

# On The LINE



Volume 14, Number 11

November 2004



Mike Gansen

***“Our committees are empowered to move the association”***

## PRESIDENT’S MESSAGE

### ***“Spike Appreciation Month”***

Last month I encouraged you to act on two items – first, vote no on 38 (SAIF) and second, help us grow our HBA membership and invite someone to join. By the time you read this, the votes will be finalized (hopefully) and the fall membership round-up will be over. I am optimistic we will be pleased with the outcome of both.

This month I have two invitations for you to consider. First - I invite you to start the new year by choosing to become involved with your HBA. Now is the time! By joining a committee you will improve your professional knowledge and develop meaningful business relationships while you strengthen our association. Don’t just sit back and talk about what needs to happen – join a committee and make it happen!

Our committees are empowered to move the association. It’s the committee members who have volunteered countless hours and brainpower to accomplish or surpass our goals. It’s the committee members who are “in the trenches” taking care of the details that so many of us enjoy but overlook. Goals are continuing to be surpassed as the committees reach higher levels by taking past experience and blending new thoughts to simply “make it happen.” Selecting the right committee is the most important step and we want to help. We need to know your interests. How much time can you give back to the association? What committee will assist you in reaching your personal goals?

*continued on page 10*

## SPIKES IN THE SPOTLIGHT

### ***November is SPIKE Appreciation Month***

The November membership meeting is dedicated to giving thanks to a very special group of members – Our SPIKES! In fact, across the nation, our membership champions are in the spotlight as NAHB continues to reserve the month of November to celebrate SPIKE Appreciation Month.

We currently have 66 SPIKES in our association and we have a special “thank you” waiting for each and every one of them. The gifts will be presented at the November meeting. If your name is on the SPIKE list on page 7, your attendance will guarantee the receipt of your gift and the recognition you deserve.

SPIKES are the strongest advocates of our association and the time has come to express our appreciation. The SPIKE gifts that will be presented are a direct result of the support received from our 2003-04 Membership Co-Sponsors Comfort Flow and Above All Sanitation so a mammoth thank you goes to them as well. The Builder members, and a guest, will also be treated to a free dinner compliments of our



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evening’s sponsor Oregon Telecom. Oregon Telecom also sponsors one of our newest, and fastest growing, HBA Affinity Programs. Several members have switched their telecommunications over to Oregon

Telecom with very pleasant results. The feedback received includes comments such as “excellent service” or “nice to phone them, have a real person answer, and get quick a response” to “saved me \$2,000 per month”! It’s a great program – the members save money and the HBA receives a percentage of the amount billed – Everybody wins! Oregon Telecom will also donate a door prize worth \$150 – an insert in the HBA monthly newsletter!

Please join us to help recognize and celebrate the efforts of our SPIKES. The Networking Social begins at 6:00 PM and the meeting will convene at 7:00 PM. No RSVP is necessary – simply show up at the Hilton and be prepared to have a good time. However, if you would like to have a nametag ready, please phone 686-6529 and let us know you are coming.

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Director of Government Affairs roxie@hbalanecounty.org	Roxie Cuellar direct line 302-1410

# COMING UP...

Nov 11	Executive Committee 11:30 - HBA Office
	NAWIC Meeting 5:30 - Red Lion
Nov 16	Board of Directors 11:30 - HBA Office
Nov 18	General Membership Meeting 6:00 Social Hour 7:00 Dinner Eugene Hilton Sponsored by Oregon Telecom
Nov 30	Membership Committee Noon - HBA Office
Dec 7	Government Affairs Noon - HBA Office
Dec 8	Florence Christmas Party Officer Installation Elk's Lodge
Dec 9	Executive Committee 11:30 - HBA Office
Dec 16	Holiday Banquet 6:00 Social Hour 7:00 Dinner Eugene Hilton <b>Reservations Required</b>
Dec 21	Board of Directors 11:30 - HBA Office

### PUBLISHER'S STATEMENT

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# MEMBER SPOTLIGHT



## *In the spotlight this month is Associate Member; Bruce Cross of Cross Benefits*



In honor of SPIKE appreciation month we felt it appropriate to take a look at HBA of Lane County's number one SPIKE, Bruce Cross. Bruce has accumulated an impressive 356 SPIKE credits since joining our association in the early 1980's. He is and always has been a strong believer in the Home Builder's Association and the belief that the association provides its members the best educational and professional edge available to them, with the belief that the association does a tremendous job in providing the community excellent affordable and quality housing.

