

MADISON'S LUMBER REPORTER

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News & Updates

USDA Promotes Wood Product and Wood Energy

The US Department of Agriculture announced Thursday it will invest up to US\$7 million in grants for projects designed to expand wood products and wood energy markets that support sustainable forest management, especially in areas with high wildfire risks. These grants are available through the US Forest Service's Wood Innovations Program.

Through this initiative, USDA is committing to reducing greenhouse gas emissions and increasing carbon stored in forests and soils by over 120 million metric tons of carbon dioxide equivalent per year by 2025. That amount is equivalent of taking 25 million cars off the road, or offsetting the emissions produced by powering nearly 11 million homes.

84 Lumber Closes Land Sale Deal

Spirit Realty Capital, based in Dallas, TX, Wednesday announced the Company has closed on the sale of 108 properties to a subsidiary of 84 Lumber Company, out of Eighty Four, PA. The total cash consideration received by Spirit today was US\$205.7 million, consisting of US\$200.7 million to purchase the assets, and a US\$5 million amendment fee that allowed 84 Lumber to accelerate the exercise of the first purchase option date of April 30, 2017.

At June 30, 2016, 84 Lumber was Spirit's second largest tenant and represented 2.8 per cent of its normalized rental revenue. The total consideration received by Spirit in the transaction represents an approximate 8.7 per cent cap rate on 84 Lumber's trailing twelve month rent obligation as of June 30, 2016.

North America Forest Company Quarterly Reports

This week Canfor, Weyerhaeuser, Domtar, and International Paper all released quarterly earnings reports. CONT'D PAGE 6

USA Sawmill Fires

Crews are at the scene of a fire at Seaford Lumber in Mocksville, NC, according to the *Davie County Dispatch*. Authorities say the call came in at 4:11 am and the arriving crew found the fire in a sawdust pile. CONT'D PAGE 7

West Fraser Invests

West Fraser, out of Vancouver, BC, is expanding its Newberry County sawmill operations. The project is expected to bring US\$33 million in new capital investment, as South Carolina Department of Commerce reported Friday. CONT'D PAGE 7

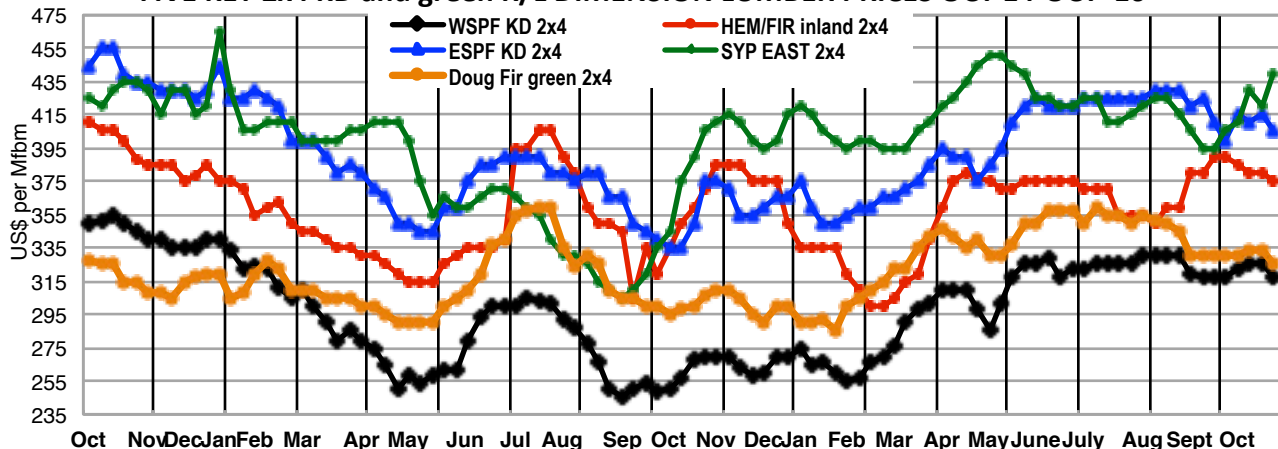
Tall Wood Frame Timber Building

Last week was held the Timber Expo and UK Construction Week in Birmingham, UK. CONT'D PAGES 8 and 9

