

MADISON'S LUMBER REPORTER



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News & Updates

Madison's Forest Pulse: 3Q 2015

There is just one more data set we are waiting for, as soon as the information is updated **Madison's** will send the next issue of the quarterly *Forest Pulse* to subscribers.

Don't miss out on this vital and timely information! Sign up for a subscription today. CONT'D PAGE 6

US Softwood Lumber Imports from Europe Double

At a total of 111,777 cubic metres, the USA imported more than twice as much softwood lumber from Europe in 3Q than it had done in the same period of last year, according to EUWID Wednesday. Foreign trade data from the US Department of Agriculture, Foreign Agriculture Service (FAS) shows that Sweden was the main source in Europe, as in the preceding quarters, at 48,222 cubic metres, followed by Germany, from where 173 per cent more softwood lumber was imported at 25,611 cubic metres. CONT'D PAGE 7

Global Softwood Lumber Production Increasing

The global production of softwood lumber is steadily increasing, with Europe still the largest producer (300 million cubic metres per year) and drivers of demand in North America and China, according to **Fordaq** via **IHB** Friday. The per capita consumption is highest in North America, while in Europe, Finland, Sweden, Austria, and Latvia top the list.

This are some of the conclusions drawn by Rupert Oliver of the British market research institute Forest Industries Intelligence at this year's International Softwood Conference (ISC), held from 4 to 6 November in Amsterdam.

The largest international exporter, and with a strong upward trend, is Canada, which is already responsible for a third of the world's lumber exports. Most of Canadian exports are going to the USA and China.

The second larger exporter is Russia, also with a rising trend. Main markets for the Russian lumber are China and the CIS countries, and to a much lesser extent, the EU too. The biggest export market for European manufacturers is Egypt. CONT'D PAGE 7

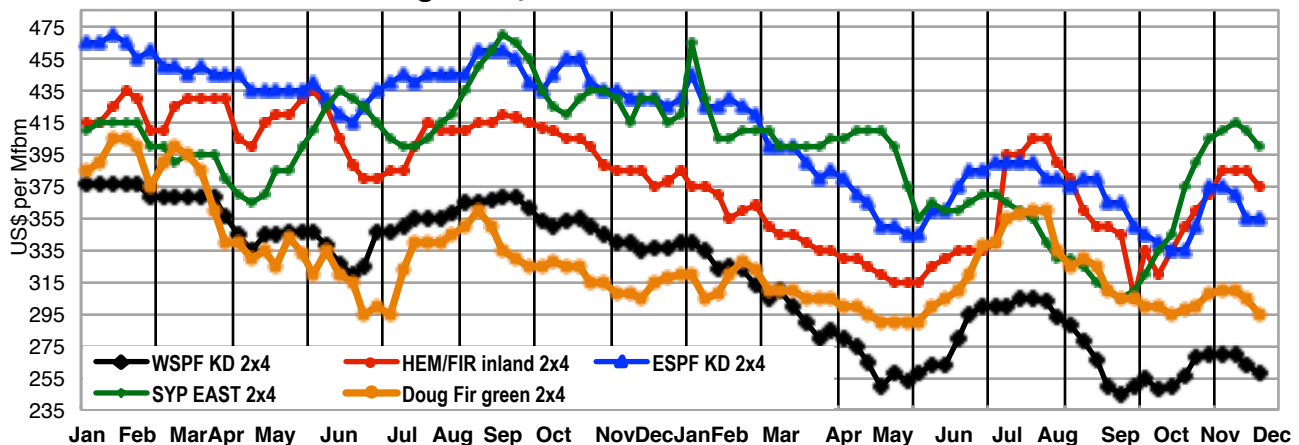
US New and Existing Home Sales: October 2015

Census and HUD reported Wednesday new homes sales for October rebounded from their unexpected low in September to a level of 495,000 on an annual basis. This is a 10.7 per cent increase from the revised September, a 1.6 per cent increase from the 3Q average and a 15.7 per cent increase in year-to-date not seasonally adjusted levels from last year.

Existing home sales, as reported by the National Association of Realtors Tuesday, decreased 3.4 per cent in October, and the annual share of first-time buyers in 2015 fell to its second-lowest level since the survey was launched in 1981. Total existing home sales in October decreased to a seasonally adjusted rate of 5.36 million units combined.