It has been nearly twenty years since Bruce joined our association. In that time he feels strongly that the association has benefitted him time and time again. He is proud of the many friendships and business contacts he has made in those twenty years and believes he has always provided good and reliable service for the members that have become both friends and clients.

Bruce has been involved in the insurance and financial planning industry for nearly 40 years and currently serves as President of the newly formed Cross Benefits. In that role he provides his clients with products such as Individual and Group Life, and health and financial planning, including Health Savings Accounts. Prior to the formation of Cross Benefits, Bruce operated Bruce Cross Insurance for 20 years.

Away from work Bruce enjoys an active outdoor lifestyle including golfing, traveling, bike rides and walks with his wife.

We truly appreciate all the work and the commitments Bruce has made in supporting our association. If you see him thank him for his continued hard work in making this association as strong as it can be.

### November is Spike Appreciation Month.

I applaud those members who participate in the Spike Club Program. You bring new members, new leaders, and new life to our association on every level and your efforts help the federation maintain its strength, year after year. My team and I are here to make your membership experience rewarding and to ensure that your recruitment and retention efforts are well worth your while. Thank you for all that you do!



Emily Fitzsimmons  
Executive Director  
NAHB Membership  
& Associate Member Programs



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# GOVERNMENT

I swear that as much as I love Oregon, when I retire I am going to look at spending my winters in a sunnier climate. It's still October and I'm already sick of the gray clouds and the rain. However, next week the election will be over and that will cheer me up, whatever the results. I am probably close to being a political junkie, and if I am sick of the election coverage, I'm sure there are a lot of people everywhere who would like to wear earmuffs and blinders for the next five days. So some cheerful news...

The City of Florence and the Lane County commissioners voted to expand Florence's UGB. The expansion involves two parcels – one by Munsel Lake and the other at Oregon Dunes Golf Course next to the casino. I testified at the hearing before the commissioners that was held in Florence. Frankly, I urged the commissioners to separate the two parcels and bring them in separately, so each could stand or fall on its own merits. Personally, I think the decision to bring in the parcel at the golf course is easily defended. I think that the decision to bring in the 25 acres by Munsel Lake is less defensible and may jeopardize the inclusion of the golf course property if there is an appeal. But, that is just my opinion. However, it really made me start thinking about our own efforts to get the Springfield–Eugene UGB expanded.

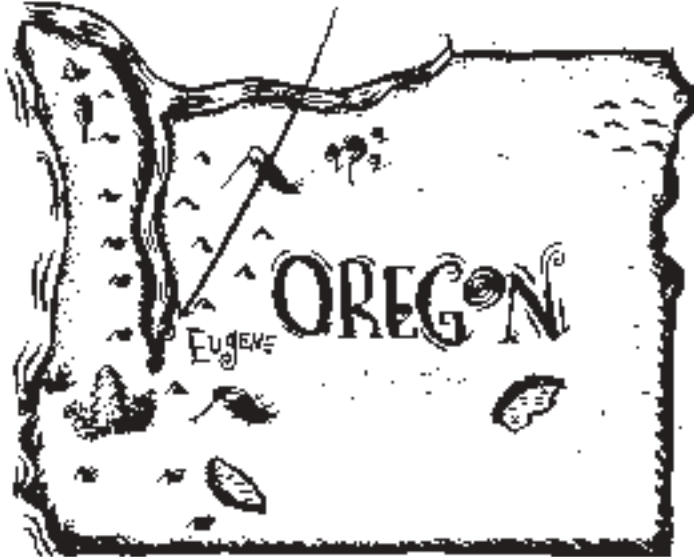
Several years ago, Jim Croteau, a city planner (now retired) from the city of Eugene, came to my office with a map of the metro area. He explained to me that at some point in the future, the UGB would need to be expanded, and the HBA (as well as other

residents) should be thinking about where that expansion should occur. Eugene and Springfield have a lot of natural constraints, such as the rivers and ridgelines, that limit or restrict where expansion of the UGB can occur. All of the local jurisdictions have been pondering those same issues through the 2050 process that LCOG has been conducting for the last few years.

