

MADISON'S LUMBER REPORTER

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News & Updates



Madison's Seasons Greetings...

Madison's would like to wish our subscribers and contacts a safe and happy holiday break. *The Reporter* will resume operation January 8th, 2016.

Thanks for another great year!

US Housing Starts: November 2015

New-home construction in the US rebounded in November, led by gains in single-family dwellings that signal the residential real estate industry will continue to support growth in the world's largest economy.

Housing starts climbed 10.5 per cent to a 1.17 million annualized rate, from a 1.06 million pace in October, figures from the Commerce Department showed Wednesday in Washington. Work began on the most stand-alone houses since January 2008, and permits for similar projects reached an eight-year high. **CONT'D PAGE 7**

Residential Price Index, US Houses: October 2015

In addition to Case-Shiller, and CoreLogic, there is also FNC, Zillow, and several other house price indexes.

FNC have released their October 2015 index data, reporting that their Residential Price Index™ (RPI) indicates that US residential property values decreased 0.1 per cent from September to October (Composite 100 index, not seasonally adjusted).

The 10 city MSA decreased 0.1 per cent (NSA), the 20-MSA RPI increased 0.1 per cent, and the 30-MSA RPI increased 0.1 per cent in October. These indexes are for non-distressed home sales (excluding foreclosure auction sales, REO sales, and short sales). **CONT'D PAGE 8**

Los Angeles Port Traffic: November 2015

Strong cargo volume continued at the Port of Long Beach in November with 6.6 per cent growth in container trade over the same month last year. It was the fifth straight month of increases and enough cargo to rack up the second-busiest November in the Port's 104-year history.

Upcoming post-holiday sales planned by retailers across the country drove the Port's strong cargo numbers. **CONT'D PAGE 6**

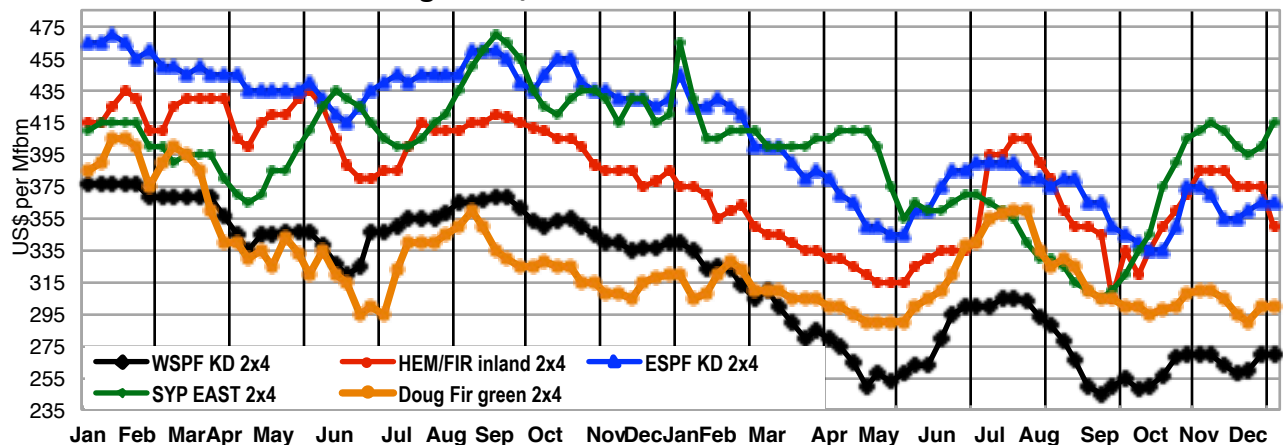
US Real Estate Conditions Year-End 2015

"Rents Will Rise Faster Than Home Prices In 2016, Consumers Say," screams a headline from *The Mortgage Reports* Wednesday.

"According to Fannie Mae's most recent National Housing Survey, US consumers expect that home prices will climb 2.3 per cent between now and next year; and that rents will rise by nearly double that amount."

