

MADISON'S LUMBER REPORTER

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News & Updates

More Softwood Lumber Agreement Conversation

Liberal MP for Cumberland-Colchester, NS, Bill Casey, raised the issue of a softwood lumber agreement in the House of Commons Tuesday, according to *Cumberland News Now* Wednesday.

Said Casey. "The softwood lumber industry in Atlantic Canada is different from the industry in the rest of Canada, and it's essentially the same as the industry in New England, with which it competes. The border is almost not there, when you consider the Canadian firms that own mills and timberland in Maine and vice versa."

Casey has met with International Trade Minister Chrystia Freeland to make sure she understands Atlantic Canada's position. At a recent caucus briefing on softwood lumber hosted by David Lametti, Casey also made a presentation to MPs from across Canada and offered his advice based on past agreements.

In the House of Commons on Tuesday, Casey called on the Minister of International Trade to ensure that the Atlantic exclusion is maintained.

Pacific North America Climate Leadership Agreement

The partnership with the governments of California, Oregon, and Washington State, along with five other major cities along the West Coast — Los Angeles, Portland, San Francisco, Seattle, and Oakland — could lead to some innovations in BC.

CONT'D PAGE 6

US Construction Spending: April 2016

The US Census Bureau of the Department of Commerce announced Wednesday that construction spending during April 2016 was estimated at a seasonally adjusted annual rate of US\$1,133.9 billion, 1.8 per cent below the revised March estimate of US\$1,155.1 billion. The April figure is 4.5 per cent above the April 2015 estimate of US\$1,085 billion.

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Price-to-Rent Ratio, US: March 2016

On a price-to-rent basis, the Case-Shiller National index is back to August 2003 levels, the Composite 20 index is back to June 2003 levels, and the CoreLogic index is back to October 2003.

CONT'D PAGE 7

US New House Prices, Inventory: March 2016

Fast on the heels of US Census Bureau and the Department of Housing and Urban Development data last week, the Case-Shiller National Home Price Index for March was released Tuesday. Meanwhile, the Standard & Poor's (S&P)/Case-Shiller 20-city home price index increased 5.4 per cent in March compared with a year earlier, according to a report released May 31. That is the same annual gain as in February.

CONT'D PAGES 8 & 9

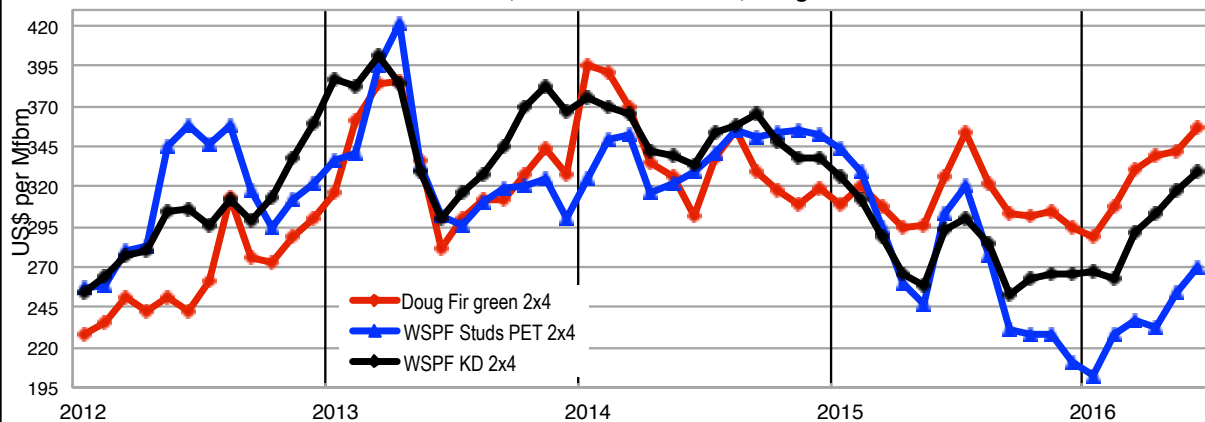
Canada Lumber Production, US Sales: March 2016

Lumber production by Canadian sawmills increased 5.9 per cent from February to 5,958 thousand cubic metres in March, said Statistics Canada Wednesday. Compared with March 2015, lumber production rose 5.3 per cent.