October existing sales were up 3.9 per cent from the same period a year ago. CONT'D PAGE 8

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





3Q 2015 North America Timber Industry Analysis and Projection

By Kéta Kosman, Publisher and Editor, Madison's Lumber Reporter

November 20, 2015

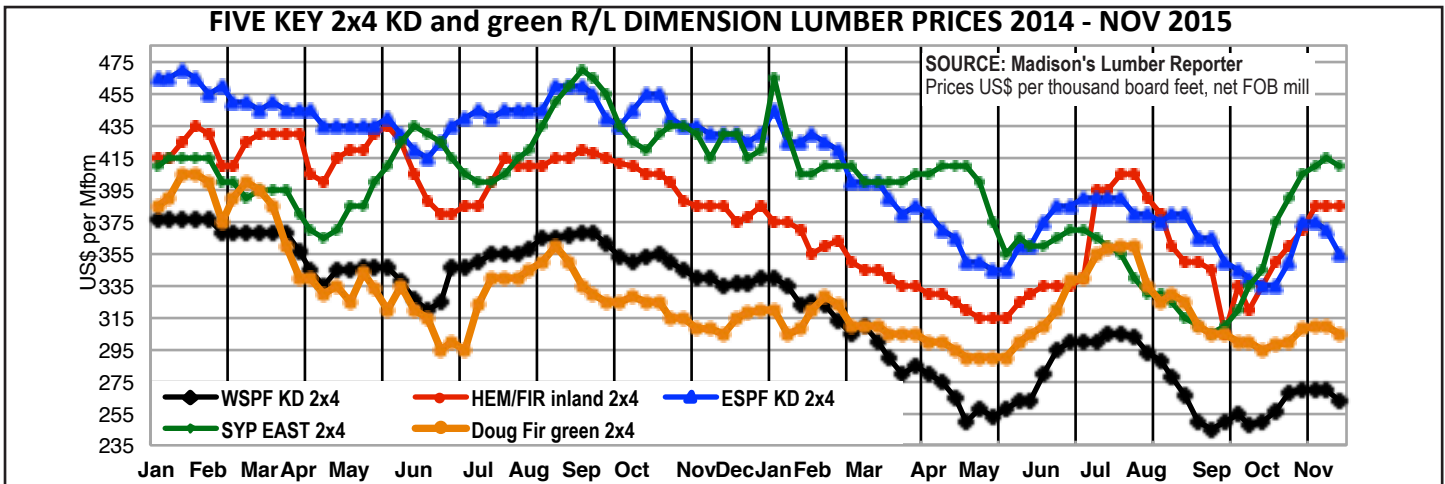
OVERVIEW

US softwood lumber consumption “Apparent Consumption” for the first eight months of 2015 **increased by +4.0%**, to **29,284 million fbm**, compared to 28,160 million fbm for the same time period in 2014, according to **Western Wood Products Association’s Lumber Track**.

Canadian Sawmill Products exports to the world for Jan - Aug 2015 increased +4.8 per cent, to **C\$6.1 billion**, from C\$5.8 billion in the first eight months of 2014.

To the US alone Canada’s sawmill products exports were C\$4.1 billion, up +7.0% from C\$3.8 billion, according to the latest Statistics Canada data.

