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## Tulalip Casino Doesn't Gamble On Its Entrance

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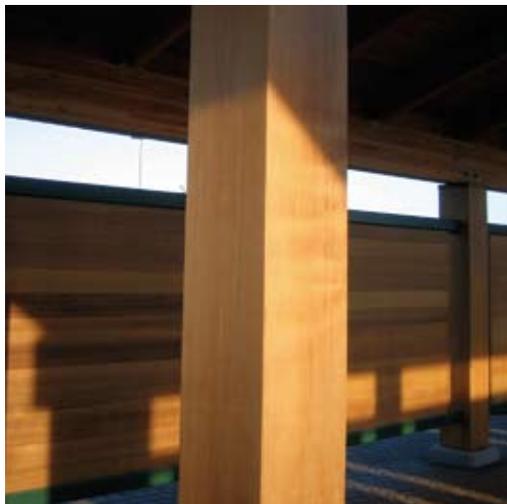


Natural clear grade cedar timbers and siding from Bear Creek Lumber frame an appealing entry to this Western Washington state casino.  
 Photo by Cloud Bannick

### The Color of Wood

Bear Creek Lumber fields many questions from customers about the color of the wood products they are interested in. A naturally grown product, no wood species is perfectly uniform in its color. Color varies according to what part of the tree it comes from, what sort of defects have changed the color and how it has been handled since it was milled. Wood is very susceptible to UV and moisture, which may not cause rot, but will cause discoloration.

When customers ask for a small sample of a particular type of wood, they can be surprised when they find out that not every piece that arrives with the order is not that exact color. While lumber can be selected for color, it is often impossible to select enough to fill an order because the color they are looking for is a minor part of the overall blend of colors possible. Note that in the pictures on this page the degree of color variation in this old growth cedar material. Colors range from a light brown to a straw yellow. At Bear Creek, we prefer taking a digital photo of the entire pile of material for the customer to see the variations, rather than relying on a single sample. That way there should be no surprises when your wood arrives.



### Chop Chop: Another look at the color of wood

Several million pairs of disposable chopsticks are made every day for the Asian market. It is rumored that 85 per cent of the trees cut for the chopsticks are wasted, because the aspen wood used does not meet the white color specifications desired. Japan alone uses 25 billion pairs a year. China holds the record, using 45 billion pairs per year, which takes 25 million trees to produce. 60 million cubic metres of timber are needed per year to meet China's demand alone.  
*Source: the Rain Forest Network Thanks to Ken Wertz/Sun Constr.*



## Undervalued Markets According to Study of American Cities

Richard DeKaser, chief economist of the financial services company National City Corporation, recently studied 299 U.S. housing markets, assigning relative valuations based on historical prices in the region, income, population density, and interest rates. DeKaser found that six of the ten least overpriced markets were in Texas.

College Station, where DeKaser deems prices are 19 percent below their “appropriate” value, finished dead last, making it the least over priced market he studied. Other Texas cities in the bottom 10 include El Paso, Odessa, Killeen, and Beaumont.

Dallas was the biggest metro area (more than 5 million) among the lowest ranked cities. Its houses were judged undervalued by 11 percent.

Many economists have weighed in on whether red-hot real estate market will retain its heat or not. DeKaser has come down firmly in the cool-down camp. His study indicates that the crest of the wave that housing markets have surfed the last few years may have already peaked.

“Signs are emerging,” he wrote in the report, “that the five-year boom in house sales and price appreciation may be losing its heat.”

However, DeKaser also pointed out that corrections tend to be “slow, drawn-out affairs, taking an average of three years to play out.” He suggested it will take the form of an “orderly correction rather than a disruptive crash.”



### Most Undervalued Markets According to DeKaser Study

San Antonio, TX	-10%
Elkhart, IN	-11%
Dallas, TX	-11%
Memphis, TN-MS-AR	-11%
Huntsville, AL	-11%
Beaumont, TX	-12%
Killeen, TX	-13%
Odessa, TX	-14%
Montgomery, AL	-15%
El Paso, TX	-17%
College Station, TX	-19%



### Summary Data For the Deck Building Companies

Average deck size	456 sq ft
Number of decks built	93
Average Cost of decks	\$6,161
Cost of structure	34% (\$2,108)
Cost of deck surface	45% (\$2,776)
Cost of accessories	21% (\$1,306)
% of decks built existing homes	42%
% of decks on new homes	25%
% of repair/remodel decks	31.9%

source: CINTRFOR, University of WA

### Deck Industry Profile

The deck building industry is going through a period of rapid growth and dramatic change with respect to the types of materials available to build decks. A recently completed study by the Center of International Trade in Forest products ( CINTRAFOR) at the University of Washington estimates that the demand for decking materials will increase almost 12 % between 2003 and 2008. While wood is the dominant material used to build decks, the market share for wood-plastic composite has reached 18% and is projected to go as high as 23% by 2008.

