



# Supply, Demand and Big Picture Influences

International Softwood Conference  
October 2021



## Lumber

**35 Sawmills** with annual operating capacity over 15 million m<sup>3</sup>

- 10 Western Canada – 7 million m<sup>3</sup>
- 13 US South – 5.2 million m<sup>3</sup>
- 12 Sweden – 3.5 million m<sup>3</sup>

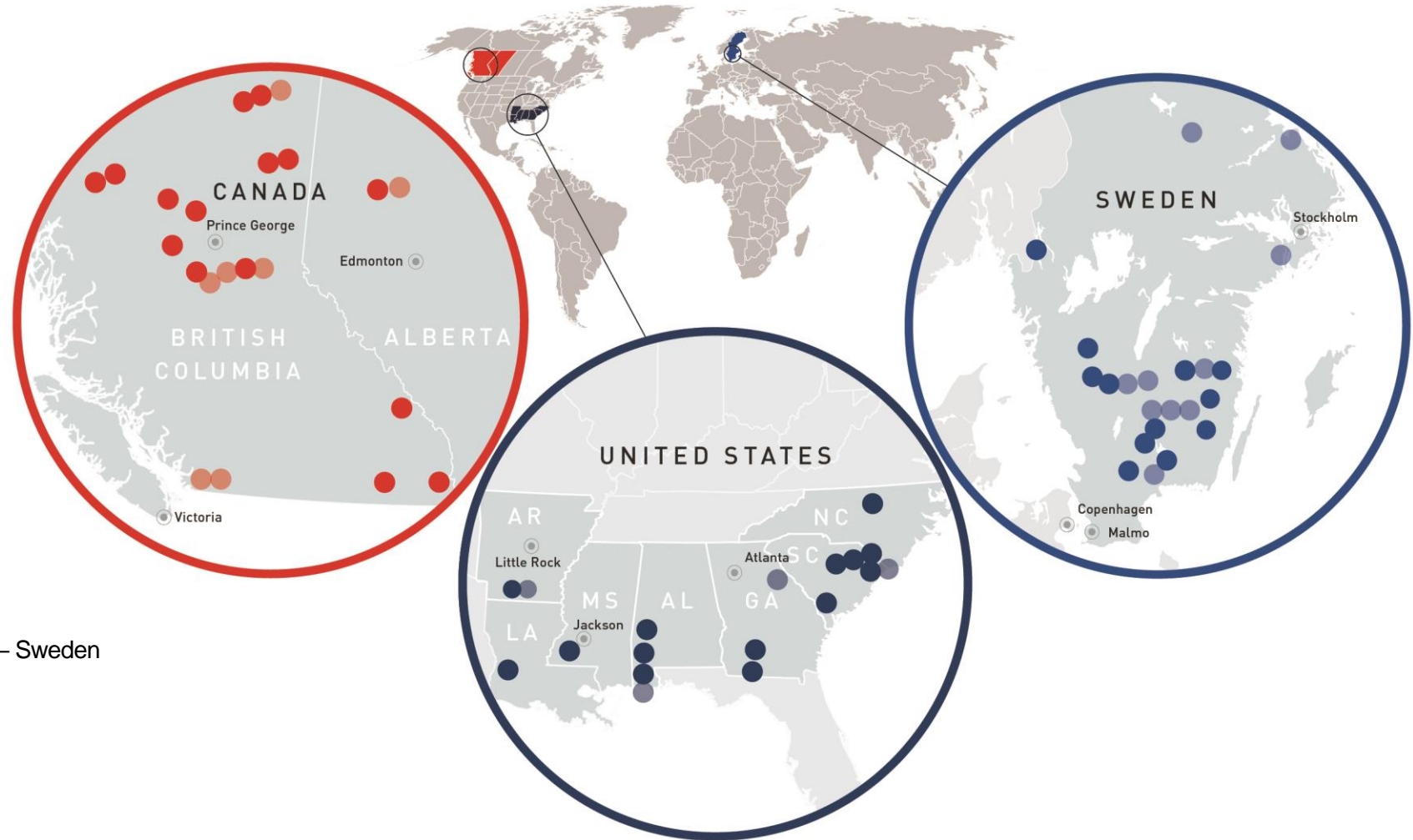
## Pulp and Paper

**4 Mills** in British Columbia

- 1.1 million tonnes of Northern Softwood Kraft
- 230k tonnes BCTMP
- 140k tonnes Kraft Paper

