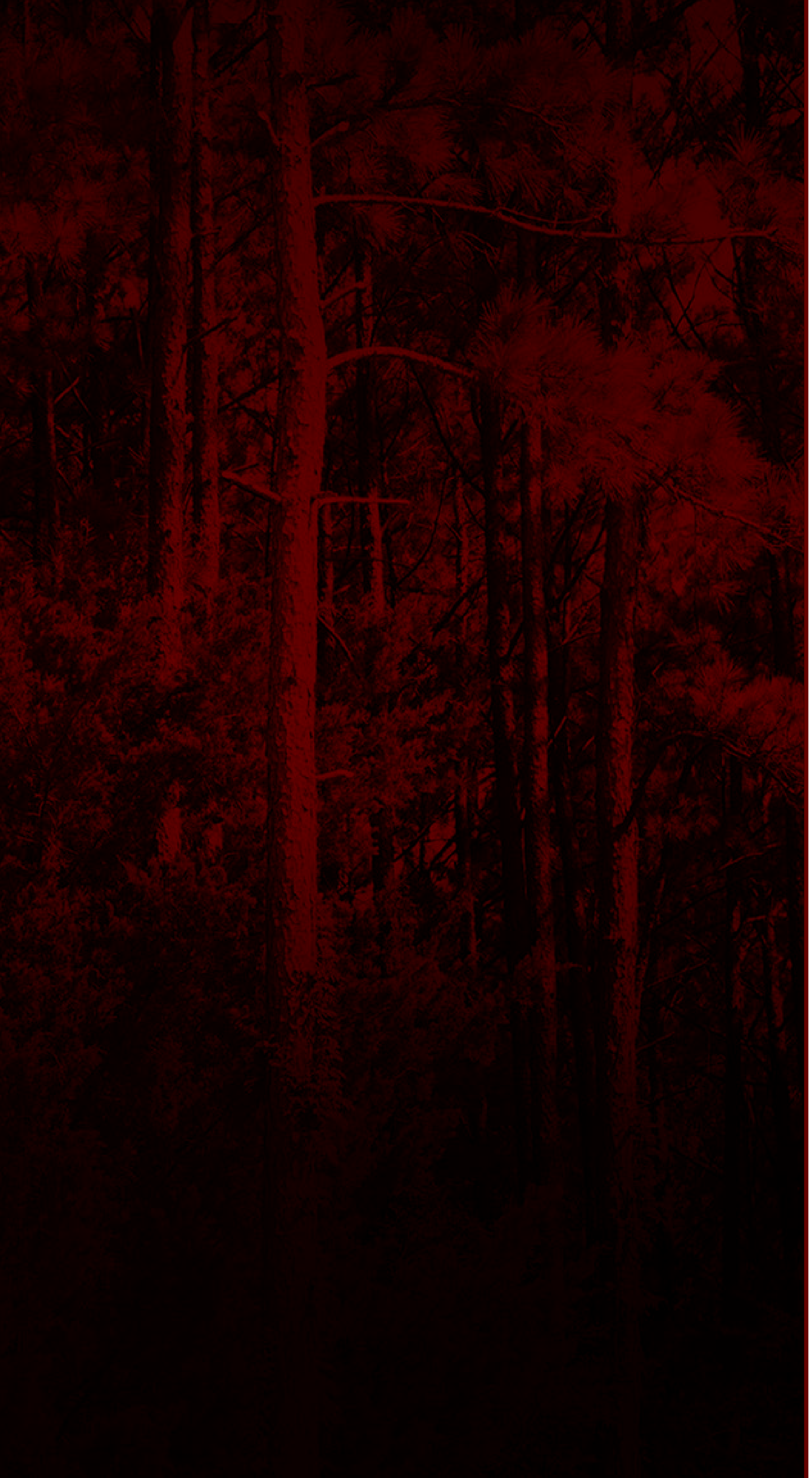


Since 1923

RoyOMartin®

BOARD BRIEF 2024 Q2

2024 VISION STATEMENT

RoyOMartin is a family-owned, professionally managed company whose stakeholders hold fast to our core values of Respect, Integrity, Commitment, Honesty, Excellence, and Stewardship.

We excel at growing people, working safely, producing quality wood products, and sustaining natural resources entrusted to us by God.

Home building is a local industry, but with benefits and setbacks stemming from outside variables across different parts of the country. The RoyOMartin Board Brief lays out the stats for our customers in key areas, namely the southwest region, so you can better understand the many factors affecting your local market.

TRENDS WE ARE SEEING NATIONWIDE:

- INFLATION DECREASING STEADILY
- HOUSING DAYS ON MARKET INCREASING
- HOUSING INVENTORY INCREASING
- FED RESERVE RATE IS STABLE AND IS ANTICIPATING A FALL DOWNWARD ADJUSTMENT
- BUILDING MATERIALS PRICE DECREASING
- BUILDERS ARE BUILDING SMALLER HOMES ON SMALLER LOTS TO TRY AND LESSEN AFFORDABILITY CONSTRAINTS

"Recently a committee of stakeholders worked with executive team members, board members and shareholders to develop a new vision statement. The 2024 RoyOMartin Vision Statement, which was unanimously approved by the Board of Managers, looks to the future of RoyOMartin while respecting and honoring the values and principles that have guided us over the last 100 years."

Natalie Martin Monroe,
VP of Environmental Safety & Sustainability Operations

"This committee has done a great job of memorializing the values and vision that has made RoyOMartin last 100 years, and the values and vision we will continue to uphold for the next 100 years. Our future is very bright because our younger shareholders, managers and stakeholders embrace this statement like our current leaders. We are "World Class" in so many areas and strive to continue to be the industry leader in the future."

Roy O. Martin, III
Chairman & CEO

OSB Pricing YOY

JULY 2023	JULY 2024
$510	$295

*Prices have been steady over the last month as buyers are maintaining a cautious approach to replenishment, and mill sales remain modest.

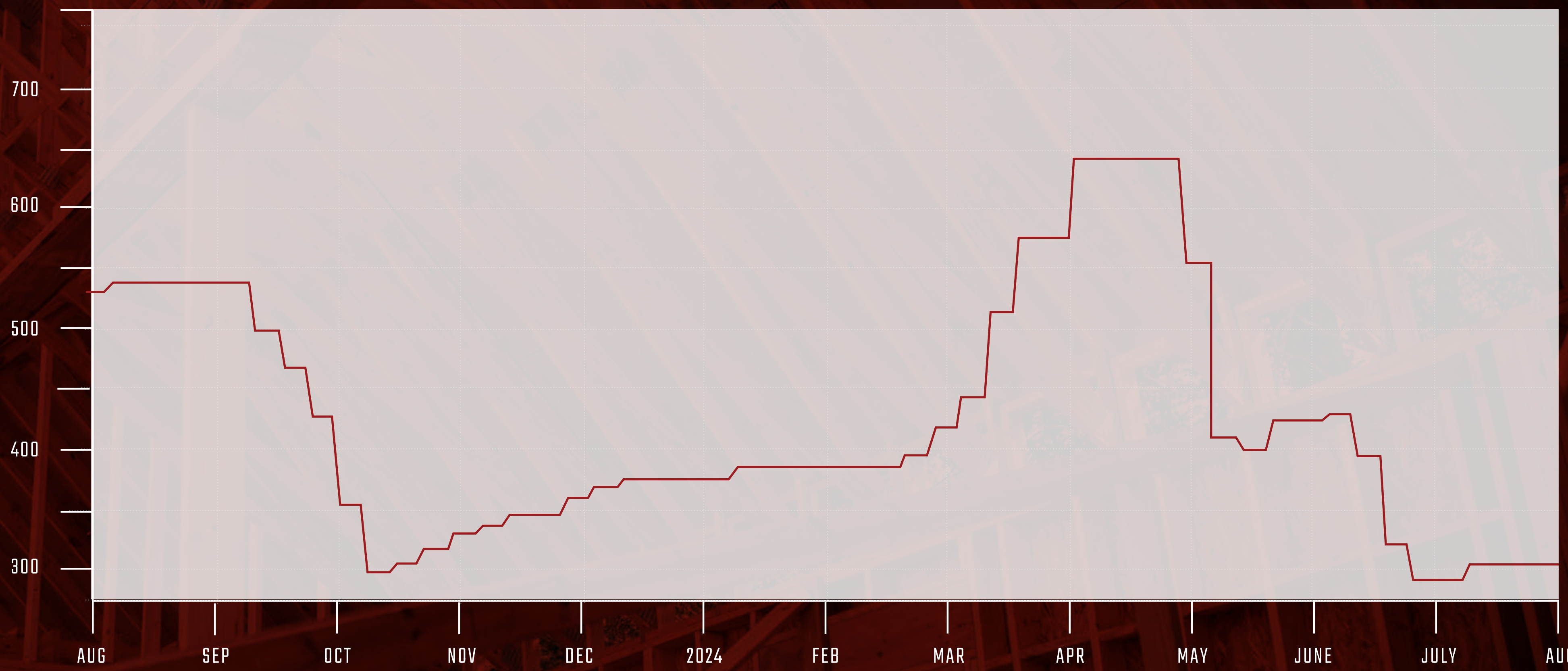
OSB SHEATHING (SOUTHWEST) 7/16" PRICES NET F.O.B. MILL

