NEWS &&& VIEWS

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PMA / WPA

Joint Conference

Nelson

21 & 22 July 2011

Presentations on

our website:

www.pine.net.nz/annual-conference/presentations-2011

Inside this issue:

Newsletter Editorial - from Lawrie's Desk

PACIFIC RIM MARKET DYNAMICS

This message is a general explanation of the current dynamics in the Asia/Pacific marketplace for wood products, where demand for logs has taken a sustained and quantum leap.

The result is that forest owners exporting logs are in a strong position, while downstream wood processors are experiencing both a tightening supply of raw material and upward pressure on raw material pricing.

So what forces are at play in Asia/Pacific that has brought about this situation?

While construction markets around the Pacific Rim are flat commodities prices are booming. Log prices especially in North Asian markets are at or near all time highs and ongoing demand are strong. This Bull Run began early last year and caught everyone out, including the NZ forest owners.

The question many people in the commodity business ask is this just another cycle or are we witnessing prices that are here to stay? In my discussions with a number of industry players there are those that strongly believe this is a paradigm shift and those that believe it is merely another boom and bust cycle. I throw my vote in with the latter group.

So if it is boom and bust the next question people then ask (especially wood processors and manufacturers) is when will we start to see a downturn in commodity prices? This is when the crystal ball becomes rather murky as no one among my contacts has a firm view on "the when". A recent (late April) drop in export log prices is considered by the NZ forest owners to be a "seasonal adjustment". Or is that just an attempt at positive self-talk!

The main factor driving these strong commodity price lifts is the insatiable demand for logs and lumber by China. In 2010 China's log imports went up by 22% in volume, while lumber went up by 49% in volume. The first quarter of 2011 has seen continued strong demand by the Chinese.

Industry analysts expect Chinese wood demand to continue to increase by 8-10% a year for the next five years, even though wood is still a minor player in the Chinese housing market. Most houses in China are made from reinforced concrete or brick and NZ logs are mainly used on a support role, for concrete boxing or product pallets.

Wood-framed houses have been strongly promoted in the past by the Canadian and American wood industries with only limited success. But Canadian financial analyst Paul Quinn senses change in the wind. "Many believe we are close to a tipping point where wood-frame construction takes a significant market share," he says.

His optimism is offset by the pessimists who say the construction boom is being driven not by consumers, or by a newly affluent middle class, but by the Chinese Government using its foreign reserves to stave off a potential recession.

In *Pallet Enterprise* magazine Dr Charles Ray of Penn State University says the Chinese house price bubble will burst far more dramatically than anything that has occurred in the United States. Chinese Government efforts to prevent this mainly by increasing interest rates have the potential to depress demand for all commodities including logs and wood products.

So far there is no sign of this happening. China's first interest rate increases were in November and log prices have increased each month since then.

Building demand for NZ logs is also underway in India, where exports have gone from 593,000 m3 December end 2008 to 1,165,000 m3 December end 2010.

And of course the most recent earthquake disaster in Japan will also put pressure on demand for wood fibre out of New Zealand.

Newsletter Editorial—cont. from page 1

Meanwhile the more traditional markets for New Zealand wood processors and manufacturers – New Zealand, Australia and the USA – are all suffering an on-going malaise, as housing starts in all three markets sit at record 30-year lows!

Against this backdrop New Zealand wood processors and manufacturers are having to deal with NZ forest owners pushing for price parity, so log and in turn lumber prices rise, which in turn inexorably push up raw material pricing to the manufacturing and building sector.

This is certainly a confounding situation for New Zealand wood processors and manufacturers, where their suppliers (the forest owners and log exporters) are experiencing sustained demand, yet the wood processing and manufacturing sectors are selling product into traditional markets where demand is flat to falling.

This is truly a game of two halves!

Lumber price increases to New Zealand manufacturers in the first four months of this year moved upward between 7 and 10% (there was a similar increase last year) and already wood processors (sawmillers) have advised manufacturers to expect another increase later this year!

New Zealand wood processors and manufacturers have no other choice than to pay up … and so price increases must pass on up through the supply chain.

