

U.S. Homebuilding and the Softwood Lumber Trade Cases

Duties to offset Canadian lumber subsidies have not harmed U.S. homebuyers

Lumber only makes up 2% of the cost of a new home—
with near zero impact on homebuyers



It's been over a year since the U.S. government imposed countervailing and anti-dumping duties on imported Canadian softwood lumber. Despite claims that these duties—which simply offset the subsidies that Canadian producers receive from their government and the resulting unfair trade—would harm U.S. homebuilding, the reality shows that those claims were, and continue to be, wrong.



NAHB claim that 20 percent import duty causes \$9,000 jump in U.S. housing prices is blatantly false. An average new home in 2018 cost \$368,500. About 16,000 boardfeet of lumber is required to build a home. Lumber cost is \$515 per thousand boardfeet, resulting in a total cost for lumber in an average home of \$8,240. A \$9,000 dollar cost increase for lumber would suggest that lumber used to be free in the construction of a home. Such false claims are unfortunate and harmful to U.S. companies, their workers, and the thousands of communities they support.



Home construction increased. Single-family housing starts increased 8 percent in the 11 months since duties began (May 2017 - March 2018) as compared to the same time frame a in the previous year. This means that there were about 67,000 more single-family homes built after the duties were implemented as compared to the same period the year prior.



Homebuilders' optimism improved. The National Association of Home Builders' (NAHB) "confidence index" of its members for present and future homebuilding was 63 before November 2016, when the U.S. industry filed its trade case. This index stands at 68 for June 2018. Any number above 50 shows that the industry is optimistic for growth.



Strong housing construction growth is projected. NAHB's May forecast shows that the construction industry is projected to build 28 percent more single-family homes in 2020 than in 2016 (a year before the import duties were put in place).



Homebuilding companies' values are increasing, indicating rising profits. The stock market index for homebuilders ("IHB") is currently 39.4 — 14 percent higher than when the trade cases were filed in November 2016. 2017's homebuilder profits were near a long-term high.



Homebuilders continue to receive the lumber they need. Since the duties were implemented, U.S. lumber shipments have increased by about 1.4 billion boardfeet, roughly filling the gap left by the decrease of Canadian imports. U.S. companies continue to invest in expanding their production capabilities to mill lumber from American trees by American workers to build American homes.



Lumber prices have risen along with those of other building materials. Lumber prices have risen since the duties were imposed. But so have the prices of other building wood materials unrelated to the trade cases. Indeed, plywood (a wood product with no import duties) has risen almost exactly the same amount. Lumber prices only recently returned to 1990s levels — even before accounting for inflation — while other homebuilder costs (and profits) have multiplied.



For more information on the U.S. softwood lumber trade dispute visit:

www.uslumbercoalition.org