The UGB expansions in Florence dramatized for me that all lands are not alike and that, frankly, from our point of view, as much as we love flat land, topography may be one of the least of our principal concerns. The two parcels in Florence were different in very meaningful ways. The golf course property is under single ownership and the Robinsons lobbied hard and effectively to be brought into the UGB. They have a plan for development that will create 43 lots for new homes. By contrast, the Munsel Lake parcel is made up of a number of lots, most of which already have homes on them. The homeowners who testified were all opposed to having their land brought into the UGB. The homeowners were assured that they would not be strong-armed to annex to the city or hook up to the sewer system. I may be wrong, but I don't see that that this 25-acre expansion of the UGB creates much more opportunity to build new homes in this area in the foreseeable future.

Granted, the basis for bringing this parcel into the UGB was not based on the need for more buildable land. However, that was still the argument provided in the much of the testimony at the hear-

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# AFFAIRS

*Roxie Cuellar, Director of Government Affairs*

ing. I think there is a lesson in all of this for us. When Eugene-Springfield is required to expand the metro UGB, it behooves us to have parcels in mind that are readily serviced with utilities and, equally important, owners who want to be included in the metro UGB. Forcing landowners into the UGB who do not want to be there is not likely to translate into new lots for homes anytime soon, and for us, after all, that is what the expansion is all about. All the land brought into the UGB does not have to result in immediate development. That is why, theoretically, we have a twenty-year supply. However, there has to be a reasonable expectation that the new land brought into the UGB will, in fact, become available for development during that twenty-year period. If landowners are brought into the UGB kicking and screaming and dragging their feet, there is much less potential for the land to translate into lots. At the same time, the inclusion of the land in the UGB creates the perception that there is available land. It's that same dichotomy we are always facing - the difference between the amount of land that appears to be out there and the amount of land that is actually available.

Thousand Friends of Oregon testified against the expansion of the Florence UGB, at least against that parcel by Munsel Lake. There is no way to know whether anyone will actually file an appeal. The people that I spoke with in Florence thought that an appeal could be expected. The odds of an appeal jump substantially when the landowners are brought into the UGB against their wills. UGB expansions ideally occur where property owners see the expansion as an opportunity rather than a threat. I have heard at least one Eugene city councilor express concern about developers making a profit if cheap land outside the UGB is brought into the UGB. Developers need to make a profit. That is what produces lots for us to build on. And in my opinion, there is nothing that would benefit builders more than an infusion of lots of land into the UGB that the owners had acquired cheaply.

For years, lot prices could be kept down because there were a number of developers who had land inside the UGB that they had acquired decades ago when land was much less expensive. They could develop the land, sell lots or build homes, make a profit, and still keep prices reasonable. Those days are gone. Developers now are paying top prices for the small amounts of available land, and that means builders are paying very high prices for lots. I don't believe that this madness of what we are paying for land will end

until there is a substantial infusion of cheap land coming into the UGB, and that land must be owned by people who want to see it developed.

I have been looking for a lot for next year's Builders Choice Home. I confess that I get panicky building in the \$350,000 price range. Call me a wimp. Future B and Anslow and DeGeneault had very thoughtfully arranged for us to buy a lot in Hawthorne Estates on Crescent. A lot of builders would give their right arms to get this lot. I wanted to build a house in the \$225,000 to \$250,000 range. Less than that and I can't make the profit we need to make. More than that and I start shaking in my boots. I could not find a lot that would allow me to build in the price range that I wanted to build. I seriously looked at Veneta. Nada. This morning I signed an earnest money agreement to buy a lot in Hawthorne Estates (the developer was kind enough to give us a discount, possibly to keep me from having a heart attack as I signed the papers). I should have written into the contract that Mike Butler and Allen DeGeneault will keep me supplied with Valium for the next nine months. I kid about it, but I am completely serious about the problem. We have got to bring land prices into line and the only solution is more land in the UGB that we can expect to be developed within a reasonable period of time.

We currently have two appeals going on the land supply issue. One appeal is before LUBA and the other before DLCD. DLCD had until the 20th to rule on our objections. We expected DLCD to turn us down. No briefs have been filed yet, DLCD is simply responding to our initial petition, and DLCD does not jump on the first opportunity to tell jurisdictions to expand their UGBs. Today we received word that DLCD did rule against us on our objections. I haven't had an opportunity to read their six-page ruling yet, but I would have been stunned if we had been upheld at the first step. We knew from the beginning that it would be a long process and an uphill battle. Government staff at all levels usually resist attempts to expand UGBs. I think it is genetic. I have always placed my hopes with LUBA, although LCDC (which is where the process eventually ends up at DLCD) is perhaps becoming more amenable to addressing land shortages.

