

MADISON'S LUMBER REPORTER



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News & Updates

Madison's Notifies . . .

This is just a gentle reminder:

As lumber manufacturing and the sector's business activity steadily keeps picking up, *Madison's* has become aware of companies and organizations sometimes forwarding your weekly *Reporter* internally.

If you are sending the newsletter along to colleagues, please let us know instead so we can email directly.

It is important for publisher auditing purposes to have an accurate count of readers.

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Canada Housing Starts: June 2015

Canada's June housing starts rose more than expected from May to an 11-month high. The seasonally adjusted annualized rate of housing starts rose to 202,818 in June, compared to the downwardly revised 196,981 units in May, according to the Canadian Mortgage and Housing Corporation Thursday. **CONT'D PAGE 7**

Housing Starts, Japan: May 2015

Total housing starts in Japan for May were 71,720 unit, 5.8 per cent more than May last year, according to the *Japan Lumber Reports* Friday. On a seasonally adjusted basis Japan housing starts in May were 911,000 units, 0.2 per cent less than April. **CONT'D PAGE 7**

US Home New and Existing Sales: May and June 2015

The rate of new single-family home sales, as estimated by the Census Bureau Wednesday, improved to a seasonally adjusted annual rate of 546,000 in May, the fastest pace in seven years and a 2.2 per cent increase over April.

Meanwhile the National Association of Realtors (NAR) Pending Home Sales Index increased for the fifth straight month in June, rising to the highest level in nine years. This follows the NAR May existing home sales report, which increased to the highest pace in six years to a 5.35 million seasonally adjusted annual rate. The June sales rate was 5.1 per cent higher than April and a 9.2 per cent gain over May of last year. **CONT'D PAGE 7**

North American Lumber Market Update and Outlook

North American lumber prices, log price, timber demand, and wood export data and forecasts are examined. **CONT'D PAGE 9**

JAPANESE HOUSING STARTS				
Month	TOTAL	Non-Wood	Wood	%Wood
May-15	71,720	33,569	38,151	53
Apr-15	75,617	34,821	40,796	54
Mar-15	69,887	31,635	38,252	55
Feb-15	67,552	31,553	35,999	53
Jan-15	67,713	31,517	36,196	53
Dec-14	76,416	32,570	43,846	57
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

Source: Japan Wood-Products Information and Research Center

CANADIAN HOUSING STARTS				
Actual and Seasonally Adjusted Annual Rates				
	June 2015		May 2015	
	Actual	SAAR	Actual	SAAR
Canada, all areas	18,621	202,818	18,471	196,981
singles, urban centres	5,863	57,787	6,084	56,667
rural areas	1,571	14,098	1,739	14,040
multiples	11,187	130,933	10,648	126,274
Atlantic urban centres		10,284		9,118
Quebec urban centres		38,540		30,279
Ontario urban centres		56,511		81,542
Prairie urban centres		48,384		37,889
BC urban centres		35,001		24,113

Source: Canada Mortgage and Housing Corporation

US House Price Index

This CoreLogic House Price Index report is for May. The recent Case-Shiller index release was for April. The CoreLogic HPI is a three month weighted average and is not seasonally adjusted (NSA).

CoreLogic Reports National Homes Prices Rose by 6.3 Percent Year Over Year in May 2015

CoreLogic® ... Tuesday released its May 2015 CoreLogic Home Price Index (HPI®) which shows that US home prices nationwide, including distressed sales, increased by 6.3 per cent in May 2015 compared with May 2014.

This change represents 39 months of consecutive year-over-year increases in home prices nationally. On a month-over-month basis, home prices nationwide, including distressed sales, increased by 1.7 per cent in May 2015 compared with April 2015.

