

MADISON'S LUMBER REPORTER



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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

US Softwood Lumber Imports: 1Q 2017

Offshore imports of softwood lumber to the US continued to climb in early 2017 after increasing 43 percent in 2016, according to the **Campbell Group's** monthly *Timber Trends* Thursday. As Canadian producers have shifted their focus to markets outside of the US, attention has turned to the supply side of the US softwood lumber market and more specifically to offshore imports.

An increase in offshore imports is one of the expected supply-side responses to constrained shipments from Canada resulting from the countervailing duties levied against Canadian producers. While offshore imports to the US are projected to rise steadily, they will do so from a relatively low volume basis and the limited availability of structural grade lumber shipments from Canada will require increased shipments from countries such as Germany and Sweden that produce structural grade lumber.

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Canada Residential Construction: April 2017

New housing construction investment totalled \$4.6 billion in April, up 8.4 per cent compared with April 2016, said **Statistics Canada** also Thursday. Eight provinces posted gains, led by Ontario.

Nationally, investment increased for every dwelling type. The gain was mostly due to spending on single-family dwellings, up \$251.8 million to \$2.4 billion. Six provinces posted higher investments in single-family dwelling construction. Ontario was well ahead of the other provinces, with \$203.7 million in increased spending, a 22.9 per cent increase over April 2016.

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Construction Wage Index, Canada: May 2017

The Construction Union Wage Rate Index (including supplements) for Canada rose by 0.1 per cent in May compared with the previous month, according to Statistics Canada Thursday. The composite index increased 0.1 per cent in the 12 months to May.

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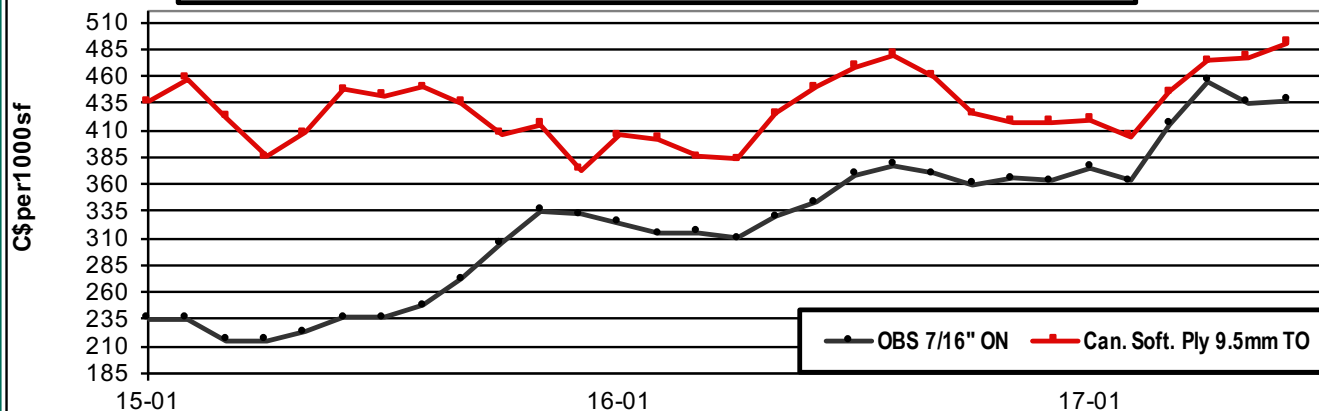
US Home Sales, Inventory: May 2017

Contracts for new home sales expanded by 2.9 per cent in May to a 610,000 seasonally adjusted annual rate, according to estimates from the joint data release of **HUD** and the **Census Bureau** Friday. The report also noted a strong upward revision for the April rate of sales, increasing from a 569,000 annual pace to 593,000. The growth in sales continues along a positive trend for the market, which is supported by solid job growth, improving household formations, continuing favorable housing affordability conditions and tight existing home inventory.

