

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Forest Pulse 1Q 2015 . . . Out Today!

The fourth edition of the quarterly *Madison's Forest Pulse* has gone out to subscribers! For details please see Page 8.

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Canada Housing Permits: March 2015

The total value of Canadian building permits rose 11.6 per cent from a month earlier to \$6.9 billion in March, said Statistics Canada Thursday. This was the first increase in three months. Higher construction intentions for non-residential buildings in British Columbia and Alberta and for multi-family dwellings in Ontario and British Columbia were responsible for much of the advance at the national level.

The value of single-family dwelling permits fell for a second consecutive month, down 3.4 per cent to \$2.3 billion in March. Gains in five provinces, led by Ontario and Quebec, were not sufficiently large to offset the declines in the remaining provinces, with Alberta registering the largest drop.

The value of permits issued for multi-family dwellings rose 19.6 per cent to \$2.1 billion in March, marking the second consecutive monthly gain. The increase was attributable to higher construction intentions in four provinces, led by Ontario and British Columbia. The largest declines were recorded in Quebec and Nova Scotia.

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Real Estate Owned Inventory, US: 1Q 2015

Frannie Mae's statement Friday on 1Q 2015 US REO inventory, "We continue to experience disproportionately higher credit losses and serious delinquency rates from single-family loans originated in 2005 through 2008 than from loans originated in other years. Single-family loans originated in 2005 through 2008 constituted 12 per cent of our single-family book of business as of March 31, 2015 but constituted 59 per cent of our seriously delinquent loans as of March 31, 2015 and drove 67 per cent of our credit losses in the first quarter of 2015."

Freddie Mac's statement, "Our single-family REO acquisitions in 1Q 2015 were highest in Florida, Illinois, Ohio, and Michigan, which collectively represented 38 per cent of total single-family REO acquisitions during that period, based on the number of properties, and comprised 38 per cent of our total single-family REO property inventory at March 31, 2015."

CONT'D PAGE 7

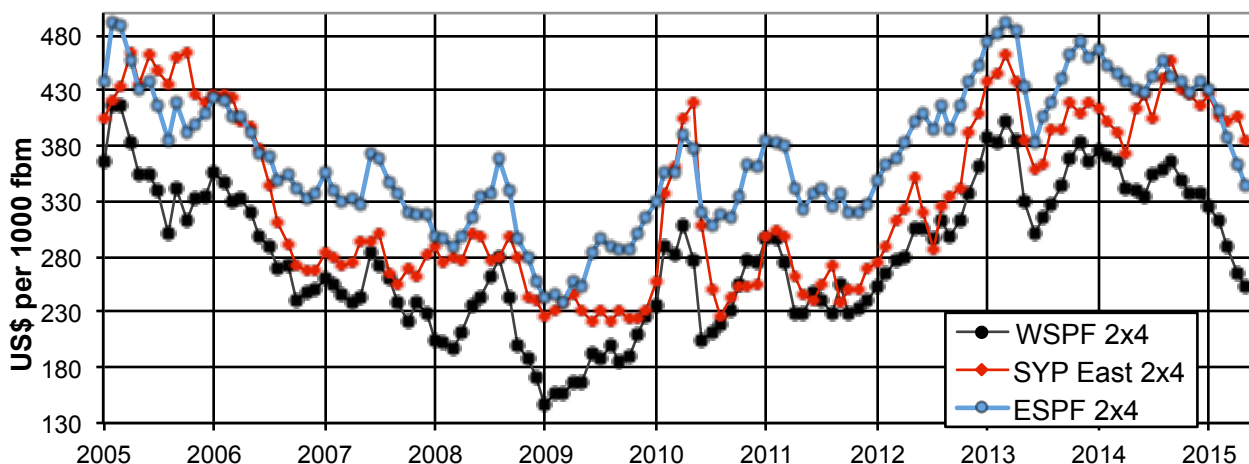
US Forest Products Industry: 2015 USDA Report

This was Forestry Week in Vancouver, BC, with the Pulp and Paper Products Council and PwC holding their annual forestry conferences. Madison's will provide coverage and updates on the sessions and conference topics in a future issue.

Meanwhile there was plenty of breaking news about North American softwood lumber production; including downtime, curtailments, earnings reports, and some accidents at sawmills.

