

The Virginia Tech – U.S. Forest Service January 2016 Housing Commentary: Section I



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This report is a free monthly service of Virginia Tech. Past issues can be found at:

<http://woodproducts.sbio.vt.edu/housing-report>. To request the report, please email: buehlmann@gmail.com

Executive Summary

In January, the housing data was less than inspiring. Two things: First, it was January's data (historically a slow month) and two, it was one-month's data. We need 3, 4, or 5-months data to assess the direction of the housing market. In January, total and single-family starts, permits, new house sales, and new single-family construction spending all declined month-over-month. Housing under construction and existing sales exhibited some growth. With the exception of new single-family house sales, all remained positive year-over-year. The adjusted volume of new sales decreased with the median price declining month-over-month and year-over-year and the mean price was positive on both metrics. From a regional perspective, data were mixed across all sectors. Overall, since January 2010, housing has improved incrementally; yet most sectors of the housing market remain well less than their respective historical averages.

How does one describe the current housing market? Paraphrasing a couple of lines from an old nursery rhyme, “The housing market is not too hot, and depending on the location, “It may be too cold.” Richard Green, Senior Advisor on Housing Finance in the Office of Policy Development and Research for Housing and Urban Development commented, “Although the demand for owner housing has been stagnant, the demand for rental housing has soared, pushing up rents even in the face of strong multifamily construction. Rental demand has risen sharply for several reasons. The combination of diminishing numbers of married couples, the fallout from the recession, and access to credit issues have pushed rental demand and therefore rents as well. While there are many methods for measuring rental affordability, perhaps the most telling is that in the vast majority of American metropolitan areas, median-income renter households must spend more than 30 percent of their gross income on the median rental unit.”¹

Economic data for the first two months of 2016 are concerning. Several United States and global indicators were negative this month. Again, it's a couple of month's data but it bears watching.

Lastly, this report provides information on housing, economics, private and government indicators, and forecasts for the global and United States economy. Section I of the commentary is data-based and Section II contains current economic and market information. We hope you find this commentary beneficial.

¹ <https://www.huduser.gov/portal/pdredge/pdr-edge-firm-asst-sec-020816.html>; 2/9/16

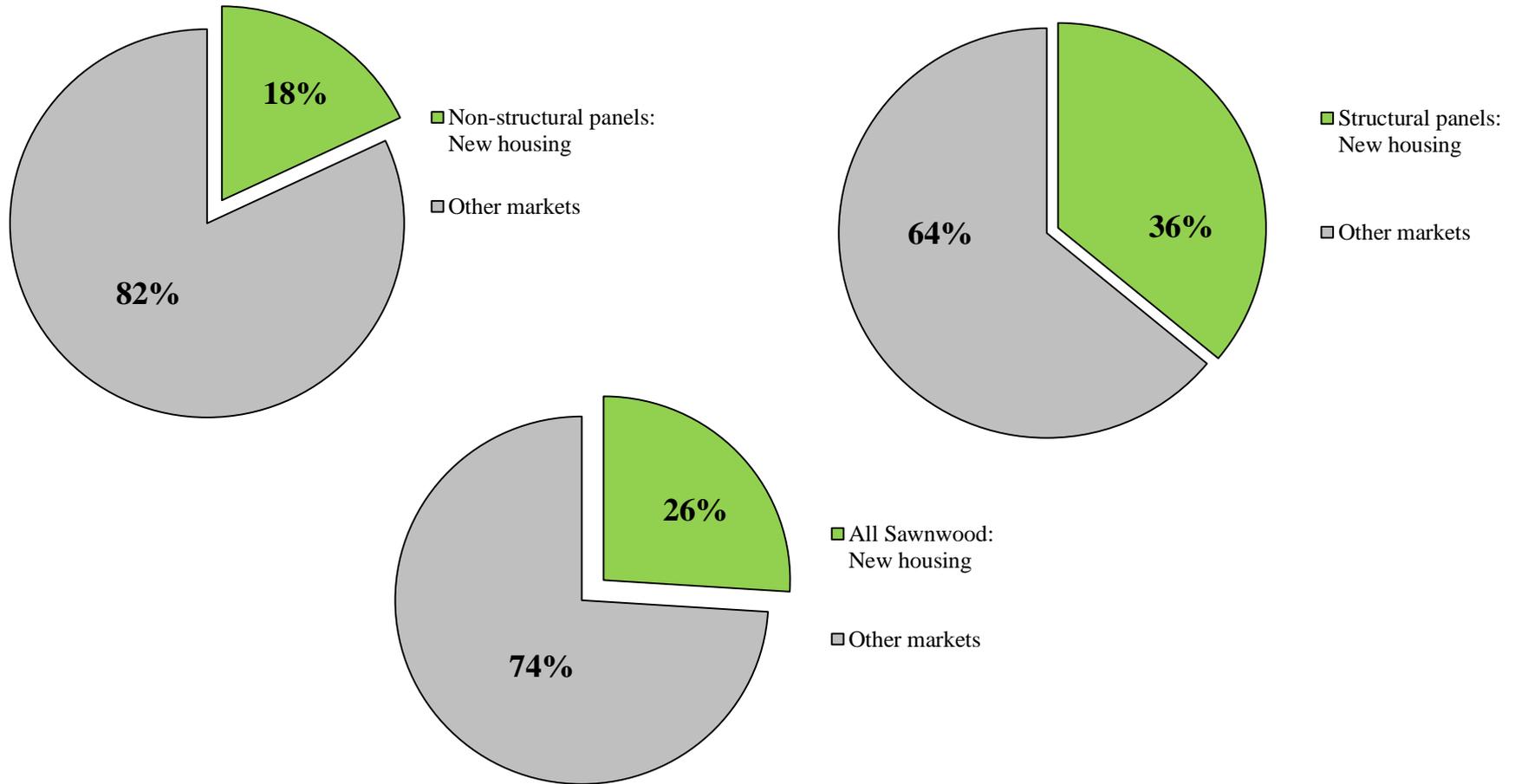
January 2015

Housing Scorecard

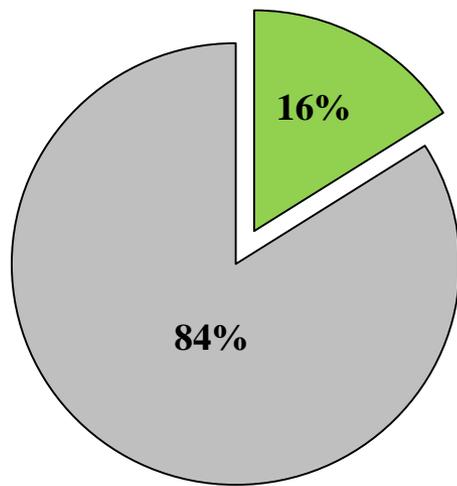
	M/M	Y/Y
Housing Starts	▽ 3.8%	△ 1.8%
Single-Family Starts	▽ 3.9%	△ 3.5%
Housing Permits	▽ 0.2%	△ 13.5%
Housing Completions	△ 2.0%	△ 8.4%
New Single-Family House Sales	▽ 9.2%	▽ 5.2%
Existing House Sales ¹	△ 0.4%	△ 11.0%
Private Residential Construction Spending	△ 0.1%	△ 7.7%
Single-Family Construction Spending	▽ 0.2%	△ 6.6%

M/M = month-over-month; Y/Y = year-over-year

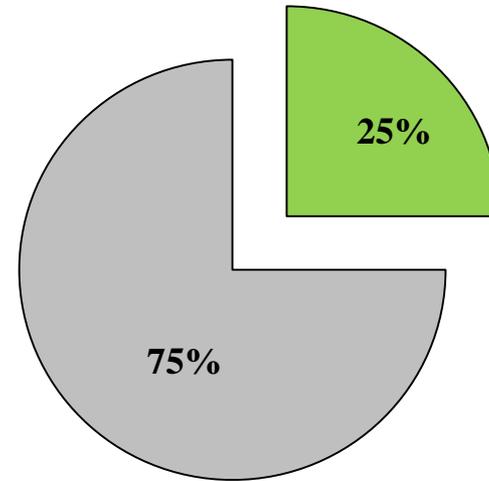
New Construction's Percentage of Wood Products Consumption



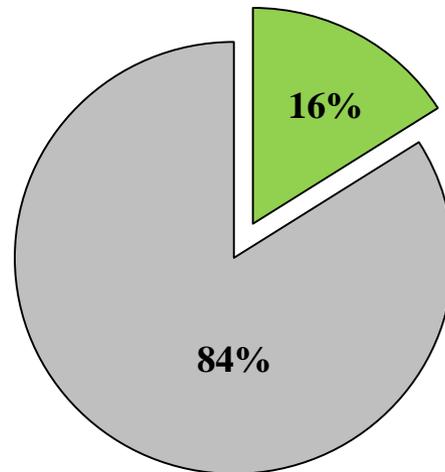
Repair and Remodeling's Percentage of Wood Products Consumption



- Non-structural panels: Remodeling
- Other markets



- All Sawnwood: Remodeling
- Other markets



- Structural panels: Remodeling
- Other markets

2016 Housing Forecasts

Organization	Total Starts	Single-Family Starts	New House Sales
APA - The Engineered Wood Association ^a	1,257.0	840.0	
Fannie Mae ^b	1,224.0	826.7	562.0
Freddie Mac ^c	1,331.0		
National Association of Homebuilders ^d	1,292.0	914.0	
Export Development Canada ^e	1,435.0		
Metrostudy ^f	1,230.0	819.0	590.0
Mortgage Bankers Association ^g	1,233.0	823.0	593.0
The Conference Board ^h	1,320.0		
UCLA Ziman Center for Real Estate ⁱ	1,420.0		
Urban Land Institute ^j		842.0	

in thousands

2016 Housing Forecasts

Organization	Total Starts	Single-Family Starts	New House Sales
BMO Capital Markets ^k	1,130.0		
Dodge Data & Analytics ^l	1,154.0	609.0	
Forest Economic Advisors ^m	1,265.0	833.0	
Forisk ⁿ	1,260.0		
Goldman Sachs ^o	1,300.0		
Gilbane ^p	1,248.0		
Morgan Stanley ^q	1,300.0	845.0	575.0 – 600.0
Royal Bank of Canada ^r	1,356.5		
Scotiabank ^s	1,260.0		
TD Economics ^t	1,340.0		
Wells Fargo LLC ^u	1,265.0	820.0	620.0

in thousands

2016 Housing Forecasts

References

a-<http://www.apawood.org/>

b-http://www.fanniemae.com/resources/file/research/emma/pdf/Housing_Forecast_111915.pdf

c-<http://www.freddiemac.com/finance/ehforecast.html>

d-<http://www.nahb.org/en/news-and-publications/Press-Releases/2015/December/housing-recovery-to-pick-up-steam-in-2016-but-challenges-remain.aspx>

e-<https://www.edc.ca/EN/Knowledge-Centre/Economic-Analysis-and-Research/Documents/gef-fall-2015-summary.pdf>

f-<http://www.metrostudy.com/press/building-outlook-total-u-s-housing-starts-projected-to-hit-1-23-million-in-2016/>

g-<https://www.mba.org/Documents/Research/Mtg%20Finance%20Forecast%20Nov%202015.pdf>

h-<https://www.conference-board.org/data/usforecast.cfm>

i-<http://www.anderson.ucla.edu/centers/ucla-ziman-center-for-real-estate>

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l-<http://www.constructiondive.com/news/inside-the-dodge-2016-construction-outlook-commercial-residential-predic/408351/>

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n-<http://forisk.com/blog/2016/02/03/forisk-forecast-us-housing-starts-outlook-q1-2016-update/>

o-<http://www.housingwire.com/articles/35648-goldman-sachs-residential-investment-on-pace-for-solid-growth-chart>

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s-http://www.gbm.scotiabank.com/English/bns_econ/forecast.pdf

t-https://www.td.com/document/PDF/economics/qef/long_term_sep2015.pdf

u-<https://www08.wellsfargomedia.com/assets/pdf/commercial/insights/economics/real-estate-and-housing/housing-wrapup-20151030.pdf>

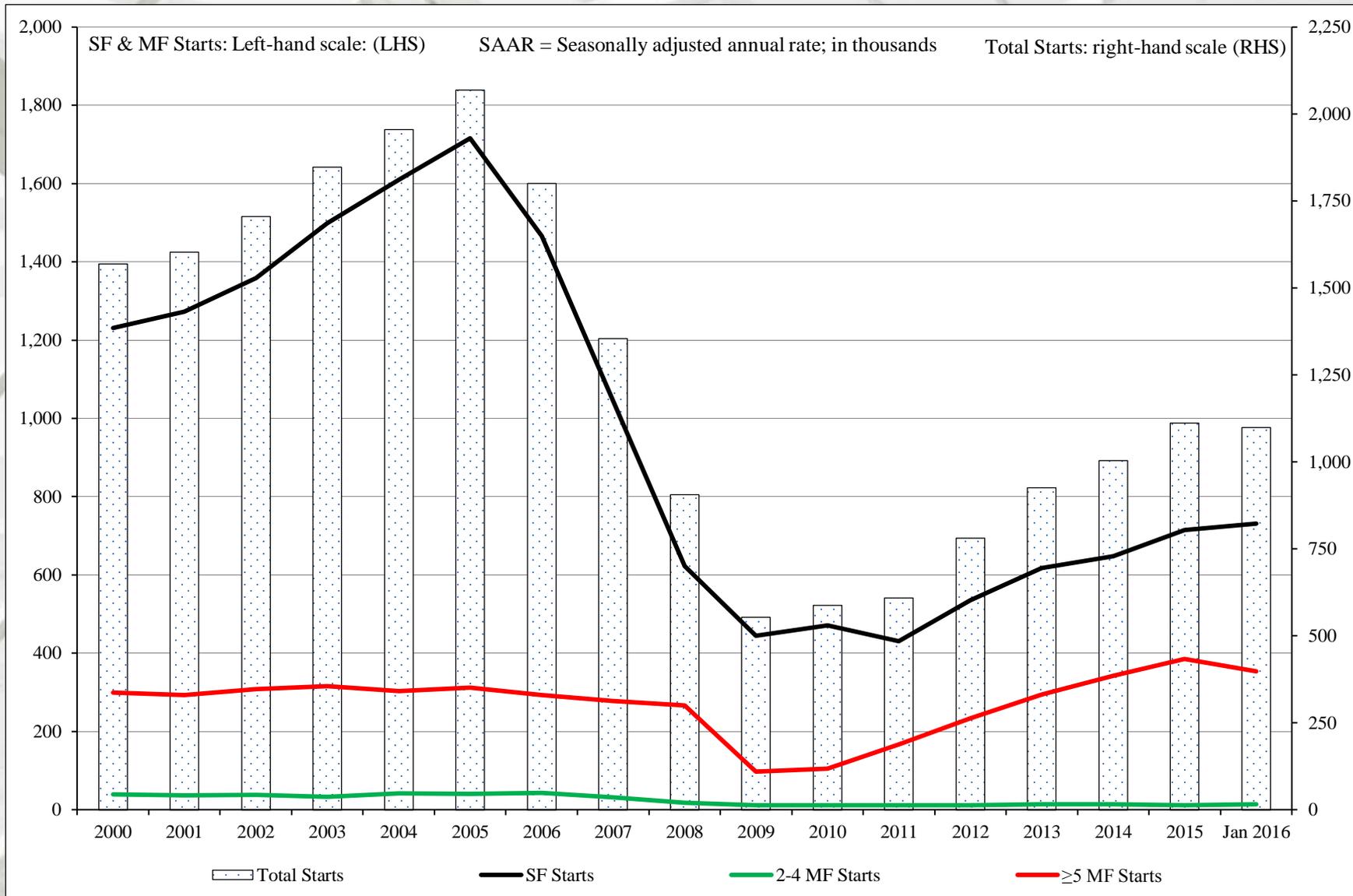
New Housing Starts

	Total Starts*	Single-Family (SF) Starts	Multi-Family (MF) 2-4 unit Starts**	MF ≥ 5 unit Starts
January	1,099,000	731,000	14,000	354,000
December	1,143,000	761,000	16,000	363,000
2015	1,080,000	706,000	6,000	368,000
M/M change	-3.8%	-3.9%	-12.5%	-2.5%
Y/Y change	1.8%	3.5%	133.3%	-3.8%

* All start data are presented at a seasonally adjusted annual rate (SAAR).

** US DOC does not report 2 to 4 multifamily starts directly, this is an estimation.

Total Housing Starts



New Housing Starts by Region

	Northeast (NE) Total Starts	NE SF Starts	NE MF Starts**
January	156,000	55,000	101,000
December	162,000	64,000	98,000
2015	108,000	56,000	52,000
M/M change	-3.7%	-14.1%	3.1%
Y/Y change	44.4%	-1.8%	94.2%

	Midwest (MW) Total Starts	MW SF Starts	MW MF Starts
January	136,000	100,000	36,000
December	156,000	104,000	45,000
2015	145,000	103,000	42,000
M/M change	-12.8%	-3.8%	-20.0%
Y/Y change	-6.2%	-2.9%	-14.3%

* All data are SAAR; NE = Northeast and MW = Midwest. ** US DOC does not report multifamily starts directly, this is an estimation

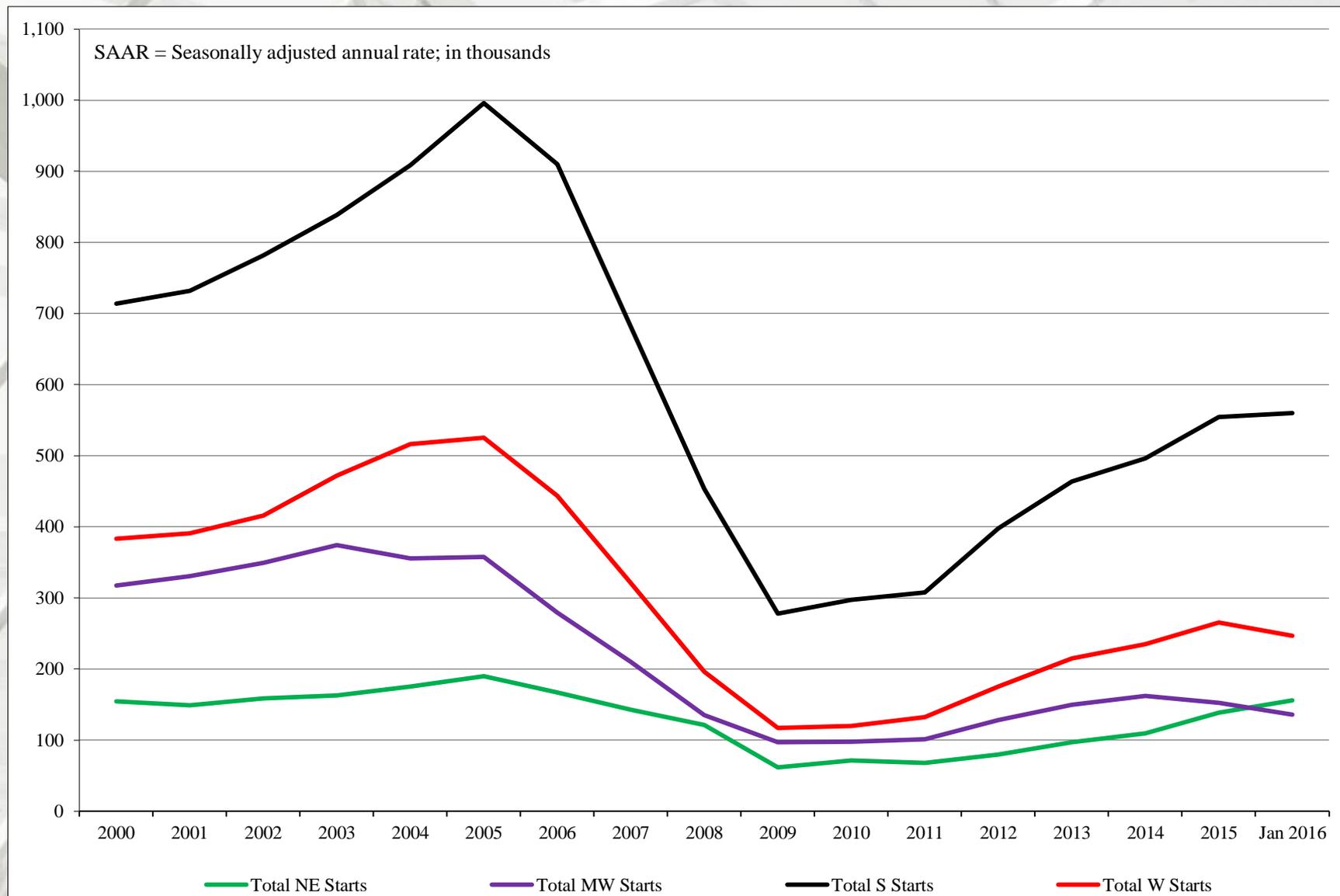
New Housing Starts by Region

	South (S) Total Starts	S SF Starts	S MF Starts**
January	560,000	423,000	137,000
December	577,000	423,000	164,000
2015	534,000	382,000	152,000
M/M change	-2.9%	0.0%	-16.5%
Y/Y change	4.9%	10.7%	-9.9%

