



# Hilco<sup>TM</sup> Valuation Services

SECOND QUARTER 2013

## INDUSTRY

### INFORMATION

>> U.S. housing starts are on pace to reach between 950,000 and 1 million starts in 2013, an increase of approximately 20% but still lower than historical averages of 1.3 million homes.

>> Mortgage rates over the last few months have increased more than 100 basis points.

### RECENT APPRAISAL 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.
- C&C Wood Products

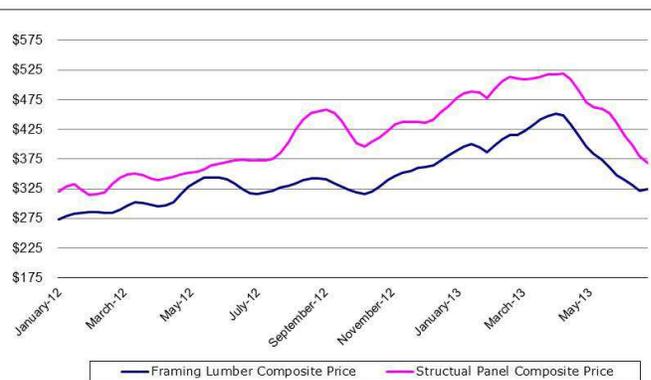
## Lumber prices plunge in Q2

By Jesse Marzouk

Lumber prices plunged in the second quarter as increased supply and weather delays caused the market to crack. The *Random Lengths* Framing Lumber Composite Price (FLCP), which includes prices from a variety of softwood framing species, ended at \$324 per thousand board feet (MBF) after starting the quarter at \$447 per MBF. Panel prices, which have been more volatile than lumber prices, also fell hard. In the second quarter, the price gains since the middle of 2012 were erased for most lumber and panel products.

Over the last year, lumber mills have taken advantage of higher prices as a number of supply factors limited the amount of lumber on the market. That changed drastically in the second quarter of 2013 as weather conditions slowed housing starts and the increased capacity brought online over the last year finally resulted

Random Lengths Lumber and Structural Panel Composite Pricing  
Last 18 Months



in an oversupplied market. Although housing starts increased 28% in 2012 and should increase approximately 20% in 2013, demand still remains below normalized levels and the mix has shifted towards multifamily units, which on average use one-third the amount of lumber of single family units. The truth is that the housing market still remains in recovery mode and is not robust enough to absorb additional lumber supply.

A big question heading into the third quarter is how higher mortgage rates will be balanced by decreased supply that is surely to come as Canadian mills will be subject to renewed duties and import quotas because of the drop in lumber prices. It is too early to determine the impact of higher mortgage rates as they have not had time to work through the system, but they will be watched closely by the housing industry.

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.



For Further Information, Please Contact:  
Jesse Marzouk | 847-849-2959 | fax 847-521-7896 | jmarzouk@hilcoglobal.com

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