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Brooks Disrupts NAHB's Drumbeat Over High Lumber Prices

Meanwhile, prospects that they'll stay high remain strong

By **Craig Webb**

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Former ProSales Editor Greg Brooks took issue today with the National Association of Home Builders' (NAHB) steady stream of blogs regarding high lumber prices. Brooks' column came out the same day NAHB issued more news regarding Canadian and U.S. lumber, while up in Canada several stories have appeared suggesting prices will remain high.

Surveys by [Random Lengths](#) suggest framing lumber is costing about 25% more on the spot market today than it did at this time a year ago, while OSB prices are about 30% higher. A recent NAHB/Wells Fargo Home Market Index survey found that a record 84% of participants regarded the cost and availability of building [products](#) as a concern for 2018. Only worries over the labor market ranked as high.

NAHB has commented often about lumber prices, often in the context of the dispute over softwood lumber imports from Canada and the U.S. government's decision to impose tariffs of roughly 20% on those imports. [In an Eye on Housing post today](#), the NAHB noted that "At the same time that domestic lumber producers claimed they were being harmed by Canadian imports, they were sending record amounts of softwood lumber overseas because they could charge a higher premium to foreign nations." "Meanwhile, the [tariffs are harming housing affordability](#), causing extreme price volatility and incentivizing foreign nations to boost lumber exports to the U.S. because of record-high prices," NAHB's post continued. Roughly one-third of the lumber used to build and remodel U.S. homes comes from Canada.

But Brooks, [in the latest blog on his LBM Exec website](#), said that getting worked up over higher lumber prices as a potential danger to home sales was like "stepping over dollars to pick up pennies."

Brooks then wrote:



13 March 2018



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Framing materials make up 8% to 9% of the dollar value of a single-family building permit. Permit value doesn't include land or site development costs, so depending on where you are, lumber and panels may be no more than 5% to 7% of the selling price of a home.

Not to say that's insignificant. If framing accounts for 6% of the selling price of a \$300,000 home, a 30% increase adds \$5,400. If all of that gets passed on, it boosts the selling price by 1.8%. With a 20% down payment and a 4% interest rate, your monthly mortgage payment would jump by—wait for it—about \$20.

But only in theory; in reality, home prices don't correlate to material costs.

In four of the eight years since 2009, the average annual framing lumber composite rose at least twice as much as home prices. In three of those years, home prices rose while lumber prices fell.

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Feb. 22 update: Contacted today about Brooks' comments, NAHB Chief Economist Robert Dietz contested the blogger's conclusions. "Increasing construction costs by several thousand dollars is not insignificant," especially at a time when housing supply is constrained, Dietz told PROSALES in an interview. The association cares about a number of factors affecting builders, and recent surveys indicate materials prices and labor woes are at the top of the list, he said. "You should care about all these factors," Dietz continued. "These are consequential changes to business conditions for builders."

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Meanwhile, in Canada, lumber producers appear optimistic that they'll be able to keep selling in the U.S. despite the tariffs. That's due in part to the continued rise in housing starts in America, which in January reached a seasonally adjusted annual rate of 1.33 million.

The Canadian Press quoted Conifex Timber Inc. Chairman and CEO Kenneth Shields as [saying](#): "With this favorable demand backdrop coupled with duties on Canadian lumber exports to the U.S., we expect lumber prices to remain strong in 2018."

And Canada's Vancouver *Times-Colonist* newspaper reported that West Fraser Timber Co. CEO Ted Seraphim believes North American lumber demand should grow by 2 billion board feet per year, while U.S. production will only modestly increase by 750 million to 1 billion board foot annually. "Our longer-term view is really positive," he said during a conference call.

And Don Demens, CEO of Western Forest Products, said his company has reversed plans to cut back on capital investments because of uncertainty in the softwood dispute, the *Times-Colonist* reported.



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"Our view is there's not very much uncertainty anymore. We know the duties we have and we know the process ahead of us," Demens told analysts earlier this month.

http://www.prosalesmagazine.com/products/lumber/brooks-disrupts-nahbs-drumbeat-over-high-lumber-prices_o

Richard P. Vlosky, Ph.D.
Director, Louisiana Forest Products Development Center
Crosby Land & Resources Endowed Professor of Forest Sector Business Development
Room 227, School of Renewable Natural Resources
Louisiana State University, Baton Rouge, LA 70803
Phone (office): (225) 578-4527; Fax: (225) 578-4251; Mobile Phone: (225) 223-1931
Web Site: www.LFPDC.lsu.edu



President, Forest Products Society; President, WoodEMA i.a.

