

MADISON'S LUMBER REPORTER

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News & Updates

New USTR Appointed Passes Senate

One of many, many outstanding questions on the new Canada-US softwood lumber dispute was answered Friday morning when the US Senate approved US President Donald Trump's appointment of US Trade Representative.

The upper chamber voted with a large bipartisan majority Thursday to approve Robert Lighthizer, which gives the administration its U.S. trade representative and allows it to kick-start its NAFTA process, according to *CBC* Friday.

Lighthizer was deputy U.S. trade representative under president Ronald Reagan and has worked on trade issues as a lawyer representing various manufacturers and high-tech companies.

"We are going to be good, collaborative constructive partners who effectively stand up for the national interest — I hope that we'll be able to conclude negotiations quickly," Canada's Foreign Affairs Minister Chrystia Freeland said Thursday night in a conference call from Alaska.

Canada and US Lumber Production, Sawmill Capacity

Rates of production as percent of practical capacity for North American sawmills was 86% in the US for February 2017, compared to 84% the previous year and 86% for full year 2016, said the latest issue of the **Western Wood Products Association Lumber Track** Monday.

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Japan Housing Starts: March 2017

New housing starts for Japan in March improved 0.2 per cent, or by 5,000 units to 75,877 units, compared to one year ago, according to *Japan Lumber Reports* Friday.

New starts of units built for owners in March were more than 21,000 units for two months straight.

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Building Permits, Canada: March 2017

The value of building permits issued by Canadian municipalities fell 5.8 per cent to \$7 billion in March, marking a second consecutive monthly decrease, said **Statistics Canada** Tuesday.

Nationally, the decline was mainly the result of lower construction intentions for multi-family dwellings, particularly in British Columbia and Ontario. All provinces and territories, except Ontario and Quebec, registered decreases in the total value of building permits in March.

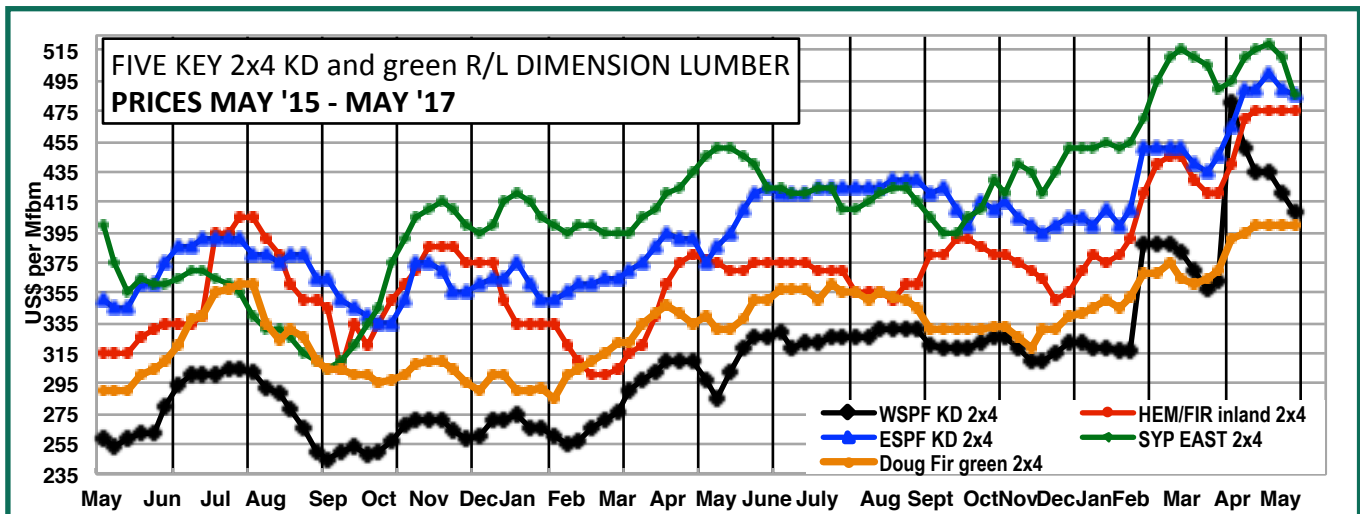
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Softwood Lumber Tariff and US Housing

The conversation shifted slightly this week; or perhaps more correctly expanded, from specifics of assignation of US duties on imports of Canadian softwood lumber to the effects of that on a tenderly burgeoning US home building industry.

