

# MADISON'S LUMBER REPORTER

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## News & Updates

### House Prices, New Home Sales Volatility, US

The pace of the S&P CoreLogic Case-Shiller US National Home Price Index index (equal to 100 in January 2000) rose from 136.7 in December 2011 to 179.4 in May of 2016. The monthly change between April and May was 0.2 per cent, or 2.3 per cent on an annualized basis, and the index is up 5 per cent since last May according to the **National Association of Home Builders' Eye on Housing** Tuesday.

Meanwhile, NAHB analysis of the most recent Census estimates concerning sources of financing for new home sales reveals that the share of mortgages financed through conventional, FHA, and VA loans, as well as cash, held steady in 2Q 2016, while the number of new homes sold grew by 22 per cent, said *Eye on Housing* Thursday.

According to data from the Census Bureau's Quarterly Sales by Price and Financing and NAHB calculations, new home sales due to FHA-backed loans increased to a quarterly count of 28,000 as market share of remained at 17 per cent for 2Q 2016. Over the long run, the current FHA-share is lower than the 28 per cent share determined for 1Q 2010 but still substantially higher than the 10 per cent 2002-2003 average.

Cash-based transactions for 2Q made up 5 per cent of sales.

It is also worth noting that a different measure from CoreLogic shows a higher market share for cash sales for new construction: 14.5 per cent in April.

Conventional financing has expanded as the housing recovery has grown. The market share of new home sales with conventional financing was 58 per cent in 2009 and came in at approximately 69 per cent for 2Q 2016. This share has remained between 69 and 73 per cent every quarter over the last three years.

### US Home Ownership Rate, Price-to-Rent Ratio

According to Census Bureau's Housing Vacancy Survey, the US homeownership rate dropped to 62.9 per cent in 2Q 2016, according to *Eye on Housing* Tuesday.

Elsewhere, on a price-to-rent basis, the Case-Shiller National index is back to July 2003 levels, the Composite 20 index is back to June 2003 levels, and the CoreLogic index is back to May 2003, said *Calculated Risk* Tuesday. CONT'D PAGE 6

### Canada Railway Car Loadings: May 2016

The volume of rail freight carried in Canada totalled 27.7 million tonnes in May, an 8.2 per cent drop last year, said **StatsCan** Wednesday. CONT'D PAGE 7

### Industrial Product & Material Prices, Canada: June 2016

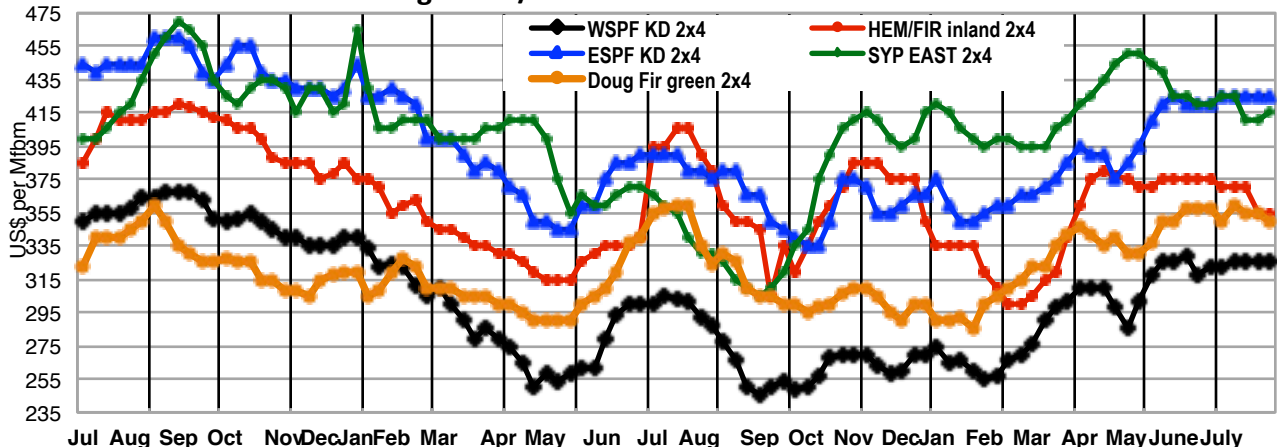
Canada's Industrial Product Price Index rose 0.6 per cent in June, mainly due to higher prices for energy and petroleum products. The Raw Materials Price Index increased 1.8 per cent, according to **Statistics Canada** Friday. CONT'D PAGE 7

