

# Monitor

## Building Materials



VOLUME  
**428**

### BUCKLING SUPPORT

#### LUKEWARM SEASON

While providing a modest impetus for building activity, the onset of the traditional building season has failed to spark a true surge in momentum

#### ADDITION BY SUBTRACTION

Despite relatively modest demand, softwood prices have shown a modest-but-steady upward trajectory amid production curtailments

#### FILLING THE VOID

A lack of export demand from China has led to the U.S. hardwood industry leaning on unfamiliar partners to steady its shaky footing

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MONITOR BUILDING MATERIALS

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Deals are a moving target with a constantly shifting mix of people, numbers and timing. We are here to simplify this process for you. Our associates are experts at analyzing situations and quantifying values you need on the most complex deals, so you can leverage our extensive industry knowledge to close the deal.

# Trend Tracker

|              | Lumber       | Building Materials |
|--------------|--------------|--------------------|
| NOLVs        | Consistent ▬ | Consistent ▬       |
| Sales Trends | Decreasing ▼ | Decreasing ▼       |
| Gross Margin | Mixed ⬆      | Mixed ⬆            |
| Inventory    | Decreasing ▼ | Decreasing ▼       |

### NOLVS

Distributors and manufacturers in the lumber and building materials markets continue to experience sluggish demand amid a tepid construction market, particularly for homebuilding. In many cases, continuing efforts to operate as efficiently and leanly as possible have been effective in preventing major declines in recovery values. Further, the onset of the traditional building season has provided a modest catalyst for demand as compared to the prior Building Materials Monitor released in December.

### SALES TRENDS

With the construction market continuing to struggle amid high costs, trade uncertainty, and affordability concerns, demand for lumber and building products remains depressed compared to last year. While failing to reach historical highs, the commencement of the traditional building season has provided some momentum versus the turn of the year.

### GROSS MARGIN

Gross margin trends have largely been contingent upon an individual operation’s ability to manage rising costs stemming from tariffs, the war in the Middle East, persistently high inflation, and other trade headwinds. Certain operators have been able to pass through price increases, benefiting gross margin, while others have not been as successful and have suffered margin compression. While some markets have experienced heightened competitive pricing pressure, others have seen import penetration decline amid international conflict.

|          | Market Prices |              |
|----------|---------------|--------------|
|          | Three Months  | Year         |
| Softwood | Increasing ▲  | Increasing ▲ |
| Hardwood | Consistent ▬  | Decreasing ▼ |

### INVENTORY

Generally speaking, supply has tightened in both the lumber and building materials markets. Operators have sought to counteract sluggish demand by focusing on lean inventory levels, including efforts to reduce slower-moving inventory and total weeks of supply. This trend of constrained supply has taken shape at every stage of the supply chain, from production curtailment at the mill level to cautious purchasing from downstream buyers.

### PRICING

- Softwoods: Efforts to reduce production and purchasing have generally been effective at keeping pricing afloat throughout the softwood supply chain, resulting in modestly elevated pricing when compared to the midway point of the prior year and substantial gains from the beginning of 2026.
- Hardwoods: Similar to the softwood market, efforts to reduce inventory levels have counteracted potentially significant downward pricing momentum that would have otherwise come about from uninspiring demand both domestically and abroad. After prices fell in the second half of 2025, constrained supply levels have prevented a bearish trajectory in 2026.



# Overview

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According to the U.S. Census Bureau, year-to-date construction spending totaled \$858 billion through May 2026, 2.7% below the same period in 2025. Building activity has been mixed thus far in 2026 amid elevated mortgage rates, rising construction costs, and unremitting labor shortages.

Private residential construction spending increased 0.3% month-over-month in May to a seasonally adjusted annual rate of \$930 billion, while spending on private nonresidential construction decreased 0.3% month-over-month to a seasonally adjusted annual rate of \$739 billion.

Affordability challenges continue to temper demand from buyers, limiting momentum for homebuilding. The seasonally adjusted annual rate for privately owned housing starts reached 1.18 million units in May 2026, 15.4% below the revised April estimate and 8.7% below the May 2025 rate. The substantial decline in housing starts in May can be attributed in large part to a steep drop in the multi-family sector, compounded by a more modest decrease in the single-family sector.

