

# MADISON'S LUMBER REPORTER



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## News & Updates

### British Columbia Wildfire Update

Approximately 225 more Canadian Forces personnel will be coming to BC to help with wildfire response, said the federal government of Canada Thursday. The new personnel, based out of Edmonton, will join the 150 Canadian Forces members already in BC helping to fight the multitude of wildfires raging across the Interior.

In BC's Interior Thursday, crews continued to battle 150 wildfires across the province.

The new provincial government of BC also Thursday extended a state of emergency for two more weeks as wildfires sweeping across the province's Interior show no signs of slowing. Premier John Horgan said his government's first priority is to support the more than 45,000 people displaced by the fires, which have so far torched more than 3,500 square kilometres of land.

### PwC Global Forest, Paper, & Packaging Deals: 1Q 2017

Global Merger and Acquisition activity in the Forests, Paper, and Packaging sector in 1Q 2017 saw an increase in deal value relative to 4Q 2016, said PwC July 7. A total of 23 M&A deals were announced during Q1 2017 with a total value of US\$4.2 billion and an average (median) deal size of approximately US\$14.7 million. This compares to 39 deals in Q4 2016 with a total value of US\$3.4 billion and an average (median) deal size of approximately US\$27.3 million.

In comparison to 1Q 2016, there was an increase in 1Q 2017 in terms of both deal value and deal volume.

**SUBSCRIBE NOW** to the quarterly *Madison's Forest Pulse!* Don't miss out on the latest data and updates of the North American forest products industry; the 2Q 2017 issue will be out in a couple of weeks. [CONT'D PAGE 6](#)

### US Apartment Market Tightness Index: 2Q 2017

All four indexes of the **National Multifamily Housing Council's** (NMHC) *July Quarterly Survey of Apartment Market Conditions*, released Thursday, remained slightly below the breakeven level of 50, the fourth consecutive quarter, indicating softening conditions. The Market Tightness (43), Sales Volume (47), Equity Financing (46), and Debt Financing (47) Indexes all improved from April, but still hovered just below 50.

The Market Tightness Index edged up from 41 to 43. [CONT'D PAGE 7](#)

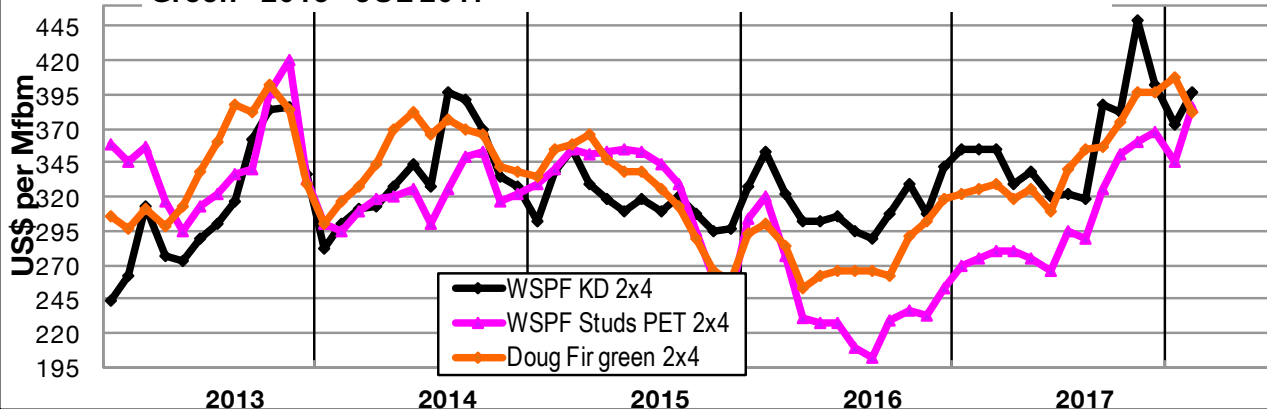
### US Housing Starts, Home Prices: June 2017

Residential construction in the US ended 2Q 2017 on a stronger note as groundbreaking on new homes rebounded in June to the fastest annualized pace in four months, **Commerce Department** data showed Wednesday.

Housing starts in June jumped 8.3 per cent to a seasonally adjusted annual rate of 1.22 million units, the highest level since February, as both single-family and multi-family construction rebounded after a recent slump.