### New Home Sales, Pending Home Sales, US: June 2016

The US Census Bureau and Department of Housing and Urban Development in a joint release Wednesday reported that newly constructed single family homes sold at a seasonally adjusted annual pace of 592 thousand in June and revised May sales up to 572 thousand.

According to the National Association of Realtors' Pending Home Sales Index Thursday, nationwide signed contracts for existing homes inched up 0.2 per cent over the month of June 2016. CONT'D PAGES 9 & 10

**FIVE KEY 2x4 KD and green R/L DIMENSION LUMBER PRICES JUL '14-JUL '16**



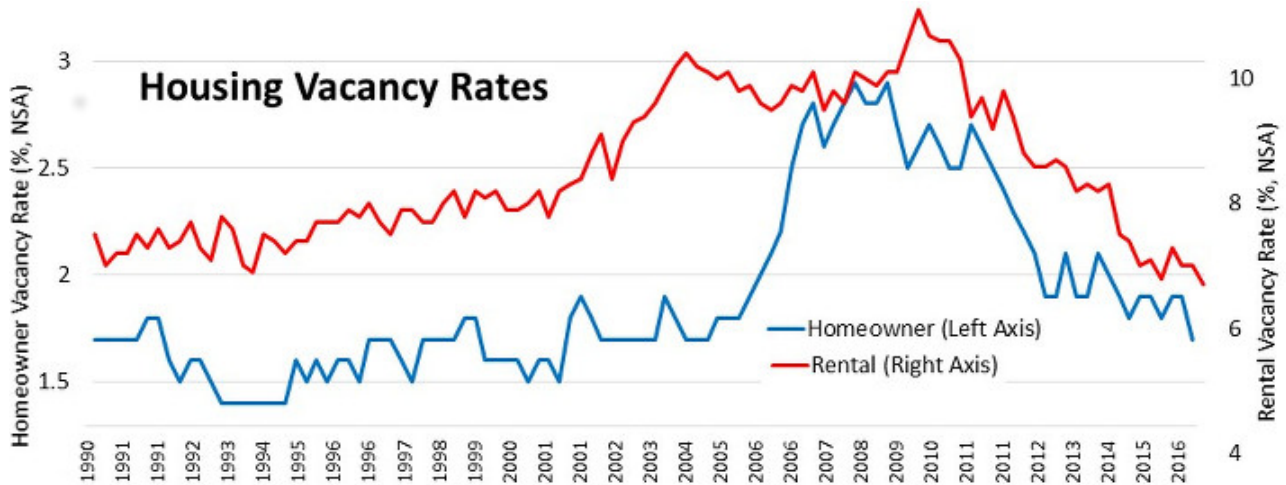
## US Home Ownership Rate: June 2016

CONT'D FROM PAGE 2

According to US Census Bureau's Housing Vacancy Survey (HVS) Thursday, the homeownership rate dropped to 62.9 per cent in 2Q 2016. It is the lowest level since 1965, when the Census Bureau started tracking these data. This was a second straight quarterly decrease, down by 60 basis points on a nonseasonally adjusted basis from three months ago.

The nonseasonally adjusted homeowner vacancy rate remained low at 1.7 per cent in 2Q 2016. At the same time, the national rental vacancy rate dropped to 6.7 per cent, down 10 basis points from 2Q 2015.

The housing stock-based HVS revealed that the number of households increased to 118.3 million for 2Q 2016, almost a million higher than a year ago. On a less volatile one-year moving average basis, the pace of household formations slowed down to less than 1 per cent in 2016.



## US Home Price-to-Rent Ratio: 2Q 2016

The Case-Shiller National House Price Index increased 5 per cent year-over-year in May.

