

# MADISON'S LUMBER REPORTER

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## News & Updates

### Madison's Investment Rx

This month's issue of *Madison's Investment Rx* summarizes the latest solid wood supply and demand information, and analyzes where prices could be headed in the next two months.

Contact us any time for a subscription to this timely and worthwhile information.

### Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the latest railway freight transportation data, and looks at business changes with Canada's major railroads as oil producers continue to increase rail car usage.

Contact us any time to subscribe!

### Labour Negotiations in British Columbia

The United Steelworkers BC Interior Bargaining Committee has completed the exchange of bargaining proposals with the four major forest industry employer groups in the BC Interior and decided to open negotiations with Canadian Forest Products in an effort to develop a forest industry pattern, the USW stated Friday.

After careful consideration of all the employer proposals, the BC Interior Bargaining Committee has decided that Canadian Forest Products is the employer that the union stands the best chance of negotiating a BC Interior pattern deal, the union said.

### North American Wildfires

Strathcona County officials said Thursday night that firefighters were making progress in efforts to battle a blaze northeast of Edmonton, AB, although the fire was still considered out of control. Officials said Wednesday night's cool conditions allowed crews to make progress in fighting the blaze, and the affected area has been completely surrounded with a ploughed fire guard.

As a result, the fire is considered held, but not yet under control. [READ MORE](#)

### Sawmill Worker Fatality, Fire

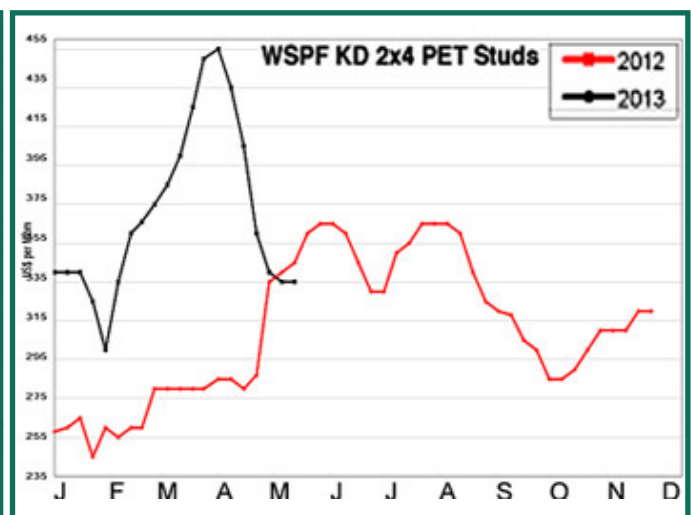
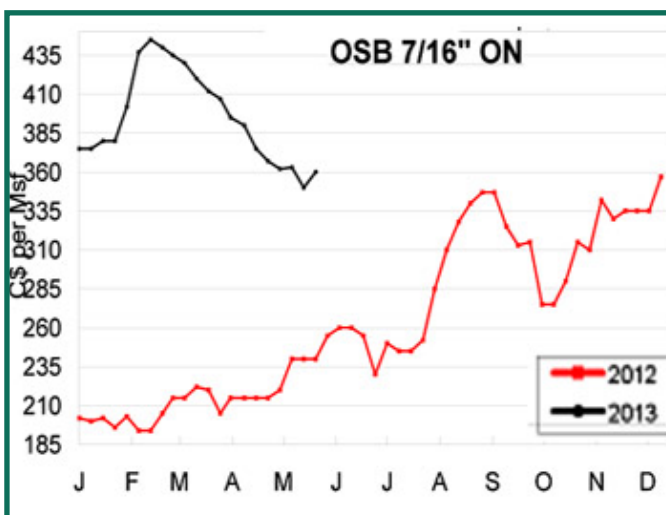
A man was killed Tuesday in an industrial accident in Superior, near Duluth, WI.

David Clink, 30, was killed after his arm or clothing was caught in a conveyor belt system at White Cedar Shingles and Lumber Company, 2700 Winter St. It appeared that Clink was pinned against the machinery and was asphyxiated.