Demand for framing lumber has remained low in conjunction with deflated homebuilding. Even the anticipated surge in demand during the spring, which operators have historically been able to depend upon, failed to fully meet the lofty highs of years past. Despite the subdued demand, softwood lumber prices have exhibited relative stability in 2026, as production levels have been limited by mill curtailments and closures and demand has improved modestly. Still-elevated tariffs on Canadian imports have limited Canadian lumber shipments to the U.S., further tightening supply.

Conversely, U.S. remodeling activity continues to display strength in 2026. Factors such as restricted new housing inventory, aging housing stock, and growing homeowner equity continue to prompt existing homeowners to undertake remodeling projects. Remodeling projects continue to be more appealing to homeowners that are not dependent upon financing at current interest rates, which remain elevated.

On June 30, 2026, the U.S. Department of Commerce announced the post-preliminary results of its seventh administrative review of duties on imports of Canadian lumber, reducing combined tariff rates from 35.16% in its sixth administrative review to 25.18%. This amendment will replace the preliminary countervailing duty orders previously published on April 9, 2026. The most recent review affirmed the previous conclusions put forth by the U.S. Department of Commerce that countervailing and anti-dumping duties are necessary for a balanced trade market.

## KEY FACTORS

- Construction activity remains somewhat tepid amid persistent affordability issues stemming from tariffs, global conflicts, high mortgage rates, and stubbornly high inflation.
- Production curtailments, which have led to constrained supplies, coupled with high tariff and fuel costs, have counteracted sluggish domestic and export demand to keep pricing afloat in 2026.

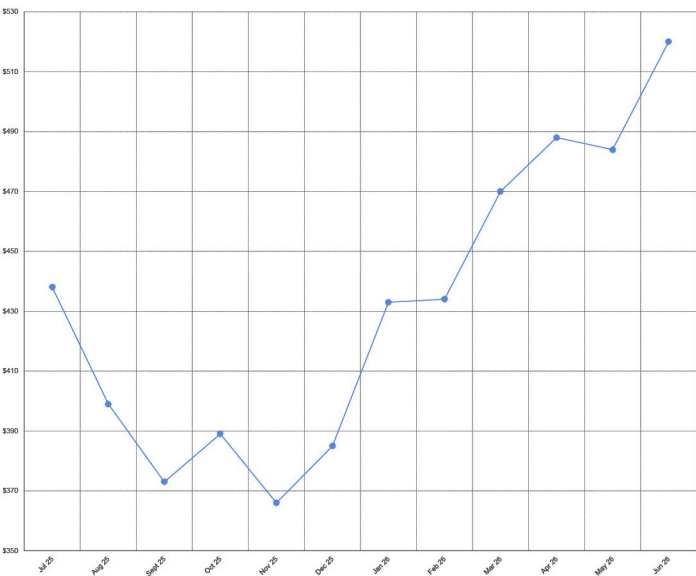
# Softwood Lumber and Panels

After a second half of 2025 characterized by low prices due to a struggling housing market, the typical fall/winter lull, cautious buying, and tariffs that raised costs and squeezed margins, softwood lumber prices have trended modestly upward throughout 2026, reflecting a steady recovery from late 2025 levels. Prices stabilized at the end of 2025, lifted early in 2026 in anticipation of the spring building season, and continued an upward trajectory through mid-year. While falling short of robust, the market has shown consistent, incremental gains in price, driven by an uptick in demand at the start of the spring building season and tight supply conditions.

Overall, pricing in 2026 can be described as marginally bullish, despite muted housing activity from stubborn interest rates and persistent trade uncertainty. Early optimism surrounding housing starts and permits emerged in late 2025 with slight increases between November and December. This initial boost was short-lived and gave way to declines in more recent months, including a decrease in housing starts from 1.39 million in April 2026 to 1.18 million in May 2026.

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## Softwood Lumber - Price per MBF



Similarly, housing permits declined, though more modestly, from 1.42 million in April 2026 to 1.41 million in May 2026. These push-and-pull patterns underscore the fact that despite the gradual increases in prices previously mentioned, challenges still exist with regards to builder and consumer confidence amid affordability concerns and economic uncertainty.