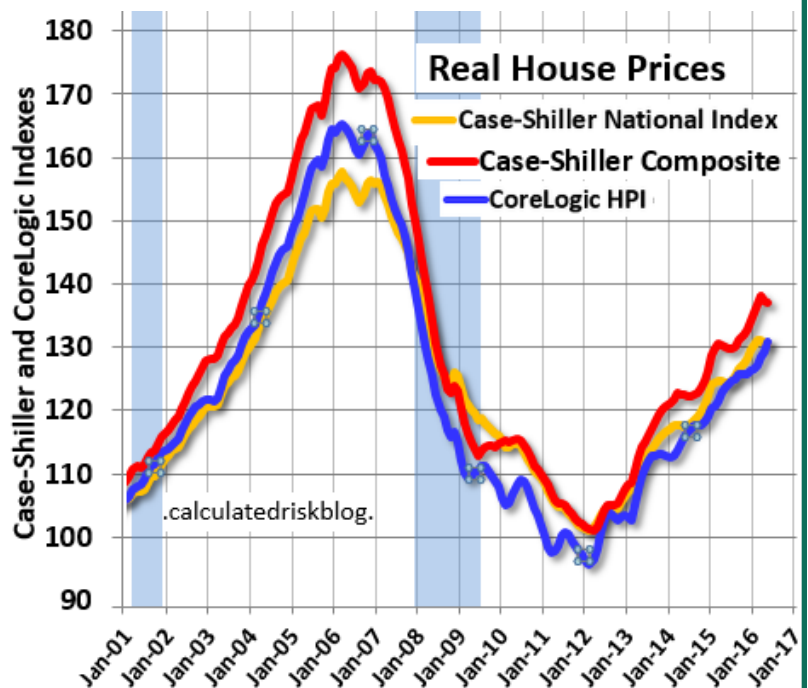
It is important to look at prices in real terms (inflation adjusted), according to *Calculated Risk* Tuesday. Case-Shiller, CoreLogic and others report nominal house prices. As an example, if a house price was US\$200,000 in January 2000, the price would be close to US\$275,000 today adjusted for inflation (37 per cent).

It has been almost ten years since the housing bubble peak. In the Case-Shiller release, the National Index was reported as being 2.8 per cent below the bubble peak. However, in real terms, the National index is still about 17.1 per cent below the bubble peak.

In nominal terms, the Case-Shiller National index (SA) is back to November 2005 levels, and the Case-Shiller Composite 20 Index (SA) is back to June 2005 levels, and the CoreLogic index (NSA) is back to June 2005.

In real terms, the National index is back to January 2004 levels, the Composite 20 index is back to October 2003, and the CoreLogic index back to November 2003.

In real terms, house prices are back to late 2003 levels.



# Madison's Weekly Softwood Lumber Key Prices Table

www.madisonsreport.com



	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	320	+6	292	+34
WSPF KD R/L 2x6	310	306	+4	298	+12	298	+12
SYP KD R/L East Side 2x4	415	410	+5	425	-10	330	+85
SYP KD R/L East Side 2x6	370	365	+5	340	+30	270	+100
ESPF KD R/L 2x4	425	425	0	420	+5	380	+45
WSPF KD PET 2x4 Stud	285	280	+5	270	+15	300	-15
WSPF KD PET 2x6 Stud	255	255	0	250	+5	280	-25
Douglas Fir Green R/L 2x4	350	355	-5	357	-7	335	+15
Douglas Fir Green R/L 2x10	330	330	0	385	-55	415	-85
ESPF KD 2x4 8ft Stud	365	365	0	355	+10	340	+25
OSB Ontario 7/16" (CDN\$/msf)	370	360	+10	315	+55	237	+133
CSplywood Toronto 3/8" (CDN\$/msf)	485	464	+21	440	+45	457	+28

## Madison's Weekly Softwood Lumber News

### Canada Rail Car Loadings

CONT'D FROM PG 2 The volume of rail freight carried in Canada totalled 27.7 million tonnes in May, an 8.2 per cent decrease from the same month last year, said Statistics Canada Wednesday. In contrast, from May 2011 to May 2016, the total volume of rail freight carried in Canada increased 5.4 per cent.

