



THE PULSE

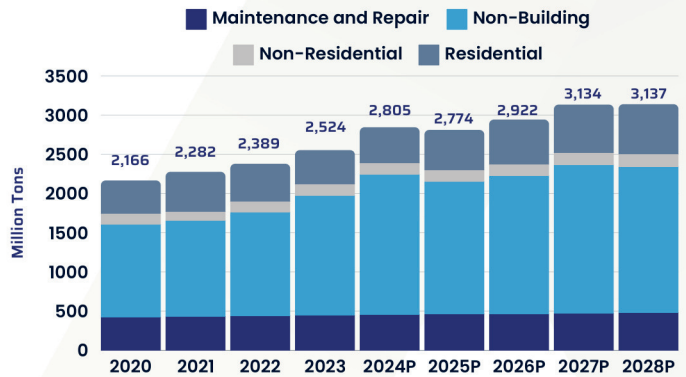
By Allen-Villere Partners

THE PULSE: CONSTRUCTION MATERIALS MARKET ANALYSIS

- The Federal Reserve has held rates steady for just over ten months now, at 5.3%. The most recent update indicates that the Fed will likely cut rates only once before the end of the year as they attempt to achieve a “soft landing.”
- The Federal Open Market Committee raised their 2024 outlook on inflation to 2.6%, or 2.8% when excluding food and energy. A return to 2% is not expected until 2026. The Consumer Price Index (CPI) was unchanged for the month and rose 3.3% over the last 12 months.
- The continuation of inflated housing prices, the presidential election, and whether or not we will truly see rate cuts are all things to watch in 2024 as they will have a significant impact on the overall economy
- Both Concrete Products and Construction Aggregates prices held steady this month, after consistent increases over the past year
- ABC’s Construction Backlog Indicator declined to a most recent monthly reading of 8.3 months in May 2024 from 8.4 months in April. This is down 0.6 months from May 2023, which was 8.9 months.
- The Infrastructure Investment and Jobs Act has provided a safety net to the Construction Materials Industry by increasing infrastructure investments which will help negate the possible slowing in residential construction due to higher interest rates and a slowing overall economy

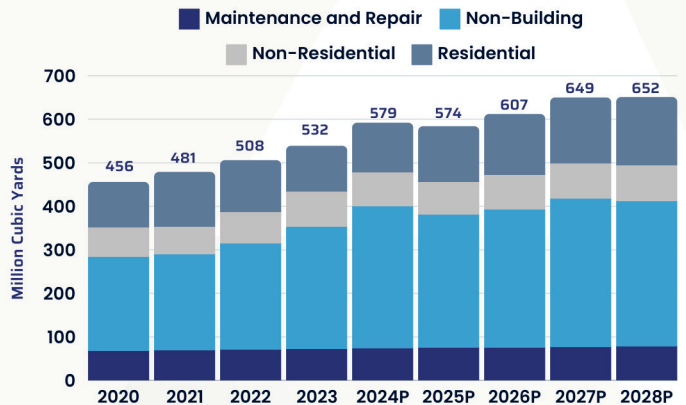
CONSTRUCTION AGGREGATES U.S. DEMAND

Source: Dodge Data and Analytics



READY MIX CONCRETE U.S. DEMAND

Source: Dodge Data and Analytics



AVP PULSE INDEX

Measuring the Trend in the Construction Materials Industry

+0.1%

AVP Pulse Index rose +0.1% month-over-month, while increasing +3.8% year-over-year, and up +10.5% over the past 36 months



DODGE DATA MOMENTUM INDEX

+2.7%

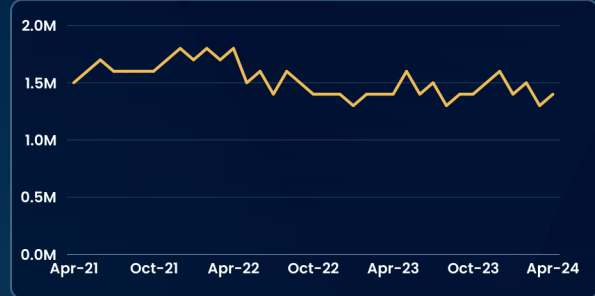
Monthly Project Planning rose +2.7%, while yearly Project Planning decreased -11.6%



HOUSING STARTS

+5.7%

Monthly Housing Starts rose +5.7%, while yearly Housing Starts decreased -0.6%



PIERRE VILLERE'S MARKET ASSESSMENT

In the latest update on the construction materials industry, the AVP Pulse Index experienced a modest increase of 0.1% for the month, but continues to gain ground with steady, but not overly strong, year-over-year growth of 3.8%. Over the past 36 months, the index increased 10.5%, indicating a slight slowdown in growth within the sector compared to earlier this year. Industry stocks hit new all-time highs earlier this year, and there has been what we believe is a rotational pullback as profit-taking takes place, yet profitability remains steady, if not strong, at several of the major multi-nationals.

