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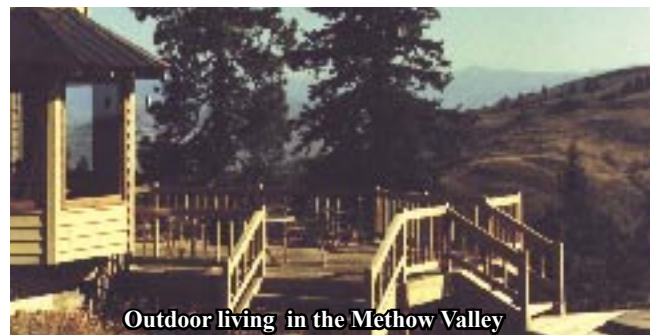
The great American home is expanding into more wall-free space. Described by landscape designers as permeability, the newest trend sweeping the country involves connecting the space inside of the home with the outside.

The idea is not new. It began in California in the 1950's and has been spreading nationwide ever since. The ancient Romans and Greeks also designed their inside spaces to connect with the outdoor world, believing that natural surroundings induced relaxation. This is a common theme in today's home, where people want to get the most out of their lot.

The forum can be as simple as using Christmas lights and a cheapo grill on your basic deck, to something as elaborate as a series of terraces scattered down a hillside, "each with its own personality." There could be a cooking and dining terrace with a cooktop, oven, and refrigerators; a sitting area with a sofa, club chairs, and ottoman; a tennis court "nook"; and a fireplace. Maybe even a guest house with fountains and a Jacuzzi adjacent to a pool. The possibilities are endless.

Some builders encourage their clients to think of smaller inside spaces, and use their outside space for more elaborate entertaining. "I have parties for 150 people out here," said one builder of his own home, adding that the heated floors and fireplace extend the entertaining season by several weeks. This room, he said, "enables you to downscale the size of your house. It gives the illusion of a much larger living space."

The idea of a greater outdoor home is also an offshoot of the Sept. 11th effect. Said one Northeast designer, "Here people have more money than they have time. They don't want to travel because it's more dangerous, so they are building \$500,000-and-up environments in their backyards."



Shipping News

Customers wanting to arrange for a terminal or dock drop off in Washington State are encouraged to do so. Bear Creek Lumber is very flexible with its delivery accommodations!

For September and October deliveries, please be advised that time frames are extremely tight so

**order as early as you can
in the Fall!**

Bear Creek and Your Outdoor Room

Regardless of how much space, time, or money you have, Bear Creek Lumber can help the builder or homeowner realize the great outdoors room they envision. Our lumber products are perfect for gazebos, decks, trellises, pergolas and privacy fences. You can choose from splinter free Alaskan yellow cedar to the traditional red cedar or redwood. Port Orford, an extremely durable cypress/cedar product, is ideal for outdoor functions. Our specials listed on the back offer a variety of choices in outdoor wood products.

Whether you have a big budget for new construction or a small remodel plan, we can work with you on supplying the materials that will make your house current with this latest 'must-have' room. See our website www.bearcreeklumber.com for more ideas or call (800) 597-7191 for pricing.

Customer Comments

Joe,

Just a short note to let you know the material from BCL arrived via semi Saturday morning. The packaging was GREAT! Water tight, very well protected, and very well banded. I sprayed the material last night and it looks wonderful. Couldn't be more pleased.

Be sure and pass on my complete satisfaction to your boss or the owner. Now that we know we can have material shipped without damage, it is likely we'll try and find more uses for your products.

Thanks again. You did a great job!! Be sure and ask for a raise based upon your excellent customer service!!

Butch McConn
McConn & Rindy Law Office
Fargo, ND 58103



Mountain wildflowers/ M. Kirkley

Records Broken in May

New home sales posted the biggest gain since 1993 in May, the government said Thursday, surging nearly 15% from April to a record annual rate of 1.369 million units, as buyers rushed to beat rising mortgage rates.

Economists, who have been predicting a slowdown in the housing market, were surprised by the strong figures. May sales were 25% above a year ago, led by the Northeast where sales soared 63.5% above May 2003. The Midwest and South each posted about 25% annual gains, with the West up 16.3% from last year.

Prices were less robust, with the median price falling off a bit from last month to \$198,400, 1.5% above last year.



Connecting partially covered 2-level decks double this home's living space, providing both extra dining space, a hot tub area and an extension of an upstairs bedroom, where a summer bed can be placed. Photo by Ela Bannick

Federal Reserve Predicts Home Prices Won't Drop

U.S. home prices are not likely to plunge, and the housing market is not in the middle of a national "bubble," according to a study released in June by the Federal Reserve Bank of New York.

The report by senior economist Jonathan McCarthy and Vice President Richard Peach sought to determine whether an increase in home prices results from speculation or is supported by the value of the assets.

Home prices have increased about 36 percent since 1995, double the rate of other booms in the past three decades, the study said.

"Our analysis of the U.S. housing market in recent years finds little evidence to support the existence of a national home-price bubble," the authors said. "Rather, it appears that home prices have risen in line with increases in personal income, and declines in nominal interest rates."

