

MADISON'S LUMBER REPORTER

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News & Updates

US Southern Pine, BC Lumber Exports: June 2016

Exports of Southern Pine lumber soared in June, amounting to a monthly record of 65.57 million board feet, according to the latest reports from the USDA's Foreign Agricultural Service, said the **Southern Forest Products Association** Wednesday.

Meanwhile in Canada, British Columbia forest product exports for January to June totalled \$6.88 billion, up 6.9 per cent from \$6.44 billion the previous year, said the **Ministry of Forests, Lands, and Natural Resource Operations** also Wednesday. **CONT'D PAGE 6**

Canada & US Sawmill Production and Capacity: May 2016

US softwood lumber production for January to May 2016 was 13,369 million board feet, up 1.8 per cent from 13,127 mmfbm one year ago, according to the latest edition of the **Western Wood Products Association's Lumber Track**, re-released Monday.

In Canada production rose 9.2 per cent, to 11,874 mmfbm from 10,878 mmfbm in the first five months of 2015. **CONT'D PAGE 7**

Canada Housing Starts: July 2016

The Canadian housing starts report from the Canada Mortgage and Housing Corp released Tuesday showed the seasonally adjusted annualized rate of housing starts declined to 198,395 in July, down from a revised 218,326 in June. Construction of multiple units fell 13.3 per cent. **CONT'D PAGE 7**

US Real Estate Market, Housing Affordability

Homeownership rates in the US have collapsed to 63.1 per cent, down from 2004 highs of about 69 per cent, according to the US Census Bureau Wednesday. As homeownership rates come full circle from the early 1990s levels, the Median Asking Price for Vacant Units has steadily risen.

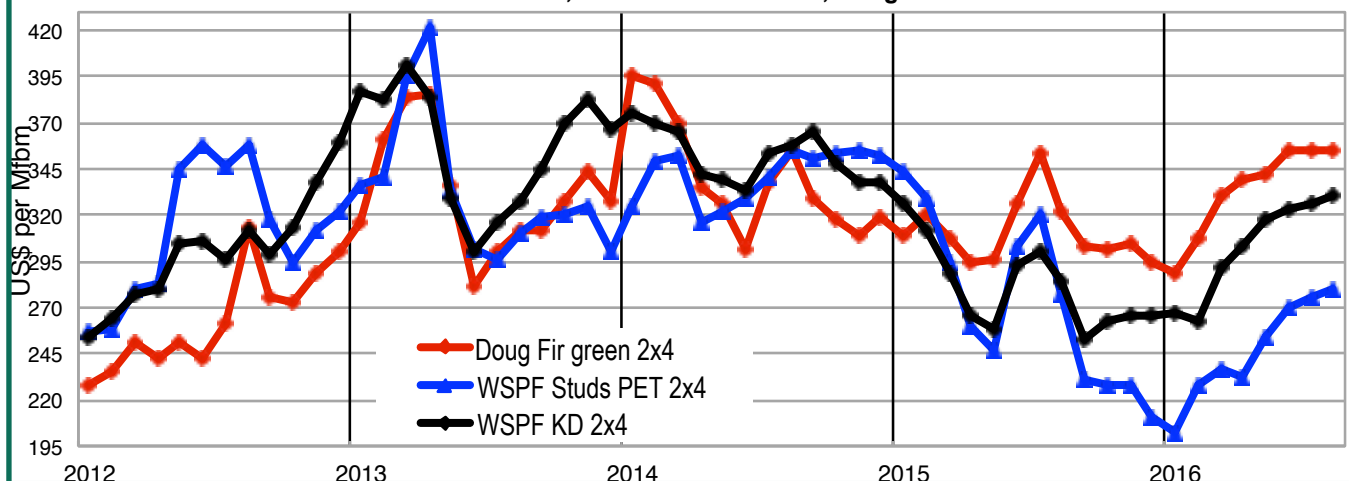
Meanwhile, according to the National Association of Home Builders/ Wells Fargo Housing Opportunity Index Thursday, solid home price appreciation more than offset a modest reduction in mortgage interest rates to push housing affordability lower in 2Q 2016.

