



17 July 2020



SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

Another outstanding report from Will Sonnenfeld.



I hope all is well with you and yours! It has been a wild second quarter, with many twists and turns in the wood product and housing markets. Some of the home construction indicators have turned positive in the latest month, well above the April nadir, while others are still casting a shadow. Affordability stands out among them all, reaching a 7 year high as mortgage interest rates have declined. Lumber composite prices were down in all regions in the second quarter, except the US South where SYP prices gained 22%. Plywood and OSB also posted gains in the quarter, though somewhat modest in comparison. Softwood log prices softened in the PNW and South in Q2, in response to lower volumes and drier weather, while timberland sales have been scant during the first half of 2020.

In this quarter's Deeper Dive, I performed a high level SWOT analysis on how broad sectors of the timber and wood products industry are positioned to perform in this still evolving and uncertain Covid-19 environment, as a way of summarizing some of my thoughts on the subject. I hope you find this interesting and helpful, and look forward to receiving any comments or insights you may offer.

The remainder of the year promises to be interesting. In the meantime, I hope you, your colleagues and family members remain safe.

Best Regards,

Will

William Sonnenfeld
WillSonn Advisory, LLC
P.O. Box 4706
Rollingbay, WA 98061-0706

Office: 206 201-3780

Cell: 206 445-2980

e-mail: wes@willsonnadv.com

Ferry Schedule: <http://www.wsdot.com/ferries/schedule/ScheduleDetailByRoute.aspx?route=sea-bi>

Please support our timber industry, reduce your carbon footprint, and conserve the earth's natural resources by purchasing products made from wood: America's great renewable, recyclable and sustainable resource.



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Richard P. Vlosky, Ph.D.
Crosby Land & Resources Endowed Professor of Forest Sector Business Development
Director, Louisiana Forest Products Development Center
Room 227, School of Renewable Natural Resources
Louisiana State University, Baton Rouge, LA 70803
Phone (office): (225) 578-4527; Mobile Phone: (225) 223-1931
Web Site: www.LFPDC.lsu.edu



Market Trends

2nd Quarter, 2020

Perspectives on the latest market trends and indices impacting the Timber and Wood Products sectors, compliments of WillSonn Advisory, LLC



Q2 2020 Highlights

Market Trends

- Builder sentiment partially rebounds from its 8-year low (page 4)
- Affordability continues to drift higher as lower interest rates offset rising home prices (page 5)
- 2nd Quarter Housing Starts fall below 1 million in April and May, back in sync with Permits (page 6-7)
- Y-o-Y Existing Housing Inventory levels decline in the second quarter (page 8)
- Product Prices are mixed in the 2nd Quarter as markets react to Covid-19 (page 9)
- PNW and Southern Log Prices retreat in the second quarter (page 10-11)
- Regional gross mill margins widen to \$106/MBF in Q2 as SYP lumber prices soar (page 12)
- US Timberland Sales subdued in first half of 2020 as travel curtailed (page 13)

Deeper Dive

- SWOT analysis of industry subsectors during Covid-19

In Case You Missed It

- NAHB's report on June Labor

About WillSonn Advisory, LLC



Section 1: Latest Trends



Builder Sentiment & Private Residential Expenditures

NAHB's **Homebuilder Market Index (HMI)** and **Remodeling Market Index (RMI)** are measures of home builder and remodeling contractor sentiment.

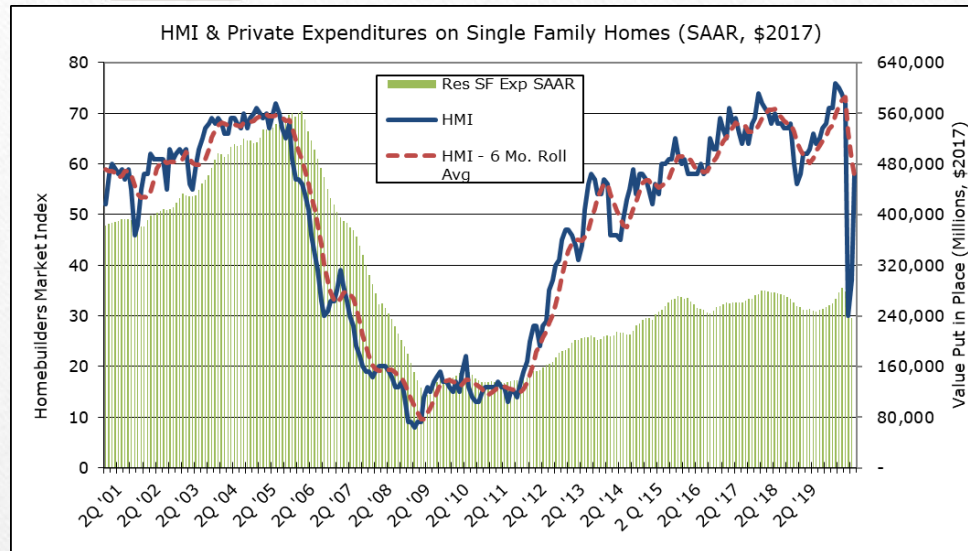
The HMI was whipsawed during the 2nd quarter, after posting a score of 72 in March, dropping to 30 in April, and recovering to 58 by June. Builder sentiment rebounded quickly as home demand proved more resilient to the pandemic than originally feared. The 6-month rolling average retreated to 58 in June, down 15 points from last quarter and comparable to 2016 levels. **The quarterly RMI plunged to 24 in Q1 2020.** Concerns with inviting contractors into one's home, along with more time at home amidst stay-at-home guidance, encouraged more DIY activity to the detriment of outsourced remodeling.

Private Construction Expenditures on Single Family Housing (in constant 2017 dollars, SAAR) during the first five months of 2020 have exceeded 2019 levels by 5.6%. **Private Residential Improvement Expenditures have accelerated faster, averaging 7.6% above 2019.** Longer-term, the combination of declining home size, constrained developed lots, and scarce labor and contractor availability have had a dampening effect on residential expenditures over the past few years.

The monthly HMI and quarterly RMI are dispersion indices, measuring the proportion of respondents who have a positive versus negative view (neutral responses are ignored in the calculation). While a reading over 50 indicates a prevailing positive view of current and future conditions, it says nothing about the proportion in the neutral camp.

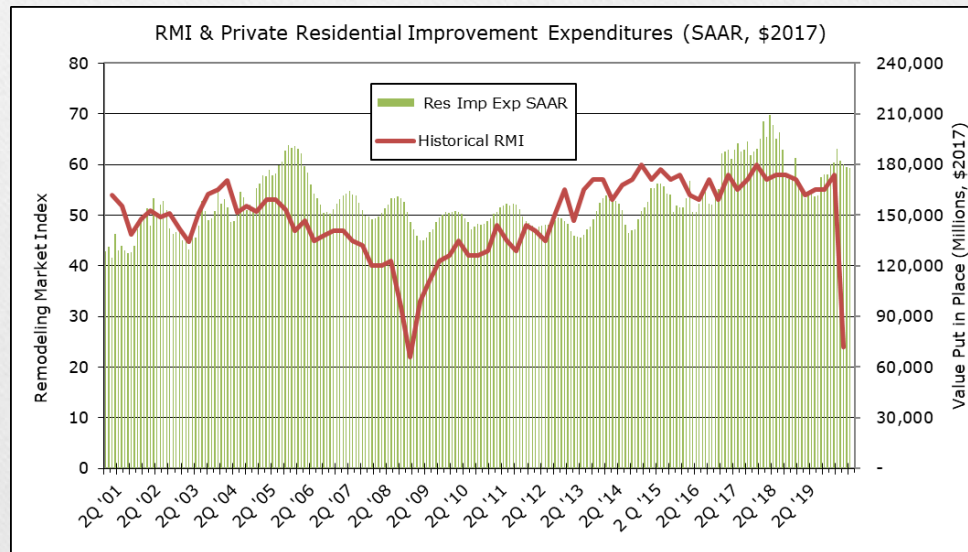
Seasonally Adjusted Annual Rate expenditure figures in both charts were deflated using the US Census Bureau's "Fixed" Construction Price Index which adjusts for both inflation and home size.