For their study, the authors used a definition of a bubble developed by Joseph Stiglitz, a Nobel Prize-winning economist at Columbia University. That definition says a bubble exists "if the reason the price is high today is only because investors believe that the selling price will be high tomorrow — when 'fundamental' factors do not seem to justify such a price."

There are few signs that the market is strong mainly because investors expect rapid price appreciation, the report said.

Official figures show average home prices rose 7.7 percent in the first quarter of 2004 from a year earlier, but that masks sharp regional differences. In Southern California, prices are up 26.9 percent from a year ago.

The study said that even if prices soften in California and the Northeast, experience suggests that would not be enough to push the economy into recession.

The recent increase in prices has been in line with declining mortgage rates, a factor ignored by many arguments about a housing bubble, the study said.

The study has important implications for Federal Reserve interest-rate policy. Evidence of housing bubbles in both Britain and Australia has influenced their central banks to raise interest rates in the past year to cool the market.

Peach said if housing prices level off or decline, there would be offsetting factors to take into account that would limit the negative impact on household spending.

"If home prices were to fall, that would, all else being equal, have a dampening effect on consumer spending. But of course, the thing that's most likely to drive up (market) interest rates is faster economic growth, rising employment and faster income growth, which are a plus for consumer spending," Peach said.

Information from Reuters and Bloomberg news are included in this story.

Industry News

Materials suppliers who had reduced inventory levels in anticipation of lower demand were caught short, adding more fuel to inflation, says Amy Carneal, construction materials analyst for Global Insights Inc., Washington, D.C. The result is annual price inflation of 48% for plywood and 28% for lumber, according to ENR's 20-city average price. Gypsum wallboard prices also are moving and are now 9% above a year ago, ENR data show. Concrete products, long the poster child for price moderation, are curiously experiencing the largest price hikes in more than a decade. In the past, ready-mix concrete producers typically asked for a \$2-to-\$3-per-cu-yd increase, but the market would beat that back to about 50¢, says Jim Butler, an estimator for Cleveland Cement Co., Cleveland, Ohio. "This year, we have already had a \$4-to- \$5-per-cu-yd increase stick, and producers say they will be asking for another \$3 to \$4 hike later this year," he says. **Unexpectedly strong job growth will buffet the impact of higher interest rates**, and help to push existing-home sales to a record in 2004, according to the National Association of Realtors. David Lereah, NAR's chief economist, said job growth could reach 3 million this year. "The cost of financing remains historically low and strong demand will push home sales to a record this year."

California Builders Wary of Solar Regs

A perennial energy problem in California, has Sacramento lawmakers are now looking to harness solar energy to reduce the state's burden, but the building industry is wary, saying the plan is built on unsure economics and too much government interference.

"Harnessing the sun's energy and putting that to good use sounds good, but when you boil it down," it is not that practical, said Tim Coyle, vice president of the California Building Industry Association.

Last month, the California state Senate passed a bill requiring builders to install on new homes solar photo voltaic energy systems, which are solar cells that capture the energy of the sun. According to the plan, new homes would generate much of their own energy. When the cells generate more energy than the homes can use, the surplus would be sent to the grid. At night, these homes would take power from the grid because the cells would not be generating any energy.

Environmentalists and several state lawmakers have lined up behind the proposal. Among the many claimed benefits are increased security for California's energy supply, environmental protection through the building of fewer power plants and the potential long-run economic gains for homeowners. "Solar is clean. It follows the principle of distributed generation, which not only keeps us from keeping on building new power plants, but it also means you don't have to build and maintain expensive distribution lines," said state Sen. Kevin Murray, D-Los Angeles, the bill's sponsor.

Bush Plan Creates Conflict For Building Industry

Home builders, realtors and others are preparing to fight a Bush administration plan that would require Fannie Mae and Freddie Mac to increase financing of homes for low-income people, a home builder group said Thursday.

The National Association of Home Builders, along with the National Association of Realtors and the Mortgage Bankers Association, drafted a letter to Alphonso Jackson, secretary of the Department of Housing and Urban Development (HUD), arguing that middle-income home buyers are the ones that will get hurt by the proposed plan.

In April, the HUD proposed new rules that would raise the percentage of loans bought by the two government-sponsored enterprises (GSEs) that finance borrowers whose incomes are at or below the median for their area, according to the Wall Street Journal .

But the groups will warn in the letter that the proposed rules requiring the two GSEs to finance more "affordable housing" may have "unintended consequences," hurting some poor and middle-income people struggling to afford houses, the Journal said.

Fannie and Freddie, which use their ability to borrow cheaply in the government agency bond market to help middle-to-low income people buy homes, would be compelled to provide more funds to low-income home buyers by slashing their financing of middle-income home buyers, David Crowe of the NAHB told the paper.

The points being raised by the groups have also mirrored objections raised by Fannie and Freddie. Both GSEs said they favor more efforts to promote affordable housing, but say HUD has made some unrealistic assumptions about how much more the GSEs can do over the next few years, the Journal said.

Interested parties have asked for a further 60 days of public comment, after which HUD would decide whether to push ahead with its rule or revise it, the paper added.



A koa log supports a yellow cedar overhang on a Hawaiian home's outdoor walkway.

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