

# MADISON'S LUMBER REPORTER

**Publisher**  
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**Editor**  
Kéta Kosman

**Market Analyst**  
Earl Heath

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www.madisonsreport.com  
madrep@shawcable.com  
604 319-2266  
PO Box 2486 Vancouver, BC  
V6B 3W7 Canada

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## News & Updates

### BC Dimension Cedar Producers Hike Prices in Anticipation of Softwood Lumber Duties

Dimension cedar mills in Lower Mainland, British Columbia, pushed their prices up another ten per cent, with plans for further hikes designed to mitigate forthcoming retroactive duties on their US-bound shipments.

At least one large producer was "working hard" at getting Western red cedar exempted from the ongoing and embittered US-Canada Softwood Lumber Agreement. In the meantime, covering their bases was paramount, and that meant passing on higher costs to less-than-happy customers.

### US Sawmill Imports, Canada Sawmill Exports: November 2016

Brand-new data released Thursday by **Industry Canada** and **US Census Bureau** shows a continued glowing picture for US softwood lumber consumption, imports, and Canadian lumber exports to US. CONT'D PAGE 6

### CN Rail Construction at Former Kamloops, BC, Sawmill

The company planning to open a rail service terminal on the former Weyerhaeuser sawmill property says it has begun laying track, said CJFC Radio December 20.

Cando Rail Services says it plans to begin serving customers on the site by next summer.

The Manitoba-based company announced its purchase of the property in January, saying it plans to build a full service terminal on the site. CONT'D PAGE 7

### Western Wood Products Association: Lumber Track

Western US lumber production dipped 3.7 per cent in November 2016, from 1.17 BBF in October to 1.13 BBF, according to the **Western Wood Products Association**. Year-over-year, western production in November rose 9 per cent compared to November 2015. Through November of last year, western production totaled 12.82 BBF, an increase of 2.7 per cent over the same period in 2015. CONT'D PAGE 7

### National Association of Home Builders: Jan 2017

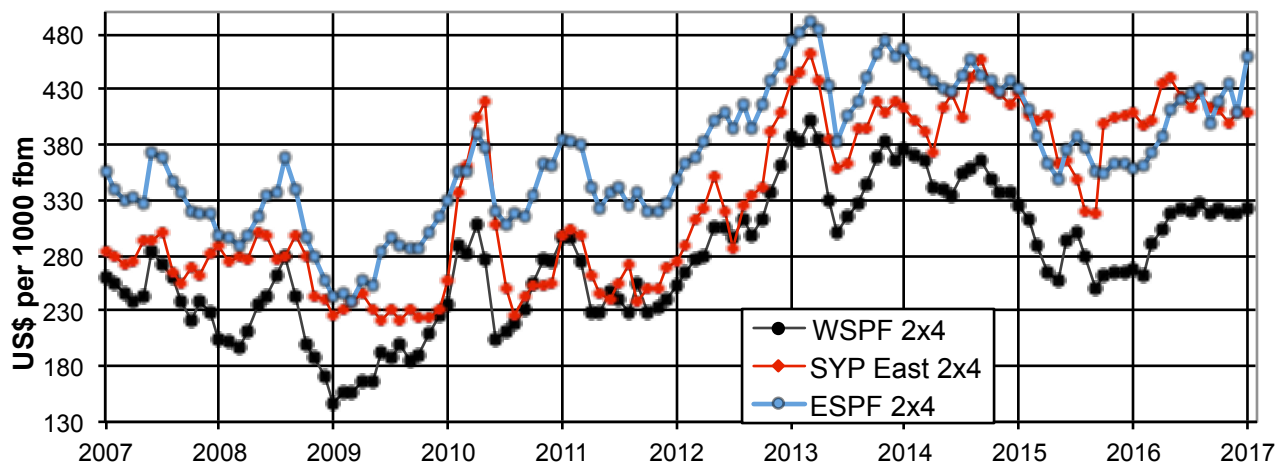
The annual **International Builders' Show** was held by the National Association of Home Builders in Orlando, FL, this week. CONT'D PAGES 8 and 9

### Construction Labour Shortage, US

Also at the **NAHB Design and Construction Week**, was a lot of conversation about a looming and serious shortage in skilled construction labour.

