

MADISON'S LUMBER REPORTER



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News & Updates

CN to Resolve BC Rail Car Backlog

Canadian National Railway said this week it's alleviating a shortage of rail capacity for lumber shipments in British Columbia.

The largest Canadian railroad's ability to move wood products is gradually catching up with demand following extreme winter conditions in North America this year, Emily Hamer, a Vancouver-based CN spokesperson, said Thursday in a phone interview with Bloomberg.

While a lack of rail capacity has caused lumber shipments to pile up since January, delays worsened last month because of a labour dispute involving truckers that service Port Metro Vancouver, said Peter Novak, manager of lumber sales at BC sawmill operator Dunkley Lumber Ltd.

"Every winter there are interruptions in service because of the cold, but it's never been this protracted," Novak said.

Novak said Canadian National is now supplying his mill with about half of the specialized cars it needs to meet customer demand for lumber, up from about 40 per cent two weeks ago.

"It's definitely a bit of relief, but we're not there yet," he said to Bloomberg. "We're cautiously optimistic we'll be back to normal by mid May."

US Housing Starts

US housing starts rose less than expected in March and building permits fell, pointing to underlying weakness in the housing market that could persist despite better weather.

The Commerce Department said on Wednesday groundbreaking increased 2.8 per cent to a seasonally adjusted annual rate of 946,000.

February's starts were revised to show a 1.9 per cent rise rather than the previously reported 0.2 per cent fall. Economists polled by Reuters had expected starts to rise to a 973,000-unit rate last month.

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Oregon Timber Revenue

Eighteen western Oregon counties received US\$39.6 million in another set of one-time federal payments for lands once owned by the Oregon & California Railroad, according to the Statesman Journal Thursday.

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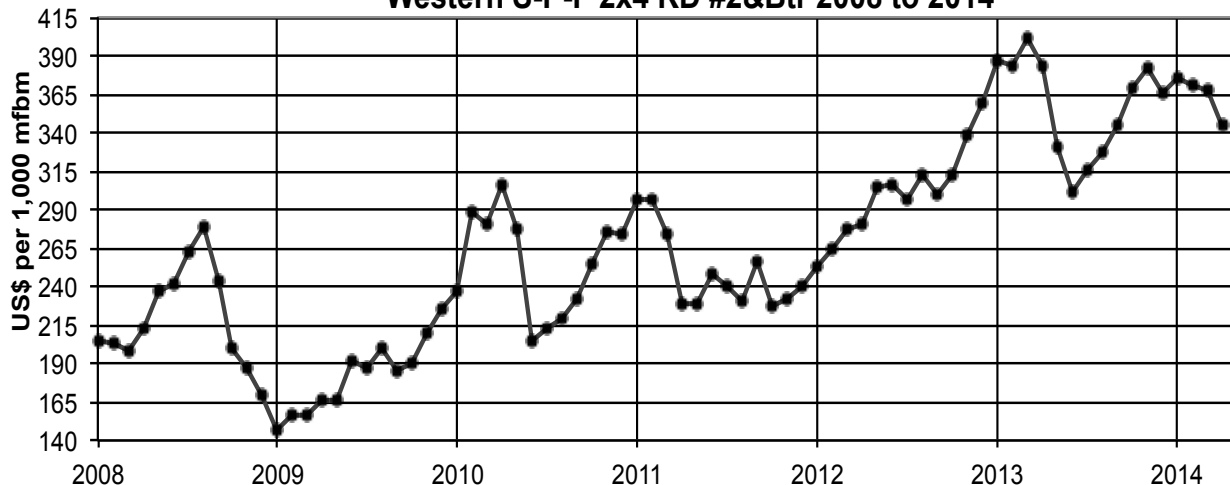
Real Estate Activity, US

A report April 11 from Zelman & Associates said it the analyst firm now expected a 5 per cent drop in sales of previously owned homes in America for 2014, to a seasonally adjusted annual level of 4.8 million units. At the start of this year, the firm had forecast nearly a 6 per cent gain from last year to 5.4 million, from last year's 5.1 million units.

The forecast calls for sales to increase modestly in 2015 and 2016, to 4.9 and 5 million units respectively, down from earlier forecasts of 5.7 and 5.9 million units.

