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Editor
Kéta Kosman
Market Analyst
Earl Heath



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www.madisonsreport.com
madrep@shawcable.com
604 984-6838

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V6B 3W7 Canada



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News & Updates

Wood Dust Explosiveness

The smallest-sized wet wood dust is just as explosive as dry wood dust, according to a report prepared by FPInnovations for the provincial sawmill sector, said the *Vancouver Sun* Monday.

The surprise finding — which raises questions about the usefulness of misting at sawmills — was part of a first-of-its-kind study in British Columbia ordered after a pair of deadly sawmill explosions in the province last year that killed four workers.

Wood dust suspended in the air was confirmed as the fuel source for the two explosions by WorksafeBC, the province's chief workplace safety agency.

As part of the new study, hundreds of dust samples from 18 sawmills were analyzed, with some samples sent to Chilworth Technologies, a lab in Princeton, NJ, that determines how explosive substances are.

The report has been made widely available through forest industry associations and the United Steelworkers, which helped fund the study. WorkSafeBC is also helping to distribute the report.

Alberta Forest Products Association 2Q 2013

The value of lumber, pulp & paper, and panelboard manufactured by Alberta Forest Products Association member companies totalled approximately \$661 million for 2Q 2013, the agency said Thursday. The value of production was up \$79 million, or 14 per cent, from the same period last year. Compared to 1Q 2013, production values dropped approximately \$10 million, or 1.4 per cent.

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Harmac Sells Power to BC Hydro

The Harmac pulp mill in Nanaimo, BC, has begun feeding power from its new \$45-million electrical generation plant to BC Hydro.

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The Latest US Construction Data and Forecasts

As new building projects in the US slowly sputter back to life, the latest data shows that the looming labour supply shortage may be worse than some had thought.

