

A Thaw in the Stall

As 2013 wound down, some economists suggested the nascent U.S. housing recovery was on the verge of stalling out.

However, in December the U.S. Commerce Department reported that privately owned housing starts rose to a seasonally adjusted rate of 1.09 million in November, a 22.7% increase over October's 889,000 starts, and nearly 30% more than the year-ago rate of 842,000.

Also, single-family starts jumped 20.8% in November to 727,000 over October's 602,000 starts.

Privately owned housing completions fell 0.1% in November to a seasonally adjusted annual rate of 823,000, compared with 824,000 for October. Still, November's completions were 21.6% higher than the November 2012 rate of 677,000.

Building permits for privately owned housing in November were at a seasonally adjusted annual rate of 1.01 million, 3.1% lower than the prior month's 1.04 million, but still 7.9% higher than November 2012. Single-family authorizations in November came to 634,000, a 2.1% increase over the 621,000 recorded in October.

"Sales slowed down sharply this summer and fall because builders got ahead of themselves with pricing," says Brad Hunter, chief economist and director of consulting at Metrostudy. (Metrostudy is a Hanley Wood company. Hanley Wood also publishes PROSALES.) "The other major factor was that there was a buying frenzy in the first half of the



year that has subsided, leaving behind sustainable, organic demand."

And, that demand, fueled by new household formation, should continue to gain momentum through the spring, he says.

One worrisome trend comes from the Mortgage Bankers Association, which says that mortgage applications fell at the end of 2013 to the lowest level in more than a dozen years as interest rates for home loans ticked up.

In mid-December, mortgage applications fell 5.5%, continuing a downward trend in applications for six of the previous seven weeks.

"It is possible that the decline in purchase mortgage applications relates to the recent slump in sales," Hunter says. Also, new rules coming this year for mortgage lending will have a dampening effect on home

sales, but for the most part that will be outweighed by the increase in the demand for new homes.

The National Association of Home Builders says that builders are more optimistic about the single-family home market, specifically over current sales conditions, sales expectations, and prospective buyer traffic, according to December's NAHB/Wells Fargo Housing Market Index.

"Following a two-month pause in the index, this uptick is due in part to release of the pent-up demand caused by the uncertainty generated by the October government shutdown," says NAHB chief economist David Crowe. "We continue to look for a gradual improvement in the housing recovery in the year ahead." —*Steve Campbell*

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Compiled by
Steve Campbell

Yard Notables

In Brief

Rock Creek Lumber in Red Lodge, Mont., opened a second location in Billings, Mont. ... **Georgia-Pacific** idled its Caledonia, Ontario, drywall plant. ...

Richards Building Supply plans a 21,652-square-foot headquarters in Homer Glen, Ill. ... **Carter Lumber** converted its Canton, Ohio, store to a **Carter Lumber**

Clearance Center. Carter opened a branch in the Atlanta area. ... **L&W Supply** opened a new branch in Hyattsville, Md., to meet demand in the D.C. market. ... **John Edwards** joined **Cedar Creek** in Statesville, N.C., as engineered wood manager. ... **Ohio Construction Suppliers Association** and **Southern Building Material Association** members voted to merge the two organizations to form the **Building Material Suppliers Association** ... **ABC Supply**, Beloit, Wis., acquired the assets of **Midstates Wholesale Supply**, a distributor of roofing and related products in Olathe, Kan. The company added executive director of customer connectivity **Kathy Hendricks**, CIO **Tony Vaden**, VP of operations **Mike Jost**, and corporate controller **Chris Slusar** to its management team. ... **Lansing Building Products** named **Maurice Stocks** chief learning officer and VP of strategic planning. ... **Tahl Barrett**, CFO of **Short & Paulk Supply**, in Tifton, Ga., joined the **Construction Suppliers Association** board. ... **U.S. LBM**, Green Bay, Wis., acquired **Musselman Lumber**, New Holland, Pa., for an undisclosed price. ... **Shane Belcher** became general manager of the contractor sales division at **Gaster Lumber** in Savannah, Ga. ... **Woodson Lumber**, Caldwell, Texas, celebrated its 100th anniversary in December. ... **Paul Gertner**, of **Starborn Industries**, was named Lumber Person of the Year for 2013 by the **New York Long Island Lumber Association**. ... **Phillip Terry Kingsfather** will retire as president and CEO of **Simpson Strong-Tie** in 2014.

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Ruling Targets Paint Makers

Judge orders \$1.1 billion payment

A California judge has ordered three companies to pay \$1.1 billion to 10 cities and counties in the state to aid in the removal of lead paint from homes. The ruling in the 13-year-old case marks a significant turn from recent litigation that targeted present-day manufacturers for a product that was banned from home use in 1978.

Superior Court Judge James Kleinberg's decision, filed on Dec. 16 in a Santa Clara County court, concluded that Sherwin-Williams Co., NL Industries, and ConAgra Grocery Products Co. violated the state's public nuisance laws by promoting the use of lead paint while knowing it was dangerous.

