

# MADISON'S LUMBER REPORTER

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## News & Updates

### Canadian Apartment Construction Price Index

Canada's composite price index for apartment building construction increased 0.1 per cent in 3Q compared with the previous quarter, said Statistics Canada Friday. This change was the result of a slight increase in material prices used in the apartment building construction market.

Year over year, the composite price index for apartment building construction was up 1.9 per cent.

### US Industrial Production, Canada Manufacturing

Industrial production in the US declined 0.4 per cent in October after having increased 0.2 per cent in September, the US Federal Reserve said Friday. Post-Tropical Storm Sandy, which held down production in the Northeast region at the end of October, is estimated to have reduced the rate of change in total output by nearly 1 percentage point.

Canadian manufacturing sales advanced 0.4 per cent, to \$49.8 billion in September, said Statistics Canada Thursday. The gain reflected higher production in the aerospace product and parts industry and increased sales of primary metals. Excluding the aerospace industry, total manufacturing sales decreased 0.7 per cent. The increases were partly offset by a decline in the motor vehicle assembly industry. [READ MORE](#)

### Sawmill Explosion

An explosion sparked a large fire at a sawmill in southern Kentucky on Monday morning, according to WYMT TV. The fire happened at Forest Products in the Gray community of Knox County. Six fire departments responded to the scene. Firefighters had the flames contained before noon Monday. [READ MORE](#)

### BC Forest Products' Exports to Jump

Export Development Canada's (EDC) forecast for British Columbia's export growth calls for a strong rebound of 10 per cent in 2013, after a slight decline of 3 per cent this year, said the agency Thursday.

The province's international exports are led by three key industries:

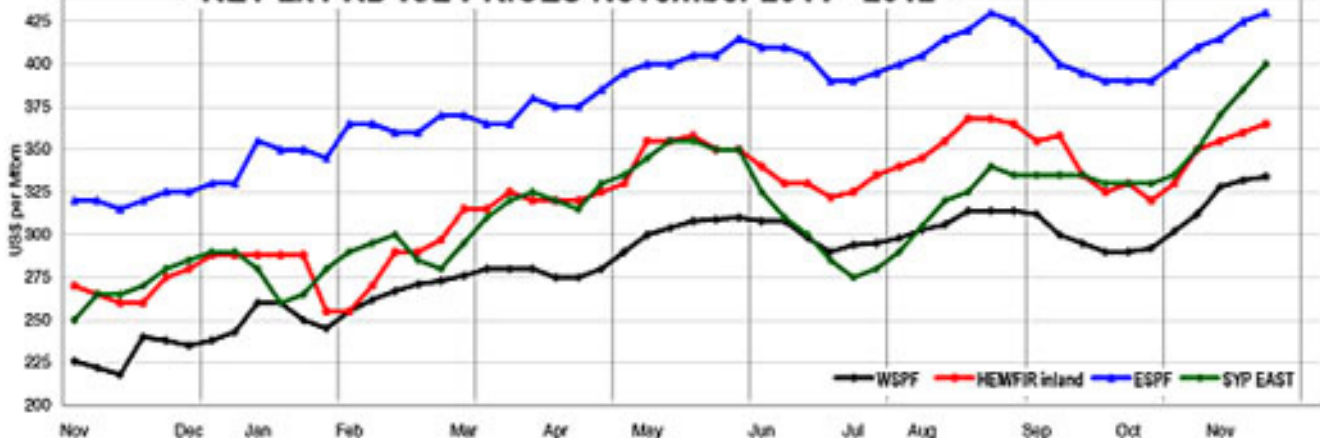
Forestry, which accounts for 20 per cent of the province's total exports; energy, accounting for 20 per cent; and, industrial goods, accounting for the other 16 per cent.

