



Hilco Appraisal Services, LLC

Lumber Products Industry Perspective

SECOND QUARTER 2012

PRIMARY RECOVERY FACTORS

>> Seasonally adjusted housing starts in the U.S. reached 760,000 units in January 2012, the highest level since 2008.

>> The low level of inventory held by wholesalers has helped drive the recent gains in lumber 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.
- JT Shannon Lumber Co.
- The Teal-Jones Group

Lumber Prices Gain More in Q2

By Jesse Marzouk

Although off of their mid-quarter highs, softwood lumber prices gained 5% to 10% in the second quarter of 2012, depending on the product. The *Random Lengths Framing Lumber Composite Price (FLCP)*, which includes prices from a variety of softwood framing species, ended at \$318 per MBF after starting the quarter at \$298 per MBF. Prices increased as housing starts continued their slow march higher and a large fire shut down one of Canada's largest producers of spruce-pine-fir (SPF) lumber.

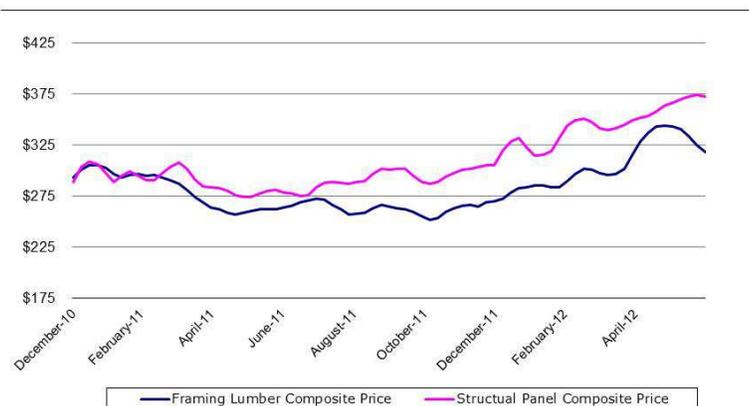
At the end of May, the FLCP reached a high of \$344, but dropped to \$318 at quarter's end. The reason for the drop in June primarily was related to Canadian mills shipping more lumber into the U.S amid reduced duties because of higher lumber prices. The phenom-

non of Canadian mills shipping more product into the U.S. and negatively affecting prices after they spike likely will continue in the coming years, at least until the U.S. reaches a more normalized level of housing starts, which is in the range of 1.2 million starts annually.

When the U.S. does reach that level, however, which could happen as early as 2015, lumber prices may be at significant-

ly higher levels than where they are now. Demand for lumber in the U.S. will be higher because of increased housing activity, while demand from China is expected to remain strong. On the supply side, the worst of the effects of the pine beetle will hamper supply from Western Canada, while Eastern Canadian mills are facing government reductions in their cutting rights.

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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