



## Where's My Magic 8-ball?

For the third consecutive month in March, according to the National Association of Homebuilders, Builder's confidence level has declined. Construction materials costs continue to rise as supply chain constraints remain, as well as the uncertainty associated with the war in Ukraine.

Builder confidence in the market for newly built single-family homes moved two points lower to 79 in March from a downwardly revised reading in February, according to the NAHB/Wells Fargo Housing Market Index (HMI). This is the lowest rating since September 2021. Builders are reporting that even with such an incredible demand, due to historically low interest rates and low existing inventory, the increased cost of construction has affected Builders harshly. Ongoing lumber and building material supply side constraints, rising construction costs, and expectations of higher interest rates continue to negatively affect builder sentiment. Even as buyer demand remains relatively strong, there is concern that increasing construction costs (up 20% over the past 12 months) and expected higher interest rates will price prospective home buyers out of the market. So, what should we expect for the remainder of the year? It is hard to predict! I mean, using a Magic 8-ball might be a better way to figure this out.

Some may be too young to know what a Magic 8-ball is. It is a plastic sphere, made to look like an oversized eight-ball, that is used for fortune-telling or seeking advice. The user asks a yes-no question to the ball, then turns it over to reveal an answer in a window on the ball. Example..." Magic 8-ball, will lumber prices increase the remainder of the year?" The answer.... Who knows? For now, lumber prices are off on a bit of rollercoaster ride, and there's little anyone can do to predict which way they will go in the future. Given the current supply chain issues and market volatility, significant lumber price fluctuations seem to have no end in sight. The bottom line is this, the volatility of lumber prices is reflective of the volatility that the world is experiencing right now.

The problem with guessing or forecasting the remainder of the year is that there are multiple and significant challenges impacting our market. The supply chain constraints continue to play havoc with material lead times, stretching out the overall time to complete a project. Labor is another major issue that continues to play a vital role in surging costs, and then there is the war in Ukraine.

Russia's invasion of Ukraine has significantly driven up prices of oil-related commodities such as crude oil, natural gas, and fuel. Sanctions imposed on Russian financial and energy markets also have disrupted domestic U.S. energy markets. These events have resulted in increased raw material costs for many building materials. Oil prices increased over 30% just during February to levels not seen in more than a decade. As the conflict in Ukraine escalates further with little prospect for peaceful resolution any time soon, energy prices look to remain elevated and perhaps rise even further in the months ahead.

Despite today's unpredictable economic environment, Kimal Lumber stands committed to providing quality products and great service to all our valued customers. We will continue to keep our customers updated to the best of our ability on market trends and promise not to use the Magic 8-ball as a determining factor.... lol.

Sincerely,

Clark Willis,

Regional Sales Manager Kimal Lumber