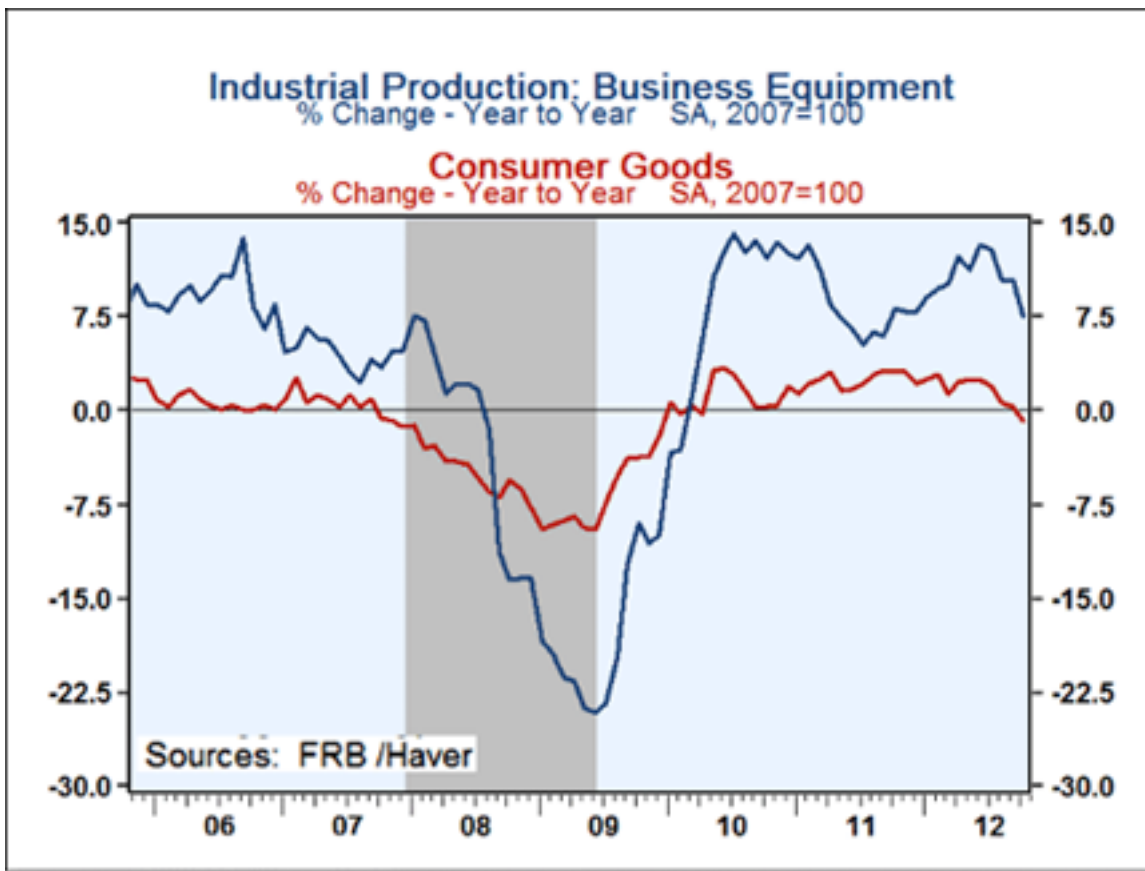
British Columbia's forestry exports are forecast to grow by an impressive 26 per cent in 2012, said the EDC. [READ MORE](#)

### US Real Estate Data

Freddie Mac, the US Mortgage Bankers Association, RealtyTrac, CoreLogic, and the S&P Home Builders Index all released data this week on the latest figures for US real estate data. [READ MORE](#)

KEY 2x4 KD R/L PRICES November 2011 - 2012





## Scoreboard

	July - September 2012		July - September 2011		SALES 2011-12 (%)
	Sales (\$,million)	Earnings (\$,million)	Sales (\$,million)	Earnings (\$,million)	
Ainsworth	115.6	32.6	71.8	(59.2)	+37.9%
Canfor	683.8	22.2	602.1	(21.6)	+12.0%
Cascades	906.0	7.0	947.0	(2.0)	-4.4%
Catalyst	265.7	(48.7)	292.2	(14.1)	-9.1%
Conifex	54.4	(2.8)	38.1	(3.3)	+30.0%
Domtar	1,389.0	66.0	1,417.0	117.0	-2.0%
Eacom	63.4	(0.9)	61.3	(7.9)	+3.4%
Interfor	214.7	1.1	242.0	0.0	-11.3%
Norbord (US \$)	302.0	28.0	241.0	(1.0)	-20.2%
Resolute FP	1,153.0	31.0	1,224.0	(44.0)	-5.9%
Taiga FP	315.9	3.8	278.0	4.4	+12.0%
Tembec	443.0	(41.0)	421.0	5.0	+5.0%
Western Forest Products	219.4	2.0	233.5	5.3	-6.1%
West Fraser	772.0	55.0	705.0	37.0	+8.7%