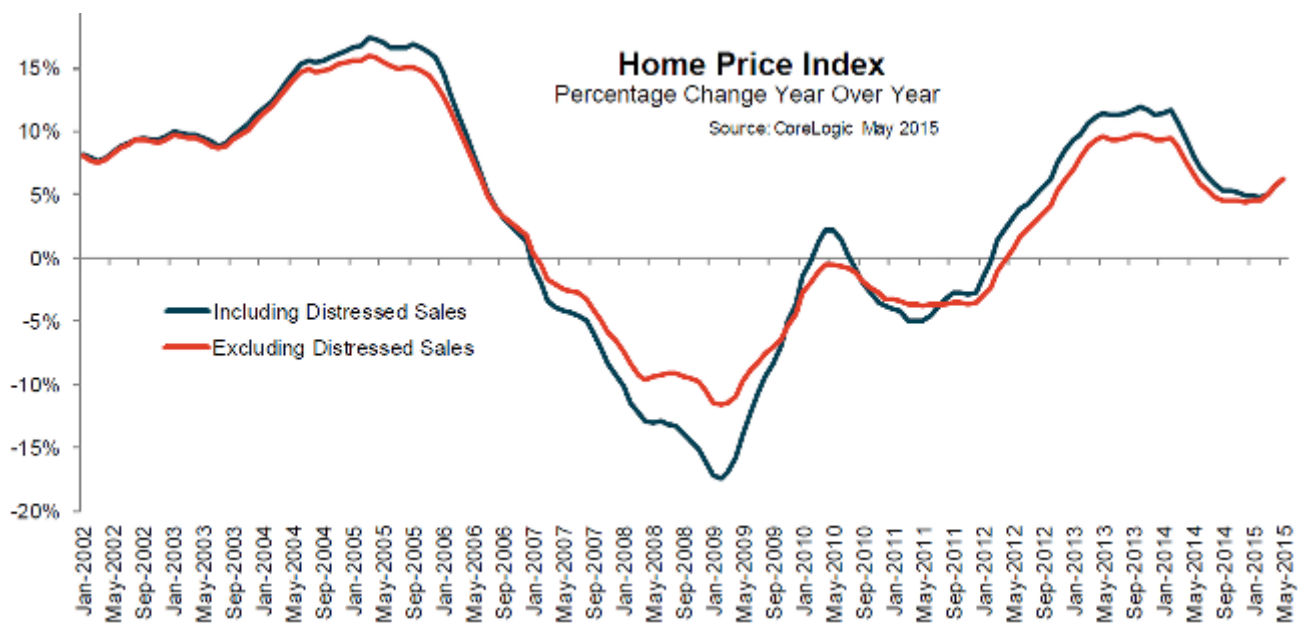
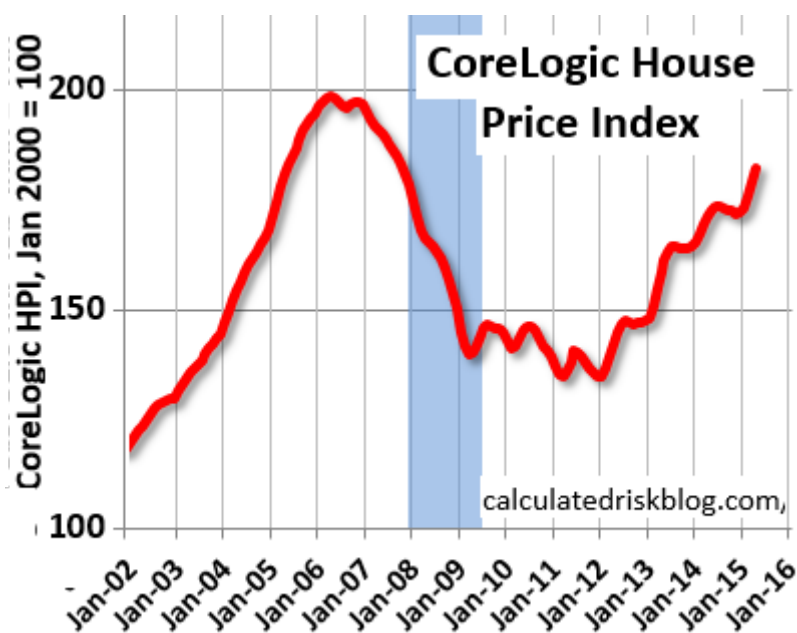
Including distressed sales, 33 states and the District of Columbia were at or within 10 per cent of their peak prices in May 2015. Ten states and the District of Columbia reached new price peaks not experienced since January 1976 when the CoreLogic HPI started. These states include Alaska, Colorado, Iowa, Nebraska, New York, North Carolina, Oklahoma, Tennessee, Texas and Vermont.

Excluding distressed sales, home prices increased by 6.3 per cent in May 2015 compared with May 2014 and increased by 1.4 percent month over month compared with April 2015.

This graph shows the national CoreLogic HPI data since 2002. January 2000 = 100.

