

Affordability, Tariffs and Supply-Demand Imbalances: 2025 Building & Infrastructure Dinner

 | 



Lincoln International and [L.E.K. Consulting](#) recently co-hosted the 17th annual Building & Infrastructure event in New York City, drawing a record turnout of more than 150 executives and investors across the construction and building products value chain.

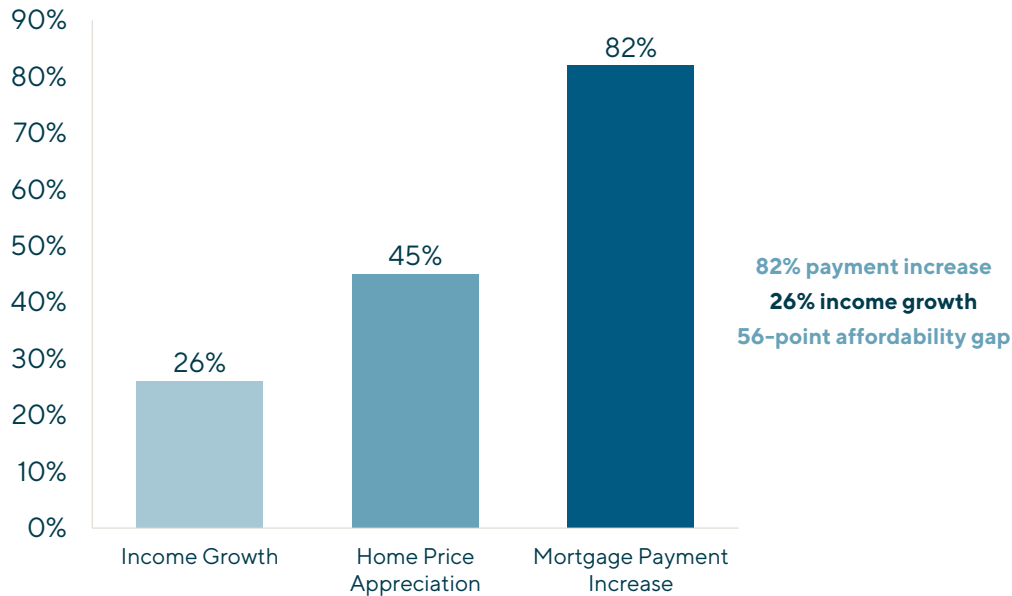
The evening began with a cocktail networking reception and included remarks from [Matt Korsch](#), Managing Director and Head of L.E.K.'s Building & Construction practice; [Scott Molinaro](#), Managing Director and Co-Head of Lincoln's building products practice; and John Burns, CEO of [John Burns Research & Consulting](#), who delivered the keynote address.

Against a backdrop of affordability challenges, tariff disruptions and shifting supply-demand dynamics, the evening featured candid discussion on the forces reshaping today's market and how leaders are positioning for the next cycle of growth. Below are several of the major insights discussed.

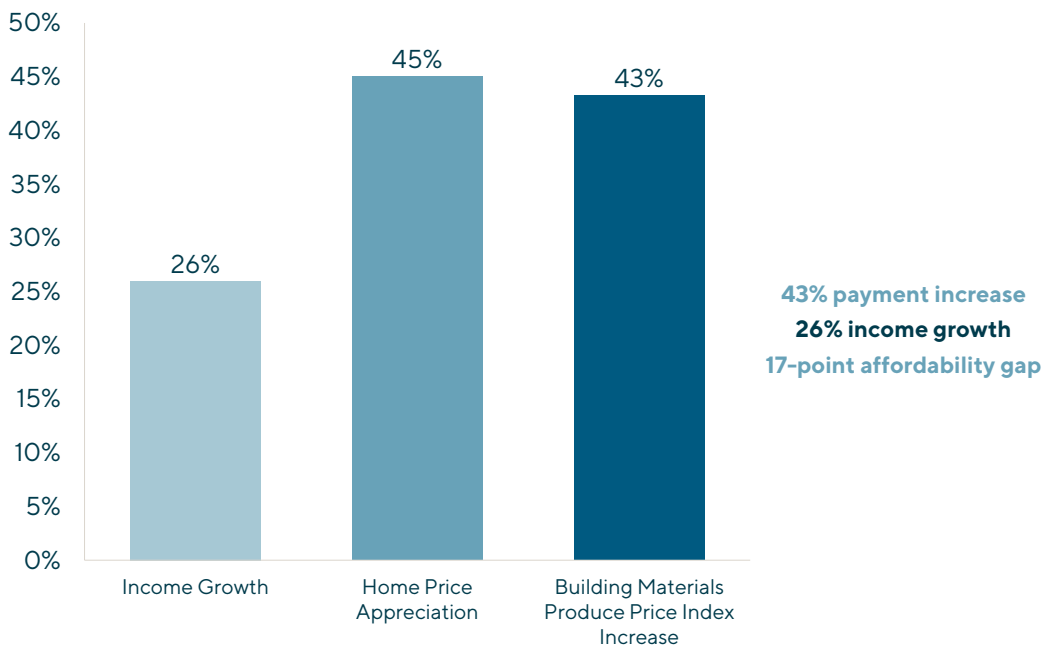
1 Affordability Remains the Central Pressure Point