The three companies had 15 days to appeal. ConAgra has issued a statement saying it will do so, calling the case "an unfortunate example of extreme overreach." The *San Jose Mercury News* quoted Bonnie Campbell, spokeswoman for the defendants, as saying the ruling doesn't jibe with numerous similar lead-paint nuisance suits across the nation that have been rejected.

In summarizing the plaintiffs' case, Kleinberg said that the cities and counties argued that the "defendants assisted in the creation of this nuisance by concealing the dangers of lead, mounting a campaign against its regulation, and promoting lead paint for interior use."

"The People further claimed defendants did so despite their

knowledge for nearly a century that such a use of lead paint was hazardous," Kleinberg added. "Had defendants not done so, it is asserted, lead paint would not have been incorporated into the interiors of such a large number of structures and would not have created the public health hazard that the People contend now exists."

To those assertions, Kleinberg concluded that each of the defendants had evidence of lead's potential health dangers dating back to 1878, and both scientific journals and the companies' own manuals suggest that the defendants had "constructive knowledge" that lead paint was a hazard. Instead, after becoming aware of the hazards associated with lead paint, they continued to sell it.

The 10 cities and counties that entered into the lawsuit—a group that includes Los Angeles and San Francisco Bay metro areas—have said they planned to use the money from the defendants to target homes built in their counties before 1978 that pose the greatest risk of lead poisoning to children. They intend to create outreach and education programs, have trained individuals inspect homes for lead paint, and then use approved abatement techniques to eliminate the lead hazard.

Similar suits have been unsuccessful in seven other states. The difference in California may have been a state law that allows judges to order a halt to practices that harm the "community at large" or large numbers of people. —Craig Webb

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Yard Notables

Kodiak Acquires Second Drywall Firm

Colorado-based Kodiak Building Partners added a second drywall operation to its portfolio with the acquisition of Jones-Heartz Drywall Supply, in Denver.

"In addition to giving us a strong presence in Denver, the company will help us grow throughout the mountain states region," says Kodiak chairman Paul Hylbert.

Jones-Heartz Drywall Supply's team will remain in place, with Greg Lyon leading the combined drywall operations of Jones-Heartz and Great West Drywall Supply.

Great West, acquired in 2012, is a specialty distributor of gypsum,

steel framing, ceilings, insulation, and accessories. Terms of the Jones-Heartz deal were not disclosed.

The investment company also owns:

- Barton Supply in Aurora, Colo., a fabricator and distributor of structural and reinforcing steel products and accessories with locations throughout Colorado.
- Gulf & Basco, in Houston, a distributor of windows, cabinets, and appliances serving builders in the greater Houston market.
- New England Building Supply, a pro-oriented Boston-based building material supplier.

EXTERIOR DOORS



Steal This Idea: Right Track

Jackson Lumber & Millwork's retail stores in Amesbury and Lawrence, Mass., make it easy for customers to browse different door styles. Doors mounted on tracks suspended from the ceiling allow customers to look at individual designs one or two at a time, then slide them back to view others.

Drive

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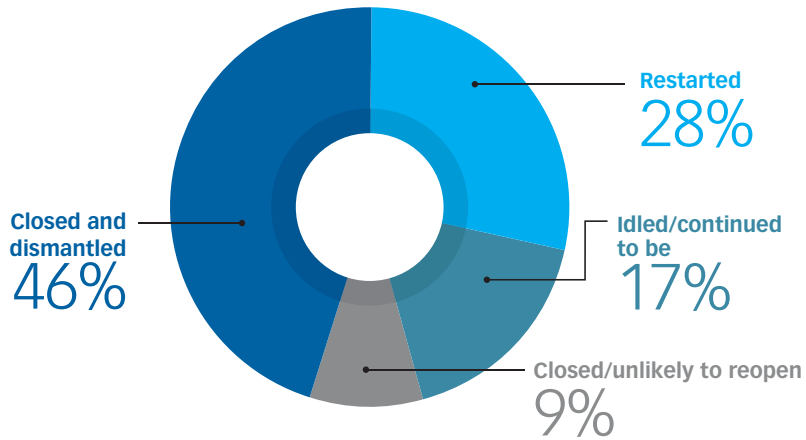


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Capacity Cuts

Since the start of the recession in 2008, 66 out of 145 U.S. and Canadian sawmills have closed, decreasing production capacity by 5 billion board feet (bbf), from 73 bbf in 2008 to 68 bbf in 2013.

Current status of 145 U.S. and Canadian Sawmills
2008-2013



FOREST ECONOMIC ADVISORS



Hoosier Favorite: Indiana Gov. Mike Pence presented the state's highest honor, the SACHEM Award, to Don Wolf, longtime president and CEO of Do it Best Corp., at an event on Dec. 19 in Fort Wayne, Ind. From left are Do it Best president and CEO Bob Taylor, Gov. Mike Pence, Don Wolf, and the co-op's president emeritus, Mike McClelland.

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