CONT'D PAGE 9

WSPF vs SYP East Side and ESPF 2x4 KD #2&Btr Lumber Price 2005 to MAY 2015

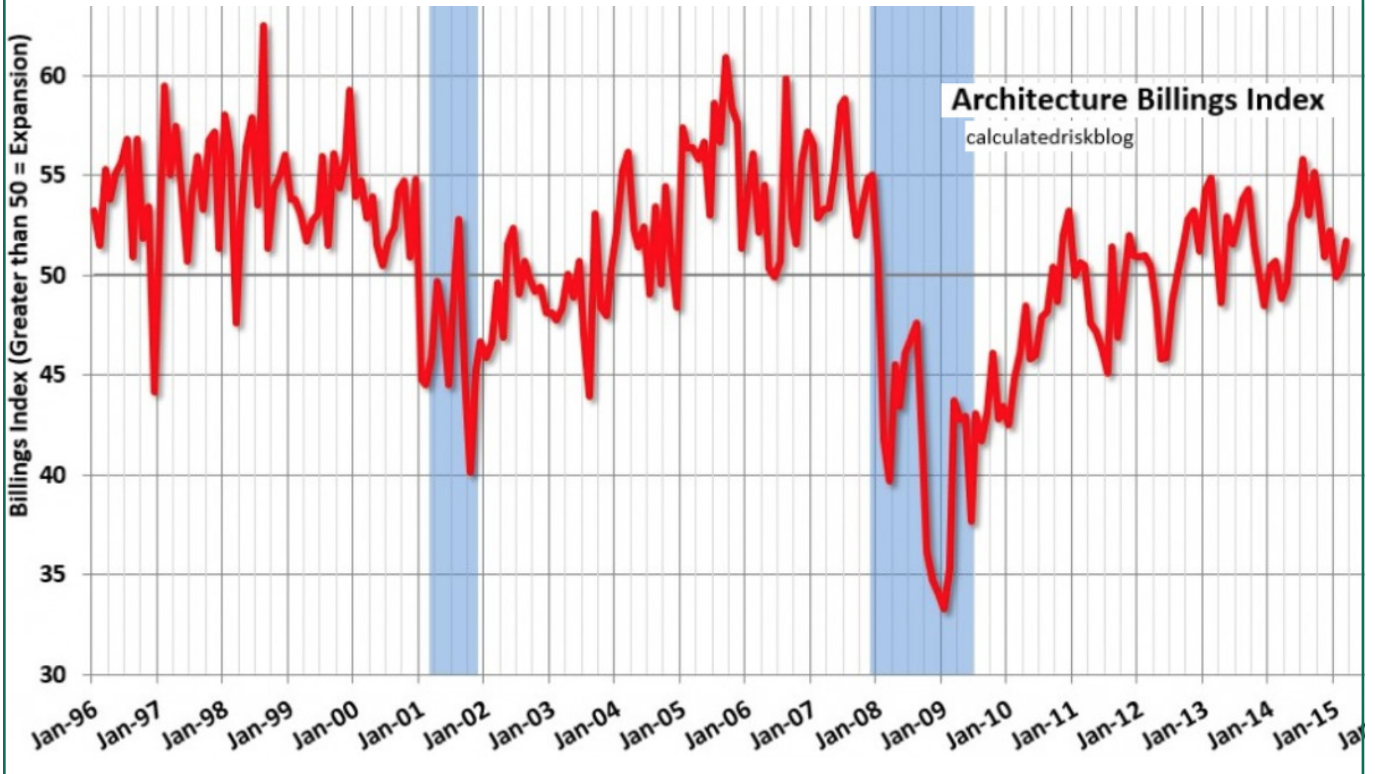


US Architecture Billings Index: March 2015

For the second consecutive month, the US Architecture Billings Index (ABI) has indicated a “modest increase” in design activity in March. The American Institute of Architects (AIA) reported the March ABI score was 51.7, up from a mark of 50.4 in February. The new projects inquiry index was 58.2, up from a reading of 56.6 the previous month.

“Business conditions at architecture firms generally are quite healthy across the country. However, billings at firms in the Northeast were set back with the severe weather conditions, and this weakness is apparent in the March figures,” said AIA Chief Economist Kermit Baker, Hon. AIA, PhD. “The multi-family residential market has seen its first occurrence of back-to-back negative months for the first time since 2011, while the institutional and commercial sectors are both on solid footing.”