The national median existing single-family home price in the second quarter was \$240,700, up 4.9 percent from the second quarter of 2015 (\$229,400), which was previously the peak quarterly median sales price. The median price during the first quarter of this year increased 6.1 percent from 1Q 2015. **CONT'D PAGES 8 & 9**

Household Debt, US

The Federal Reserve Bank of New York's Center for Microeconomic Data Tuesday issued its Quarterly Report on Household Debt and Credit, which reported that household debt in the US increased by US\$35 billion (a 0.3 per cent increase) to US\$12.29 trillion during 2Q 2016. **CONT'D PAGE 10**

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



US Southern Pine Lumber Exports: June 2016

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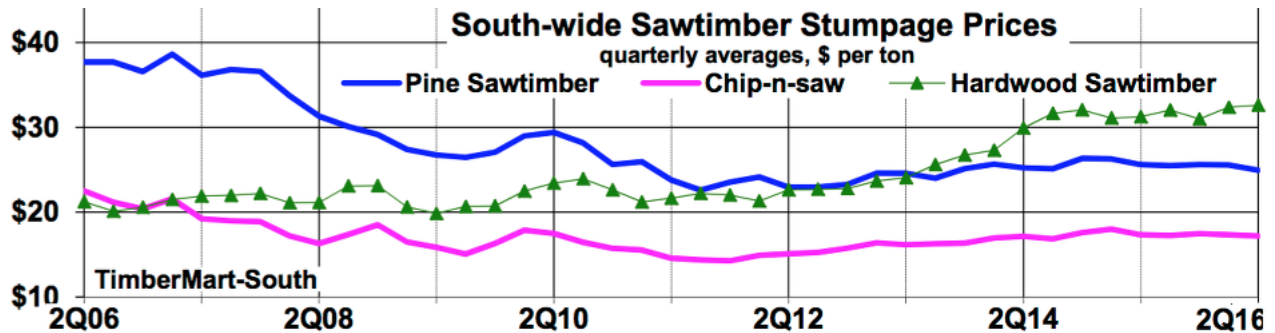
Exports of Southern Pine lumber soared in June, amounting to a monthly record of 65.57 million board feet (MMbf), according to the latest reports from the USDA's Foreign Agricultural Service, said the Southern Forest Products Association Wednesday.

This volume represents a giant jump of 42 per cent above the same month last year, contributing to a significant year-to-date increase of 11 per cent when compared with the first half of 2015.

Offshore shipments during June roughly break down as 37.5 MMbf dressed, 10.8 MMbf rough, and 17.2 MMbf

treated lumber.

Softwood lumber imports to the U.S. remained steady in June, reaching 1.4 billion board feet (Bbf), up 20 per cent from the volume imported during June of 2015. Through the first half of this year, softwood imports are up 36 per cent when compared with the same period a year ago.