US New Home Sales, Home Prices: Sept and Aug 2016

Newly constructed single family homes sold at a seasonally adjusted annual pace of 593 thousand in September, up 3.1 per cent from a downwardly revised August figure, and up 29.8 per cent from September 2015, CONT'D PAGE 10

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



North American Forest Company Quarterly Reports

CONT'D FROM PAGE 2

Canfor Corporation, out of Vancouver, BC, Wednesday reported net income attributable to shareholders of \$50.9 million, or \$0.38 per share, for 3Q 2016, compared to shareholder net income of \$36.0 million, or \$0.27 per share, for 2Q 2016 and a net loss attributable to shareholders of \$17.3 million, or \$0.13 per share, for 3Q 2015. For the nine months ended September 30, 2016, the Company's shareholder net income was \$112.9 million, or \$0.85 per share, compared to \$23.1 million, or \$0.17 per share, for the nine months ended September 30, 2015.

Canfor Pulp Products reported net income of \$22.4 million, or \$0.34 per share, for 3Q 2016, compared to \$2.2 million, or \$0.03 per share, for 2Q 2016 and \$31.2 million, or \$0.45 per share, for 3Q 2015. For the nine months ended September 30, 2016, the Company's net income was \$47.7 million, or \$0.70 per share, compared to \$76.9 million, or \$1.09 per share, for the nine months ended September 30, 2015.

Domtar Corp, based in Montreal, QC, said Thursday it earned US\$59-million, or 94 cents per diluted share, for the three months ended September 30, compared to US\$11-million, or 17 cents per share, a year earlier.

Excluding one-time items such as closure and restructuring charges, adjusted earnings increased 31 per cent to US\$71-million, or US\$1.13 per share. Overall revenue dipped to \$1.27-billion from \$1.29-billion in the third quarter of 2015.

As well on Thursday, Memphis, TN's, **International Paper** reported 3Q 2016 net earnings attributable to International Paper of US\$312 million (US\$0.75 per share) compared with net earnings of US\$40 million (US\$0.10 per share) in 2Q 2016 and net earnings of

US\$220 million (US\$0.53 per share) in 3Q 2015. Net earnings in all periods include the impact of special items, if any, non-operating pension expense and discontinued operations.



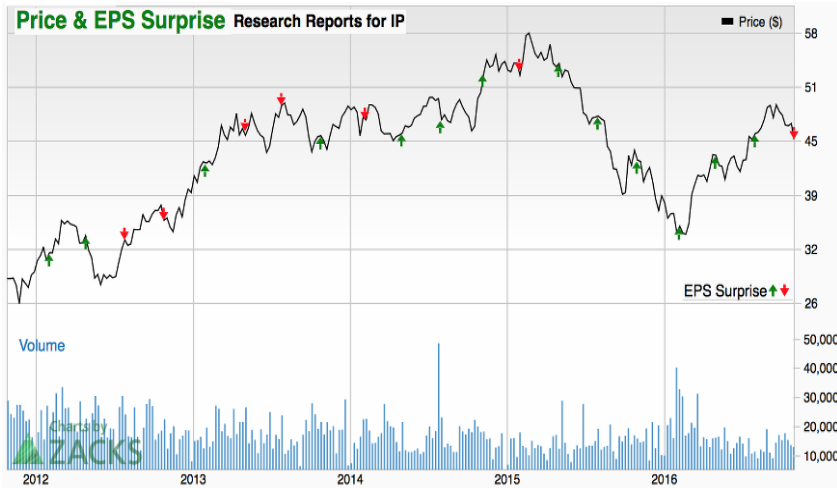
During the quarter, IP saw a decline in revenues in most of its segments. The company plans on closing the Weyerhaeuser deal in 4Q. This acquisition is worth US\$2.2 billion in cash. With a combined capacity of nearly 1.9 million metric tons of pulp, the transaction is likely to strengthen IP's position in the global fluff pulp market.” - *Zacks Equite Research*

Federal Way, WA's, **Weyerhaeuser** reported Friday earnings, before special items, of US\$0.23 per share in 3Q 2016.

Company revenues lagged, however, with Weyerhaeuser's generated revenues of US\$1.709 billion. During 3Q 2016, the company completed divesting its liquid packaging board business as well as completed US\$2 billion accelerated share repurchase program.