[CONT'D PAGE 9 and 10](#)

2x4 Prices : WSPF KD R/L #2&Btr, WSPF KD PET Studs, Douglas fir Green - 2013 - JUL 2017



## PWC NORTH AMERICAN FORESTRY DEALS: 1Q 2017

The distribution of announced deals in 1Q 2017 (based on total deal value) was geographically focussed on the Americas and Asia/Pacific regions, said PwC July 7.

In the Americas, deal volume decreased while total deal value increased from 4Q 2016. There were 3 announced deals in 1Q 2017 with a total deal value of approximately US\$2.5 billion.

In the EUMEA region, there were 8 deals with a total deal value of approximately US\$0.2 million. The deal volume was higher than 4Q 2016 while total deal value decreased.

There were 12 deals with a total deal value of approximately US\$1.5 billion in the Asia/Pacific region. The Asia/Pacific region has seen a decrease in deal volume but an increase in total deal value in relation to 4Q 2016.

### NOTABLE DEALS

The top five largest announced deals in 1Q 2017 (based on deal value) accounted for approximately US\$3.8 billion, representing approximately 91 per cent of total deal value. Those deals included two transactions in the Americas region, two transactions in the Asia/Pacific region, and one in the EUMEA region. The top five deals in 1Q 2017 primarily involved strategic buyers, which is consistent with the mix of buyers observed in 4Q 2016. Shortages were as widespread as they are now as in October of 2004, at a time when the annual rate of housing starts was hovering around 2 million (compared to the current rate of about 1.1 million).

### TRENDS AND INSIGHTS

In the upcoming quarters, PwC expects the major trends impacting the sector to continue to influence deal making. These trends include:

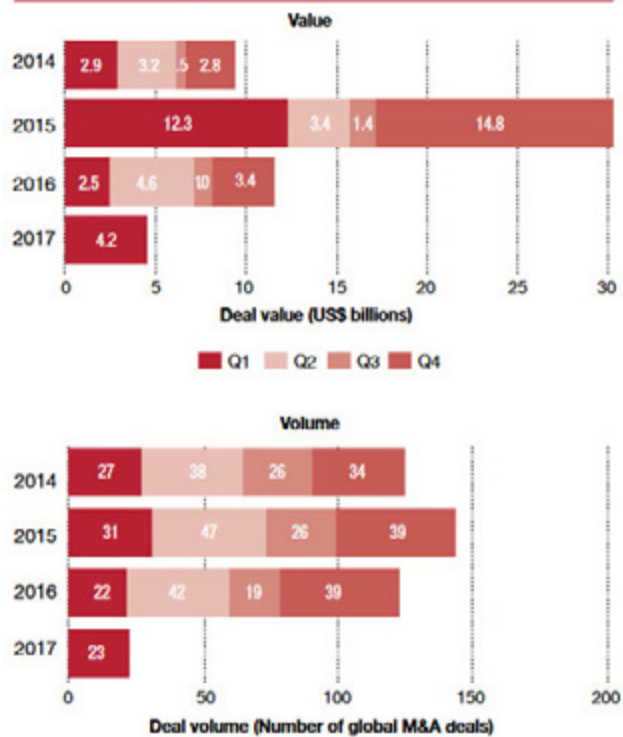
- Global trade agreements and the ability to access growing markets
- Continued consolidation amongst strategic players
- The strength of the US economy
- Security of wood fibre supply
- Potential impacts on supply from sustainable forest

management practices

Altogether, economic conditions and industry trends are driving opportunities for FPP companies to create shareholder value.

We expect deal making to continue to be strong in the sector as companies look to gain strength in core markets.

