

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions

Editor
Kéta Kosman

Market Analyst
Earl Heath

Annual Subscription Prices
E-mail/Fax: C\$389
Discounts available for multiple
subscriptions
Published 50 times a year

www.madisonsreport.com
madrep@shawcable.com
604 984-6838
PO Box 2486 Vancouver, BC
V6B 3W7 Canada

In Canada, add GST or HST
ISSN 0715-5468
Printed in Canada © 2013

All material contained within is the property
of KetaDesign Productions Inc. Reproduction
or retransmission is expressly forbidden.



News & Updates

Seasons Greetings

Another year of timber harvesting, processing, and lumber selling has passed for the North American forest products industry.

We at *Madison's Lumber Reporter* would like to thank all our contacts, sources, and subscribers. Have a great holiday season, and Best Wishes to all in the New Year!

Our next issue will be Friday, January 10, 2014.

Steelworkers Ratify

United Steelworkers members employed by Interior Forest Labour Relations Association (IFLRA) member companies in the BC southern interior have ratified a five-year collective agreement, affecting Ainsworth, Tembec, Tolko, and Weyerhaeuser, among others.

The BC Interior Bargaining Committee will bring the pattern deal to the northern interior when they continue negotiations in the new year with West Fraser and of the Council on Northern Interior Forest Employment Relations (Conifer).

BC Lumber Exports Jan - Oct 2013 Break Records

The value of BC's softwood lumber exports for the first 10 months of 2013 have broken a new record, Forests Minister Steve Thomson announced December 13.

To the end of October 2013, the value of total softwood lumber exports to China reached \$1.17 billion — exceeding the previous record set in 2011 when softwood lumber exports to China totalled \$1.1 billion.

BC's October shipments of lumber to China also broke new records for monthly volume (865,000 cubic metres) and value (\$145.5 million).

[READ MORE](#)

Housing Starts and Home Sales, US

Builders broke ground on more homes in November than at any time in over five years as growing demand helped the industry overcome rising US mortgage rates.

Housing starts jumped 22.7 per cent to a 1.09 million annualized rate, the most since February 2008, data from the Commerce Department showed Wednesday. Permits for future projects held near a five-year high, indicating the pickup will be sustained into 2014.

The housing starts data was the latest indication the economy was strengthening, with employment rising solidly in October and November, and retail sales and industrial production exceeding expectations last month.

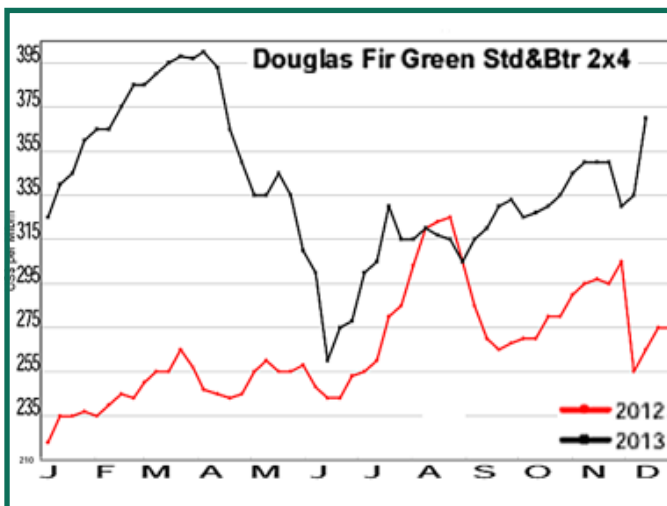
Groundbreaking increased 1.8 per cent in October to an 889,000 unit pace, delayed data revealed in late November.

