

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
604 319-2266

PO Box 2486 Vancouver, BC
V6B 3W7 Canada



In Canada, add GST or HST
ISSN 0715-5468

Printed in Canada © 2015

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News & Updates

US Apartment Market Conditions

Freddie Mac this week released the results of its Primary Mortgage Market Survey® (PMMS®), showing average fixed mortgage rates falling for the third consecutive week as bond yields continued to drop despite a strong employment report. **CONT'D PAGE 6**

Canada Lumber Production: October 2014

Lumber production by sawmills increased 3 per cent from September to 5,312.7 thousand cubic metres in October, according to Statistics Canada Monday. Compared with October 2013, lumber production decreased 0.5 per cent.

Sawmills shipped 5,328.5 thousand cubic metres of lumber in October, an increase of 6.2 per cent from September. **CONT'D PAGE 8**

Japan Housing Starts: Nov 2014

According to a report released by the Ministry of Land, Infrastructure, Transport and Tourism on December 25, 2014, Japan's housing starts in November 2014 were 78,364 units, down 14.3 per cent from the same month in the previous year, recoding a decline for nine consecutive months, according to *Japan Lumber Journal* Thursday.

Compared to November 2012, the decrease was small with a decline of 2.2 per cent. Total housing starts during January-November were 815,845 units, down 8.4 per cent from the same period of a year earlier. **CONT'D PAGE 7**

Construction Employment, US

According to the US Bureau of Labor Statistics Job Openings and Labor Turnover Survey (JOLTS) and NAHB analysis, the number of open construction sector jobs for November, seasonally adjusted, rose to 145,000. The November level marks the 3rd highest total of unfilled jobs in construction during the post-recession period. **CONT'D PAGE 8**

US Mortgage Foreclosures Lowest Since 2006

The number of US properties in the process of being foreclosed upon dropped last year to its lowest level since 2006, real estate data firm RealtyTrac said Thursday.

In total, 1,117,426 properties were at some stage of foreclosure proceedings in 2014, down 18 per cent from 2013 and off 61 per cent from the peak of the aftermath of the housing collapse in 2010, when 2,871,891 properties had foreclosure filings under way. **CONT'D PAGE 7**

US Freight and Rail Data: 2014

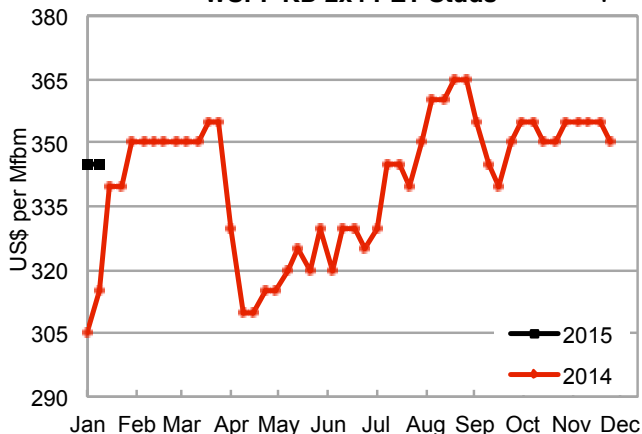
The latest data out of the the US Transportation Department and Statistics Canada show volumes of lumber and wood moved on the rails in the US and Canada up slightly for January to October 2014 compared to one year ago. **CONT'D PAGE 9**

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Nov-14	78,364	33,263	45,101	58
Oct-14	79,171	36,181	42,990	54
Sep-14	75,882	32,903	42,979	57
Aug-14	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