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Data Sources: Census Bureau, NAHB, Dept. of Commerce

Charts & Analysis: WillSonn Advisory



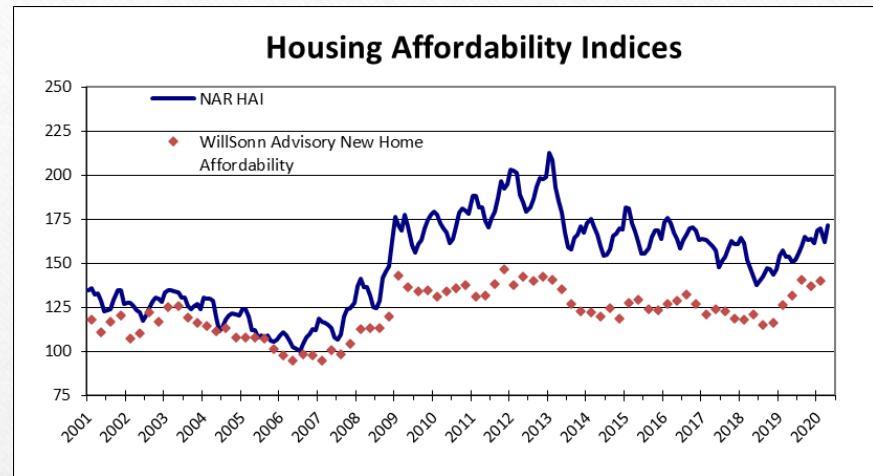
Affordability

The National Association of Realtors (NAR) **Housing Affordability Index** (“HAI”, top chart) has been on an upward trend since June 2018, **registering 172 in April 2020**, marking a pause in the pattern of declining affordability since 2012, peak-to-peak, and trough-to-trough.

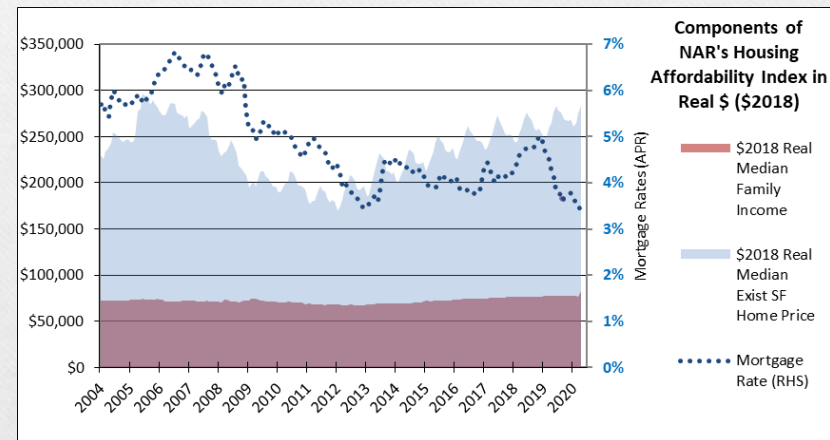
Also depicted in the top chart is my measure of new home affordability, one that incorporates the transaction price of new homes (rather than the listing price of existing homes, as used by NAR). Using NAR’s family income and interest rates and Census Bureau median new home sale prices, I calculate a more modest **New Home Affordability Index of 140 in Q1 2020**. In 2017 and 2018, New Home Affordability drifted lower as mortgage rates increased. Starting in 2019, as new home prices plateaued and interest rates moderated, the Affordability of New Homes rose to its highest point since 2013.

The bottom chart displays the movement in the three components of the NAR Affordability Index – home prices, mortgage rates and family income – in Real dollar terms. Though April 2020, compared to full-year 2019, home prices were up 2.1% and Median Family Income was up 2.3%, while Mortgage rates declined -12.9%. As a result, Mortgage Payments, as a percent of Income declined -6.4%, resulting in the higher HAI, up 6.6% from 2019.

In June 2020, mortgage rates dropped to an average of 3.16%, 64 bps below the average June 2020 rate. Holding home price and income steady, a **50-basis point decline in mortgage rates bumps the Affordability Index up about 10 points**.



Charts & Analysis: WillSonn Advisory



A reading of 100 means that a family with median income would need to spend fully 25% of its monthly income on a mortgage to purchase the median priced existing home. A reading of 140 means that 25% of the median family income is 1.4 times the mortgage payment for the median priced existing home.

Housing Starts

Total Housing Starts registered **0.974 million units in May (SAAR)**, -24.9% below the 2019 pace of 1.290 million units. In May, **Single Family Starts registered 675,000 units**, while Multi-Family Starts came in at 299,000 units.

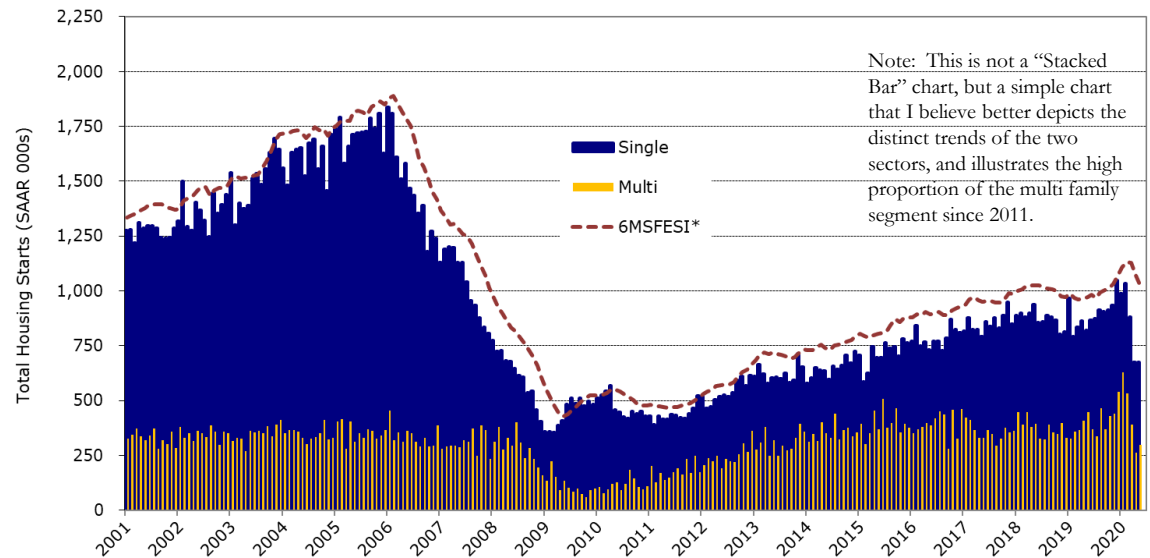
Year-to-date (SAAR) through May, Total Housing Starts have averaged 1.272 million units, a modest decline of -2.0% versus full year 2019. **YTD, Single Family Starts are down 4.8%, while Multi Family Starts are up 4.9%, compared to full-year 2019.**

The WillSonn Advisory “6 Month Single Family Equivalent Start Index,” recasts a multi-family unit into a single-family unit based on relative wood use, so a better measure of Housing Start demand for wood. After 10 years below 1 million, the six-month rolling average temporarily breached that level in 2018, then again in September 2019. **May’s 1,029,000 unit reading represents 55% of the 2006 peak of 1.9 million SFES’s.**

Multi-family units use approximately 2/3 as much wood per square foot compared to a Single Family Unit, and since Multi-Family Units are about half the size of Single Family homes, I count them as a 1/3 single family equivalent.

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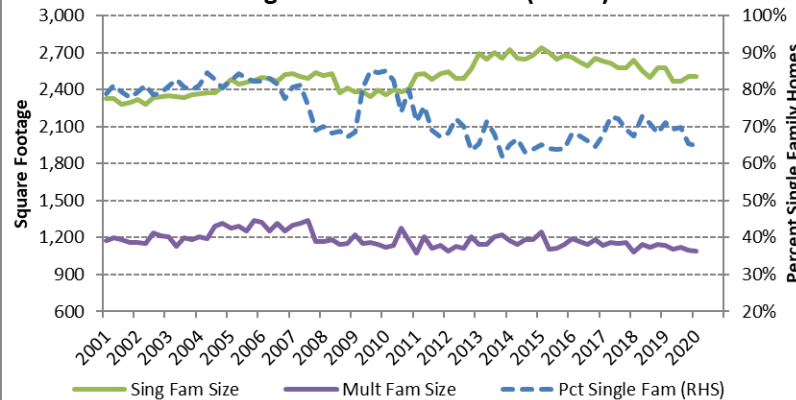
Single and Multi Family Starts (SAAR)



*6MSFESI = 6 Month Single Family Equivalent Start Index
Data Source: U.S. Census Bureau

Charts & Analysis: WillSonn Advisory

Average Home Size and Mix (Starts)



The size of Single-Family Home Starts in Q1 2020 averaged 2,506 sq. ft., up slightly (0.2%) from 2019’s average of 2,500 sq. ft. The average size of Multi-Family Units started in Q1 2020 averaged 1,086 sq. ft., down -2.4% from the 2019 average of 1,112. Single Family units made up 65% of Total Starts in Q1 2020, 4% lower than 2019’s 69% figure and 17 points below the pre-bust average of 82%.

