



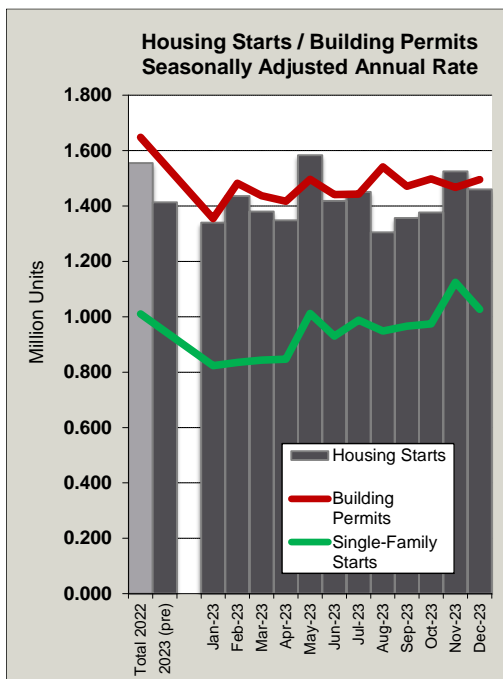
Small Woodland Owner Client  
Clackamas County, OR

Log markets remain steady and above the five-year average, even as lumber remains well below that same metric. Recent MB&G timber sales and log transactions are direct evidence that it is a good time to sell your timber. Poles and cedar remain the most valuable log sorts. When planning for a harvest, be sure to have a pole buyer or forester with pole experience look at your timber stand to determine whether you have an element of poles. If you do, it is then critical you get a logger with pole experience that can effectively capture this added value and maximize your harvest income.

If you need help planning a harvest, or just want to talk forestry, give me a call at (503) 224-3445 or send me an email at [bkeller@masonbruce.com](mailto:bkeller@masonbruce.com). MB&G has a sophisticated understanding of the forest industry and great relationships with numerous log buyers, loggers, nurseries, and reforestation contractors. MB&G is a full-service outfit that in addition to harvest and reforestation does management plans, timber cruising, forestland valuations, and road maintenance. Thanks – Brent

## MARKET WATCH: HOUSING, LUMBER AND LOGS

### HOUSING STARTS



Housing starts ended the year just slightly ahead of where they started the year. Projections by various analysts anticipate a similar or weaker year for housing starts in 2024.

Housing starts decreased 4.3% in December, to 1.46 million units, but they were up 7.6% year over year. Single family starts dropped 8.6% in December from November, and year over year, they were up 15.8%.

Building permits increased 1.9% in December, to 1.5 million units, and they were up 6.1% year over year. Single-family permits were up 1.7% in December, and they were up 32.9% year over year.

#### December 2023 Housing Starts (millions)

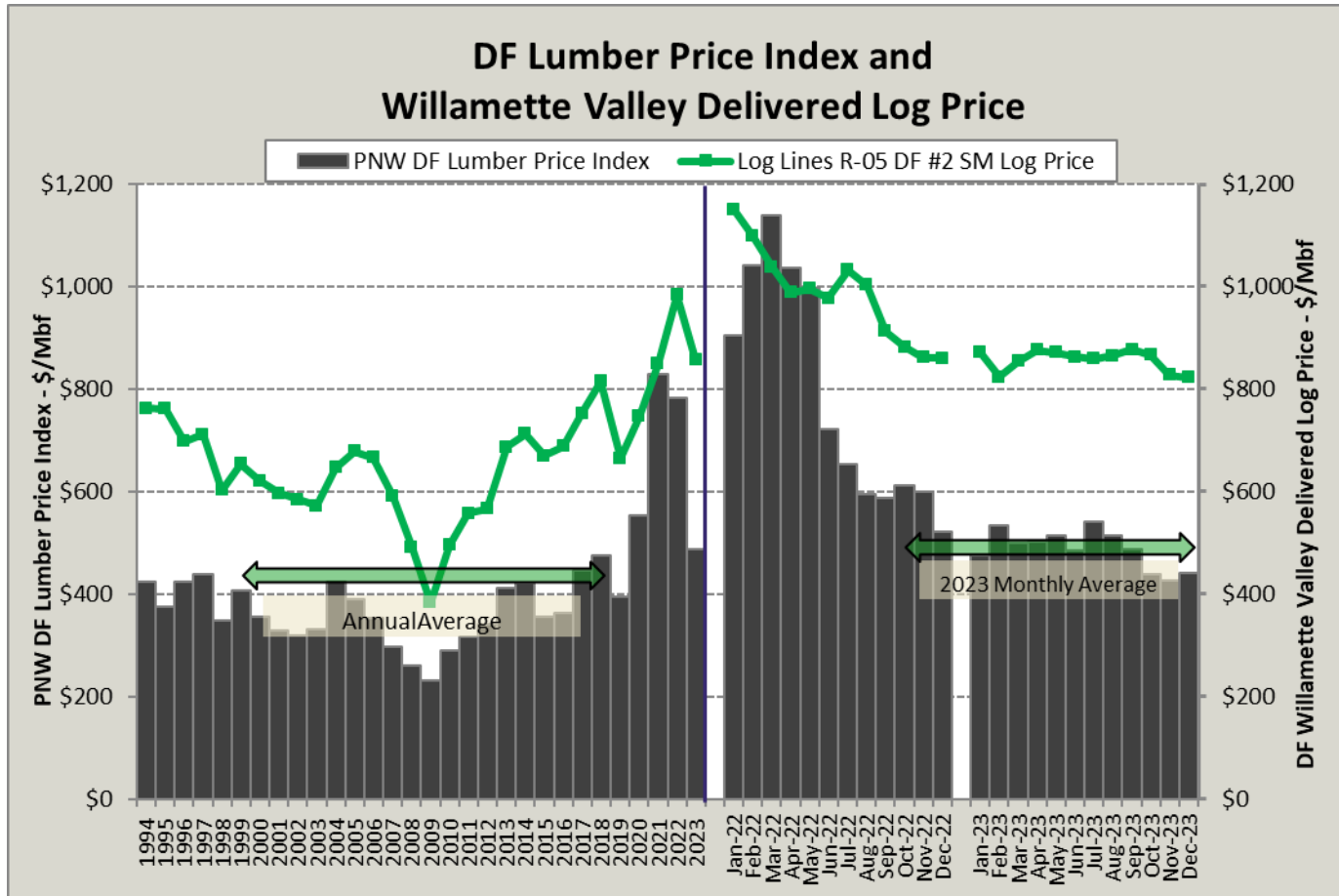
	Dec 2023	Nov 2023	Monthly Difference	Dec 2022	Annual Difference
All Starts	1.460	1.525	-4.3%	1.357	7.6%
Single-Family Starts	1.027	1.124	-8.6%	0.887	15.8%
Building Permits	1.495	1.467	1.9%	1.409	6.1%
Single-Family Building Permits	0.994	0.977	1.7%	0.748	32.9%

