

MADISON'S LUMBER REPORTER

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Editor
Kéta Kosman

Market Analyst
Earl Heath

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www.madisonsreport.com
madrep@shawcable.com
604 319-2266

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News & Updates

USDA Softwood Lumber Checkoff Unlawful in US

A US federal judge has ruled the USDA violated the law in creating the softwood lumber checkoff, which raises money to promote the use of US and Canadian wood in US construction, according to [Capital Press](#) Thursday.

Companies that manufacture more than 15 million board-feet of lumber a year — enough to build 1,000 homes — must pay an assessment of 35 cents per 1,000 board-feet to fund the program.

US District Judge James Boasberg in Washington, DC, has decided the threshold of 15 mmbf, was “arbitrary and capricious” in violation of federal administrative law.

Although the judge has now ruled the checkoff program was “promulgated unlawfully,” the implications for the program’s future aren’t certain. A hearing has been scheduled for June 1 “to discuss the appropriate next steps concerning the remedies sought by plaintiff.”

For 2016, the Softwood Lumber Board, which oversees the checkoff, has a budget of US\$15.4 million that’s used for a variety of programs, such as encouraging builders to use lumber in larger, multistory structures.

Resolute Forest Products out of Montreal, QC, filed a lawsuit against the softwood lumber checkoff in 2014 seeking to void the program, stop the USDA from collecting funds, and return the money that’s already been spent.

NAHB Analysis: Potential Softwood Lumber Duty Impact

[“Even Modest Cap on Canadian Lumber Threatens 8,900 U.S. Jobs”](#)

[“15% Tariff on Canadian Lumber Would Cost 4,666 U.S. Jobs”](#) CONT'D PAGE 6

Catalyst Paper Bid

Catalyst Paper Corporation (CPC) has received an expression of intent for its acquisition from an international corporation with headquarters in India, it was publically revealed this week. If accepted, the acquisition would give Kejriwal Group International (KGI) majority control of CPC.

The expression of intent details a transaction in which KGI acquires majority shares at \$6 per share.

A CPC press release on Monday announced the intended acquisition and stated, “The board of directors has indicated it is encouraged by KGI’s proposal, which could provide CPC with a significant amount of capital, which further enhances and accelerates Catalyst’s planned growth initiatives.” CONT'D PAGE 7

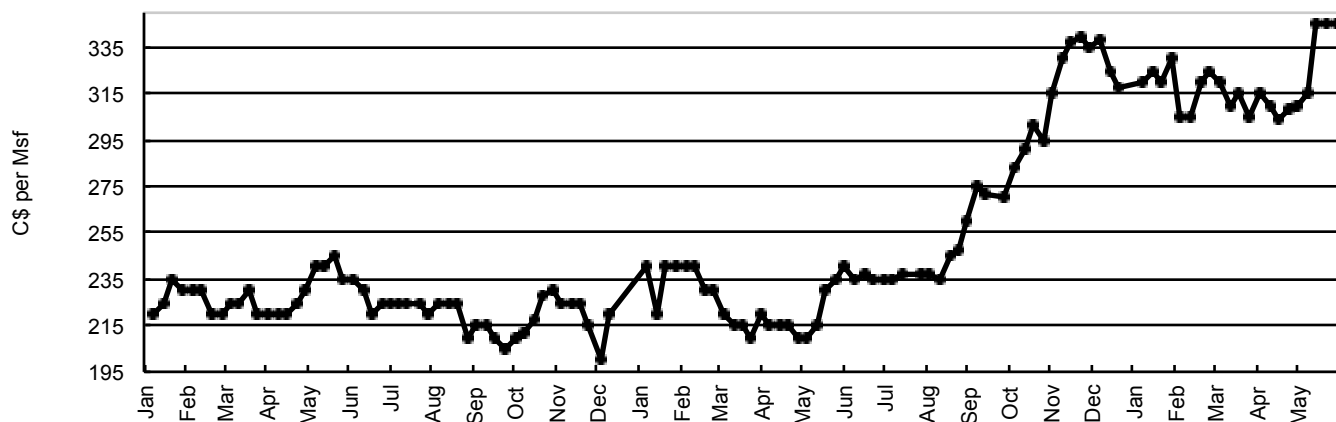
US Home Sales, Home Prices, Building Lot Shortage

