

MADISON'S LUMBER REPORTER



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News & Updates

Japan Wood Imports from North America: 1H 2017

Japan imports of North American logs for the first half of 2017 dropped 8.5 per cent compared to the same time the previous year, to 1.37 million cubic metres, while that of lumber increased 2.4 per cent, to 1.1 million cubic metres, said *Japan Lumber Reports* August 25.

The decrease in log imports is due to high volumes of consumption in 2016, and the rise in lumber imports is a result of smaller volumes last year. Compared to 2015, Japan's log imports from North America are up 6.8 per cent and lumber is down 4.8 per cent, explained the *Reports*.

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US Housing Starts: August 2017

Building of new homes in the US fell for a second straight month in August as a rebound in the construction of single-family houses was offset by persistent weakness in the volatile multifamily home segment, said the **Commerce Department** Tuesday.

Housing starts slipped 0.8 per cent to a seasonally adjusted annual rate of 1.18 million units. Building permits surged 5.7 per cent to a rate of 1.30 million units in August, the highest level since January.

Starts for July, meanwhile, were revised higher by 35,000 units.

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Japan Housing Starts: July 2017

According to a report released by the **Ministry of Land, Infrastructure, Transport and Tourism** on August 31st, Japan's housing starts in July were 83,234 units, a drop of 2.3 per cent from the same month in the previous year, said *Japan Lumber Journal* September 15.

When compared to the previous months, that figure decreased by 4.8 per cent and the seasonally-adjusted annual rate was 974,000 units, down 3 per cent from the previous month, falling below the 1,000,000 units for the first time in two months.

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Renting in USA: New Reality

A total of 43 million Americans were renters in 2016, and of that number 47.7 per cent were cost-burdened, meaning these consumers spend more than 30 per cent of their income on housing, a threshold long used by the federal government to identify "rent-burdened" households, according to the **US Census Bureau's 2015 American Community Survey**.

Nearly half of renter households (48 per cent) in the US were rent-burdened in 2015.

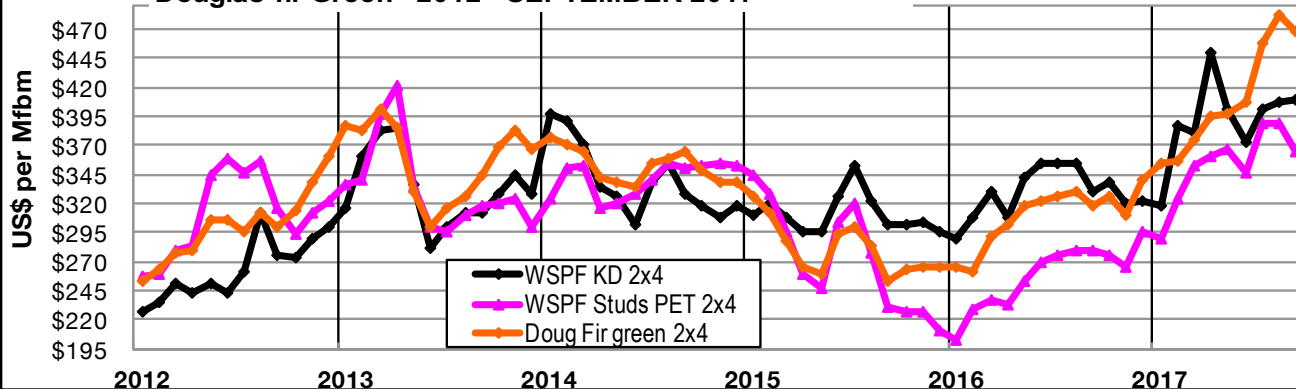
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BCFii Year-in-Review: 2016/17

This week **British Columbia Forestry Innovation Investment** released it's **2016/17 Year in Review** report.

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2x4 Prices : WSPF KD R/L #2&Btr, WSPF KD PET Studs,
Douglas fir Green - 2012 - SEPTEMBER 2017



Japan Log and Lumber Consumption: 1H 2017

[CONT'D FROM PAGE 2](#)

Japan imports of logs from the US fell 11.6 per cent compared to the first half of 2016, to 881,142 cubic metres in the first half of this year, said *Japan Lumber Reports*. Log imports from Canada fell by 2.4 per cent, to 487,988 cubic metres.

