BUILDING MOMENTUM





The downturn in the 2015 housing market resulted in oversupply, driving prices of building materials lower. 2016 has seen a slight uptick approaching historical averages, but industry stagnation and the overall economy have kept pricing in check.

REMODELING THE INDUSTRY

2015 was a perfect storm — export and labor issues exacerbated a historically bad winter. While 2016 has seen significant improvement, seasonally adjusted housing starts have begun to flatten out.

PRIVATELY-OWNED HOUSING STARTS

T 17.0% Feb 2014 - Feb 2015

35.8% Feb 2015 - Feb 2016 **▲** 0.9%

Feb 2016 - July 2016







Source: U.S. Department of Housing and Urban Development

SOFTWOODS GROW STRONGER

SOFTWOOD COMPOSITE PRICING

\$297 MBF

October 2015

Low construction

activity, worsened by

Chinese markets,

\$385 MBF*

January 2015

Pricing dropped alongside downturn of residential construction markets.



* MBF: Thousand Board Feet

\$360 MBF

July 2016

Demand has driven an erratic rebound, climbing from 2015 but short of 2014's highs.



Source: Random Lengths

HARDWOOD FLOURISHES IN UNCERTAIN SOIL

2016 has seen prices significantly recover from 2015, both overseas and domestically. Prices for red oak, white oak, poplar, hard maple, and ash have largely returned to 2014 levels, when limited supply created high prices.

WHITE OAK COMPOSITE PRICING

RED OAK COMPOSITE PRICING

\$1,543 MBF

January 2015



\$1,570 MBF May 2016



\$1.943 MBF January 2015



\$1,788 MBF



\$2.035 MBF

May 2016



Source: Hardwood Market Report

FRAMING THINGS UP



Over the past year, lumber producers increased production in anticipation of improved demand, keeping supplies high.



Separately, the strength of the U.S. dollar has resulted in higher prices in lumber export markets.



In summary, both macroeconomics and industry factors have generated a modest price recovery, not a return to previous levels.

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