

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



The Problem

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.



National Association of Home Builders' (NAHB) claim that 20 percent import duty causes \$9,000 jump in U.S. housing prices is blatantly false. An average new home costs [\\$395,000](#). About 16,000 board feet of lumber is required to build a home. As of November 2018, lumber costs [\\$340 per thousand board feet](#), amounting to a total cost of \$5,440, or less than 2% of costs in an average priced home. A \$9,000 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 by 8 percent in the 11 months following the duty implementation (May 2017 - March 2018), compared to the similar timeframe 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.



Homebuilder optimism improved. The NAHB's "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 stood at 68 in October 2018. Any number above 50 shows that the industry is optimistic for growth.



Estimates project strong housing construction growth is projected. NAHB's November forecast shows that the construction industry is projected to build over 10 percent more single-family homes in 2020 than in 2016 (a year before the import duties were put in place).



Homebuilder valuation as an industry continues to increase. The second-largest homebuilders ETF, tracking homebuilder net assets totaling \$656 million (NYSEARCA: XHB), was [35.51 USD](#) as of market close on November 30, 2018 — around 13 percent higher than it was when the trade cases were filed in November 2016.



Homebuilders continue to receive the lumber they need. From 2016 to 2018, U.S. lumber shipments have increased by 2 billion board feet, more than offsetting the 1.4 billion board feet decline in 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. As with any commodity, lumber prices fluctuate due to market conditions. It's true that lumber prices briefly rose following the implementation of the duties, as did the prices of other building materials unrelated to the trade case, like plywood. However, lumber prices recently dropped below pre-duty levels while homebuilder profits continue to multiply.



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

www.uslumbercoalition.org