



PRSTD STD
US Postage
PAID
Ithaca NY
Permit No. 780

Volume 19 Number 1 January 2005
P.O. Box 669 Winthrop, WA 98862
www.bearcreeklumber.com

In This Issue

Letters

Building 05 : Skilled Workers Needed

Industry News

Many Dreaming of 2nd Home

Western Red Cedar Sale

Hardwood Flooring Closeouts



Winter, spring, summer or fall, all you have you have to do is call...Bear Creek Lumber as seen from the north, in the summer above and the south, in winter, below.

Looking Forward to Another Great Year At Bear Creek

We enter 2005 anticipating another year with an industry that has seen one of its best runs in 50 years. We all hope these good times can last, but realistically we may see a quieter year in 2005. What will make or break most builders will be their emphasis on quality and customer service. It is not the volume of work you do that makes your business sustainable, it's the way you do business with your clients, and the quality of your product that sets you apart from your competitors. We hope to help you provide that level of quality by supplying you with the best grades of lumber available.

At Bear Creek Lumber, what we do, we try to do well. We supply people with a product that is high quality, fairly priced, and with the best possible customer service we can provide. In good times and bad, it has brought us continued business from both established clients, and from new referrals. Many new people find us on the Internet, where we can provide a virtual tour of our products and services. This compliments what we do, but ultimately what makes us competitive on a worldwide basis is our ability to provide goods and services that are as customized as our clients are. We have the ability to help everyone from the owner builder, to the hotel remodeler with 300 rooms, or the museum curator setting up an exhibit. We supply the timberframer whose project calls for thousands of board feet of high grade timbers and beams, and we supply boatbuilders with the best clear wood for a lovingly restored deck. We are not a large company, but we can offer a large variety of products of to a full range of clients.

The challenges we face, like most businesses, is keeping up in a difficult world. Gas prices and security concerns will affect future shipping. Our aging workforce will need replacements, and that means training. Mills continue to shut down and/or consolidate, which means fewer suppliers and higher costs. The problems/opportunities/challenges Bear Creek faces are common throughout the building industry.

At Bear Creek Lumber, we are committed to staying in the game. We are doing more research, are committed to staying current with technology and training, hiring only the best workers and keeping our prices competitive within a sustainable profit margin. We are here for the long run, and we will operate under that criteria.

We look forward to 2005, working with the many people past and present whose speciality needs we can assist with. We would like to thank all of you, readers and customers, for coninuing your relationship with us. Your business and your input keeps us ahead of the curve. Its a pleasure to work with you on a continuing basis!





Dear Joe,
I have received the order of Alaska yellow cedar 5/4 x 5 and wanted to let you know that you and your company have done an excellent job in each choice piece of wood shipped. Also thank you for your cooperation in dealing with me under these circumstances. This last order was phenomenal and I will continue to do business with you. Once again thank you for your patience and cooperation.

Sincerely,
Jonathan Walker
Florence AZ



Building in 2005

Finding New Workers Harder Than Finding Work

Builders nationwide are facing the best and worst of times. With construction rates still climbing, and work scheduled far into the future, most builders are finding their biggest problem is a shrinking labor pool. Immigration rules have tightened since 9/11, fewer young people are going into the trades, and many of the seasoned workers are ready for, or anticipating, retirement. These labor shortages have prompted a growing number of contractors to undertake more creative ways to bolster and stabilize their workforce, spending not-inconsiderable sums on image marketing, recruitment, and training. Those costs are seen as increasingly necessary, however, when weighed against the value of quality craftsmanship, faster closings, and the risks associated with construction defects and lost sales.

This manpower shortage, say building industry executives, is intensifying in many markets across the country as a tightening labor pool clashes with builders' ever-expanding production goals. Were it not for the waves of immigrants that continue to enter the United States, the situation would be even worse.

"If it weren't for immigrants, we would not be able to build what we are producing today," asserts Michael Carliner, staff vice president for the NAHB's Economics Group. In a paper he wrote last fall, Carliner cited Bureau of Labor Statistics data that show that Hispanic workers alone accounted for 33.3 % of construction laborers in 2002 compared to 27.7 % just two years earlier. About half of the workers in the bureau's "construction" category are classified as working on residential jobs. In California, immigrants—men and women hailing from Mexico, South America, and Eastern Europe—now account for anywhere from 60 % to 90 % of the state's residential construction labor force.

Vocational training has all but disappeared from most high schools, reducing the pool of young workers that resource once provided. The rigor of construction also tends to burn out workers faster than they can be replaced. Then there's everyone's favorite culprit: society. "Nobody's parent tells them to become a construction worker," says Jenna Morgan-Hamilton, the NAHB's legislative director for labor, small business, and appropriations. "Society tells kids that if you don't have a four-year [college] degree, you're a failure. So we have a bunch of people with sociology degrees, but no one knows how to wire a house or fix a washing machine."

These systemic and psychological barriers have forced builders and contractors to come up with innovative solutions to attract and keep workers. While a coordinated, industry-wide recruiting effort seems light-years away, certain tactics have proved effective.

One of the more successful programs in the state of New York has been growing in leaps and bounds. With a goal to better educate, and recruit, tomorrow's construction force, ACE was formed in 1994 to introduce inner-city youth to careers in architecture, construction, and engineering (ACE). Since 2000, ACE, born in New York City, has increased from nine active sites to 51, with another 10 under development. This year, there are 2,710 students enrolled in the after-school program nationwide, up from 810 in 2000. And there are 725 individual mentors, up from 260 in 2000.

