

June 14, 2021

Hon. Seamus O'Regan, P.C., M.P.
Minister of Natural Resources
House of Commons
Ottawa, ON
K1A 0A6

By electronic mail: Seamus.OREgan@parl.gc.ca

Dear Minister O'Regan:


On behalf of the Canadian Home Builders' Association (CHBA), I am writing today regarding the continuing crisis of surging lumber prices and shortages across the country – a disruptive phenomenon that has been afflicting the home building industry, homebuyers and homeowners over the last year. This issue is now extending to many other materials and products as well.

Since 1943, the Canadian Home Builders' Association (CHBA) has been the voice of Canada's residential construction industry. Representing one of the largest industry sectors in Canada, our membership is made up of some 9,000 companies – including home builders, renovators, land developers, trade contractors, product and material manufacturers, building product suppliers, lending institutions, insurance providers, and service professionals.

CHBA is seeking to constructively work with you in finding solutions to ensure Canada's builders have the products and materials they need to build homes for Canadians, to supply the demand for residential renovation, and to ensure that affordable housing units are built on time and on budget.

As of December 2020, employment in construction writ-large was just 5.4% below its pre-pandemic levels. Looking ahead in 2021, housing and renovation demand is forecasted to remain strong, positioning the residential construction sector as a key driver to full recovery. However, there are headwinds, and one of the largest is the lumber challenge: lumber shortages, skyrocketing prices, and volatility.

Builders and renovators, and most certainly consumers, are currently incurring tens of thousands of dollars in cost increases for a typical single-family home. This negatively affects builders with contracts already in place, and adversely impacts consumers looking to buy new homes or renovate.



While the sector overall has been rebounding well, ongoing volatility could impact residential construction jobs, the sector's contribution to economic activity, and undermine Canada's recovery. The current state of the lumber industry also continues to exacerbate housing affordability challenges for consumers. Canada has a housing supply shortage that is a root cause of escalating house prices. Given the state of lumber, 43% of our builders surveyed are selling and building less homes than they would otherwise, further perpetuating this housing supply shortage and fueling price increases in the limited stock available.

Canada already has a home affordability crisis. Adding tens of thousands of dollars to the price of a new home due to lumber price hikes greatly contributes to this crisis. A sudden spike in the price of a scheduled and contracted renovation means costs will either have to be passed onto clients, or builders – the vast majority of whom are SMEs – will have to absorb, impacting profits that would be reinvested into additional capacity to build new housing supply.

This crisis also impacts the ability of municipalities and their funding partners to deliver planned affordable housing units. Social housing budgets are fixed, so sudden increases in input costs mean fewer units coming online to those in most dire need of housing. In addition to rapidly rising lumber costs, the lumber crisis has meant delays, as lumber spikes have been accompanied by physical supply shortfalls. On average, home closings are being delayed 6 weeks across the country, and that delay is climbing.

CHBA is looking for federal leadership to address this growing threat to housing recovery and this continuing driver of increased housing prices. CHBA is seeking more consistent supply and stability in lumber prices as quickly as possible, and to ensure the supply chain for all construction products and materials faces the minimum disruption possible. This will ensure a strong economic recovery that will support affordability for consumers, viability for businesses, and opportunities for growth.

Accordingly, CHBA recommends the following policy actions for consideration:

1. The federal government should make it a priority to investigate all issues of lumber supply as well as potential solutions to ensure a reliable lumber supply in Canada.
2. A redoubling of efforts to resolve the present softwood lumber dispute with the United States. Any measure to stabilize and normalize trade within an integrated commodity market is expected to have a calming and anti-speculative effect on prices.
3. CHBA also encourages the House of Commons Standing Committee on Natural Resources to conduct a committee study specifically on high lumber prices and increasing supply within Canada, with a call for short/medium-term solutions.
4. Where possible, include end users in trade tribunals, so that final arbiters can appreciate the real and human impact that prolonged trade disputes have – on builders, on small businesses, and on home buyers in the midst of a price crisis.
5. Continue to support supply chain fluidity however possible, to maximize supply output and delivery. This could include working with domestic lumber producers to ramp up

production, potential support for “mothballed” mills to come back online, and support for temporary increases to provincial Annual Allowable Cut quotas.

6. Consider all actions possible to support the construction products and materials supply chain, including supporting domestic manufacturing capacity of construction products and materials; transportation issues within Canada; import issues with respect to shipping and receiving.

In recovery, we have a chance to build a housing continuum that supports all Canadians from social housing to aspiring first-time homebuyers to seniors wishing to adapt their homes to age in place. From new Canadians looking to establish roots in their chosen communities, to those looking to expand their homes as their families’ needs evolve, to new Canadians joining our communities, all have housing needs being adversely affected by the current lumber issue. The residential construction sector has supported jobs, economic growth, and has worked to meet the housing needs across the country during this challenging time. We hope that the federal government will work collaboratively with CHBA to address these challenges in a timely manner. CHBA asks the government to use the policy levers at its disposal to address skyrocketing lumber prices and supply shortages, and the negative disruption they are having on home affordability, housing availability, and economic recovery in Canada.

Thank you for your attention. I would be pleased to discuss this further with you. Should you have any questions, please have your staff contact Nicole Streshaw, Manager of Government Relations, at nicole.streshaw@chba.ca or 613-230-3060 ext. 241 to set up a meeting.

Sincerely,



Kevin Lee, P.ENG., M.ARCH.
CEO, CHBA

cc: Paul Moen – Chief of Staff
Matthew Whittington – Director of Policy
Marc Serré - Parliamentary Secretary to the Minister of Natural Resources