## LUMBER & LOGS

Published DF log and lumber prices were mixed in December, as shown below.

December published DF #2S log prices decreased 0.6% from November, to \$822/Mbf. December log prices were also 4.4% below a year ago but were still 3.4% above the 5-year average.

At \$441/Mbf, the DF lumber index price increased 3.3% from November. Lumber is down 15.5% from a year ago and is 26.8% below the 5-year average of \$607. Based on projections for housing starts, a small increase in log and lumber prices is likely in 2024.



### December 2023 Douglas-fir Prices

	Dec 2023	Nov 2023	Change from Previous Month	Dec 2022	Change from Previous Year	5 Yr Annual Average	Current Month Compared to 5 Yr Annual Avg
Logs	\$ 822	\$ 827	-0.6%	\$ 860	-4.4%	\$ 795	3.4%
Lumber	\$ 441	\$ 427	3.3%	\$ 521	-15.5%	\$ 602	-26.8%

## Lumber Track

YTD Western Mill Production through November was down 3.2% relative to November 2022. November production fell 13.9% from October.

YTD production as a percent capacity was down 2% when compared to November 2022. Monthly production as a percent of capacity decreased 4% in November, to 76%. (*Western Lumber Facts, 1/9/24*)

Western U.S. Softwood Lumber Production			
YTD Total (Bbf)		Monthly Total (Bbf)	
November 2023	<b>12.69</b>	November 2023	<b>1.08</b>
November 2022	<b>13.11</b>	October 2022	<b>1.25</b>
Percent Change	<b>-3.20%</b>	Percent Change	<b>-13.86%</b>
YTD Production as a % of Capacity		Production as a % of Capacity	
November 2023	<b>77%</b>	November 2023	<b>76%</b>
November 2022	<b>79%</b>	October 2023	<b>80%</b>
Percent Change	<b>-2%</b>	Percent Change	<b>-4%</b>

## INDUSTRY NEWS

### Oregon's Icy Winter



In the first half of January, much of Oregon experienced a blizzard and an ice storm. The weather caused school closures, highway closures, downed trees, and power outages. It also brought the state a healthy snowpack. On Jan. 15, the state's snow-water-equivalent – the amount of water contained in snowpack – was at 103% of the 10-year median, according to the USDA National Resources Conservation Service.

Larry O'Neill, state climatologist, reported: "The odds are still favoring warmer than normal temperatures and possible difficulty in maintaining our snowpack," noting that El Niño years typically have less snowpack than normal. (*Capital Press, 1/15/24*)

### Good News Forecasted for the Real Estate Market from Fannie Mae

Consumers are optimistic about falling mortgage rates. Fannie Mae reported that mortgage rates fell from nearly 8% in November to 6.62% in the first week of December.

This rate drop in rates seems to have influenced the December Fannie Mae Home Purchase Sentiment Index (HPSI), which reported a survey high for the percentage of respondents who expected mortgage rates to go down over the next 12 months, at 31%. The survey also showed a 3-point improvement in the respondents who believe now is a good time to buy a home, at 17%. Overall, the index was up 2.9 points over the prior month, and it was up 6.2 points year over year.

