

TIMBERLAND INDEX

TIMBERLAND RETURNS SURGE IN THE SECOND QUARTER OF 2021

The NCREIF Timberland Property Index continued to increase and posted strong EBITDDA and appreciation returns yielding a total return for the quarter of 1.70%. For the first time in several quarters, appreciation returns were greater than EBITDDA returns with appreciation returns coming in at 0.91% while EBITDDA returns were 0.79%. The quarterly return for the index more than doubled from the previous quarter from 0.76% to 1.70%. The region with the highest total return for the second quarter was the Northeast, exhibiting a total return of 4.14%. The EBITDDA returns were 0.37%, while the appreciation returns surged to 3.77% on substantially increasing appraisals and increased timber sale activity. The region with the second highest return during the second quarter of 2021 was the Pacific Northwest with a total return of 2.49% and comprised of an EBITDDA return of 1.09% and an appreciation return of 1.39%. The Southern regional index also exhibited strong increases over the previous quarter with a total return of 1.25% - up from 0.66% in the first quarter. Appreciation return was 0.54% and represents the first positive appreciation return in many quarters. Lake States regional returns posted a 0.98% total return with EBITDDA returns at 0.83% and appreciation returns exhibiting a 0.15% return. In total, these timberland returns represent substantial increases from previous quarters and moved toward the expected long-run returns for the asset class.

These returns have been influenced by strong demand for building products coupled with increasing export demand for logs in the Pacific Northwest. Housing starts continue to improve and lumber and panels markets, while down in price, are still very active and profitable for manufacturers. Northeast markets in particular exhibited substantial improvement during the quarter. Timber sellers experienced increasing prices for most grade hardwood species – particularly Black Cherry. Pacific Northwest timber markets have remained strong and prices for Douglas Fir and Whitewoods have maintained their strength into the summer months unlike previous years. Some markets have been impacted by continuing salvage of burned timber from forest fires last year. Southern timber markets continue to be mixed . . . some specific wood basins are starting to exhibit some tension in pine CNS and sawtimber prices while others are still flat to declining. However, harvest has substantially increased in most wood basins in the south and the inventory overhang built up since the global financial crisis is slowly diminishing. The gulf region of the south is generally experiencing significantly wet logging conditions which, at times, impacted wood prices in the second quarter in some wood baskets.

In closing, as inflation continues to be above recent lows it appears that there is continued anecdotal evidence that the strong correlation between inflation and timberland returns is still valid. As inflation has crept up, the NCREIF timberland returns have increased to levels more consistent with the expected returns for the asset class.

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TIMBERLAND TOTAL RETURNS

	NPI	Total Timberland	Property Count	South	Northeast	Northwest	Lake States
2nd Qtr 2021	3.59	1.70	464	1.25	4.14	2.49	0.98
1st Qtr 2021	1.72	0.76	467	0.68	1.56	0.76	0.54
One Year	7.37	3.10		2.44	5.76	4.04	3.67
Three Years	5.50	2.12		2.32	0.63	1.63	3.40
Five Years	6.13	2.65		2.32	0.75	3.85	3.06
Ten Years	8.79	4.66		3.65	1.77	7.81	4.36

TIMBERLAND EBITDDA RETURNS

	NPI	Total Timberland	South	Northwest	Northeast	Lake States
2nd Qtr 2021	1.06	0.79	0.70	1.09	0.37	0.83
1st Qtr 2021	1.04	0.88	0.81	1.18	0.53	0.53
One Year	4.19	3.05	2.82	3.98	1.57	2.65
Three Years	4.37	2.83	2.72	3.29	2.20	2.29
Five Years	4.49	2.85	2.68	3.48	2.43	2.21
Ten Years	4.96	2.77	2.53	3.57	2.22	1.79

TIMBERLAND APPRECIATION RETURNS

	NPI	Total Timberland	South	Northwest	Northeast	Lake States
2nd Qtr 2021	2.54	0.91	0.54	1.39	3.77	0.15
1st Qtr 2021	0.67	-0.12	-0.13	-0.43	1.03	0.01
One Year	3.08	0.05	-0.37	0.06	4.14	1.00
Three Years	1.09	-0.69	-0.39	-1.60	-1.54	1.09
Five Years	1.59	-0.19	-0.35	0.36	-1.65	0.84
Ten Years	3.69	1.85	1.10	4.13	-0.43	2.53