Clink was working at the business alone at the time. He was found by a co-worker, who in turn notified authorities. [READ MORE](#)

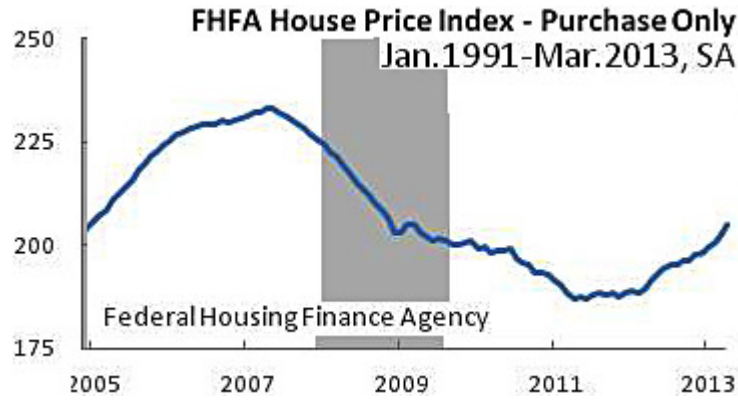
### US Home Sales, Prices

A long-latent US real estate market does seem to be slowly sputtering back to life, the latest home sales and price data shows. [READ MORE](#)



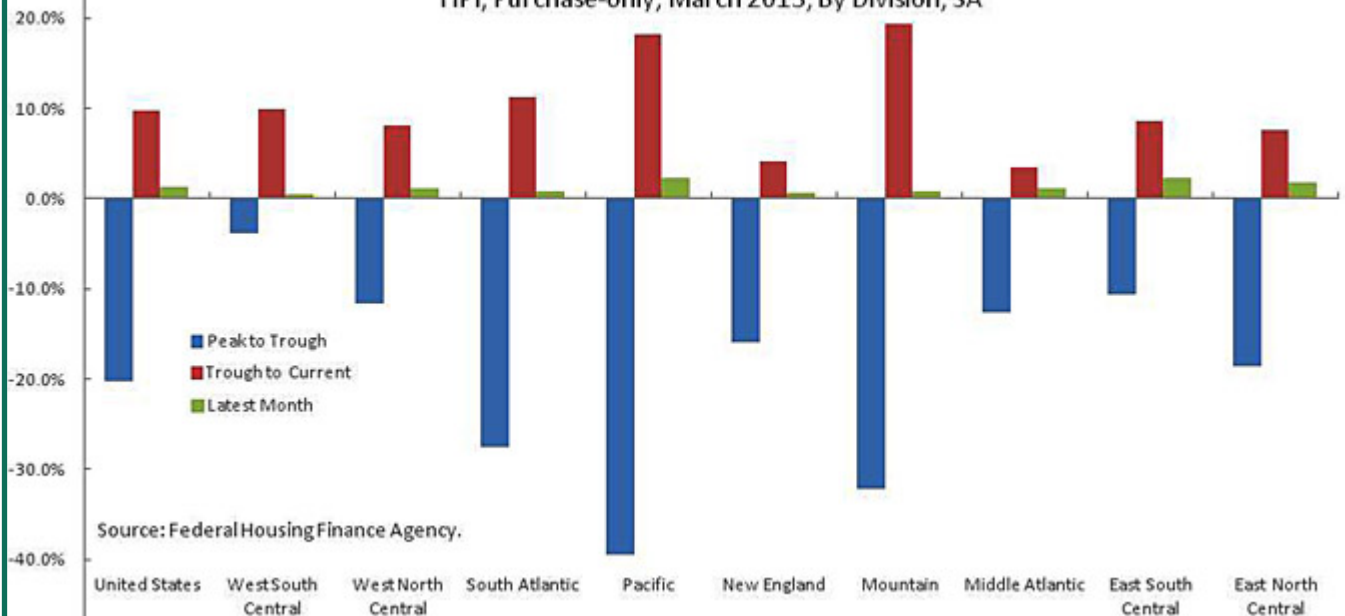
## Single Family Home Sales, FHFA Home Prices

SOURCE: NAHB Eye on Housing



## Contribution of Recent Month to House Price Recovery

HPI, Purchase-only, March 2013, By Division, SA



## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	326	341	-15	365	-39	309	+17
WSPF KD R/L 2x6	322	336	-14	362	-40	299	+23
WSPF KD R/L 2x8	312	323	-11	350	-38	310	+2
WSPF KD R/L 2x10	334	350	-16	375	-41	371	-37
WSPF KD PET 2x4 Stud	335	335	0	405	-70	365	-30
WSPF KD PET 2x6 Stud	340	350	-10	420	-80	345	-5
Douglas Fir Green R/L 2x4	330	340	-10	345	-15	250	+80
Douglas Fir Green R/L 2x10	390	385	+5	390	0	300	+90
ESPF KD 2x4 8ft Stud	430	440	-10	480	-50	410	+20
OSB Ontario 7/16" (CDN\$)	360	350	+10	375	-15	240	+120
CSplywood Toronto 3/8" (CDN\$)	348	352	-4	367	-19	368	-20

## Weekly News

### Canada, US Wildfires

**CONTINUED** The fire was spotted shortly before 3 pm Wednesday near Lindale, AB, a community about 100 kilometres southwest of Edmonton. It has since jumped Township Road 500 and grown to about 36 hectares, the county said in a news release. Heavy winds have helped propel the blaze, which prompted an evacuation order of about 200 homes.