It is important for the entire supply chain to be moving at the same pace, or there will be losers in the process. The challenge in all of this change for wood processors and end users alike of course is to ensure the price of wood products doesn't rise to such a level that other material substitutes take market share as wood prices itself out of the market.

Postscript: This was written at the end of May, before the latest log price crash—Lawrie

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FORESTWOOD 2012

"New World in Wood"

Venue : The conference will be held on the 21st March 2012 in the Museum of New Zealand, Te Papa Tongarewa, Cable Street, Wellington.

Programme : The ForestWood 2012 Conference is entitled **"A New World in Wood"**

- The first theme is "the new world in which we live" and will traverse the unfolding political, scientific and financial factors that influence our business operations
- The second session will emphasis "why new forests and wood product technologies are so important for the sector to contribute fully to NZ's environmental, social and economic well being". While on the topic of the nation's well being, the industry will unveil its strategy to grow the sector, both domestically and internationally and consider approaches undertaken elsewhere
- The third session is all about "Seismic Shifts". Shifts in new energy, in new technology and in emerging market expectations. This session will be complemented with a closing focus on government's potential to facilitate industry growth via new policy leadership such as national forest policy, supportive regulatory frameworks, genetically modified organisms, bio-energy and timber procurement

Come along and gain an insight into this "New World in Wood" www.forestwood.org.nz

FICA FOREST OWNERS ASSOCIATION PINE Manufacturers WPA WOOD PROCESSORS Association of New Zealand

Pick & Mix

NZ Wood September Design Seminar Series

Source: NZ Wood—Jason Guiver

International experts will showcase and discuss the real benefits of structural timber in multi-storey and high-rise construction.

Key International Speakers

Andrew Waugh from Waugh Thistleton Architects in the UK – designers of the world's current tallest wooden residential building – the nine-storey Stadthaus in Murray Grove, London.

Dr Paolo Lavisci , structural engineer from LegnoPiù consultancy in Prato, Italy – participant in the rebuild of L'Aquila after the earthquake in 2009 and consultant for four eight-storey wooden tower blocks to be built in Milan this year.

- **Christchurch**: 8 September 12.30pm - 4.30pm
- **Dunedin**: 12 September 10.30am - 2.30pm
- **Nelson**: 13 September 12.30pm - 4.30pm
- **Wellington**: 14 September 12.00pm - 4.00pm
- **Auckland**: 15 September 12.30pm - 4.30pm

Engineers are increasingly exploiting woods unique properties to design structures that combine safety with sustainability and style.

The NZ Wood Design September seminar series offers the opportunity to learn first-hand from leading architectural and engineering practitioners as to why the building material of choice for thousands of years is the next big thing in cutting-edge construction.

Email *melanie@nzwood.co.nz* to register your interest or visit the event listing on the *NZ Wood website here.*

A Peek into the Future : NZ Wood Team Wins!

Source: The Press 5 July 2011

A plan to redevelop the Orion Site on Gloucester Street by a group from NZ Wood won the Supreme Award at the 48 Hour Design Challenge over the weekend.

Orion Site - redeveloped by Team NZ Wood

The event, run by the Christchurch City Council and held at Lincoln University, provided an opportunity for Council to gain inspiration from the design and architecture industry, while testing the draft Central City Plan currently being developed.

NZ Wood Team leader Jason Guiver says the 15,000m² site owned by Orion NZ has only four of its original seven buildings following the recent earthquakes.

"This gave us a lot to work with and we were actually able to provide more building space and an increased open area for pedestrians.

"Our main focus was to demonstrate the advantages of using timber technology that's being developed here in Christchurch. Timber buildings that are designed in a certain way are safer and less likely to be damaged during an earthquake – and it doesn't cost any more to build."

The team's concept incorporated green space, affordable apartment living, pedestrian access from Latimer Square through to the Avon River and it retained historical elements of the site.

Central City Plan Project Sponsor Mike Theelen says it was great to see a winning proposal that was clearly aligned to the Plan and ideas from the public.

"The public have indicated their desire for increased green spaces, as well as low-rise buildings that feel safe. People not only need to be told the city's buildings are safe – they need to know why and to really trust this is the case. It all comes back to putting people at the centre of the Central City rebuild."

