



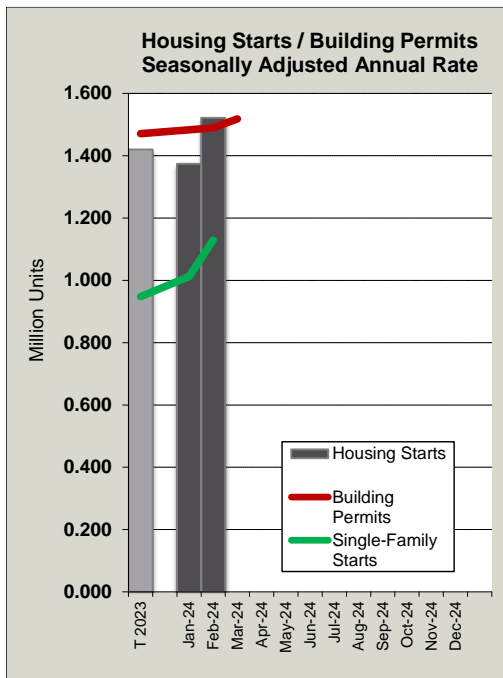
Small Woodland Owner Client
Washington County, OR

It was great to see some of you at the WFFA Annual Meeting in Tacoma. The theme of *Managing Your Timberlands for Wildlife* included many interesting topics and truly demonstrated the experience and creativity that forest owners of all sizes have as they tackle the management challenges of riparian areas, bear damage, pollinators, or beavers, which besides man, can alter their environment more than any species found in the forest. I really admire the dedication of folks to their forestlands, and the commitment to ensuring their lands exist as managed forests for generations to come. What a great event – I look forward to seeing everyone again next year.

If you need help with any aspect of your forest management, or just want to talk forestry, give me a call at (503) 224-3445 or send me an email at 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 jumped month-over-month by 10.7% in February, to 1.52 million units, and they were up 5.9% year-over-year. Single family starts jumped 11.6% in February over January, and year-over-year, they were up 35.2%.

February building permits increased 1.9% from January, to 1.52 million units, and they were up 2.4% year-over-year. Single-family permits increased 1.0% in February, and they were up 29.5% year-over-year.

A recent announcement by the Federal Reserve that three interest rate cuts are expected in 2024 could help support housing starts this year.

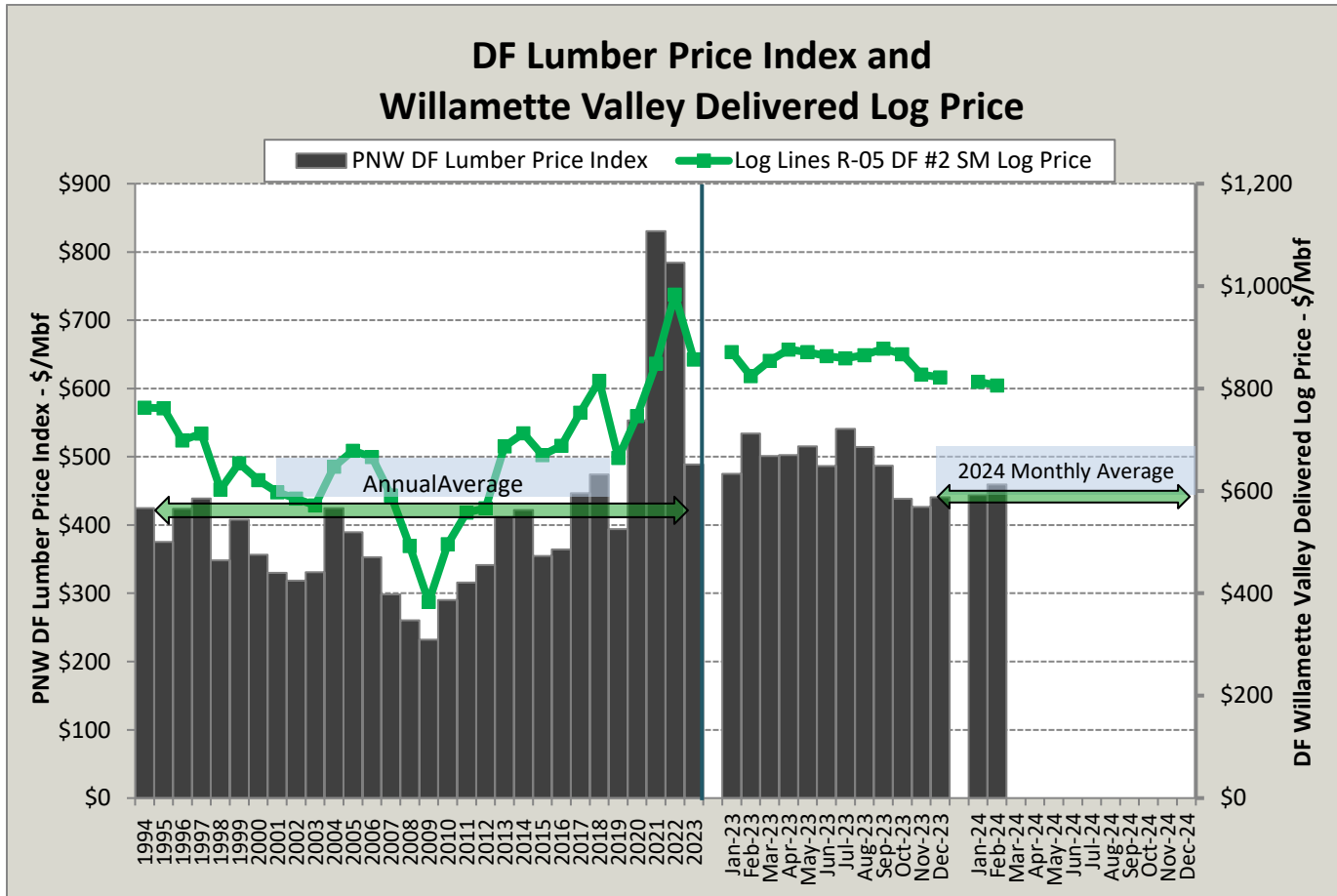
February 2023 Housing Starts (millions)					
	Feb 2024	Jan 2024	Monthly Difference	Feb 2023	Annual Difference
All Starts	1.521	1.374	10.7%	1.436	5.9%
Single-Family Starts	1.129	1.012	11.6%	0.835	35.2%
Building Permits	1.518	1.489	1.9%	1.482	2.4%
Single-Family Building Permits	1.031	1.021	1.0%	0.796	29.5%