Sawmills shipped 5 787.8 thousand cubic metres of lumber in March, up 3.9 per cent from February and up 5.5 per cent from March 2015.

CONT'D PAGE 10

2x4 Prices : WSPF KD R/L #2&Btr, WSPF KD PET Studs, Douglas fir Green - 2012 - JUNE 2016



Pacific North America Climate Leadership Agreement

CONT'D FROM PAGE 2

With a combined population of 54 million and a GDP of US\$3 trillion, Alaska, British Columbia, California, Oregon, and Washington State are poised to emerge as a mega-region and global economic powerhouse driven by innovation, energy, geographic location and sustainable resource management, attracting new jobs and investment while enhancing an already unparalleled quality of life.

On June 30, 2008, the leaders of the five jurisdictions signed the Pacific Coast Collaborative Agreement, the first agreement that brings together the Pacific leaders as a common front to set a cooperative direction into the Pacific Century. Out of this agreement was born the Pacific Coast Collaborative -- a formal basis for cooperative action, a forum for leadership and information sharing, and a common voice on issues facing Pacific North America.:

The new state Clean Air Rule would require businesses and organizations, responsible for large greenhouse gas emissions, to demonstrate once every three years that they are reducing emissions an average of 1.7 per cent annually.

British Columbia Environment Minister Mary Polak, who represented the province at the meeting in San Francisco this week, said one of the ideas that arose was a shared electricity grid across the West Coast.

"Governor Jerry Brown from California was talking about the incredible potential if there is a regional integration of our power grid," Polak said.

Polak acknowledged the province would have to have some serious discussions on how the cross-border policies would work.

The West Coast agreement incorporates such goals as:

- adopting zero emission vehicles;
- developing a Pacific Coast electric car charging network from British Columbia to Southern California; and,
- lowering carbon intensity of heating fuels in commercial and residential buildings.

The leaders doing the signing had much praise for the accord, and for themselves, said the *Seattle PI* Wednesday.

The British Columbia government is promoting liquid natural gas (LNG) terminals, including a massive floating LNG plant planned for Saanich Inlet off southern Vancouver Island west of the San Juan Islands.

The government is already "adjusting" provincial park boundaries to make way for an 890,000-barrels-a-day pipeline that would carry Alberta tar sands oil to Burnaby, just east of Vancouver, BC, for export abroad.

The pipeline project would send 40 oil tankers a month through the Strait of Juan de Fuca and Haro Strait, which separates the San Juans from Canada's Gulf Islands. The British Columbia government has put conditions on its approval, but gives signs of a readiness to roll over.

The agreement included a provision to expand the use of zero-emission vehicles like electric cars.

The provincial government is still grappling with decreasing greenhouse gas emissions for the potential LNG industry.

Polak said the province's focus now is on cutting methane and electrification in the upstream.

"We are looking at all the places where emissions are high and are looking to reduce them."

The federal government is set to decide this month on whether to support the Pacific Northwest LNG project in Prince Rupert, BC.

A statement from the British Columbia government says other targets of the agreement include:

- A "stronger emphasis than in the past on issues including ocean acidification," which includes monitoring and increased research funding;
- Supporting the insurance industry to highlight the economic costs of climate change; and,
- Promoting more resilient communities in the face of a changing climate, with a focus on disadvantaged residents who bear the brunt of climate-change impacts.

Polak says the annual GHG emissions related to the Petronas-backed LNG plant could be reduced to 3.7 million tonnes. The climate plan calls for reductions in methane emissions at the wellhead, and it would encourage the use of electric power to get natural gas out of the ground and then squeezed down pipelines to the coast.

That would be a massive reduction compared with the estimates produced by the Canadian Environmental Assessment Agency, which calculate the project's emissions from the wellhead to the waterline to be at least 11.8 million tonnes each year.

Polak said she is still working on the details of her climate action plan, a revision of the province's plan introduced eight years ago. The original plan included a target to dramatically reduce GHGs by the year 2020 -- an objective that will not be met. The Environment Minister said she is working on changes that would aim to get British Columbia back on track to meet its 2050 target.

This agreement is not legally binding.



