

# MADISON'S LUMBER REPORTER

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## News & Updates

### Canada Railcar Loadings: June 2015

The volume of rail freight carried in Canada totalled 29.8 million tonnes in June, down 2.4 per cent from the same month a year earlier, according to Statistics Canada Wednesday.

Freight originating in Canada and destined within Canada and to other parts of the world declined 1.5 per cent to 26.9 million tonnes. These shipments are composed of non-intermodal freight (that is, cargo moved via box cars or loaded in bulk) and intermodal freight (that is, cargo moved via containers and trailers on flat cars).

Non-intermodal freight decreased 0.8 per cent to 295,000 carloads. The amount of freight loaded into these cars totalled 24.2 million tonnes, down 2.1 per cent. The drop was attributable to a decrease in freight loadings in several commodity groupings, particularly coal (down 642 000 tonnes), fuel oils and crude petroleum (down 416 000 tonnes), and wheat (down 389 000 tonnes).

Intermodal freight loadings rose 5.2 per cent to 184,000 units in June. From a tonnage perspective, traffic increased 4.4 per cent to 2.8 million tonnes as a result of a rise in containerized cargo shipments.

Freight traffic received from the United States fell 9.7 per cent to 2.9 million tonnes, as a result of decreases in both non-intermodal and intermodal shipments.

### US Southern Pine Lumber Exports: June 2015

Southern Pine lumber exports were just under 46 MMBf during June 2015, the Southern Forest Products Association said in the press release also Wednesday. This volume represents a boost of 11 per cent above the same month last year, contributing to a year-to-date increase of 7 per cent when compared with the first half of 2014.

Like the previous month, softwood lumber imports to the US during June were just over a billion board feet, up 6 per cent from the volume imported during June of 2014. When compared with last year, year-to-date softwood imports remain up 7 per cent.

### US Mortgage Delinquency: July 2015

Freddie Mac reported Friday that the Single-Family serious delinquency rate declined in July to 1.48 per cent, down from 1.53 per cent in June. Freddie's rate is down from 2.02 per cent in July 2014, and the rate in July was the lowest level since October 2008. Freddie's serious delinquency rate peaked in February 2010 at 4.20 per cent.

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### Canada Industrial Price Index: July 2015

The Industrial Product Price Index increased 0.7 per cent in July, mainly because of higher prices for motorized and recreational vehicles, said Statistics Canada also Friday. The Raw Materials Price Index declined 5.9 per cent in July, led by lower prices for crude energy products.

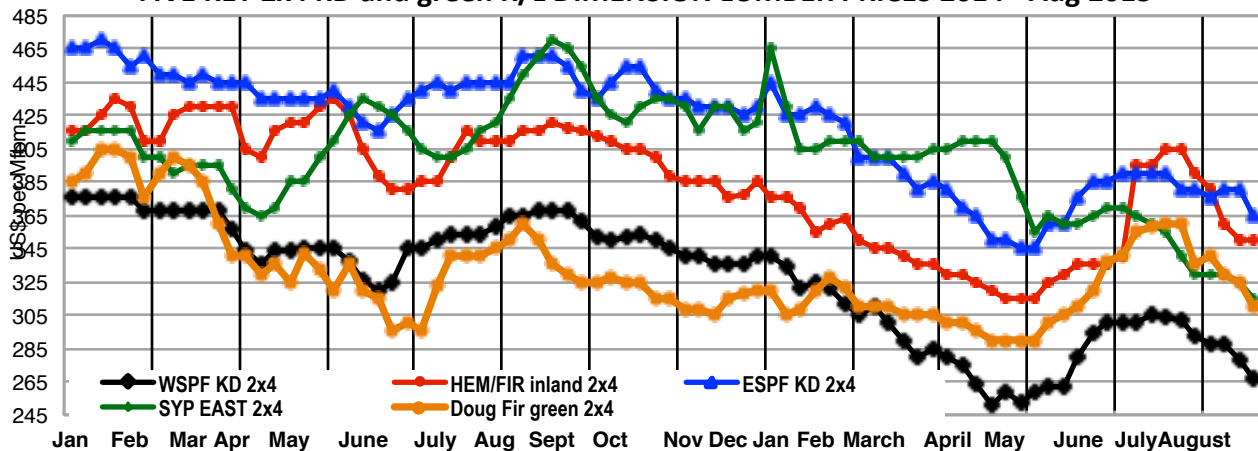
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### US Housing Market, Home Building

New data out this week from the US Commerce Department, Standard & Poors, RealtyTrac, the National Association of Realtors, and Zillow all show a steady and improving situation for US home selling, house prices, rental rates, and foreclosures.

