

MADISON'S LUMBER REPORTER

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News & Updates

US Home Sales, Prices

A flurry of data out this week on US pending and existing home sales, home prices, year-end 2015 home sales provide an update on the housing and real estate situation in America. CONT'D PAGES 8, 9

Canada Construction Materials Costs: Nov 2015

Similar to the US, the price advances of many materials and building products going into the construction process in Canada remain restrained in November 2015, said Alex Carrick of *Daily Commercial News* Friday.

The 0.3 per cent increase year-over-year for total construction costs does, however, incorporate considerable variation at the type-of-structure sub-category level. Softwood lumber prices in Canada rose rapidly throughout 2012, but over the past three years, they have stayed mainly flat. CONT'D PAGE 6

Sawmills Bought, Sold, Closed: Canada and US

Canfor Corp announced January 21 that it has entered into an agreement to purchase the assets of Wynndel Box and Lumber, located in the Creston Valley of British Columbia.

In the US, Woodgrain Millwork bought the Emmett sawmill, north of Boise, ID, from Gem Forest Products, said KTVB TV January 22. The company plans to renovate and reopen it soon.

The mill has has been bought and sold several times over the last few years.

Sierra Pacific Industries announced Monday that it will soon close its sawmill between Arcata and Manila, Washington State, in a move that will eliminate 123 local jobs. CONT'D PAGE 7

Canada - US Softwood Lumber Agreement Update

Both BC Forests Minister Steve Thomson and Council of Forest Industries president Susan Yurkovich said January 13 that British Columbia no longer expects to simply renew the 2006 Softwood Lumber Agreement, according to Business in Vancouver Tuesday.

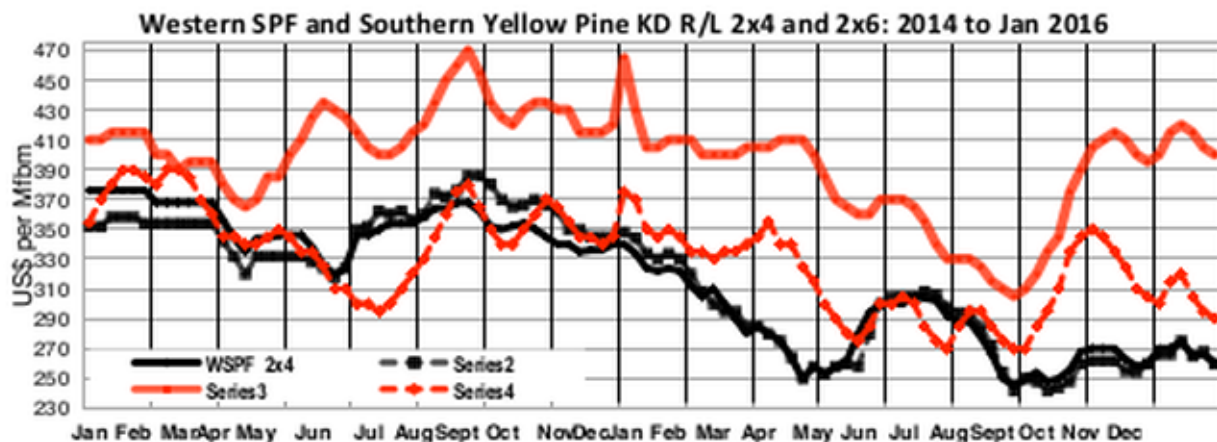
Thomson and Yurkovich met with Canada's international trade minister, Chrystia Freeland, earlier that week to exchange views on the softwood file. CONT'D PAGE 7

Southern Pine Lumber Exports: November 2015

November exports of Southern Pine lumber trended lower, as is typical for the time of year, said the Southern Forest Products Association in it's quarterly update Thursday. Southern Pine exports were just under 48 million board feet during November. CONT'D PAGE 7

US Home Sales, House Prices

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Canada Construction Materials Costs: November 2015

Similar to the US, the price advances of many materials and building products going into the construction process in Canada remain restrained, said Alex Carrick of *Daily Commercial News* Friday.

For November 2015, a sizable gain in non-residential building material costs (+3.6% compared to November 2014), plus a mid-range increase in residential costs (+2.2%), are being offset by a significant decline in engineering/civil costs (-3.2%).

The divergent performances result primarily from:
 1) demand/supply factors driven by activity levels in each of the three main type-of-structure sub-categories; and,

2) different weightings of material inputs to build houses versus office buildings versus roads and highways.

The material composition of residential construction has a large forestry component, although domestic lumber prices are also affected by housing starts south of the border.

Non-residential building material costs, on the other hand, are influenced by different framing materials, cement/concrete and steel. The latter material, welded and/or sized to form structural shapes, is often imported.