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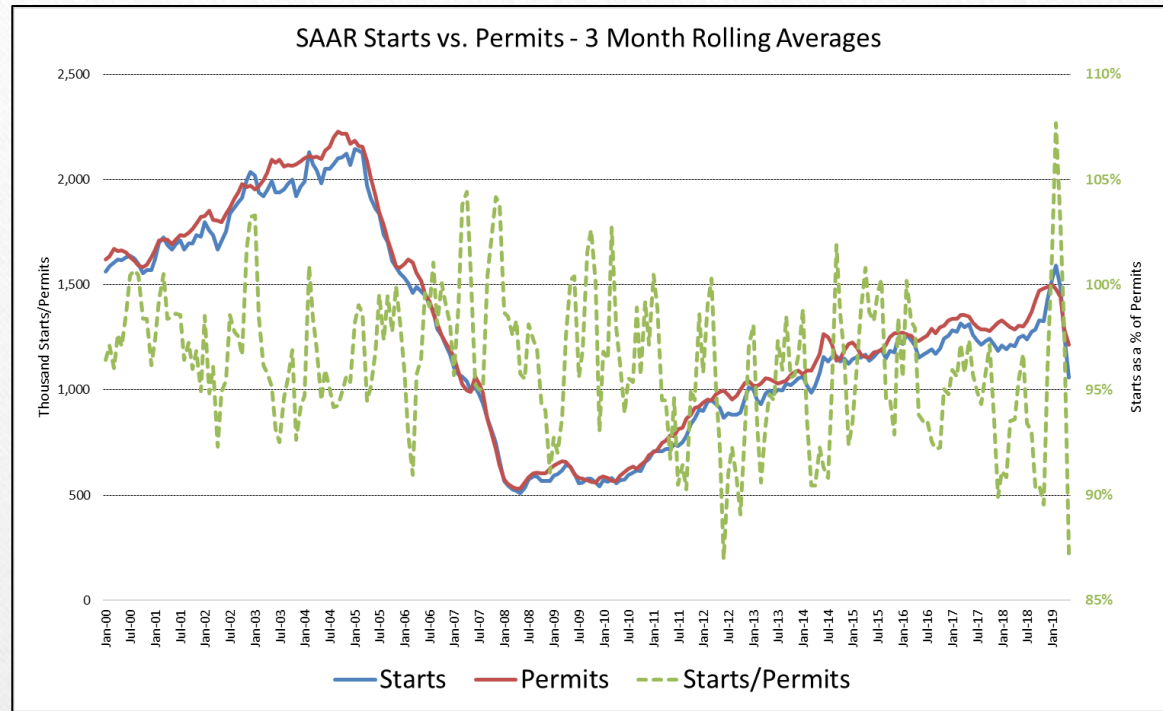
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Starts vs. Permits

Last quarter, I pointed out that Starts in Dec '19-Feb'20 exceeded Permits issued by an historically large ratio (108% vs. a long-term average of 96%). This observation tempered my view of full year housing activity, in contrast to some market observers who suggested that the Dec-Feb period marked the arrival of the long-awaited recovery in housing. I pointed out that

1. The Seasonal Adjustment factors applied to December, January and February nominal starts are particularly high and may overstate the annualized level of activity, especially given the mild winter we had in 2020.
2. Given the outsized Starts:Permits ratio, future Starts, even without the effects of Covid-19 mitigation efforts, were likely going to drop in future months...
3. The share of less wood-intensive Multi-Family starts has been higher in recent years, effectively double the boom years of the early 2000's, so that even with comparable Total Starts figures, 1.6 million Starts in 2020 will use less wood than 1.6 million Starts in the early 2000's
4. Longer construction times spread out the use of building materials

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Data Source: U.S. Census Bureau

Charts & Analysis: WillSonn Advisory

To follow up on last quarter's discussion, the 3-month rolling average number of Permits have indeed retreated (along with Starts), with Starts over the last three months (March, April and May) averaging 87% of Permits. The over-shoot in February (108%) was met by a commensurate undershot (87%) in May. During the first five months of 2020, Permits averaged 1.323 million units (Seasonally Adjusted Annual Rate). Using the historical 96% Starts:Permits ratio would suggest 1.270 million Starts (SAAR). This compares to SAAR Starts estimated for the first five months of 1.272 million units.

Going forward, it is still unclear what impact future mitigation efforts to control the spread of Covid-19 will have on the housing industry, in terms of the number of Starts, the location of those Starts, how a second wave of infection (in conjunction with flu season) may impact Starts in the fourth quarter and into 2021, just to name a few.

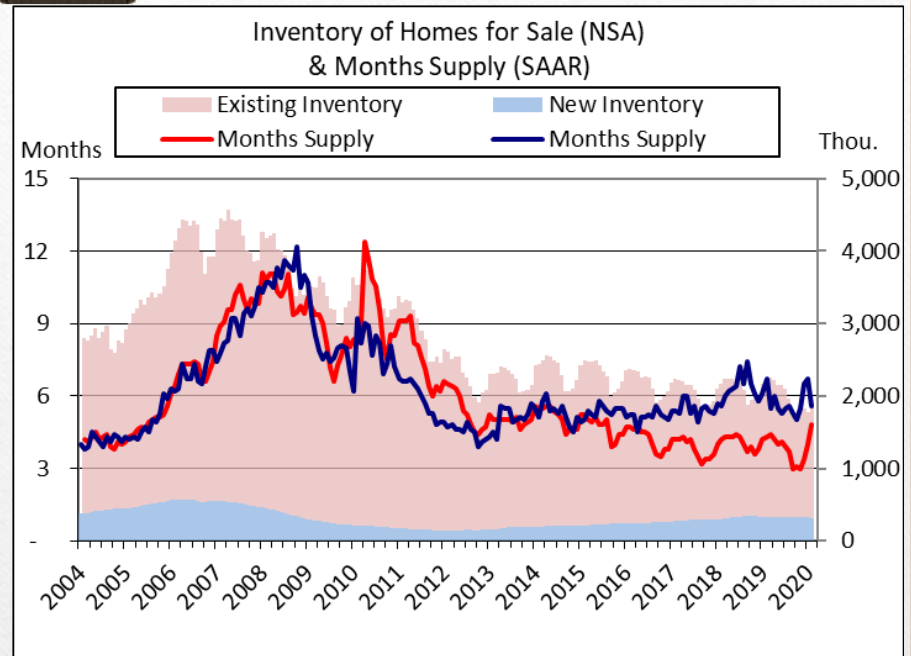
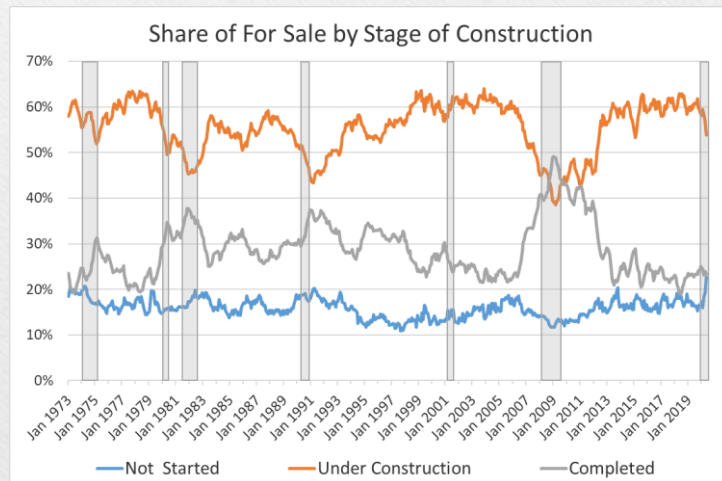
Home Sales Trends

The Inventory of Homes For Sale (Existing + New) totaled 1.862 million units in May, up 145,000 units from December 2019, but down 17% (382,000 units) from May 2019. Separately, Existing Home Inventories are down 360,000 units, while New Home inventories are down 22,000 units, compared to May 2019.

At their respective current pace of sales, there are 4.8 months of sales in Existing Home inventories, and 5.6 months of sales in New Home inventories. Relative to historical levels, expressed in Months of Sales, both New and Existing Home inventories have loosened. **But in terms of absolute inventory levels, inventories of Existing Homes are tight.**

Of the 327,000 New units for sale at the end of 2019, 23% were Completed, 54% were Under Construction, and 23% had Not Yet Started.

Note: "Existing Homes" include both Single Family and Multi-Family units. "New Homes" include only Single Family Homes.



Data Source: U.S. Census Bureau, NAR Charts & Analysis: WillSonn Advisory

In the chart to the left, I've plotted the share of homes for sale, by stage of construction going back to 1973. Also shown on the chart are the US recessions, in grey bars. What I notice in this chart is that a US recession is typically accompanied by a buildup (to 30%+) in the share of Completed Homes for Sale. What I also see is that the longer the recession, the more pronounced the shift in share of Completed Homes becomes. These patterns are typically mirrored by a decline in the share of homes Under Construction (as builders got stuck with more completed homes on hand).

The onset of the pandemic, and its impact on housing, was an abrupt shock to the industry, such that in the current downturn, the Share of Completed Homes for Sale did not spike; but rather, we saw a spike in the share of units Not Yet Started, rising to 23% in May (a 47-year high).

