

TIMBERLAND INDEX

TIMBERLAND INCOME BENEFITS FROM CONSTRUCTION MARKETS DEEMED AN ESSENTIAL BUSINESS DURING COVID

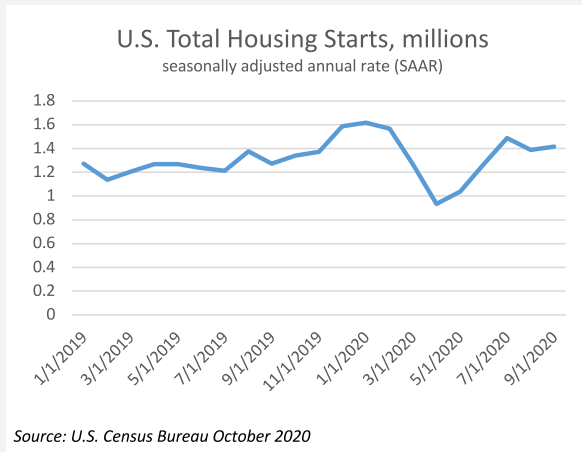
Timberland income moved higher third quarter in all U.S. regions reported by NCREIF despite interruptions from pandemic-related lockdowns in some regions and fires and hurricanes in the Northwest and South.

U.S. wood product markets have proved resilient through the pandemic, with U.S. housing starts showing a V-shaped recovery, leading the broader economic recovery in the U.S. Pre-pandemic, U.S. housing starts were at 1.567 million units (SAAR) in February. In April, housing starts dropped to a low of 0.934 million units, to then climb quickly back to reach 1.49 million units by July. September housing starts were reported at 1.415 million units. The pandemic has also created additional demand for remodeling of new configured spaces for work-from-home and school-from-home. Together, new home construction and increased remodeling demand has created a surge in demand for wood products.

TIMBERLAND TOTAL RETURNS							
	NPI	Total Timberland	Property Count	South	Northeast	Northwest	Lake States
3rd Qtr 2020	0.74	0.04	464	0.09	-0.49	-0.18	0.94
2nd Qtr 2020	-0.99	0.08	458	0.33	-0.60	-0.52	0.28
One Year	2.00	0.19		2.15	-6.33	-4.03	6.00
Three Years	5.11	2.09		1.92	0.39	2.90	1.21
Five Years	6.28	2.56		2.34	-1.13	4.00	1.77
Ten Years	9.37	4.40		3.30	1.95	7.79	4.69

TIMBERLAND EBITDDA RETURNS						
	NPI	Total Timberland	South	Northwest	Northeast	Lake States
3rd Qtr 2020	1.02	0.58	0.60	0.53	0.37	0.67
2nd Qtr 2020	1.01	0.47	0.52	0.42	0.27	0.25
One Year	4.30	2.38	2.59	2.11	1.44	1.86
Three Years	4.48	2.80	2.64	3.34	2.76	1.99
Five Years	4.58	2.72	2.60	3.15	2.44	2.20
Ten Years	5.13	2.73	2.47	3.58	2.18	1.61

TIMBERLAND APPRECIATION RETURNS						
	NPI	Total Timberland	South	Northwest	Northeast	Lake States
3rd Qtr 2020	-0.28	-0.54	-0.52	-0.71	-0.86	0.28
2nd Qtr 2020	-2.00	-0.39	-0.19	-0.94	-0.86	0.03
One Year	-2.22	-2.15	-0.43	-6.05	-7.69	4.08
Three Years	0.61	-0.70	-0.70	-0.42	-2.31	-0.77
Five Years	1.64	-0.15	-0.26	0.84	-3.50	-0.42
Ten Years	4.09	1.64	0.82	4.10	-0.23	3.03



Most cities across the U.S. deemed the building sector an essential business, keeping mills and forest operations running. In early spring, when the pandemic hit, seasonally low inventories at forest product mills combined with disruptions across wood product supply chains, pushed lumber and wood panel prices to record highs. In response, timber prices third quarter in U.S. regions; except for the South where timber supply remains plentiful, moved higher, with some log prices reaching historically high levels. The full extent of timber price increases

still expected to carry over into fourth quarter income returns. With a large percentage of annual appraisals occurring in the fourth quarter, timberland market value changes and appreciation returns third quarter are less meaningful.

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