



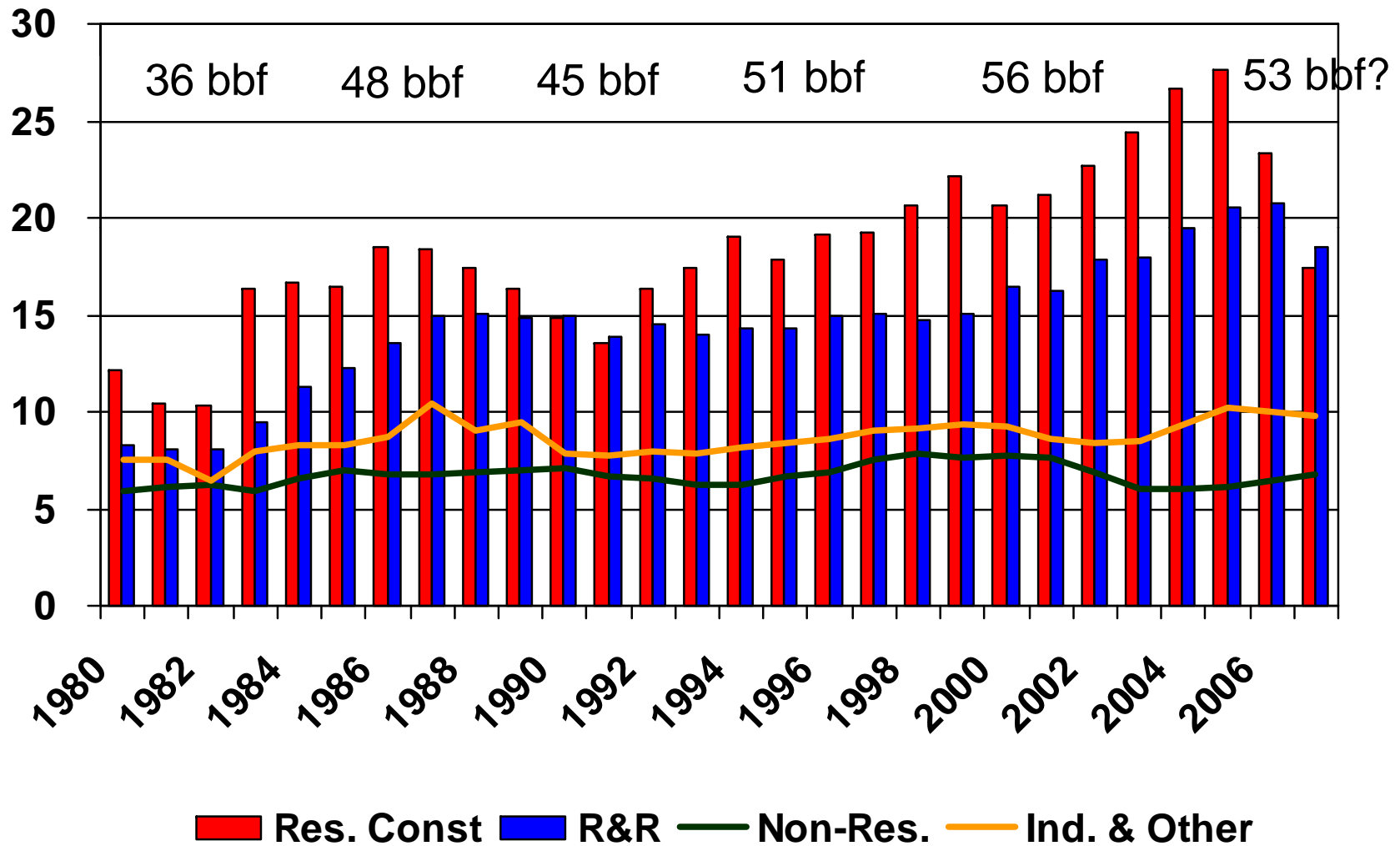
WWPA
2008-11 Lumber Demand & Supply
Forecast

