

MADISON'S LUMBER REPORTER

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News & Updates

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Due to entrenching economic realities, *Madison's* is forced to start charging for subscriptions and services in US dollars. Canadian subscribers are welcome to pay in US currency, otherwise the charge will be converted to US funds at the date of the invoice.

This unavoidable change will take place January 1, 2016.

The current charge for the weekly Reporter is C\$408.45. This amount will stay the same except the new charge will be itemized in US dollars.

Madison's rates last changed, by 13 per cent, in January 2011. We trust our valued subscribers will be understanding about this financial reality.

Canada and US Railcar Loadings: July and Sept 2015

The volume of rail freight carried in Canada totalled 30.1 million tonnes in July, up 0.2 per cent from the same month last year, said Statistics Canada Wednesday.

Freight originating in Canada and destined within Canada and to other parts of the world increased 1.6% to 27.0 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).

Freight traffic received from the United States fell 10.1% to 3.1 million tonnes, as a result of decreases in both non-intermodal and intermodal shipments.

The Association of American Railroads also Wednesday reported US rail traffic for the week ending Sept. 26, 2015.

For this week, total U.S. weekly rail traffic was 566,700 carloads and intermodal units, down 1.8 percent compared with the same week last year.

Total carloads for the week ending Sept. 26 were 285,856 carloads, down 5.4 percent compared with the same week in 2014, while U.S. weekly intermodal volume was 280,844 containers and trailers, up 2.1 percent compared to 2014.

For the first 38 weeks of 2015, U.S. railroads reported cumulative volume of 10,590,411 carloads, down 4.4 percent from the same point last year; and 10,135,249 intermodal units, up 2.5 percent from last year. Total combined U.S. traffic for the first 38 weeks of 2015 was 20,725,660 carloads and intermodal units, a decrease of 1.2 percent compared to last year.

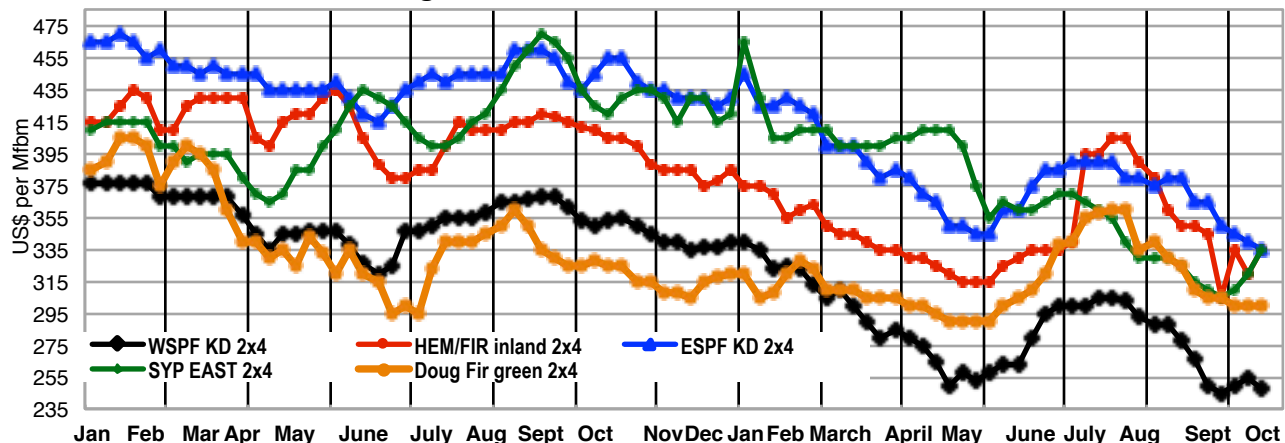
Canadian railroads reported 74,779 carloads for the week, down 13.8 percent, and 63,492 intermodal units, up 1.6 percent compared with the same week in 2014. For the first 38 weeks of 2015, Canadian railroads reported cumulative rail traffic volume of 5,237,021 carloads, containers and trailers, up 0.1 percent.

Who Will Own the Forest? 11

It was time again for the annual *Who Will Own the Forest?* timberland investment conference held at the **World Forestry Center** in Portland, OR, a couple of weeks ago.