Elsewhere, according to the most recent release of the *Survey of Market Absorption* (SOMA), produced by the **US Census Bureau** in collaboration with the **US Department of Housing and Urban Development** Wednesday, completions of nonsubsidized, unfurnished, rental apartments in buildings with 5 or more units totaled to 73,300 in the fourth quarter of 2016, about 9 per cent higher than completions in the fourth quarter of 2015 (67,300).

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OSB Ontario 7/16" vs Can. Softwood Plywood 9.5mm Toronto '15-JUNE '17

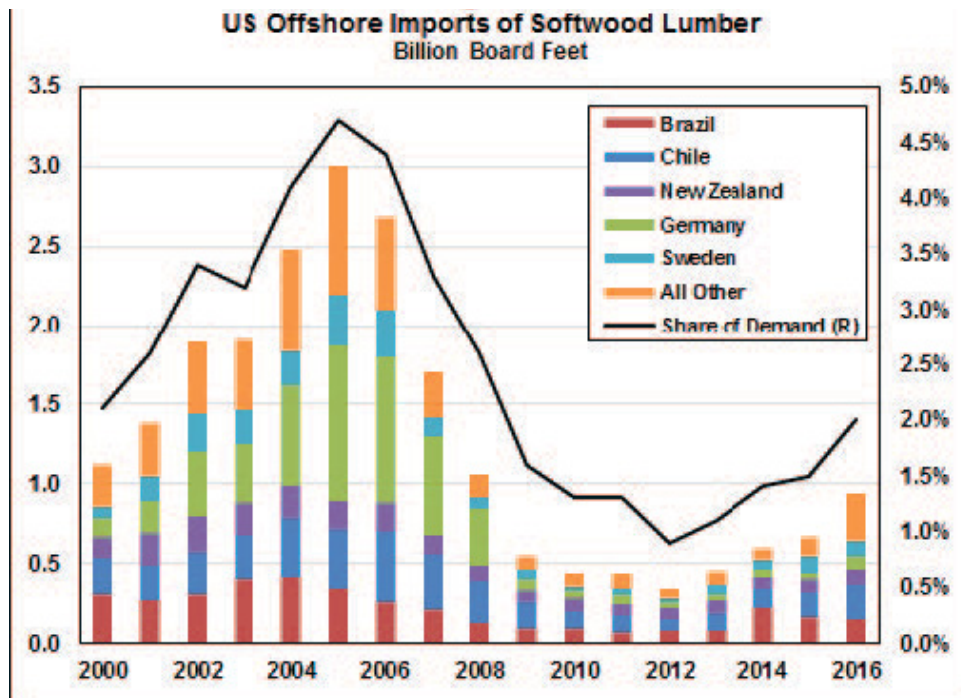


US Softwood Lumber Imports: 1Q 2017

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However, attracting increased supply from these European suppliers may prove somewhat challenging in light of the strengthening euro, a slowly improving European economy and the well-developed markets and supply chains outside of the US that were created as a result of the collapse in US demand during the Great Recession

Offshore imports accounted for an estimated two percent or 0.94 billion board feet (bbf) of US domestic consumption in 2016. At this level, offshore imports were up 43 percent over 2015, but were still 69 percent off their 2005 peak of 3.0 bbf. The lumber from Germany and Sweden is a suitable replacement for Canadian lumber as it can be used in structural applications.



	Year to Date	Previous YTD	Change %	Trend	Full Year 2016	Change % Year Ago	Trend
Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm	(THIS MONTH) 425	(MONTH AGO) 434	-2.1%	▼	(YEAR AGO) 312	+26.6%	▲
VOLUMES							
Canada Lumber Production: softwood, million m3	17.1	16.7	+2.4%	▲	66.9	+5.8%	▲
BC Lumber Production: softwood, million m3	7.9	8.1	-2.5%	▼	32.0	+2.5%	▲
VALUES							
Canada Sawmill Manufacturing Sales: million C\$	4,057	4,462	-9.1%	▼	11,284	+15%	▲
US Total Sawmill Products Imports: million US\$	2,235	1,858	+17%	▲	6,128	+20%	▲
US Total Sawmill Products Exports: million US\$	342	328	+14%	▲	1,021	+0.1%	▲
Canada Sawmill Exports to USA: million C\$	2,324	2,144	+7.7%	▲	7,501	+21%	▲

