

MADISON'S LUMBER REPORTER

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News & Updates

1Q 2014 Forest Company Results

North American forest products companies reporting 1Q 2014 results so far this year include: Canfor, Norbord, Stella Jones, and Catalyst Paper.

Canfor, out of Vancouver, BC, April 29 reported adjusted net income of attributable to shareholders of \$45.5 million, or 33 cents per share in 1Q. That compares to \$61.9 million, or 43 cents per share, in the same quarter a year earlier.

The company said lumber shipments were down 16 per cent and pulp shipments were down 22 per cent from the previous quarter due to transportation challenges, while lumber production was up three per cent.

Toronto, ON's, Norbord reported May 2 a steep drop in first-quarter earnings to US\$7 million, saying severe winter weather held back the construction of new homes in North America.

The wood panel producer earned 13 cents per share, down from US\$67 million, or US\$1.51 per share, in the same quarter last year.

The company said the North Central OSB benchmark price averaged \$219 per thousand square feet, compared with \$245 in the previous quarter and \$417 in the same quarter last year. **CONT'D PAGE 7**

US 1Q 2014 Homes Sales 43 Per Cent All-Cash

All-cash purchases accounted for almost 43 per cent of all sales of US residential property in 1Q 2014, up from almost 38 per cent in the previous quarter and 19 per cent in 1Q 2013, according to data released Thursday from real-estate data firm RealtyTrac.

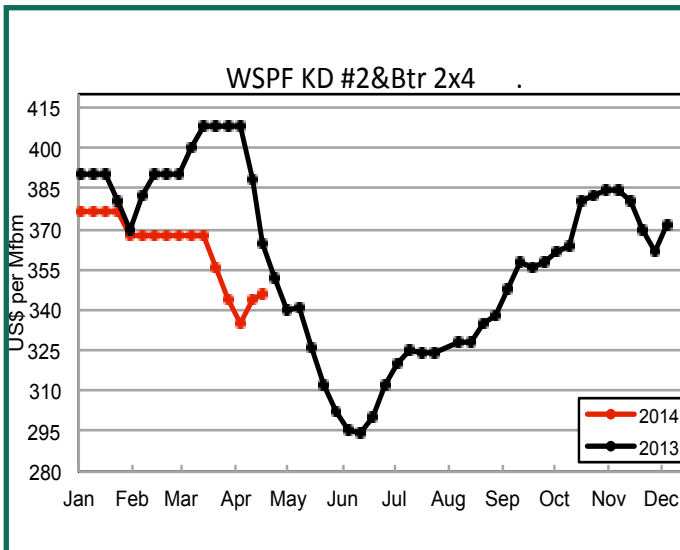
Institutional investors — people or companies that have purchased at least 10 properties in a calendar year — appear to be gradually pulling out of the housing market. Investors accounted for 5.6 per cent of all US residential sales in 1Q, down from 6.8 per cent in 4Q 2013 and 7 per cent in 1Q 2013. But while the share of institutional investor buyers declined in 18 of the top 20 markets for institutional investors, home prices continued to appreciate in most of those markets, although at a slower pace. **CONT'D PAGE 7**

Current Construction Labour Shortage: US

US markets grappling with labour shortages for construction projects include Denver, CO, most Texas markets, Minneapolis and Oklahoma, which like Denver, are losing many workers to the oil and gas fields, according to the Wall Street Journal May 1. Builders in South Florida and Charlotte, NC, are having difficulty staffing their construction jobs, too. **CONT'D PAGE 2**

Cross-Laminated Timber and Glulam

An impressive mass timber building project is going up in Sydney, Australia, after the successful completion of the Forté apartment project in Melbourne. **CONT'D PAGE 9**