	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	329	326	+3	302	+27	262	+67
WSPF KD R/L 2x6	310	308	+2	288	+22	258	+52
SYP KD R/L East Side 2x4	425	425	0	450	-25	360	+65
SYP KD R/L East Side 2x6	310	310	0	330	-20	275	+35
ESPF KD R/L 2x4	420	425	-5	395	+25	360	+60
WSPF KD PET 2x4 Stud	270	270	0	240	+30	265	+5
WSPF KD PET 2x6 Stud	245	235	+10	220	+25	265	-20
Douglas Fir Green R/L 2x4	357	350	+7	330	+27	305	+52
Douglas Fir Green R/L 2x10	415	415	0	390	+25	355	+60
ESPF KD 2x4 8ft Stud	355	360	-5	330	+25	350	+5
OSB Ontario 7/16" (CDN\$/msf)	345	345	0	315	+30	235	+110
CSplywood Toronto 3/8" (CDN\$/msf)	448	441	+17	415	+43	448	+10

Madison's Weekly Softwood Lumber News

Construction Spending, US: March 2016

CONT'D FROM PG 2 Spending on private construction was at a seasonally adjusted annual rate of US\$843.1 billion, 1.5 per cent below the revised March estimate of US\$855.9 billion, said the US Department of Commerce.

In April, the estimated seasonally adjusted annual rate of public construction spending was US\$290.8 billion, 2.8 per cent below the revised March estimate of US\$299.2 billion.

Private residential spending has been increasing, but is 35 per cent below the bubble peak.

Non-residential spending is only 3 per cent below the peak in January 2008.

Public construction spending is now 11 per cent below the peak in March 2009.

On a year-over-year basis, private residential construction spending is up 8 per cent. Non-residential spending is up 3 per cent year-over-year. Public spending is up 1 per cent year-over-year.

Looking forward, all categories of construction spending should increase in 2016. Residential spending is still very low, non-residential is increasing (except oil and gas), and public spending is also increasing after several years of austerity.

US Price-to-Rent Ratio

CONT'D FROM PG 2 The year-over-year increase in the Case-Shiller National House Price Index is mostly

moving sideways, now around 5 per cent. In March, the index was up 5.2 per cent year-over-year.

In the Case-Shiller release, the National Index was reported as being 3 per cent below the bubble peak. However, in real terms, the National index is still about 17 per cent below the bubble peak.

Bill McBride of Calculated Risk Tuesday graphed nominal house prices, but said it is also important to look at prices in real terms (inflation adjusted).

"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\$274,000 today adjusted for inflation, or 37 per cent. 'Real' prices, adjusted for inflation, are important.

On a price-to-rent basis, the Case-Shiller National index is back to August 2003 levels, the Composite 20 index is back to June 2003 levels, and the CoreLogic index is back to October 2003.

In real terms, and as a price-to-rent ratio, prices are back to late 2003 and early 2004 levels - and the price-to-rent ratio maybe moving a little more sideways now.

Stella-Jones Completes

Stella-Jones, out of Montréal, QC, Friday announced that its wholly-owned subsidiary, McFarland Cascade Holdings, has completed the acquisition of the shares of Lufkin Creosoting Co.

Lufkin Creosoting produces treated poles and timbers at its wood treating

facility in Lufkin, TX. Its consolidated sales for the year ended December 31, 2015 reached approximately US\$34.2 million.

The purchase price was US\$37.5 million, including US\$5.0 million of working capital, and is subject to post-closing adjustments. Stella-Jones has financed the transaction through a combination of debt financing and a vendor note.

Canada International Merchandise Trade: April 2016

Canada's exports increased 1.5 per cent to \$41.8 billion in April, said Statistics Canada Friday. Export prices were up 1.1 per cent and volumes rose 0.5 per cent. Imports increased 0.9 per cent to \$44.7 billion, as volumes were up 0.8 per cent and prices edged up 0.1 per cent. As a result, Canada's merchandise trade deficit with the world narrowed from \$3.2 billion in March to \$2.9 billion in April.

Imports from the United States were up 3 per cent to \$29.7 billion and exports increased 2.3 per cent to \$31.3 billion in April. Consequently, Canada's trade surplus with the United States narrowed from \$1.7 billion in March to \$1.6 billion in April.

Exports to countries other than the United States decreased 0.6 per cent to \$10.5 billion.