SOURCE: Madison's Lumber Reporter

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Madison's Weekly Softwood Lumber Key Prices Table

www.madisonreport.com



Prices are in U.S. dollars per 1,000 fbm (net FOB mill)	This Week					Month Ago					Year Ago				
	Week	Last Week	Change	%	Trend	Ago	Change	%	Trend	Ago	Change	%	Trend		
WSPF KD R/L 2x4	374	370	+4	+1.1%	▲	384	-10	-2.6%	▼	320	+54	+16.9%	▲		
WSPF KD R/L 2x6	354	346	+8	+2.3%	▲	366	-12	-3.3%	▼	298	+56	+18.8%	▲		
SYP KD R/L East Side 2x4	440	445	-5	-1.1%	▼	460	-20	-4.3%	▼	425	+15	+3.5%	▲		
SYP KD R/L East Side 2x6	340	345	-5	-1.4%	▼	355	-15	-4.2%	▼	340	0	0%	-		
ESPF KD R/L 2x4	475	466	+10	+2.2%	▲	475	0	0%	-	420	+55	+13.1%	▲		
WSPF KD PET 2x4 Stud	355	330	+25	+7.6%	▲	360	-5	-1.4%	▼	270	+85	+31.5%	▲		
WSPF KD PET 2x6 Stud	380	360	+20	+5.6%	▲	380	0	0%	-	250	+130	+52%	▲		
Douglas Fir Green R/L 2x4	412	407	+5	+1.2%	▲	390	+22	+5.6%	▲	357	+55	+15.4%	▲		
Douglas Fir Green R/L 2x10	460	450	+10	+2.2%	▲	460	0	0%	-	385	+75	+19.5%	▲		
ESPF KD 2x4 8ft Stud	465	465	0	0%	-	475	-10	-2.1%	▼	385	+110	+31%	▲		
OSB Ontario 7/16" (CDN\$/msf)	440	435	+5	+1.1%	▲	420	+20	+4.8%	▲	315	+125	+39.7%	▲		
CSPLYwood Toronto 3/8" (CDN\$/msf)	512	470	+42	+8.8%	▲	478	+34	+7.1%	▲	440	+72	+16.4%	▲		

Madison's Weekly Softwood Lumber News

Canada Residential Construction

CONT'D FROM PG 2 Investment in apartment building construction rose 1.9 per cent in April, mainly attributable to higher spending in British Columbia (+\$61.4 million), followed by Quebec (+\$29.5 million). The biggest declines for this type of dwelling were in Alberta (-\$58.2 million) and Ontario (-\$14.1 million).

Year over year, investment in new row housing construction continued to increase in most provinces in April. Only Alberta (-\$18.4 million) and Nova Scotia (-\$0.5 million) posted declines.

Spending on semi-detached dwelling construction increased in seven

provinces in April, up 13.2 per cent from April 2016 to \$218.1 million. Alberta posted the largest year-over-year increase (+\$12.9 million). Spending on semi-detached dwelling construction edged down in British Columbia, Quebec and Manitoba.

In Ontario, new residential construction investment rose 15.1 per cent to \$1.9 billion. Spending was up for all dwelling types except apartment buildings, which fell 2.8 per cent.

New housing construction investment in British Columbia rose 6.1 per cent year over year to \$997.2 million.

(+2.1 per cent) and Saint John (+0.2 per cent) posted the largest increases in the composite index compared with the previous month.