Eugene is meeting resistance about the land swap with the McDougals that would allow the McDougals to develop acreage in north Eugene. It requires a UGB expansion. The McDougals would donate 77 acres to the city for a community park, which the

Santa Clara area really needs. McDougals would also provide an easement to the city for the Ridgeline Trail on a piece of property they own in the South Hills. In exchange, McDougals would get to develop about 120 acres of the parcel in north Eugene that would be brought into the UGB. Some of the city councilors would rather try to condemn land and buy it for the community park rather than getting it for free - simply because they don't want McDougals to be able to develop that acreage. I find that absolutely astonishing. Astonishing yes. Surprising no.

Have a great Thanksgiving. Pray for a short winter. And GO DUCKS!

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## A TIME TO CELEBRATE

*By Ed McMahon*

Once again, November is upon us. To many of us, this month signifies the beginning of a festive holiday season, complete with a Thanksgiving meal, time with family and friends, and other holiday preparations. November is a celebratory time of year, indeed, and for us HBA members, November brings one more very special reason to celebrate: our Spikes.

For those of you for whom this November is your first as an HBA member, please allow me to tell you what Spike Appreciation Month is all about. Every year, during the month of November, the entire federation finds fun, creative, and sincere ways to say "thank you" to our Spikes for all they contribute. In fact, many of you may have even been recruited by one of our Spikes, to whom you can give a special "thank you" this month.

As a federation, we celebrate our Spikes because their work builds bridges, connecting each one of us to the power of the building industry. By building our membership, Spikes give us: (1) A reliable source of dues revenue for the association; (2) A continually refreshed source of new members within our network; (3) A stronger voice among the legislative and political decision makers; (4) Increased purchasing power that creates savings for all

members, and; (5) Diversity within our association that allows us to share in the expertise and ideas of a membership that is truly reflective of our industry. Please join me November 18th as we kick off another Spike Appreciation Month. My personal message to our Spikes is simple, but heartfelt:

***Thank you Spikes, for your perseverance, dedication, hard work, and charisma! Your recruitment efforts make our association better by building a richer member network, a stronger foundation of power, and more dues revenue. You have my continued support in your member recruitment and retention efforts.***

If you are considering becoming a Spike and getting more out of your own membership, I encourage you to do so. Besides having a broadened network of business contacts and being celebrated during Spike Appreciation Month, our association tries to make the recruitment and retention efforts of Spikes worthwhile. The Spike Club program is organized in levels of distinguished status accompanied by awards. Currently, our association has 66 Builder and Associate members who have earned the prestigious Spike status, and 47 who are Life Spikes. Thank You SPIKES.

<b>SUPER SPIKE (250+)</b>	
Bruce Cross	356
Judy Schafer	265

<b>ROYAL SPIKE (150+)</b>	
Rod Kempf	238
Tom Wester	210
David Dukes	185
Rawlin Westover	172
Alan Ludvickson	172

<b>RED SPIKE (100+)</b>	
Allen DeGeneault	139
Dan Hall	139
Ann Schoelerman	138
Peggy Williams	122
John Breeden	116
Bret Hughes	115
Gary Konold	114
Mike Gansen	108
Bob Schafer	101

<b>GREEN SPIKE (50+)</b>	
Dee Osborne (Florence)	98
Dean Kortge	97
Paul Witt	97
Bob Tate	92
George Baker	86
Bill Slattery	78
Tom Wirfs	76
Gary Morris (Florence)	69
Ron Hallquist (Florence)	66
Larry Van Nortwick	66
Judy Gould	60
Karen Hageman	59

<b>LIFE SPIKE (25+)</b>	
Dorothy Butler	48
Johnny Kirschenmann	48
Bev Hottenstein	46
Bob Myers	46
Rebecca Larson	45
Marc Hepner	44
Todd Hennelly	42
Pete O'Neil	42
Nancy DeGeneault	40
Jim Breeden	39
Paul VanderPlaat	39
Steve Lee	36
Sharon Tate	35
Sandra Nolte	31
Bruce Bergby	29
Jeff Miller	28
Jon Harshbarger	28
Bryan Hanavan	27
Dan Hill	26

