

Referendum Positions SLB to Expand Its Impact Over the Next 5 Years

Dear Colleagues,

I'm pleased to share that in the recent referendum conducted by the USDA to determine the future of the Softwood Lumber Board (SLB), a super-majority of manufacturing and importing companies established a strong new mandate to advance the program for another term. Seventy-eight percent of companies participating in the referendum representing 94% of volume voted to continue the program. This vote shows the softwood lumber industry's strong support for a nationwide promotion program and affirms the industry's view that the Softwood Lumber Board and its programs are an effective investment vehicle to grow the market for the benefit of all producers.



John W. Olver Design Building at UMass Amherst. Photo: Albert Vecerka/Esto

To respond to the industry's mandate to aggressively pursue market opportunities, the SLB will review and refine its strategy, tactics, and funded initiatives to ensure all are optimized and aligned given the changing dynamics in the market. At the May 31 Board of Directors meeting the SLB announced Steve Lovett's plan to step down as Chief Executive Officer at the end of November 2018, and the appointment of Cees de Jager to take his place. Steve and Cees have worked closely for 10 years, and both have demonstrated tremendous leadership in executing the SLB's vision of making softwood lumber the building material of choice. Steve has led a very successful start-up of the SLB with the goal of seeing the organization through a successful revote, and he has designed a transition to transform the SLB from a start-up to a mature organization. At the meeting, Steve commented, "Looking toward the future, the SLB has proven that marketing

is what the industry needs to drive growth. Cees' leadership, marketing expertise, determination, and proven commitment to the industry's future will continue to drive growth. The Board could not have made a better choice for its next CEO."

Recognizing the opportunities to increase market share and the SLB's need for expanded market development skill sets, the Board announced that Ryan Flom has been appointed to fill the new VP of Market Promotion & Research position. In welcoming him to the organization, Cees de Jager shared, "Ryan's entrepreneurial attitude combined with his proven ability to manage complex, multi-faceted programs significantly enhances our ability to deliver on the SLB's objectives." Ryan will assume the CMO position, when the CEO transition takes place later this year.

To round out future staffing, the Board also announced a search for a new Vice President of Operations, which will begin immediately.

During the meeting I asked the Board "What would success look like in 2024?" What followed was a robust conversation on the direction the SLB will take in the next five years. **We have moved from re-think wood which is where we started, to think wood today, to of course wood in 5 years. We welcome your thoughts as we review and refine our strategy for the years ahead.**



Marc Brinkmeyer
Chairman, Softwood Lumber Board
Chairman, Idaho Forest Products

**"The industry has realized that we all have common competitors in the form of other building materials. The SLB has unified the industry's efforts to compete in the marketplace—something that none of us can do acting individually."
George Emmerson, Sierra-Pacific Industries.**

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1ST Quarter Highlights



Building Standards: American Wood Council

- AWC reviewed 1,091 proposals for the 2021 International Building Code (ICC), International Fire Code, and International Wildland Urban Interface Code; has submitted 13 proposals; is supporting another 42 proposals; and is opposing 47 proposals, five of which are deemed significant threats to the softwood lumber industry.
- AWC continues to track and advocate for proposed, pro-wood changes to the ICC's Tall Wood Building code leading up to a pivotal committee vote in November 2018.
- Nearly 6,200 building officials, engineers, and architects attended technical programs and eCourses, resulting in over 9,600 contact hours.
- AWC published an update to the Design for Code Acceptance (DCA) 3 - Fire-Resistance-Rated Wood Floor and Wall Assemblies.

