

Lumber futures are down 62% amid a ‘Great Reset.’ Here’s when DIYers can expect the best deals

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Lumber prices have been on a wild ride over the past two years. As *Fortune* previously detailed, two massive bubbles formed in the typically under-the-radar lumber industry during the pandemic, and both ultimately popped.

Since March, with interest rates rising, the housing market cooling, and new home construction falling, demand for lumber has declined—and prices have followed suit.

Lumber futures fell to just \$500 per thousand board feet on Friday, or 62% below January’s \$1,329 high.

Lumber futures price

Price per thousand board feet of lumber



DATA THROUGH AUGUST 5, 2022

CHART: LANCE LAMBERT • SOURCE: NASDAQ

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The ongoing shift in consumer spending from goods to services as pandemic restrictions fade and Americans get back to eating out and traveling is reducing demand for lumber as well, Dustin Jalbert, a senior economist at the market research firm Fastmarkets RISI, told *Fortune*.

As a result of this and other factors, Fastmarkets RISI predicts U.S. softwood lumber consumption will drop 1.4% year over year in 2022. But Jalbert noted in a July research report that this is still a “modest” drop by historical standards, and that it’s too soon to call a recession in the lumber market.

Experts told *Fortune* that we’ve reached the end of the volatile pandemic era price swings for lumber, and DIYers should be on the lookout for good deals over the next few months.

The ‘Great Reset’

Kyle Little, chief operating officer at building materials wholesaler Sherwood Lumber, described lumber’s volatile swings over the past two years as a “cyclical bull wave” brought about by “extraordinary supply-chain and demand phenomena.”

The industry experienced a perfect storm of supply-chain complications because of COVID, issues with finding adequate labor, beetle infestations and fires in British Columbia, and more during the pandemic—all coupled with the simultaneous boom in home demand.

Now, though, Little says a new cycle is taking hold.

“We’re in this process of consolidating in this new cycle in what I call the ‘Great Reset,’” he said.

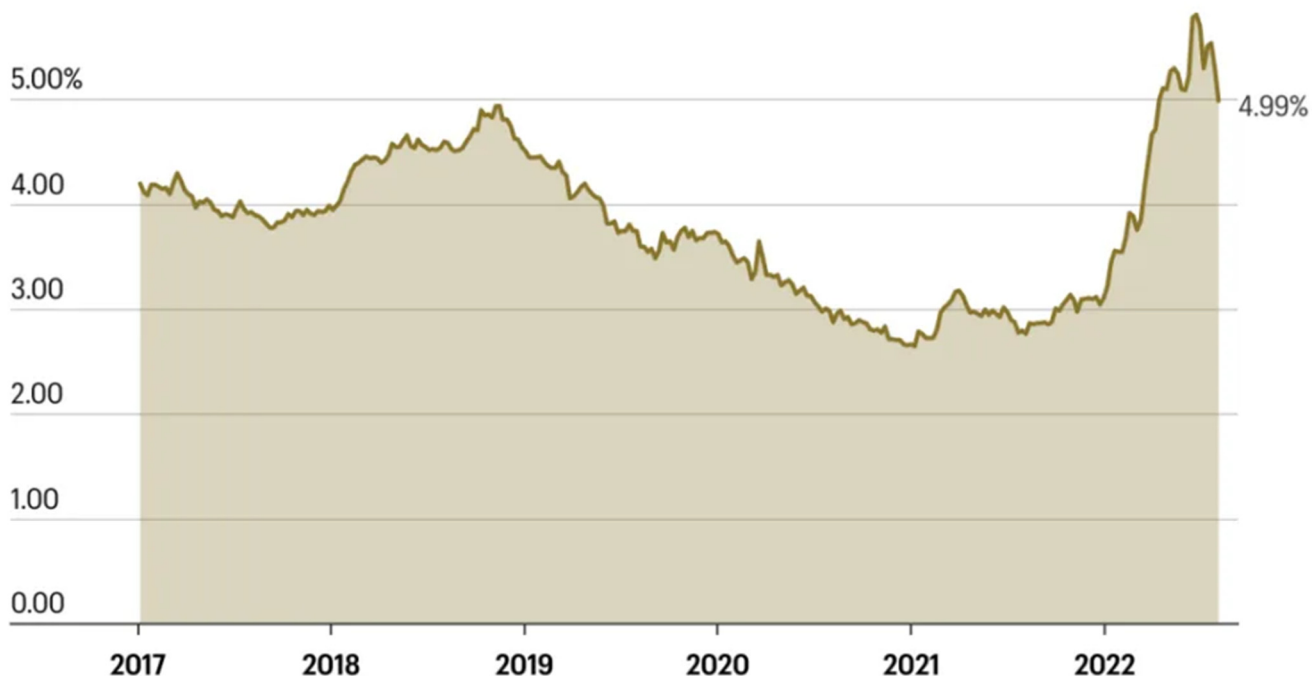
Little added that he believes lumber prices will be lower than the previous three or four years moving forward, but they won’t return to 20-year historical norms of \$200 to \$400 per thousand board feet.