Source: Japan Wood-Products Information and Research Center

WSPF KD 2x4 PET Studs



US Rental Costs

From Freddie Mac: **Mortgage Rates Decline for Third Consecutive Week**

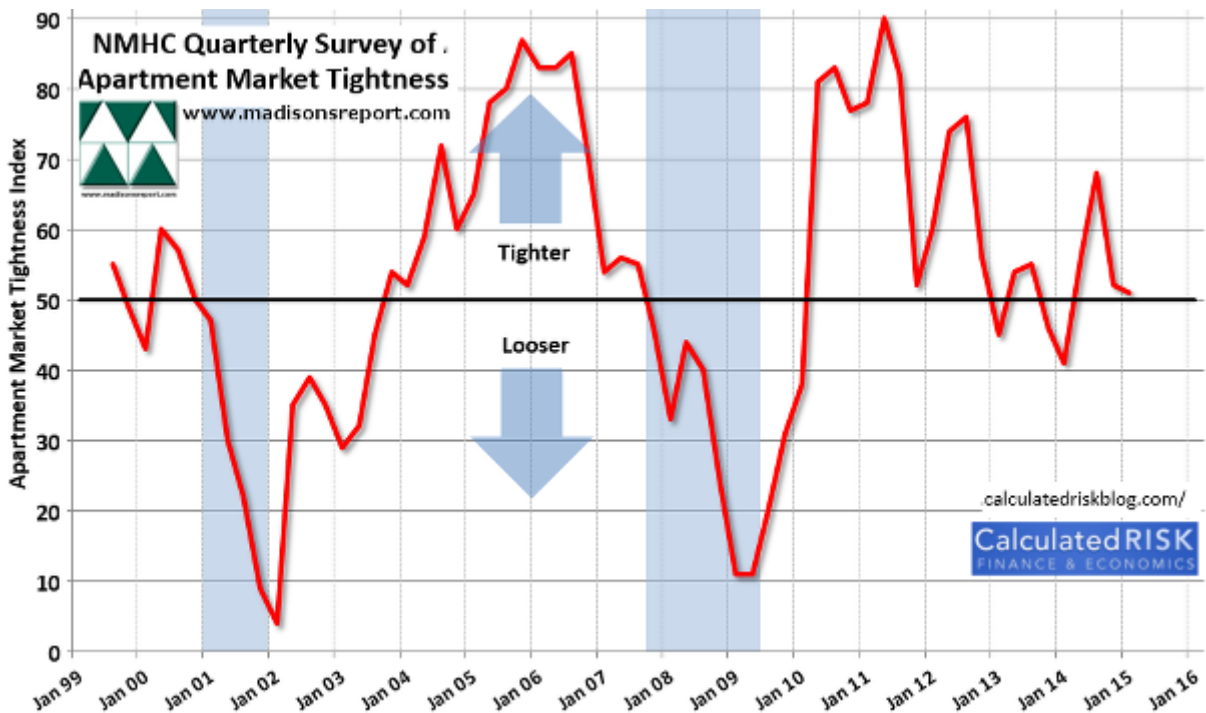
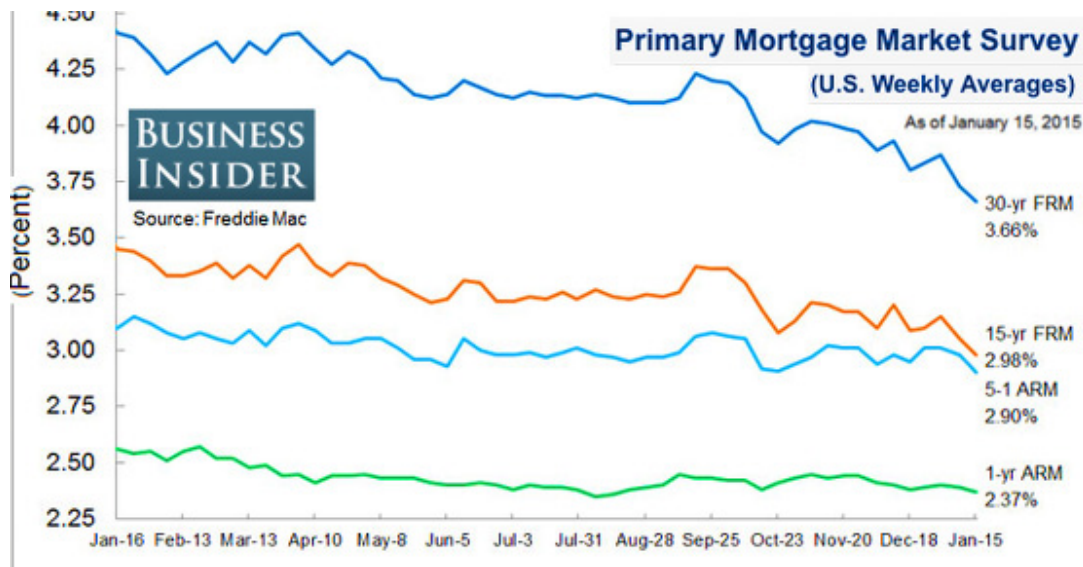
Averaging 3.66 per cent, the 30-year fixed-rate mortgage is at its lowest level since the week ending May 23, 2013 when it averaged 3.59 per cent. This also marks the first time the 15-year fixed rate mortgage has fallen below 3 per cent since the week ending May 30, 2013.