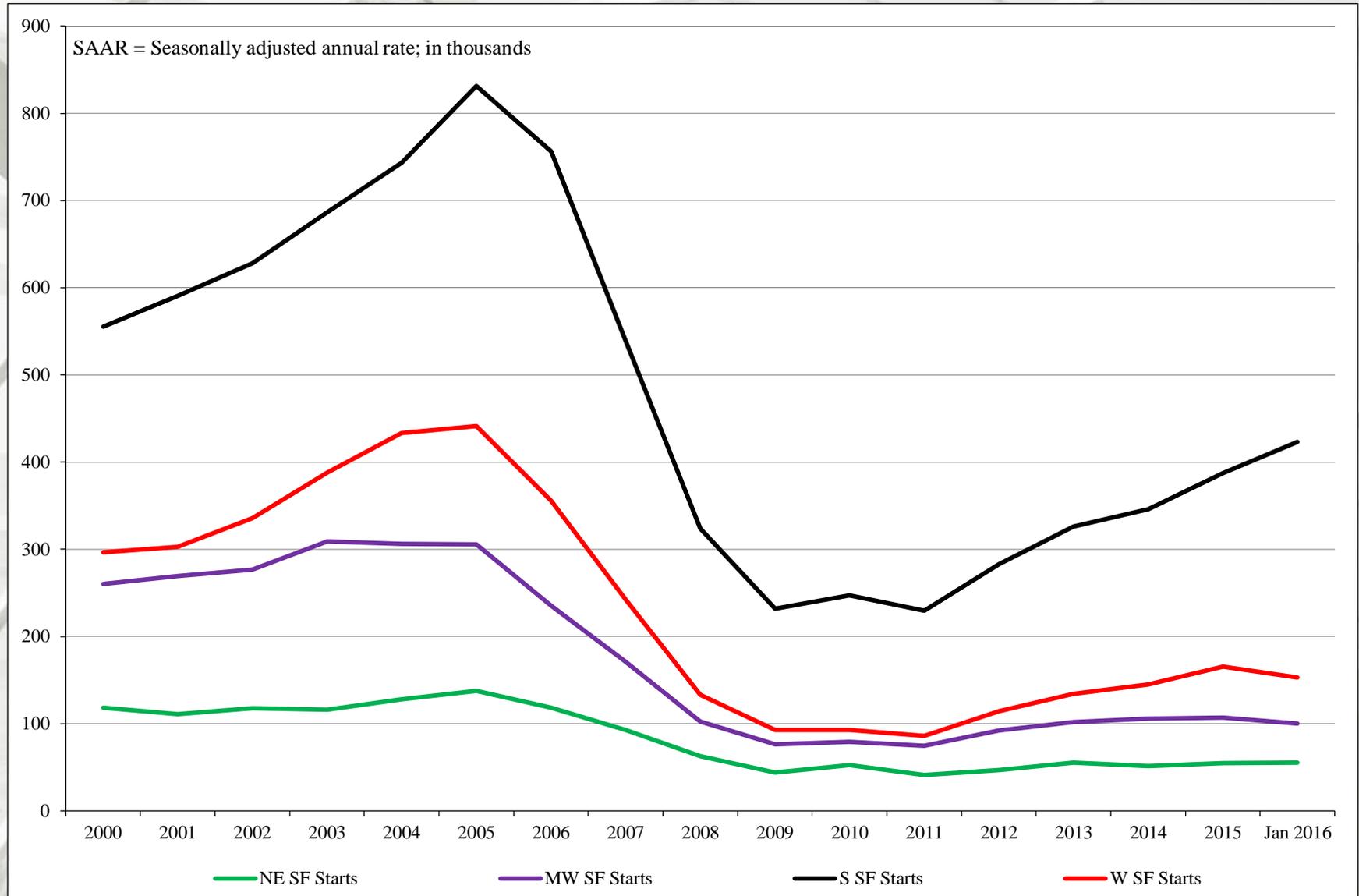
	West (W) Total Starts	W SF Starts	W MF Starts
January	247,000	153,000	94,000
December	248,000	170,000	78,000
2015	293,000	165,000	128,000
M/M change	-0.4%	-10.0%	20.5%
Y/Y change	-15.7%	-7.3%	-26.6%

* All data are SAAR; S = South and W = West. ** US DOC does not report multifamily starts directly, this is an estimation.

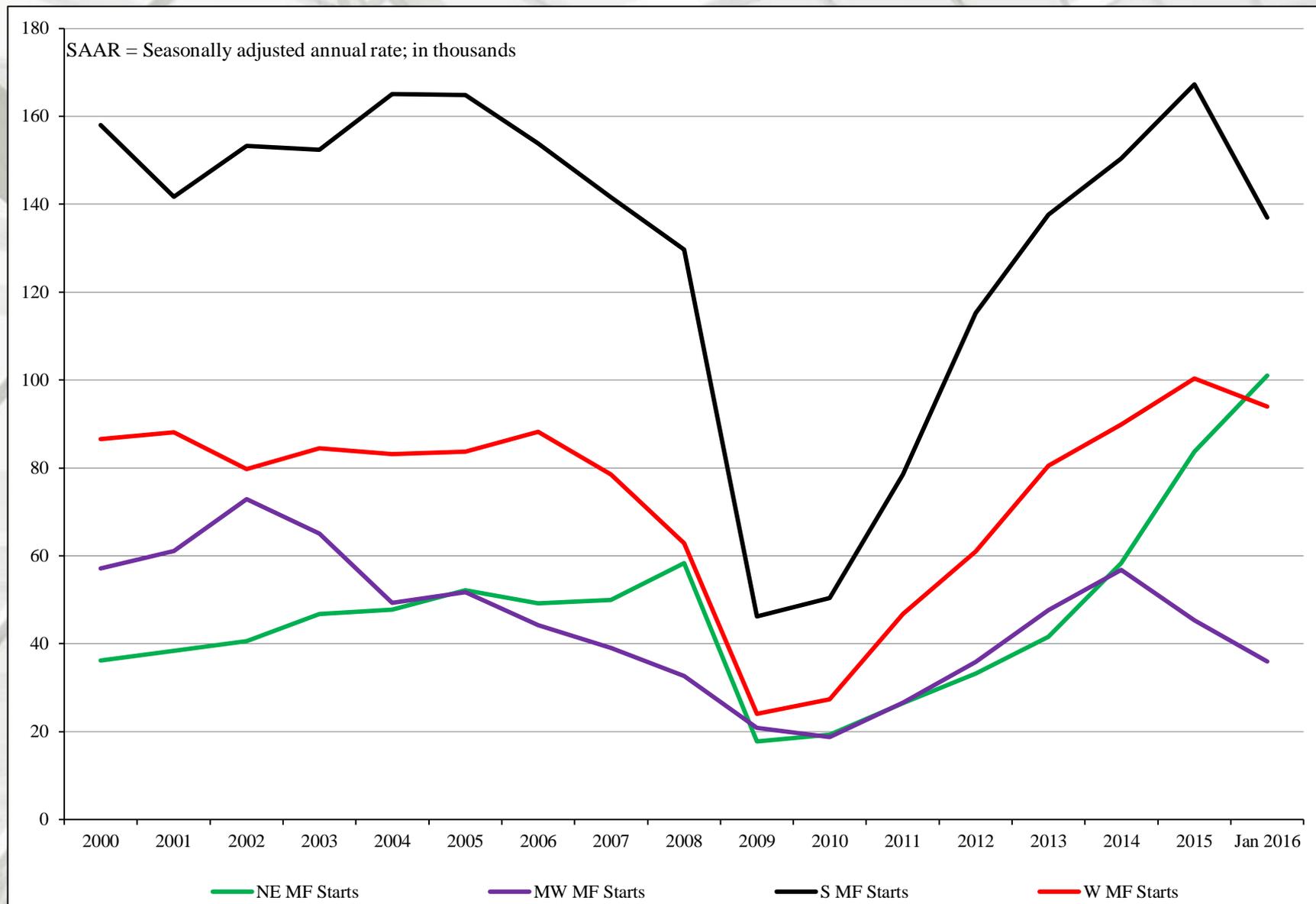
Total Housing Starts by Region



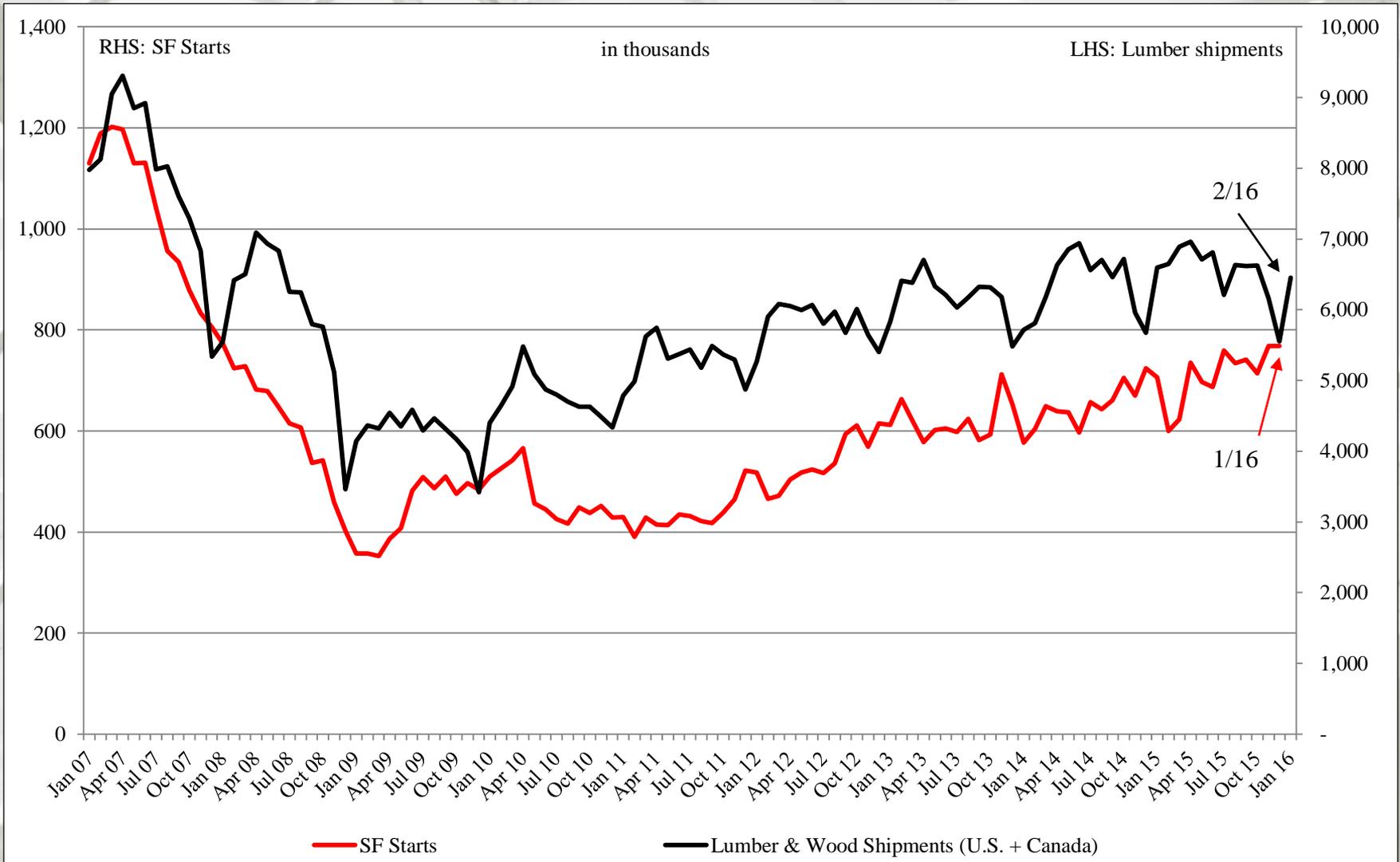
SF Housing Starts by Region



MF Housing Starts by Region

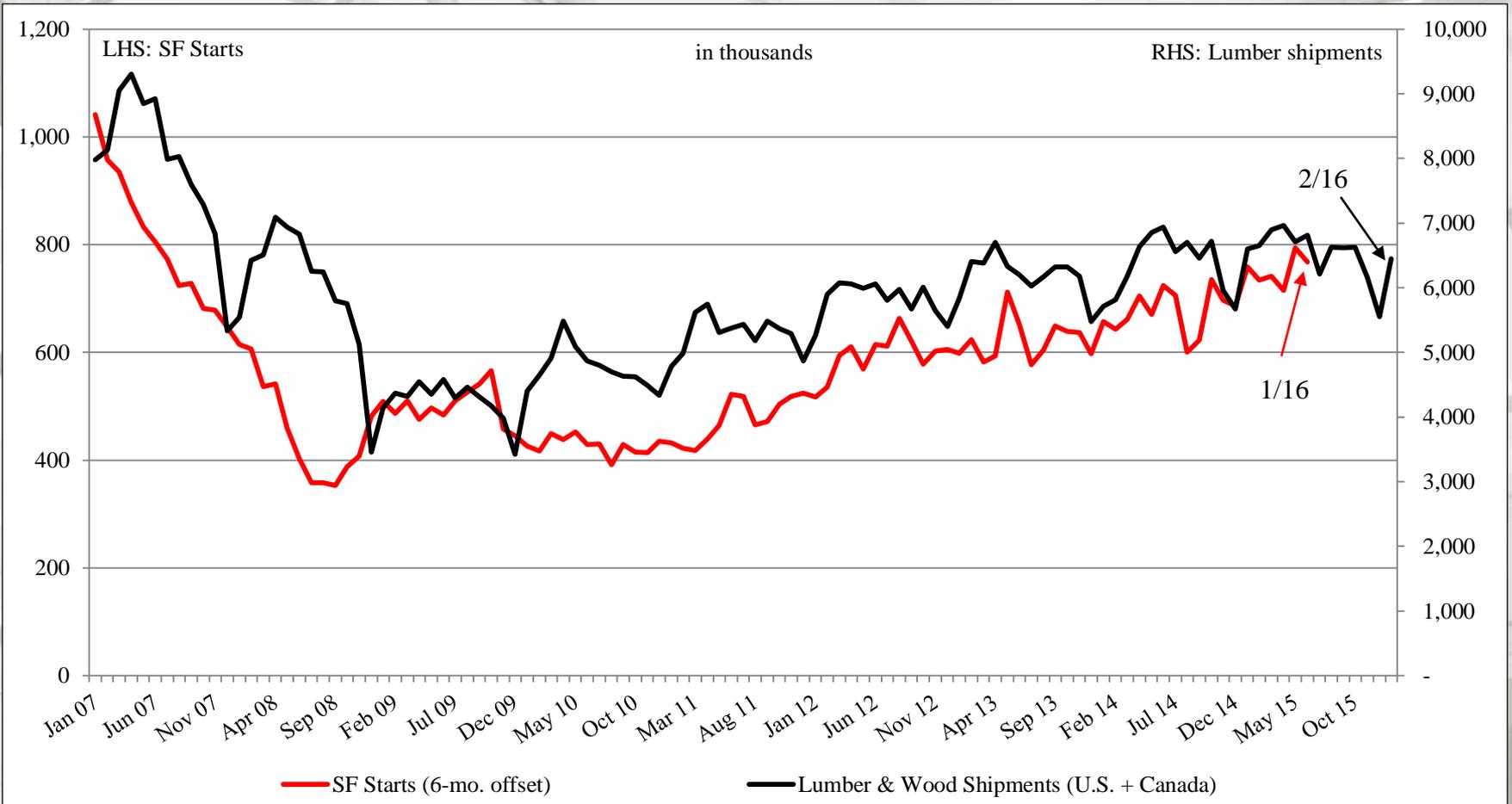


Railroad Lumber & Wood Shipments vs. U.S. SF Housing Starts



Sources: Association of American Railroads, *Rail Time Indicators* report 3/7/16; U.S. DOC-Construction; 2/17/16

Railroad Lumber & Wood Shipments vs. U.S. SF Housing Starts: 6-month Offset



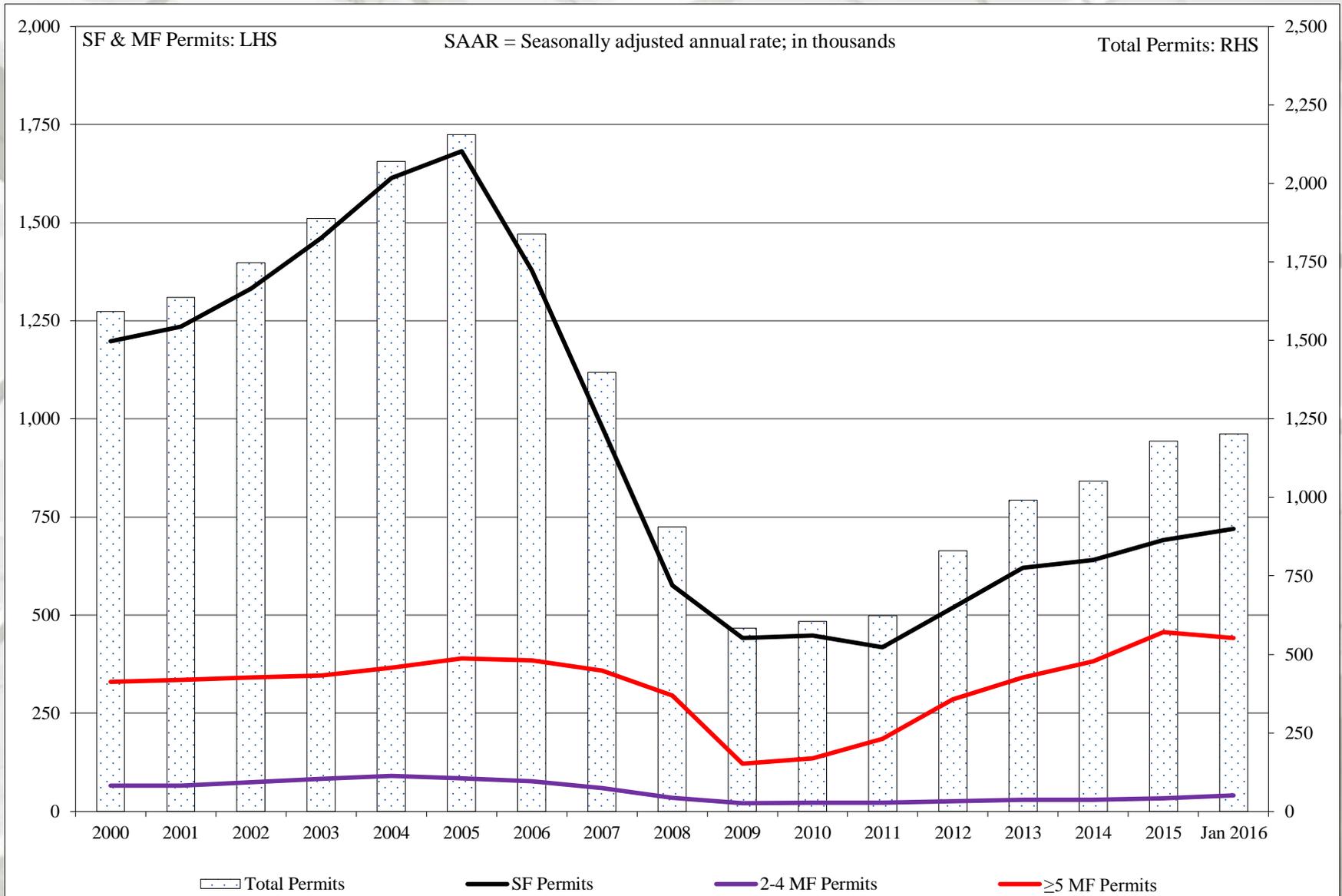
In this graph, initially January 2007 lumber shipments are contrasted with July 2007 starts through January 2016 data. The purpose is to discover if lumber shipments relate to future single-family starts. Also, it is realized that trucking hauls lumber; however, to our knowledge comprehensive trucking data is not available.

