



Hilco Appraisal Services, LLC

Lumber Products Industry Perspective

FOURTH QUARTER 2012

PRIMARY RECOVERY FACTORS

>> U.S. housing starts in 2012 will total approximately 750,000 units, an increase of approximately 25% from 2011 levels.

>> 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.

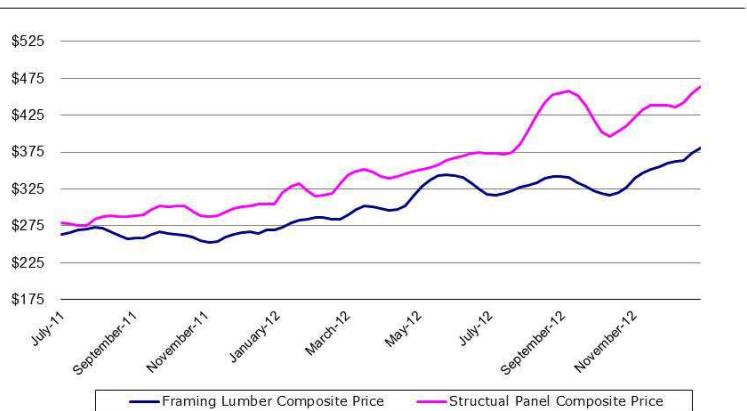
Lumber prices finish year on highs

By Jesse Marzouk

Lumber prices continued their strong run in the fourth quarter and finished the year 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 \$381 per MBF after starting the quarter at \$319 per MBF. Panel prices, which have been more volatile than lumber prices over the last six months, also continued their march higher after a correction at the end of the third quarter.

Lumber prices increased steadily throughout the fourth quarter and really picked up steam after Hurricane Sandy ravaged the east coast. While the storm provided a convenient excuse for higher prices, the real story continues to be one of demand coming back strongly and supply still being limited.

Random Lengths Lumber and Structural Panel Composite Pricing Last 18 Months



Demand has continued higher amid the rebound in new home construction and remodeling activities. Seasonally adjusted new home construction starts averaged 864,000 for the September through November period, an increase of more than 20% from the year ago period. On the supply side, lumber producers have been unable or unwilling to increase supply. Sawmills have been unable to increase supply primarily be-

cause of the effects of the pine beetle in B.C. and logging and sawmill labor shortages. Producers have also been unwilling to increase supply amid a still uncertain economic environment. If the housing market continues recovery for a second straight year in 2013, however, many sawmills will likely increase supply to meet the higher level of demand.

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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