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FIVE KEY 2x4 KD and green R/L DIMENSION LUMBER PRICES 2014 - Aug 2015



## US Rates on New Home Loans: July 2015

On average, the contract rate on conventional mortgages used to purchase newly-built homes increased 12 basis points in July, to 3.98 per cent, according to data released Friday by the Federal Housing Finance Agency. At 3.98, this is the highest the contract rate has been since December of last year.

Initial fees have some ability to offset increases in a loan's contract interest rate. However, the average initial fees and charges on conventional mortgages used to purchase newly-built homes also increased in July, from 1.08 to 1.15 per cent. As a result, the average effective rate on the new home loans (which amortizes initial fees over the estimated life of the loan) also increased in July, from 3.98 to 4.10 per cent.

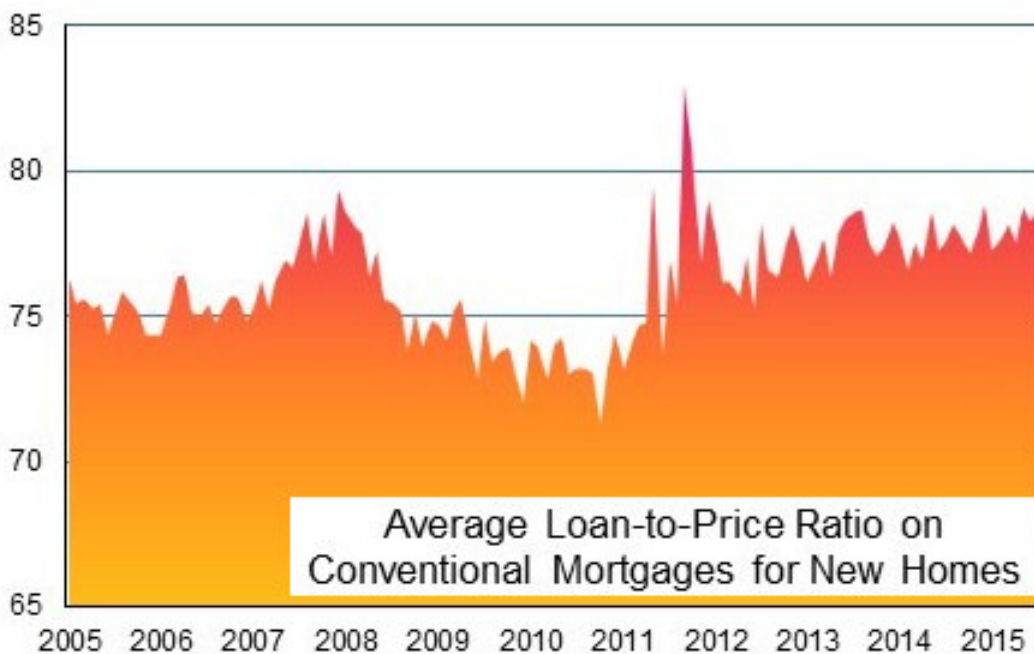
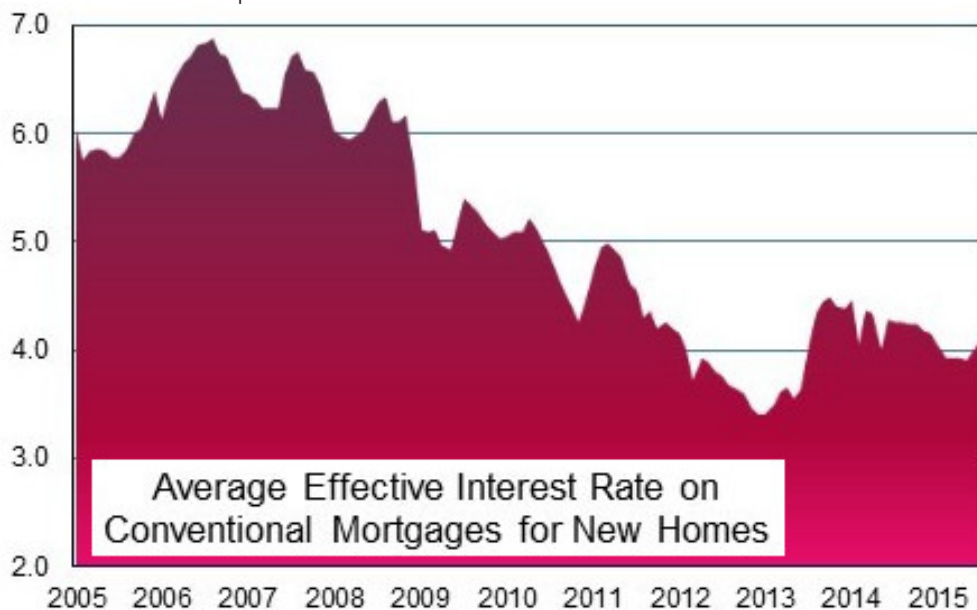
This marks the first time the average effective rate on new home loans has been above 4 percent in 2015.