US Southwest RL End-week

$295

DOWN $215

-42.2% YOY



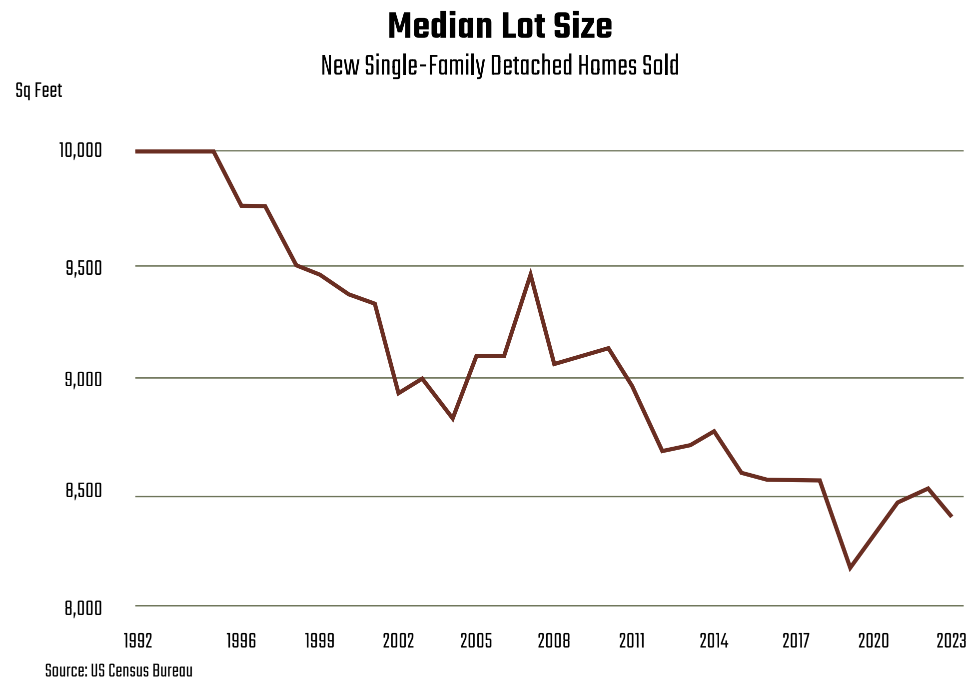
Summer Season

New listing volume is up more than 32% compared to last year, according to Altos Research. With more homes to choose from, buyer demand and home transactions are anticipated to heat up in the coming months. Despite a projected rise in inventory, the relatively low volume of homes for sale has impacted prices significantly. According to CoreLogic, home prices across the country experienced a year-over-year increase of 5.3% in March 2024, with a forecast of 3.7% for March 2025.

A recent Redfin report revealed that a typical household would need to earn $114,000 annually to afford a median-priced home–that's higher than the average U.S. household income. Homeownership affordability has hit its lowest level since the 1980s.

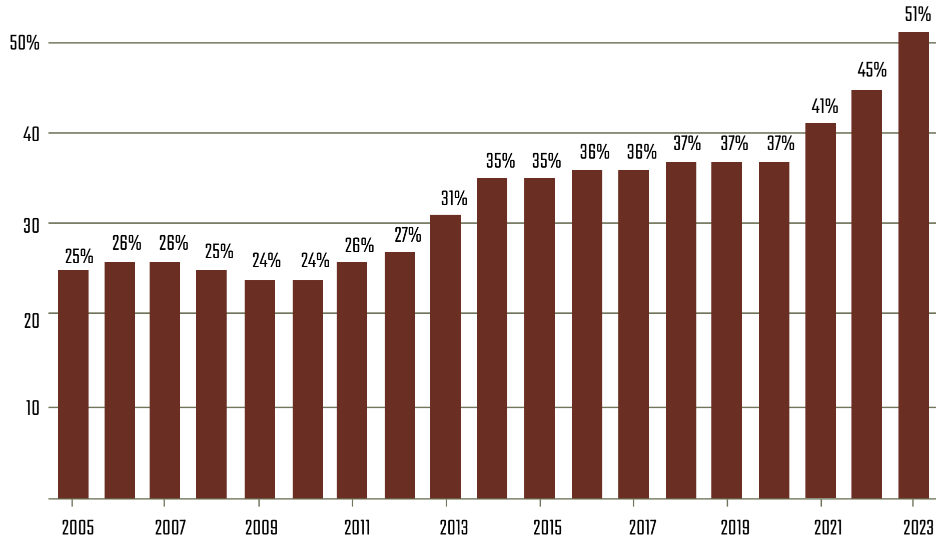
Not only are homes less affordable, but major expenses on median-priced homes, that is repairing or fixing things around the home like plumbing, a furnace, A/C equipment, and roofing, is becoming a major burden for homeowners, taking up over 35% of the national average wage–the highest since 2007. According to a Harvard study, the cost of homeownership in the U.S. is the highest in 3 decades.

The share of smaller lots is at a new high. Close to 65% of new single-family detached homes sold in 2023 were built on lots under 9,000 square feet, which is less than 1/5 of an acre. According to the latest Survey of Construction (SOC), this is the highest share on record and reflects stark changes in the lot size distribution over the last two decades. The steadily rising share of smaller lots undoubtedly reflects unprecedented lot shortages confronted by home builders during the pandemic housing boom, as well as their attempts to make new homes more affordable. The share of lots smaller than 7,000 square feet (or 0.16 of an acre) reached 40% in 2023. In sharp contrast, the share of spec homes built on larger lots exceeding half an acre shrunk from 14% in 2010 to 9% in 2023.



According to Zonda Chief Economist, Ali Wolf, the new home market has thrived in today's market given the lack of resale supply, the narrowing price spread between new and existing homes, and builder incentives. The larger builders have been able to be more aggressive with incentive usage when needed and be more aggressive in their land acquisition. There has been a big market share shift in publicly traded homebuilders. In the mid-2000s, public builders represented 25% of the total sales. Today, they represent 50%.