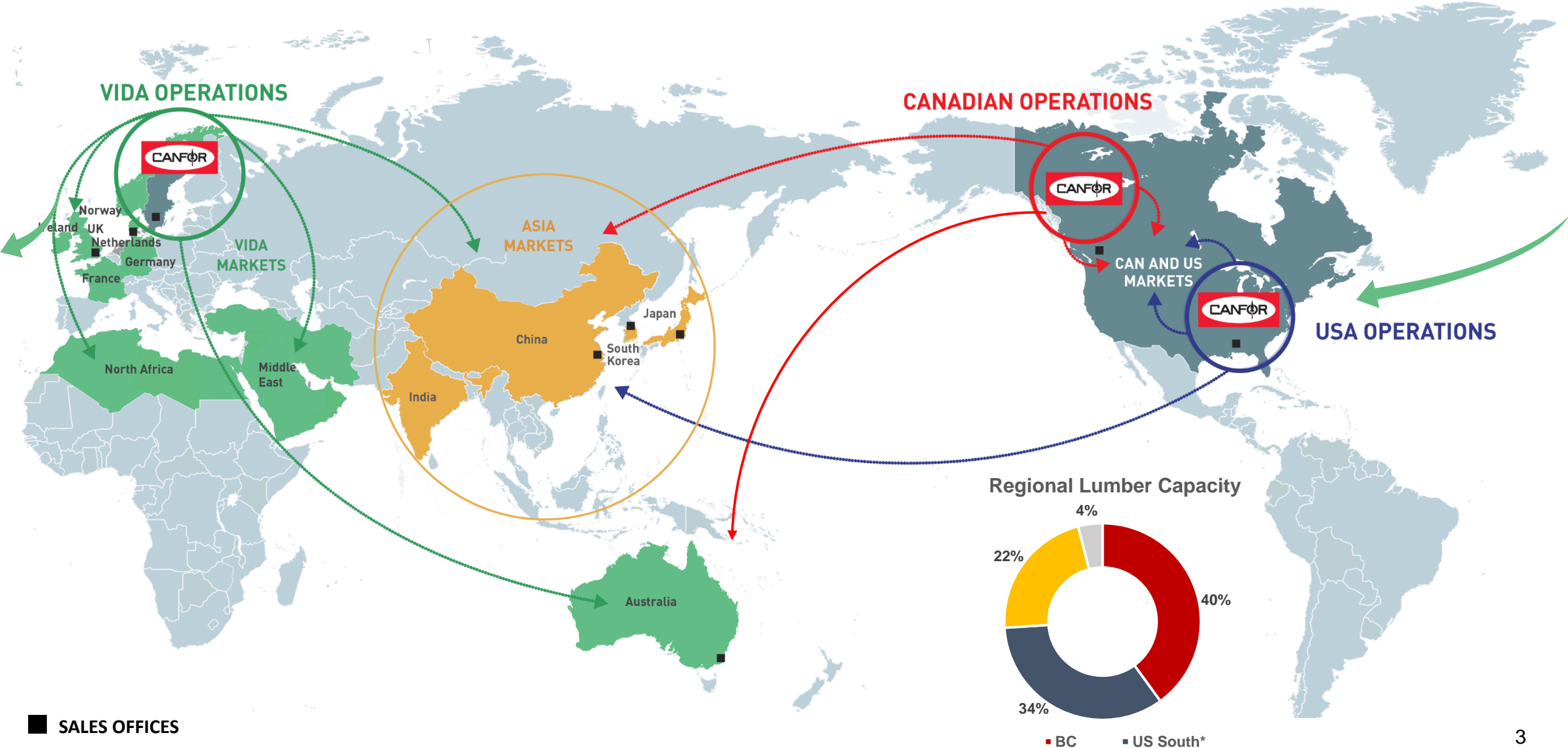
## Other Operations

- 9 value-added facilities (packing, housing, energy) – Sweden
- 3 Pellet Plants – BC
- 2 Glulam Plants – US South
- Finger Joint Plant – US South
- Green Energy Plant – BC
- Trucking Fleet – US South

