

TIMBERLAND INDEX

STEADY TIMBERLAND INCOME OFFSET BY APPRECIATION IN FIRST QUARTER 2019

The NCREIF Timberland Property Index (TPI) posted a 0.11% return for the first quarter of 2019, decreasing 64 basis points from the previous quarter. Income (EBITDDA) returns made up 0.71% of the return, while appreciation accounted for -0.59%. The first quarter saw most of the income return offset by a decreasing return in appreciation.

First Quarter Results

Market value for the total NCREIF TPI increased in the first quarter of 2019, from \$23.1 billion to \$23.7 billion. The primary gains in market value came from the South region, with a 3.12% increase to \$14.9 billion from the previously reported ending market value. The Northwest and Northeast both saw small decreases in market value in the period. Even with the overall increase in market value, there were 6 properties fewer than the prior quarter in the total timberland index, with \$322M of land sales during the period. With the increase in market value quarter over quarter, and the impact from these sales, as well as potential movement of properties within the index, are likely drivers for the negative appreciation found in the South and Northeast regions at -0.65% and -1.02%, respectively.

Income returns across each region were within 15 basis points of the 0.71% total timberland return. The Northeast region saw the largest quarter-over-quarter change, going from 1.53% to 0.60%. The Lake States region was the only region to improve (23 basis points) in the quarter, reporting a 0.57% income return.

One Year Rolling Returns

The TPI reported a year-over-year total return of 2.38% for the first quarter of 2019. The index was brought down by low returns found within the South region, posting a 0.14% return over the past year. The South region consisted of a 62% average market value of the TPI over the stated period. The Northwest region presented the best total returns at 7.75%.

Over the past year, appreciation return provided a larger impact between the two components of returns. The Northwest recognized a 3.38% appreciation return, while the other regions experienced flat or negative appreciation returns. Income returns had around a 100 basis points spread when regional returns were compared to the TPI at 3.07%. The Northwest and Northeast posted Income returns of 4.27% and 4.19%, respectively.

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TIMBERLAND TOTAL RETURNS

	NPI	Total Timberland	Property Count	South	Northwest	Northeast	Lake States
1st Qtr 2019	1.80	0.11	447	0.04	0.25	-0.42	0.73
4th Qtr 2018	1.37	0.75	453	0.12	2.06	2.72	-1.22
One Year	6.83	2.38		0.14	7.75	4.56	0.35
Three Years	7.07	3.27		2.08	6.85	1.53	1.85
Five Years	9.13	4.63		3.81	7.39	2.60	3.40
Ten Years	8.51	3.74		2.30	7.94	1.66	4.18

TIMBERLAND EBITDDA RETURNS

	NPI	Total Timberland	South	Northwest	Northeast	Lake States
1st Qtr 2019	1.11	0.71	0.70	0.77	0.60	0.57
4th Qtr 2018	1.11	0.77	0.70	0.90	1.53	0.33
One Year	4.55	3.07	2.58	4.27	4.19	2.06
Three Years	4.65	2.90	2.61	3.77	3.01	2.04
Five Years	4.83	2.83	2.63	3.43	2.85	2.18
Ten Years	5.46	2.67	2.38	3.57	2.08	1.33

TIMBERLAND APPRECIATION RETURNS

	NPI	Total Timberland	South	Northwest	Northeast	Lake States
1st Qtr 2019	0.69	-0.59	-0.65	-0.52	-1.02	0.17
4th Qtr 2018	0.26	-0.02	-0.58	1.16	1.19	-1.56
One Year	2.20	-0.67	-2.39	3.38	0.37	-1.68
Three Years	2.34	0.36	-0.52	2.99	-1.45	-0.19
Five Years	4.14	1.76	1.15	3.86	-0.24	1.20
Ten Years	2.93	1.06	-0.08	4.26	-0.40	2.82