The US Census Bureau and the Department of Housing and Urban Development released data Tuesday showing the pace of new home sales came in at 619,000 on an annualized basis, increasing 16.6 per cent on a monthly basis and 23.8 per cent year-over-year. CONT'D PAGEs 8 & 9

Update on Wood Framed Multi-Storey Building

Two new cross-laminated timber production facilities will be built in Australia, while Portland, Oregon’s, 12-story high rise in the Pearl District made out of Cross-Laminated Timber is moving forward into its next phase of design, development and testing. CONT'D PAGE 10

OSB 7/16" Ontario January 2014 to May 2016



Tariff on Canadian Lumber Would Cost US Jobs

CONT'D FROM PAGE 2

[National Association of Home Builders LINK](#)

Recent NAHB estimates show that a 15 per cent tariff on softwood lumber imported from Canada would have resulted in a loss of:

- **US\$265.4 million in wages and salaries to US workers;**
- **US\$188.7 million in taxes and other revenue for governments in the US; and,**
- **4,666 full-time US jobs.**

had it been applied to all Canadian producers in 2014.

NAHB analyzed 15 per cent, because that was the maximum tariff in the Softwood Lumber Agreement that expired last year.

NAHB analyzed 2014, because that was a recent year with complete data, seemed representative in the sense that available data for adjacent years were similar, and was a year in which a tariff was not generally in effect, allowing us to illustrate the differences in a market with and without the tariff.

The 2014 data show that the US produced 32 billion board feet of softwood lumber, exported 1.6 billion

board feet of it, imported 12.1 billion board feet from Canada, and 0.4 billion from other countries during the year.

NAHB then used average estimates of market responsiveness to price taken from a [2011 technical article by Baek](#).

Even allowing for some increased output by U.S. lumber producers, NAHB's National Impact of Home Building Model shows that the impact of the reduced investment in housing is substantial

Cap on Canadian Lumber Threatens US Jobs

[National Association of Home Builders LINK](#)

Recent NAHB estimates show that a 25 per cent volume cap on softwood lumber imported from Canada, had it been in place in 2014, would have resulted in a loss of:

- **US\$510.6 million in wages and salaries to US workers;**
- **US\$364.9 million in taxes and other revenue for governments in the US; and,**
- **8,941 full-time US jobs.**

This post takes a more forward-looking approach and considers a volume cap of the type industry stakeholders currently fear the U.S. will impose.

The most recent available data show that Canadian imports accounted for about 28 per cent of softwood lumber sold to US customers in 2014 (and most of the data for other recent years does not appear drastically different); so 25 per cent is probably the most modest volume cap the US would consider. Even so, the resulting loss of 8,941 US jobs under this "modest" cap is considerably greater than the 4,666 jobs lost under a 15 per cent tariff.

Even allowing for the increased output by US lumber producers, NAHB's National Impact of Home Building Model shows that the reduced investment in new housing causes the net loss of wages, taxes and jobs described at the top of the article. The NAHB model is primarily a fairly straightforward application of input-output and other GDP-related accounts from the US Bureau of Economic Analysis.

SOURCE: NAHB Eye on Housing

Net Impact of the 25% Volume Cap

I. Jobs and Income by Industry	Full Time Equivalent Jobs	Wages and Salaries	Profits Before Taxes		Workers', Proprietors' & Corp. Income
			Proprietors	Corporations	
All industries	-8,941	-\$510,579,419	-\$219,825,747	-\$192,278,000	-\$922,683,166
Construction	-6,265	-\$341,428,198	-\$142,129,551	-\$62,368,827	-\$545,926,576
Manufacturing	337	-\$3,182,803	-\$3,426,016	-\$43,614,436	-\$50,223,255
Trade, Transportation & warehousing	-1,379	-\$60,842,933	-\$9,693,280	-\$28,178,183	-\$98,714,396
Finance and insurance	-190	-\$17,610,477	-\$437,482	-\$12,961,550	-\$31,009,510
Real estate and rental & leasing	-88	-\$4,627,226	-\$25,231,738	-\$6,202,509	-\$36,061,472
Professional, Management, Administrative	-732	-\$48,996,895	-\$13,845,716	-\$9,208,675	-\$72,051,287
Other	-625	-\$33,890,887	-\$25,061,964	-\$29,743,819	-\$88,696,670