A total of 15 teams took part in the Challenge, with seven people in each including engineers, planners, urban designers, architects and landscape architects, as well as one student on each team.

The four sites within the Red Zone included the Cathedral Square and BNZ Building; 160 Gloucester Street; the Orion NZ Building at 203 Gloucester Street; and 90 Armagh Street, including the Avon River and Victoria Square. The fifth site, which sits outside the Red Zone, is the former Christchurch Women's Hospital at 885 Colombo Street.

NZ Wood was presented the Supreme Award at an awards ceremony on Sunday evening. Each participant won two nights accommodation for four people at Peppers Bluewater Resort in Tekapo.

The winning team's student Ben Carter, who is studying engineering at Canterbury University, won a trip to Melbourne to take part in the City's Landscape Urbanism Three Day Design Challenge from 25 to 30 July.

Mr Guiver says, "It was great to win, but we also just really enjoyed the whole event. I only had five hours sleep on the Friday night and then stayed up through to the end on Sunday – but it was well worth it."

Images from the team's final presentations are available online at the Share An Idea page.

Review of PMA / WPA Joint Industry Conference 21 & 22 July 2012

Source: Lawrie Halkett—NZ Pine Manufacturers Assn.

The conference theme "Re-inventing Wood" focussed primarily on how the timber and wood products post the Christchurch Earthquakes will position itself. There is huge potential for re-creating Christchurch with innovative timber buildings that could well make this an internationally iconic green city of the future.

Re-inventing wood was considered an apt title for a conference as it attempted to lift the focus of many participants from commodity production to high-value manufactured and branded timber solutions.

The conference was actually held inside the Nelson/Marlborough Institute of Technologies Media Studies Building, a world first post-tensioned, timber engineered, wide span, multi storey building. This building is most definitely becoming world famous in Nelson, and excitingly has already triggered the construction of a number of similar structures elsewhere in New Zealand.

The Conference was opened by Aldo Miccio, Mayor of Nelson. He was following by Government list MP Nicky Wagner, of Christchurch Central. Nicky gave an excellent outline of what Cantabrians are dealing with in Christchurch and the challenges confronting Christchurch and the nation as demolition and re-building gets underway.

Graeme Beattie a structural engineer with the Building Research Association of New Zealand has been intimately involved with assessments in Christchurch post both the September 2010 quake and the more recent and deadly February 2011 quake. Graeme is closely involved in work on standards and codes and is a member of Seismic Society of Engineers and was well qualified to give an overview to conference delegates on the performance of building materials in the Canterbury Earthquakes and lessons learned.

Phillip Gregan the CEO for Wine Growers New Zealand outlined to delegates how the wine industry has been able to dramatically lift its game both in domestic and export markets, which will be timely as the forest and wood products industry currently undergoes its own strategic review. Given the current wine glut and drop in prices its looks like Nz Wine Growers will be going back to the drawing board!

Scott Gibbons, Managing Director of Gibbons Construction covered recent and in-the-pipeline standards and regulations that will enable timber in construction to reach it's full potential. Scott's very strong plea was for industry to organise, agitate and get these standards into place so specifiers had a greater confidence to prescribe wood products in major building projects.

As well, courtesy of the research consortia – Solid Wood Innovation Company fronted by Andries Popping and the Structural Timber Innovation Company fronted Robert Finch – delegates learnt how research developments are leading to smarter processing and new technologies that will open up huge opportunities for wood.

Andrew Irving of Irving, Smith and Jack is becoming widely known throughout New Zealand as the Architect behind the world first NMIT building. His presentation outlined the history behind the build of the NMIT building, as well as cost comparisons between steel, concrete and wood in construction. Andrew as always entertained, as well as educated..

One of the highlights of the conference was Stefano Pampinan, Associate Professor of Structural Design and Earthquake Engineering at University of Canterbury, relating the Italian experience in the wake of a devastating earthquake in L'Aquila in 2009. Stefano gave a very passionate and extensive presentation and is one all New Zealanders should listen to.