Weyerhaeuser shares were up almost 0.66 per cent ahead of the report.

Price & EPS Surprise Research Reports for IP



Reports for WY





	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	318	326	-8	322	-4	270	+48
WSPF KD R/L 2x6	278	286	-8	286	-8	262	+16
SYP KD R/L East Side 2x4	440	435	+5	410	+30	405	+35
SYP KD R/L East Side 2x6	365	375	-10	380	-15	350	+15
ESPF KD R/L 2x4	405	415	-10	415	-10	375	+30
WSPF KD PET 2x4 Stud	270	280	-10	270	0	235	+35
WSPF KD PET 2x6 Stud	220	220	0	215	+5	235	-15
Douglas Fir Green R/L 2x4	325	333	-8	330	-5	307	+18
Douglas Fir Green R/L 2x10	325	325	0	325	0	400	-75
ESPF KD 2x4 8ft Stud	360	365	-5	365	-5	315	+45
OSB Ontario 7/16" (CDN\$/msf)	360	360	0	365	-5	315	+45
CSplywood Toronto 3/8" (CDN\$/msf)	416	422	-6	452	-36	425	-9

Madison's Weekly Softwood Lumber News

Sawmill Fire, North Carolina

CONT'D FROM PG 2 "We still have units on the scene," said Michael Crowe with Davie County Emergency Services Friday morning to the *Winston-Salem Journal*. "It's under control but still burning."

Multiple tankers from all over the country have brought in water.

There are no injuries or structures involved and the investigation is ongoing.

The cause of this fire is still unknown.

West Fraser Invests in US Sawmill

CONT'D FROM PG 2 West Fraser, out of Vancouver, BC, is expanding its Newberry County sawmill operations in South Carolina. The project is expected to bring US\$33 million in new capital investment, as South Carolina Department of Commerce reported Thursday.

Since 2007, the West Fraser has invested millions to modernize the mill. The company also plans to install a log merchandiser designed to increase production by more than 37 per cent.

"West Fraser believes in making investments to improve our operations. This initiative will support our capital investment to expand production at the mill. Building a strong business supports our mill's competitiveness so we can continue to be an active employer and a positive contributor to Newberry County," a company press release said.

Established in 1955, West Fraser produces lumber, laminated veneer lumber, medium-density fiberboard, plywood, pulp, newsprint and wood chips, as well as energy through several bioenergy initiatives.



Multi-Storey Wood Timber Building

CONT'D FROM PAGE 2

Now that wood framed buildings in Ontario can rise to six storeys, several owners have opted to go that route, citing speed of construction and cost as their prime motivators, wrote Ian Harvey in *Daily Commercial News* Friday.

While there's not a stampede away from masonry or even steel, there is a shift and that will in turn mean there's a need for carpenters who are trained in how to handle the materials integrated into the timber structures.

To that end, Ontario's Carpenters' union launched a mid-rise training program for their members last January and have been integrating it into their second and third year apprenticeship program.

Working with stick lumber for residential is different than the knowledge required when working with engineered wood products at six storeys.

Each level of the structure requires some slightly different materials such as I-joists and Laminated Veneer Lumber (LVL).

ONTARIO CARPENTERS TRAINING PROGRAM

The training program in place now is also offered to journeymen carpenters to add to their repertoire and features a 33-foot high mock up of typical engineered wood and nominal lumber in a structure, with connectors, stairs and even a wood framed elevator shaft.

The union reached out to the leading authorities in Ontario on mid-rise design and construction and brought in David Moses of Moses Structural Engineers and Quadrangle architects' Marco Lupi.

BRITISH COLUMBIA

They've also had British Columbia architect Jim Taggart come to lecture about wood as a material in mid-rises. Taggart teaches history and theory in the architectural science degree program at the British Columbia Institute of Technology (BCIT), and is editor of *Sustainable Architecture and Building magazine* (SABMag).

UNITED KINGDOM

The winners and highly commended entries of the Structural Timber Awards 2016 were revealed on Wednesday 19 October at a gala dinner held at the Birmingham National Conference Centre (formerly known as the National Motorcycle Museum) during Timber Expo and UK Construction Week.

Sponsored by PEFC UK, the Best Education Project category saw Mellor Primary School, near Stockport, designed by Sarah Wigglesworth Architects announced as the overall winner from 12 shortlisted projects.