Multi-year deals analysis  
Global FPP M&A Activity



	Year to Date	Previous YTD	Change %	Trend	Full Year 2016	Change % Year Ago	Trend
<b>Five Key 2x4 Lumber Prices:</b> Aggregate US\$/mfbm	(THIS MONTH) 443	(MONTH AGO) 425	+4.2%	▲	(YEAR AGO) 374	+18.4%	▲
<b>VOLUMES</b>							
<b>Canada Lumber Production:</b> softwood, million m <sup>3</sup>	<b>17.1</b>	16.7	+2.4%	▲	66.9	-74.4%	▼
<b>BC Lumber Production:</b> softwood, million m <sup>3</sup>	<b>7.9</b>	5.5	+43.6%	▲	32.0	-75.3%	▼
<b>VALUES</b>							
<b>Canada Sawmill Manufacturing Sales:</b> million C\$	<b>4,462</b>	4,057	+10%	▲	11,284	-60.5%	▼
<b>US Total Sawmill Products Imports:</b> million US\$	<b>2,235</b>	1,858	+20.3%	▲	6,128	-63.5%	▼
<b>US Total Sawmill Products Exports:</b> million US\$	<b>433</b>	414	+4.4%	▲	1,021	-66.5%	▼
<b>Canada Sawmill Exports to USA:</b> million C\$	<b>2,324</b>	2,144	+8.4%	▲	7,501	-69%	▼

SOURCE: Madison's Lumber Reporter

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# Madison's Weekly Softwood Lumber Key Prices Table

www.madisonsreport.com



	This Week	Last Week				Month Ago				Year Ago			
		Change	%	Trend	Change	%	Trend	Change	%	Trend	Change	%	Trend
Prices are in U.S. dollars per 1,000 fbm (net FOB mill)													
WSPF KD R/L 2x4	410	404	+6	+1.5%	▲	374	+36	+9.6%	▲	326	+84	+25%	▲
WSPF KD R/L 2x6	422	412	+10	+2.4%	▲	354	+68	+19%	▲	306	+116	+37%	▲
SYP KD R/L East Side 2x4	405	400	+5	+1.3%	▲	440	-35	-8.0%	▼	410	-5	-1.2%	▼
SYP KD R/L East Side 2x6	340	330	+10	+3.0%	▲	340	0	0%	-	365	-25	-6.8%	▼
ESPF KD R/L 2x4	470	490	-20	-4.1%	▼	475	-5	-1.1%	▼	425	+45	+10%	▲
WSPF KD PET 2x4 Stud	405	380	+25	+6.6%	▲	355	+50	+14%	▲	280	+125	+44%	▲
WSPF KD PET 2x6 Stud	420	400	+20	+5.0%	▲	380	+40	+10%	▲	255	+165	+64%	▲
Douglas Fir Green R/L 2x4	460	445	+15	+3.4%	▲	412	+48	+11%	▲	355	+105	+29%	▲
Douglas Fir Green R/L 2x10	520	505	+15	+3.0%	▲	460	+60	+13%	▲	330	+190	+57%	▲
ESPF KD 2x4 8ft Stud	495	475	+20	+4.2%	▲	465	+30	+6.5%	▲	365	+130	+35%	▲
OSB Ontario 7/16" (CDN\$/msf)	480	450	+30	+6.7%	▲	440	+40	+9.1%	▲	360	+120	+33%	▲
CS Plywood Toronto 3/8" (CDN\$/msf)	604	570	+34	+6.0%	▲	512	+92	+18%	▲	464	+140	+30%	▲

## Madison's Weekly Softwood Lumber News

### US Apartment Market Tightness Index: 2Q 2017

**CONT'D FROM PG 2** The US Apartment Market Tightness Index edged up from 41 to 43, as almost half of respondents (48 per cent) reported unchanged conditions, according to new data released Thursday. One-third (33 per cent) of respondents saw conditions as looser than three months ago, while the remaining 19 per cent reported tighter conditions.

This is the seventh consecutive quarterly survey indicating looser conditions - it appears supply has caught up with demand.

### Canada Monthly Survey of Manufacturing: May 2017

Manufacturing sales for Canada's industries increased for the third consecutive month, up 1.1 per cent to \$54.6 billion in May, said **Statistics Canada** Wednesday. The gain was mainly attributable to higher sales in the transportation equipment and chemical manufacturing industries.

Sales were up in 16 of 21 industries, representing 71 per cent of the manufacturing sector. Sales of durable goods rose 2.2 per cent, while sales of non-durable goods declined 0.3 per cent.

In constant dollars, sales were up 1.1 per cent, indicating that higher volumes of manufactured goods were sold in May.