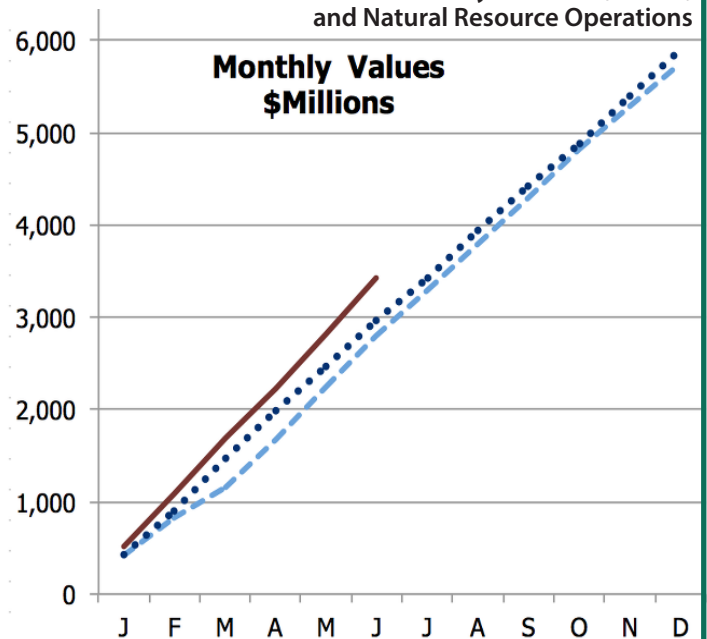
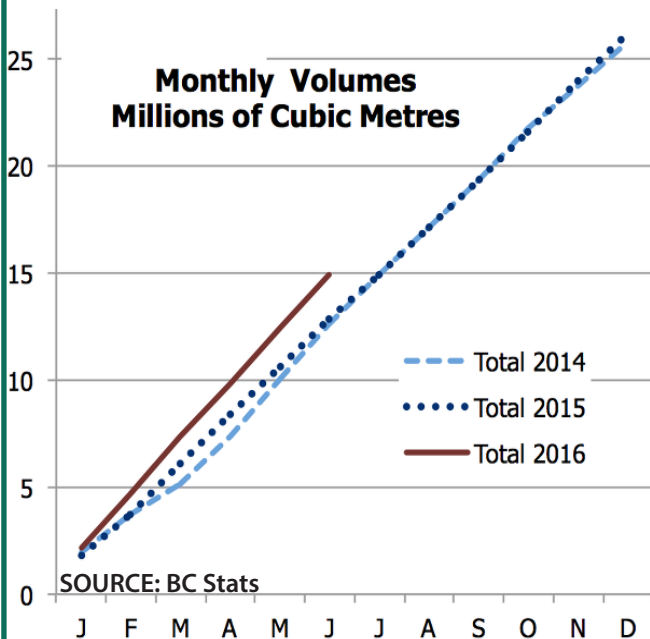
This quarter saw further divergence in the stumpage prices for Pine and Hardwood Sawtimber. The average price for Pine Sawtimber decreased to \$24.94/ton, while Pine Chip-n-saw decreased slightly to \$17.18/ton. The average price for Hardwood Sawtimber increased to \$32.62/ton.

BC Softwood Lumber Exports: June 2016

Highlight of Exports YTD 2016 (June), compared to YTD 2015 (June)

- BC forest product exports totalled \$6.88 billion, up 6.9 per cent from \$6.44 billion.
- Share of export value by market: US (53 per cent, up from 46.1 per cent), China + Hong Kong (24.5 per cent, down from 31 per cent), Japan (8.5 per cent, down from 8.9 per cent).
- Share of export value by product: Softwood Lumber (49.6 per cent, up from 46 per cent), Pulp (21 per cent, down from 25.3 per cent), Other Wood Products* (17 per cent, up from 14.3 per cent).

SOURCE: BC Ministry of Forests, Lands, and Natural Resource Operations



SOURCE: BC Stats



	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	330	330	0	326	+4	288	+42
WSPF KD R/L 2x6	310	310	0	294	+16	294	+16
SYP KD R/L East Side 2x4	425	420	+5	410	+15	330	+95
SYP KD R/L East Side 2x6	395	380	+15	360	+35	295	+100
ESPF KD R/L 2x4	430	425	+5	425	+5	380	+50
WSPF KD PET 2x4 Stud	290	285	+5	270	+20	265	+25
WSPF KD PET 2x6 Stud	245	255	-10	255	-10	275	-30
Douglas Fir Green R/L 2x4	352	355	-3	355	-3	330	+22
Douglas Fir Green R/L 2x10	350	345	+5	360	-10	415	-65
ESPF KD 2x4 8ft Stud	380	365	+15	360	+20	335	+45
OSB Ontario 7/16" (CDN\$/msf)	380	378	+2	368	+12	245	+135
CSplywood Toronto 3/8" (CDN\$/msf)	480	476	+4	458	+22	440	+40

Madison's Weekly Softwood Lumber News

North America Sawmill Capacity Utilization

CONT'D FROM PG 2 US sawmill capacity utilization rates for the first five months of 2016 were up 2% to 84%, from 82% the previous year, said the **Western Wood Products Association's Lumber Track** Monday.

In Canada softwood lumber production as per cent of practical capacity jumped to 91% for January to May 2016, compared to 86% one year ago.

