

Monitor

Building Materials



VOLUME
418

A YEAR OF TREPIDATION

DELAYED RECOVERY

Fed rate cuts have failed to result in significant gains in housing affordability, resulting in slow activity

PALTRY DEMAND

Softwood demand seems to have peaked in the first quarter of 2025, as efforts to right-size production have borne only modest results

TRADE UNCERTAINTY

Ongoing trade wars have precipitated significant declines in once-reliable U.S. export demand for hardwoods

In This Issue

MONITOR BUILDING MATERIALS

gagroup.com

DECEMBER 2025

VOLUME 418

03	Trend Tracker	07	Monitor Information
04	Overview	08	Experience
05	Softwood Lumber and Panels	09	Meet Our Team
06	Hardwood Lumber	10	About GA Group



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	Decreasing ▼	Decreasing ▼
Sales Trends	Mixed ⬆️⬆️	Decreasing ▼
Gross Margin	Decreasing ▼	Decreasing ▼
Inventory	Decreasing ▼	Increasing ▲

NOLVS

High interest rates, stubbornly high inflation, and tariff-driven cost increases continue to negatively impact demand. Lower demand levels have resulted in excess supply and an inability for many operators to pass through higher costs, negatively impacting gross margins.

SALES TRENDS

- Lumber:** Cautious optimism early in 2025 drove gains in the construction market after a difficult 2024. However, persistently high interest rates and high costs, driven in part by tariffs, have subdued demand in more recent months.
- Building materials:** Sluggish construction activity and general market softness have continued to negatively impact demand, keeping sales flat to slightly down year over year.

GROSS MARGIN

- Lumber:** Low demand has made for a challenging environment for both mills and lumber distributors. Despite mill closures, production has outpaced demand, while tariffs have increased costs, leading to margin compression. On the distributor side, competitive pricing pressures have put significant strain on margins in a buyer's market.
- Building materials:** Slow demand has led to companies absorbing a portion of cost increases amid market inactivity, especially in the commercial and multi-family segments.

	Market Prices	
	Three Months	Year
Softwood	Decreasing ▼	Decreasing ▼
Hardwood	Consistent —	Decreasing ▼

INVENTORY

- Lumber:** As noted in the prior Building Materials Monitor, production curtailments have continued in an effort to balance supply with flagging demand. As a result of slowed production, inventory levels have generally declined, although disappointing demand, particularly at the distributor level in the wake of an anticlimactic spring building season, has nullified some of these efforts to lean-out inventories. Distributors have taken a cautious purchasing approach in order to mitigate stock buildups.
- Building materials:** Similar to the lumber vertical, companies within the building materials segment have contended with soft demand. Despite efforts to keep inventory levels lean, stocking levels have crept higher, and trade uncertainties have further negatively impacted downstream consumption.

PRICING

While the U.S.'s ongoing tariff wars have resulted in upward pricing pressures, prices remain low due to lackluster demand amid a struggling housing market, cautious buying, and trade uncertainty. Competitive pricing pressures have further dragged prices down, particularly for companies in the building materials segment.



Overview

According to the U.S. Census Bureau, year-to-date construction spending totaled \$1.4 trillion through August 2025, a 1.8% decrease compared to the same period in 2024. Private residential construction spending increased 0.8% month-over-month in August, building on increases posted in June and July.

The seasonally adjusted annual rate for privately owned housing starts reached 1.31 million units in August 2025, 8.5% below the revised July estimate and 6.0% below the August 2024 rate. The continued declines in homebuilding are due largely to low output in the single-family and multi-family sectors in larger suburban metro areas where most permit activity occurs. Moreover, economic and tariff uncertainty, compounded by continued elevated interest rates, continue to weigh on homebuilding.

While mortgage rates have generally trended lower in recent months compared to the start of 2025, they remain elevated compared to several years ago, resulting in hesitation among prospective homebuyers. Affordability remains the primary challenge to potential buyers, as a shortage of skilled labor and high regulatory costs have kept costs high.

Softwood lumber prices have trended lower in recent months as oversupply persists and demand remains low amid a tempered housing market. Supplies have remained high since early in the year, when buyers front-loaded purchases in anticipation of tariffs and strong demand at the outset of the traditional building season.

However, demand for framing lumber has remained low as the market has been slow to rebound following easing mortgage rates. Even the anticipated surge in demand during the spring, which operators have historically been able to depend upon, failed to fully materialize.

Conversely, U.S. remodeling activity has been strong in 2025. Factors such as restricted new housing inventory, aging housing stock, and growing homeowner equity continue to prompt existing homeowners to undertake remodeling projects. Additionally, remodeling projects are more appealing to homeowners if they do not need to finance their projects at current interest rates.

