

Quarterly Investment Update

Q2 2020

Maintaining Momentum and Increasing Market Share

Dear Industry Colleagues,

Thank you for your outstanding support. Through our combined investments, the Softwood Lumber Board (SLB) continues to grow incremental demand for the softwood lumber industry and exceed its annual goals. The mission of the SLB is to increase demand for softwood lumber by growing market share for lumber-based products in commercial, residential, and outdoor construction in the United States. We aim to make softwood lumber the preferred building material from both economic and environmental standpoints.

In the 2019 referendum, the lumber industry voted overwhelmingly in favor of continuing the Softwood Lumber Checkoff Program and the work of the SLB-funded programs. The reason for such a strong mandate for another seven years is the SLB's proven track record for getting meaningful results. Since 2012, SLB-funded programs have generated an incremental 7 billion board feet of softwood lumber demand. This amount equates to an average return of about \$25 of value for every \$1 spent since the inception of the SLB, and the return in the past couple of years has been much higher. These kinds of results are very significant; they move the needle for our industry, not to mention raising environmental benefits created by building more with wood. The SLB has a highly professional staff, well-thought-out and effective programs like Think Wood, and solid partners in the American Wood Council and WoodWorks. The SLB is an industry-led and -driven program with an active and engaged board of directors that is focused on taking meaningful market share from concrete and steel in the non-residential and multifamily building space.

Since inception, the board has kept the assessment rate at the initial level of \$0.35 per thousand board feet while inflation over that same time period exceeded 11.4%. The SLB has been successful, but to maintain that success, the board made the deeply considered decision to increase the rate to \$0.41 per thousand board feet in 2021. I'm very proud of the success and many accomplishments the SLB has delivered to our industry thus far, and I am eager for all of us to roll up our sleeves and do whatever is necessary to support the Softwood Lumber Board and our industry to continue to grow and prosper.

As part of the process of moving forward with the proposed assessment increase, the industry will have an opportunity to submit comments during a formal 60-day period that began August 13.

The SLB welcomes separate industry feedback and input on our programs and initiatives. Send feedback to info@softwoodlumberboard.org.

Thank you for your continued support.

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Brian Luoma President and CEO of The Westervelt Company SLB Research and Promotion Programs Committee Chair



Demand Generated by SLB-Funded Programs

Since inception, the SLB and funded programs have generated over 7.1 billion board feet of demand and have an average return on investment ratio of \$25 for each \$1 spent.

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Market Update

New Online Tools Connect Building Professionals to Wood Education and Expertise

Since the mid-2000s, the United States has experienced a steady upward shift in the number of people working remotely, enabled by the rapid rise of innovative communications technologies such as broadband internet, high-performing portable devices, and real-time meeting and chat platforms. The number of remote workers has further skyrocketed during the coronavirus pandemic, and many analysts expect that the shift to remote work will be permanent for many industries.

The SLB and its funded programs have long embraced remote networking and learning as a way to efficiently scale up our programs and messaging. We care about the adoption and use of wood in every community, but it would be physically impossible and cost prohibitive to reach everyone in person. Technology, however, affords us the chance to do so.

The SLB and its programs recently hit two important milestones in strengthening remote learning and networking opportunities for the building industry via the respective launches of The Wood Institute and the Wood Innovation Network.



The Wood Institute

The product of ongoing collaboration between Think Wood, WoodWorks, and the American Wood Council (AWC), the SLB launched its new learning management system – The Wood Institute – in July. Found online at woodinstitute.org, The Wood Institute is the first industrywide, one-stop shop for architects, engineers, contractors, and building code officials to learn about wood design and construction.

The Wood Institute currently features a catalog of 35 continuing education courses accredited by the likes of the American Institute of Architects (AIA), the International Code Council (ICC), and Green Business Certification. Courses cover topics that are both broadly relevant and in-depth, including design and engineering specifics, code compliance, and performance advantages of wood construction. In its first weeks of operation, more than 150 building professionals – nearly 70% being architects or engineers – created accounts on the site and completed 78 courses totaling 88 education hours.

Visit woodinstitute.org today to explore the site and stay tuned as more content and courses become available. Industry organizations or associations interested in contributing education courses to The Wood Institute should contact info@thinkwood.com.



WoodWorks Innovation Network

WoodWorks has launched the WoodWorks Innovation Network (WIN), a new online community to help developers nationwide identify and connect with experienced professionals with whom they can partner on innovative wood building systems. WIN uses a directory-based system to help members make connections, and it features an interactive map to showcase members' wood building projects. In its introductory phase, WIN currently promotes mass timber projects and capacity, but it will expand to include off-site modular, innovative light-frame, and other types of wood building systems as its membership grows.