According to a January 2024 commentary from Fannie Mae, mortgage rates are forecasted to decline in 2024, and to reach below 6% by the end of the year. If this happens, economists at Fannie Mae expect a boost in home refinances and existing home sales. They expect the annualized pace of existing home sales to move up to 4.5 million units by the fourth quarter of 2024, compared to 3.8 million in 4Q2023. However, they also warn that a full recovery to the pre-pandemic sales rate could take years due to continued housing affordability challenges. (*Fannie Mae 1/18/24*)

## Freres Lumber Company Sues Forest Service

Freres Lumber company has sued the U.S. Forest Service for \$33 million for not adequately suppressing a 2020 wildfire before it spread. Freres has accused the Forest Service of failing to follow its own mandated fire attack plan. Company President, Rob Freres said the fire burned 30% of the company's private timberland — or about 5,800 acres. He is seeking compensation for lost timber and related damages. Legal experts say Freres will have a difficult time achieving legal success with their lawsuit. Similar cases have been unsuccessful in the past.

Freres is also part of a major class action lawsuit against the utility PacifiCorp, for their actions and inactions that caused a large fire in 2020. Freres maintains that fires started by PacifiCorp burned 12% of the 5,800 acres the company lost. The other 88% of the forest lost came from another fire that was being managed by the Forest Service. (*Statesman Journal* 1/23/24)

## U.C. Berkley Study Confirms Thinning and Prescribed Burning are Beneficial for Wildfire Reduction

A team of researchers, led by a professor of fire science at the University of California, Berkeley, focused a study of prescribed fire and thinning for two decades in the same location in California. They were able to confirm what many local, state and federal agencies have been saying — that forest management techniques such as prescribed burning, restoration thinning, or a combination of both, can effectively reduce risks of catastrophic wildfire.

Lead researcher, Scott Stephens stated, "If you burn a location three times in 20 years you improve it."

Gary Whitson, the Tuolumne county unit forester and pre-fire division chief added, "In areas where dense fuels currently occur, mechanical thinning can be used to safely reduce the fuel loading", and "Prescribed fire can then be used as a long term maintenance tool." (*Union Democrat* 1/10/24)

## Hampton to Acquire Stayton Mill



Hampton Lumber is in the process of acquiring RedBuilt, LLC, with a location in Stayton, OR. RedBuilt engineers, designs, and manufactures proprietary wood-based structural components for commercial and multi-family construction. The purchase is expected to be finalized the first part of 2024. Hampton currently has ten sawmills in Oregon, Washington, and B.C. (*Lesprom* 1/9/24)

## Hampton Closes Mill in Banks, OR

After being in operation since about 1961, the Hampton Lumber Mill is closing in Banks, Oregon. Fifty-eight employees were laid off and given the choice to transfer to another Hampton mill or take a severance package.

Hampton claims one reason they closed the mill was due to the state's proposed Habitat Conservation Plan, which is projected to cut harvests on state forests by up to 34%. The Banks mill has relied heavily on timber from the Tillamook and Clatsop state forests.

The city sees the downside and new opportunity in the closure. The town's population is only 2,000. These 58 jobs will be missed. However, without the mill using water, the city's water supply could dramatically increase. Banks has in the past seen various curtailments of water use in the summer months and even a development moratorium due to limited water supply. Without the mill, Banks may also have a chance to improve their urban renewal district and eliminate or re-purpose the rail line that goes to the mill. (*Banks Post* 1/10/24, *KGW* 1/11/24)

## **Old Growth and the U.S. Forest Plan**

President Biden’s administration has proposed to end commercially driven logging of old-growth trees in National Forests. Secretary of Agriculture Tom Vilsack, who oversees the U.S. Forest Service, issued a Notice of Intent to amend the land management plans of all 128 National Forests to prioritize old-growth conservation and recognize the oldest trees’ unique role in carbon storage. It would be the first nationwide amendment to forest plans in the 118-year history of the Forest Service.

The Biden proposal seeks to take a middle ground between environmentalists who want to ban commercial logging on both old growth forests and so called “mature” forests, and timber companies who support logging for revenue and to make forests healthier and more resilient. The proposal would establish protection for the oldest trees under Forest Service management while allowing logging exceptions to reduce fuel hazards, protect public health and safety and other purposes. The proposal does not contain protections for mature forests. (*Inside Climate News 12/27/23, Vox 1/12/24*)

## **Oregon Forest Fires were Historically Frequent and Small**

James Johnston of the OSU College of Forestry led a study about the history of wildfire in the forests of Oregon, which was published in Ecosphere. The scientists gathered tree ring data at 16 sites in the southern part of the Willamette National Forest. They evaluated the burn scars in the tree rings of 311 dead trees – logs, short snags and stumps. Seventy-three percent of the samples were coastal Douglas-fir, and 13% were ponderosa pine. The remainder were other species. They were able to compare the burn scars across locations and across time to evaluate fire spread, or size. The study determined:

- Fire was historically far more frequent in western Oregon Cascades landscapes than previously believed.
- Indigenous peoples likely used fire to manage large areas for resources and probably altered landscapes and fire regimes in significant ways.
- There are important present-day restoration opportunities for fire-adapted systems in western Oregon.
- Most historical fires were relatively small.

(OSU 12/28/23)