During a three-hour seminar Wednesday morning, builders shared tips for finding and training newcomers and maintaining ties with their trades when labour is hard to find. CONT'D PAGE 10

WSPF 2x4 KD #2&Btr vs SYP East Side and ESPF Lumber Price 2007 to JAN 2017



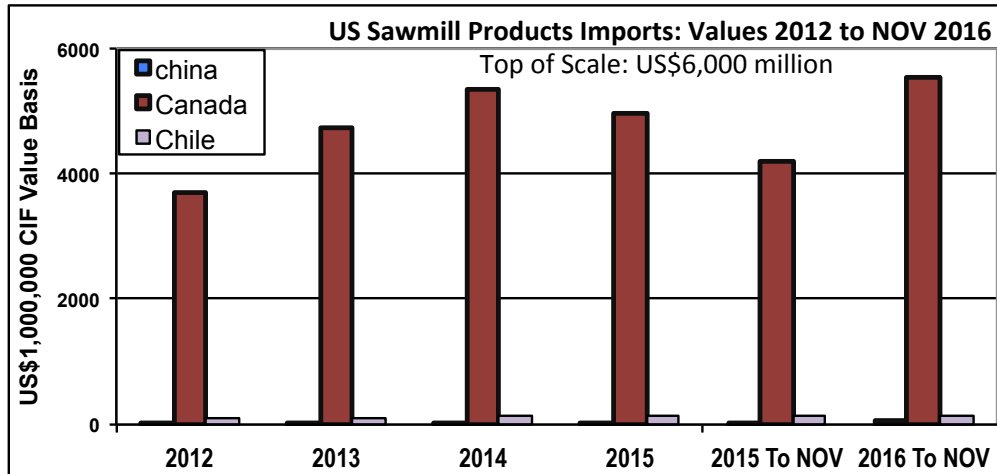
## US Sawmill Imports, Canada Sawmill Exports: November 2016

### US Sawmill Products Imports: November 2016

A major glitch in **US Census** data reported at the beginning of 2015 notwithstanding, US sawmill products imports from the world also showed steady increases through last year, rising by 15 per cent for January to November 2016, to US\$6,454 million from US\$4,214 million in 2015. This increase was driven largely by a 24 per cent rise in lumber imports from Canada, to US\$5,547 million from US\$4,214 million the previous year.

Imports from other regions rose by robust margins as well. America imported US\$154 million worth of sawmill products from Chile in the first eleven months of 2016 compared to US\$150, a 9.1% increase. Imports from China meanwhile improved by 19.6%, at US\$48 million compared to US\$39 million in 2015.

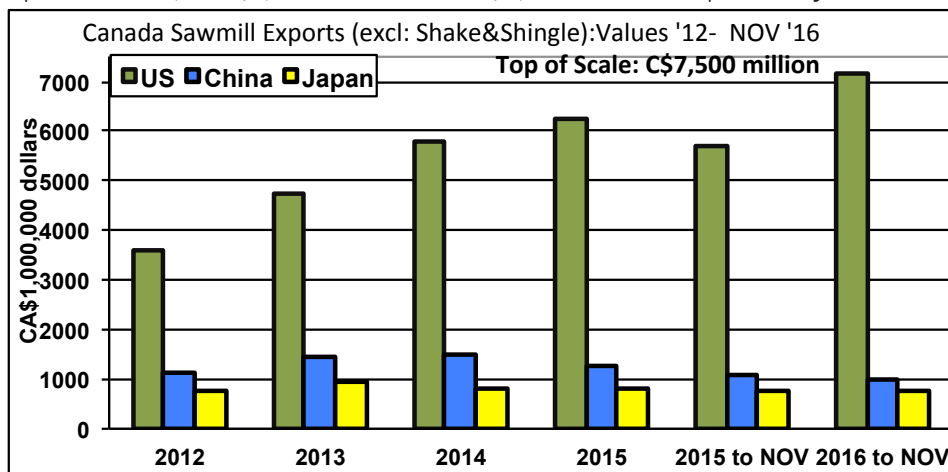
**US lumber and construction material demand, meanwhile, also shows steady increased upward, by 6.2% compared to the previous year, closing January to November 2016 at US\$113,434 million compared to US\$ 106,371 million for the same time in 2015. Please see graph on Page 5.**



VALUES	2015 To NOV	2016 To NOV	16-Nov
Canada	4,214	5,547	24%
Chile	140	154	9.10%
China	39	48	19.60%
<b>TOTAL WORLD:</b>	<b>5,485</b>	<b>6,454</b>	<b>15%</b>

### Canada Sawmill Products Exports: November 2016

Data released Thursday by **Industry Canada** — which, after the US Census correction of data reporting mistake early in 2016 — is very consistent with the US numbers above shows sawmill products exports to the world continued their steady improvement through last year, rising by 16.4 per cent for the first eleven months of 2016, to C\$9,645 million from C\$8,284 million in 2015. This increase was driven largely by a 25.5 per cent rise in lumber exports to USA, to C\$7,176 million from C\$5,717 million the previous year.