New Housing Permits

	Total Permits*	SF Permits	MF 2-4 unit Permits	MF ≥ 5 unit Permits
January	1,202,000	720,000	40,000	442,000
December	1,204,000	732,000	35,000	437,000
2015	1,059,000	657,000	27,000	375,000
M/M change	-0.2%	-1.6%	14.3%	1.1%
Y/Y change	13.5%	9.6%	48.1%	17.9%

* All permits data are presented at a seasonally adjusted annual rate (SAAR).

Total New Housing Permits



New Housing Permits by Region

	NE Total Permits	NE SF Permits	NE MF Permits
January	90,000	53,000	37,000
December	202,000	55,000	147,000
2015	121,000	50,000	71,000
M/M change	-55.4%	-3.6%	-74.8%
Y/Y change	-25.6%	6.0%	-47.9%

	MW Total Permits	MW SF Permits	MW MF Permits
January	205,000	109,000	96,000
December	162,000	110,000	52,000
2015	148,000	99,000	49,000
M/M change	26.5%	-0.9%	84.6%
Y/Y change	38.5%	10.1%	95.9%

* All data are SAAR.

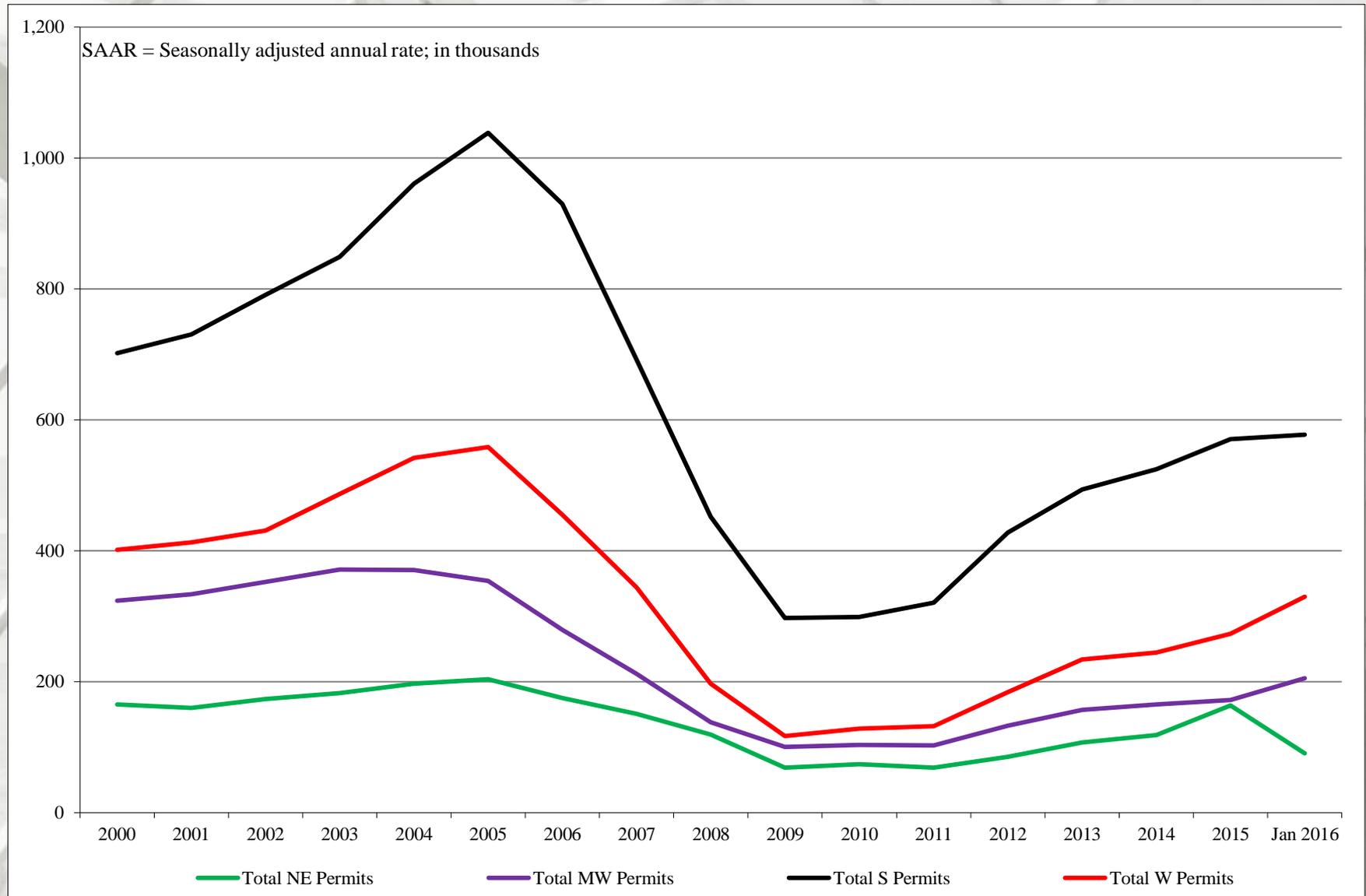
New Housing Permits by Region

	S Total Permits	S SF Permits	S MF Permits
January	577,000	386,000	191,000
December	575,000	398,000	177,000
2015	520,000	364,000	156,000
M/M change	0.3%	-3.0%	7.9%
Y/Y change	11.0%	6.0%	0.0%

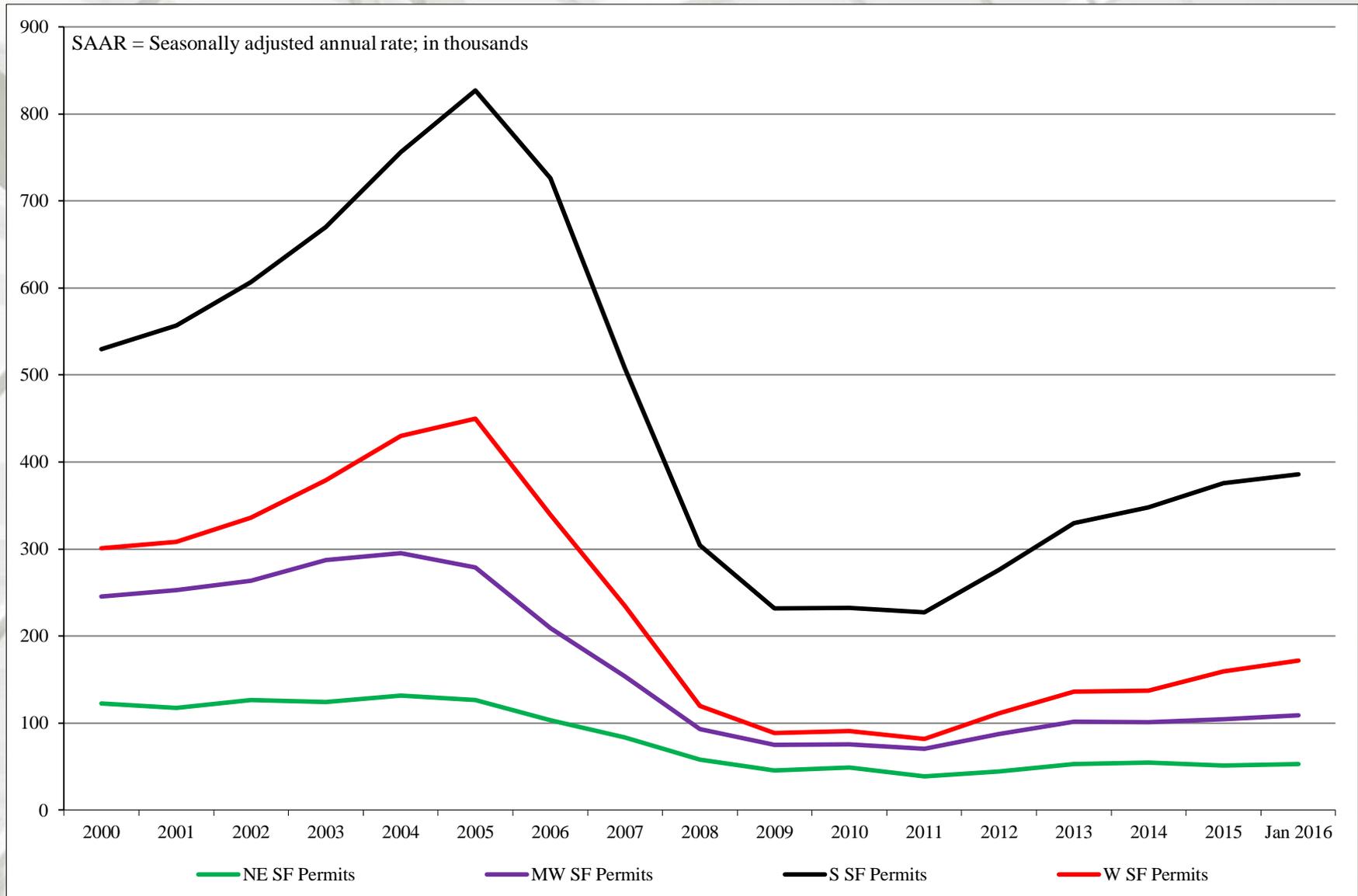
	W Total Permits	W SF Permits	W MF Permits
January	330,000	172,000	158,000
December	265,000	169,000	96,000
2015	270,000	144,000	126,000
M/M change	24.5%	1.8%	64.6%
Y/Y change	22.2%	19.4%	25.4%

* All data are SAAR

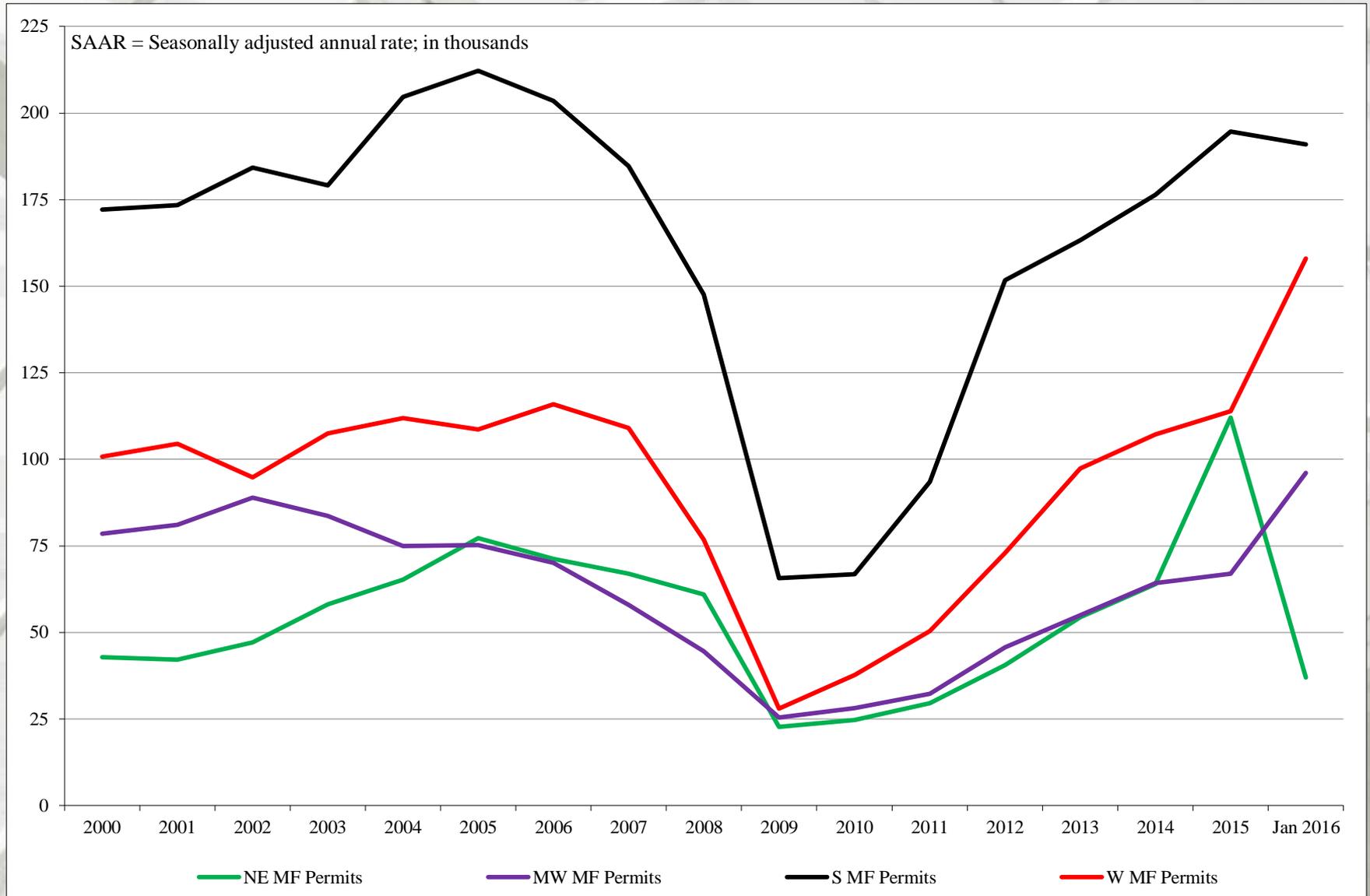
Total Housing Permits by Region



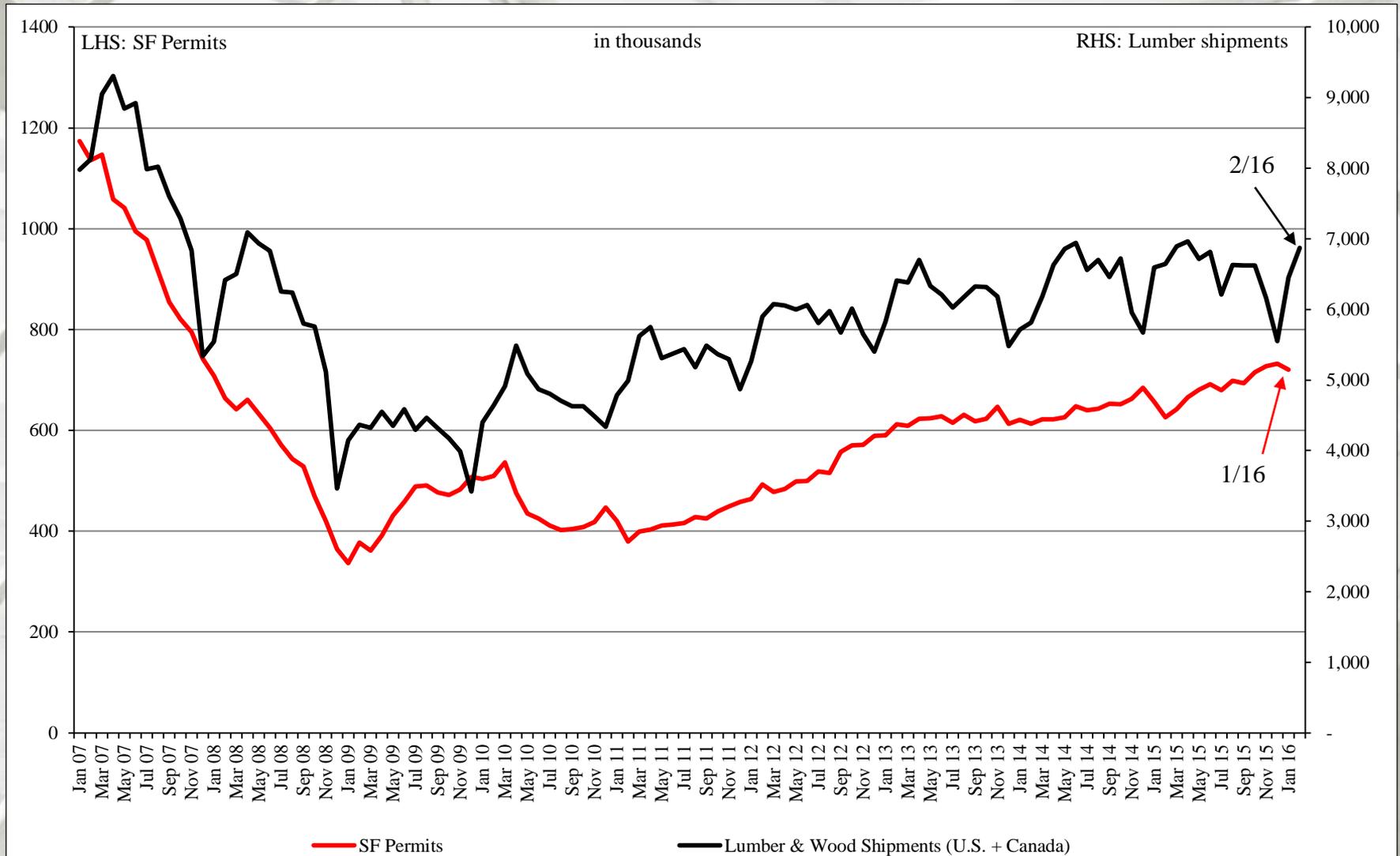
SF Housing Permits by Region



MF Housing Permits by Region

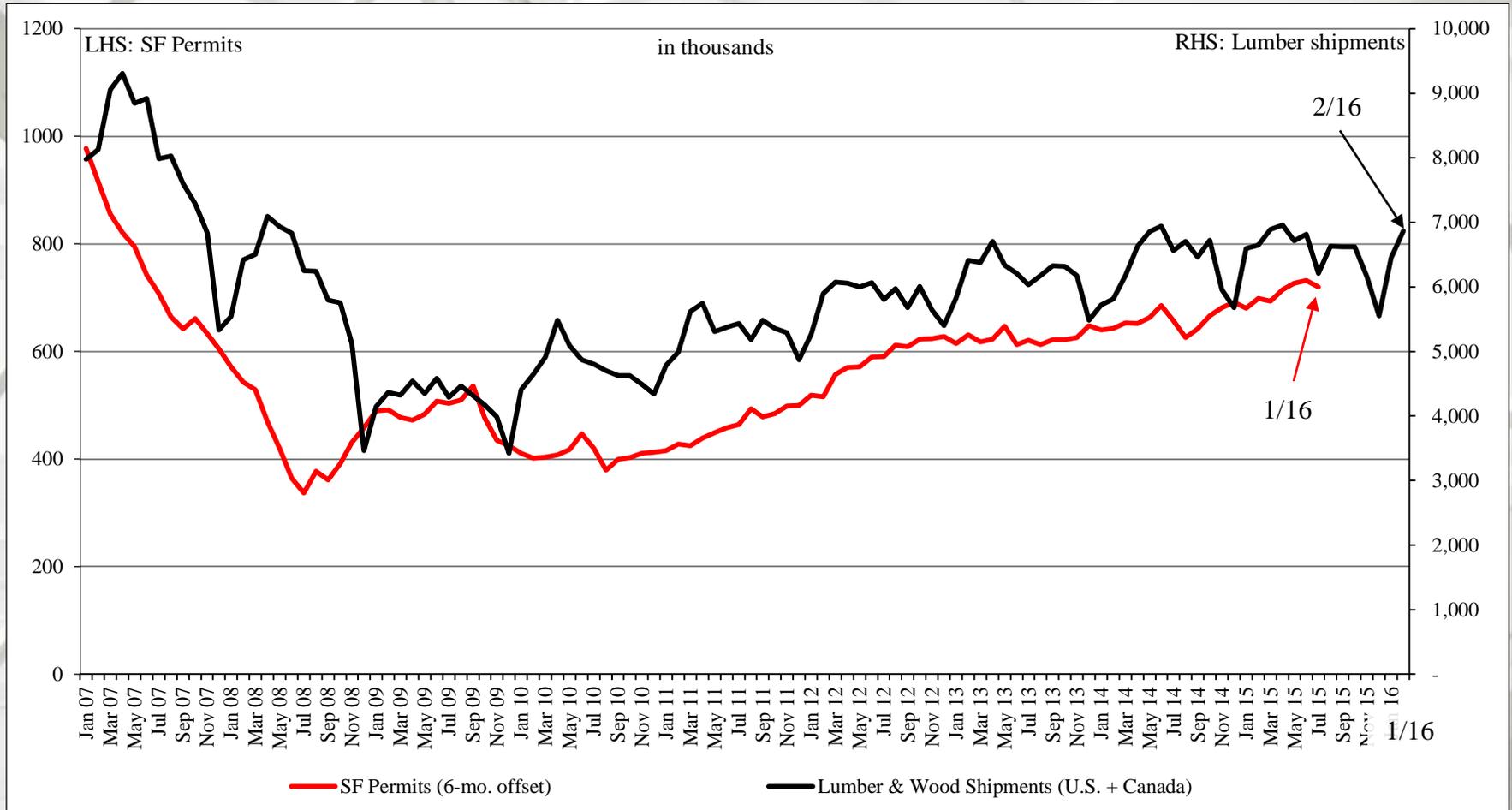


Railroad Lumber & Wood Shipments vs. U.S. SF Housing Permits



Sources: Association of American Railroads, *Rail Time Indicators* report; 3/7/16; U.S. DOC-Construction; 2/17/16

Railroad Lumber & Wood Shipments vs. U.S. SF Housing Permits: 6-month Offset



In this graph, initially January 2007 lumber shipments are contrasted with July 2007 permits through January 2016 data. The purpose is to discover if lumber shipments relate to future single-family building permits. It also is realized that trucking hauls lumber; however, to our knowledge comprehensive trucking data is not available.