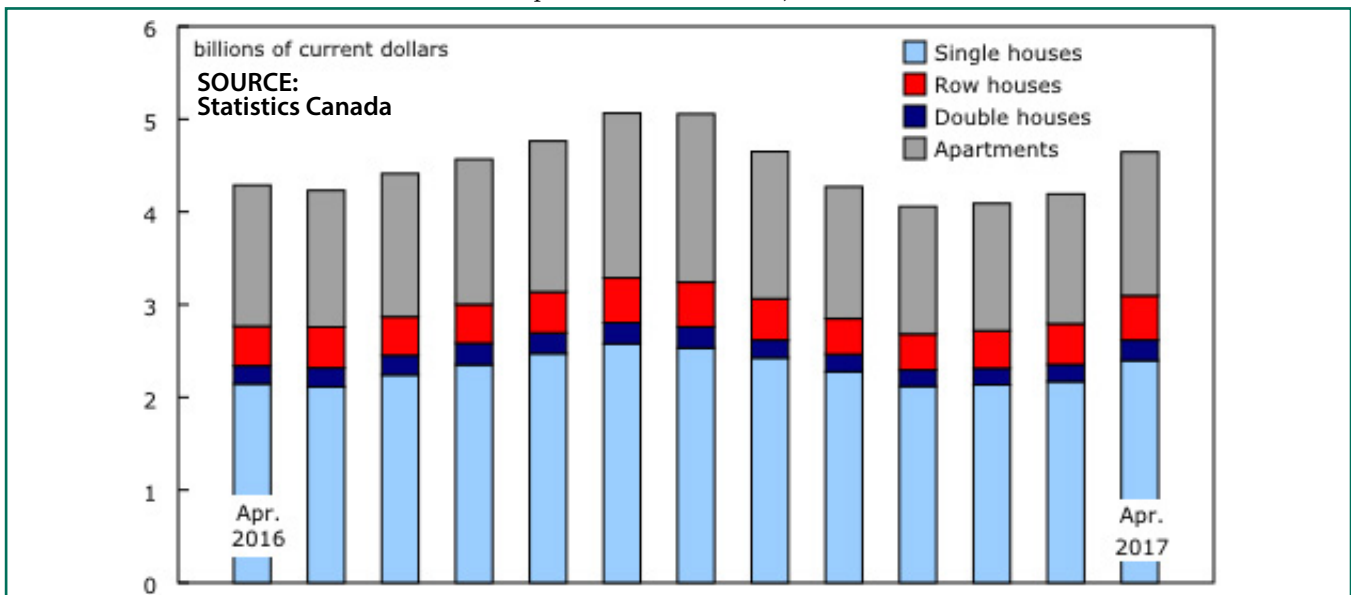
Among the 16 trades covered, the largest monthly increase was observed in the bricklayer trade (0.6 per cent). The crane operator, cement finisher, electrician, reinforcing steel erector, structural steel erector, sheet metal worker, and heavy equipment operator trades all reported slight increases (+0.1 per cent) in May.

Wage Index, Canada

CONT'D FROM PG 2 Of the 22 metropolitan areas covered, Halifax

In Memoriam...

Robert M. Fenster, 96 years old, former President (1947-2013) Balmill Lumber and Sales Corp., Springfield NJ, passed away April 28, 2017.



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ANNOUNCEMENTS

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HAVE CAPTURED
2 BILLION TONNES
OF CARBON