U.S. Homebuilding Market Share Controlled By Publicly Traded Builders, According to Zonda

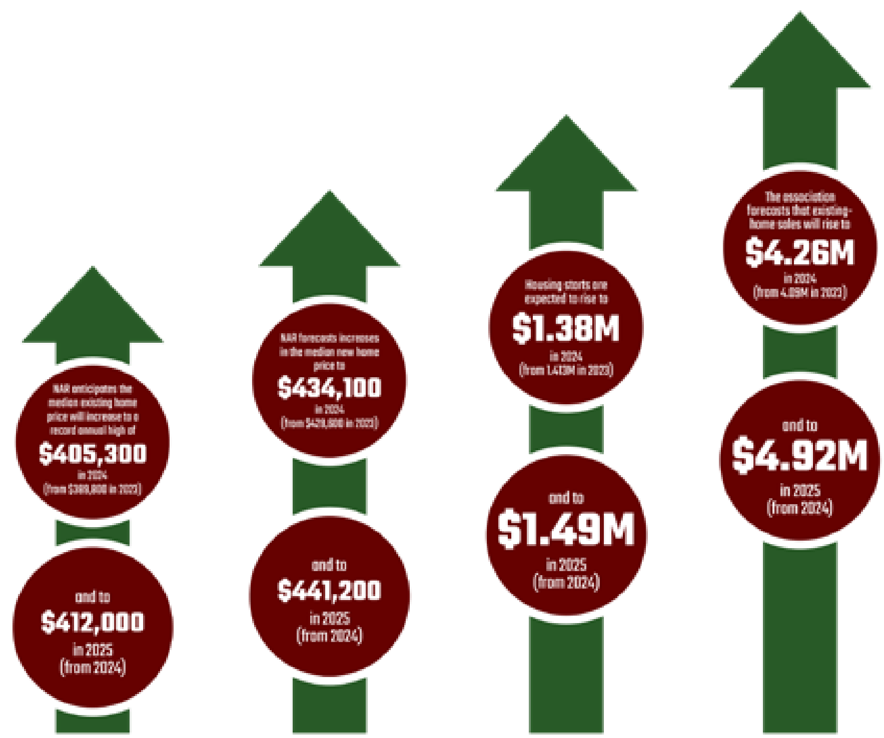


Percentage of closings by publicly traded U.S. homebuilders

Chart: Lance Lambert • Source: Zonda • Created with Datawrapper

The Fannie Mae Home Purchase Sentiment–a gauge of how good buyers feel about the housing market–fell to its lowest number since the agency began measuring it in 2010. In May, just 14% of consumers surveyed by the agency said it was a good time to buy a home, down from 20% in April. Those who said it was a bad time to buy increased to 86%. Even seller optimism slipped, dropping from 67% who believed it was a good time to sell in April to 64% in May.

According to the latest National Association of Home Builders Market Index, U.S. home builder confidence in the market for newly built single-family homes dropped two points in June from a score of 45 in May. This is the lowest reading since December 2023. “Persistently high mortgage rates are keeping many prospective buyers on the sidelines,” said NAHB Chairman Carl Harris. “Home builders are also dealing with higher rates for construction and development loans, chronic labor shortages and a dearth of buildable lots.” The June HMI survey also revealed that 29% of builders cut home prices to bolster sales in June, the highest share since January 2024 (31%) and well above the May rate of 25%.

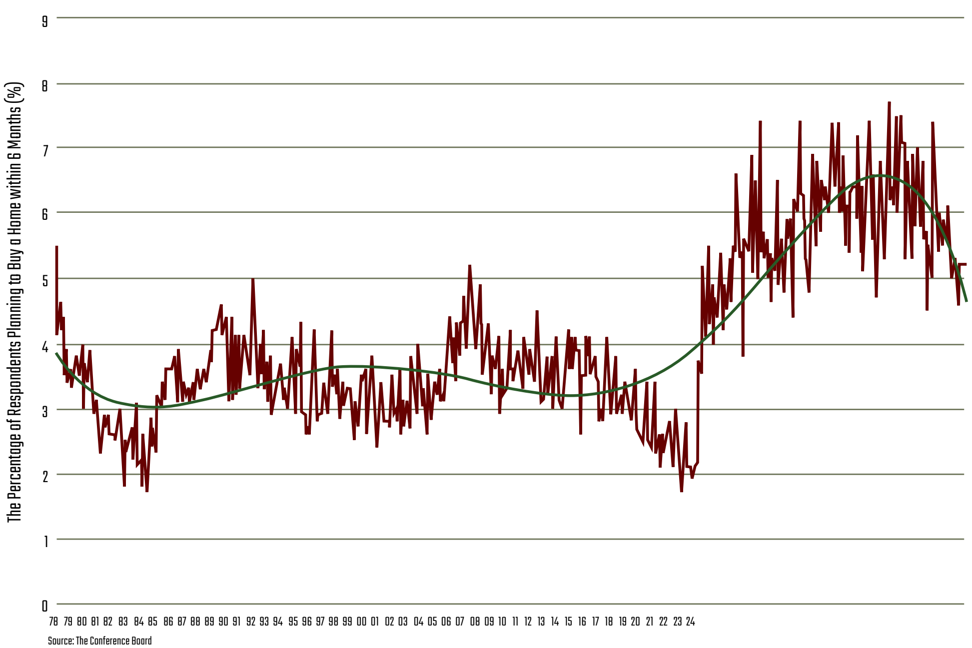


Source: National Association of Realtors(NAR)

U.S. home sales fell 1.7% month over month in May 2024 on a seasonally adjusted basis and dropped 2.9% from a year earlier, according to Redfin. There have been just two months in the past decade with fewer home sales: October 2023, when mortgage rates jumped to a 23-year high, and May 2020, when the onset of the pandemic brought the housing market to a halt and home sales to a record low. While home sales fell, home prices rose. The median home sale price rose 5.1% year over year in May to a record $439,716. However, nearly one in five homes for sale in May had a price cut, up from 13.2% year-over-year. Price drops are more common in areas where housing supply has been rising quickly, like Florida and Texas. In these areas, individual home sellers have been facing strong competition from homebuilders.

NAR predicts mortgage rates will remain above 6% in 2024 and 2025, even with the Federal Reserve cuts to the Fed Funds rate.

Conference Board Consumer Confidence Respondents Planning to Buy a Home

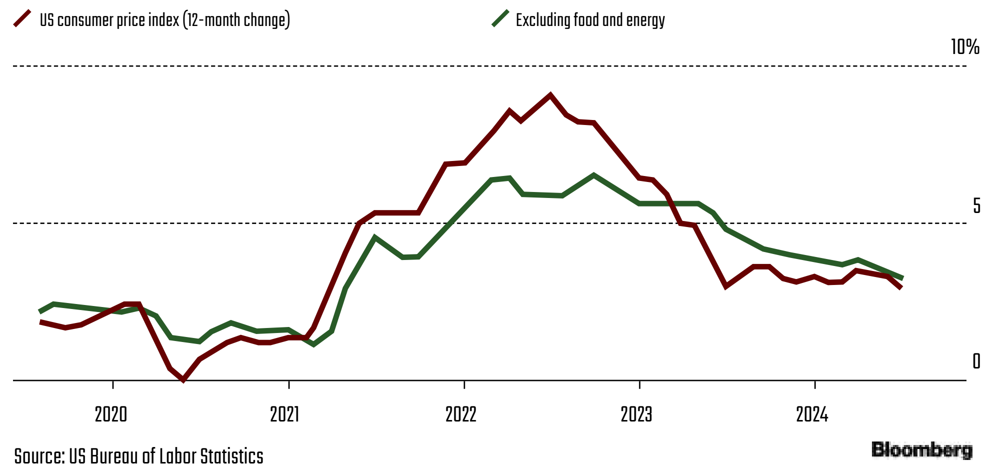


Consumer confidence weakened in June but remained within the range of the past two years, with optimism about current labor market conditions offsetting concerns about future economic outlook. However, higher interest rates and lingering inflation continue to discourage consumption. The Conference Board also reports on the share of respondents planning to buy a home within the next six months. The share of respondents planning to buy a home remained unchanged at 5.2% in June. Of those, respondents planning to buy a newly constructed home fell slightly to .4%, and those planning to buy an existing home decreased to 2%.

Treasury yields were down 10+bps on the better-than-expected June consumer price report(CPI) report, significantly increasing the probability of a rate cut in September. The CPI was pegged at an annual rate of 3%, down from 3.3% in May. This matched the lowest level since March of 2021. This should give the Fed confidence that inflation is on a sustainable path to their 2% target.