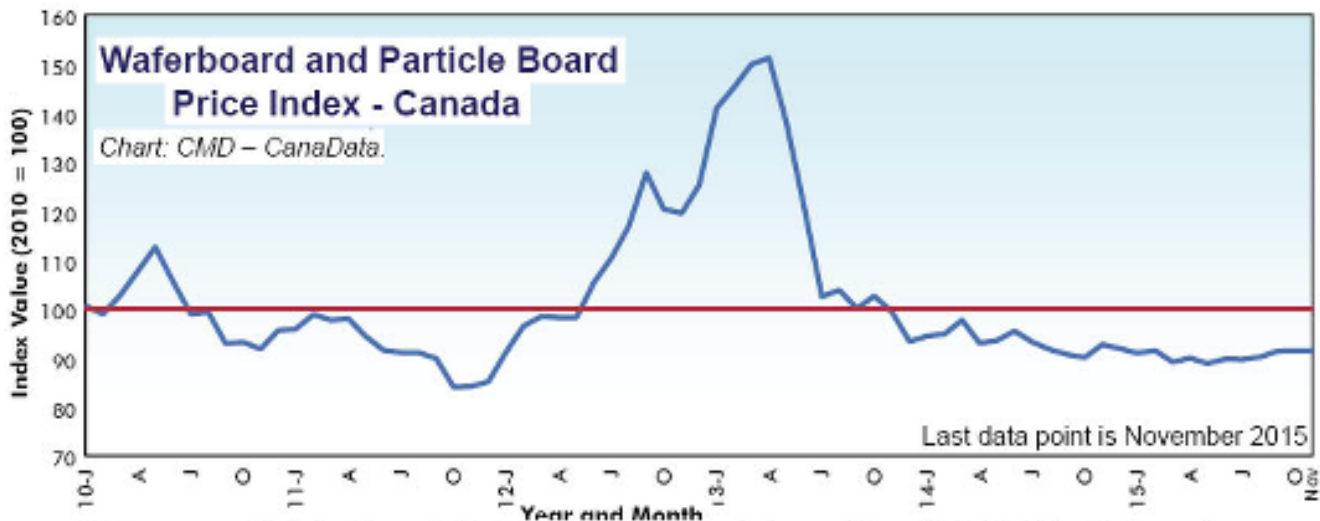
Data sources: Statistics Canada (Industrial Product Price Index and Raw Materials Price Index series)

Waferboard and Particle Board

Waferboard and particle board prices are currently below their starting point in the chart, January 2010. The cost of these products can be kept so low because there are multiple sources of the wood shavings and

chips that are compacted and compressed into sheets.

Lower-quality woods will serve the purpose as well as more expensive hardwoods and evergreens.



Data sources: Statistics Canada (Industrial Product Price Index and Raw Materials Price Index series)

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	260	266	-6	275	-15	322	-62
WSPF KD R/L 2x6	260	268	-8	275	-15	330	-70
SYP KD R/L East Side 2x4	400	405	-5	420	-20	405	-5
SYP KD R/L East Side 2x6	290	295	-5	320	-30	345	-55
ESPF KD R/L 2x4	350	350	0	375	-25	424	-74
WSPF KD PET 2x4 Stud	200	200	0	205	-5	330	-130
WSPF KD PET 2x6 Stud	215	215	0	215	0	345	-130
Douglas Fir Green R/L 2x4	285	292	-7	290	-5	308	-23
Douglas Fir Green R/L 2x10	330	337	-7	345	-15	380	-50
ESPF KD 2x4 8ft Stud	265	275	-10	295	-30	400	-135
OSB Ontario 7/16" (CDN\$/msf)	330	320	-10	320	+10	220	+110
CSplywood Toronto 3/8" (CDN\$/msf)	395	404	-9	412	-17	438	-43

Madison's Weekly Lumber News

Sawmills, Canada and US

CONT'D FROM PG 2 Wynndel Box and Lumber produces premium boards and customized specialty wood products, said the Canfor press release, and has access to exceptionally high-quality fibre. The mill has an annual production capacity of 65 million board feet, and approximately 65,000 cubic metres of annual harvesting rights in the Kootenay Lake Timber Supply Area. The agreement is expected to close in 2Q 2016 and is subject to customary closing conditions.

In the US, According to a news release, Woodgrain Millwork employees will begin operating the mill in February.

They'll process inventory and renovate it over the next few months.

The Sierra Pacific Washington State mill will stop running by March 25 but will have all leftover timber shipped out by April 22.

Workers able to move to other company mills may be able to get another sawmill job, SPI spokesperson Mark Pawlicki said to the Times-Standard.