# 17th Timberland Investment World Summit

January 28 - 30, 2013 | New York, NY

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in an Evolving  
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## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	<b>334</b>	332	+2	292	+42	240	+94
WSPF KD R/L 2x6	<b>330</b>	324	+6	307	+23	250	+80
WSPF KD R/L 2x8	<b>315</b>	315	0	298	+17	268	+47
WSPF KD R/L 2x10	<b>350</b>	350	0	350	0	250	+100
WSPF KD PET 2x4 Stud	<b>310</b>	310	0	285	+25	235	+75
WSPF KD PET 2x6 Stud	<b>295</b>	300	-5	295	0	240	+55
Douglas Fir Green R/L 2x4	<b>290</b>	285	+5	265	+25	230	+60
Douglas Fir Green R/L 2x10	<b>335</b>	335	0	310	+25	315	+20
ESPF KD 2x4 8ft Stud	<b>380</b>	380	0	365	+15	300	+80
OSB Ontario 7/16" (CDN\$)	<b>330</b>	342	-12	275	+55	195	+135
CSplywood Toronto 3/8" (CDN\$)	<b>363</b>	366	-3	380	-17	305	+58

## Weekly News

### Industrial Production US, Manufacturing Canada

CONTINUED Manufacturing production fell 0.9 per cent as motor vehicle output declined for a third straight month. Manufacturing had gained 0.1 per cent in September. Excluding the effects of the storm, manufacturing output was little changed from its September level, the Fed said.

The gain in US industrial output last month would have been modest even without the storm, with fears over the possibility of higher taxes and sharp cuts in government spending early next year making businesses hesitant to raise output and invest.

The Fed said Sandy, which tore through the East Coast at the end of October, cut output by nearly 1 percentage point. The brunt of the impact was felt by utilities and producers of chemicals, food, transportation equipment, and computers and electronic products, it said.

The average workweek in the manufacturing sector has been bouncing around 40.5 hours since August after peaking at 40.9 hours in January, while overtime for factory workers has been unchanged at 3.2 hours since June.

The factory operating rate is 2.9 percentage points below its long-run average.

Overall industrial capacity utilization fell to 77.8 percent – the lowest level since November 2011 – from 78.2 percent in September. That was 2.5 percentage points below its long run average.

North of the border, Sales rose in 8 of 21 industries, representing just under half of Canadian manufacturing, according to

StatsCan. Sales of durable goods increased 1.1 per cent to \$25.8 billion, while non-durable goods sales decreased 0.4 per cent to \$24.0 billion.

Inventories edged up 0.2 per cent to \$65.2 billion in September, with the machinery and food industries leading the gains. Machinery inventories rose 2.1 per cent to \$7.1 billion, the highest value on record for the industry. Inventories of machinery have increased in seven of the past nine months. In the food industry, inventories increased 1.7 per cent to \$6.2 billion, reflecting widespread gains.

### Sawmill Fire

CONTINUED Workers inside the building told fire fighters they heard some type of explosion before the building caught on fire. General Sales Manager John Smith told WYMT TV that workers came running into the main office saying the building was on fire. When Smith walked outside, he saw one of the company's two sawmills going up into flames.

"There was fire coming through the roof quite a bit, and the building began to sag where it was getting hot and the transformers exploded. A tremendous amount of fire," said Smith.

Firefighters are not sure what caused the fire, but they say they believe there was some sort of explosion.

"When we got paged, an employee told me that they were upstairs in this building, and they heard an explosion so they came outside and it was around the air tanks underneath them," said Chief Darryl Baker with West Knox Volunteer Fire Department.

At this time, Smith says the building is probably a total loss, but he is thankful all the workers got out safely.

### BC Forestry Exports

CONTINUED "Continued strong demand from China and rapidly-growing Asian economies will benefit British Columbia's export sector, which will expand at double-digit pace again in 2012," said Peter Hall, Chief Economist for EDC. "Exports to Asia now represent over 40 per cent of the province's exports, and are expanding in excess of 25 per cent this year."

British Columbia's exports of energy are forecast to ease to 10 per cent growth in 2012 after an expected 32 per cent increase in 2011, driven by higher prices for coal and increased natural gas output from the Montney shale gas field.

"Demand from Japan, Canada's traditional top coal export market, should strengthen in 2012 as reconstruction efforts get underway. Coal exports will also benefit in the longer term from greater production capacity and new mining developments already underway."

"With a number of mining projects at various stages of development or expansion, exports of industrial goods from B.C. should expand 2 per cent next year, falling well short of the 18 per cent surge in 2011."

### Calendar

Jan 2013

**Truck Loggers Association Annual General Meeting**

Jan 18 - 18 - Victoria, BC

<http://www.tla.ca/events/convention>

**IQPC 11th Timberland Investment Summit**

Jan 28 - 30 - New York, NY

<http://www.timberlandworldsummit.com/Event.aspx?id=828974>

# Home Building, Financing

## US

Next week come out figures on US new home building for October. Given the absolute level of shock at the glowing numbers for both starts and permits in September, one hardly knows what to think about the coming data. A flurry of news,

by **Kéta Kosman**

announcements, and speculation this week about the housing market, foreclosures, mortgages, and vacancy rates, might shed some light on the situation.