[READ MORE](#)

Lumber Market 2014 Outlook

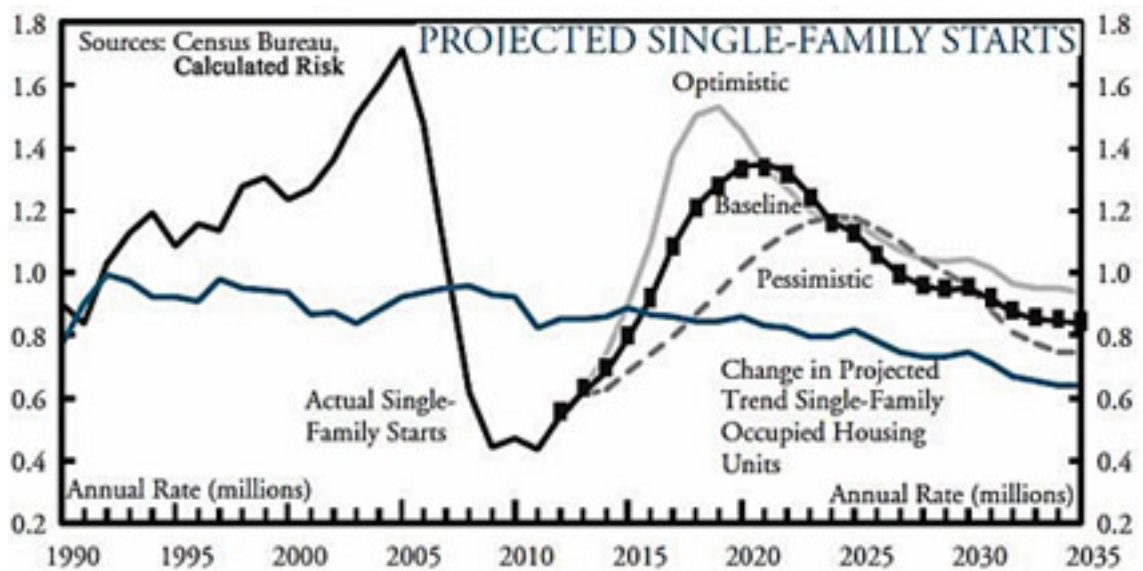
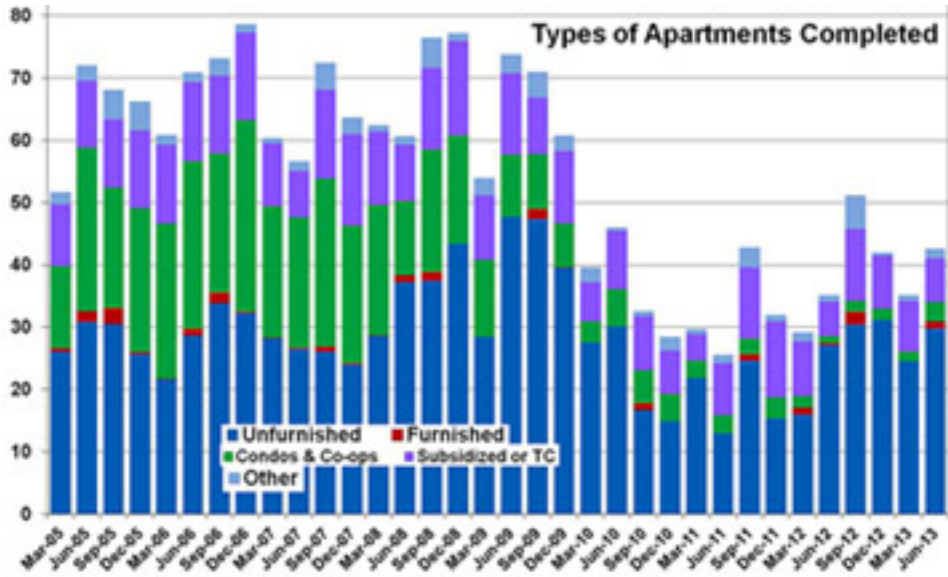
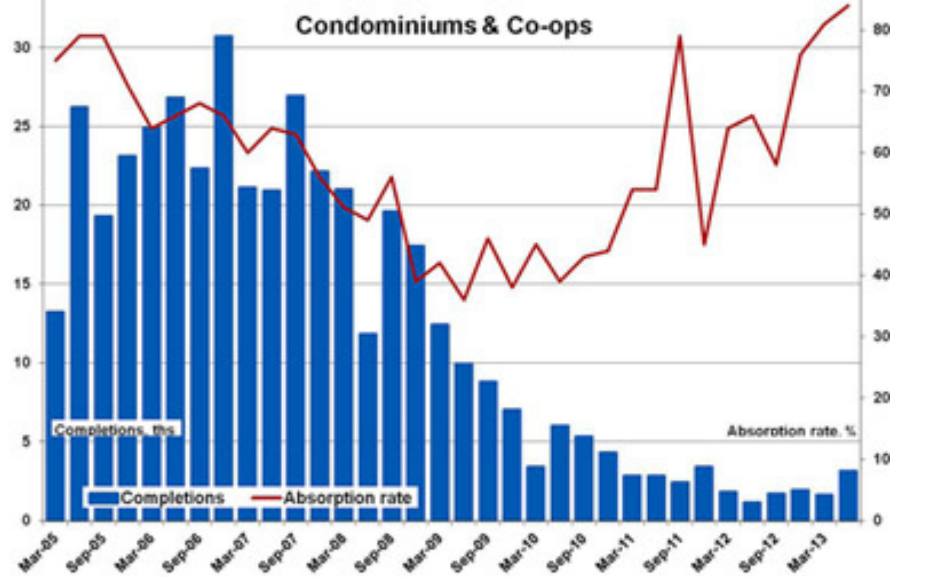
With this year ending on an upward trend for solid wood prices, and demand from the US and Japan resurging even as China keeps buying at steady volumes, 2014 looks to be a good year for the forest products industry.