Meanwhile, after rising to all-time highs the previous month, the average loan amount and price of new homes purchased with conventional loans both moderated in July.

The average loan size declined by nearly US\$2,000 to US\$350,600 while the average new home price declined by nearly US\$4,000 to US\$458,000. Even after the declines, these are the second highest numbers on record.

Because the home price declined by more than the loan amount in July, the average loan-to-price (LTP) ratio increased, from 78.3 to 78.8 percent.

This is just about as high as the LTP ratio on conventional new home loans has been recently (the LTP has stayed below 79.0 percent every month since 2011).



## 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	266	278	-12	292	-26	368	-102
WSPF KD R/L 2x6	272	284	-12	296	-24	376	-104
WSPF KD R/L 2x8	300	304	-4	312	-12	375	-75
WSPF KD R/L 2x10	332	354	-22	372	-40	390	-58
WSPF KD PET 2x4 Stud	245	255	-10	300	-55	365	-120
WSPF KD PET 2x6 Stud	260	270	-10	280	-20	375	-115
Douglas Fir Green R/L 2x4	310	325	-15	335	-25	350	-40
Douglas Fir Green R/L 2x10	415	410	+5	415	0	390	+25
ESPF KD 2x4 8ft Stud	315	335	-20	340	-25	445	-130
OSB Ontario 7/16" (CDN\$/msf)	260	248	+12	237	+23	210	+50
CSplywood Toronto 3/8" (CDN\$/msf)	447	447	0	457	-10	486	-39

## Madison's Weekly Lumber News

### Mortgage Delinquency, US

CONT'D FROM PAGE 2 Although the US delinquency rate is declining, the "normal" serious delinquency rate is under 1 per cent.

The serious delinquency rate has fallen 0.54 percentage points over the last year, and at that rate of improvement, the serious delinquency rate will not be below 1 per cent until mid-2016.

So even though delinquencies and distressed sales are declining, I expect an above normal level of Fannie and Freddie distressed sales through 2016 (mostly in judicial foreclosure states).

### Canada Industrial Product and Raw Materials Prices

CONT'D FROM PAGE 2 The Industrial Product Price Index (+0.7%) increased for the third consecutive month in July, posting the largest gain since February 2015, said Stats Can. Of the 21 commodity groups, 17

were up, 2 were down, and 2 were unchanged.

The main reason for the increase in the IPPI in July was higher prices for motorized and recreational vehicles (+2.5%).

To a lesser extent, higher prices for chemicals and chemical products (+1.1%) and fruit, vegetables, feed and other food products (+0.9%) also contributed to the increase in the IPPI.

The Raw Materials Price Index fell 5.9% in July, following a 0.2 per cent gain in June. Of the six commodity groups, two were up, three were down, and one was unchanged.

Lower prices for crude energy products (-13.0%) were the main reason for the decline in the RMPI, led by conventional crude oil (-13.5%), which posted its largest decline since January 2015, when prices fell 20.1 per cent. The RMPI excluding crude energy products decreased 0.3 per cent.

The RMPI fell 21.2 per cent over the 12-month period ending in July, following a 17.3 per cent decline in June.

Lower prices for crude energy products (-37.9%) were largely responsible for the decline, specifically conventional crude oil (-38.6%). The RMPI excluding crude energy products fell 2.7 per cent from the same month last year.

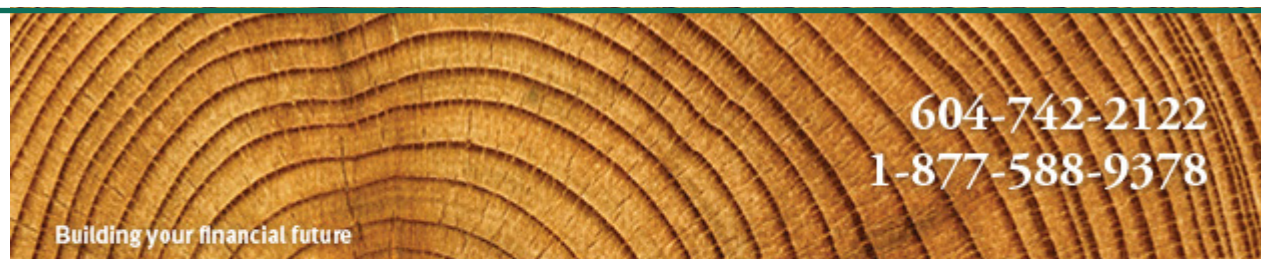
Also contributing to the year-over-year decline of the RMPI were lower prices for metal ores, concentrates and scrap (-5.8%).

