

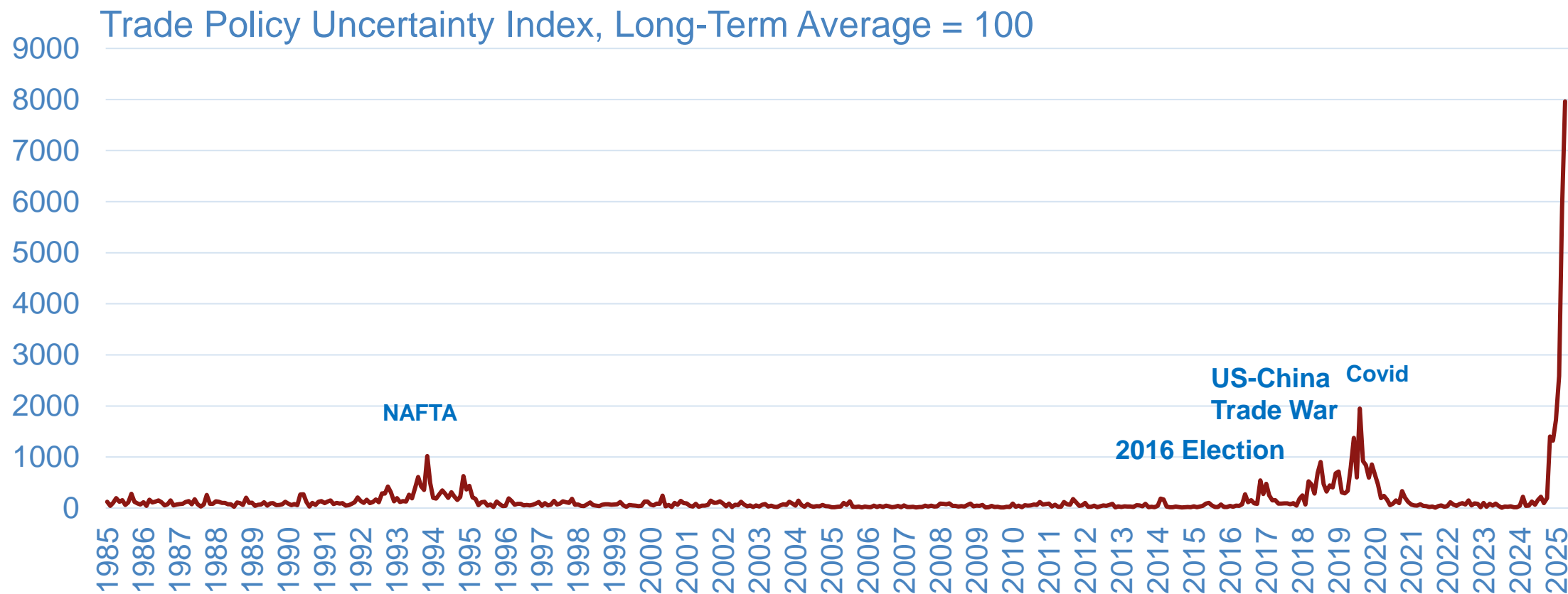
# North American Lumber Markets

Are Duties And Mill Closures Enough  
To Counter End-Use Market Stagnation

Paul Jannke  
MLB 86<sup>th</sup> AGM  
May 28<sup>th</sup>, 2025

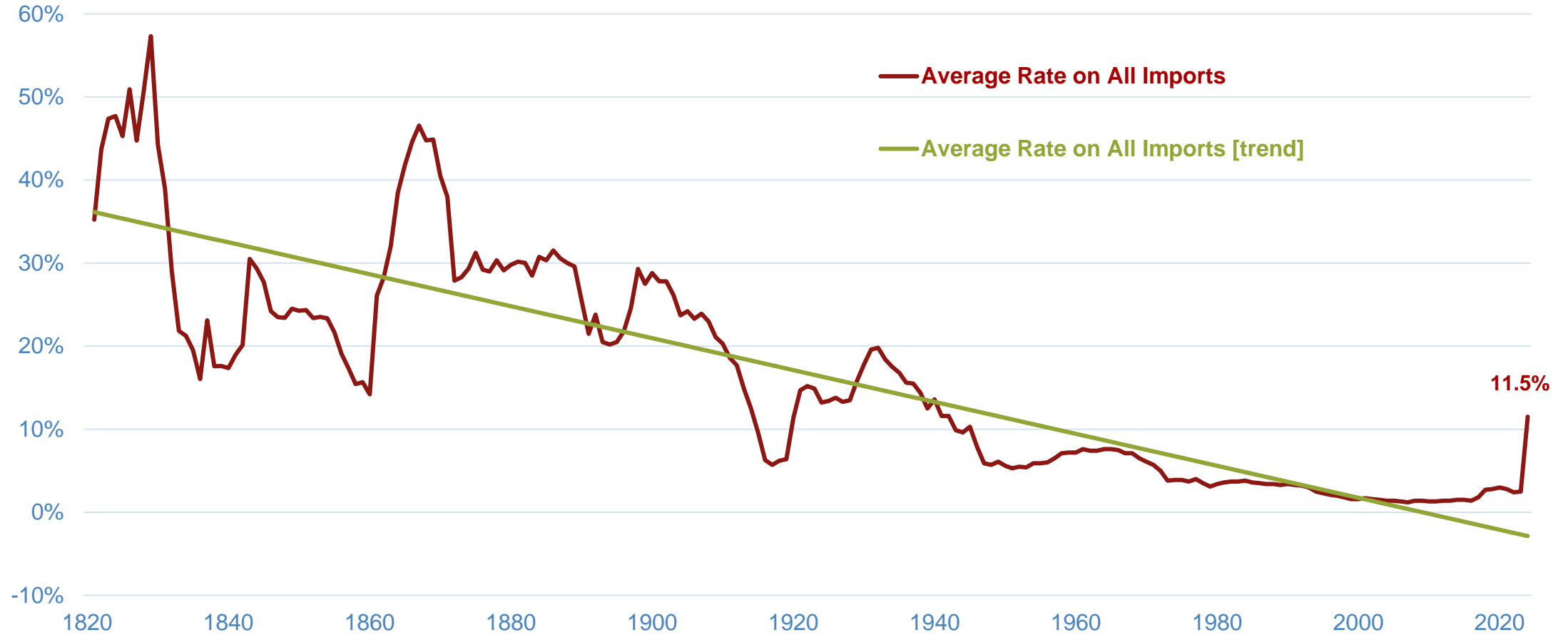


# Outlook for US Trade Policy is Highly Uncertain



Source: [www.PolicyUncertainty.com](http://www.PolicyUncertainty.com)

# US Tariff Regime Takes an Abrupt Turn



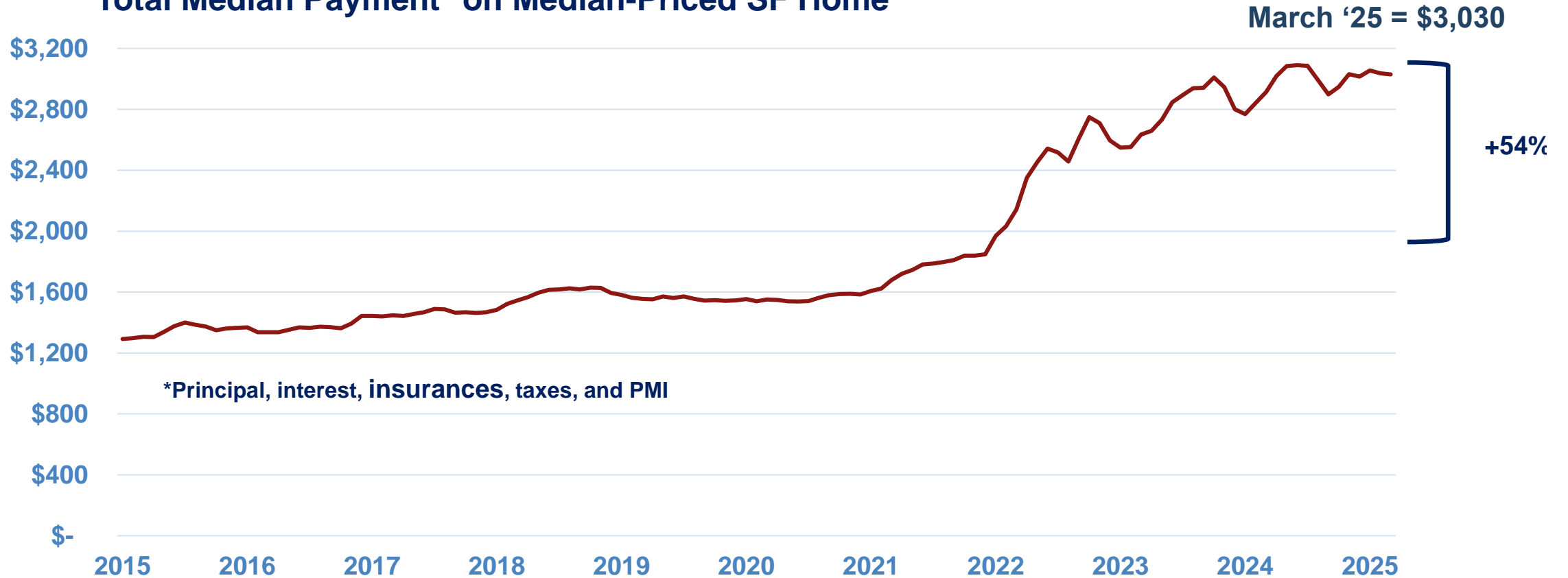
Source: Tax Foundation, Macrobond

# Current Tariff Landscape

- **10% baseline**
  - All countries except Canada and Mexico
  - Significant number of primary goods (including lumber) exempted
- **China: 30%**
- **Section 232 Tariffs**
  - Aluminum, Steel, Automobiles, Beer and Beer Cans
  - Also investigations into Lumber and copper

# Home Affordability Has Deteriorated Massively Since Early 2022

## Total Median Payment\* on Median-Priced SF Home

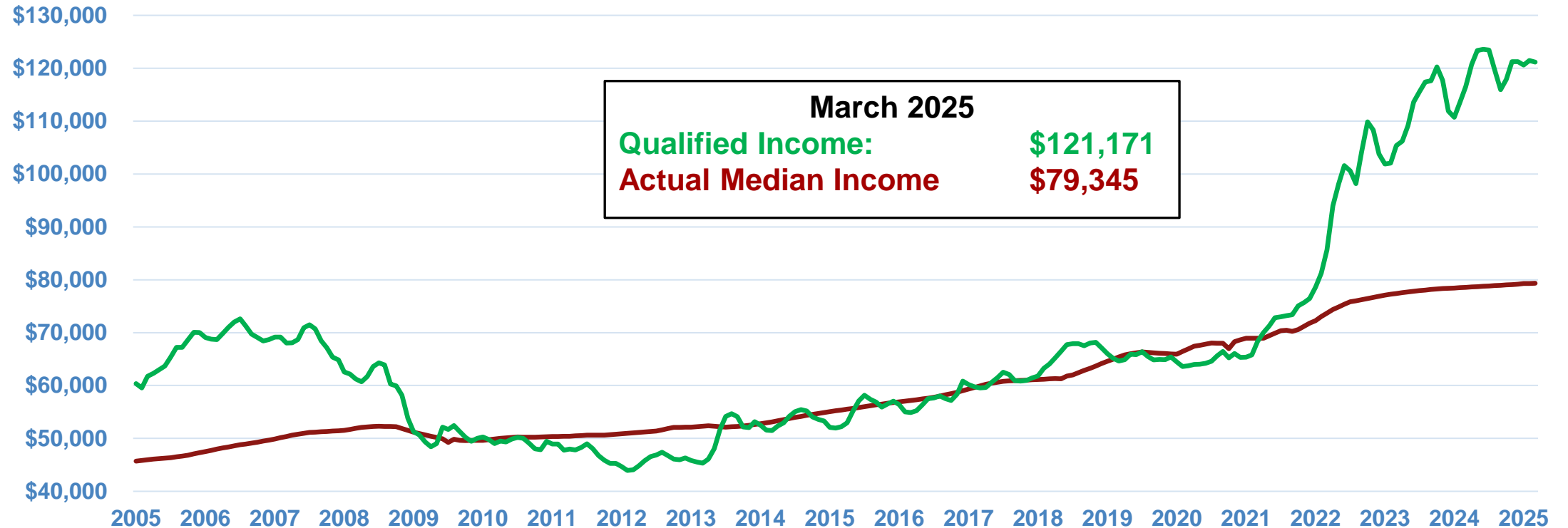


Source: Atlanta Fed's Home Ownership Affordability Monitor

# Homeownership is a Stretch for Middle-Class Households

**Gap Between Actual Median Household Income and Qualified Income**

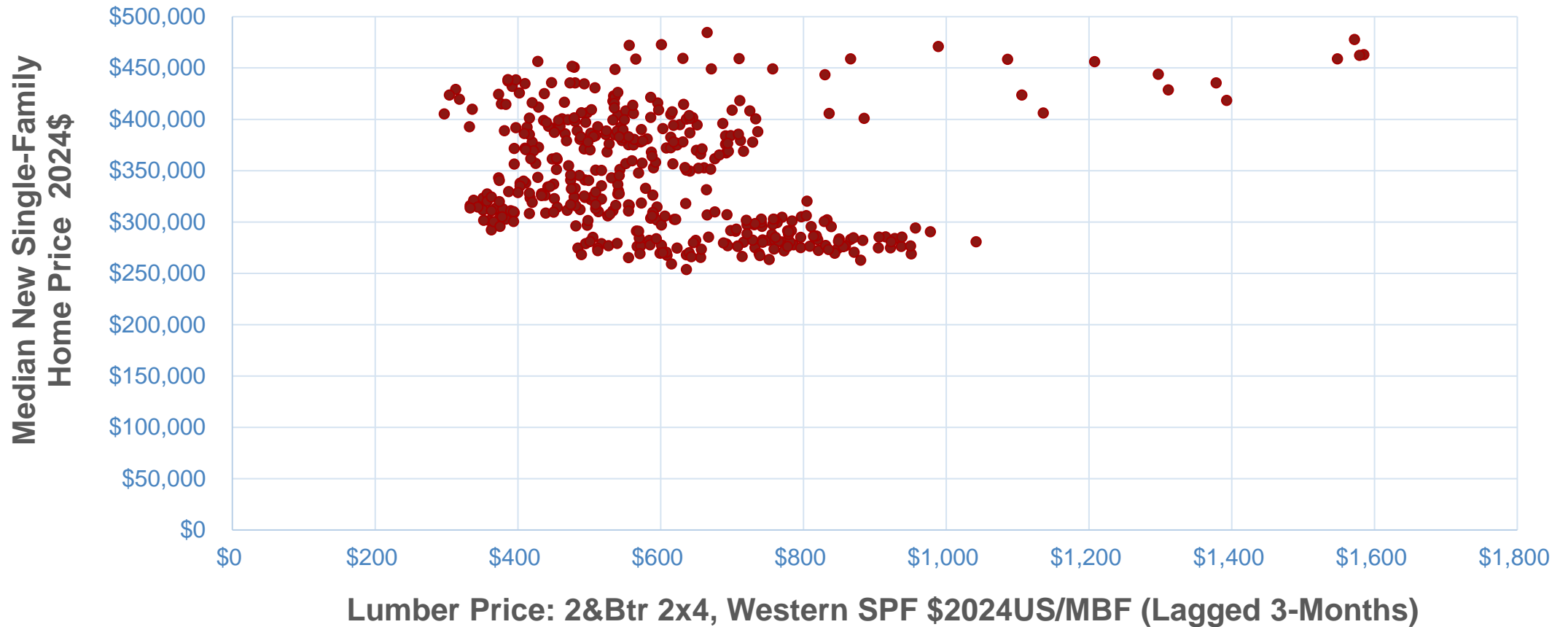
*(Qualified Income = Income needed for annual homeownership cost to equal no more than 30 percent of annual income)*



Source: Federal Reserve Bank of Atlanta

# Wood Products Prices Are Not Causing The Lack Of Affordability: Lumber Prices Bear Little Relation to New Home Prices

**Data Range: 1990- January 2025**



# Tariffs Decrease Affordability Less Than A 10 Basis Point Increase in Interest Rates

## A 25% Increase in All Lumber and Panels Prices Would Add about \$23 to a Typical Mortgage Payment on a New Home

	2024Q4 Usage Rate*	End of Feb. 2025 Del. Price	Post- Tariff Del. Price	End of Feb 2025 Price w/ Markup	Post- Tariff Price w/ Markup	Cost at Feb 2025 Prices	Cost at Post-Tariff Prices	Change in Costs	% New Home Price*	Change in Monthly Payment**
Western SPF	13,974 BF	625	781	731	914	\$ 10,218	\$ 12,773	\$ 2,555	0.6%	
OSB (7/16 Inch) Southern	10,522 Ft <sup>2</sup>	400	500	452	565	\$ 4,756	\$ 5,945	\$ 1,189	0.3%	
Plywood (15/32 inch) Southern	1,589 Ft <sup>2</sup>	580	725	655	819	\$ 1,041	\$ 1,302	\$ 260	0.1%	
<b>Total</b>						<b>\$ 16,016</b>	<b>\$ 20,020</b>	<b>\$ 4,004</b>	<b>1.0%</b>	<b>\$23.28</b>

\* Assuming new home is 2,410 square feet and costs \$420,000

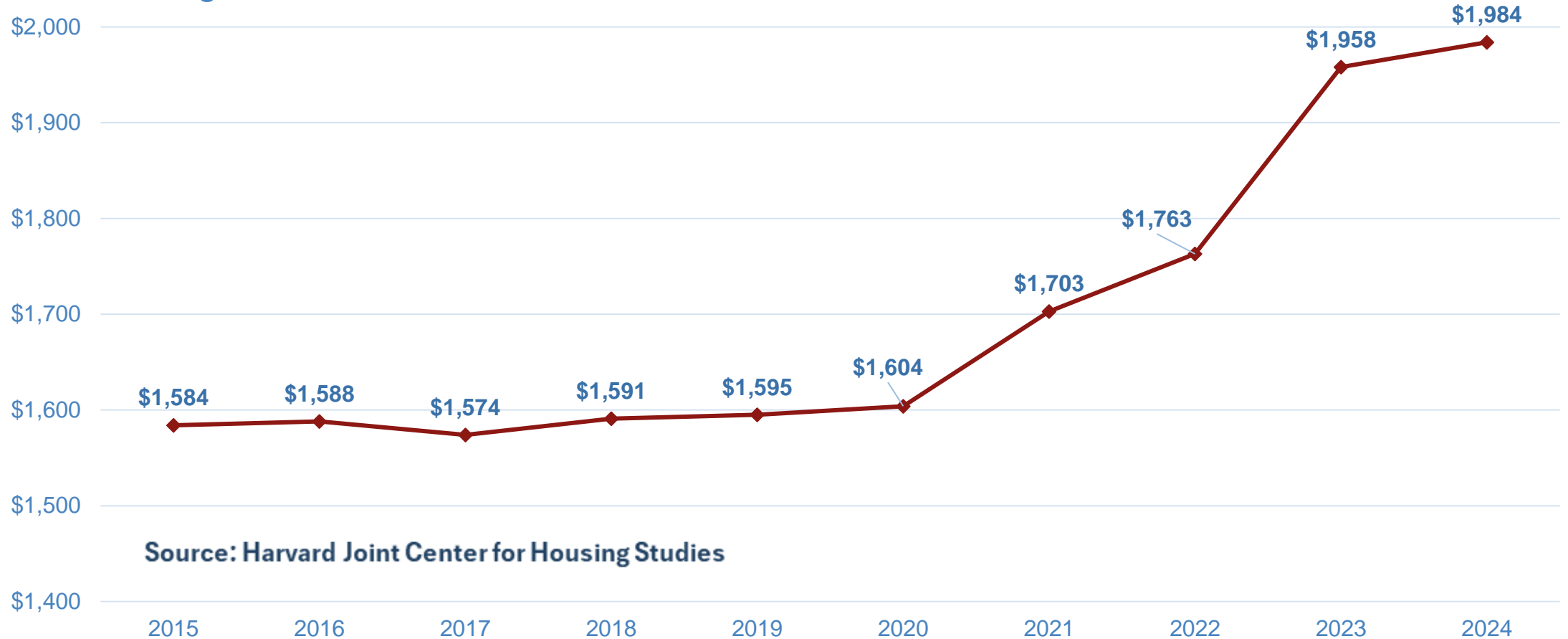
\*\* Assuming 30-year term, 6.65% interest rate, and 10% downpayment

Source: FEA



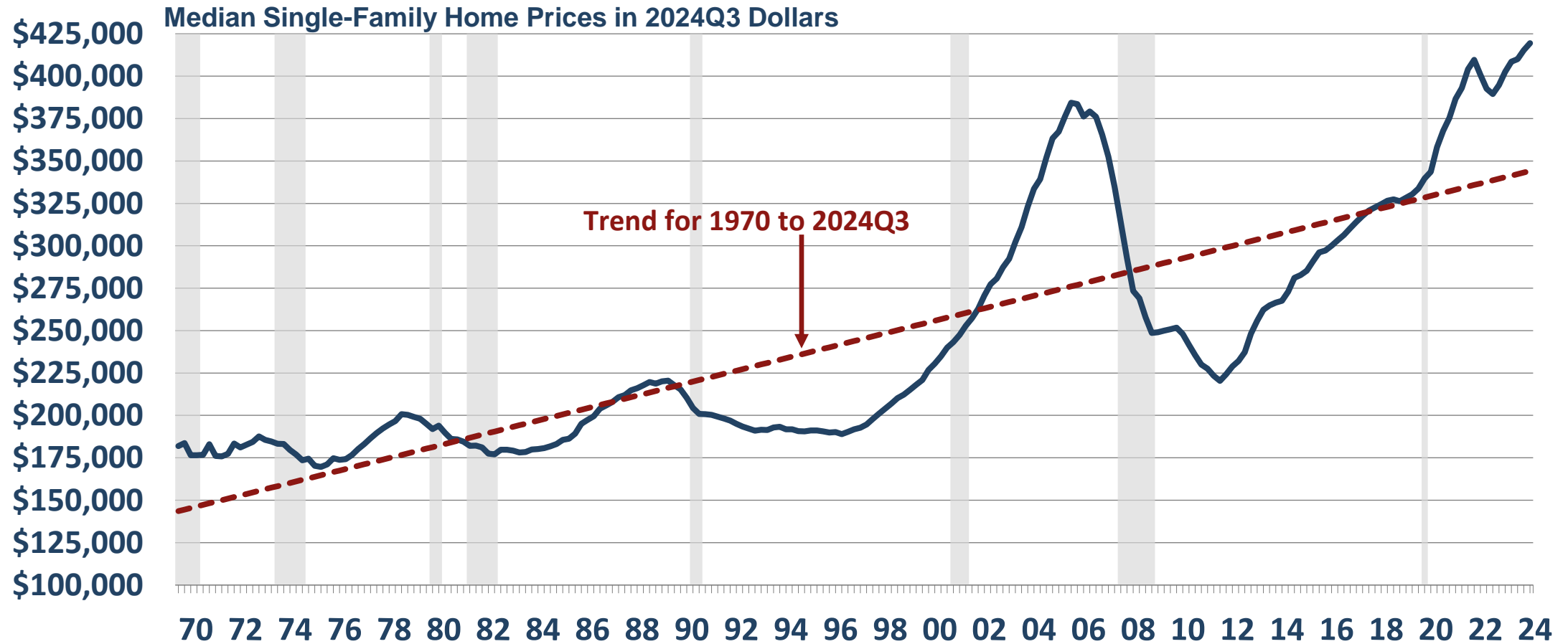
# Home Insurance Premium Surged by 24% in Inflation-Adjusted Terms Between 2020 and 2024