The Best Education Project category showcases schemes that have used timber technology to create exceptional buildings.

Tree-like glulam frames support not only the deck but also the roofs internally and canopies externally. Timber was specified as a robust and sustainable material, offering clear benefits in terms of sustainability, structural performance, durability and long-term maintenance.



SOURCE: Daily Commercial News

Tall Timber Building

CONT'D FROM PAGE 8

Timber goes by many three letter acronyms these days — SIP, CLT, LVL, LSL, wrote Pamela Bell in New Zealand architecture magazine *EBoss* October 19. It comes in high-rise, mid-rise, stick, and mass timber solutions. Corresponding building code changes for our timber-trading Commonwealth cuzzies, Canada and Australia, are meaning taller timber buildings are all the rage. And the reason? Cheaper, faster and more sustainable building solutions.



SOURCE: Building Products Magazine

AUSTRALIA AND CANADA

October saw two leading modular / prefabrication / off-site construction conferences in Edmonton (MOC Summit, Alberta, Canada) and Sydney (prefabAUS 2016, NSW, Australia) — both blitzed by the tall timber craze that is taking the construction technology world by storm.

Australia is trail-blazing with an updated building code that enables tall timber buildings up to 25 metres or eight storeys since May this year. Constructor developers such as Lend Lease and Strongbuild have been quick to import Austrian CLT for a range of multi-residential, commercial and social housing projects.

And both federal and state governments are pouring money into the construction and manufacturing industries in an effort to combat the 300,000 job losses from the car industry withdrawal. Victoria is pouring a staggering AUS\$1.2 billion alone.

CONSTRUCTION TECHNOLOGY

Construction technologies stand to benefit from a three-pronged approach to invest in testing facilities for material compliance to combat inferior imported products, a knowledge hub for prefabrication, and digital technology incubation. Victoria is leading the charge with its own state-wide Construction Technologies Strategy.

It's no surprise then that Melbourne is housing the centre of excellence for linking federal funding with indus-

try need and academic research capacity. The Centre for Advanced Manufactured Prefabricated Housing, or CAMP.H, is located in the engineering school at the University of Melbourne and connects several other Australian universities with housing manufacturer members of prefabAUS.

GERMANY

Another leader in tall wood-frame building is Germany. A fascinating exhibition about the current state of building culture with focus on timber – the natural renewable resource is being held currently in Berlin.

Based on selected distinguished national and international projects, the exhibition represents the state of the art in sustainable and modern timber architecture. The presentation spans from spectacular projects by Toyo Ito, Shigeru Ban, and Frei Otto, and upwards to the newest trends in highrise buildings realized in timber.

