

MADISON'S LUMBER REPORTER

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News & Updates

US Housing Starts, Existing Home Sales

US housing starts fell in October, but a jump in permits to near a 6-1/2-year high suggested the housing market was steadily regaining strength.

Groundbreaking slipped 2.8 per cent to a seasonally adjusted annual 1.009 million-unit pace, the Commerce Department said Wednesday. September's starts were revised up to a 1.038 million-unit rate.

The volatile multi-family homes segment accounted for the decline in housing starts last month. Starts for single-family homes, roughly two-thirds of the market, rose for a second straight month to their highest level in nearly a year.

While residential construction, homebuilder sentiment, and sales have been trending higher in recent months, sluggish wage growth and stringent lending practices by financial institutions continue to constrain activity. Still, home building is expected to contribute to gross domestic product in 4Q after being neutral in the July-September period.

Also this week, the National Association of Realtors on Thursday said existing home sales rose 1.5 per cent to an annual rate of 5.26 million units, the highest rate since September of last year. Sales rose 2.5 per cent compared to a year ago, the first time since October 2013 that resales have risen above the prior-year levels.

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Alberta Forest Products Association 2Q Results

Values of lumber, pulp and paper, and panelboard manufactured by Alberta Forest Products Association (AFPA) members totalled approximately \$728 million for the 2Q 2014, the agency reported Thursday. The value of production was up \$67 million, or 10 per cent, from the same period last year. Compared to 1Q 2014, production values increased by \$10 million, or 1.4 per cent.

AFPA-member companies produced 872 million board feet of lumber in 2Q 2014, with a value of \$318 million.

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US PNW Log and Lumber Exports 3Q 2014

Log exports from Washington, Oregon, northern California, and Alaska totalled 402 million board feet in volume in 3Q 2014, a decrease of 22 per cent compared to 2Q 2014, the US Forest Service's Pacific Northwest Research Station reported Wednesday. During this same period, west coast lumber exports decreased 11 per cent to 219 million board feet.

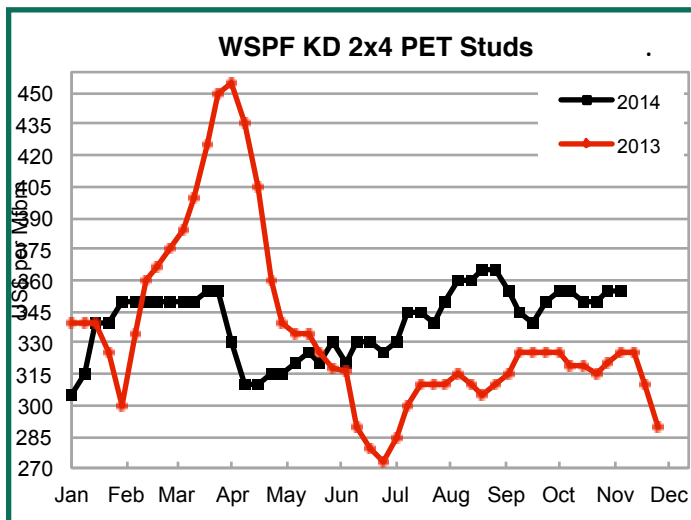
The total value of 3Q log and lumber exports also decreased compared to 2Q 2014, with log exports declining by 24 per cent to US\$296 million and lumber exports declining by 12 per cent to US\$161 million.

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US Construction Forecast 2015

Reed Construction Data, the American Institute of Architects, and the Associated General Contractors of America held a US construction forecast webinar this week.