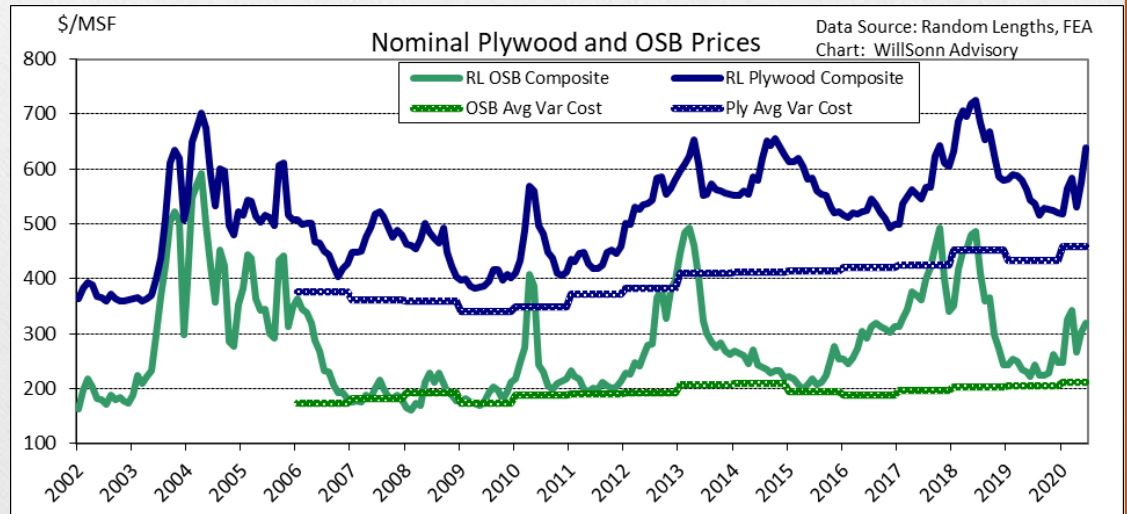
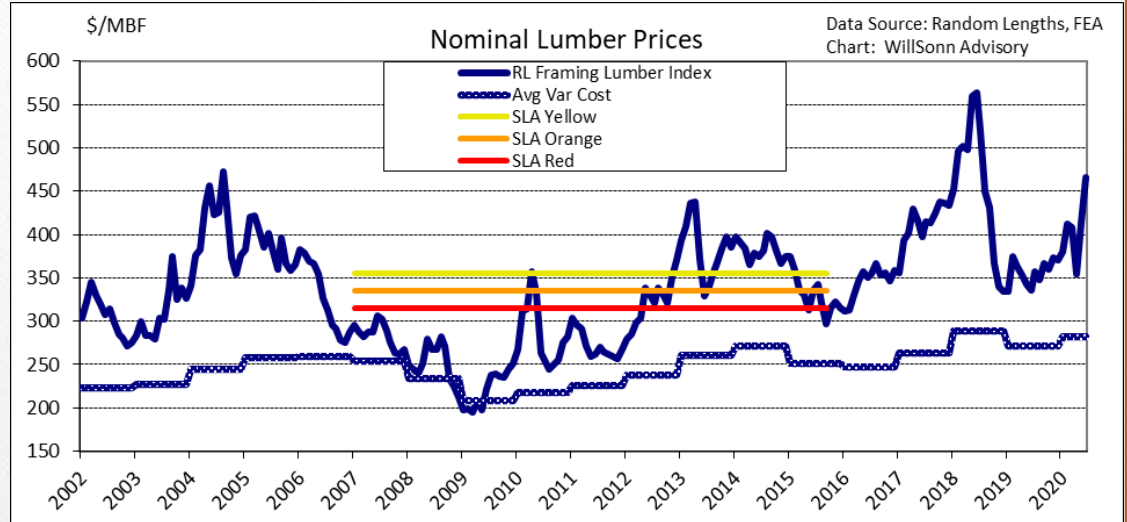
Wood Product Prices

The first six months of 2020 has been a rollercoaster ride in wood product markets. Early in the half, strong housing starts drove prices higher, only to be dashed by initial reactions to stay-at-home orders related to Covid-19. When home center demand surprised on the upside, producers fell behind in shipments, which continue to persist. With a recent surge in new Covid-19 cases, uncertainty in product markets abound.

The Random Length Framing Lumber Composite Index in Q2 2020 gained 3% over Q1 and 15% above full year 2019. Regionally in Q2 2020 relative to Q1 2020, West Coast lumber mills saw an -8% decline in Dry Dimension and a -7% drop in Green DF prices, Inland mills saw prices slip -2%, while Southern sawmills saw prices surge 22%. Canadian components of the Random Lengths Framing Composite Index saw S-P-F prices lose -12% and -6% in the West and the East, respectively. **The gains in SYP more than offset non-trivial declines in all other regions!** Demand from treaters serving DIY retailers were often cited in explaining the SYP gains. Resumption of production, and availability of truckers, are mentioned as needed in order for lumber producers to meet demand.

Plywood pricing notch a 5% gain in Q2 from Q1, to a level 6% above FY 2019 levels. Second quarter movements were pretty even regionally, with the Southern Plywood prices up 6% and Western Plywood up 4%.

OSB prices in Q2 slipped 3%, following the 24% gain registered in Q1. Relative to FY 2019, Q2 OSB prices are up 24%.



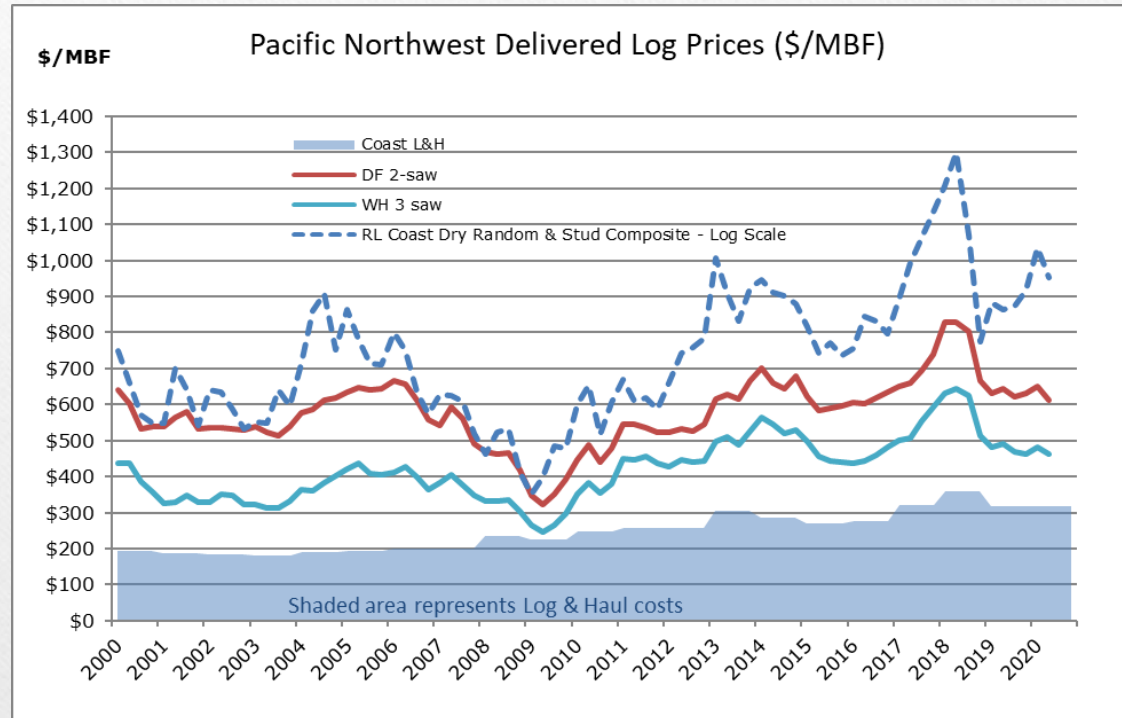
PNW Log Prices

Western lumber prices (with about a one-quarter lag) remain the primary driver in West Coast domestic log pricing, though changes in demand and export log prices do exert some influence.

Delivered log prices retreated in the second quarter and now sit -3% below full year 2019 prices. During Q2, **Douglas-fir 2saw slipped -6% while western hemlock 3saw log prices lost -4%**. Over the past 10 years, log prices have typically held steady in the second quarter, on average, so this year's retreat was another underperformance. Third and fourth quarter prices typically see \$9-10/MBF declines.

After adjustments for lumber recovery, the Random Lengths Coast Dry Random & Stud Composite price (on a log scale) pulled back -\$83/MBF. Second quarter lumber prices reflected the demand impacts of Covid-19, which in western states, was markedly lower due to limitations on building activity. While muted demand resulting from mitigation efforts are expected to continue in the coming quarters, measured lumber production levels by a number of western lumber producers (and interior BC producers) may help mitigate the decline in western lumber prices.

While Log & Haul costs were expected to remain relatively flat in 2020, they may move lower if lower log prices persist the rest of the year.



Data Source: Oregon DOF, WA DNR, Random Lengths, FEA, Log Lines
Charts & Analysis: WillSonn Advisory

Second Quarter Southern Yellow Pine stumpage prices retreated, in stark contrast with significant gains in lumber prices.