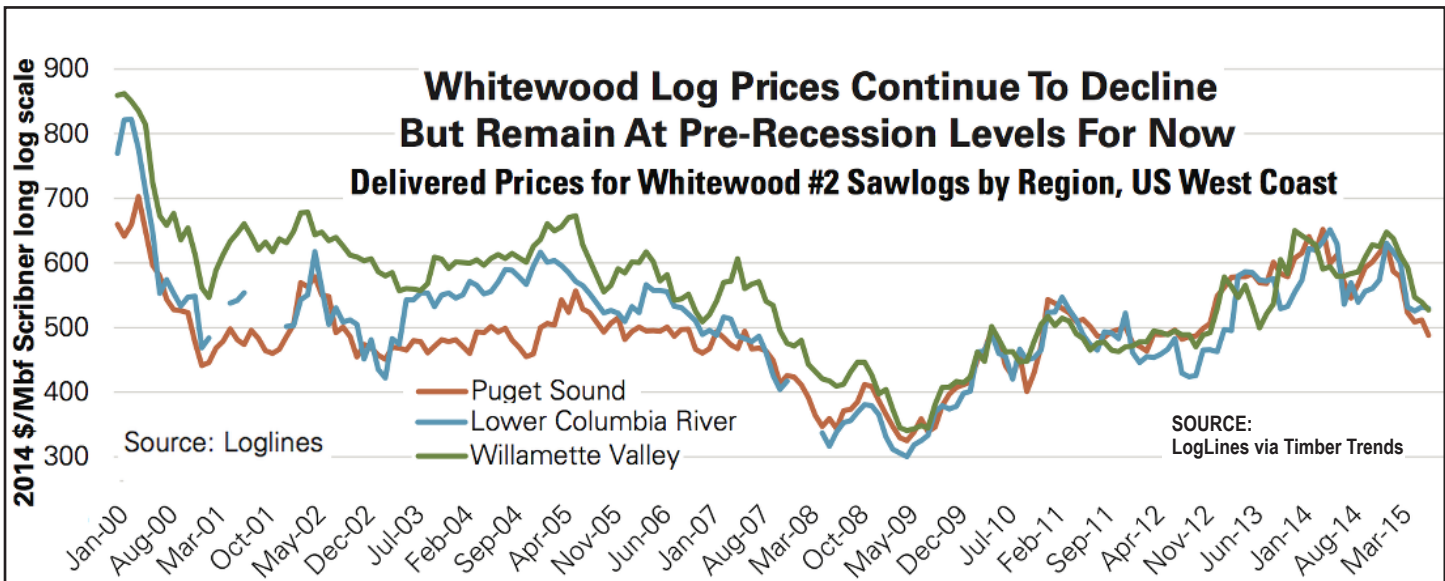
As domestic production continues to steadily increase, **US sawmill product imports from Canada dropped slightly, down -6%**, for Jan - Aug 2015, to **US\$3.3 billion**, from US\$3.5 billion in the first eight months of 2014.



ONE-YEAR KEY DIMENSION LUMBER PRICE TRENDS: Madison's Lumber Reporter

Benchmark Western Spruce-Pine-Fir R/L KD 2x4 #2&Btr	Nov 2015 ... US\$263	Nov 2014 ... US\$335	-21.5%
Hem-Fir Inland R/L KD 2x4 #2&Btr	Nov 2015 ... US\$385	Nov 2014 ... US\$385	0%
Eastern Spruce-Pine-Fir R/L KD 2x4 #2&Btr	Nov 2015 ... US\$355	Nov 2014 ... US\$430	-17.4%
Southern Yellow Pine East Side R/L KD 2x4 #2&Btr	Nov 2015 ... US\$410	Nov 2014 ... US\$430	-4.7%
Douglas fir green R/L 2x4 #2&Btr	Nov 2015 ... US\$305	Nov 2014 ... US\$308	- 1.0%

All prices US dollars per thousand board feet net fob mill



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	258	263	-5	270	-12	336	-78
WSPF KD R/L 2x6	254	255	-1	262	-8	345	-91
SYP KD R/L East Side 2x4	400	410	-10	405	-5	415	-15
SYP KD R/L East Side 2x6	310	325	-15	350	-40	345	-35
ESPF KD R/L 2x4	355	355	0	375	-20	430	-75
WSPF KD PET 2x4 Stud	215	230	-15	235	-20	355	-140
WSPF KD PET 2x6 Stud	225	235	-10	235	-10	380	-155
Douglas Fir Green R/L 2x4	295	305	-10	307	-12	315	-20
Douglas Fir Green R/L 2x10	385	400	-15	400	-15	402	-17
ESPF KD 2x4 8ft Stud	290	290	0	315	-25	405	-115
OSB Ontario 7/16" (CDN\$/msf)	335	340	-5	315	+20	215	+120
CSplywood Toronto 3/8" (CDN\$/msf)	408	412	-4	425	-17	425	-17

Madison's Weekly Lumber News

US Lumber Imports from Europe

CONT'D FROM PAGE 2 Even more pronounced growth rates were recorded for imports from Romania, increasing several times over to 22,877 cubic metres, said EUWID.

The value of the softwood lumber imports from Europe amounted to US\$31.31 million, which equates to an increase of 30 per cent on a year earlier. The average, constructed import value, on the other hand, was markedly regressive, falling to only around US\$280. In comparison to 2Q, however, the figure was up slightly by 4 per cent.

Softwood Lumber Manufacturing, Globally

CONT'D FROM PAGE 2 The largest importer worldwide, the United States, imports almost all wood

from Canada. The second largest importer is China. There, in 2014, Russia replaced Canada as the largest supplier.

The demand for wood will continue to rise, says Oliver, as for the Asian construction sector a doubling is expected by 2024, driven especially by the megacities.

In connection with the wood certification issue, Oliver called it as a largely European phenomenon. In a nutshell, certification has a high proportion in Europe, low in North America and almost nothing in China.