Western producers face new reality



Lumber consumption by market

Billion Board Feet

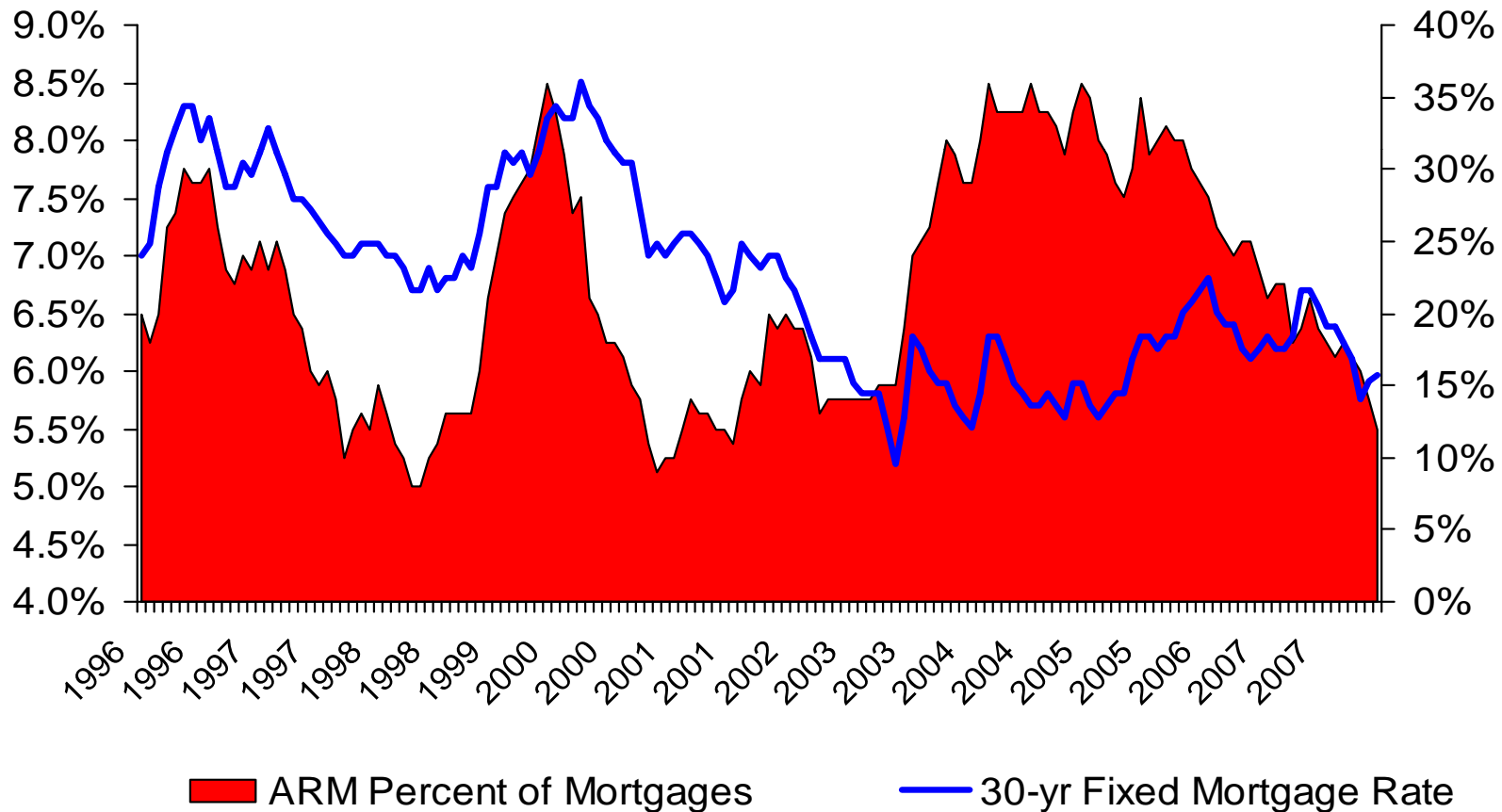




2003: Mortgage financing gets creative

30-yr Fixed

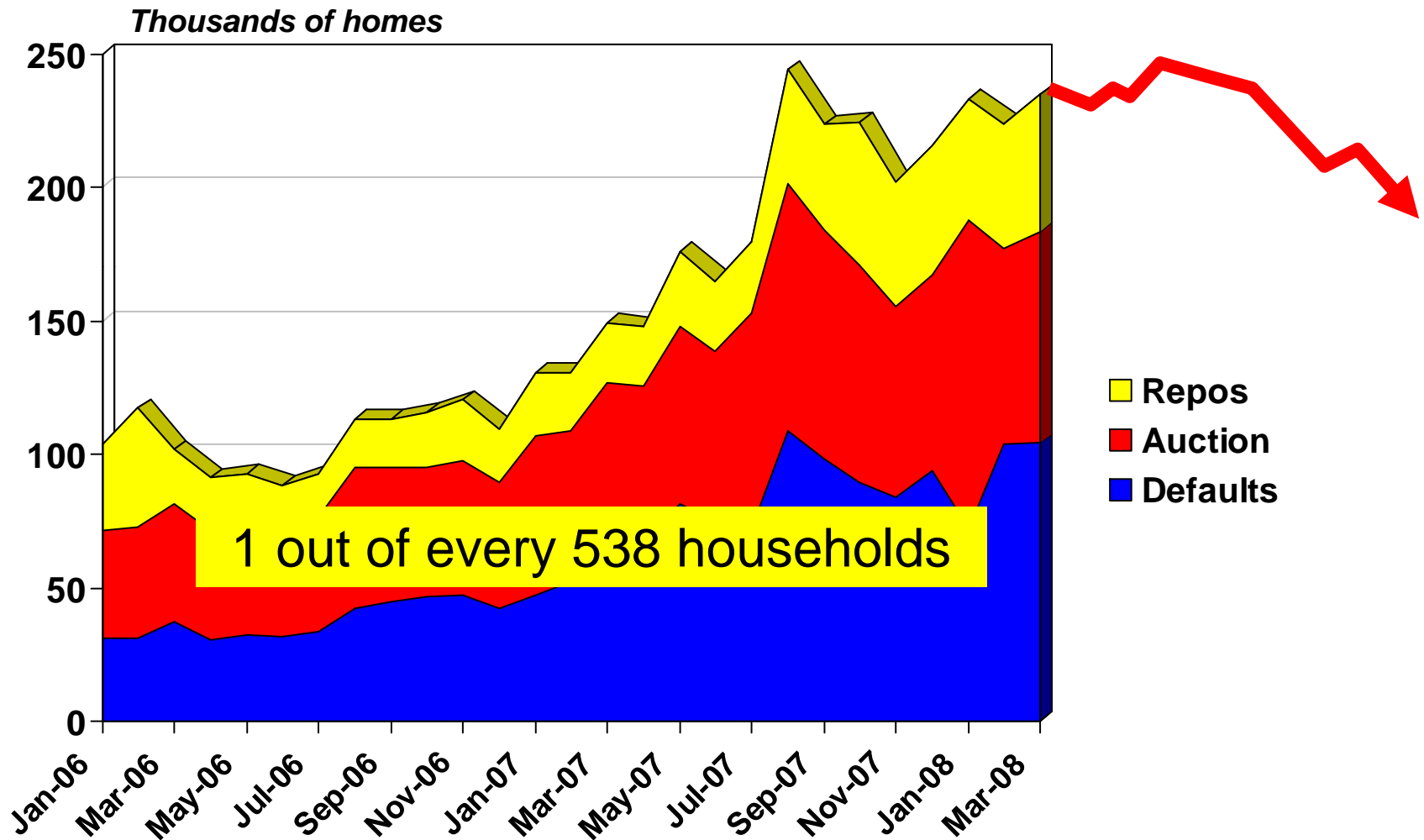
Percent ARMs



Source: FreddieMac



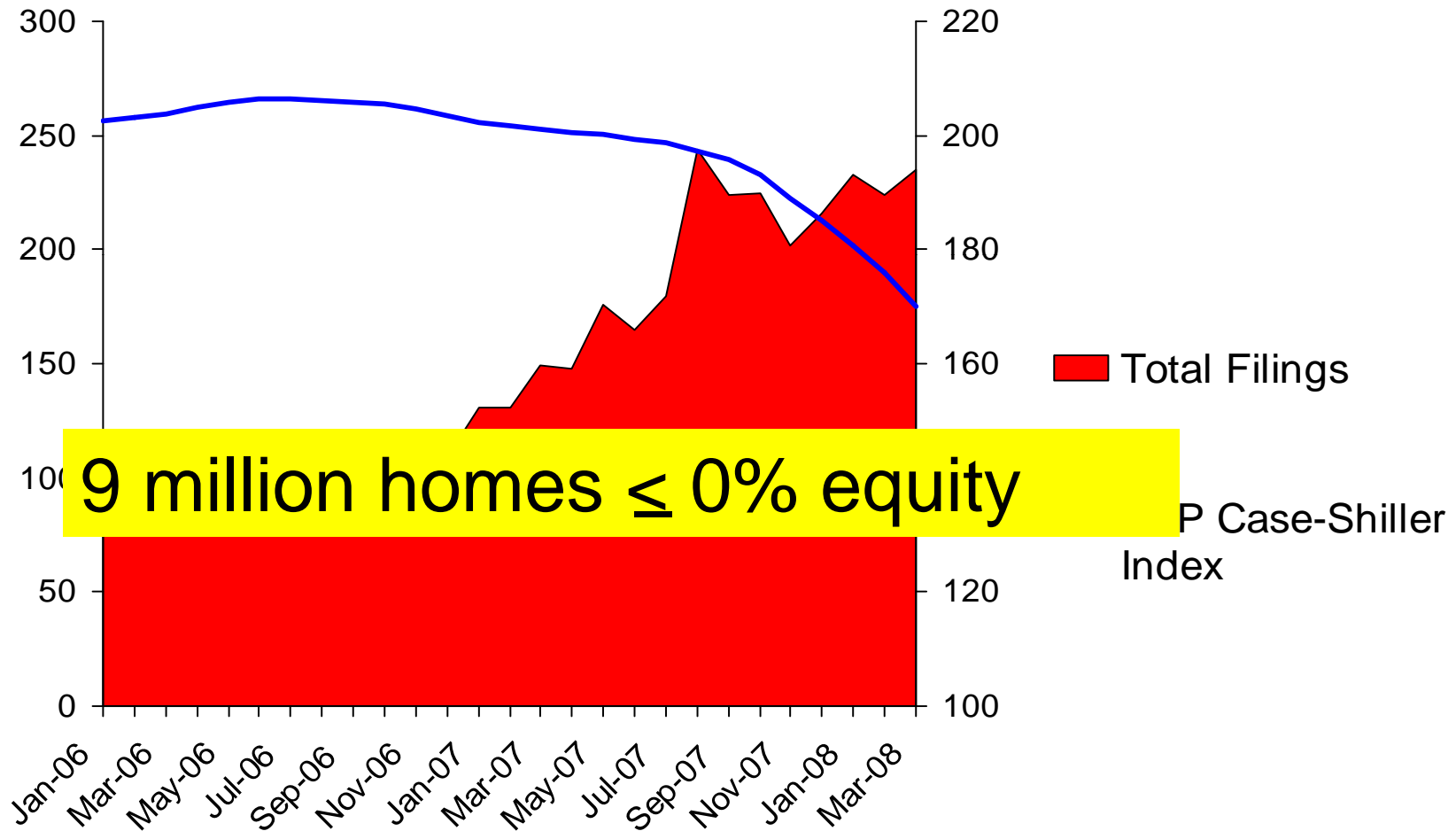
Foreclosures surge



Source: Realtytrac, Loan Performance



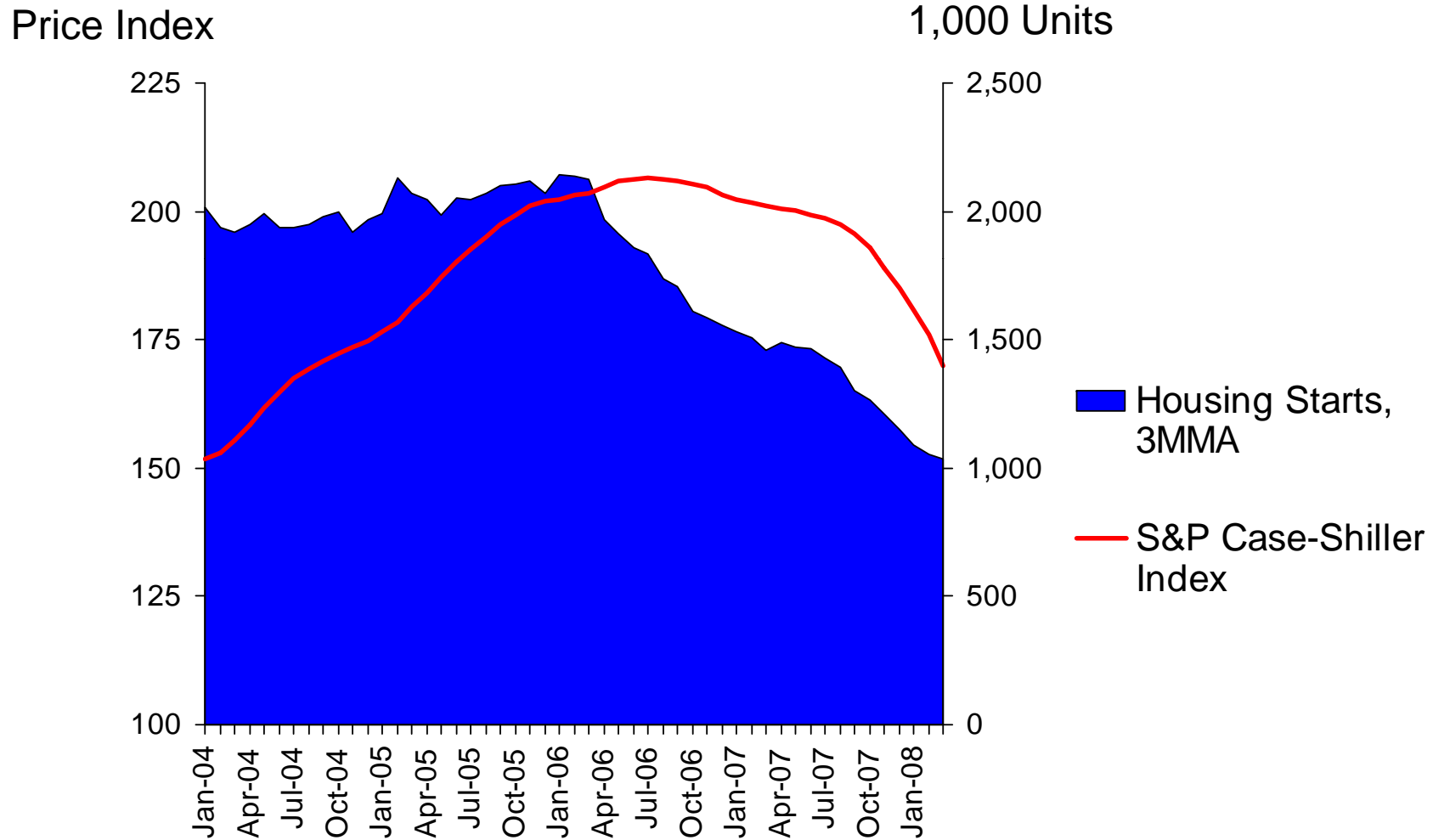
Prices fall with foreclosure rise



