.8x	52.1x
Tutor Perini Corporation	TPC	$82.97	77.4%	$5,686	$4,079	8.4%	4.9%	14.7x	10.6x	56.8x
Median		**$138.43**	**73.2%**	**$3,948**	**$8,185**	**11.8%**	**12.4%**	**17.3x**	**13.3x**	**54.5x**

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Source: Capital IQ

Bellwether Stocks & Industry Participants

	Ticker	Price at 6/30/26	52-Week Perf.	LTM Revenue	Enterprise Value	Debt / MVTC	EBITDA Margin	EV / EBITDA (x)	TEV / Next Yr EBITDA (x)	Price / LTM Earnings
Non-Residential										
AECOM	ACM	$69.80	(38.2%)	$15,986	$11,479	23.3%	8.2%	8.8x	8.6x	14.6x
Dycom Industries, Inc.	DY	$505.59	106.9%	$6,252	$17,633	15.6%	13.2%	21.4x	15.9x	48.2x
EMCOR Group, Inc.	EME	$829.88	55.1%	$17,747	$36,481	0.0%	10.4%	19.7x	18.3x	27.8x
Fluor Corporation	FLR	$52.39	2.2%	$15,184	$4,795	12.8%	2.0%	15.9x	8.5x	23.8x
Jacobs Solutions Inc.	J	$126.00	(4.1%)	$13,175	$18,056	21.5%	7.8%	17.6x	12.1x	36.7x
MasTec, Inc.	MTZ	$416.06	144.1%	$15,280	$35,317	7.2%	8.0%	28.9x	22.5x	72.7x
Quanta Services, Inc.	PWR	$720.04	90.4%	$30,121	$114,103	5.2%	9.0%	42.2x	31.0x	98.8x
Primoris Services Corporation	PRIM	$99.12	27.2%	$7,487	$5,944	7.8%	6.2%	12.8x	18.8x	21.9x
Median		**$271.03**	**41.2%**	**$15,232**	**$17,845**	**10.3%**	**8.1%**	**18.7x**	**17.1x**	**32.3x**

All figures reported in millions, except per share data

Source: Capital IQ

Mercer Capital

Construction & Building Materials Industry Services

Mercer Capital provides valuation and transaction advisory services to the construction and building materials industries.

Industry Segments

Mercer Capital serves construction industry segments from commercial and civil to residential. We also serve the building materials sector from aluminum and steel to brick, glass, and lumber.

Mercer Capital Experience

- Family and management succession planning
- Buy-side and sell-side transaction advisory assistance
- Conflict resolution and litigation support
- Trust and estate planning
- Buy-sell agreement valuation, design, and funding advisory

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Contact a Mercer Capital professional to discuss your needs in confidence.

Andrew B. Frew, ASA, ABV
832.966.0345
frewa@mercercapital.com

Thomas C. Insalaco, CFA, ASA
407.410.9234
thomas.insalaco@mercercapital.com

Bryce Erickson, ASA, MRICS
214.468.8411
ericksonb@mercercapital.com

Nicholas J. Heinz, ASA
901.322.9788
heinzn@mercercapital.com

Timothy R. Lee, ASA
901.322.9740
leet@mercercapital.com

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