<b>SPIKE (6+)</b>	
Julie Ogle	24
Brian Lamb	23
Mike Butler	20
Katrina Wester	18
Judy Hall	18
Ron Smith	16
Chad Ruhoff	16
Cynthia Hart	14
Curt Rasmussen	14
Chris Wolgamott	13
Janet Terry (Florence)	13
Greg Roberts	12
Ray Gough	11
Todd Bardwell	10
Jeanette Welker	10
Karl Mueller	9
Rich Gunningham	9
John Webb	8
Maria Due	8



## HONOR OUR SPIKES

A Spike is an individual who has earned at least 6 credits within a two-year period. Spike credits are earned by recruiting and retaining HBA members. A Spike Candidate is an individual who has earned between 1 and 5 Spike credits and will soon become a full Spike with continued credit accrual.

To achieve Spike status, a member must earn six credits through recruiting and retaining members within two consecutive years. To retain Spike status and become a Life Spike, you must earn a minimum of one Spike credit (new or retention) each membership year until you reach a total of 25 credits.

The 66 members to the left, have proven their commitment and loyalty to this association by building the strength of our association. They deserve our praise and thanks:

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# EIGHTH ANNUAL HOLIDAY BANQUET

**December 16th At The Hilton**

Mark December 16th in your personal calendar and reserve the evening for fine dining, wine, and great conversation. Join the reunion of old and new friends and listen to our association's past as those who lived it tell it. Enjoy the sounds of holiday music. Review the last year's accomplishments and hear what's planned for 2005. Meet your new leadership and learn how to get the most from your membership. Applaud the award winners and find out how you can participate. Watch Mike Gansen pass the gavel to Chad Ruhoff beginning a new association year. This is a

well-attended meeting you do not want to miss.

You may choose a dinner of prime rib, chicken, or veggie as you and good friends are served at your table. You can make your dinner choice by completing the RSVP form that will accompany the invitation being mailed to every member later this month. Reserve your spot for this popular event!



# OCTOBER MEETING ELECTION RESULTS

Per our by-laws, we elect builder and associate directors every year at the annual meeting. Congratulations to the following members elected to lead this association for the next two years;

**Builder Directors**

- Dan Hill
- Rebecca Larson
- Larry Reed
- Andrea Rippee
- Lamoine Savage

**Associate Directors**

- Marie Due
- Johnny Kirschenmann
- Ron Smith
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## WHERE THE ACTION IS

Do you ever wonder how the HBA accomplishes so much? Do you have ideas you want to see enacted? Are there things you want to change? Maybe you simply want to get more from your membership investment. Well - all the action takes place within the committees. This is your opportunity to network with the membership at a level that has proven to be very successful. Within this newsletter, please notice the Committee Sign Up Sheet. Read it over and select a committee that sounds interesting and make your selection. Fax the form back to the HBA. You will soon be notified of the next date your selected committee will meet. It's that simple.

***Remember***

***The more you invest in the association  
 The more dividends you will receive***

So which committee is right for you? There are 10 active committees currently initiating their strategic plan that will shape the HBA activities for 2005. If you have any questions about choosing the right committee, phone Ed at 484-6560. He will be happy to answer any questions and welcome you aboard.



Lane County Oregon	New Listings	Pending Sales	Closed Sales	Average Sales Price	Median Sales Price	Average Market Time
September 2004	529	401	442	191,000	162,400	45
Year To Date (2004)	5,210	4,101	3,819	183,500	159,100	53
September 2004	511	409	410	173,200	155,200	59
Year To Date (2003)	5,101	3,689	3,397	168,900	148,900	66

*This Residential Market Highlights chart is courtesy of our friends from RMLS.*

## SEPTEMBER HIGHLIGHTS

Closed sales are on the rise in Lane County, 7.8%. New listings also climbed 3.5%. Pending sales dipped slightly, down 2.0%. A total of 1,130 active residential listings, at month's end would last 2.6 months at September's rate of sales.

Comparing the third quarter of 2004 to that of 2003, Lane County's market activity increased on all counts. Closed sales rose 10.5%. Accepted offers rose 9.4% and new listings were up 4.6%.

Market activity between the beginning of January and the end of September compared to the same period in 2003, shows closed sales up 12.4% and pending sales up 11.2%. Even new listings increased by 2.1%.

