



24 August 2020



SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP



Average New Home Price Now \$16,000 Higher Due to Lumber

(Updated on Saturday, Aug. 22)

The recent spike in softwood lumber prices has caused the price of an average new single-family home to increase by \$16,148 since April 17, according to NAHB standard estimates of lumber used to build the average home. Similarly, the market value of the average new multifamily home has increased by \$6,107 over the same period due to the surge in lumber prices.

According to Random Lengths, as of Aug. 21 the price of framing lumber topped \$800 per thousand board feet — a 130% increase since mid-April.

NAHB calculated these average home price increases based on the softwood lumber that goes into the average new home, as captured in the [Builder Practices Survey](#) conducted by [Home Innovation Research Labs](#). Included is any softwood used in structural framing (including beams, joists, headers, rafters and trusses), sheathing, flooring and underlayment, interior wall and ceiling finishing, cabinets, doors, windows, roofing, siding, soffit and fascia, and exterior features such as garages, porches, decks, railing, fences and landscape walls.

The softwood products considered include lumber of various dimensions (including any that may be appearance grade or pressure treated for outdoor use), plywood, OSB, particleboard, fiberboard, shakes and shingles — in short, any of the products sold by U.S. sawmills and tracked on a weekly basis by [Random Lengths](#).

At the prices reported by Random Lengths on April 17, 2020, the total cost to a builder for all the lumber and lumber-related products described above was \$16,927 for the products in an average single-family home, and \$5,940 for the products in an average multifamily home.

But by the time Random Lengths reported prices on Aug. 21, the cost to builders had risen to \$30,470 for the softwood lumber products in an average single-family home, and \$11,061 for the products in an average multifamily home. This is a \$13,543 (80%) and \$5,122 (86%) increase respectively, in only four months.

The price of the home to the ultimate buyer has gone up by even somewhat more than this, due to factors such as interest on construction loans, brokers' fees, and margins required to attract capital to residential construction and get construction loans underwritten. For items such as lumber that are purchased and



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used throughout the construction process, NAHB has estimated that the buyer’s price will increase by an additional 19.2% (see the appendix to [Government Regulation in the Price of a New Home](#) for details).

The bottom line is that the spike in lumber prices that occurred between April 17 and Aug. 21 caused the price of an average new single-family home to increase by \$16,148, and the market value of an average new multifamily home to increase by \$6,107.



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