Rising wages and moderating home prices offset a rise in mortgage interest rates to give housing affordability a slight boost in the first quarter of 2017, according to the **National Association of Home Builders/Wells Fargo Housing Opportunity Index (HOI)**, released Thursday.

CONT'D PAGES 9 and 10

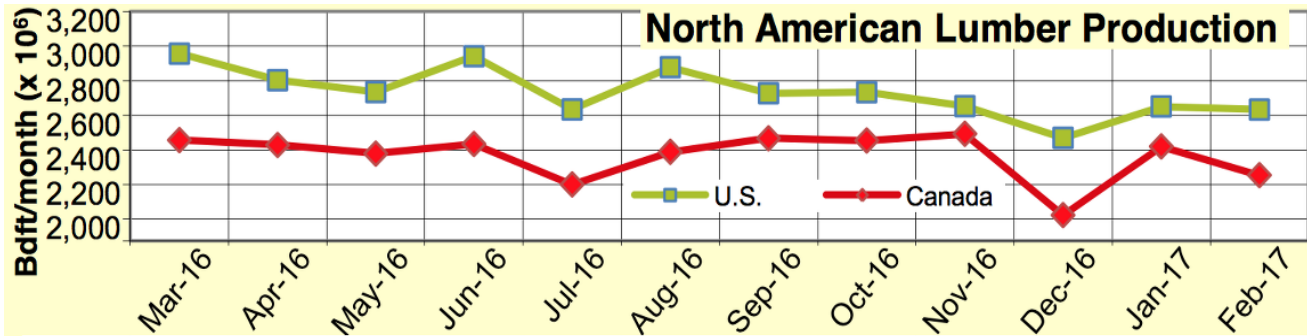


North American Lumber Production, Sawmill Capacity: February 2017

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US AND CANADA SAWMILL CAPACITY UTILIZATION: WWPA

Capacity utilization of sawmills in Canada rose slightly to 92% from 91% in February last year, and compared to 90% for full year 2016.

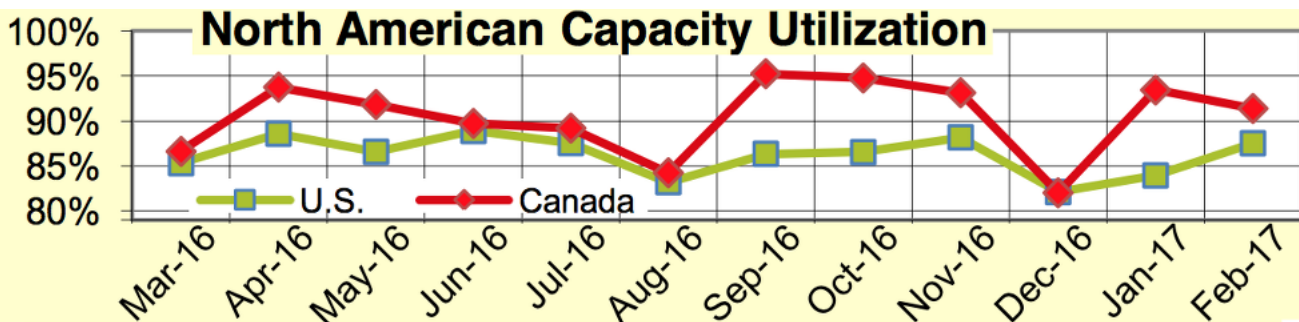


Source: Southern Forest Products Association, U.S. Census Bureau, Council of Forest Industries-CAN, WWPA