## FROM NAHB

**Economic growth was good in the third quarter and should do well in the fourth quarter as well ...**

Available monthly data show that growth of U.S. economic output (real GDP) picked up strongly in July — on the heels of a disturbing decline in June — and that growth remained solid in August and September as well. NAHB is estimating 4.1% annualized growth in real GDP for the third quarter, up from 3.3% in the second and definitely in the above-trend range that has positive implications for the labor market.

Economic momentum was good as the fourth quarter began, although record-high oil prices and associated weakening in consumer spending and net exports will take some toll on economic growth for the quarter. NAHB currently is projecting 3.6% GDP growth for the final quarter of the year, bringing projected year-over-year growth for 2004 to a robust 4.4%.

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## PRESIDENT'S MESSAGE

*Continued from page 1*

Can you meet monthly, or do you simply want to show up and help at one of the events? Matching you to the right task will make your volunteer experience more meaningful. Your first step is simple. Review the Committee Sign-Up form (inserted in this newsletter), fill it out, and fax it back to the HBA office.

My second invitation is for everyone to join me in celebrating SPIKE Appreciation Month. This is the month for giving thanks and our SPIKES certainly deserve to know we are grateful for their efforts. Notice the list of our SPIKES in this newsletter and make an effort to personally thank them. Also, attend the November 18th meeting and join me in celebrating "SPIKE Appreciation Month".

*Sincerely,*

*Mike Gansen,  
HBA President*

## ATTENTION TOUR BUILDERS ANNUAL TOUR BUILDER MEETING SCHEDULED

It's time for all the tour builders to come together and discuss the feedback from the 2004 tour and plan for the 20th Annual Tour of Homes in 2005. The meeting has an important agenda in view of several significant changes made to the tour contract in the last two years. The meeting is scheduled for Thursday, December 9th at the HBA office beginning at 5:30 PM and concluding by 7:00 PM. Attendance at this meeting is required to be eligible for the \$500 tour rebate. There will be no exceptions however you may send a representative if you can not attend the meeting.

### 2005 Tour Entry Deadlines

The tour entry date Friday, February 4th, 2005. A \$100 discount will be applied toward entries received by Friday, January 21st. Entries will be accepted through Friday, February 18th but the total fee for late entries will be \$2,500.00 per home. The following dates have also been set:

House plans due  
Friday, February 18th, 2005

Liability insurance certificate due  
Friday, February 18th, 2005

Feature sheets due  
Friday, April 15th, 2005

The completion inspections and dates will be announced at the builder meeting. Also, the advertising restrictions at the tour homes will be strictly enforced with any violation resulting in forfeiture of the \$500 rebate. This action was the result of several violations for non-members advertising in the tour homes.

With all the changes, clear communication is very important to assure your participation in next year's tour. That communication begins at the December 9th meeting. If you are thinking about having a tour home – be there and learn what needs to be done to have a successful **2005 Tour of Homes**. Please RSVP by phoning Linda at 686-6529.



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# SOME RELIEF IN BUILDING MATERIALS PRICES IS ON THE WAY, ECONOMISTS SAY

October 29, 2004 - Builders can expect modest relief from soaring materials prices in the coming year, with the notable exception of the cost of cement, which is expected to peak in early 2005 as Florida's post-hurricane reconstruction efforts move into full swing, according to analysts at the National Association of Home Builders (NAHB) Construction Forecast Conference in Washington, D.C. The conference, held twice yearly, brings together top experts from across the housing industry to discuss topical issues.

Led by scrap steel costs, which soared 80% since last year, several key building materials have posted double-digit increases over the past 12 months. Steel mill products jumped 43%, lumber prices are up 27%, gypsum 20% and cement 6%. "This is a normal commodity price cycle and we are currently at the peak," said John Mothersole, senior member of Global Insight's Industry Practice. "We believe that commodity prices are topping out and moving on a downward slope. However, the bad news is that the ride down won't be too steep in 2005."

Commodity prices are determined by international factors, Mothersole noted, and while the U.S. consumes about 13% of the world's steel products, China is now almost three times larger in terms of production and consumption. China's phenomenal growth has caused global demand to exceed capacity, leading to a huge price run-up, he said. Shipping capacity has also been strained, causing transportation prices to soar. "A year ago, a tanker cost \$35,000 a day. Today that cost is \$135,000," he said.

Mothersole forecast that steel prices will start declining in the current quarter and continue to ease through 2005 because of several factors: steel products are profitable, so more plants will be coming online; additional shipping capacity will be added; and, because U.S. steel prices are set above the global rate, there is an incentive to sell more product to the American market.

