



HOME BUILDERS ASSOCIATION
OF MONROE COUNTY

2020

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MISSION STATEMENT

The Home Builders and Remodelers Association of Monroe County consists of Builder members regulated by the State of Michigan and Associated Members (suppliers, subcontractors, industries with the building industry.

FROM THE E.O. | Bill Kipf

I know these are challenging time for every business, but especially so for home building and remodeling. Material shortages, price increases, labor shortages, regulatory issues are everywhere, and clients that are perhaps "clueless" but all-knowing. There is information in this issue about business coaching and planning. You may find this useful. I encourage you to at least take a look. At the rapid rate of "change" in the world today, I really don't know how anybody can keep up. Especially when you may be the only one running the "business" side of your business. Don't let it overwhelm you.

I also urge you all to follow the COVID requirements. You don't need the extra BS that could come if you are not. There is lots of confusion out there about them, so stay as informed as you can.

We are hoping to hold the annual FG Angelo Steak Roast on September 3rd, but right now it is tentative. I will keep you posted as the date draws closer.

FROM THE PRESIDENT

Hi all,

I hope you are all surviving our record temps.

As you all know we are all still challenged with our governors restrictions, and the reeling effects of shortages for products we need & disruptions in deliveries.

Please keep yourselves informed through our state website of guidelines to work under so you are not subject to fines of up to \$500.00 Or loosing your licensing or osha compliance fines.

In closing i remind you all to go to our state website to see the benefits of you membership and rebates available to you.

Stay Safe

Dave

CLICK HERE TO EARN MONEY ON REBATES!

Put your membership to work now.
Money-saving discounts that benefit your business, your employees, and your family.
www.nahb.org/MA

Be sure to look into the rebates and affinity programs offered thru the NAHB and HBAM. It is a great way to earn money back on the material you purchase. We have members that earn back well in excess of 3 times their annual dues, and one that earned more then 6 times their annual dues. Don't leave \$\$\$\$\$ on the table!

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USMCA news (you don't hear this in mainstream press)

In a positive development that will provide forward momentum for housing and help address the nation's growing affordability crisis, the U.S.-Mexico-Canada Agreement (USMCA) went into effect today.

NAHB lobbied for this trade pact and President Trump signed the USMCA on Jan. 29.

"We commend President Trump and Congress for working so hard to make this trade pact a reality," said NAHB Chairman Chuck Fowke. "With the USMCA going into effect today, this will provide forward momentum for the housing market and help to ease the nation's housing affordability crisis. Many of the products that go into American homes come from Mexico and Canada. By adding new American jobs and including key provisions to lower the costs of materials needed build and repair homes, the USMCA will provide a much-needed boost to the U.S. economy and represents a win for American workers and a win for housing affordability."

The U.S. residential construction and remodeling industries rely on tens of billions of dollars in building materials sourced from Mexico and Canada annually because America cannot produce enough steel, aluminum and other materials and equipment to meet the needs of the domestic housing industry. The price volatility of these imported materials and equipment are needlessly driving up housing costs and exacerbating the nation's housing affordability woes.

The USMCA is clearly a major improvement over the outdated 25-year-old NAFTA. By modernizing and strengthening free trade with our largest trading partners, the U.S. International Trade Commission predicts that the USMCA will create more than 175,000 new jobs, add about \$70 billion to the economy and boost wages for American workers.

For more information, contact Alex Strong at 1-800-368-5242 x8279 or Felicia Watson at x8229.

Rising prices and why?

The Random Lengths Framing Composite Price hit \$523 per 1,000 board feet for the week ending July 10, marking the first time prices have topped the \$500 level since July 2018. Indeed, lumber prices have soared 50% since April 17, 2020.

The primary drivers of the price increase include:

- Mills closed in the spring due to stay-at-home and social distancing measures enacted by state and local governments.
- When prices fell between March and April as a result of the COVID-19 pandemic, mills projected that housing would be adversely affected and therefore anticipated a large drop in demand. Accordingly, mills that remained operational substantially decreased capacity utilization.
- Producers did not anticipate the massive uptick in demand from do-it-yourselfers (DIY) and big box retailers during the pandemic.
- Housing weathered the storm much better than most anticipated.
- DIY demand has not abated much as states reopen and construction demand has far surpassed lumber mills' projections.

The combination of all of these factors has caused a dislocation of the usual supply/demand equilibrium. Suppliers continue to catch up to orders to the point that, in some cases, builders and traders are being forced to place orders without a delivery date or price. Mills were taking orders to the end of July back in early-June, which may have been the driver of the large increase in lumber futures over the past few weeks.

Material Shortages

Material shortages caused by the response to COVID-19 are being reported all across Michigan with treated lumber almost impossible to obtain in some parts of the state. These shortages are not limited to lumber but include many other supplies including plumbing and electrical. Michigan is not the only state suffering from these issues.

While the supply chain will eventually re-stabilize, given the



current market dynamics caused by the nation-wide shutdown, you should plan on experiencing delays and price increases throughout most of 2020.

Be sure your contacts include both a material substitution clause as well as a price increase clause. Also be sure your customer is aware that, because of these ongoing material issues, their project may be subject to unforeseen and unavoidable delays.

Tariffs Exacerbate Price Spikes

The recent spike in all northern U.S. and Canadian species has no doubt been exacerbated by the lumber tariffs averaging more than 20% on Canadian imports into the U.S. market.

The Commerce Department has indicated it could lower the countervailing and antidumping duties to just over 8% in August following an administrative review of the tariffs.

For more information on the recent lumber price hikes, contact David Logan at 1-800-368-5242 x8448.