As of Thursday afternoon, there were 26 wildfires in Alberta, though none were considered out of control, said provincial wildfire information officer Whitney Exton.

A controlled burn in California got out of control and turned into a wildfire covering 1,500 acres (607 hectares) in a remote area of eastern San Diego County, officials said.

The California Department of Forestry and Fire Protection said crews were expecting to burn approximately 114 acres (46 hectares) of brush in a largely unpopulated area east of Julian, CA, Thursday when the wind shifted.

Agency officials said the fire got out of hand but no structures were threatened and no injuries were reported.

The fire was about 30 per cent contained, the agency said.

More than 600 firefighters, aided by air tankers, helicopters, dozens of engines and water tenders are battling the blaze, the *Los Angeles Times* reported Thursday.

No homes are threatened. One firefighter suffered a minor injury.

### Sawmill Fire, Worker Fatality

**CONTINUED** An early morning fire destroyed a saw mill in northern

Ohio's Trumbull County Thursday.

Calls went out about 1:30 a.m., bringing many fire departments to the scene on state Route 534. Firefighters say early indications are that a block of wood caught fire and flames spread to nearby saw dust, which quickly grew.

The mill was not attached to a home and there are no injuries to report.

### Kalesnikoff, Hampton Increase Lumber Supply to Japan

Kalesnikoff Lumber, based in British Columbia, increased its sales ratio into Japan to 60 per cent in 2012, most of it Douglas fir according to the *Japan Lumber Reports*. The product mix was mostly Douglas fir taruki, baby squares, genban and SPF lamina.

For 2013 the company plans to send 40 million cubic metres of taruki, a 5.3 per cent increase over 2012, 15 million cubic metres of Douglas fir baby squares, a 7.1 per cent increase, and 15 million cubic metres of lamina, 25 per cent more than last year.

The company invested about \$1.8 million in renovations in the past six months, installing a new optimizer and small log line to process smaller lumber sizes. Kalesnikoff expects the upgrades to increase production by 10 per cent, says the *Reports*.

Hampton Affiliates, out of Portland, OR, also plans to increase lumber exported to Japan this year, by about 24,000 cubic metres, or 40 shipping containers, a month, according to the *Reports*.

The company's Willamina, OR, sawmill, which cuts Douglas fir only, is expected to ship 10 per cent of its output to Japan.

### Brookfield Sells . . .

Brookfield Asset Management is selling its 51 per cent controlling stake in Twin Rivers Paper Company to Blue Wolf Capital Partners and Atlas Holdings.

Twin Rivers Paper Company operates paper mills in Edmundston, NB, and Madawaska, ME, and a lumber mill in Plaster Rock, NB. The company was formed with the province of New Brunswick as a general partner and creditor after the bankruptcy of Fraser Papers in 2010.

Blue Wolf Capital Partners and Atlas Holdings previous owned the Northern Pulp mill in Nova Scotia.

## Calendar

June 2013

### Maritime Lumber Bureau 74th AGM

June 5 to 7 – Charlottetown, PE  
<http://www.mlb.ca>

### Alberta Registered Professional Foresters' AGM

June 20 – Edmonton, AB  
<http://www.capf.ca>

September 2013

### Who Will Own the Forest? 9

September 17 to 19 – Portland, OR  
<http://wwotf.worldforestry.org/wwotf9/>

# US Real Estate Market

## Home Building, Sales

After posting some encouraging data during the depth of winter, US housing starts seemed to slide a little bit this spring. Extremely poor spring weather across most of North America was credited for the slowing increase in new home building, especially the populous eastern areas of the US. The most recent housing starts release out of the US Commerce

by Kéta Kosman

Dept, on May 14, indicated that building permits were up more than 14 per cent over the previous month, and almost 30 per cent over April 2012, to 1.017 million which was the highest level since June 2008. Permits for single-family homes comprise about two thirds of the total. These rose 3 per cent to a 617,000-unit rate, the highest since May 2008.

Still, some potential home buyers remain nervous, while economists are casting about looking for some method of analyzing the data.

A good place to start is home sales. Both existing and new home sales figures in the US were released this week, separately, and all indications are that the real estate market south of the border is continuing to recover.

Sales of previously owned US homes climbed in April to the highest level in more than three years even as the market remained constrained by a lack of inventory and strict borrowing rules, the National Association of Realtors reported Wednesday. Purchases of existing houses increased 0.6 per cent to an annual rate of 4.97 million, the most since November 2009. The median price rose 11 per cent compared with April 2012. This is the fifth consecutive month that property values advanced more than 10 per cent year over year.

