



June 2024

Both the lumber and plywood markets have been trading in a fairly narrow range over the past year. By limiting production, mills have been able to establish a relatively solid bottom that prices have not fallen through but an overall subdued demand hasn't allowed them to push numbers much past a certain level. The main reason being is buyers are being extra cautious not to buy too much once costs get to a certain plateau. The entire supply chain is running at a level very close to hand to mouth with no one willing to commit to any sizeable amount of inventory. Stock levels are minimal throughout the supply chain. Momentum going in either direction hasn't been able to build any steam as supply and demand ratios have found a comfortable balance. The price levels at which we seem to be stuck are considerably higher than what we would occasionally encounter pre-COVID but that seems to be the same for almost everything in our industry, hence a quality constructed starter home has risen to eye popping levels not easily affordable to those starting out. The average price of a new home tripled from 1985 to 2005 and after a slight correction during the 2008 subprime mortgage disaster has been steadily climbing ever since, until 2020. That's when the price jumped an incredible 40% in two years. And here we are.

The roofing companies seem to have it figured out. All manufacturers have announced a price increase for August 1st in the 5-7% range. Their stranglehold on production continues to create artificially desperate demand as most have been on allocation for close to 2 years. It's akin to every builder taking twice as long to build a home so as to be able to command the price without anyone deviating from the plan. Their cartel is admirably strong. The gypsum companies are a close second in their

unilateral support for each other, expect an increase announcement soon. Insulation manufacturers on the other hand can't make product slowly enough. They've had to postpone their increase due to sluggish sales yet continue to maintain a shortage of inventory. Sometimes they just can't put enough sugar in their Kool Aid.

Big industry news includes Home Depot's purchase of the SRS Distribution chain. SRS consists of over 750 locations of distinct local brands covering 46 states. How this will affect the way both Home Depot and SRS go to market should prove to be interesting. SRS had been busy gobbling up companies prior to this and it's doubtful that will change. Consolidation within our industry over the past 30 years has drastically changed the landscape in every facet of the business and it will continue to do so.

Hope everyone has a great summer, stay cool.