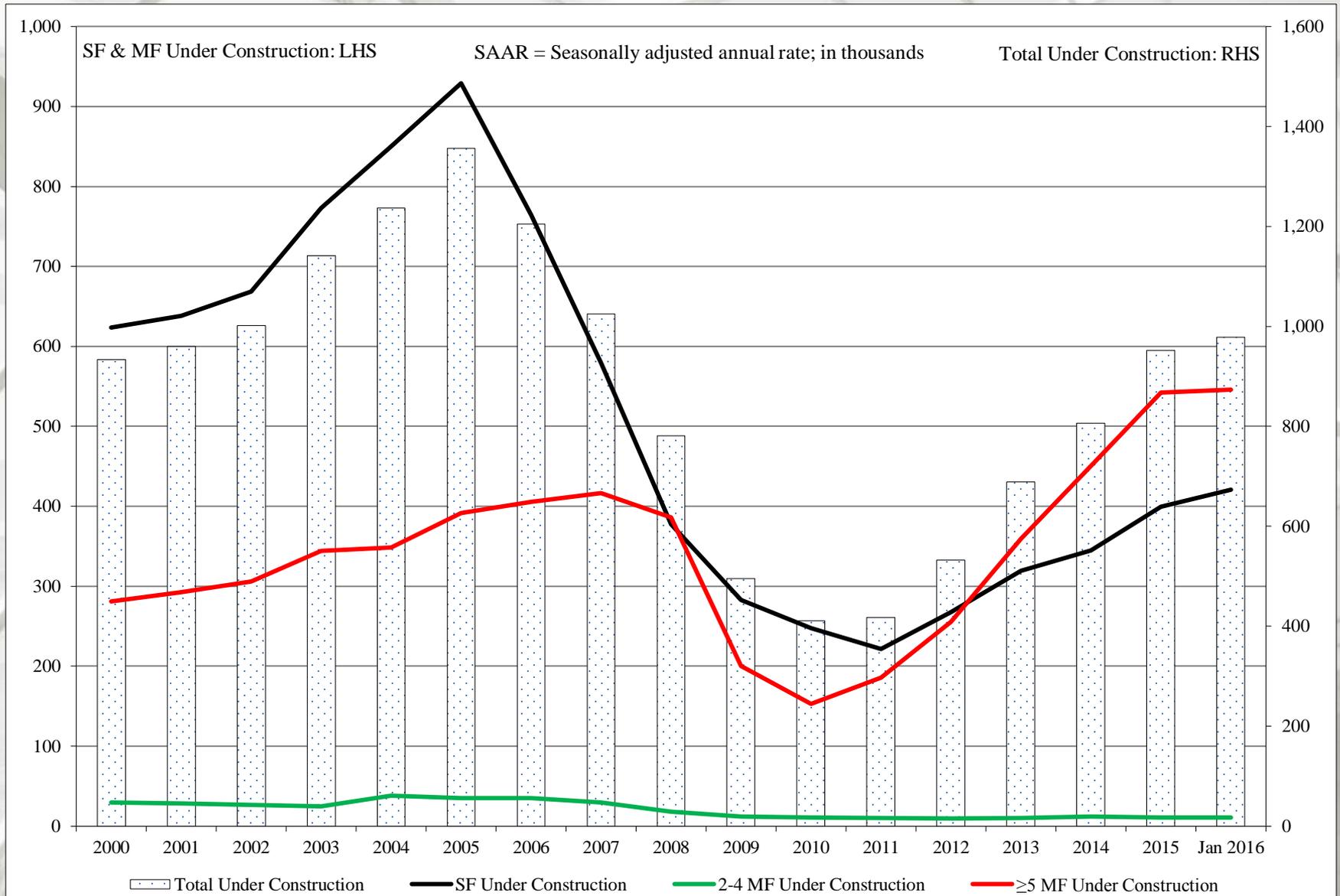
New Housing Under Construction

	Total Under Construction*	SF Under Construction	MF 2-4 unit** Under Construction	MF ≥ 5 unit Under Construction
January	978,000	421,000	11,000	546,000
December	976,000	419,000	11,000	546,000
2015	834,000	365,000	12,000	457,000
M/M change	0.2%	0.5%	0.0%	0.0%
Y/Y change	17.3%	15.3%	-8.3%	19.5%

* All housing under construction data are presented at a seasonally adjusted annual rate (SAAR).

** US DOC does not report 2-4 multifamily units under construction directly, this is an estimation.

Total Housing Under Construction



New Housing Under Construction by Region

	NE Total	NE SF	NE MF**
January	182,000	49,000	133,000
December	179,000	49,000	130,000
2015	131,000	42,000	89,000
M/M change	1.7%	0.0%	2.3%
Y/Y change	38.9%	16.7%	49.4%

	MW Total	MW SF	MW MF
January	126,000	67,000	59,000
December	128,000	67,000	61,000
2015	128,000	63,000	65,000
M/M change	-1.6%	0.0%	-3.3%
Y/Y change	-1.6%	6.3%	-9.2%

All data are SAAR; NE = Northeast and MW = Midwest.

** US DOC does not report multifamily units under construction directly, this is an estimation.

New Housing Under Construction by Region

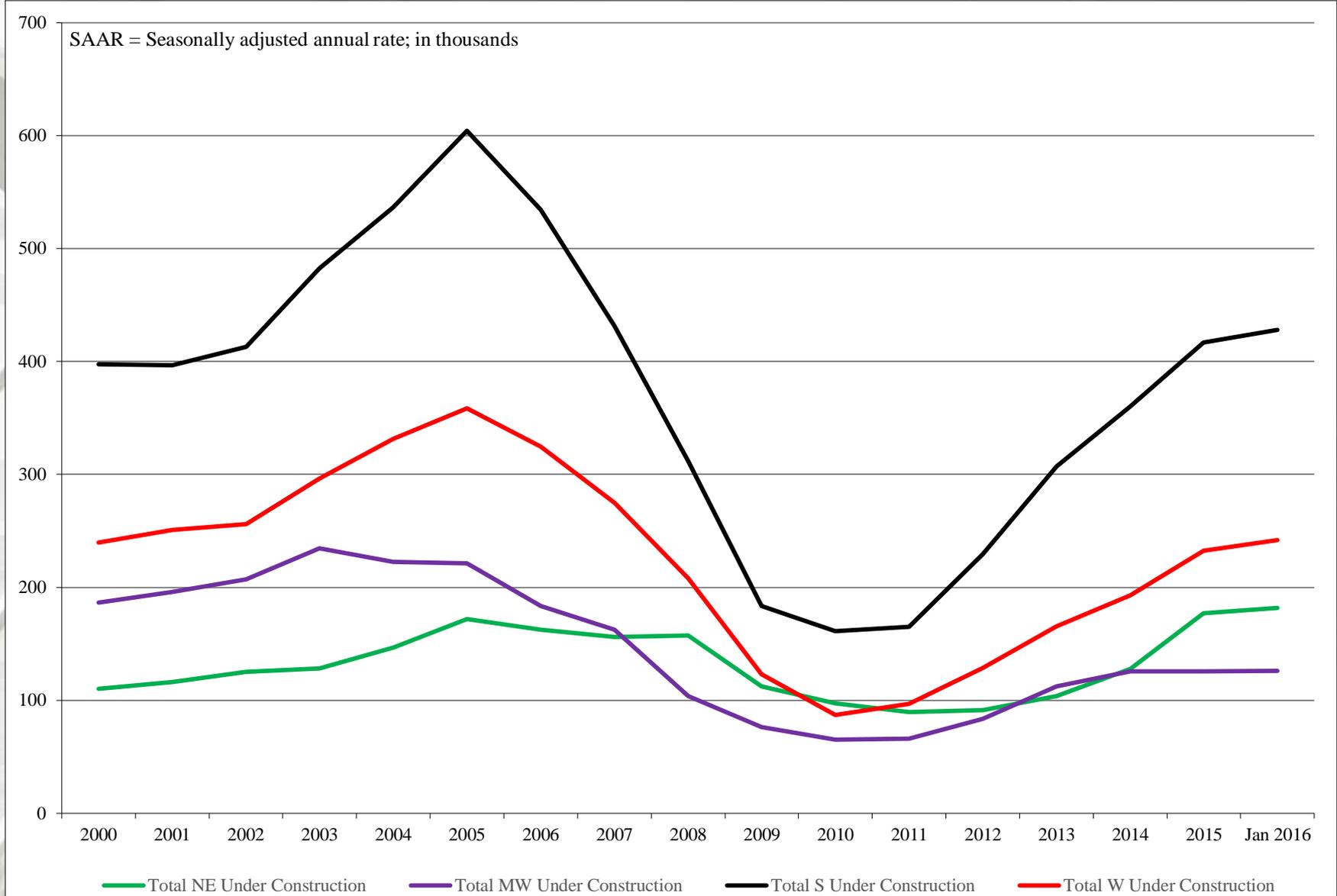
	S Total	S SF	S MF**
January	428,000	210,000	218,000
December	430,000	209,000	221,000
2015	370,000	181,000	189,000
M/M change	-0.5%	0.5%	-1.4%
Y/Y change	15.7%	16.0%	15.3%

	W Total	W SF	W MF
January	242,000	95,000	147,000
December	239,000	94,000	145,000
2015	205,000	79,000	126,000
M/M change	1.3%	1.1%	1.4%
Y/Y change	18.0%	20.3%	16.7%

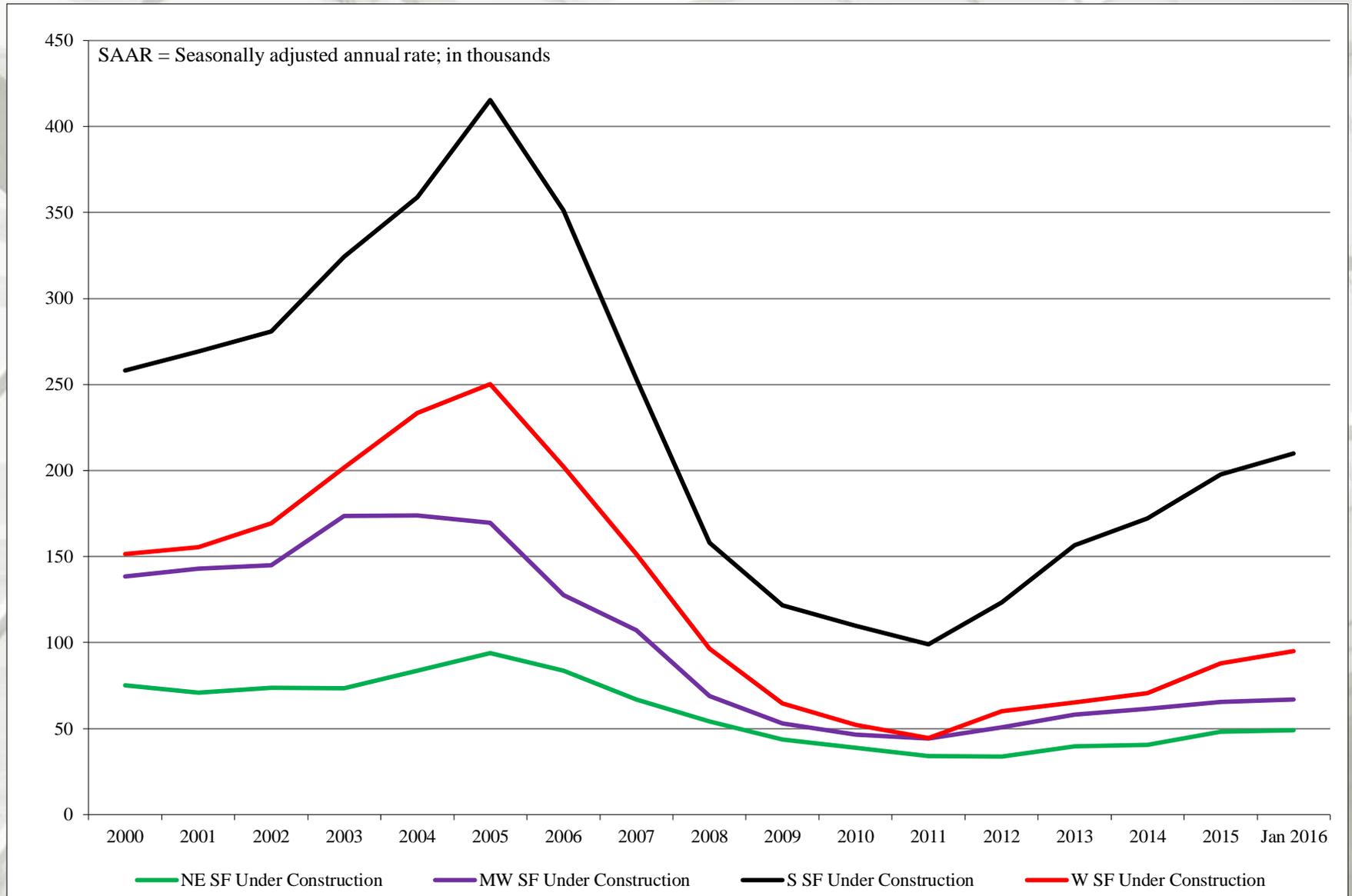
All data are SAAR; S = South and W = West.

** US DOC does not report multi-family units under construction directly, this is an estimation.

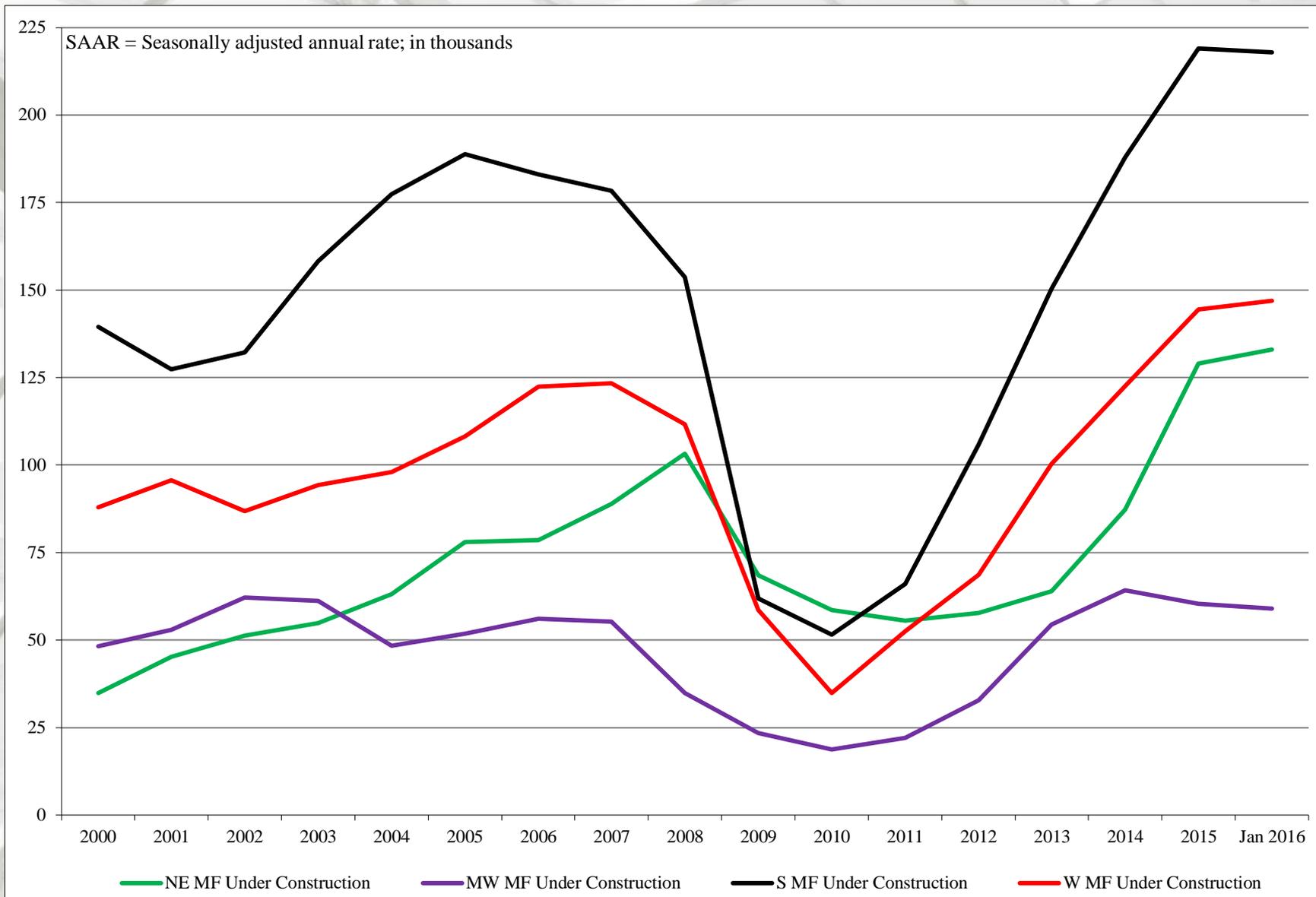
Total Housing Under Construction by Region