Average Home Insurance Premium 2024 USD



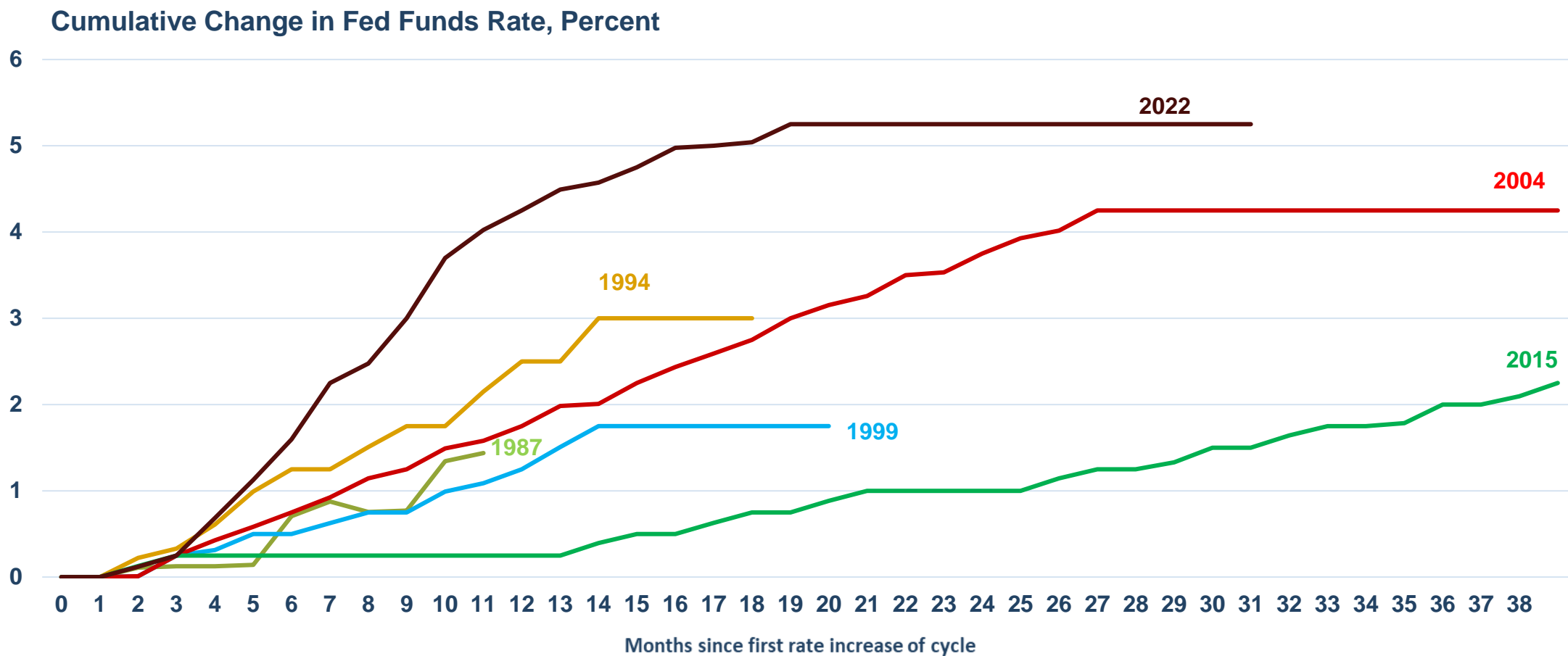
Source: Harvard Joint Center for Housing Studies

# Real Home Prices Bounced Back in 2023

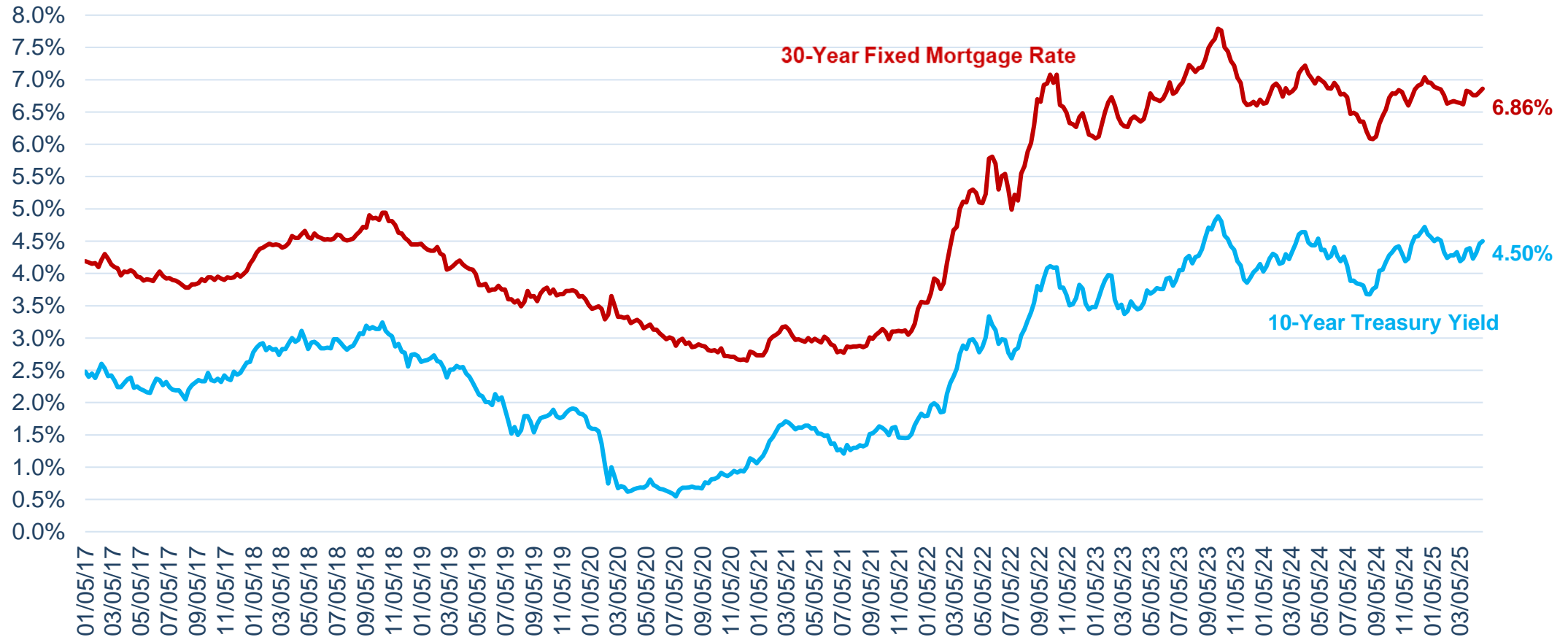


Source: Federal Reserve, FEA calculations

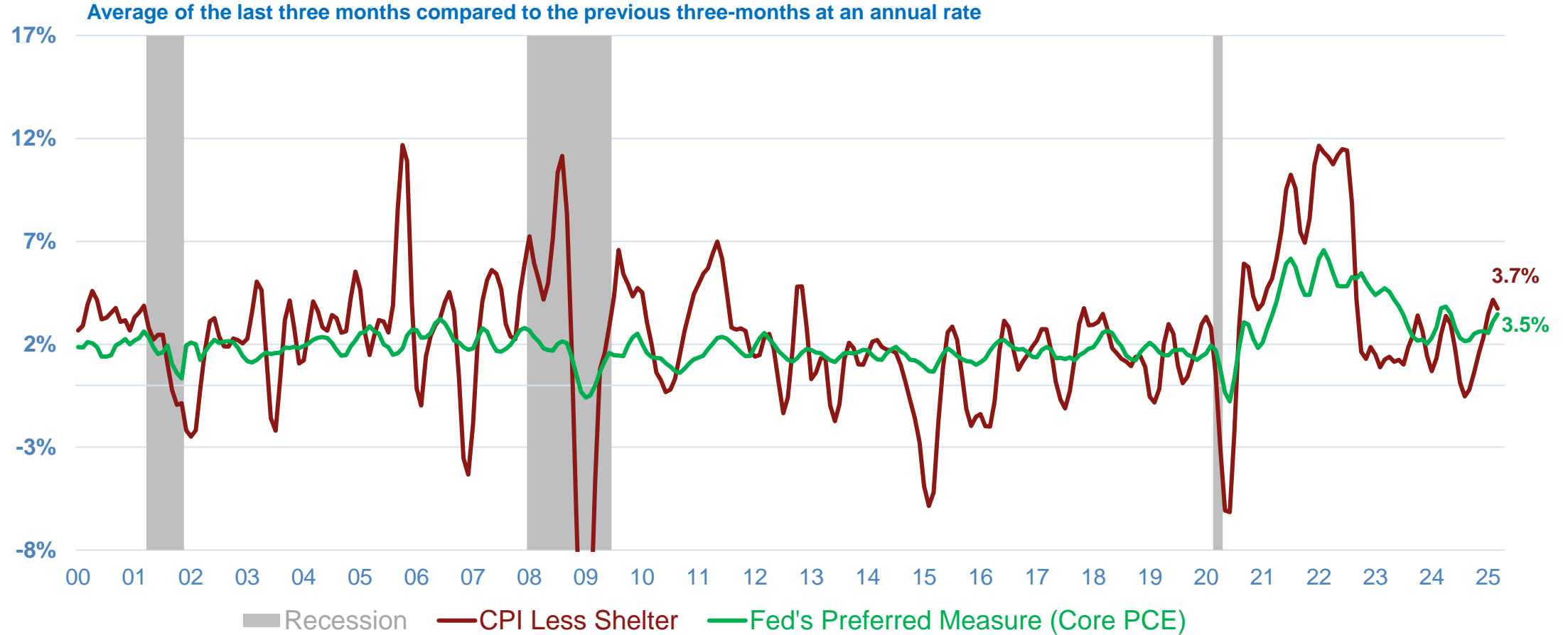
# The Largest Component Of Declining Affordability Was Rising Interest Rates



# Hope For Lower Mortgage Rates Have Been Dashed

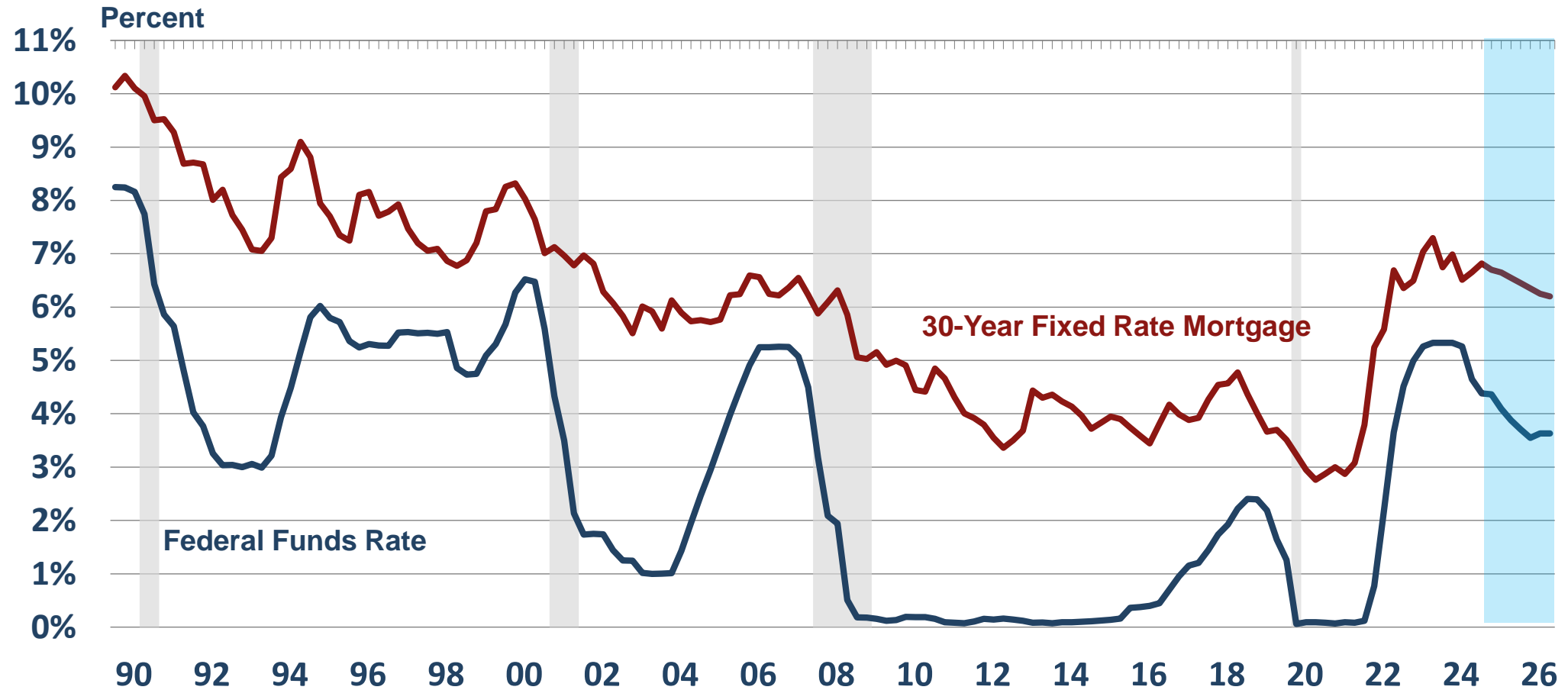


# The Progress Against Inflation Has Stalled



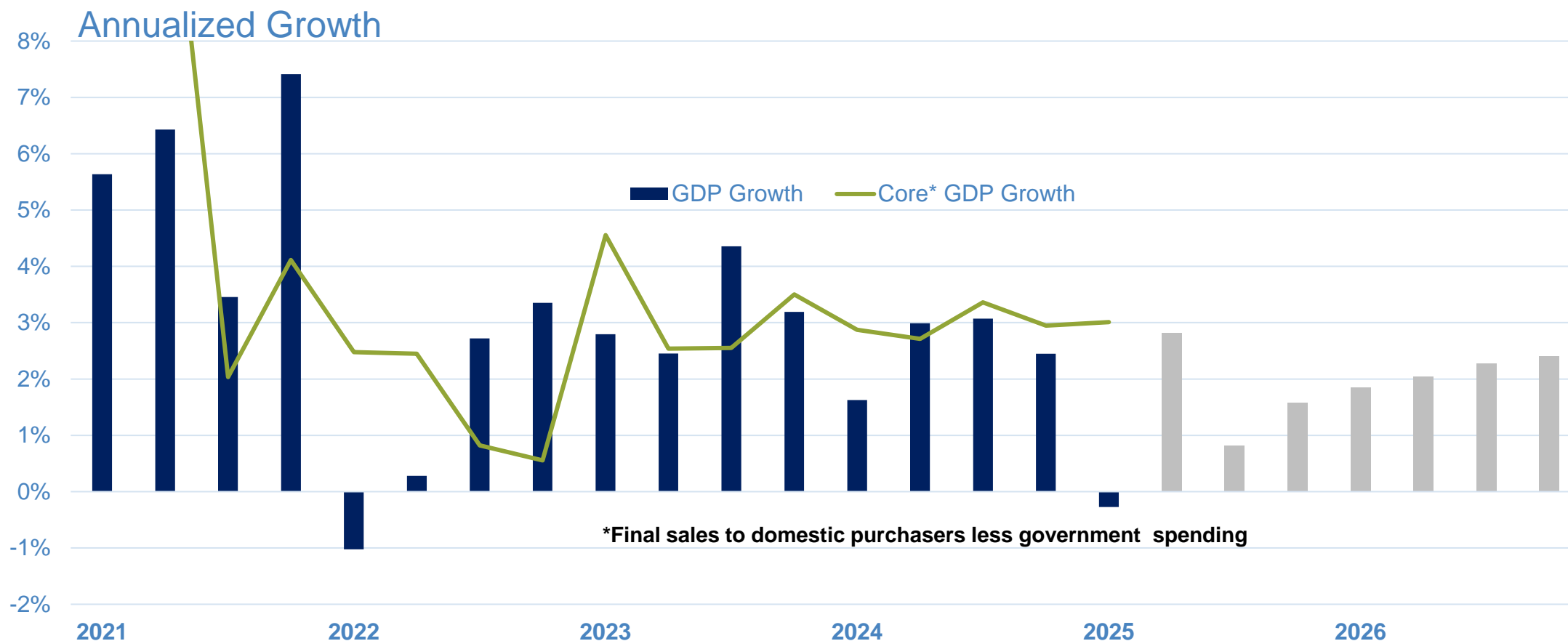


# The Fed Paused Their Easing Cycle, Mortgage Rates Will Remain Elevated



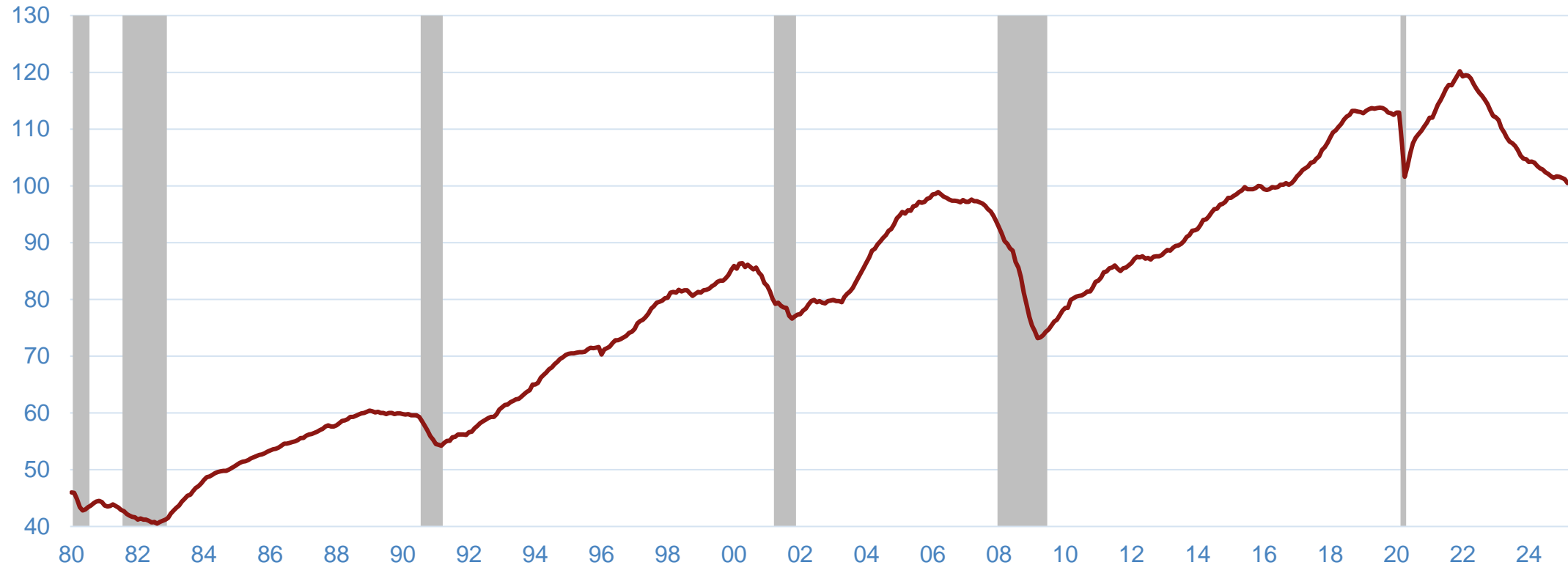
Source: Federal Reserve, FEA forecast

# Expect a Decent Bounce in Real GDP in 2025Q2 Then Weakness in the Second Half of the Year



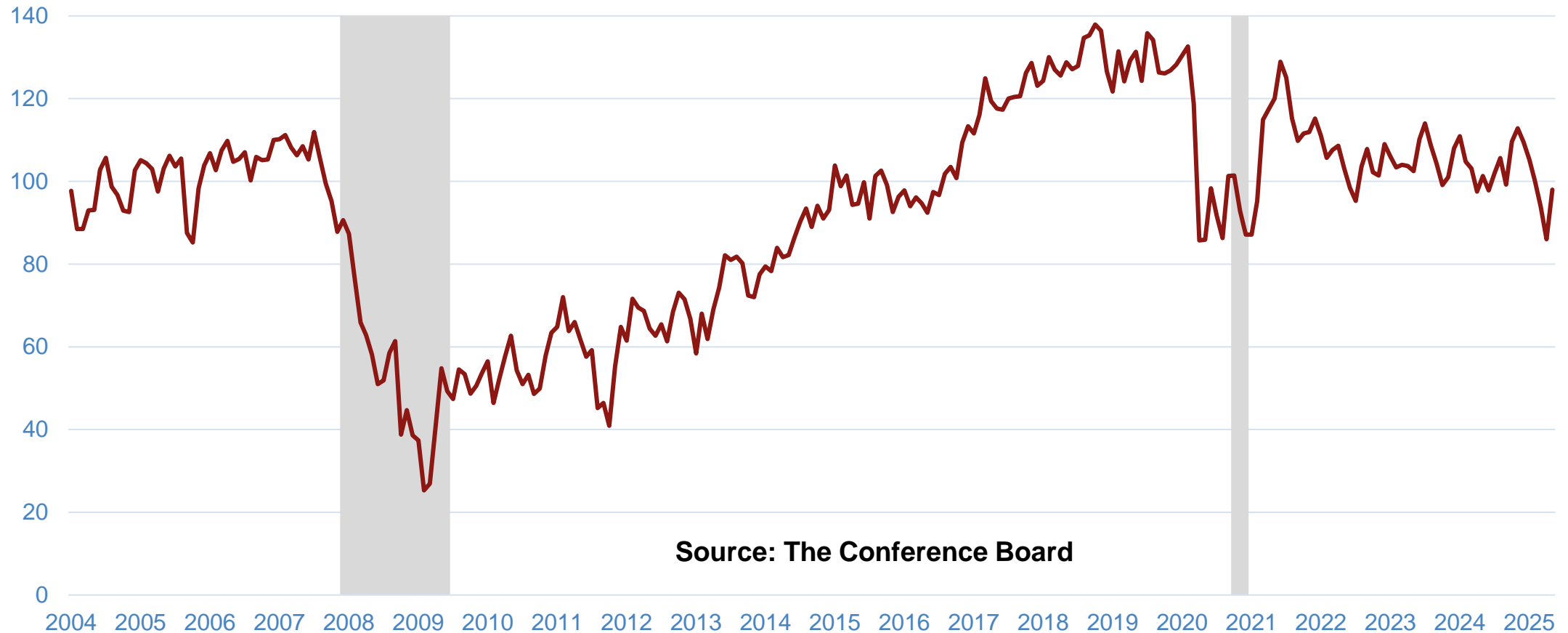
# The Index of Leading Indicators Resumes Three-Year Downtrend