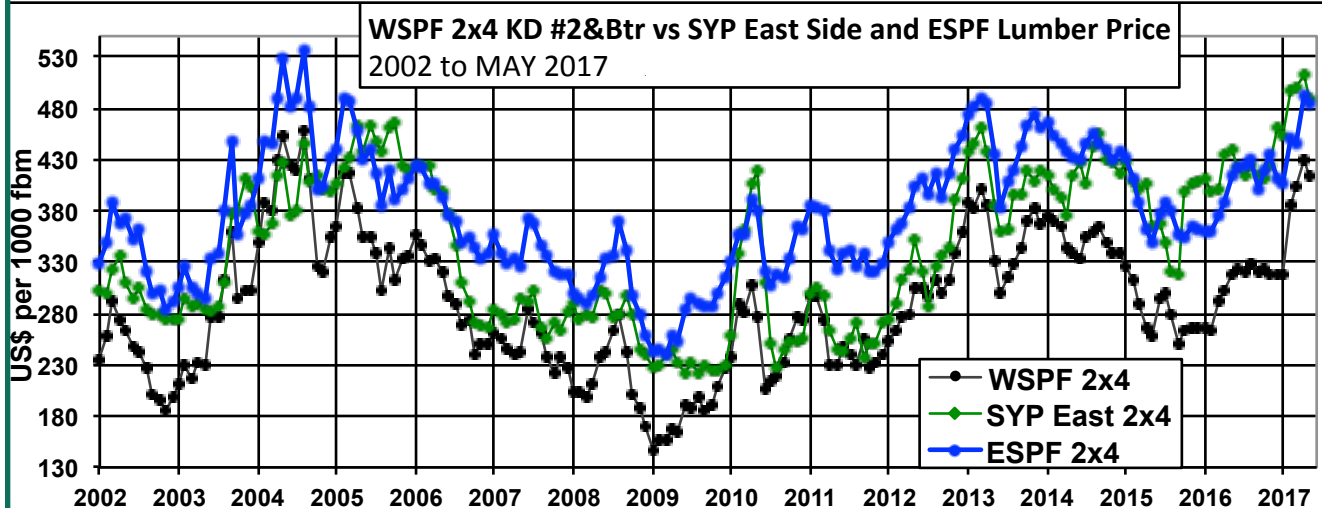
US AND CANADA SOFTWOOD LUMBER PRODUCTION: WWPA

Softwood lumber production by US sawmills reached 5,285 million board feet (bbf) in the first two months of 2017, a gain of 1.7 per cent from 5,199 million board feet in the same period the previous year, according to the **Western Wood Products Association's** monthly *Lumber Track*.

Canadian sawmills produced 4,674 million board feet of softwood lumber for Jan-Feb 2017, a gain of 1.4 per cent from 4,611 million board feet in the first two months of 2016.



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



Madison's Weekly Softwood Lumber Key Prices Table

www.madisonsreport.com



	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	408	420	-12	450	-42	318	+90
WSPF KD R/L 2x6	390	390	0	424	-34	300	+90
SYP KD R/L East Side 2x4	485	510	-25	510	-25	445	+40
SYP KD R/L East Side 2x6	380	400	-20	390	-10	325	+55
ESPF KD R/L 2x4	485	490	-5	490	-5	410	+75
WSPF KD PET 2x4 Stud	375	370	+5	355	+20	250	+125
WSPF KD PET 2x6 Stud	380	380	0	360	+20	225	+155
Douglas Fir Green R/L 2x4	400	400	0	395	+5	337	+63
Douglas Fir Green R/L 2x10	490	505	-15	500	-10	400	+90
ESPF KD 2x4 8ft Stud	485	485	0	475	+10	340	+145
OSB Ontario 7/16" (CDN\$/msf)	455	450	+5	435	+20	345	+110
CSplywood Toronto 3/8" (CDN\$/msf)	477	473	+4	482	-5	436	+41

Madison's Weekly Softwood Lumber News

Housing Starts, Japan

CONT'D FROM PG 2 The driving force behind improvements to Japan housing starts so far this year is construction of new units for rental, says *Japan Lumber Reports* Friday.

Rental starts exceeded 400,000 units for the first time in eight years, since 2008.

New building of rental units were up 11.4 per cent from one year ago, to 427,275.

Total Japan housing starts for full-year 2016 were 974,137 units, a 5.8 per cent increase over full-year 2015. This is the second-highest starts in Japan since 2009.