Non-Residential Communications: Think Wood

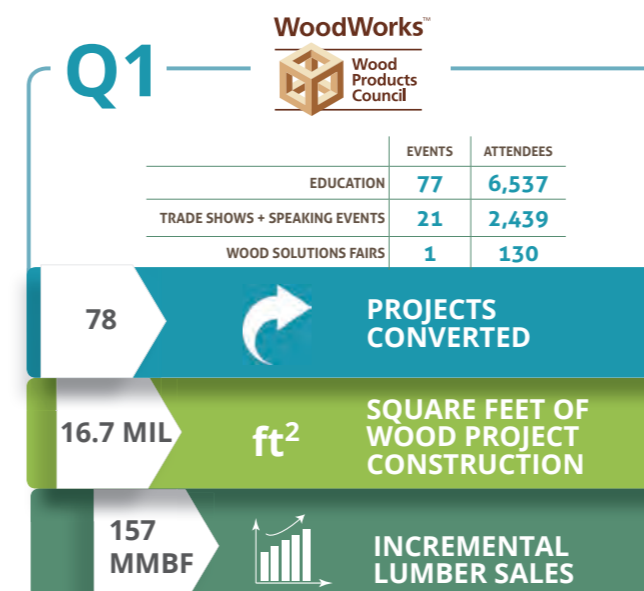
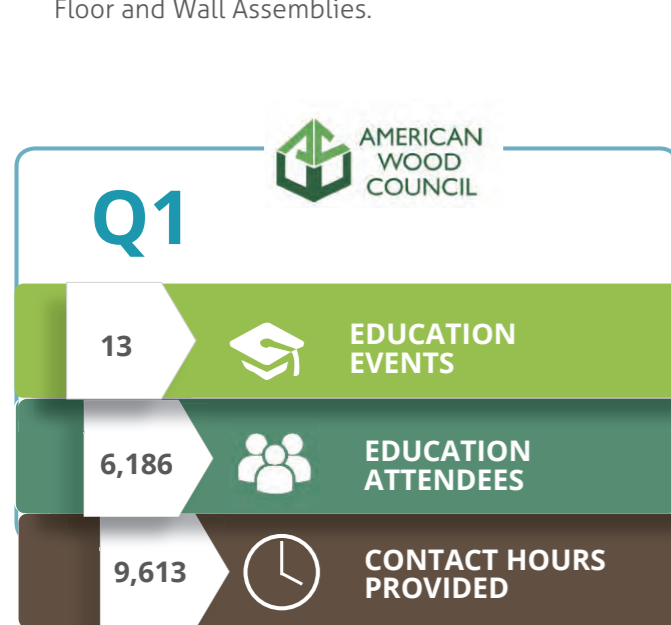
- **Think Wood** reached its target audience of architects, engineers, and developers with pro-wood messaging more than 370 million times, up 104% year-on-year.
- 145,414 building professionals tapped into **Think Wood's** light frame and mass timber resources, up more than 250% over the same period last year.
- **Think Wood** developed 1,512 prospects for partner organizations, including **WoodWorks**, helping to move them from interest toward specification of softwood lumber products.
- **Think Wood** generated enthusiasm among the building community for its new name and brand through social and traditional media coverage.

Design and Construction: WoodWorks

- **WoodWorks** conducted 794 individual meetings and interactions that resulted in 125 newly influenced projects.
- 78 directly influenced and converted projects went to construction, representing 10.9 million square feet and an incremental 39.3 million board feet of consumption.
- When adding projected indirect impact, **WoodWorks** converted a total of 300 projects, consisting of 17 million square feet of new wood construction and representing 154 million board feet of incremental softwood lumber demand.
- **WoodWorks** delivered 10,512 education hours through 77 **WoodWorks** - hosted events and over 20 third-party speaking engagements to increase awareness of **WoodWorks'** services and resources and establish valuable new relationships.

Residential Program: Wood, Naturally

- **Wood, Naturally** generated over 12.5 million social media impressions, tripling performance from the prior quarter.
- Homeowners and design professionals engaged over 2.1 million times with **Wood, Naturally's** content on Facebook and Pinterest and visited its website 86,700 times.
- **Wood, Naturally** launched four new partnerships with well-known home improvement and DIY bloggers to create and promote the "Top 5 Ways to Unplug," which incorporates healthy home design messaging and promotes wood's health benefits. Messaging reached nearly a quarter million people in its first week.
- **Wood, Naturally** referred 3,447 specifiers and prospective consumers to partnering lumber industry associations for further development.