In May, freight originating in Canada declined 7.7 per cent from the same month last year to 24.9 million tonnes.

In May, railcars loaded with fuel oils and crude petroleum in the western region were down 44.8 per cent from the same month last year. Wildfire in northern Alberta contributed to the decline.

Intermodal freight loadings were down 4.3 per cent year over year to 187,000 units. In terms of weight, intermodal traffic fell 4.1 per cent to 2.8 million tonnes, as a result of a decrease in shipments in containers and trailers on flat cars.

Freight traffic received from the United States declined 12 per cent to 2.7 million tonnes, as a result of a 13.4 per cent drop in non-intermodal freight. Intermodal freight from the United States rose 5.2 per cent.

rose 0.6 per cent in June, mainly due to higher prices for energy and petroleum products. The Raw Materials Price Index (RMPI) increased 1.8 per cent, according to Statistics Canada Friday.

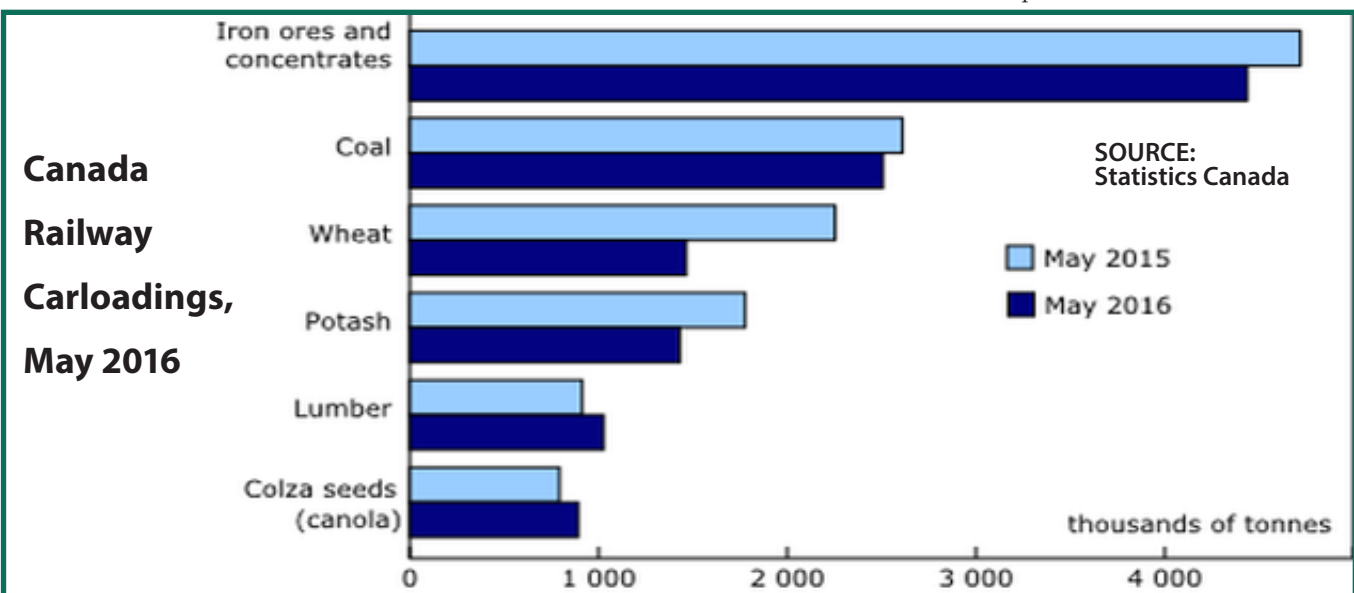
The IPPI advanced 0.6 per cent in June, after gaining 1.2 per cent in May. Of the 21 major commodity groups, 14 were up, 4 were down and 3 were unchanged.

The RMPI rose 1.8 per cent in June, after rising 7 per cent in May. Of the six major commodity groups, four were up and two were down.

The gain in the RMPI was mainly attributable to higher prices for crude energy products (+3.5 per cent). The RMPI excluding crude energy products rose 0.6 per cent in June.

