



HilcoTM Valuation Services

THIRD QUARTER 2013

INDUSTRY

INFORMATION

>> U.S. housing starts are on pace to reach between 900,000 and 925,000 starts in 2013, an increase of approximately 17% but still lower than historical averages of 1.3 million homes.

>> 30-year mortgage rates, which have increased approximately 100 basis points since May, appear to be slowing down the housing recovery.

RECENT APPRAISAL EXPERIENCE

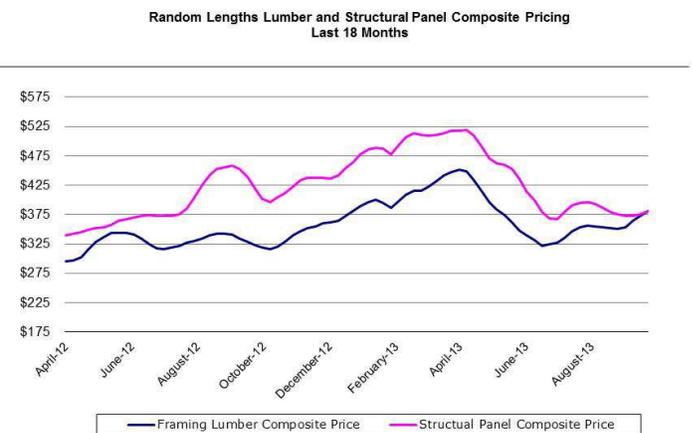
- BlueLinX Corp.
- Tembec Inc.
- Northwest Hardwoods
- Eacom Timber Corp.
- Western Forest Products
- Potomac Supply Corp.
- Kitchens Brothers
- Simpson Lumber Co.
- Resolute Forest Products Inc.

Lumber prices rebound in Q3

By Jesse Marzouk

Lumber prices rebounded in the third quarter after falling off a cliff in the second quarter. The *Random Lengths* Framing Lumber Composite Price (FLCP), which includes prices from a variety of softwood framing species, ended at \$381 per thousand board feet (MBF) after starting the quarter at \$324 per MBF. Lumber prices increased as purchasers took advantage of the depressed prices. Chinese buyers stepped back into the market and helped support prices. Additionally, Canadian lumber mills pulled back from shipments into the U.S. as they were hit with varying levels of duties under the softwood lumber agreement after the recent price declines.

Panel prices, which had been more volatile than lumber prices, moved only slightly higher during the quarter. The more important news for the panel industry, was the announcement of the purchase of Ains-



worth by Louisiana Pacific (LP). The combination will create the largest oriented strand board (OSB) producer in North America, with approximately 33% of capacity. The OSB market historically has suffered from wild price swings as the industry was not very concentrated and the start of a new or shuttered mill could have a large impact upon prices. LP's acquisition makes the OSB market closer to an oligopoly, similar to containerboard, which has undergone

massive consolidation over the last decade. Industry consolidation has been a clear benefit to the containerboard industry and something similar could occur if more consolidation occurs in the OSB market. Producers would be able to more closely control capacity and create a more stable price environment. This would primarily benefit producers, but would also help purchasers, who would be able to count on less volatile pricing.

Jesse Marzouk is a vice president and forestry products specialist. He has appraised numerous U.S. and Canadian pulp, paper, and lumber-related companies involved in manufacturing and distribution. Jesse received his MBA in finance from Kellogg School of Management at Northwestern University, and has a degree in finance and accounting from Indiana University.



For Further Information, Please Contact:
Jesse Marzouk | 847-849-2959 | fax 847-521-7896 | jmarzouk@hilcoglobal.com

This publication has been prepared solely for the use of clients and professional associates of The Hilco Organization. No warranty is given as to the accuracy, completeness of the information or opinions provided in this publication. The publication should not be used as specific advice and is intended for general information purposes only.