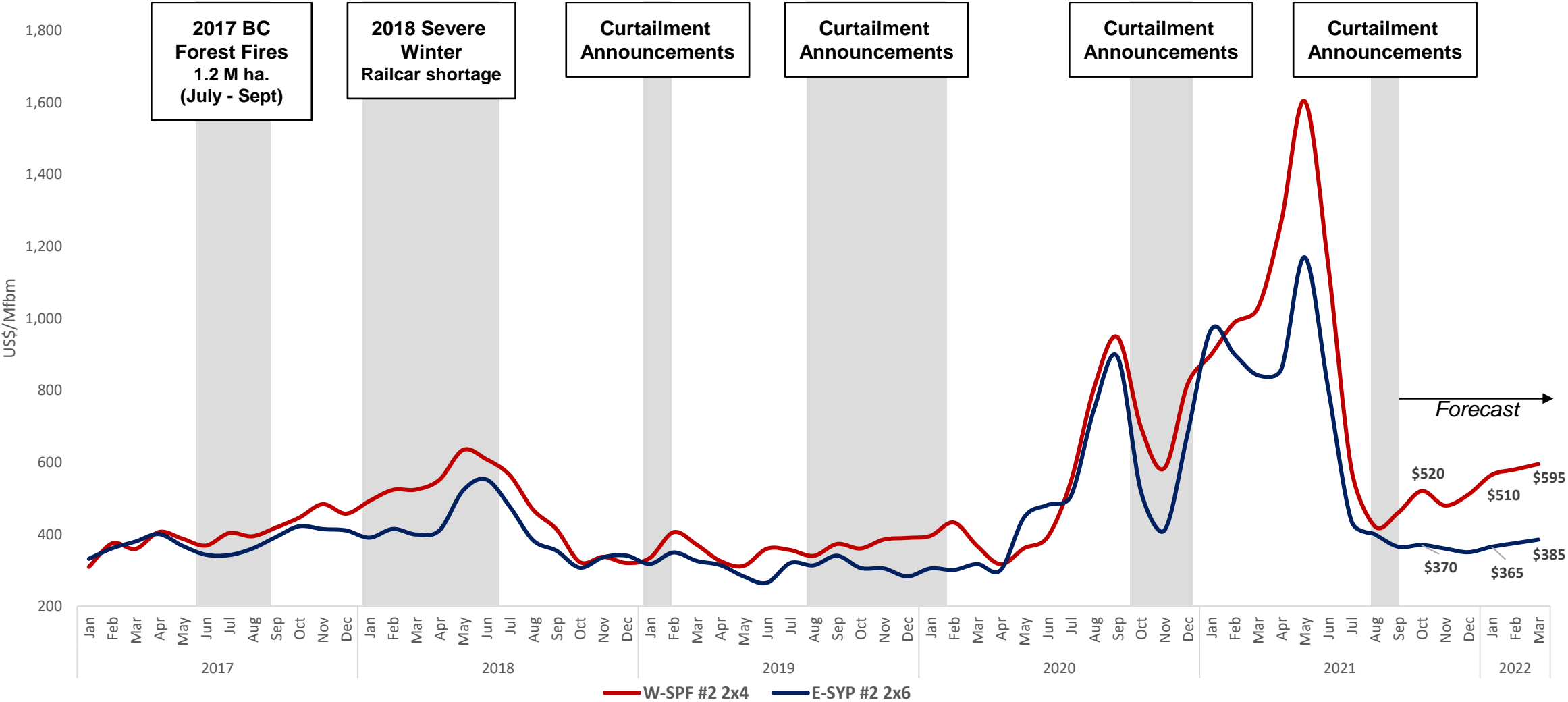


\*Includes Greenfield Sawmill Capacity in Louisiana

# EXPANDED GLOBAL MARKETS: GROWTH & DIVERSIFICATION



# PRICE TRENDS & OUTLOOK



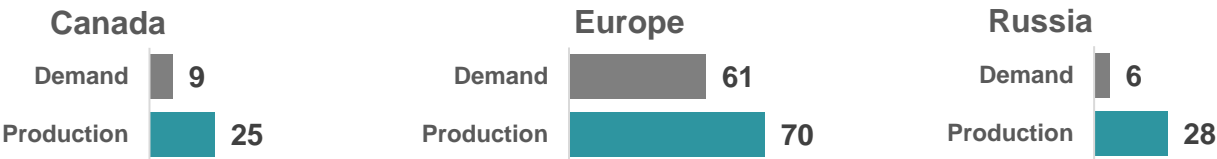
Source: RISI/Random Lengths

# 2025 GLOBAL SOFTWOOD LUMBER SUPPLY AND DEMAND



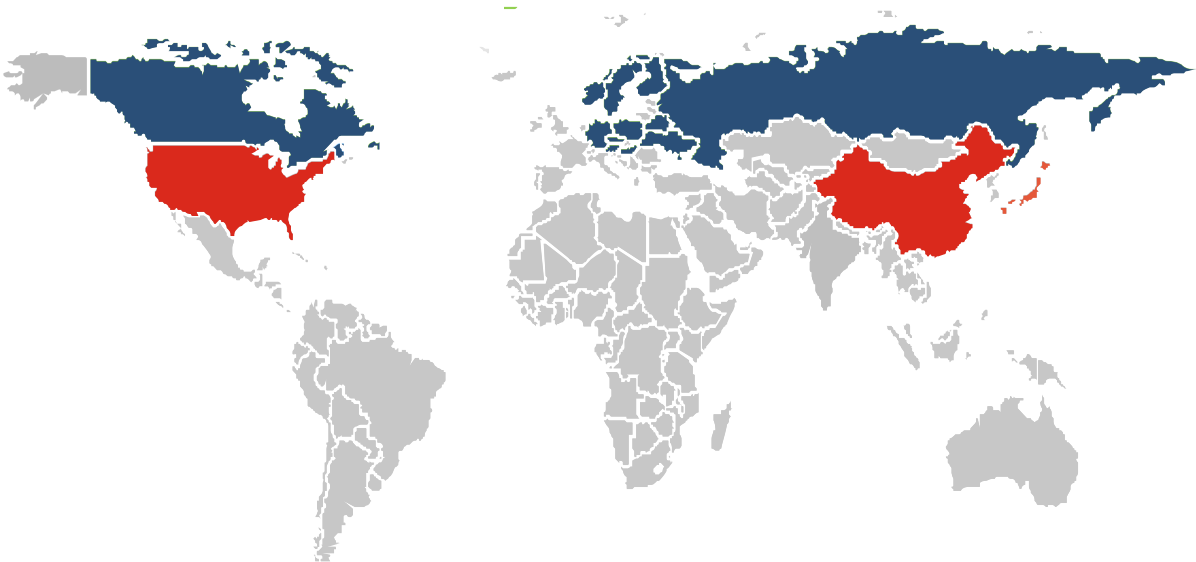
## Volume (Billion fbm)

### Supplying Regions



## Global Supply and Demand\*

Bfbm	2018	2020	2025
Demand	204	211	223
Supply	208	205	223
Supply Deficit	4	- 6	0



### Demanding Regions



\* Includes Southern Hemisphere and others totaling 48 Bfbm in demand and 38 Bfbm of supply  