Source: Realtytrac, S&P/Case-Shiller



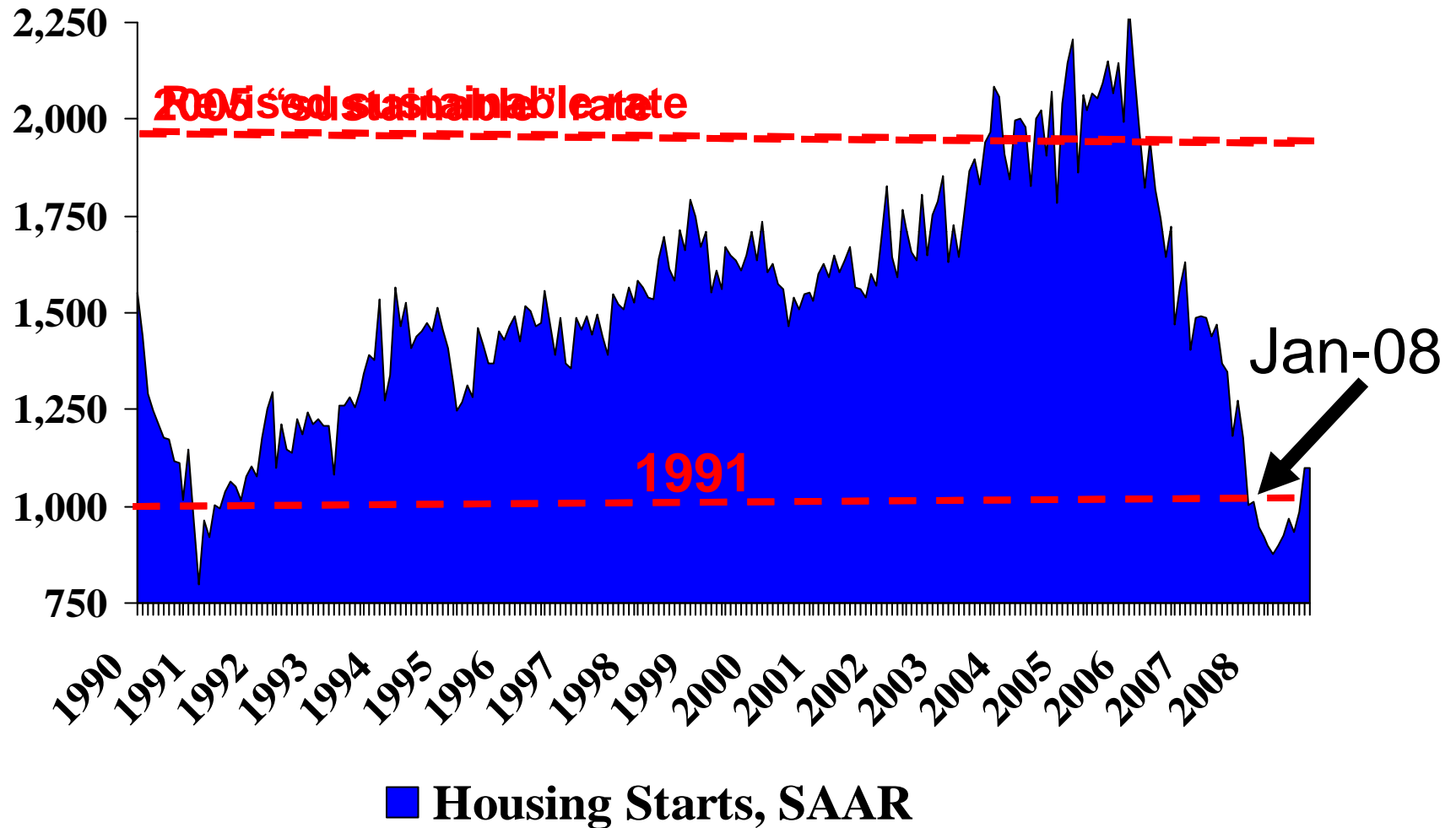
Construction declines as prices fall



Source: S&P/Case-Shiller, U.S. Census Bureau



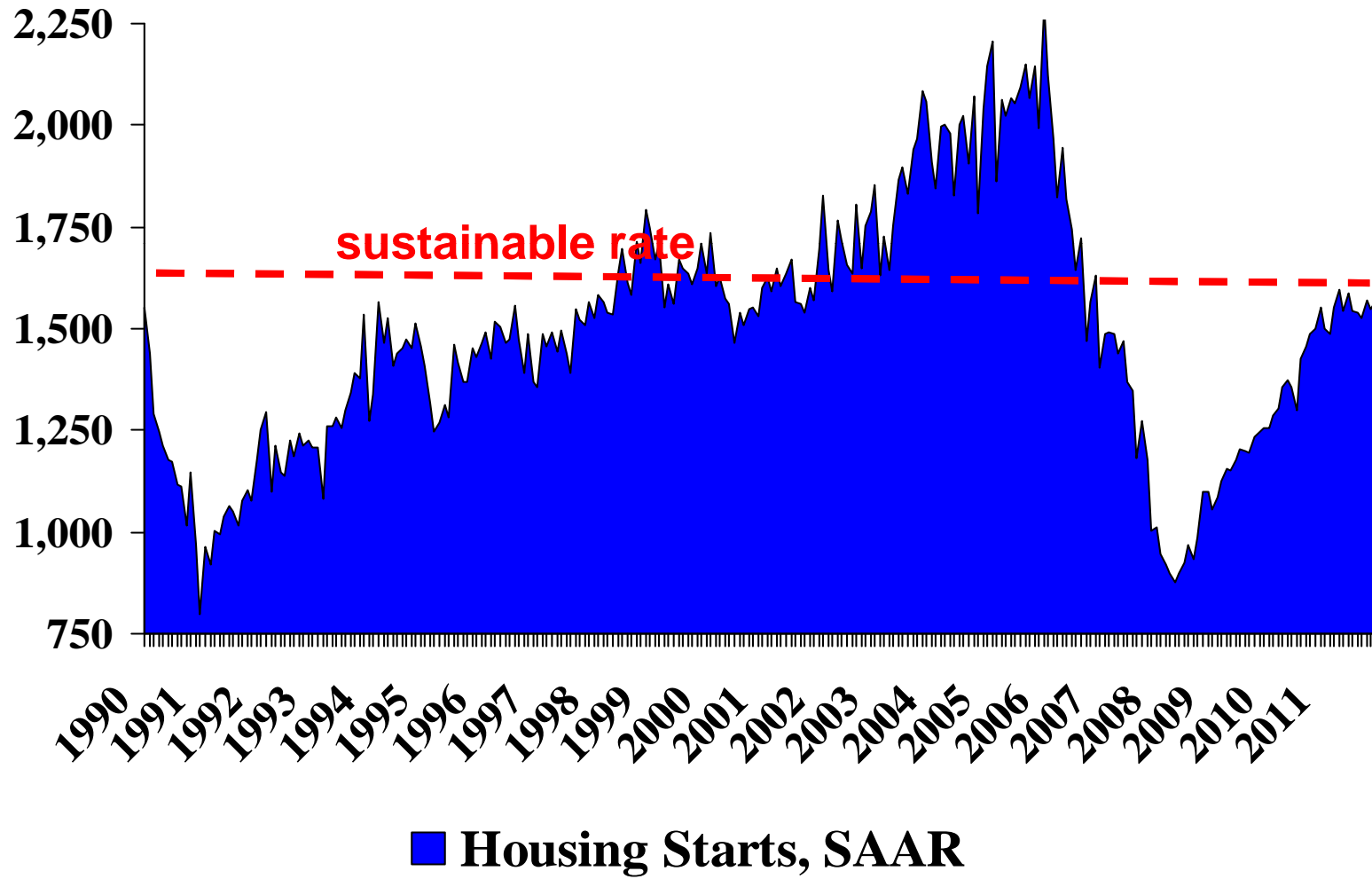
Housing bubble to housing recession



Source: U.S. Census, WWPA



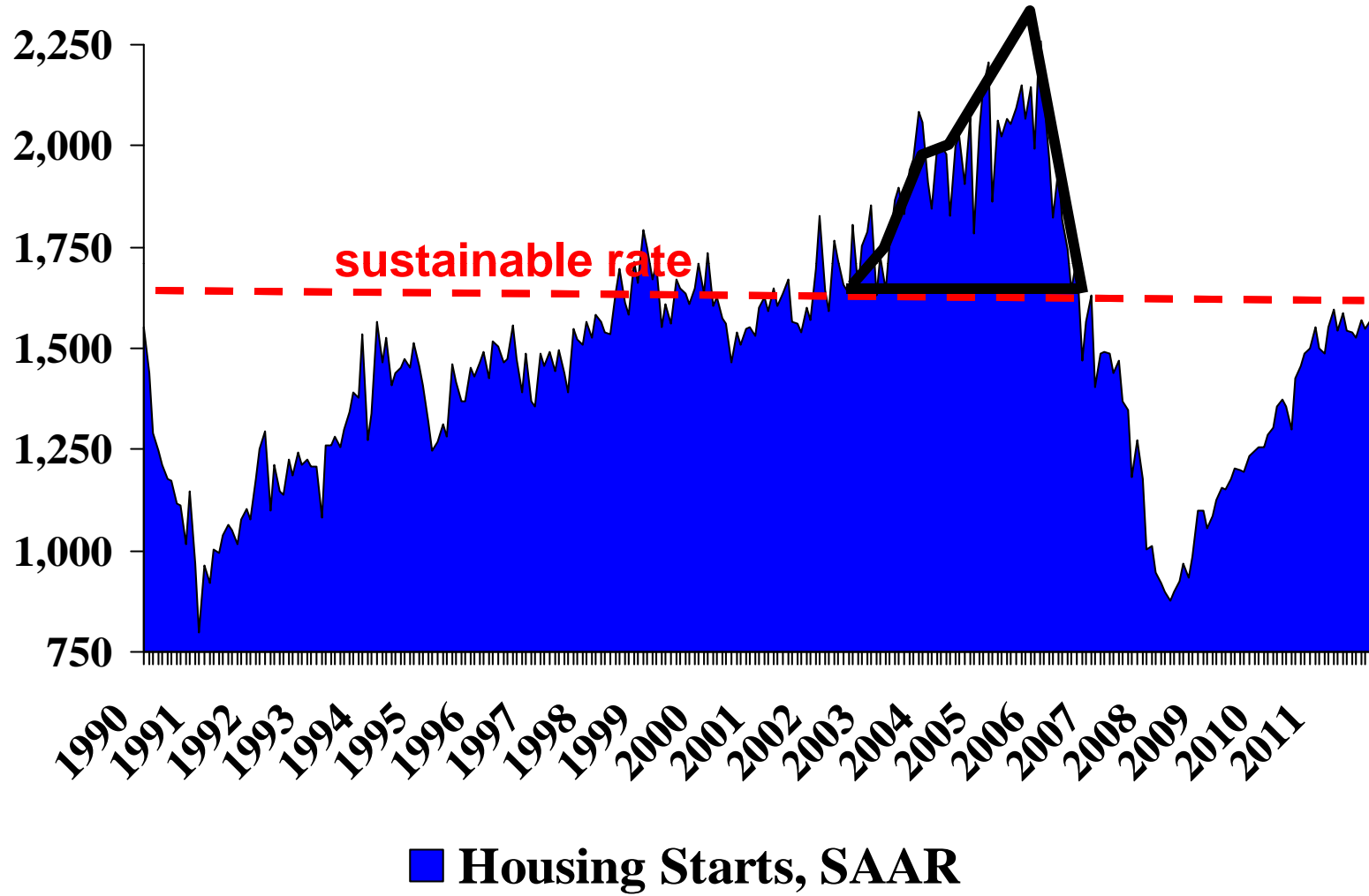
Lazy V housing recession



Source: U.S. Census, WWPA



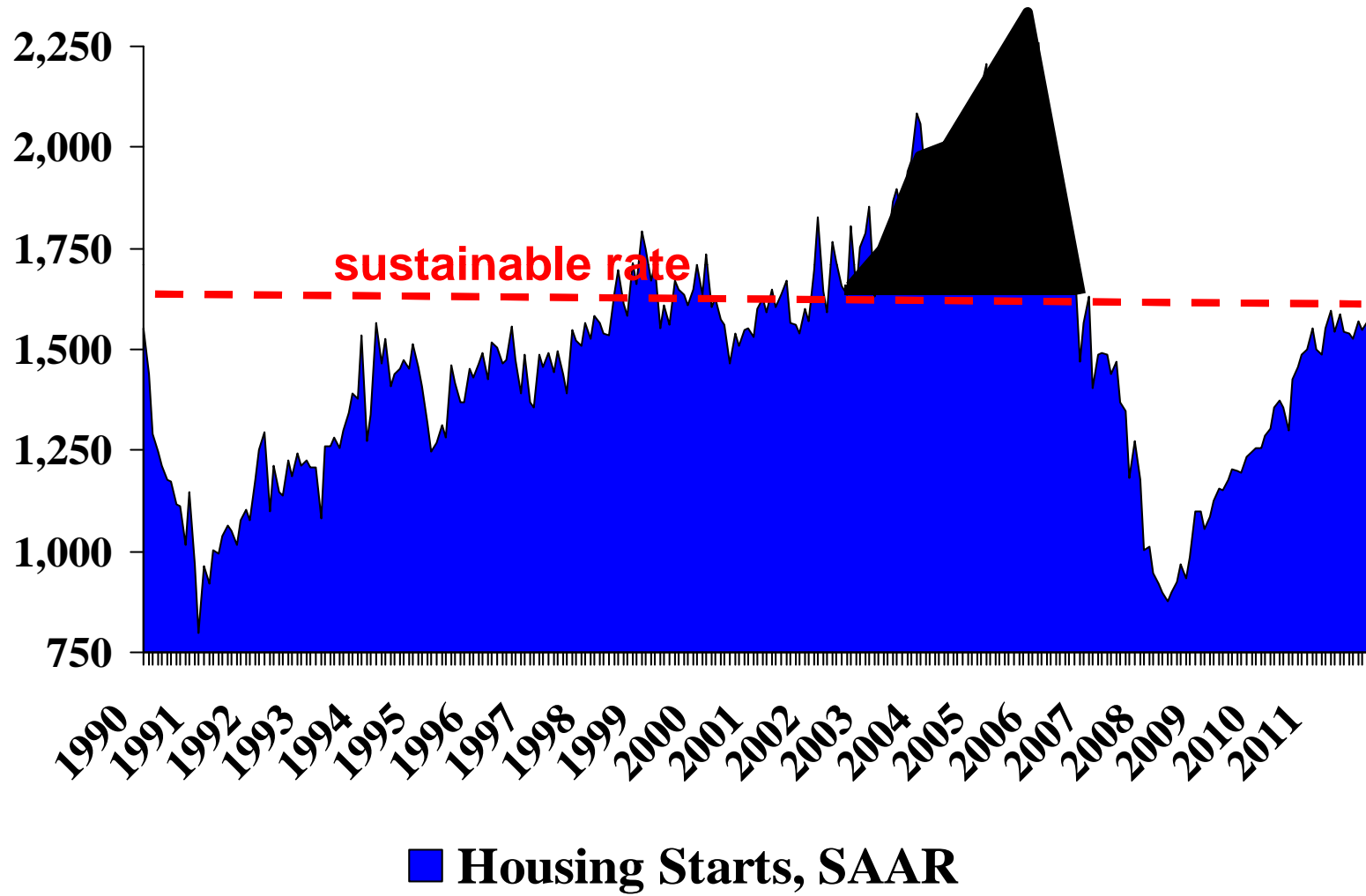
Lazy V housing recession



