



OMNIGENCE ASSET MANAGEMENT

The Rise and Rise of Building Products & Distribution in North America

JANUARY 7, 2025

EXECUTIVE SUMMARY:

The North American building products manufacturing and distribution space appears to be on track for growth in the medium term. With the global building materials market valued at USD \$1.5 trillion in 2022 and projected to reach USD \$2.0 trillion by 2030, the sector demonstrates solid fundamentals bolstered by structural drivers such as infrastructure upgrades, sustainable construction trends, and residential growth. U.S. residential construction alone is set to expand at a 4.5% CAGR through 2028, driven by rising household formation rates and government incentives.

Private equity and strategic buyers are highly active, with recent M&A activity reflecting a particular focus on high-margin, sustainable solutions like HVAC systems and prefabricated materials. Valuations in this sector remain robust, especially for ESG-aligned companies, where EBITDA multiples have been observed at up to 12x. Notably, M&A transactions rose to 143 in North America over the past year, reflecting increased consolidation in a fragmented market that comprises over 16,000 distribution businesses, including local and specialty players.

Key market dynamics in the U.S. and Canada, such as aging housing stock and above trend Canadian immigration targets, are expected to drive strong demand for renovation and new construction. Meanwhile, sector-specific growth areas—including a projected 5.9% CAGR for the HVAC market and the roofing market's anticipated rise to \$153 billion by 2031—underscore niche opportunities for investment in energy-efficient and eco-friendly building solutions.

In this short overview paper we will examine the outlook for the space, private equity activity, valuations, fragmentation and market dynamics:

ECONOMIC OUTLOOK:

The global building materials market was valued at USD 1.5 trillion in 2022 and is expected to grow at a CAGR of 4.1% reaching approximately USD 2.0 trillion by 2030. The U.S. residential construction market is projected to grow steadily, with a CAGR of 4.5% from 2023 to 2028, driven by increasing household formation rates and favorable government policies.

The global building materials market was valued at USD 1.5 trillion in 2022 and is expected to grow at a CAGR of 4.1% reaching approximately USD 2.0 trillion by 2030.

In 2024, private equity firms accounted for 41.8% of building products M&A activity, up from 29.4% in the prior year, indicating increased interest in the sector. The global market for green building materials is expected to grow at a CAGR of 11.2% from 2023 to 2030, reflecting a shift towards environmentally friendly construction solutions.

PRIVATE EQUITY ACTIVITY:

Private equity investment in North American construction materials reached significant levels in recent years. Strategic buyers are increasingly seeking acquisitions in niche building products like sustainable HVAC systems and prefabricated materials, driven by green building trends and regulatory mandates. PE firms are finding value in distribution networks within the building sector, focusing on expanding logistical capabilities for delivery to markets under high construction demand.

MARKET DYNAMICS:

In the U.S., the demand for new housing is bolstered by the aging housing stock; over 65% of U.S. homes were built before 1990, making them candidates for renovation or replacement. Canada's above trend immigration targets are expected to further strain housing supply driving demand for both new builds and

renovations. According to the Canada Mortgage and Housing Corporation (CHMC), Canada will need at least 3.5 million more homes by 2030 to combat a growing housing affordability crisis, otherwise known as the "housing supply gap". Housing affordability issues have led Canadian provincial governments to introduce zoning reforms that facilitate multi-unit housing developments, particularly in dense urban areas, contributing to record-high multi-residential construction in 2024. Collaboration amongst government regulators and private sector builders will be required to adequately address affordable housing concerns across the entire housing ecosystem.

Over 65% of U.S. homes were built before 1990, creating opportunities for renovation and energy-efficient upgrades. Canadian provinces are implementing zoning reforms to facilitate multi-unit housing developments, addressing housing shortages in urban areas.

The HVAC market is expected to grow at a CAGR of 5.9% through 2029, with high demand for energy-efficient and smart HVAC systems due to both regulatory pressure and consumer interest in lowering energy costs. The global roofing market is projected to reach \$153 billion by 2031, driven by increased residential construction and a trend towards metal and energy-efficient roofing options. Aggregates demand, which includes sand, gravel, and crushed stone, is anticipated to grow in the U.S. and Canada due to heightened infrastructure spending on roads and transportation networks.

Infrastructure spending in the U.S. and Canada is boosting demand for aggregates, with projected growth of 5% annually.