On September 11, 2025, the U.S. Department of Commerce amended the notice of final results for its sixth administrative review of duties on imports of Canadian lumber, reducing tariff rates slightly from 35.19% to 35.16%. This amendment will replace the final anti-dumping cash deposit rate previously published on July 25, 2025. 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

- Affordability remains a major hurdle to positive momentum in the construction market. Tariffs, shortages in skilled labor, and stubbornly high inflation have stifled building activity.
- Despite tariffs creating upward pricing pressure, sluggish demand has kept prices for lumber and building materials low.

Softwood Lumber and Panels

Softwood lumber and panels are produced from gymnosperm trees, such as Pine and Spruce, and are typically used for structural building purposes, as well as millwork.

After a first half to the year initially characterized by cautious optimism and upward price momentum, particularly in the first quarter, lumber prices in the second half of 2025 have faced various headwinds stemming from a persistently struggling housing market, cautious buying, and additional tariffs that have raised costs and squeezed margins. Amid continuous trade uncertainty, high interest rates (despite a recent rate cut), and housing demand that continues to outpace supply, the U.S. lumber market is currently limping towards the end of 2025. Optimism for a rebound in 2026 remains low.

Amid declines in housing starts and permits, composite prices decreased approximately 17.9% in November 2025 compared to November 2024. While some stabilization of pricing may occur at the turn of the year from the impending spring building season, it is widely believed that it will take multiple rate cuts by the federal government to spur any real growth in the U.S. housing market that would help generate a notable upward momentum shift on prices.

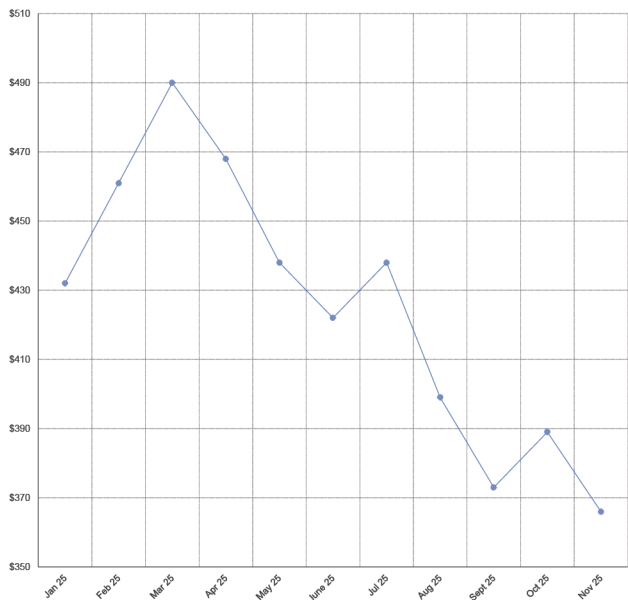
General negativity is the theme, as lumber supply continues to outpace demand, and although mill closures and curtailments have offset downward price pressures to an extent, the market remains generally sluggish.

Appraisal trends for lumber have generally been down in the second half of 2025, as most companies face margin compression, buildups in excess inventory, and negative sales trends. At the mill level, lackluster domestic demand has put downward pressure on prices. In addition, higher tariffs implemented by the U.S. government have raised costs, negatively affecting margin. Although mills have lowered production in the face of this sluggish demand, prices are dropping at a faster rate than costs.

At the distributor level, companies are sitting on more excess inventory, as the expected spark in demand related to the spring building season never fully took shape. This has led to higher weeks of supply, dragging down NOLVs. From a gross margin standpoint, higher excess inventory at the distributor level has led many operators to lower prices to win business, creating a domino effect in the chase to retain or gain market share, negatively affecting gross margins and NOLVs.

At the time of the prior Building Materials Monitor at the midway point of 2025, softwood panel prices exhibited a modest upward price trajectory due to an annual spring surge and relatively tight supplies that exerted upward pressure on prices. However, buyers were hesitant to overreact while assessing supply and demand amid trade tensions, tempering purchasing activity in what is typically a dependably active season. At the time of the current monitor, evidence for why this hesitancy existed has materialized, as prices remain down in a struggling U.S. market held back by a lack of affordability, cautious buying, and trade uncertainty.

1 Softwood Lumber - Price per MBF



Hardwood Lumber

Hardwood lumber is used in a number of manufacturing settings, including interior building products such as flooring, cabinets, panels, and doors, as well as furniture, boats, and other industrial applications. Although the market for hardwoods is tied to domestic housing demand and remodeling activity, downstream applications in homebuilding, diverse uses in other industries, and export outlets have historically provided some additional protections against sharp changes in pricing.

As we close out 2025, the hardwood market continues to face challenges that will impact the start of 2026. The housing market in the U.S. has not demonstrated any meaningful recovery to date, and the global trade environment remains challenging. Although recent reports have indicated a stabilization in hardwood lumber prices, the impact has not been enough to offset rising operational costs. Gross margins at the mill level continue to suffer, with the result being production declines and closures. With domestic demand unable to offset historically low levels of export activity, production curtailments and outright closures of hardwood mills have become commonplace. These closures and curtailments have been significant enough that lumber supply could be a real concern in 2026.