Sources: WWPA, COFI, China Customs, Japan Customs, US Census Bureau, WoodMarkets, Canfor



**Mountain Pine Beetle** have devastated 730 million m<sup>3</sup> of BC forests; eliminating 15 years of timber supply.



**Wildfires** have burned about 34,000 km<sup>2</sup> in 2017, 2018 and 2021.



**Conservation and Protection Areas** already make up more than 52% of BC's land base.

**BC must right-size its capacity to a sustainable level with timber supply trending to be less than 50 million m<sup>3</sup> annually, from a peak of 90 million m<sup>3</sup> in 1987.**



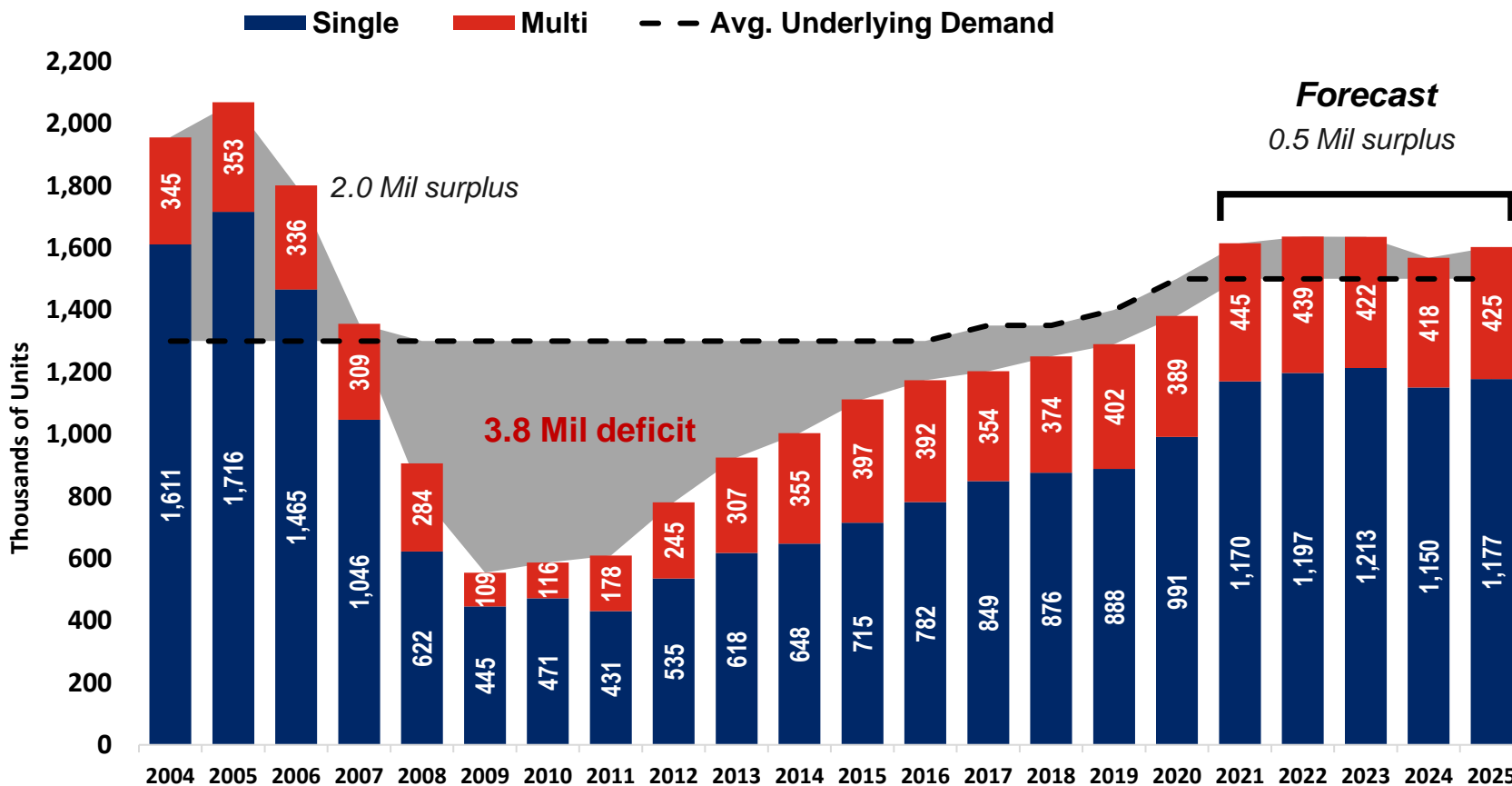
## INCREASING COSTS ADD TO COMPETITIVE CHALLENGES