SOURCE: The American Institute of Architects



SOURCE: Statistics Canada

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	253	258	-5	275	-5	346	-93
WSPF KD R/L 2x6	253	258	-5	275	-22	332	-79
WSPF KD R/L 2x8	255	270	-15	286	-31	342	-87
WSPF KD R/L 2x10	314	310	+4	324	-10	380	-66
WSPF KD PET 2x4 Stud	235	245	-10	270	-35	315	-80
WSPF KD PET 2x6 Stud	250	255	-5	275	-25	295	-45
Douglas Fir Green R/L 2x4	290	290	0	300	-10	332	-42
Douglas Fir Green R/L 2x10	340	340	0	340	0	380	-40
ESPF KD 2x4 8ft Stud	325	330	-5	340	-15	405	-80
OSB Ontario 7/16" (CDN\$)	210	209	+1	215	-5	240	-30
CSplywood Toronto 3/8" (CDN\$)	400	383	+17	390	+10	390	+10

Madison's Weekly Lumber News

Building Permits, Canada

CONT'D FROM PG 2 The value of non-residential building permits rose 22.1 per cent to \$2.4 billion in March, following two consecutive monthly declines, said StatsCan Friday. Increases were posted in eight provinces, led by British Columbia and Alberta. Quebec and Saskatchewan also registered noticeable advances in the non-residential sector in March. Ontario and Newfoundland and Labrador were the two provinces to register declines in the sector.

In the residential sector, the value of permits rose 6.6 per cent from February to \$4.4 billion in March. Gains

in Ontario and British Columbia offset decreases in five provinces, with Quebec and Alberta registering the largest declines.

Canadian municipalities authorized the construction of 18,586 new dwellings in March, up 24.9 per cent from the previous month. The increase stemmed from a 43.7 per cent advance in the number of multi-family dwellings to 13,126 units. In contrast, the number of single-family dwellings declined 5 per cent to 5,460 units.

The total value of permits was up in six provinces in March, led by British Columbia, Ontario, and Alberta.

The total value of permits rose in 19 of the 34 census metropolitan areas, led by Vancouver, Toronto, and Calgary.

US REO Inventory

CONT'D FROM PG 2 "Our REO acquisition activity is disproportionately high for certain types of loans, including loans with certain higher-risk characteristics," continued Freddie Mac. "For example, the percentage of interest-only and Alt-A loans in our single-family credit guarantee portfolio, based on UPB, was approximately 2 and 3 per cent, respectively, at March 31, 2015. The percentage of our REO acquisitions in the first quarter of 2015 that had been financed by either of these loan types represented approximately 20 per cent of our total REO acquisitions, based on loan amount prior to acquisition. In addition, loans from our 2005-2008 Legacy single-family book comprised approximately 71 per cent of our REO acquisition activity during 1Q 2015.

Fannie and Freddie are still working through the backlog of loans made during the housing bubble, mostly in judicial foreclosure states.

REO inventory decreased in Q1 for both Fannie and Freddie, and combined inventory is down 30% year-over-year. For Freddie, this is the lowest level of REO since Q2 2008. For Fannie, this is the lowest level since Q3 2009.

Short term delinquencies are at normal levels, but there are still a fairly large number of properties in the foreclosure process with long time lines in judicial foreclosure states.

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"I am amazed at the data you've been able to collect in this report and find it all very interesting. I can see this kind of information being especially desired by economists / bankers / the investment community and perhaps Industry CFO's and such for help formulating reports and such. I like the trend data on capacity / efficiency plus export import ratios."

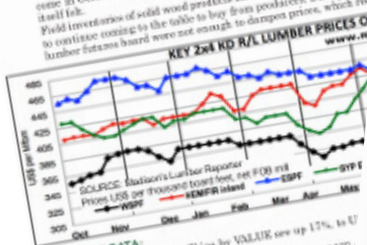
- Michael Low | Scotiabank | Director & Group Lead, Commercial Banking

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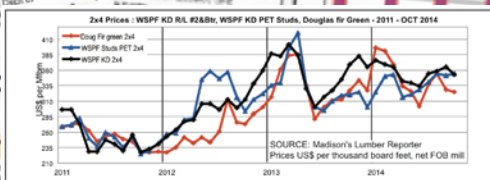
MADISON'S
3Q 2014 North America Timber Industry Analysis and Proj
By Rita Korman, Publisher and Editor, Madison's Lumber Reporter
November 1, 2014

OVERVIEW
Vigorous bursts of enthusiasm among North America's lumber and paper mills in September as value volumes dropped and prices softened somewhat, but some in October however, as market fundamentals prevailed and the steel fell.