VALUES	2015 to NOV	2016 to NOV	16-Nov
US	5,717	7,176	25.50%
China	1,098	1,002	-8.80%
Japan	763	746	-2.40%
<b>to World</b>	<b>8,284,140</b>	<b>9,645,152</b>	<b>16.40%</b>

# 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	318	318	0	322	-4	265	+53
WSPF KD R/L 2x6	292	292	0	292	0	265	+27
SYP KD R/L East Side 2x4	455	460	-5	460	-5	415	+40
SYP KD R/L East Side 2x6	335	355	-20	355	-20	305	+30
ESPF KD R/L 2x4	410	410	0	410	0	350	+50
WSPF KD PET 2x4 Stud	285	290	-5	295	-10	205	+80
WSPF KD PET 2x6 Stud	265	265	0	255	+10	215	+50
Douglas Fir Green R/L 2x4	350	354	-4	342	+8	290	+60
Douglas Fir Green R/L 2x10	385	375	+10	360	+25	335	+50
ESPF KD 2x4 8ft Stud	365	365	0	370	-5	290	+75
OSB Ontario 7/16" (CDN\$/msf)	375	375	0	375	0	325	+50
CSplywood Toronto 3/8" (CDN\$/msf)	420	417	+3	429	-9	412	+8

## Madison's Weekly Softwood Lumber News

### New Rail Terminal, BC

CONT'D FROM PG 2 When it is fully constructed, it is expected to employ between 20 and 50 people, and offer industrial switching, transloading, railcar storage and repair, and track and engineering services.

In a news release, Cando CEO Brian Cornick says planning and site preparation took longer than expected, but he says the company still considers Kamloops the ideal location for its terminal and base of operations in BC.

Cando would bring another heavy industrial operation inside city limits.

Kamloops has lost two heavy industrial businesses in the past two years, with this year's closure of the Lafarge cement plant, and the 2015 departure of Arclin Canada.

### North American Lumber Production, Sawmill Capacity: October 2016

CONT'D FROM PG 2 According to the **Western Wood Products Association**, through November of last year, western production totaled 12.82 BBF, an increase of 2.7 per cent over the same period in 2015.

Regionally, Coast production, at 675 MMBF in November, dropped 4 per cent compared to the month prior but gained 10 per cent over the November 2015 total. Inland lumber production totaled 416 MMBF in November, down 2.8 per cent from October but up 9.7 per cent from November 2015.

Through November of last year, production in the Coast region totaled 7.74 BBF, up 2.5 per cent over the same period in 2015. Inland production totalled 4.65 BBF, an increase of 3.6 per cent over the prior year.

### Calendar

#### January 2017

**3rd Annual Western Forest Industry Conference**

January 17, 2017 – Vancouver, WA  
<http://westernforestry.org/-2017>

**Truck Loggers Association Convention & Trade Show**

January 18-20, 2017 – Vancouver, BC  
[www.tla.ca/convention](http://www.tla.ca/convention)