Freddie Mac released Wednesday its US Economic and Housing Market Outlook for November showing what a healthy national housing market should look like taking into account recent trends, key housing indicators, and the shifting demographic patterns that will define a new and realistic trajectory over the next five years.

### Outlook Highlights:

- Housing starts increasing to about 1.7 to 1.8 million dwellings per year compared with 2.1 million in 2005;
- Home sales increasing to about 5 per cent of the housing stock, or about 6.5 to 7.0 million homes per year, compared with sales of 7 per cent of the stock in 2005;
- US house price appreciation rising gradually to about 3 per cent per year compared to 11 per cent of 2005;
- Vacancy rates easing further to about 1.7 per cent on for-sale homes and 8 per cent for rental homes, down from peaks of about 3 per cent in 2008 and 11 per cent in 2009, respectively; and,
- Serious delinquency rates nearing 2 per cent, down from a peak of 9.5 per cent in early 2010.

Meanwhile, both mortgage delinquencies and foreclosures on US homes decreased during 3Q 2012, the Mortgage Bankers Association (MBA) reported on Thursday.

The delinquency rate, which includes mortgages that are past due but not yet in foreclosure, fell to a seasonally adjusted 7.4 per cent during the quarter, down from 7.58 per cent in 2Q, and 7.99 per cent in 3Q 2011. The decrease was driven mainly by a drop in loans that are 90 days or more delinquent, now at its lowest level since 2008, said Mike Fratantoni, MBA's vice president of research and economics.

The percentage of mortgages somewhere in the foreclosure process was 4.07 per cent, down from 4.27 per cent in 2Q and 4.43 per cent a year ago. That's the largest quarterly drop in the history of the survey, but still "four times the long-run

average for this series," Fratantoni said in the report.

And the percentage of properties entering the foreclosure process hit its lowest level since 2007, falling to 0.9 per cent, down from 0.96 per cent in 2Q, and 1.08 per cent a year ago.

The MBA results are gathered from a weekly applications survey that covers roughly 50 percent of all residential mortgage organizations and tracks the average interest rate for 30 year and 15 year fixed rate mortgages as well as the volume of both purchase and refinance applications.

Elsewhere, foreclosure activity on US homes rose in October compared to the previous month but continued to decline on an annual basis, highlighting the bumpy nature of the housing recovery, a report from RealtyTrac showed on Thursday. The overall decrease put the combined number of reported default notices, scheduled auctions, and bank repossessions, at 186,455. While that is 3 per cent above the number in September it is still 19 per cent lower than October 2011. The increase comes after the level fell in September to the lowest total since July 2007.

Lenders repossessed 53,478 homes last month, a drop of less than 1 per cent from the previous month, and down 21 per cent from October 2011. Home repossessions have declined on a monthly basis the past 24 months.

Regionally, foreclosure activity increased month-on-month in over half of the 212 metro areas tracked in the report, and jumped significantly in some hard-hit metro areas.

In addition, the S&P Supercomposite Homebuilding Index, which consists of 11 US home building companies, climbed 65 per cent this year as of Wednesday, compared to 7.7 per cent for the S&P 500 Index.

Yet elsewhere, demand for single-family rental housing is outstripping the available supply of homes, and some housing markets that have been hit hardest by the foreclosure crisis have seen rental demand jump by more than 25 per cent in the past year, according to a report to be released Tuesday by real-estate firm CoreLogic. Slightly more than half of all rental units in the US, or around 21 million units, are single-family homes.

Leasing activity was up 7 per cent from one year ago in August and up 12 per cent from the beginning of this year, even though the inventory of homes for rent is down by 11 per cent from one year ago.

As a result, it would take just 2.6 months to rent the available stock of for-lease homes in August, down from 3.2 months of supply last year, and over 5 months in 2007. It took just six weeks for a listing to be rented, which was unchanged from one year ago but down from more than eight weeks in 2009.

"Nationally, rental leasing volumes were up sequentially every month during the last two years," said CoreLogic's November *MarketPulse* report. "Over this same period, an average of 42,000 rentals were added to the stock of rental homes each month. This is more than twice the average flow that the US was experiencing prior to the housing recovery."

Another instrumental factor in the sharp slowdown in foreclosure activity: The pipeline of risky home loans made before 2008 is shrinking. Loans issued since then, after banks tightened lending standards, are less likely to go unpaid, according to *Associated Press*.

"We're past the bulk of the high-risk loans that were most susceptible to foreclosure," Daren Blomquist, a vice president at RealtyTrac said to *AP*.