The supply of North American lumber to Japan was affected by heavy snow in winter, just like that of logs. The harsh winter hampered log harvesting in higher elevations, affecting

hemlock and cypress specifically.

The supply of Spruce-Pine-Fir lumber from the interior of British Columbia was not affected by snow, however prices climbed due to low inventories domestically in Japan and brisk demand from the US.

The terrible forest fires this summer could influence SPF supply in the second half of 2017, determined the *Reports*.

Japan Log and Lumber Imports from North America: 1H 2017 SOURCE: Japan Lumber Reports

Logs and lumber import from North America for the first half of 2017

Logs			Lumber		
Species	Volume	'17/'16	Species	Volume	'17/'16
Douglas fir	1,269	91.5	SPF	680	111.1
Hemlock	62	115.2	Douglas fir	211	100.5
Spruce	10	54.3	Hemlock	125	78.8
Softwood total	1,348	91.8	Others	17	88.7
Hardwood total	22	74.7	Other hardwood	23	99.3
Grand total	1,369	91.5	Hardwood total	30	95.6
			Grand total	1,096	102.4
U.S.A.	881	88.4	U.S.A.	124	85.3
Canada	488	97.6	Canada	972	105.1

Volume : 1,000 cbms Comparison : %

Japan National Meeting for Wood Use Promotion: Fiscal 2017

The **Japan Council for Advancement of Timber Utilization** held the National Meeting for Wood Use Promotion on July 31 in Tokyo, said the *Japan Lumber Journal* September 15.

Wood Utilization Division of the Forestry Agency, reported, "The percentage of wood constructed public buildings (based on floor space) is in a rising trend; to 11.7 per cent in fiscal 2015, from 8.3 per cent in fiscal 2010. Especially, the construction of low-rise buildings (3 storeys or less) rose from 11.9 per cent to 26 per cent in the same time period."

A presentation of the progress of making schools with wood, by the Ministry of Education, Culture, Sports, Science and Technology, explained the amount of wood use in buildings and facilities of public schools nationwide in fiscal 2015 (new construction and renovation) was 23,600 cubic meters in wood constructed facilities and 48,500 cubic meters in non-wood constructed facilities (interior), for a total of 72,000 cubic meters. The ratio of domestically produced wood material for these projects was 67.6 per cent. In about 71 per cent of all the projects, wood was used.



Madison's Weekly Lumber and Forestry Data Table

www.madisonsreport.com

	Year to Date	Previous	Change	Trend	Full Year	Change %	Trend
	(THIS MONTH)	YTD (MONTH AGO)	%		(YEAR AGO) 2016	(YEAR AGO)	
Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm	460	445	+3.3%	▲	367	+24.9%	▲
Benchmark Panel Prices: Aggregate C\$/msf	572	586	-2.4%	▼	411	+39.2%	▲
VOLUMES							
Canada Lumber Production: softwood, million m3	22.78	22.41	+1.6%	▲	66.9	-65.9%	▼
VALUES							
Canada Sawmill Manufacturing Sales: million C\$	4,271	4,188	+1.9%	▲	11,284	-63.5%	▼
US Total Sawmill Products Imports: million US\$	2,235	1,858	+20.3%	▲	6,128	-63.5%	▼
US Total Sawmill Products Exports: million US\$	433	414	+4.6%	▲	1,021	-57.6%	▼
Canada Sawmill Exports to USA: million C\$	3,420	2,949	+16%	▲	7,501	-54.4%	▼

SOURCE: Madison's Lumber Reporter

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Madison's Weekly Softwood Lumber Key Prices Table