Index of Leading Indicators – Conference Board



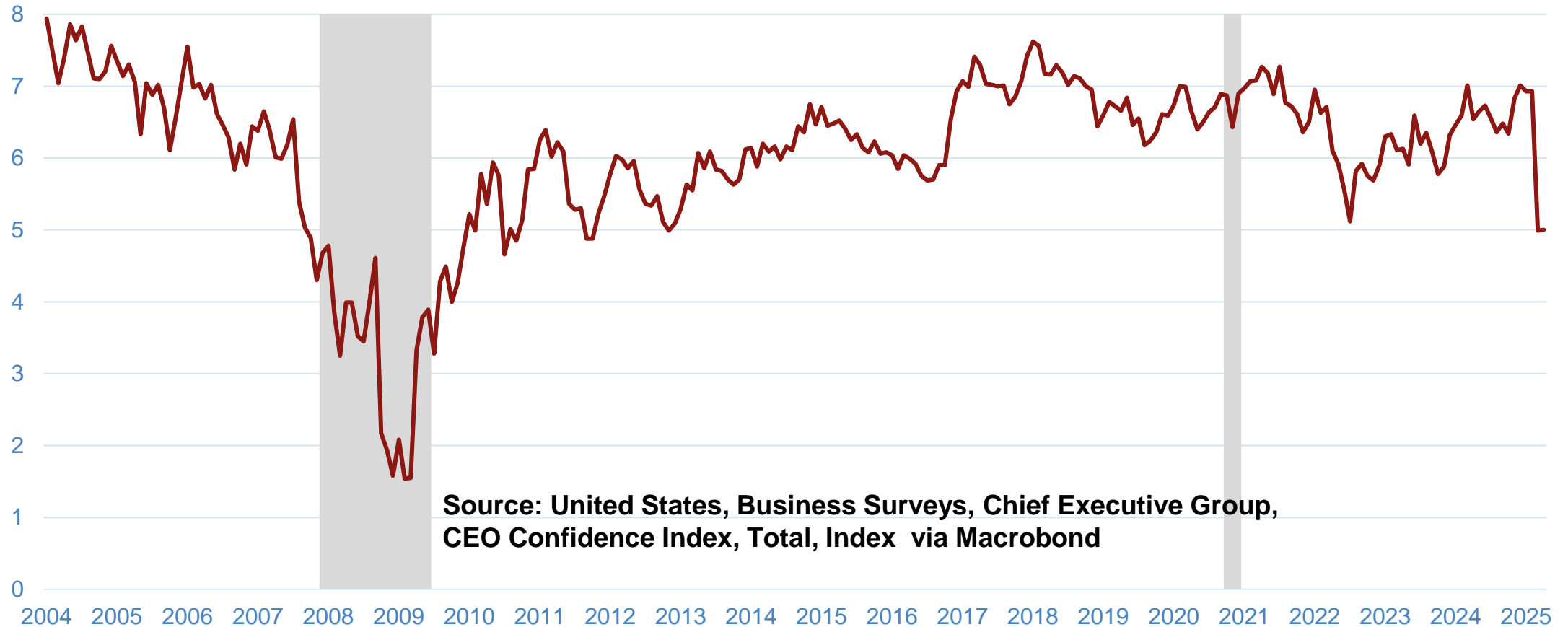
# Consumer Confidence Has Tanked

**Consumer Confidence Index, 1985=100**



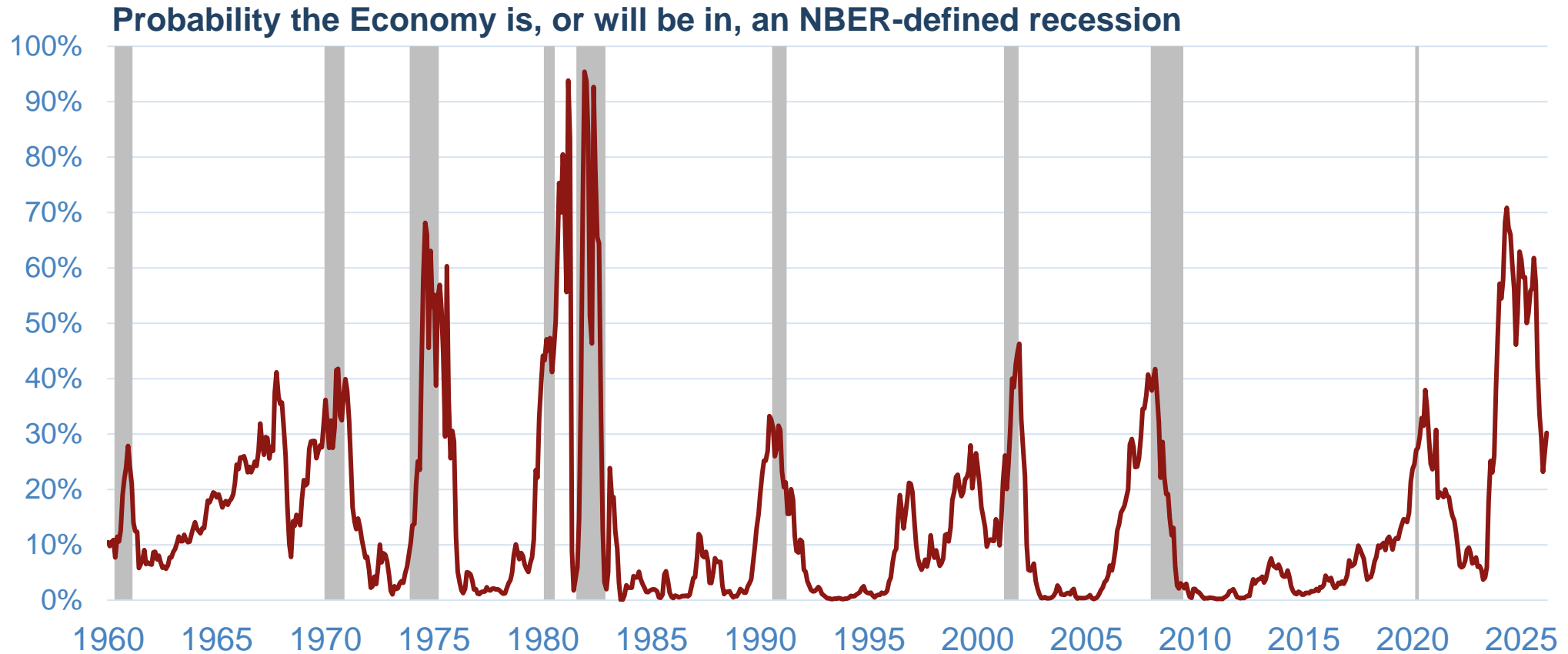
# Business Leaders are Anxious

## Confidence in the Economy One Year From Now



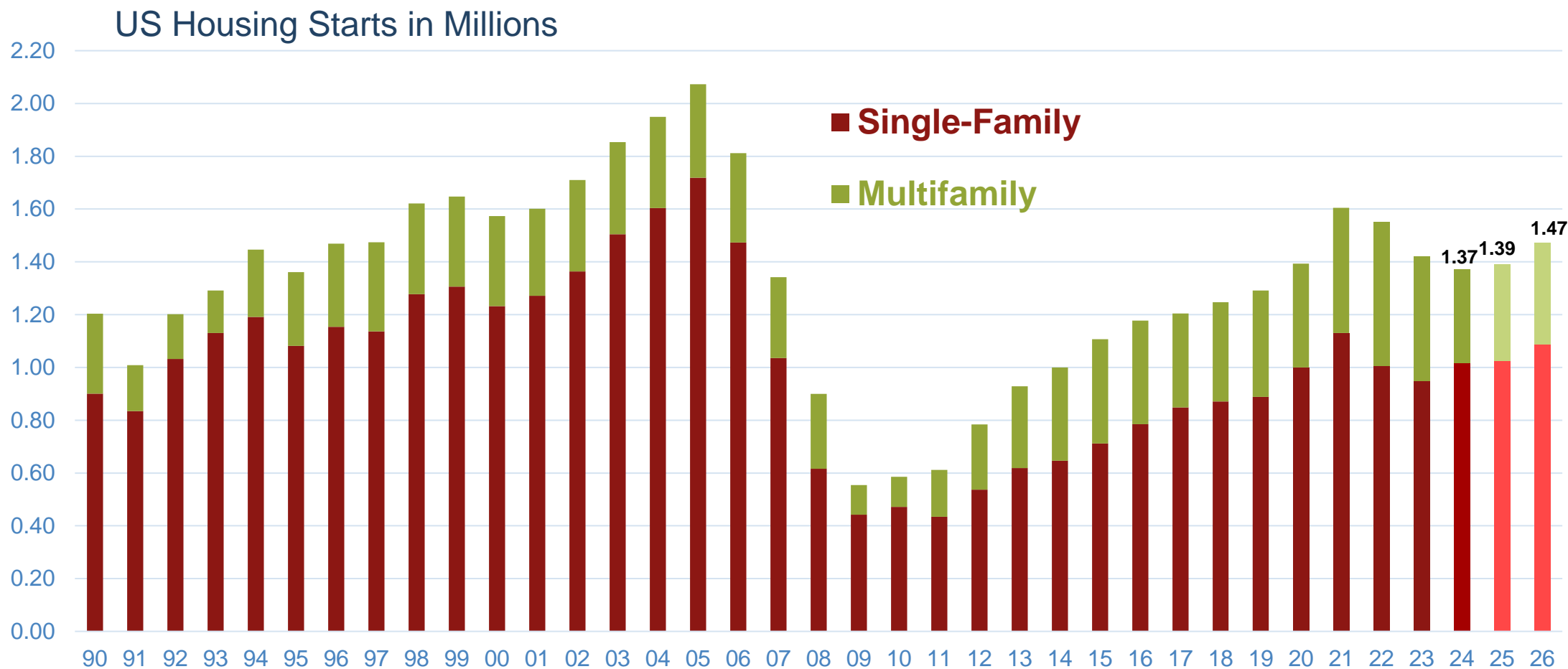


# New York Fed Indicator Shows a 30% Chance of Recession Within Next Year



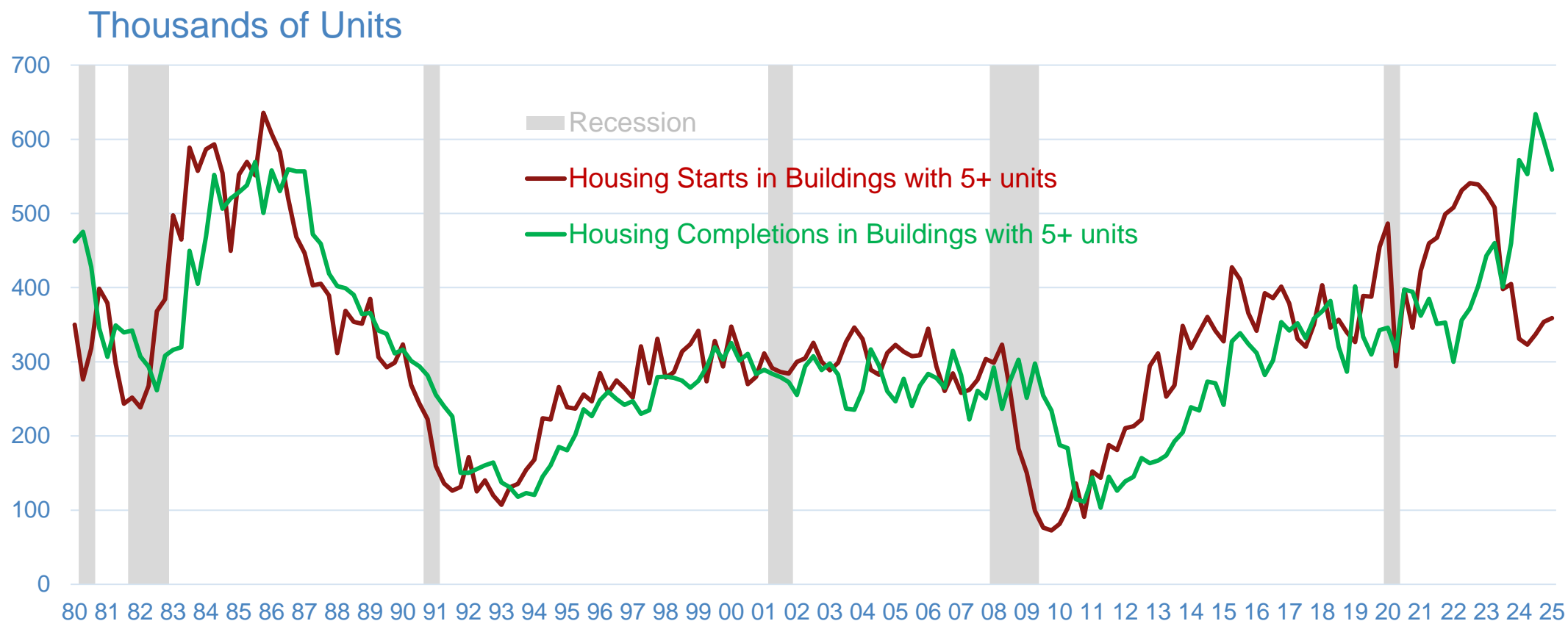
Source: New York Fed

# After Declining the Past Three Years, Housing Starts are Projected to Tick Up by 2% in 2025 and 6% In 2026



Source: Census Bureau, FEA Forecasts

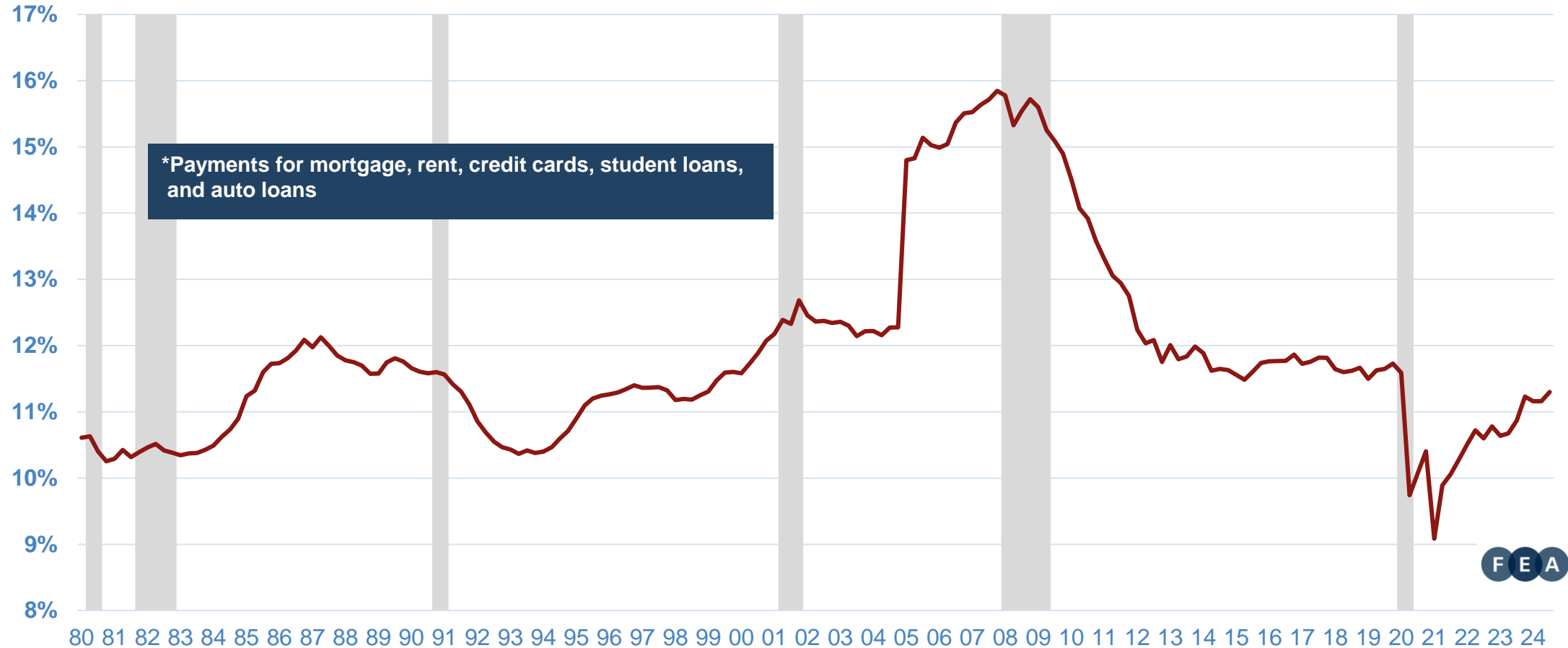
# US Apartment Starts are Tanking as Completions Come On Line



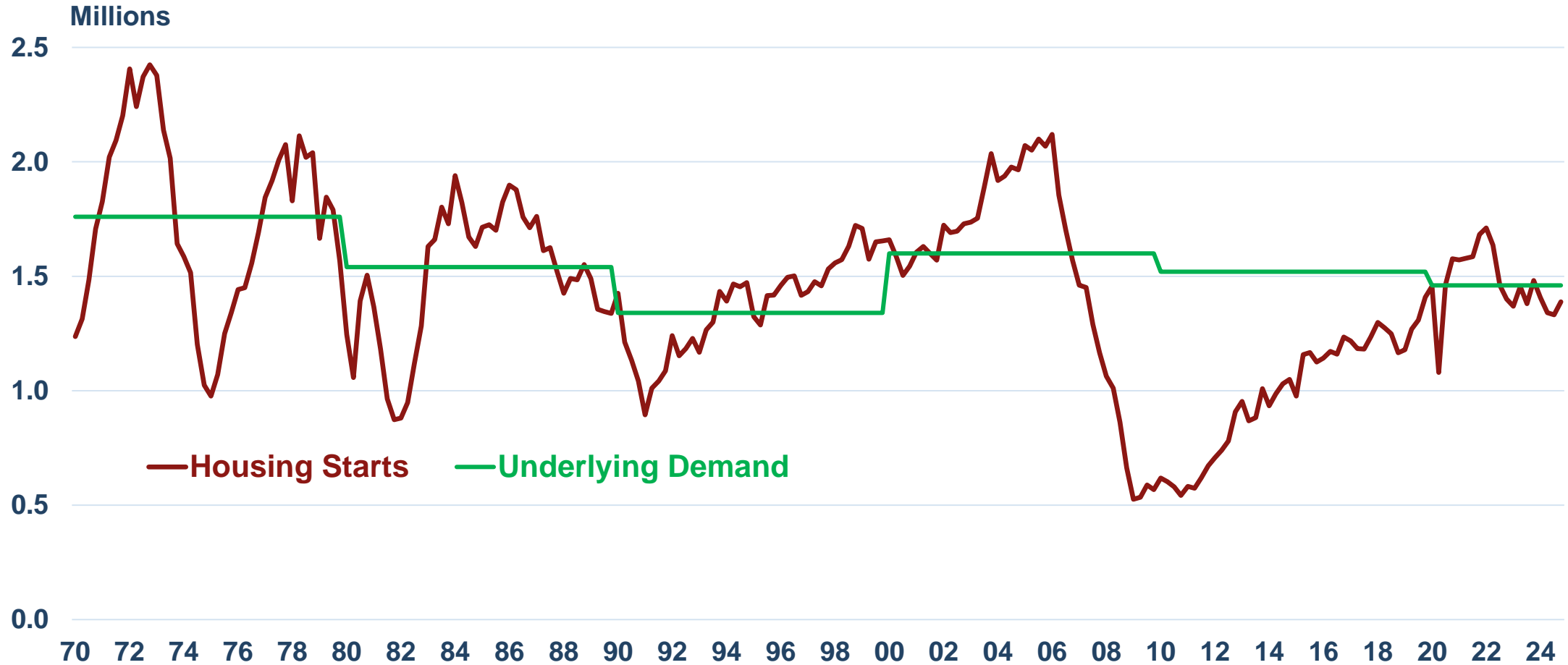
Source: US Census Bureau

# US Household Balance Sheets Are In Good Shape

Household Debt Service\* as a percent of Disposable Personal Income



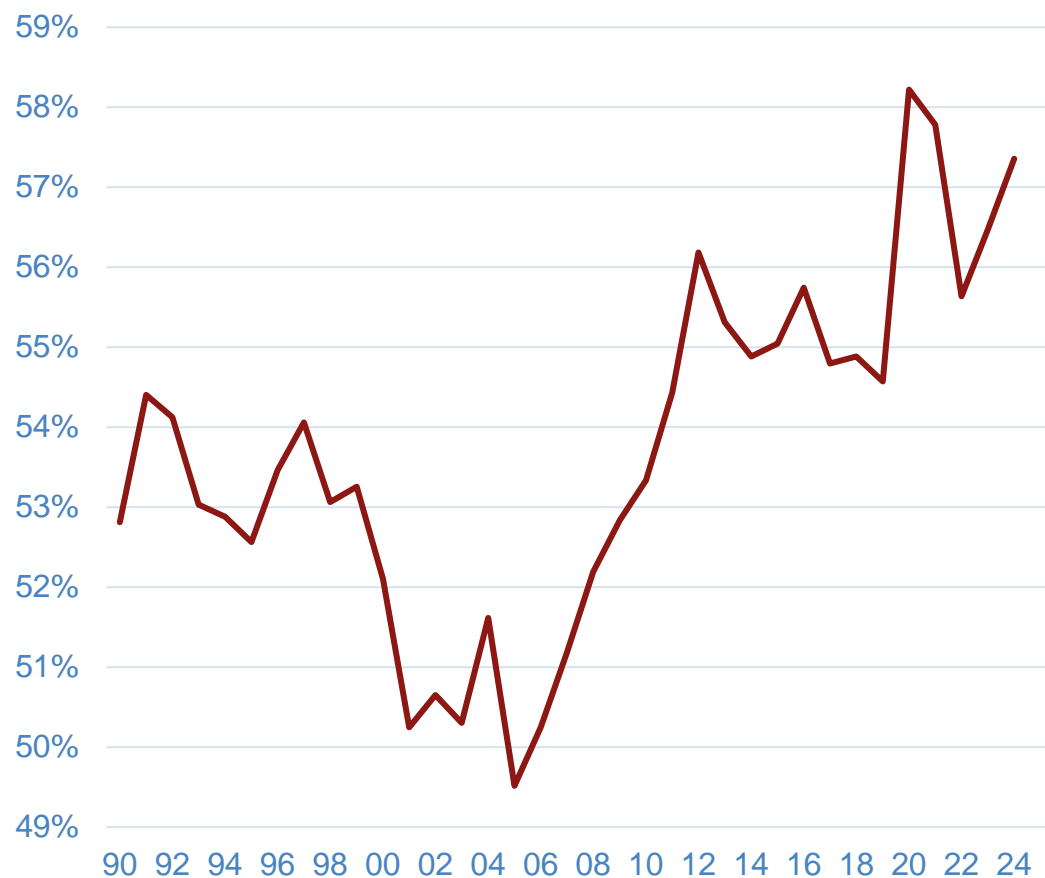
# US Housing Starts Exceeded Underlying Demand for Fleeting Moment