Housing Starts, Canada

CONT'D FROM PG 2 The expected fallback in Canadian housing starts in June was broadly based,

according to the CMHC report, with groundbreaking on new detached homes down by a more modest 1.8 per cent, and starts falling in all regions of Canada except the Prairies.

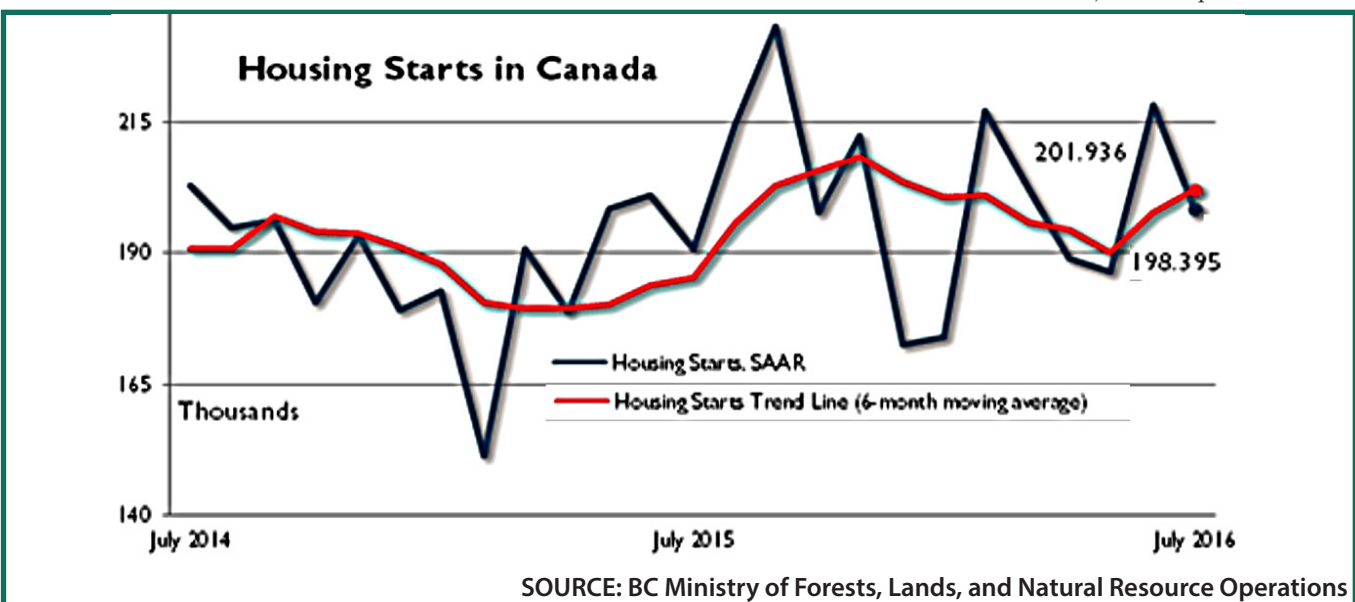
Hot housing markets in Canada's two largest cities, Toronto, ON, and Vancouver, BC, have sparked some fears of a housing bubble, even as other markets cool amid a slump in commodity prices that has weighed on the nation's economic growth.

The six-month trend of housing starts edged up to 201,936 units in July, continuing a strong pace of homebuilding that has been one of the few bright spots in Canada's economic growth in recent years.

A sharp contraction in multiple-unit starts - typically condos - last month led July's decline, with urban multiple starts down 13.3 percent compared to a milder 1.8 per cent dip in starts of single family homes.

Multiple starts had surged more than 25 per cent in June. While the data is notoriously volatile from month to month, building permits have been declining and analysts believe it is only a matter of time before construction slows as well.

"It's hard to see starts pushing higher than where they've been year to date," said Derek Holt, head of capital markets economics at Scotiabank, forecasting starts will eventually cool toward the 150,000-unit pace.



US Current Real Estate Conditions

CONT'D FROM PAGE 2

Total existing-home sales, including single family and condos, rose 3.8 per cent to a seasonally adjusted annual rate of 5.50 million in 2Q, from 5.3 million in 1Q this year, and are 4.2 per cent higher than the 5.28 million pace during 2Q 2015.