The median price of an existing home climbed to US\$192,800 last month, the highest since August 2008, from US\$173,700 a year earlier, the report showed.

"The price increase at double digits is not healthy because incomes are rising at less than 2 per cent," NAR Chief Economist Lawrence Yun said at a news conference as the figures were released. "We do need to moderate the price growth. The only way for that to occur is for more supply to come on to the market."

The lack of supply is overshadowing other developments that point to a pickup in demand. The median number of days a house was on the market before it sold

dropped to 46 days in April from 62 days in March, Yun said. Foreclosures and other distressed sales accounted for 18 per cent of the total, the lowest share in data going back to October 2008. This was down from 21 per cent in March, and 28 per cent a year ago.

Yun, who pegs US existing home sales growth at 5 million this year, 5.3 million next year, and 5.7 million in 2015, said investment and vacation homes are experiencing rising interest among buyers.

"Growth in household wealth will help vacation home purchases," he added.

Foreclosures accounted for 11 per cent of sales and sold for an average discount of 16 per cent below market value. Short sales accounted for 7 per cent and sold at a 14 per cent discount.

"That's the lowest reading since the NAR started collecting these data in 2008," wrote Capital Economics' Paul Diggle. "Just 15 months ago, distressed sales accounted for 35 per cent of all existing home sales. Put another way, distressed sales are down 29 per cent compared to last year while non-distressed sales are up 25 per cent. The market is starting to take on a semblance of normality."

Diggle also pointed out that inventory, while low, is rising as rising home prices are boosting confidence.

"The increase in the seasonally-adjusted months' supply of unsold stock in April, from 4.9 to 5, was slight and not a threat to continued house price gains."

First-time buyers accounted for 29 per cent of purchases last month, the lowest share in more than two years.

On Thursday the US Census Bureau and the Department of Housing and Urban Development jointly released data showing that sales of new single-family houses in April 2013 were at a seasonally adjusted annual rate of 454,000, a 2.3 per cent improvement over the revised March rate of 444,000, and 29 per cent above the April 2012 estimate of 352,000. The seasonally adjusted estimate of new houses for sale at the end of April was 156,000. This represents a supply of 4.1 months at the current sales rate. There were 156,000 new houses on the market at the end of the month, the most since October 2011.

The median sales price of new houses sold in April 2013 was US\$271,600 which is up 14.9 per cent from a year ago. The average sales price was US\$330,800.

Confidence among homebuilders improved in May as prospective buyer traffic picked up along with sales, the National Association of Home Builders/Wells Fargo index showed last week. Builder confidence rose to 44 from a revised 41 in April, the Washington-based group said.

This week also saw quarterly releases for some major US home builders.

Wall Street was abuzz over Home Depot Monday as the company's stock climbed to a 52-week high on a strong earnings report stemming from a burgeoning housing market. Home Depot reported a better-than-expected 4.3 per cent jump in sales. UBS analyst Michael Lasser estimated 35 per cent of Home Depot's sales are to commercial customers.

"In the first quarter, we saw less favourable weather compared to last year, but we continue to see benefit from a recovering housing market that drove a stronger-than-expected start to the year for our business," said Frank Blake, CEO at the home services retail giant.

Home Depot shares are up 30 per cent so far this year.

On Wednesday, Lowe's reported a disappointing 1Q profit after its comparable sales unexpectedly declined 0.7 per cent.

According to *Seeking Alpha* Thursday, Lowe's missed on both revenues and earnings consensus estimates, unlike its competitor Home Depot. Despite weaker revenues, Lowe's still guides for a 4 per cent increase in full-year sales for 2013, driven by a 3.5 per cent increase in comparable sales. This implies that full-year revenues are expected to come in around US\$52.5 billion, says *Seeking Alpha*.

Lowe's shares are up 21 per cent so far this year.

Both companies reported improving demand in April and May, and both saw positive sales growth in such key markets as California, where the weather was not a factor. Both also predict a pick-up in sales as the housing market improves. At the same time, they both got a boost in sales from reconstruction as people rebuild after Hurricane Sandy, and both said sales to contractors outpaced their consumer business.

For its part, Toll Brothers reported 2Q revenue gained 38 per cent, to US\$516 million, in its earnings report released Wednesday. Home sales increased to 894 units, from 671 a year earlier.

The company signed contracts for 1,753 homes, at a value of US\$1.19 billion, up from 1,290 homes at US\$754.7 million a year earlier. Both the dollar and unit figures were the highest since 2006. Toll expects 3Q revenue to increase 40 per cent from the previous three months as more homes are completed at higher prices.

The company is raising prices at 60 per cent of its communities, according to CEO Douglas Yearley.