Resolute Suspends Québec Operations

Resolute Forest Products is suspending indefinitely its wood-cutting operations in Québec's Mauricie region near Trois-Rivieres, the company announced Thursday.

The suspension, which starts Friday, will affect at least 180 jobs.

The Montreal-based company attributed the decision mainly to high fibre costs, but also low market selling prices. Resolute said it has had discussions with the provincial government about fibre costs and won't restart operations if the situation doesn't change.

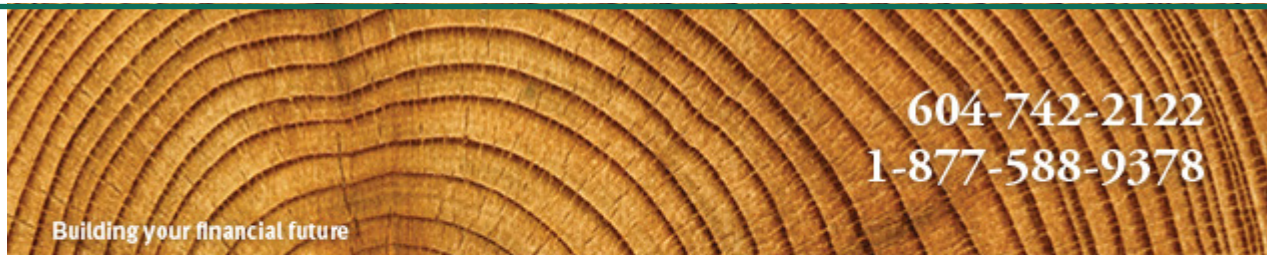
Last summer, the company and two competitors temporarily suspended activities in Québec's North Shore because wood was damaged by an infestation of spruce budworm.

Sawmill Fire

Investigators in northern Ohio planned to return to the scene of a sawmill fire that all but destroyed the centre of a warehouse and caused its roof to collapse.

The blaze struck a warehouse behind Carter Lumber on Route 20 in Oberlin, OH, Wednesday. No injuries were reported.

The cause of the fire was still under investigation Friday.



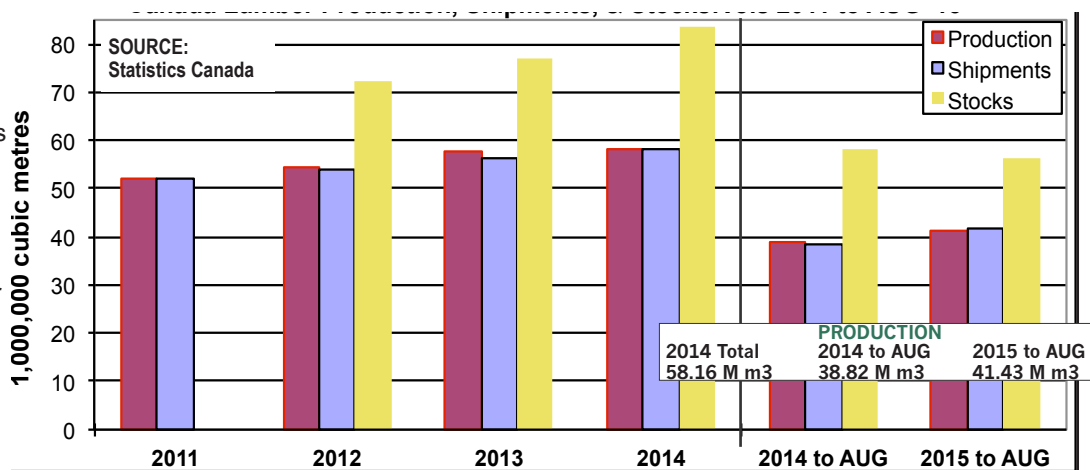
Wealth Advisors to the Lumber & Logging Industry

National Bank Financial is an indirect wholly-owned subsidiary of National Bank of Canada which is a public company listed on the Toronto Stock Exchange (NA: TSX). National Bank Financial is a member of the Canadian Investor Protection Fund (CIPF).



SHIPMENTS of softwood lumber in **Canada** were up 7.6 per cent for Jan - Aug 2015 over the previous year, at 41.69 million cubic metres, from 38.52 million cubic metres.

In comparison, lumber SHIPMENTS for the previous quarter had been +3.3% higher than in the quarter before that.