At the end of 2Q, there were 2.12 million existing homes available for sale, which was below the 2.25 million homes for sale at the end of 2Q 2015. The average supply during the second quarter was 4.7 months - down from 5.1 months a year ago.

Despite falling mortgage rates and a small increase in the national family median income (US\$68,774), swiftly rising home prices caused affordability to decline in the second quarter compared to a year ago.

To purchase a single-family home at the national median price, a buyer making a 5 per cent down payment would need an income of US\$52,255, a 10 per cent down payment would require an income of US\$49,504, and US\$44,004 would be needed for a 20 per cent down payment.

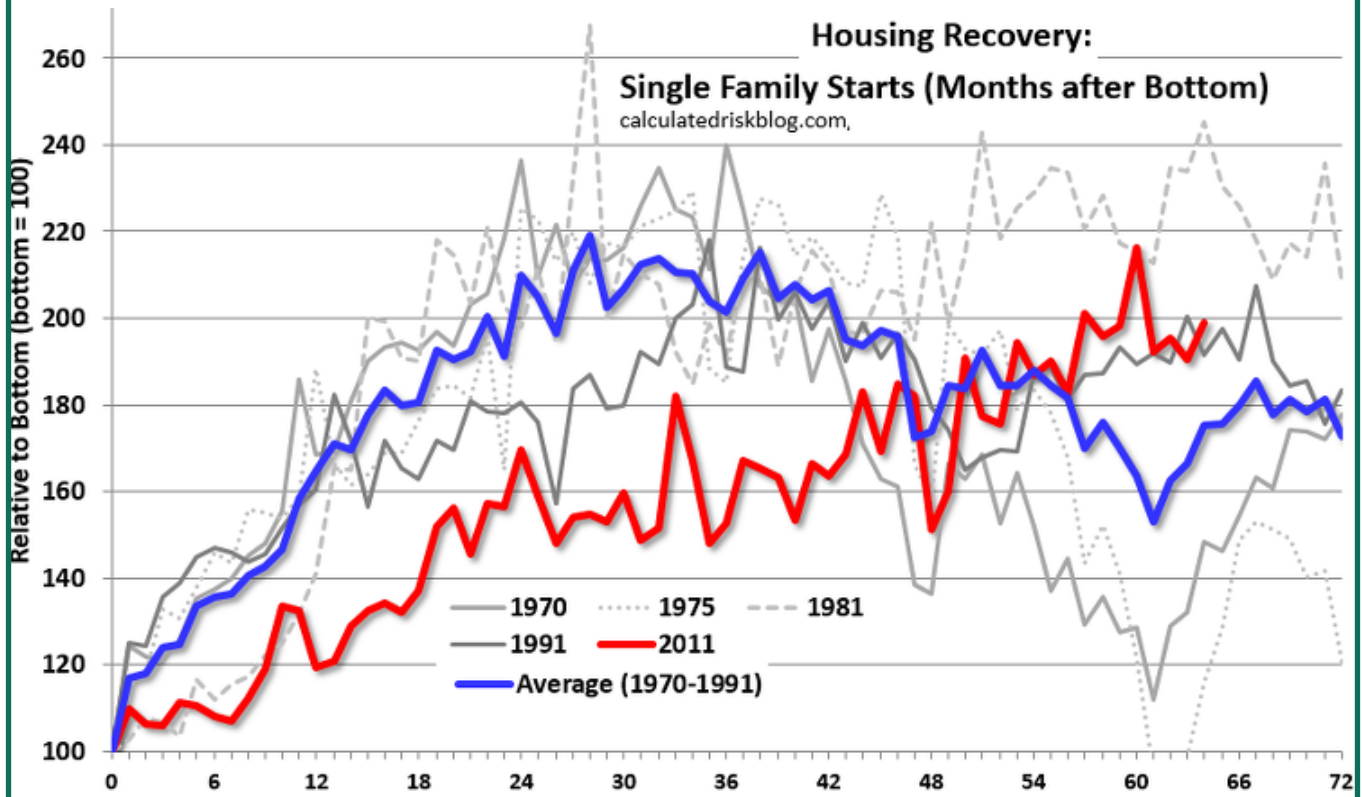
In all, 62 per cent of new and existing homes sold between the beginning of April and end of June were affordable to families earning the median income of US\$65,700. This is down from the 65 per cent of homes sold that were affordable to median-income earners in 1Q.