Imports from countries other than the United States fell 3 per cent to \$15 billion. In April, there were lower imports from Germany (-\$174 million) and South Korea (-\$170 million).

US New House Prices: March 2016

CONT'D FROM PAGE 2

Home prices are back to near-record highs across the US amid rising demand and supply constraints, a sign that the lopsided housing-market recovery of the past five years is gaining some strength.

The S&P/Case-Shiller national home-price index, released Tuesday, has clawed its way back to within 4 per cent of its 2006 peak, a steep rise from the near 30 per cent decline at the bottom in 2012.

US new-home sales, meanwhile, in April posted their strongest month in more than eight years, with a nearly 17 per cent jump from a month earlier, the Commerce Department said last week.

New homes under US\$200,000 made up 19 per cent of US sales last year, down from 38 per cent four years earlier, according to US Census data.

Prices rose 0.9 per cent in March from February on a seasonally adjusted basis, the survey showed.

On a non-seasonally adjusted basis, prices increased 0.9% from February versus expectations of a 0.5% increase.

Home prices in three US cities, Denver, CO, Seattle, WA, and Portland, OR, showed the highest year-over-year gains, the survey showed.

US Homeownership

Homeownership has been declining since the peak of the housing bubble. The national rate slipped in the first quarter to a near four-decade low of 63.5 per cent, according to the Commerce Department. The homeownership rate for households headed by someone under 35 years old fell to 34 per cent in the first quarter of this year, the lowest level since at least 1994.

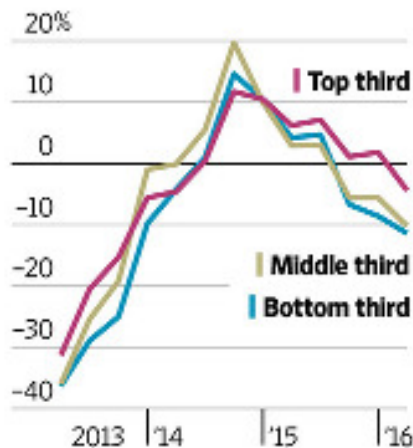
Supply Squeeze

Shriving inventories of homes on the market have helped fuel price gains, particularly at the lower end of the market.

Median list price, change from a year earlier



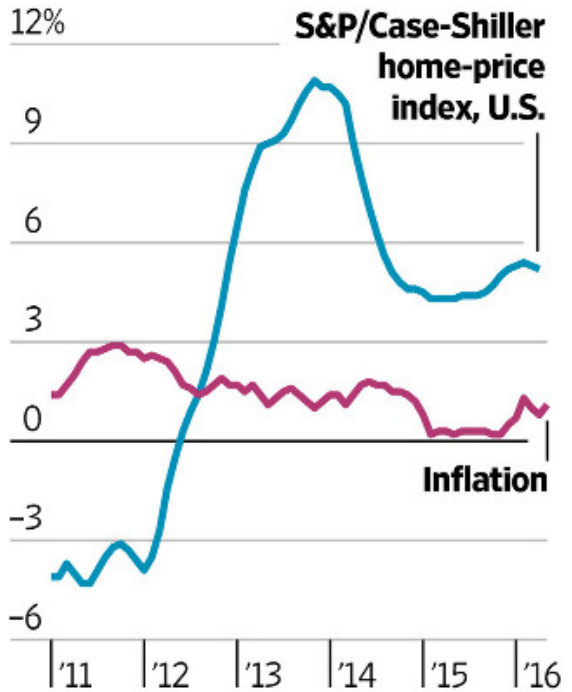
Homes on the market, change from a year earlier



Note: Figures for each third of the market are based on a weighted average of U.S. metro areas. Source: Trulia