The program, which does not provide school credits, was created to pump fresh blood into a construction industry critically short on talent by guiding inner-city high schoolers toward the construction professions. The ACE model is founded on team mentoring provided by design and construction professionals. Mentors volunteer their time and talent. The program also offers high school seniors college counseling and scholarships. To date, the various ACE sites have awarded \$1.4 million in scholarships. Most of the money is raised locally through traditional methods including scholarship breakfasts, luncheons, and dinners.

Grass root efforts are to be applauded, but the construction industry would also like to see more political and educational assistance from state and federal government agencies. Housing and construction in general have been one of the few bright spots for the country during recent economic downturns, illustrating the importance of the construction industry to the overall economy. The need for help in disaster areas in Florida and California has intensified the shortages of skilled workers in all markets. This is a good time for action in reviving vocational education across the board and making the nation's commitment to affordable housing also a commitment to keeping the building trade's pool of skilled workers.

Industry News

Residential building in October was down 1% to \$329.7 billion (annual rate). Single family housing held steady in dollar terms, while multifamily housing settled back 2%. The single family market remains at a very high volume - year-to-date contracting in dollar terms was up 17%, but activity now appears to be leveling off. Mortgage rates continue to be supportive - the 30-year fixed rate averaged 5.7% in October and November, yet this year's sharp rise in home prices is expected to dampen demand from first-time homebuyers going into 2005.

On a regional basis, residential building in October featured 5% declines in the South Central and the West, a 1% decline in the Northeast, and 4% gains in the South Atlantic and Midwest. The 9% increase for total construction during the January-October period of 2004, compared to last year, was due to this performance by sector - residential building, up 16%; nonresidential building, up 3%; and nonbuilding construction, unchanged. By geography, total construction in the first ten months of 2004 was the following - the South Atlantic, up 13%; the West, up 12%; the Northeast and South Central, each up 7%; and the Midwest, up 4%.

Economists and bankers are unanimous that mortgage rates are headed up from today's rock-bottom levels as the economy starts to create jobs in earnest and the Federal Reserve continues to jack up short-term rates. The wild card is the effect of the federal budget deficit on interest rates. The deficit is expected to hit a record \$422 billion this year, about 3.6 percent of gross domestic product. Big budget deficits generally are believed to increase interest rates, yet the Bush deficits haven't had that effect - at least, not so far. What is holding back the tides is the fact that it is too early for the effect of the deficit to have made any major changes in the nation's economy. Deficits and surpluses work slowly through the economic cycle. There are still parts of the country just emerging from the effects of the last recession, while in other parts, large corporations are flush with cash. Another large factor is the appetite foreign investors have for America's Treasury bonds. If that market weakens, rates are more likely to rise. Most economists agree that while rates will rise, they are unlikely to skyrocket short term. But a gradual increase is almost guaranteed.



Dreaming of A Second Home

Do you ever imagine yourself in about a cozy second home on a beachfront or mountaintop? You're not alone; 63 % of affluent households have investigated the idea of buying a getaway in the past year alone, according to a recent survey by the nationwide homebuilder company Centex. Those still dreaming may need a reality check. Vacation-home communities have seen values appreciating even faster than the larger general real-estate market. Appreciation has been "double what we've seen in primary markets," says David Hehman, president of the website EscapeHomes.com. The last time the National Association of Realtors looked specifically at vacation-home communities, prices had risen 26 percent over the past two years, 2001 to 2003.

Despite the popularity of beach and mountain homes, the hottest trend in second home communities today are golf course centered planned developments. Another recent trend is that buyers are more likely to buy their second home in a place within driving distance from where their primary residence is located, due to concerns about airline travel since 9/11, and the increase costs of such travel.

The popularity of vacation homes is expected to last at least another ten years as more families have savings, or other income they want to secure for the future, and/or their retirement. Low interest rates, a desire to get away from ever crowded and congested cities, and the relative ease of looking online for their dream second home have flooded many vacation communities with absentee homeowners, who only live in their 2nd home for brief periods of the year.

The overall effect of the popularity of second homes is a shortage of affordable fulltime housing in some communities. One study estimated Fort Lauderdale FL single family homes are averaging \$238,500 and are 36 percent overpriced. West Palm Beach homes at \$ 262,300 are 29 percent too high, and Honolulu HI houses at \$ 333,900 are 25 percent overpriced. Atlantic City/Cape May on the Jersey shore, at \$ 299,800, are 56 percent above what they should be.

Buyers looking for affordable alternatives to the most popular destinations are looking beyond the traditional vacation spots, venturing into lesser known communities where prices have not inflated as fast. EscapeHomes.com has listed what they believe to be the top ten of these communities, listed below:

TOP TEN EMERGING MARKETS FOR SECOND HOMES

- Big Lake, Alaska
- Brunswick, Maine
- Kingsport, Tenn.
- Lakeport, Calif.
- Livingston, Mont.
- Minden, Nev.
- Paonia, Colo.
- Talent, Ore.
- Vashon Island, Wash.
- Venice, Fla.

Source: EscapeHomes.com

A logo for Bear Creek Lumber. It features a stylized house shape with a gabled roof. Inside the house shape, there are several dark green pine trees and a yellow sun with rays. The text "Bear Creek Lumber" is written in a serif font, and "TIMBERLINE" is written in a larger, bold, blue serif font below it. The entire logo is enclosed in a decorative, scalloped border.

Bear Creek Lumber
TIMBERLINE
P.O. Box 669 Winthrop, WA 98862
www.bearcreeklumber.com
(800) 597-7191 fax (509) 997-2040
Ela Bannick, Editor Joe Hammer, Sales Specials