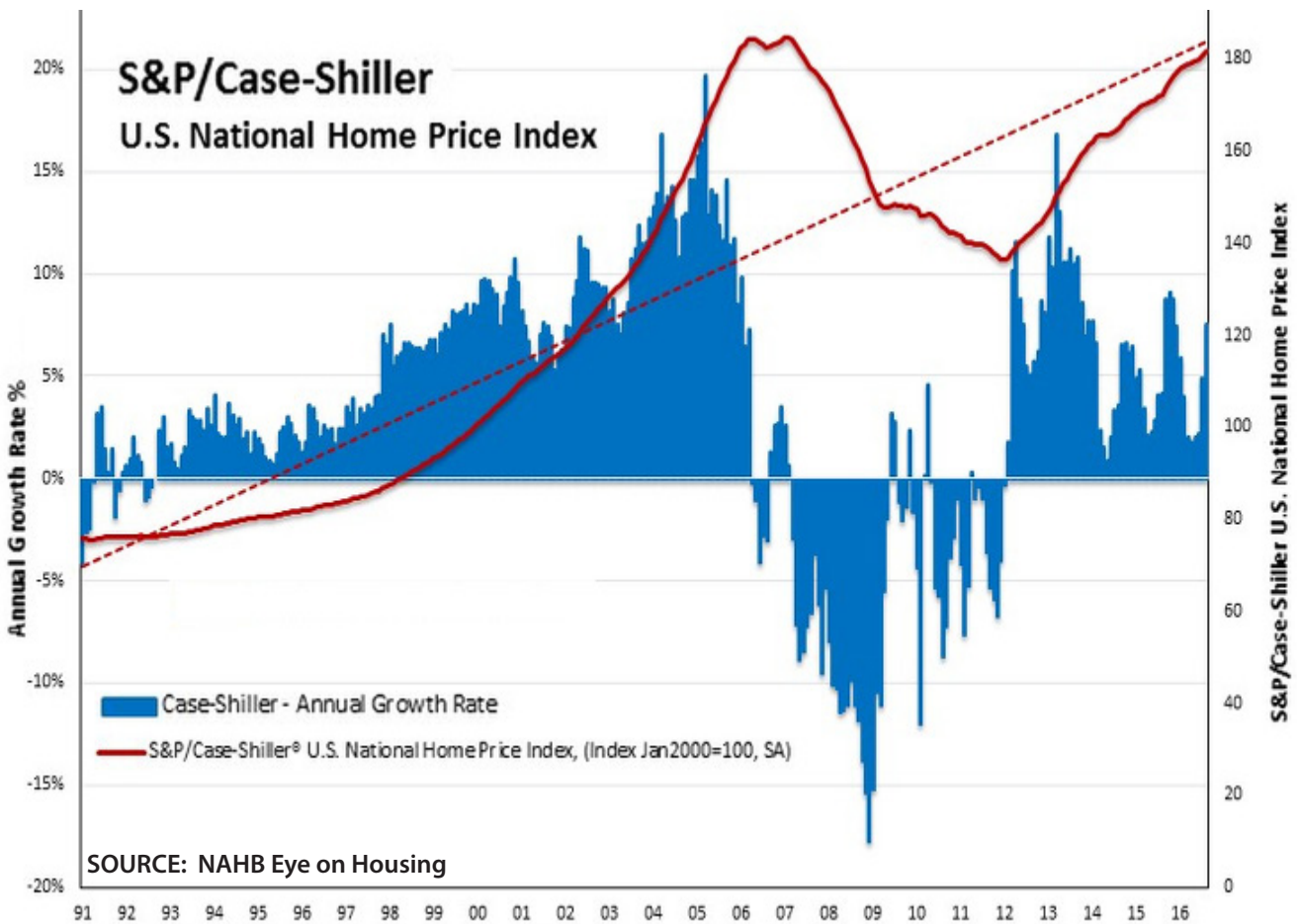
The exhibition presents sensational timber architecture which is being developed all over the world. It provides clear responses to the pressing questions of climate change. Visually it will be demonstrated how timber buildings retain the climate-relevant gas carbon dioxide and how conventional, energy-intensive building materials can be replaced by the use of a truly renewable resource. It is clear that wood has become the symbol of sustainability and of resourcesaving building.

US National Home Price Index: August 2016

CONT'D FROM PAGE 2

The Case-Shiller National Home Price Index, released by S&P Dow Jones Indices, rose in August. The index rose at a seasonally adjusted annual growth rate of 7.6 per cent, faster than the 4.9 per cent reported in July. After the deceleration in the beginning of 2016, house prices have accelerated since May due to tight inventory and the increases in existing home sales in the early part of this year.

The Home Price Index from the Federal Housing Finance Agency (FHFA) rose at a seasonally adjusted annual rate of 8.9 per cent in August, after the 5.7 per cent increase in July, confirming the reacceleration in home prices..



US New Home Sales: September 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 593 thousand in September, up 3.1 per cent from a downwardly revised August figure, and up 29.8 per cent from September 2015. However, note the monthly data is volatile and September was the lowest point in 2015 and the second highest point in 2016. Year over year growth in the trend in sales was 9.4 per cent. Downward revisions to the July and August figures in no way diminish the upward trend that continues with the September figures.

The inventory of new single family homes for sale was 235 thousand, essentially flat in recent months after modest gains earlier in the year. Prices for new homes rose 3.5 per cent from August and 1.9 per cent from last September. A flat inventory in an environment of rising sales has put upward pressure on prices but expanding inventory has been a challenge given shortages of developed lots and skilled labour (NAHB). Both sales and inventories remain depressed by historical standards but the level of inventory given the pace of sales is in line with historical norms as builders balance caution and available resources in their efforts to meet expanding demand.

Please see graph on Page 7.