In Q3, government **stumpage fees jumped 74%** from Q2, triple from a year ago.

BC log prices are about **3X costs in U.S. South.**

**Canadian softwood lumber imports duties** are expected to **increase to 18% from 9%** for most producers when new rates become final later this year.

# US HOUSING STARTS FORECAST



## Key Drivers



### Millennials Coming of Age

Homeownership rate of ages 25-34 yrs. old are expected to increase 1-1/2 % per year



### Suburban Migration

In light of COVID-19, we have seen a marked shift in home preference for suburban areas



### Increased Tenure

Older homeowners are staying in their homes an average of 5 years longer



### New Home Affordability

New home premium over existing homes reaches 9 year low at \$4/sqft



### Affordability – 1st Time Homebuyer

Rapid increases in home prices in 2020 and 2021 pose risk to 1st time buyer market

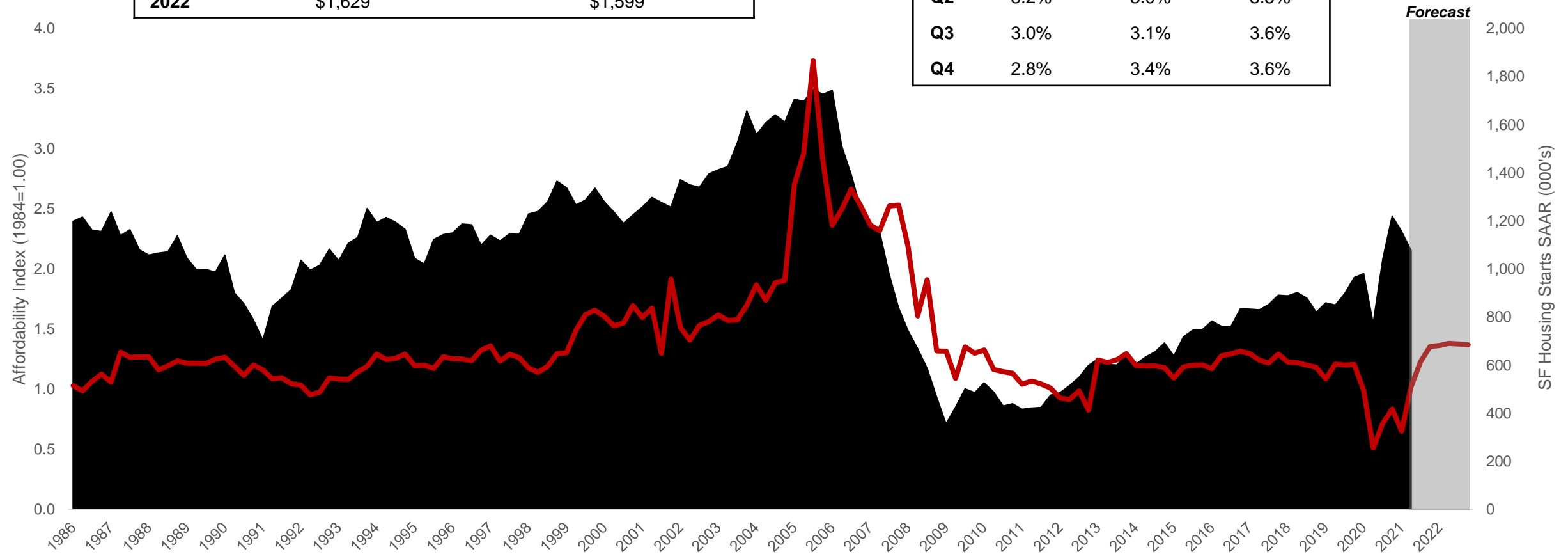


# AN EYE ON NEAR TERM AFFORDABILITY



Payments to Remain Affordable		
	Affordable Mortgage Payment	Projected Payment Required
<b>2021</b>	\$1,602	\$1,433
<b>2022</b>	\$1,629	\$1,599