Each month, government-backed Fannie Mae polls 1,000 US households as part of its National Housing Survey. Consumers provide their observations on the economy and their outlook for US housing. **CONT'D PAGE 8**

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

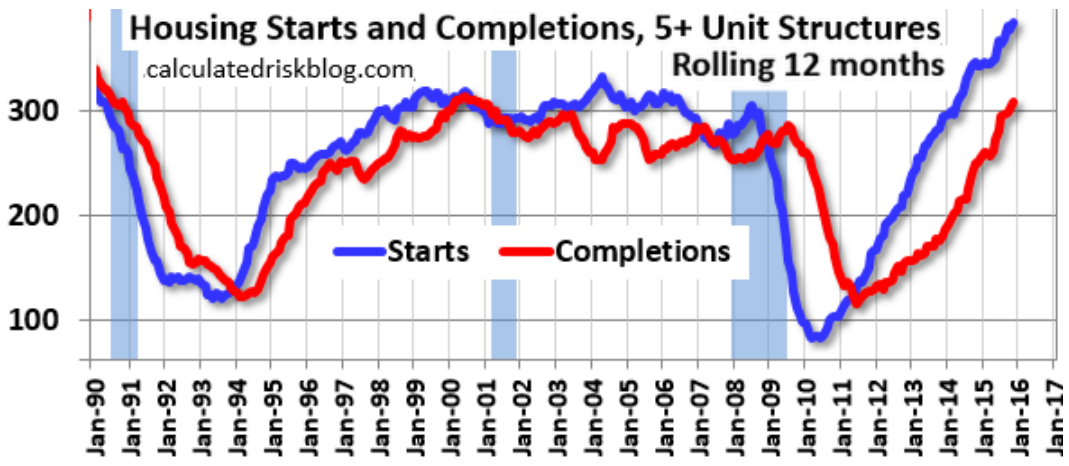
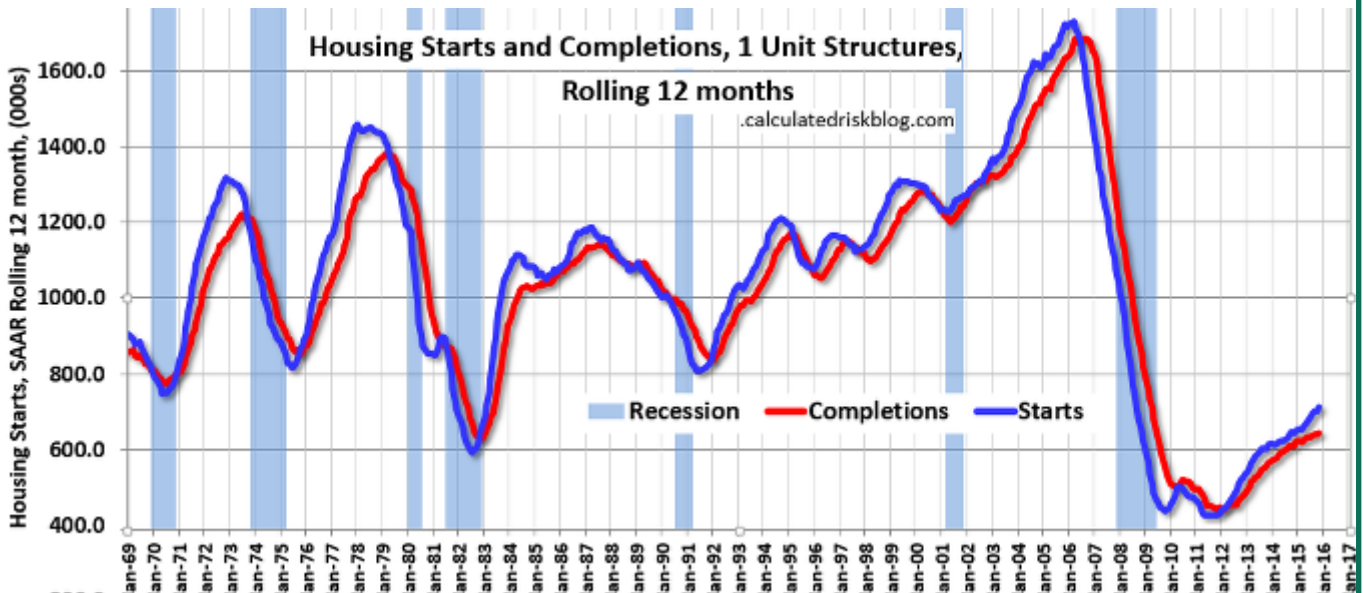


Housing Starts US: November 2015

Building permits increased 11 per cent in November to a 1.29 million annualized rate, the most since June. Construction of single-family houses increased to a 768,000 rate from 714,000 in October, and the Commer Dept report showed gains may continue. Building applications for single-family projects rose to a 723,000 pace, the most since December 2007.