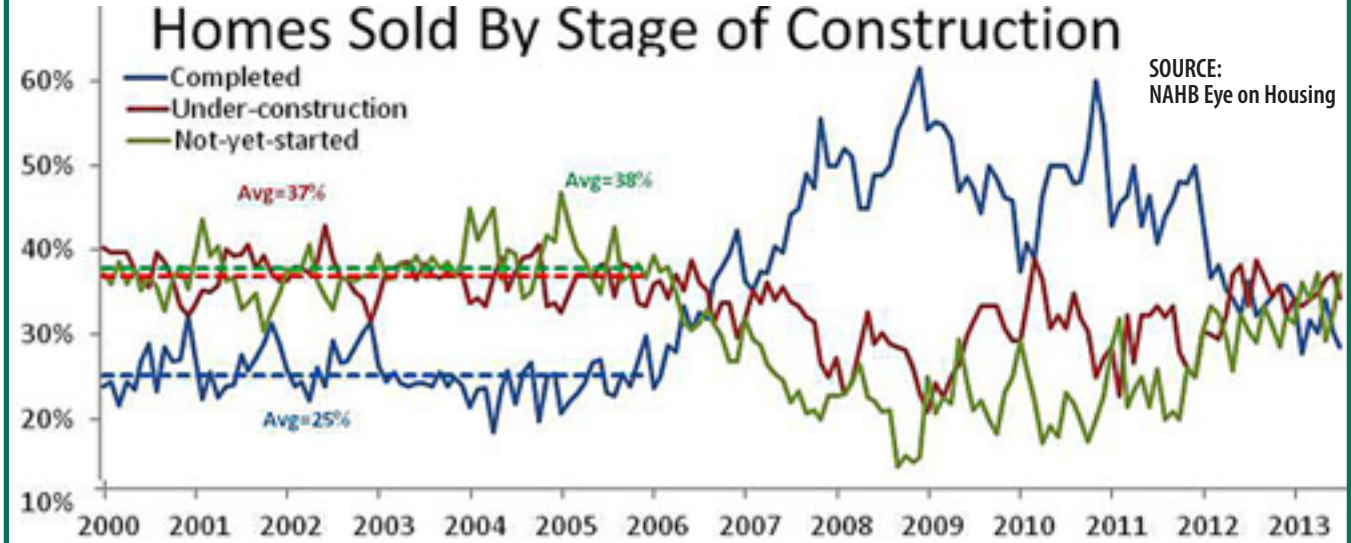
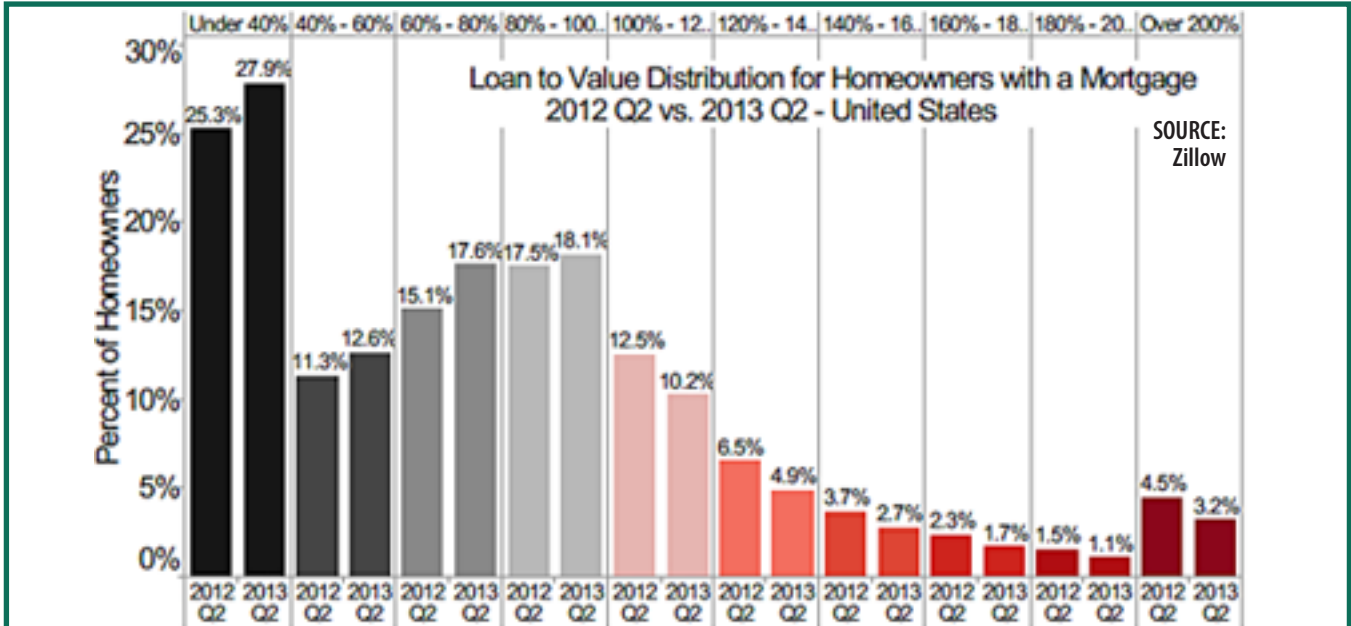
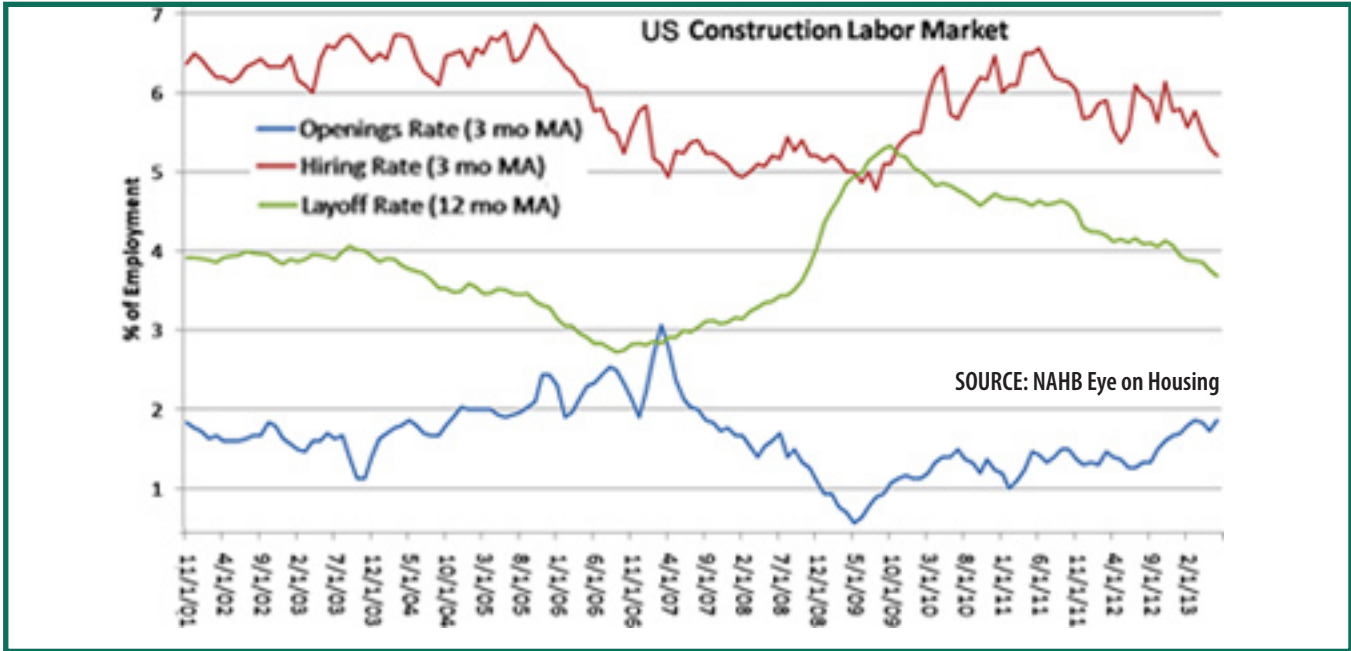
The US Census Bureau reported Wednesday that total construction spending fell 0.6 per cent in June to US\$883.9 billion at a seasonally adjusted annual rate (SAAR), following a 1.3 per cent increase in May. Year-to-date not seasonally adjusted (NSA) construction spending was up 5.1 per cent compared to the same period in 2012. Spending for April was revised up by US\$8.1 billion, and for May by US\$14.5 billion.