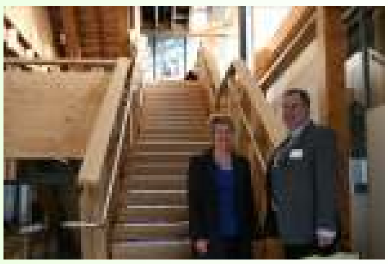
Jason Guiver – NZ Wood's Timber Design Director outlined industry plans to respond and assist in the rebuild of Christchurch. Jason also related the success of the "NZ Wood" design team that participated in and won the Christchurch City Council's 48 hour design competition.

Scott Gibbons, briefly outline four exciting new buildings in Nelson that delegates visited the following morning, all using engineered timber in clever building solutions.

And Finally Simon Brown, of Architectural Company Warren and Mahoney presented a vision for the future of Canterbury. This conceptual look strongly featured timber building solutions.

Go to the PMA website for all these presentations – http://www.pine.net.nz/annual-conference/presentations-2011

Conference Photo's








MARKET ROUNDUP

New Zealand

Do you need capital investment?

Source: Business NZ CEO Catherine Beard

One of the things that is a barrier to the growth of New Zealand manufacturing companies that are keen to tackle global markets is capital. How does a $10 million turn-over company become a $100 million turn-over company and successfully internationalise itself?

So how do you go about attracting capital investment? Many NZ companies that manage to get to the $10million turnover mark, struggle to find investment to take them to the next level. A unique idea is a good start.

Sir Paul Callaghan is fond of saying if you have not heard of it or don't understand it then it has a better chance of success internationally. This thinking is backed up by research conducted by Victoria University into what firms need to do to succeed in India and China. In big global markets with lots of multinationals competing, New Zealand firms have to have a unique product or service (preferably both) to stand out from the crowd. This is also appealing to outside capital.

The key attributes of success are a unique selling proposition, outstanding management/entrepreneurial skills (preferably with internationalisation skills) and access to capital. The latter is not an easy thing to resolve, though the New Zealand Institute has pointed out that other successful exporting economies, such as Denmark, Singapore, Hong Kong, Israel and the UK use the tax system to incentivise investments in export capable companies.

A venture capitalist at the recent Australia/New Zealand leadership forum suggested that in addition to tax incentives to invest in high tech growth companies, the NZ Superannuation scheme should be less risk averse with a portion of their investments and take a longer term view. In addition, larger companies should be encouraged to engage with smaller companies.

The Australia/New Zealand leadership forum also identified we need to tackle the tax system as it applies to double taxation on investments between Australia and New Zealand. The issue of the mutual recognition of imputation and franking credits is not a new one, and businesses on both sides of the Tasman want to remove this anomaly. We have the relatively free flow of goods, services and people, now we need to deal with the free flow of capital. Double taxation is a disincentive for businesses to invest between our countries. The New Zealand Government does not need to be convinced of this, but the Australian Government does, and BusinessNZ and ExportNZ plan to work on this issue with our counterpart business organisations in Australia.

One way for New Zealand manufacturers to attract capital investment is to be open to the idea of joint ventures with overseas partners. The other advantage of partnering with overseas investors is that they usually come with expertise, good connections and deep knowledge of the market you are trying to export to. Research undertaken by NZTE some time ago indicated that many NZ firms were very wedded to doing it all themselves which is a slower path to take.

Obviously, finding the right joint venture or investment partner is important. The High Commissioner of India, Admiral (Retd.) Sureesh Mehtaaid made the comment recently at a strategy meeting on India, that there is no shortage of capital in India (about $30 billion a year flows inwards and the same amount is invested outwards), and a good way to do business in India is to look for a partner that can invest and partner with you to internationalise your product or service. The message was that you don't need capital to do business in India if you partner with a local firm, but you do need intellectual capital.

New Zealand manufacturers interested in raising capital should check out the New Zealand Venture Investment Fund, Angel Association New Zealand, NZTE Escalator, and TechNZ's "Global Expert" service can help with commercialisation advice as well as solving a technical problem.

Consents up in March, down for year.