"We are so excited to be a part of the WoodWorks Innovation Network, an online platform where you can meet skilled professionals, resolve issues, and move projects forward. On this network, you can find 300+ mass timber profiles and projects, such as Platte Fifteen, a new CLT build that we were a part of alongside OZ Architecture."

- KL&A Engineers and Builders

By making it easier to access expertise, WoodWorks will use WIN to scale up its project-conversion efforts and ultimately shorten the path to building with wood nationwide. Visit <u>woodworksinnovationnetwork.org/join-now</u> today to join, explore innovative wood building projects, and find a pro near you.

Building Industry Shows Resiliency Amid COVID-Induced Slowdown

At the August board meeting, the SLB again welcomed Craig Webb, president of Webb Analytics, to share his data-driven insights on the latest opportunities and challenges facing the lumber and building materials industries as a result of the coronavirus pandemic.

The housing industry continues to be a bright spot in an otherwise dour economy, and lumber and building-supply dealers are faring relatively well, fueled by high demand for DIY home improvement projects and single-family homes. New home sales were up by double digits in every region of the United States in June, and the combination of people working from home, millennials needing more space as they start families, and low interest rates will likely mean sustained demand for single-family homes, especially in suburban areas. Build-to-rent also continues to be an area primed for significant growth. On the home improvement and remodeling side, the vast majority of homeowners are plowing ahead with DIY projects, with decking and patio improvements leading the way. The good news is not universal for the sector, with both contractors and commercial developers experiencing declines. Webb stressed the importance of ensuring worker safety as imperative to construction projects moving forward.



Despite the economic uncertainty caused by the pandemic, housing remains a bright spot in the American economy, and monthly home sales were up by double-digits in every region of the U.S. in June. (Source: NAHB)

Webb acknowledged that the key question on everyone's mind is when will the public health – and therefore economic – crisis end. The outlook is challenging, with groups such as the Wharton School of Business predicting that the United States will not turn a corner toward recovery until late 2021 and the Federal Reserve expecting deepening unemployment through at least 2022. The continuation of federal stimulus packages will be key to easing economic pain, but is not assured. These factors together will create a lot of headwind against which the industry will need to work hard to maintain its footing.

Watch Craig Webb's presentation on demand by visiting softwoodlumberboard.org/news.

Push for Carbon Reductions in Building Sector Strengthens

The construction sector continues efforts to reduce embodied and operational carbon in buildings. New carbon estimator tools and efforts to support architects, engineers, and contractors in evaluating and comparing differences in embodied carbon are constantly coming online. This includes the recent launch of Building Transparency, a nonprofit organization committed to developing and promoting open-access data and tools to support immediate action by the building industry to reduce embodied carbon in buildings. Among its tools, Building Transparency now hosts the Embodied Carbon in Construction Calculator (EC3). EC3 was developed by the Carbon Leadership Forum in 2019 with extensive industry support, including from the AWC, which is among EC3's association sponsors. EC3 uses digital, thirdparty-verified environmental product declarations (EPDs) and building material quantity estimates to optimize carbon-friendly materials selection. Building Transparency currently has more than 26,000 EPDs in its database, the vast majority of which are for concrete mixes.

Although the overriding assumption is that wood products will perform well in any head-to-head comparison of embodied carbon, the wood industry lags behind in proving this assumption via EPDs, which are also needed to support evidencebased life-cycle assessments (LCAs) of whole buildings. The wood industry offers only seven EPDs for its products, creating large and notable gaps in any effort to accurately count and compare embodied carbon.

To be able to forcefully assert wood's carbon advantages supported by data, the industry is encouraging mill operators and manufacturers to collect and make standardized data available to the AWC so that it in turn can develop more EPDs and LCAs.

Jurisdictions across North America and Europe have adopted operational carbon requirements for buildings, and analysts expect that policies governing embodied carbon will soon follow, making the call for EPDs for wood products even more urgent. The AWC plans to host a webinar later this year to help manufacturers stay up to date with and contribute to upcoming EPD and LCA surveys; visit <u>awc.org</u> to learn more and register.

Q2 Program Highlights

Lexington Dilworth, Type V-A, 3 million board feet. Courtesy: Greg Folkins

Code:

American Wood Council

- The AWC released seven cradle-to-gate, third-partyverified EPDs for wood products. To increase the volume of mill-level data available to support EPD development, the AWC hosted a webinar for U.S. lumber manufacturers on proposed updates to surveying methodologies.
- The AWC and the ICC jointly developed and released the AWC-ICC Mass Timber Buildings in the IBC[®] publication to educate building officials on mass timber in tall buildings. The AWC continues to offer webinars to jurisdictions interested in early adoption of tall mass timber codes.
- An updated version of "TR 10, Calculating the Fire Resistance of Wood Members and Assemblies," which provides new examples and background on mass timber members and assemblies, was released, and a new TR15 Acoustic Calculator app was also published this quarter.
- The AWC's education efforts reached more than 8,000 building and fire code officials and building professionals with more than 11,500 contact hours, a 3% quarter-over-quarter increase.



