

TIMBERLAND INDEX

PACIFIC NORTHWEST CONTINUES TO BE THE BEST PERFORMING REGION IN THE TIMBERLAND PROPERTY INDEX

NCREIF released its second quarter 2019 Timberland Property Index (TPI) returns of 1.04%, an increase of 93 bps from the first quarter of 2019 and up 56 bps from second quarter 2018 returns. The quarterly return was comprised of appreciation and income returns of 0.40% and 0.64%, respectively. The TPI in the second quarter of 2019 measured performance of 446 properties spread across the U.S. with a total market value of \$23.9 billion. Timberland properties are reported separately to the TPI for the four geographical regions which consist of the South, Pacific Northwest (PNW), Lake States, and Northeast.

The PNW, which comprises twenty-nine percent of the Index by value, continued to be the best performing region with a second quarter 2019 total return of 1.15% and a return of 6.35% for the twelve months ended June 30, 2019. Despite the tepid log markets, cash flows continue to drive performance in the PNW with an EBITDDA return of 0.72% and 3.77% for 2Q-19 and 12 months ended June 30, 2018, respectively. Timberland in the PNW continues to be the most valuable of the 4 geographies averaging \$2,991 per acre in the second quarter of 2019.

The South, which comprises 63 percent of the Index by market value, had a total return of 1.11% in second quarter 2019, and 1.61% for the 12 months ended June 30, 2019. Returns increased 107 bps from first quarter 2019 driven by an increase in capital appreciation return. Values for southern timberland averaged \$1,812 per acre, flat from first quarter 2019 and a 3% increase from the June 30, 2018 value of \$1,758 per acre.

Returns in the Lake States were modest with total return being .40% for the quarter and 0.67% for the 12 months ended June 30, 2018. This is the lowest value region with an average value per acre of \$648.

The weakest returning region in second quarter 2019 and for the 12 months ended June 30, 2019 was the Northeast with a quarterly total return of -0.21% and on year returns of 2.52%.

Most of the transaction activity during the quarter took place in the South with no major transactions in the West. The South reported approximately \$138 million of asset sales in the index, representing 95 percent of that activity for the quarter. Transaction activity for the current quarter is a little over half (53%) of the activity reported in the second quarter of 2018.

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TIMBERLAND TOTAL RETURNS

	NPI	Total Timberland	Property Count	South	Northwest	Northeast	Lake States
2nd Qtr 2019	1.51	1.04	446	1.11	1.15	-0.21	0.40
1st Qtr 2019	1.80	0.11	447	0.04	0.25	-0.42	0.73
One Year	6.51	2.95		1.61	6.35	2.52	0.67
Three Years	6.89	3.29		2.08	6.95	1.46	1.92
Five Years	8.83	4.62		3.83	7.36	2.29	2.96
Ten Years	9.25	3.98		2.52	8.25	1.68	4.35

TIMBERLAND EBITDDA RETURNS

	NPI	Total Timberland	South	Northwest	Northeast	Lake States
2nd Qtr 2019	1.12	0.64	0.65	0.72	0.28	0.25
1st Qtr 2019	1.11	0.71	0.70	0.77	0.60	0.57
One Year	4.53	2.96	2.64	3.77	3.40	2.06
Three Years	4.62	2.91	2.62	3.78	2.99	2.07
Five Years	4.79	2.82	2.65	3.36	2.81	2.23
Ten Years	5.42	2.70	2.41	3.63	2.10	1.32

TIMBERLAND APPRECIATION RETURNS

	NPI	Total Timberland	South	Northwest	Northeast	Lake States
2nd Qtr 2019	0.38	0.40	0.47	0.43	-0.49	0.15
1st Qtr 2019	0.69	-0.59	-0.65	-0.52	-1.02	0.17
One Year	1.91	0.00	-1.01	2.51	-0.85	-1.37
Three Years	2.19	0.37	-0.53	3.09	-1.50	-0.15
Five Years	3.90	1.76	1.16	3.90	-0.50	0.72
Ten Years	3.68	1.25	0.11	4.50	-0.41	3.00