Manufacturing inventory levels edged down 0.2 per cent to \$73.7 billion in May, following five months of gains.

Inventories fell in 8 of the 21 industries, with the aerospace products and

parts (-2.6 per cent) and the chemical (-2.0 per cent) industries recording the largest declines. These decreases were partially offset by a 1.8 per cent increase in primary metal inventories.

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The inventory-to-sales ratio declined from 1.37 in April to 1.35 in May. This ratio measures the time, in months, that would be required to exhaust inventories if sales were to remain at their current level.

Sales increased in six provinces in May, led by Ontario.

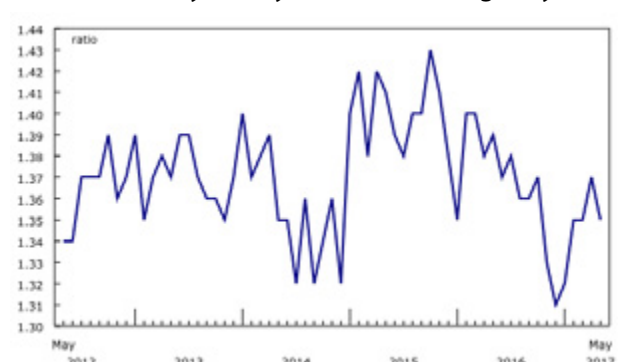
Sales in Ontario increased 2.6 per

cent to \$26.3 billion in May, their highest value on record. Growth in May was largely attributable to the motor vehicle (+8.7 per cent) and motor vehicle parts (+5.8 per cent) industries. These increases were partially offset by lower petroleum and coal product sales (-6.6 per cent).

In Alberta, sales rose 1.3 per cent to \$6.1 billion, the seventh consecutive monthly increase. Sales were up in 11 of 21 industries, largely driven by gains in the chemical (+8.9 per cent) industry and, to a lesser extent, the machinery industry.

Sales in Quebec fell 1.8 per cent to \$12.7 billion in May, following a 2.3 per cent increase in April. The decline was mostly attributable to lower production in the aerospace product and parts industry and lower sales in the food industry. These decreases were partly offset by higher sales in the paper, wood product, and plastics and rubber products industries.

Canada Monthly Survey of Manufacturing: May 2017



SOURCE: Statistics Canada

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The latest news from reThink Wood | July 2017

**FEATURED PROJECT**



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- Building Design • Construction: [Nail-Laminated Timber Design and Construction Guide released](#)
- WIRED: [Get Ready for Skyscrapers Made of Wood \(Yes, Wood\)](#)
- STRUCTURE: [Brock Commons](#)

# US HOUSING STARTS: JUNE 2017

[CONT'D FROM PAGE 2](#)

May's sales pace was revised up to 1.12 million units from the previously reported 1.09 million units.

Building permits shot up 7.4 per cent to a 1.25 million-unit rate in June, with approvals for the single-family housing segment snapping a three-month losing streak. Permits for multi-family homes construction surged to a five-month high.

Single-family starts increased in the Northeast, South, and West. They, however, fell in the Midwest.

Starts for the volatile multi-family housing segment increased 13.3 per cent to a 366,000 unit-pace, after five straight months of declines.

Construction has slowed amid a jump in multi-family homes coming on the market.

Building completions surged 5.2 per cent in June to their highest level since November 2016.

Completions of multi-family buildings with five units and more soared 17.9 per cent also to a seven-month high.

There were 601,000 multi-family home units under construction in June.

June's better-than-expected increase in housing starts ended three straight months of declines, offering hope that investment in homebuilding was only a modest drag on economic growth in 2Q 2017.

Permits for multi-family homes construction surged to a five-month high.

Despite last month's surge, homebuilding has lost momentum after strong gains in both the fourth and first quarters.

Starts are below their historic average of 1.5 million, a rate

realtors say would eliminate an acute shortage of houses on the market, which has driven up prices.

Building completions surged 5.2 per cent to their highest level since November 2016.