Nonresidential building construction dropped 1.7 per cent to US\$286.3 billion (SAAR) in June. Year-to-date spending was down 2.3 per cent (NSA) from the same period in 2012. May construction spending was revised up by US\$6.3 billion, or 2.2 per cent, of the previously reported number. That was enough to swing May from a decrease of 1.5 per cent to an increase of 0.7 per cent.

Total residential construction spending, which includes improvements, edged down 0.1 per cent in June to US\$338.2 billion (SAAR), after jumping 2.8 per cent in May. New residential construction spending, which excludes improvements, fell 1.2 per cent to US\$201.3 billion after advancing 0.9 per cent in May. Year-to-date NSA total residential construction spending was 20.4 per cent higher and new residential construction was 34.5 per cent higher than the same period in 2012.

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Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	328	328	0	324	+4	312	+16
WSPF KD R/L 2x6	312	312	0	304	+8	324	-12
WSPF KD R/L 2x8	318	318	0	310	+8	308	+10
WSPF KD R/L 2x10	400	380	+20	345	+55	360	+40
WSPF KD PET 2x4 Stud	305	310	-5	310	-5	325	-20
WSPF KD PET 2x6 Stud	275	280	-5	280	-5	340	-65
Douglas Fir Green R/L 2x4	310	312	-2	310	0	300	+10
Douglas Fir Green R/L 2x10	410	405	+5	399	+11	300	+110
ESPF KD 2x4 8ft Stud	375	370	+5	380	-5	400	-25
OSB Ontario 7/16" (CDN\$)	230	223	+7	260	-30	347	-117
CSplywood Toronto 3/8" (CDN\$)	390	398	-8	387	+3	441	-51

Weekly News

AFPA 2Q 2013 Results

CONTINUED Alberta Forest Products Association member companies produced 838 million board feet (mmfbm) of lumber in 2Q 2013, with a value of \$290 million. Part of this production came from the secondary manufacturing sector. Total production volumes were up 71 mmfbm, or 9.3 per cent, from 2Q 2012, and values increased \$62 million, or 26.9 per cent. Compared to 1Q 2013, production volumes increased 95 mmfbm, or 12.7 per cent, but weaker prices caused values to decrease by \$2 million, or 0.5 per cent.

AFPA member panelboard operators produced 288 million square feet of 7/16 inch equivalent product in 2Q 2013 valued at \$93 million. Compared to 2Q 2012, production was down approximately 400,000 square feet, or 0.1 per cent, while values increased \$9 million, or 10.5 per cent. In comparison to 1Q 2013, production rose by 10 million square feet, or 3.7 per cent, but values declined by \$7 million, or 6.8 per cent.