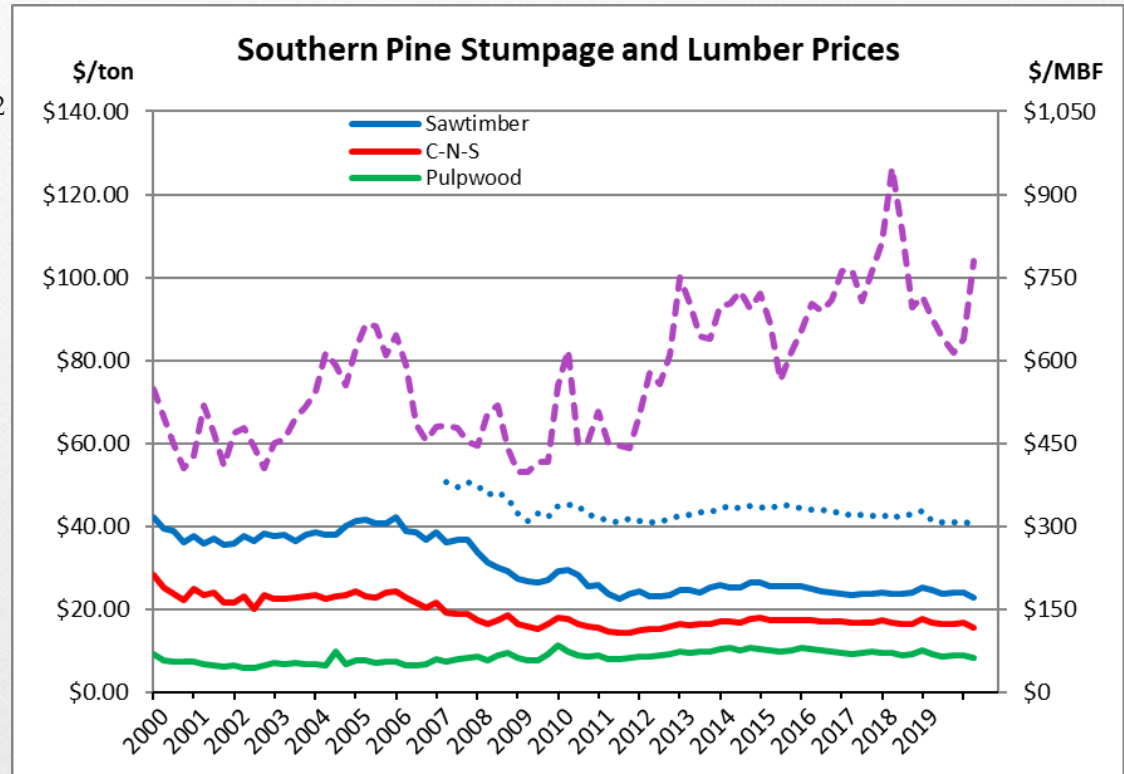
SYP Sawtimber prices lost \$1.33/ton in the second quarter (-6%), Chip-n-saw stumpage prices were down \$1.11/ton (-7%) and pine pulpwood was down \$0.38/ton (-4%). Relative to full year 2019, PST and CNS prices are down 6-7% while PPW prices are off 9%. Improving Q2 weather typically spurs lower log prices, but with the impact of Covid-19 mitigation efforts, the declines were exaggerated. Q3 typically sees further price slippage.

The Random Lengths SYP Lumber Composite, adjusted for lumber recovery, was up 22% in Q2 '20 compared to Q1 '20, and are now 17% above full year 2019 prices.

Sawtimber to Pulpwood price ratios remain tight, averaging 2.7:1 in Q2, up modestly from the 2.5:1 ratio of the last few years. Unfortunately, the improved ratio comes from weaker pulpwood prices rather than stronger sawtimber prices. 2.7:1 is well below the bellwether ratio of 4+:1, a level not seen since mid-2008!

My view that SYP sawtimber prices will remain under pressure for an extended period has not changed. The combination of weak housing starts, smaller home size, increased plantation productivity, and incremental improvements in mill recoveries will work against significant gains in southern log prices. A recession, triggered by the Covid-19 response, also won't help.

Southern Pine Log Prices



Data Source: Timber Mart South, Random Lengths, FEA
 Charts & Analysis: WillSonn Advisory

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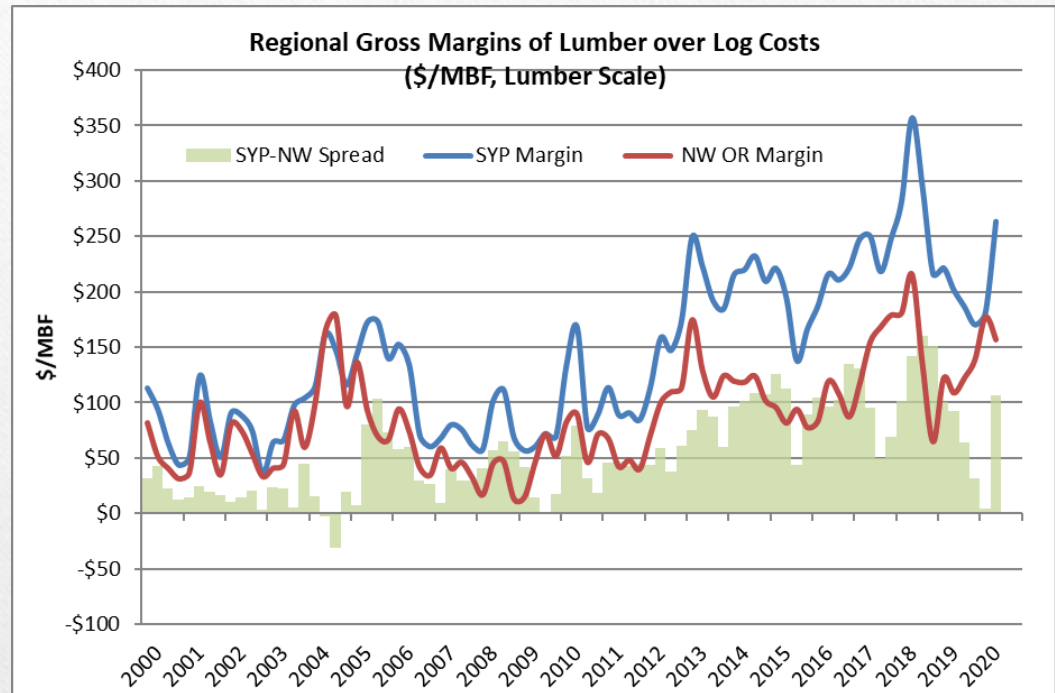
Sawmill Gross Margins (lumber price minus delivered raw material costs) in the Northwest and South were derived from the figures on the previous two pages. The difference between the two regions is the “spread.”

The gross margin spread between Southern and PNW sawmills reemerged in the second quarter to \$106/MBF, up from an average spread in 2019 of \$72/MBF. Gross margins moved in opposite directions this quarter, from \$177/MBF to \$157/MBF in the PNW, and from \$181/MBF to \$263/MBF in the South. Despite the recent setback, southern sawmills have enjoyed gross margins over \$200/MBF in 21 of the last 30 quarters since 2013, while PNW mill gross margins hit that mark only once.

Since the beginning of 2012, log export markets and declining Interior BC lumber production pushed PNW log prices to historical highs. In the South, persistent excess inventories of mature sawtimber on the stump have kept downward pressure on log prices, even as lumber prices improved. The net result has been that the gap between the PNW’s and South’s gross margin has swelled to an average of \$89/MBF over the last eight quarters, almost 3x the 2000-2013 average of \$33/MBF.

As expected, the spread between the PNW and South has returned to the ~\$100/MBF level, and I expect it to remain elevated until standing sawtimber inventories are worked down in the South, which could persist for a very long time.

Regional Gross Margins



Assumptions: 67/33 weight of DF2saw and WH3saw in the PNW, and a 75/25 weight for S/T and CNS in the South (using 7.5 tons/MBF, along with FEA’s estimates of Cut & Haul cost for S/T and CNS). All figures are lumber scale, and regional differences in lumber recovery factors are incorporated.