THE INDUSTRY'S
GHG EMISSIONS HAVE
REDUCED BY
62% SINCE 1990

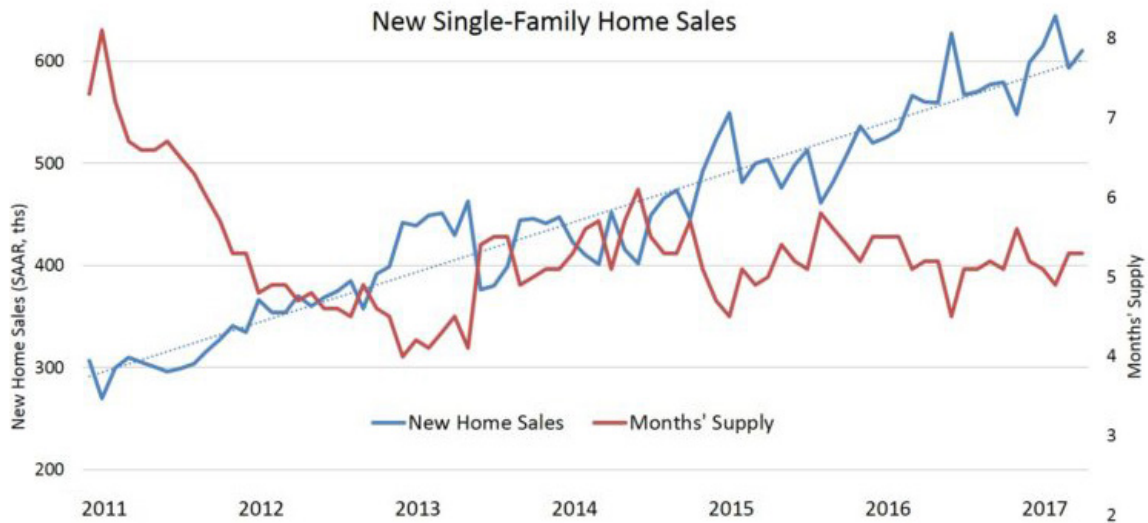
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US New and Existing Home Sales, Inventory: May 2017

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The three-month moving average of new home sales (616,000) is currently near a post-recession high (619,000). Despite some volatility in the month-to-month sales figures, May marks the third consecutive month that the three-month moving average has topped a 600,000 rate. New home sales through May are running 12.2 per cent higher than this time in 2016, exactly in line with our forecast.

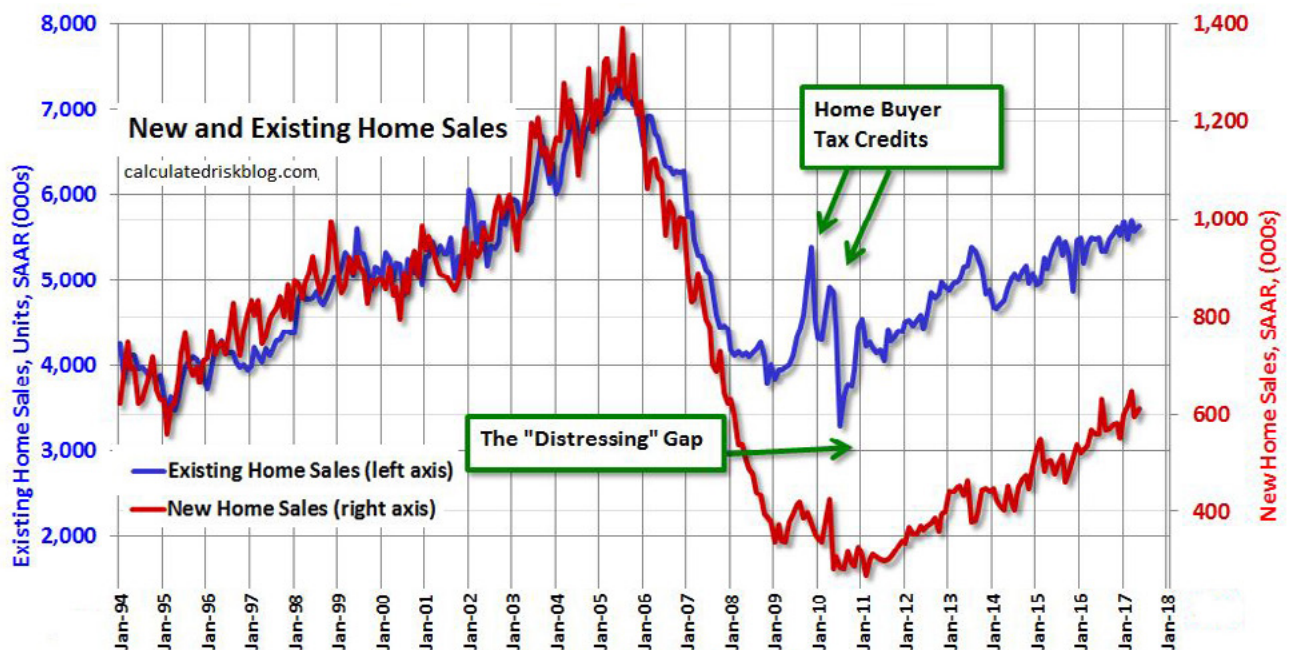


US HOUSE INVENTORY

Inventory growth continued in May. After hovering near 240,000 for most of 2016, inventory has now risen to 268,000 homes. The current months' supply stands at a healthier 5.3. Given tight existing inventory, more new homes are required to meet housing demand.