The national median home price increased from US\$223,000 in 1Q to US\$240,000 in 2Q.

Meanwhile, average mortgage rates edged lower from 4.05 per cent to 3.88 per cent in the same period.

Regional Breakdown

- Total existing-home sales in the Northeast jumped 7.6 per cent in 2Q and are 11.3 per cent above 2Q 2015. The median existing single-family home price in the Northeast was US\$273,600 in 2Q, up 1.6 per cent from a year ago.
- In the Midwest, existing-home sales leaped 10.4 per cent in 2Q and are 6.6 per cent higher than a year ago. The median existing single-family home price in the Midwest increased 5.1 per cent to US\$191,300 in 2Q from the same quarter a year ago.
- Existing-home sales in the South inched forward 0.3 per cent in 2Q and are 4.2 per cent higher than 2Q 2015. The median existing single-family home price in the South was US\$214,900 in 2Q, 5.9 per cent above a year earlier.
- In the West, existing-home sales climbed 1.4 per cent in 2Q but are 2.2 per cent below a year ago. The median existing single-family home price in the West increased 6.5 per cent to US\$346,500 in 2Q from 2Q 2015.



US Housing Affordability: 2Q 2016

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According to the National Association of Home Builders / Wells Fargo Housing Opportunity Index, solid home price appreciation more than offset a modest reduction in mortgage interest rates to push housing affordability lower in the second quarter of 2016.

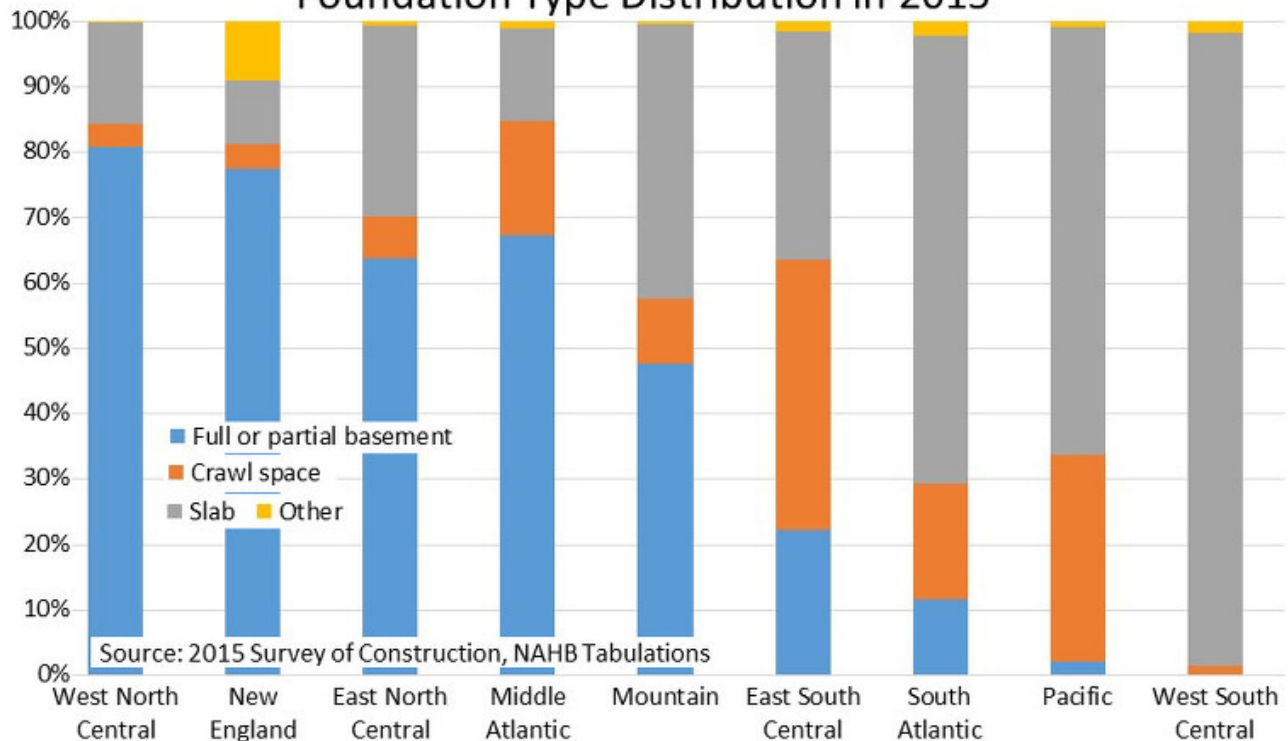
The national median home price increased from US\$223,000 in 1Q 2016 to US\$240,000 in 2Q. Meanwhile, average mortgage rates edged lower from 4.05 percent to 3.88 per cent in the same period.