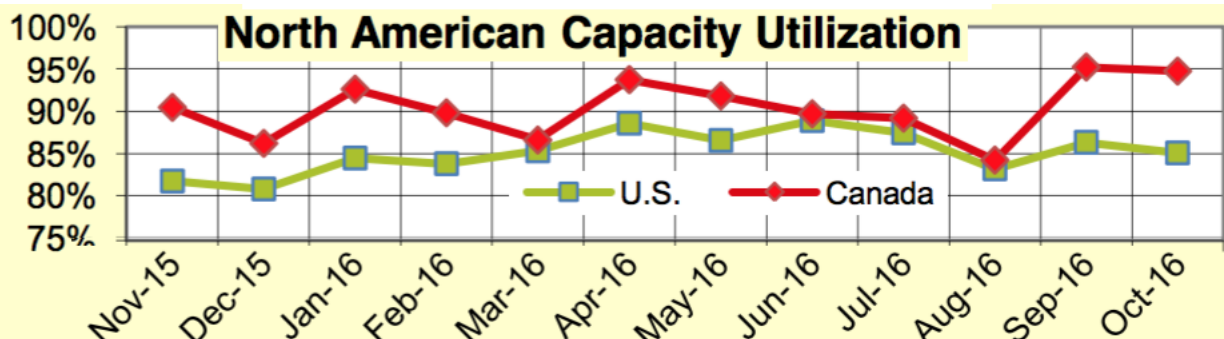
#### February 2017

**Western Silvicultural Contractors' Association Annual Conference**

February 1-3, 2017 – Victoria, BC  
<http://wsca.ca/wsca-agm/>

**Association of BC Forest Professionals AGM**

February 22-24, 2017 – Prince George, BC  
<https://abcfp.ca/ABCFCFConference/>



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

## US Housing Market: 2017 Forecast

CONT'D FROM PAGE 2

At the annual International Builders' Show was held by the National Association of Home Builders in Orlando, FL, this week, attendees were told almost 50,000 apartments are being built in North Texas, according to the *Dallas News Thursday*.

And nationwide, developers got permits to start an estimated 383,000 multifamily housing units in 2016.

Still, after a half-dozen years of rising construction, the apartment building binge shows signs of flattening in 2017, top housing economists say.

### MULTI-FAMILY BUILDING STARTS WILL SLOW

The much-higher-than-historical average multi-family housing starts of the past few years will finally be easing off.

Multifamily home starts — 90 per cent of which are apartments — dipped by a hair in 2016, according to the Washington, D.C.-based builders trade association.

And the forecast for 2017 and 2018 is for flat to slightly declining apartment starts.

Apartment construction around the country remains very high — more than three times the starts the industry saw at the worst of the recession in 2009.

Texas has been the top U.S. apartment building market the past few years,



“We’ve been averaging almost 400,000 starts in 2016. Things are probably going to drift down. We think production will be between 350,000 and 375,000 units annually, and that is probably more sustainable.”

- Robert Denk, forecaster for the National Association of Home Builders

### BUILDERS' ASSOCIATION MULTI-UNIT CONSTRUCTION FORECAST

Builders' association economists predict that the cities that have had the biggest run-up in apartment building will see some of the most substantial declines in the coming years.

Texas multifamily construction in 2016 was about 160 percent of what is considered an average production year, builders say.

### Labour Issues

Steve Lawson, a top officer in the Texas builders' multifamily council, said rising construction costs, higher interest rates on development loans and labor shortages are hurting apartment builders.

“The incoming administration's immigration policy is likely to be inflationary for the labor market as well,” he said.

Builders in many parts of the country — particularly in Texas — have relied heavily on immigrant labour.