### Producer Price Index, Canada

CONT'D FROM PG 2 The Industrial Product Price Index (IPPI)



## Madison's *\*new\** Interactive Web Price Graphing Tool

Madison's web-based interactive lumber price graphing tool is beta testing!  
This extremely useful tool is driven by the historical dimension lumber and panel prices listed in your weekly *Madison's Lumber Reporter*. To access simply visit: <http://mlrdemo.gobi.ca>

Username: **portland**  
Password: **Pine2014**

### Instructions:

All commodities listed in your weekly *Madison's Lumber Reporter* (except Cedar for the time being) are available from the pull-down menu.

Simply start typing the species name of the desired item then select grade and size.

Click "update".

Select "view" for yearly, quarterly, monthly, or weekly.

Click "Graph Tools" at the top left to return to the previous screen and enter a different selection of commodities.

[For more information please contact our office.](#)

### Enter Lumber Commodity

1: WSPF KD Econ 2x8	Average	#e0542e
2: Hem/Fir KD Coast Utility 2x4	Average	#e0c62e
3: Douglas Fir Green #2&Btr 2x6	Average	#2e97e0
4: SYP (East) KD S4S #2&Btr 8ft 2x4	Average	#b02ee0
5: SYP (West) KD S4S #2&Btr 8ft 2x8	Average	#e02e75

### Enter Graph Options

Show by:

To:

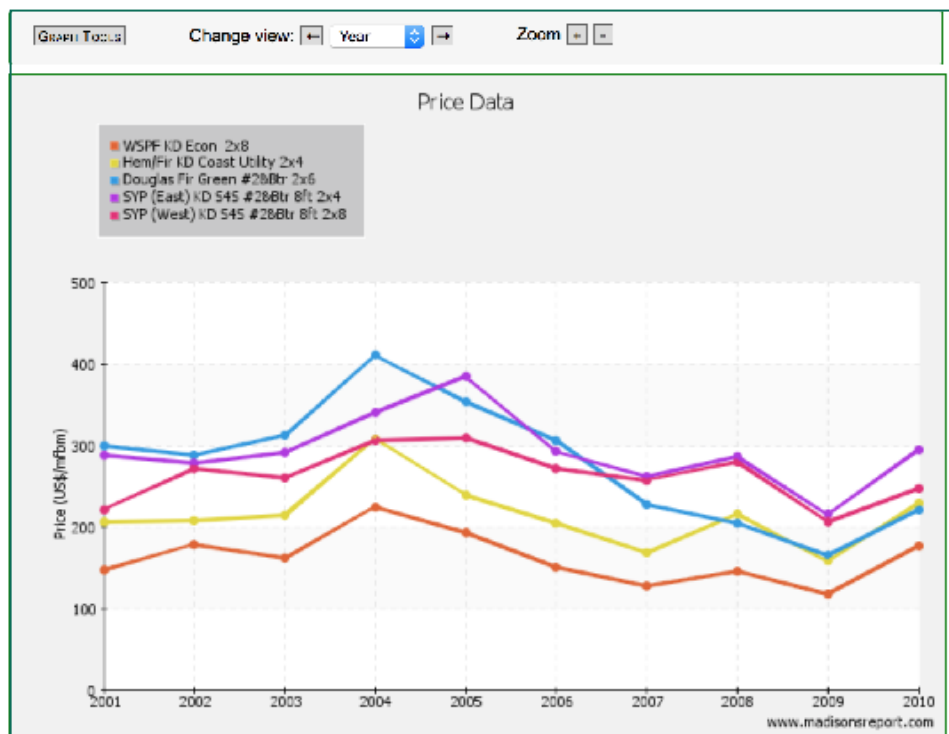
Search Tips [FILE](#)

#### Tip

Use the starting letters of the lumber commodity you are looking for in the search.

For example - Species:

- WRC: Western Red Cedar
- WSPF: Western Spruce-Pine-Fir
- ESPF: Eastern Spruce-Pine-Fir
- DF: Douglas Fir
- LARCH: Fir/Larch
- HEM: Hem/Fir
- SYP: Southern Yellow Pine
- ENG: Englemann Spruce
- PON: Ponderosa Pine
- EAS: Eastern White Pine
- FIR: Fir
- HEML: Hemlock



This is a demo version of the interactive graph.  
It is stable in the current versions of Firefox and Chrome web browsers.