[READ MORE](#)



U.S. HOUSING STARTS					
	Nov-13	Oct-13		Nov-13	Oct-13
Starts			Permits		
Actual	82,800	77,300	Actual	709,000	903,000
SAAR*	1,091,000	889,000	SAAR*	1,007,000	1,039,000
1 Unit	727,000	602,000	1 Unit	634,000	621,000
2-4 Units	(s)	(s)	2-4 Units	27,000	27,000
5+ Units	354,000	281,000	5+ Units	346,000	391,000
Starts by Region			Permits by Region		
Northeast	84,000	119,000	Northeast	110,000	102,000
Midwest	214,000	151,000	Midwest	161,000	162,000
South	558,000	403,000	South	505,000	543,000
West	235,000	216,000	West	231,000	232,000

*Seasonally adjusted annual rate.



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	372	362	+10	384	-12	390	-18
WSPF KD R/L 2x6	350	340	+10	366	-16	406	-56
WSPF KD R/L 2x8	340	330	+10	354	-14	388	-48
WSPF KD R/L 2x10	432	422	+10	454	-22	405	+26
WSPF KD PET 2x4 Stud	305	290	+15	325	-20	340	-35
WSPF KD PET 2x6 Stud	290	290	0	315	-25	325	-35
Douglas Fir Green R/L 2x4	365	330	+35	345	+20	340	+25
Douglas Fir Green R/L 2x10	500	500	0	545	-45	340	+160
ESPF KD 2x4 8ft Stud	375	370	+5	380	-5	395	-20
OSB Ontario 7/16" (CDN\$)	232	220	+12	230	+2	357	-125
CSplywood Toronto 3/8" (CDN\$)	386	386	0	378	+8	440	-54

Weekly News

Lumber Exports, BC

CONTINUED The value of BC's lumber exports to Japan and the US to the end of October also have surpassed recent years' totals, the BC Ministry of Forests, Lands and Natural Resource Operations said.

Softwood lumber exports to the US are at \$2.13 billion (compared to \$2 billion for all of 2012), and to Japan at \$703 million (compared to \$674 million for all of 2012).

The increase in value reflects both higher shipment volumes to these markets in 2013 as well as increased lumber prices.

US Home Building, Sales

CONTINUED Starts for multi-family homes in the US jumped 26.8 per cent in November, to a 364,000-unit rate.

Multi-family starts have risen strongly through the course of the housing recovery, buoyed by demand for rental apartments as still-high unemployment and stringent lending practices by banks priced potential homeowners out of the market.

While permits to build homes fell 3.1 percent in November to a 1.01 million-unit pace, they were above economists' expectations for a 990,000-unit pace. Permits lead starts by at least a month.

The stock of houses on the market remains lean and the inventory of homes under construction is at a 4-1/2 year low.

In November, permits were weighed down by a 10.8 per cent drop in approvals for the multifamily sector. Permits for single-family homes rose 2.1 per cent.

Meanwhile, previously owned US home sales declined for the third consecutive month in November to the lowest level of the year as rising mortgage rates

and a limited supply of properties discouraged buyers.