CONT'D PAGE 9

## Multifamily Housing Starts

SOURCE: US National Association of Home Builders

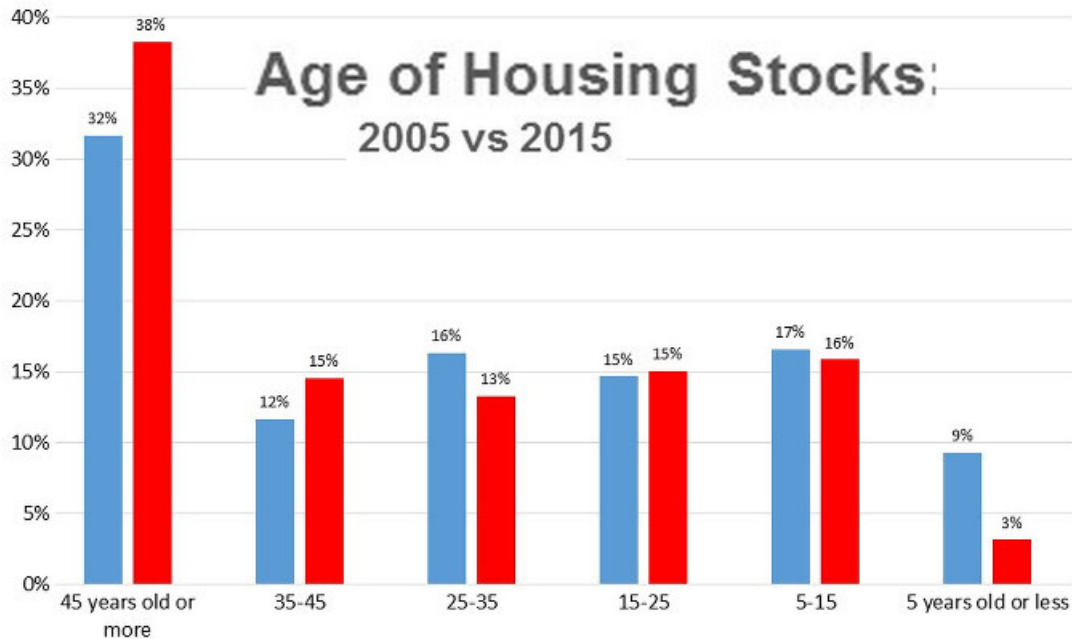
Leveling off



## US Housing Market: 2017 Forecast

CONT'D FROM PAGE 8

Fuelled by a growing economy, solid employment gains and rising household formations, single-family production will continue on a gradual, upward trajectory in 2017, according to economists speaking at the **International Builders' Show** in Orlando, FL, this week.



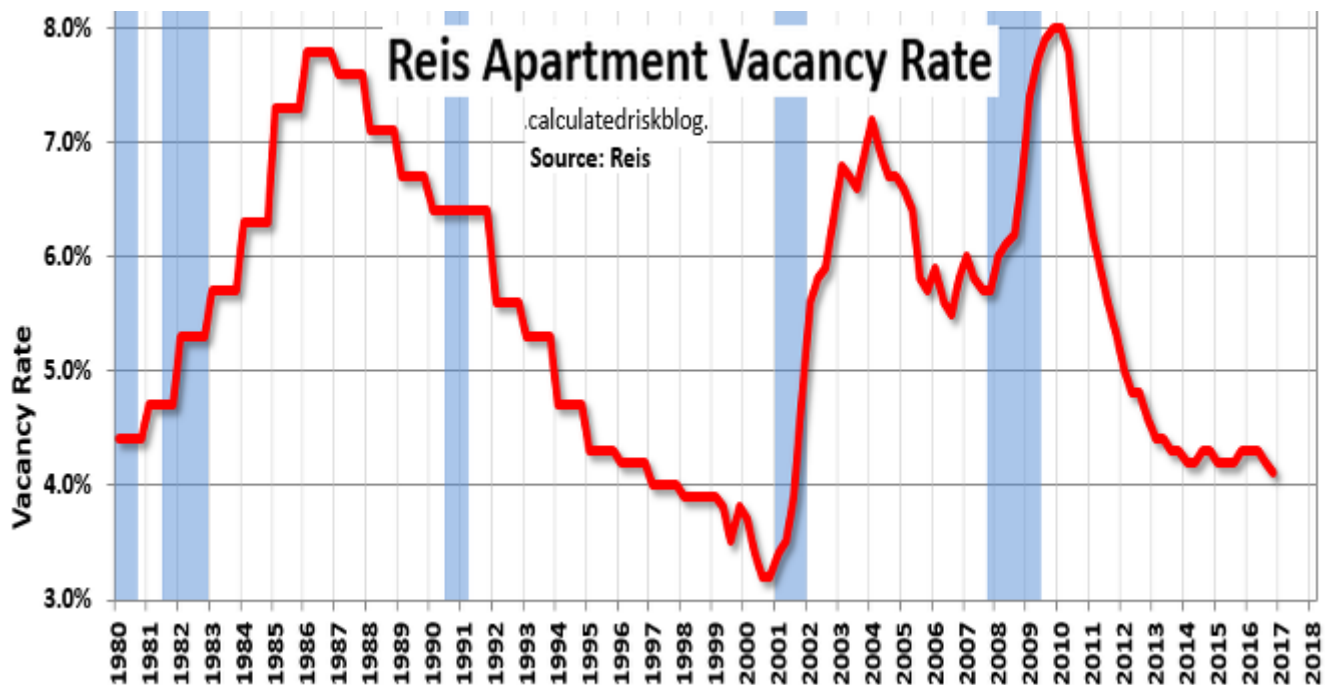
### US HOUSE PRICES

**National Association of Home Builders** Chief Economist Robert Dietz said 64 per cent of builders nationwide report low or very-low lot supplies; the rate of unfilled jobs in the construction sector is now higher than the building boom; and that acquisition, development and construction loans for builders – while on the rise – needs to grow faster to meet demand.

However, these supply-side challenges are more than offset by continued economic growth, ongoing job creation,

rising wages and favourable demographics. Moreover, builder confidence is up on anticipation that the incoming Trump administration will help to lower regulatory costs going forward.

