



Opening Remarks – Kevin Lee

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Study: Recent Developments Concerning the Canada–United States Softwood Lumber Trade Dispute

Good morning, and thank you for having me. I'm happy to bring my perspectives to you from the Canadian Home Builders' Association on your study.

As I am here from CHBA on behalf of some 8,500 members from coast to coast, I will focus my remarks on how the softwood lumber dispute impacts the residential construction industry. However, it doesn't only impact our industry, but all Canadians. As you are all aware, we are in a housing crisis. In order to address this crisis, the government states that to restore housing affordability, 5.8 million homes will need to be built over the next decade. A lot of lumber would be needed to build those homes.

During the pandemic, lumber prices were skyrocketing and lumber was in short supply. While prices have come down off of their record highs, they still have not returned to pre-pandemic levels. Any volatility in the lumber industry impacts residential construction, adding costs for builders and renovators, delaying construction times and closings, and exacerbating housing affordability challenges for consumers. According to CHBA's Housing Market Index, a leading indicator of the current and future health of the residential construction industry, 2024 Q3 results show that for a 2,400 square foot home, lumber costs are still \$26,000 more than they were pre-pandemic. Meanwhile other construction materials surged as lumber costs waned, and normal rates of inflation for building materials continue to compound the cost increases, further eroding affordability.

South of the border in the U.S., price escalation on lumber has been made even worse, thanks to the U.S. tariffs on Canadian lumber. Our American counterparts, the National Association of Home Builders (NAHB), continue to fight these tariffs given their impact on construction costs in the U.S. NAHB continues to call on the U.S. Government to suspend tariffs on Canadian lumber imports, and to move immediately to enter into negotiations with Canada on a new softwood lumber agreement that will eliminate tariffs altogether.

As the dispute lingers on, CHBA asks that the federal government support the lumber supply chain to maximize supply security, output and delivery. And of course to seek a timely resolution to the trade dispute that serves Canada well, which while difficult under the circumstances, is paramount.

CHBA also asks that the government work with domestic lumber producers to maintain, and in the future be able to ramp up production, by working with other levels of government to ensure more responsive and certain access to raw materials. We encourage continued collaboration with the lumber industry on key issues of securing certainty for the sustainable supply of domestic fiber. It is also important to understand the need for liquidity for the lumber industry to survive this tariff period, and there is likely a role for the federal government to play there, though we will leave that to our lumber industry colleagues to detail—so I am glad to see Derek Nighbor here today from FPAC.

It is also important to recognize that all industries, including lumber and home building, are facing more and more excessive red tape. There is a growing fatigue within the Canadian business climate with the ever-growing amount of red tape, regulations, and bureaucracy. This frustration is causing the business environment to move capital elsewhere—in lumber it's investing in other countries; in home building, investors are looking at other countries with more attractive opportunities for purpose-built rental, and even condo and land development, rather than Canada; we need those investment dollars to build the 5.8 million housing units we need. To that end, we need regulations streamlined.

In home building, the federal government has just launched a consultation on a proposed tax on vacant land. This concept shows a clear misunderstanding of the realities of the land development and home building sector, and is an example of inefficient regulation that could cause costs that will be ultimately borne by the home buyer. We also need to loosen up all the red tape restricting getting more homes built in general. There are some moves afoot for policy change, which is good. But we will need more.

And while more housing, if successful, means more use of Canadian lumber, which is good, I should also add that the move to more and more mid- and high-rise construction doesn't necessarily correspond to the same increase in lumber usage. While we are introducing tall-wood into the building codes, we still have to find a way to make it more cost-competitive. In the absence of that, we will see steel and concrete continue to dominate taller construction. We also need to clear the way for more low-rise construction, which can still be higher density, is primarily wood based, and is the type of housing most Canadians prefer.

The ongoing uncertainty between Canada and the United States on softwood lumber can have major impacts on lumber prices and supply here in Canada. Instability with supply and prices will impact residential construction jobs, the sector's contribution to economic activity, and continue to exacerbate housing affordability challenges for consumers. CHBA urges the government to continue to fight hard for a positive resolution to this dispute.

Thank you and I am happy to answer any questions you may have.