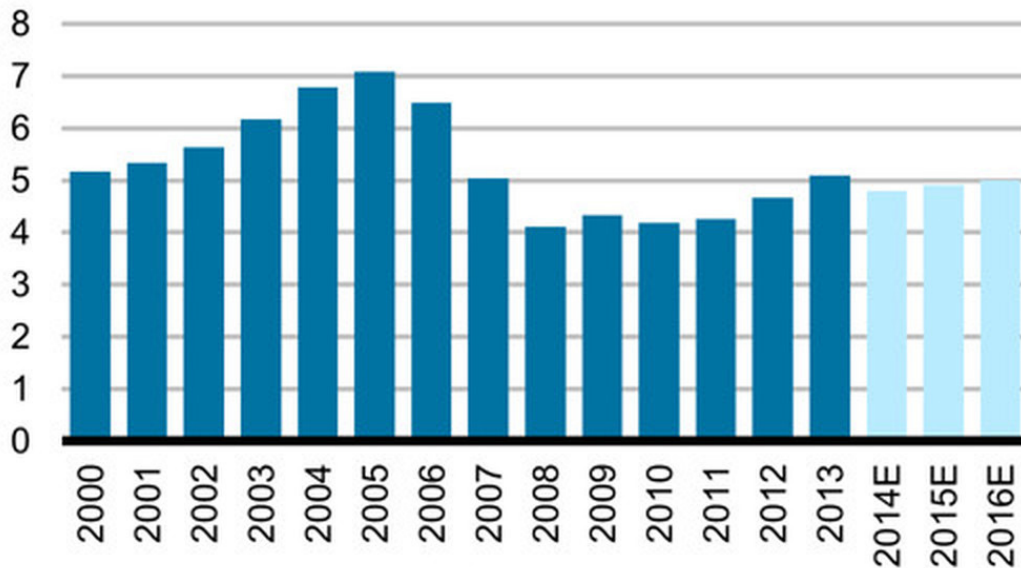
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Western S-P-F 2x4 KD #2&Btr 2008 to 2014



Flattening Out

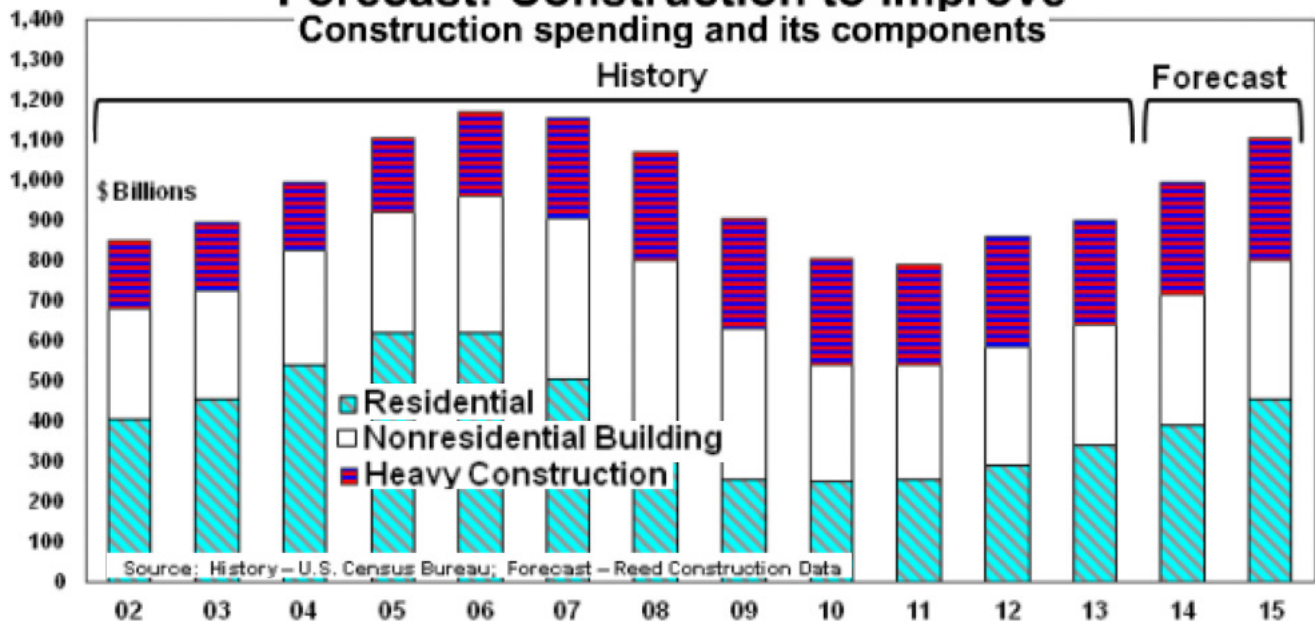
Annual sales of previously owned homes, in millions