US Core Inflation Cools to Slowest Pace Since 2021

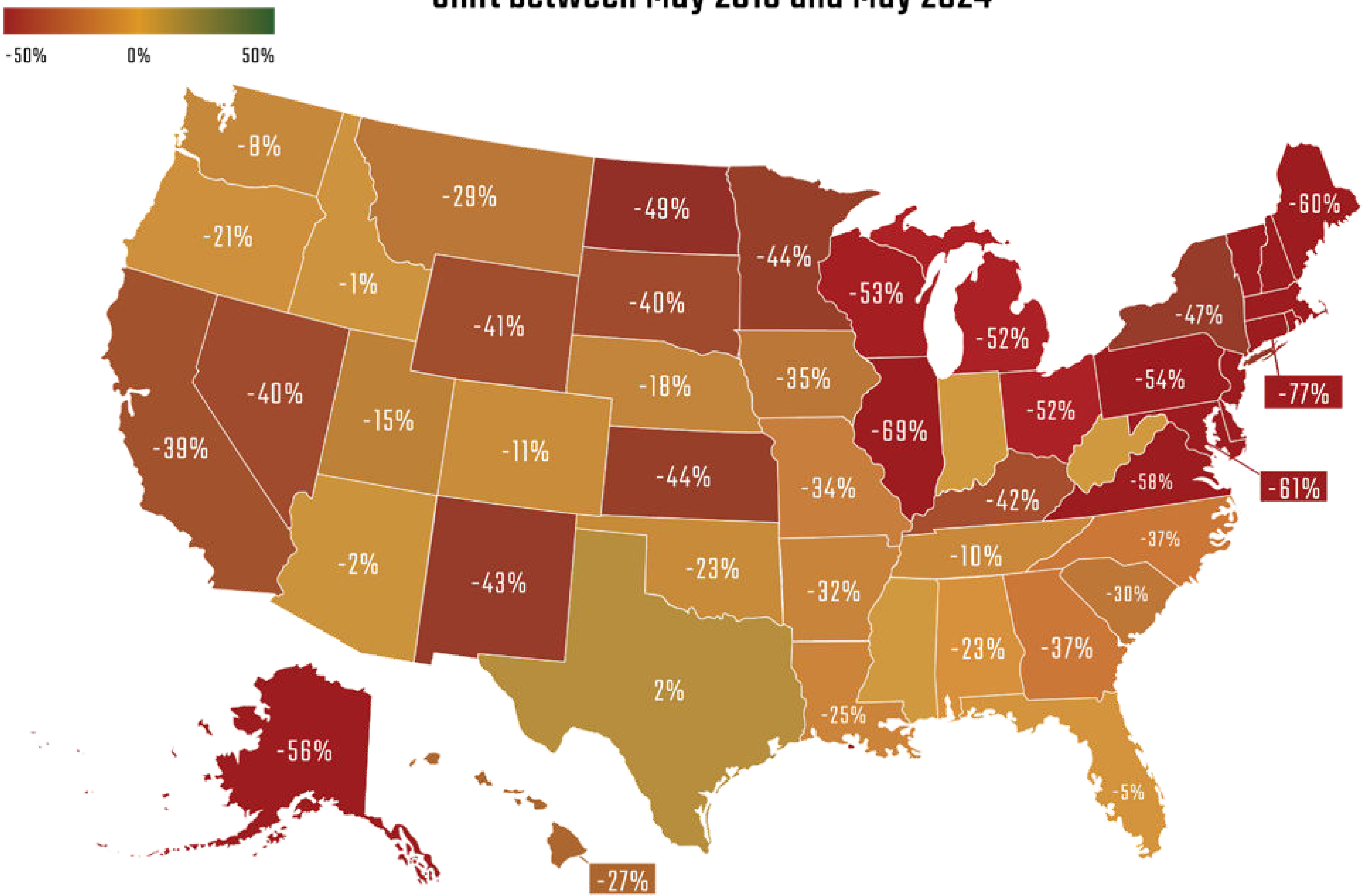
Deceleration boosts odds of a Federal Reserve rate cut in September



The NAHB is calling on all members to contact their congress members and tell them to support H.J. Res 170, a resolution that will stop the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) from adopting the 2021 International Energy Conservation Code (IECC). The recent decision by HUD and the USDA that requires them to insure mortgages for new single-family homes only if they are built to the 2021 IECC and HUD-financed multifamily housing be build to 2021 IECC or ASHRAE 90.1-2019, is making it much harder for home builders and multifamily developers to build housing that is attainable and affordable for American families. According to Home Innovation Research Labs, compliance with the 2021 IECC can add $22,572 to the price of a new home, but in reality, home builders are saying the increased costs are closer to $31,000. Additionally, it can take as long as 90 years for home owners to see a payback in this investment in efficiency. The argument is that affordability is the issue, and this is doing nothing to help that nationwide burden.

Active Housing Inventory for Sale Compared to Pre-Pandemic Levels

Shift between May 2019 and May 2024



Map: Lance Lambert • Source: ResiClub analysis of listing data from Realtor.com
Created with Datawrapper

ResiClub

LOUISIANA

TOP MARKETS:

LAFAYETTE

1,084 SINGLE PERMITS
(+3% YTD)

224 MULTI PERMITS
(-97% YTD)

LAKE CHARLES

326 SINGLE PERMITS
(+11% YTD)

82 MULTI PERMITS
(+161% YTD)

NEW ORLEANS/METARIE

1,072 SINGLE PERMITS
(-1% YTD)

888 MULTI PERMITS
(-55% YTD)

BATON ROUGE

1,463 SINGLE PERMITS
(+19% YTD)

15 MULTI PERMITS
(+567% YTD)

LOUISIANA ECONOMY

- Oil and Gas
- Tourism
- Chemicals
- Commercial Fishing
- Agriculture and Forestry

Lafayette

The overall median home price in Lafayette is anticipated to fall by over 3% by the end of 2024. Over the past five years, home prices have risen by 20%. In comparison, Lafayette's household incomes have lagged, growing by only 1.8% during the same period. The overall housing supply is expected to inch up as we finish out the year. While the lack of existing homes for sale has buoyed new home demand, job growth has slowed with the unemployment rate exceeding the national average.

Lake Charles

The replacement of the Interstate 10 bridge that has been at the center of attention for quite some time, is now on schedule and has all financing in place. The total anticipated cost of the public-private partnership (P3) project is $2.1 billion, $1.2 billion of which is coming from various sources of state and federal funds. There will also be a toll system once construction is complete. The first two years, the prep work will be on the approachways. Then the actual bridge construction will begin. The project is estimated to take seven years.

New Orleans

In the New Orleans market, home sales have dropped more than 24% over the last year in the metro, and that impact is deep. "The real estate industry is a big factor in the overall economy. It's sluggish right now and it's bringing down the entire economy," said Drew Remson, owner and president of America's Mortgage Resource, a New Orleans-based lending company. Even if rates are lowered in the fall, the area still is facing an insurance crisis and this is putting homebuyers in a uniquely tough position.

Baton Rouge

Higher mortgage interest rates continue to suppress activity in the Baton Rouge housing market. According to data from the Greater Baton Rouge Association of Realtors, which covers Ascension, East Baton Rouge, and Livingston parishes, pending sales were down almost 14% YOY. Both new listings and total active listings both increased YOY, as did months of supply, which stands at 4.5 months.

In March, Baton Rouge, which is home to about 20% of Louisiana's residents, accounted for more than half of the state's new jobs. In April data, employment in Baton Rouge was at an all-time high. The construction sector has posted the strongest YOY growth in jobs.

According to ATTOM, 2.7% of US homeowners are seriously underwater on their mortgages. Among states, Louisiana has the highest share at over 11%. Among US metros with populations 500K+, Baton Rouge has the highest share at over 13%.


BATON ROUGE, LA

TEXAS

TOP MARKETS:

AUSTIN/ROUND ROCK/GEORGETOWN

17,327 STARTS
(+5.7% YTD)

17,318 NEW HOME SALES
(+2.4% LAST 12 MONTHS)

7,696 SINGLE PERMITS
(+24% YTD)

8,640 MULTI PERMITS
(-27% YTD)

UNDER CONSTRUCTION MOS **6.1**

DALLAS/FORT WORTH/ARLINGTON

44,769 STARTS
(+12.2% YTD)

39,410 NEW HOME SALES
(-2.3% LAST 12 MONTHS)

20,667 SINGLE PERMITS
(+22% YTD)

13,187 MULTI PERMITS
(-7% YTD)

UNDER CONSTRUCTION MOS **5.6**

HOUSTON/THE WOODLANDS/SUGAR LAND

38,751 STARTS
(+ 21.7% YTD)

34,499 NEW HOME SALES
(+2.3% LAST 12 MONTHS)

25,155 SINGLE PERMITS
[+9% YTD)

10,663 MULTI PERMITS
(-50% YTD)

UNDER CONSTRUCTION MOS **5.1**

SAN ANTONIO/NEW BRAUNFELS

17,387 STARTS
(+ 29.2% YTD)

16,047 NEW HOME SALES
(+2.5% LAST 12 MONTHS)

4,317 SINGLE PERMITS
(+40% YTD)

6,117 MULTI PERMITS
(-81% YTD)

UNDER CONSTRUCTION MOS **5.3**

TEXAS ECONOMY

- Finance
- Tech
- Healthcare
- Air and Space
- Energy
- Manufacturing
- Agriculture

Texas has returned its housing inventory to pre-pandemic levels, according to a new report from the Intercontinental Exchange and data from Realtor.com, having boosted its supply at a time when a historic shortage of homes across the United States is keeping prices up. The ICE Home Price Index for April showed that nearly 90% of U.S. markets now have stronger inventory levels than at this time last year, with inventory in 14 of the largest markets having returned to pre-pandemic levels. Thirteen of these are in Florida and Texas. Compared to May 2019, Texas had increased its housing inventory by 2% as of May–the only boost in supply in the country, while the rest of the country reports drops compared to pre-pandemic levels.