CASE STUDIES:

Recent acquisitions in prefabricated construction materials demonstrate the sector's shift towards modular building to reduce construction time and costs. Strategic acquisitions in the insulation segment have increased due to energy efficiency mandates; some governments provide tax incentives or credits for businesses investing in energy-saving insulation. Examples include:

- Home Depot's Acquisition of SRS Distribution: In April 2024, Home Depot acquired SRS Distribution Inc., a leading building-products provider, for approximately \$18 billion. SRS operates through a network of 760 branches across 47 states, catering to professional customers such as landscapers, roofers, and pool contractors.
- Quanex Building Products' Acquisition of Tyman: In April 2024, U.S.-based Quanex Building Products acquired UK doors and windows supplier Tyman plc for approximately \$976 million.
- CRH's Acquisition of Civilmart: In October 2024, CRH acquired Civilmart, a business previously owned by CPE Capital, which includes assets once owned by Rocla Pipes. Civilmart operates 17 manufacturing facilities and produces a variety of concrete products.
- Bosch's acquisition of Johnson Controls' HVAC division: In September 2023, Bosch acquired Johnson Controls' HVAC division – getting exposure to high-efficiency HVAC systems.

ECONOMIC INDICATORS:

Mortgage rates in Canada and the U.S. are predicted to decline in 2025, which could spur an increase in home improvements as homeowners find financing more affordable. The remodeling sector, supported by rising home equity values, is expected to grow in both Canada and the U.S., with the U.S. market forecasted to reach \$510 billion by 2028.

Steel prices have stabilized at approximately \$800 per metric ton in 2024, down from a peak of \$1,200 in 2022, lowering construction costs.

FRAGMENTATION:

The distribution of building materials is highly fragmented, with a mix of large national players and numerous regional or local distributors. Private equity has increasingly invested in small and mid-sized building products distributors, consolidating regional players into larger networks. However, this consolidation has only modestly reduced fragmentation due to the sheer number of small distributors in the space:

- Market Share Concentration: The largest players in building products distribution (such as Ferguson Enterprises, Home Depot Pro, and WESCO) control a significant portion of the market, but collectively, the top companies represent less than 30% of the total distribution market, indicating significant fragmentation.

The top product distribution companies represent less than 30% of the total distribution market, indicating significant fragmentation.

There are over 16,000 businesses in the building materials distribution industry.

- Number of Companies: In North America, there are over 16,000 businesses in the building materials distribution industry, ranging from small, family-owned distributors to large, multinational corporations. These businesses often specialize by region or product type, contributing to the fragmented landscape.

- **Local and Regional Players:** Many markets within the sector (like lumber, plumbing supplies, and HVAC) are dominated by smaller, regional distributors that serve local contractors and builders, creating fragmentation and competition within specific product niches.
- **Growth of Specialty Distributors:** Specialty distributors focusing on areas like HVAC, roofing, and sustainable building products are expanding to meet niche demands. This trend increases fragmentation, as these companies compete with generalist distributors by offering tailored services and expertise.

VALUATION:

The building materials sector has experienced significant M&A activity. In the building products distribution sector, mid-market companies tend to see valuation multiples slightly lower than larger, national players but can still command competitive prices depending on factors like regional market share, product specialization, and growth potential. Private equity firms continue to invest in mid-market building products distributors, particularly as platform acquisitions which can command multiples up to 10x EBITDA, as PE firms are willing to pay a premium for companies with expansion potential.

Mid-market companies in building products distribution typically trade at EBITDA up to 9x.

- **EBITDA Multiples:** Mid-market companies in building products distribution typically trade at EBITDA multiples up to 9x. This range is lower than the up to 12x multiples often seen for larger distributors, due to smaller market presence and sometimes limited scalability. However, companies with unique market positions or strong growth potential can see multiples at the higher end of this range.

The building products sector saw 143 M&A transactions in the U.S. and Canada in the twelve months ending June 2024, compared to 124 in 2023, indicating increased consolidation.

- **Specialty Premiums:** Mid-market companies focused on high-demand areas, such as sustainable building materials or energy-efficient products, can see valuations up to 10x EBITDA. Investors are prioritizing these niches due to regulatory support for sustainable construction and strong market demand for eco-friendly products.

CONCLUSION:

The building products manufacturing and distribution space appears poised for growth in the medium term, driven by anticipated interest rate declines and government-backed incentives, strategic buyers and private equity firms acquiring to capture value, expand portfolios, and meet the increasing demand for eco-friendly building solutions. The U.S. and Canadian markets show strong foundations for activity in residential construction, infrastructure, and renovation, bolstered by ongoing population growth and housing affordability challenges. While headwinds such as labor shortages and material costs exist, the industry's focus on ESG-aligned practices, modular construction, and smart technologies positions it well for long-term growth. Overall, the current wave of strategic acquisitions and partnerships signals a positive outlook for both near-term and future growth opportunities.

