

## TIMBERLAND INDEX

### PACIFIC NORTHWEST EXPERIENCES SIGNIFICANT DROP IN THIRD QUARTER RETURNS

The NCREIF Timberland Index (TPI) posted a third quarter return of 18 basis points. EBITDDA return for the TPI was 67 basis points up from 64 basis points the previous quarter. The appreciation return retreated substantially to -49 basis points from a +40 basis points in the second quarter. The TPI was based upon 452 properties with a total market value of \$21.968 billion representing 12.767 million acres. The third quarter return for the TPI was 86 basis points lower than the second quarter return of 1.04 percent. Year-to-date returns for the TPI are 1.34 percent.

Driving the lower returns for the TPI was performance in the Pacific Northwest. The PNW total return for the third quarter was -1.30 percent. The appreciation return of -1.83 percent was slightly offset by a 52 basis point EBITDDA return. With both log prices and timberland prices trending down in this region, returns reflected those trends. EBITDDA returns were lower than the second quarter by 20 basis points – again reflecting lower log prices. Year-to-date returns are 9 basis points.

The Northeast regional index posted a total return of -.17 percent in the third quarter reflecting softening log markets in this region. The appreciation return was -72 basis points while the EBITDDA return was 0.56 percent. All these returns were significantly below the second quarter returns. Year-to-date the Northeast region has posted a -79 basis point return with the appreciation return at -2.22 percent reflecting retreating prices on timberland in this region.

The Lake States index exhibited an 89 basis point return for the third quarter – up from 0.40 percent the previous quarter. The EBITDDA return was 96 basis points while the appreciation was -7 basis points. The Northeast index exhibited the highest third quarter return of all the regions in the TPI index. EBITDDA return increased substantially from the second quarter (25 basis points) to the third quarter (96 basis points).

The South regional index, which makes up 64 percent of the market value of the TPI, posted a total return of 85 basis points. The appreciation and EBITDDA returns were 0.12 and 0.73 percent for the third quarter. The total return decreased 26 basis points from the second quarter in the South. Year-to-date returns in the South are 2.01 percent.

Rarely do we see Lake States returns leading the regional indices and the PNW at the bottom of the ranking. PNW and Northeast log markets have been impacted by the current trade situation with China thus reducing demand for logs in these regions. The South continues to post small, but positive returns.

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#### TIMBERLAND TOTAL RETURNS

	NPI	Total Timberland	Property Count	South	Northeast	Northwest	Lake States
3rd Qtr 2019	1.41	0.18	452	0.85	-0.17	-1.30	0.89
2nd Qtr 2019	1.51	1.04	446	1.11	-0.21	1.15	0.40
One Year	6.25	2.10		2.14	1.91	2.14	0.78
Three Years	6.77	3.12		2.17	1.32	6.09	1.98
Five Years	8.57	4.36		3.73	1.92	6.74	2.98
Ten Years	9.77	3.97		2.58	1.67	8.10	3.52

#### TIMBERLAND EBITDDA RETURNS

	NPI	Total Timberland	South	Northwest	Northeast	Lake States
3rd Qtr 2019	1.11	0.67	0.73	0.52	0.56	0.96
2nd Qtr 2019	1.12	0.64	0.65	0.72	0.28	0.25
One Year	4.53	2.81	2.80	2.94	3.00	2.12
Three Years	4.60	2.91	2.64	3.71	3.02	2.14
Five Years	4.75	2.81	2.65	3.29	2.83	2.37
Ten Years	5.37	2.73	2.44	3.64	2.15	1.42

#### TIMBERLAND APPRECIATION RETURNS

	NPI	Total Timberland	South	Northwest	Northeast	Lake States
3rd Qtr 2019	0.32	-0.49	0.12	-1.83	-0.72	-0.07
2nd Qtr 2019	0.38	0.40	0.47	0.43	-0.49	0.15
One Year	1.67	-0.70	-0.65	-0.78	-1.05	-1.31
Three Years	2.09	0.21	-0.46	2.32	-1.66	-0.15
Five Years	3.69	1.51	1.06	3.37	-0.89	0.61
Ten Years	4.23	1.22	0.14	4.35	-0.48	2.08