## US Housing Starts: June 2017

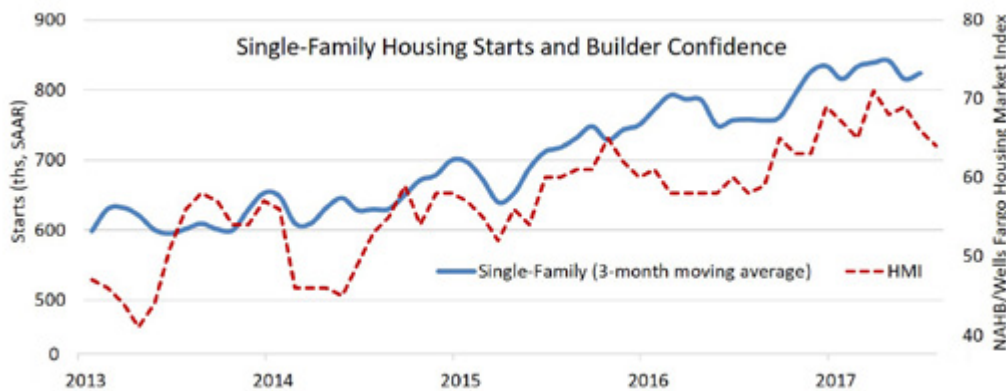
Housing inventory has fallen year-over-year for the last 28 consecutive months, with over 9 per cent fewer homes on the market than last year. May's inventory fell at fastest pace in four years in May, according to a report from the listing site **Zillow** in June.

The last time the housing market saw such a dramatic annual drop in inventory was August 2013, when inventory fell 10.2 per cent. And it's possible inventory could continue to fall, says Zillow.

The homes that are for sale are being snatched up at record pace, averaging just 77 days on the market in April—the lowest number ever recorded by Zillow. May's days on market figure was not yet available.

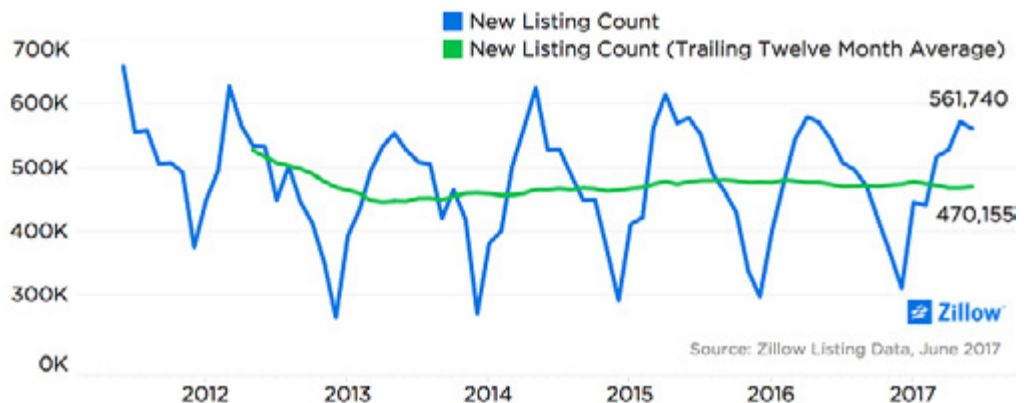
The scarcity of homes is igniting the market, with limited inventory becoming a growing issue since the end of the Great Recession. Home prices rose 7.4 per cent year-over-year in May thanks in part to the scarcity of available homes. National home prices are now hovering near an average of US\$200,000.

Rising home prices are pricing many younger American buyers out of the market entirely. But, as more Millennials are aging into their prime homeowner years, demand is steadily increasing. Instead of rising to meet the demand, supply is falling.



## It's Easy to Blame a Lack of Listings for Tight Inventory, but Listings Have Been Holding Steady

New Homes Listed For Sale June 2017



Source: Zillow Listing Data, June 2017

## US Home Sales: June 2017

[CONT'D FROM PAGE 2](#)

US existing home sales as estimated by the **National Association of Realtors** ran at a seasonally adjusted annual rate of 5.59 million in June, down 0.5 per cent from May's preliminary pace and up 2 per cent from last May's seasonally adjusted pace, wrote Bill McBride at **Calculated Risk** Thursday. On the inventory front, local realtor/MLS data suggest that there was a smaller YOY decline in the number of homes for sale in June compared to May, and McBride projects that the NAR's estimate of the number of existing homes for sale in June will be 1.97 million, up 0.5 per cent from May's preliminary estimate and down 6.6 per cent from last May's estimate. Finally, McBride projects that the NAR's estimate of the median existing single-family home sales price in June will be up 6.1 per cent from last June.