More specifically on the pricing front, the framing lumber composite price increased 19.5% from the fourth quarter of 2025 to the first quarter of 2026, and was flat to slightly down in the first quarter of 2026 versus the same period in 2025. The second quarter of this year offered a different picture, with an increase of 23.2% in June 2026 compared to June 2025, driven by tight supply in the wake of continuous declines in imports from Canada due to tariffs and duties that persist. As noted, the start of the traditional building season also provided a modicum of momentum beginning in the second quarter. The general consensus is that supply will remain tight as flat demand begins to trend downward heading into the third quarter of 2026. Prospective reductions of Canada import duties in August could provide some relief from a steeply downward trajectory, but true optimism remains elusive.

Appraisal trends have generally been mixed in the first half of 2026 for lumber and building products as most companies face tariff-driven volatility and modest to soft demand. At the mill level, lingering supply chain volatility has limited demand, despite the spring building season sparking pricing, and contributed to flat or rising NOLVs. At the distributor level, NOLVs have experienced mixed results as companies are responding to the uncertainties and volatility by tightening inventories, lowering weeks of supply, and reducing excess inventory, which has benefited NOLVs. However, modest to sluggish demand continues to put pressure on prices, negatively affecting gross margins and thus NOLVs.



# Hardwood Lumber

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At the midpoint of 2026, the hardwood lumber industry has adjusted to the continued environment of depressed demand, both domestically and internationally. Consistent with GA's previous Building Materials Monitor, interest rates remain elevated, production capacity continues to be constrained, and global trade is stifled, particularly with China, the largest trade partner for hardwood lumber. Since the end of 2025, geopolitical conflict with Iran has significantly increased transportation costs, adding another obstacle to this industry. However, lower production has led to lean inventories up and down the supply chain, keeping prices from bottoming out.

The optimistic view heading into this year was that the domestic hardwood lumber industry would experience a more stable trade environment than it encountered in 2025. While that may be true for certain trade partners such as Canada, Mexico, and Vietnam, trade with the largest global consumer of hardwood lumber, China, continues to decline. Export volumes to China declined 18% through April 2026 versus 2025. Complicated tariff policies, combined with China's own soft real estate market, have diminished demand for American hardwood lumber. Lumber producers continue efforts to diversify distribution channels beyond China into areas like Vietnam and Mexico, where furniture manufacturing has increased, to minimize the impact of a softening China market. Overall lumber exports were down 2% through April, demonstrating stabilization with other international trade partners that have seen some resolution to initial tariff policies, but despite some promising returns, the U.S. has yet to fully replace China's historical demand.

The domestic market has also remained stagnant, unable to offset a depressed export environment. Interest rates have remained elevated, and there is no expectation of meaningful demand recovery in the U.S. for the remainder of 2026, nor early 2027. While the repair and remodel market has fared better than new construction, positive momentum has been modest at best. The May release of the Leading Indicator of Remodeling Activity published by the Joint Center for Housing Studies of Harvard University forecasted year-over-year growth in home renovation and repair spending of just 0.5% by the first quarter of 2027.

While not a decline, this forecast does not keep pace with inflation and is indicative of the long-term softness of the residential construction market. The National Association of Home Builders' most recent Remodeling Market Index (RMI) sat at 61 in June. While any reading over 50 indicates that a higher proportion of remodelers surveyed viewed the remodeling market as good rather than fair or poor, analysts support the view that a sustained recovery in residential construction is necessary to drive repair and remodel activity. Similarly, the flooring and cabinet industries have been damaged by the struggling U.S. housing market and are unlikely to experience significant positive momentum until a turnaround occurs, particularly in an environment of increasing foreign competition.

Exacerbating the challenging environment, war with Iran has increased fuel costs, putting additional pressure on the U.S. economy. Higher energy prices have translated to elevated production and freight costs for operators throughout the hardwood supply chain, resulting in rising downstream prices and slowed buyer activity. A long-term ceasefire or conflict resolution might be necessary to ease costs and potentially jump-start activity domestically.