The first quarter saw big increases in cement consumption, with a 28.9% increase in monthly consumption, and 10.3% increase year-over-year, and further buoyed by a 5.7% increase in housing starts for the month. Amazingly, despite an adverse mortgage interest rate environment, year-over-year housing starts have held steady, down only a small -0.6%. Other strong showings in the Dodge Data Momentum Index and the Architectural Billings Index added strength to our algorithm and kept our Index in positive territory.

As has been the case for some time now, total construction spending remains steady if not robust, with only a marginal monthly pullback of -0.1%. Encouragingly, compared to the same period last year, total construction spending is up by a significant 10.0%.

In the view of Allen-Villere Partners, the construction materials industry is poised to remain healthy for the foreseeable future, buoyed by strong demand fueled by increasing federal outlays for construction projects under the Infrastructure Investment and Jobs Act (IIJA), the CHIPS Act, and the Inflation Reduction Act. Against this backdrop, coupled with the industry's resilience and positive indicators such as pricing strength and sustained high construction spending, the outlook remains favorable. The industry's ability to capitalize on these opportunities while navigating challenges underscores its enduring stability and potential for sustained prosperity. But clearly, and most significantly, while the Fed has preached "higher for longer" as a mantra for interest rates, they will start falling in the months ahead, although the timing is very uncertain. When they do start falling, we will see pent-up homebuyers, anxiously sitting on the sidelines, come flying off the benches. Likewise, commercial construction also hindered by high interest rates will surely experience a resurgence.

It is worth repeating that the AVP Pulse Index is a trend measure, like an arrow, albeit a crooked one; it points up or down depending on the direction of the construction industry. As stated above, the outlook is for continued growth and profitability for our industry based on the trailing trends and the overall positive direction of the Index over the past 36 months.

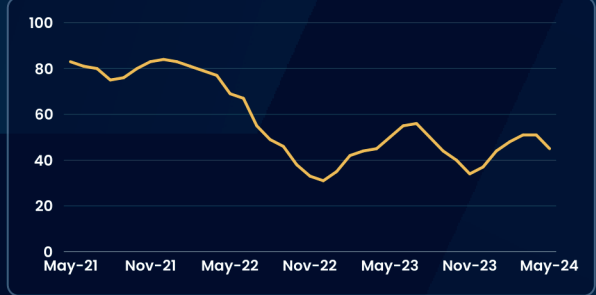
CONSTRUCTION CONFIDENCE INDEX (AVG)

-1.7% Monthly Construction Confidence dropped -1.7%, while yearly Construction Confidence decreased -2.1%



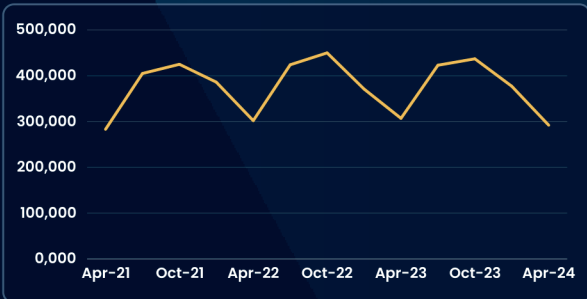
NAHB/WELLS FARGO HOUSING MARKET INDEX

-6.0% Monthly Housing Market Index dropped -6.0, while yearly Housing Market Index decreased -5.0%



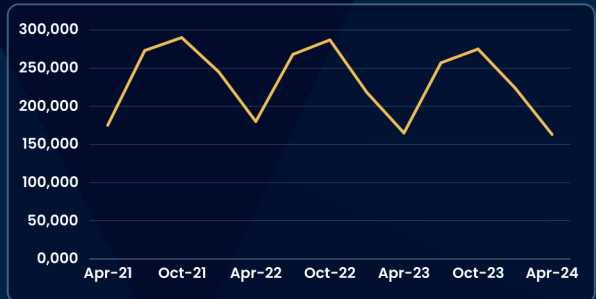
DOMESTIC CRUSHED STONE CONSUMPTION

-22.5% Domestic Crushed Stone dropped -22.5% in Q1, while decreasing -4.9% year-over-year



DOMESTIC SAND & GRAVEL CONSUMPTION

-27.2% Domestic Sand & Gravel dropped -27.2% in Q1, while decreasing -1.2% year-over-year



PPI: CONCRETE PRODUCTS

-0.1% Monthly Concrete Products PPI dropped -0.1%, while yearly Concrete Products PPI increased +5.0%



