



Hilco Appraisal Services, LLC

Lumber Products Industry Perspective

THIRD QUARTER 2012

PRIMARY RECOVERY FACTORS

>> U.S. housing starts in 2012 will total approximately 750,000 units, an increase of 25% from 2011 levels. Most of the gains are being driven by increases in the multi-family sector.

>> The low level of inventory held by wholesalers has helped drive the recent gains in panel prices as the housing market has rebounded.

RECENT APPRAISAL EXPERIENCE

- BlueLinx Corp.
- Tembec Inc.
- Eacom Timber Corp.
- Western Forest Products
- Northwest Hardwoods
- Simpson Lumber Co.
- Flakeboard Company
- Resolute Forest Products Inc.
- CanWel Building Materials Ltd.

Panel prices on a wild ride

By Jesse Marzouk

Lumber prices in the third quarter averaged more than in the second quarter, although declines at the end of the September tempered enthusiasm. The *Random Lengths* Framing Lumber Composite Price (FLCP), which includes prices from a variety of softwood framing species, ended at \$323 per MBF after starting the quarter at \$318 per MBF. They rose as high as \$342 per MBF during the third quarter of 2012.

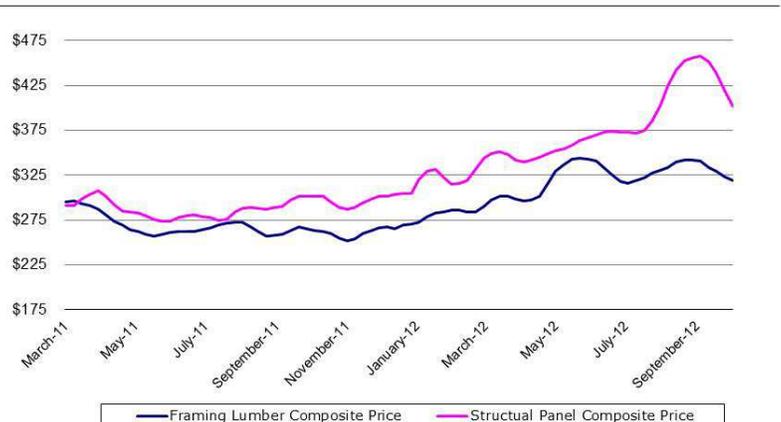
The real story, however, was in the panel market. Prices for oriented strand board (OSB), and, to a lesser extent, plywood, went parabolic during the quarter before falling sharply. At one point, OSB prices were up more than 40% from the start of the quarter. The Random Lengths OSB panel composite

price started the quarter at \$279, and reached as high as \$399 before settling back down at the end of September at \$321. A few factors drove the increase. First, the overall recovery in the housing market has been stronger than anticipated by mills and distributors. Secondly, distributors began to bump up against credit limits as prices increased, which only served to keep a lid on supply.

Prices increased sharply as builders had to purchase a scarce amount of product during the seasonally strong construction period.

Capacity additions in the OSB market are coming because of the higher prices. Even with the sharp pullback in prices recently, it will be a better year for panel producers than almost anyone imagined heading into the year.

Random Lengths Lumber and Structural Panel Composite Pricing
Last 18 Months



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.



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