## US Pending Home Sales: June 2016

CONT'D FROM PAGE 2

According to the National Association of Realtors' Pending Home Sales Index (PHSI) released Wednesday, nationwide signed contracts for existing homes inched up 0.2 per cent over the month of June 2016. The PHSI is forward looking indicator for contracting closings (i.e. existing home sales). June marks the fourth monthly increase in the PHSI over the past five months. Over the year, the PHSI rose by 1 per cent. With this improvement, the PHSI is now at its second highest reading over the past 12 months, but is noticeably down from this year's peak level in April.

SOURCE: NAHB Eye on Housing

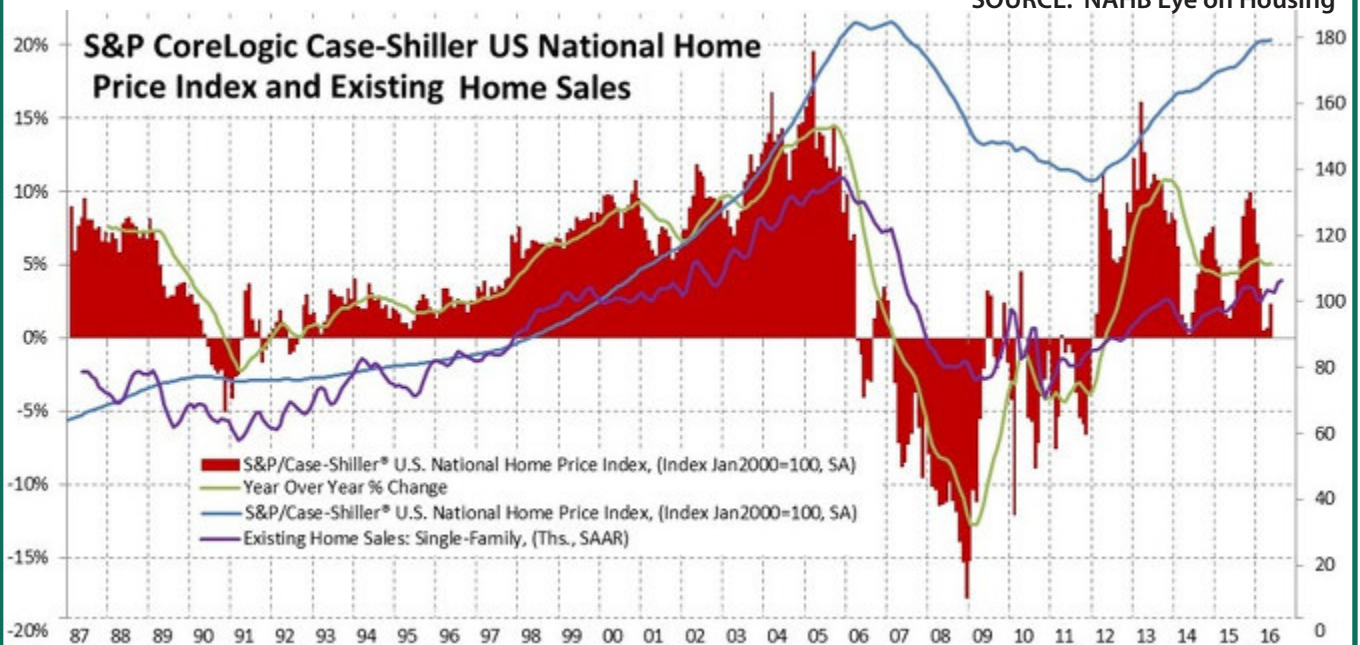


Regionally, the nationwide increase signed contracts over the month of June reflected growth in the Northeast and in the West. The PHSI in the Northeast led the way, advancing by 3.2 per cent over the month and by 1.7 per cent for the year. Meanwhile, the PHSI for the Midwest increased 0.8 per cent during the month of June and by 1.6 per cent over the past 12 months.