Source: The Dominion Post 5 May 2011

House building consents picked up a little outside Canterbury in March, but have fallen 28 per cent in the past year to the lowest levels in 30 years.

In the March year, consents were issued for just 14,611 homes, the worst figure since 1981, and the coming year could be even more dire, as low as 12,000 houses, an industry group said.

The Master Builders Federation said the construction sector was well into its third year of recession.

If you want to get building done, do it now. Finance will never be cheaper, access to builders will never be easier, you'll get a sharp price and they will turn up. But that will change.

NZ Economy

Source: BNZ Weekly Overview 28 July 2011

The official cash rate unchanged at 2.5% while noting that the justification for the 0.5% cut back in March post-earthquake had all but disappeared but they are staying their hand just for the moment to see how things pan out offshore and because the NZD is so high.

The markets have now moved to factoring in a 0.5% cash rate rise from September and that is our view also now. We then expect no rise in October then another in December so the cash rate ends the year at 3.25%. We then see another rise as likely in March and the rate ending 2012 at 5%.

The higher interest rate expectations have boosted the NZ dollar further – though the big factor in play which pushed it to US 87.7 cents yesterday and has it near 87 cents this afternoon was worries about the debt situation in the United States. Some investors are quitting the US currency and placing tiny amounts of their money in the likes of the NZ and Aussie dollars. Speaking of the latter, it has jumped up firmly this week because inflation in the June quarter in Australia was higher than expected so now the markets have pulled back on expecting an easing of monetary policy across the ditch and that is why the AUD has risen, we have eased against the AUD, and why we have had a bit of extra upward pressure on our wholesale interest rates.

Export growth continues though no longer at a blistering pace. In seasonally adjusted terms the value of merchandise exports from New Zealand recovered 1.2% in June after easing 8.1% in May and rising 8.3% in April. In other words, the monthly numbers can go all over the place so one must smooth over at least a three month period. Doing this we see that in the June quarter the value of exports improved by 2.4% after gaining 5.1% in the March quarter and 3.3% in the December quarter. The underlying growth in exports is very strong though there are hints that the rate of growth is slowing perhaps as we get past a period when surprisingly good growing conditions boosted pastoral exports and unlikely to be repeated price hikes fed into total receipts.

Australia

Australian Economy

Source: Westpac Weekly Commentary 1 August 2011

Australia's trade surplus is forecast to be $2.2bn in June, just $0.1bn lower than last month.

Exports are forecast to rise by 2%. The major plus is a sizeable rebound in coal volumes, following what has been a gradual recovery from the floods.

Retail sales continue to show greater than usual volatility, falling 0.6% in May after a 1.2% rise in April that included significant upward revisions. The May result brings trend sales more in line with our thinking, with April's 5% annual pace lowered to 3.8% pace – the long run average is 5½%yr.

We expect this volatility to give way to material weakness in coming months. The Westpac-Melbourne Institute Consumer Sentiment survey showed renewed consumer caution through the first half of the year and a sharp slump in sentiment in July. While some of this was due to concerns about the proposed introduction of a price on carbon and the deteriorating situation in Europe, the survey detail also suggests a sharp slowdown in spending. We expect June retail sales to be up just 0.3% but entirely due to price rises with underlying volumes likely contracting.

Australian Currency

Source: Westpac Morning Report 2 August 2011

Market outlook—AUD/USD and NZD/USD outlook next 24 hours: AUD has eked a 1.0910-1.1080 range during the past four days, requiring a break for directional guidance. Today's RBA meeting should leave rates unchanged, but markets will watch for off setting and inflation and consumption concerns. NZD momentum remains intact but it is becoming overbought, a wide 0.8620-0.8844 range likely to hold today. Today's wage cost report will be important.

Woolworths home improvement venture

Source: www.insideretailing.com.au

Woolworths and US chain Lowes have announced the establishment of the brand *Masters* into the $42 billion Australian home improvement sector. The first Masters store will open in October at Braybrook, Melbourne with a 13,500 square-metre outlet that will feature a separate trade-only area. A number of additional stores will be opened in Victoria and Queensland. Woolworths advise that its initial target is to secure 150 property sites within five years.

