

MADISON'S LUMBER REPORTER


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News & Updates

Eastern Spruce-Pine-Fir Coverage

Madisons this week is adding kiln-dried Eastern Spruce-Pine-Fir R/L delivered Toronto prices to our Page 1 weekly coverage. We hope readers enjoy the additional information, and will continue to strive to provide the most complete data of the North American lumber and panel markets to our subscribers!

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* looks the latest financial analyses of the US and Canadian timberland space. Potlatch Corp, Weyerhaeuser, Deltic Timber, and Acadian Timber are examines.

Contact us any time for a subscription.

Canadian Housing Starts

Canadian housing starts jumped much more than expected in May from April, the Canada Mortgage and Housing Corp said on Monday, in the latest sign that the broader economy is gaining momentum in the second quarter.

The seasonally adjusted annualized rate of housing starts was 200,178 units in May, an increase from 175,922 in April. The April figure was revised upward.

The number of housing starts in cities increased by 14.6 per cent in May. Urban starts were led by a 22.2 per cent rise in multiple starts to a seasonally adjusted annualized rate 114,346 units.

The number of single homes started in cities increased by 3.0 per cent to 62,888 units in May. [READ MORE](#)

Housing Starts, Japan

April housing starts in Japan rose 5.8 per cent compared to one year ago, to 77,894 units, according to the *Japan Lumber Reports* and *Japan Lumber Journal*. Seasonally adjusted starts were 939,000 units.

New building of owner's units increased in all areas of Japan to 28,357 units, a 17.5 per cent improvement compared to April 2012 and 30.3 per cent compared to March. Detached units built for sale increased by 15.4 per cent compared to one year ago, to 10,559 units. This is 14.9 per cent more than the previous month.

New 2x4 units were 9,912, up 25.9 per cent compared to March and a 16.8 per cent improvement over one year ago.

A booming stock market, rising mortgage rates, and a looming tax increase next year were credited for the improvements. [READ MORE](#)

US Mortgages, Home Sales

Recent discussions about the wisdom of continued quantitative easing the US, and the impact of government involvement in the business of insuring mortgages, prompted a flurry of expert commentary this week. [READ MORE](#)

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Apr-13	77,894	34,133	43,761	56
Mar-13	71,456	31,819	39,637	55
Feb-13	68,969	33,242	35,727	52
Jan-13	69,289	31,982	37,307	54
Dec-12	75,944	32,392	43,552	57
Nov-12	80,145	34,396	45,749	57
Oct-12	84,251	37,883	46,368	55
Sep-12	74,176	31,159	43,017	58
Aug-12	77,500	34,485	43,015	56
Jul-12	75,421	32,883	42,538	56
Jun-12	72,566	31,654	40,912	56
May-12	69,638	31,439	38,199	55

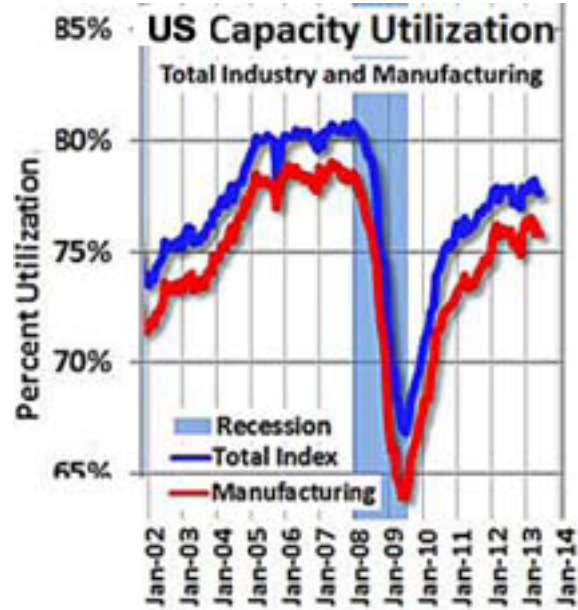
Source: Japan Wood-Products Information and Research Center