Madison's Weekly Softwood Lumber Key Prices Table

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	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
Prices are in U.S. dollars per 1,000 fbm (net FOB mill)							
WSPF KD R/L 2x4	326	326	0	285	+41	262	+64
WSPF KD R/L 2x6	308	308	0	280	+28	258	+50
SYP KD R/L East Side 2x4	425	440	-15	450	-25	360	+65
SYP KD R/L East Side 2x6	310	320	-10	330	-20	275	+35
ESPF KD R/L 2x4	425	420	+5	385	+40	360	+65
WSPF KD PET 2x4 Stud	270	255	+15	230	+40	265	+5
WSPF KD PET 2x6 Stud	235	230	+5	205	+30	265	-30
Douglas Fir Green R/L 2x4	350	350	0	330	+20	305	+45
Douglas Fir Green R/L 2x10	415	415	0	395	+20	355	+60
ESPF KD 2x4 8ft Stud	360	350	+10	320	+40	360	+0
OSB Ontario 7/16" (CDN\$/msf)	345	345	0	310	+35	235	+110
CSplywood Toronto 3/8" (CDN\$/msf)	441	441	0	411	+30	448	-7

Madison's Weekly Softwood Lumber News

Catalyst Paper Potential Takeover

CONT'D FROM PG 2 The Mumbai, India-based company has committed to paying \$6 a share for Catalyst shares not held by the company's four largest stakeholders, prompting the surge in price for Catalyst shares.

In a news release, Catalyst said it has received an expression of intent outlining the terms of the potential acquisition from Kejriwal Group International (KGI) and the four principal stakeholders in Catalyst – bondholders who also own 79 per cent of the shares in the BC company.

The deal involves KGI acquiring the shares of Catalyst held by the four principal stakeholders and exchanging the debt instruments they hold in the BC pulp and paper company for a new term loan. They also plan on exchanging payment-in-kind notes for a US\$260.5 million term loan.

KGI further committed to a \$25 million equity investment in the company and an additional \$35 million in a newly-formed guarantor of the new term loans.

CPC owns the Powell River pulp and paper mill, which employs approximately 400 people. According to CPC's own research, the mill in Powell River invests \$41 million in wages and benefits, \$10.1 million on local purchases, \$3.4 million in property taxes and a broader regional economic impact estimated at \$400 million.

Catalyst owns pulp and paper mills at Crofton, Port Alberni and Powell River as well as two mills in the U.S. located at Biron, Wisconsin, and Rumford, ME. It purchased the US mills for US\$74 million in January, 2015.

CPC was informed of the proposed deal on Monday, May 16, when it learned that schedule 13D filings had been made with the Securities and

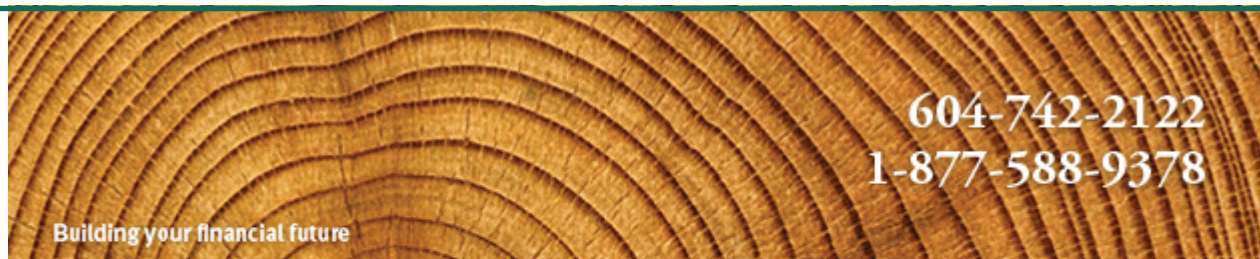
Exchange Commission in the United States.