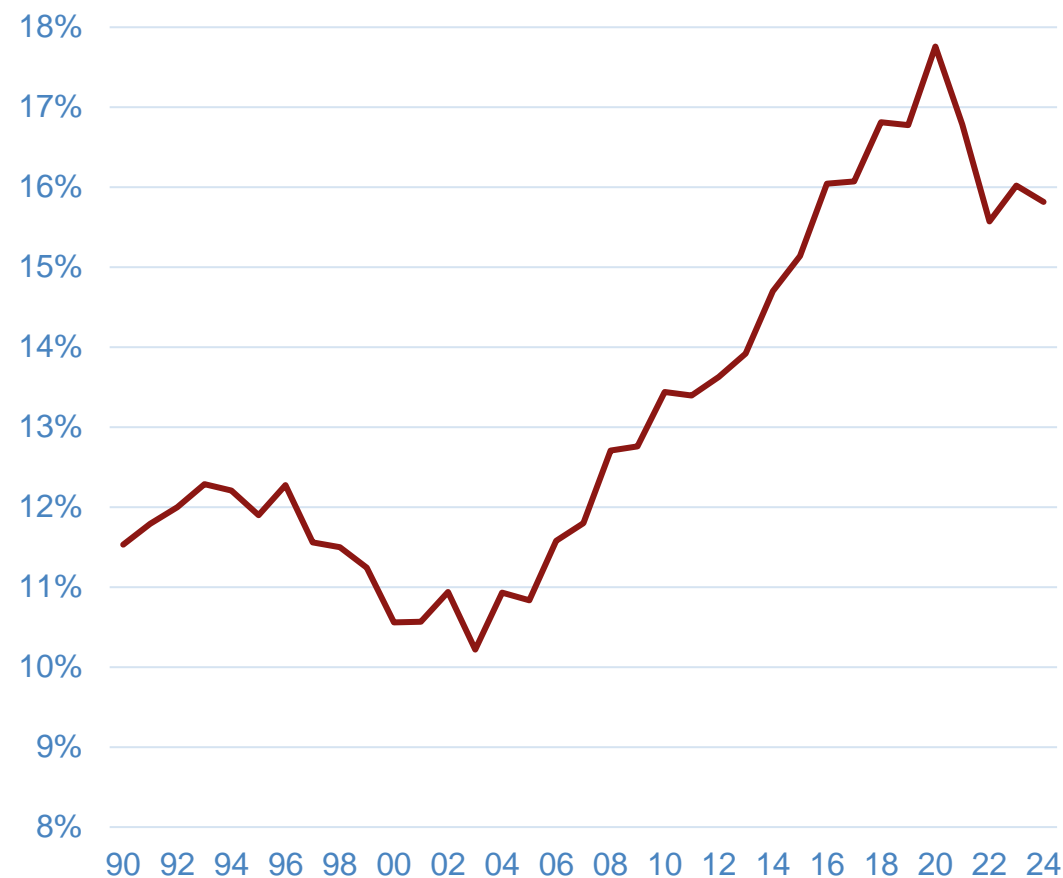


# The Share of Young Adults Living at Home Has Increased Substantially Over the Past Two Decades

Age 18 to 24

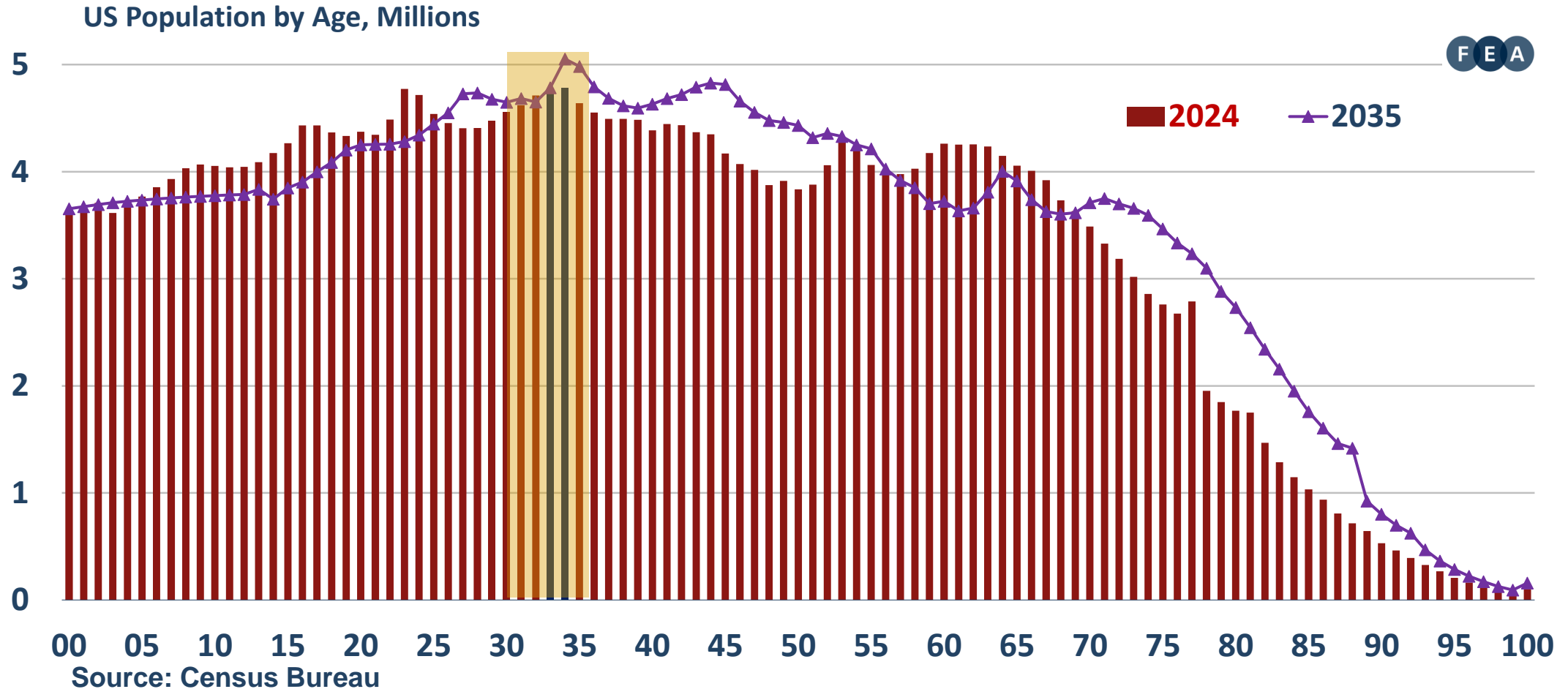


Age 25 to 34

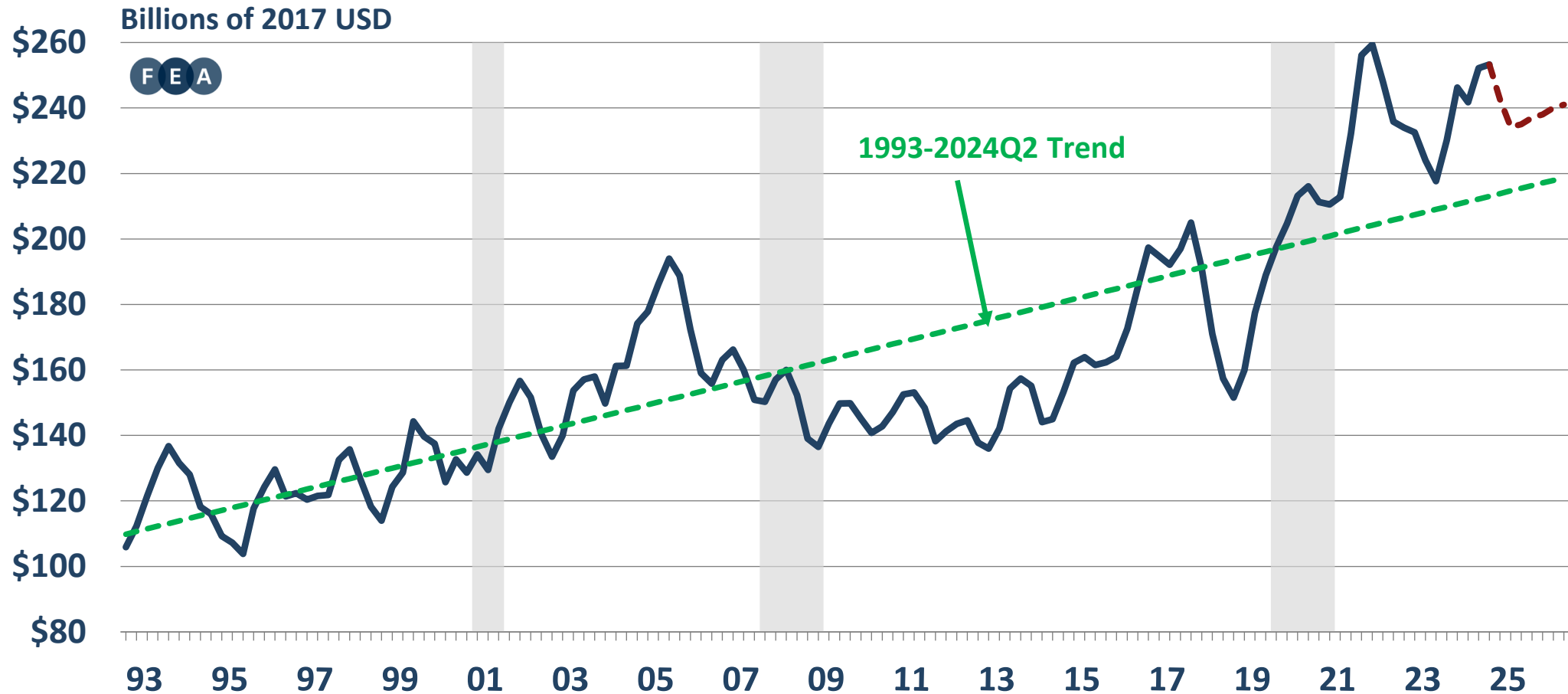


Source: Census Bureau

# 2024 – Strong Demographic TAILWIND 2035 = A Modest Tailwind

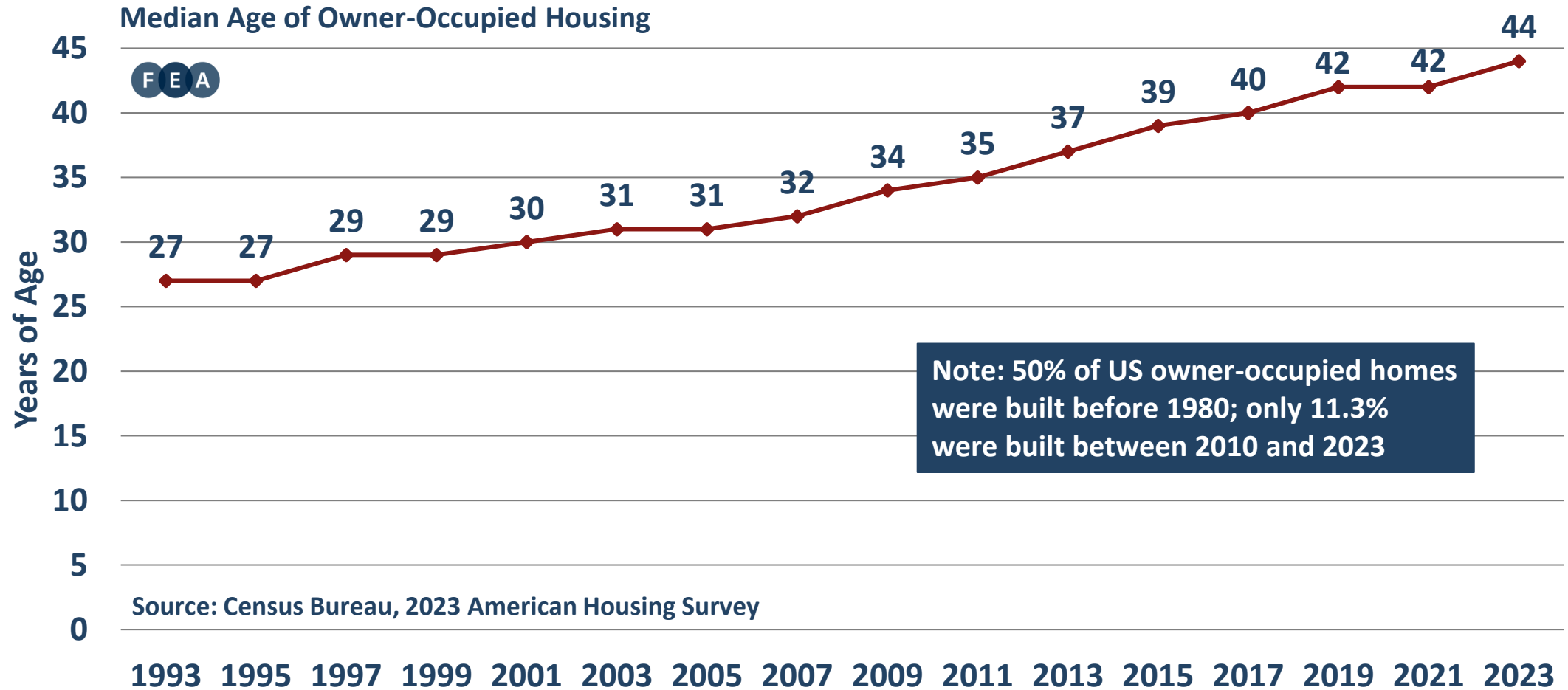


# Improvement Expenditures Will Decline But Remain Elevated



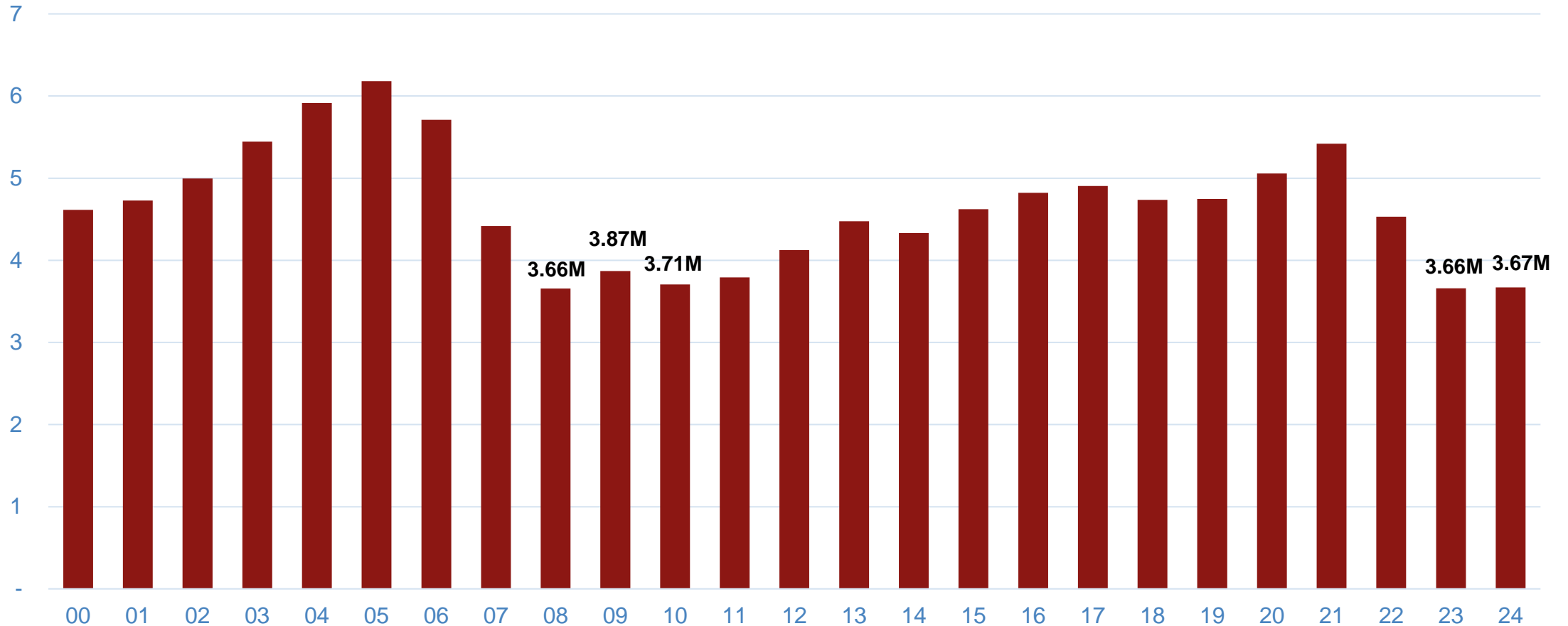
Source: Census Bureau, Bureau of Economic Analysis, FEA calculations

# The US Housing Stock Has Aged Considerably



# Existing Single-Family Home Sales Were Close to Great Recession Levels in 2023 and Remain There in 2024

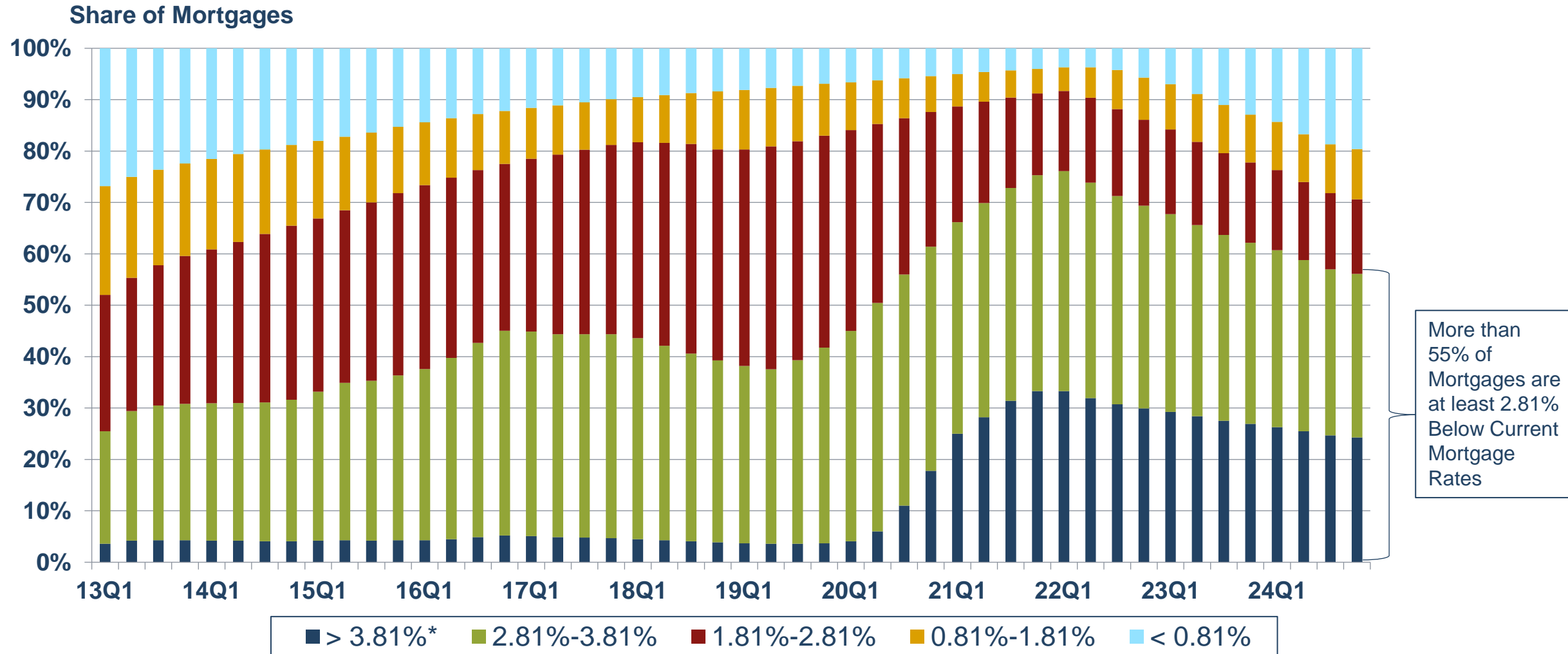
Existing Single-Family Home Sales in Millions