Source: U.S. Census, WWPA



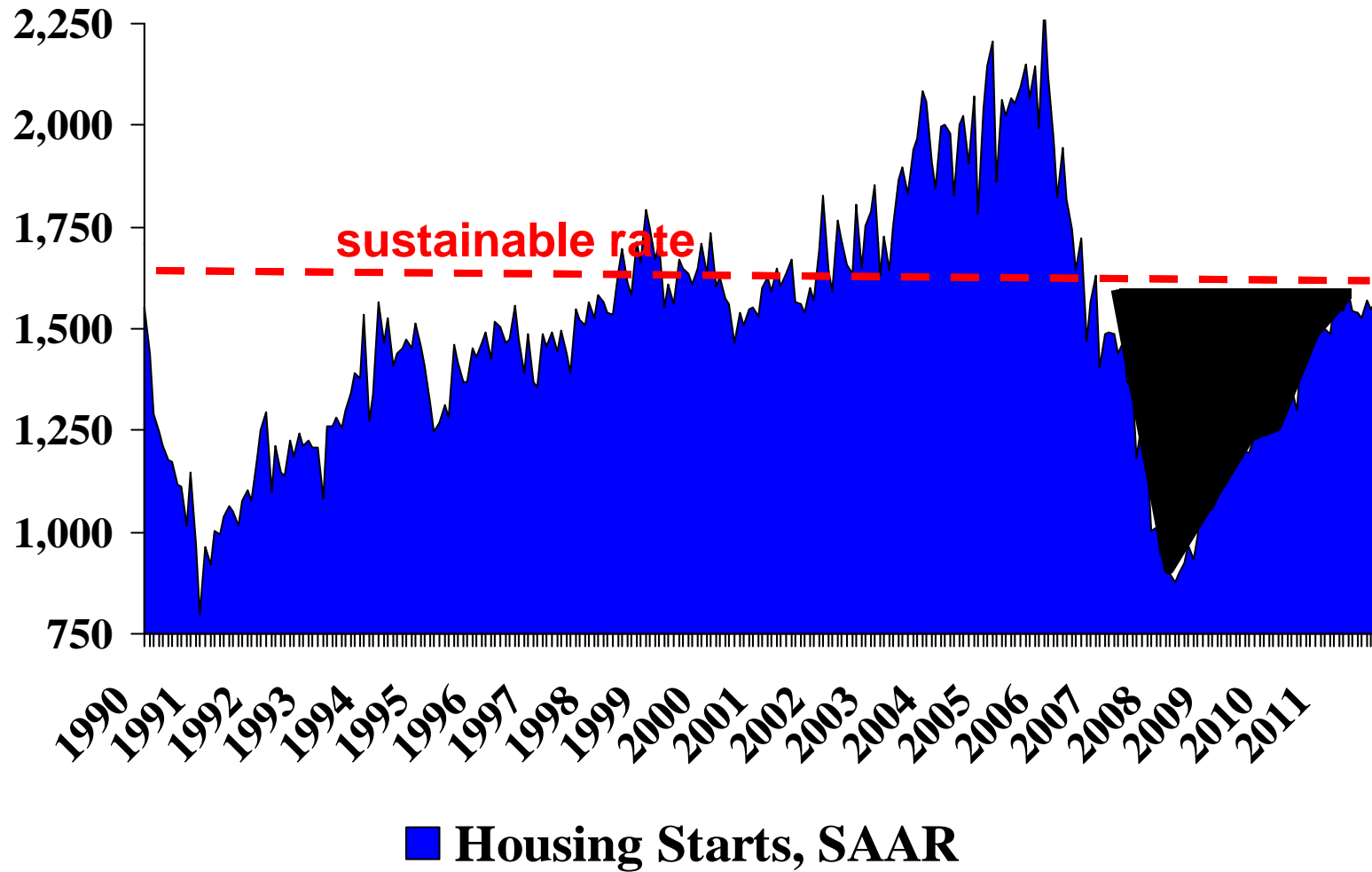
Lazy V housing recession



Source: U.S. Census, WWPA



Lazy V housing recession



Source: U.S. Census, WWPA



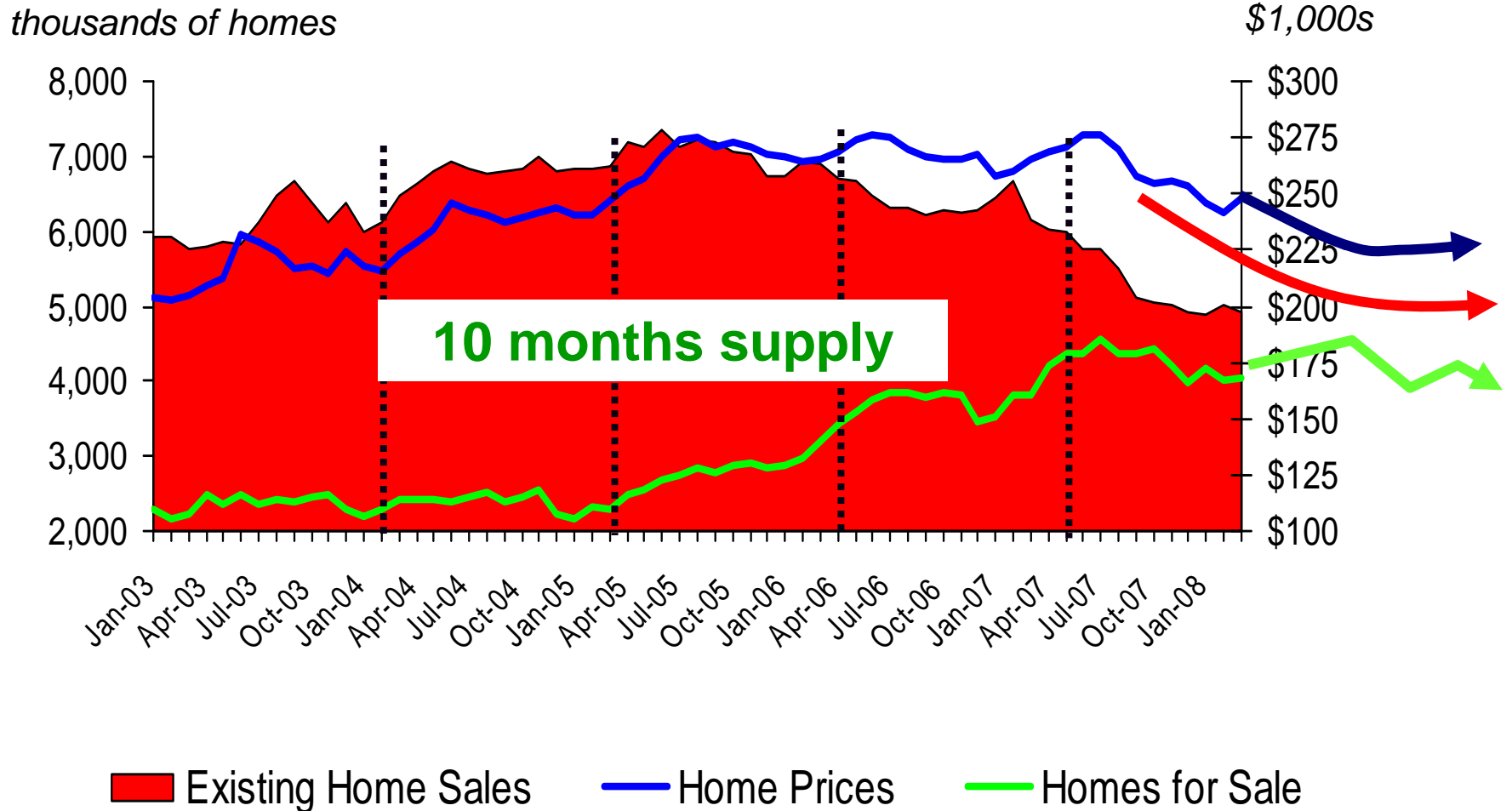
Home building forecast

<i>thousands</i>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
SF	1,046	678	870	1,075	1,222
MF	309	290	300	313	318
Total	1,355	968	1,170	1,388	1,540
MH Ship.	96	88	103	113	115

