



MEMO

To: NAHB State Representatives and National Area Chairmen

From: Geep Moore, Chairman, Construction Liability, Risk Management, and Building Materials Committee
Tom Baalman, Chairman, Building Materials Subcommittee

Date: January 18, 2024

Subject: IBS Leadership Meeting Update from the Building Materials Subcommittee Meeting

Economic & Building Materials Update:

Overall, data from the latest Producer Price Index (PPI) for goods inputs to residential construction showed the price of building materials growth slowed significantly in 2023.

Taking a look at specific inputs discussed during the Subcommittee meeting, below is a brief summary of specific materials examined by NAHB's economists using data from the PPI and other public sources.

- **Lumber:** The average price of softwood lumber products fell 31% in 2023, as reported in the PPI. Random Lengths data indicates that 2023 was the least volatile year since 2019 for framing lumber prices. Structural panels have decreased in volatility, but prices are higher when compared with January 2020. For example, OSB is up 71%, Southern Pine Plywood is up 78%, and Western Fir plywood is up 60%.
- **Gypsum:** (primarily wallboard) appear to be on a downward trajectory in 2023. Prices had risen because of massive increase in energy prices, but these increases are easing off and showing year-over-year declines beginning in August 2023.
- **Ready-Mix Concrete:** As reported in the update during the 2023 Fall Leadership Meeting, ready-mix concrete prices could be stabilizing. The PPI for these had increased, boosted by much higher energy costs. Year-over-year price growth continued to decelerate in 2023.
- **Steel Products:** Steel mill products, the raw materials used to make intermediate and finished steel goods, are down 32% since their peak in 2021 but remain 65% above January 2020 levels.
- **Freight Prices:** Producer prices for freight transportation continued a downward trend in part because decreased energy prices have helped bring freight costs down. Deep sea transportation freight is down 10.1% year-over-year, with truck transportation of freight down 8.6% year-over-year. In addition, shipping bottlenecks eased in 2023 and is reflected in the prices for arrangement of freight and cargo.

Legislative Advocacy on Transformer Shortages:

- NAHB members report that issues associated with delays and shortages of distribution transformers remain a critical challenge for the housing industry. Reported wait times for transformers often range from 12 to 24 months, and in some isolated cases, the lag time approaches three years.

- These delays are worsened by the fact that transformer prices have increased by 85% since the first quarter of 2018. NAHB continues to work with Members of Congress and the administration to address the situation and progress, while sometimes slow, has been consistent of late.
- In order to address the transformer shortages, NAHB is working to support additional funding for domestic transformer manufacturing while also working to ensure the Department of Energy (DOE) doesn't further exacerbate the problem with new, increased energy efficiency standards on distribution transformers.
- On the funding side, the Senate has included \$1.2 billion in its 2024 appropriations package. There is no corresponding House language so it will be a battle to ensure funding remains in the final appropriations bill if and when House and Senate negotiators come to terms on a final package. On the regulatory front, NAHB has joined with transformer manufacturers to expressing deep concern with DOE's proposed new rule. This has garnered growing (and bipartisan) objections to the proposed rule.

Building Material Advocacy Update:

- NAHB continues to urge the administration to restart negotiations with Canada for a new softwood lumber agreement.
- NAHB continues to meet with various representatives from different Canadian provinces to continue discussions surrounding softwood lumber products from Canada.
- Through NAHB's trade counsel, the Association submitted data regarding the residential construction industry and builder practices as part of the International Trade Commission's 5-year Sunset Review of softwood lumber imports from Canada. Unfortunately, the ITC issued a determination in November 2023 that the antidumping and countervailing duties were needed to prevent future injuries to the domestic markets. Accordingly, the duties will continue for the foreseeable future.
- NAHB sent a follow-up letter to the U.S. Forest Service requesting a response to a previous letter in which NAHB members asked for clarification and uniformity when harvesting damaged timber on Forest Service Lands.

For more information, contact Tom Ward, VP, Legal Advocacy (tward@nahb.org), David Logan, Director Tax & Trade Policy Analysis (dlogan@nahb.org), or Alex Strong, Senior Director, Federal Legislative Affairs (astrong@nahb.org).

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