Australia Growth

Source: BNZ Weekly Overview 28 July 2011

In a speech the RBA Governor noted that he expects currently weak household spending will rebound at some point and that some of the current gloom could be overdone and will ease off. Here's hoping he is right. One issue however may be that the chances of the RBA cutting interest rates as the markets have been pricing in have just been dealt a blow with the June quarter CPI coming in higher than expectations at a 0.9% increase. Annual inflation is now 3.6%. Interestingly the result was only 0.1% more than expectations but it caused the Aussie dollar to jump by one cent as monetary policy easing expectations got slammed.

Housing Sales Drop

Source: HIA Media Release 1 August 2011

New home sales suffered their heaviest monthly decline in five years in June 2011, providing further evidence of the need to keep interest rates on hold, said the Housing Industry Association, the voice of Australia's residential building industry.

The latest HIA survey of Australia's major residential builders, showed that the number of new homes sold in June 2011 dropped by 8.7 per cent, the sharpest monthly decline since May 2006.

"There has been widespread anecdotal evidence for some time that new home demand hit a wall in mid-2011 and today's new home sales figures unfortunately confirm that situation," said HIA Chief Economist, Dr Harley Dale. "Evidence is mounting that weakness in the new home sector is accelerating even with interest rates on hold."

In the month of June 2011, detached house sales fell by 8.8 per cent, the second consecutive fall. The volatile units sector fell by 8.1 per cent in June following a jump of 23.3 per cent in May.

"In terms of government action, reducing the excessive costs of new housing is an important area of the domestic economy to focus on. The upcoming Tax Forum in early October offers a golden opportunity to reduce the high and inefficient taxation of a basic necessity, shelter, and therefore boost new housing supply," Harley Dale added.

Building Starts

Source: HIA Report 2 August 2011

Building approvals fell to a two year low in June 2011, said the Housing Industry Association. "Evidence continues to mount of an accelerated deterioration in new home building conditions," said HIA Chief Economist, Dr Harley Dale.

"That situation highlights the appropriateness of continued steady interest rates, the need for stimulus to arrest the new housing decline, and the importance of reform at the October Tax Forum to remove the excessive taxation levied on new residential construction," said Harley Dale.

In the month of June 2011 total seasonally adjusted building approvals fell by 3.5 per cent and were down by 3.4 per cent over the quarter. Detached house approvals fell by 3.8 per cent in June to be down by 4.2 per cent over the quarter. Approvals for „other dwellings" fell by 3.1 per cent in June 2011 following a 17.3 per cent drop in May. Over the June 2011 quarter, „other dwelling" approvals fell by 2.1 per cent.

"The profile for building approvals is unequivocally weak, implying housing starts running at an annualised level of around 146,000, at best," noted Harley Dale. "Underlying demographic demand is running at 174,000 dwellings per annum so the maths is rather poor.

Check out the Calendar of Events on page 10

USA

US moulding market breaks out of three year nosedive

Source: www.wbpionline.com Issue 2 2011

International Wood Markets Group has release the sixth edition of its Us Moulding market Outlook: 2011—2015.

North American and offshore moulding producers endured three consecutive years of massive reductions in moulding demand which has left only the most efficient producers able to benefit from improving builder demand and work.

A highlight from the report says that imports continue to provide the majority of raw material (shop & better lumber, blocks, and blanks) as well as finished mouldings (solid lineal wood, Finger-jointed wood and MDF), accounting ro 54% of US supply in 2010 and increasing to 57% over the next two years.

The report also claims that MDF mouldings continue to expand their market share at the expense of finger-joint and solid lineal wood mouldings.

Over the next two years, MDF is forecast to increase in volume by almost 30%, while finger-joint's gains are expected to be up 20% and gains in solid lineal wood should rise by just over 10%.

USA: Remodeling Activity Slows

Source: www.nahb.org/remodel 28 July 2011

The remodeling market slipped under pressure from a sluggish economy according to the National Association of Home Builders' (NAHB) Remodeling Market Index (RMI), which dipped during the second quarter to 43.9 from the first quarter result of 46.5. An RMI below 50 indicates that more remodelers report market activity is lower compared to the prior quarter than report it is higher.