Median new home sales price (price of the home in the middle of the distribution) rose to US\$345,800. Average home price jumped to US\$406,400. The data suggest these gains may be due to a shift in the geographic mix of new home sales in May, with a larger share of sales in high cost areas like the West.

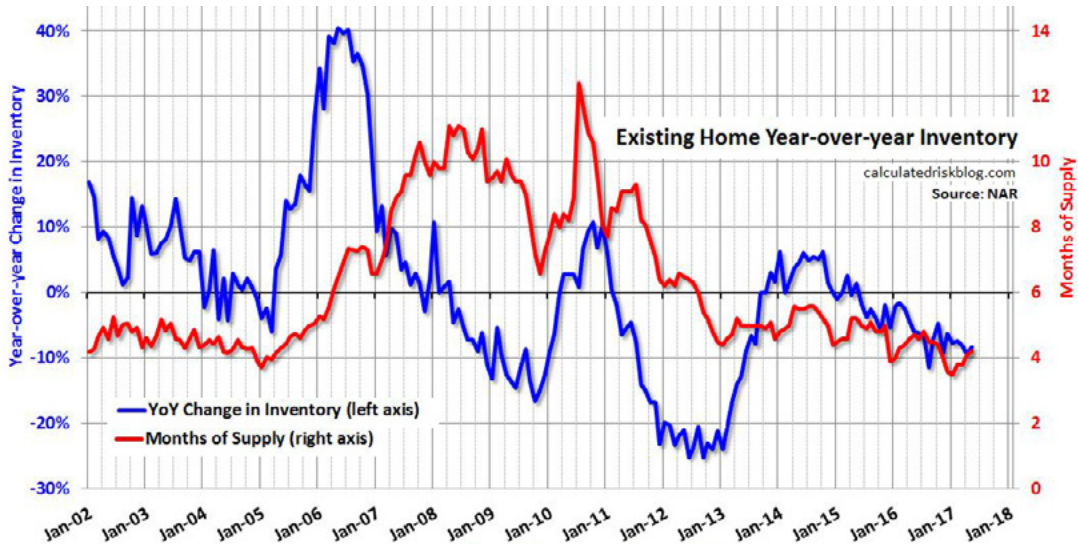
Regionally, there was strong sales growth on a monthly basis in the West (13 per cent) and the South (6 per cent). Declines were reported in the Northeast (11 per cent) and the Midwest (26 per cent).



US Home Sales, Inventory: May 2017

CONT'D FROM PAGE 9

Production of new multifamily housing has been relatively strong for the past several years with over 250,000 rental apartments coming on line in each of 2015 and 2016 and condo completions more than doubling from under 8,000 in 2014 to nearly 19,000 in 2016, it's not entirely surprising that absorption has slowed. However, it is important to note that a slowdown in just one quarter may not be indicative of a trend.



DROP IN US LUMBER EXPORTS TO ASIA

The SOMA report also contains data on the number of subsidized or tax credit based apartments completed. Although total multifamily completions in buildings with 5 or more units are up (86,000 in Q4 2016 compared to 79,100 in Q4 2015), the share that is subsidized or tax credit based continues to trend lower. In the fourth quarter of 2016, these units represented about 5% of completions (4,500), down from 9% in the fourth quarter of 2015 (7,200)

US EXISTING HOME SALES

Existing-home sales rebounded in May following a notable decline in April, and low inventory levels helped propel the median sales price to a new high while pushing down the median days a home is on the market to a new low, according to the National Association of Realtors®. All major regions except for the Midwest saw an increase in sales last month.