Data Sources: Timber-Mart South, Random Lengths, FEA, Oregon DOF, WA DNR
 Chart & Analysis: WillSonn Advisory

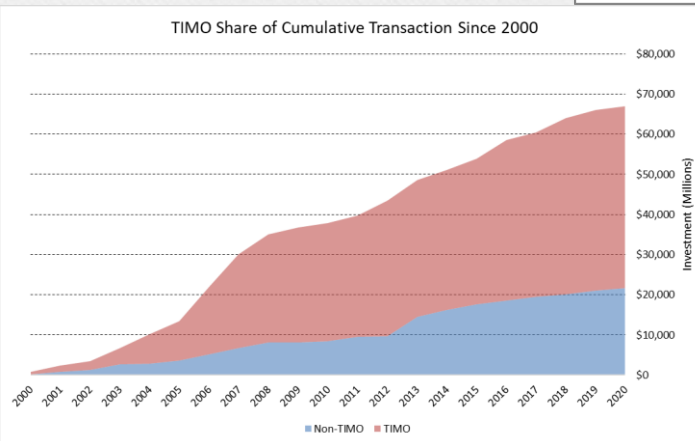
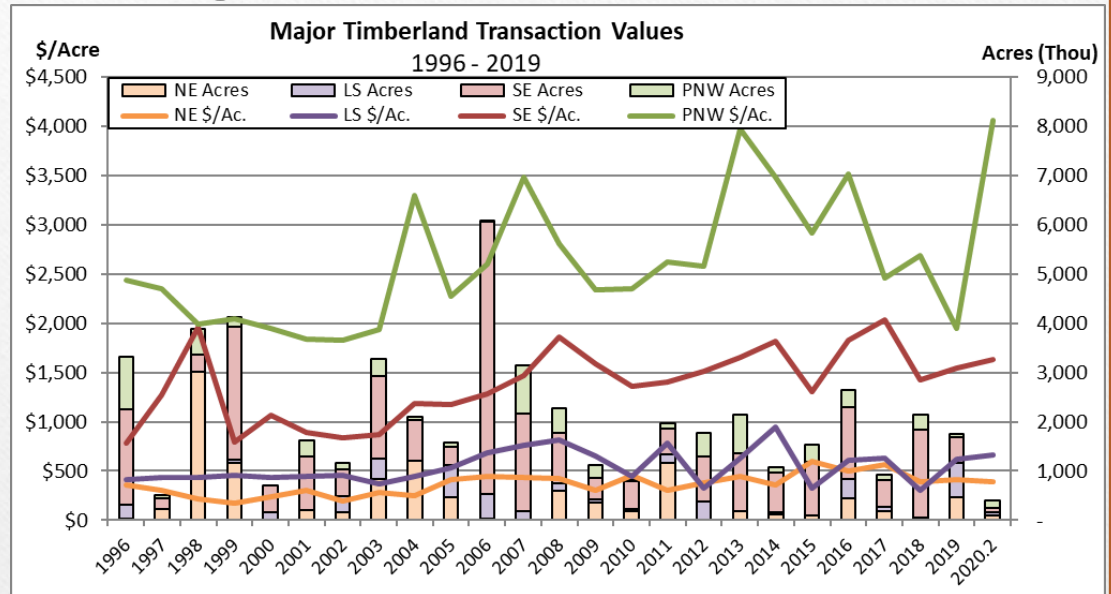
Closings and announced sales in 2019 totaled \$1.99 billion on 2.8 million acres.

Through the first six months of 2020, (and the first three months of the pandemic) 440,000 acres have sold, for total proceeds of \$887 million. Regional timberland prices have generally moved higher in 2019 and in general, remain off highs from a few years ago. Prices in the Pacific Northwest stand out as significantly higher in 2020, as average values were dominated by the acquisition of Pope Resource by Rayonier.

Activity over the remaining six months of 2020 may be muted as travel restrictions and/or concerns due to Covid-19 hamper due diligence efforts and investor appetite.

By investment sector, Timberland Investment Management Organizations (“TIMOs”) have funded 69% of the acquisitions from 2016 to 2020, well above the 25% captured in the 2013-2015 period. By comparison, TIMO buyers acquired 78% of US timberlands sold (by dollar) in the previous 13 years (2000-2012).

Regional Transaction Values



NE: Northeast LS: Lake States

SE: Southeast PNW: Pacific Northwest

Not Shown: Appalachia and Inland Northwest

Data Source: TMS, TMR, Press Releases Charts & Analysis: WillSonn Advisory

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Section 2: Deeper Dive



Outlook for the Timber & Wood Products Industry during Covid-19

- Since my last Market Update in early April, the impact of Covid-19 on all things wood related has had three months to manifest itself
 - Yet, because the future path of Covid-19 remains uncertain and mitigation efforts to control the pandemic have been uneven and inconsistent, uncertainty will persist
- In this quarter's Deeper Dive, I will use a SWOT analysis framework to highlight where I see some Strengths, Weaknesses, Opportunities and Threats related to Covid-19 for each of the primary subsectors of our industry; Housing, Wood Products, Timber & Timberland
 - SWOT analysis can be a key component in the development of a comprehensive and effective strategic plan, something to be considered if it has been a while since your last effort
- Certain Strengths, Weaknesses, Opportunities and Threats are common to each subsector
 - **Strengths:** Most Construction and Wood Products manufacturing, along with transportation and logging, have been deemed essential services in most jurisdictions
 - **Weaknesses:** Lenders have tightened standards on construction and land development loans, undermining construction and ultimately weakening demand for wood product and logs; Consumer sentiment has waned
 - **Opportunities:** Recruitment of displaced workers from non-essential businesses may be possible, but most displacement has occurred in urban areas; Recent high school graduates deferring college may also provide another pool of recruits
 - **Threats:** A second wave of Covid-19 in the Fall, particularly in conjunction with seasonal flu (and the absence of an effective vaccine) could spur another significant wave of stay-at-home orders (including schools), undercutting the availability of labor and the US economy in general
 - While a second wave is not a certainty, the probability is certainly higher than 0%, and the effectiveness of a vaccine will not be 100%, nor will the proportion of folks who choose to take the vaccine be 100%

Housing during Covid-19

Strengths

- Historically low interest rates are driving Affordability higher in the short-term
- Favorable demographic changes are anticipated in the intermediate-term

Weaknesses

- Low home inventories could drive home prices higher, affordability lower
- Stagnation of family income (private and government layoffs, furloughs, salary reductions) reduce household income and thus purchasing power
- Repair/Remodeling (“R&R”) contractors deemed non-essential in some areas, or face reduced demand

Opportunities

- Extended Work From Home flexibility could spur demand for larger homes
- A shift in demand to less densely populated locales may provide new and lower cost lot development opportunities
- R&R contractors shifting to new construction, bolstering the labor pool for housing starts

Threats

- Prolonged high unemployment levels leading to a depletion of household savings used for down payments (not captured in affordability indices) and for major renovations/additions
- Reduced state and local revenues leading to planning office layoffs, slower permitting and inspections

Wood Products during Covid-19

Strengths

- Demand for wood products has surprised on the upside, which has led to more stable (or higher) prices for wood products
- Many facilities located in rural areas with lower infection levels

Weaknesses

- Certain customer sectors (office furniture, commercial construction) susceptible to changes in work habits (more work from home) affecting select wood products more than others
- Some mills reporting trouble finding workers to resume a second shift, truckers for delivery, limiting a supply response

Opportunities

- Shift production to better fit the retail customer base
- Use period of reduced production to install/instigate manufacturing efficiencies

Threats

- Do-It-Yourself activity (and retail wood product demand) could cool as workers return to work, the list of home projects are worked down by homeowners, and/or household finances become strained

Timber & Timberlands during Covid-19

Strengths

- Trees continue to grow, even during a pandemic, preserving value, at least to a degree (certainly better than annual crops!)

Weaknesses

- Reliance on a generally older work force more susceptible to Covid-19
- Q2 log price trends suggest the decline in wood product production has led to lower log prices