According to historical data, housing affordability usually takes a notch down in the second quarter, as a result of high prices caused by strong sales in warmer days. This is the sixth consecutive year that the HOI has decreased in the second quarter.

NAHB's quarterly Housing Opportunity Index gauges the share of affordable housing on the market for families earning the national median income. A total of 236 metropolitan areas were covered in the research for 2Q 2016.

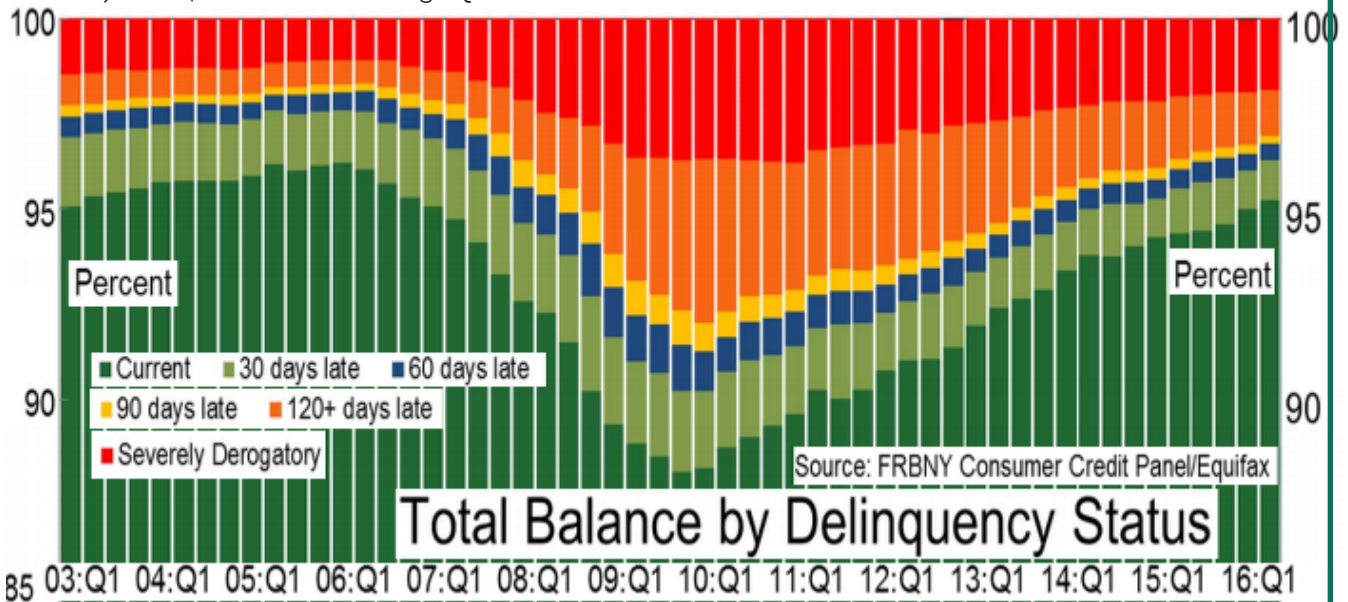
Foundation Type Distribution in 2015



US Household Debt: 2Q 2016

CONT'D FROM PAGE 9

The Federal Reserve Bank of New York's Center for Microeconomic Data Tuesday issued its Quarterly Report on Household Debt and Credit, which reported that household debt increased by US\$35 billion (a 0.3 per cent increase) to US\$12.29 trillion during 2Q 2016.



