



Hilco Appraisal Services, LLC

Lumber Products Industry Perspective

FIRST QUARTER 2012

PRIMARY RECOVERY FACTORS

>> Seasonally adjusted housing starts in the U.S. reached 706,000 units in January 2012, the highest level since the beginning of 2010.

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

RECENT APPRAISAL EXPERIENCE

- BlueLinx Corp.
- Tembec Inc.
- Eacom Timber Corp.
- Western Forest Products
- Northwest Hardwoods
- Simpson Lumber Co.
- Hood Industries
- Flakeboard Company
- Resolute Forest Products Inc.
- Confex Timber Inc.
- JT Shannon Lumber Co.

Lumber Prices Gain about 10%

By Jesse Marzouk

Softwood lumber prices gained approximately 10% in the first quarter of 2012. The *Random Lengths* Framing Lumber Composite Price, which includes prices from a variety of softwood framing species, ended at \$298 per MBF after starting the quarter at \$270 per MBF. Prices increased as housing starts rebounded and distributors were forced to buy amid previously low levels of inventory.

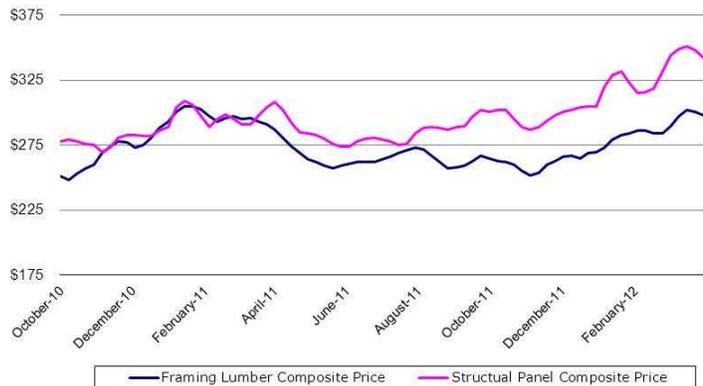
Seasonally adjusted housing starts in the U.S. averaged 697,000 units from November 2011 through February 2012, reaching the highest levels since the first-time homebuyer tax credit spurred demand in early 2010. Although warm winter weather across much of the country was partially responsible for the gains, it ap-

pears that the U.S. has hit bottom in terms of new home construction starts. While the recent gains in new home construction is certainly a positive, it is unlikely that lumber and panel prices will experience a sustained recovery until housing starts reach at least 900,000 to 1 million units.

The recent gains in housing starts have averaged approximately 25%. The majority of the

gains, however, has come from the multi-family sector. If this trend holds, it presents a problem for lumber and panel producers, as the average multi-family unit utilizes approximately one-third the amount of lumber as a single-family home. It will be interesting to watch if this recent trend becomes a longer term trend, or if it simply a function of the foreclosure process and demand for rental units.

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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