The Future of Wood

Understanding Market Opportunities

Interest in wood construction has increased substantially in recent years, driven by next-generation mass timber building systems and the SLB's aggressive promotion programs that have created a growing awareness of wood's economic, performance, and environmental benefits. Recent SLB-funded research suggests that an additional incremental demand of 8.5 billion board feet (bbf) is available to the industry annually, awaiting capture. Buoyed by the revote result, the SLB is currently working to refine and implement an industry-wide strategy to influence and ultimately capture the market opportunities that make up this demand.

Potential Annual Demand for Wood in the U.S.:

Building Height (Stories)	Target Market Share	Potential Annual Demand (BBF)
1–4 stories	25% (nonres)	3.4
5–6 stories	67%	3.6
7–8 stories	50% (res), 35% (nonres)	1.0
9–18 stories	33% (res), 10% (nonres)	0.5
Total		8.5

Source: Tall Wood Demand Estimation 2016, FPIInnovations (funded by the SLB)

Key elements of the SLB's strategy include converting projects in the one- to four-story nonresidential segment to wood; growing market share in the five- to six-story multifamily and non-residential market; capitalizing on emerging mass timber technologies to capture more of the seven- to eight-story segment; and building the evidence base to champion code changes that allow for more mass timber applications in buildings nine stories and taller. Simultaneously, the SLB is working to build technical capacity across the softwood lumber supply chain to support competitive, high-performing projects.

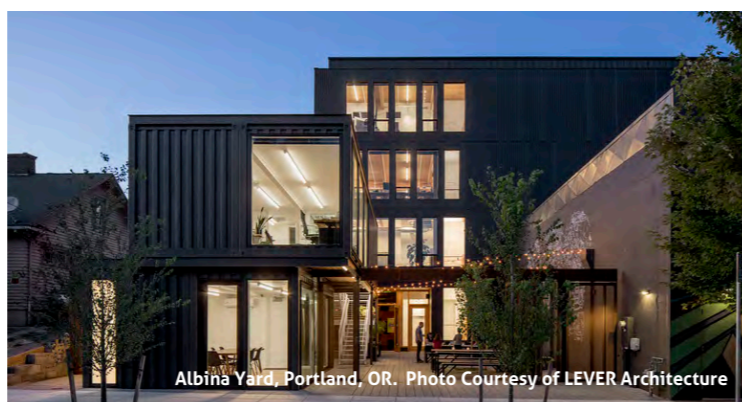
SLB-funded efforts are already gaining traction. For example, AWC effected wood-friendly code changes in the 2018 International Building Code (IBC) and is supporting the ICC's Ad Hoc Committee on Tall Wood Buildings as it considers changes to the 2021 IBC that would permit the use of wood in buildings up to 18 stories. Think Wood launched an online research library, making more than 1,000 research documents available to architects and engineers looking to build with wood. Meanwhile, WoodWorks converted nearly 300 projects to wood in 2017 and is on pace to exceed these numbers in 2018.

Cumulatively, these actions create widespread benefits for the industry in the form of increased revenue and returns, diversification and stabilization of demand, continued maintenance of forests, stable existing and new jobs, and greater purchasing power leading to stronger communities.

Demand at 1 to 4 Stories

Potential Annual Demand: 3.4 bbf

Non-residential buildings of one to four stories hold tremendous potential for wood and present immediate opportunities for hybrid and mass timber systems and light-frame construction. Wood's current market share in this segment is less than 10%, despite its use being generally permitted by building code. Where light-frame construction is possible, it will almost always be more cost-competitive than mass timber, but mass timber offers unique aesthetic and performance benefits, particularly in assembly applications such as offices, schools, and public service and commercial spaces.