The index was up 1.7 per cent in May (NSA), and is up 6.3 per cent over the last year.

This index is not seasonally adjusted, and this was a solid month-to-month increase.



Madison's Weekly Lumber Key Prices Table

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	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
<small>Prices are in U.S. dollars per 1,000 fbm (net FOB mill)</small>							
WSPF KD R/L 2x4	305	300	+5	294	+11	350	-45
WSPF KD R/L 2x6	305	305	0	290	+15	362	-57
WSPF KD R/L 2x8	312	315	-3	300	+12	350	-38
WSPF KD R/L 2x10	370	370	0	356	+14	394	-24
WSPF KD PET 2x4 Stud	325	315	+10	295	+30	345	-20
WSPF KD PET 2x6 Stud	306	295	+11	280	+26	330	-24
Douglas Fir Green R/L 2x4	358	355	+3	320	+38	340	+18
Douglas Fir Green R/L 2x10	405	390	+15	360	+45	345	+60
ESPF KD 2x4 8ft Stud	370	375	-5	365	+5	435	-65
OSB Ontario 7/16" (CDN\$/msf)	235	235	0	235	0	225	+10
CSplywood Toronto 3/8" (CDN\$/msf)	457	421	+36	448	+9	426	+31

Madison's Weekly Lumber News

Home Building and Permits, Canada

CONT'D FROM PAGE 2 Urban starts largely drove the increase, with a 3.2 per cent rise to 188,720 units. There was also a 0.4-per-cent increase in rural starts, with a seasonal adjusted annual rate of 14,098 units.

Seasonally adjusted multiple starts are at their highest level since September 2012, but are expected to moderate over the coming months, said the CMHC Thursday.

Meanwhile, the total value of building permits fell 14.5 per cent to \$6.7 billion in May, following two months of double-digit gains, said Statistics Canada Wednesday.

In the residential sector, the value of permits declined 13.5 per cent to \$3.9 billion in May, ending a string of three consecutive monthly increases.

Canadian municipalities issued non-residential building permits worth \$2.8 billion in May, down 16 per cent from

April. This decline followed gains of 24.8 per cent in March and 31.7 per cent in April.

Japan Housing Starts

CONT'D FROM PAGE 2 Japan housing starts for the first five months of 2015 were 352,489 units, a 2.1 per cent drop from the previous year.

New units built for owners were 22,542, a 1.1 per cent increase over May 2014, said the *Japan Lumber Reports*, while units built for sale were up 18.1 per cent over the previous year, to 20,594 units.

US New and Existing Home Sales

CONT'D FROM PAGE 2 The May data from NAR indicated that the first-time buyer share, a notably weaker element of the housing market, increased to 32 per cent in May, up from 30 per cent in April.

New home inventory remained steady at 206,000 units nationwide completed and under/not started construction. The months' supply measure fell to 4.5, the lowest since June 2013. Low inventory and growing demand will support increases for single-family construction in the months ahead.

Sales growth is occurring on the re-sale side of the market as well. The National Association of Realtors (NAR) Pending Home Sales Index increased for the fifth straight month in June, rising to the highest level in nine years. This follows the NAR May existing home sales report, which increased to the highest pace in six years to a 5.35 million seasonally adjusted annual rate. The June sales rate was 5.1 per cent higher than April and a 9.2 per cent gain over May of last year.