IMPORTANT DATA:

- **US sawmill products exports to China by VALUE** are down by -24.4% (compared to down -14.6% for previous quarter), to **US\$722 million** (FAS value), for Jan to Aug 2015. The previous year it was US\$955 million.
- **US sawmill products imports from Canada by VALUE** are down by -6% (compared to up -5% for previous quarter) to **US\$3,324 million**, Jan to Aug 2015 over US\$3,536 million in 2014.
- **Canadian lumber exports to US by VALUE** are up by +7.0% (compared to up +6.9% for previous quarter), to **C\$4,078 million**, Jan to August 2015. The previous year it was C\$3,791 million.
- **Canadian provincial manufacturing sales at sawmills by VALUE** are up by +0.2% for Jan-Sep 2015 (compared to flat for previous quarter), to **C\$6,951 million**. The previous year it was C\$6,939 million.

SHORT TERM ANALYSIS

US domestic lumber production is up +1.7 per cent for the first eight months of 2015, according to the most recent **Western Wood Products Association's Lumber Track**, at 21,413 million board feet, compared to 21,060 million board feet for Jan to August 2014. For the previous quarter it had been up +3.7%

US Softwood Sawmill Capacity Utilization rose by another +2% to 84% for January to August 2015 compared to 2014. **Canada Softwood Sawmill Capacity Utilization remained flat** at 85% for the same time period, compared to 84% in the previous WWPA report.

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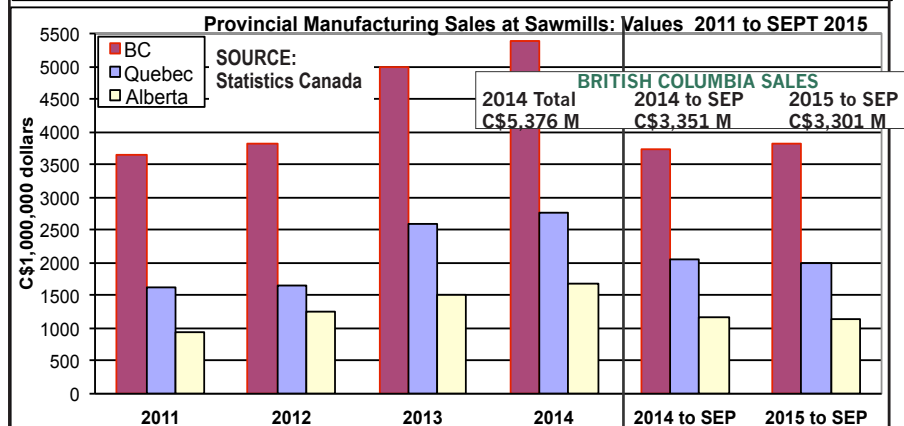
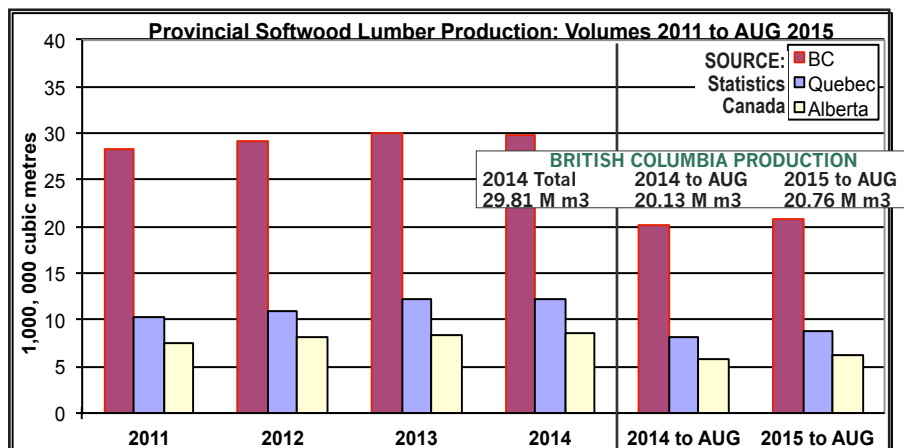
VOLUMES of lumber produced at Canadian sawmills in the first nine months of 2015 rose by +6.3%, to 41.43 million cubic metres, compared to the previous year's 38.83 million cubic metres.

In comparison, lumber VOLUMES for the previous quarter had been +6.3% higher than in the quarter before that.

VOLUMES of lumber produced in **Québec** and **Alberta** from Jan-Sept 2015 increased by +6.3% (8.68 million cubic metres) and +8.4% (6.17 million cubic metres) respectively compared to this year, while British Columbia climbed by +3.0% (20.76 million cubic metres).

