



Hilco™

Valuation Services Lumber Industry Perspective

4TH QUARTER 2018



INDUSTRY INFORMATION

>> Non-seasonally adjusted housing starts in the U.S. increased 4.2%, year-over-year, in the first 11 months of 2018 vs. 2017.

>> Mortgage rates were volatile in the second half of 2018 and increased rates led to a slowdown in the U.S. housing market.

RECENT VALUATION/ LIQUIDATION EXPERIENCE

- BlueLinx Corp.
- Northwest Hardwoods
- Eacom Timber Corp.
- Kitchens Brothers Manufacturing Co.
- Resolute Forest Products
- Danzer Group

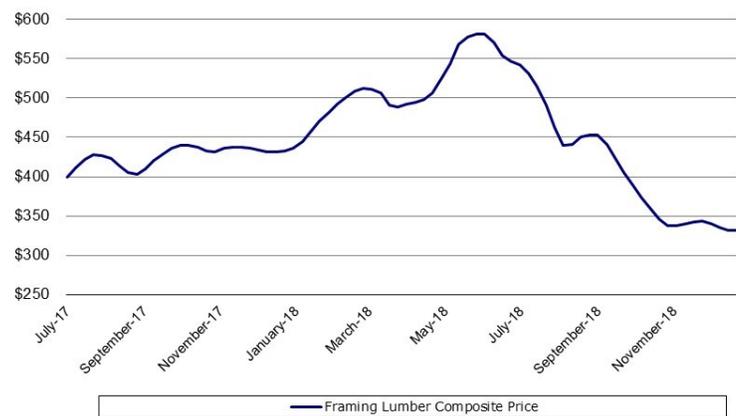
Lumber prices end down in volatile 2018

By Jesse Marzouk

Lumber prices declined in the fourth quarter of 2018 and finished lower than where they began the year. The Random Lengths Framing Lumber Composite Price (FLCP), which includes prices of a variety of softwood framing species, ended at \$332 per thousand board feet (MBF) after starting the fourth quarter at \$405 per MBF. The FLCP, which started 2018 at \$433 per MBF, reached as high as \$582 per MBF in June 2018 before collapsing in the second half of 2018.

Lumber prices soared in the first half of 2018 as transportation issues limited the lumber supply available from Western Canada and demand from the U.S. housing market remained strong. The transportation problems eased in the second half of the year and sawmills expanded lumber production, attempting to take advantage of high prices. The additional lumber supply

Random Lengths Framing Lumber Composite Pricing
Last 18 Months (\$ per thousand board feet)



coincided with a slowdown in the U.S. housing market in the second half of 2018, however, amid high housing prices and rising interest rates. These factors led to the sharp decline in lumber prices starting in July 2018.

It is difficult to forecast lumber prices in 2019 due to a number of factors. One of those factors is the state of the U.S. economy, which clearly cooled in the fourth quarter of 2018 as a result of an economic slow-

down in Europe and China and tariffs imposed by the United States and China. The level of interest rates are also an important determinant of lumber prices as the housing market weakened in the second half of 2018 as interest rates increased. Finally, lumber prices likely would be impacted if U.S. and Canadian sawmills to come to an agreement to eliminate the duties that have been in place on shipments of softwood lumber from Canada to the U.S. since February 2017.

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.