30-year fixed-rate mortgage (FRM) averaged 3.66 per cent with an average 0.6 point for the week ending January 15, 2014, down from last week when it averaged 3.73 per cent. A year ago at this time, the 30-year FRM averaged 4.41 per cent.

In addition, the 5-year Treasury-indexed hybrid adjustable-rate mortgage came in at 2.9 per cent, compared to 2.98 per cent a week ago and 3.1 per cent a year ago.

The 1-year Treasury-indexed ARM averaged 2.4 per cent, slightly down from 2.4 per cent last week. In 2014, it averaged 2.6 per cent.

"Mortgage rates fell for the third consecutive week as oil prices plummeted and long term treasury yields continued to drop despite a strong employment report. The economy exceeded expectations by adding 252,000 jobs in December, which followed an upward revision of 50,000 jobs to the prior two months. The unemployment rate fell to 5.6 per cent, which was the lowest since June 2008," said Frank Nothaft, vice president and chief economist with Freddie Mac.





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	334	340	-6	336	-2	376	-42
WSPF KD R/L 2x6	344	352	-8	345	-1	358	-14
WSPF KD R/L 2x8	338	342	-4	342	-4	346	-8
WSPF KD R/L 2x10	350	350	0	360	-10	405	-55
WSPF KD PET 2x4 Stud	345	345	0	355	-10	340	+5
WSPF KD PET 2x6 Stud	360	360	0	380	-20	305	+55
Douglas Fir Green R/L 2x4	305	320	-15	315	-10	405	-100
Douglas Fir Green R/L 2x10	390	405	-15	402	-12	500	-110
ESPF KD 2x4 8ft Stud	405	410	-5	405	0	385	+20
OSB Ontario 7/16" (CDN\$)	225	240	-15	215	+10	225	0
CSPLYwood Toronto 3/8" (CDN\$)	435	457	-22	425	+10	394	+41

Madison's Weekly Lumber News

Housing Starts, Japan

CONT'D FROM PG 2 Total housing starts in Japan for 2014 are expected to range from about 890,000 to 900,000 units.

Many are projecting housing starts in 2015 to be in the 870,000 unit range with the postponement of increase in consumption tax to 10 per cent, said the *Japan Lumber Journal*. The demand of lumber is expected to be somewhat steady and the adjustment of demand and supply will become the key to a lumber business success.

Foreclosure Mortgages, US

CONT'D FROM PG 2 Lenders started foreclosure proceedings on 59,358 properties in December, an increase of 6 per cent from the previous month and a 17-month high.

The data for the year overall showed the foreclosure market is "close to finding a floor and stabilizing at a historically normal level," Daren Blomquist, vice president at RealtyTrac, said in a statement.

Last month's rise in foreclosure starts showed lenders were preparing for "a spring cleaning" of distressed assets that remain on their books, Blomquist said.

December foreclosure starts increased from a year ago in 26 states, but this was not a cause for concern, Andres Carbacho-Burgos, senior economist at Moody's Analytics said in a statement.

"The national pool of distressed mortgages has not increased despite the surge in foreclosure filings," Carbacho-Burgos said.

Lenders repossessed 327,069 properties last year, down 29 per cent from 2013, RealtyTrac's data also showed.

Florida had the nation's highest foreclosure rate in 2014, followed by New Jersey, Maryland, Illinois and Nevada.

Softwood Lumber Board Seeks Candidates

The Softwood Lumber Board (SLB) seeks nominations of softwood lumber manufacturers and importers interest-

ed in candidacy for Board seats coming open in January 2016. The deadline for nominations is March 6th 2015.