Source: WWPA



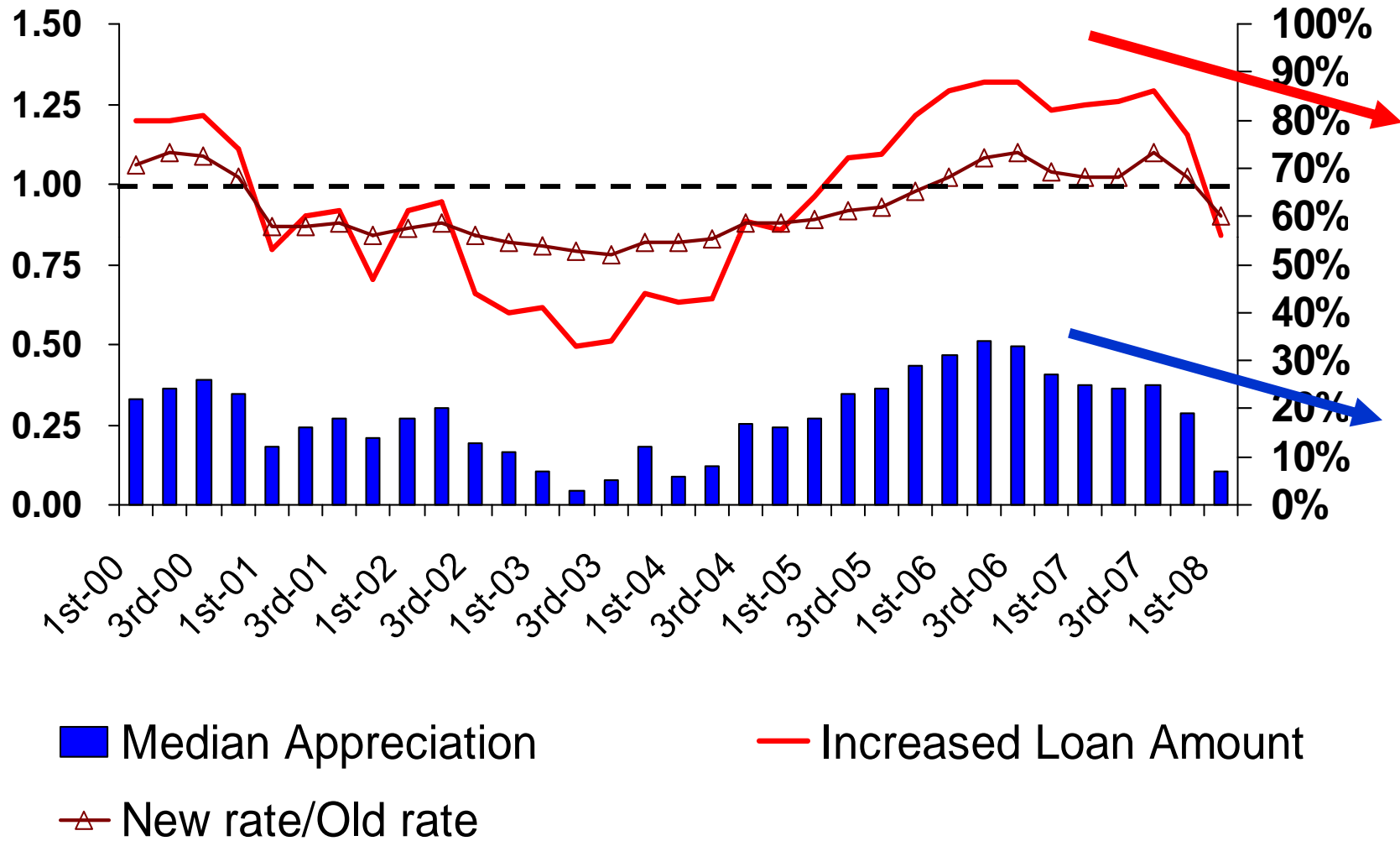
Homes for sale peak as prices fall



Source: NAR



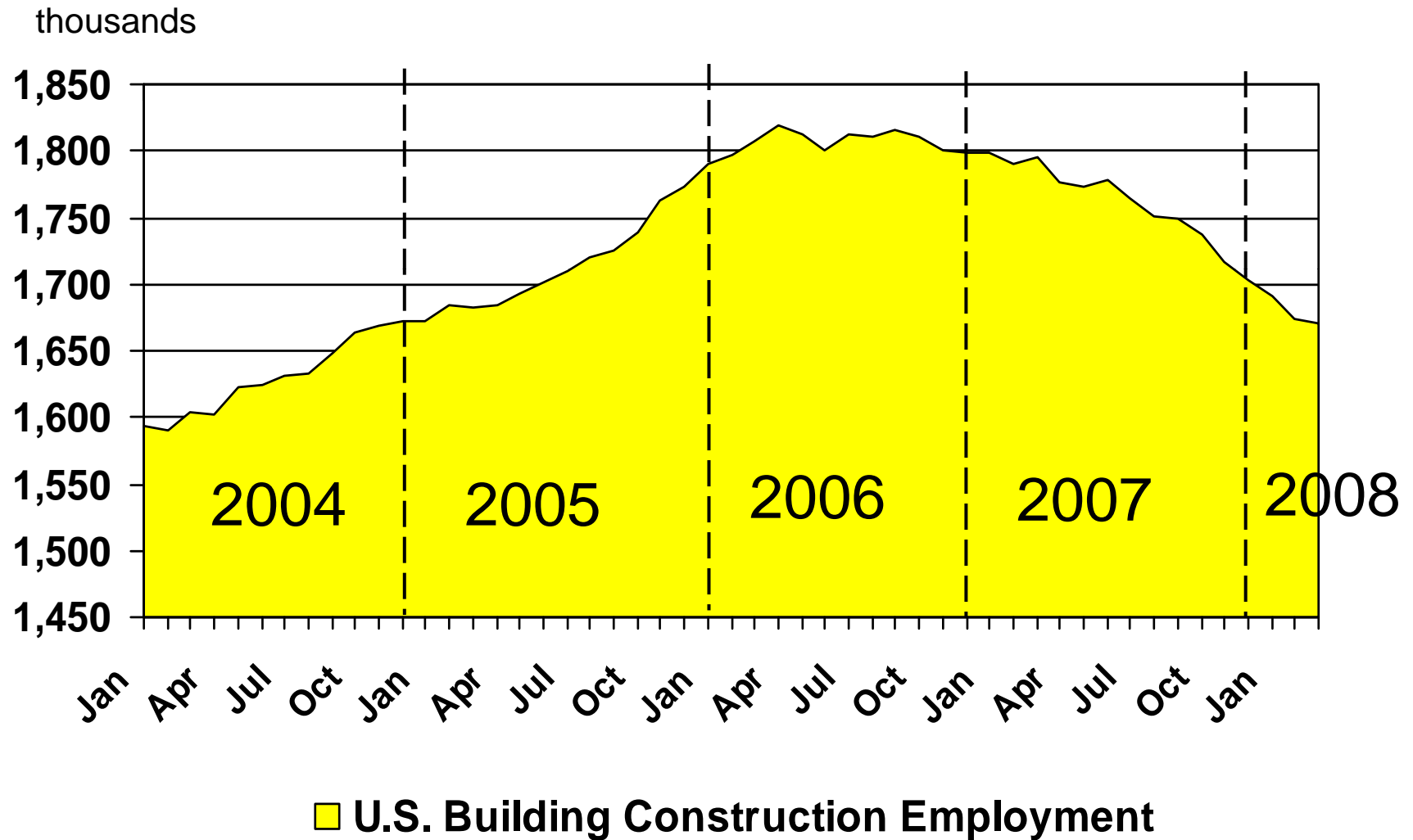
Refinance loan originations



Source: Freddie Mac



Construction payrolls drop

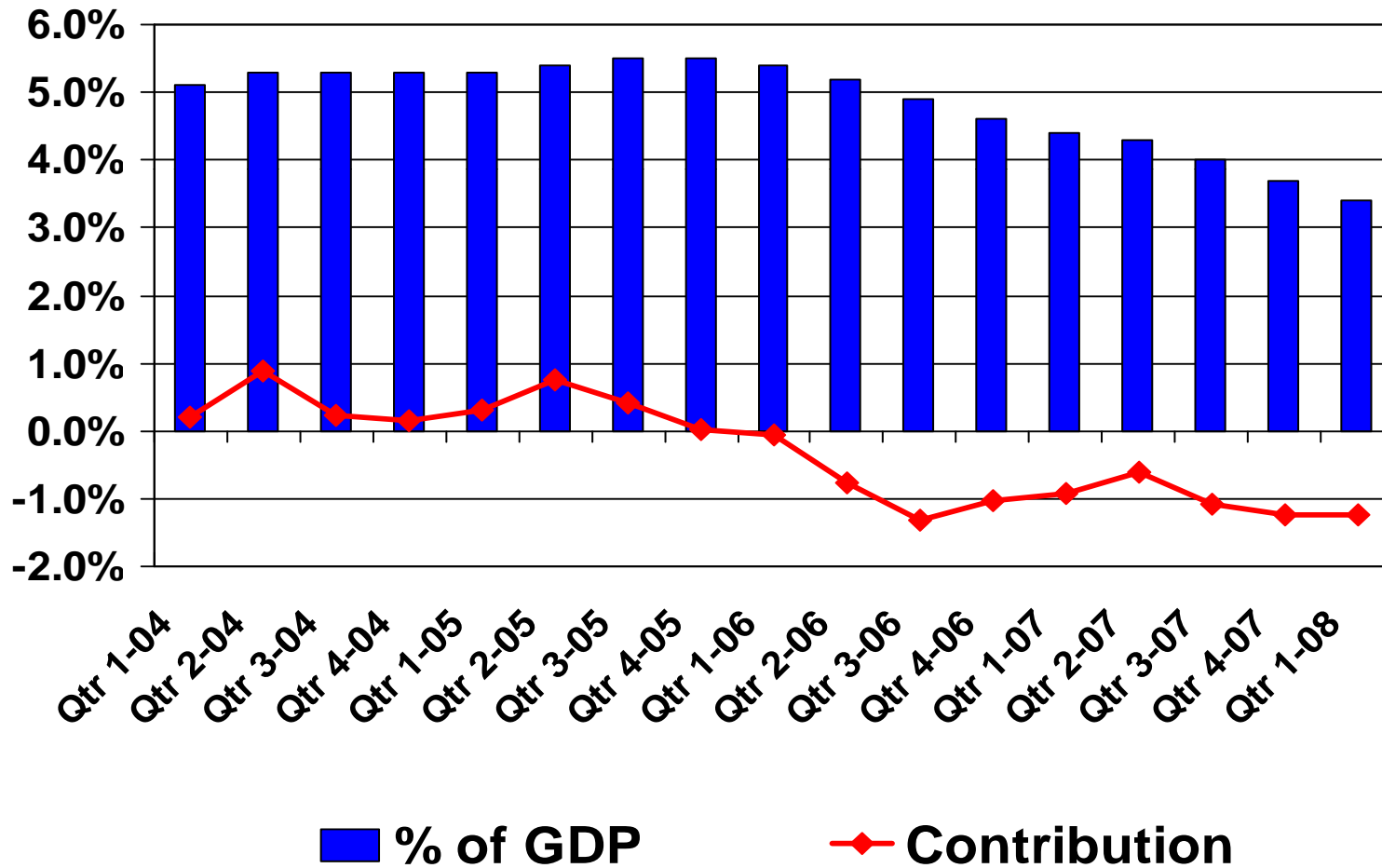


Source: Bureau of Labor



Housing's impact on economic growth

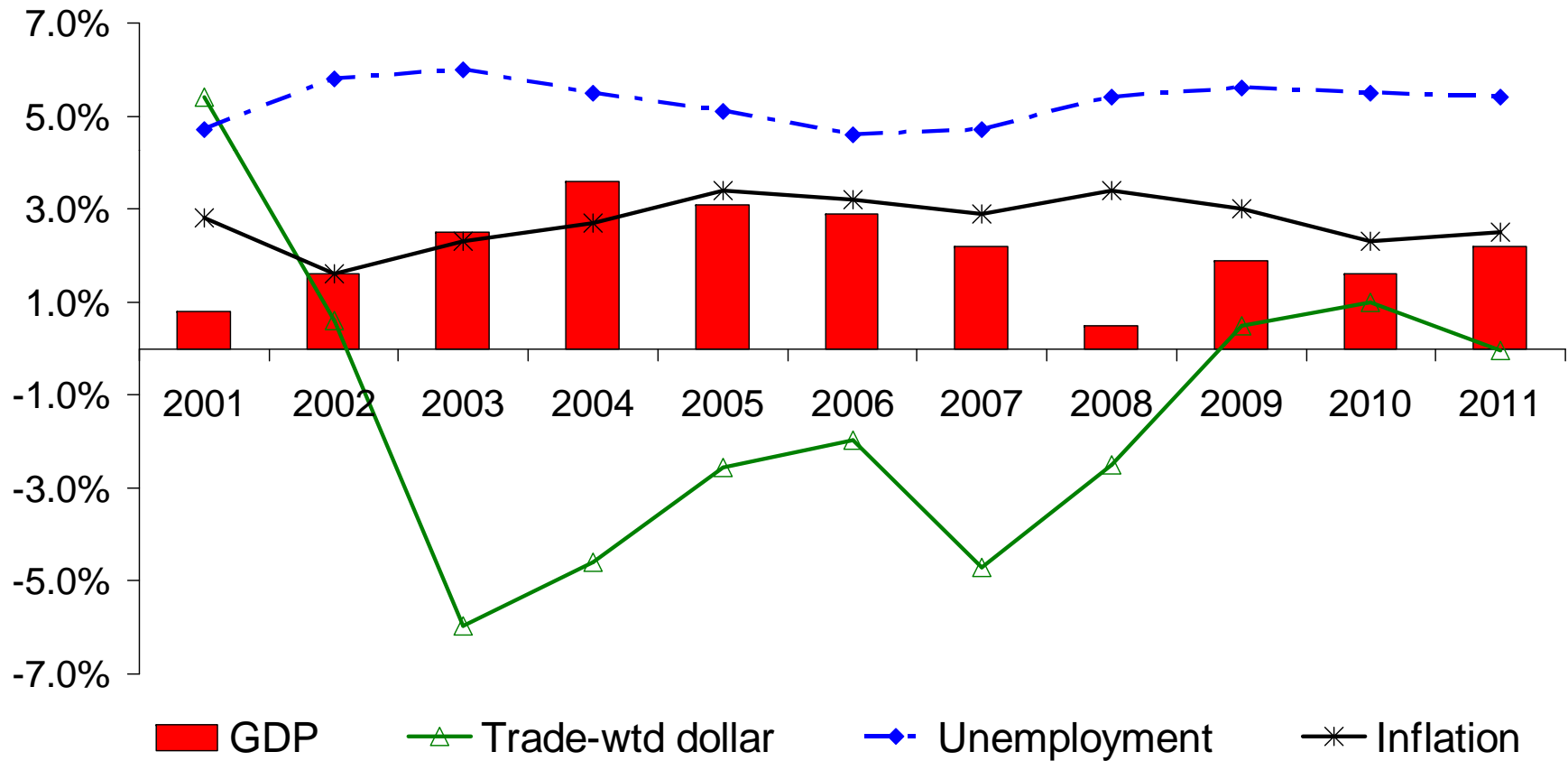
Residential Construction Expenditures



Source: BEA

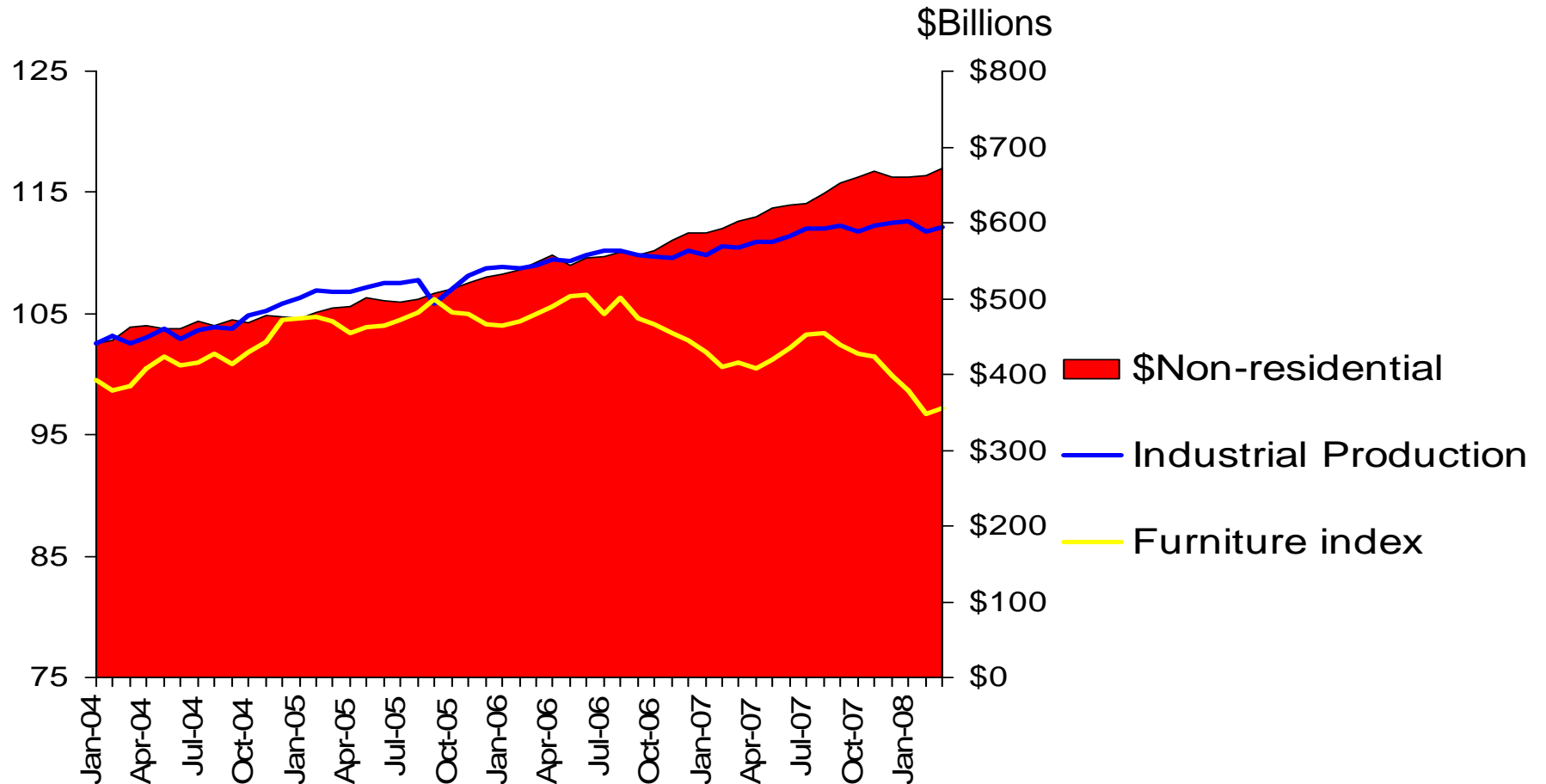


Modest growth or stagflation ahead?





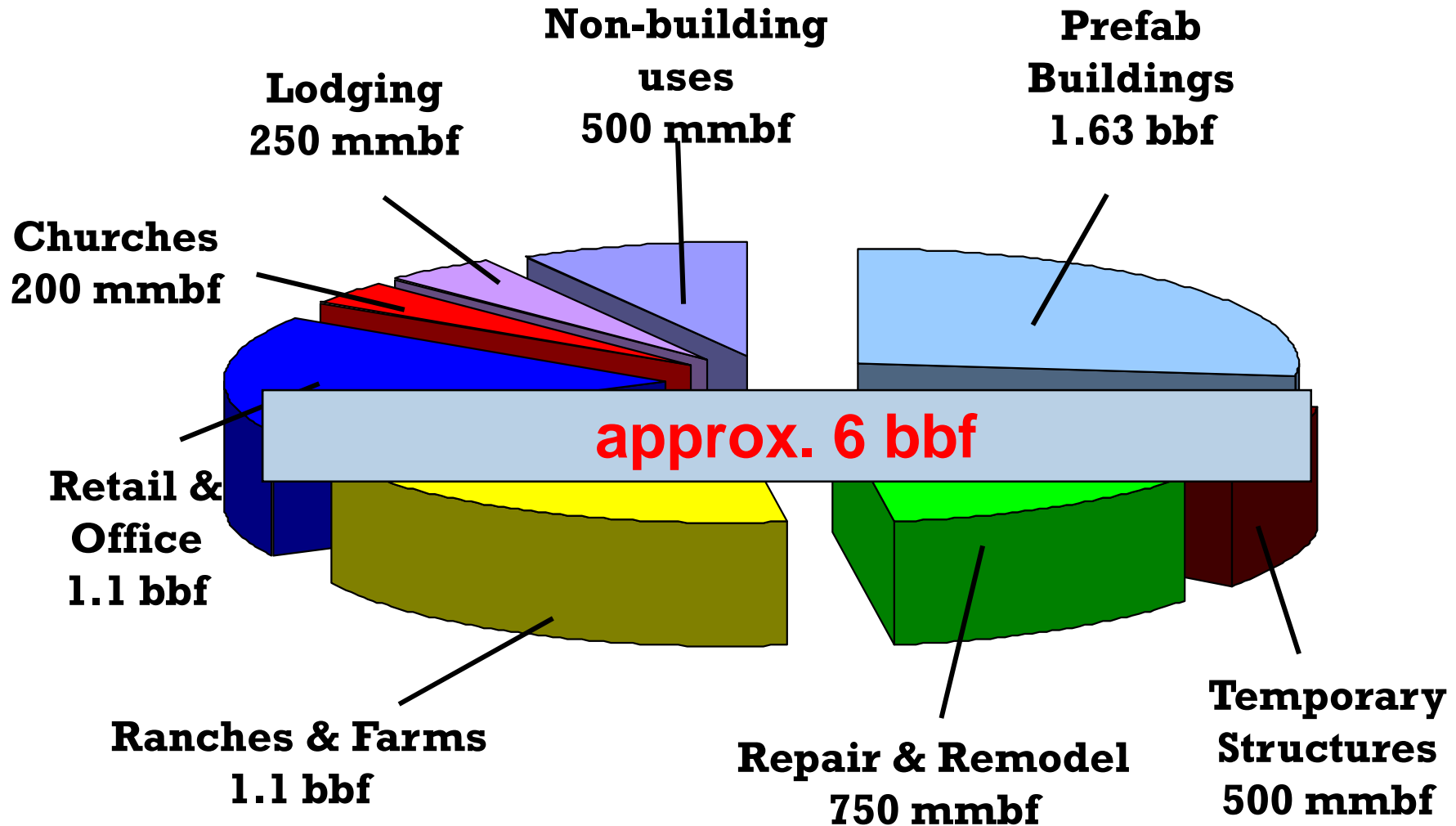
