

TIMBERLAND INDEX

TIMBERLAND VALUE REIMAGINED

The Total Timberland Property Index has held steady over the last four quarters, with quarterly total returns in a tight range between -0.04% and +1.04%. The one year total return is 0.34%, which is lower than any calendar year return since 2010. Over the last year the South and the Lake States have maintained positive returns, but the Northwest and the Northeast have produced consistently negative appreciation returns.

The COVID-19 pandemic continues to reshape life as we know it, and everyone is being impacted in some form. Interestingly, forests seem to be at the heart of the recovery process.

Many essential products that healthcare systems rely on are made from wood. Disposable hygiene and sanitary products, such as paper towels, tissues, masks, and protective clothing, are all derived from forests. In addition, society is increasing its reliance on e-commerce and home delivery services for food products and other household items, amplifying the need for paper and containerboard products.

Forests provide open space that can be an effective antidote to quarantine anxiety, and people are flocking to enjoy the physical and mental benefits of the outdoors. Additionally, long-standing cultural trends and practices are likely to be altered by the pandemic. People are growing more aware of the intrinsic value of our forests, especially the recreational benefits. As a result, forests will likely be appreciated and more highly valued for their recreational opportunities.

Air pollution may be linked with higher COVID-19 death rates, probably because it contributes to respiratory and heart diseases and weakens the immune system. Well-managed forests improve air quality. In fact, the world's forests absorb a third of the global emissions every year, effectively filtering pollutants and other particulate matter from the air.

Surveys regarding the effect of Covid-19 on timberland investing have indicated that in general, timberland investment professionals now have a longer expectation of pandemic duration but with more muted effect on timberland than was feared at the beginning of the crisis. A general consensus is that a recovery for timber prices will begin late in 2020, and the recovery will be complete by the end of 2021. The expected dip in timber prices over the next year is now about half of what was projected in April. Most respondents believe the pandemic will lead to either no change or an increase in interest in timberland investing.

Healthy forests are vital to a healthy society. Forest sustainability and “green” solutions will be at the forefront of the world's recovery planning and policy making. Sustainable forest management will play a key role in building resilient economies and societies that can withstand pandemics and other global challenges of the future.

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TIMBERLAND TOTAL RETURNS

	NPI	Total Timberland	Property Count	South	Northeast	Northwest	Lake States
2nd Qtr 2020	-0.99	0.08	458	0.33	-0.60	-0.52	0.28
1st Qtr 2020	0.71	0.11	451	0.77	-4.17	-0.91	0.49
One Year	2.69	0.34		2.92	-6.03	-5.11	5.94
Three Years	5.44	2.28		2.10	0.07	3.27	1.24
Five Years	6.77	2.71		2.47	-0.63	4.21	1.71
Ten Years	9.70	4.39		3.25	2.08	7.86	4.56

TIMBERLAND EBITDDA RETURNS

	NPI	Total Timberland	South	Northwest	Northeast	Lake States
2nd Qtr 2020	1.01	0.47	0.52	0.42	0.27	0.25
1st Qtr 2020	1.10	0.67	0.70	0.67	0.28	0.58
One Year	4.40	2.47	2.71	2.11	1.63	2.15
Three Years	4.52	2.86	2.66	3.49	2.87	2.06
Five Years	4.63	2.74	2.62	3.15	2.67	2.32
Ten Years	5.19	2.74	2.47	3.61	2.18	1.54

TIMBERLAND APPRECIATION RETURNS

	NPI	Total Timberland	South	Northwest	Northeast	Lake States
2nd Qtr 2020	-2.00	-0.39	-0.19	-0.94	-0.86	0.03
1st Qtr 2020	-0.39	-0.56	0.08	-1.58	-4.44	-0.09
One Year	-1.65	-2.10	0.20	-7.11	-7.56	3.72
Three Years	0.89	-0.57	-0.54	-0.21	-2.73	-0.81
Five Years	2.07	-0.03	-0.15	1.04	-3.23	-0.60
Ten Years	4.35	1.62	0.77	4.14	-0.10	2.98