### Calendar

September 2015

**Who Will Own the Forests? 2015**  
September 15-17, 2015 – Portland, OR  
<http://wwotf.worldforestry.org/wwotf11/>

**Forest Products Forum 2015**  
September 15, 2015 – Portland, OR  
<https://www.getfea.com/FPF2015>



### Wealth Advisors to the Lumber & Logging Industry

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# US Real Estate, Rents, Home Prices

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Last week new data out shows US home prices rose solidly in June, another sign of health in the housing market. The Standard & Poor's/Case-Shiller 20-city home price index rose 5 per cent from a year earlier, a slight improvement on May's 4.9 per cent increase, according to S&P Dow Jones Indices.

Indeed, as foreclosures reached their lowest level in nearly 10 years, home repossessions hit a 30-month high in July 2015, according to real-estate website *RealtyTrac*.

A decade-low in foreclosure activity shows that a recent surge in bank repossessions represents "banks flushing out old distress rather than new distress being pushed into the pipeline," says Daren Blomquist, vice president at RealtyTrac, via *MarketWatch* also last week.

Elsewhere, US home rents jumped in July as house prices showed signs of flagging.

Real estate data firm Zillow said Tuesday that rents rose a seasonally adjusted 4.2 per cent from a year ago. The higher rents suggest that demand for apartments is continuing to grow as the share of Americans

owning homes has dropped. The share of the US population who own homes has fallen to 63.4 per cent, a 48-year low, according to the Census Bureau.

Yet more data, this time from the Commerce Department, demonstrates Americans stepped up their purchases of new homes in July, with sales surging in the Northeast. The US government agency said Tuesday new-home sales rose 5.4 per cent last month to a seasonally adjusted annual rate of 507,000, recovering from a slide in purchases in June.

Buyers have crowded into the housing market this year. Backed by solid job growth over the past two years and relatively low mortgage rates, sales of new homes jumped 21.2 per cent through the first half of 2015, although the government sales report is volatile on a monthly basis.

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## US AD&C Lending Condition: July 2015

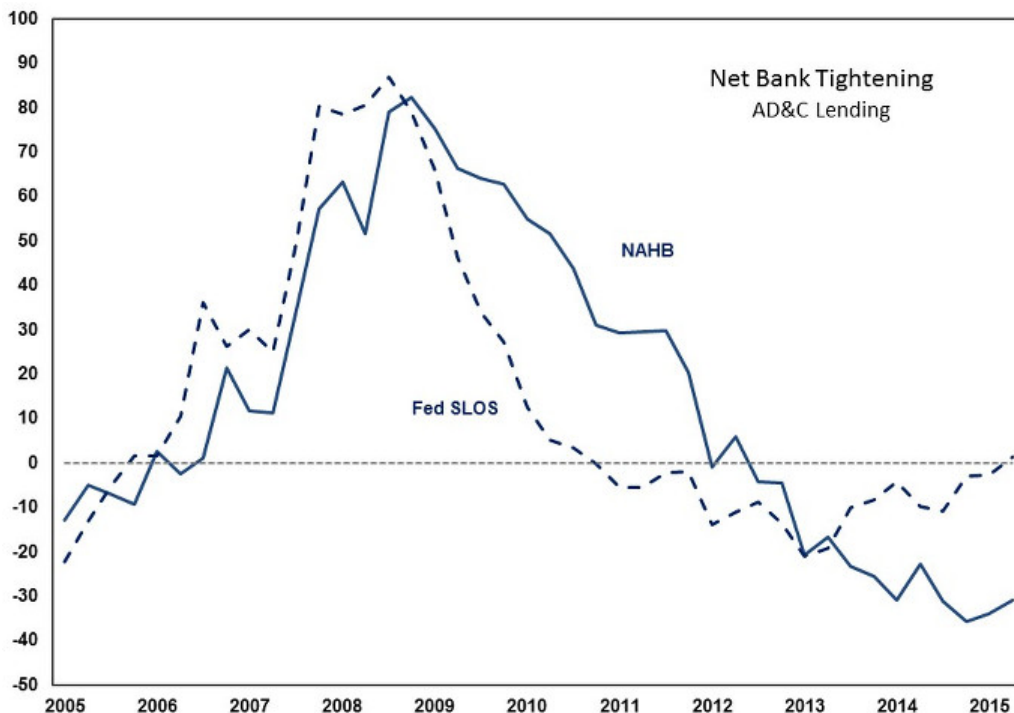
Builders and developers continue to report easing credit conditions for acquisition, development, and construction (AD&C) loans according to NAHB's most recent survey on AD&C financing, although a separate Federal Reserve survey is trending differently.