"We expect more significant price declines in 2006 and 2007 as ore and coke become more plentiful," he said. In the case of cement, with lean inventories on hand, the housing industry this year has been caught flat-footed by surging demand. High shipping rates and rail bottlenecks have exacerbated the problem,

resulting in spot shortages and an 8% price hike from the second quarter of 2003 to 2004.

Eliminating costly tariffs on Mexican cement imports would help alleviate the shortages, but Mothersole said he does not expect this problem to be resolved soon. Import availability and transportation issues are not expected to be corrected in the next eight months, he added, and as a result of Florida's massive rebuilding efforts, cement prices won't reach their peak until next spring, after which there will be modest declines.

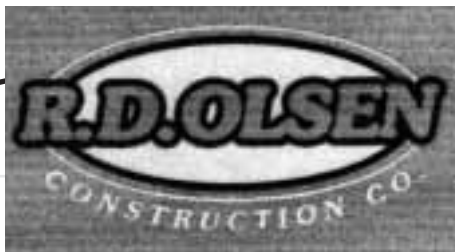
The price of gypsum has increased roughly 20% this year, but price gains for this product should fall into the 6% range next year, as sales slow and imports rise. "Volatile" is the word that best describes lumber and panel prices, according to Al Schuler, research economist for the USDA Forest Service. "Volatility is the nature of the beast, but we expect prices to moderate next year in response to a pullback in housing and increased supply," he said.

A persistent problem with oriented strand board (OSB) is that its producers have failed to "read the tea leaves," Schuler said. In the mid-1990s, the industry overbuilt capacity, resulting in weak pricing and miniscule profits. During the past few years, the industry underestimated demand and cut back production.

"Nobody wants to hold inventory because it costs money, but no inventory in the pipeline breeds volatility," said Schuler, who noted that the top five structural panel producers account for 75% of the overall market share. OSB capacity will remain relatively fixed in the short-term because it takes up to two years to build a new OSB mill and at least another 18 months to ramp up to full production. Several new mills in Canada and the U.S. are in the planning stages and as capacity increases in the coming years, OSB prices are expected to decline.

Schuler noted that the U.S./Canada trade dispute on softwood lumber has contributed to price volatility during the past three years. In late August, a NAFTA panel found that the 27% duties on Canadian softwood lumber should be rescinded because domestic lumber producers failed to prove that imports pose a threat to their health. The U.S. intends to issue legal challenges to the NAFTA ruling, and Schuler is guessing that a negotiated settlement with duties of 15% or less will be reached in 2005. Settlement of the issue would decrease volatility and ease upward pressure on lumber prices. How much depends on many factors, said Schuler, including demand, alternative supply from domestic and non-Canadian sources and non-wood substitutes.

During the next couple of years, Schuler said he anticipates that OSB prices will decline 30%-35%, and increased South American imports should lead to a 15% decline in plywood and softwood lumber prices.



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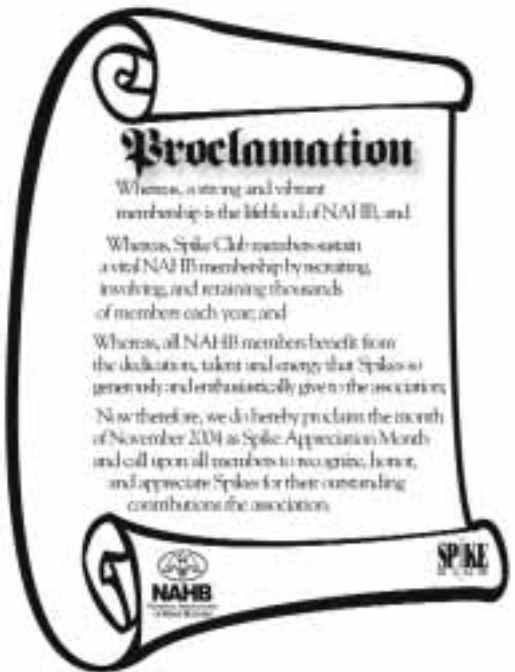
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## HAPPY THANKSGIVING!

During this month of giving thanks, the staff would like to recognize the support we receive from every member. We are proud to be employed by such a fine group of people. So, from Ed, Linda, & Roxie, thank you and may you and your family enjoy a safe Thanksgiving Holiday!



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