Demand at 5 to 6 Stories

Potential Annual Demand: 3.6 bbf

Recent code changes have helped wood to grow its market share from 25% to more than 50% among five- and six-story mid-rise buildings since the SLB's inception in 2012, particularly in the multifamily segment. Wood is an excellent choice in mid-rise construction because it easily meets developer demands and is easy to work with, durable, and economical. Emerging shifts from light-frame to hybrid or mass timber construction, which will enable larger spans, taller floor-plate heights, and improved acoustic and thermal performance, will further strengthen demand in this segment and create new opportunities for wood in non-residential, mixed-use, and commercial buildings.



Demand at 7+ Stories

Potential Annual Demand: 1.5 bbf

Of the 1.5 bbf of demand in buildings seven stories and taller, 1 bbf falls within the seven- and eight-story segment, where the potential for wood is rapidly growing, enabled particularly by mass timber, which is permitted in most states at heights of up to 85 feet. Structures such as Hines' all-wood, seven-story T3 office building in Minneapolis exemplify what can be achieved in this height range and easily be replicated; similar buildings are planned/under construction in Chicago and Atlanta. Pending code changes being championed by AWC will open brand-new opportunities to use wood in the nine- to 18-story range. However, near-term volume opportunity is modest beyond 12 stories, so the SLB will focus on commercially viable opportunities below 12 stories.

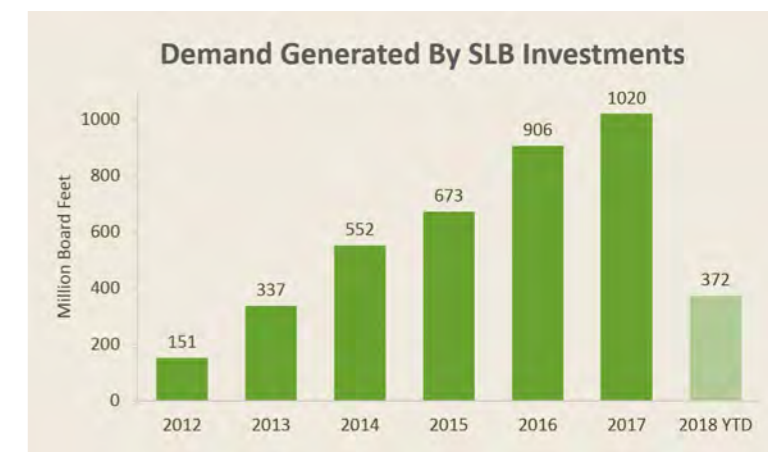


Exploring Export Opportunities

Global consumption of softwood lumber is increasing, and besides servicing a healthy domestic market, U.S. producers exported over \$1 billion of softwood lumber in 2017, mostly to China, Mexico, and the Caribbean. Global trends on both the supply and demand sides suggest that the export market is an area of likely future growth for U.S. producers, offering an important opportunity to attain greater market diversification. However, little is known about what it will take to optimize this market, including in relation to the long-term supply capabilities of competing producer countries.

The SLB is undertaking new research and analysis on global trade patterns in softwood logs and lumber to develop a better understanding of the potential to increase the export of U.S. softwood lumber products into global markets. The research will identify and analyze trends in regional and global supply, trade flows, manufacturing capacity, competition, barriers including tariffs, pricing, traditional and emerging uses, and policy environments to identify opportunities and threats. This initial research will be followed by more detailed study of areas of greatest interest to the industry.

Measuring ROI



The SLB's Board of Directors firmly believes in measuring the impact of the industry's investment through the SLB. Since the SLB's mission is to increase the demand for softwood lumber, it is important for the SLB to differentiate between its own impact and external changes in the market overall.

To accomplish this, the SLB requires that all of its impact measurements be backed up with rigorous, provable data analyzed by an independent third-party consultant. The SLB has contracted with Prime Consulting Group (Prime) to develop a comprehensive measurement plan to address the efficacy of its campaigns and efforts to develop a larger user base of softwood lumber practitioners—architects, engineers, developers, contractors, and other design professionals—as well as individual consumers themselves. Prime combines propriety SLB data, customized surveys of construction specifiers and consumers, and overall nation-wide macroeconomic data in order to differentiate between larger economic trends and the specific impact of the SLB and its programs.