McBride notes that the NAR is scheduled to release existing home sales for June on Monday, July 24th. The consensus forecast is for sales of 5.62 million.

As well, foreign home buyers scooped up a record number of residential properties in the United States in the last year, despite a rising dollar and political uncertainty, according to an NAR survey released Tuesday.

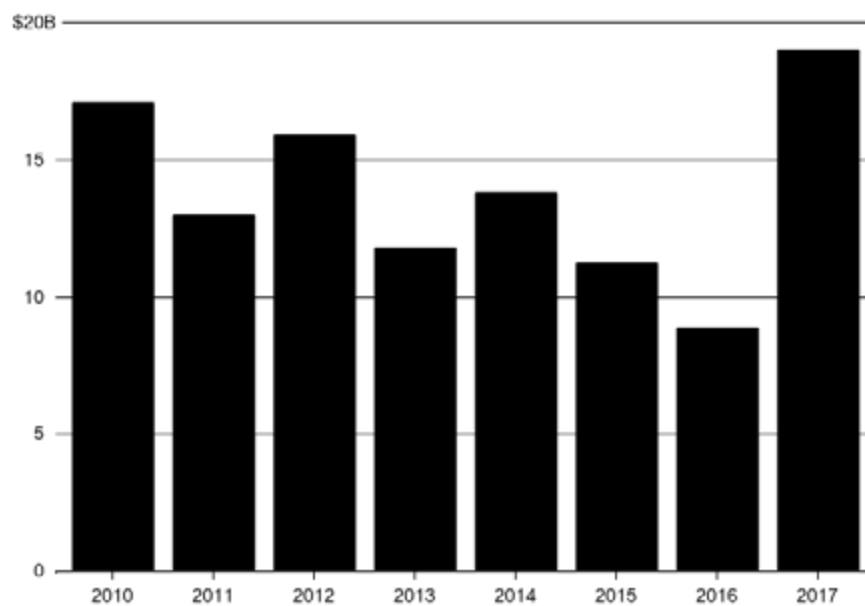
The **National Association of Realtors** said foreigners bought 284,455 properties in the 12 months that ended March 31, about a third more than a year earlier. Dollar volume surged nearly 50 per cent to US\$153 billion, also a record for the survey first taken in 2009.

The majority of properties purchased, 64 per cent, were single-family houses, followed by condos, town homes, other miscellaneous properties and other residential land.

The median price of homes purchased by foreign buyers was US\$302,290, compared with US\$235,792 for all homes sales. The difference is in part because foreign buyers tend to purchase in large, pricey metropolitan areas.

### Heading South for Homes

U.S. residential purchases by Canadians more than double to \$19 billion



Data: National Association of Realtors; graphic by Bloomberg Businessweek

Note: Survey is for the 12 months through March 2017

## US House Prices: 1Q 2017

The median value of all homes in the United States in June surpassed US\$200,000, up 7 per cent from a year ago, said **Zillow**, a real estate listing company, Thursday.

In 1940, the median home value in the US was just US\$2,938. In 1980, it was US\$47,200, and by 2000, it had risen to US\$119,600. Even adjusted for inflation, the median home price in 1940 would only have been US\$30,600 in 2000 dollars, according to data from the **US Census**.

During the height of the housing bubble more than a decade ago, the median US home value peaked at US\$196,600 but never surpassed the US\$200,000 threshold.

High buyer demand coupled with fewer homes for sale is driving up home values across the country — there are 11 per

cent fewer homes on the market than a year ago, the greatest drop in inventory since July 2013. National home values have been rising at more than 7 per cent annually for the past five months, with many markets consistently rising in the double-digits.

Median rent across the nation has been holding steady at about a 1 per cent annual gain for the past six months -- the median rent across the country is now US\$1,422 per month, up just over 1 per cent annually.

Elsewhere, US home prices increased by 6.6 per cent year over year on a national level in May 2017, and are expected to increase by 5.3 per cent between May 2017 and May 2018, according to the latest CoreLogic Home Price Index (HPI) report released July 12.