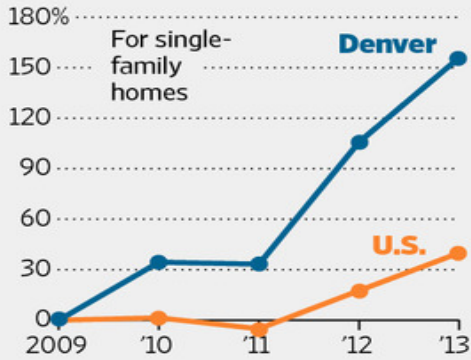
CANADIAN HOUSING STARTS				
Actual and Seasonally Adjusted Annual Rates				
	April 2014		March 2014	
	Actual	SAAR	Actual	SAAR
Canada, all areas	17,124	194,809	10,781	156,592
singles, urban centres	5,272	59,180	3,303	55,583
rural areas	1,634	18,017	762	13,961
multiples	10,218	117,612	6,716	87,048
Atlantic urban centres		3,264		3,881
Quebec urban centres		33,101		30,859
Ontario urban centres		62,627		37,126
Prairie urban centres		52,824		44,470
BC urban centres		24,976		26,295

Source: Canada Mortgage and Housing Corporation

Recovery Under Construction

Home builders have been seeking permits at an increasing pace amid a supply crunch. But costly labor has helped boost home prices, which could weigh on new-home sales.

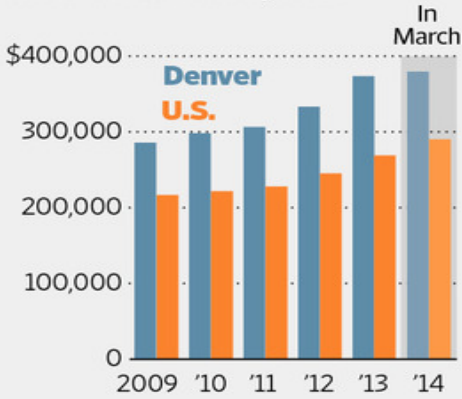
Change in the number of building permits issued



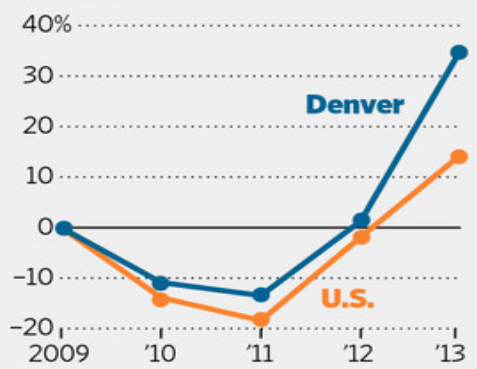
Hourly wages, change from a year earlier*



Median new-home prices



Change in the number of new-home sales



*Seasonally adjusted at an annual rate

Sources: U.S. Census Bureau; John Burns Real Estate Consulting; U.S. Labor Department
The Wall Street Journal