Opportunities

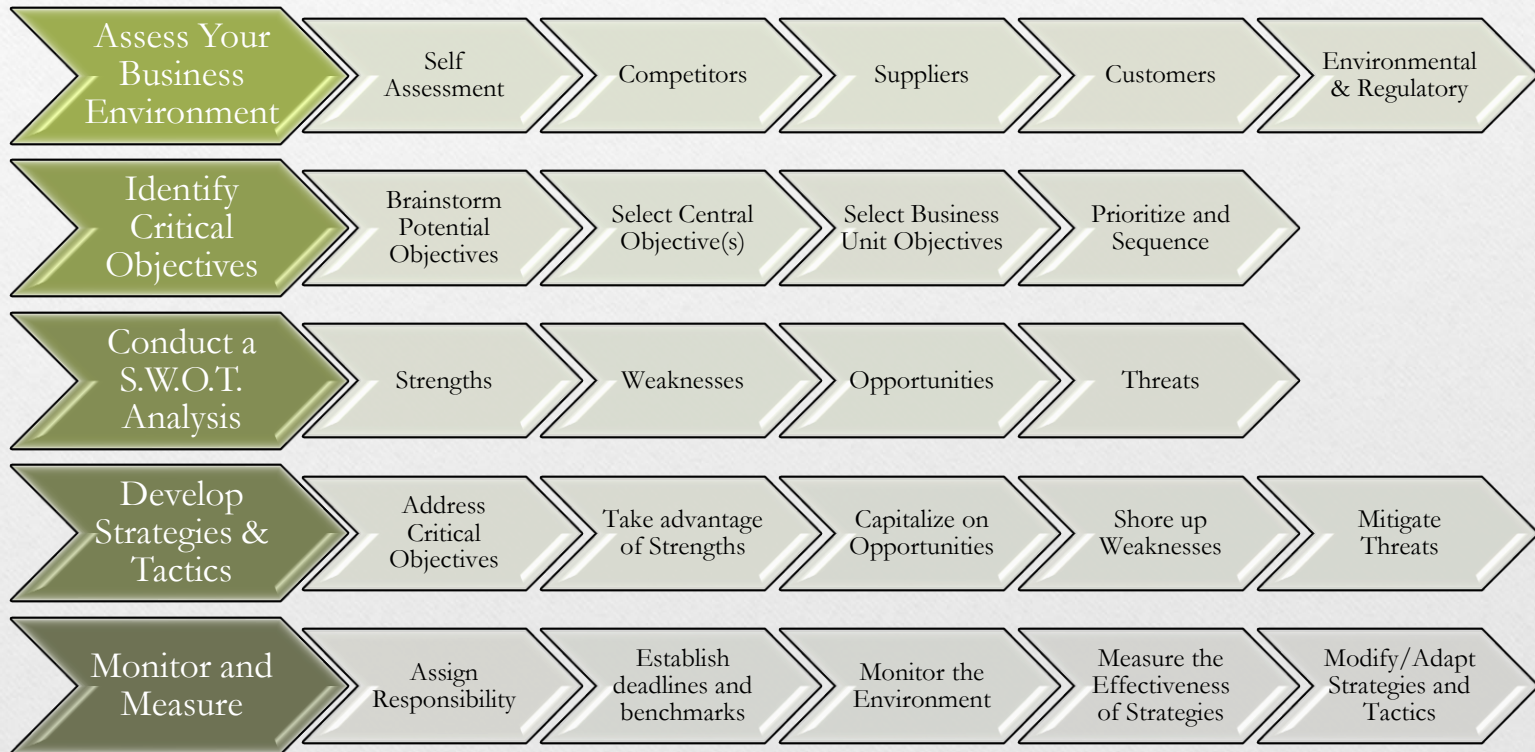
- Purchase of strategic assets as travel restrictions/flying reluctance leads to smaller pools of bidders

Threats

- Growing inventories on the stump could lead to softer log prices for an extended period of time
- International trade flow interruptions resulting from uneven local outbreaks and government responses could reduce export markets
- Limitations on Seasonal-worker availability (justified to preserve US jobs) could delay reforestation activities

Strategic Planning

A thorough and comprehensive Strategic Plan is more than a five-year budget. It is an internal planning process that assesses both internal and external factors affecting an organization's performance, formulates specific strategies and tactics to achieve its most critical goals, then assigns responsibility for implementation and monitoring. This focuses the organization's resources on the most impactful areas, and tracks and adapts to changes in the environment in which it operates. Bringing in an experienced, outside advisor like WillSonn Advisory can help facilitate discussions among staff, keep the process on track, and document the plan for management. Please call if you are interested in exploring this further.





Section 3: In Case You Missed It



In June, total payroll employment rose by 4.8 million and the unemployment rate dropped to 11.1%. The June data indicate that labor market is recovering from the COVID-19 crisis, though the road to a full recovery may be long.

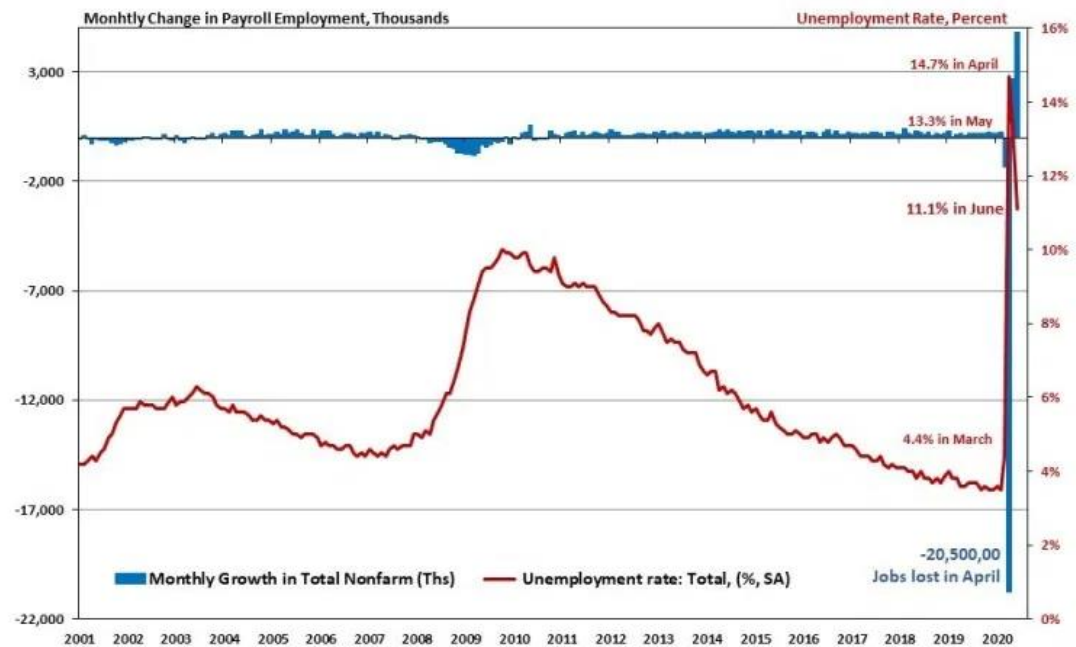
Residential construction employment rose by 83,200 in June to 2.8 million. Total construction industry (both residential and nonresidential) employment rebounded to nearly 7.2 million in June.

In the Employment Situation Summary for June, total nonfarm payroll employment increased by 4.8 million, following an increase of 2.7 million in May. The increases in May and June reflect the economy starts to recover from the COVID-19 pandemic. Monthly job changes in April and May were revised. The April monthly change was revised downward from an initial estimate of -20.7 million to -20.8 million, while the May increase was revised upward by 190,000 from +2.5 million to +2.7 million. After the economy lost 22.1 million jobs in March and April due to the impact of the COVID-19 pandemic, about 7.5 million jobs were created in May and June. Thus, total nonfarm payroll employment in June was 14.7 million lower than its February level.

NAHB: U.S. Added 4.8 Million Jobs in June

BY JING FU on JULY 2, 2020

Figure 1. Monthly Change in Payroll Employment and Unemployment Rate



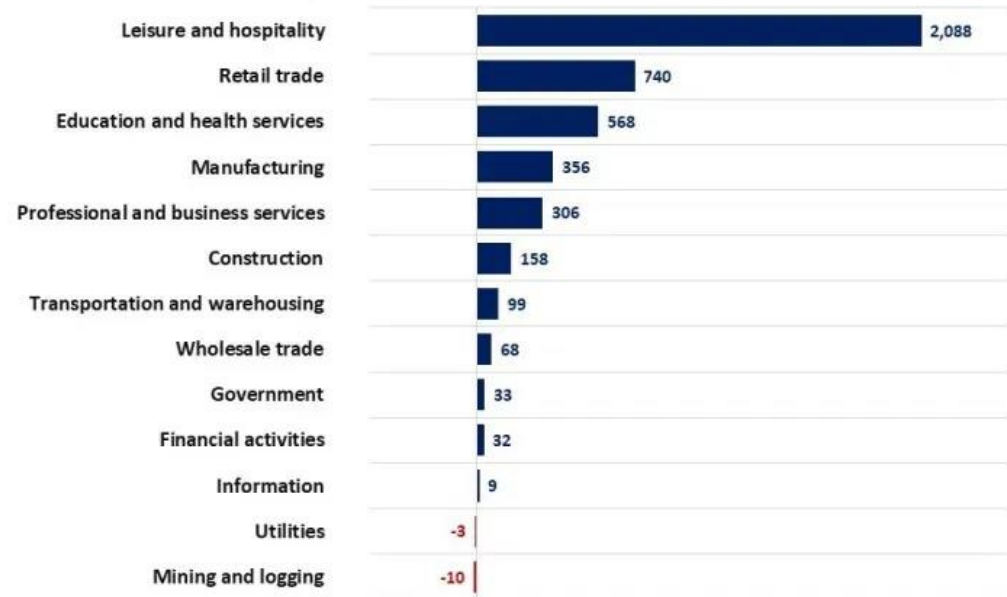
Source: Bureau of Labor Statistics.

Employment in leisure and hospitality, an industry that was hard hit in the COVID-19 pandemic, rose sharply in June. Retail trade, education and health services, manufacturing, and professional and business services also had the significant gains in June, while mining and logging continued to decline.

Meanwhile, the unemployment rate dropped to 11.1% in June, down from 13.3% in May. In June, the number of employed persons increased by about 4.9 million, while the number of unemployed persons declined by 3.2 million to 17.8 million. Among all the unemployed persons, about 60% classified themselves as on furlough or a temporary layoff and expected to be recalled back to work. The labor force participation rate, the proportion of the population either looking for a job or already with a job, rose by 0.7 percentage point to 61.5% in June, 1.9 percentage points below its February level.