In the second quarter of 2015, the overall net tightening index of the NAHB survey was -30.7, which represents somewhat less easing than in the first quarter of 2015 when the index was -33.7. The index is constructed so negative numbers indicate easing of credit; positive tightening, so a less negative index means less easing.

In contrast, a similar net tightening index from the Federal Reserve's survey of senior loan officers showed tighter credit conditions: increasing from -2.7 in the first quarter of 2015 to 1.4 in the second quarter of 2015. This the first time the Fed's index, which reflects both residential and commercial real estate AD&C lend-

ing conditions, has indicated net tightening since 2010.

Builders and developers continue to rely heavily on commercial banks for credit. Of the respondents who were seeking credit in the second quarter, 66% reported commercial banks were the primary source of loans for land acquisition, 73% for speculative single-family construction, and 74% for land development and pre-sold single-family construction. Private individual investors are generally the second most important source—especially for land acquisition, where 17 percent of respondents cited private individuals as the primary source of credit.



# US Home Prices, Foreclosures, Rents, and New Home Sales

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Similarly, the recent release by the Federal Housing Finance Agency (FHFA) shows that its measure of house prices, House Price Index – Purchase Only, rose by 1.2 per cent on a quarter-over-quarter seasonally adjusted basis. This marks the 16th consecutive quarter of house price growth. Over this four-year period, house prices have risen by 23.1 per cent.

There were 45,381 US properties that were put into foreclosure for the first time in July, down 8 per cent from the previous month and 9 per cent from a year ago, the lowest since November 2005, while banks repossessed 46,957 properties in July, up 29 per cent from the previous month and 81 per cent from a year ago, hitting the highest level since January 2013.

Single-family homes built-for-rent increased to approximately 8,000 starts for 2Q 2015, compared to about 6,000 for the same period of 2014. The share and count of built-for-rent starts are off post-recession highs and will likely approach historical norms as the housing market continues to expand. However, given the relatively small size of this market, care must be taken when tracing changes in the estimates.

by Kéta Kosman

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## US House Prices 2Q 2015

The recent release from Standard and Poor's (S&P) and Case-Shiller indicates that their measure of national house prices, the House Price Index – National, rose by 0.3 per cent on a quarterly seasonally adjusted basis in the second quarter of 2015, according to NAHB's *Eye on Housing* Wednesday. Including a .03 per cent rise in 1Q 2012, the 2Q of 2015 marks the 14th consecutive quarter-over-quarter increase in

the house price index. Over this period of three-and-a-half years, the index has risen by 24.5 per cent.

According to the NAHB, the Case-Shiller National House Price Index will increase by 4.6 per cent in 2015 and by an additional 4.6 per cent in 2016. The rates of growth in 2015 and 2016 are below the growth rate in 2013, 7.5 per cent, and 2014, 5 per cent.

Meanwhile, Fannie Mae provides a forecast of the FHFA Purchase-Only Index. The Fannie Mae annual forecast represents the change in the house price index between the fourth quarter of the forecast year and the fourth quarter of the prior year. According to Fannie Mae, the FHFA Purchase-Only Index will grow by 4.5 per cent in 2015 and by another 4.5 per cent in 2016. The rates of growth expected in 2015 and 2016 are below the growth that took place in both

2013, 9.6 per cent, and 2014, 6.7 per cent.

## Single Family Built-for-Rent Construction

According to data from the Census Bureau's Quarterly Starts and Completions by Purpose and Design and National Association of Home Builders analysis, single-family homes built-for-rent increased to approximately 8,000 starts for 2Q 2015, compared to about 6,000 for the same period of 2014. The share and count of built-for-rent starts are off post-recession highs and will likely approach historical norms as the housing market continues to expand. However, given the relatively small size of this market, care must be taken when tracing changes in the estimates.

The current market share remains higher than the historical average of 2.8 per cent but is down from the 5.8 per cent registered at the start of 2013.