Single-family dwellings make up the biggest part of the market and are subject to less volatility. Work on multifamily homes, such as apartment buildings, rose 16.4 percent to a 405,000 rate. Data on these projects, which have led housing starts in recent years, can be volatile.

Two of four regions had an increase in starts in November, paced by an 21.3 percent jump in the South, according to the report.



Single-family housing starts, the largest segment of the market, increased 7.6 per cent to a 768,000-unit pace. That was the highest reading since January 2008. Activity was probably also boosted by mild weather. Ground-breaking on single-family projects rose in the South, Northeast and West, but fell in the Midwest.

Starts for the volatile multi-family segment surged 16.4 per cent to a 405,000-unit pace. That segment has been the driver of residential construction but a shift towards single-family homes is expected in 2016.

“Homebuilders are making progress addressing the shortage of newer vintage single-family homes we see in many markets, especially affordable housing products with a price of under US\$200,000,” said Tian Liu, chief economist at Genworth Mortgage Insurance in Raleigh, NC.

Permits to build single-family homes increased 1.1 per cent last month to the highest since December 2007. Multi-family building permits soared 26.9 per cent.

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	270	270	0	263	+7	340	-70
WSPF KD R/L 2x6	266	266	0	255	+11	348	-82
SYP KD R/L East Side 2x4	415	400	+15	410	+5	420	-5
SYP KD R/L East Side 2x6	315	300	+15	325	-10	345	-30
ESPF KD R/L 2x4	365	365	0	355	+10	430	-65
WSPF KD PET 2x4 Stud	205	210	-5	230	-25	350	-145
WSPF KD PET 2x6 Stud	220	225	-5	235	-15	375	-155
Douglas Fir Green R/L 2x4	300	300	0	305	-5	320	-20
Douglas Fir Green R/L 2x10	350	360	-10	400	-50	410	-60
ESPF KD 2x4 8ft Stud	290	280	+10	390	-100	405	-115
OSB Ontario 7/16" (CDN\$/msf)	318	325	-7	340	-22	220	+98
CSplywood Toronto 3/8" (CDN\$/msf)	412	409	+3	412	0	454	-42

Madison's Weekly Lumber News

Port Traffic, LA

CONT'D FROM PG 2 On a rolling 12 month basis, inbound traffic was up 0.5 per cent, compared to the rolling 12 months ending in October. Outbound traffic was down 0.4 per cent compared to 12 months ending in October.

The recent downturn in exports might be due to the strong dollar and weakness in China.

Imports were up 6 per cent year-over-year in November; exports were down 5 per cent year-over-year.

US Construction, Single Family

Due to the surge in multifamily development and the ongoing modest growth for single-family, there has been a noticeable shift in the market shares of housing units under construction,

said the US National Association of Home Builders Thursday. The Census housing starts data illustrate a trend to more multifamily units in the production pipeline.

Using the seasonally adjusted Census estimates, at the end of November there were 549,000 multifamily units under construction. This is in contrast to just 416,000 single-family units. The multifamily share of units under construction, which averaged just under 32 per cent from 2000 to 2006, now stands at almost 57 per cent.

These data detail the potential for growth in the single-family market. For the October new home sales data, there were just 226,000 newly built homes for sale, a 5.5 months' supply. And of that total, only 52,000 were completed, ready to occupy inventory.

NAHB expects the growth rate for

multifamily starts to slow, while single-family increases. These changes will alter the market shares of units currently under construction.

Canada Gross Domestic Product: 3Q 2015

Canada's real gross domestic product (GDP) rose 0.6 per cent in the 3Q, according to Statistics Canada December 1, following two consecutive quarterly declines. The quarterly growth was driven by increased international demand for Canadian goods and services as exports grew 2.3 per cent.

Final domestic demand was flat after edging up 0.1 per cent in the previous quarter. Residential investment increased 0.6 per cent after a flat 2Q.

Exports of goods advanced 2.7 per cent after increasing 0.5 per cent in 2Q.



