



Innovating Solutions for You!

## LUMBER'S ROLLER COASTER PRICE RIDE



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During the COVID-19 pandemic, many homeowners took advantage of the lockdown, taking care of home improvement projects. But, for many, there was a big surprise waiting: the price of lumber soared 300% above its pre-pandemic price tag.

However, the good news for DIYers and homebuilders alike is that the lumber bubble has popped and given up all its gains. Since peaking at \$1,515 per thousand board feet in May of last year (2021), framing lumber prices are down 72% to \$418, putting it back into the historical trading range of \$350 to \$500.

The big question is, how did the bubble happen in the first place? The answer is not simple, but as with most things in 2020, the story starts with COVID.

During the spring of the 2020 shutdown and economic recession, North American sawmills slammed the breaks on production. By April, U.S. wood production was down 15% from 2019 levels. Both sawmills and lumberyards did not want to get stuck holding inventory like the 2008 housing crash, so they unloaded inventory at a discount.

The recession caused mortgage rates to fall, and as they did, the housing market went crazy. With 30-year fixed mortgage rates dipping to 2.6%, homebuyers could stretch their budget further, and renters saw the opportunity to become homeowners.

The low mortgage rates and short supply of homes opened the door for home builders, and new home construction ramped up to hit

its highest level since 2006. By March 2021, monthly housing starts were at 1.7 million.

But the construction demand was not just for new homes. By March of 2021, home improvement sales were at an all-time high—up 34% from 2019 levels. As a result, consumers purchased 57% of the building material supplies, and retail stores such as Lowe's and Home Depot could not keep paint and lumber products on their shelves.

This consumer and home builder frenzy increased demand for OSB (oriented strand board), plywood, and framing lumber—all in short supply—driving up the price. However, once lumber prices went up over 300%, the DIY market dried up, and by July 2021, consumers only purchased 3% of the building materials.

### CATCHING UP

By April 2021, U.S. industrial wood production had started to rebound, and for 13 consecutive weeks in 2021—between May 28 and August 27—the wholesale prices of lumber fell. But according to industry insiders, that correction may be over as lumber seems to have found its trading floor at around \$418 per thousand board feet.

Aside from *Call Innova?* Here are three tips to employ to help save on cost and time:

1. Pick up the phone. Designers and Developers are only a phone call away from knowing what is available at regional stockyards and what schedules are at local truss manufacturers. Knowing how your project falls into their fabrication calendar and what stock is



currently available will greatly inform decisions during the design process. Doing so is especially handy for modest residential and commercial projects where suppliers are less motivated to work you into their plans!

2. Brainstorm Brainstorm Brainstorm. In our experience, the smaller the project, the less likely the designers have added much brainstorming to their scope of work, and in the current climate, looking at multiple options is worth its weight in gold. Wood projects are the most flexible to work in alternate materials to create the best solutions. Perhaps there are new options where structural steel, metal studs, masonry, or other modular construction materials are a better overall solution?

3. If needed, switch. Cold-formed metal studs have become a much more appealing option for residential construction. New advancements in metal stud fabrication, such as FrameCad, allow for a fast roll-out of ready-to-erect components, making your standard residences experience all the advantages of a modular solution without the modular look!

— By Craig Ruark for Innova Technologies, Inc.