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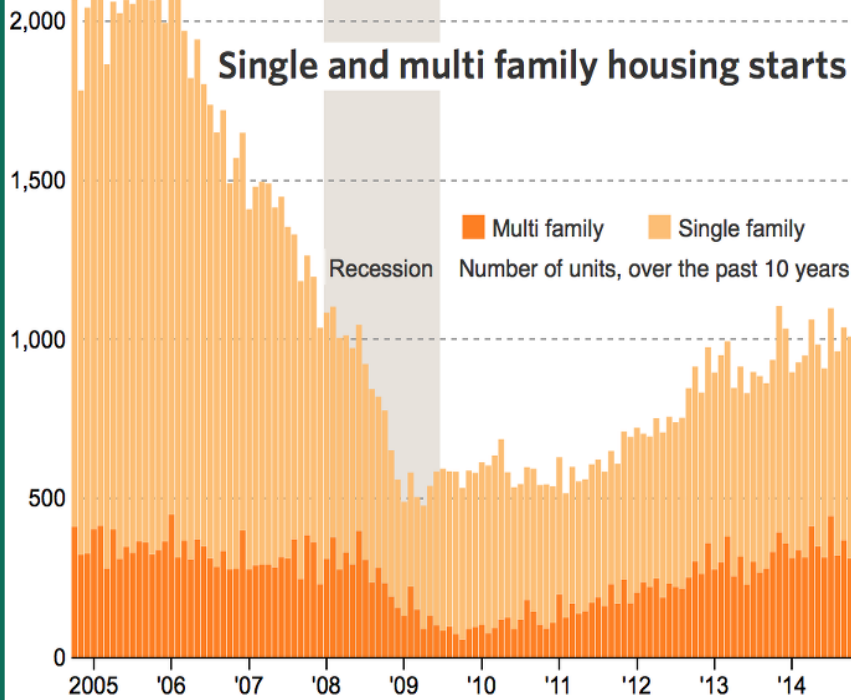


U.S. HOUSING STARTS				
	Oct-14	Sep-14	Oct-14	Sep-14
Starts			Permits	
Actual	84,400	95,500	Actual	95,000 90,700
SAAR*	1,009,000	1,038,000	SAAR*	1,080,000 1,031,000
1 Unit	696,000	668,000	1 Unit	640,000 631,000
2-4 Units	(s)	(s)	2-4 Units	34,000 24,000
5+ Units	30,000	355,000	5+ Units	406,000 376,000
Starts by Region			Permits by Region	
Northeast	97,000	116,000	Northeast	95,000 121,000
Midwest	145,000	178,000	Midwest	156,000 176,000
South	546,000	496,000	South	542,000 498,000
West	221,000	248,000	West	287,000 236,000

