

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions

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

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PO Box 2486 Vancouver, BC
V6B 3W7 Canada

In Canada, add GST or HST
ISSN 0715-5468

Printed in Canada © 2014

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News & Updates

Madison's Employment Listings

As part of our ongoing commitment to providing the best quality — and most timely — service, Madison's will be adding employment listings in the North American forest products industry as a supplement to your weekly Reporter.

For the time being we are building out that content live on the website, here:
<http://www.madisonsreport.com/interactions/jobs/>
Send us your job postings!

Canada Housing Starts

Canadian housing starts rose modestly in September as builders broke ground on more multiple-unit dwellings, typically condominiums, data showed on Wednesday.

The report from the Canada Mortgage and Housing Corp showed housing starts climbed to a seasonally adjusted annualized rate of 197,343 units last month from an upwardly revised 196,283 units in August.

The homebuilding sector has shown resilience this year, bouncing back from weakness at the beginning of 2014 that was caused by severe winter weather, and the housing market generally has remained strong, defying expectations for a correction or crash.

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Housing Starts, Japan

New housing starts in Japan for August dropped by 12.5 per cent compared to one year ago, to 73,771 units said Japan Lumber Reports Friday. On a seasonally adjusted basis the starts were 845,000.

There was a 6.1 per cent drop in total housing starts for the first 8 months of 2014 compared to the previous year.

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Pinnacle Pellet Mill Fire

Fire broke out Thursday morning -- with some reports of an explosion -- at the Pinnacle Renewable Energy Plant in Burns Lake, BC. Three workers were injured, one seriously. The facility was under maintenance curtailment.

The company had been charged this year almost \$50,000 by WorkSafeBC for repeated incidents of dust collection at the plant.

its plant in Strathnaver south of Prince George was fined \$36,223, also for safety lapses. Its plant in Quesnel was fined \$31,380 following an inspection in May.

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US Home Building and Mortgages

Warren Buffet, head of multi-billion dollar investment firm Berkshire Hathaway, said Tuesday he is surprised Americans are not "lining up now to get mortgages to buy a home." He is puzzled by the sluggish rebound in US home construction amid near record-low interest rates and a broader recovery in the economy.

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CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	September 2014		August 2014	
	Actual	SAAR	Actual	SAAR
Canada, all areas	17,343	197,343	17,064	196,283
singles, urban centres	5,653	62,440	6,151	62,440
rural areas	1,948	20,324	1,697	20,324
multiples	9,742	114,579	9,216	114,579
Atlantic urban centres		6,409		11,198
Quebec urban centres		34,767		31,810
Ontario urban centres		51,759		67,057
Prairie urban centres		56,514		46,779
BC urban centres		27,570		25,680

Source: Canada Mortgage and Housing Corporation

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
2014-87-01	73,771	33,104	40,667	55
Jul-14	72,880	32,249	40,631	56
Jun-14	75,757	33,378	42,379	56
May-14	67,791	30,808	36,983	55
Apr-14	75,286	35,251	40,035	53
Mar-14	69,411	32,515	36,896	53
Feb-14	69,689	32,932	36,757	53
Jan-14	77,843	37,644	40,199	52
Dec-13	89,578	38,073	51,505	57
Nov-13	91,475	36,671	54,804	60
Oct-13	90,226	37,009	53,217	59
Sep-13	88,539	39,421	49,118	55

