



2021 Building & Infrastructure Conference Recap

Six Trends Impacting the Industry

L.E.K. Consulting and Lincoln International recently co-hosted the 13th annual Building & Infrastructure Conference in New York City. More than 120 construction industry-focused executives and investors gathered online and in person for the first time in two years to attend this exclusive, invitation-only event.

The half-day conference featured remarks from Rob Rourke, L.E.K. Managing Director and President of the Americas Region; Lucas Pain, Managing Director and Co-Head of L.E.K.'s Building & Construction practice; Jeff Corum, Managing Director at Lincoln International; and Scott Molinaro, Director at Lincoln International.

In addition, two speakers from John Burns Real Estate Consulting delivered keynote and endnote addresses: John Burns discussed investor-driven regional housing bubbles, and Todd Tomalak provided an outlook on residential repair and remodeling.

The event also included two panels of executives and industry experts/investors. Those conversations focused on observations around key themes and ongoing trends in the industry, spanning demand (residential, commercial, infrastructure), supply (labor shortages, supply chain disruptions, industry consolidation, inflation) and COVID-19 impacts (demand pull forward, hybrid working dynamics, outdoor living).

While high levels of uncertainty and disruption remain in the construction space, by the end of the day, the following overarching trends impacting the industry had become clear:

1. Residential new construction demand remains strong, but caution should be exercised

In the long term, underlying demand fundamentals remain strong due to demographic tailwinds. Short-term activity is likely to be robust as builders continue to work through supply constraints to meet unprecedented levels of demand, in part fueled by record investments from the “build to rent” community. However, there is uncertainty in the medium term as to whether COVID-19 has pulled forward some activity that otherwise would have occurred two to three years from now.

2. Repair and remodel (R&R) is poised to continue growing, but the focus is shifting to larger projects

Total residential R&R spend is on healthy footing as homeowner equity is high and as the average age of housing stock in the U.S. rises. However, the strength of future growth is likely to vary as a function of project size. Smaller, DIY-friendly product categories, which are used in R&R applications, experienced tremendous growth over the past 18 months due to demand that was pulled forward during the height of the pandemic. As personal savings rates reached all-time highs, consumers spent to make modest cosmetic and functional improvements to their living spaces as other avenues of spend such as travel and restaurant dining were restricted. While demand for some of those smaller projects begins to wane, major project demand has already increased meaningfully in 2021 and is likely to continue over the next several years.

3. Interest in outdoor living has permanently increased; current demand far outpaces supply

While the outdoor living category had been gaining momentum even before the pandemic, COVID-19 has served as a secular tailwind that has fundamentally and permanently increased demand. “COVID taught every household in America what their home really meant to them, both the inside and the outside of the home. Investment in the backyard, whether it is decking, swimming pools, firepits or fencing, has been red hot. There has been a sea change in the space and there’s a backlog of project demand that is very, very significant,” said one panelist. Strong current demand will likely be further underpinned by recent home price appreciation, with homeowners historically demonstrating a willingness to invest more in their homes as their property values rise.

4. The long-term trend toward consolidation within the distribution space is likely to continue

The distribution landscape has been consolidating in recent years as operators have looked to capture the benefits of scale. However, this landscape still remains highly fragmented and localized, presenting additional opportunities for further M&A, from both larger distributors acquiring smaller mom-and-pops and manufacturers exploring vertical downstream integration to move closer to their end customers.

5. Labor shortages continue to intensify, prompting record investment in processes and people

Labor shortages, which were already beginning to elongate construction timelines before the pandemic, have intensified as contractors exited the industry. “There’s never been a harder time to build a house,” said one panelist. This challenge has forced operators to be more creative than ever before, prompting not only record investments in product innovation that reduce job site labor requirements as well as production automation, but also attention being given to economic and career advancement opportunities for employees.

6. Supply chain challenges abound, but opportunities exist for those rethinking legacy approaches

As one panelist noted, “Supply chain challenges are acute issues everywhere. It is an issue downstream where manufacturers are not able to supply their products into the market. It is an issue upstream where manufacturers are not able to source inputs.” However, these challenges also bring potential opportunities for companies that are willing to proactively manage and invest in new solutions, including reshoring production capacity and building out supply chain redundancies.

About the Authors



Lucas Pain is a Managing Director and Partner in L.E.K. Consulting's Chicago office, leads the firm's Global and Americas Building & Construction practice, and is a member of L.E.K.'s Americas Regional Management Committee. With more than 20 years of experience directing growth strategy engagements, Lucas works with building product and materials manufacturers, distributors, contractors, and other service providers in residential and nonresidential construction to identify high-potential growth opportunities and navigate industry challenges.



Matt Korsch is a Managing Director and Partner in L.E.K. Consulting's Chicago office. Matt advises clients on a range of strategic issues including growth strategy, profitability enhancement, international growth, commercial due diligence, acquisition screens and M&As. He is primarily focused on the firm's Industrials practice, with deep experience in the building and construction, oil and gas/energy, and industrial distribution sectors. Matt is a winner of the M&A Advisor 2019 Emerging Leaders Award.



Jeffrey Corum is a Managing Director in Lincoln International's Chicago office. Jeff provides M&A advisory services to companies in the building products and materials industry through his global leadership of Lincoln's building products focus. He has more than 20 years of experience in mid-market M&A, including the completion of numerous sell-side, buy-side and cross-border transactions. In addition, Jeff has significant expertise working on distressed transactions through the bankruptcy process or in out-of-court proceedings.



Scott Molinaro is a Director in Lincoln International's Chicago office. Scott advises owners and operators of assets in the building products industry on transactions. He has significant M&A experience, including sell-side, buy-side, cross-border and debt advisory assignments. Scott has executed transactions for leading private equity groups, public companies, private and family-owned businesses. He also has diverse experience executing transactions for companies in industrial, business services, consumer, packaging and healthcare.

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