Harmac Power Generation

CONTINUED Harmac's electrical generation project marks the final phase of the five-year initiative begun by Nanaimo Forest Products, said the *Nanaimo Daily News* Thursday. Harmac's owners

since 2008, to engage in major projects to upgrade the aging mill's systems and make its operations as green as possible.

Since its takeover by NFP, a four-way partnership that includes Harmac workers and three private partners, the mill has seen investments of more than \$100 million in capital projects through government grants and its own funding to improve efficiencies and reduce its carbon footprint.

Harmac and BC Hydro signed a 15-year agreement last year that will see the mill sell approximately 15 megawatts from the new 25-megawatt plant electrical generation to the Crown corporation, while using the rest to help meet the mill's power demands.

The mill paid for construction of the plant from its own sources, but the project comes on the heels of the completion of other major upgrades and renovations, worth \$27 million, that were paid for from the federal government's Green Transformation Fund.

Carrier's Big River Mill to Restart

A Saskatchewan sawmill that shut down seven years ago is almost ready to open again.

Carrier Forest Products, which purchased the operation in Big River, northeast of Prince Albert, SK, from EACOM Timber in September 2011, has finished

refurbishing the mill. It's also hired 15 employees and plans to eventually expand staff to about 90, the company said Wednesday.

About 200 people lost their jobs when the mill closed in 2006.

Production is expected to start in autumn.

US Negative Home Equity Declines in 2Q

According to the 2Q Zillow Negative Equity Report, the US national negative equity rate continued to fall, dropping to 23.8 per cent of all homeowners with a mortgage, from 25.4 per cent in 1Q 2013. Zillow said Thursday the negative equity rate has been continually falling for the past five quarters, with 2Q 2013 being down significantly from 2Q 2012 at 30.9 per cent – a decrease of more than 7 percentage points. In 2Q 2013, more than 805,000 American homeowners were freed from negative equity. However, more than 12 million homeowners with a mortgage remain underwater. Of all homeowners, 16.7 per cent are underwater, while roughly one-third of homeowners do not have a mortgage and own their homes free and clear.

For Q1, CoreLogic reported there were 9.7 million properties with negative equity, and that will be down further in Q2. CoreLogic will release its Q2 negative equity report in the next couple of weeks.



US Construction

Residential, Non-Res, Commercial, and Jobs

US Labor Department data released Thursday shows construction employment continued its spotty improvement in July as more states posted year-over-year gains, but most states posted decreases compared with June, says the Associated General Contractors of America.

Both the widespread annual gains and monthly losses were consistent with national totals for July. Labor Department data released earlier this month showed construction employment rose 3 per cent from July 2012 to July 2013, but slipped by 0.1 per cent, seasonally adjusted, in the latest month. The largest year-over-year per-

by Kéta Kosman

centage increase in construction jobs occurred in Wyoming, at 16.7 per cent or 3,500 jobs. Texas added the most jobs over the past 12 months, with 33,100 jobs or 5.7 per cent.

The District of Columbia and 13 states lost construction jobs from July 2012 to July 2013.

Only 18 states added construction employees between June and July on a seasonally adjusted basis, while 30 states and DC lost jobs. There was no change in Massachusetts or Texas.

The steepest one-month percentage decline in construction employment occurred in Montana, down 4.1 per cent or 900 jobs. The largest drop in employment for the month occurred in California, down 7,300 jobs or 1.2 per cent.

Association officials said that after years of layoffs and slow demand, many unemployed skilled construction workers had likely either retired or switched industries. They noted that should demand for new construction expand, many firms indicate they are likely to face shortages of available skilled workers.

Elsewhere, Reed Construction Data announced August 21 that the value of July construction starts, excluding residential contracts, jumped 18.3 per cent to US\$21.4 billion after slipping 1.9 per cent in June. Since the starts data are not seasonally adjusted (NSA), caution should be used in analyzing monthly movements, the analyst group said. Year-over-year comparisons are often used, as they reduce or remove much of the seasonal effects. Despite July's sharp improvement over June, starts were down 6.6 per cent compared to July 2012. The year-to-date starts data, which totaled US\$131.5 billion, painted an even gloomier picture—down 19.5 per cent from the same period in 2012.

The value of construction starts each month is summarized from the Reed da-

tabase of all active construction projects in the US, excluding residential construction. Missing project values are estimated with RSMMeans building cost models.