Source: Japan Wood-Products Information and Research Center

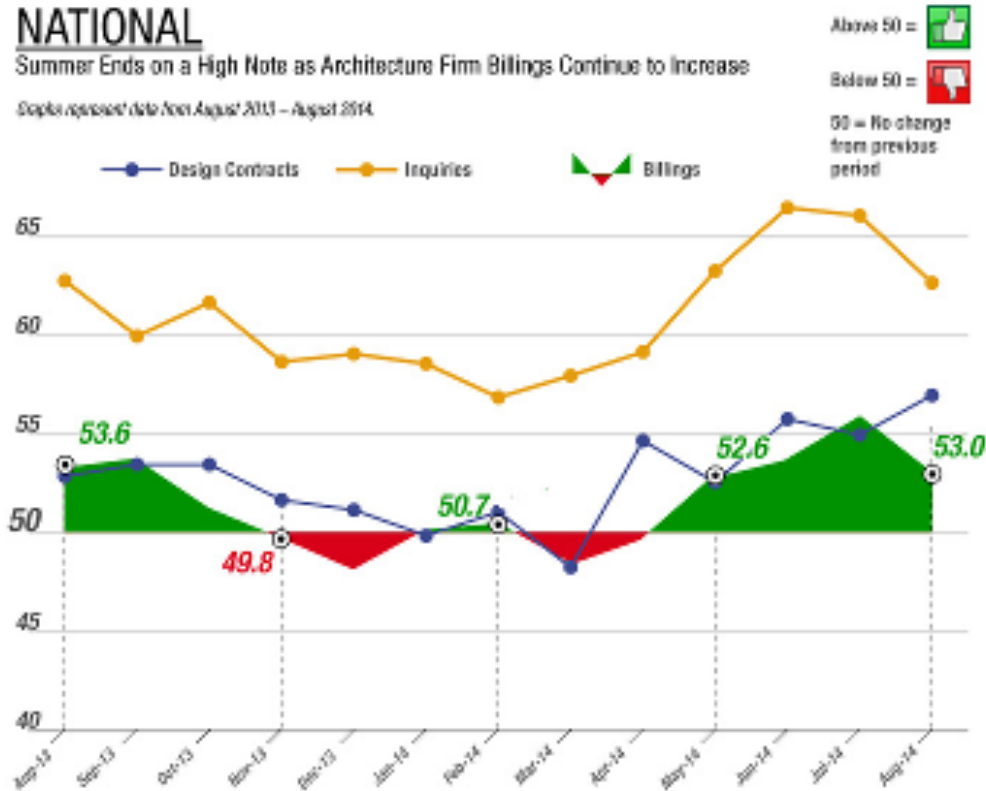
ARCHITECTURE BILLING INDEX

August 2014

NATIONAL

Summer Ends on a High Note as Architecture Firm Billings Continue to Increase

Graphs represent data from August 2011 – August 2014.



SOURCE: American Institute of Architects

Madison's *new* Interactive Web Price Graphing Tool

Madison's web-based interactive lumber price graphing tool will be ready for beta testing next week! This extremely useful tool is driven by the historical dimension lumber and panel prices listed in your weekly Madison's Lumber Reporter.

<http://www.madisonreport.com/2014/09/madisons-interactive-lumber-price-web-based-graphing-tool-2/>



Madison's Weekly Lumber Key Prices Table

www.madisonsreport.com

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
Prices are in U.S. dollars per 1,000 fbm (net FOB mill)							
WSPF KD R/L 2x4	352	350	+2	368	-16	358	-6
WSPF KD R/L 2x6	366	365	+1	386	-20	338	+28
WSPF KD R/L 2x8	366	366	0	378	-12	336	+30
WSPF KD R/L 2x10	374	370	+4	390	-16	450	-76
WSPF KD PET 2x4 Stud	355	350	+5	355	0	325	+30
WSPF KD PET 2x6 Stud	390	375	+15	385	+5	295	+95
Douglas Fir Green R/L 2x4	325	328	-3	330	-5	320	+5
Douglas Fir Green R/L 2x10	415	405	+10	385	+30	466	-51
ESPF KD 2x4 8ft Stud	435	425	+10	435	0	375	+60
OSB Ontario 7/16" (CDN\$)	218	212	+6	210	+8	235	-17
CSplywood Toronto 3/8" (CDN\$)	453	434	+19	463	-10	371	+82

Madison's Weekly Lumber News

Housing Starts, Canada

CONT'D FROM PG 2 September's rise in starts lifted the six-month moving average to 197,747 from 191,095, reflecting stronger activity since April, which has been largely concentrated in multiple unit homes.

