

# Homebuilders and Building Products

## What happened in Vegas? Takeaways from International Builders' Show 2024

Industry Overview

### IBS '24: bullish new construction; hope for 2H turn in R&R

BofA equity and HY credit homebuilding and building products research teams attended the International Builders' Show (IBS) in Las Vegas and hosted 15+ corporate / industry expert meetings and booth tours. IBS 2024 was the biggest show floor since 2009. See our seven takeaways below – one takeaway for each mile we walked on day 1 at IBS.

#### 1) Builders are bullish on SF starts for 2024 and 2025

Companies anticipate ~5% single-family starts growth in 2024 with potential upside if the supply chain cooperates. Builders seem eager to have homes available to sell if rates decline in 2H24. Spec outperformed in 2023 due to effective rate buydowns but built-to-order could benefit from a lower urgency to lock-in rates by buyers. Also, after lagging public builders in 2023, private builders are now also increasing the pace of starts. We heard from multiple companies that 2025 starts growth could exceed 2024. We continue to forecast 9% growth single-family starts in 2024 (see our [Housing starts update](#)).

#### 2) R&R still soft but lower rates could support better 2H

Repair and remodel trends continue to decline year-to-date, but companies were hopeful that sales could improve in 2H24 with lower rates and easier comparisons. Entry level / do-it-yourself (DIY) consumer appears more challenged than affluent homeowners. (See our: [When will repair & remodel inflect? We expect reset by end of 2024; growth in '25](#)).

#### 3) Discretionary lagging; Exterior outperforming interiors

By category, non-discretionary/break fix is outperforming discretionary. Also, exterior products like roofing, composite decking and siding have been more resilient than interior projects like kitchen & bath remodels, re-paint and flooring.

#### 4) Supply chain: manageable inflation; land could get tight

Some building product manufacturers including insulation, siding, plumbing & paint have announced price hikes. The biggest supply chain challenges: 1) finished lot availability in some markets, 2) rising land development costs, and 3) transformer shortages.

#### 5) M&A could pickup given strong balance sheets

The public companies have strong balance sheets and access to the debts market. Companies also have better visibility on “normalized” earnings, which has brought valuation expectations of buyers and sellers closer together. Key M&A themes to watch: 1) Builders acquiring smaller builders to absorb their land pipeline, 2) consolidation of 1-step distribution, and 3) foreign companies expanding in US building products.

#### 6) Building product capacity: disciplined so far

We did not hear about any major or unexpected capacity additions near-term.

#### 7) Products: connected, energy efficiency, maintenance

New product innovation themes: 1) adding connected or smart capabilities to products for homeowners (water management, locks), 2) improving energy efficiency of homes, 3) improving construction efficiencies for builders and remodelers, and 4) reducing maintenance and replacement for homeowners.

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