Mixed signals from other lumber markets



Source: U.S. Bureau of Labor, U.S. Census Bureau

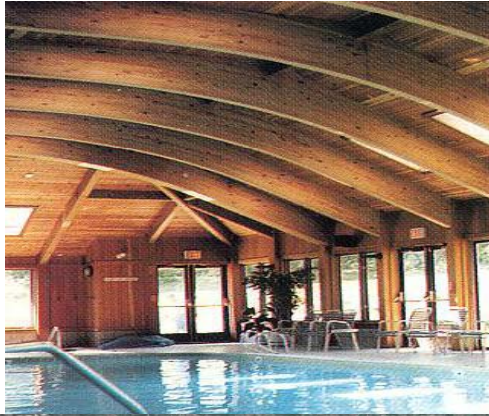


Nonresidential construction markets





Non-residential lumber uses – more mbf than we think





U.S. lumber demand

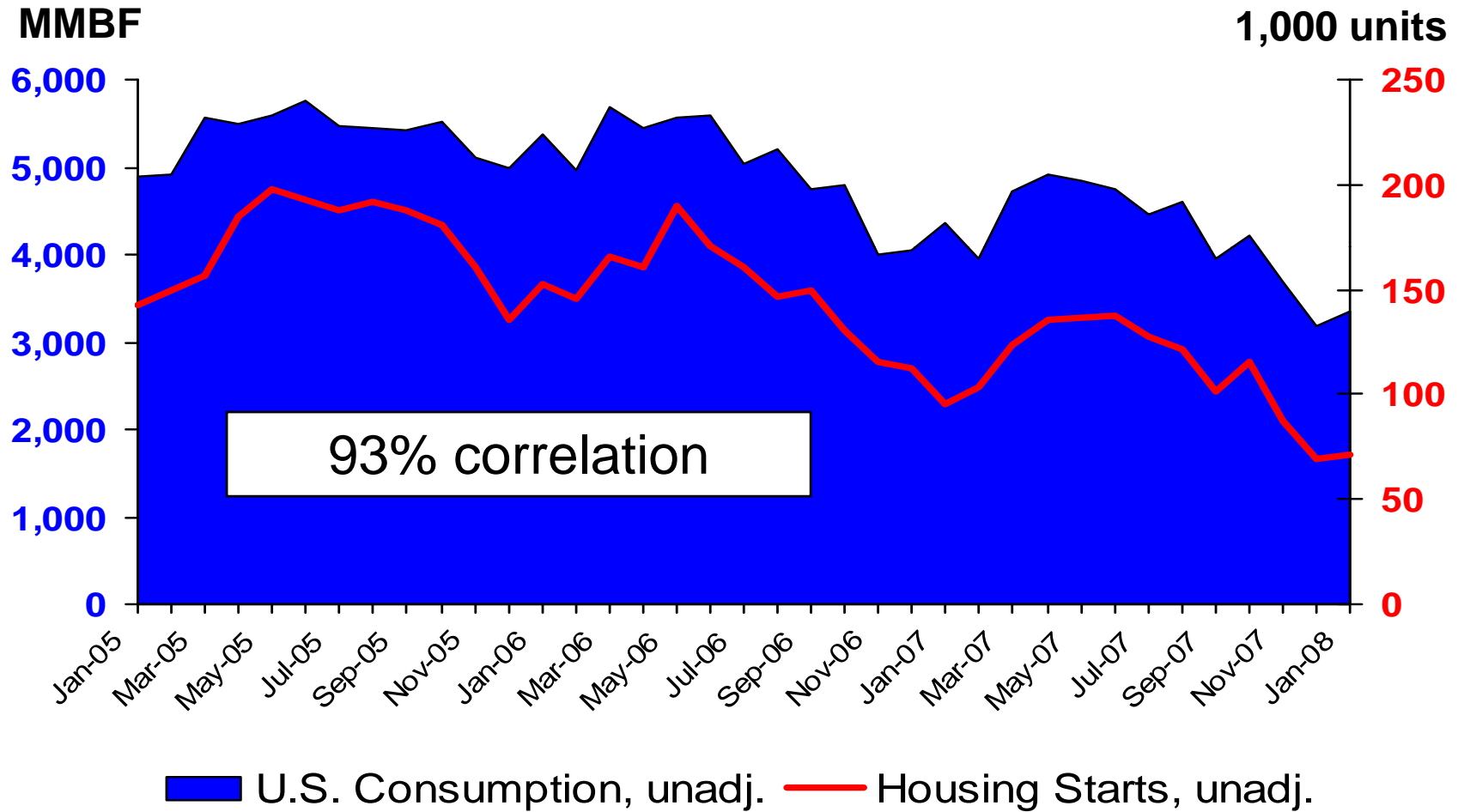
Million Board Feet

<u>Markets</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
New Homes	17,356	12,313	14,791	17,899	20,075
Rep/Remodel	18,500	17,228	17,381	17,798	18,127
Non-Res.	6,765	6,419	6,121	6,061	6,109
Ind./Other	9,770	9,308	9,445	9,534	9,546
TOTAL	52,391	45,268	47,738	51,292	53,857