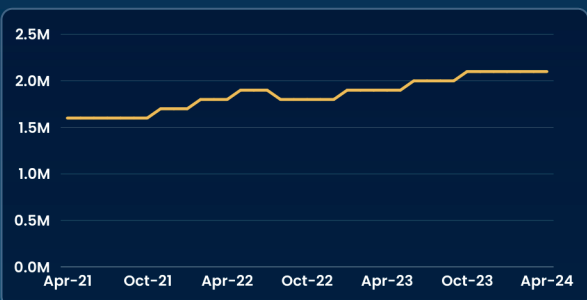
PPI: CONSTRUCTION SAND, GRAVEL, & STONE

+0.2% Monthly Construction S,G,&S PPI rose +0.2%, while yearly Construction S,G,&S PPI increased +7.3%



TOTAL CONSTRUCTION SPENDING

-0.1% Monthly Construction Spending dropped -0.1%, while yearly Construction Spending increased +10.0%



CONSTRUCTION BACKLOG INDICATOR

-1.2% Monthly Construction Backlog dropped -1.2%, while yearly Construction Backlog decreased -6.7%



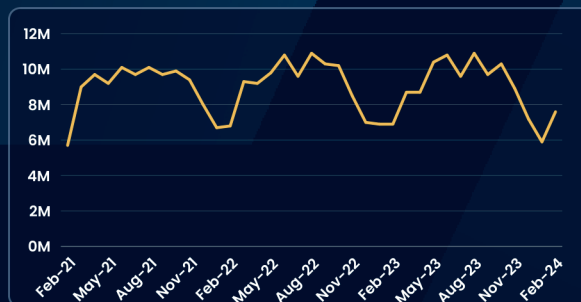
CONSTRUCTION UNEMPLOYMENT RATE

-1.3% Monthly Construction Unemployment dropped -1.3%, while yearly Construction Unemployment increased +0.4%



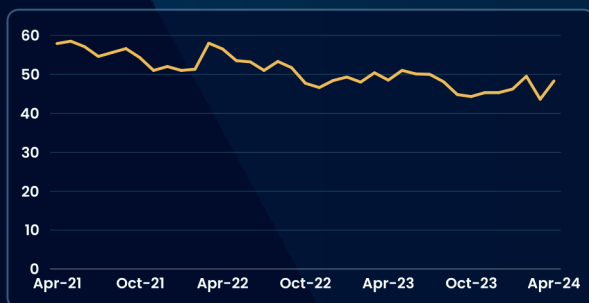
U.S. CEMENT CONSUMPTION

+28.9% Monthly Cement Consumption rose +28.9%, while yearly Cement Consumption increased +10.3%



ARCHITECTURE BILLINGS INDEX

+10.8% Monthly Architecture Billings rose +10.8%, while yearly Architecture Billings decreased -0.4%



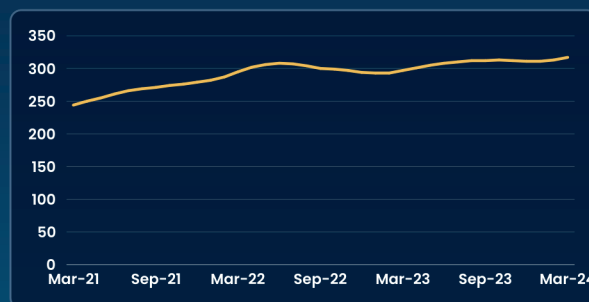
INDUSTRY STOCKS AVERAGE PRICE

-8.8% Monthly Industry Stocks Average dropped -8.8%, while yearly Industry Stocks Average increased +37.0%



CASE-SHILLER NATIONAL HOME PRICE INDEX

+1.3% Monthly National Home Prices rose +1.3%, while yearly National Home Prices increased +6.5%



ABOUT ALLEN-VILLERE PARTNERS

Allen-Villere Partners (“AVP”) is the premier mergers & acquisition advisors and valuation services firm to the construction materials industry, focused exclusively on the ready-mixed concrete, construction aggregates, concrete products, and asphalt industries. For over 40 years, AVP has developed a special emphasis on representing the independently owned, middle-markets companies that play such a key role in the competitive landscape of construction materials. With over 60 years in combined experience and highly specialized, industry-specific skills, Allen-Villere Partners has a national reputation for excellence in its client representation.

TRACK RECORD

- Valued over 600 companies in this industry over the last 40 years
- Sold over 100 companies in the construction materials industry
- Client relationships in more than 44 states
- Completing deals in this healthy mergers & acquisitions environment

Pierre G. Villere serves as president and senior managing partner of Allen-Villere Partners. He has a career spanning almost five decade, and volunteers his time to educating the industry as a regular columnist in various publications and through presentations at numerous industry events.

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