\*YTD

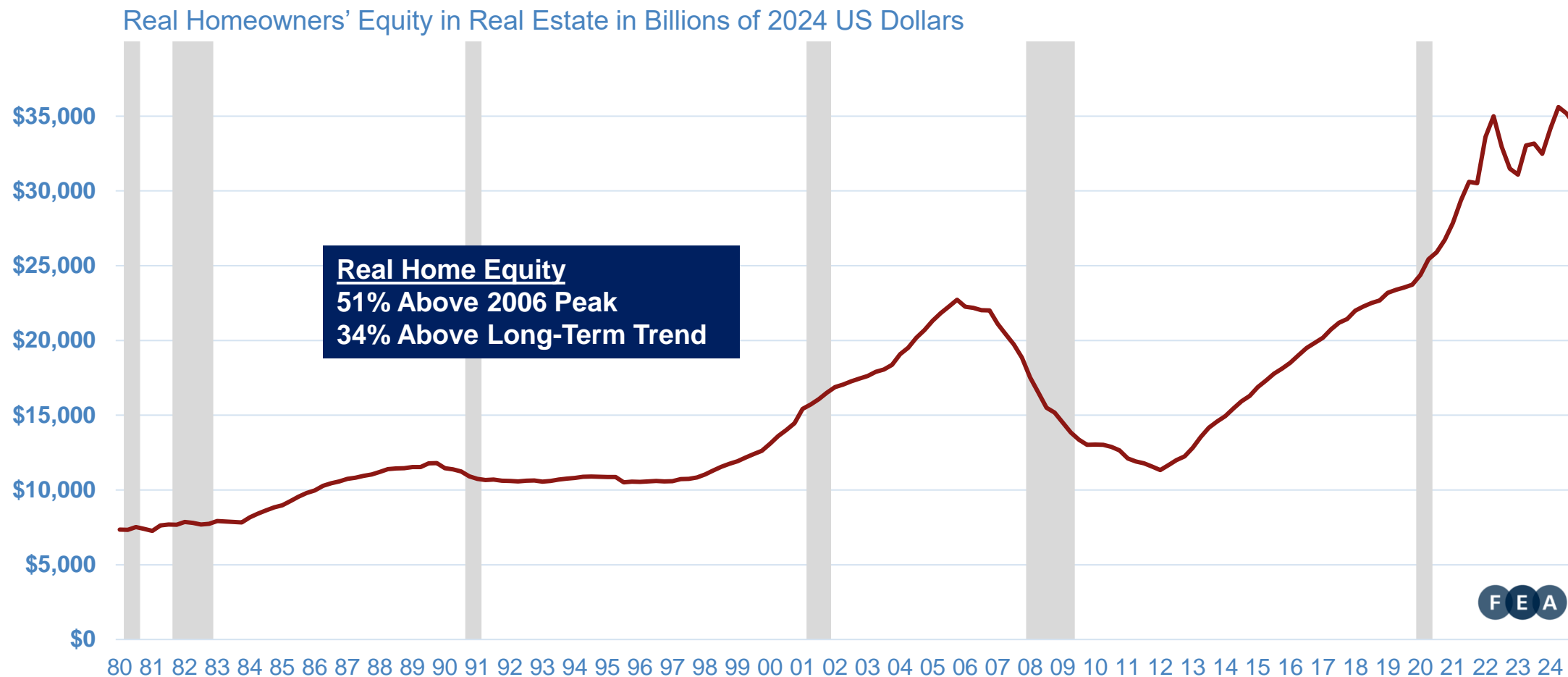


# Rising Mortgage Rates Are Causing Rate Lock

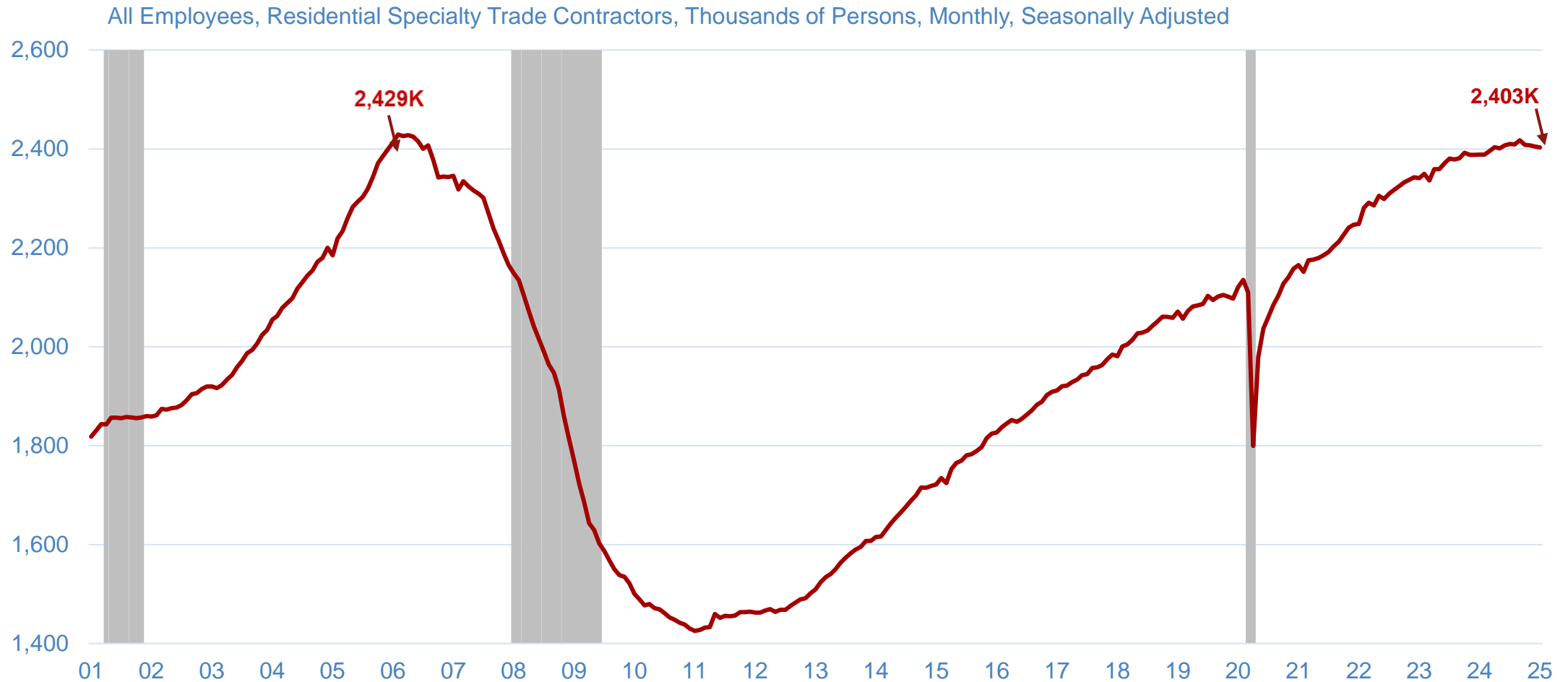


\*Difference of Existing Mortgages from Current Rates  
[www.getfea.com](http://www.getfea.com)

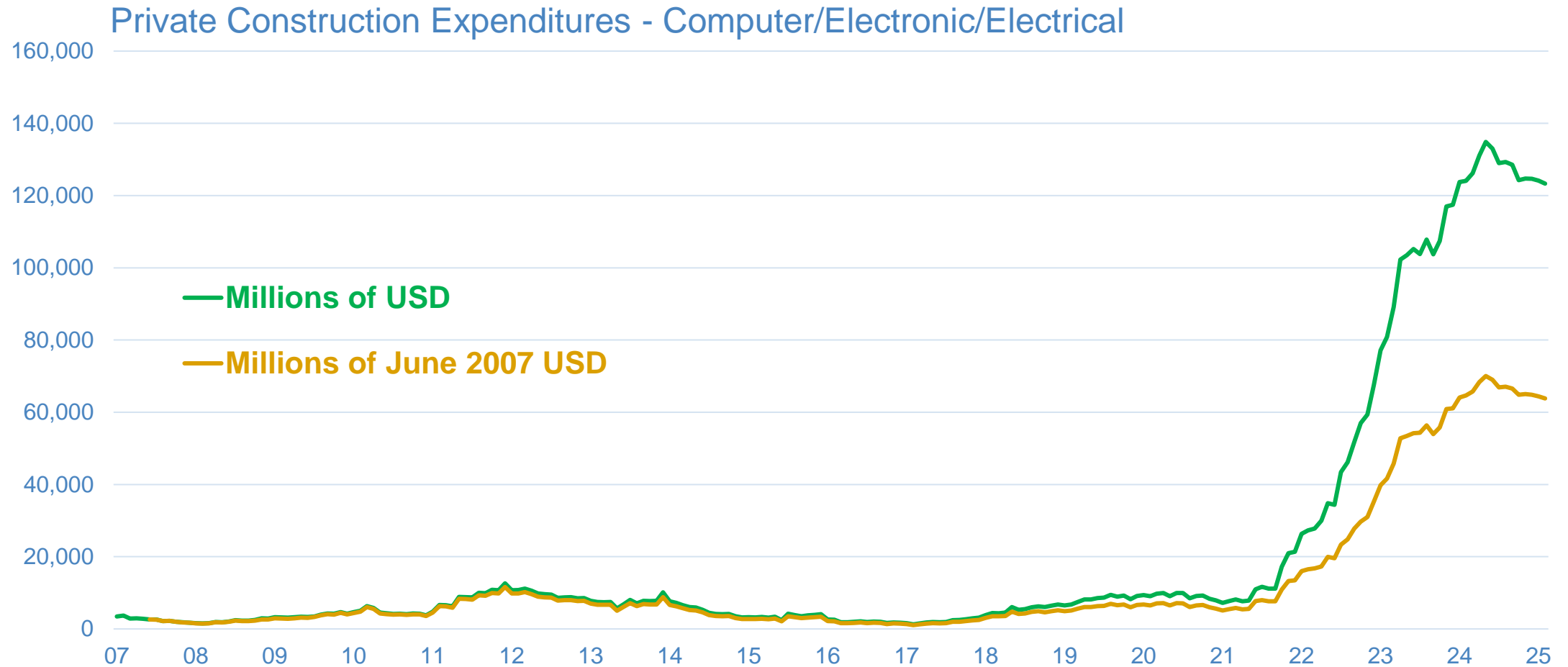
# Swelling Home Equity and Lower Interest Rates Will Support Residential Improvements Spending in 2025-26



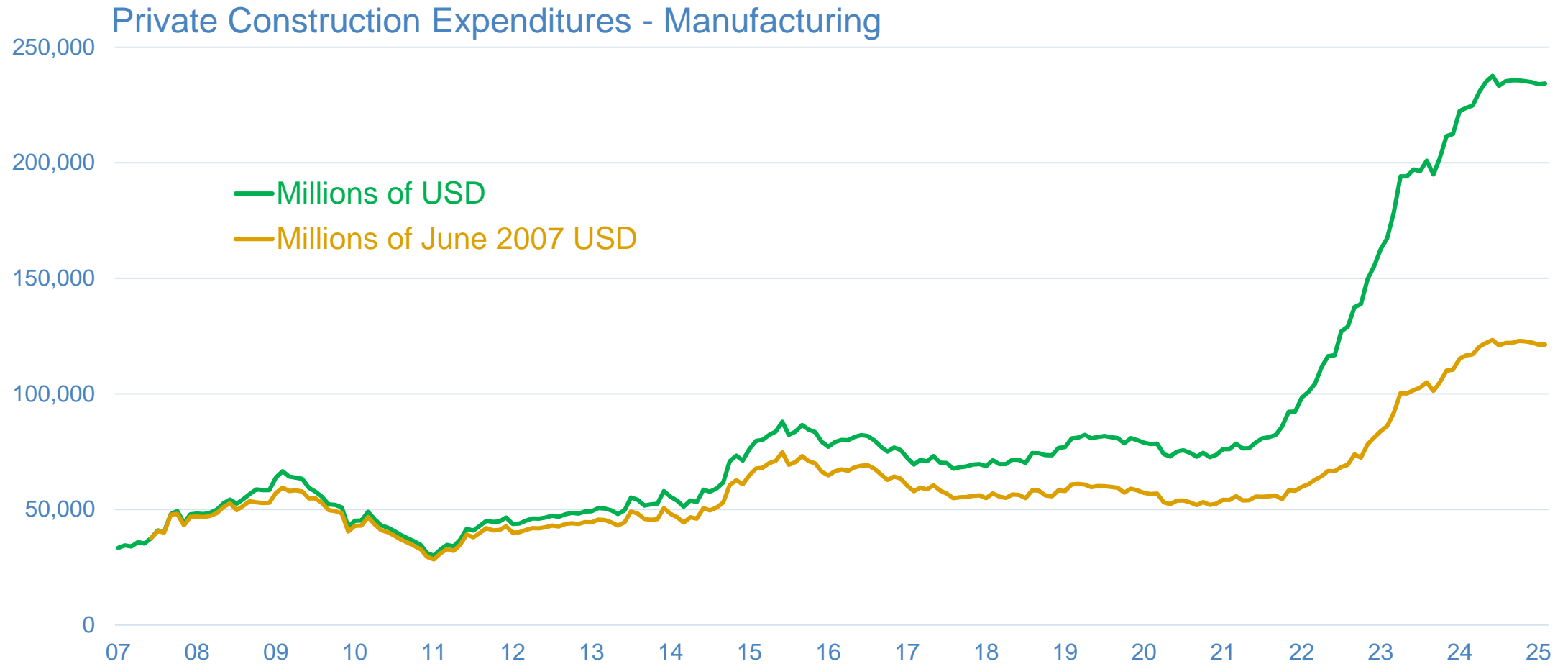
# The Number of Specialty Trade Contractors is a Whisker Below 2006 Peak



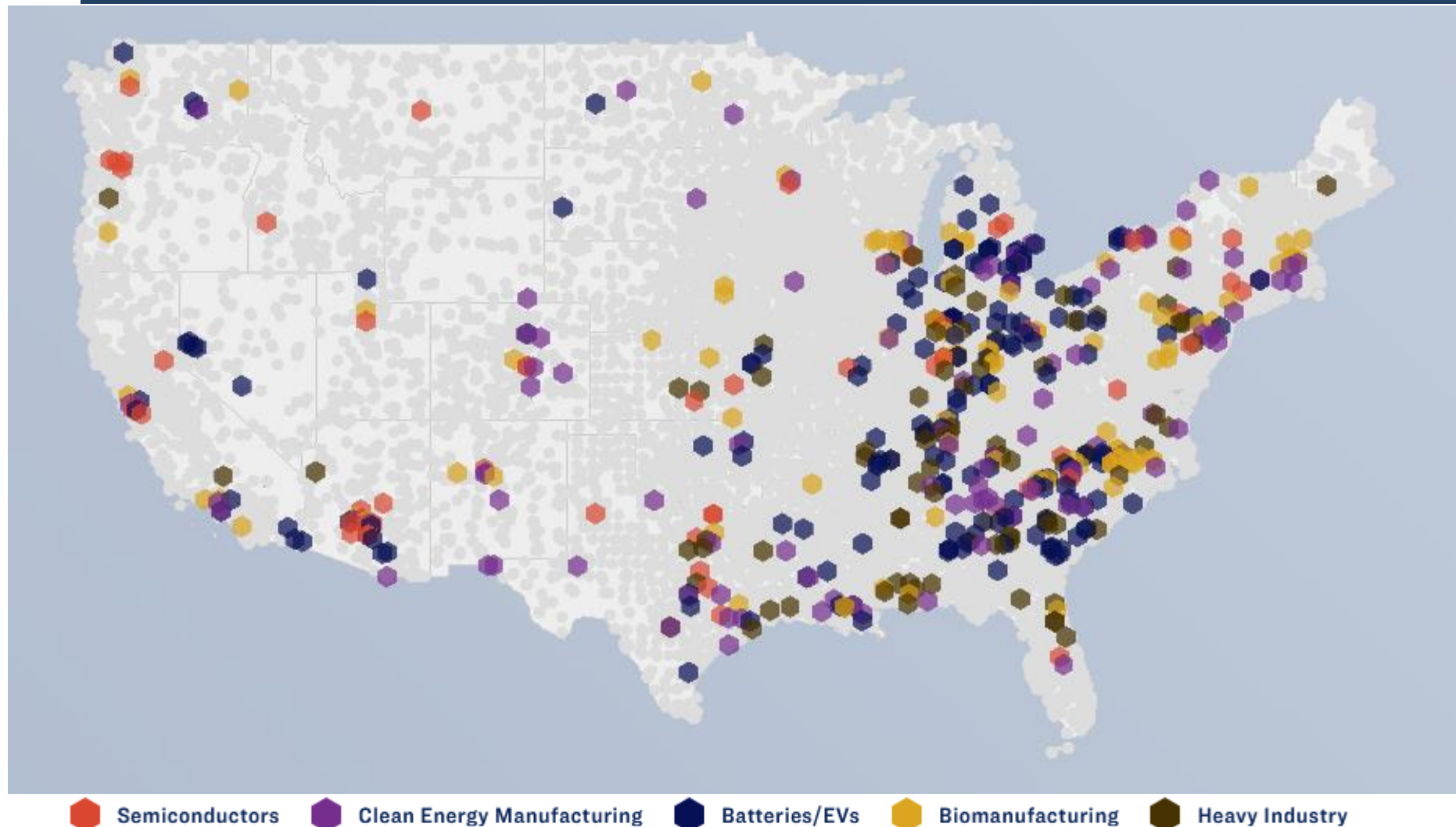
# Tech Industry is Re-Shoring Back to US



# Manufacturing Sector Re-Shoring Back to US at a More Subtle Pace



# Private Industry Invested \$910 Billion In Advanced Manufacturing over the Last Four Years

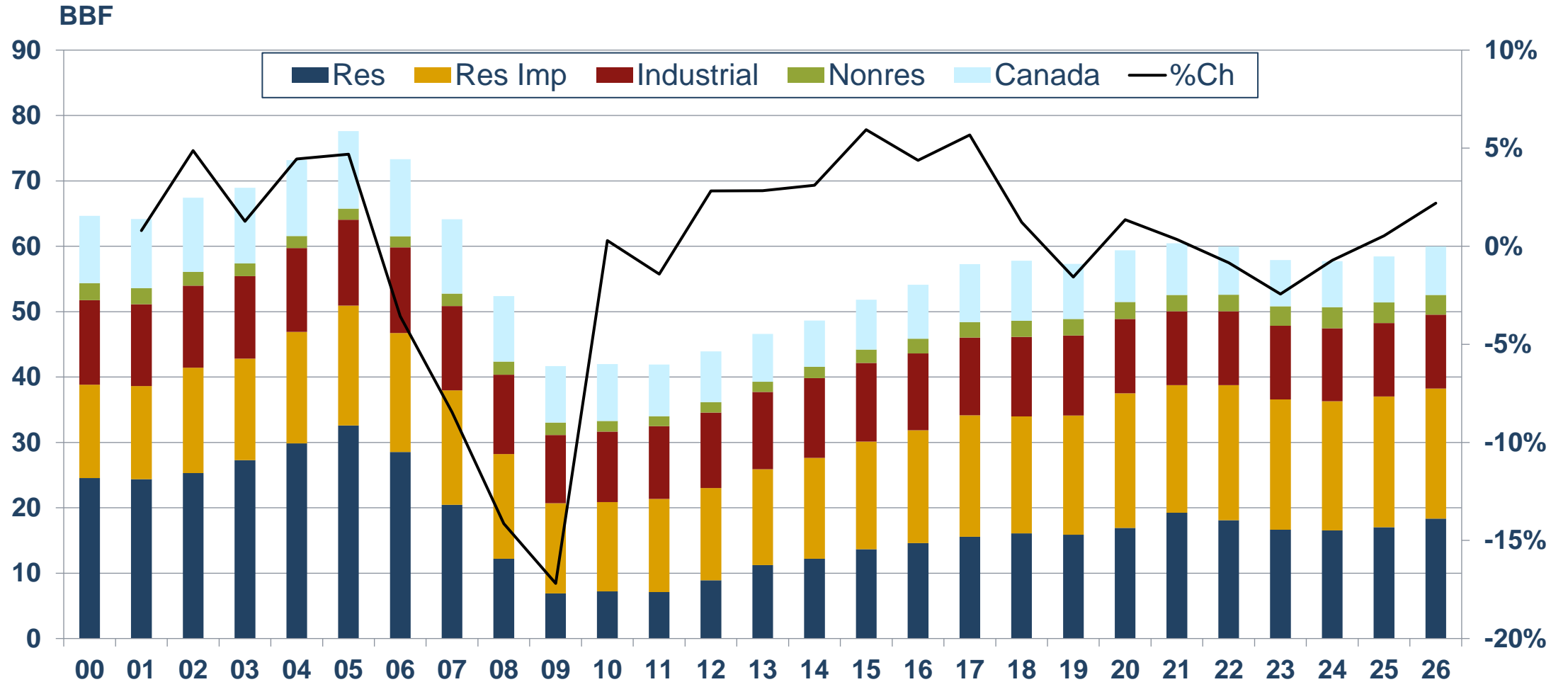


Source: The White House

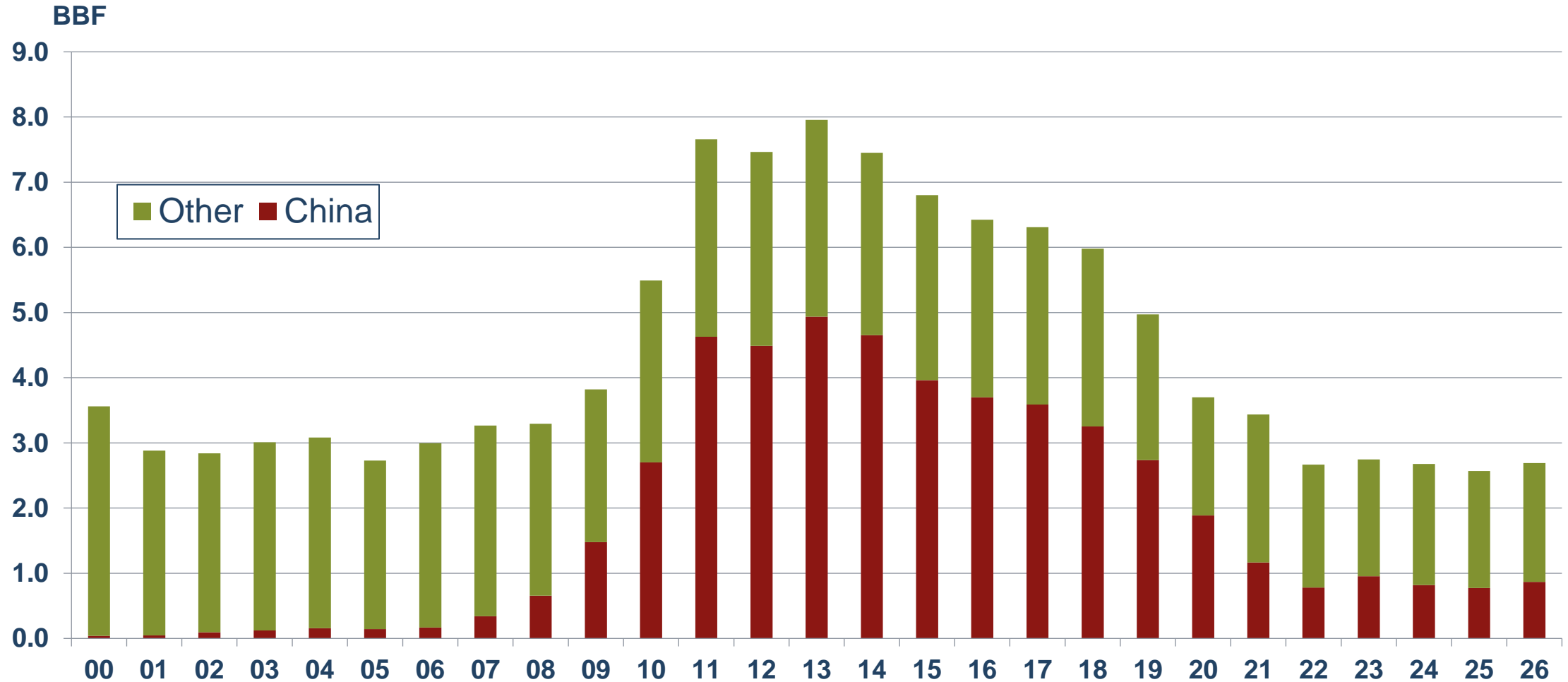
[www.getfea.com](http://www.getfea.com)

