

Industry Spotlight:

Home builders navigate high lumber prices, supply shortages

Story by Emily Lindblom

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As they try to keep up with the high demand for new housing in the Columbia-Pacific region, home builders are facing challenges, including increased lumber prices and lack of staffing.

Wesley Houck has been building houses between Gearhart and Warrenton through his company, Evergreen Construction LLC. He said he's fortunate construction is one of the sectors that has remained open during the coronavirus pandemic, but closures in other industries have led to a lack of supplies and long delays in getting materials.

"Supply chains are really wonky right now and I'm assuming some of that's because of COVID," Houck said. "For example, our glass for showers and mirrors got delayed three weeks because someone at a glass factory got COVID and the factory shut down. We've been seeing that a lot."

Houck added he's had to wait for four months to get appliances, so now he orders appliances as soon as he starts framing a house.

Eric Pucci, the owner of Newrock Homes and two RE/MAX Real Estate offices, said demand for houses in Southwest Washington has been really strong and the inventory has been at critically low levels. Pucci is on the board of directors for both the Lower Columbia Contractors Association as well as the Lower Columbia Association of Realtors.

While many people have been working remotely during the pandemic, some have decided to invest in a house or move away from where their job is based.

"That's been a lot of the draw to Pacific County," Pucci said. "I know the Long Beach Peninsula has some of the most affordable coastal



EMILY LINDBLOM

Builders work on a new house in The Reserve in Gearhart.

town living anywhere so that's got to be a draw for their market."

Lumber prices

Builders have had to adapt to the increased cost of lumber within the last year.

"Lumber has doubled in price in the last 12 months so keeping up our pricing in front of the rise in lumber costs has been a challenge," Pucci said. "The problem in construction is we quote

a price and don't purchase the lumber until six months later and the prices increase, so the builders get stuck with the cost."

Houck decided to buy four houses worth of lumber in advance so he could get it before the price increased even more.

"I feel like a lot of us builders are trying really hard to preserve our margin on projects we've already signed," Houck said.

According to the National Association of Home Builders, 47% of home builders who responded to an April 2021 survey said they've responded to the rise in lumber prices by including price escalation clauses in their sales and construction contracts.

He and other home builders used to market the houses as soon as they broke ground, but now they've been waiting until the construction is complete to decide the price.

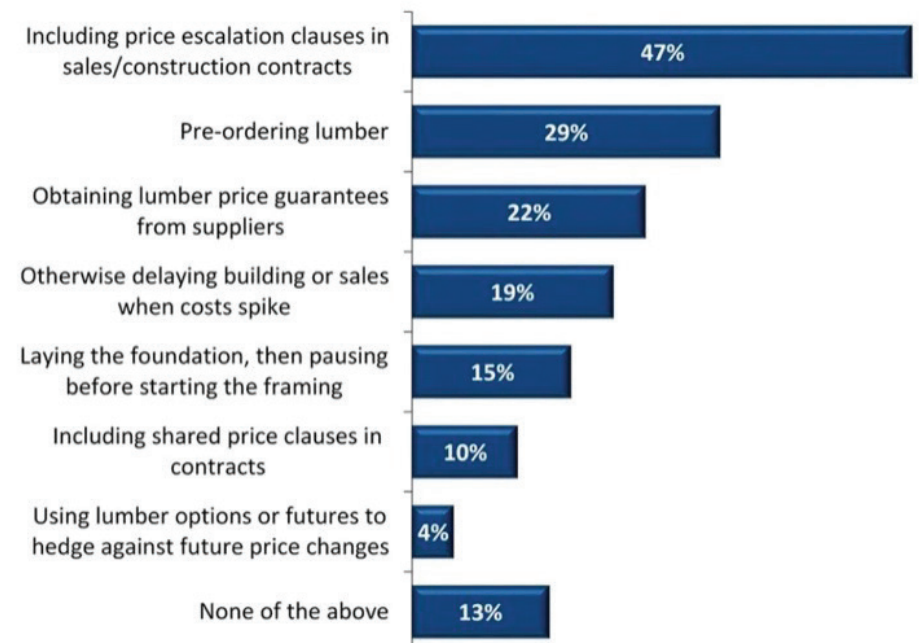
"For one house, we were going to do high \$400,000s so I'm glad we waited because by the time we were ready we did low \$600,000s," Houck said.

Staffing shortage

Staffing has been one of the top concerns in the industry as well.

"On top of having to deal with COVID-type

How Builders Have Dealt With the Recent Increases in Lumber Prices (Percent of Respondents)



April 2021 Survey for the NAHB/Wells Fargo Housing Market Index.
NAHB Economics and Housing Policy Group.

NATIONAL ASSOCIATION OF HOME BUILDERS ECONOMICS AND HOUSING POLICY GROUP

Almost half of the builders who responded to an April 2021 survey through the National Association of Home Builders and Wells Fargo Housing Market Index said they've been including clauses in their contracts indicating the home prices could go up.

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