	30 Yr. Fixed Interest Rate		
	2020	2021	2022
<b>Q1</b>	3.5%	2.9%	3.5%
<b>Q2</b>	3.2%	3.0%	3.5%
<b>Q3</b>	3.0%	3.1%	3.6%
<b>Q4</b>	2.8%	3.4%	3.6%



# REPAIR & REMODELING – KEY DRIVERS POINT TO SOLID GROWTH



## High Level of Homeowner Equity

### Increasing existing home prices encourage investment

Homeowners increasingly confident in equity will continue to spend on units

## Existing Home Sales

### High levels of existing home sales support spending

Existing home sales drive increased R&R spending both pre & post sale

## Aging in Place

### Mobility amongst Baby Boomers & Silent Generation Decline

Single family owners likely to resort to improvements over relocation, proportion of lumber usage likely lower

## Age of Housing Stock

### Demands ongoing repairs (avg. 42 yrs. old)

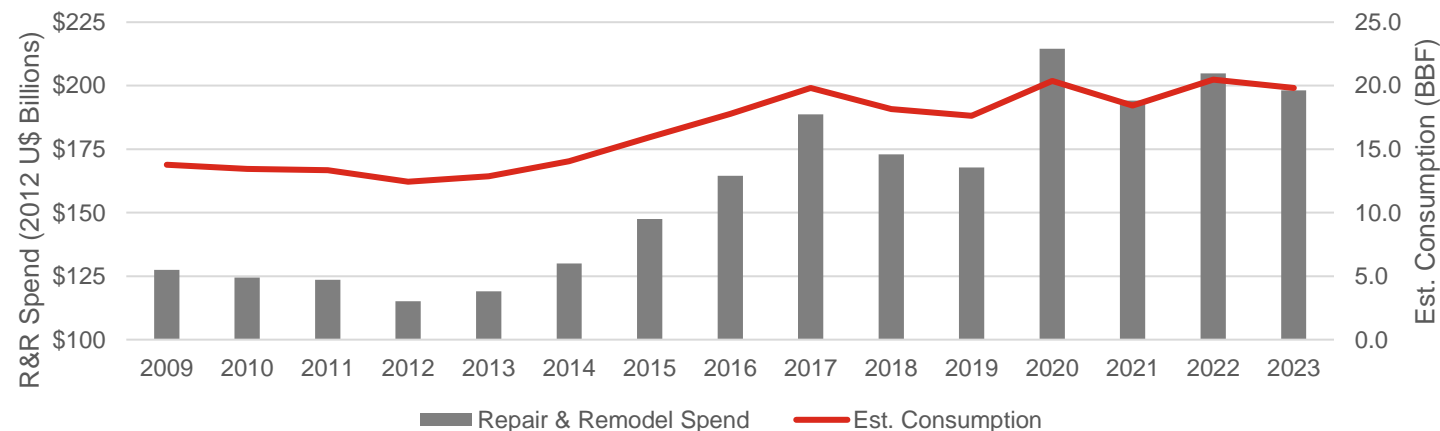
16-35 yrs. indoor projects, >46 yrs. outdoor projects