CANADIAN HOUSING STARTS

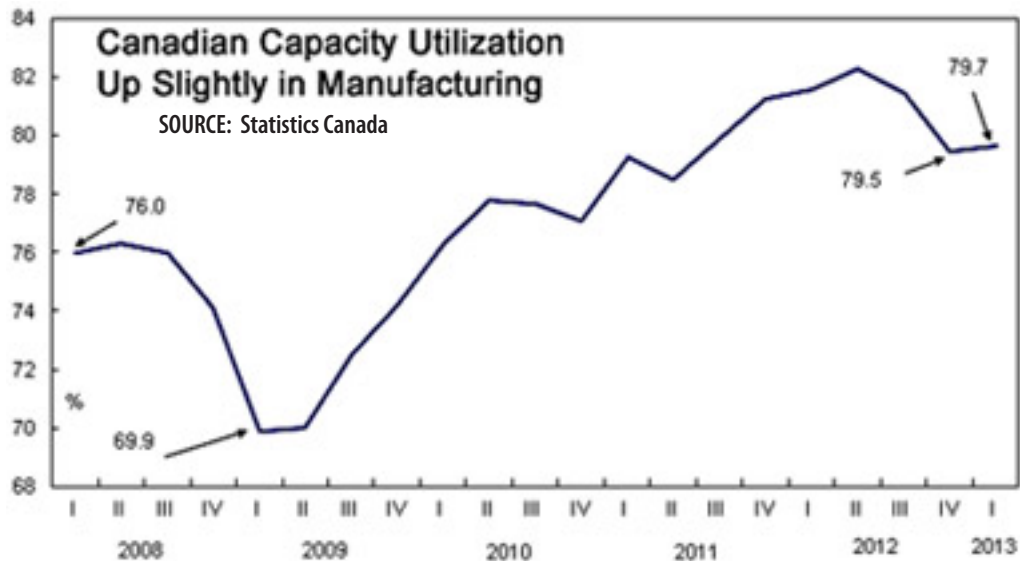
Actual and Seasonally Adjusted Annual Rates

	May 2013		April 2013	
	Actual	SAAR	Actual	SAAR
Canada, all areas	18,301	200,178	16,390	175,922
singles, urban centres	6,128	61,029	5,276	61,029
rural areas	2,319	22,944	2,163	21,330
multiples	9,854	114,346	7,951	93,563
Atlantic urban centres		9,425		4,451
Quebec urban centres		31,146		32,994
Ontario urban centres		67,429		46,054
Prairie urban centres		47,826		48,083
BC urban centres		21,308		23,010

Source: Canada Mortgage and Housing Corporation



Source: Federal Reserve
<http://www.calculatedriskblog.com/>



Buying Homes With All Cash SOURCE: DataQuick via New York Times



Areas with the highest cash offers

METRO AREA	MEDIAN CASH PRICE PAID	MEDIAN SALES PRICE
San Jose	\$454,000	\$590,000
Honolulu	365,000	440,000
Los Angeles	351,000	410,000
Oxnard, Calif.	351,000	399,000
San Francisco	336,000	461,000
San Diego	314,500	375,000
Boston	265,000	305,000
Bridgeport, Conn.	250,000	335,000
Seattle	225,000	289,000
Washington	220,000	340,000

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	302	312	-10	341	-39	308	-6
WSPF KD R/L 2x6	294	304	-10	336	-42	298	-4
WSPF KD R/L 2x8	300	295	+5	323	-23	324	-24
WSPF KD R/L 2x10	320	324	-4	350	-30	378	-58
WSPF KD PET 2x4 Stud	316	318	-2	335	-19	360	-44
WSPF KD PET 2x6 Stud	315	315	0	350	-35	360	-45
Douglas Fir Green R/L 2x4	255	295	-40	340	-85	328	+73
Douglas Fir Green R/L 2x10	365	370	-5	385	-20	280	+85
ESPF KD 2x4 8ft Stud	380	410	-30	440	-60	415	-35
OSB Ontario 7/16" (CDN\$)	295	317	-22	350	-55	260	+35
CSplywood Toronto 3/8" (CDN\$)	326	317	+9	352	-26	410	-84

Weekly News

Housing Starts, Canada

CONTINUED Regionally, May's seasonally adjusted annual rates of urban starts increased in Atlantic Canada and Ontario, and were essentially unchanged in the Prairies. Urban starts decreased in British Columbia and Quebec.