Schedule 13Ds may be a precursor to takeovers, company breakups and other events that affect a change in control of the company.

Catalyst, which reported sales of \$2 billion in 2015, has been struggling to adapt to the shift to electronic media by going up the value chain in paper products. The company was rescued from bankruptcy in 2012 through a restructuring with its bondholders at that time and the BC towns where its mills operate reduced the municipal tax burden on the company to help bring its costs down.

Catalyst reported a net loss of \$49 million in 2015, a year in which President Joe Nemeth said demand for all paper grades declined.

Catalyst employs 2,800 people at its BC and US operations.



Wealth Advisors to the Lumber & Logging Industry

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US Home Sales: April 2016

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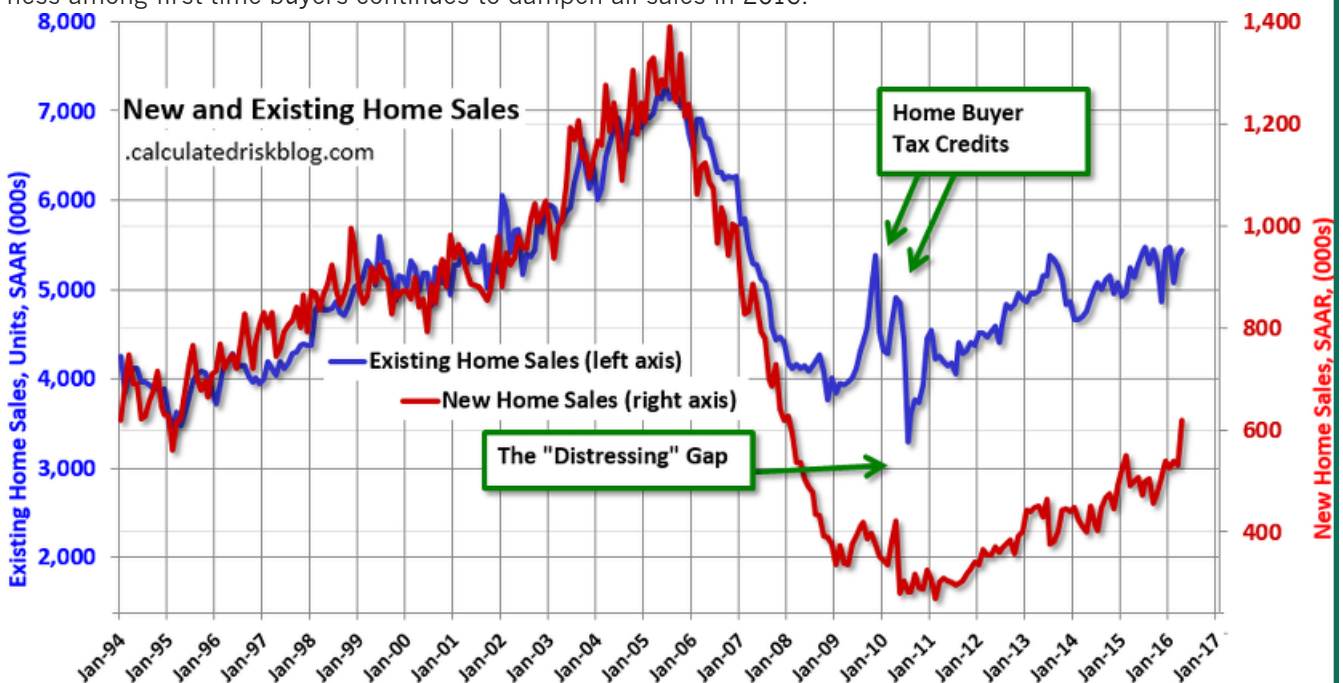
New home inventory ticked down to 243,000 homes for sale this month, which represents only a 4.7 months' supply at the elevated April sales pace. If sales remain near the current estimated rate, new single-family housing starts will need to accelerate to meet the rising demand. Of the total inventory of new homes listed for sale, only 56,000 consisted of completed, ready-to-occupy homes.