The 19-member board will hold elections to fill six seats for members whose terms expire on Dec. 31, 2015. Domestic manufacturers will fill four seats – two small companies** representing the South region and two large companies representing the West region. Two seats will be filled by softwood lumber importers representing large companies – one in the Canada West region and one in the Canada East region. Each member will serve a three-year term.

(See the form linked [here](#).)

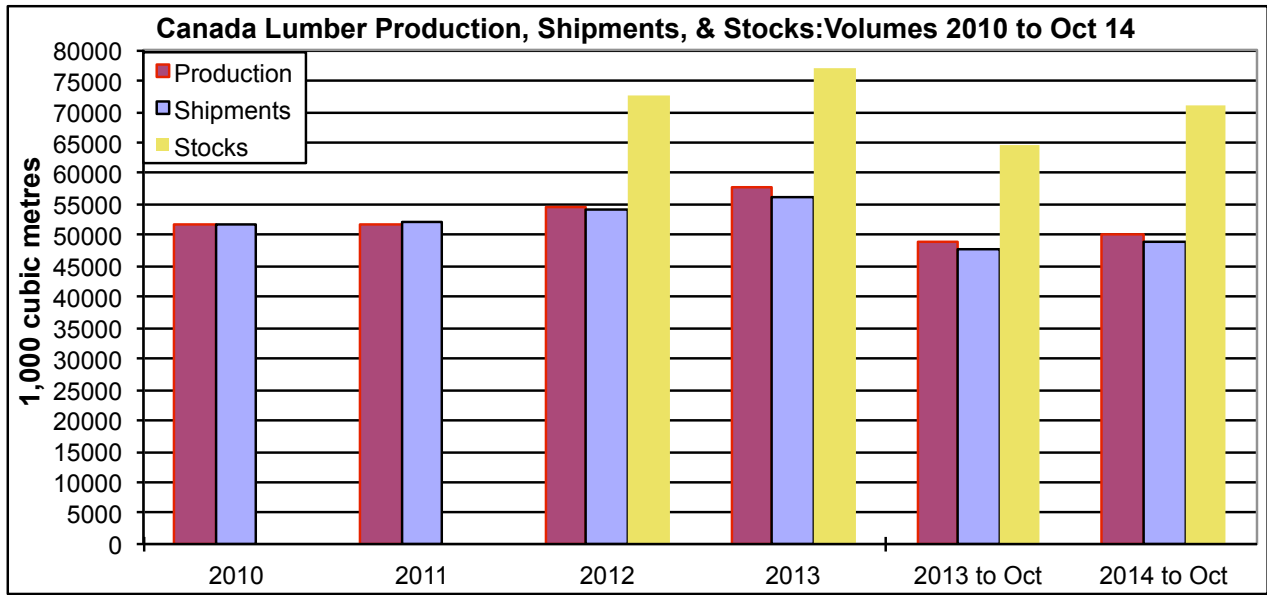
Calendar

February 2015

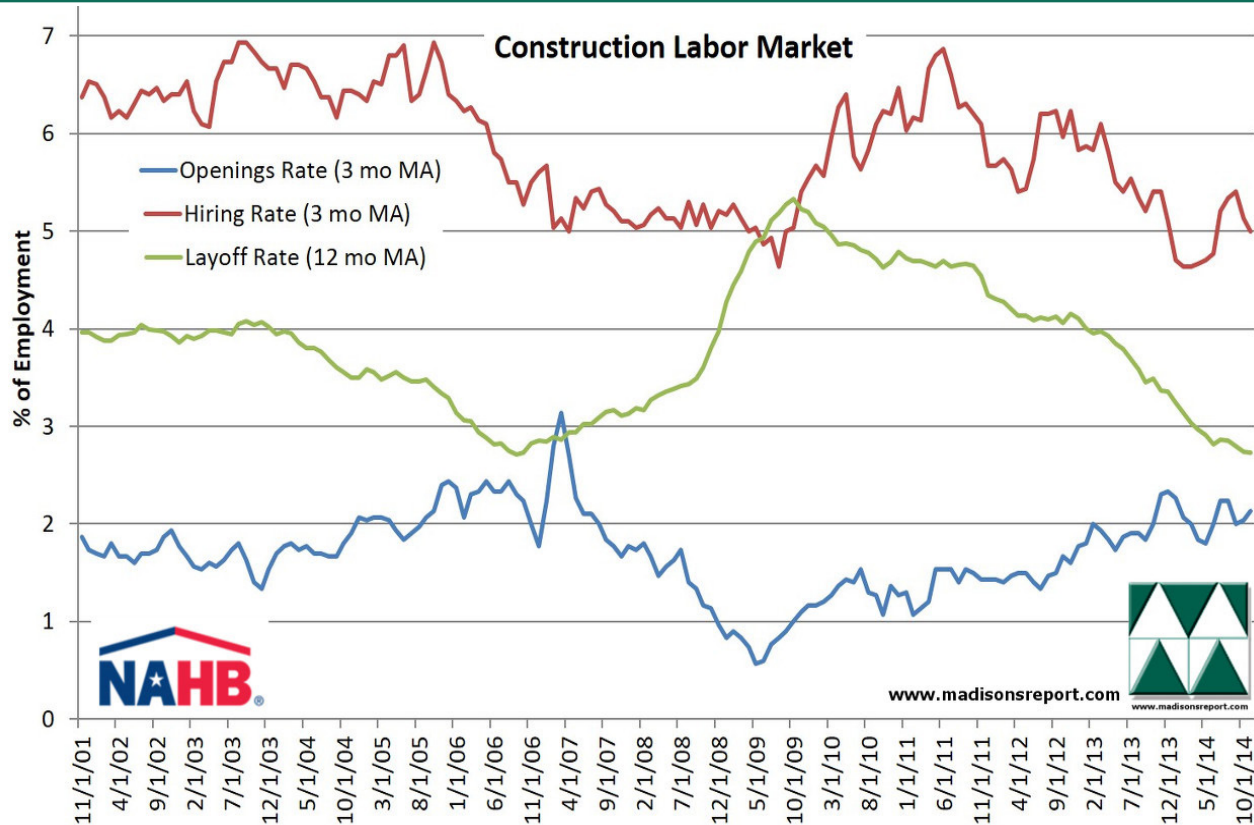
UGA Center for Forest Business
Timberland Investment Conference
February 18th to 20th – Amelia Island, FL

<http://www.ugacfb.com/timberlandaset/>





SOURCE: Statistics Canada



Rising Number of Open Jobs in Construction

On a three-month moving average basis, the open position rate for the construction sector increased to 2.13 per cent in November. Over the last year, the open construction jobs rate has typically been higher than the rates that were experienced during the 2001-2003 period prior to the building boom.

The sector hiring rate, as measured on a three-month moving average basis, declined in November to 5 per cent, after a significant rise during the summer.

Monthly employment data for December 2014 indicate that total employment in home building/remodeling stands at 2.343 million, broken down as 677,000 builders and 1.666 million residential specialty trade contractors.

In December, home builders and remodelers added 13,500 jobs to the residential construction sector on a seasonally adjusted basis. Over the last 12 months, the industry has created 132,000 jobs.

US Freight Volumes: 2014

Truck and Rail Transport

Statistics for full-year 2014 truck rail volumes, recently released, show a glowing picture of US imports and manufacturing.

Trucking conditions in the US improved in November, thanks to falling diesel prices and strong holiday freight volumes, FTR reported Monday. The FTR Trucking Conditions Index read

by **Kéta Kosman**

8.98 in November reflecting tight capacity and favourable conditions for truckers. FTR expects the index to remain in this range through 2015 before dropping somewhat.

Meanwhile, US rail intermodal volume hit a new record in 2014.

The Association of American Railroads (AAR) said January 5 that 13.5 million containers and trailers moved in 2014, up 5.2 per cent — or 665,630 units — over the previous record set in 2013.