*Seasonally adjusted annual rate

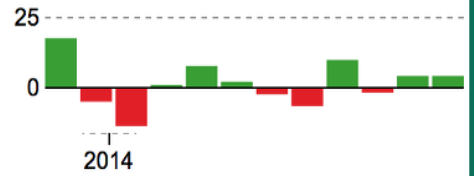
Source: U.S. Census Bureau

SOURCE: Wall Street Journal



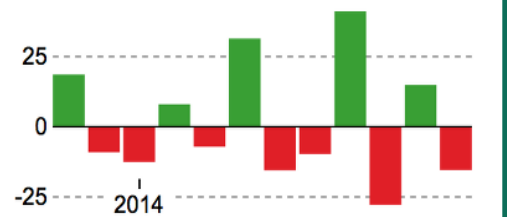
Single family housing starts

Change from previous month over the past year

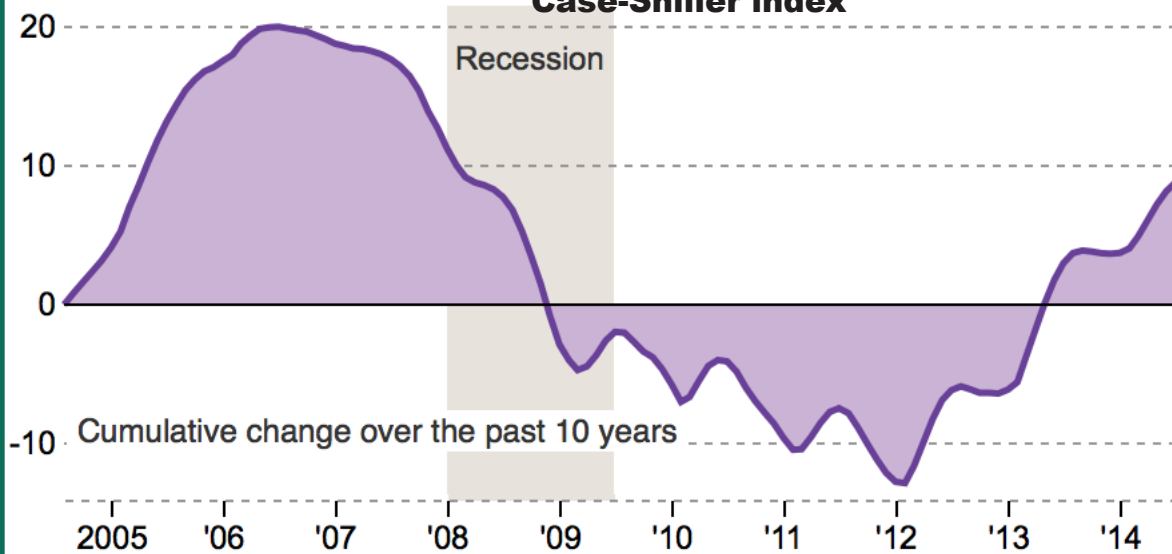


Multi family housing starts

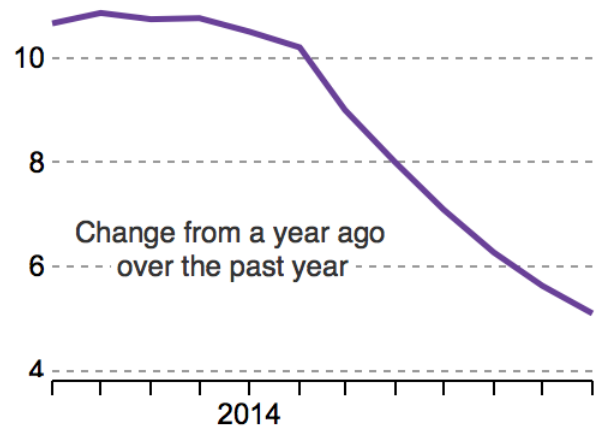
Change from previous month over the past year



Case-Shiller index



The Case-Shiller index measures prices on home resales. They're reported on a three-month moving average with a lag, meaning they don't provide the most up-to-date picture of market conditions.



SOURCE: Wall Street Journal

2014

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	335	340	-5	350	-15	384	-49
WSPF KD R/L 2x6	345	350	-5	366	-21	366	-21
WSPF KD R/L 2x8	342	350	-8	352	-10	354	-12
WSPF KD R/L 2x10	363	375	-12	374	-11	454	-91
WSPF KD PET 2x4 Stud	355	355	0	350	+5	325	+30
WSPF KD PET 2x6 Stud	380	380	0	380	0	315	+65
Douglas Fir Green R/L 2x4	305	308	-3	315	-10	345	-40
Douglas Fir Green R/L 2x10	405	415	-10	430	-25	545	-140
ESPF KD 2x4 8ft Stud	405	410	-5	420	-15	380	+25
OSB Ontario 7/16" (CDN\$)	215	230	-15	230	-15	230	-7
CSplywood Toronto 3/8" (CDN\$)	425	462	-37	462	-37	378	+47

Madison's Weekly Lumber News

Housing Starts, US

CONT'D FROM PG 2 "Conditions in the housing market are at least stable, and on the margin they appear to be improving a bit," said Ryan Wang, an economist with HSBC Securities USA Inc, to Bloomberg.

Starts for single-family homes increased 4.2 per cent last month to a 696,000-unit pace, the highest since November of last year. Multi-family homes starts fell 15.4 per cent to a 313,000-unit rate in October.

Last month, permits jumped 4.8 per cent to a 1.080 million-unit pace, the highest since June 2008. It was the second straight month of gains in permits, which lead starts.

Permits for single-family homes rose 1.4 per cent to a 640,000-unit pace. Permits for multi-family housing surged 10 per cent to a 440,000-unit pace.

The number of houses builders started has slowly rebounded since the recession ended in mid-2009, but the pace remains well off from the annual average of 1.7 million from 1996 to 2006.

As for existing home sales, it was the sixth time in seven months that sales rose from the prior month. Sales in October were up 2.5 per cent from a year earlier, the first time this year that sales rose instead of fell on an annual basis. Last month's sales pace was the highest since September 2013.

"If this pace can be maintained for the next 12 months, it will be a very solid year for realtors," said Lawrence Yun, the National Association of Realtors' chief economist.

Existing-home sales, which make up roughly 90 per cent of US home pur-

chases, tumbled following a mid-2013 jump in mortgage rates. But the sector has regained traction in recent months as mortgage rates have eased.