IMPORTANT DATA:

- US LOG exports to China by VALUE rose up 17% to US\$1.1B in year ago
- US SAWMILL products exports to China by VALUE 2014 rose 2013
- US SAWMILL products imports from Canada by VALUE Aug 2014 compared to 2013
- Canadian LUMBER exports to US by VALUE rose over last year

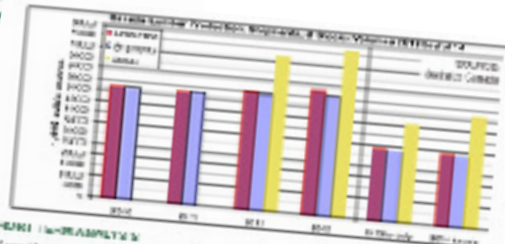


US WOOD EXPORTS remain mostly in the US while Canada's exports to the US have increased.

Canada Log Exports Jan-Aug '14:
China +7.40%
Japan +8.30%
S Korea -5.80%
USA -7.9%

It is interesting to note that the VALUE of both log and lumber exports from each country to China have increased, while VOLUMES remain relatively flat.

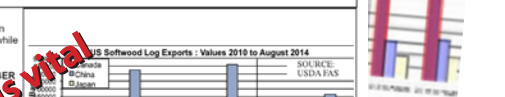
Also noteworthy is the steady increase in VALUES of lumber shipped from Canada to the US in the first eight months of this year.



US Softwood Log Exports: Values 2010 to August 2014
SOURCE: USDA FAS



Canada Softwood Log Exports by Value - 2010 to Aug 2014
SOURCE: Statistics Canada



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North America Forest Company News

Weyerhaeuser reported May 1 a bigger-than-expected drop in earnings, despite a strong start to 2015 for many lumber markets, as the timber giant grappled with mill hiccoughs and port hold-ups.

The US-based group – which controls nearly 7 million acres of timberland – reported a halving to US\$90 million in earnings for the January-to-March quarter. Underlying earnings per share came in at \$0.19.

The group blamed the weaker result, including revenues down 0.8 per cent to US\$1.72 billion, on factors including the strong dollar, the labour dispute which hampered exports from US west coast ports for much of the period, and a slower-than-expected restart of its largest fluff mill after a scheduled maintenance outage.

Sales in the company's wood-products business fell 2.5 per cent to US\$923 million as lower sales across all product lines overshadowed cost improvements and higher production volumes for engineered products.

And while the company's 2Q outlook lists lower earnings expectations from its timberlands and cellulose fibre segments, Weyerhaeuser projects a significant bump in its wood products earnings.

Weyerhaeuser expects significantly higher earnings from the wood products segment in 2Q. The company anticipates seasonally higher sales volumes across

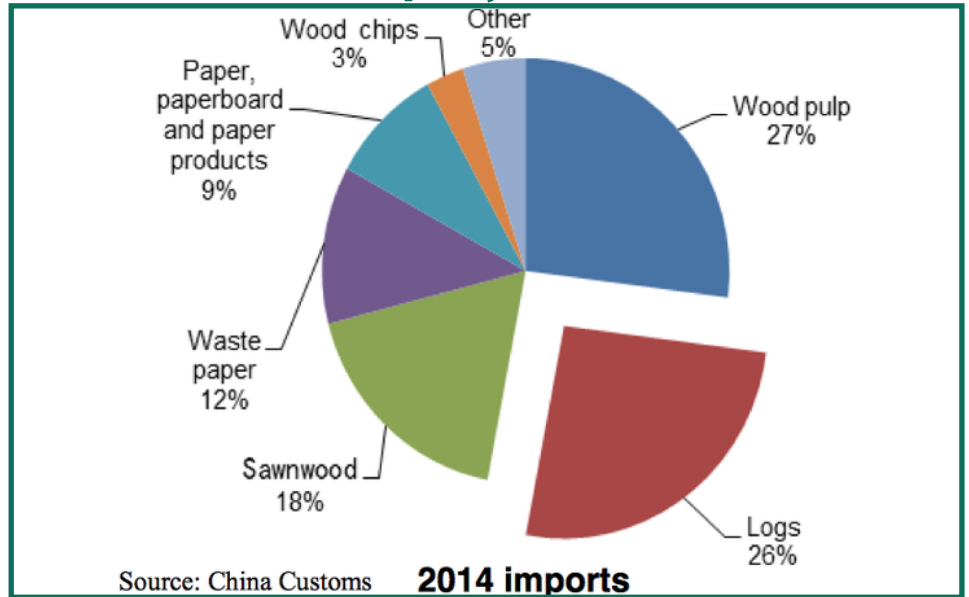
all product lines and average sales realizations for lumber and oriented strand board comparable to the first quarter. The company also expects lower Western log costs and lower per-unit manufacturing costs.

