Remodeling Gets Costlier
As Price of Wood Surges;
Impact of China and Iraq

By AVERY JOHNSON

SUMMER REMODELING PROJECTS are getting more costly, thanks to rising lumber prices that are affecting such things as backyard decks and fences.

Wood prices have skyrocketed during the past year, due to a collision of factors as diverse as the war in Iraq, trade with China, the strength of the dollar, the housing-construction boom and wild-fires in the American West.

The wholesale price of low-grade boards and plywood used in home-improvement projects like decks and additions is up 26% from June of last year, according to the government's producer price index. An ordinary 2 x 4, a common type of lumber used for building construction, costs $2.85 today, up from about $1.85 in January 2003, says Gary Bowman, vice president of materials management at the T.W. Perry lumberyard in Chery Chase, Md.

The biggest jumps have come in plywood, a low-grade product made by gluing together very thin sheets of wood. As well as oriented strand board, a lesser-cost product much like plywood. At Wiley Bros., Inc., in Schaghticke, N.Y., a sheet of oriented strand board now goes for $19.84, compared with $7.90 in January 2003, says co-owner David Moore.

The turmoil in the lumber industry means higher prices for homeowners planning to remodel, add a deck, put up a fence, repair a shelf, build a treehouse, or create anything else that requires wood. While the higher prices aren't slowing down housing construction, they are hitting do-it-yourselfers hard—creating order backlogs at lumberyards and forcing people to slow down projects or look around for cheaper grades of wood. Some woodworkers are even trading lumber on eBay in an effort to find better prices.

At a Home Depot store in northern Virginia, Dennis Griffin, a 41-year-old firefighter, grumbles as he scans the prices on the plywood he wants in order to build a stage for his 10-year-old daughter's Irish-dance competition. The 4 x 8 sheets he used last year cost $15.85 this year. So he does what many other do-it-yourselfers are doing and settles on 24 boards of oriented strand board that cost $9.98 apiece, cheaper than plywood, but still twice what he paid last year.

"The prices are through the roof, probably double what they were last summer," he says. "It's a hassle but it has to be done."

The Remodeling Activity Indicator kept by Harvard's Joint Center for Housing Studies shows homeowner spending on improvements isn't climbing as fast as it was a few years ago, though second-quarter spending was still 4% above the year-earlier quarter. Homeowners spent $125.3 billion on home improvements during the past four quarters.

Demand for wood has been strong since the home-building boom took off during the late 1990s. Rains in the South in spring 2003, followed by summer fires in the West, caused mill closures. Then Hurricane Isaias...