The **Pending Home Sales Index** soared 5.1 per cent in April to the highest level in over a decade, and has increased year-over-year for 20 consecutive months. The Pending Home Sales Index (PHSI), a forward-looking indicator based on signed contracts reported by the National Association of Realtors (NAR), increased to 116.3 in April from an upwardly revised 110.7 in March, and is 4.6 per cent above the same month a year ago.



Existing Home Sales: April 2016

Existing sales continued upward by 1.7 per cent in April, and the strong Pending Home Sales Index report plus low mortgage rates suggest a continuing steady recovery through the summer. However, the long-term weakness among first-time buyers continues to dampen all sales in 2016.



US House Prices: April 2016

As part of the new home sales report, the Census Bureau reported the number of homes sold by price and the average and median prices, "The median sales price of new houses sold in April 2016 was US\$321,100; the average sales price was US\$379,800."

During the housing bust, the builders had to build smaller and less expensive homes to compete with all the distressed sales. When housing started to recover - with limited finished lots in recovering areas - builders moved to higher price points to maximize profits.

The average price in April 2016 was US\$379,800 and the median price was US\$321,100. Both are above the bubble high (this is due to both a change in mix and rising prices).

The median is at a new high.

Less than 2 per cent of new homes sold were under US\$150K in April 2016. This is down from 30 per cent in 2002. The under US\$150K new home is probably going away.

Federal Housing Finance Agency

Elsewhere, US home prices rose 5.7 per cent in the first quarter from a year earlier as buyers competed for a limited supply of listings, the Federal Housing Finance Agency said in a report Wednesday from Washington.

Prices climbed 1.3 per cent on a seasonally adjusted basis from the previous three months, the 19th consecutive quarterly gain.

Prices in March rose 0.7 percent on a seasonally adjusted basis from February, the FHFA said.

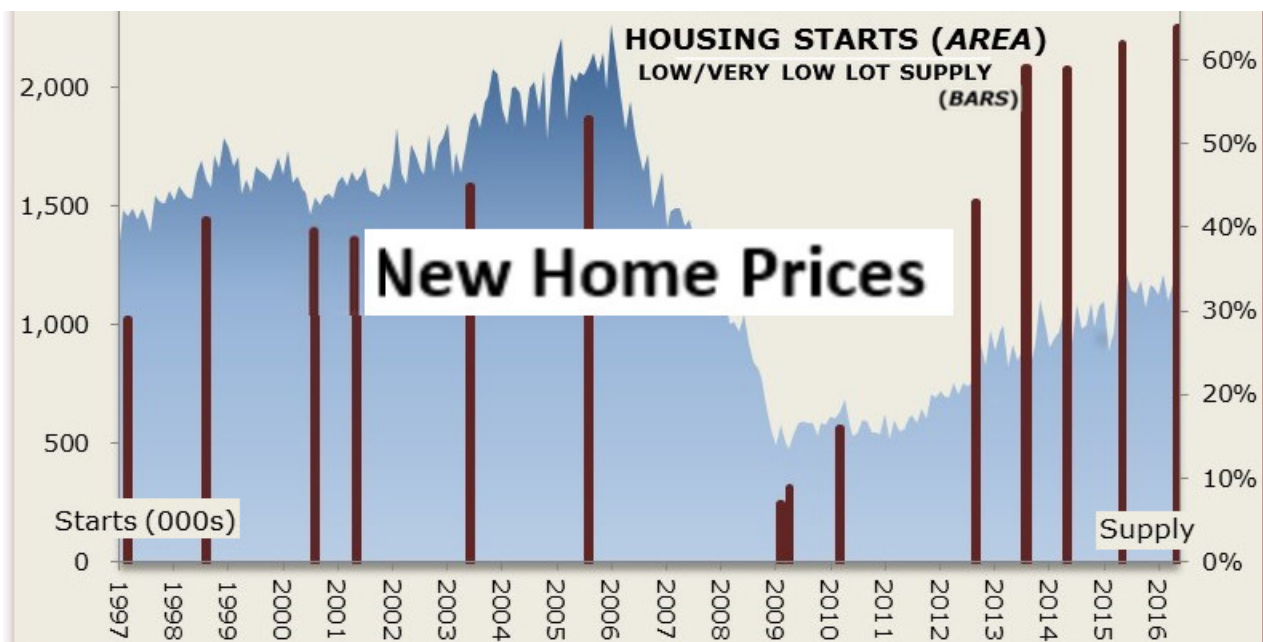
The FHFA index measures transactions for single-family properties financed with mortgages owned or securitized by Fannie Mae and Freddie Mac. It doesn't provide specific prices. The national median price of an existing single-family home was US\$217,600 in the first quarter, up 6.3 per cent from a year earlier, National Association of Realtors data show.