Home building companies tend to be small to medium in size. 60% of all companies surveyed had less than \$2.5 million in sales, and 80% report less than \$5 million. Most of these builders work on spec homes rather than custom homes. Custom homes tended to have larger deck spaces (491 sq ft vs. 362 on average) and those custom decks tended to be more expensive ( \$5,984 vs. \$3,900) Most home builders subcontract the work on deck building out to deck building companies.

Deck building companies are also dominated by small to medium size companies, but with smaller revenues, closer to \$1 million in annual sales.

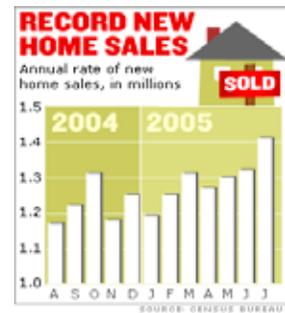
While treated lumber is the most commonly used material for decks, western red cedar was the preferred material for natural decks, with 10% of the market. Redwood accounted for 5% of the market, and yellow cedar less than one per cent. Tropical hardwoods accounted for 5%.

Those surveyed said that the choice of decking material was most often based on the longevity of the product and its ease of maintenance. One of the lowest ranking attributes was price. The study suggests that deck builders prefer high quality, durability and ease of maintenance over low price.

# Industry News

**Housing starts for July dipped slightly, but remained at record levels indicating robust sales, the government reported in August.** Numbers released from the Census Bureau and the Department of Housing and Urban Development reported a seasonally adjusted annual rate of 2.042 million housing starts last month, down from June's revised 2.045 million. However, building permits were at a 32-year high in July at a 2.167 million annual rate, indicating solid future construction and high builder confidence.

The report also tracked the number of completed homes regionally. In the Northeast there was a sharp decline of 36 percent, followed by the Midwest, which experienced a 12 percent drop, and the South, slipping 4 percent.



**Single-home price growth over the 12 months ending June 30 was the strongest in history,** according to the National Association of Realtors.

In its quarterly survey, NAR found that U.S. home prices rose at an annual rate of 13.6 percent, to a median price of \$208,300. Of the 149 metro areas surveyed, 67 showed gains of more than 10 percent.

Sales of existing homes slowed in July from their record pace, as the latest reading on the strength of the real estate market came in below Wall Street forecasts.

The National Association of Realtors said sales of existing homes fell to an annual rate of 7.16 million in July from the revised 7.35 million sales rate in June. The pace of sales in July was still the third strongest month on record. U.S. home sales are close to peaking but should hold historically high levels into next year, the National Association of Realtors' top economist said Tuesday.

Chief Economist David Lereah, in a monthly forecast, nudged his estimates higher for sales of previously owned and new homes in 2005.

He said existing home sales should rise 2.9 percent to 6.98 million this year, up from his previous forecast of 6.97 million and higher than the 2004 record of 6.78 million. Sales of new homes should climb 4.8 percent to 1.26 million in 2005, which also would be a record high, the Realtors said.

**Swathes of U.S. Gulf Coast homes destroyed by Hurricane Katrina scar the region's landscape, but eventual rebuilding will stoke an already torrid national housing market, economists say.** The disruption in the region's energy supply, sparking record oil prices and crimping consumer spending, are seen thwarting aggressive interest rate hikes by the Federal Reserve. Mortgage rates are sliding as a result, keeping U.S. home sales near record levels. "Down the line, and we usually find this after natural disasters — and this disaster sticks out as being the worst — the normal process is immediate destruction of wealth and then stimulus to economic activity as you go forward" rebuilding and remodeling, says David Seiders, chief economist at National Association of Home Builders. "It will help support GDP numbers as we get into 2006," he predicts.

The one-two punch of job loss and energy price spikes will at least temporarily slow the U.S. economy, analysts say. "I think the Fed is going to be hard-pressed to go on blithely increasing the short rate at every FOMC (policy-making) meeting as we go through the year," says Seiders. If long-term and mortgage rates stay lower than otherwise expected, "it is a major plus for housing."

"The question in New Orleans is what will happen to the economy. The key to housing is jobs," says Doug Duncan, chief economist of the Mortgage Bankers Association (MBA). U.S. employers hired 169,000 workers in August and the unemployment rate slid to a four-year low of 4.9 percent. This reflected the economy's improving health, before Hurricane Katrina.

"If you see a significant loss of jobs, businesses that are going to close or move out of the Gulf area, that will have an impact on house valuations," he adds. "There's no question the regional economy will be devastated for some time."

The MBA estimates roughly 360,000 mortgages could be impacted in Louisiana, Alabama and Mississippi, representing some \$48 billion. Some of these homes may be fine, but the owner may have lost a business and the means to pay a loan. "Events like this traditionally cause fairly minor impacts on national macroeconomic performance," Duncan says. "You may see a few tenths of GDP growth off in the quarter that it happens and you may see a rebound" as rebuilding begins.

Prior disasters, though, have had a limited effect on the massive \$12 trillion U.S. economy, according to Bill Cheney, chief economist at John Hancock Financial Services. "The big deal from the hurricane is the oil situation. If that gets resolved, then everything else is a footnote for the national economy," he says.

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