According to a second-quarter 2024 report from Texas Realtors, the number of active listings from April to June of this year were up over 40% compared to the same period last year. Months of supply also increased to 4.6 months in Q2 2024, which is the highest amount of supply the state has seen in the last eight years. Despite the rise in supply, the statewide median home price remained nearly flat, rising just 0.6% YOY.

Austin

In April, The US Department of Commerce announced $6.4B in direct funds to Samsung through the CHIPS and Science ACt. This will expand Samsung's new investments in the metro to $45B and mark one of the largest economic development projects in US history, according to the Austin Business Journal. Samsung's new Taylor factory and expansion of existing operations in the city of Austin will create 4,500 manufacturing jobs, about 17,000 construction jobs, and tens of thousands of indirect jobs.

AUSTIN, TX

Tesla is expected to cut 2,688 jobs in Austin, as the layoffs are part of a wider restructuring that the EV maker announced in April. After moving its global headquarters from Silicon Valley to Austin in 2020, Oracle has announced it will move its headquarters to Nashville.

The former pandemic boomtown of Austin, Texas, is still seeing sellers slashing the asking price on their homes by as much as 30%. This shows the that the frenzied days of homebuying in Austin are definitely over, and sellers now have to meet reluctant buyers halfway. The Austin housing market was one of the hottest in the nation during the pandemic years, with growing demand leading to skyrocketing prices.

Dallas

Dallas is among the top destinations for moves with its population growing by more than 150,000 residents. Favorable demographics and a dynamic economy have kept housing demand strong and builders busy. While permit issuances have fallen from the recent highs of 2021 and 2022, they remain on par with pre-pandemic levels, enough to keep Dallas at the top of the list for total new home closings and starts in the nation. However, robust building activity has meant that overall housing supply is less constrained, and active listings are now above pre-pandemic levels and may shift the balance in favor of buyers as price appreciation slows.

According to March analysis by real estate giant CBRE Group Inc., it costs 115% more to buy than rent in Dallas by the end of 2023. This trend is seen across the country. CBRE reported that the cost to own has risen 75% nationally since 2019–and was 38% higher than the cost to rent at the end of 2023. Dallas still had a smaller spread between the cost of buying versus renting than Austin, where the premium was 164%. For comparison, the Houston premium was 106%. While it is common for buying a home to be more expensive than renting in big, desirable cities, the current trend represents a headwind for potential buyers as well as Realtors and other residential real estate professionals.

Houston

Annual starts in all four large Texas markets are moving higher once again, with Houston and Dallas leading the way and Central Texas turning the corner. Annual starts in Houston have increased for three consecutive quarters and are now the highest since the third quarter of 2022. Annual observed new home closings, meanwhile, have achieved their first QOQ increase since fourth quarter of 2022. Continued signs of stable growth is positive news as Houston has become the envy of many housing markets.

Houston home sales experienced a 7.5% year-over-year decline in March, according to the Houston Association of Realtors (HAR), but home sales rebounded by 9.2% in April as the spring homebuying season hit Houston a few weeks later than expected. Inventory of homes has also risen to pre-pandemic levels, climbing from a 2.6 to 3.7-month supply of homes, which is the highest since October 2019 when there was a 3.8-month supply. The markets saw healthy sales in all segments, with the luxury market enjoying a particularly strong performance in April.

Infrastructure work will begin this summer on an over 1,000-acre community in the Katy Prairie area. Seven homebuilders will build Grange's first 300 homes on 45- to 60-foot lots, with sales expected to begin early next year. Grange spans from Bartlett Road to FB 2855 at Morton Road about 3 miles north of Interstate 10 and 6 miles west of the Grand Parkway. The master plan calls for 2,400 homes at full build-out, expected in about eight years.

Job growth is slowing down in Houston. The metro has recovered exceptionally well from the jobs lost as a result of the Covid-19 pandemic in 2020, but post-pandemic gains are starting to slow. The Houston-The Woodlands-Sugar Land metro added 13,400 jobs in April, which represents a 2.4% increase. While the rate is above the long-term annual growth rate, which is about 1.8%, it's much slower than in recent years.

Despite rising prices across the country, Harris County's median home price is $46,226 less than the national median of $360,000 for a single-family home, according to a new study by Attom, a real estate data company.

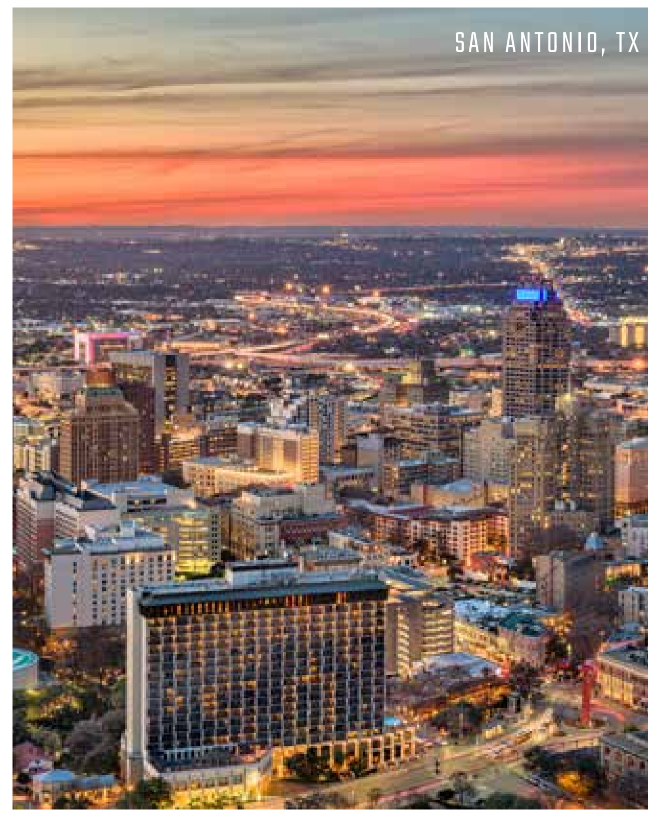
San Antonio

Despite the challenge with mortgage rates and resale supply that is higher YOY and compared to pre-pandemic, San Antonio continues to see a steady level of demand for new homes. Heading into summer, San Antonio was one of 17 markets across the US where new home sales volume and rate were significantly overperforming their baseline historical averages on the Zonda Market Ranking. Years of growth in jobs and migration continue to bolster housing demand. Among US metros with populations of 1M+, San Antonio ranked second for growth in domestic net migration in 2023, a bump of four spots in the last three years.

Between 2020 and 2023, the San Antonio metro welcomed 100,000 net new residents. This figure only refers to domestic immigration, and accounts for 70% of new San Antonians. With 218,000 units, San Antono's multifamily inventory is pretty small for a market of 2.9 million. Right now demand isn't as high as it needs to be to absorb San Antonio's stock of apartments, but waning demand has slowed multifamily starts in the city to a standstill.

Investment in the South Side continues to grow with plans for a large community from the city's biggest builder. Lennar is moving forward with the second phase of a 556-unit subdivision in Elmendorf called Stone Garden. Homes from Stone Garden's initial phase are already for sale.