Source: WWPA



Housing slump = lumber demand slump

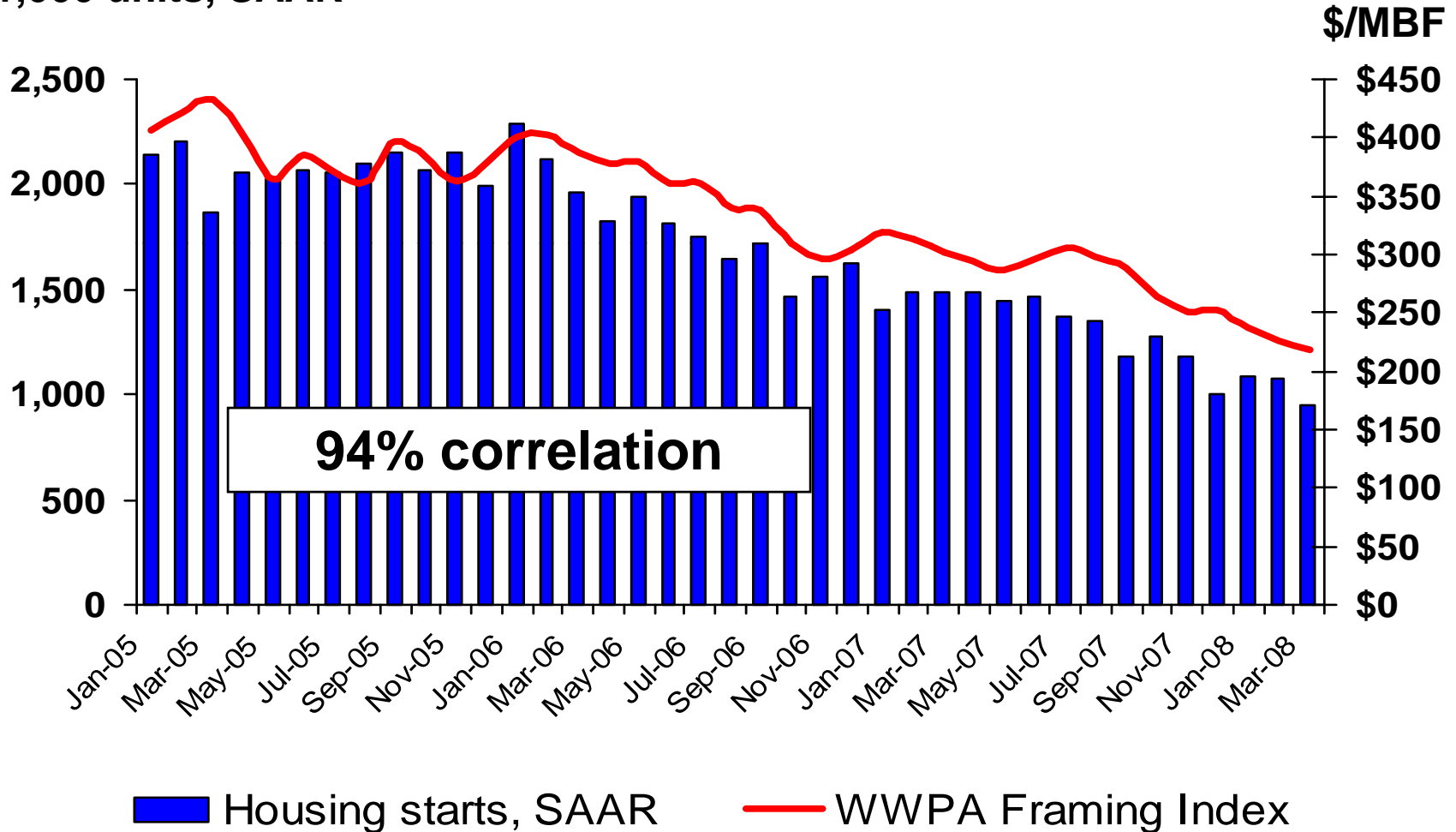


Source: U.S. Census, WWPA



Prices track with seasonally adjusted figures

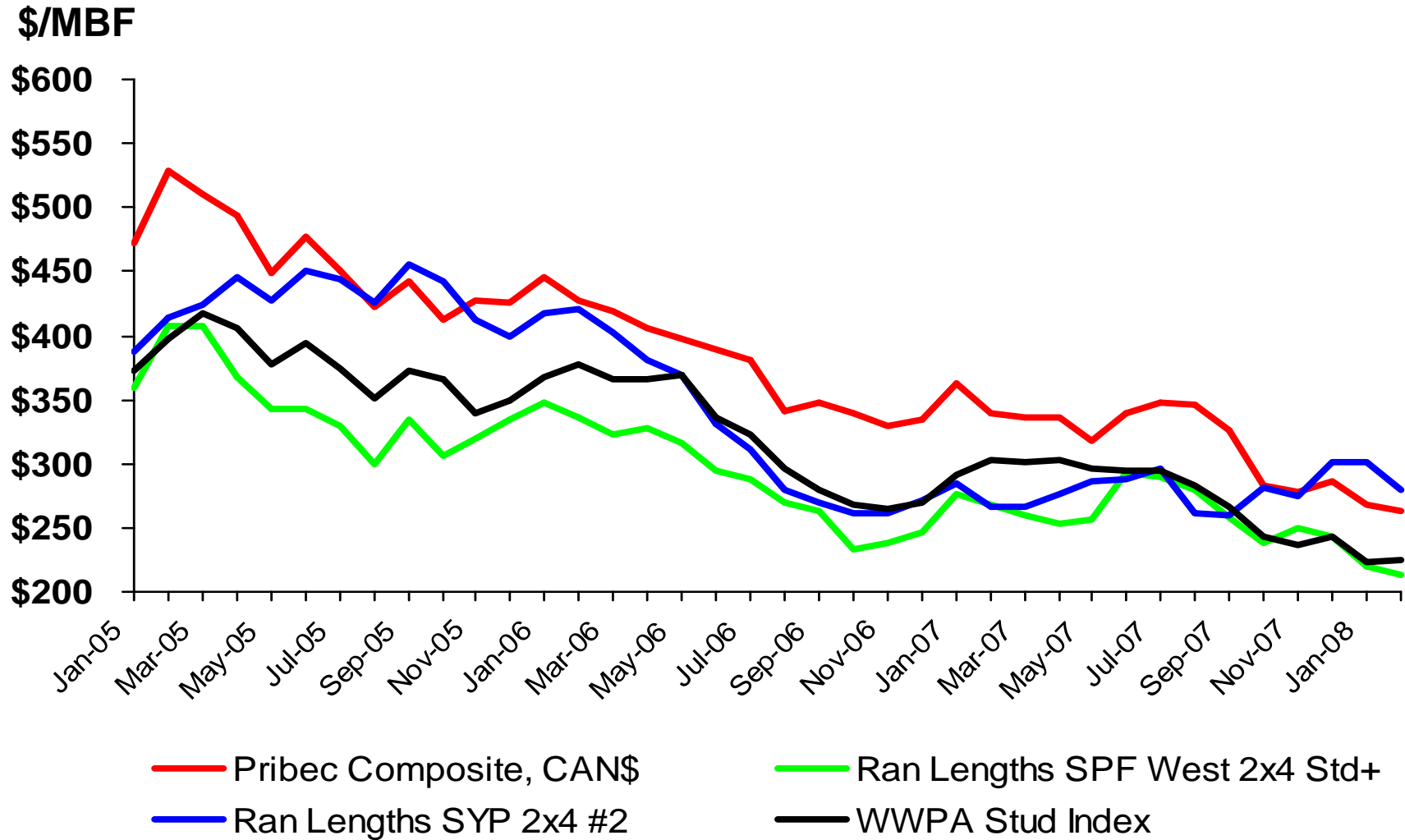
1,000 units, SAAR



Source: U.S. Census, WWPA

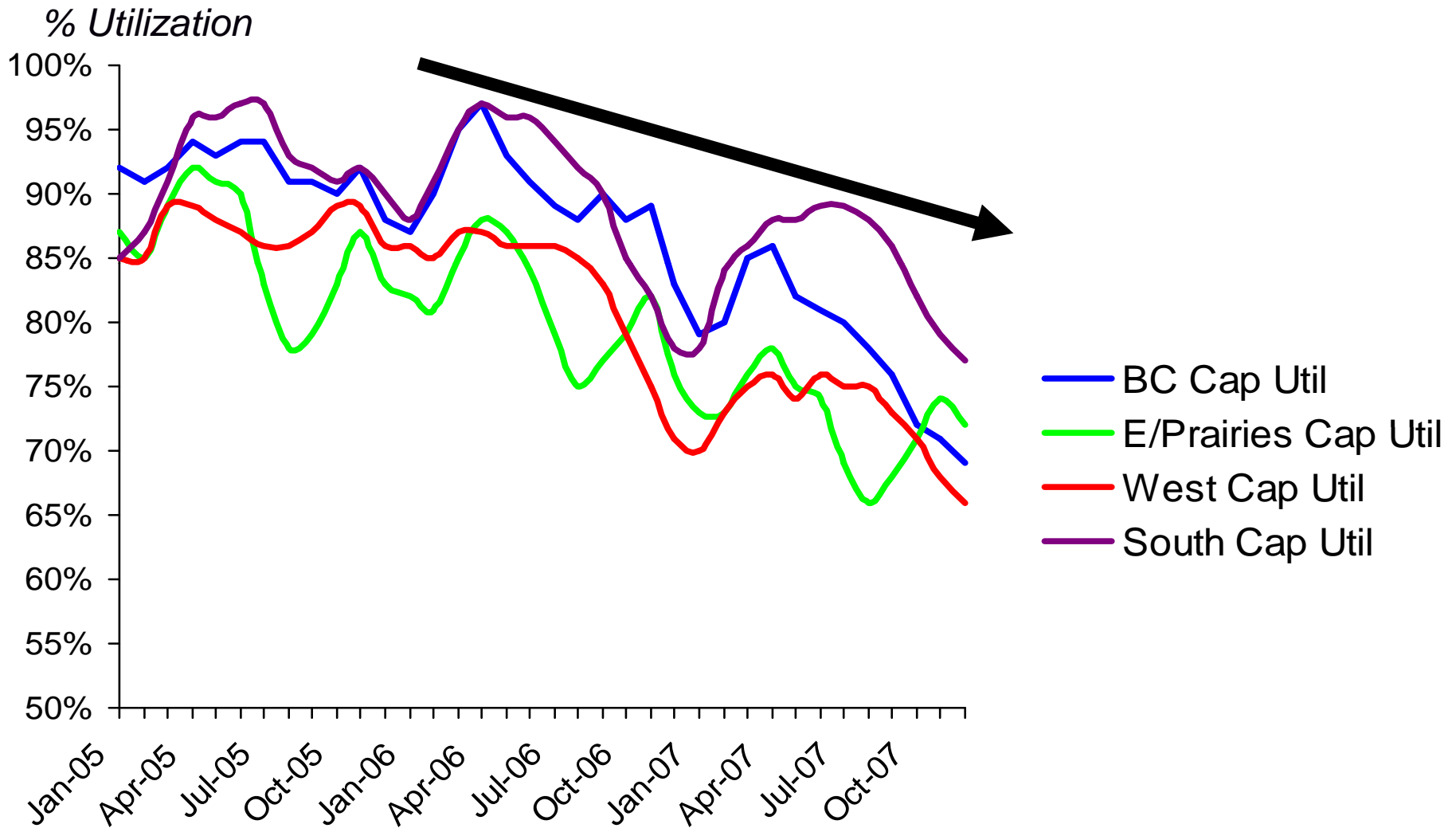


All regions in the same boat





North American capacity utilization

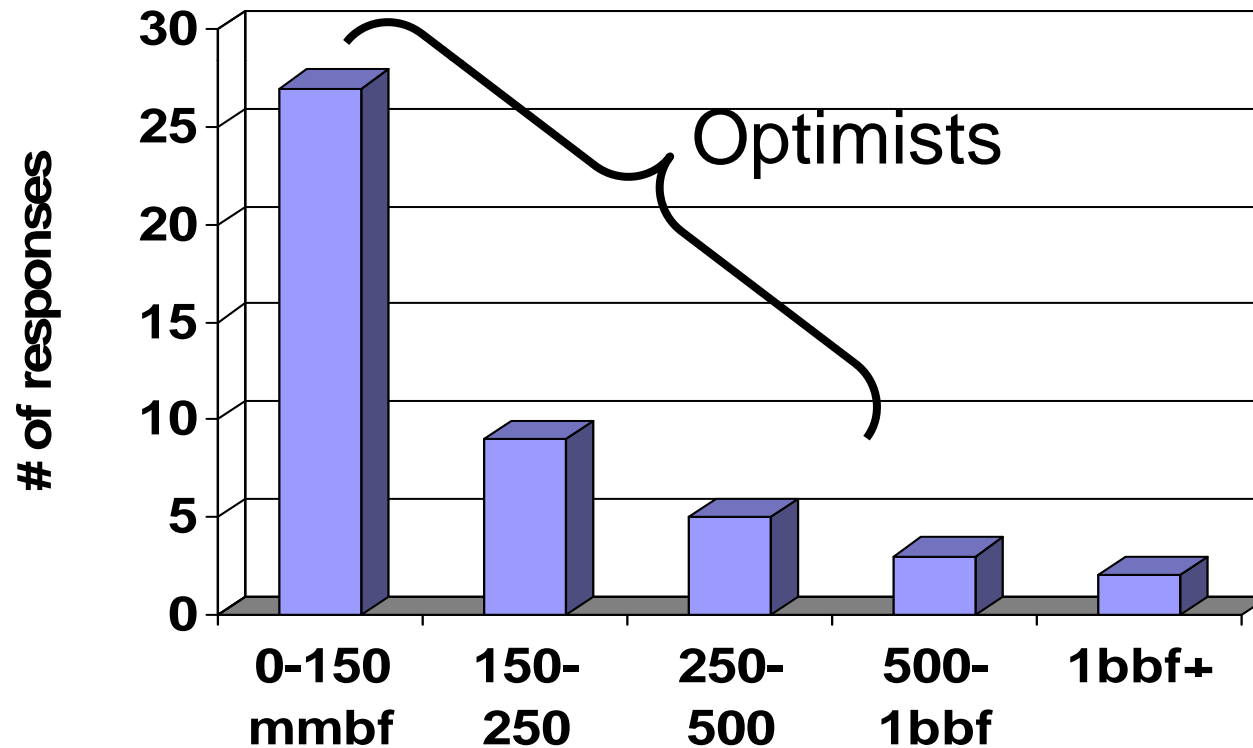


Source: WWPA, USFS, RISI



WWPA survey question

Western capacity declined an estimated 750 million board feet in 2007. How much more do you expect capacity to fall in 2008?



Preliminary sample



Western lumber production

Million Board Feet

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Coast	9,600	8,674	9,220	9,988	10,360
Inland	5,495	4,752	5,000	5,404	5,669
Cal RW	870	705	775	800	802
TOTAL	15,965	14,131	14,995	16,192	16,831



U.S. lumber production

Million Board Feet

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