Source: National Association of Realtors, Zelman & Associates (forecast) | WSJ.com

Forecast: Construction to improve

Construction spending and its components



Source: History - U.S. Census Bureau; Forecast - Reed Construction Data

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	335	344	-9	368	-33	388	-53
WSPF KD R/L 2x6	320	332	-12	354	-34	375	-55
WSPF KD R/L 2x8	340	338	+2	338	+2	362	-22
WSPF KD R/L 2x10	385	376	+9	400	-15	390	-5
WSPF KD PET 2x4 Stud	310	330	-20	350	-40	435	-125
WSPF KD PET 2x6 Stud	290	290	0	305	-15	435	-145
Douglas Fir Green R/L 2x4	335	330	+5	360	-25	360	-25
Douglas Fir Green R/L 2x10	388	388	0	427	-39	395	-7
ESPF KD 2x4 8ft Stud	380	395	-15	400	-20	495	-115
OSB Ontario 7/16" (CDN\$)	220	220	0	225	-5	390	-170
CSplywood Toronto 3/8" (CDN\$)	382	390	-8	370	+12	380	+2

Weekly News

Housing Starts, US

CONT'D FROM PG 2 Ground-breaking for single-family homes, the largest segment of the market, surged 6 per cent to a 635,000-unit pace last month. Starts for the volatile multi-family homes segment fell 3.1 per cent to a 311,000-unit rate.

That was the lowest level since last October.

Permits to build homes fell 2.4 per cent in March to a 990,000-unit pace. Permits for single-family homes rose 0.5 per cent but fell 6.4 per cent for the multi-family sector.

But other figures indicated the recovery remains dicey despite the onset of spring. Compared with a year earlier, housing starts were down 5.9 per cent in March. And building permits, a bellwether of future construction, declined 2.4 per cent in March from the prior month to a pace of 990,000, marking the fourth drop in five months.

Timber Revenue, Oregon

CONT'D FROM PG 2 The release was announced by the Bureau of Land Management, which oversees most of those lands. The Forest Service released US\$68 million in payments to 33 Oregon counties earlier this month.

Together the Oregon counties will share \$107 million in payments as part of another one-year extension of the Secure Rural Schools Act, which provided a total of US\$329 million to 700 counties across the nation this year.

No breakdown by county was available immediately from BLM. Last year, the 18 counties shared US\$37.9 million paid out in two installments. Polk County got US\$898,016 of that total, and Marion County US\$518,109.

Still in Oregon, the state will consider selling the whole Elliott State Forest, where legal battles over logging and protections for threatened species have reduced revenues for schools, said OregonLive April 11.

Jim Paul, assistant director of the Department of State Lands, said Friday the forest has turned from an asset into a liability, costing the Common School fund US\$3 million last year. He says the state has a responsibility to see if it can turn that around.

He adds that selling off the whole forest, whether to a timber company or conservation groups, is just one in a spectrum of possibilities that will be examined by department staff in coming months so the State Lands Board can make a decision.

The evaluation was reported Thursday by The News-Review newspaper in Roseburg, where Paul described the action at a meeting.

The Elliott covers about 90,000 acres north of Coos Bay. It includes some of the last older forest in the Coast Range, where most forests are privately owned and heavily logged. As the state has tried to increase harvest levels in recent years to meet local demands for logs and revenue, it has run into difficulties meeting federal requirements to protect habitat for threatened northern spotted owls, marbled murrelets, and coho salmon.

BC College Receives Funding

The College of New Caledonia received its largest-ever grant Thursday, according to the Prince George Citizen.

Natural Sciences and Engineering Research Council of Canada has given the college \$1.88 million and the CNC Research Forestry Society has given \$200,000 to research innovations in the forestry industry.

The college will work with key players in the forest industry on industry advancements.

L and S Lumber Closes

A long time Nova Scotia sawmill has shut its doors, according to Atlantic Farm Focus Thursday.

L and S Lumber in Caledonia, once known as NF Douglas Lumber, ceased operations April 7.

The sawmill has many years of history behind it, operating formerly as the NF Douglas sawmill from the late 1800's until it was sold in a few years ago.

The mill employed upwards of 40 people in the early 2000's, but that was down to less than a dozen when it closed.