Monthly commercial starts have varied considerably in recent months. In July, commercial starts shot up 26.1 per cent, after plunging 43.8 per cent in June. Year-to-date, commercial starts were down 6.2 per cent from the same period last year. One positive for the group was retail starts, the largest category in the group, which was up 8.8% in July and up 5.5 per cent year-to-date.

Private office starts, the next largest category, although down 21.9 per cent for the month, were up 22.6 per cent from July 2012 and were up 4.1 per cent on a year-to-date basis.

Industrial (manufacturing) building starts continue to exhibit major fluctuations in the monthly numbers. After hurtling 69.4 per cent higher in May and advancing 2.7 per cent in June, manufacturing starts nose-dived 91 per cent in July. Nonetheless, year-to-date starts were up 8.3 per cent from the same period in 2012.

Institutional building starts leapt 37 per cent in July after no change in June. On a year-to-date basis, however, starts were 18.8 per cent lower. Construction activity for the institutional building group has struggled this year. January through June Census Bureau NSA construction spending numbers for the group were down 7.3 per cent from the same period in 2012. The outlook for the group remains poor in the near term, with starts for the largest spending category, schools and colleges, down 24.5 per cent on a year-to-date basis even as July starts spurted 33.8 per cent higher.

Meanwhile, new construction starts are forecast to rise 6 per cent this year, to US\$506 billion, according to the Midyear Update to the 2013 Construction Outlook from McGraw Hill Construction, released August 12. This is the same rate of increase for total construction starts that was predicted last October, and follows the 8 per cent gain that took place in 2012.

Following are the main points by sector for the 2013 construction market from McGraw Hill Construction's Midyear Update :

- Single family housing will advance 28 per cent in dollars, corresponding to a 24 per cent increase in the number of dwelling units to 640,000. The inventory of new homes for sale is currently very low, which should spur more construction, and home prices are heading upward. The recent increase in mortgage rates has raised concern, but rates remain near historic lows and have not significantly affected affordability for most potential homebuyers.

- Multifamily housing will climb 23 per cent in dollars and 20 per cent in units,

helped by the gains reported for occupancies and rents over the past year. Major metropolitan areas such as New York continue to see groundbreaking for large apartment projects, along with the re-emergence of large condominium projects.

- Commercial building will grow 15 per cent, after the 11 per cent increase reported for 2012, although this year's level of activity in dollar terms will still be 39 per cent less than what was reported during the 2007 peak year. The pace of store construction is picking up, joining earlier gains registered by warehouses and hotels. The increase for office construction will remain relatively subdued in 2013, as more privately financed office projects are countered by fewer government office buildings.

- The institutional building market will slide an additional 5 per cent, after falling 10 per cent in 2012. While state fiscal health has shown some improvement, state and local budgets remain tight, further dampening school construction. Uncertainty related to hospital mergers and the implementation of the Affordable Care Act is restraining construction of healthcare facilities.

Housing is recovering and commercial construction is picking up in some markets, stoking demand for construction workers, according to Bloomberg August 23.

While new homes sales fell more than forecast in July, that was probably an immediate response to rising interest rates and will be temporary, said Russell Price, senior economist at Ameriprise Financial Inc. (AMP) in Detroit.

Regional labor shortages have been cited in Federal Reserve Bank Beige Book reports on regional economic situations and in builders' earning calls. In the June Beige Book, the Philadelphia district commented that "builders are facing problems, as the long housing recession has disrupted the supply chain for materials and the pool of skilled workers."

More than half the construction companies surveyed by the National Association of Home Builders said labor constraints over the past six months have caused them to pay higher wages or bids for subcontractors and, consequently, raised prices, the Washington-based group reported in March. Forty-six percent had experienced delays completing projects.

The US lost about 2.1 million construction jobs from December 2007, when the recession began, through January 2011, when industry employment hit its lowest level since 1996.

Some workers who lost jobs may not come back, said Robert Rulla, who focuses on the homebuilding industry as a Chicago-based director at Fitch Inc.

"A certain number of those laborers retired, have left for different jobs," he said. The industry had a 9.1 percent not-seasonally-adjusted unemployment rate in July, down from 12.3 percent a year earlier.

That industry rate is still elevated – it exceeds the national unadjusted average of 7.7 percent – and Jed Kolko, chief economist from real-estate website Trulia Inc. (TRLA), said that indicates local shortages don't persist nationwide. There were 1.7 million fewer people on construction payrolls in July than at the outset of the recession.