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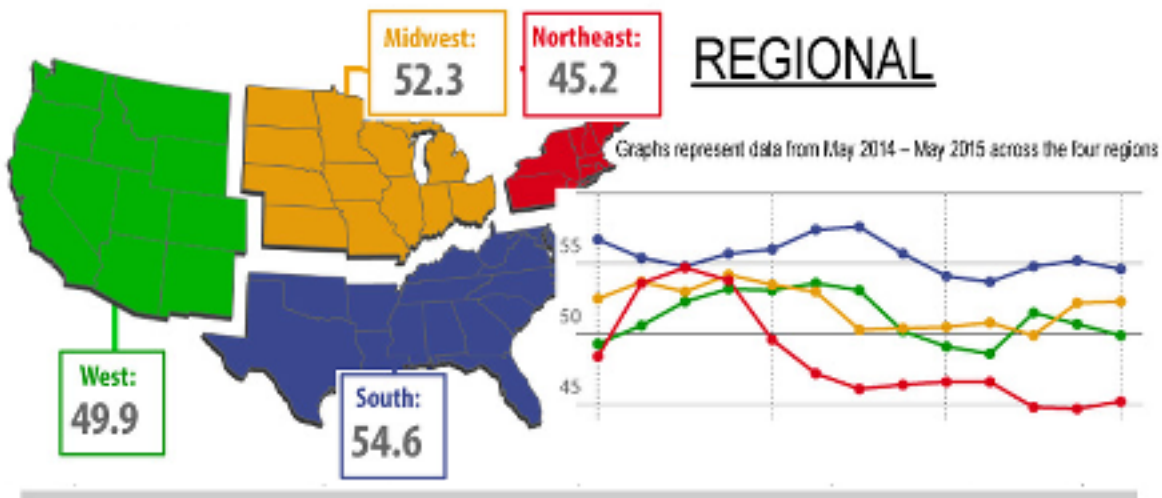
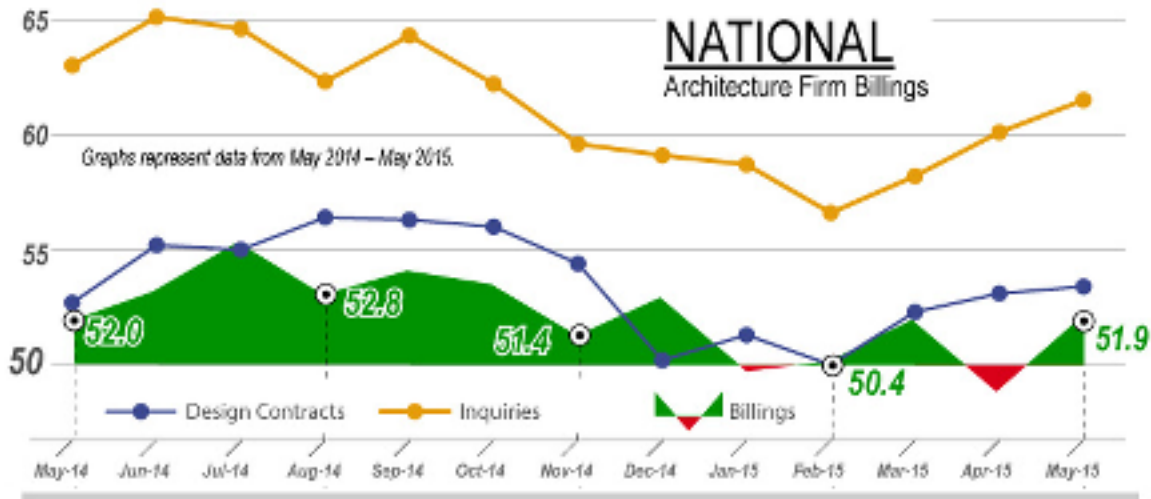
Architecture Billing Index, US : May 2015

After experiencing relatively soft business conditions for much of the past winter and spring, many architecture firms saw signs of improvement in May. The AIA's Architecture Billings Index (ABI) increased by more than three points to a score of 51.9 in May, where any score over 50 indicates billings growth.

As a positive sign of more business ahead in the pipeline, the design contracts index remained elevated in May as well, meaning that the value of new design contracts at firms is continuing to increase, as it has for the last 14 months.

Architecture firms located in the Northeast region have reported declining billings for the last nine months, which continued into May. In addition, firms located in the West reported a very modest decline this month, following two months of improvement, after experiencing softness the first two months of 2015. On the other hand, business conditions remain fairly strong at firms in the South, where they have seen an increase in billings every month for the last three years.

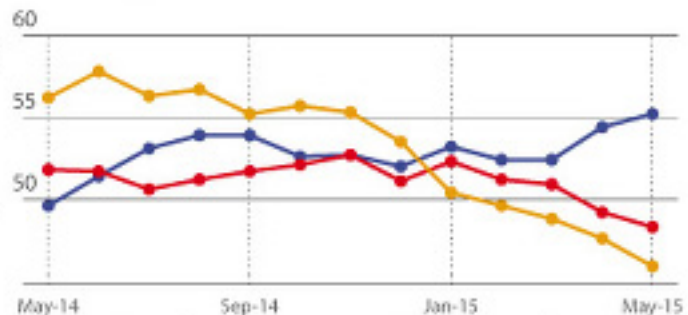
SOURCE: American Institute of Architects



SECTOR

Billings Improve at Firms With an Institutional Specialization, But Soften at Others

Graph represents data from May 2014 – May 2015 across the three sectors. 3-month moving average. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease.