Calendar

May 2014

27th Annual Global Forest & Paper Industry Conference
 May 6, 2014 – Vancouver BC
<http://www.pwc.com/ca/en/forest-paper-packaging/annual-global-forest-paper-industry-conference.jhtml>

US Real Estate Home Sales, Inventory

CONT'D Forecasts for new home sales suggest 505,000 units this year, up 17 per cent from last year. The firm's estimates of new home construction were mostly unchanged.

Part of the reason for the reduction is a hit from higher mortgage rates last summer, which combined with rising prices led to a slowdown in demand last autumn that has carried over into the 1Q.

As well, large declines in the supply of foreclosed and other distressed homes for sale mean that there's less to buy, holding back re-sales, said the report. The housing rebound that took hold over the last two years came largely as bargain seekers — investors and traditional owners alike — took advantage of low prices on discounted homes.

Zelman estimates that the supply of bank-owned homes and other distressed homes for sale is down by nearly 20 per cent from a year earlier, which could cut around three to four percentage points from annual growth in existing home sales.

Overall, housing's contribution to the US economy is still expected to increase 15 per cent this year, down only slightly from the firm's earlier forecast of 17 per cent growth, a drop attributed to the reduced existing home sales forecast. So far, home prices have held up, which is a sign that "a lack of inventory is at least partly responsible for the weaker unit numbers," the report said.

As if in confirmation, RealtyTrac Thursday released its US Home Equity & Underwater Report for 1Q 2014, which shows that 9.1 million US residential properties were seriously underwater — where the combined loan amount secured by the property is at least 25 per cent higher than the property's estimated market value — representing 17 per cent of all properties with a mortgage in the 1Q.

The 1Q negative equity numbers were down to the lowest level since RealtyTrac began reporting negative equity in 1Q 2012. In 4Q 2013, 9.3 million residential properties, representing 19 per cent of all properties with a mortgage, were seriously underwater and in 1Q 2013 that figure was 10.9 million residential properties, representing 26 per cent of all properties with a mortgage. The recent peak in negative equity was 2Q 2012, when 12.8 million US

residential properties, representing 29 per cent of all properties with a mortgage, were seriously underwater.

Fewer distressed properties had negative equity in 1Q, with 45 per cent of all properties in the foreclosure process seriously underwater — down from 48 per cent in 4Q 2013 and down from 58 per cent in 1Q 2013.

Another 8.5 million properties were on the verge of resurfacing in 1Q, with between 10 per cent negative equity and 10 per cent positive equity. This segment represented 16 per cent of all properties with a mortgage in 1Q. That was compared to 8.3 million properties representing 17 per cent of all properties with a mortgage in 4Q 2013.

Conversely, the share of foreclosures with positive equity increased to 35 per cent in 1Q, up from 31 per cent in 4Q and up from 24 per cent in 3Q 2013.

"US homeowners are continuing to recover equity lost during the Great Recession, but the pace of that recovering equity slowed in the first quarter, corresponding to slowing home price appreciation," said Daren Blomquist, vice president at RealtyTrac. "Slower price appreciation means the 9 million homeowners seriously underwater could still have a long road back to positive equity."

Elsewhere, realtors told MNI News Thursday that in some markets, tight inventory over the past year has driven prices high enough to return homeowners with negative equity back to positive territory, and that's nudging market supply a little higher. In others, would-be sellers fear they will not be able to find a replacement home, so they are sitting on the sidelines for now.

Some markets have seen new contracts rise a bit in March, but the number of sales that closed in the month was down, as harsh weather clipped listing and hunting activity in January and February, agents said.

Prices are closing in on their pre-recession peak, according to MNI News. Many listings are selling at asking price or a little above.

A real estate broker who manages a team of 186 agents in the St. Louis, MO, area said his March closings and revenues posted 15 per cent lower than a year ago, but new contracts climbed 7 per cent.

For its part, Alex Carrick of Reed Construction Data said also Thursday that according to the housing price index calculated by the Federal Housing Finance Agency (FHFA) — based on homes with mortgages backed by Fannie Mae and Freddie Mac — current home prices are on a par with May 2005.

The FHFA's index is up 7.4 per cent year over year, but still 8 per cent below its April 2007 peak, said Carrick.

S&P Case-Shiller's 10-city and 20-city composite indices are clawing their ways out of nearly bottomless pits, but they are only back to mid-2004 levels.

The National Association of Realtors (NAR) — the third major source of US existing home prices — is reporting a 9.1 per cent increase in median values this year.

In its latest March release, the NAR further points out that the recovery in US home prices over the past three years has restored US\$4 trillion in wealth to American home owners, explained Carrick.

by Kéta Kosman