Prices still are rising, but their growth has moderated this year. The median sale price for a previously owned home in October was US\$208,300, up 5.5 per cent from a year earlier but below the 11.5 per cent increase seen in 2013 from the prior year.

New-home sales in the first nine months of the year rose a modest 1.7 per cent from the same period of 2013, according to the Commerce Department.

Alberta Lumber Production 2Q

CONT'D FROM PG 2 Part of Alberta's increased lumber production came from the secondary manufacturing sector, said the Alberta Forest Products Association. Compared to 2Q 2013, production volume increased by 33 million board feet, or 4 per cent, and values climbed by \$28 million, or 9.7 per cent. From 1Q 2014, lumber production was up 125 million board feet, or 16.8 per cent, and values increased \$17 million, or 5.5 per cent.

"We're continuing to see positive, sustainable growth in Alberta's forest industry," said AFPA President and CEO Paul Whittaker. "It's the result of a number of factors, including investments in efficiency at the mill level and in diversifying our markets at the corporate level."

Log and Lumber Exports, US PNW 3Q

CONT'D FROM PG 2 Although China's log and lumber imports dropped in 3Q 2014, the country remains the leading market for west coast wood products.

"Over 62 per cent of west coast logs and 32 per cent of west coast lumber were exported to China," said Xiaoping Zhou, a research economist with the US Forest Service's Pacific Northwest Research Station who conducted the analysis and compiled the data.

Other highlights:

Compared to the same period last year, 3Q 2013, exports of west coast logs and lumber both decreased by 21 per cent.

Total US log exports decreased by 12 per cent, while lumber exports decreased 7 per cent compared to 2Q 2014.

Total US exports to China decreased by 31 per cent for logs and by 17 per cent for lumber during 3Q 2014.

Western Forest Products Reports

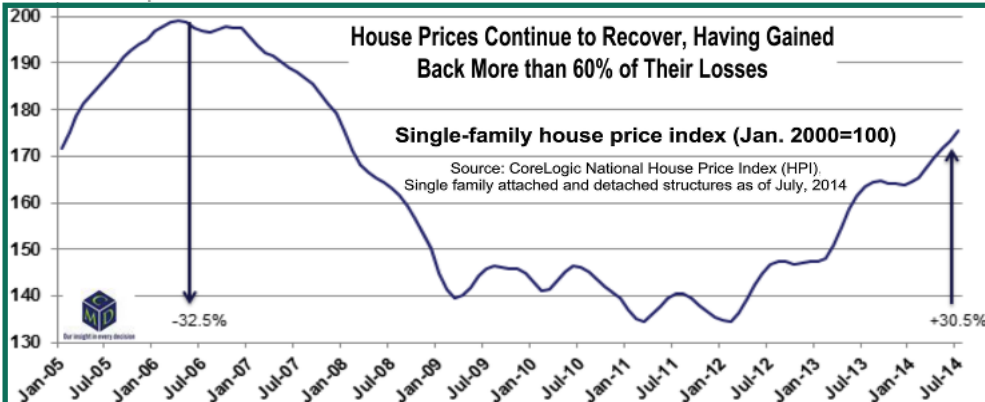
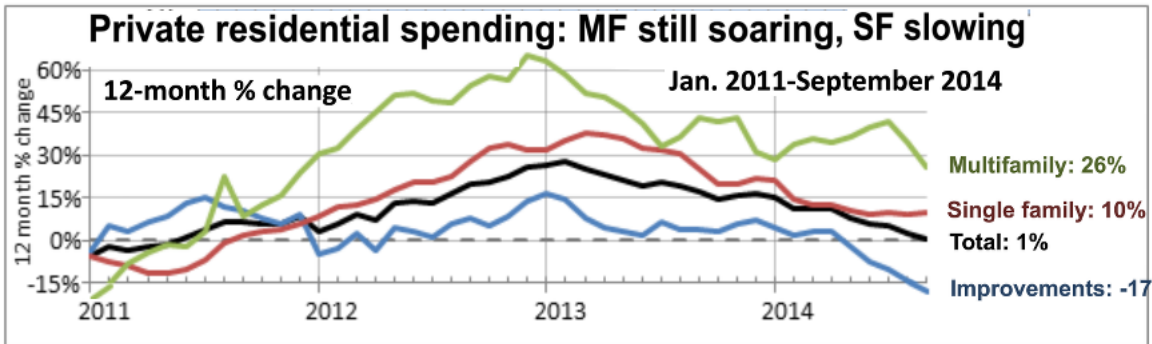
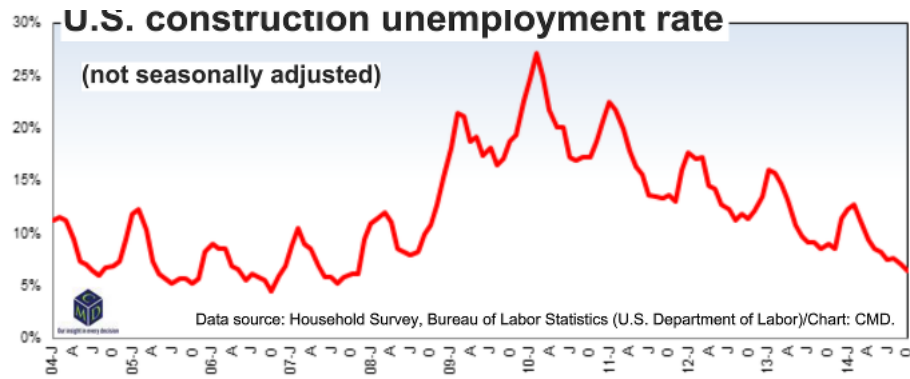
Western Forest Products, out of Vancouver, BC, this week reported revenue of \$262.1 million in 3Q 2014, as compared to \$239.4 million for 3Q 2013. The company's log revenue increased 22 per cent to \$66 million during the quarter and lumber revenue increased 5 per cent to \$180 million, based on strong demand for the housing repair and renovation sectors, which led to increased volumes and pricing for Western Red Cedar and the company's moulding and millwork lumber products. Third quarter lumber production was 231 million board feet, an increase of 4 per cent.