As with the past few years, **Forest Economic Advisors**, out of Boston, MA, also held their *Forest Products Forum* that week. CONT'D PAGE 6

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



US Macroeconomic and Real Estate Conditions

CONT'D FROM PAGE 2

US Gross Domestic Product

The US Bureau of Economic Analysis (BEA) on September 25 released its third estimate of real GDP growth for 2Q 2015, raising growth up 0.2 percentage points to 3.9 per cent. The bulk of the additional growth was concentrated in personal consumption expenditures and business fixed investment. Growth was 0.6 per cent in 1Q.

Overall, the composition of growth looks good, the government agency said; strength in personal consumption and fixed investment, both residential and business; less reliance on inventory investment, government spending and trade in

a slowing global economy. We expect GDP growth to slow from the current pace in the second half of the year but remain strong and keep the recovery moving forward.

US Housing as Share of GDP

With the release of the final estimates of 2Q 2015 GDP growth, housing's share of gross domestic product declined slightly to 15.31 per cent. However, the home building and remodeling component – residential fixed investment – expanded for the third consecutive quarter to 3.21 per cent of total GDP.

Housing-related activities contribute to GDP in two basic ways.

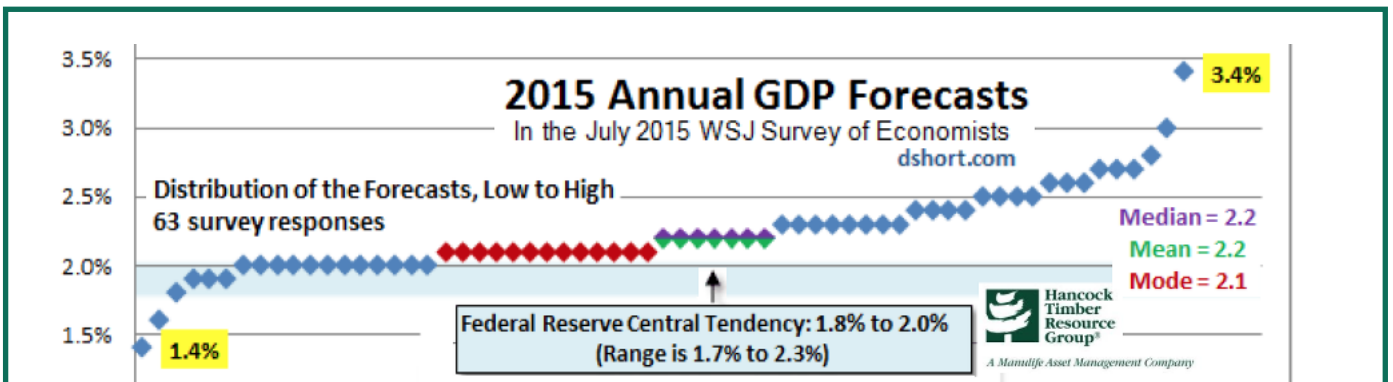
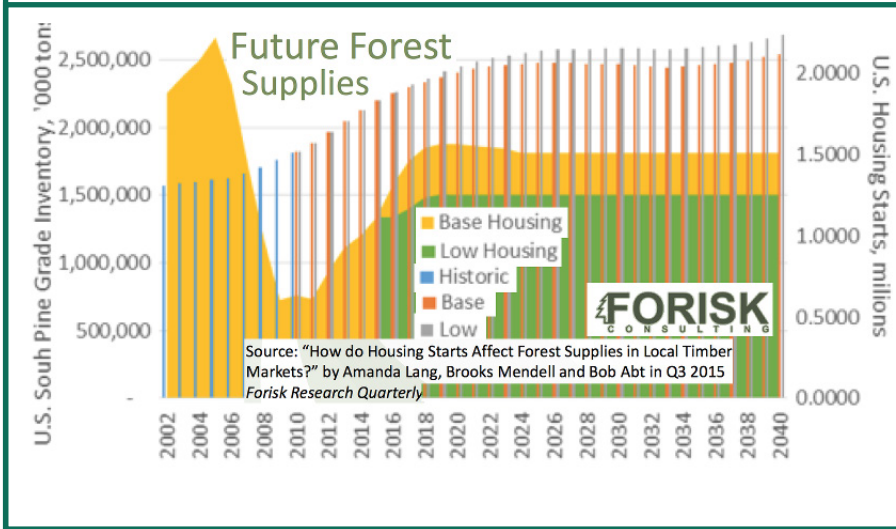
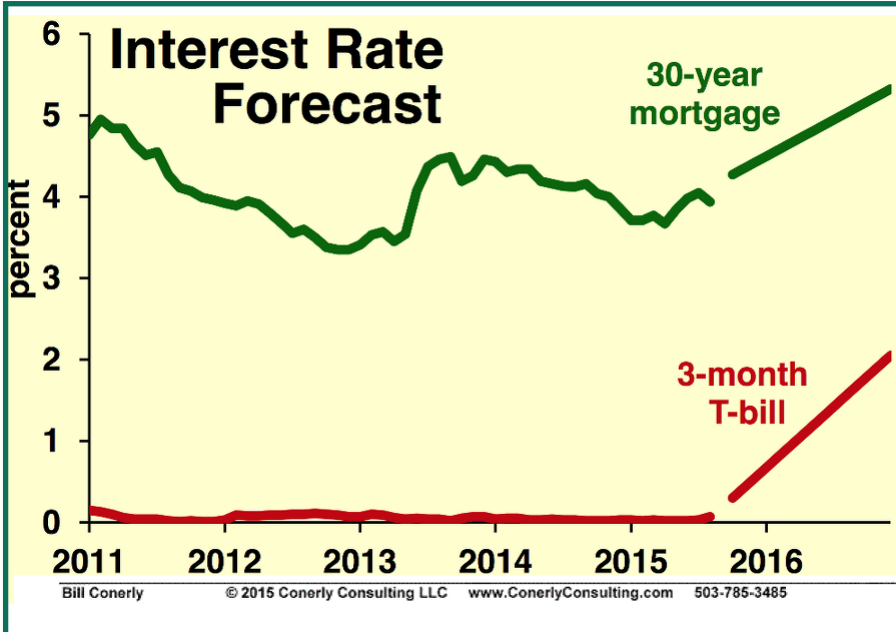
The first is through residential fixed investment (RFI). RFI is effectively the measure of the home building, multi-family development, and remodelling contributions to GDP.

