



# Hilco Appraisal Services, LLC

## Lumber Products Industry Perspective

FIRST QUARTER 2013

### INDUSTRY

### INFORMATION

>> U.S. housing starts in 2012 totaled 780,600 units, an increase of more than 28% from 2011.

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

### RECENT APPRAISAL EXPERIENCE

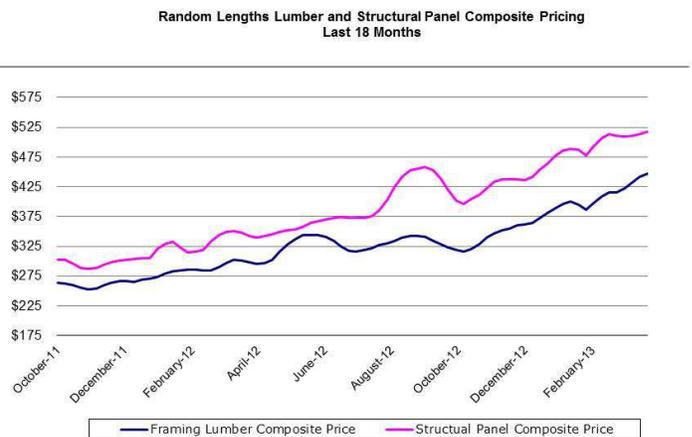
- BlueLinx Corp.
- Tembec Inc.
- Northwest Hardwoods
- Eacom Timber Corp.
- Western Forest Products
- Potomac Supply Corp.
- Teal Jones
- Simpson Lumber Co.
- Flakeboard Company
- Resolute Forest Products Inc.
- American Forest Products

## Lumber prices jump up in Q1

By Jesse Marzouk

Lumber prices continued their strong run in the first quarter and finished the quarter at their highest prices in years. The *Random Lengths* Framing Lumber Composite Price (FLCP), which includes prices from a variety of softwood framing species, ended at \$447 per thousand board feet (MBF) after starting the quarter at \$388 per MBF. Panel prices, which have been more volatile than lumber prices, also continued their march higher, with gains seen in both oriented strand board (OSB) and plywood.

The lumber price increases can be easily attributed to supply and demand factors. Housing starts, which have seen recent year over year gains of 25% to 30%, and remodeling activity in the U.S. have rebounded sharply. At the same time, a number of supply factors have limited the amount of lumber available to the U.S. market. Those factors include: 1) Labor



shortages for both loggers and sawmills because of previously weak lumber prices and higher paying jobs in the oil and gas and mining industries; 2) Reduced timber available to sawmills in western Canada because of the devastating effects of the mountain pine beetle; 3) High log prices in the Pacific Northwest because demand for logs in China has reduced sawmills incentive to cut lumber; 4) Low inventory levels in the system because of tight

credit standards as lumber prices began to rise; and 5) Fires that destroyed a number of mills in Canada.

Going forward, lumber prices appear to be on strong footing because at least some of the aforementioned factors cannot be remedied easily. With regards to OSB prices, everyone in the market is trying to determine the impact that the restart of a number of mills in the first half of 2013 will have on 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.



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