Rural starts were estimated at a seasonally adjusted annual rate of 22,944 units for the month. That was higher than the 21,330 starts estimated in April.

The housing starts data was the most recent report to suggest Canadian economic growth is picking up after struggling in the second half of 2012. A separate report June 7 showed the economy added 95,000 jobs in May, the second-biggest gain in 37 years.

With the pickup in starts, residential construction may contribute to Canadian economic growth in the second quarter for the first time in four quarters, wrote Krishen Rangasamy, senior economist with National Bank.

Japan Housing Starts

CONTINUED By area, housing starts in Japan grew in the Tokyo metropolitan area by 7.9 per cent, the Chubu area by 12.2 per cent and the other areas by 13.1 per cent, says the *Japan Lumber Journal*.

By structure, seasonally adjusted starts of wooden houses were 43,761 units and non-wooden houses were 34,133 units. As a result, the percentage of wooden houses increased 0.7 points from the previous month to 56.2 per cent of total new construction.

New Cedar Shingle Mill

A Georgia-based company that manufactures cedar shingles is planning to locate a manufacturing plant in northern Maine that will create 78 new jobs, according to *Bloomberg* Tuesday.

Gov. Paul LePage and Bryan Kirkey, CEO of Ecoshel, announced that the shingle plant will be located at the former Levesque sawmill in Ashland, ME.

Ecoshel has been test-manufacturing its new line of cedar shingle panels for roofing and siding at a facility in Gainesville, GA.

According to a prepared statement, the company decided to build its permanent manufacturing plant in Maine because it is close to an abundant northern white cedar supply and to the country's largest cedar shingle markets, in New England.

Forestry Worker Fatality

The British Columbia Coroners Service has confirmed the identity of a man

who died while working in a logging camp at Kildonan on west Vancouver Island on June 11, 2013.

The man is Stephen Mark Whitmore, aged 46, from Courtenay, BC.

Whitmore was operating a wheel loader at the worksite, when the equipment tipped over. He was deceased at the scene.

The BC Coroners Service and Work-Safe BC are continuing to investigate this death.

Condolences . . .

Madison's extends the deepest sympathy to the family of Sid Neville, 35, of Burns Lake, BC.

Neville is missing and presumed drowned after a storm swamped his boat as he was fishing in the frigid waters of François Lake, 25 kilometres south of Burns Lake on June 7.

He was one of the injured in the blast at the Babine Forest Products sawmill in January, 2011, when two workers died and 18 others were injured.

Neville was in hospital for three weeks being treated for burns he suffered in the tragic explosion and recently underwent another skin graft operation. Just weeks ago, Neville married his long-time sweetheart.

Dozens of searchers looked for him on the cold lake over the weekend, but the search has been scaled back.



US Housing Market

Recovery? Or Delusion?

Dallas Federal Reserve President Richard Fisher's statements a few weeks ago against continued bond buying by the US government sparked a flurry of analysis and opinions. And counter-opinions.

The US central bank is buying US\$85 billion of Treasuries and mortgage-backed

by Kéta Kosman

securities each month in a bid to boost growth and spur hiring by pushing down long-term borrowing costs. Several pundits have been saying for months that the government should stop trying to manipulate the market and allow actual supply-and-demand to set house prices.

"In my view, the housing market is on a self-sustaining path and does not need the same impetus we have been giving it," said Fisher May 16.

While bolstering the sector was critical early on in the economic recovery, Fisher said, he now worries that the Fed's purchases of housing-backed bonds could distort the market and could make it more difficult for the Fed to pare down its balance sheet when the time comes.

Meanwhile, many are sounding warnings that any perceived recovery in US home sales is being driven upward by institutional investors. According to the latest Campbell/Inside Mortgage Finance HousingPulse Tracking Survey, of May 24, investors purchased 69 per cent of damaged properties, or foreclosed properties in need of repair, in April 2013, while first-time home buyers accounted for only 16 per cent of damaged purchases. However the very same report also says that the share of distressed properties in the housing market fell to a three-and-a-half year low in April.