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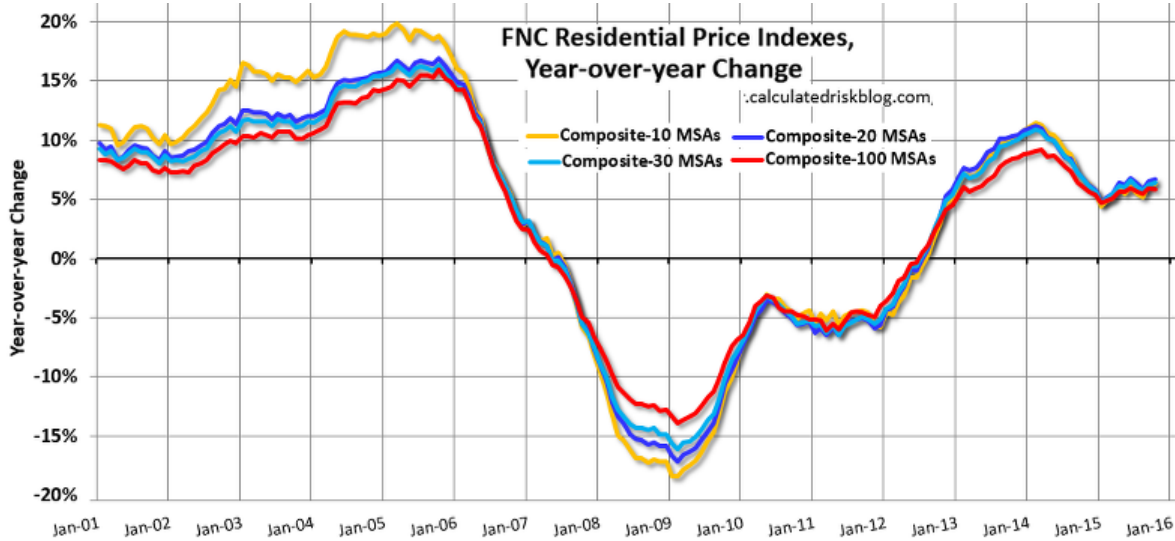
International Forest Industry Advisors

<http://apwoodtrade.worldforestry.org/>

FNC Index: Home prices slipped 0.1 per cent after a nine-month run

The latest FNC Residential Price Index™ (RPI) indicates that U.S. home prices pulled back in October, ending a nine-month run of increases buoyed by low mortgages rates and rising credits. Nationwide, home prices fell 0.1% between September and October, led by declines in some of the country’s largest housing markets. October’s year-over-year growth remains unchanged from the prior month at a solid 5.9 per cent.

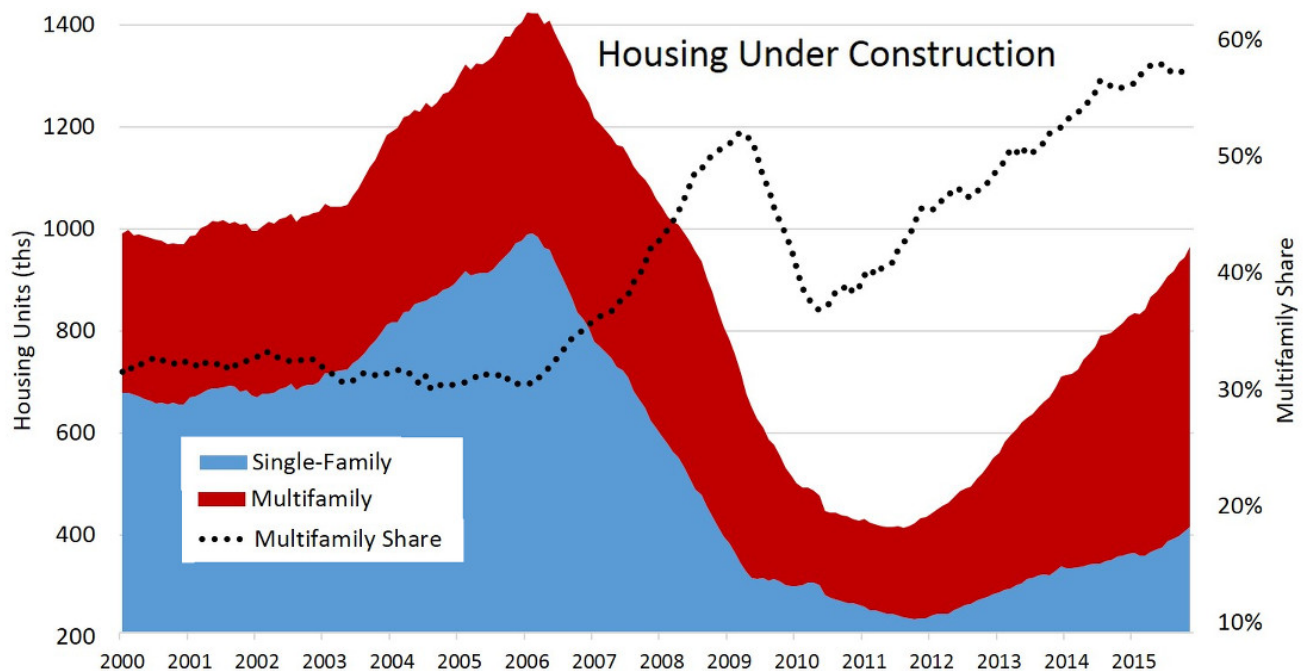
“In a relatively stable market like today’s, it is normal that home prices retreat to flat or negative growth territory as home sales subside entering the fall and winter months,” said Yanling Mayer, FNC’s housing economist and Director of Research. “On the upside, low interest rates and the leverage provided by loans under affordable housing programs help maintain affordability and partly offset the impact on affordability from months of rapidly rising prices. With a much anticipated policy rate increase to affirm the strength of the US economy, we will likely be looking at a milder seasonal slowdown and possibly a sooner return of market rebound in 2016,” continued Mayer.