Recent developments in existing home sales indicate that the market continues to heal. Existing home sales,

as reported by the National Association of Realtors, increased 1.1 per cent in June to the highest level since February 2007. June existing sales are up 3 per cent from the same month a year ago. First-time homebuyers grabbed 33 per cent of existing home sales, the best performance in four years while the distressed sales share was 6 per cent in June down from 8 per cent a year ago. Individual investors purchased an 11 per cent share in June, down from 13 per cent last month, and the lowest share since July 2009.

SOURCE: NAHB Eye on Housing



## US New Home Sales: June 2016

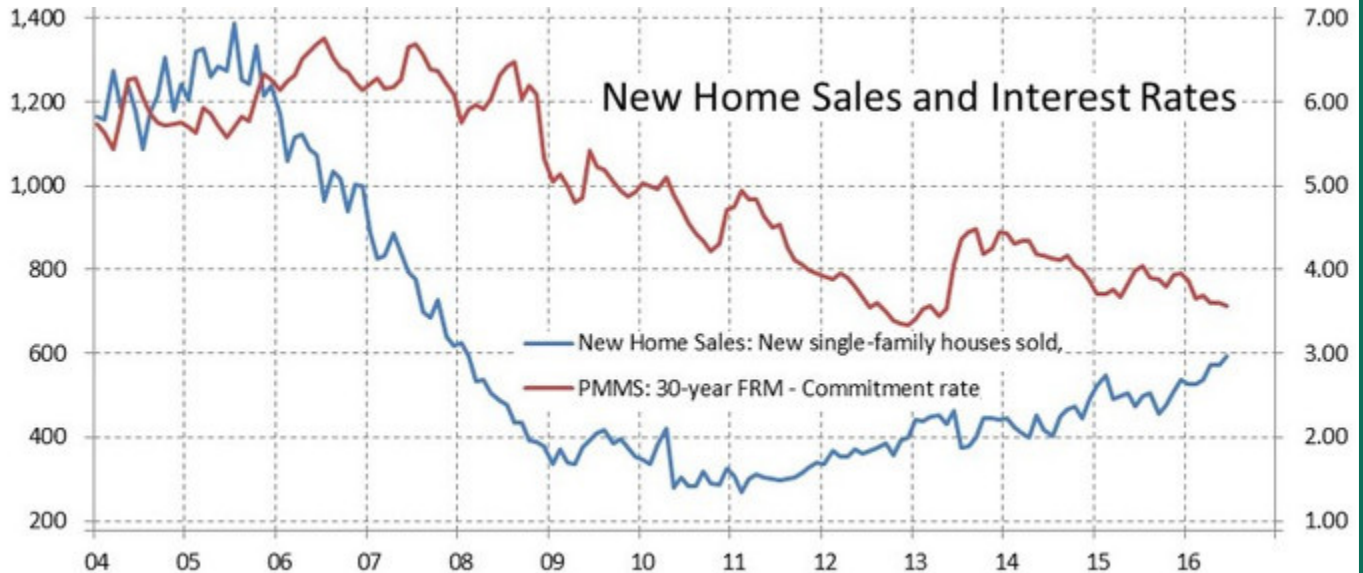
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The US Census Bureau and Department of Housing and Urban Development in a joint release Tuesday reported that newly constructed single family homes sold at a seasonally adjusted annual pace of 592 thousand in June and revised May sales up to 572 thousand. This pace represents steady progress from housing bust lows below 300 thousand but is still well short of the pre-boom level of sales, averaging an annual pace of 964 thousand from 2000 to 2003.

The inventory of new homes for sale increased to 244 thousand, up from 216 thousand one year earlier.

New home sales were up 25.4 per cent year-over-year compared to June 2015. And sales are up 10.1 per cent year-to-date compared to the same period in 2015.

New home sales for 2015 and 2016, by month, to date (Seasonally Adjusted Annual Rate) are up 10.1 per cent year-over-year, mostly because of the solid growth in Q2.



## MADISON'S LIVE ONLINE CANADIAN LUMBER PRODUCERS LISTINGS

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