SF Housing Under Construction by Region



MF Housing Under Construction by Region



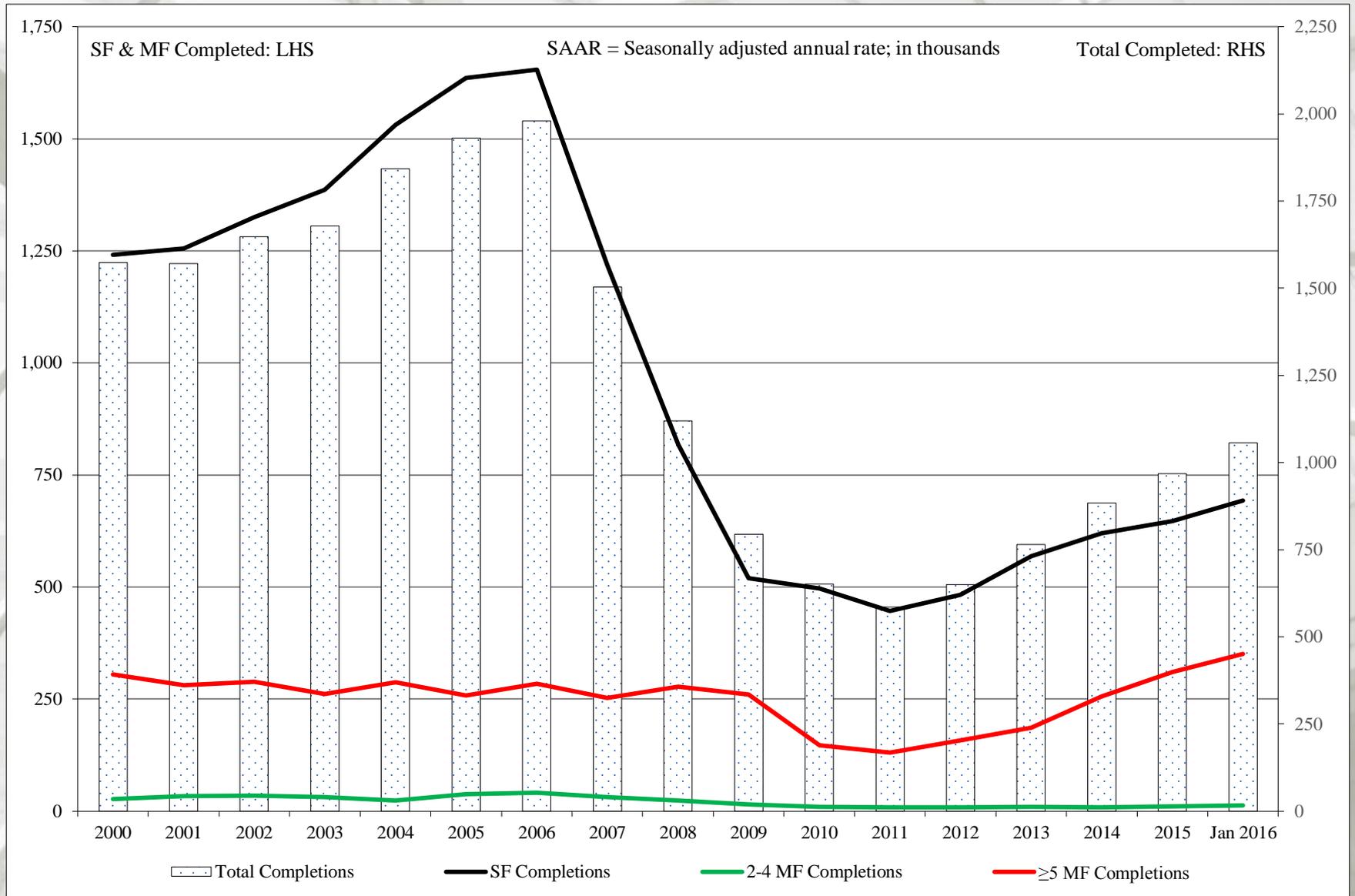
New Housing Completions

	Total Completions*	SF Completions	MF 2-4 unit**	MF ≥ 5 unit Completions
January	1,057,000	693,000	13,000	351,000
December	1,036,000	703,000	10,000	323,000
2015	975,000	676,000	7,000	292,000
M/M change	2.0%	-1.4%	30.0%	8.7%
Y/Y change	8.4%	2.5%	85.7%	20.2%

* All completion data are presented at a seasonally adjusted annual rate (SAAR).

** US DOC does not report multifamily completions directly, this is an estimation.

Total Housing Completions



New Housing Completions by Region

	NE Total	NE SF	NE MF**
January	102,000	63,000	39,000
December	94,000	49,000	45,000
2015	73,000	49,000	24,000
M/M change	8.5%	28.6%	-13.3%
Y/Y change	39.7%	28.6%	62.5%

	MW Total	MW SF	MW MF
January	138,000	102,000	36,000
December	160,000	119,000	41,000
2015	136,000	104,000	32,000
M/M change	-13.8%	-14.3%	-12.2%
Y/Y change	1.5%	-1.9%	12.5%

All data are SAAR; NE = Northeast and MW = Midwest.

** US DOC does not report multifamily completions directly, this is an estimation.

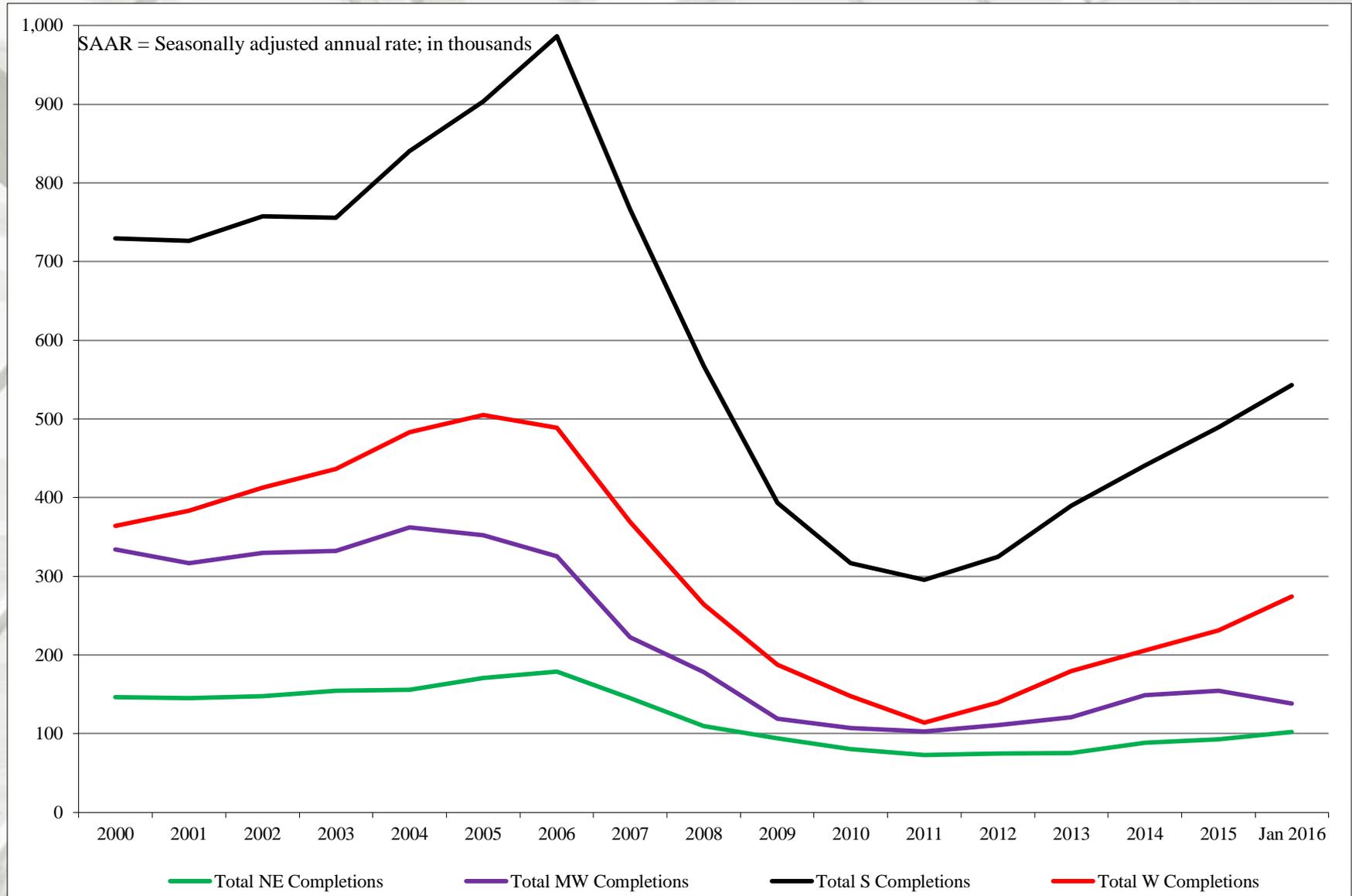
New Housing Completions by Region

	S Total	S SF	S MF**
January	543,000	386,000	157,000
December	500,000	377,000	123,000
2015	547,000	394,000	153,000
M/M change	8.6%	2.4%	27.6%
Y/Y change	-0.7%	-2.0%	2.6%
	W Total	W SF	W MF
January	274,000	142,000	132,000
December	282,000	158,000	124,000
2015	219,000	129,000	90,000
M/M change	-2.8%	-10.1%	6.5%
Y/Y change	25.1%	10.1%	46.7%

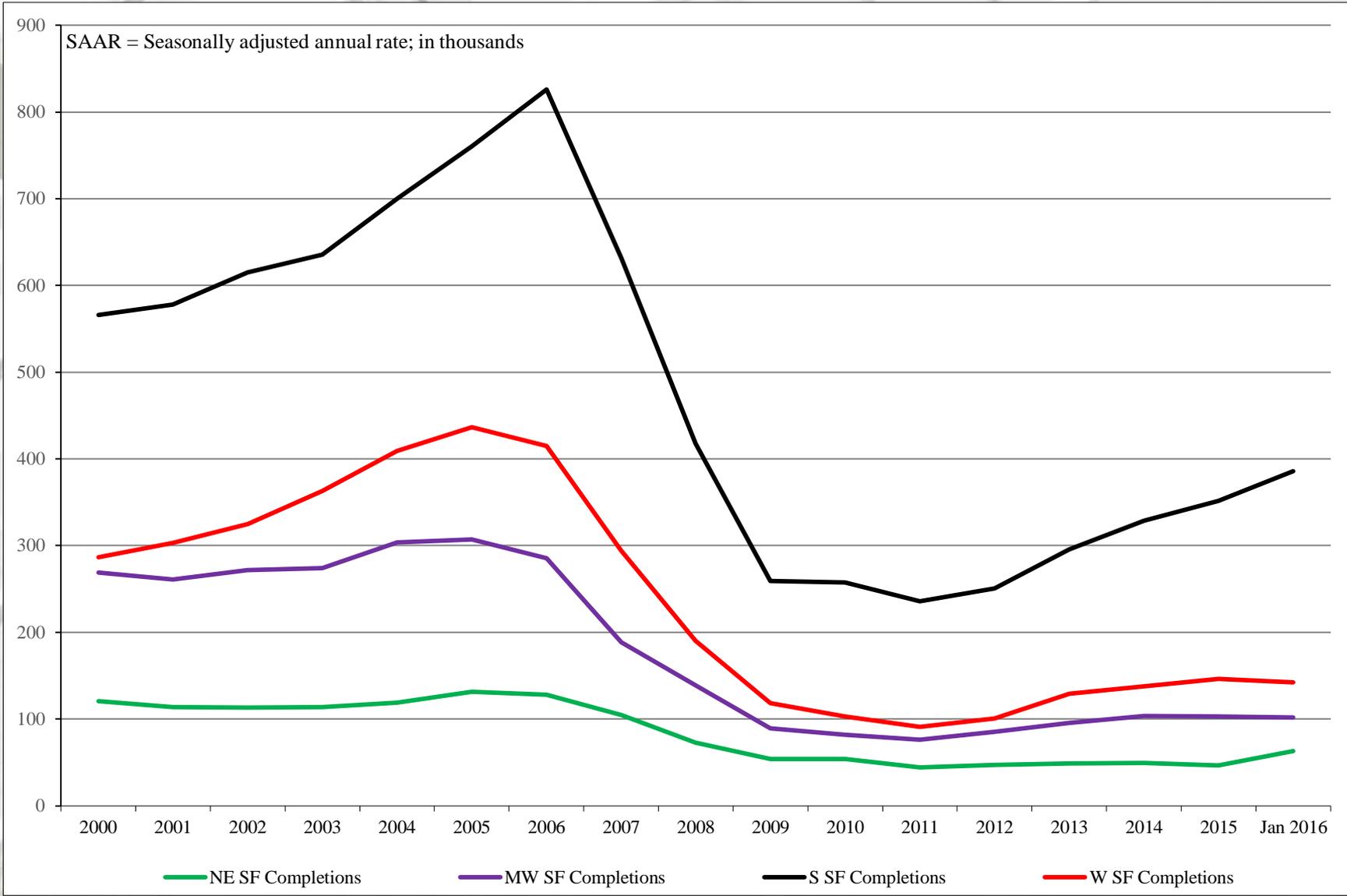
All data are SAAR; S = South and W = West.

** US DOC does not report multi-family completions directly, this is an estimation.

Total Housing Completions by Region

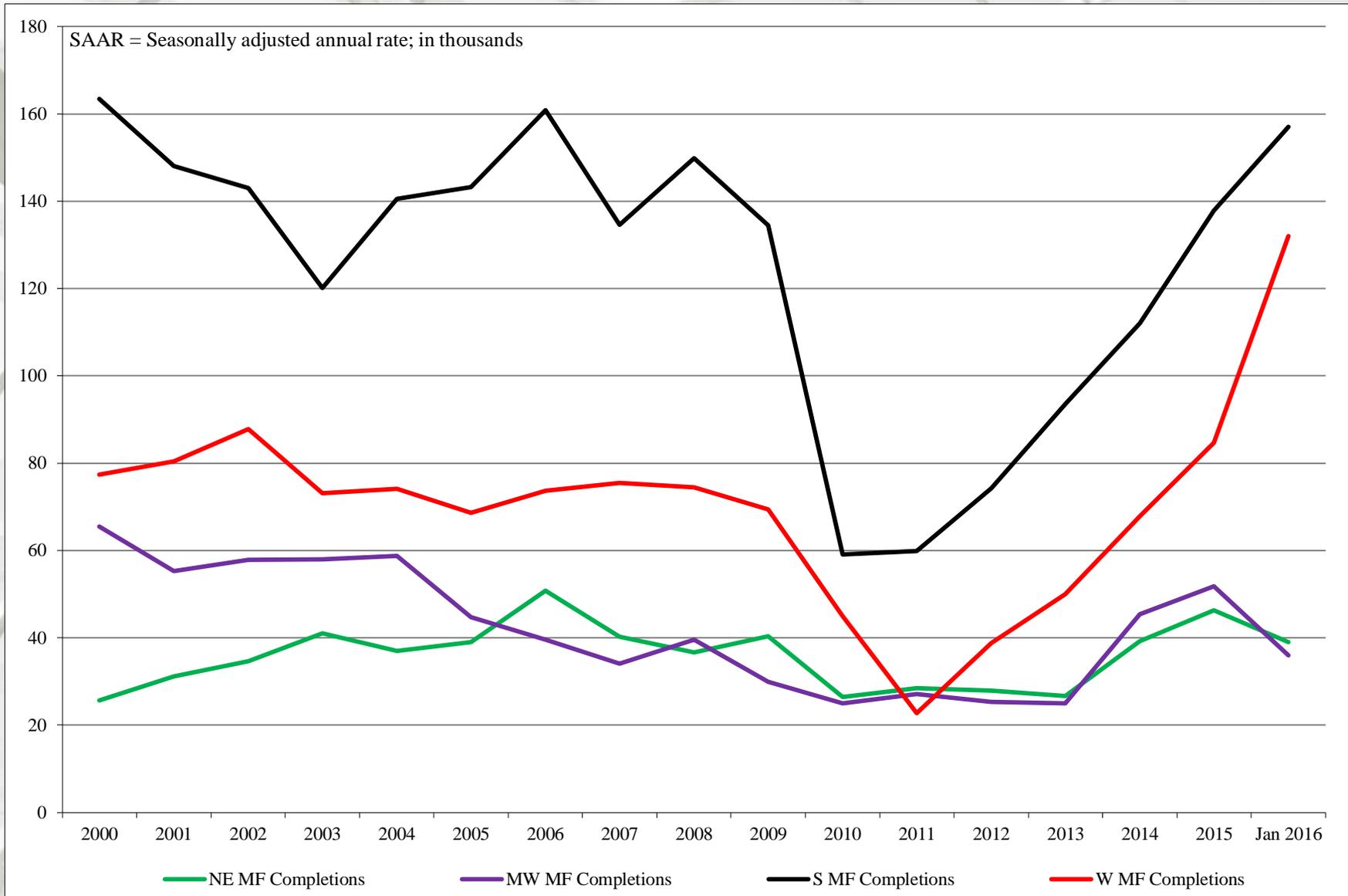


SF Housing Completions by Region



Source: <http://www.census.gov/construction/nrc/pdf/newresconst.pdf>; 2/17/16

MF Housing Completions by Region

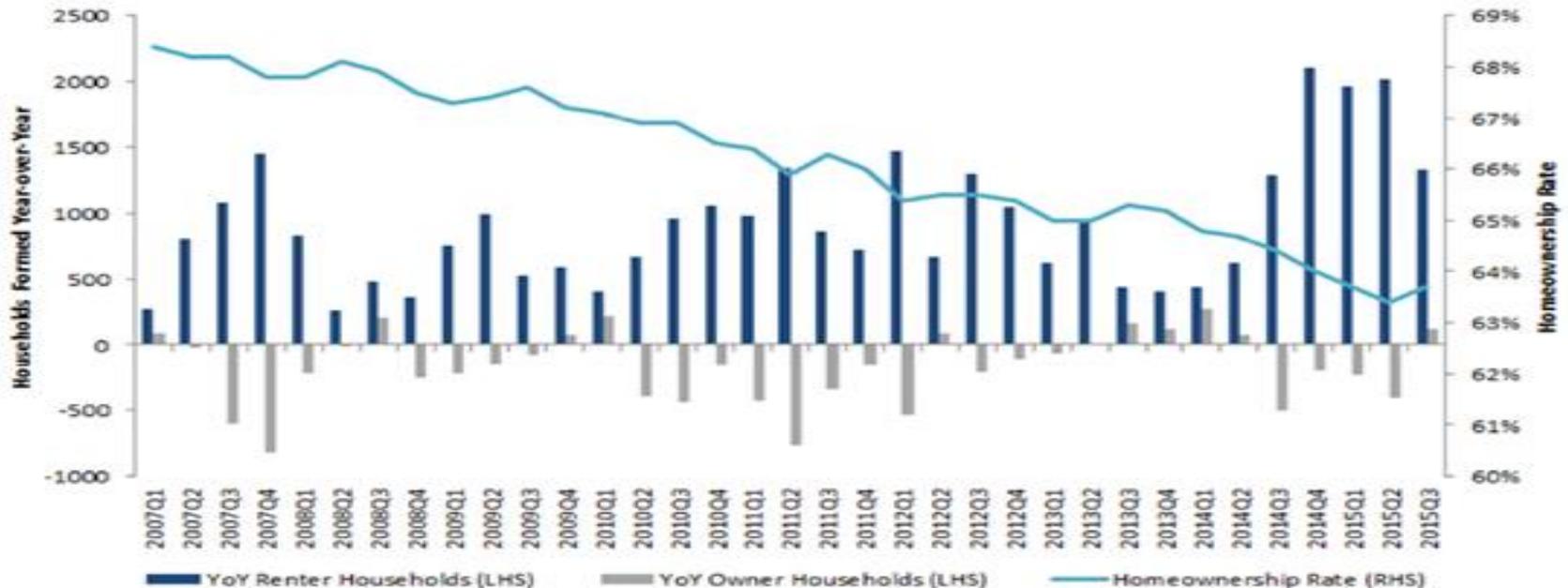


Freddie Mac: Multi-Family Outlook 2016

- “The multifamily rental market experienced its strongest post-recession growth in 2015, despite a wave of new supply.
- In 2016, new supply of multifamily units will continue to enter the market at levels not seen since the 1980s; meanwhile, plans for additional construction continue to increase.
- Multifamily performance at the national level will remain robust into 2016, but some individual markets are starting to moderate.
- We stress test multifamily performance based on strong and weak economic forecasts. Our analysis indicates even if economic growth slows down, gross income will continue to grow in nearly all markets, albeit at lower rates compared to the baseline scenario.”