The six-month trend is running above the level consistent with demographic fundamentals, which is around 185,000.

Multiple unit starts, most often condominiums, rose 2.4 per cent in September, offsetting a 2.9 per cent decline in single-detached homes. Starts in rural areas rose 1.4 per cent.

The elevated level of condos under construction supports the view that ground-breaking on condos should trend lower over the coming months, CMHC chief economist Bob Dugan said.

Activity was concentrated in the provinces of Ontario and Quebec, where starts rose 5.2 per cent and 16.6 per cent, respectively.

Japan Housing Starts

CONT'D FROM PG 2 New units for owners were down 22.7 per cent in August compared to August last year, at 24,250. Total new units built for owners so far in 2014 is 30,000, said Japan Lumber Reports.

Units built for sale continued to surpass 20,000 per month for 2014, however did post declines for the past seven straight months.

Units built for rent dropped 3.8 per cent from August last year, to 28,436 units.

Pellet Mill Fire

CONT'D FROM PG 2 The Burns

Lake plant was last inspected on June 17, and no problems were found,

"When the responders arrived at the pellet plant they found that the fire had been completely extinguished by the plant's built-in suppression system," said a statement released by Burns Lake village on Thursday.

The crew used their heat sensing equipment to address small hot spots in the dryer, and assisted ambulance attendants with the injured workers.

The equipment at the mill was not significantly damaged by the fire.

Recent WorkSafeBC changes mean that if inspectors find any reason for possible charges relating to the Pinnacle explosion that a separate investigative team will be brought in to preserve evidence related to pursuing that charge.

The Canadian Wood Pellet Association and The B.C. Forest Safety Council are working together to improve dust safety with the formation of a committee that includes all pellet manufacturers in B.C. A workshop in dust safety was held recently in Prince George.

Nova Scotia Forest Plan

The government of Nova Scotia announced its forestry plan for the western Crown lands Thursday and released 10-year fibre allocations for the lands. Nearly 20,000 green metric tonnes in western Crown lands earmarked for two Pictou County mills.

For the first time, allocations will be based on a percentage of available harvest rather than a fixed volume. This will make it easier to adjust to changing forest conditions or threats, such as a large forest fire.

Two Pictou County mills have received allocations, including Scotsburn Lumber Ltd, which received 17,200 green metric tonnes and Groupe Savoie Westville Division, which received 2,400 GMT.

Private landowners remain the primary source of fibre in the province and no mill has received more than 21 per cent of its spruce and fir fibre from Crown allocations. The sustainable all-species harvest in the western Crown lands is expected to be 698,000 green metric tonnes. Spruce and fir, the most desired trees, account for 366,000 GMT, 52 per cent of the total harvest.

WPAC Meeting

This year's Wood Products Association of Canada AGM in Vancouver, BC, November 17 - 19 looks to be a very worthwhile event.

An entire day's seminars on sustainability certification and wood pellet workshop as well as a tour of the Fibre pellet handling facility in North Vancouver.

Subjects covered for the rest of the event include: the wood pellet market, exports, and feedstock supply issues among other things.

Calendar

November 2014

Wood Pellet Association AGM
November 17 - 19 - Vancouver, BC
<http://www.pellet.org/wpac-agm-agenda>

NAWLA Traders Market 2014
November 12 - 14 - Chicago, IL
<http://www.nawla.org/events/2014-traders-market/>

US Mortgages

Currently

At a conference hosted by Fortune magazine in Laguna Niguel, CA, Buffet said, "It's a good way to go short the dollar, short interest rates. It is a no-brainer. But so far home construction pickup has been slower than I had anticipated."

Buffet reiterated Tuesday that he expects home building to pick up as the market rebounds from the deepest slump in more than seven decades. Berkshire is the largest shareholder in Wells Fargo & Co, the biggest US home lender.

Vacancy rates for US apartments have been at 5 per cent or less since 1Q 2012, according to Reis Inc, a property research firm.

