

## Global material supply and price issues continue to impact Canadian renovators and homeowners

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 renovations and made predicting construction timelines extremely difficult. There have also been unprecedented price increases on many construction materials which is adding hugely to the cost of renovating a home. These challenges are not unique to the construction sector, but they have been particularly poignant for homeowners whose contractors 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 construction delays for many renovators. 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 for new homes were **delayed on average 10 weeks** due to supply chain disruptions, and similar delays are being seen in residential renovations

### 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 \$80,000 per home** at the start of 2022. Home



renovations vary greatly in scope, but this figure provides some context regarding the extent of the construction price increases that are also impacting renovations.

### **The outcome**

Though working against unprecedented uncertainty in the supply chain, renovators are doing what they can to keep construction timelines as close to on schedule as they can – they know that homeowners need full use of their homes, and it’s in their company’s best interests to finish your project and move onto the next. Still, most of the delays are far beyond their control.

While some price fluctuation in 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 homeowners. This is not a pleasant situation for renovators or their clients, but may be the only option to proceed with the renovation depending on the scope. If renovators work at a loss, they can end up going out of business—a far worse situation for them and their customers.

Renovators, 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.