But in a sign that more millennials are getting off the sidelines and jumping into the market, Dietz noted that townhome construction, which can be a useful bridge for millennials to transition to homeownership, is showing impressive growth and now constitutes 12 per cent of all single-family starts.





## US Home Builders and Skilled-Labor Shortage: 2017

CONT'D FROM PAGE 2

The skilled-labor shortage persists in the construction industry, pushing wages up, extending project timelines and putting pressure on builder-trade relations. That's made the topic consistent fodder for discussion throughout this year's Design and Construction Week, currently underway in Orlando, FL, said *Construction Dive* magazine Thursday.

### LABOUR SHORTAGE LOOMING

Labour was joined by lots and lending as the three factors cited by **National Association of Home Builders** Chief Economist Robert Dietz during a press conference as essential to the residential construction industry's health. And they all seem to be in a holding pattern — labor, in particular.

Construction's job openings rate was 2.7 per cent in November, according to preliminary figures from the Bureau of Labor Statistics released this week, compared to 1.5 per cent in November 2015 and 3.3 per cent this past July.

Economists had predicted that the labor shortage would plateau in 2016, as a slump in the energy markets was expected to route more workers into the construction industry. That didn't happen at the level anticipated, Dietz said. Instead, the situation persists as housing demand levels continue to rise.

### SURVEY OF CONTRACTORS

A survey this summer of nearly 1,500 contractors across the US by the **Associated General Contractors of America** found that nearly seven in 10 respondents are having trouble finding hourly skilled workers. While that figured is a 10-percentage-point drop from a year earlier, three-quarters of those surveyed in 2016 expect to face similar challenges in the coming year. Nearly half of respondents said they're either raising wages, adding overtime, or both, to keep up.

Jody Kahn, a senior vice president at John Burns Real Estate Consulting told *Construction Dive* earlier this month that the tight labor market is making it harder to guarantee project delivery schedules, causing builders to be more cautious about the work they take on and when they put homes up for sale.

### SKILLED LABOR FUND

The **Skilled Labor Fund** announced its formation at a press conference held this week at **Design and Construction Week**, along with a request for funds to support its goal. The fund operating committee made an official fundraising ask at the show. Its goal is to raise US\$5 million within the first year. Funding is being sought from any company affected by the lack of skilled labor and anyone affiliated with the industry.

The fund was created to address the increasing lack of high-quality, skilled labor entering the residential construction employment pool. With as many as 200,000 unfilled construction jobs in the US, an increase of 81 per cent in the last two years, the problem is confronting stakeholders across the industry and across the country. The fund seeks to raise funds through industry partners, including builders and remodelers, dealers and associa-

tions, market-affiliated companies, select government agencies, and building product manufacturers.

### BUILDERS AS TRADE PARTNERS

While sourcing labor is a major challenge, retaining workers today is also difficult. Tim O'Brien, president of Tim O'Brien Homes in Milwaukee and Madison, WI, said his company established trade councils — or regular meetings led by the company's trade partners — to help his team understand how they can best serve their trades. "I learn so much from these guys about what it takes to do the job right the first time," he said.

Other tactics include helping grow partner businesses, getting involved with local schools and technical colleges to help train the next generation of construction labor, and improving schedule accuracy and job preparedness among the team.

### HOME AFFORDABILITY AND DEMOGRAPHICS

**CoreLogic** Chief Economist Frank Nothaft also expects mortgage rates to rise and home prices to moderate in the coming year, said an NAHB summary of the conference.

He added that home purchase originations should rise 5.7 per cent in 2017, and that the credit risk for home loans is substantially lower than 10-15 years ago.

The biggest housing issue in 2017 will be affordability, according to Nothaft.

On the flip side, demographics will be very positive for housing and home sales going forward. "As millennials age from 25-to-30, that is a big potential base to expand the home buyer market," said Nothaft.

### HOUSING SUPPLY AND DEMAND

David Berson, chief economist for Nationwide Mutual Insurance Co., also expects mortgage rates to rise in the coming year, but he said this should not have a negative impact on housing demand.

He noted that most metro areas across the nation are relatively healthy, marked by solid job growth, mortgage delinquencies down near normal levels and house price gains that are strong, but not excessive.

A major concern going into 2017, he said, is that demand will exceed supply, which will put upward pressure on home prices.