Solaire Wheaton, Type III-A, 2,846,743 board feet. Courtesy: John Cole

Communications: Think Wood

- Lead-nurturing efforts generated a 47% increase in marketing qualified leads (MQLs) and an 18% increase in sales qualified leads. Think Wood has also improved its project conversion efficiency, achieving a 20% conversion rate through Q2 2020 (compared with 11% in 2019), which represents 900,000 square feet of space.
- Think Wood relaunched its monthly campaign newsletter this quarter. The campaign's brand refresh and website redesign are slated to launch in Q3 2020.
- Think Wood activated media partnerships with *Multi-Housing News, National Real Estate Investor*, and *commARCH*. Content was disseminated using webinars and white papers and covered mass timber hybrid solutions for multifamily housing, the business case for building with wood, and wood's role in biophilic design, each leading to valuable lead generation and new contacts.
- Think Wood had 4,416 AIA-accredited CEU tests taken in Q2

 a 30% increase quarter-over-quarter, resulting in 1,277 new contacts.





The Carpenter's Shelter, Type III-A, 5 over 2, 1,359,785 board feet (estimated). Courtesy: Cooper Carry

Construction and Conversion: **WoodWorks**

- WoodWorks generated over 1,494 new contact leads and 104 directly influenced projects in the quarter and has now influenced 209 projects in the year so far, a 21.5% yearover-year increase. When factoring in indirect influence, WoodWorks has influenced 414 projects year to date, consisting of 20 million square feet and 362 million board feet of incremental softwood lumber demand.
- Through 128 WoodWorks-hosted and third-party events, 10,404 practitioner education hours were delivered.
- WoodWorks provided virtual project support to 1,406 individuals over the course of 201 engagements.
- . WoodWorks continues to leverage its Greenprint Innovation Partnership with ULI to reach developers with messaging on wood's carbon benefits and the business case for mass timber. WoodWorks also rolled out a twofold approach using Dodge Data to identify potential conversion projects in the six- to 18-story class and provide outreach to firms working on these projects.



In Cleveland, WoodWorks Delivers **Largest Conversion To Date Cleveland**, Ohio

Harbor Bay Real Estate Advisors understood from the start that it had the opportunity to achieve something special in its upcoming mixed-use INTRO building project. Located in a high-profile site across from Cleveland's iconic West Side Market, the nine-story, 512,000-square-foot project has taken on added acclaim by being the first project in the United States to be built under the 2021 International Building Code's new tall wood provisions.

Harbor Bay and Hartshorne Plunkard Architecture drew on WoodWorks' expertise and resources throughout INTRO's design, with WoodWorks providing accurate and timely information on fire performance and char calculations, fire design of penetrations, acoustic design, and construction moisture management, as well as referrals to insurers experienced in mass timber after Harbor Bay received exorbitant insurance quotes. WoodWorks also facilitated a study tour for the project's general contractor and timber installer to Michigan State University's STEM facility, which is under construction using mass timber.

INTRO will feature post-and-beam construction and cross laminated timber floors and ceilings. It will provide nearly 300 apartments, 40,000 square feet of retail space, and underground parking. Once completed in 2022, the project will have consumed the equivalent of 9.2 million board feet of softwood lumber and become the largest project ever converted by WoodWorks in terms of square footage.



Value of construction: \$80 million Value of wood products: \$4.8 million

Description: Four Type V-B buildings, mass timber and light wood-frame Size: 200,003 square feet Volume of lumber: 3 million board feet (equivalent) Status: In Progress

Program News

Transforming Opportunities into Tall Wood Projects

Through its strategic investment in the complementary efforts of the AWC and WoodWorks, the SLB has dramatically increased opportunities for wood in taller buildings. The AWC delivered a major win for the industry when its investments in research and advocacy helped pave the way for the 2021 International Building Code's adoption of tall wood buildings up to 18 stories. More and more states and municipalities are now opting to early adopt the 2021 IBC's tall wood provisions, contributing to a surge in demand for taller mass timber buildings.

To ensure that the building safety community is ready to interpret and apply these new codes, the AWC and the ICC have teamed up to produce the publication *AWC-ICC Mass Timber Buildings in the IBC*[®] to educate building officials on mass timber, its use in tall building design and construction, and how it relates to permitting processes. The handbook is now available on the ICC's website and available for purchase in its publication store at shop.iccsafe.org.

The AWC also continues to offer technical assistance, including webinars, to jurisdictions interested in approved tall mass timber code provisions and is closely tracking early adoptions. Georgia and California are the latest states to pass legislation to early adopt; Virginia and Montana have made important progress in rule-making; and Auburn, Alabama, is among the most recent jurisdictions to express interest to the AWC.