West	15,965	14,131	14,995	16,192	16,831
South	17,197	15,395	16,238	17,355	17,685
Other	1,803	1,484	1,625	1,745	1,845
TOTAL	34,965	31,010	32,858	35,292	36,361



U.S. lumber imports

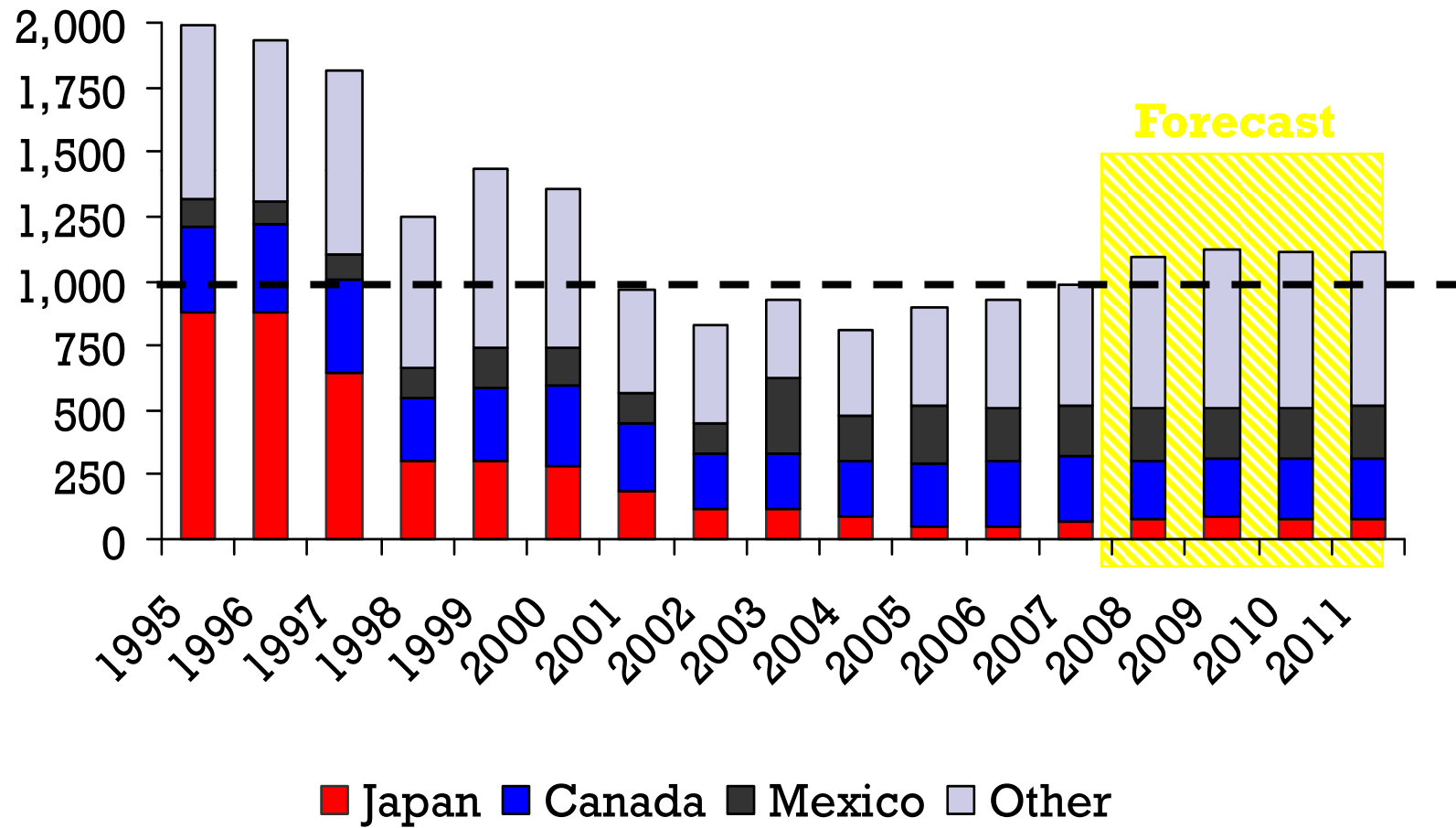
Million Board Feet

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Canada	16,672	14,045	14,287	14,814	15,678
Europe	880	566	883	1,358	1,795
L.A.	620	518	566	625	697
N.Z./Other	213	221	264	311	435
TOTAL	18,385	15,350	16,000	17,108	18,605



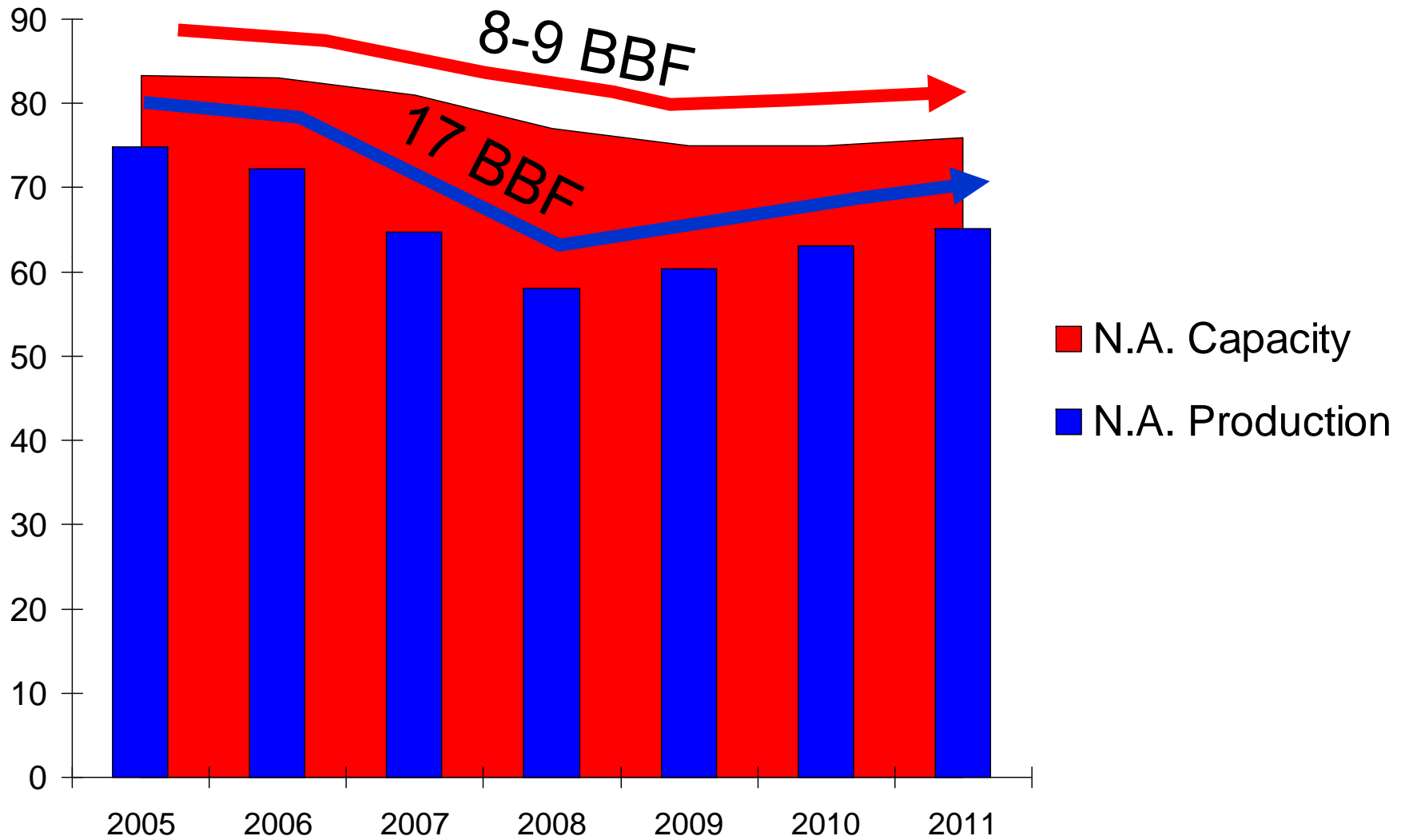
U.S. lumber exports

Million board feet





N.A. capacity reduction arrives in 2008





U.S. lumber demand – the downside risk

(2008:750M starts; 2009: 900M starts)

Million Board Feet

<u>Markets</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
New Homes	17,356	8,945	11,159	17,899	20,075
Rep/Remodel	18,500	14,000	15,381	17,798	18,127
Non-Res.	6,765	6,419	6,121	6,061	6,109
Ind./Other	9,770	9,308	9,445	9,534	9,546
TOTAL	52,391	38,672	42,106	51,292	53,857

Source: WWPA