For Jan-Sept 2015 **VALUES** of manufacturing sales at sawmills in **BC** increased by +2.1%, to \$3,808 million, compared to staying even for the same time period in 2014, when it was \$3,727 million. While in **Québec** and **Alberta** values fell by -2.5% to \$2,003 million and -1.4%, to \$1,140 million, respectively.

For those three provinces combined, **VALUES** of manufacturing sales at sawmills for Jan-Sept 2015 rose by +0.2% to \$6,951 million, from \$6,939 million in 2014, compared to a +7.0% increase the previous quarter.



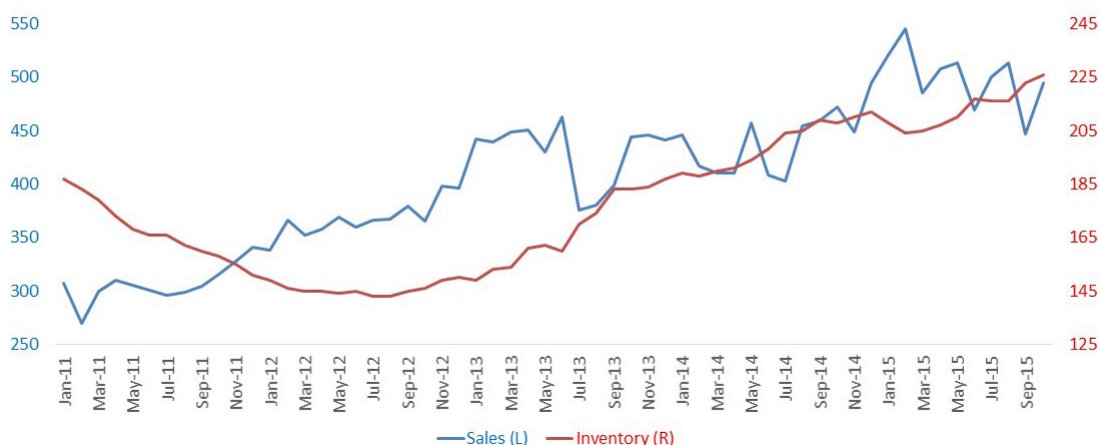
US New Home Sales: October 2015

Regionally, only the West experienced an insignificant decline of 0.9%.

Inventory also increased 1.3% to 226,000, the highest level since March 2010. At the current sales pace, the inventory would be sold off in 5.5 months. The increase was particularly strong in homes not yet started now at their highest since late 2008. The addition of inventory continues in the face of builders' difficulty obtaining lots and labor. The increase in the inventory of not yet started homes is encouraging that builders are finding lots but may be waiting for a buyer before starting the home.

The median sales price fell almost 6% as sales in the \$200,000 to \$300,000 range picked up, which is likely an indication that first time buyers are returning to the market.

New Homes Sales and Inventory (000s)



US Existing Home Sales: October 2015

Existing sales were flat in the Northeast and fell 0.8% in the Midwest, 3.2% in the South 8.7% in the West. Year-over-year, all four regions increased, ranging from 8.6% in the Northeast and 8.3% in the Midwest to 2.7% in the West and 0.5% in the South.

Total housing inventory decreased by 2.3% in October, and is 4.5% below its level a year ago. At the current sales rate, the October unsold inventory represents 4.8-month supply, compared to a 4.7-month supply in September. One-third of homes sold in October were on the market for less than a month.

The distressed sales share fell to 6% in October, the lowest since the series began in October 2008. Distressed sales are defined as foreclosures and short sales sold at deep discounts. The October all-cash sales share remained unchanged at 24% in October, compared to 27% a year ago. Individual investors purchased a 13% share in October, unchanged from September but down from 15% during the same month a year ago.

The October median sales price of \$219,600 declined to the lowest level since April, but was 5.8% above the same month a year ago, and represented the 44th consecutive month of year-over-year price increases. The median condominium/co-op price of \$207,100 in October was up 1.6% from the same month a year ago.

Housing Forecasts for 2016

	New Home Sales (000s)	Single Family Starts (000s)	Total Starts (000s)	House Prices ¹
Fannie Mae	562	827	1,224	4.9% ²
Merrill Lynch	555		1,275	3.0%
MetroStudy	625	820	1,235	3.1%
NAHB		914	1,292	
UCLA Ziman Center			1,420	

¹Case-Shiller unless indicated otherwise

²FHFA Purchase-Only Index

SOURCE: NAHB Eye on Housing