Commercial/Industrial: 48.3

Institutional: 55.2

Residential: 45.9

North America Log and Lumber Markets

A spurt of talk in the past few days about lumber market recovery / not yet recovery prompted *Madison's* to do a **Round Up Update** for North American log and lumber data:

Said the *Vancouver Sun* Tuesday, "The key commodity price for 1,000 board feet of western spruce, pine or fir 2X4s, as reported by trade publication *Madison's Lumber Reporter*, fell from a high of US\$324 at the start of the year to a low of \$253 at the end of April.

Prices have rebounded since to US\$300 per 1,000 board feet at the end of June."

USA Supply

Conversely, average southern log prices in 2Q 2015, southern pine stumpage log price, increased a modest 1.5 per cent year-over-year to US\$25.60 per ton, said *Timber Mart South* Tuesday. On a quarter-over-quarter basis, the southern average slipped 2.6 per cent. Overall, 2Q 2015 prices point to a continued muted recovery in southern log prices.

• Elsewhere in the US, Oregon log prices dropped by US\$102 since January and are already at a typical summer price of US\$651, wrote Rick Sohn, retired CEO of Lone Rock Timber, in the latest issue of *Timber Report* out of *The News-Review*. The early price drop this year is symptomatic of the dry winter and spring months, which permitted more logging in winter months than usual. But the price is still high for the mills, relative to the log price. The lumber price, at 41 per cent of the log price in April, is the lowest it has been for the last three years, except for December 2013 says *Timber Report*.

Meanwhile, the latest Washington State Dept of Natural Resources (DNR) quarterly *Economic and Revenue Forecast* found that as of May, DNR had sold 394 mmbf of stumpage volume in fiscal year 2015. Projected timber sales volume for the current fiscal year is lowered by 21 mmbf, from 491 mmbf

to 470 mmbf based on an updated sales plan. This volume has been pushed out to fiscal year 2016.

• At the end of April, the Department had 591 mmbf of timber under contract, valued at US\$209 million, or US\$353/mbf. This Forecast's survey, conducted in the first half of May, indicates that purchasers will likely harvest 71 mmbf of inventory volume in the remainder of this fiscal year, 384 mmbf of the existing inventory in fiscal year 2016, and the remaining 136 mmbf in fiscal year 2017 and fiscal year 2018.

Global Exports

• While there was a complete halt to wood ordering from China through 4Q 2014, and early 2015 lumber stocks in China were well supplied, overall lumber and log import volumes for 2014 through April 2015 is exactly flat compared to 2013.

• As a possible forward indicator of North America export demand, New Zealand — a major softwood log supplier to China — reported this week export log prices rose from a three-year low this month, helped by a decline in the Kiwi dollar and increased demand in China, the country's largest market.

• The average wharf gate price for New Zealand A-grade logs increased to NZD\$86 a tonne from NZD\$83 a tonne in May, halting three months of declines, according to *AgriHQ's* monthly survey of exporters, forest owners and sawmillers. The *AgriHQ Log Price Indicator*, which measures average log prices weighted

by grade, rose to 89.38 from 88.40 last month.

The prices for New Zealand export logs have picked up from their lows as inventories on Chinese ports fell below four million cubic metres.

Japan

The total volume of Japan's log exports for January to May 2015 were 259 thousand cubic metres, a 47.5 per cent increase over the previous year, said the *Japan Lumber Reports* Friday. It was active inquiries from China, due largely to a weakening Yen, which was responsible for increased exports, said the *Reports*.

North America Demand

Several analysts this week came out with assessments of near-term future US home building and timber demand: "Chinese demand will eventually be displaced when U.S. housing starts reach 1.2 million to 1.3 million units annually since pricing is higher in the US and shipping costs are lower. At that point North American demand should be sufficient to eliminate any supply surpluses," says analyst Todd Kapala of Montreal-based institutional investment manager Addenda Capital July 3. "We see robust lumber pricing for years to come even if housing starts struggle to reach the long-term annual average of 1.4 million units ... though rising North American prices could attract heavier import competition from Europe."

by Kéta Kosman