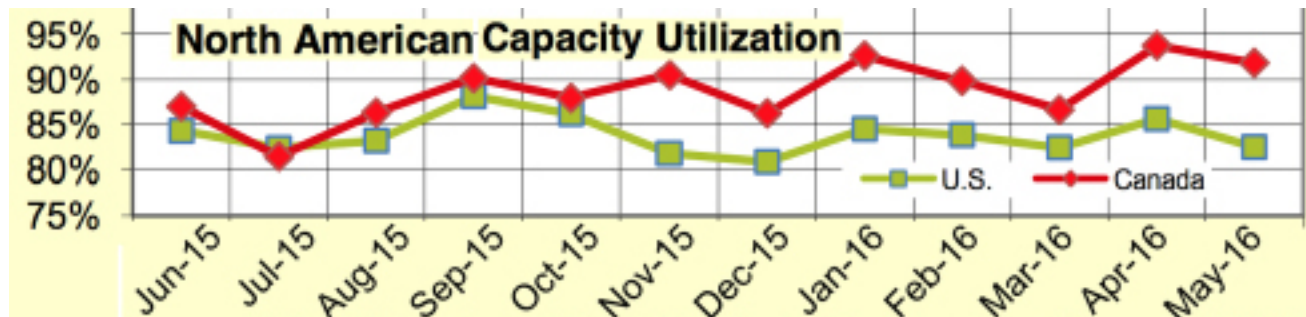
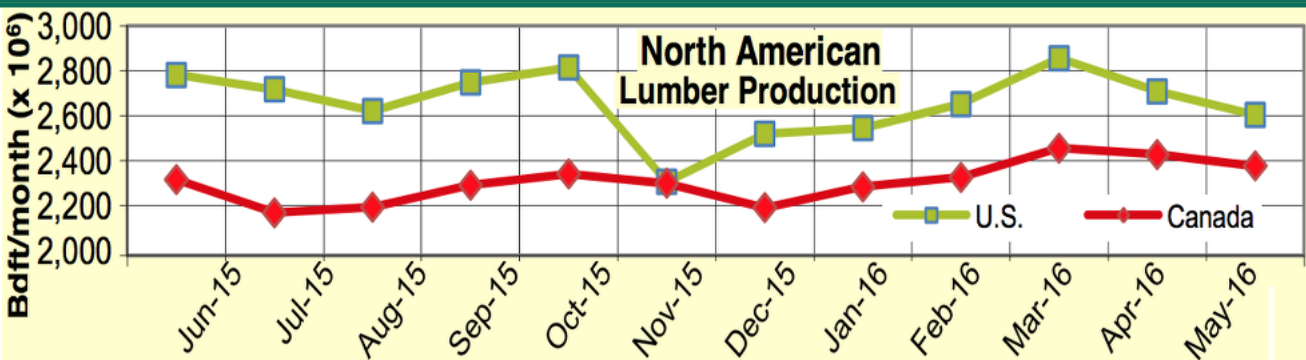
This moderate growth was driven by increases in auto loan and credit card debt, which increased by US\$32 billion and US\$17 billion respectively.

Mortgage debt declined by US\$7 billion in 2Q, after a US\$120 billion increase in 1Q, and student loan balances were roughly flat.

Meanwhile, this quarter saw improvements in overall delinquency rates and another historical low (over the 18 years of the data sample) in new foreclosures.

Overall delinquency rates improved, continuing the trend in place since 2010. In 2Q, 4.8 per cent of outstanding debt was in some stage of delinquency down from 5 per cent previous quarter, and 5.6 per cent in the second quarter of 2015.

The graph shows the per cent of debt in delinquency. The per cent of delinquent debt is declining, although there is still a larger than normal percent of debt 90+ days delinquent (Yellow, orange and red).



Sources: FEA, LLC: Softwood Sawmills in the United States and Canada, WWPA