“Despite reduced housing affordability, we expect renter household formations to remain strong because of favorable demographics and pent-up demand following the Great Recession. While the pace of renter household formations is expected to slow from the robust pace of the past few years, the JCHS estimates 4.4 million renter households will form by 2025 based on adult population growth alone.”

Freddie Mac: Multi-Family Outlook 2016

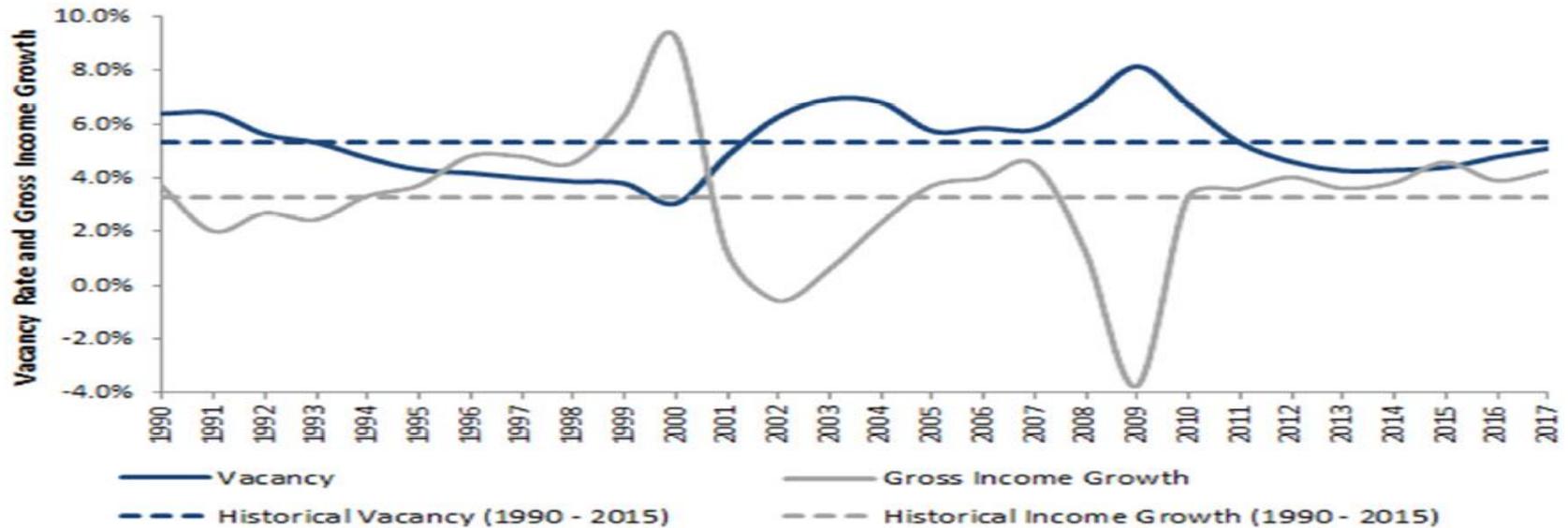


Sources: U.S. Census Bureau, Freddie Mac

Exhibit 2. Annual Renter and Owner Household Formations and Homeownership Rate (2007Q1 – 2015Q3)

“Since 2007, eight million renter households have been formed, while owner-occupant households have decreased by 1.8 million. The homeownership rate did increase 30 bps over the prior quarter to 63.7 percent, the first quarter-over-quarter increase since third quarter of 2013. The pick-up in ownership most likely resulted from households who were on the fence about owning finally taking the plunge before an anticipated interest rate hike.”

Freddie Mac: Multi-Family Outlook 2016

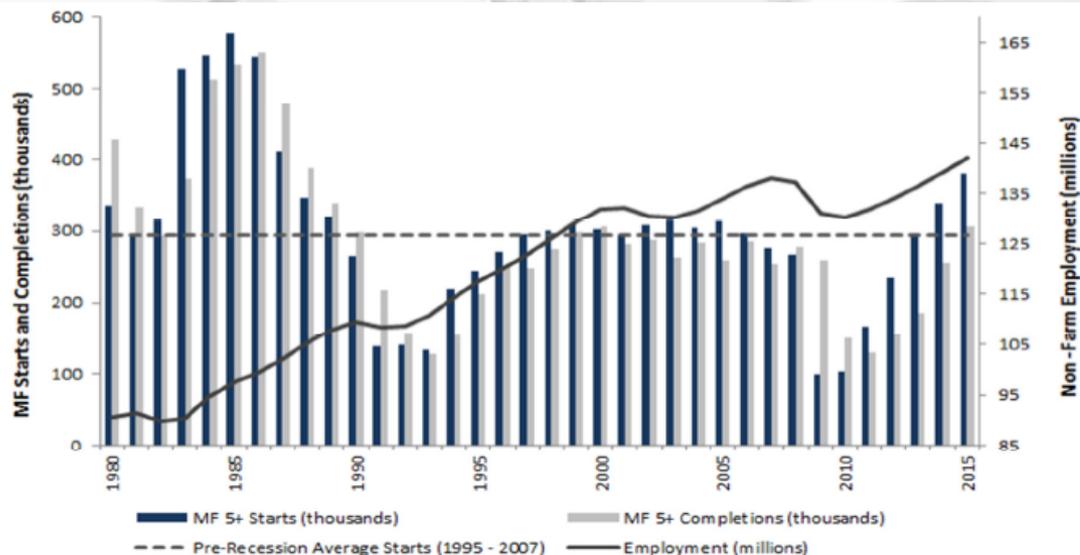


Sources: REIS, Freddie Mac projections

Exhibit 3. Vacancy Rate and Gross Income Growth, History, and Forecast

“Increased owner-occupancy will positively affect rental housing in the long-run; more household formation, regardless of tenure, benefits the economy, creating more jobs, which spurs further household formations. One factor that could slow renter household formations is the declining affordability of rental housing. There is a growing disconnect between renter income and asking rent for new multifamily units. Many new units are not built to accommodate households in the lower-income distribution. According to the Joint Center for Housing Studies, only 10% of new units built had asking rents at levels considered affordable to about half of the renter population.”

Freddie Mac: Multi-Family Outlook 2016



Sources: Freddie Mac, U.S. Census Bureau, Moody's Analytics

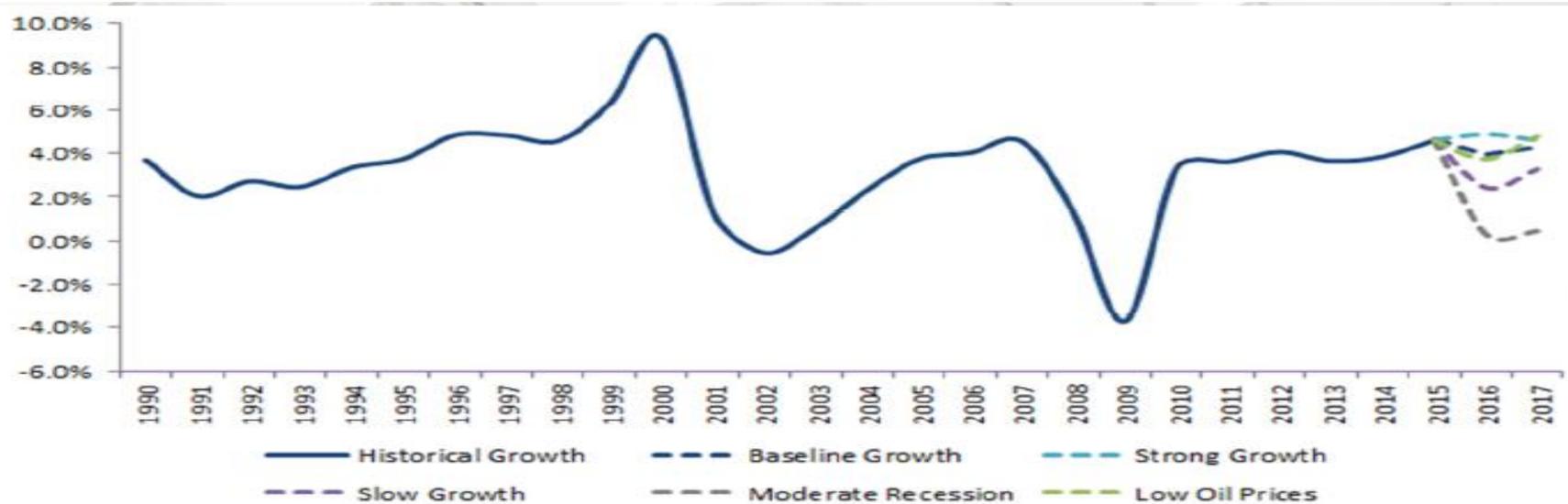
Exhibit 4. Multifamily Starts and completions (5+ Units) and employment

“Multifamily completions in 2015 hit 306,000 units, slightly more than the previous cyclical peak of 305,000 in 2000 and the most since 1989, as shown in Exhibit 4. In second quarter 2015, the market registered the largest quarter-over-quarter increase in completions since 2000, with 80,000 new units delivered. The multifamily market’s performance throughout 2015 indicates that demand met the large amount of new supply.”

“Multifamily starts continued to increase in 2015, as shown in Exhibit 4, indicating that completions will remain at high levels through 2016 and 2017. The elevated level of multifamily construction is a testament to many investors’ confidence in the multifamily sector. By the end of 2015, multifamily performance started to moderate under the weight of new deliveries, causing some investors to worry that new construction will outpace demand.

One crucial factor to consider is the overall level of housing supply. Despite the large increase in multifamily starts, the total number of housing starts in 2015 (which includes one-unit, two- to four-unit, and five-plus-unit buildings) was 30 percent less than the historical average, measured from 1970 to 2007. Therefore, the housing market is experiencing below-average housing construction, creating a shortage of total housing supply, which is being partially filled by the increase in multifamily construction.”

Freddie Mac: Multi-Family Outlook 2016



Sources: REIS, Moody's Analytics, Freddie Mac projections

Exhibit 10. Gross Income Growth Projected for Moody's Analytics Scenarios

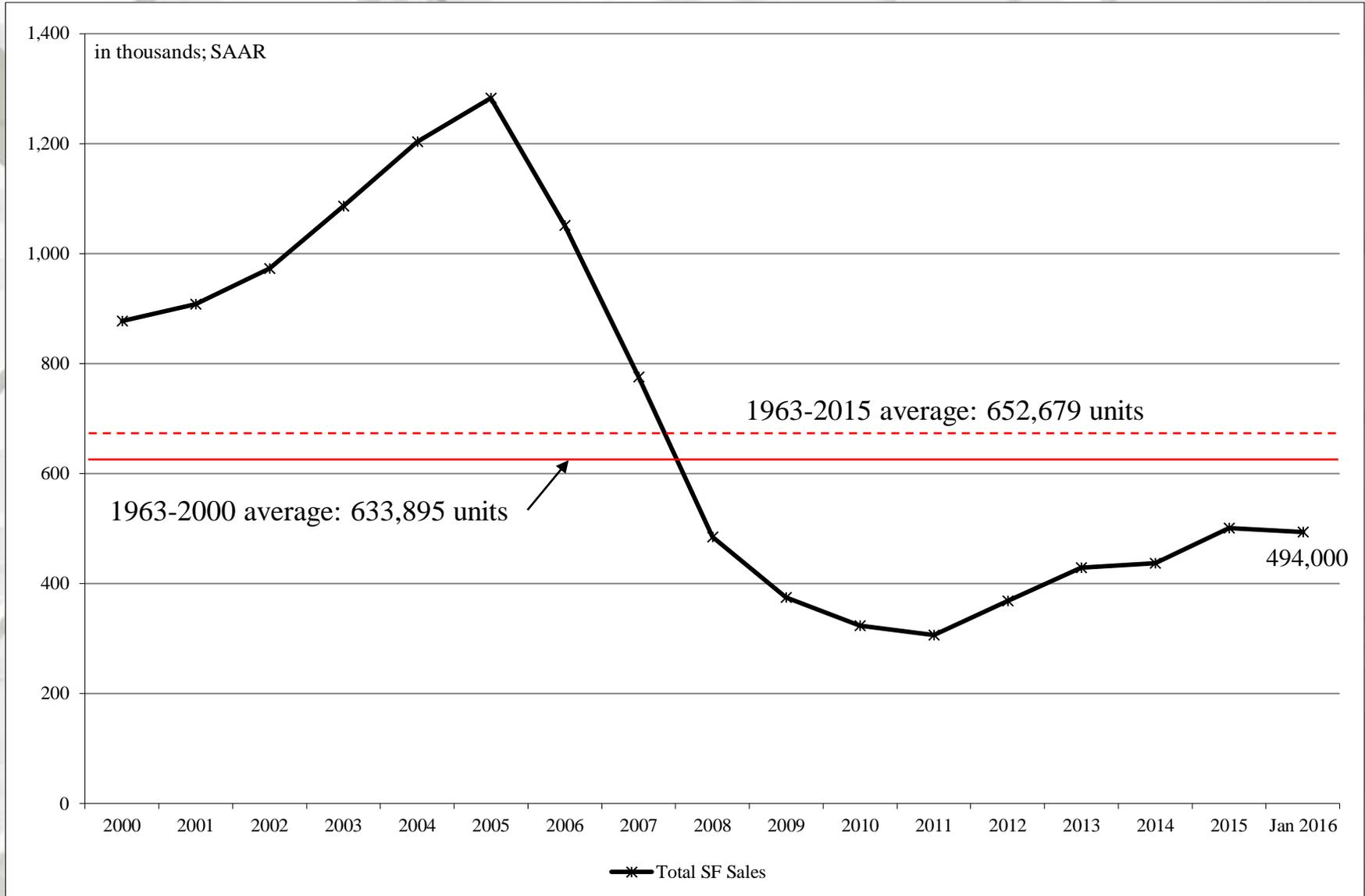
“Exhibit 10 shows the results of our analyses at the national level. Multifamily performance previously described in Section 2 was forecasted using the baseline scenario. As mentioned, gross income will moderate in 2016 as vacancies increase and rent growth slows. A stronger economy in the near-term will drive more job growth, higher per capita income, higher inflation, and higher single-family house prices, all of which will bolster multifamily performance. On the other hand, a more sluggish economy will hamper growth in all of these variables, which, in turn, will weaken multifamily performance. In the strong growth scenario, gross income growth is expected to be 4.9% and 4.6% in 2016 and 2017, respectively. On the other extreme, a moderate recession will drag gross income growth down to 0.3% and 0.5% in these years, respectively.”

New Single-Family House Sales

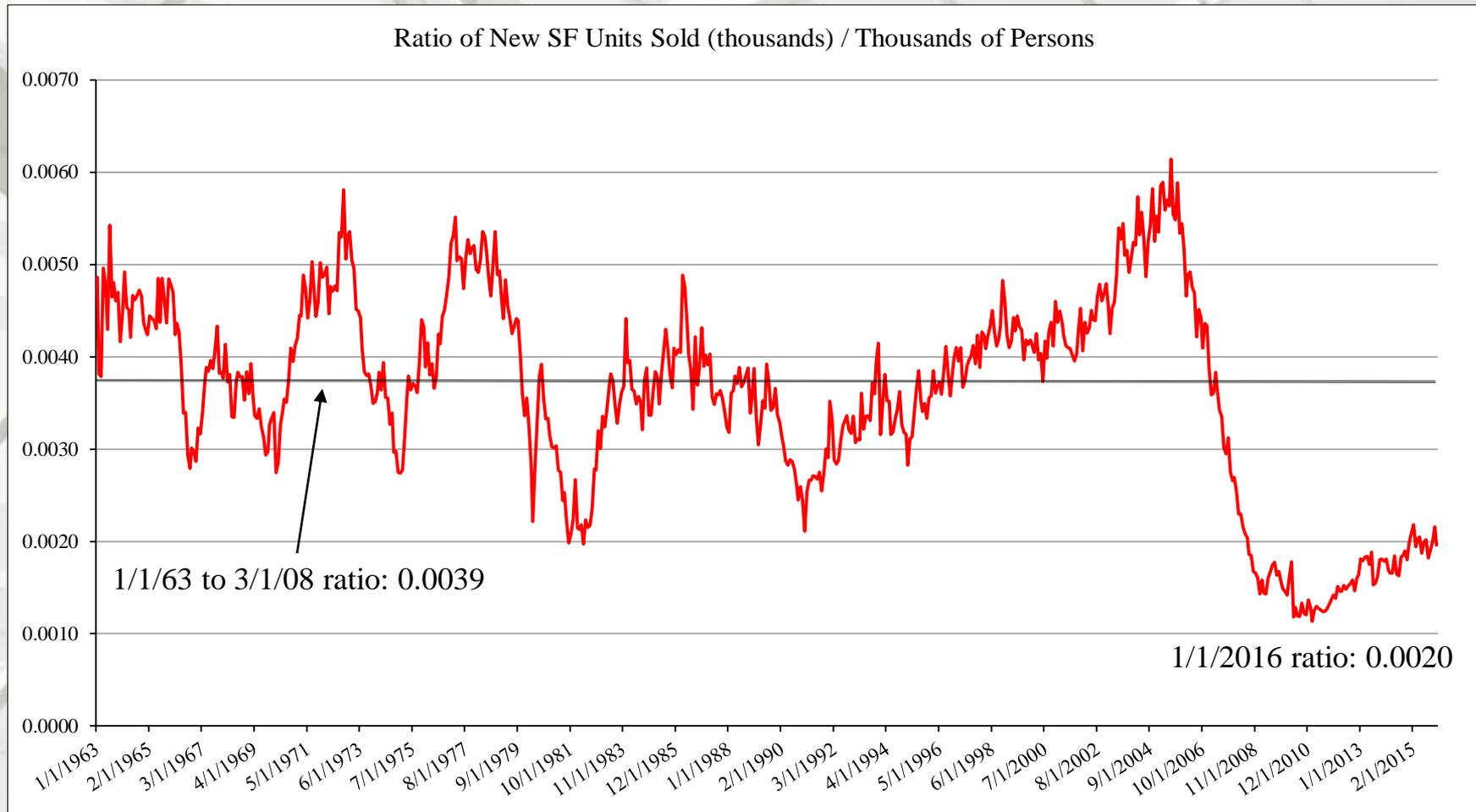
	New SF Sales*	Median Price	Mean Price	Month's Supply
January	494,000	\$278,800	\$365,700	5.8
December	544,000	\$295,800	\$347,700	5.1
2015	521,000	\$292,000	\$356,000	4.8
M/M change	-9.2%	-5.7%	5.2%	13.7%
Y/Y change	-5.2%	-4.5%	2.7%	20.8%

* All sales data are presented at a seasonally adjusted annual rate (SAAR).