While these code changes create an new market for wood products, code changes are only the first step in increasing adoption of wood. WoodWorks is now proactively working with developers and design teams to ensure that the new codes translate into real-life applications and have tangible, lasting market impacts.



2021 Taller Mass Timber (TMT) Code Adoption

WoodWorks is working on 90 mass timber projects, many coming from areas where early adoption has been implemented. These new projects will translate directly into market and materials demand for the industry.

To continue to grow its portfolio, WoodWorks' in-house experts are using Dodge Data to identify existing projects in the six- to 18-story range that may be eligible for conversion to mass timber. WoodWorks is also interviewing leading mass timber designers to understand where hurdles remain and how the industry can overcome them, including, for example, with regard to costly insurance. Similar discussions held last year provided insights that guided the development of education and technical resources, including the creation of the recently launched WoodWorks Innovation Network.

Think Wood Combines Pro-Wood Messaging and Lead Generation in Targeted Media

Think Wood is increasingly and successfully using media integrations to generate leads for eventual project conversions. During the quarter, sponsored webinars and white papers in outlets such as *Architectural Record, Multi-Housing News, National Real Estate Investor*, and *commARCH* generated nearly 2,000 contacts, which have been added to Think Wood's database. These paid media pieces covered diverse and trending topics, including wood's role in biophilic design and the economic benefits of building with wood.



Think Wood's lead-nurturing efforts generated a 47% increase in marketing qualified leads (MQLs) and an 18% increase in sales qualified leads (SQLs). Think Wood has also improved its project conversion efficiency, achieving a 20% conversion rate through Q2 2020 (compared with 11% in 2019), which represents 900,000 square feet of space.

As these and all other contacts enter the marketing funnel, Think Wood's lead-nurture program further qualifies leads through email marketing and educational resource downloads. Those deemed sales qualified leads are immediately shared with WoodWorks, which follows up and provides project support. Of the sales qualified leads identified by Think Wood, nearly two dozen accessed a WoodWorks' event or resources, and four are now pending project conversions. By taking an active role in generating and educating leads on the benefits of building with wood through its tools and outreach, Think Wood continues to help the industry increase its reach and efficiency in converting projects to wood.

Concrete Masonry Checkoff to Potentially Generate \$34 Million Annually

The Department of Commerce recently hosted a virtual information session for the concrete masonry industry on the proposed concrete masonry industry (CMU) checkoff. The CMU Checkoff has been under development since enabled by legislation in 2018. The industry submitted the required proposed order to formally create the checkoff in mid-April; next comes a referendum in October/November, and, if successful, the establishment of a 15- to 25-member board in early 2021.

The goal of the CMU Checkoff will be to "create the future path where concrete masonry is the product of choice by more effectively generating and leveraging industry investments to support needed research, education, and promotion that generates more demand and more sales." Similar to the SLB, the CMU Checkoff will rely on assessments for financing, which is currently envisioned at \$0.01 per block, never to exceed \$0.05 per block. This is forecast to generate an annual estimated budget of \$7 million to \$8.5 million on the low end to \$27 million to \$34 million on the high end.

SLB News

Association Partners Revise Plans, Offerings To Capitalize on Virtual Formats

The nearly nationwide cap on in-person gatherings has caused significant disruptions to Think Wood's successful Association Partnership Program and its efforts to highlight species-specific benefits in wood building design and construction. Shows such as AIA 2020 were canceled outright, while others, such as JLC Live New England, the Remodeling Show, and DeckExpo, have all switched to virtual formats.

The SLB, Think Wood, and partner associations are devising strategies to optimize opportunities for wood products in these upcoming virtual formats as well as in hybrid trade show and conference models, which will likely be on the horizon in 2021 as jurisdictions move to safely reopen.



SLB Launches Updated Website

In August, the SLB went live with its updated Softwood Lumber Board website. The site continues to offer an array of content on the softwood lumber checkoff and the SLB's funded programs, but now with improved navigation, security, and an overall enhanced user experience on both desktop and mobile devices. Importantly, the website is also now fully ADA compliant. Visit the updated website today at softwoodlumberboard.org.

Industry Outreach Goes Virtual

As part of its commitment to communicating transparently and proactively with industry investors, the SLB's leadership frequently meets with investor executives to overview key market performance indicators and trends, provide an update on the SLB's programs and progress, and tour manufacturing facilities in an effort to better understand individual investor concerns, look for synergies, and contribute to solutions.

With travel grounded for the immediate future, the SLB is now offering these sessions virtually. If you would like to schedule a session to bring together your company's and the SLB's leadership, please contact Ryan Flom at <u>flom@softwoodlumberboard.org</u> or Cees de Jager at <u>dejager@softwoodlumberboard.org</u>.



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.