Purchases dropped 4.3 per cent to a 4.9 million annual rate, the National Association of Realtors reported Friday in Washington. The group still projects 2013 will be the best year for the industry in seven years, with an estimated 5.1 million properties sold.

Existing-home sales, which are tabulated when a purchase contract closes, are recovering from a 13-year low of 4.11 million in 2008 after reaching a record 7.08 million in 2005.

The median price of an existing home rose 9.4 per cent, to US\$196,300 in November, from US\$179,400 a year earlier, the report showed.

The number of existing properties for sale dropped 0.9 per cent from October to a 2.09 million rate, the fewest since March. At the current pace, it would take 5.1 months to sell those houses, compared to 4.9 months in the previous three months. Inventory was up 5 per cent from a year earlier.

Purchases of single-family homes decreased 3.8 per cent to an annual rate of 4.32 million. The sales pace of multifamily properties including condominiums dropped 7.9 per cent to 580,000.

Canfor Expands

Due to increased global demand for southern yellow pine lumber, Canfor Southern Pine is expanding its existing operations in Darlington County, SC, the company announced Wednesday. The US\$8 million investment is expected to generate 50 new jobs through the addition of a second shift at the manufacturing facility.

Canfor's Darlington facility manufactures southern yellow pine dimension

lumber, primarily used in the construction industry. The investment will be used to upgrade the facility to increase its production while adding a second shift at the plant. The expansion is expected to be completed by 3Q 2014.

Canfor Expands

Due to increased global demand for southern yellow pine lumber, Canfor Southern Pine is expanding its existing operations in Darlington County, SC, the company announced Wednesday. The US\$8 million investment is expected to generate 50 new jobs through the addition of a second shift at the manufacturing facility.

Canfor's Darlington facility manufactures southern yellow pine dimension lumber, primarily used in the construction industry. The investment will be used to upgrade the facility to increase its production while adding a second shift at the plant. The expansion is expected to be completed by 3Q 2014.

Stikine Plans New Mill

Stikine River Forest Products announced Monday evening plans to build a mill in Petersburg, AK, according to the *Petersburg Pilot*.

Owner John Glenn said he has located a piece of property near the airport that exists within industrial zoning and has power and water connections.

Construction of the mill would be done in two phases. Phase one would consist of a full breakdown large mill capable of manufacturing 100,000 board feet per shift. The second phase would consist of a small log processing line that can handle logs within 4 to 16 inch diameters—young growth—which aligns with local forest service management strategies.

Glenn said his mill would produce about 20 million board feet per year.

Lumber Market Outlook

2014

Players not directly involved in forest products jumped for joy this week on seeing US housing starts solidly at more than 1 million annualized for 2013. It is now apparent to all that building in America has

by Kéta Kosman

absolutely recovered from the terrible crash of 2006-

2010. Forest industry players have known the outlook is positive since at least September, so this certainty around economics in general is providing welcome added confidence.

Indeed, it could be said that the US continues somewhat underbuilt and that the lumber and panel supply chain is quite tight for inventory.

Getting a jump on expected higher wood commodity prices next year, Action Floor Systems, out of Mercer, WI, one of the largest suppliers of hardwood maple sports floor systems in the US, announced a price increase of 5-7 per cent on all maple flooring effective December 16, 2013, according to a company press release Wednesday.

"Lumber costs have increased dramatically during the past two years due to constrained supply and greater market demand," Action Floor Systems President Tom Abendroth stated. "Increasing our pricing at this time is necessary to maintain the level of product quality and service our customers expect and to continue our commitments to new product development and sustainable forests."

"If lumber prices continue to rise, and we think they will, additional increases may be necessary" Abendroth noted.

As well, Patty Bédient, Executive VP and CFO at Federal Way, WA's, Weyerhaeuser said in an investor conference call Tuesday, "Housing has started to recover, but we are still very much in the early stages. While the exact shape of the recovery is difficult to predict, there's really no disagreement that the overall direction is up, we believe housing will be very positive going forward."

US housing production rose 22.7 per cent to a seasonally adjusted annual rate of 1.09 million in November, according to extremely delayed figures finally released Wednesday by the US Commerce Department.