Agriculture equipment manufacturer JCB has broken ground on a 400-acre facility on the South Side that will create 1,500 jobs over the next five years. Additionally, Toyota says it will add 500K sq. ft. to its South San Antonio manufacturing campus and add 400 new jobs.



"Today, home prices are increasing in part because there is relatively little listed inventory, which has greatly benefitted new home builders," Brad Dillman, Chief Economist at RPM Living, says, adding that, "if this trend continues, we can expect new single-family home construction to remain relatively elevated. The most significant price increases will happen again if and when mortgage rates come back down and millions more homebuyers come off the sidelines and back into the market. Unless the supply of homes increases significantly you can expect prices to continue increasing, barring something bad happening to the economy."

ARIZONA

TOP MARKETS:

PHOENIX/MESA/CHANDLER

21,686 STARTS
(+30.4% YTD)

20,630 NEW HOME SALES
(+3.1% LAST 12 MONTHS)

11,046 SINGLE PERMITS
[+46% YTD)

9,031 MULTI PERMITS
(-9% YTD)

UNDER CONSTRUCTION MOS **5.5**

TUCSON

3,555 STARTS
(+46.8% YTD)

3,044 NEW HOME SALES
(+2.6% LAST 12 MONTHS)

1,683 SINGLE PERMITS
(-42% YTD)

883 MULTI PERMITS
(-58% YTD)

UNDER CONSTRUCTION MOS **8**

ARIZONA ECONOMY

- Tourism
- Services Industry
- Semiconductors
- Manufacturing
- Agriculture
- Mining

Phoenix

As competition heats up for a 2,300-acre state land auction near the Taiwan Semiconductor Manufacturing Co. plant in north Phoenix, homebuilders have big plans to meet the demand of the 50,000 jobs that area is expected to create over time. Several big home builders are waiting in the wings ready to stake their claim on upcoming lot inventory.

Tucson

The Tucson housing market remains healthy. The median sale price of a home in Tucson is $336,000, which is up 8.2% YOY in June. Los Angeles homebuyers inquired about Tucson more than any other metro, followed by Seattle and San Francisco. Tucson is still a sellers market, and sells within 51 days on the market, which is a decrease of 6 days from the same period last year. Tucson also ranks as the major Arizona city with the lowest salary needed to purchase a home. Looking ahead, the Tucson Metropolitan Statistical Area (MSA) presents a promising outlook. By February of 2025, the market is anticipated to experience a 2.1% increase in home values.


PHOENIX, AZ

OKLAHOMA

TOP MARKETS:

OKLAHOMA CITY

3,379 STARTS
(+35.8% YTD)

3,450 NEW HOME SALES
(-1.4% LAST 12 MONTHS)

2,874 SINGLE PERMITS
(+5% YTD)

272 MULTI PERMITS
(+272% YTD)

UNDER CONSTRUCTION MOS **4.3**

TULSA

1,676 STARTS
(+299% YTD)

2,004 NEW HOME SALES
(+1.6% LAST 12 MONTHS)

1,645 SINGLE PERMITS
[+14% YTD]

792 MULTI PERMITS
(-47% YTD)

UNDER CONSTRUCTION MOS **7.3**

OKLAHOMA ECONOMY

- Energy
- Natural Resources
- Manufacturing
- Agriculture and Forestry
- Transportation and Logistics

Oklahoma City

Governor Still announced in May the area's largest economic project in history. Enel is planning to build a $1 billion solar cell and panel factory and create 1,000 jobs by the end of 2024 with a potential second phase that could add an additional 900 jobs.

Tulsa

In 2018, Tulsa initiated a program, known as Tulsa Remote, that pays remote workers $10,000 to relocate to the city. The results have been promising. By the end of 2022, Tulsa had relocated over 2,000 individuals to the city, and infused the local economy with nearly $307M in direct labor earnings. Additionally, since 2019, among participants that have completed a year in the city, 76% have stayed. Also, several large companies moved to Tulsa last year, including aerospace specialists Expleo USA and the solar tech company 3SUNUSA. However, unlike Oklahoma City, Tulsa has not experienced the revival of jobs in the energy sector since the pandemic. The lack of rebound in these high-wage jobs has been a drag on the metro economy.

TULSA, OK

ARKANSAS

TOP MARKETS:

LITTLE ROCK/NORTH LITTLE ROCK/CONWAY

878 SINGLE PERMITS
[+7% YTD]

138 MULTI PERMITS
(+91% YTD)

FAYETTEVILLE/SPRINGDALE/ROGERS

605 SINGLE PERMITS
(+53% YTD)

6 MULTI PERMITS
(+1,767% YTD)

ARKANSAS ECONOMY

- Healthcare
- Agriculture
- Energy
- Forestry and Timber
- Freight and Transportation

Little Rock

The overall median home price in Little Rock is projected to decrease slightly by the end of the year. This comes after a significant increase of 40% in home prices over the past five years. However, household incomes in Little Rock have not kept pace, growing by only 12.5% during the same period. Among the top 100 markets, Little Rock ranked 31st in terms of total jobs added over the past year, although growth in high-income employment is trailing the overall growth rate.

Fayetteville

Fayetteville has seen an overall increase of 68% in home prices over the last five years, but overall median home price is anticipated to fall by 2% by the end of the year. While both home prices and incomes have grown over the last several years, income isn't anywhere close to keeping up at an only 22.6% increase over the same period.

There are ongoing efforts to revitalize Fayetteville's downtown area along College Avenue, encompassing a 600-acre area with $22 million in transportation projects. The plan involves redesigning public spaces, such as parks and plazas, to foster community engagement and economic development.

LITTLE ROCK, AR

NEVADA

TOP MARKETS:

LAS VEGAS/HENDERSON/PARADISE

11,002 STARTS
(-25.6% YTD)

11,842 NEW HOME SALES
(+4.3% LAST 12 MONTHS)

5,027 SINGLE PERMITS
[+24% YTD)

1,511 MULTI PERMITS
(-8% YTD)

UNDER CONSTRUCTION MOS **5.1**

RENO

1,363 STARTS
(-7.4% YTD)

1,331 NEW HOME SALES
(+2.2% LAST 12 MONTHS)

942 SINGLE PERMITS
(+26% YTD)

1,137 MULTI PERMITS
(-28% YTD)

UNDER CONSTRUCTION MOS **9.2**

NEVADA ECONOMY

- Tourism
- Gaming
- Mining
- Agriculture
- Manufacturing

Las Vegas

In the Las Vegas market, both UNLV and North Las Vegas are discussing development plans for 5,000 acres of land north of the VA Medical Center. The land size is significant and provides a 'blank canvas' for potential residential and commercial construction.

Housing is still in short supply, and even with high mortgage rates, the sales rate is at its highest in recent years.

Reno

In the Reno market, annual starts have seen a quarter-over-quarter increase, reaching their highest level in the past year. However, annual new home closings have decreased by 15%, marking the lowest level in the past year. Both new home closings and starts remain 34% below pre-pandemic levels.

In response to the housing shortage, the city of Reno has been considering various zoning modifications. Proposed changes include legalizing granny flats, upzoning to increase density, and adoption "by-right" approvals for some housing developments.


LAS VEGAS, NV

"We are in an unusual situation because a lack of progress on reducing shelter inflation, which is currently running at a 5.4% year-over-year rate, is making it difficult for the Federal Reserve to achieve its target inflation rate of 2%," said NAHB Chief Economist Robert Dietz. "The best way to bring down shelter inflation and push the overall inflation rate down to the 2% range is to increase the nation's housing supply. A more favorable interest rate environment for construction and development loans would help to achieve this aim."

"The market is at an interesting point with rising inventory and lower demand," said NAR Chief Economist Lawrence Yun. "Supply and demand movements suggest easing home price appreciation in upcoming months. Inevitably, more inventory in a job-creating economy will lead to greater home buying, especially when mortgage rates descend."