Building of new units for owners were up 2.6 per cent to 291,783.

New building of 2x4 units were up 7.1 per cent, to 123,572 starts.

Canada Building Permits: March 2017

Municipalities issued \$4.6 billion worth of residential building permits in March, down 8.4 per cent from February, according to **Statistics Canada** Tuesday. A notable decrease in the multi-family component more than offset higher construction intentions for single-family dwellings. Eight provinces reported declines in the residential sector in March, led by British Columbia and Ontario.

The value of building permits for multi-family dwellings dropped 20.9 per cent to \$1.9 billion in March, falling below the \$2 billion mark for the first time since July 2016. The decrease was largely attributable to lower construction intentions for apartment buildings in nine provinces. British Columbia and Ontario registered the

biggest declines in the multi-family component in March, stemming from apartment buildings and, to a lesser extent, row houses. Conversely, single-family construction intentions rose 3 per cent to \$2.7 billion in March, with Ontario and Alberta leading the four provinces that posted gains.

In March, Canadian municipalities approved the construction of 16,821 new dwellings (-14.7 per cent compared with February), consisting of 10,745 multi-family units (-19.4 per cent) and 6,076 single units (-4.8 per cent).

Construction intentions for residential dwellings climbed 15.8 per cent from 1Q 2016 to 1Q 2017, to \$14.7 billion. On the other hand, the value of non-residential building permits fell 6.2 per cent from 1Q 2016 to 1Q 2017, to \$7.4 billion, led by the commercial component and the industrial component.

SOURCE: Japan Lumber Reports	March	'17/'16	Jan.-Mar.	'17/'16
Total	75,887	100.2	223,290	103.2
Owner's	21,468	96.4	63,018	99.2
Rental	33,937	111.0	96,463	110.0
Units built for sale	19,727	89.2	62,186	98.0
(condos)	(8,549)	(75.7)	(29,209)	(92.9)
Wood based	41,536	100.9	120,202	102.5
Prefabricated	10,383	94.9	32,722	97.2
2x4	9,116	95.4	25,931	99.5

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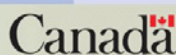
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ANNOUNCEMENTS

Since 2002, the value of **Canadian softwood lumber** exports to China has increased more than **30 times**, to **\$1B**



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US Housing Affordability: 1Q 2017

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In all, 60.3 per cent of new and existing homes sold between the beginning of January and end of March were affordable to families earning the US median income of US\$68,000. This is up from the 59.9 per cent of homes sold that were affordable to median-income earners in the fourth quarter of 2016.

US NATIONAL MEDIAN HOUSE PRICES

The national median home price fell to US\$245,000 in the first quarter from US\$250,000 in the final quarter of 2016. Meanwhile, average mortgage rates rose nearly half a point from 3.84 per cent in the fourth quarter to 4.33 per cent in the first quarter of this year.

US MORTGAGE APPLICATIONS

A gauge of US mortgage demand to buy a home climbed to its strongest level over 1-1/2 years last week even as most mortgage rates edged higher, according to **Mortgage Bankers Association** data released on Wednesday.

The recent pickup in mortgage application activity for home purchase reinforced the view of underlying strength in the housing sector. An improving labor market and steady wage gains have offset the rise in interest rates since Donald Trump's US presidential win in November and tight inventories nationwide, analysts said.

The Washington-based industry group said its index of mortgage applications to buy a home, a proxy for future home sales, increased 1.7 per cent on a seasonally adjusted basis to 250.3 points in the week ended May 5.