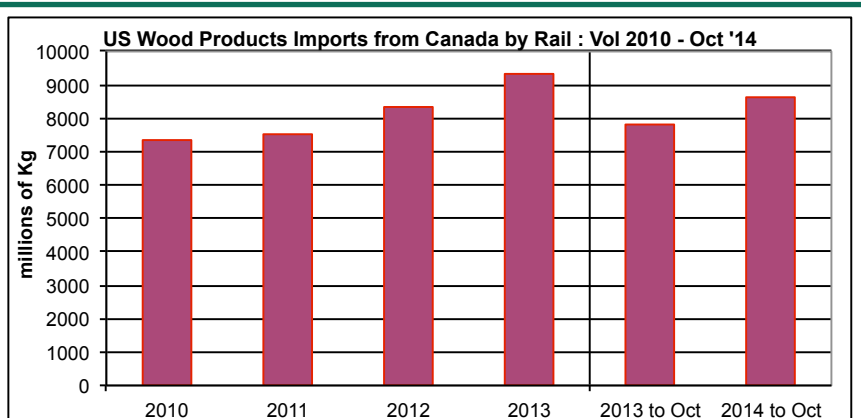
In fact, AAR has reported that despite some challenges, freight rail traffic showed solid growth in 2014. Total combined traffic for 2014 on US railroads was 28.7 million carloads, containers, and trailers, up 1,233,184 units, or 4.5 per cent, over 2013 and the highest annual total since 2007.

US rail carloads were 15.2 million in 2014, up 3.9 per cent — or 567,554 carloads — over 2013, and the highest total carloads since 2008.

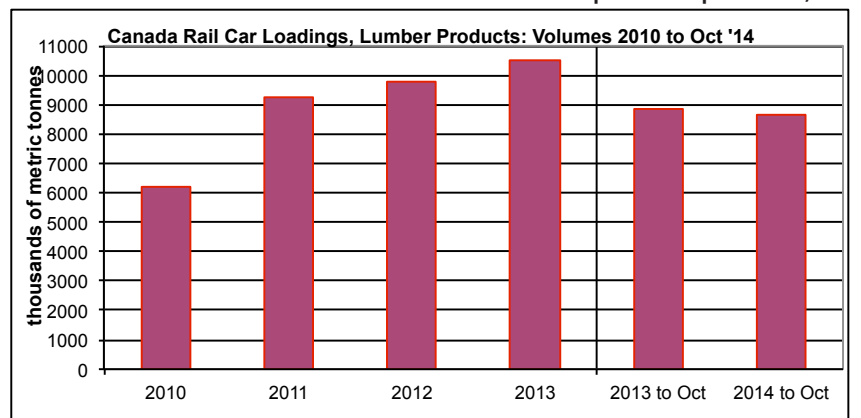
Separately, average weekly US rail carloads of forest products in 2014 are up significantly over 2013.

As for Canada's rail car loadings, US wood products imports from Canada, January to October 2014, by rail improved by 9.6 per cent to 8.6 billion kg (from 7.8 billion kg) compared to the first ten months of 2013, according to the most recent US Foreign Agricultural Service (FAS) data.

Within Canada, volumes of wood transported by rail were flat compared to last year.



SOURCE: US Dept of Transportation , BTS



SOURCE: Statistics Canada

Canada rail car loadings of lumber products for January to October 2014 dropped a nominal 2.2 per cent, from 8.86 million metric tonnes for the first ten months of 2013, to 8.67 million metric tonnes.

Back to the roads, American trucking executives are more bullish about 2015 than any year since the end of the recession, and they're putting their money where the rubber meets the road, ordering a big wave of new model trucks, replacing older vehicles and expanding capacity, according to Journal of Commerce (JOC) January 7.

Net Class 8 truck orders in the US broke higher than 40,000 units in Oc-

tober and November and totaled more than 360,000 in the 13 months through last November, according to FTR Associates, which called the near-record surge in heavy truck orders "phenomenal".

The struggle to find, hire, pay, and keep truck drivers will continue in 2015, as will tight capacity among the largest truckload carriers — despite the large truck orders. Higher rates will pressure shippers to find new sources of capacity and innovative ways to move freight.

Capacity at large truckload carriers, as measured in tractor counts, continued to fall right through early 2013, according to the JOC Truckload Capacity Index, and remains about 17 to 18 per cent below its pre-recession peak in late 2006. The index has climbed for three quarters and in 3Q 2014 hit 82.7, its highest point since 2011. Carriers that were overbooked with more available freight than tractor-trailers in 3Q appear to be in the early stages of adding capacity. But those additions likely will come only where carriers can get the best return on capital investment and can hire more drivers, said JOC.

