

Lumber Prices Likely to Remain Volatile

By: Jann Swanson | Tue, Dec 28 2021, 11:13 AM

With the overall inflation rate becoming a focus of concern, the attention paid to lumber prices over the spring and summer faded to background noise. A recent report on the subject by Erik Sherman in [GlobeSt.com](#) warns that those prices remain an issue, however. He writes "supply chain problems, labor issues, and geopolitical wrangling mean a continued uncertain and volatile future." The only promise lumber offers going into 2022, he says, is **potentially high prices with a heaping dash of volatility.**

In late June [we observed](#) that lumber prices had been dropping from a peak of \$1,670 per thousand board feet on May 7 to 897.90 and, at that point, the decline was picking up speed. At the time that Sherman was writing, his article was posted on December 22, lumber was above \$1,000 per thousand board feet, more than double the prices pre-pandemic and he said supply and demand were battling to establish an equilibrium.

Scott Reaves, director of forest operations at Domain Timber Advisors, told Sherman, "We believe population dynamics, an aging housing base, and historically low interest rates point to increased demand for new housing starts and home renovations in the immediate future. To that end, the housing market has typically served as one of the **largest consumers of end-use wood products** and remains a key driver of raw materials demand."

Reaves expects that the higher demand should move the timber market away from the oversupply of the past several years and will eventually stabilize prices, but "at an elevated level when compared to historical averages."

Labor issues are contributing to the volatility. One sawmill operator said if the mill could hire another 120 qualified workers it would add another shift, but those people are not available. Another factor is the doubling of the duty on Canadian softwood to 17.9 percent last month. The Commerce Department took that action after accusing Canada of unfairly subsidizing and dumping softwood lumber often used in home construction. Reuters reported last week that Canada will be challenging the duties under US-Mexico-Canada Agreement commonly known as NAFTA.

Sherman says not to expect a sharp drop in pricing in the first half of the year. One industry insider told him that prices will probably run-up to a point where the marginal builder pauses. That will be followed by a lot of see-sawing. Prices will drop, builders will resume projects and the demand will increase prices again.

Vacillation will probably continue through the first and second quarters of next year. If there is a temporary holding pattern through mid-January and prices remain high until then, they could kick up and could go much higher because builders won't be able to hold off their projects much longer.

View this Article: <https://www.mortgagenewsdaily.com/news/12272021-residential-construction>