



Hilco™

Valuation Services Lumber Industry Perspective

4TH QUARTER 2013

INDUSTRY

INFORMATION

>> U.S. housing starts will total approximately 925,000 units in 2013, an increase of approximately 19% but still lower than historical averages of 1.3 million homes.

>> 30-year mortgage rates, which had jumped 100 basis points in the middle of 2013, have recently stabilized.

RECENT VALUATION/ LIQUIDATION EXPERIENCE

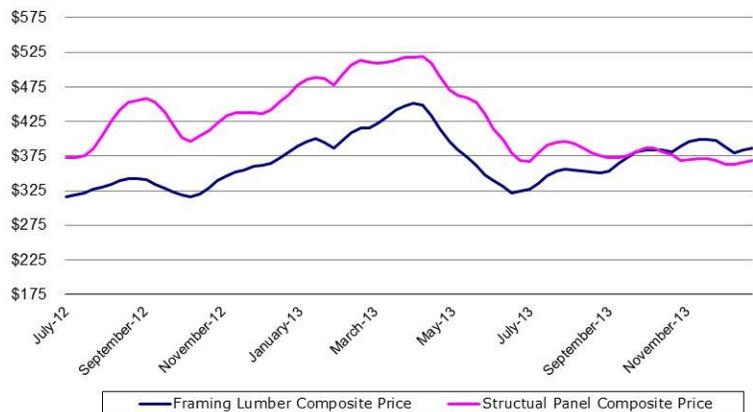
- BlueLinx Corp.
- Tembec Inc.
- Northwest Hardwoods
- Eacom Timber Corp.
- Western Forest Products
- Potomac Supply Corp.
- Kitchens Brothers
- Simpson Lumber Co.
- Resolute Forest Products Inc.

Lumber prices march higher in Q4

Lumber prices continued to move higher in the final quarter of 2013 after rebounding in the third quarter. The *Random Lengths Framing Lumber Composite Price (FLCP)*, which includes prices from a variety of softwood framing species, ended at \$390 per thousand board feet (MBF) after starting the quarter at \$381 per MBF. Additionally, the price throughout the quarter never traded below the price where it started the quarter.

Lumber prices moved higher as housing starts came in stronger than expected in the final few months of the year. Seasonally adjusted housing starts for November, which is the most recent month available, increased to almost 1.1 million units. This number is 29.6% higher than the number of starts in November 2012 and brings the total year to date gain in new housing starts to 19.2%.

Random Lengths Lumber and Structural Panel Composite Pricing Last 18 Months



At a time when people began to worry about the impact of higher mortgage prices on demand for new houses, it appears that the housing market is accelerating into the beginning of 2014.

Panel prices, which had been more volatile than lumber prices in the first half of 2013, actually declined slightly during the fourth quarter. Typically lumber and panel prices trade together, but while lumber prices rebounded from a second quarter swoon, panel prices have not. The main issue

weighing on panel prices, and especially prices of oriented strand board (OSB), is the large amount of supply that has come onto the market in the last year. One factor that may help lift prices of OSB, is a higher level of industry consolidation, which would be achieved through the purchase of Ainsworth by Louisiana Pacific. The Department of Justice still has not given final approval for the deal, but its decision is expected to arrive in early 2014.

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.

