

THE RISING MATERIAL COSTS OF NEW HOME CONSTRUCTION



Working with Our Partners to Bring Our Clients the Best Value!

It's in the news just about every day...the hard truth about the hard costs of building a home. Between last year's devastating hurricane season, the wildfires that tore through California and Canada, lumber tariffs coming from the north, and an unseasonably tough winter transporting goods across the country, the cost of building materials is on the rise yet again!

That paired with a continued low inventory of existing homes on the market means one thing: We have to be smart about building because [new home construction is still in high demand!](#)

At Demlang Builders, our commitment to bringing a high-value building experience starts with our valued partnerships. This isn't a new philosophy, but rather, one that has been ingrained in our team for more than 4 decades!

Today, we talked with Paul Reis, Merchant Leader for Drexel Building Supplies, who has been a trusted and close Demlang partner for many years. As the economy and costs of building a new home ebb and flow, partners like Drexel allow us to continue to provide our clients with the best values in new construction! Here's a little Q&A with Paul that will give you the scoop on materials!

Q: What's up with lumber?

A: The cost of lumber hit an all-time high in early March. Up more than 30% from last year, there are a few reasons for the increase. First, supplies are low. Much of the lumber we use here comes from British Columbia, Canada, which suffered a lot of wildfires this past year. Many lumber mills were forced to shut down for an extended period of time making supplies very low. A second reason was that weather was really tough this winter, making it hard to transport supplies to lumber yards. Railways were shut down for long lengths of time due to snow and ice.



In fact, Drexel ordered twenty rail cars of OSB on January 5th, 2018 that sat on rail cars for 2.5 months, not delivering to our facility until DATE.

The good news though, even though a 30% increase seems like a lot, the total cost of a new home typically will only rise about 1-2%, or about \$7,000 on a typical Demlang home.

Q: What do you do to “buy at the lowest possible price?”

A: First, it’s important to note that we aren’t going to sacrifice quality for cost. There are definitely cheaper lumber options out there than what Drexel Building Supply carries. But that comes with quality issues like twisted 2x4s and warped boards. That’s not an option for our valued builder partners! We might end up paying 6-8% more for a quality product, but there is less waste and better outcomes.

So, when it comes to quality materials, it’s kind of like the stock market. We employ a few tactics to get the best pricing possible. First is to leverage volume. While it puts a little more financial pressure on Drexel to order in volume, we get the best pricing when we buy deep. Pricing in winter tends to be a bit lower, so by leveraging winter buys and our large storage capacity we can pass on discounts to our customers. In fact, we just purchased about \$2.5 million in engineered lumber that we will carry in inventory until mid-summer.

Our team also spends a lot of time watching the market - working to predict pricing changes. As a commodity product, if we can accurately forecast what will happen in the next 45 days we can save our clients a lot of money.

Q: Are there hidden costs to consider?

A. Absolutely! One thing we are always looking at is the cost of transporting supplies. Not just from the manufacturer to our facility but across our Drexel locations and to our builders’ jobsites. Sometimes savings can be achieved just by choosing the best logistics! Our Wrightstown and West Bend locations both have rail spurs, allowing us to leverage rail freight options. But, sometimes, we see other methods of transportation offering better costs, so we choose those options. When it comes to jobsite deliveries, we work with our builder clients to ensure timely, yet efficient deliveries that help keep costs down.

Q: How else does Drexel help Demlang Builders and our clients combat rising costs?

A: Everything starts with communication. The team at Drexel is constantly giving our builder partners updates on what is happening in the market, and, together, we figure out how all parties get the best pricing. We send our Drexel Market Minute video every week, helping everyone understand what’s going on with pricing and trends in the market. Since Demlang Builders and Drexel Building Supply work together on a regular basis, we are also able to provide package pricing when lumber is bundled with other supplies as well as lock in costs for a few months at a time. As a valued partner, we know we have to assume some of the risks because materials are ordered throughout the building process, not just at the price set when a homeowner signs a contract to build a new home!

Q: Any closing thoughts for our readers, Paul?

A: The biggest thing for homeowners to remember is that building supplies are a cyclical, commodity-driven industry. Drexel has seen many changes over the years, and we are always working with builders, like Demlang, to provide the best value. That being said, materials are almost always on the rise. It’s not uncommon to see the cost of materials - be it windows, cabinets, siding, installation, and other products - rise 5-12% on average per year. What does that mean? Today will always be cheaper to build than tomorrow. So, if you are considering a dream home, don’t let today’s lumber prices scare you, you are still getting the best value possible when you choose a strong partnership like Drexel and Demlang!