LUMBER & LOGS

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

February published DF #2S log prices decreased 0.9% from January, to \$806/Mbf. January log prices were also 2.2% below a year ago but were still 0.3% above the 5-year average of \$804.

At \$459/Mbf, the DF lumber index price increased 3.5% from January. Lumber is down 14% from a year ago and is 24% below the 5-year average of \$605. Log prices for larger timber such as DF #2S is reportedly holding up better than prices smaller grades.



February 2024 Douglas-fir Prices							
	Feb 2023	Jan 2023	Change from Previous Month	Feb 2022	Change from Previous Year	5 Yr Annual Average	Current Month Compared to 5 Yr Annual Avg
Logs	\$ 806	\$ 813	-0.9%	\$ 824	-2.2%	\$ 804	0.3%
Lumber	\$ 459	\$ 444	3.5%	\$ 534	-14.0%	\$ 605	-24.0%

Lumber Track

YTD Western Mill Production through January 2024 was down 3.3% relative to January 2023. January production jumped 13% from December.

YTD production as a percent capacity was down 6% when comparing 2024 to 2023. Monthly production as a percent of capacity decreased 1% in January, to 71%. (*Western Lumber Facts, 3/13/24*)

Western U.S. Softwood Lumber Production			
YTD Total (Bbf)		Monthly Total (Bbf)	
January 2024	1.10	January 2024	1.10
January 2023	1.14	December 2023	0.98
Percent Change	-3.33%	Percent Change	13.00%
YTD Production as a % of Capacity		Production as a % of Capacity	
January 2024	71%	January 2024	71%
January 2023	77%	December 2023	72%
Percent Change	-6%	Percent Change	-1%

INDUSTRY NEWS

Fannie Mae Cools Housing Transaction Forecast in March

The economists at Fannie Mae have slightly downgraded their expectations of the housing market in 2024. They still anticipate an increase in market transactions over last year, mostly due to purchases and sales related to life events and by those who are less affected by interest rates (cash buyers). They are also still forecasting a decline in mortgage interest rates, expecting rates to fall to 6.4% by the end of the year. However, they had predicted an even lower year-end interest rate last month, which has cooled their expectations. (*Fannie Mae 3/19/24*)

New Cross Laminated Timber Facility Coming to Oregon

Timberlab Inc., plans to build a state-of-the-art cross-laminated timber (CLT) manufacturing facility in Oregon's mid-Willamette Valley. The 250,000-square-foot facility is expected to create an annual output of 100,000 cubic meters of finished CLT products and to create 100 manufacturing jobs when it reaches full capacity, becoming one of the largest CLT facilities in the U.S.



The TimberLab announcement did not include information about the timeline for the project build or about the exact location of the facility, but Timberlab announced it will be near Oregon State University, the University of Oregon, and their Tall Wood Design Institute. (*Lesprom & RISI 3/15/24*)

2023: A Down Year for North American Lumber Output

North American Lumber Output				
January - December		2023	2022	% Chg.
U.S.	Coast	8,533	8,709	-2.4
	Inland	4,448	4,712	-5.6
	Calif. Coast	687	671	+2.4
	South	22,127	22,161	-0.2
	Other	1,604	1,585	+1.2
	Total U.S.	37,399	37,838	-1.2
Canada	B.C.	6,877	7,865	-12.6
	East*	13,268	13,559	-2.1
	Total Canada	20,145	21,424	-6.0
TOTAL		57,544	59,262	-2.9

* millions of board feet; 2023 figures are preliminary. *Provinces east of the Rockies.
Sources: WWPA, Statistics Canada, SFPA

U.S. lumber production had its ups and downs in 2023, depending on the region. As a whole, 2023 U.S. lumber production was down 1.2% from the prior year.