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# Lumber Consumption Will See Little Growth Until 2026

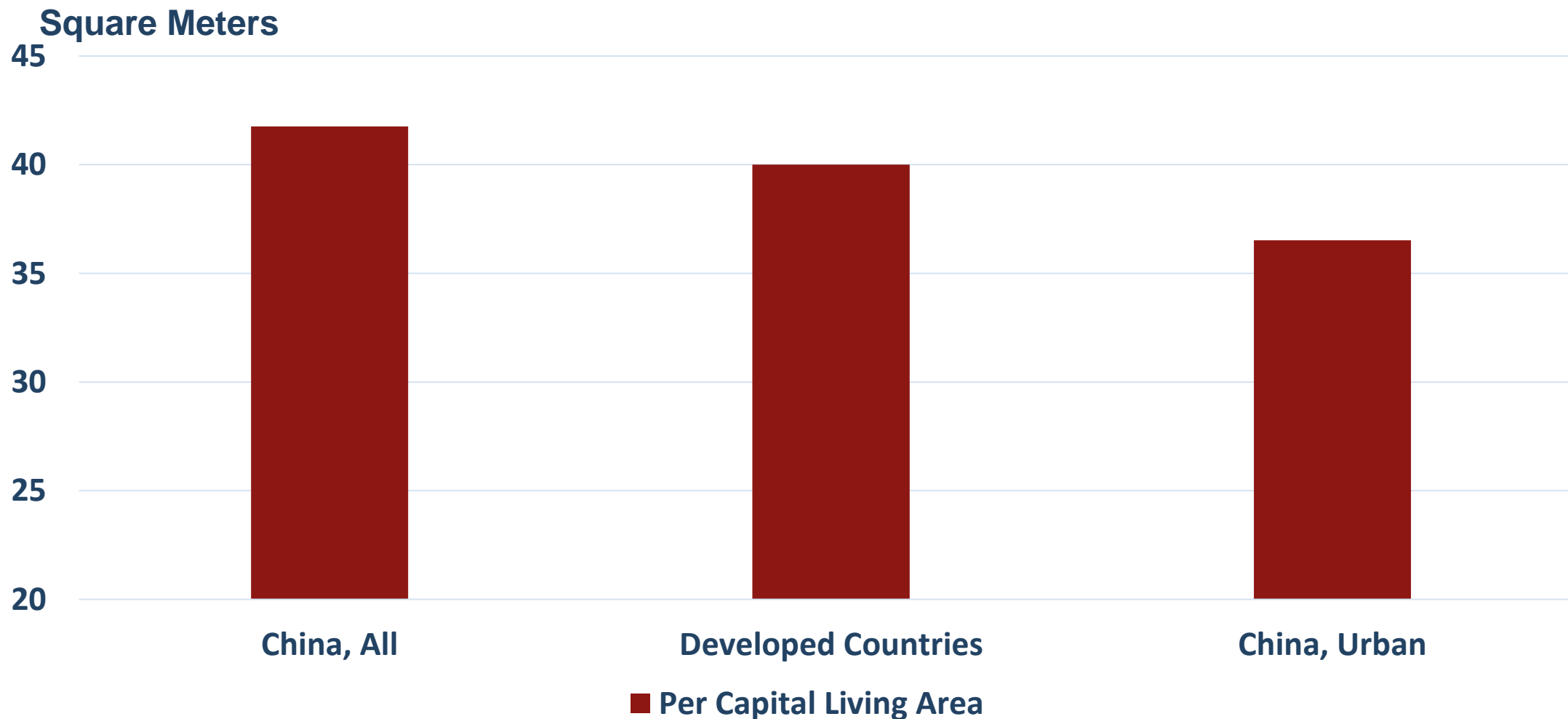


# North American Lumber Exports Will Increase But Remain Weak



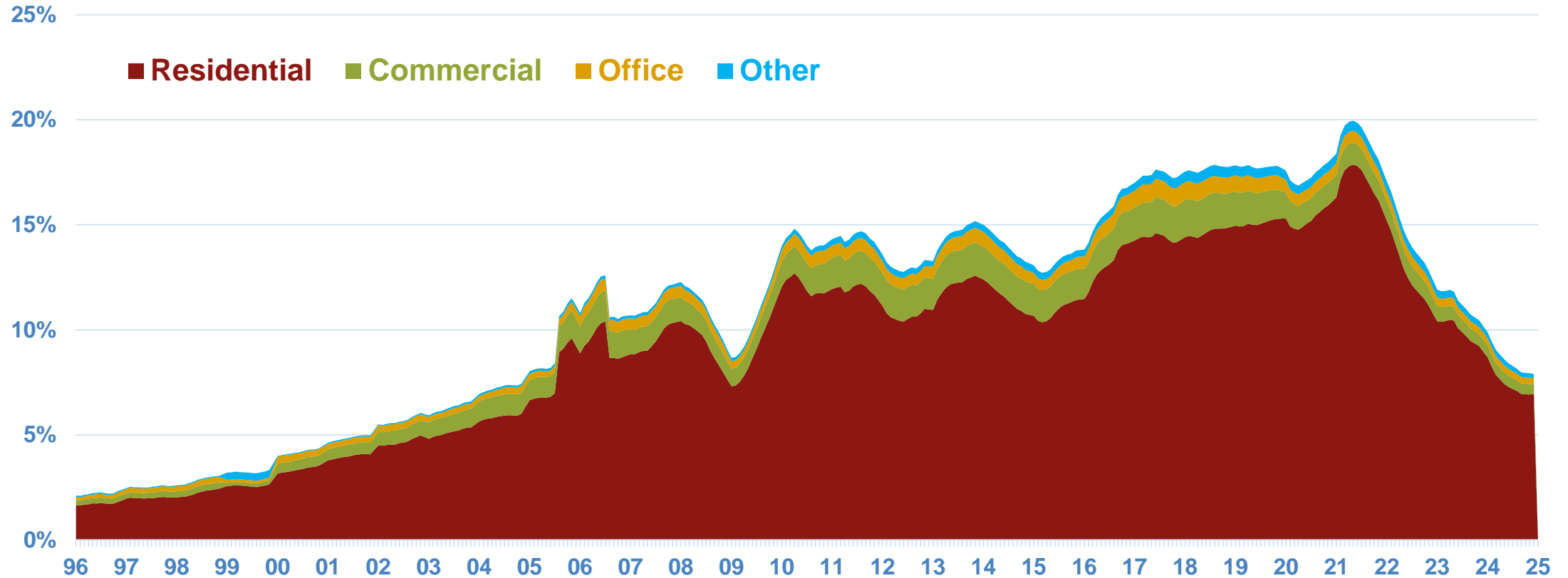


# China Has Already Reached Developed Country Levels of Per Capita Floor Space

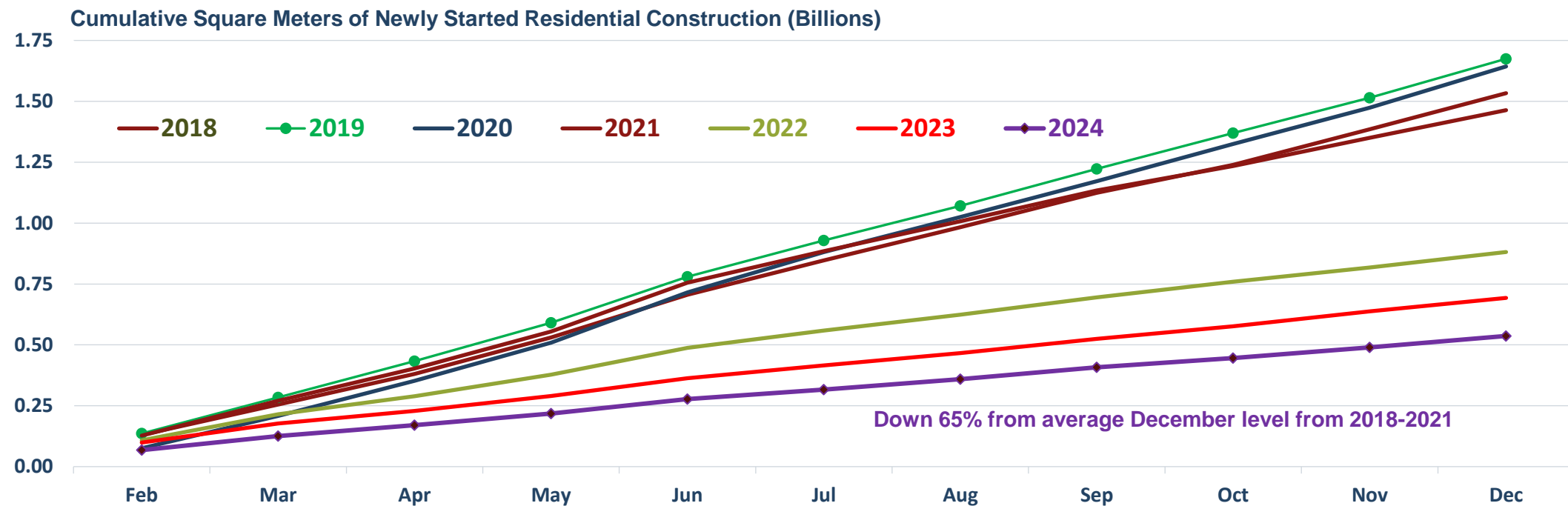


# Chinese Real Estate Transactions as a Percent of GDP

Chinese Real Estate Transactions as a Percent of GDP, 12-Month Moving Average

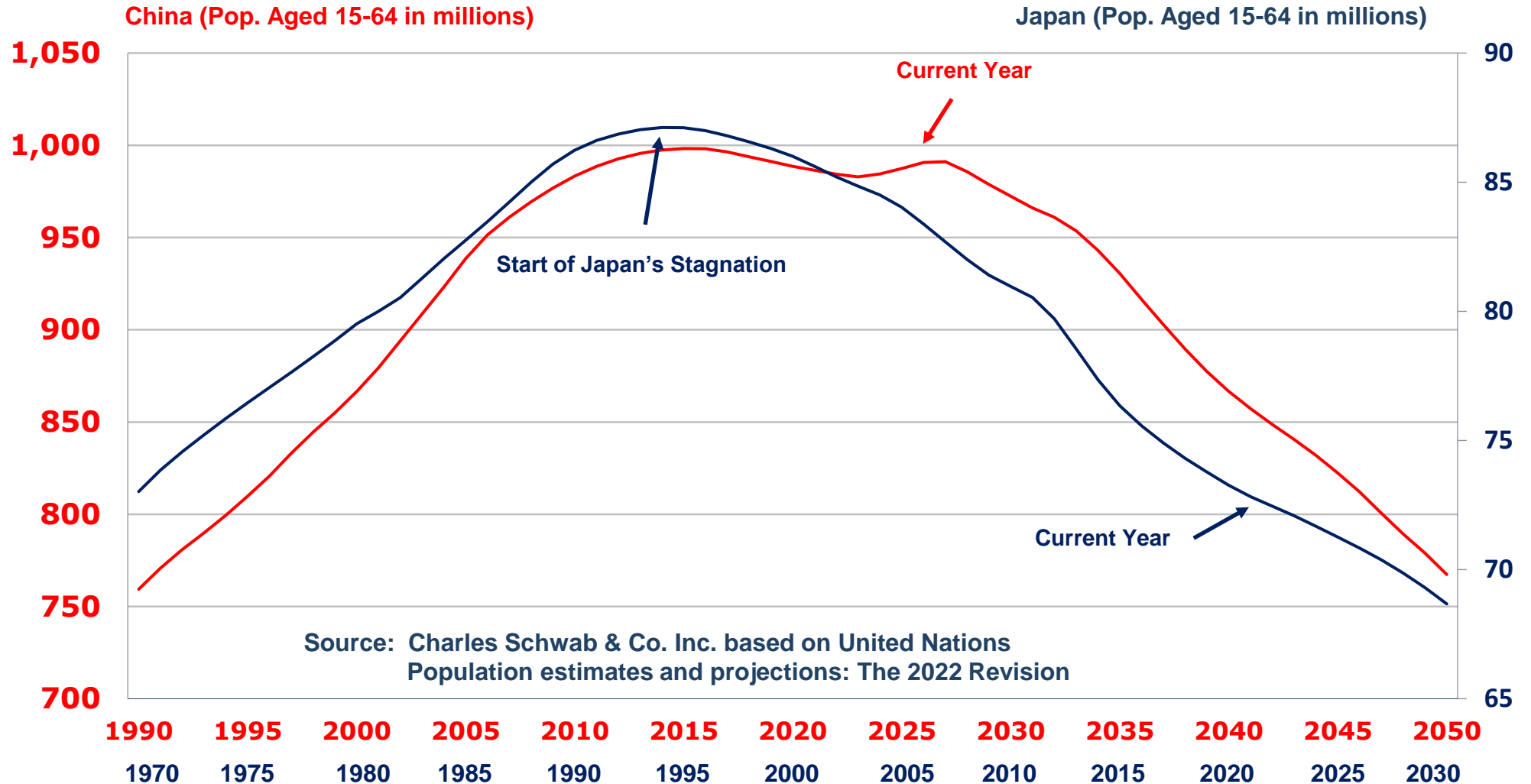


# Chinese Residential Construction is Down Bigly From Pre-Pandemic Level

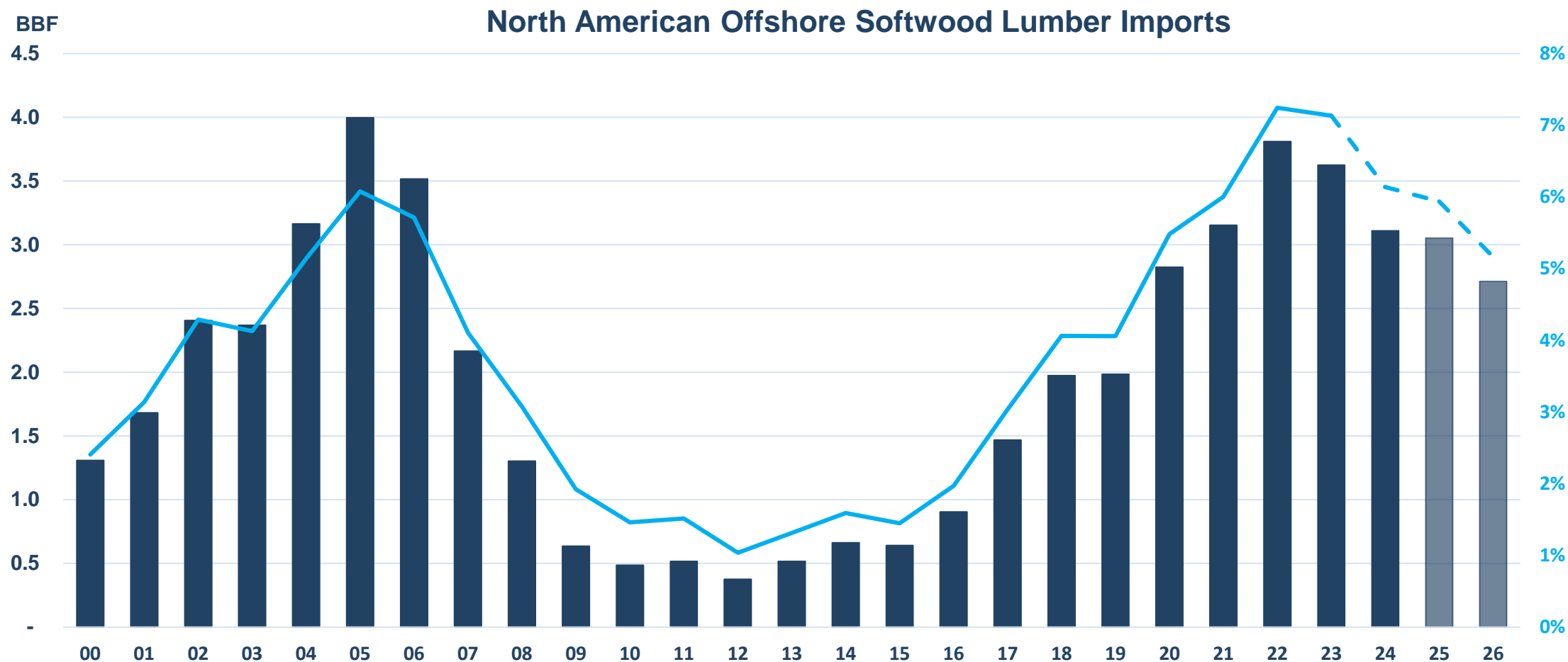


Source: China National Bureau of Statistics

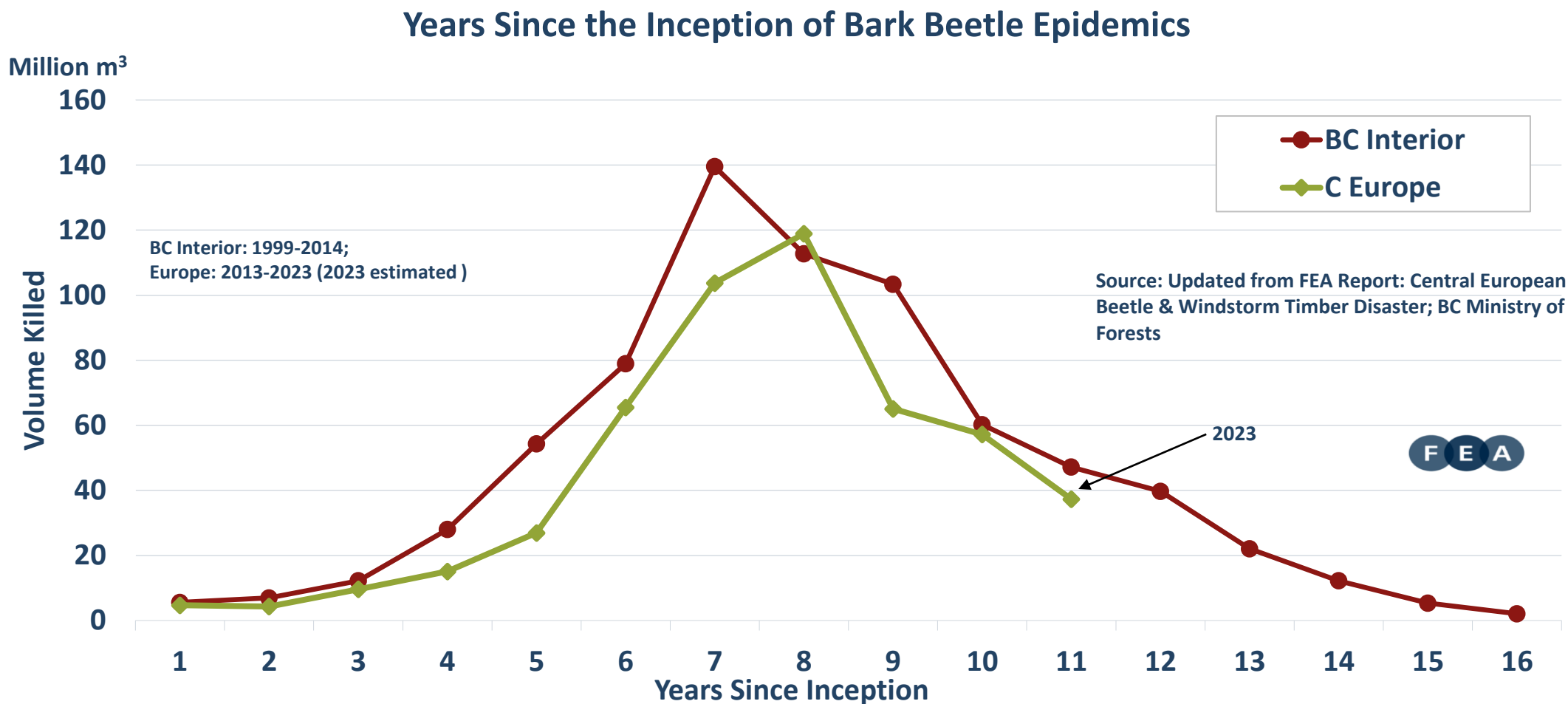
# China's Working Age Population Following Japan's Lead



# Softwood Lumber Imports Will Fall, But Remain Elevated Relative To The Past Decade



# The Scale of the Spruce Bark Beetle in C.Europe is Comparable to the Mtn. Pine Beetle in the BC Interior

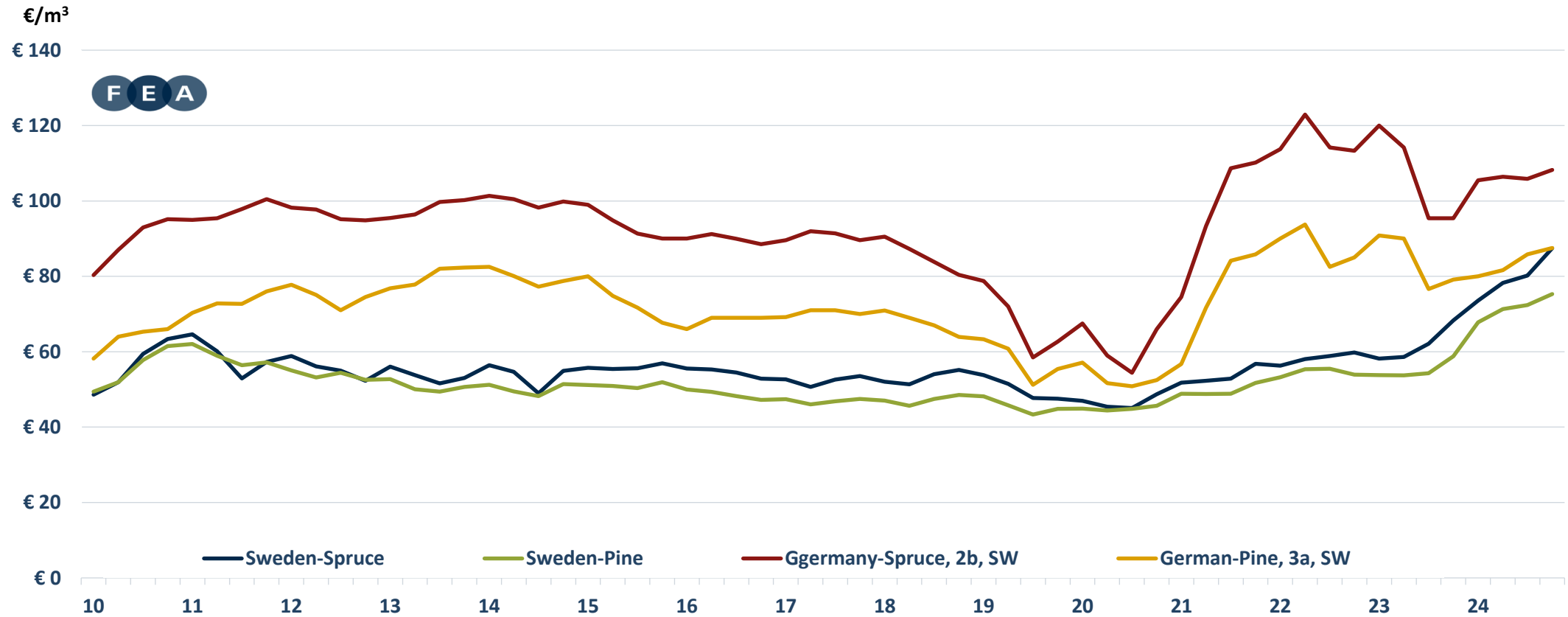


# European Union Policy Changes Will Likely Impact Harvest Levels

- Land Use, Land Use Change, and Forestry (LULUCF)
- Biodiversity Strategy for 2030
- Nature Restoration Regulation
- EU Forest Strategy for 2030

**Bottom line:** Policies aimed at climate change and biodiversity will create stricter regulations on timber harvesting in the European Union. The LULUCF will likely have the greatest impact. The effect on harvest levels expected to be limited in the near-term but expected to increase beginning in 2026.