Elsewhere, David Crowe, chief economist with the National Association of Home Builders, was in St. Louis, MO, also Tuesday to address the Home Builders Association of St. Louis and Eastern Missouri.

"While a firming job market is helping to unleash pent-up demand for new homes and contributing to a gradual, upward trend in builder confidence, we are still not seeing much activity from first-time home buyers," Crowe said. "Other factors impeding the pace of the housing recovery include persistently tight credit conditions for consumers and rising costs for materials, lots, and labour."

US new-home sales nationally have been uneven, dropping in June before rising in July and August. The shares of publicly traded homebuilders have fallen 7.9 per cent this year, compared with a 6.3 per cent increase in the Standard & Poor's 500 Index.

Many are pointing to changes with US home lending policy as a big reason for this apparent drag.

The housing recovery is being held back because first-time homebuyers with low credit scores cannot afford the high mortgage insurance premiums that the Federal Housing Administration (FHA) is charging, according to a Bank of America Merrill Lynch report.

"We estimate that the 12-month rolling FHA purchase mortgage production is down by rough-

ly 50 per cent — from US\$215 billion to US\$105 billion — from its peak rate in 2010," said BofA Merrill Lynch Global Research in a note to clients Monday. "While FHA no longer needs to provide countercyclical support to housing, its market retreat brings 'underserved' mortgage financing conditions back to low income, often first-time homebuyers, with significant implications for economic recovery measures such as housing starts and new home sales."

Company analysts start by establishing that the Federal Reserve Board's Quarterly Senior Loan Officer Survey of credit conditions indicated that mortgage credit loosened in 2Q 2014.

The higher premiums are helping the FHA to replenish its mortgage insurance fund but it means "less available mortgage financing for the all-important first-time homebuyer segment," the mortgage strategists say. "Given the constraints facing FHA and subprime private mortgage, we have little reason to believe meaningful change to recent activity is coming anytime soon."

Federal Housing Administration loans, given to borrowers with weaker credit scores and requiring small down payments, plummeted 19 per cent in the nine months ending June 30 compared with a year earlier. A mid-September meeting at the White House between government officials and banking executives ended without an announcement of any breakthroughs on the dispute. The largest US home lenders are curtailing FHA mortgages due to concerns that they will be penalized for what they consider immaterial underwriting errors when loans default.

American home buyers who put less than 20 per cent down will have to pay mortgage insurance depending on the type of loan borrowed. For an FHA loan with 3.5 per cent down, an FHA

Mortgage Insurance Premium (MIP) is required. For a conventional loan with as low as 5 per cent or 10 per cent down payment, Private Mortgage Insurance (PMI) is required. These insurance plans protect the lender against losses should the borrower default.

FHA insured 420,709 purchase loans in the nine months through June 30, compared with 516,588 mortgages during the same period a year earlier, according to HUD data. A record 1.1 million loans were backed by FHA in the 12 months ending September 30, 2010. The annual average for the prior 10 years was 589,242.

The average credit score for an FHA loan was 680 for 2Q — well above FHA's minimum of 580 for low down payments, according to HUD. An increased FHA focus on loan defects could make lenders less likely to originate mortgages to people with lower FICO scores who still meet FHA guidelines since their loan files may be thicker and more complicated, increasing risks of minor errors in applications, said Scott Olson, executive director of the Community Home Lenders Association to Bloomberg after the September meeting at the White House.

Buffet's investment Wells Fargo had the biggest drop in FHA originations among the five largest FHA lenders. They fell 82 per cent to US\$2.6 billion in the first six months of this year compared with the same time period in 2013, according to Inside Mortgage Finance Thursday. Bank of America's 72 per cent drop was the second biggest, followed by JPMorgan, with a 55 per cent decline.

Mortgage lenders delivered US\$47.82 billion of single-family home loans with private mortgage insurance coverage to Fannie Mae and Freddie Mac during 3Q 2014, said Inside Mortgage Finance. That was up 29.9 per cent from 2Q as the private MIs piggybacked on the surge in purchase-money mortgages securitized by the two government-sponsored enterprises.