Single-family starts posted a 20.8 per cent gain, to a seasonally adjusted annual rate of 727,000 units in November, their fastest rate since December of 2007. Multifamily production was up 26 per cent to 364,000 units. Regionally, combined starts

activity rose 41.7 per cent in the Midwest, 38.5 per cent in the South, and 8.8 per cent in the West, but fell 29.4 per cent in the Northeast.

Overall building permits fell 3.1 per cent to 1,007 million units in November. Despite the modest decline, this was the second month that new permit issuance topped the million mark.

Regionally, total permit issuance increased 7.8 per cent in the Northeast and fell 7 per cent in the South, 0.4 per cent in the West, and 0.6 per cent in the Midwest.

Meanwhile, US homes gained US\$1.9 trillion in total value this year, the biggest jump since 2005, as the real estate market rebounded from the recession, Zillow Inc said also Wednesday.

At the end of 2013, the housing stock will be worth about US\$25.7 tril-

lion, Zillow said in a statement. US homes as a whole lost US\$6.3 trillion in value from 2007 through 2011 and have recovered 44 per cent of that, according to the Seattle, WA-based property-data firm.

Home prices are rising across the US as investors drain markets of inventory and improving employment brings in more buyers. Almost 90 per cent of the 485 metropolitan areas analyzed by Zillow had price gains this year. The total value of the nation's housing stock jumped about 7.9 per cent from 2012, the second straight annual increase, according to the report.

Price increases will slow next year to a pace closer to the historic norm of 3 per cent to 5 per cent.

Other data suggest this slow down might be just around the corner.

Billings at US architecture firms fell in November, according to the American Institute of Architects (AIA) Wednesday.

Billings at architecture firms, tracked by the Work-on-the-Boards survey, fell to 49.8 in November, from 51.6 a month earlier. The inquiry index, which tracks a firm's capacity to take on additional work, slipped to 57.8. A score above 50 indicates an increase in billings, while a reading below 50 indicates a negative outlook.

After six months of steadily increasing demand for design services, the Architecture Billings Index (ABI) paused in November. The AIA reported the November ABI score was 49.8, down from a mark of 51.6 in October. The new projects inquiry index was 57.8, down from the reading of 61.5 the previous month.

Elsewhere, the National Association of Home Builders (NAHB) said Thursday

that rental absorption rates are improving. Absorption rates for new rental and for-sale multifamily units continued to improve during the third quarter of 2013, consistent with the positive trends that been in place since the end of the Great Recession.

According to data from the Survey of Market Absorption of Apartments (SOMA), completions of privately financed, unsubsidized, unfurnished rental apartments were up strongly for the four quarter period ending with the second quarter of 2013. A total of 115,800 such apartments were completed for those four quarters, compared to

82,900 a year earlier.

Non-seasonally adjusted three-month absorption rates (units rented after construction of the property is complete) for 2Q completions (rented during 3Q) increased to 71 per cent, from 62 per cent a quarter prior. Absorption rates for rental apartments

have been generally rising since late 2008 as rental demand increased as a result of the housing downturn.

This after Rick Judson, chair of the National Association of Home Builders (NAHB) and a home builder and developer from Charlotte, NC, issued a warning December 6 about rental affordability. Mortgage costs remain historically low and payroll gains make prospective buyers more confident, he said.

The Harvard Joint Center for Housing estimates that the US requires between 1.6 million to 1.9 million starts just to accommodate population growth and new households.

"A report released today by the Harvard Joint Center for Housing Studies highlights serious affordability problems for many of America's renter households, and NAHB supports many of the policy initiatives outlined in the study to meet this ongoing challenge," said Judson's post on the NAHB blog. "Of primary importance, efforts to reform the housing finance system must include a federal backstop to maintain broad liquidity during all economic cycles and ensure that rental housing can continue to be built and preserved. The report affirms this strategy by stating that 'what is most important is that reform efforts do not lose sight of the critical federal role in ensuring the availability of multifamily financing to help maintain rental affordability, as well as in supporting the market more broadly during economic downturns.'

"We applaud the Joint Center for drawing attention to these critical issues and the important role of the rental housing market to the housing industry."

" Housing has started to recover. While the exact shape of the recovery is difficult to predict, there's really no disagreement that the overall direction is up, we believe housing will be very positive going forward. "