NEW MEXICO

TOP MARKETS:

ALBUQUERQUE

1,934 STARTS
(+32.4% YTD)

1,675 NEW HOME SALES
(+2.4% LAST 12 MONTHS)

918 SINGLE PERMITS
(+25% YTD)

486 MULTI PERMITS
(-41% YTD)

UNDER CONSTRUCTION MOS **4.7**

NEW MEXICO ECONOMY

- Aerospace and Defense
- Energy
- Accommodation and Food Services
- Distribution, Logistics, and Transportation
- Public Administration and Federal Government

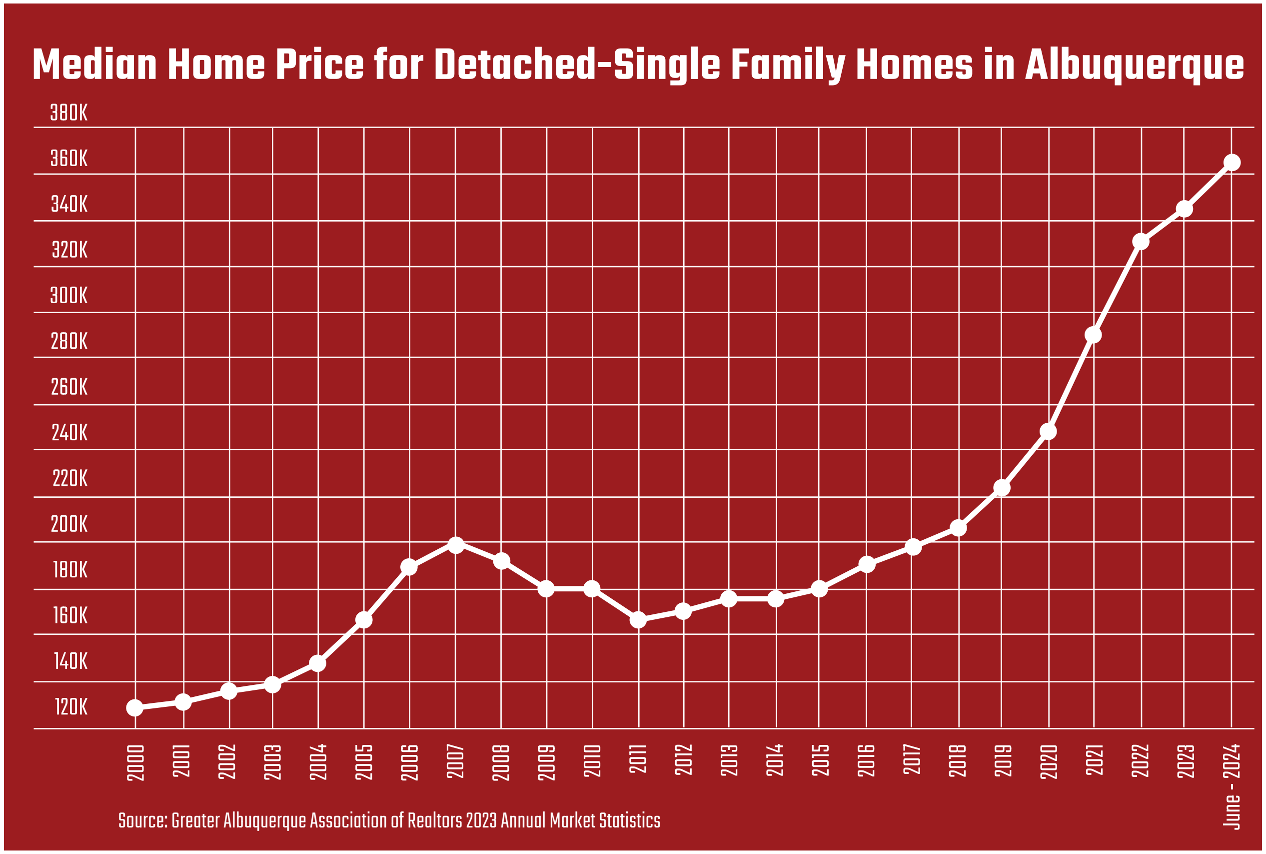
Albuquerque

Representatives from the Albuquerque Metropolitan Redevelopment Agency (MRA) recently outlined the city's vision for economic revitalization. "Lots of stuff going on in Phoenix, Houston, Denver and El Paso," Terry Brunner, director of the MRA, said. "People are flying over us, and we're having a hard time dragging development interest into Albuquerque." To counteract this, the MRA has several initiatives designed to make Albuquerque more attractive to developers. Among the most significant is the redevelopment tax abatement program, a seven-year property tax incentive for projects in designated MRA areas. The initiative is aimed at offsetting the costly first years of operation many developers face. MRA initiatives accrued $169 million in development costs last year, building a total of 323 housing units, 58 hotel units and 125,000 square feet of commercial space. However, MRA's strategy isn't limited to

tax incentives. The agency also offers permit and application fee waivers to further help incentivize development. The two-year pilot program will offer incentives to developers, including fast-tracking projects and waiving certain fees. The MRA has been expanded to include additional districts, promoting economic development. Once Mayor Tim Keller signs the resolution, the program will be implemented immediately, addressing the city's housing shortage.

Unaffordability in the city is pinching home buyers. Prospective homebuyers in Albuquerque must set aside 42% of their yearly income on housing according to RealtyHop. Housing prices in the city have increased over 100% in the last decade. The median price of a single-family home was $365,000 in June, compared to $175,564 in 2014. As homeownership becomes less affordable in New Mexico and across the country, would-be homeowners continue to look to renting options.

Another big solar manufacturing plant is coming to the area. Ebon Solar LLC and Gov. Grisham recently announced that Albuquerque will be the site of a new $942 million manufacturing plant at Mesa del Sol. The huge investment could create over 900 jobs, 90% of which would come from workers in New Mexico. Judy Cai, Ebon Solar's CEO, said "abundant" solar resources in New Mexico, alongside "favorable" renewable energy policies and a skilled workforce in the state, attracted the company. The company didn't provide a timeframe for when work on this facility is expected to start and finish.



UTAH

TOP MARKETS:

SALT LAKE CITY

3,412 STARTS (+36.0% YTD)

2,805 NEW HOME SALES (-1.7% LAST 12 MONTHS)

1,564 SINGLE PERMITS (+14% YTD)

3,218 MULTI PERMITS (-68% YTD)

UNDER CONSTRUCTION MOS **7.2**

PROVO/OREM

5,894 STARTS (+39.1% YTD)

4,534 NEW HOME SALES (+2.1% LAST 12 MONTHS)

2,013 SINGLE PERMITS [+40% YTD)

690 MULTI PERMITS (-41% YTD)

UNDER CONSTRUCTION MOS **4.9**

OGDEN/CLEARFIELD

1,559 STARTS (+0.6% YTD)

1,399 NEW HOME SALES (+1.6% LAST 12 MONTHS)

943 SINGLE PERMITS (+41% YTD)

456 MULTI PERMITS (+100% YTD)

UNDER CONSTRUCTION MOS **4.6**

UTAH ECONOMY

- Aerospace
- Advanced Composites
- Tech
- Distribution

Salt Lake City

In the Salt Lake city market, annual starts increased QOQ, reaching their highest level in the past year. Additionally, annual new home closings hit their highest level in the past year. New home closings, however, are trailing behind their 3-year average. Both new home closings and starts continue to fall below pre-pandemic levels, with closings and starts down 33% and 22%, respectively. Months of under construction pulled back a touch, but still remains above the 3-year average.

Multifamily construction will remain slow through the remainder of 2024, but remains near its highest levels in recent history because of the large number of new apartments being developed. Over 4,500 units are expected in 2024.

Provo-Orem

Provo's housing market has slowed, but the local economy has been adding jobs. Although job growth has started to slow in recent months, the unemployment rate remains below 3%. Due to lower affordability, less than a quarter of local residents are able to afford a home.

Ogden-Clearfield

Ogden continues to see strong demand for housing, spurred mainly by strong population and household growth. High home prices, traffic congestion, and declining quality of life in neighboring Salt Lake City are driving people further up I-15. Residential permit issuances are expected to hold near 2023 levels with future lots and vacant developed lot supply up roughly 4% YOY.

With the increased demand for homes in the Ogden area, not surprisingly home prices are increasing with affordability at its lowest in recent history. Housing costs as a percentage of income exceeds 60%.