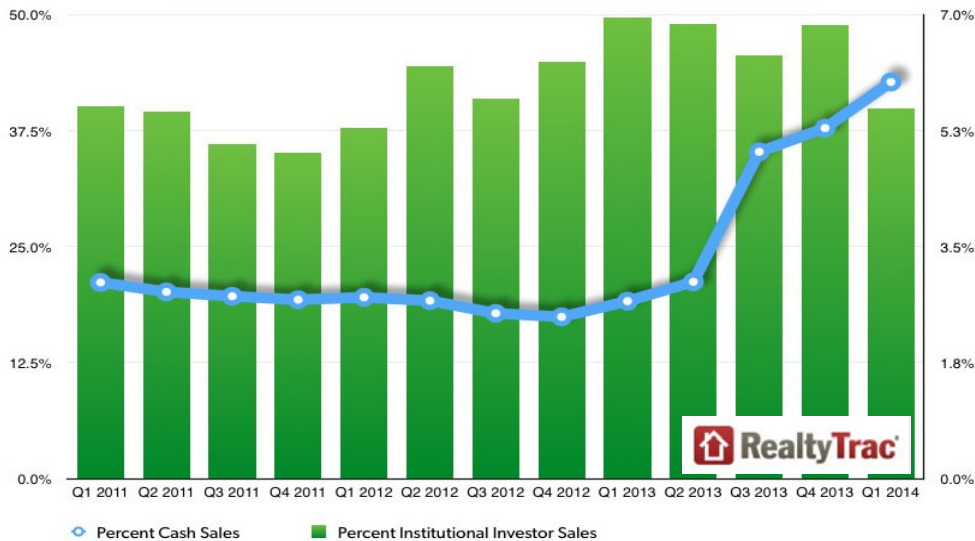
Construction Employee Shortage

Home builders in the Denver area constructed 6,700 homes last year, up from a nadir of 3,200 in 2009, according to the Home Builders Association of Metro Denver. Still, that's below the peak of 20,000 permits in 2005.

Few areas have been hit as hard by the labor shortages as Denver, where the median price of a new home registered US\$373,605 last year, up 22 per cent from the 2011 median, according to John Burns Real Estate Consulting Inc. in Irvine, CA. Nationally, the median new-home price was US\$268,900 last year, up 18.4 per cent from 2011, according to the US Census Bureau.

Nationally, wages for construction workers are rising at nearly three times the rate for all workers, increasing by 6.3 per cent in February from a year earlier, according to the US Department of Labor. In comparison, the increase across all industries averaged 2.2 per cent in that span.

U.S. Institutional Investor and Cash Sales



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	346	344	+2	344	+2	340	+6
WSPF KD R/L 2x6	332	332	0	332	0	340	-8
WSPF KD R/L 2x8	342	338	+4	338	+4	326	+16
WSPF KD R/L 2x10	380	370	+10	376	+4	355	+25
WSPF KD PET 2x4 Stud	315	315	0	330	-15	340	-25
WSPF KD PET 2x6 Stud	295	295	0	290	+5	360	-65
Douglas Fir Green R/L 2x4	332	342	-10	330	+2	330	+2
Douglas Fir Green R/L 2x10	380	380	0	388	-8	380	0
ESPF KD 2x4 8ft Stud	405	395	+10	395	+10	465	-60
OSB Ontario 7/16" (CDN\$)	240	225	+15	220	+20	363	-123
CSplywood Toronto 3/8" (CDN\$)	390	378	+12	390	0	359	+31

Weekly News

1Q Forest Company Results

CONT'D FROM PG 2 Stella-Jones, based in Montreal, QC, posted its quarterly earnings results on May 5. The company reported \$0.33 EPS for the quarter.

Sales in the residential lumber category totalled \$17.3 million, versus \$17.9 million a year ago, mainly reflecting less favourable weather in Canada. Industrial product sales reached \$15.8 million, compared with \$11.9 million last year due to the contribution of the PWP assets. Finally, non-pole-quality log sales amounted to \$8.3 million, up from \$5.5 million a year ago, as a result of the timing of timber harvesting.

Operating income rose 17.1 per cent to \$34.7 million, or 13.5 per cent of sales, versus \$29.7 million, or 13.3 per cent of sales, last year.

Catalyst Paper, out of Richmond, BC, recorded EBITDA of \$25.7 million compared to \$19.1 million in 4Q 2013. Production volumes were more than 2 per cent higher than the prior year average. Sales of \$273.9 million were negatively impacted by 8,000 tonnes of paper that were not shipped in the quarter due to the extended container truck driver strike at Port Metro Vancouver.

Catalyst recorded net earnings before specific items of \$6.5 million (\$0.45 per common share) in 1Q compared to \$1.7 million (\$0.12 per common share) the previous quarter. Prior quarter results reflected an \$86.9 million non-cash impairment adjustment.

Free cash flow improved by \$5.7 million over the previous quarter to \$11.6 million. Liquidity improved by \$15.6 million to \$138.2 million, net of restricted cash.