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	This Week	Last Week	Change	% Change	Trend	Month Ago			Year Ago				
						Change	% Change	Trend	Change	% Change	Trend		
Prices are in U.S. dollars per 1,000 fbm (net FOB mill)													
WSPF KD R/L 2x4	422	414	+8	+1.9%	▲	398	+24	+6.0%	▲	318	+104	+33%	▲
WSPF KD R/L 2x6	446	438	+8	+1.8%	▲	422	+24	+5.7%	▲	282	+164	+58%	▲
SYP KD R/L East Side 2x4	410	400	+10	+2.5%	▲	395	+15	+3.8%	▲	405	+5	+1.2%	▲
SYP KD R/L East Side 2x6	385	375	+10	+2.7%	▲	355	+30	+8.5%	▲	375	+10	+2.7%	▲
ESPF KD R/L 2x4	520	525	-5	-1.0%	▼	485	+35	+7.2%	▲	400	+120	+30%	▲
WSPF KD PET 2x4 Stud	375	360	+15	+4.2%	▲	365	+10	+2.7%	▲	270	+105	+39%	▲
WSPF KD PET 2x6 Stud	425	420	+5	+1.2%	▲	410	+15	+3.7%	▲	215	+210	+98%	▲
Douglas Fir Green R/L 2x4	470	468	+2	+0.4%	▲	470	0	0%	-	330	+140	+42%	▲
Douglas Fir Green R/L 2x10	530	530	0	0%	-	540	-10	-1.9%	▼	330	+200	+60%	▲
ESPF KD 2x4 8ft Stud	455	445	+10	+2.2%	▲	490	-35	-7.1%	▼	365	+90	+25%	▲
OSB Ontario 7/16" (CDN\$/msf)	540	523	+17	+3.3%	▲	500	+40	+8.0%	▲	360	+180	+50%	▲
CSplywood Toronto 3/8" (CDN\$/msf)	604	645	-41	-6.4%	▼	672	-68	-10%	▼	462	+142	+31%	▲

Madison's Weekly Softwood Lumber News

Housing Starts, US

[CONT'D FROM PG 2](#) Total new home building in the US rose 1.4 per cent in August on a year-on-year basis, said the **US Commerce Department** release Tuesday.

Single-family homebuilding jumped 1.6 per cent to a rate of 851,000 units in August. Single-family permits, however, fell 1.5 per cent to an 800,000-unit pace. With permits lagging starts, single-family homebuilding could decline in the months ahead.

Starts for the volatile multi-family housing segment tumbled 6.5 per cent to a rate of 329,000 units. Multi-family permits vaulted 19.6 per cent to a 500,000-unit pace in August.

The pace of groundbreaking may show swings for several months following hurricane Harvey's extensive damage to south-east Texas in late August and hurricane Irma's landfall in Florida in early September. Higher prices for construction materials also have the potential to pinch the industry, which is already contending with a shortage of workers and ready-to-build lots.

On housing starts, Northeast and South regions posted declines, while groundbreaking rose in Midwest and West by 9 per cent and 6 per cent respectively.

Permits in the West rose to a 10-year high of 362,000 units.

Texas counties affected by Harvey accounted for about 4 per cent of US housing units authorized by permits in 2016 and about 8 per cent in the South region, according to *Bloomberg* Tuesday. September data

will reflect the impact of Irma in Florida, where the affected counties accounted for about 9 per cent of U.S. total housing units authorized by permits in 2016 and 18 per cent of those in the South.

Japan Housing Starts

[CONT'D FROM PG 2](#) Looking at the results of Japan housing starts for July by owner/occupant, housing starts of owner occupied houses were 25,370 units, down 5.7 per cent from the same month in 2016.

Housing starts of rental houses were down 3.7 per cent, to 36,365 units. That figure decreased two consecutive months year-over-year, but when compared to the previous month it increased by 1.1 per cent.

By structure, housing starts of wooden houses were down 2.1 per cent, to 47,685 units. Although the number of units decreased, the ratio of wooden houses by the number of units increased to 57.3 per cent, said the *Japan Lumber Journal*.

Heffler Forest Products Reopens

Jobs are coming back to **Heffler Forest Products'** sawmill in Middle Sackville, NS, starting next month, said Stan Mason, president of the forest products company to *The Hants Journal* September 15. The company will be producing specialty wood products, including 12-foot and 16-foot lengths and deck boards.

The new hires next month will amount to 25 sawmill jobs, almost tripling the company's workforce which now includes 15 employees at its biomass plant, to a total of 40 people.