The year-over-year (YoY) change was the same in October as in September. The index is still down 14.6 per cent from the peak in 2006 (not inflation adjusted).

This graph shows the year-over-year change based on the FNC index (four composites) through October 2015. The FNC indexes are hedonic price indexes using a blend of sold homes and real-time appraisals.

Most of the other indexes are also showing the year-over-year change in the mid single digit range. For example, Case-Shiller was up 4.9 per cent in September, CoreLogic was up 6.8 per cent in October.



US Real Estate and Rentals

CONT'D FROM PAGE 2

The U.S. home ownership rate peaked 10 years ago, said *USA Today* November 24. Since then it has dropped from over 69 per cent to under 64 per cent, where it was a half century ago, with each percentage point representing more than a million households.

An Urban Institute study this year predicted that in 15 years the home-owning rate will sink to 61 per cent. Baby Boomers — far more apt to own than members of succeeding generations — will move or die. And Millennials, now 18 to 34, will be slow to own, either because they can't afford to or don't want to.

Nationally, the number of single-family detached house rentals increased by 3.2 million between 2004 and 2013, according to Harvard's Center for Housing Studies.

by Kéta Kosman

US Home Prices

The November National Housing Survey shows that consumers are bullish on the 2016 Housing Market.

Just 6 per cent of consumers expect home prices to drop between now and next year; and, if forced to move, two-thirds

said they would purchase a home as opposed to renting one.

This is the highest reading in more than a year.

Home values will rise 2.3 per cent annually, consumers told Fannie Mae; and rents will rise 4.4 per cent, which shifts the Rent vs Buy equation.

Last year, for example, home values were forecast to rise by just over two percent annually. In reality, they rose by more than five per cent. As home prices rise, it becomes harder to save for a downpayment. Thankfully, buyers have a wide range of low- and no-downpayment loans from which to choose.

Home Ownership

Consider the Millennials. Although a MacArthur Foundation survey this year found that 88 per cent aspire to own a home, and 53 per cent say it's a high personal priority, relatively few are following through.

Homeownership among households headed by those 30 to 34, which was above 50 per cent for decades, is at a record low 45 per cent. The first time homebuyer's median age, once under 30, is now almost 33.

US Rental Rates

Real estate data firm Zillow said November 20 that median rents increased a seasonally adjusted 4.5 per cent from a year ago. This marks a steady deceleration from annual prices gains of 5.3 per cent in Sep-

tember and 6.2 per cent in August. Zillow recently updated its methodology for averaging rental prices, showing that past growth rates were higher than previously reported.

Housing costs have consistently exceeded income growth. Average hourly wages rose just 2.5 per cent over the past year to US\$25.20, according to the Labor Department.

The median rental payment nationwide was US\$1,382 in October. That works out to roughly 30 per cent of the median US family income of UDS\$53,657, a level that the government has historically identified as being financially burdensome.

Consumers Underestimate Home Price Growth

