



# Rising Lumber & Material Costs

## Member Information

### Overview

Members are readily aware of rising material costs and reduced supplies which are having significant impacts on housing costs and construction timelines. The following is intended to provide information BILD Alberta has gathered to-date through discussions with members, local associations, CHBA National and industry partners.

- The cost of various lumber products has increased anywhere from 125% to 200% from pre-pandemic times. This is adding on average \$20,000 to a standard detached single-family home.
- The cost of most other materials has increased anywhere from 4 - 5%. This is adding (on average) another \$20,000 - \$30,000 to the cost to a standard detached single-family home.

All in, builders are reporting detached single-family homes have an additional \$40,000 - \$50,000 in construction costs due to the rapid escalation in lumber material costs.

### Lumber Mill Capacity

- In early-2020, there was low forecasted demand which led to production curtailment before the pandemic.
- Lumber mills across North America largely shut down in March of 2020. Many were not back to full production until late-summer or early fall.
- The decreased production and supply have been compounded by significant unanticipated demand in the United States, Canada and Alberta. This demand is not just seen in new housing but a significant amount of activity in renovations.
- The Canadian mills have been producing more lumber than prior to the pandemic, and the ratio of Canadian lumber staying in Canada remains at its pre-pandemic levels.
- Still, given the huge demand for lumber given the surge in new construction and renovations, supply remains short.
- Our understanding is that there are potentially four new mills being brought online in Canada but it will take some time.
- With the housing boom expected to continue, this continued strain on the lumber market is expected to continue for the next 1-2 years.
- Lumber futures do show prices starting to come down as 2021 continues, but it will be a slow process.

### Supply Chain Disruptions

- The current pandemic and unanticipated demand for housing has caused significant strain on global and national supply chains.
- This has resulted in a roughly 4-5% increase on a multitude of materials used in residential construction.
- The February ice storms in Texas also resulted in the temporary shutdown of numerous plants that manufacture much of the resin used to produce everything from vinyl siding and adhesives to insulation.

## Increased Demand / Construction

- Across the United States, Canada and much of Alberta, year-to-date (YTD) housing starts have increased by rather dramatically. This does not take into account a significant increase in renovation activities.
- In Alberta, year-to-date housing starts are the highest they have been since 2015.

Year-to-Date Housing Starts - Past 3 Years					
January through March					
Location	2021	2020	% Change (# of units)	2019	% Change (# of units)
Canada	<b>54,479</b>	38,171	+43% (16,308)	35,575	+53% (18,904)
Alberta	<b>5,894</b>	5,094	+16% (800)	4,327	+36% (1,567)
Calgary CMA	<b>2,822</b>	2,232	+26% (590)	1,822	+55% (1,000)
Edmonton CMA	<b>2,511</b>	2,524	-0.05% (-13)	1,914	+31% (597)
Grande Prairie CA	<b>24</b>	11	+118% (13)	17	+41% (7)
Lethbridge CMA	<b>204</b>	79	+158% (125)	141	+45% (63)
Medicine Hat CA	<b>31</b>	4	+675% (27)	11	+182% (20)
Red Deer CA	<b>32</b>	22	+45% (10)	44	-27% (-12)
Wood Buffalo CA	<b>15</b>	13	+15% (2)	34	-56% (-19)

\* Stats are not seasonally adjusted.

## Advocacy

- CHBA National remains engaged with the Federal Government on this issue and is advocating for the following:
  - Support for the lumber supply chain to maximize supply output and delivery (including through essential service designations, the wage subsidy, back to work incentives and training).
  - Avoidance and timely resolution to trade disputes.
  - Work with domestic lumber producers to ramp up production by working with other levels of government to ensure more responsive and certain access to raw material.
  - Collaborate with FPAC, the Western Lumber Retailers Association and others on key issues of securing certainty of sustainable, domestic supply of fibre and addressing persistent transportation issues.
  - Help offset escalating construction costs for housing to sustain activity and affordability through other measures.
- CHBA National is providing regular updates on this both through newsletters and on their [website](#). If you need to register for access to the Members Only section of the website, email [communications@chba.ca](mailto:communications@chba.ca).