For 2Q, RFI was 3.21 per cent of the economy, reaching a US\$524 billion seasonally adjusted annual pace. This is the highest quarterly rate for RFI since 1Q 2008. The 2Q growth for RFI added 0.3 points to the headline GDP growth rate (i.e. GDP would have expanded 3.6 per cent absent the RFI contribution).

The second impact of housing on GDP is the measure of housing services, which includes gross rents paid by renters, and owners' imputed rent, and utility payments.

—NAHB Eye on Housing, "[Housing Share of GDP: Home Building Increasing](#)"

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Madison's Weekly Lumber Key Prices Table

www.madisonsreport.com



	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	248	254	-6	288	-40	350	-102
WSPF KD R/L 2x6	242	248	-6	294	-52	365	-123
WSPF KD R/L 2x8	280	290	-10	308	-28	366	-86
WSPF KD R/L 2x10	302	320	-18	368	-66	370	-58
WSPF KD PET 2x4 Stud	225	230	-5	290	-65	350	-125
WSPF KD PET 2x6 Stud	245	250	-5	270	-65	375	-130
Douglas Fir Green R/L 2x4	300	300	0	340	-25	328	-28
Douglas Fir Green R/L 2x10	395	395	0	415	-40	405	-10
ESPF KD 2x4 8ft Stud	300	300	0	345	-20	425	-125
OSB Ontario 7/16" (CDN\$/msf)	283	270	+13	235	+48	212	+71
CSplywood Toronto 3/8" (CDN\$/msf)	412	385	+27	457	-45	434	-22