Home prices have risen as job growth brings out more buyers in a market starved for choices. There were 1.98 million houses for sale at the end of March, down 1.5 per cent from the same month last year, according to the National Association of Realtors. While the US has a whole had robust gains, prices fell from the previous quarter in 12 states and the District of Columbia, the FHFA said.

US Building Lot Shortage: May 2016

NAHB's measure of lot shortages hit a new record in May. In answer to special questions on the survey for the NAHB/Wells Fargo Housing Market Index, 64 percent of builders reported that the supply of lots in their markets was low or very low—up from 62 percent last year and the highest the lot shortage percentage has been since NAHB began collecting the information in 1997.

Perhaps most notable is that builders reported this record shortage at a time when new homes are being started at a rate of under 1.2 million a year. In 2005, when total housing starts were over 2.0 million, the share of builders reporting a shortage of lots was "only" 53 per cent.



SOURCE: NAHB Eye on Housing

New Multi-Storey Wood Framed Building Projects

CONT'D FROM PAGE 2

The *Border Mail* reports that XLam, which makes structural timber, plans to have a site up at Albury-Wodonga, somewhat near Melbourne, Australia, and running by June next year. The raw timber would be plantation-sourced.

The exact location would be determined later, but the area at the NSW/Victoria border was ideal for XLam for reasons including logistics and local labour availability, said the company.



The Australian Financial Review reports that XLam has been manufacturing in New Zealand for five years, and cross-laminated timber was only just beginning to catch on in Australia.

A prime example of its use was a Lend Lease ten-storey tower in Docklands, Melbourne.

Lend Lease is also opening a CLT factory through its Design Make business. The 15,000 square metre site will be in western Sydney and operational this year, according to a report in December last year.

“The reason for that is location to the Hume Highway and also the ability to source skilled labour for the 54 direct and indirect jobs we’ll require to bring this development to fruition,” business development manager Rob De Bin-crat told the *ABC*.

Thirty of these jobs would be direct, the company said.

Portland, OR, 12-Story Wood Building

A project from Portland-based LEVER Architecture and project, Framework would rise from the corner of North-west 10th Avenue and Glisan Street on a quarter block that is currently home to Albina Community Bank.

The building will be home to 60 units of workforce housing and office space for socially minded business-

es. When the building is completed, it will include ground-level retail — likely including space for Albina Bank — five floors of office space for B Corp businesses and social enterprises and five floors of workforce housing, which slides in somewhere between affordable and market rate housing.

According to information from the project leaders, the initial phase of the project included research and design development into using CLT in a high-rise mass timber building, something that’s not been done much in the US

Last September, the teams won a US\$1.5 million prize in the Tall Wood Building Prize Competition, money that was put toward that initial research.

The latest designs have also incorporated features designed to help the building better withstand a seismic event.

In addition, Framework’s residential units were initially geared toward households earning up to 80 per cent of the annual median income. That benchmark has been adjusted to 60 per cent, which could make the units more accessible to more residents.