

'We could have a car or a deck': Soaring lumber prices drive up home renovation costs

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Calgary homeowner Carrie-Lynn Seville on her deck she was going to renovate until she got a quote and realized the price of lumber was extremely high, her family is now holding off on their renovations in Calgary on April 14, 2021.

TODD KOROL/THE GLOBE AND MAIL

After spending a year inside, 43-year-old Calgary homeowner Carrie-Lynn Saville and her husband, Matt, were planning on renovating their deck this summer. They'd just done a major renovation to their main floor prior to the pandemic, and had budgeted about \$8,000 to renew their backyard space by replacing the deck, adding skirting and a pergola to hang lights.

Their quotes came back between \$14,000 and \$20,000. "It's insane. That's a car! We could have a car or a deck," Ms. Saville said.

The rising cost of lumber has pushed up the price of renovations, leaving many homeowners facing far larger bills than they would have a year ago, and with summer right around the corner, many Canadians are looking to renovate their outdoor spaces. One in four Canadian homeowners who are planning a renovation hope to get started within the next six months, according to the 2021 Scotiabank Housing Poll. Additionally, 33 per cent of homeowners polled have chosen their backyard as the top space to renovate.

John Duncanson, a timber analyst at Corton Capital, said demand for lumber and the itch to get outside is seasonal, but not necessarily the reason the cost of lumber is "skyrocketing."

There are multiple reasons the cost of lumber keeps climbing, Mr. Duncanson said, including a disrupted supply chain and housing affordability.

According to Mr. Duncanson, 2019 saw a number of sawmills close down in British Columbia – one of Canada's biggest lumber producers – owing to a lack of commercial timber. Those that were meant to be built in 2020 have been pushed to 2021 or even 2022, making it hard for companies to keep up with the demand.

Part of that demand is linked to the number of millennials looking to buy a home. According to the same Scotiabank poll, 39 per cent of younger millennial Canadians (18-34) are likely to speed up their home-buying plans to take advantage of low interest rates, and 48 per cent of millennials (as well as 27 per cent of participants between the ages of 35 and 54) polled are considering moving out of city centres.

"That's going to carry on for the next couple of years until that bubble moves into the next age group." Mr. Duncanson said.

Shares of major Canadian lumber producers such as Canfor Corp., West Fraser Timber Co. Ltd. and Interfor Corp. have been performing “exceptionally,” Mr. Duncanson said. Shares of West Fraser, for example, sold for \$28.91 this time last year, and are now \$106.31, a 267-per-cent increase. While many traders have invested in tech stocks such as Shopify Inc. and Tesla Inc., the best performing commodity in 2020, and into 2021, has been lumber, Mr. Duncanson said.

“I’ve never seen anything like this,” said Mr. Duncanson, who has worked in forestry for more than 40 years. He doesn’t expect lumber to get any cheaper and advised homeowners not to wait on renovations, as there may not be more than about a 10-per-cent drop over the next year.

Sue Wastell, is the owner of building and developing company Wastell Homes. Last March, her company sold lumber for about \$10 a square foot, she said. Now, they charge \$23.

Typically, the company had confidence from their lumber suppliers that pricing would hold for a few months, but Ms. Wastell said that confidence now only lasts about two weeks. Some of her builders have introduced escalation clauses into their contracts as a way to let their clients know there may be unexpected costs that come up over the course of the bill. “That’s something brand new that we’ve never had to use before.”

Ms. Wastell said she would love to see prices stabilize and for materials to become more available again. “We are struggling ... with maintaining a level of surety that we are actually going to get the materials that we need in a timely fashion to construct homes without being delayed.”

People are essentially wanting to create outdoor living rooms, said Jamie Adams, president of Pioneer Craftsmen, a Kitchener, Ont.-based renovation company and chair of the Ontario Home Builders Association rental council.

Having spent so much time inside because of lockdown orders, Mr. Adams said he’s noticed many clients want to make the most of their backyard space to have a gathering place where they can enjoy time outside with their loved ones, similar to Ms. Saville.

Mr. Adams added he’s noticed an increase in price in all sorts of construction materials, and without price stabilization, housing affordability will only continue to grow out of reach. “We’re really going to end up in a lot more trouble with pushing housing affordability so as an industry, as a country, I know we need to do something to help stabilize these costs.”

Initially, Ms. Saville and her husband hoped to focus their renovations efforts outside to have a place to safely gather with their loved ones. Now, the couple has decided to postpone the renovation and are prepared to save and do it next year.

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