Under its previous owners, that sawmill employed 35 people, but those jobs were lost after that company filed for creditor protection in July 2016 then closed the sawmill, said *The Hants Journal*.

Japan Housing Starts: July 2017

SOURCE: Japan Lumber Journal

	TOTAL	Structure		Owner / Occupant		(unit of home)	
		wooden	non-wooden	owner-occupied	rent	COH	built-for-sale
2016							
TOTAL	967,237	546,336	420,901	292,287	418,543	5,875	250,532
2017							
YTD	556,440	305,639	250,801	162,022	237,945	3,219	153,254
Jan.	76,491	39,079	37,412	20,228	31,684	518	24,061
Feb.	70,912	39,587	31,325	21,322	30,842	350	18,398
Mar.	75,887	41,536	34,351	21,468	33,937	755	19,727
Apr.	83,979	45,205	38,774	23,751	36,194	326	23,708
May	78,481	44,761	33,720	23,846	32,956	332	21,347
June	87,456	47,786	39,670	26,037	35,967	476	24,976
July	83,234	47,685	35,549	25,370	36,365	462	21,037

*source: Ministry of Land, Infrastructure, Transport and Tourism
*COH—company owned houses to be rented to their employees, etc.

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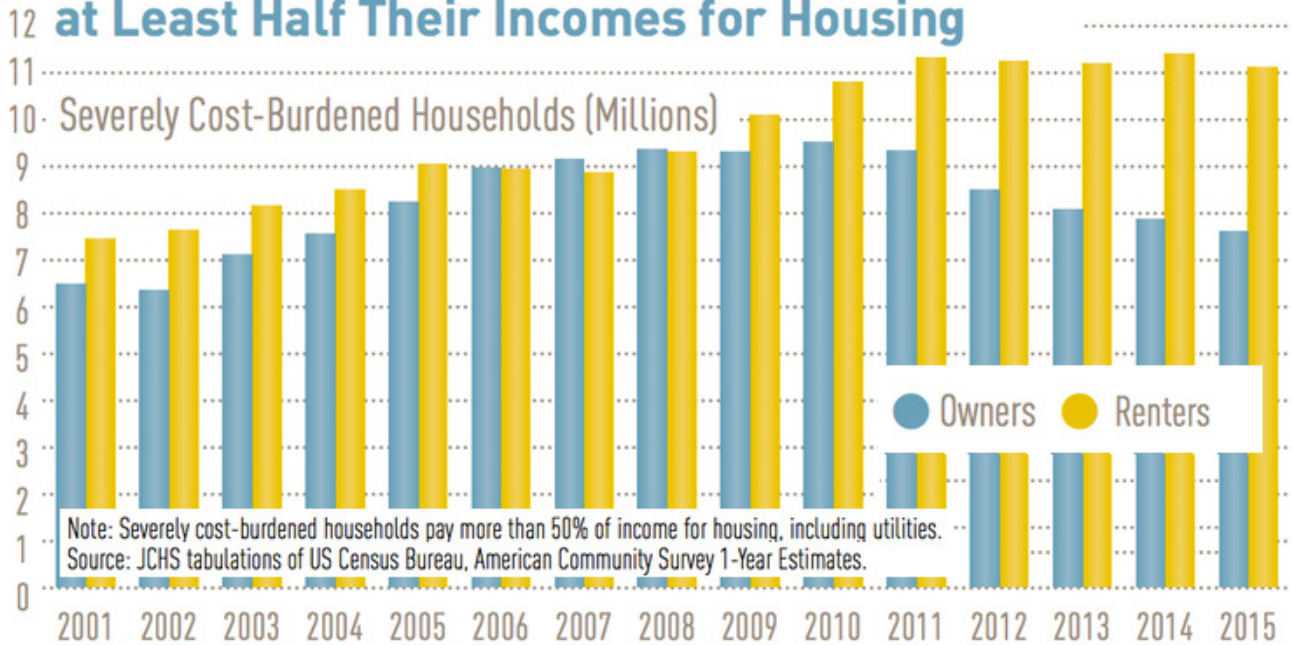
THE DEMOGRAPHICS OF COST-BURDENED RENTERS: 2017

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A total of 43 million Americans were renters in 2016, and of that number 47.7 per cent were cost-burdened, meaning these consumers spend more than 30 per cent of their income on housing, according to the **US Census Bureau's 2015 American Community Survey**.