With demand low and freight and operational costs high, mills have responded by continuing to ration production. According to the Federal Reserve's G.17 Industrial Production report, U.S. sawmill production declined 0.4% in the first quarter of 2026, marking the second consecutive quarterly decrease. While the quarterly decline is modest, it is estimated that hardwood capacity has fallen far more significantly over the last two years, as many independent, family-run mills felt the impact of rising costs and slowing demand.

Appraisal values have generally declined in 2025 and 2026. Recent appraisals have consistently reflected slowing sales and declining margins. Yet as production capacity has been steadily declining over the last 18 months, prices have stabilized and inventory levels have adjusted to market demand. The expectation is that Orderly Liquidation recovery values will begin to level off as appraisals are updated in the second half of 2026 and early 2027.

# Monitor Information

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The *Building Materials Monitor* relates information covering most building projects, including industry trends, market pricing, and their relation to our valuation process. GA Group internally tracks recovery ranges for specialty and exotic hardwoods and softwoods, building product retailers and wholesale distributors, and specialty building products, but we are mindful to adhere to your request for a simple reference document. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Group Business Development Officer.

The information contained herein is based on a composite of GA Group's industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of well-respected industry publications and sources believed to be reliable. GA Group does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this issue. Neither GA Group nor any of its representatives shall be liable for use of any of the information in this issue or any errors therein or omissions therefrom.



# Experience

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## LIQUIDATIONS

GA Group has been involved in the liquidation of three National Home Centers building products locations, the liquidation of inventory and fixed assets across eight North Pacific Building Materials distribution centers, and the auctions of various woodworking companies, including Woodworking IVA, The Truss Company, Lux Cabinetry, LLC, and Graeber's Lumber & Millwork.

## APPRAISALS

In addition, GA has worked with and appraised numerous manufacturers and distributors within the building materials, lumber, and woodworking industries. While our clients remain confidential, they range in scale from smaller, more specialized regional businesses to major global and national industry leaders, and include the following sampling of companies:

- The nation's largest supplier of building materials for home building, as well as professional and contract builders.
- One of the largest roofing products distributors in the U.S., with locations throughout the country and sales exceeding \$2 billion annually.
- Global leaders in home fixtures and plumbing products, including faucets, sinks, toilets, and bathtubs, with presence in over 40 countries.
- Leading manufacturers of HVAC systems, serving residential, light commercial, and commercial applications, with annual sales exceeding \$1 billion.
- The largest publicly-traded roofing distributor in the U.S.
- One of the nation's largest producers of OSB, siding, and engineered wood products.
- The largest independent distributor of wallboard, acoustical, and other specialty building materials in the U.S.
- One of the world's leading manufacturers of windows and doors.
- Regional sawmills, log processors, and producers of green and kiln-dried lumber.
- Manufacturers and distributors of fasteners and bolts used in light and heavy construction.
- Suppliers of iron and wood building components utilized in stair construction.
- Specialty producers of custom interior wood doors for the education, commercial, health care, institutional, and hospitality industries.
- A leading distributor of roofing materials with 60 distribution facilities nationwide.
- A manufacturer and distributor of exterior residential building products, primarily servicing professional contractors.
- Distributors of exotic imported hardwoods utilized in high-end building projects.
- Independent building material and plumbing product retailers and wholesalers, each serving distinct regional customer bases.
- A diversified holding company operating in the building materials supply industry, with a focus on more specialized supply services.
- A manufacturer and distributor of metal roofing and accessories for residential, light commercial, and agricultural applications.
- Various companies' woodworking machinery and equipment, including producers of dimensional lumber, hardwood lumber, plywood, and fiberboard.

In addition to our vast liquidation and appraisal experience, GA Group maintains contacts within the building materials and lumber and woodworking equipment industries that we utilize for insight and perspective on recovery values.

# Meet Our Team

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# About GA Group

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GA Group is a privately-held financial services company offering a comprehensive set of tailored solutions to meet our clients' diverse needs. Our teams value, monetize, lend against or acquire assets across a broad range of sectors from both healthy and distressed companies.

GA Group and its predecessors are celebrating 50 years of client service and its current leadership has over 100 years of collective experience in the industry. GA Group is majority-owned by Oaktree Capital Management.



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