## Household Formation

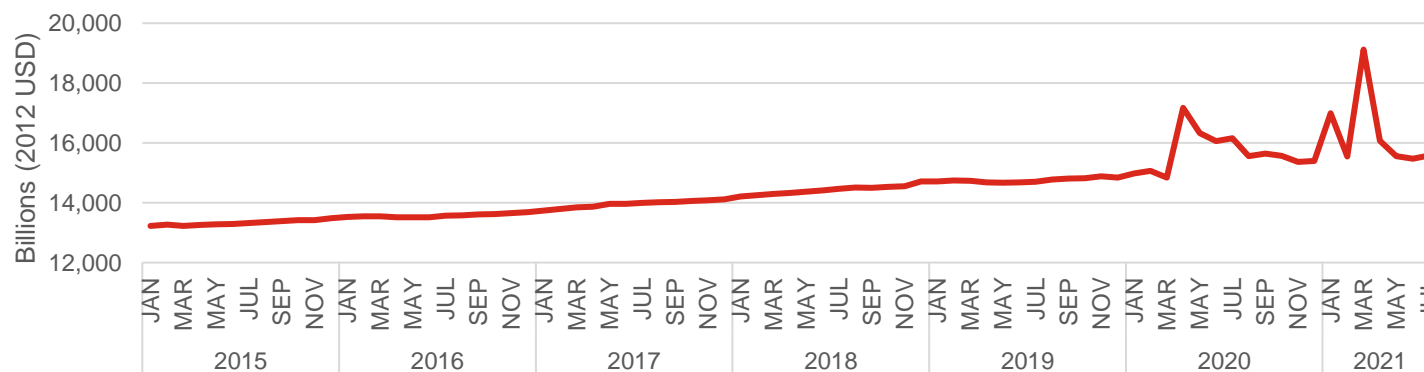
### Increase demand

Additional 12.5 million households will form 2015-2025

R&R Spend and Consumption

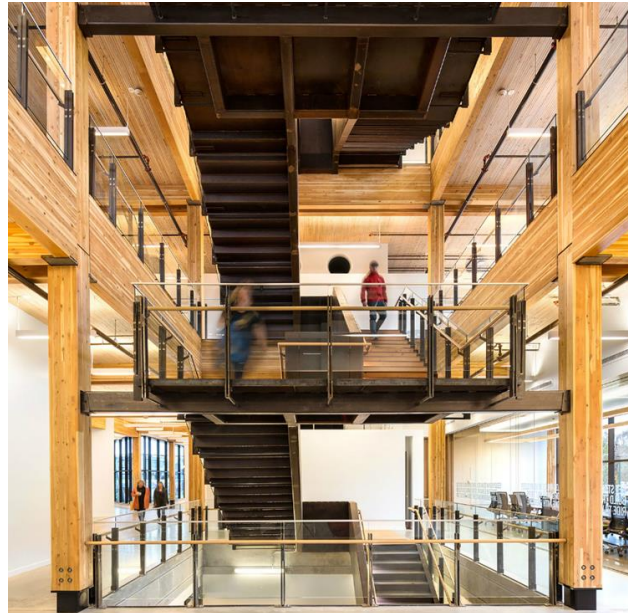


Personal Disposable Income





Global building codes are changing



December 2020 – **1,060** mass timber projects had been constructed or were in design in all 50 states, in the multi-family, commercial, and institutional categories

The number of mass timber buildings is expected to **double** every two years

Emerging Opportunity with potential demand of **12 to 16.5 million m<sup>3</sup>** by 2035





# CAN FUTURE CITIES BE TIMBER CITIES?



Mass Timber a Main Feature at Google-backed Sidewalk Labs  
'smart city' proposed for Toronto's waterfront

Envisioned with technology  
and **sustainability at its core**







## China Jiangsu

Crown Home  
Office Complex

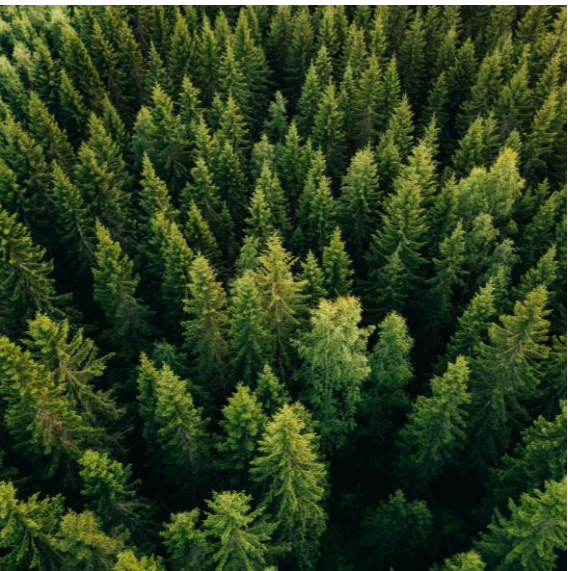
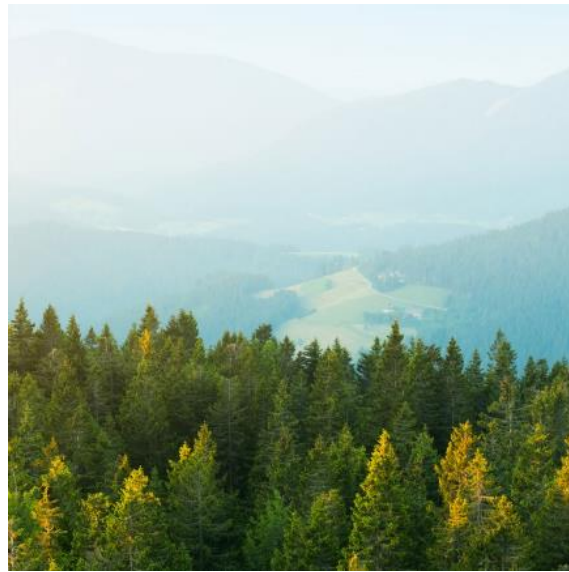


