

LUMBER COSTS REPORTED UP 374% OVER THE PAST 12 MONTHS



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WHAT IS CAUSING THE SPIKE?

Who would have guessed that lumber would be such a hot topic in 2021? In April of 2020, the average cost for a builder nationwide on all lumber products required to build an average single-family home was approximately \$16,927. The current fully phased in cost of lumber to build a single-fam-

ily home has now increased to a whopping \$48,136. The current futures contract for May delivery of 1,000 board feet of lumber is at \$1,645. This is up 60% from April and up 374% from May of 2020. What's to blame? You guessed it, Covid-19. The pandemic forced the closure or reduced operations of many sawmills. With the WFH (work-from-home) and DL (distance-learning) lifestyle in full swing over the last year, home sales and remodeling have surged, driving the demand for lumber sky high.

Canada, which has long been a major supplier of lumber to the U.S. has had supply issues of its own. Over the past decade, the mountain pine beetle has destroyed an estimated 15 years of lumber supplies in British Columbia, Alberta and the Pacific Northwest. Wildfires in 2017 and 2018 also hit areas not impacted by beetles. The National Association of Home Builders estimates the current surge in lumber

prices is adding \$35,872 to the average price of a new single-family home. To help alleviate the situation the U.S. Commerce Department reduced the tariffs on Canadian lumber from 20% to 9% in December of 2020.

It's not just an overheated housing market that is fueling prices for new homes. The cost of what goes into a home is also adding additional pressure. Lumber prices continue to spike and show no signs of slowing. Wood is not only required for the framing of a home – it is also needed for doors, cabinets, flooring and windows. According to Zonda, 86% of home builders have reported major lumber supply disruptions, with new lot supplies falling more than 20% from a year ago. Prices of other related building materials have also experienced a significant surge: year to date copper has risen 27%, steel used for sheet metal products and support beams is up 17%; and gypsum used for drywall is up 7%.



At the onset of the pandemic, tariffs imposed on the lumber industry at the time had already started to have an impact on wholesale pricing. As the effects of Covid19 intensified, lumber production slowed significantly. While many economist forecasted that the housing market would stall for the foreseeable future, after a short pause, to everyone's surprise the real estate market came roaring back, beginning in Q1of 2021.

Hopefully, with increased production and the easing of import tariffs lumber prices will start to show signs of stabilizing, but don't expect that to happen anytime soon!

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