Reed Construction Data

Construction Investment Forecast

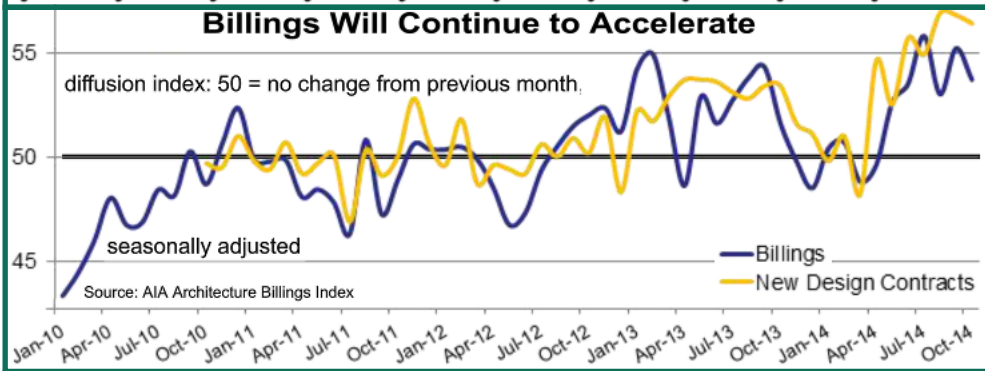
This week Reed Construction Data, in conjunction with the American Institute of Architects and the Associated General Contractors of America held a US construction forecast webinar.

by Kéta Kosman



HOUSE PRICES have gained two-thirds of what they lost since the downturn. Nationally US house prices have increased about 7 per cent from lows during the crash, but there is “a lot of regionality”.

HOUSE VALUES in relation to income: the long-term average is 1.85X household income, currently about 1.7X (but again a lot of regionality).



The **architecture billings index** is currently the strongest than since before the recession, indicating a good 2015 building season.

The **new design contracts index** outpaces the AIA index, providing expectations for strong future growth. Projects put on hold since the recession are now back on.

	2013 actual	2014 forecast	2015-17 ann. avg. forecast
Total spending	6%	6-9%	6-10%
Private – residential	20%	6-10%	1-10%
– nonresidential	1%	12-15%	1-10%
Public	-3%	-1 to +2%	0 or less
Materials PPI	1.3%	1-2%	1-3%; rare spikes
Employment cost index	2.0%	1.5-2.5%	2.5-5%