The June decline in the unemployment rate and dramatic job gains amid the COVID-19 pandemic show early signs of recovery as states reopen and more people go back to work. These improving job situation is also a cause behind recent relative strength in housing demand.

**Figure 2. June Employment Changes by Selected Industry
(month-over-month change, in thousands)**



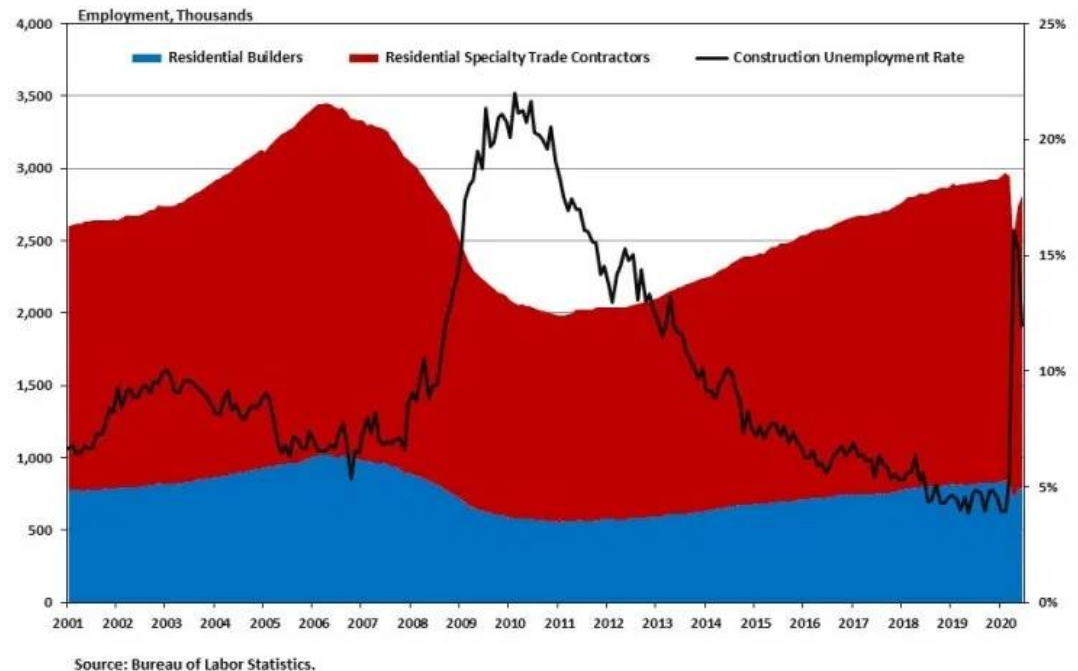
Source: Bureau of Labor Statistics.

Additionally, employment in construction continued to improve in June. Employment in the overall construction sector increased by 158,000 in June, after a revised increase of 453,000 in May. The number of residential construction jobs rose by 83,200 in June, after an increase of 224,200 in May.

Residential construction employment now stands at 2.8 million in June, broken down as 795,000 builders and 2.0 million residential specialty trade contractors. The 6-month moving average of monthly job changes for residential construction is -17,983 a month, mainly reflecting the largest job loss in April. Over the last 12 months, home builders and remodelers shed 83,900 jobs on a net basis. Since the low point following the Great Recession, residential construction has gained 834,200 positions.

In June, the unemployment rate for construction workers dropped to 12.0% on a seasonally adjusted basis, from 15.2% in May. The unemployment rate for construction workers has trended downward for the past ten years and remained at a relative low level in the beginning of 2020. The recent unemployment rate reflected the impact of the COVID-19 pandemic on construction industry.

Figure 3. Residential Construction Employment and Unemployment Rate





Section 4:
About
WillSonn
Advisory, LLC



WillSonn Advisory

Critical Experience for Critical Endeavors

WillSonn Advisory brings senior management experience, across multiple sectors of the wood products industry, with expertise in leading an array of strategic initiatives



<h3>Sectors</h3>	<ul style="list-style-type: none">• Timber, Manufacturing, Bioenergy• Private Industry & Institutional Investment• Corporate Lending• Consulting• Domestic and International
<h3>Experience</h3>	<ul style="list-style-type: none">• Mergers, Acquisitions & Divestitures• Timberland Operations• Finance & Planning, Financial Reporting• Loan Origination & Underwriting• Operations Support
<h3>Expertise</h3>	<ul style="list-style-type: none">• Strategic Planning• Asset Valuations and Due Diligence• Project Management• Contract Negotiations• Budgeting & Forecasting

WillSonn Advisory Services

- Timberland & Mill Valuations
- Acquisition “Post Mortem” Audits
- Conversion of Acquisition Pro Forma to Lender Financial Projections
- Acquisition and Operational Due Diligence
- Development of Company Enterprise Valuations
- Incorporating Economic Forecasts

Business Assessments & Due Diligence Services



- Acquisition and Divestiture Process Management
- Conduct Regional or Global Market Studies
- Plan and Oversee Inventory & GIS Projects and/or Audits
- Independent Review of Harvest Flow Projections and Processes
- Prepare Offering Memorandums and Prospectuses

Project Management Services



- Fiber/Log Supply Agreements
- Purchase & Sale Agreements
- Timber Deeds and Leases
- Conservation Easements & Carbon Projects
- Service and Offtake Agreements
- Joint Ventures & Partnerships
- Contract Negotiating Strategies

Contract Structuring and Negotiation Services



- Strategic Plan Process Design, Facilitation and Documentation
- Company Specific Price, Supply and/or Demand Forecast Development
- Contingency Plan Development and Monitoring
- Financial Planning and Capital Restructuring
- Work-out Strategy Development
- Capital Investment Assessments

Strategic Planning & Business Restructuring Services



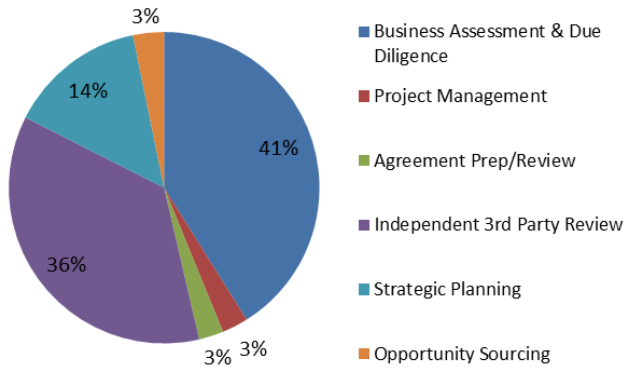
- Validate Acquisition Valuations & Due Diligence Procedures
- Evaluate Existing or Proposed Agreements or Easements
- Interpret Annual Management Plans & Appraisals
- Examine Proposed Transfers of Ownership
- Review Divestiture Timing & Strategies
- Track Investment Performance

Institutional Investor Services

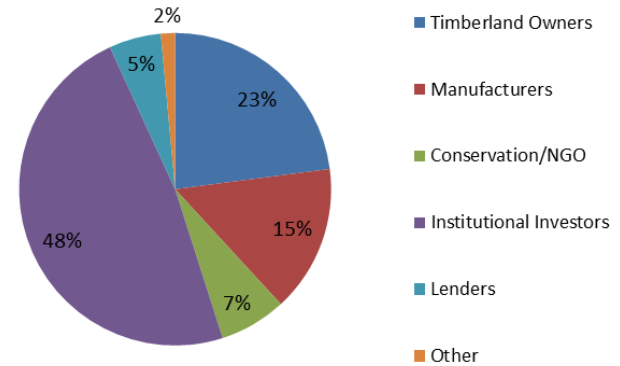


Engagement Profiles

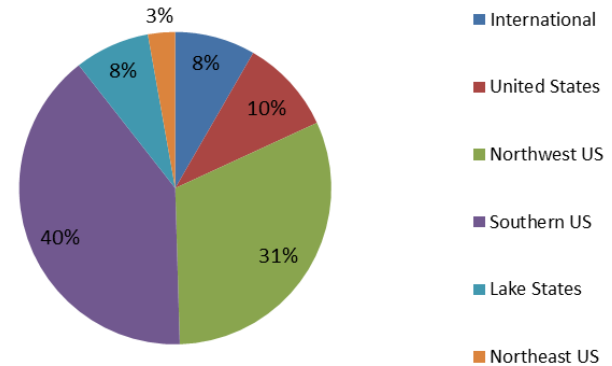
Services Provided 2009-19



Customers Served 2009-19



Regions Covered 2009-19



Since 2009, Will Sonnenfeld has been pleased to provide a broad range of consulting services to dozens of clients across the full spectrum of industry sectors in all regions of the US and abroad.

I look forward to your comments and questions, and welcome the opportunity to serve your consulting needs.

William E. Sonnenfeld, Principal

wes@willsonnadv.com

Office: (206) 201-3780

Cell: (206) 445-2980



PO Box 4706

Rollingbay, WA 98061-0706