

August 21, 2020

The Honourable Mary Ng, P.C., M.P.
Minister of Small Business, Export Promotion and International Trade
Global Affairs Canada
Ottawa, Ontario K1A 0G2

The Honourable Navdeep Bains, P.C., M.P.
Minister of Innovation, Science and Industry
C.D. Howe Building
235 Queen Street
Ottawa, Ontario K1A 0H5

The Honourable Seamus O'Regan, P.C., M.P.
Minister of Natural Resources
580 Booth Street, 21st Floor
Ottawa, ON K1A 0E4

RE: Lumber Shortages Impacting Canada's Residential Construction Sector and Housing Affordability

Dear Ministers:

On behalf of the Canadian Home Builders' Association (CHBA), we appreciate the strong, productive relationship we've continued to develop with your government through the COVID-19 pandemic, and our work together to improve the design and delivery of the federal emergency relief programs, which have helped many in the residential construction sector bridge through the crisis and scale up activity as their jurisdiction allowed. From builders and developers to renovators and other residential construction professionals, these measures have helped to support workers and businesses and stabilize the economy amid the COVID-19 pandemic.

As restrictions continue to lift and the economy gradually reopens, we are pleased to see housing rebounding, given its importance to economic recovery and jobs. Housing starts continuing to trend up month-to-month and July seasonally adjusted annual rates (SAAR) of housing starts were up 15.8% over June, based on CMHC's figures. Building permits for residential construction have increased month-over-month, as municipalities work through their backlogs, and real estate activity and prices have rebounded in many markets across the country. It will be important to continue this trend, as under normal circumstances our sector is responsible for over 1.3 million jobs, jobs in every community in Canada.

As a sector, CHBA and its members stand ready to continue to play a key role in economic recovery, as we have in the past. However, there is a **growing concern about escalating construction costs—driven by escalating input prices, particularly for lumber—and supply shortages**, which have already begun to impact residential construction costs and timelines, and unchecked, will exacerbate housing affordability and could undermine economic recovery.

Some of these are related to COVID-19, from reduced operating capacity at mills and manufacturing facilities, transportation and shipping issues and unexpected demand, particularly

from consumers undertaking home renovations this past spring and summer while social distancing from home. Others are the result of trade disruptions, disputes, and tariffs, creating price volatility and uncertainty around supply.

The most pressing concern is around lumber. A supplier in Saskatoon, SK, has advised that they are now quoting \$1,200 per thousand board feet of lumber, up from \$425 three months earlier (up 167%), floor sheathing is \$50 per sheet, up from \$17 three months earlier (up 194%) and OSB sheathing for roofs and walls is \$30 per sheet, up from \$10 three months ago (up 200%). These sharp increases are unsustainable. This is increasing the cost to build a typical single-family house by \$10,000, and these prices have or will be passed to consumers as supply contracts expire.

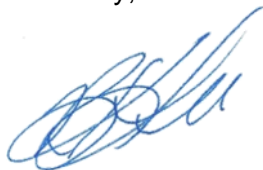
This is not only affecting affordability but jobs—for example, a leading home builder in southwestern Ontario has decided to pull residential lots off the market because they cannot confidently price construction for a home that is two years away from being complete. Availability of lumber and other inputs is also affecting timelines for construction, which increases costs, and prevent builders from reaching key milestones in a timely manner, impacting their cashflow, and which could result in penalties under some provincial warranty programs.

CHBA is looking for federal leadership to address this growing threat to housing recovery and our economy by working with domestic lumber producers to ramp up production to ease growing shortages, further support a back-to-work transition for workers, continuing to strive for avoidance and timely resolution of trade disputes (including recent actions by the US on steel and aluminum), and considering others ways to offset material shortages and rising construction costs.

Given the housing supply shortage that continues to place upward pressure on home prices, it will be important to ensure material shortages don't exacerbate the problem. While housing starts are rebounding well right now, it is housing completions that ensure we add more supply, and those are currently at risk of being further delayed. To that end, it will also be important for your government to work with other levels of government to streamline process and fast-track construction to aligning federal infrastructure and stimulus funding with local housing outcomes (refer to CHBA's recovery recommendations enclosed for more details). Housing and residential construction can do its part to create jobs and lead the economy forward; but in order to do so, we need to address today's skyrocketing lumber prices and chronic shortages.

We look forward to working with you to address these and other issues, as they relate to your mandate, and I'd welcome the opportunity to discuss these concerns and CHBA's recommendations at your earliest convenience. In the meantime, if you have any questions, please ask your staff to contact Nicole Christy, Manager of Government Relations, at 613-230-3060 x 241 or nicole.christy@chba.ca.

Sincerely,



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

Enc: *Getting Building: An Action Plan for Economic Recovery in Residential Construction*