Quebec-based forestry company Tembec said Monday it has just endured a tough winter quarter that resulted in a \$40-million loss. The loss amounted to 40 cents per share, which was deeper than the year-earlier loss of 28 cents per share or \$28 million.

Among other things, Tembec said winter weather had a bigger impact than anticipated on energy costs and efficiency. It also said the weakening of the Canadian dollar produced a \$37-million loss related to debt issued in US dollars.

Overall sales were down nearly four per cent, dropping to \$348 million in the second quarter ended March 28 from \$362 million a year earlier.

Elsewhere, as a result of log supply constraints and low lumber prices, Tolko Industries will take downtime at its Quest Wood sawmill in BC, effective May 4, 2015, the company said Wednesday. The company expects the curtailment will



be one week in duration but it may be extended based on log inventories and lumber prices.

“At current pricing levels we are evaluating the operating stance at all of our mills,” said Troy Connolly, General Manager BC Lumber.

Updates and Announcements

As well, all six of Hampton Affiliates' western US sawmill operations will be impacted by a “rolling curtailment” plan, starting with three facilities during the week of May 4 and shifting to the next three during the week of May 11, the company said Thursday. That schedule will be reviewed, then adjusted or continued according to changes in current market conditions. Over 30 million board feet of stud and dimension production will be impacted by the curtailment.

Shipping departments will remain open at all Hampton mills during the curtailment period and be subject to closure during any future shutdown extension.

In Virginia, the Louisa County Sheriff's Office and the Occupational Safety and Health Administration were Thursday investigating the death of a worker Tuesday at the Chips Inc sawmill by Zion Crossroads near Richmond, VA. Logs, boards, and sawdust lay everywhere as 46-year-old Sean Marcus Lucas went to work filling his tractor trailer full of the tiny wood particles.

Detective Mark Stanton with the Louisa County Sheriff's Office said to WTVR at some point that Lucas, who lived in Palmyra, stopped and got back into his truck thinking all of the sawdust had come down, but it had not.

Stanton said a large amount of sawdust suddenly started falling after Lucas

got back into his truck. Lucas got out of the cab of his truck to try to escape, but the sawdust fell too fast. Stanton said the co-workers of Lucas pulled him from the dust and tried to revive their him, but it was too late.

In other developments, according to the latest statistics from the State Forestry Administration, the value of China's 2014 international trade in wood products rose 8.4 per cent to US\$140 billion. While this was a record high the rate of growth in trade fell by around 1 per cent compared to 2013.

Wood pulp, logs, sawnwood, waste paper, paper, paperboard and paper products and wood chips imports dominated the trade accounting for 95 per cent of the value of wood product imports in 2014.

And finally, in March 2015 Brazilian exports of wood-based products (except pulp and paper) increased 23 per cent in value compared to March 2014, from US\$218.6 million to US\$282.3 million.

Brazil's pine sawnwood exports increased 31 per cent in value in March 2015 compared to March 2014, from US\$17.5 million to US\$25.4 million. In terms of volume, exports increased 30 per cent, from 75,500 cubic metres to 108,300 cubic metres over the same period.

Pine plywood exports jumped 26.5 per cent in value in March 2015 in comparison with March 2014 from US\$37.0 million to US\$ 46.8 million. The volume increased 28.9 per cent, from 98,800 cubic metres to 127,400 cubic metres.

Reflecting the growing interest in international markets, it is no surprise that Brazil's tropical plywood exports increased almost 138 per cent in volume, from 4,000 cubic metres in March 2014 to 9,500 cubic metres in March 2015 and the value increased from US\$2.3 million in March 2014 to US\$4.7 million in March this year.

Exports of wooden furniture have started to recover with March exports totaling US\$46 million, up from US\$41 million in March 2014.