The number of cost-burdened households in the U.S. did fall from 2014 to 2015, but only by 2.3 per cent (about 900,000 households). Despite it being a move in a positive direction, the numbers are still staggering.

More than 11 Million Renter Households Pay at Least Half Their Incomes for Housing



SOURCE: Joint Center for Housing Studies at Harvard University

Rent-to-Income Ratio

A recent study from **Harvard** found that many US households are actually cost-burdened, meaning they pay more than the 30 per cent of income recommendation for housing. As of 2015, nearly 40 million households were reportedly cost-burdened—and 11 million households spend at least half of their rent on housing, according to the report. Those numbers are especially shocking considering how many households there are in the US altogether—according to Census data, there are just under 117 million.

That means that a whopping 34 per cent of households in the US are cost-burdened—and just under 10 per cent of households (and more than a quarter of those who are cost-burdened in the first place) spend at least half of their income on housing, according to Harvard.

While the number of cost-burdened households in the US fell from 2014 to 2015, the drop was only by 2.3 per cent (about 900,000 households). Despite it being a positive direction, the numbers are still staggering.

Demographics of Cost-Burdened Renters

In *Renter Cost Burdens by Generation*, **US Census Bureau's 2015 American Community Survey** examines the generational spread of housing cost burdens, from millennial renters just beginning their professional lives to the growing number of baby boomers downsizing from single-family homes to rental properties. The Madison, WI-based apartment-search firm in

its report also shows which MSAs have the largest percentage of cost-burdened renters in each generation and how these burdens affect the quality of life for each age group.

Please see graph of cost-burdened renter demographics on Page 5.

BC Fii Year-in-Review: 2016/17

[CONT'D FROM PAGE 2](#)

British Columbia Forestry Innovation Investment is a BC Crown agency with a mandate that includes developing and diversifying markets for BC forest products around the world as well as promoting forest practices and the environmental merits of wood products.

According to the agency's year-in-review report released this week, over the past year, BC FII and its partners in industry and government have continued to support the forest sec-

tor by delivering a full suite of innovative, forward-looking programs.

From encouraging partners in China to adopt BC building products and technologies, to working with manufacturers in India, to helping build taller and larger with wood right here at home, BC FII is leading the world in creating new market opportunities for B.C.'s innovative forest products and building systems.



SOURCE: British Columbia Forestry Innovation Investment

Continued Efforts

While the agency continues to make significant progress, much more needs to be done. Today, a climate of uncertainty clouds Canada's relations with the US, particularly around market access for softwood lumber. Given that Canada and

the US have not reached a resolution to trade disputes, it is essential that the BC forest sector maintain, and indeed accelerate, efforts to reduce dependency on the US market.

Emerging Markets: China, India

China is BC's second-largest market for commodity lumber and a priority market for the BC forest industry.

On December 1, 2016 **Canada Wood China** signed a Memorandum of Understanding with BSD-TEDA—a joint venture between the Beijing Science Park Development (BSD) and the Tianjin Economic-Technological Development Area (TEDA)—on the research, development and application of prefabricated non-load bearing Energy Efficient Wood Wall technology. The Sino-Canadian low-carbon eco-district project is being funded by **Natural Resources Canada** and is China's first large-scale, community-sized demonstration area for wood in construction.

After receiving support from Canada Wood China, in February 2017, **China's Ministry of Housing and Urban-Rural Development** issued a new standard for multi-storey

and high-rise timber buildings (the new code takes effect on October 1, 2017). In line with a global push towards taller wood structures, the code aims to broaden the scope of application of timber structures beyond the current three-storey limit, allowing wood structures up to five-storeys and, on a case-to-case basis, up to 18 storeys.

After establishing a head office and wood products showroom in Mumbai with the **BC Ministry of International Trade**, the **India** team now has small satellite locations in New Delhi and Bangalore to be closer to customers in the north and south of India.

BCFii's full year-in-review report can be found here: <https://www.bcfii.ca/sites/default/files/report/2017-Year-in-Review.pdf>