Canada's lumber production was down in every region in 2023, especially in British Columbia, with a 12.6% drop from the prior year. This follows a 14.6% decline in B.C. production between the years of 2021 and 2022.

The difference from five years ago between the U.S. and Canada is stark. Compared to 2018, U.S. production in 2023 rose 7% while Canadian output plummeted 26%. In B.C., production fell 44% in

that period. B.C.'s share of Canadian output in 2018 was 45%; in 2023 it was just 34%. (*Random Lengths 3/15/24*)

Timber Harvest or Carbon Credits?



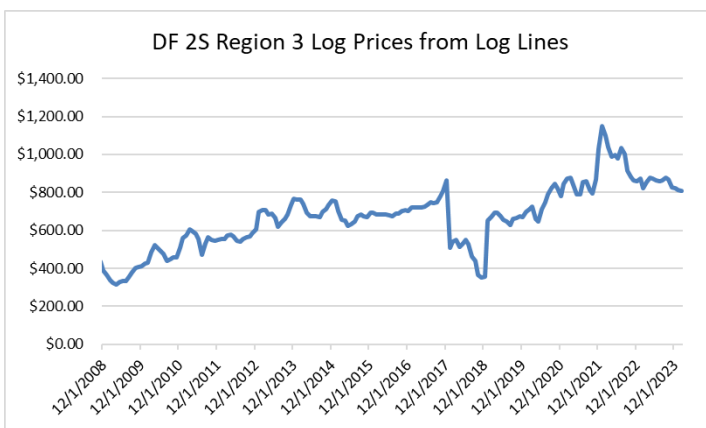
It is estimated that the voluntary carbon credit market could be worth as much as \$40 billion by 2030, up from \$2 billion in 2021, according to a report from Boston Consulting Group and Shell. This newer market offers tree farmers new options for investment returns – timber harvest or carbon credits.

There are at least two different ways to monetize carbon credits.

- Removal credits are generated by how much carbon dioxide a forest removes from the atmosphere, and an advantage to these is in the ease with which the carbon tonnage can be calculated. Tree-planting initiatives are one way to generate removal credits.
- Avoidance credits can be more difficult to accurately calculate, as they are generated through an activity not happening—for example, not cutting down a tree.

With a growing demand for carbon credits, investing in forests is not just about producing timber anymore. (WSJ 3/4/24)

Log Prices Dropping, But Not Necessarily Low



Random Lengths recently reported the three local sawmills that closed or curtailed operations during the first 45 days of the year each pointed to high log costs as a key reason.

Even among mills that have not curtailed production, high log costs are concerning, as limited log supply is expected in the near and long term.

According to data from Log Lines, average Douglas Fir #2 log costs have slowly been drifting down since last September. Data shows that log prices dropped 14% between 2022 and 2023. The Log Lines chart above shows the recent downward

drift and the current prices that are still considered to be historically on the higher end of the spectrum in nominal terms. Adjusted for inflation prices are little different from 2019 and early 2020. (Random Lengths 3/20/24, Log Lines Data 2008-2024)

California Wildfire Insurance is more Precarious than Ever

When California insurers stop writing homeowner’s policies and homeowners cannot find market coverage to insure their homes for fire danger, they turn to the California FAIR Plan, which was established as a “temporary safety net” by statute in 1968 for individuals who have no other available fire insurer. Now, due to the increased risk of insuring so many properties, the president of the California FAIR Plan is reporting that the Plan is one catastrophe away from insolvency.

This situation has evolved into calls for a deregulation of forest management to clear excessive fuels from the forest.

Governor Newsom’s proposed budget for the 2024-2025 fiscal year includes \$3.7 billion for fighting wildfires, but just over \$300 million for forest and resource management to prevent wildfires. (The Center Square 3/19/24)

Sustainable wood architecture at the Paris Olympics in 2024



Rather than investing in grandiose enduring venues for the Paris Olympics, Paris has decided to focus on sustainability. Many existing buildings are being re-used for the Olympics. New venues are being built with wood and some are planned to be deconstructed after the games with the components being re-used elsewhere. Overall, 95% of the Olympics venues in Paris will be facilities that either already existed or that will be dismantled for reuse after the Games.



The new 5,000-seat Olympic Aquatics Center on the outskirts of Paris was constructed mainly from wood, and it was said to have been pieced together like a Lego set. The structure was prefabricated by wood construction company, Mathis. Each piece of the building was planned, cut, glued, and bent into shape before being shipped to Paris for assembly on site. (Bloomberg 3/9/24)

Time Lapse Video of Douglas-fir Growth



Oregon Forest Resources Institute (OFRI) recently released a video showing seven years of growth in two different Oregon forests. (OFRI 3/18/24)

It is a fun watch: https://youtu.be/_3-OkqGfA0M?si=VPxEJficWYQJ4A4y