New SF House Sales



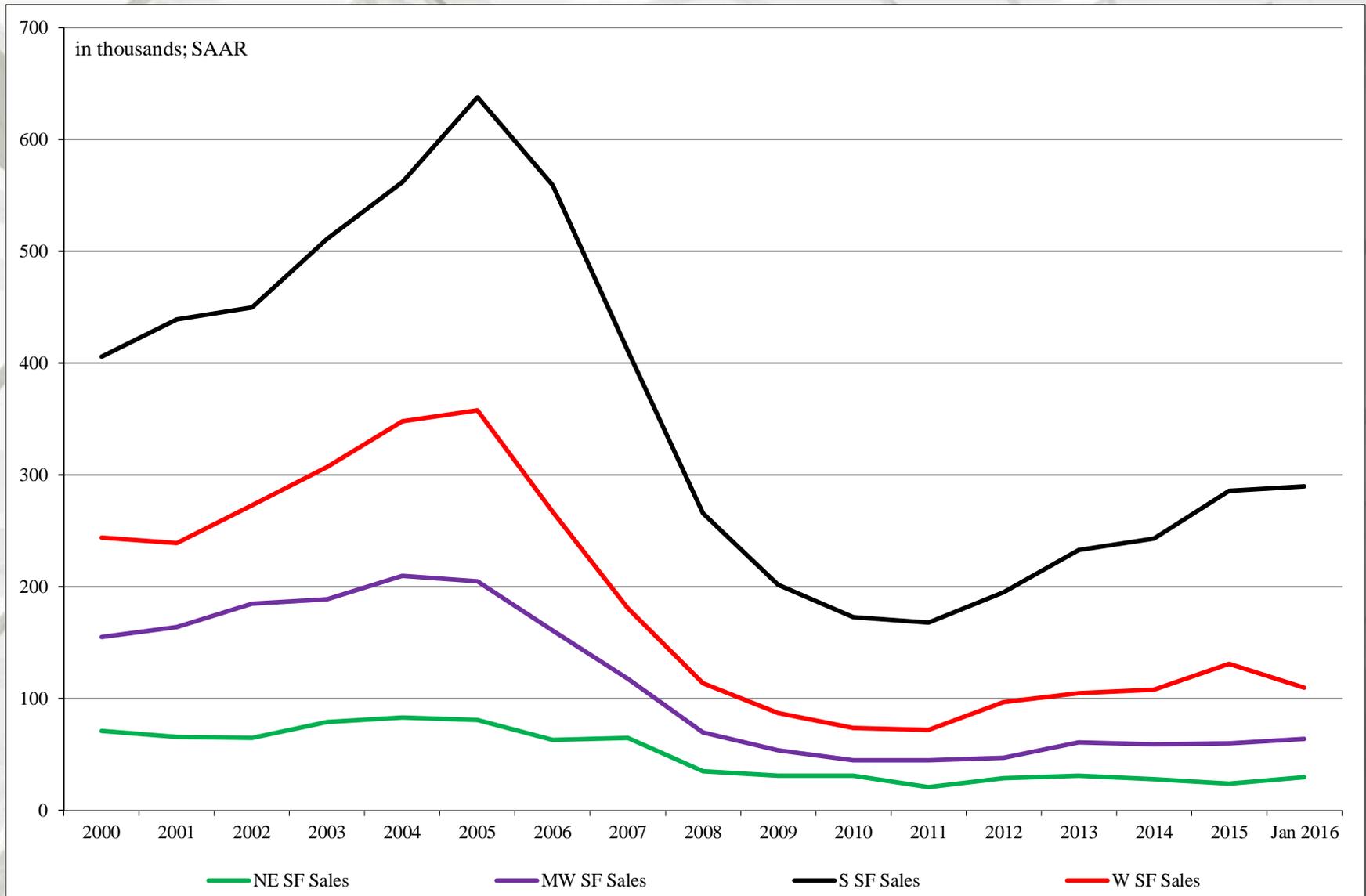
New SF House Sales



New SF sales adjusted for the US population

From January 1963 to March 2008, the long-term ratio of new house sales to the US population was 0.0039 – as of January's data it was 0.0020. Clearly, from a population perspective, under construction has occurred in the new SF segment and there is ample room for improvement.

New SF House Sales by Region



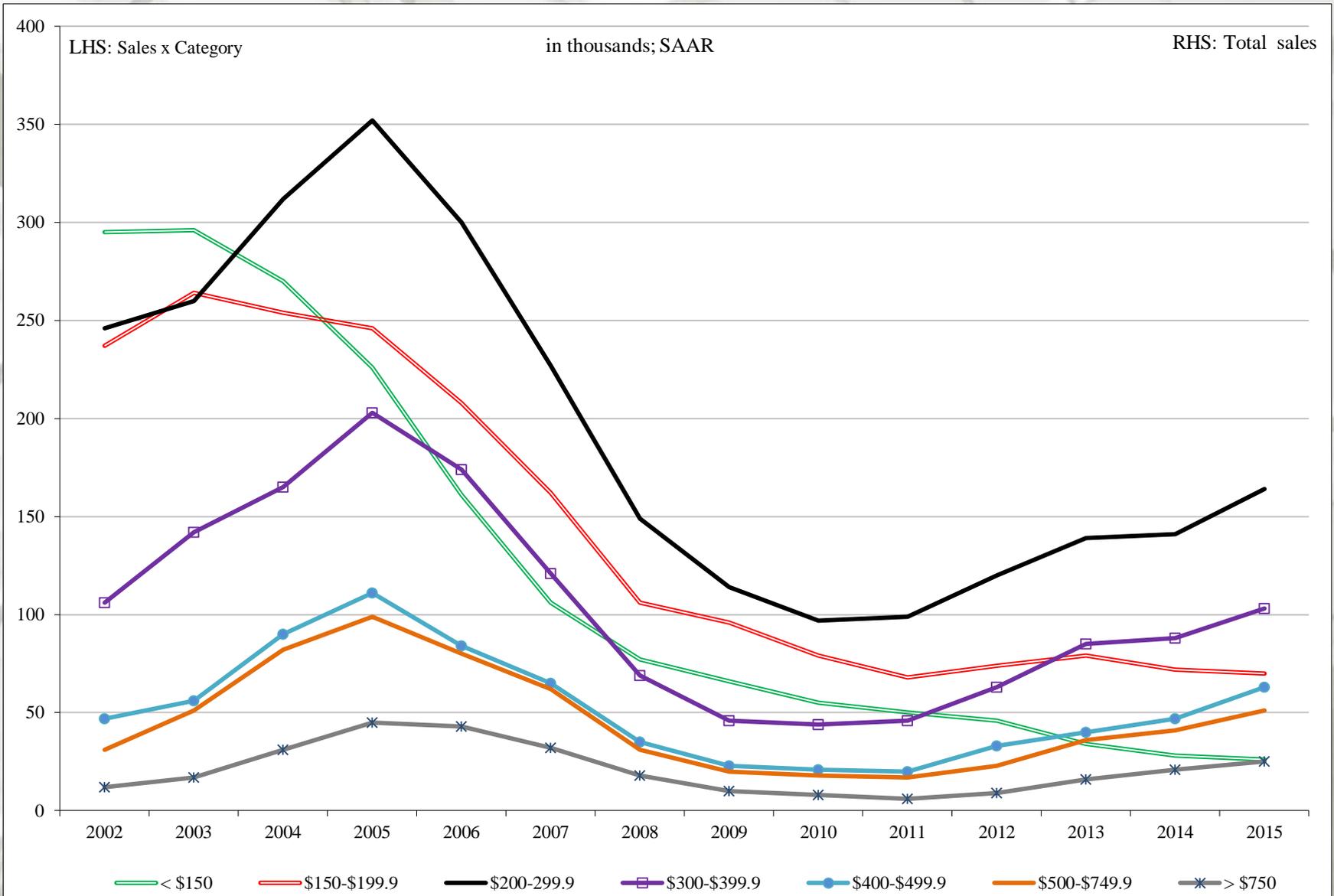
New SF House Sales by Region and Price Category

	NE SF Sales	MW SF Sales	S SF Sales	W SF Sales
January	30,000	64,000	290,000	110,000
December	29,000	68,000	285,000	162,000
2015	15,000	65,000	296,000	145,000
M/M change	3.4%	-5.9%	1.8%	-32.1%
Y/Y change	100.0%	-1.5%	-2.0%	-24.1%

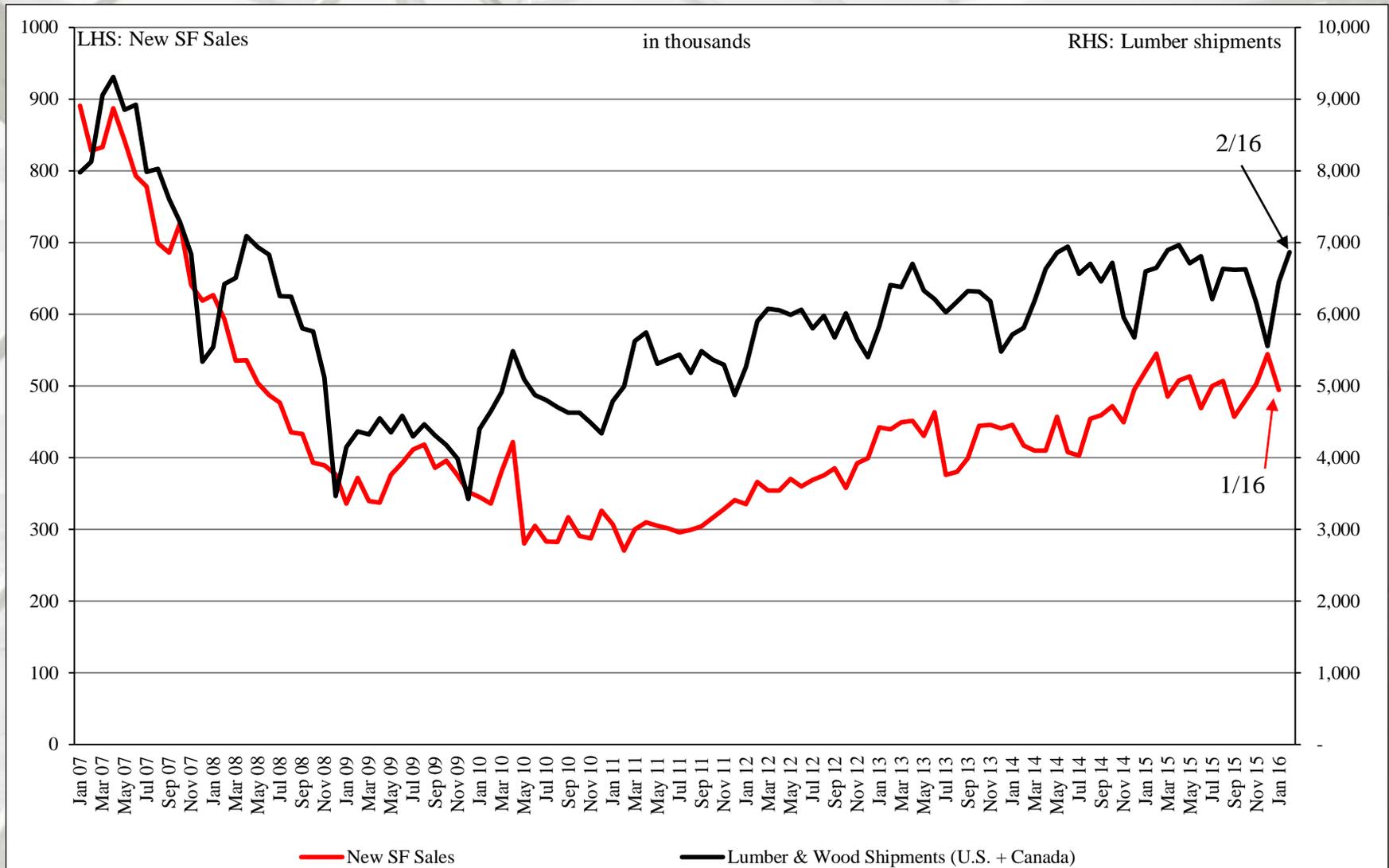
	< \$150m	\$150- \$199.9m	\$200- 299.9m	\$300- \$399.9m	\$400- \$499.9m	\$500- \$749.9m	> \$750m
January	2,000	6,000	12,000	7,000	5,000	3,000	2,000
December	2,000	5,000	13,000	7,000	5,000	4,000	2,000
2015	2,000	6,000	13,000	8,000	5,000	3,000	2,000
M/M change	0.0	20.0%	-7.7%	0.0	-25.0%	0.0	-2.6%
Y/Y change	0.0	0.0	-7.7%	-12.5%	0.0	0.0	-5.1%

All data are SAAR; ¹-Houses for which sales price were not reported have been distributed proportionally to those for which sales price was reported;
²-Detail may not add to total because of rounding.

New SF House Sales by Price Category

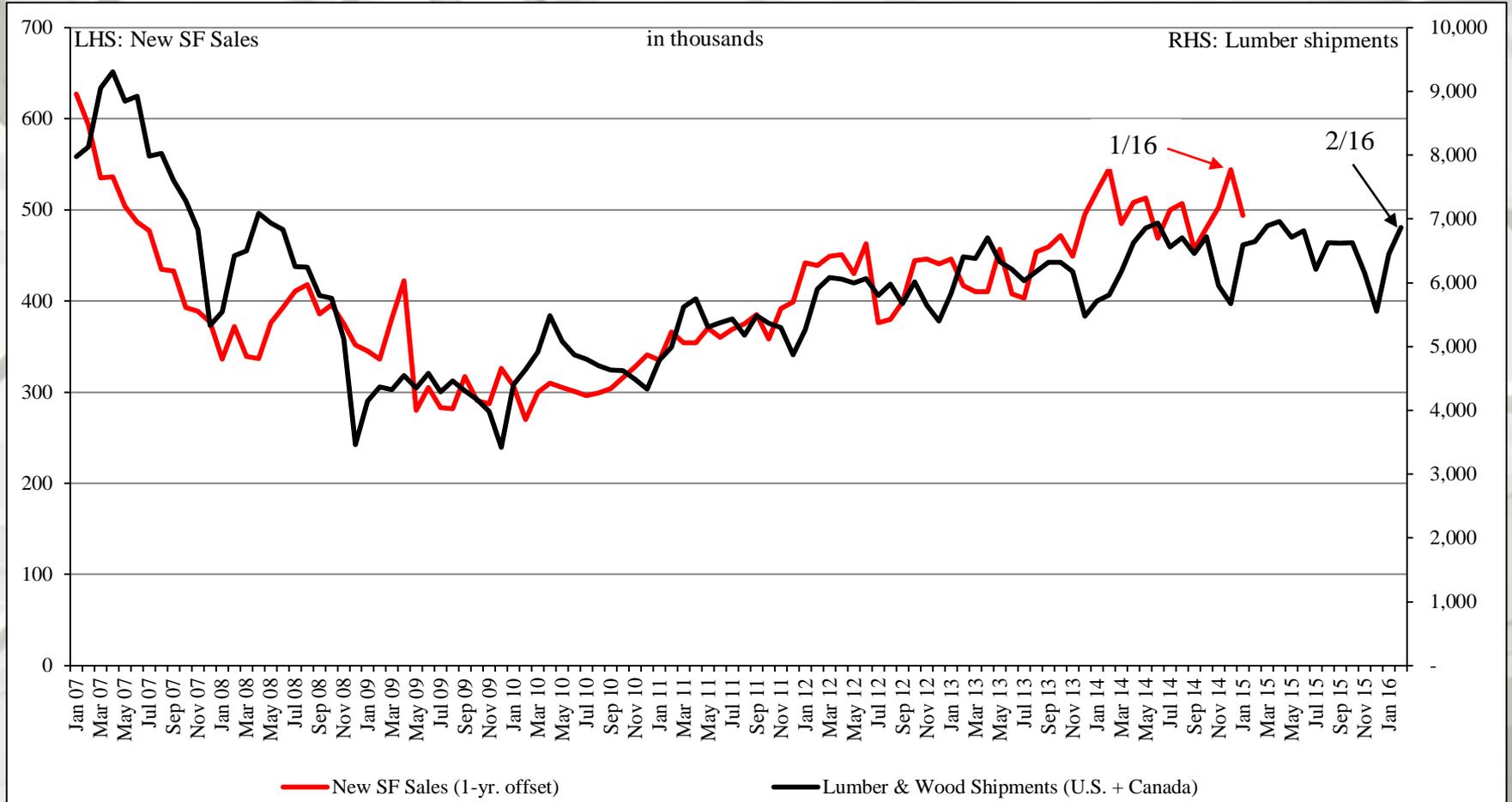


Railroad Lumber & Wood Shipments vs. U.S. New SF House Sales



Sources: Association of American Railroads, *Rail Time Indicators* report; 3/7/16; U.S. DOC-Construction; 2/24/16

Railroad Lumber & Wood Shipments vs. U.S. New SF House Sales: 1-year offset



In this graph, initially January 2007 lumber shipments are contrasted with January 2008 sales through January 2016 data. The purpose is to discover if lumber shipments relate to future new SF house sales. It also is realized that trucking hauls lumber; however, to our knowledge comprehensive trucking data is not available.

January 2016 Construction Spending

January 2016 Total Private Residential Construction:
\$433.16 billion (SAAR)

0.01% more than the revised December estimate of \$433.11 billion (SAAR)

7.7% greater than the January 2015 estimate of \$402.15 billion (SAAR)

January SF construction: \$230.05 billion (SAAR)

-0.2% less than December: \$230.50 billion (SAAR)

6.6% greater than January 2015: \$215.75 billion (SAAR)

January MF construction: \$59.76 billion (SAAR)

2.6% more than December: \$58.26 billion (SAAR)

30.4% greater than January 2015: \$45.82 billion (SAAR)

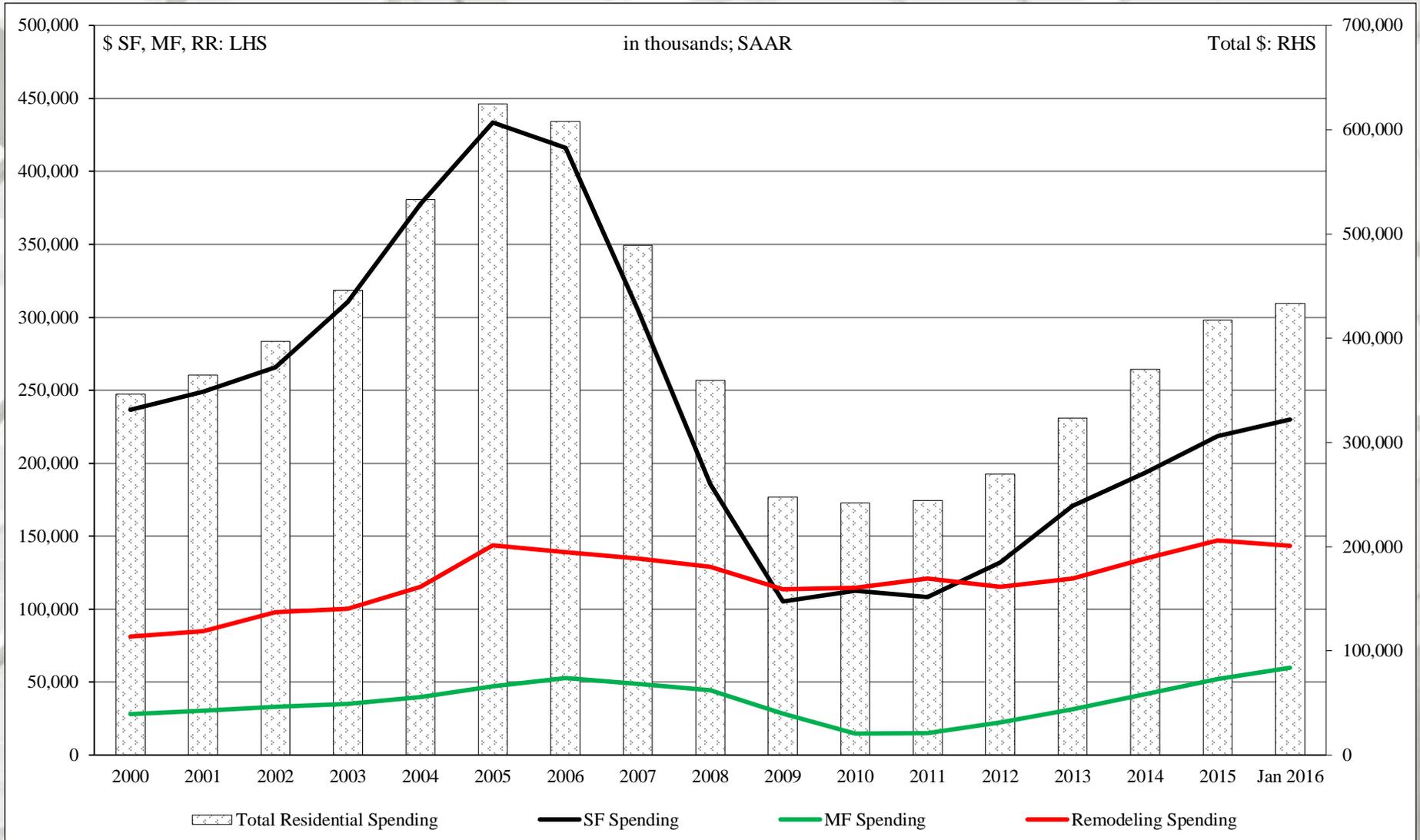
January Improvement^C construction: \$143.35 billion (SAAR)

-0.7% less than December: \$144.35 billion (SAAR)

2.0% greater than January 2015: \$140.58 billion (SAAR)

^C The US DOC does not report improvement spending directly, this is an estimation. All data are SAARs and reported in nominal US\$.