The results show verifiable movement in the construction market toward greater usage of softwood lumber products as the direct result of SLB's activities. The SLB's impact adds up to 3.6 bbf of incremental demand through the end of 2017, along with an annual incremental demand impact that has increased in every year of SLB operations. The SLB and its programs utilize Prime's metrics data along with continuous market research to fine-tune their efforts and determine new opportunities for market development in order to maximize ROI for the industry.

Wood, Naturally Teams With Associations to Reach Building Professionals at IBS



The SLB's Wood, Naturally program ensured that the industry was on hand to welcome over 85,000 building professionals at the International Builders' Show (IBS), which was held in early January in Orlando, Fla., as part of a larger Design & Construction Week.

The SLB's Wood, Naturally program teamed with several associations to sponsor a large exhibit that featured various softwood lumber products for indoor and outdoor applications throughout the home, including flooring, paneling, decking, and ceiling patterns. The Southern Forest Products Association (SFPA), Southeastern Lumber Manufacturers Association, Northeastern Lumber Manufacturers Association, Western Wood Products Association, Western Red Cedar Lumber Association, and Western Wood Preservers Institute were among the participating associations on hand to display and hand out product information.

According to SFPA's Eric Gee, "Builders expressed an appreciation for solid-sawn wood being represented at the show, and ... many international visitors discovered the potential for using our products in their own countries, especially treated lumber."

Wood, Naturally's Healthy-Home Message Counter Competitor Attacks

Wood, Naturally has found healthy-home messaging to be an effective differentiator between wood and plastic composite decking. Research on biophilic design has shown that natural elements—including wood, water, and natural light—in the built environment reduce stress and lower blood pressure.

Think Wood Research Library Answers Industry Call for More Research

As new markets open up to wood products, architects and engineers increasingly cite the need for research that proves the ability to build safely with wood. Think Wood, an industry-driven initiative that provides research and resources on the benefits of using softwood lumber in multifamily residential and non-residential building applications, is answering this call.

The Think Wood Research Library, launched in 2017, is now stocked with nearly 900 unique pieces of research to aid architects, engineers and other industry professionals in building safe, high-performing buildings that can stand the test of time. The library includes reports that bear out wood's capability to achieve fire, seismic, wind, acoustic, energy, and other performance standards. The library is particularly useful for architects and engineers who are considering building with mass timber for the first time, as mass timber construction is a relatively new technique in the United States and many specifiers need data that will help them achieve mass timber's inherent safety and performance potential. Mass timber construction requires performance testing of systems and connections that are new to the U.S. market, and the research library helps specifiers choose wood solutions in their designs.



In March, Wood, Naturally worked with four bloggers and DIY pros—Jen Woodhouse, Serena Appiah, Rachel Pereira, and Krista Aasen—to incorporate wood's healthy-home messaging into their coverage of the National Day of Unplugging. Their collective coverage of the five-day campaign reached 238,819 people and achieved 17,808 engagements.

WoodWorks Brings Expertise to Mass Timber Conference

WoodWorks once again coproduced the annual International Mass Timber Conference, which was held March 20-22 in Portland, Ore. Alongside Forest Business Network, WoodWorks contributed content and organizational expertise to the 2018 event, positioning it as a platform to expand audiences for high-quality wood design education. Nearly 1,200 people attended the conference, 675 of whom were new to WoodWorks. To bring serious specifiers to the event, WoodWorks offered scholarships to design and construction professionals who were considering mass timber for a project. WoodWorks received information on 200 projects and provided passes to 70 people from around the United States. This large number of projects represents the rapidly expanding interest in mass timber across the country.



Above and below: First Tech Credit Union Headquarters under construction. With 5 stories of glulam and CLT, it's the largest mass timber building in the U.S. with 156,000 square feet of space. Seven workers erected the mass timber in 12 weeks.