Softwood Lumber Discussions

CONT'D FROM PG 2 "I think the Canadian industry recognizes that this won't be a straight rollover or re-

newal of the existing agreement in its current form," Thomson said in an interview with Business in Vancouver. "We will need to negotiate. The key point is the agreement will have to be one that works for the Canadian and BC industry. It won't be an agreement at any cost. And that will have to be part of the negotiations.

"If we aren't able to achieve it we are prepared to defend our market-based forest policies should the US choose to bring a legal challenge against Canada and BC."

The discussions now underway are not formal negotiations. Rather, Thomson said, they are to develop the principles for negotiation. Asked if currency rates would be included, he said a number of elements will be on the table.

"We know there is interest in caps, interest in trigger mechanisms, rates, surge protection. All of those kinds of factors will be part of the discussions."

Southern Pine Exports

CONT'D FROM PG 2 Southern Pine exports in November were just under 48 million board feet, said the Southern Forest Products Association Thursday. This volume represents a drop of 6 per cent below the same month of 2014, while overall tallying

a year-to-date increase of 6 per cent when compared with the first eleven months of 2014.

Offshore shipments during November roughly break down as follows: 30.1 MMbf dressed, 8.5 MMbf rough, and 9.3 MMbf treated lumber.

Conversely, softwood lumber imports to the US have trended upward now for the last five months, reaching 1.31 billion board feet during November, up 30 per cent from the volume imported during November of 2014. When compared with 2014, softwood imports through November remained up 10 per cent.

Calendar

May 2016

International Pulp Week 2016

May 1 - 4, 2016 - Vancouver, BC

<http://www.forestproductssummit.com>

PwC's 29th Annual Global Forest, Paper & Packaging Industry Conference

May 4, 2016 - Vancouver, BC

<https://www.pwc.com/ca/en/industries/forest-paper-packaging/publications/annual-global-forest-paper-industry-conference.html>



29th Annual Forest & Paper Industry Conference

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US Home Sales and House Prices: December and Year-End 2015

Existing home sales in the United States increased again in December after seeing some months of dwindling transactions and were up 14.7 per cent compared to November.

But the data from the National Association of Realtors includes a carryover of delayed transactions from November into December as a result of the Know Before You Owe initiative.

However the existing homes sales index shows a rise in sales in all four major regions, led by the South and West and transactions are now up 7.7 per cent year on year. It means that 2015 was the best year of existing home sales at 5.26 million since 2006 when it was 6.48 million.

US New Home Sales

The market for newly built US homes entered 2016 on a solid footing, after December's sales capped their best year since 2007. Purchases of new single-family homes increased by 10.8 per cent to a seasonally adjusted annual rate of 544,000 in December, the Commerce Department said Wednesday.

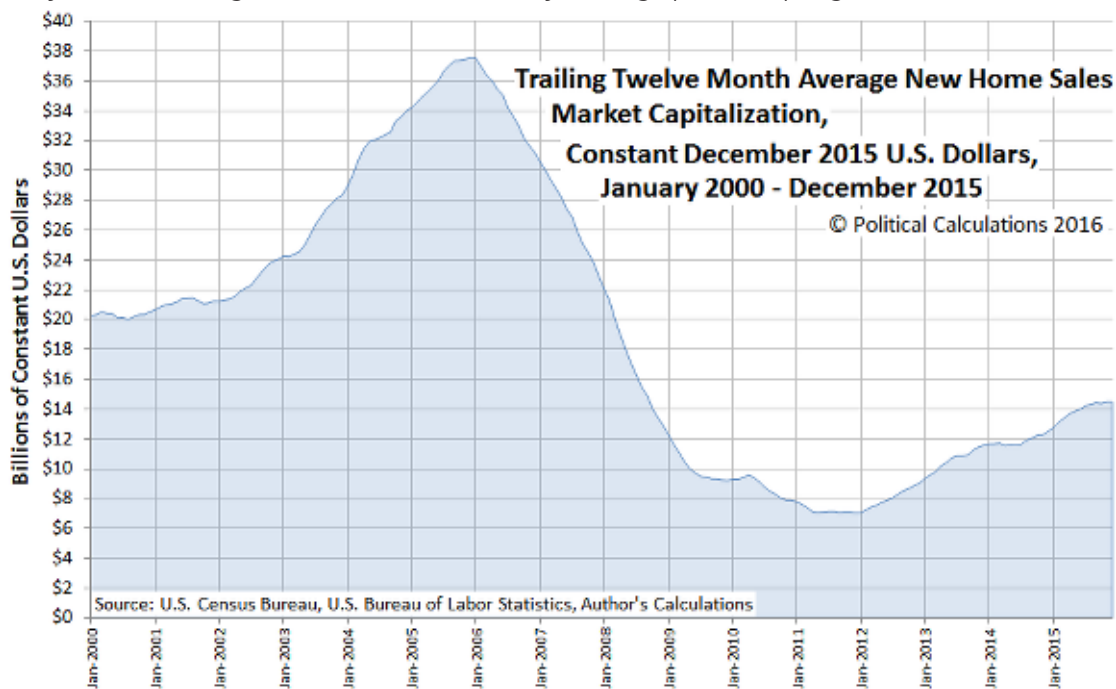
US home builders continue to report high levels of confidence. The National Association of Home Builders' sentiment index stayed at 60 in January, unchanged on the month at a high level, the group said last week.