CALIFORNIA

TOP MARKETS:

LOS ANGELES/LONG BEACH/ANAHEIM

5,862 STARTS
(+4.9% YTD)

5,485 NEW HOME SALES
(-2.9% LAST 12 MONTHS)

5,820 SINGLE PERMITS
(+2% YTD)

9,151 MULTI PERMITS
(-23% YTD)

UNDER CONSTRUCTION MOS **11.4**

SAN FRANCISCO/OAKLAND/BERKELEY

2,174 STARTS
(-1.9% YTD)

2,555 NEW HOME SALES
(+2.5% LAST 12 MONTHS)

UNDER CONSTRUCTION MOS **8.8**

SAN DIEGO/CARLSBAD

2,702 STARTS
(+16.6% YTD)

2,155 NEW HOME SALES
(+3.6% LAST 12 MONTHS)

1,175 SINGLE PERMITS
(+51% YTD)

2,231 MULTI PERMITS
(+55% YTD)

UNDER CONSTRUCTION MOS **7.5**

SACRAMENTO/ROSEVILLE/FOLSOM

7,489 STARTS
(+39.4% YTD)

7,001 NEW HOME SALES
(+3.2% LAST 12 MONTHS)

3,846 SINGLE PERMITS
(+26% YTD)

2,611 MULTI PERMITS
(-53% YTD)

UNDER CONSTRUCTION MOS **5.5**

CALIFORNIA ECONOMY

- Tourism
- Tech
- Agriculture
- Entertainment
- Maritime
- Military

In 2023, California experienced its first population gain since the pandemic hit, according to the California Department of Finance, while most of the state's gains were in Southern CA.

Los Angeles

While the LA-OC new home market saw typical seasonal improvement this spring, monthly contract sales and new home pending sales still came in slightly lower YOY. However, a lack of resale supply continues to give builders an advantage, and both annual starts and annual new home closings have begun to rise again.

San Francisco

The San Francisco housing market has started to improve in April and May with sales, pending sales, and prices increasing, led mostly by a rebound in demand for luxury homes. In the new home segment, sales volume and pace are 'average' relative to the market's historical baseline. New residential construction remains sluggish. Total permit issuance is expected to decline again in 2024 and reach its lowest level since 2011.

A regional bond measure that could generate $20 billion for affordable housing development across the Bay Area will be on the November 2024 ballot. The Bay Area Housing Finance Authority's commissioners voted unanimously Wednesday to put the regional housing bond on the ballot this fall that could develop roughly 90,000 affordable housing units across the nine Bay Area counties. The authority estimates the funding would roughly double the number of affordable homes built in the region over the next 15 years and push through affordable housing units that observers say are stuck in the pipeline. If approved by voters, 80% of the $20 billion would be split between the region's nine counties and largest municipalities, and 20% would be set aside for BAHFA to develop housing for homeless or extremely low income individuals across the Bay Area.

Senate Bill 423 recently went into effect in San Francisco, the California Department of Housing and Community Development said, clearing the way for newly-proposed residential projects to evade the city's infamously lengthy approval processes. The bill requires cities that fail to meet state-regulated housing production goals to implement near-automatic approval for new residential projects that meet existing planning and zoning regulations. San Francisco produced just 2,618 new homes last year, far below its housing production goal for 2023 of more than 10,000 units. SB 423 will wipe away much of the bureaucracy surrounding those approvals, and San Francisco's process would go from the longest of any jurisdiction in California to "one of the shortest." To qualify for the streamlined path to approvals offered by the bill, projects must include at least 10% affordable on-site units and not involve the demolition of rent-controlled units, among other criteria. The approvals offered by SB 423 could apply to as many as 75% of new homes proposed in San Francisco.

San Diego

In the San Diego market, annual starts saw a significant increase in quarter-over-quarter (QOQ), reaching their highest level in the past year. However, annual new home closings experienced a decrease of 15.6% QOQ, dropping to 2,241, marking the lowest level in the past year. New home closings are trailing behind their 3-year average. Both new home closings and starts continue to lag behind pre-pandemic levels, with closings down 41% and starts down 22%. Months of finished vacant inventory increased, remaining above its 10-year average.

San Diego's urban core is performing better than many other cities. Demand for office space remains weak, but retail demand remains strong. Leaders are anticipating more residential high-rise projects.

Sacramento

In the Sacramento market, annual starts have seen a quarter-over-quarter increase, reaching their highest level in the past year. However, annual new home closings have decreased by 3.6%. These closings are trailing their 3-year historical average. Despite this, both new home closings and starts have managed to exceed pre-pandemic levels, with increases of 13% and 21%, respectively. Months of inventory is still below the 3-year average at 5 and a half months. The inventory of finished vacant homes remains higher than its 10-year average.

Insurance is becoming increasingly hard to find in the area as insurers like Allstate, State Farm, and Farmers have stopped writing new homeowners insurance policies in California. Increased premiums due to this, are also straining the purchasing power of homebuyers.

LETTER FROM PAUL

I look back on Q2 in comparison with the market we are currently operating within, it is the tale of two very different market environments. We saw the market top out in April, with prices reaching $640/m on 7/16 4x8 in the Southwest. This steep run up was followed by a plummet of $175/m down in a single week. There was frustration abounding at all levels in the supply chain. The rapid swings in price made it challenging for buyers to execute any sort of inventory planning. As I write this letter, we are now operating in a panel market that has been essentially flat for seven weeks in a row.

The same factors and headwinds that have been present remain in play today. Overall home affordability remains to be a challenge, certainly for first time home buyers. Inflation, coupled with economic uncertainty in an election year, are not doing us any favors as it relates to builder sentiment. These factors have most buyers operating in a very cautious manner. However, with interest rates projected to decrease in the upcoming quarter, we are optimistic that we could see some improvement in single family construction. For now, however, we are firmly into what I'd describe as a "grind it out" kind of panel market.

It is important that I share an OSB operations update with you all, as we have some BIG things happening. I am happy to share that our second production line in Corrigan, TX, pressed its first board in July. We obtained our 7/16 APA trademark stamp in early August and are currently in the process of obtaining stamps for other thicknesses. Our team is excited about what this facility will bring to the market now, as well as in the future. The additional production from this line will position us to better serve our customers and expand our presence across the country. This is coming at a great time for our team, as we have a full press rebuild project beginning in January 2025 at our OSB facility in Oakdale, Louisiana. We are planning for 12 full weeks of zero production in Oakdale during this time, so our second line in Corrigan will help offset a portion of the footage removed from the market. In addition, we have begun execution of an inventory build plan in both Oakdale and Corrigan to better serve your needs during Q1 of 2025.

The updates I shared above are two great examples of how the RoyOMartin team is actively investing and positioning ourselves to serve your needs for many years to come. We appreciate your willingness to do business with us and foster the type of partnerships that allow us to grow together.

Thank you for your continued support.

Paul Pfingsten
Director of OSB Sales

LETTER FROM LORI

As anticipated, Q2 was challenging, particularly with the lower plywood prices. While the decrease was in line with market trends, it was a bit more than anticipated.

The overall market remains cautious, with many keeping a close watch on global economic conditions. On a more optimistic note, interest rates are expected to decrease in the third quarter, and there is a general belief that we may see improvements in the stock market, gas prices, and overall economic conditions before November. However, we anticipate that buyers will remain cautious and not overreact to these potential changes.

Historically, the third quarter has been favorable for the market. With more stable temperatures conducive to construction, coupled with the natural push to complete projects before winter and the holiday season, we typically see a boost.

Regarding our operations, Chopin will undergo a planned outage starting September 8th for maintenance and upgrades to various parts of the plywood plant and canter mill. Maintaining up-to-date and safe manufacturing facilities has always been a priority for RoyOMartin, and this upgrade is a testament to our commitment to this goal.

The timber market faced some headwinds this past quarter, with an initial lack of demand, but sales picked up shortly into July. Looking ahead, we anticipate that the third quarter will maintain the current trajectory, barring any major storms or disruptions. The export market continues to perform well, which remains a positive highlight as we move forward.

As we proceed into the next quarter, our focus will be on managing inventory levels effectively and ensuring that we continue to meet customer demand for the most sought-after products.

Thank you for your continued support and partnership.

Lori Byrd
Director of Plywood and Solid Wood Sales

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SOURCES

HOME SALES AND STARTS: U.S. Census Bureau, National Association of Homebuilders, Zonda

PERMITTING: U.S. Census Bureau, National Association of Homebuilders, Zonda

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