Madison's Weekly Lumber News

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LOG TRADE TRENDS

A Global Perspective

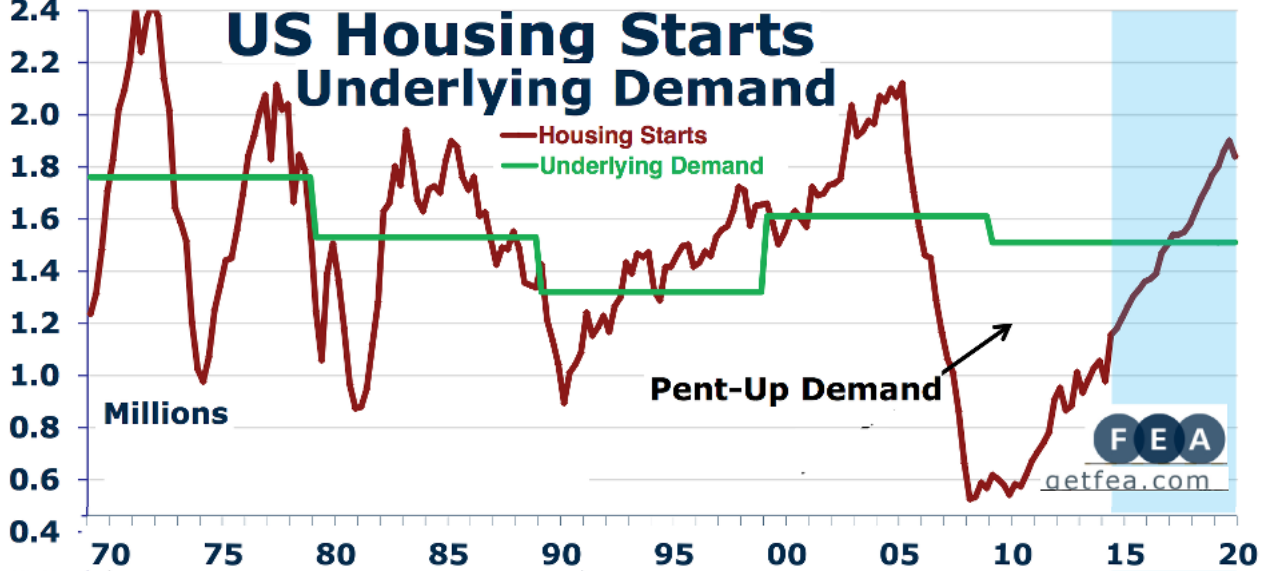
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Join us for a Region-by-Region Analysis of International Log Suppliers, Market Trends and Forecasts. Optional Port Tour to Longview, WA

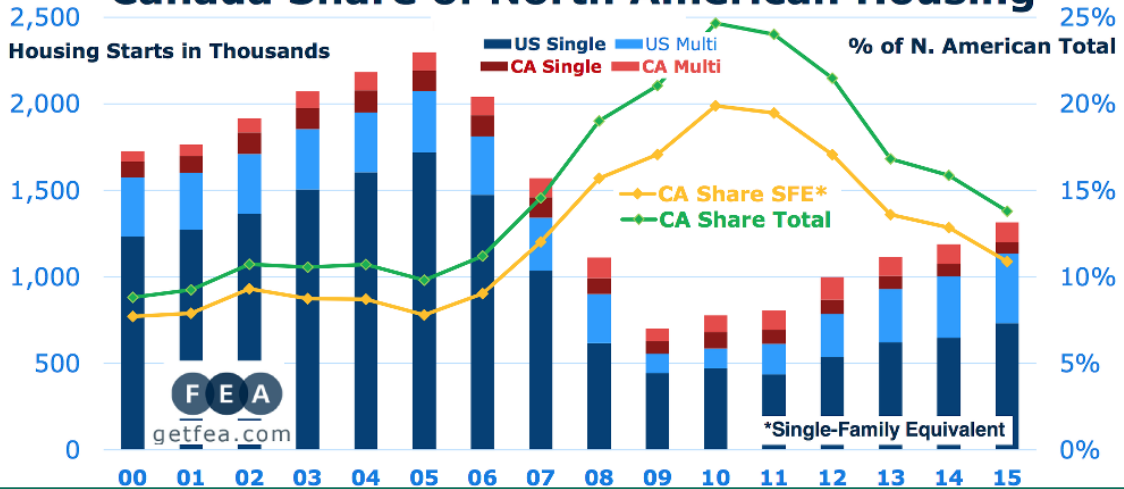
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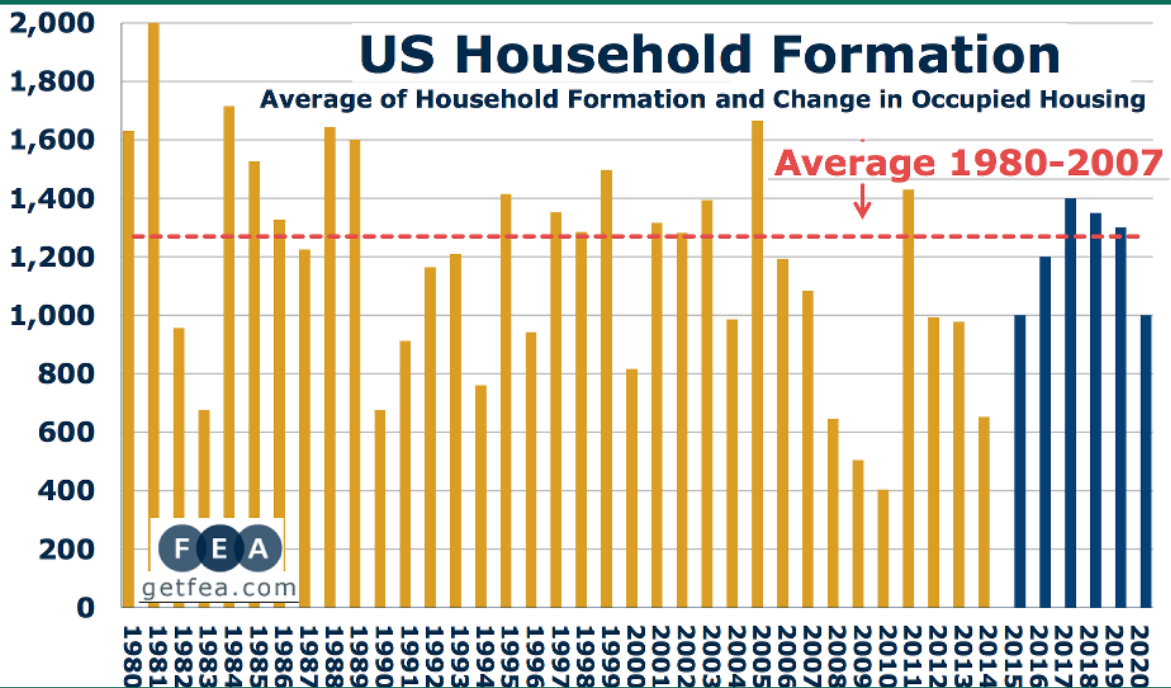
US Real Estate and Housing Market Update



