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Global material supply and price issues continue to impact Canadian builders and home buyers

The COVID-19 pandemic put immense strain on supply chains for all industries across the world, and continues to challenge Canada's residential construction industry. Challenges sourcing materials and labour have caused extensive delays in home closings and made predicting construction timelines extremely difficult. There have also been unprecedented price increases on many construction materials which is adding tens of thousands of dollars onto the cost of building a home. These challenges are not unique to the construction sector, but they have been particularly poignant for home buyers whose builders have faced these challenges.

The problem

Many industries have shut down for periods or had limited production capacity during the various points of the pandemic. This has ranged from lumber mills that supply wood for house frames, to manufacturers that supply plumbing for homes, to computer chips for appliances, to shipping companies that bring goods from overseas, and much more. This has created backlogs, delays and uncertainty, and scarcity of products, increased production costs and higher shipping costs have resulted in increased prices for building materials as well as production.

At the same time, there has been an increase in demand for new homes and renovations globally. Most developed countries have experienced a housing boom through the pandemic, both in new construction and renovation, putting still more pressure on supply chains for construction materials and products.

Supply chain issues causing delays across Canada

The Bank of Canada reported in their January 2022 Monetary Policy Report (MPR) that production shortages on various goods, such as appliances, plumbing fixtures, windows, as well as shipping bottlenecks at ports all over the world continue to cause closing delays for many builders. CHBA's quarterly Housing Market Index (HMI), a leading indicator for builder sentiment in the Canadian residential construction industry showed that, in Q4, construction timelines were **delayed on average 10 weeks** due to supply chain disruptions.

Effects on construction prices

The combination of slowed production and increased demand has substantially impacted the price to build homes in an unprecedented way. According to CHBA's Housing Market Index, when combining lumber and other material price increases, the national average construction cost increase for a 2,482 sq. ft. home was **up \$68,060 per home** at the end of 2021.



The outcome

Though working against unprecedented uncertainty in the supply chain, homebuilders are doing what they can to keep construction timelines as close to on schedule as they can – they know that home buyers need to move in, and it's in their company's best interests to close on the home on time as well. Still, most of the delays are far beyond their control.

While some fluctuation in home construction is to be expected, the drastic price increases over the past year are far outside normal parameters and may result in cost changes for home buyers. This is not a pleasant situation for builders or home buyers, but may be the only option to proceed with construction. If builders build at a loss, they can end up going out of business—a far worse situation for them and their customers.

Builders and homeowners across Canada and the world are all experiencing the same challenges. Issues with the supply chain will resolve over time, and with that will come more price and construction schedule certainty. The Bank of Canada predicts the supply chain will start to return to more normal conditions through 2022—which will be good news for builders and home buyers alike.