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Lumber Tariffs, Labor Issues Constrain the Industry

Lumber price concerns have surpassed labor issues as the top supply-side headwind constraining home construction growth. Nonetheless, along with the [tight availability of loans](#) and land, the growing cost and scarcity of labor continues to be a significant challenge for builders, developers and remodelers.

These labor-related issues mirror those of the overall jobs market. In May, [the economy created 223,000 jobs](#) and the unemployment rate fell to 3.8% — the lowest level in 18 years. This pace of job creation, combined with a 2.7% year-over-year growth in earnings, are net positives for housing demand. In an effort to meet that demand, [residential construction added 10,300 jobs in May](#) — increasing the total of new jobs over the last 12 months to 132,000.

Still, the level of residential construction job creation must increase to more effectively address growing demand. In April, data from the Bureau of Labor Statistics indicated 232,000 open positions in the overall construction industry, which is near the post-Great Recession high mark of 255,000 set last summer. The good news is that tax and regulatory reform are increasing worker productivity and [boosting economic growth](#). Look for a strong second quarter estimate for GDP growth, even as producer prices continue to rise.

—NAHB Chief Economist Robert Dietz

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