The overall RMI combines ratings of current remodeling activity with indicators of future activity, like calls for bids. Current market conditions for the second quarter of 2011 fell to 44.8 from 46.1 in the first quarter. Future market indications dropped to 43.0 from 46.8 in the previous quarter.

"Remodelers have experienced the same hiccup that has rippled through the U.S. economy," said NAHB Remodelers Chairman Bob Peterson, CGR, CAPS, CGP, a remodeler from Ft. Collins, Colo. "After picking up the pace early in the year, the calls from customers dropped off and remodeling slowed down."

Regionally, current market conditions shrank in two areas: the Midwest to 44.4 (from 47.1 in the first quarter) and the South to 42.9 (from 46.1). The West at 48.2 (from 46.1) and Northeast at 48.1 (from 46.1) both climbed modestly.

Two indicators of current market conditions dropped: major additions to 46.2 (from 50.3 in the first quarter) and maintenance and repair to 38.4 (from 39.5). A third indicator, minor additions, remained essentially flat at 48.5 (from 48.0). Future market indicators also descended: calls for bids to 49.8 (from 53.1), backlog of remodeling jobs to 45.7 (from 49.7), and appointments for proposals to 44.2 (from 52.4). The amount of work committed for the next three months stayed level at 32.3 (from 32.1).

"While the RMI indicates that the home remodeling market softened somewhat in the second quarter, this is still the second highest RMI we've been able to report since the third quarter of 2007," said NAHB Chief Economist David Crowe. "There are several barriers blocking the way to a stronger recovery. Home owners who may want to remodel still face stringent lending requirements, and uncertainty about the economy is making them hesitant to undertake major improvements."

For more information about remodeling, visit www.nahb.org/remodel.

USA: Phantom Inventory May Stunt a New-Home Rebound

Source: http://www.builderonline.com/

Lost amid last week's report on new-home sales was that new-home inventory has dropped to next to nothing--165,000 homes. That works out to a paltry 3,300 homes per market if spread evenly across the top 50 markets. For that reason, some of the more bullish housing economists expect a sharp snap-back in new-home construction should demand ever return to the market.

I'm skeptical, given several other new normals in the housing market. While some people may prefer new homes, and may be patiently waiting for the right time to step into the market, the options for people willing to look at existing homes have never been better. National Association of Realtor numbers show that existing-home inventory remains high, at 3.765 million, compared to current levels of monthly sales. At current sales levels, it would take 9.5 months to sell all those homes.

Moreover, a phantom inventory of roughly 1 million vacant homes that are not currently on the market will eventually be offered for sale should conditions improve. This number comes from a different survey done by the U.S. Census, which attempts to figure out how many homes are sitting empty each year. Housing economists estimate that this metric is bloated over normal conditions by at least 1 million. Many of these homes were bought by investors during the housing boom.

Another long-term drag on the market may come from all the investors who have bought homes recently, hoping to sell them later once prices improve. The impact on the new-home market from this phenomenon hasn't been fully estimated. Some surveys estimate that investors accounted for nearly one quarter of existing-home sales in recent months.

The more likely scenario for a housing recovery is a slow return to normal levels as we burn off excess existing-home inventory.

Canada

Canfor sees India as new China as Canada pursues increased lumber exports

Source: http://winnipegfreepress.com/business/breakingnews/126408573.html

Forest products producer Canfor Corp. is hoping India becomes the new China and eventually delivers explosive demand for Western Canadian lumber.

Lumber shipments have begun to trickle into the world's largest democracy since trade barriers were lifted last December. Volumes are low for now, but Canfor CEO Don Kayne sees opportunities for strong growth.

"We're kind of looking at it as perhaps where China was 10 years ago," he said Friday during a conference call, a day after Canfor released second-quarter results.

In May, China overtook the United States as the largest export market for B.C. lumber. In the second quarter, Asian shipments led by China increased by 71 per cent from a year earlier.

Kayne said he believes the industry can double the volume going to China over the next five years.