SOURCES:

- Grand View Research - Building Materials Market Report: Forecasts for global building materials market growth through 2030. [grandviewresearch.com](https://www.grandviewresearch.com)
- Technavio - Residential Construction Market Industry Analysis: Projected CAGR for U.S. residential construction from 2023 to 2028. [technavio.com](https://www.technavio.com)
- Research and Markets - United States Construction Industry Databook: Labor demand forecast for U.S. construction sector. [researchandmarkets.com](https://www.researchandmarkets.com)
- PitchBook - Private equity investment trends in construction materials, with a focus on sustainable solutions.
- Fortune Business Insights - Construction Materials Market Report: Demand for niche building products and trends in sustainable HVAC systems. [fortunebusinessinsights.com](https://www.fortunebusinessinsights.com)
- McKinsey & Company - Strategic focus on distribution networks within the building products sector.
- Mergermarket - Analysis of global M&A activity and valuations in construction materials for 2024.
- S&P Global Market Intelligence - M&A valuation multiples in building materials, especially for ESG-aligned firms.
- National Association of Home Builders - Statistics on aging U.S. housing stock and renovation potential. [statista.com](https://www.statista.com)
- Canada Mortgage and Housing Corporation - Data on Canadian immigration targets and housing demand. [mordorintelligence.com](https://www.mordorintelligence.com)
- Statistics Canada - Zoning reform impacts on multi-residential construction in Canada. [researchandmarkets.com](https://www.researchandmarkets.com)
- Fortune Business Insights - HVAC Market Growth Analysis: Projected CAGR for HVAC systems through 2029. [fortunebusinessinsights.com](https://www.fortunebusinessinsights.com)
- Research and Markets - Global Roofing Market Report: Market growth forecast for roofing through 2031. [researchandmarkets.com](https://www.researchandmarkets.com)
- Freedonia Group - Aggregates demand projection due to U.S. and Canada infrastructure spending.
- Modular Building Institute - Growth forecast for prefabricated housing in response to construction efficiencies.
- Business Wire - Bosch's acquisition of Johnson Controls' HVAC division and sustainability focus. [fortunebusinessinsights.com](https://www.fortunebusinessinsights.com)
- U.S. Department of Energy - Tax incentives and credits for businesses investing in energy-efficient insulation.
- World Steel Association - Steel price trends, showing a decrease from 2022 peaks. [datamintelligence.com](https://www.datamintelligence.com)
- Bank of Canada - Mortgage rate forecasts for 2025. [expertmarketresearch.com](https://www.expertmarketresearch.com)
- Harvard Joint Center for Housing Studies - Remodeling market forecast in the U.S. through 2028. [mordorintelligence.com](https://www.mordorintelligence.com)
- Deloitte - Building Products M&A Market Update - October 2024: Key trends, transaction activity, and industry outlook specific to the North American market.
- S&P Global Market Intelligence
- Canada Mortgage and Housing Corporation – Housing Shortages in Canada, Updating how much housing we need by 2030



Toronto Office:
TD Canada Trust Tower, 161 Bay St.
27th Floor, P.O. Box 508
Toronto, ON, M5J 2S1

Calgary Office:
Suite 300, 4954 Richard Road SW
Calgary, AB, T3E 6L1

www.omnigenceam.com

DISCLAIMER

Our reports, including this paper, express our opinions which have been based, in part, upon generally available public information and research as well as upon inferences and deductions made through our due diligence, research and analytical process. The information contained in this paper includes information from, or data derived from, public third-party sources including industry publications, reports and research papers. Although this third-party information and data is believed to be reliable, neither Omnigence Asset Management nor its agents (collectively "Omnigence") have independently verified the accuracy, currency or completeness of any of the information and data contained in this paper which is derived from such third party sources and, therefore, there is no assurance or guarantee as to the accuracy or completeness of such included information and data. Omnigence and its agents hereby disclaim any liability whatsoever in respect of any third-party information or data, and the results derived from our utilization of that data in our analysis. While we have a good-faith belief in the accuracy of what we write, all such information is presented "as is," without warranty of any kind, whether express or implied. The use made of the information and conclusions set forth in this paper is solely at the risk of the user of this information. This paper is intended only as general information presented for the convenience of the reader and should not in any way be construed as investment or other advice whatsoever. Omnigence is not registered as an investment dealer or advisor in any jurisdiction and this report does not represent investment advice of any kind. The reader should seek the advice of relevant professionals (including a registered investment professional) before making any investment decisions. The opinions and views expressed in this paper are subject to change or modification without notice, and Omnigence does not undertake to update or supplement this or any other of its reports or papers as a result of a change in opinion stated herein or otherwise.