# European Log Costs Have Risen

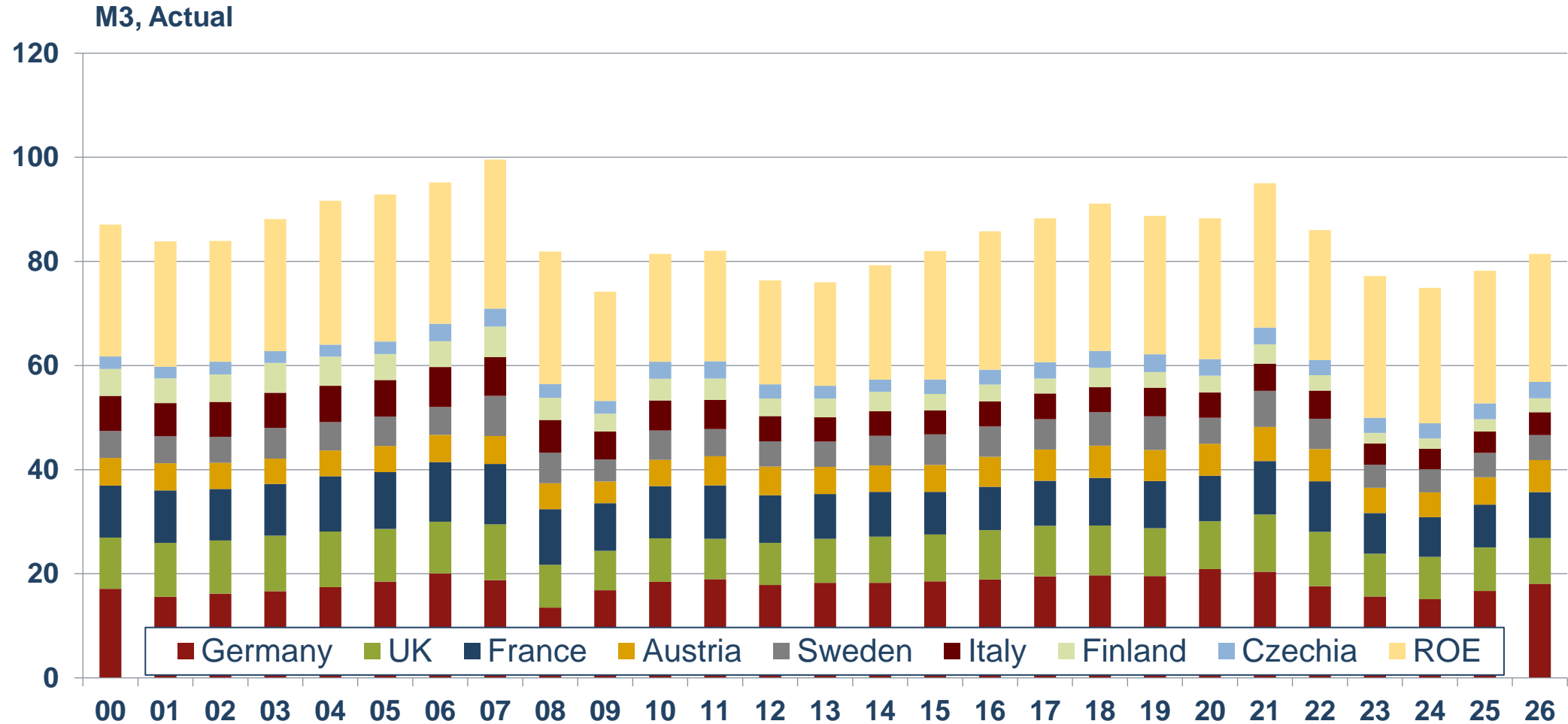


Source: Euwid, Skogstyrelsen

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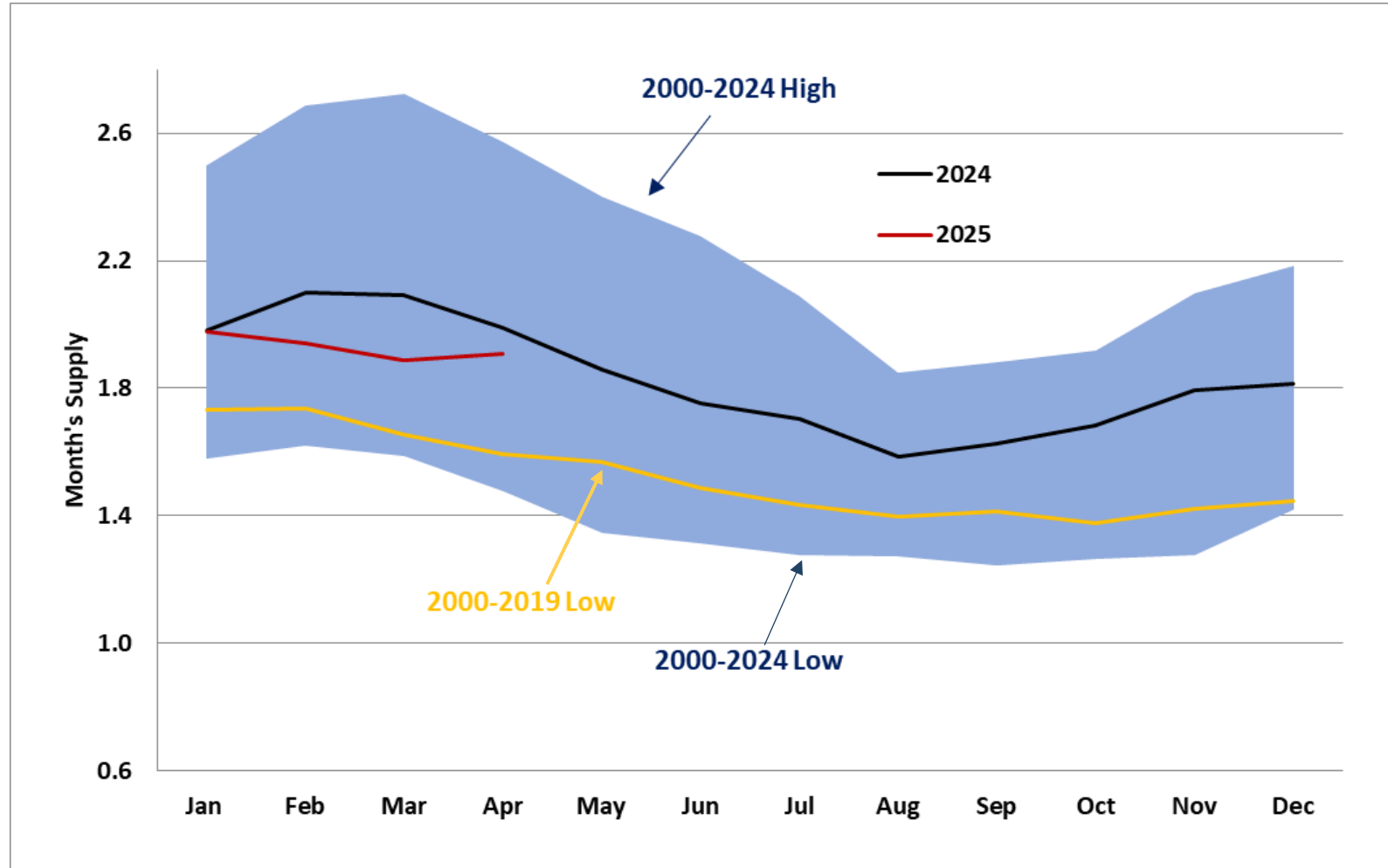