WoodWorks Helps Firm Design Progressively Larger Wood Buildings



Rendering Courtesy of Annino Incorporated

North Commons — Mansfield, MA

PROJECT DETAILS

Description	Type V, four stories of wood-frame construction
Size	90,000 square feet
Volume of lumber	713,571 board feet
Value of wood products	\$1 million
Status	Complete

At four stories, North Commons is architect Douglas Annino's largest wood-frame project to date—but it won't be for long. He's now working on three additional four-story wood buildings as well as a Type III 4-over-1 podium project. Douglas credits WoodWorks' support for helping him achieve the extra height.

Just one follow-up call was all it took for WoodWorks to engage an entire architectural firm and convert many buildings to wood-frame construction. Douglas Annino filled out an assistance card after a Wood Solutions Fair, and WoodWorks soon discovered his firm was considering building multiple four- to five-story buildings out of steel. Douglas and his firm weren't aware that wood was permitted in four-plus-story Type V buildings. WoodWorks provided a lunch-and-learn to the firm and convinced them that wood-frame construction was economical and durable. Douglas Annino commented, "We originally were considering steel-frame for this project as we had just completed a six-story steel-frame, multifamily in Attleboro, Mass. With WoodWorks' assistance and guidance regarding cost, we were able to design it as a wood-frame structure. The result is a beautiful, affordable building in a prominent corner of the downtown"

AWC Tall Wood Code Project

AWC Helps Mass Timber Pass Major Hurdle During ICC Committee Hearings

The highly anticipated tall, mass timber building code changes passed their first hurdle on April 16 when the International Code Council (ICC) Code Change Committee voted 13-1 to approve the changes during Committee Action Hearings held in Columbus, Ohio. The eight-day hearings bring together code and fire officials, engineers, architects, builders, and other construction professionals as part of the first public step in approving code change proposals for the 2021 ICC codes. Key to industry interests were 14 proposals from the ICC Ad Hoc Committee on Tall Wood Buildings that would allow mass timber buildings to be constructed up to 18 stories in height. Decisions on all these proposals will be made in the fall of 2018, and every favorable decision will mean that more wood can and will be used in building construction in North America. The American Wood Council (AWC) has been a key player in generating and presenting data in support of the proposals and spoke in their favor during the hearings. The committee's approval represents a first, big step toward adoption of tall mass buildings in the United States. Additional continuing AWC efforts in support of mass/tall timber code changes include a robust set of physical research and testing along with educational and technical outreach.



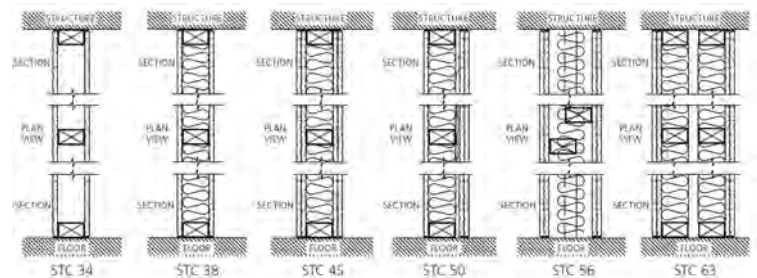
Carbon 12, Portland, OR. Photo Courtesy PATH Architecture

AWC Testing Reduces Costs and Restrictions on Wood-Frame Buildings

AWC sponsored an extensive series of acoustic tests of lightweight floor assemblies that were then added to the 2018 IBC. This allows engineers to provide greater modeling analysis to demonstrate compliance with sound-transmission requirements without expensive lab testing for each wood assembly.

In a similar effort, AWC convened a meeting of shear-wall testing experts to address seismic design of four- to five-story wood-frame building structures. These experts developed a series of seismic tests to eliminate the need for overly conservative modeling assumptions in designing

wood-frame shear-wall buildings. Pilot study testing indicates more extensive tests will be successful, eliminating more barriers to wood-frame construction.



About the SLB

The Softwood Lumber Board (SLB) is an industry-funded initiative established to promote the benefits and uses of softwood lumber products in outdoor, residential, and non-residential construction and to increase demand for appearance and softwood lumber products.