Canada Share of North American Housing



US Household Formation



North America Housing, Log, and Lumber Analysis

CONT'D FROM PAGE 6 Taken together, US housing's share of US GDP was 15.31 per cent for 2Q.

Historically, RFI has averaged roughly 5 per cent of GDP while housing services have averaged between 12 per cent and 13 per cent, for a combined 17 to 18 per cent of GDP. These shares tend to vary over the business cycle, said the NAHB *Eye on Housing*.

US Apartment Vacancy Rates

Reis reported Friday that the apartment vacancy rate increased in Q3 2015 to 4.3 per cent, up from 4.2 per cent in Q2, and unchanged from 4.3 per cent in Q3 2014. The vacancy rate peaked at 8 per cent at the end of 2009.

This rise in vacancy has occurred without the deluge of new supply that is in the pipeline but has not yet hit the market.

Vacancy increased by 10 basis points to 4.3 per cent during the quarter with construction slightly outpacing net absorption once again. Although vacancy has appeared to skip off of the bottom, vacancy has been largely unchanged over the last two years as supply and demand have been roughly in balance.

US Real Prices and Price-to-Rent Ratio

The Case-Shiller National US House Price Index increased 4.7 per cent year-over-year in July, data released Tuesday revealed.

The year-over-year increase in prices is mostly moving sideways and is now at between 4 and 5 per cent. In October 2013, the National index was up 10.9 per cent per cent year-over-year. In July 2015, the index was up 4.7 per cent YoY.

Case-Shiller, CoreLogic, and others report nominal house prices. As an example, if a house price was US\$200,000 in January 2000, the price would be close to US\$276,000 today adjusted for inflation (38 per cent). That is why "real" prices (adjusted for inflation) are important.

In the latest Case-Shiller release, the National Index was reported as being 7 per cent below the bubble peak. However, in real terms, the National index is still about 21 per cent below the bubble peak.

US Real Prices and Price-to-Rent Ratio

The US Census Bureau of the Department of Commerce announced Thursday that US construction spending during August 2015 was estimated at a seasonally adjusted annual rate of US\$1,086.2 billion, 0.7 per cent above the revised July estimate of US\$1,079.1 billion. The August figure is 13.7 per cent above the August 2014 estimate of US\$955.0 billion.

SOURCE: Calculated Risk