Purchases increased in all four US regions, led by a 31.6 per cent jump in the Midwest. Sales climbed 21 per cent in the West.

The supply of homes at the current sales rate dropped to 5.2 months from 5.6 months in the prior month. There were 237,000 new houses on the market at the end of December compared with 231,000 a month earlier.

The median sales price decreased 4.3 per cent from December 2014 to US\$288,900, the report showed.

The number of homes sold and awaiting the start of construction climbed to 178,000 in December, the highest since July 2007 and a sign that builders will be busy leading up to the spring sales season.



US Home Prices: November 2015

Annualized US single-family home prices rose more than expected in November and at the fastest pace in 16 months, a closely watched survey showed on Tuesday.

The S&P/Case Shiller composite index of 20 metropolitan areas rose 5.8 per cent in November on a year-over-year basis compared with 5.5 per cent the month before. That was just above the 5.7 per cent estimate from a Reuters poll of economists and marked the largest such increase since July 2014.

Prices rose 0.9 per cent in November from October on a seasonally adjusted basis, the survey showed, topping expectations for a rise of 0.8 per cent. That was the fastest monthly gain since March.

On a non-seasonally adjusted basis, prices rose 0.1 per cent from October.

US Real Estate Update

CONT'D FROM PAGE 8

National Association of Realtors

The data also shows that total housing inventory at the end of December dropped 12.3 per cent to 1.79 million existing homes available for sale, and is now 3.8 per cent lower than a year ago. Unsold inventory is at a 3.9 month supply at the current sales pace, down from 5.1 months in November and the lowest since January 2005 when it was 3.6 months.

“Although some growth is expected, the housing market will struggle in 2016 to replicate last year’s 7 per cent increase in sales. In addition to insufficient supply levels, the overall pace of sales this year will be constricted by tepid economic expansion, rising mortgage rates and decreasing demand for buying in oil-producing metro areas,” said Lawrence Yun, NAR chief economist.

First Time Buyers

The share of first time buyers was at 32 per cent in December, matching the highest share since August, up from 30 per cent in November and 29 per cent a year ago. First time buyers in all of 2015 represented an average of 30 per cent, up from 29 per cent in both 2014 and 2013. A separate NAR survey from the NAR revealed that the annual share of first time buyers in 2015 was at its lowest level in nearly three decades.

All Cash Sales

All-cash sales were 24 per cent of sales in December, down from 27 per cent in November and are down from 26 per cent a year ago. Individ-

ual investors, who account for many cash sales, purchased 15 per cent of homes in December, down from both 16 per cent in November and 17 per cent a year ago. Some 64 per cent of investors paid cash in December.

Properties typically stayed on the market for 58 days in December, an increase from 54 days in November but below the 66 days in December 2014. Short sales were on the market the longest at a median of 86 days in December, while foreclosures sold in 68 days and non-distressed homes took 57 days while 32 per cent of homes sold in December were on the market for less than a month.

Foreclosures

Foreclosures sold for an average discount of 16 per cent below market value in December compared to 15 per cent in November, while short sales were discounted 15 per cent, unchanged from November.

A breakdown of the data shows that single family home sales jumped 16.1 per cent to a seasonally adjusted annual rate of 4.82 million in December from 4.15 million in November, and are now 7.1 per cent higher

than a year ago. The median existing single family home price was US\$226,000 in December, up 8 per cent from December 2014.

Underwater Mortgages

RealtyTrac’s full-year US Home Equity & Underwater Report, released Thursday, shows that as of the end of 2015 there were 6.4 million US properties seriously underwater — where the combined loan amount secured by the property is at least 25 per cent higher than the property’s estimated market value — representing 11.5 per cent of all properties with a mortgage.

The year-end 2015 seriously underwater properties were down 481,292, from 6.9 million, representing 12.7 per cent of all properties with a mortgage at the end of 3Q 2015, and down 616,189 from 7.1 million, representing 12.7 per cent of all properties with a mortgage at the end of 2014. The number of seriously underwater properties at the end of 2015 was half the 12.8 million, representing 28.6 per cent of all properties with a mortgage in Q2 2012, the peak for seriously underwater properties.