Price Points

Change from a year earlier

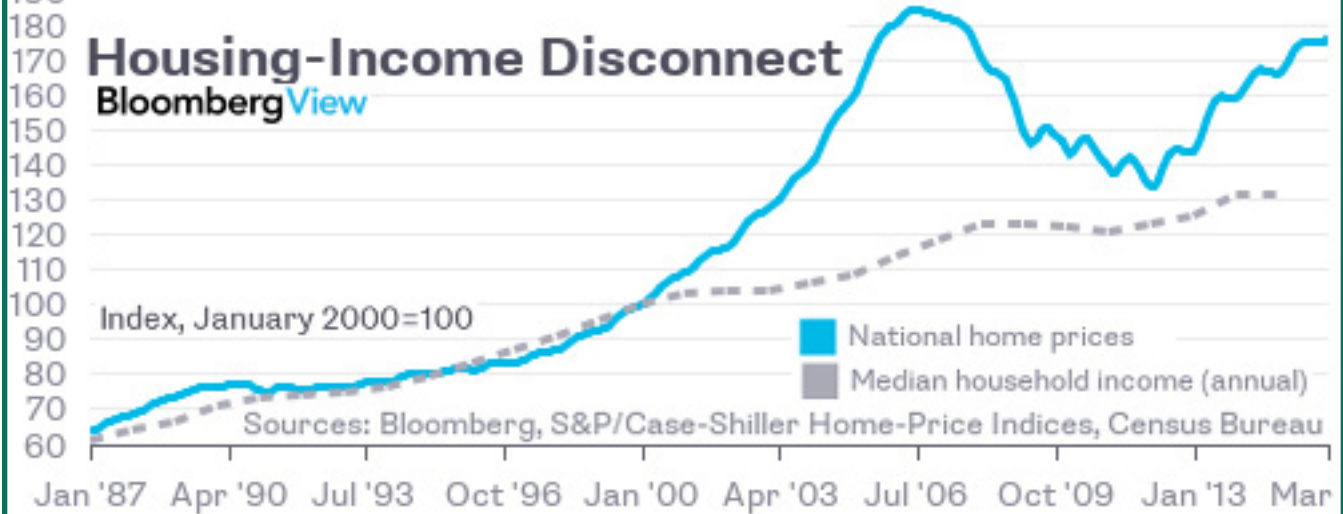


Sources: S&P Dow Jones Indices (homes); Commerce Dept. (inflation) via St. Louis Fed

US New Home Inventory: March 2016

The number of available homes fell 3.6 per cent in April, according to the National Association of Realtors.

Sales of existing homes rose 1.7 per cent in April, the second straight increase, to an annual rate of 5.45 million.



The S&P/Case-Shiller US home price release Tuesday provided all indications that April was an up month as, and that this summer's "selling season" will see continued price increases, according to *Bloomberg* Wednesday.

Bit by bit, prices are regaining the ground lost during the long collapse from 2006 through early 2012.

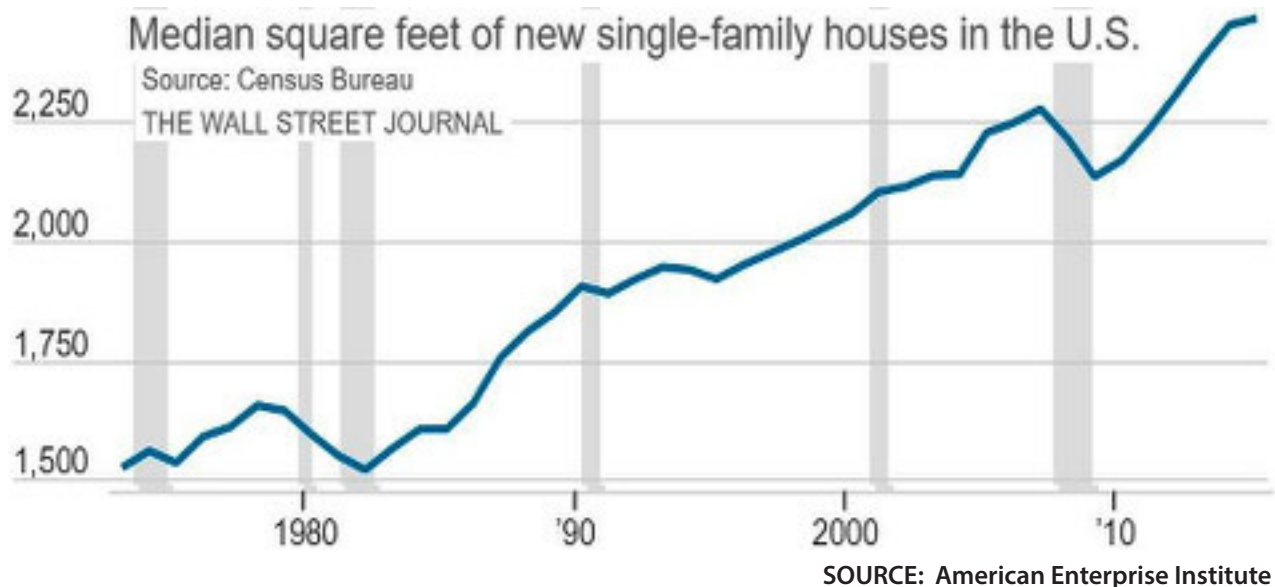
It means fewer underwater mortgages. It means better times for lenders, real estate agents and builders. It's a sign of broader economic health.