All-Cash Home Sales US

CONT'D FROM PG 2 "Strict lending standards combined with low inventory continue to give the advantage to investors and other cash buyers in this housing market," said Daren Blomquist, vice president at Realty-Trac.

Investor diversity may be nice, but some analysts warn the sheer volume of investor purchases – be they institutional or bottom feeders – is a problem.

In the pre-meltdown market, about 85 per cent of home sales were individuals purchasing with a mortgage, about 10 per cent were all-cash sales, and about 3-5 per cent were distressed sales.

Not everyone agrees that the housing market is so reliant on cash. The National Association of Realtors says its data suggests the rate of cash sales is lower and on the decline. All-cash sales comprised 33 per cent of transactions in March versus 35 per cent in February and 30 per cent in March 2013, according to data released last month.

Individual investors purchased 17 per cent of homes in March, down from 21 per cent in February and 19 per cent in March 2013, the NAR found. But existing home sales were flat in March, the report found.

Interfor Announces . . .

Vancouver, BC's, Interfor Corporation announced Thursday that shareholders have approved proposals to change the Company's name to Interfor Corporation from International Forest Products Limited, and to simplify the Company's share structure.

The new name is a direct link to the Company's traditional trade name, and is consistent with the formal names of its US subsidiaries, said the company announcement.

BC Invests

The Government of British Columbia's has contributed \$2.25 million to cellulose filaments (CF) research. The investment will be used as part of an existing R&D program focused on non-traditional applications of cellulose filament (CF) that are of interest to, and most beneficial to BC.

FPIinnovations' cellulose filament research and innovation project is the subject of investments to date totalling \$43.1 million, including funding from federal government, BC, Quebec, and industry.

Cellulose filaments a flexible, wood-fibre-based additive that can be readily mixed with other materials to improve the quality of a range of products. It is fully recyclable, environmentally friendly and compatible with water-based products like wood pulps.

CF has immediate applications to the province's pulp and paper industry where it could be used in stronger and less-expensive products like newsprint, packaging, tissues, and paper towels.

Calendar

May 2014

Quebec Forest Industry Council (QFIC) Annual Convention
May 14 to 15, 2014 – Quebec, QC
<http://www.cifq.com/en/news-and-events/events/2014-annual-convention>

Mass Timber Building CLT and Engineered Wood

Following the success of Australia's tallest fully timber residential tower, the Forté apartment complex in Melbourne's Docklands by Lend Lease last year, comes that nation's tallest timber commercial building. To be located on Sussex Street in Sydney's central business district, the seven storey building is designed by Fitzpatrick + Partners and delivered by Lend Lease.

The timber-framed building will predominantly be constructed with glulam, or glued laminated timber.

Glulam is typically made from plantation softwoods such as Spruce in Austria, or Radiata Pine in Australia and New Zealand.

Allowing larger pieces of timber to be produced than otherwise possible with traditional solid sawn timber, glulam is stronger and lighter than solid timber, but comparable in strength to steel. The laminates are dressed to exact and uniform thickness before gluing, and are clamped together under constant pressure until the glue has dried.

The layers of glue help with the protection of the timber by creating barriers that prevent moisture.

After completion of its Forté building, Lend Lease indicated it intended to make greater use of cross-laminated timber (CLT) on its multi-residential projects.

In an address to an Australian Property Council industry event last year, company business manager for CLT-development Andrew Nieland described engineered timbers as being what the 21st century was all about and said use of CLT on Forté had cut construction time by up to four months, reduced projected CO2 emissions on the building by around 1,400 tonnes and most importantly, had delivered a cleaner and safer work site.

Frame Australia, organizer of the Prefab Timber and Engineered Wood in Building Construction Conference, says a trend toward increasing use of engineered timber products has taken hold in Europe and North America, according to SourceAble.net Wednesday. The trend started in Australia with the construction of the Forté apartment.