Sticker shock from mortgage payments and remodeling costs has pushed many homeowners and buyers into a “wait-and-see” mode. Since 2020, mortgage payments have increased by 82% while incomes have grown just 26%, creating a 56-point affordability gap. Building material costs have outpaced income growth by 17 points over the same period. This persistent mismatch is driving the greater appeal of rental housing and accelerating migration from high-cost to lower-cost markets, reshaping demand patterns across regions and price points.

Mortgage Payments: Related Increases since 2020



Building Materials: Related Increases since 2020



2 Demand Softens Just as Supply Expands

2025 has presented a backdrop where several demand and supply forces collided, testing the resilience of housing activity.

On the demand side, three dynamics weighed on the market:

1. The labor market has softened, as seen in government and private data.
2. Mortgage rates climbed to around 7% entering the spring selling season, dampening homebuyer enthusiasm.
3. Immigration policy changes disqualified non-permanent residents from Federal Housing Administration (FHA)-insured mortgages, a group that historically represented roughly 5% of FHA borrowers.

On the supply side, three notable trends emerged:

1. Unsold new home inventory reached 12-year highs.
2. Unleased new apartments hit 35-year highs.
3. Resale inventory rose for the first time in six years.

The result: Builders are expected to start approximately 6% fewer homes this year as the market works through these imbalances.

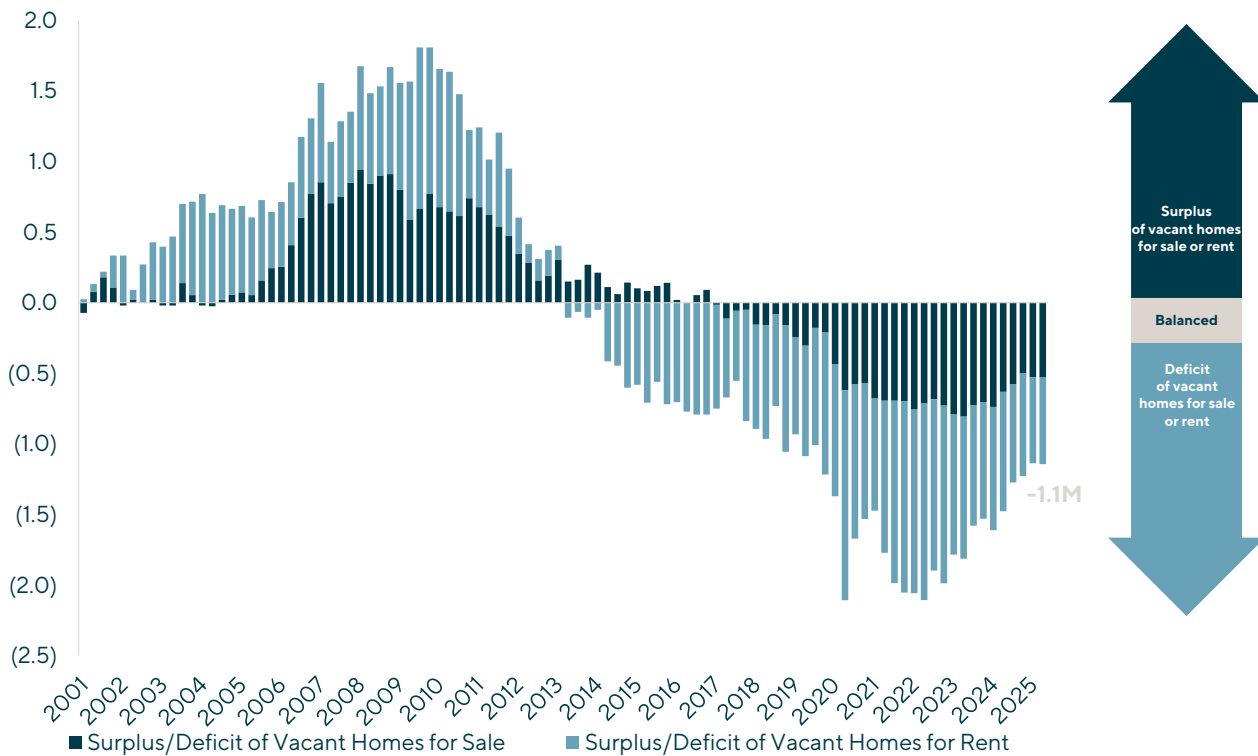
3 Tariffs Reintroduced Volatility Across Supply Chains