Home prices rose at about the same pace as median incomes in the 1990s. In the early 2000s, as already noted, the two became completely disconnected. During the real estate bust the two lines came closer together, now they're diverging again. Housing is a lot more expensive, relative to income, than it used to be.

Currently 63.5 of American households live in owner-occupied housing. For homeowners, housing isn't just something one consumes; it's an investment.

Median US Home Size

The median size of a new single-family house was 2,467 square feet last year, the biggest on record, according to Census Bureau data out this week. With all that floor space, homes are 61 per cent larger than the median from 40 years earlier and 11 per cent larger than a decade earlier.

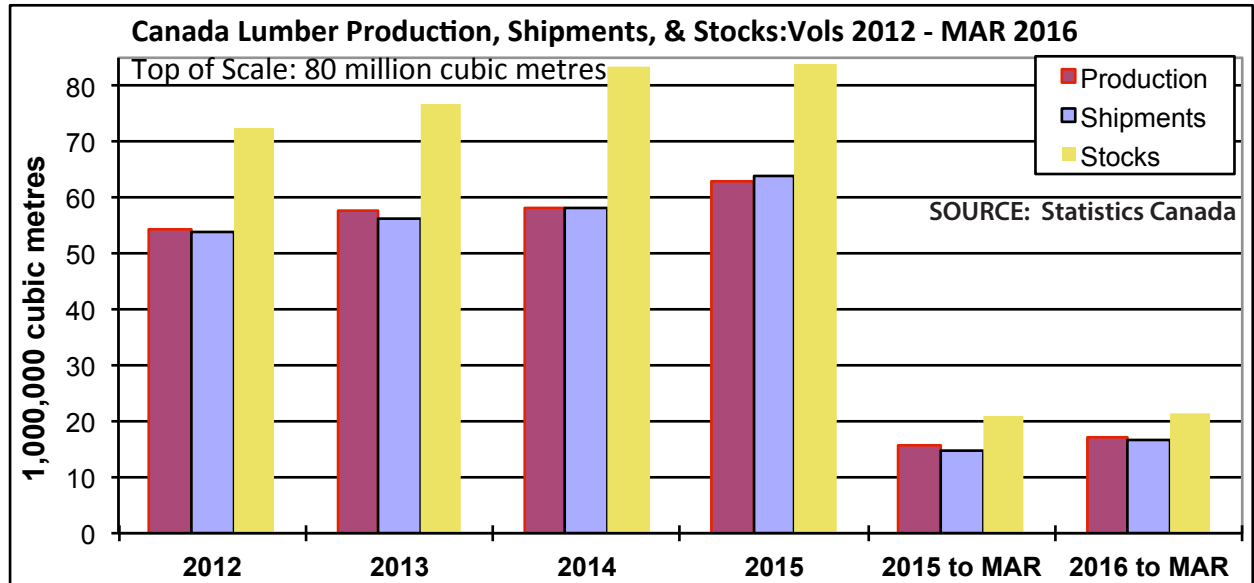


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Lumber output at Canadian mills in March was the most since June 2007.

all of 2007, production in Canada averaged 2.49 billion board feet per month.

Put another way, Canadian lumber production in March totaled 2.46 billion board feet, up 5.6 per cent from the February total of 2.33 billion board feet and 5.8 per cent from the March 2015 total of 2.32 billion board feet. In

In the US, sales of lumber and other construction Materials increased by 9.8 per cent in March 2016, to US\$27,668 million, compared to US\$24,965 million in February.