Home purchases involving foreclosed properties or short sales fell to 33 per cent in April, based on a three-month moving average. That was not only down from 35.6 per cent in March, but also a very sharp drop from the 43.6 per cent distressed property market share seen a year ago, said *HousingPulse*.

HousingPulse also found that investors accounted for 21.6 per cent of all home purchase transactions tracked in April, based on a three-month moving average. That was the lowest investor share recorded since November.

Clearly, after so many years of sheer turmoil – first up then way down – the US home sales scenario is not going to suddenly straighten out. Home repossession in the US jumped 11 per cent in

May, after declining for the previous five months, as rising prices and limited inventory for sale across the country spurred banks to complete foreclosures, according to market researcher RealtyTrac Thursday. At the same time though, the number of US properties with foreclosure filings fell 28 per cent in May from a year earlier.

Eric Workman of Illinois-based Mack Cos, which aggregates single-family rental homes and resells them to individuals and institutional investors, said to *Bloomberg* Thursday, "Banks are more willing to move to the final stage of foreclosure because there is sufficient demand and prices are improving."

Suzanne Mistretta, an analyst at Fitch Rating Services, was quoted by the *Wall Street Journal* in the beginning of June as saying, "The [housing price] growth is being propelled by institutional money... The question is how much the change in prices really reflects the market demand, rather than one-off market shifts that may not be around in a couple of years."

As with most things, digging through the varied wisdom can get very confusing. One thing that everyone can agree on, however, is this: first-time home buyers, who are desperately needed in any housing recovery, are missing from the action. This is largely due to continued concern both over unemployment and difficulty in getting credit. Average Americans need to be involved in the US housing market because they provide liquidity and push up consumer spending.

In terms of home-buying financing and mortgages, there might be some ominous signs emerging. Findings released last week by a US congressional committee show government mortgage-insurance agency the Federal Housing Administration (FHA) could face a US\$115 billion shortfall – at least, if the housing market tanks by 20 per cent again, said Gary Gately, Associate Editor at *Money Morning* Wednesday. The figure is so large the FHA has worked to keep it under wraps for as long it could, Gately said.

The FHA doesn't originate mortgages or lend money, but provides government-

backed insurance to lenders against mortgage borrowers defaulting, and has taken on a much bigger role after Fannie Mae and Freddie Mac had to be taken over by the government.

Edward Pinto, a senior research fellow at the American Enterprise Institute think tank and a former chief credit officer for Fannie Mae, told *Money Morning* that under generally accepted accounting principles, the FHA, which now insures over US\$1.1 trillion in mortgage loans, has a net worth of negative US\$27 billion.

"The FHA is a mild to moderate recession away from catastrophic losses – losses that would need to be absorbed by taxpayers," Pinto said. Such losses could total US\$50 billion. The FHA, he says, has "no cash reserves to fall back on to protect the taxpayers, and that is the problem."

The FHA is looking to shore up its finances in the face of a projected shortfall of US\$16.3 billion due, in part, to reverse mortgages that have gone into default. In response to that issue, the US House of Representatives passed a bill Wednesday that would give new authority to the agency to tighten terms for reverse mortgages, where it has faced significant losses.

Yet another indicator may suggest that the US real estate market is indeed improving. More US homeowners emerged from underwater on their mortgages in 1Q 2013 as a recovery in housing lifted prices, a report from CoreLogic showed Wednesday. There were 9.7 million properties underwater – whose owners owed more on the mortgage than the homes were worth – during the quarter, down from 10.5 million in the previous three months, the data analysis firm said. That amounts to 19.8 per cent of all properties with a mortgage, down from 21.7 per cent.

In the past year, 1.7 million borrowers have regained positive equity, the report said. When home prices neared a bottom in late 2011, there were 12.1 million properties that were underwater.

The improvement is due largely to rising home prices, though foreclosures and short sales have also eliminated some underwater households, said CoreLogic.