Domestically, trends in the housing market remain less than encouraging. As noted, August housing starts came in at 1.31 million units, an 8.5% decline from the prior month and a 6.0% decline from August 2024. Residential building permits also showed no year-over-year improvement, as August results represent a 3.7% drop from July 2025 and an 11.1% decline from August 2024. Conversely, other domestic indicators in the area of repair and remodel activity have recently shown some signs of life. The Leading Indicator of Remodeling Activity (LIRA) published by the Joint Center for Housing Studies of Harvard University has forecast a slight uptick to close out 2025, with overall spending to increase 1.9% by the third quarter of 2026. This indicator, measured as an annual rate of change of its components, provides a short-term outlook of national home improvement and repair spending to owner-occupied homes. The modest expected increase is driven primarily by the slight uptick in existing home sales through August, as well as increased remodeling permit activity. However, headwinds related to housing starts, mortgage rates, tariff impacts, and inflation can alter these predictions.

The complex international trade environment in 2025 has been a significant hardship on the hardwood industry this year, particularly for domestic sawmills. Constant tariff negotiations and fluctuating trade relationships have caused significant disruptions in the export market. The standoff between the U.S. and China has had a particularly adverse impact on hardwood trade. Through July, global exports were down 11% on a volume basis, and major trading partners China, Canada, Vietnam, and Mexico have all exhibited declines in purchases from the U.S.

Economic uncertainty has been the consistent theme throughout 2025 in the hardwood industry. The third and fourth quarters of this year brought what appears to be some resolution to tariff and trade agreements with major partners in the hardwood sector. The domestic sawmill industry has been hit hard by uncertainty in global markets and the continued sluggishness of domestic demand. Contracting margins and plateauing revenue have led to widespread production declines and mill closures. Upward momentum in pricing is needed to offset rising costs of production. A rebound in demand from overseas could help drive that momentum, as domestic supplies could become tight in the first quarter of 2026 due to the reduced production. The optimistic view is that 2026 will bring with it a more stable trade environment, as the recently announced trade deal with China could buoy hardwood exports closer to historical levels.

Appraisal values have generally declined in 2025. Recent appraisals have consistently reflected slowing sales and declining margins. Producers that have historically been reliant on export activity have seen rising inventory levels and increasing months of supply in the yards. Distributors have become more cautious with purchasing, focusing on lean inventory levels. There is hope that 2026 will bring with it increased demand and rising prices, but there remains a number of economic factors that could continue to impede the hardwood industry.

Monitor Information

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

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 Group 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 bath tubs, 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 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

APPRAISAL & VALUATION TEAM

BUSINESS DEVELOPMENT



Bill Soncini
National Sales Manager
Managing Director
Midwest Region
(773) 495-4534
[CONTACT](#)



Jennie Kim
Managing Director
Western Region
(818) 974-0602
[CONTACT](#)



Ryan Mulcunry
Managing Director
Northeast / New York / Canada Regions
(857) 231-1711
[CONTACT](#)



David Seiden
Managing Director
Mid-Atlantic / Southeast Regions
(404) 242-0683
[CONTACT](#)



Nick Disimile
Director, Business Development
Southwest Region
(516) 707-7040
[CONTACT](#)



Akilah Moore
Director, Business Development
Midwest Region
(708) 921-1262
[CONTACT](#)

OPERATIONS

Chad P. Yutka, ASA
Executive Managing Director
Valuation & Transaction Advisory Services
(312) 909-6078
[CONTACT](#)

Bill O'Brien
Managing Director
(781) 866-2020
[CONTACT](#)

Will Jacoby
Senior Project Manager
(857) 233-8677
[CONTACT](#)

Tim Pearson
Senior Managing Writer
(508) 944-2377
[CONTACT](#)

ASSET DISPOSITION TEAM

Scott Carpenter
CEO
Retail Solutions
(818) 746-9365
[CONTACT](#)

Paul Brown
Senior Vice President
Wholesale & Industrial Solutions
(203) 292-8111
[CONTACT](#)



About GA Group

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.



MONITOR BUILDING MATERIALS
gagroup.com
DECEMBER 2025
VOLUME 418

WESTLAKE VILLAGE (HQ)
30870 Russell Ranch Road,
Suite 250
Westlake Village, CA 91362

ATLANTA
3424 Peachtree Road NE,
Suite 2200
Atlanta, GA 30326

BOSTON
300 First Avenue,
Suite 201
Needham, MA 02494

CHICAGO
150 North Riverside Plaza
Suite 2800
Chicago, IL 60606

DALLAS
910 S. Pearl Expy,
Suite 21
Dallas, TX 75201

AUSTRALIA
Level 29, Chifley Tower
2 Chifley Square
Sydney, NSW 2000
Australia

GERMANY
Prinzregentenstr 18
5th Floor
80538 Munchen,
Germany