## China Shandong

Dench Wood  
Tourist Information Center

- Asian markets, particularly China — **growing strongly**
- Driven by **rising incomes, urbanization, infrastructure investments** and **manufacturing**
- China's GDP to grow **by 9% per year in 2021 to 2025**

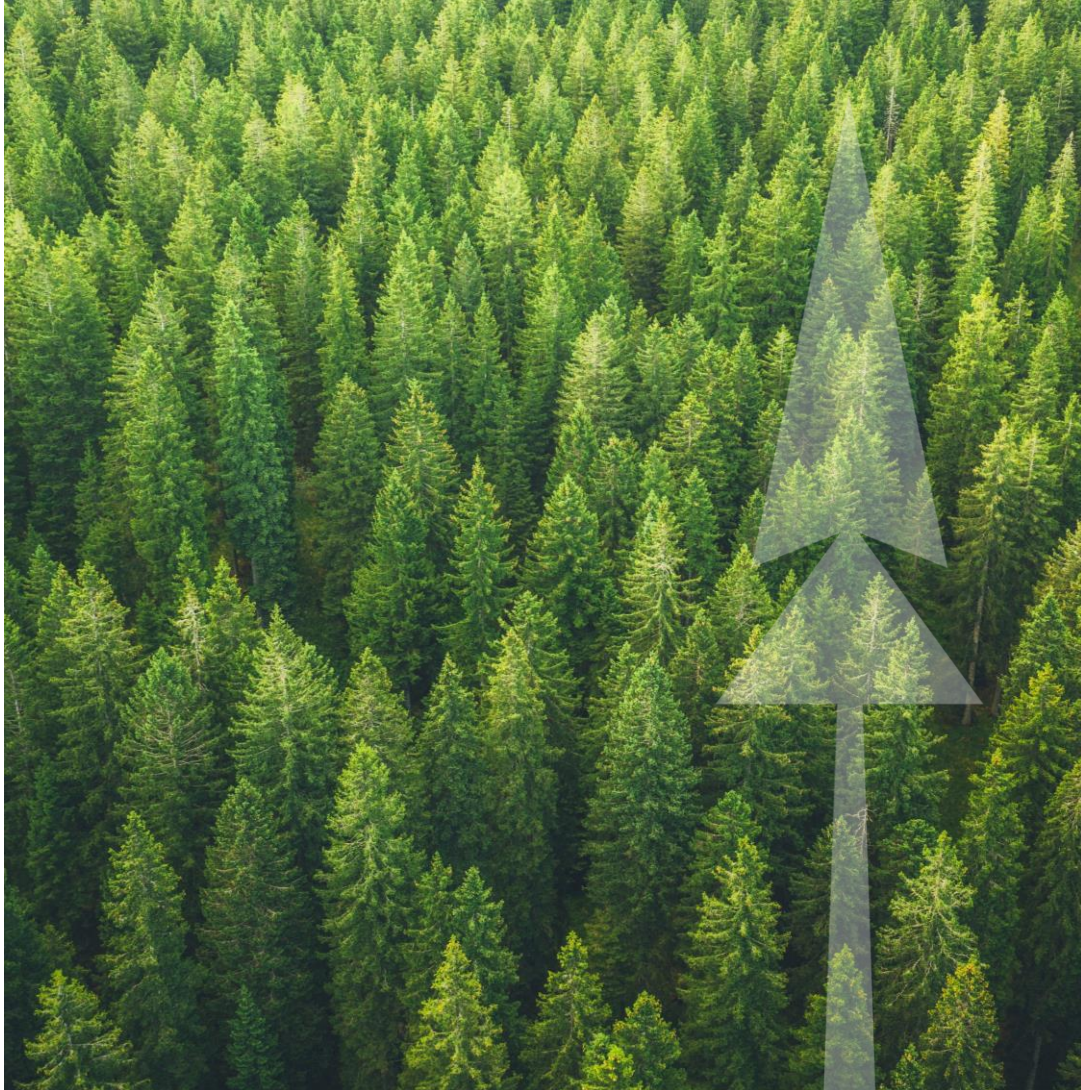




**“There is no future without addressing climate change, and forests are a key component to achieve the goals of the Paris Agreement.” — THE UNITED NATIONS**

- Our products are powerful tools for **climate action** and central to securing our **net-zero carbon future**
- Building tall with wood, innovating in the bioeconomy and providing low-carbon alternatives are ways we help





Our vision is to create **a future as sustainable as the forests.**

Canfor's bold path to becoming a global leader in sustainability holds great potential for positive impact.

It's **our responsibility** and **our opportunity.**





# Thank you.

[canfor.com](https://canfor.com)