Frame Australia also notes that while pre-fabricated trusses and frames remain the most common timber building system, use of complete floor cas-

ettes and panelized walls is growing.

The Fitzpatrick + Partners design is for a multi-storey, A-grade CBD office building entirely from timber. The firm has dedicated significant research and development to timber applications over the last few years, including visiting timber factories, construction sites and buildings around the world, said Architecture and Design Thursday.

For multistorey buildings, CLT construction solves the problems associated with conventional wood-frame construction. Individual CLT panels of single-storey height are assembled in a factory, providing computerized accuracy. Window and door openings are pre-cut. Other units can be stacked and fastened on top of the first, allowing multiple storeys to be lifted into position with a crane.

CLT beams have strength comparable to steel. As for fire hazard, the interior panels are usually covered with a layer of fire-resistant gypsum. Materials resistant to flame may also cover the exterior wood surfaces. Cross-laminated timbers are reportedly safer in a fire than steel. Thick wood beams char on the outside, providing resistance to deeper burning, while extreme heat causes steel to bend and collapse.

Steel and concrete require far more energy to produce than wood and the production generates massive quantities of carbon dioxide – aka, greenhouse gas. While some carbon dioxide is created during logging and lumbering operations, a tree's growth depends on and "absorbs" carbon dioxide from the air during its growth cycle.

CLT construction results in a lighter building and thus requires less concrete for a foundation. Other cost savings have added up to an average price reduction of about 15 percent. In addition to wood construction being environmentally friendlier than steel and concrete, it has far better insulating qualities than the other two, resulting in lower heating and cooling costs.

Still in Australia, a new plywood bridge deck system, branded Bridgeply, has been found for replacing about 30,000 timber bridges that are currently deemed unsafe.

Until now councils have been relying on steel or concrete alternatives to replace and repair their timber bridges, which come at a significantly increased cost, according to Info Link, also Thursday.

Launched recently by Australian timber specialist and major plywood manufacturer, Big River Group, Bridgeply is an engineered substitute

for traditional hardwood decking. Bridgeply can effectively extend the safety, lifespan and capacity of ageing timber bridges with considerable cost saving and at a significantly reduced rate of construction.

Manufactured from sustainable timbers, Bridgeply plywood bridge deck systems serve as a replacement for bridge decking where suitable lengths of solid hardwood timber are not available. Maintaining a width of 1200mm, lengths and thicknesses can be made to meet specifications offering great flexibility in design. Particularly effective for smaller bridges, Bridgeply is cross-laminated to ensure even distribution of longitudinal and lateral stiffness.

Bridgeply plywood bridge deck systems are lighter in mass than concrete and steel and therefore easier to manoeuvre and use, and are compatible with a variety of support structures.

In America, the White House Rural Council in Washington, DC, promotes economic opportunity in rural America and, along with the US Department of Agriculture, issued a directive to 80 wood-products representatives to pursue sustainable building, research, advanced product manufacturing, and state and local policy initiatives to advance wood construction.

SmartLam, out of Columbia Falls, MT, is the only manufacturer of cross-laminated timber, or mass timber, in the US. The unique product was the centre of conversation at the workshop, but very few knew that the product is being manufactured in the US, said SmartLam general manager Casey Malmquist to the Hungry Horse News May 2. Europe has been the leader in cross-laminated timber manufacturing.

SmartLam began producing the engineered wood product at the Western Building Center site in Columbia Falls last year. The company found an immediate niche in mats for heavy equipment in North Dakota and Texas oil fields. But a big drawback as a "first generation" plant is that manufacturing is largely done by hand, Malmquist said.

The plant currently produces 100,000 board-feet of mass timber each month, but the addition of another lamination press and a 12-ton computer numerical control machine will double production.

Malmquist's construction company has been busy in the Bakken oil patch, building 56 homes, 44 townhouses and two 24-unit apartment complexes in Williston, ND.