"The market continues to expand at a fast rate, much faster than often we think. This whole wood frame construction side is really largely untapped," he told analysts and reporters.

Looking at its next emerging market, Canfor is at the very early stages of a 12-month effort to determine what parts of India offer the greatest opportunities and on which products it should focus its efforts.

Like China, India has a culture of using wood in home construction, but maybe not as much for quality SPF, or spruce, pine and fir timber produced in Canada.

"Clearly there is a desire for wood in that country, Kayne said. "They use a lot of wood today, it's just a question where SPF sits in that."

Besides domestic rivals, European producers are the largest competitors in India, added Kayne.

International Wood Products Group, which tracks Canadian lumber exports, said it plans to start tabulating monthly shipments to India next year.

Industry volumes have surged on a percentage basis off a very low base. "So lots of hype about India and lots of potential, but the actual business volume is insignificant so far in terms of total B.C. or Canada lumber exports," company president Russell Taylor said in an email.

The group says Canadian exports to China increased by 96.6 per cent in the first half of 2011 and China is poised to import about 35 per cent of British Columbia's total lumber production this year.

Canfor has operations in B.C., Alberta, Quebec, Washington state, and North and South Carolina. The forestry company produces softwood lumber, plywood substitute oriented strand board, remanufactured lumber and specialized wood products.

Japan

Post Japan Earthquake

Source: Timber & Forest E-newsletter August 2011

After the magnitude 9.0 earthquake and tsunami, Japan will seek to rebuild its damaged plywood manufacturing capacity as quickly as possible. The quake – among the top 10 most severe earthquakes ever recorded by seismographs – and the resulting tsunami wreaked unimaginable devastation to a large northern region of the island country.

The death toll estimate exceeds 15,000, with more than 8500 people still missing as of June 1. Estimates of recovery and reconstruction costs are expected to exceed $US309 billion, making this the world's most expensive natural disaster and dwarfing the 1995 Kobe earthquake.

The likelihood of an increase in demand for imported wood products is suggested by several key factors. Among them:

- More than 400,000 people lost their homes and perhaps as many as 150,000 buildings were destroyed, according to Wood Resources International, the US-based forest industry consulting firm.
- Japan, even before the disaster, was one of the largest importers of wood products in the world. The country imported wood materials (both raw material and finished wood products) valued at more than $US10 billion in 2010 – 20% more than in 2009.
- The earthquake and tsunami destroyed or severely damaged several Japanese plywood plants that together accounted for about 35% to 40% of the country's annual softwood plywood production, and about 10 to 15% of the country's total softwood and hardwood plywood supply (both domestically produced and imported).

The temporary but significant loss of a substantial portion of domestic plywood production capacity, coupled with the huge volume of structural wood panels that will be required for rebuilding, will definitely have an impact on structural wood panel demand, says Mr Barnes.

But that demand will be moderated by several factors. For example, the sheer magnitude of the cleanup effort and the challenges ahead in restoring power, transportation, port facility, and other infrastructure will stretch demand over a long period of time. Short-term demand has been and likely will continue for some time to be dominated by prefabricated emergency relief housing, not primary wood products.

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Calendar of Events

2—4th September 2011	Kawerau Woodfest 2011 (Kawerau • Kawerau Woodfest and National Woodskills Competition • Premier event for carving and wood turning
5-7th September 2011	FI 2011 Expo (Rotorua Events Centre) • International showcase for wood technology • www.FI2011.co,nz
6th September 2011	FITEC Awards (Rotorua Events Centre) • National training awards for the wood sector
21st March 2012	• ForestWood 2012 - Te Papa - Wellington Please mark this date in your calendar. This is a pan-industry conference being jointly hosted by PMA / FOA / WPA / FICA and supported by Woodco, NZFFA and FTMA www.forestwood.org.nz
9th—12th May 2012	DesignBUILD Queenland at the Brisbane Convention and Exhibition Centre. More details to come.
11th—14th July 2012	AWISA—The Exhibition will be held on the 11th to 14th July at the Sydney Exhibition Centre, Darling Harbour, Sydney. Visit: www.awisa.com

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