Tariffs initially introduced on Liberation Day created notable disruption across several building products categories, particularly those with high import exposure. In a survey of more than 500 kitchen designers, manufacturers, remodelers and retailers, 55% of respondents identified tariffs as a key constraint to growth, followed closely by 52% citing consumer uncertainty. Respondents reported higher direct and indirect costs, longer and less predictable shipping times and compressed margins. As a result, kitchen-related spending declined, highlighting how quickly tariff policy can ripple through supply chains—a cautionary tale for the broader building products ecosystem.

4 A Market Structurally Undersupplied, But Functionally Oversupplied

The U.S. housing market remains caught in a paradox. Structurally, the U.S. needs around 1.1 million additional homes just to return to normal vacancy levels. Yet, with homes roughly 21% overpriced relative to long-term affordability metrics, today's market feels functionally oversupplied at current mortgage payments and rents. If rates were to fall to below 6%, approximately 4.2 million additional households would be in a position to buy. This disconnect is reshaping household behavior: The median age of first-time homebuyers has reached 38, up from 29 in the early 1980s, as younger households remain priced out of ownership. While this dynamic has boosted rental demand, it also indicates massive pent-up for-sale demand that will eventually be unlocked as affordability improves.

U.S. Short-Term Supply-Demand Balance of Vacant Housing Units



5 Remodeling Digests Pandemic-era Gains

The remodeling market continues to normalize following its pandemic-era surge. From 2019-2022, repair and remodel spending grew 8% annually (25% total) and new construction spending grew 15% annually (52% total). Over the longer 2019-2025 period, annual growth in repair and remodel and new construction has trended to 2.7% and 4.9%, respectively. Overall, the building materials industry has grown 26% since 2019, but growth has stalled as the market continues to process previous gains. Still, with homes continuing to age and homeowner equity nearing record levels, significant pent-up demand is accumulating, and the fundamentals suggest a strong cycle awaits when affordability constraints ease.

Headwinds for Remodeling

- Low resale house price appreciation
- Slow churn in existing homes
- High interest rates
- Affordability favors renting vs. owning
- Fewer births, later marriages
- Building products pricing remains elevated

Tailwinds for Remodeling

- Strengthening consumer spending
- Stable labor market
- High levels of home equity
- Aging housing stock
- Steady income growth
- Rising stock market wealth
- Climate conditions driving stronger storm activity

6 Positioning for the Next Affordability-Driven Cycle

Looking ahead, the building products industry sits at an inflection point, with early signs of stabilization emerging. These include the potential for a new Fed Chairman, who will be more likely to lower short-term rates; existing home sales, which appear to be bottoming; and home prices, which are moderating alongside a pickup in cash-out home equity extraction.

The ingredients for a strong return to growth are in place:

1. Massive future demand from the oldest-ever first-time buyers
2. Record percentages of 25-34-year-olds still living at home
3. An industry prepared to deliver the needed 1.1 million undersupplied homes

However, the combination of affordability pressures and soft consumer confidence continues to weigh on homebuyers' ability and willingness to act in the near term.

At the same time, activity across several nonresidential segments has shown more resilience. Commercial construction activity tied to data centers, utilities and critical infrastructure continue to see healthy demand. As a result, companies serving both residential and commercial end markets are seeing the benefits of diversification, with strength in one segment helping offset softness in another.

Looking Ahead with Lincoln

The 2025 Building & Infrastructure Dinner underscored a market in transition—one where short-term caution meets long-term optimism. While affordability and policy uncertainty continue to challenge near-term growth, the industry's structural undersupply and accumulated demand represent powerful tailwinds for the next expansion cycle.

As always, strategic and financial investors interested in exploring mergers and acquisitions opportunities in the building products sector should [contact the Lincoln Building Products team](#) to discuss specific goals and how we can assist in achieving them.