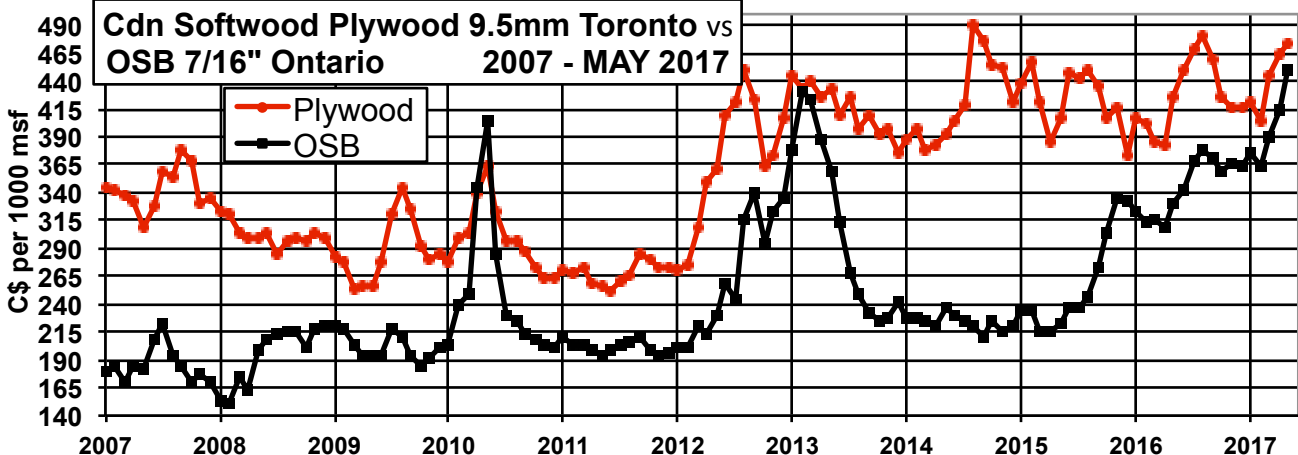
This was the highest level for this measure since 257.4 in the week of October 2, 2015, MBA data showed.

Interest rates on conforming 30-year fixed-rate mortgages were unchanged at 4.23 per cent last week, while average mortgage rates on other types of 30-year loans MBA track were 0.03 percentage point to 0.04 percentage point higher than the prior week.

Conforming loans are those with balances of US\$424,100 or less which qualify for guarantees from federal mortgage agencies Fannie Mae and Freddie Mac.

MBA said its seasonally adjusted index on conforming loan activity to buy a home rose to 316.9, which was the highest since April 2009.

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Selected Operating Statistics, Large Publicly-Traded Home Builders

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Below is a table from *Calculated Risk* showing selected operating statistics for nine large, publicly-traded home US builders for the quarter ended March 31, 2017.

Qtr. Ended:	Net Orders			Settlements			Average Closing Price (000s)		
	3/17	3/16	% Chg	3/17	3/16	% Chg	3/17	3/16	% Chg
D.R. Horton	13,991	12,292	13.8%	10,685	9,262	15.4%	296	295	0.2%
Pulte Group	6,126	5,652	8.4%	4,225	3,945	7.1%	375	353	6.2%
NVR	4,424	4,137	6.9%	3,256	3,006	8.3%	383	369	3.7%
Cal Atlantic	4,304	4,134	4.1%	3,012	2,727	10.5%	444	432	2.8%
Beazer Homes	1,549	1,538	0.7%	1,239	1,150	7.7%	341	328	3.8%
Meritage Homes	2,135	1,987	7.4%	1,581	1,488	6.3%	418	405	3.2%
MDC Holdings	1,696	1,646	3.0%	1,256	907	38.5%	448	435	3.2%
M/I Homes	1,454	1,314	10.7%	1,038	876	18.5%	373	353	5.7%
Total	35,679	32,700	9.1%	26,292	23,361	12.5%	356	346	2.7%

Preliminary statistics from the Commerce Department estimated that US new single-family home sales (unadjusted) last quarter were up 12 per cent from the comparable quarter of 2016.

TIGHT LENDING

Chris Whalen, a housing finance analyst, said to the *Financial Times* Friday: "The big problem is the lack of construction lending. In the recovery, the whole system had a bias to more expensive housing and to jumbo loans [for high-end housing]. That US\$150,000 or US\$300,000 house in the middle market is not so good for the builder."

As one executive at one large non-bank mortgage lender says: "Our company is gaining share in the market for mortgages on existing and new home sales, but if you look at the long-term trend line at the macro level, these are still at depressed levels. They have not recovered in the way, say, that auto sales have."