“I don’t think it’s doom and gloom for the lumber or building products business because the demand for shelter, generally speaking, is very high for the next five years or so,” he said. “Millennials are still in the beginning stages of their family formation. And you just can’t ignore the demographics.”

Jalbert of Fastmarkets RISI also told *Fortune* that prices will likely find a bottom soon.

“I think things are going to start stabilizing a bit here,” he said, adding that he believes new home sales and home purchase applications will begin to recover with the recent dip in mortgage rates, helping to boost lumber demand.

The average 30-year fixed mortgage rate



DATA THROUGH AUGUST 4, 2022

CHART: WILL DANIEL • SOURCE: FREDDIE MAC

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“The other thing that’s happening on the supply side is that the high-cost mills in Canada, specifically in British Columbia, are curtailing production to try to balance with the declining demand,” Jalbert said.

If mills curtail production dramatically, it will likely help to set a floor on lumber prices, Jalbert noted.

However, Ashley Boeckholt, cofounder of MaterialsXchange, a digital marketplace for buying and selling lumber, said that it’s difficult to predict when sawmills will actually reduce production owing to falling lumber prices, as some operators are willing to stay open even when they break even or lose money.

“Things can stay in motion a lot longer than people appreciate,” he told *Fortune*. “I’ve learned over the years that guessing when somebody is going to shut down or open up is kind of a fool’s errand. It’s just hard to know.”

With or without shutdowns, Boeckholt agreed with Little and Jalbert when it comes to future lumber prices.

“I think the reality is the crazy volatility of the last two years is subsiding in lumber, and we’re going into a more normalized market,” he said. “From what I see today, I don’t think we’re going to see a crash; I think prices are going to moderate.”

When to expect the best deals

All of the experts *Fortune* spoke with agreed that most of the declines in lumber wholesale prices have already happened, and while it can take a few months for those declines to impact retail prices, there’s really no point in waiting for better deals if you’re looking to build that new deck or renovate your kitchen.

“We believe, right now, lumber is in the bottom quartile of what the new range is going to trade,” Little said. “In fact, I think it’s even lower than that. So, if you’re looking for a long-term price scenario, we are buyers at the current price structure, knowing that we just came off a 70-plus percent drop. I mean, this is a big sale.”

MaterialsXchange’s Boeckholt said he agrees, and DIYers should start looking for deals now.

“If I was going to tell somebody when to buy if they wanted to build something now, I would say that the numbers have adjusted to a point where trying to pick a bottom in the market is kind of a waste of time,” he said. “I wouldn’t wait around for prices to drop anymore like I would have six months ago.”

Jalbert, from Fastmarkets RISI, said that it might be worth it for some buyers to wait a month or so for retail lumber prices to match the drop in wholesale prices, but offered a caveat as well.

“I think it depends on everyone’s situation,” Jalbert said. “But really, I think the biggest drops are behind us for lumber and decking and things like that. So I’d say, if you really want to be patient, the odds are you might be able to save a little bit more if you wait. But I would say if you are ready to go, I’m not sure there’s that much downside left here to help you save.”

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