# European Consumption Will Begin To Recover



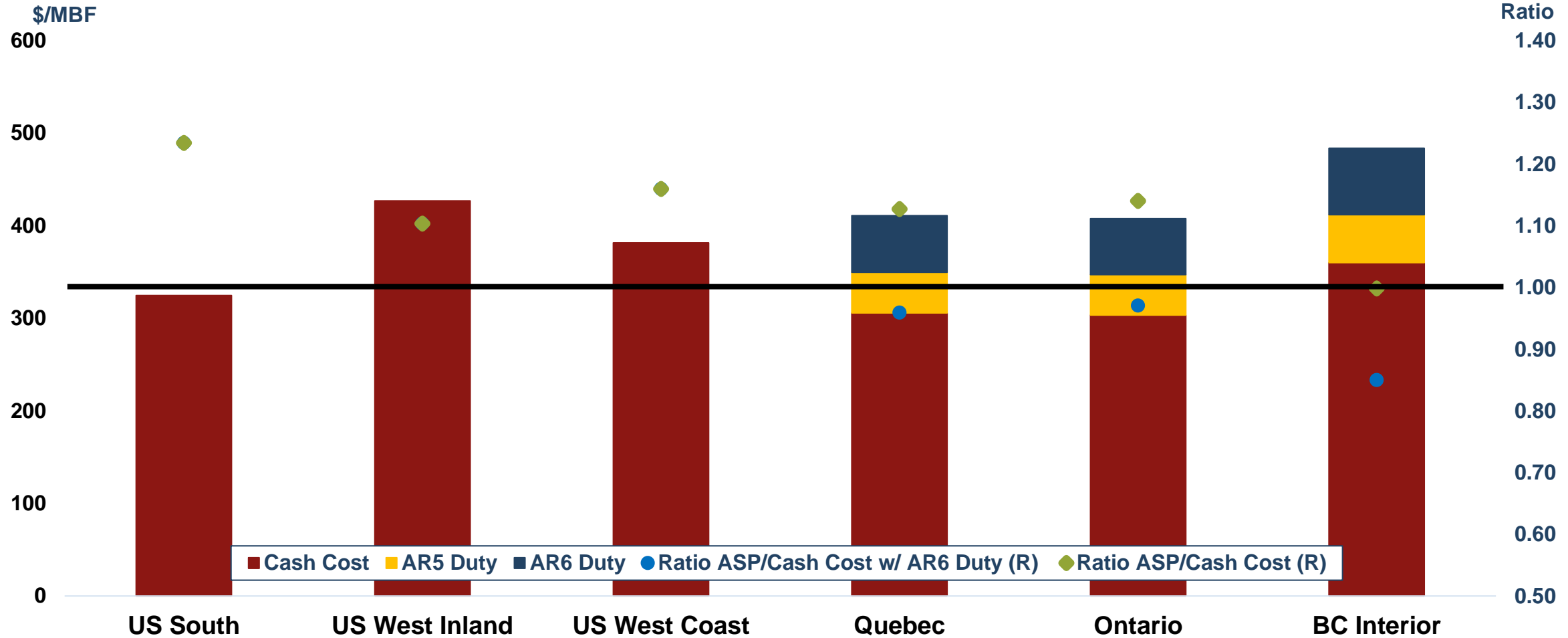
# Inventories Are Rising

## North American Inventory/Consumption Ratio & Range



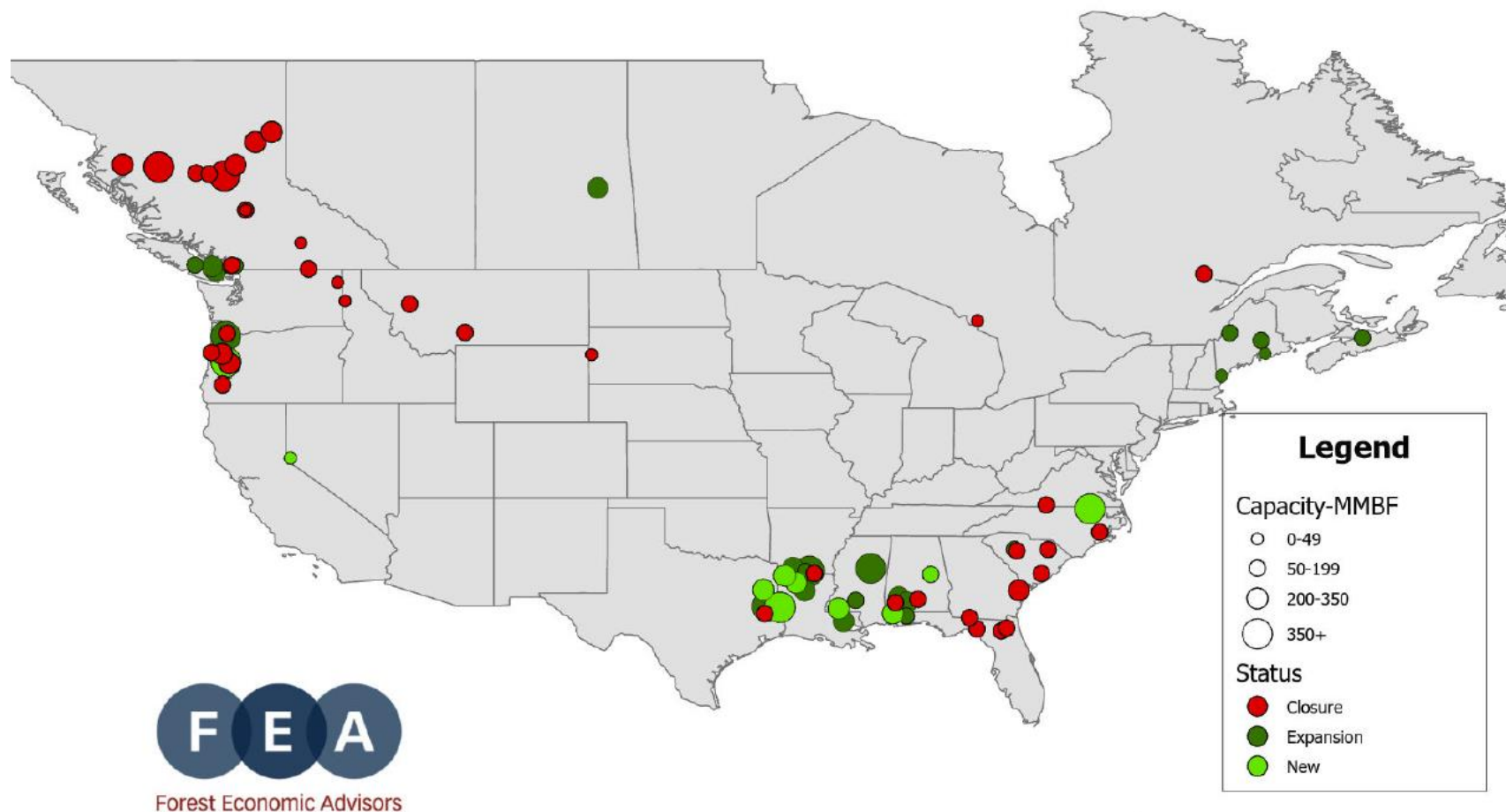
Source: FEA

# Prices Are Still Above Costs Across Most Regions

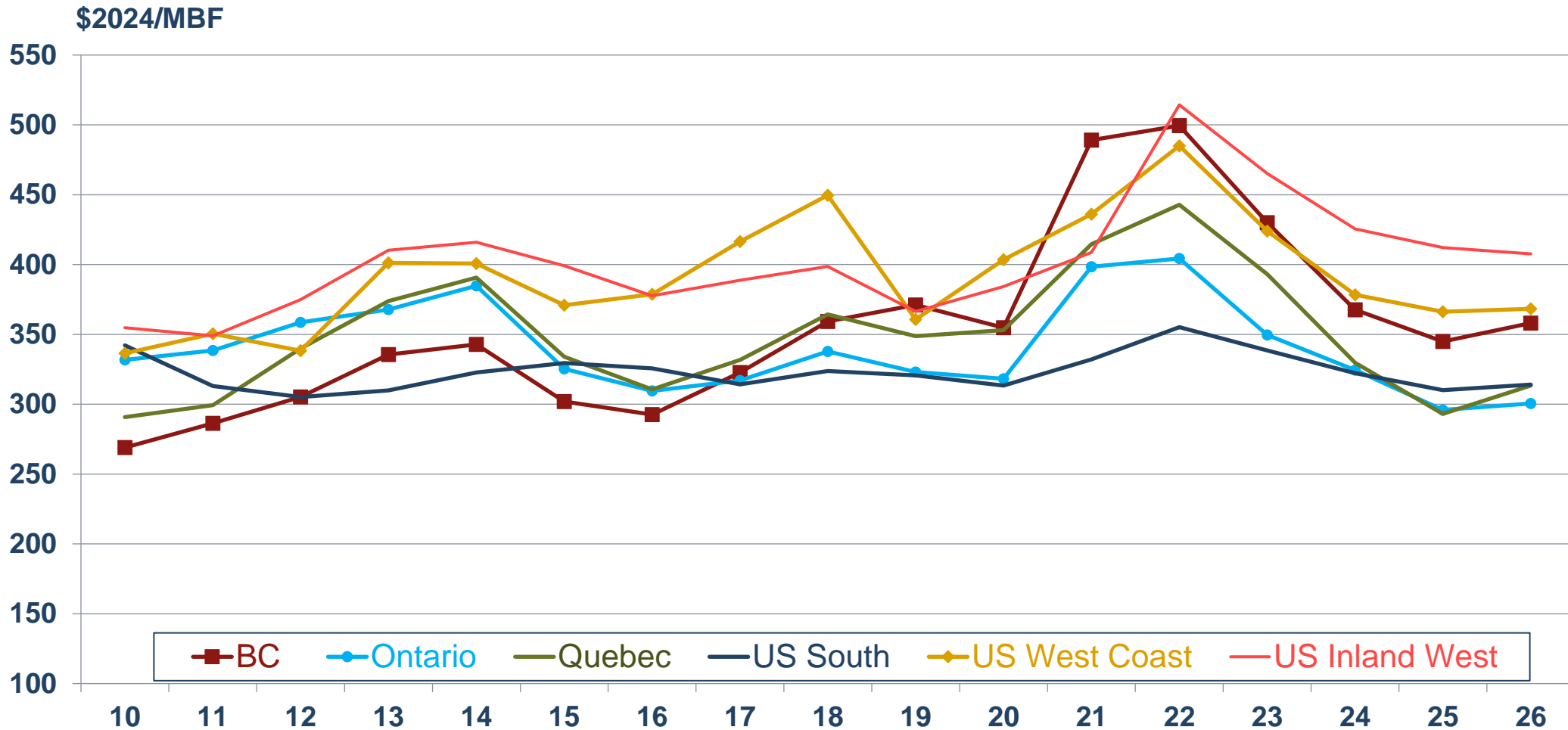


# North American Softwood Lumber Capacity Changes, Since 2023

Closures, BBF		
BC	2.6	48%
US South	1.7	32%
US West	1.0	18%
Canada, Other	0.2	2%

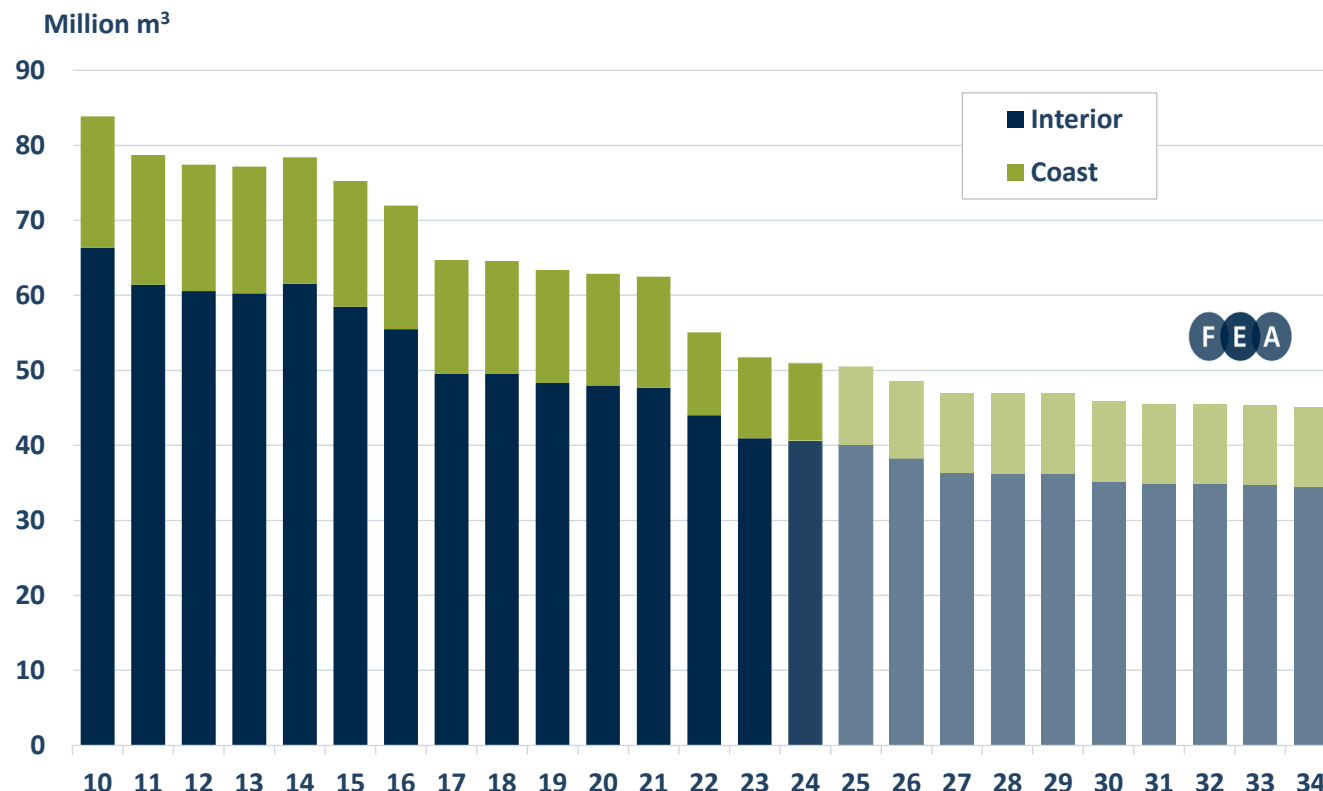


# Western Lumber Production Cost Remain Elevated Relative To The East



# There are Multiple Factors Constraining Timber Supply in British Columbia

**British Columbia Annual Allowable Cut**



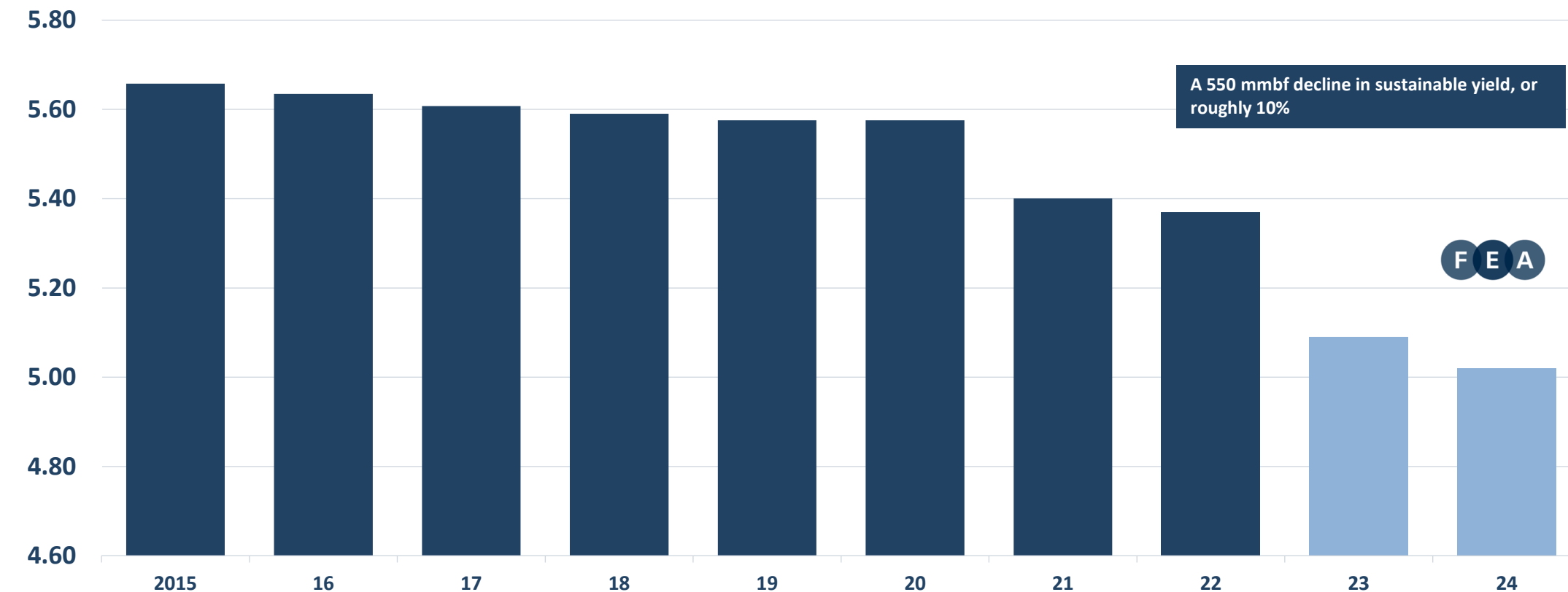
Source: BC Ministry of Forests, FEA

- The primary reason for the drop is the decline of salvageable beetle-killed logs from the mountain pine beetle (MPB) epidemic. The infestation killed an estimated 54% of the 1.35 billion cubic meters of merchantable lodgepole pine resource. The province is also dealing with the largest spruce bark beetle since the 1980s.
- The province has also experienced record-level wildfires in recent years, and the risk of future severe wildfire seasons remains elevated.
- Efforts to protect the habitat of southern mountain caribou herds will likely remove timberland from the timber-harvesting land base.
- The province placed a harvest deferral on old-growth forests, further removing land from the timber-harvesting land base.
- Current projections of the Interior's AAC show a 10% decline over the 2025–34 period.

# The Outlook for Available Log Supply in the US West Coast Continues to Erode

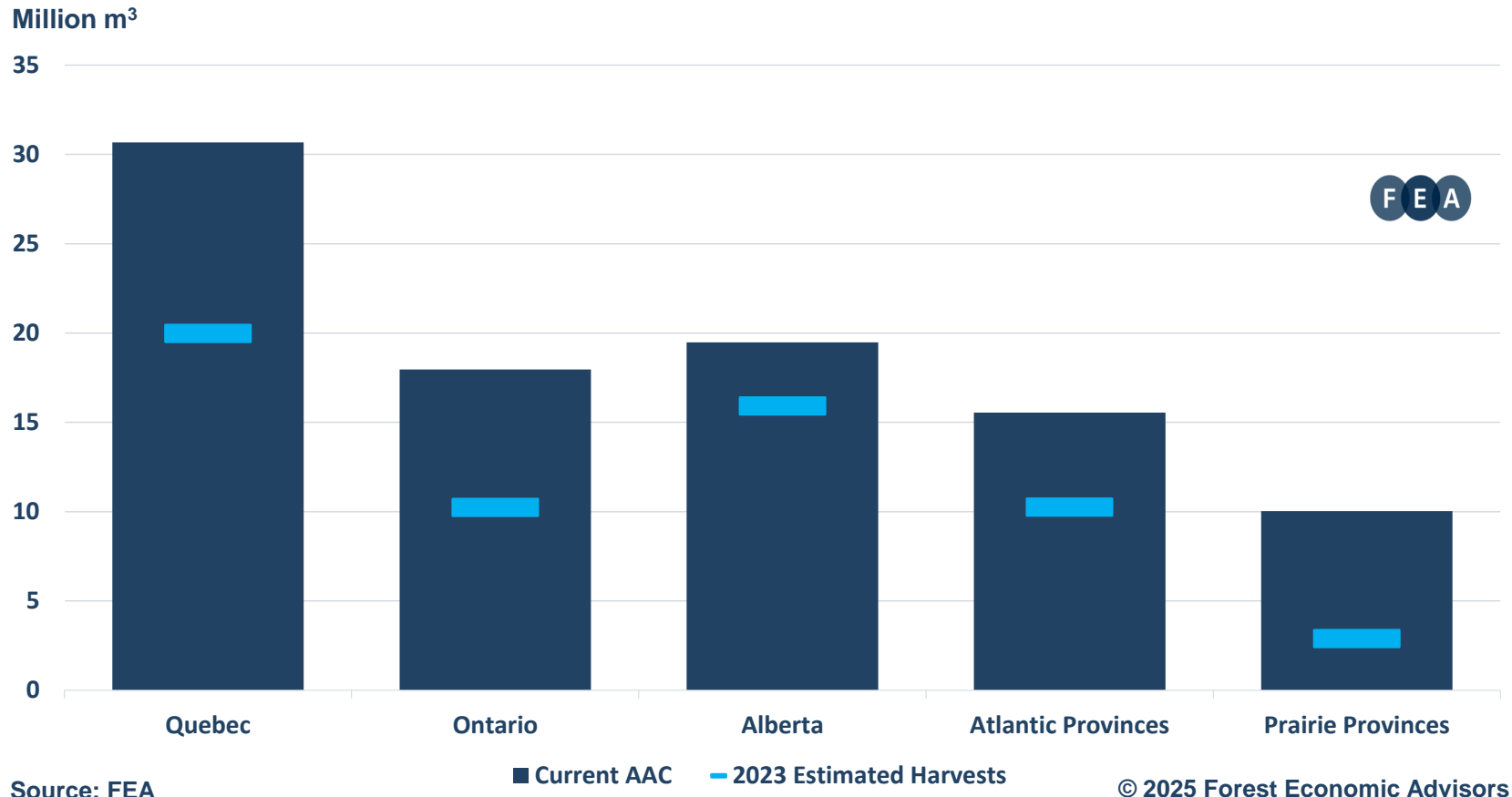
## Private Softwood Sawtimber Sustainable Yield, US West Coast

BBF, Int'l 1/4"



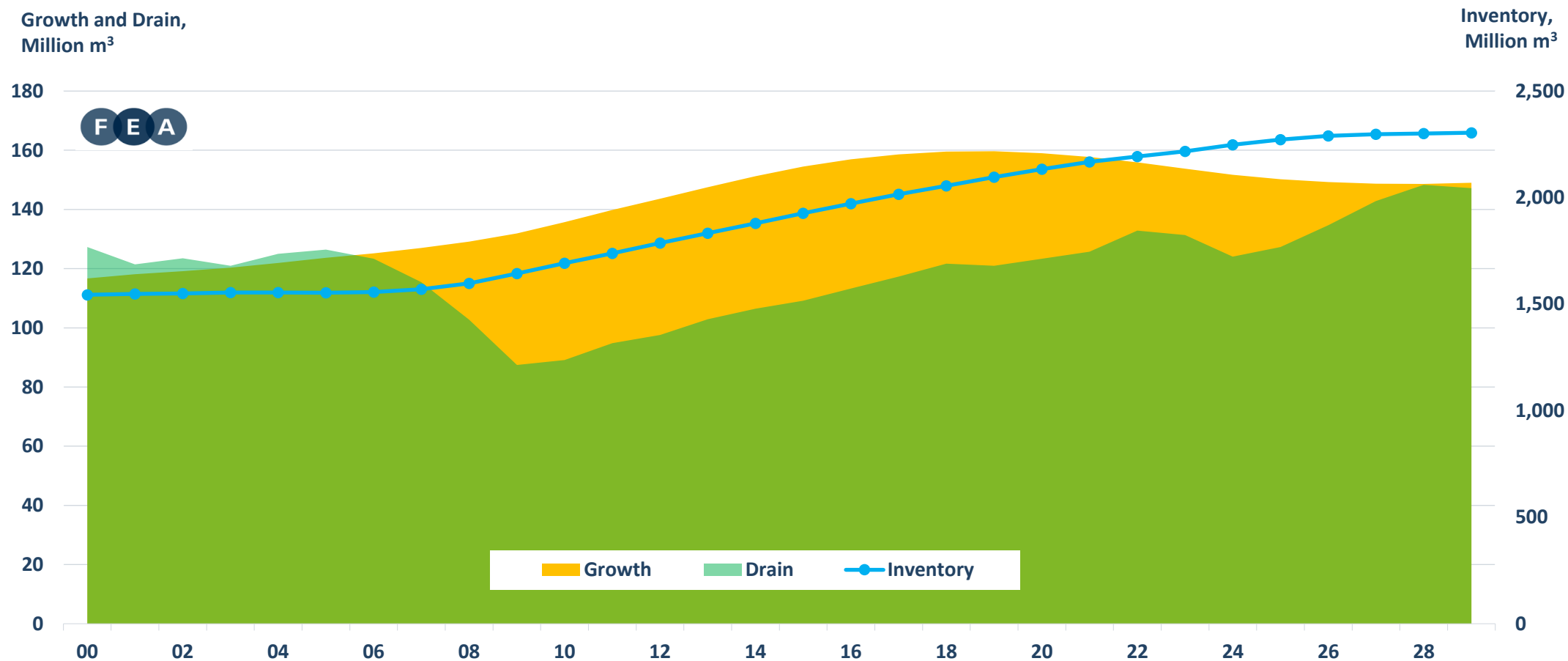
Source: FEA's North American Timber Service, 23Q4

# Opportunities to Increase Harvest Levels in Eastern Canada Will Be Increasingly Limited





# The Softwood Sawtimber Supply Conditions in the US South Is Much Different



Source: FEA's North American Timber Forecast Service

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# Duties Are On The Rise

## AR5 Final Determination

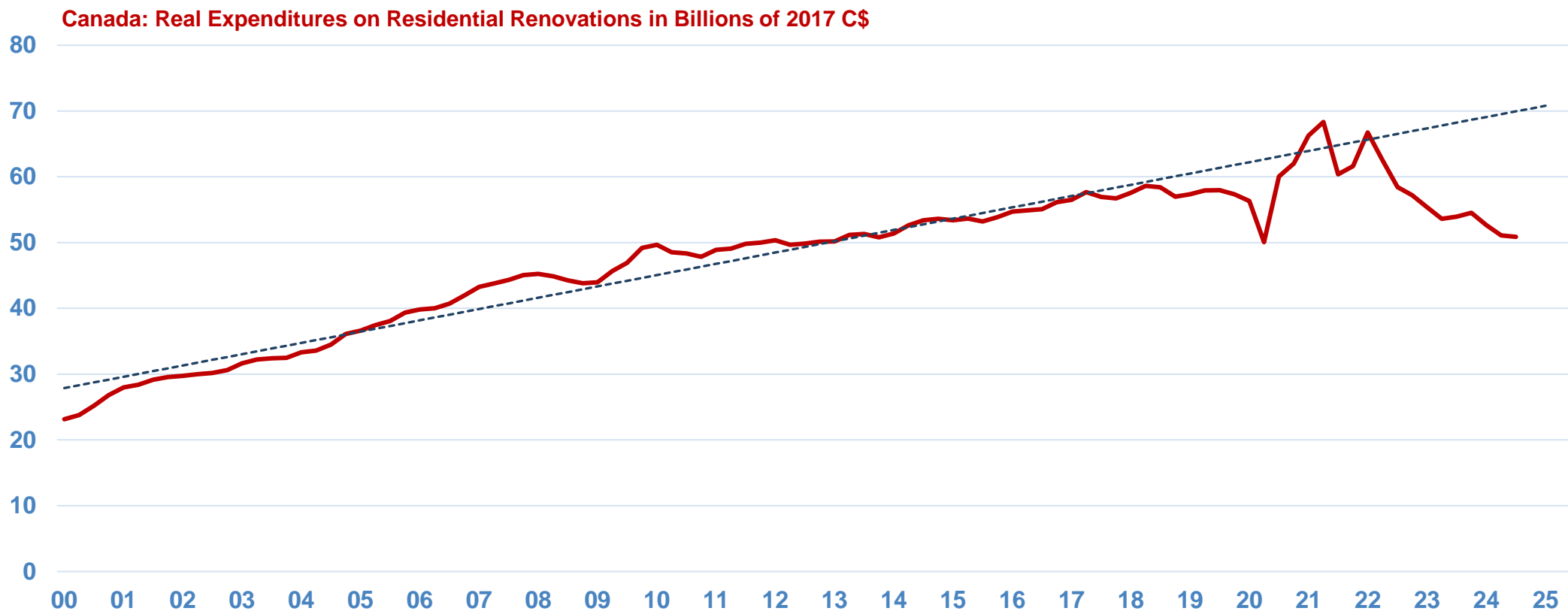
	Tariff	Antidumping	Countervailing	Combined Duties	Total Import Tax
Canfor	25%	10.44%	6.14%	16.58%	41.58%
West Fraser	25%	5.04%	6.85%	11.89%	36.89%
J.D. Irving	25%	7.80%	3.88%	11.68%	36.68%
Tolko	25%	7.80%	9.61%	17.41%	42.41%
All Others	25%	7.66%	6.74%	14.40%	39.40%

AR4 “All Others” Rate: 8.05%

## AR6 Preliminary Determination

	Antidumping Duty	Countervailing Duty	Combined
Canfor	34.61%	11.87%	46.48%
West Fraser	9.48%	16.57%	26.05%
All Others	20.07%	14.38%	34.45%

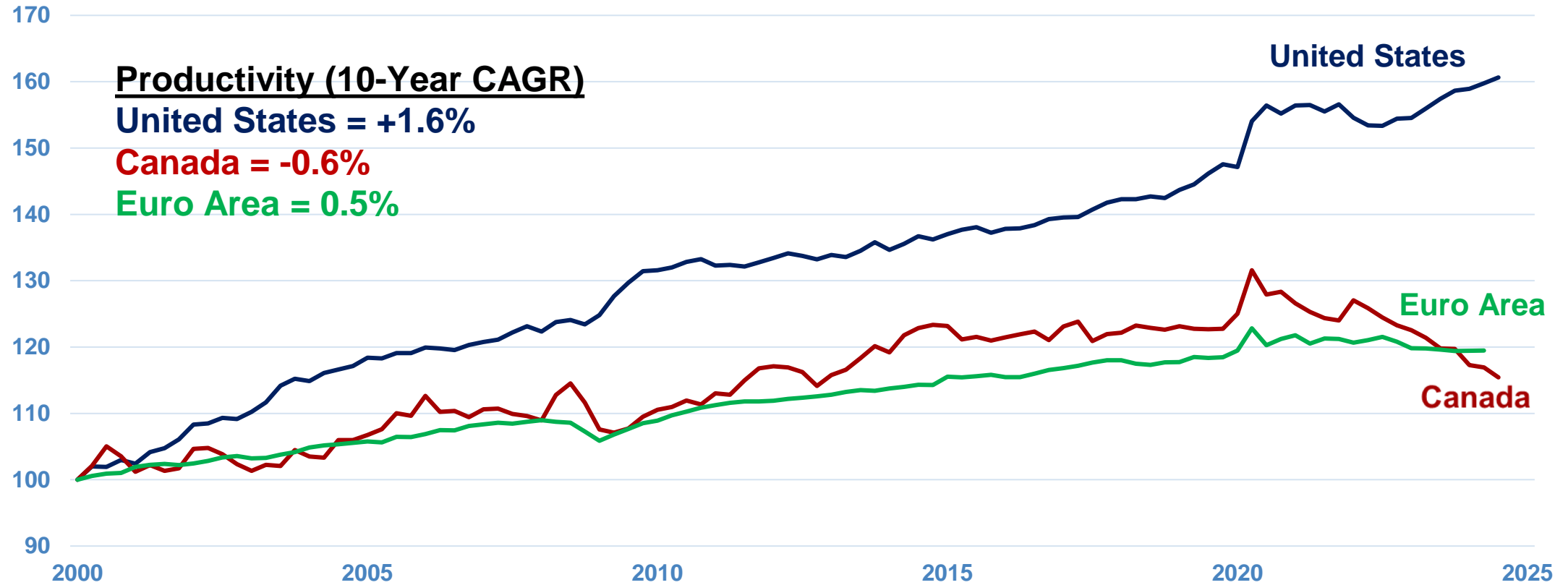
# Canadian Real Residential Renovations Have Fallen Well Below the 2000-2019 Trend



Source: Statistics Canada

# Canada Has A Competitiveness Problem

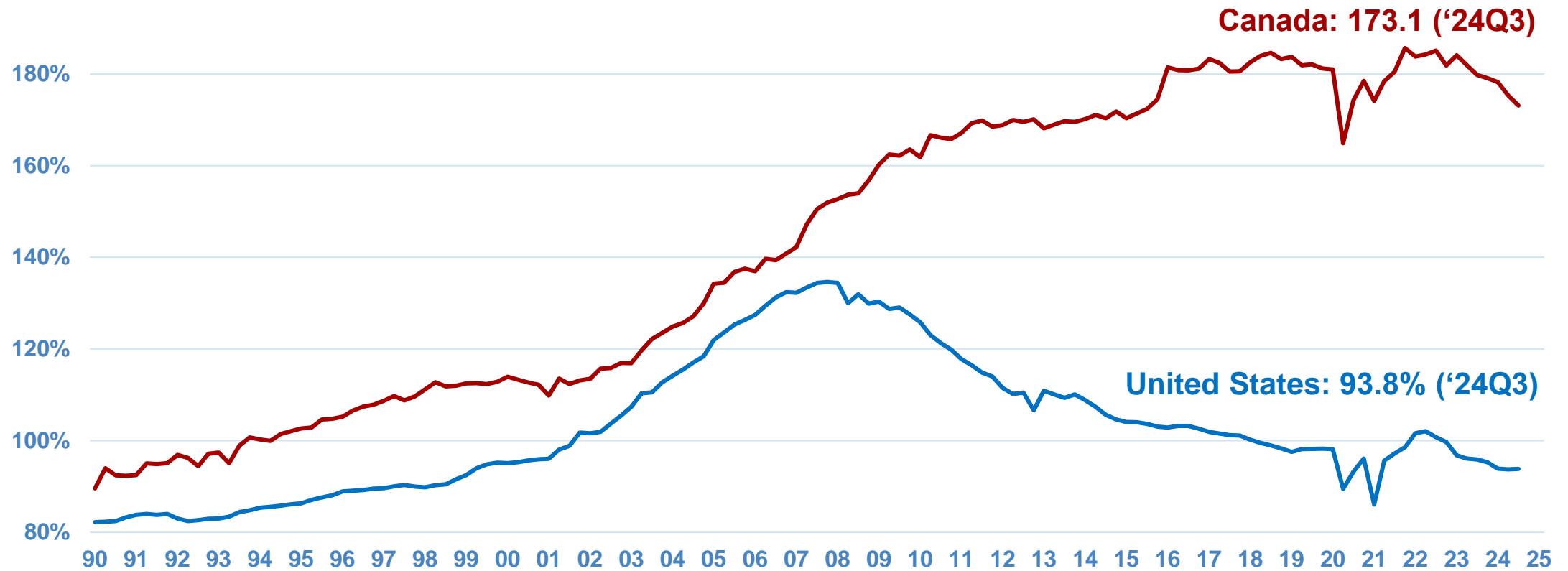
Output per Worker per Hour, 2000Q1=100



Source: Statistics Canada, Bureau of Economic Analysis, Federal Reserve

# Canadian Household Debt is in the Stratosphere

Household Debt as a Percent of Disposable Income



Source: Statistics Canada, Bureau of Economic Analysis, Federal Reserve

# Lumber Take Home Points

- We have likely seen the bottom to the current cycle, but consumption will not see strong growth over the next year.
- Exports will remain weak, driven mainly by an increase in southern yellow pine.
- Imports will fall, but remain elevated as European and Chinese consumption continues to struggle.
- Tariffs and rising duties will bolster lumber markets.
- Costs remain elevated, especially for western species.



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