Construction Spending: 2000-January 2016



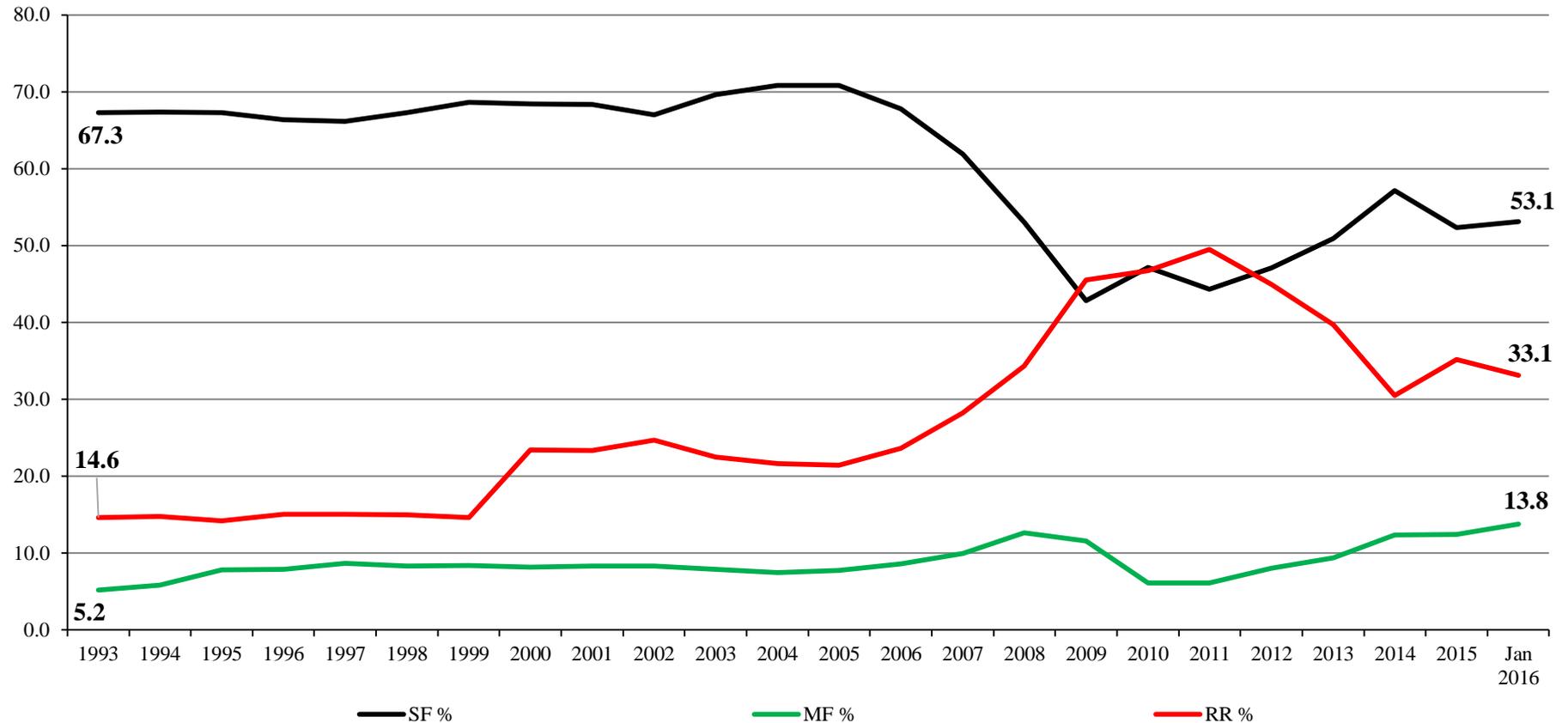
Reported in nominal US\$.

Source: <http://www.census.gov/construction/c30/pdf/privsa.pdf>; 3/1/16

Return TOC

Construction Spending Shares: 1993 to January 2016

SF, MF, & RR: Percent of Total Residential Spending



SF spending: 69.2 % of total residential spending:1993 through 2006;

MF spending: 7.5 %;

RR spending: 23.3 % (all weighted averages; SAAR).

Note: 1993 to 2015 (adjusted for inflation, BEA Table 1.1.9); January 2016 reported in nominal US\$.

Remodeling

U.S. Housing & Renovation Outlook: Building Momentum

Renovation activity to follow home sales higher

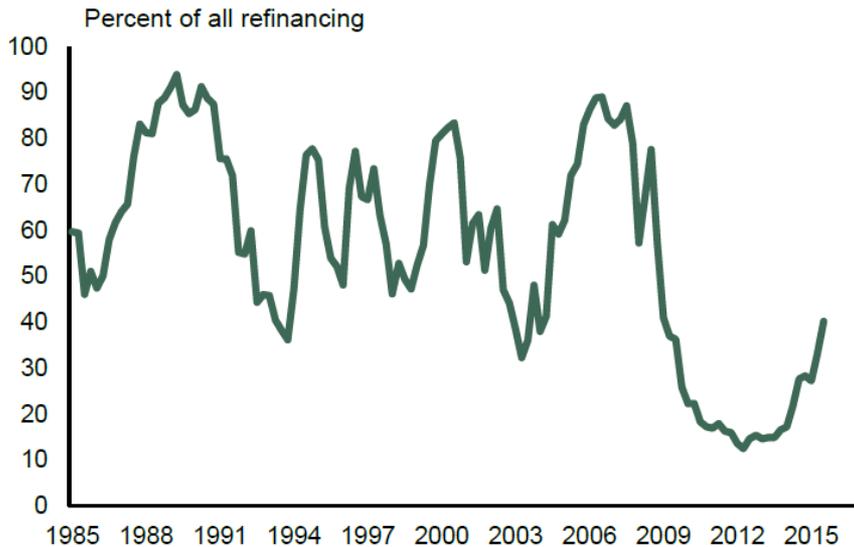
“The outlook for renovation activity is tied firmly to the outlook for home sales and prices. Improvement activity is more correlated with existing home sales than new home sales since buyers tend to make renovations following the purchase of an existing home. Investment in residential improvement rose 5.5% in 2015 and appears likely to accelerate to around 9.0% in 2016.

Another reason for optimism about the outlook for renovation activity is the fact that the rise in home prices has brought millions of homeowners out of negative equity positions. At its peak in the first quarter of 2012, the percent of homeowners of single-family homes with mortgages who owe more than the value of their home rose to 31.4% according to data by Zillow. This has since fallen to just 13.4% of homeowners. With home prices expected to continue to rise over the next several years, this number will continue to improve.

In fact there are signs that homeowners may be cautiously dipping into their new found home equity in order to finance purchases or investments in their home. According to Freddie Mac, the percentage of mortgage refinancing resulting in a higher loan amount has been moving steadily upward over the past several years (Chart 7). This is corroborated by estimates of home equity withdrawal that appear to have turned up over the last year. Now, it’s important to note that this is far removed from the excesses of mortgage equity withdrawal during the housing boom that left many households more vulnerable to falling home prices, but does suggest a growing confidence among households in the ongoing housing recovery.” – James Marple and Michael Dolega, Directors and Senior Economists, TD Economics

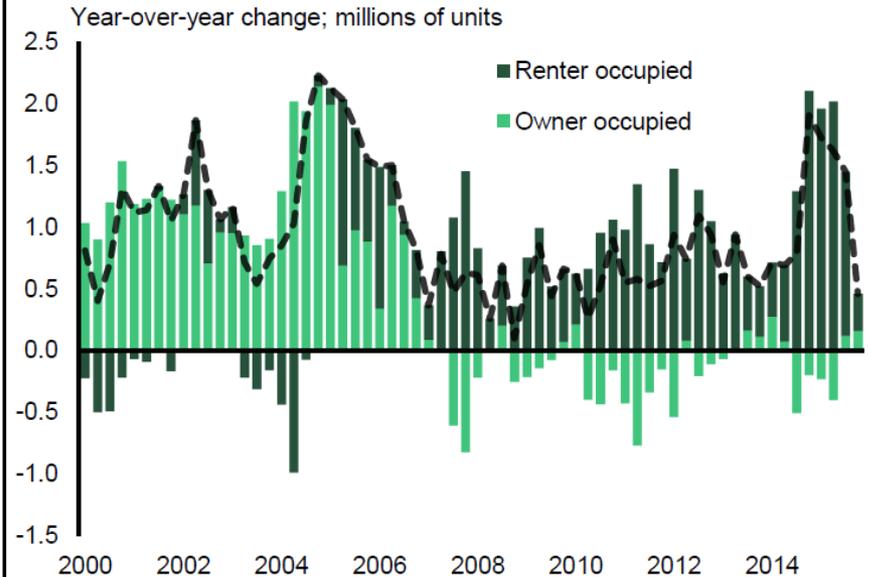
Remodeling

CHART 7: MORTGAGE REFINANCING WITH 5% HIGHER LOAN AMOUNT



Source: Freddie Mac

CHART 2: CHANGE IN OCCUPIED HOUSING UNITS



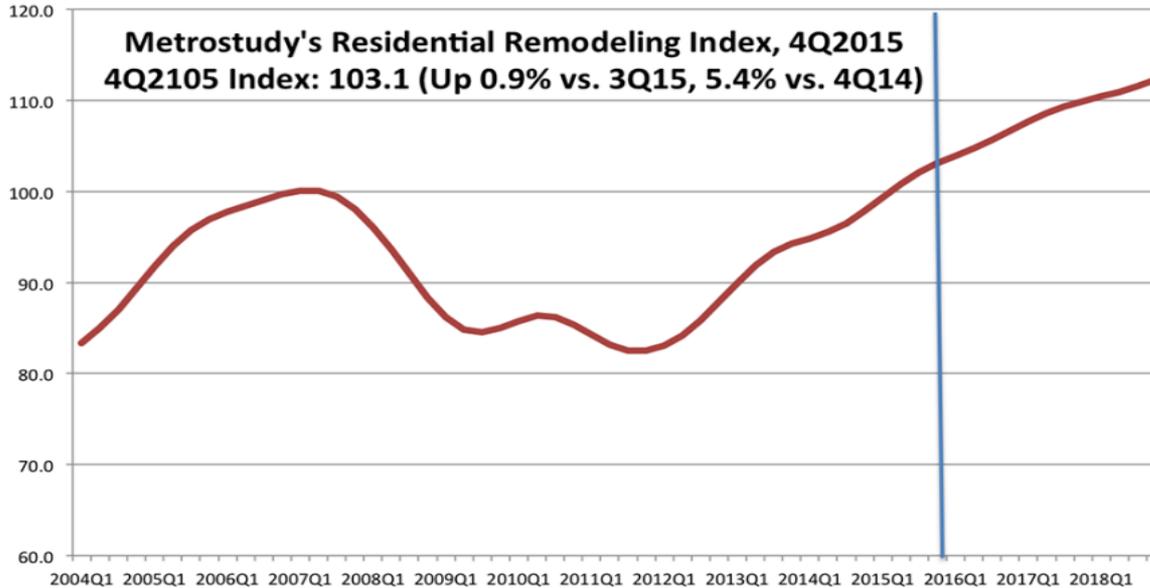
Source: Census Bureau

Renovation activity to follow home sales higher

“For the renovation market, activity tends to follow home sales. The rise in sales to date in addition to further improvements over the next year will imply continued growth in renovation and home improvement activity. With ongoing home price increases, homeowners will see ongoing progress in home equity, which should facilitate investment in home improvement. These dynamics will be more than sufficient to handle the very modest pace of interest rate hikes expected from the Federal Reserve.”

– James Marple and Michael Dolega, Directors and Senior Economists, TD Economics

Remodeling



“Remodeling and replacement activity nationwide continued its slow, steady growth pattern in 2015’s fourth quarter, shows Metrostudy’s latest Residential Remodeling Index (RRI).

The latest update to RRI calculates that the economic conditions known to lead to remodeling work were 5.4% better than in the fourth quarter of 2014 and 0.9% above where things stood in the third quarter of last year.”

Remodeling activity up 5.4% in 4Q from a Year Ago, Metrostudy Finds *Latest Residential Remodeling Index points to continued, but slightly slower, growth to 2018*

“The national RRI reached 103.1, which means the index of activity now stands 3.1% above where it was during the first-quarter of 2007, a time when – until recently – remodeling was at its most prosperous time ever. The RRI hasn’t shown a year-over-year decline since the first three months of 2012 and a quarter-to-quarter decline since the fall of 2011. Metrostudy predicts future quarters to 2018 will post year-over-year gains ranging from 2.0% to 4.1%, while quarter-to-quarter rises will range from 0.5% to 0.9%.

“Remodeling activity remains on solid footing, with the big driver being the existing home market,” Brad Hunter, Metrostudy’s chief economist, said in a statement. “Sales of previously owned homes in 2015 were the highest since 2006, and with low supply, home prices continue to trend upward. Increasing home values are bringing more homes on the market and spurring remodeling and replacement – before and after a sale.”” – Craig Webb, Editor-in-Chief,

REMODELING

Existing House Sales

National Association of Realtors (NAR®)

January 2015 sales: 5.47 million houses sold (SAAR)

Distressed house sales: 9% of sales –
(6% foreclosures and 3% short-sales);

8% in December and 11% in January 2015.

All-cash sales: decreased to 26%, 24% in December,
and 26% (January 2015).

Individual investors still purchase a considerable portion of
“all cash” sale houses – 17% in January;
15% in December and 15% in January 2015.

67% of investors paid cash in January.

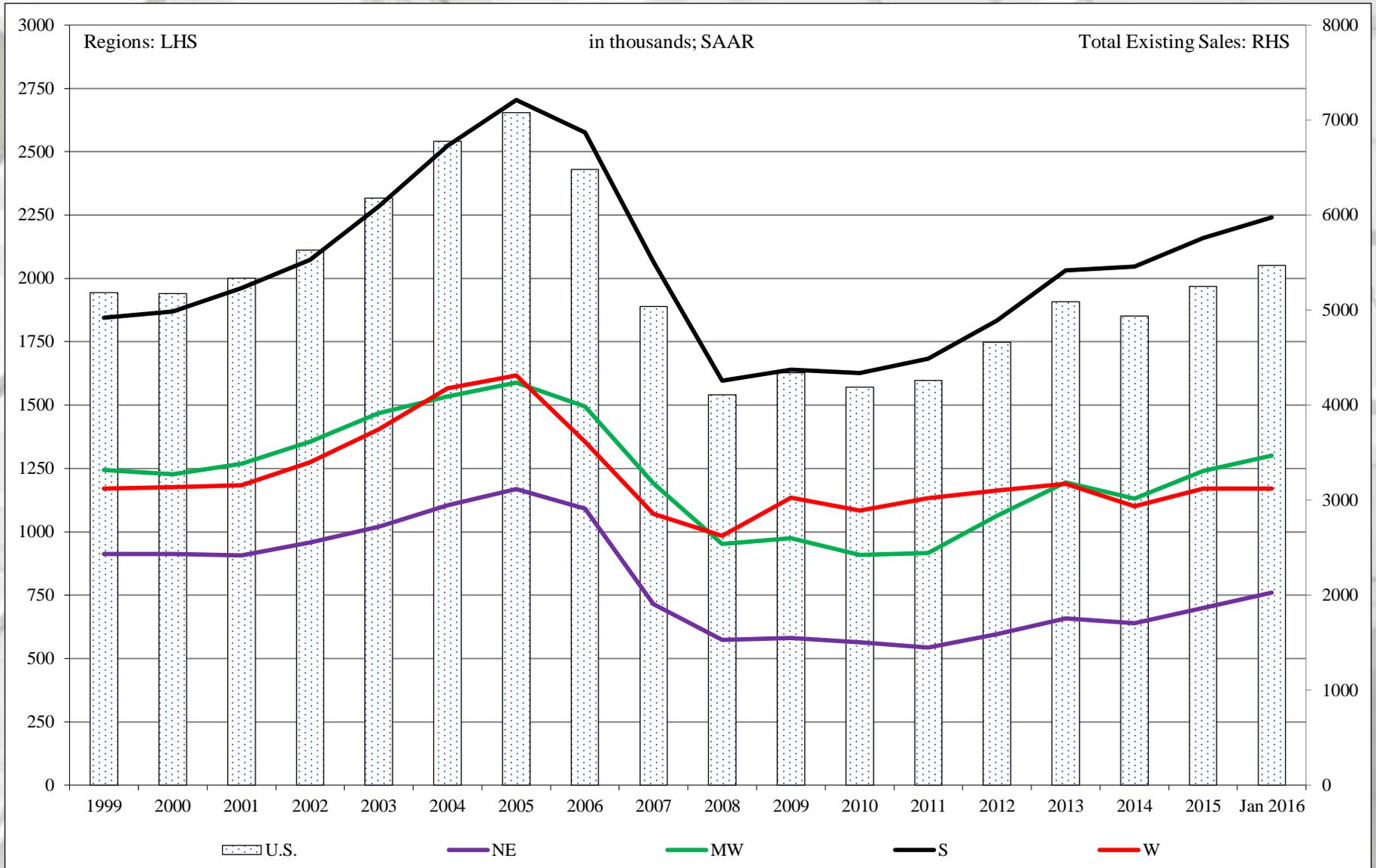
Existing House Sales

	Existing Sales	Median Price	Month's Supply
January	5,470,000	\$213,800	4.0
December	5,450,000	\$223,200	3.9
2015	4,930,000	\$197,600	4.5
M/M change	0.4%	-4.2%	2.6%
Y/Y change	11.0%	8.2%	-11.1%

	NE Sales	MW Sales	S Sales	W Sales
January	760,000	1,300,000	2,240,000	1,170,000
December	740,000	1,250,000	2,240,000	1,220,000
2015	630,000	1,100,000	2,120,000	1,080,000
M/M change	2.7%	4.0%	0.0%	-4.1%
Y/Y change	20.6%	18.2%	5.7%	8.3%

* All sales data: SAAR

Total Existing House Sales



First-Time Purchasers

National Association of Realtors (NAR®) First-Time Purchases

32% of sales in January – 32% in December and 28% in January 2015.

American Enterprise Institute Center on Housing Risk First-Time Purchases

“First-time buyers accounted for 56.1 percent of primary owner-occupied home purchase mortgages with a government guarantee, up a shade from 56.0 percent the prior January.”

U.S. Census Bureau – Housing Vacancy Survey

Fourth quarter 2015 home ownership rate: 30 – 34 year olds: 47.4 percent

Third quarter 2015 home ownership rate: 30 – 34 year olds: 46.8 percent

Summary

In summary:

The winter season has come and housing data reflect typical winter months reporting. Multi-family construction is at the greatest level recorded on a nominal basis. Existing house sales remain steady; construction and sales of new single-family houses in the upper price echelons are solid; multifamily spending is at record highs (on an unadjusted and adjusted basis); and improvement or remodeling expenditures are flat on a nominal basis.

The fact remains that in most housing data categories, construction and new sales remain far less than historical averages. The new housing sector is where the majority of forest products are used and this housing sector has room for improvement.

Pros:

- 1) Historically low interest rates are still in effect;
- 2) As a result, housing affordability is good for most of – but not all of the U.S.;
- 3) Household formations increased in Q3 2015 (using occupied housing data from the January 2015 Current Population/Housing Vacancy surveys);
- 4) Some builders are beginning to focus on entry-level houses; and
- 5) Consumer attitudes towards housing are improving.

Cons:

- 1) Job creation is consistent but some economists question the quantity and types of jobs being created;
- 2) Stagnant real median annual household incomes (30-year basis);
- 3) Strict home loan lending standards; and
- 4) Global uncertainty?

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