

# GLOBAL TIMBERLAND INVESTABLE UNIVERSE

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This note is the executive summary of IWC's research on timberland available worldwide for institutional investments. In total, there are 3.95 billion hectares of forest in the world, of which we estimate 165 million hectares (or 4.17%) to be privately investable, representing a value of USD 467 billion. In addition, investable public forestland is estimated to be 922 million hectares (23.33%), representing a value of USD 249 million.

## 1 Methodology

Countries have been investigated through three main criteria: political stability, forest cover, and data availability. The countries meeting these criteria were then divided into regions based on continents and sub-regions based on forest types.

Political stability was measured based on the World Bank's governance indicator. Countries were included if they are above the world median. The Food and Agriculture Organization (FAO) forest cover data was used to determine the forestland area of each country; a minimum of a forest cover of 10% being required to be included in the study. Some countries were excluded due to insufficient data whereas other countries were included even though they did not meet all criteria as long as they are considered major timber producer countries or countries that have already welcomed institutional forest investments.

Ownership patterns were surveyed dividing the forestland into private, public and other types of ownership. Private forestland should here be understood as land readily investable via fee simple purchase while investable public forestland is accessible via long-term lease agreements or harvesting rights. Other ownership types like municipalities, churches, etc., have been regarded as non-suitable for institutional investments. Finally, each type of forest was assigned a per hectare value based on known transactions and best estimates.

## 2 Results

### 2.1 Investable private forestland

The USA possesses the largest area of private investable forestland followed by Europe and South America (see Figure 1). Altogether, IWC estimates that 165 million hectares of private forestland are available for institutional investments worldwide. This represents a value of USD 467 billion.

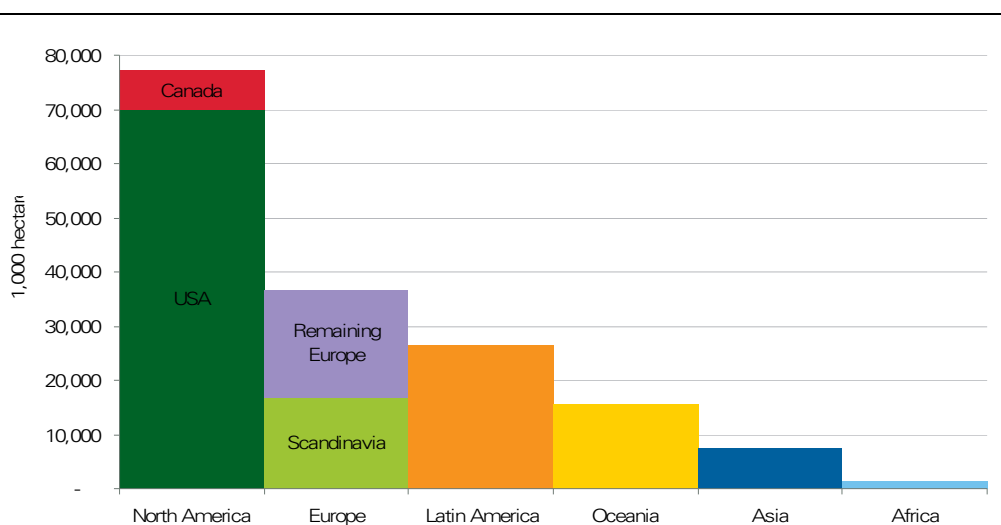


Figure 1. Area of investable private forestland by region.

### 2.2 Investable public forestland

Russia has the largest investable public forestland with two thirds of the global public area. Canada and China also have significant areas. As seen in figure 2 below, Europe outside of Russia and the USA do not have public forestland available for institutional investments. Worldwide, the total public area available for institutional investments is estimated to be 922 million hectares, valued at USD 249 billion.

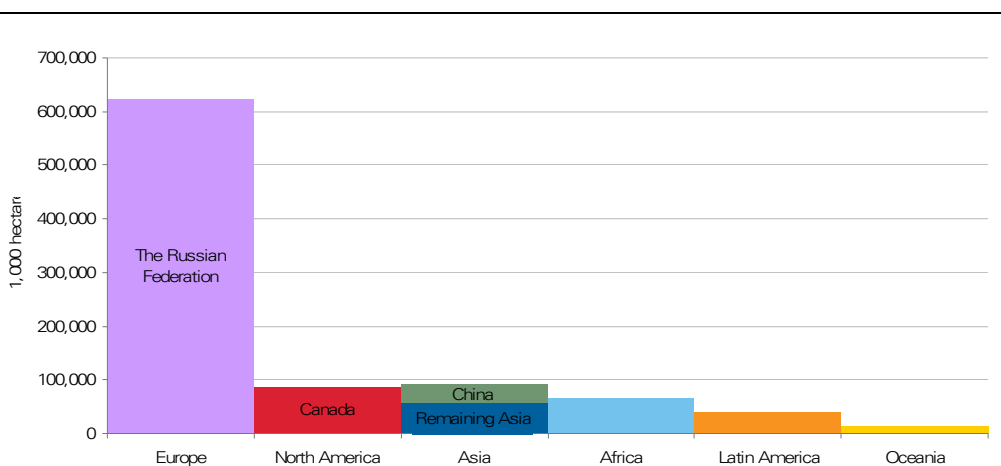


Figure 2. Area of investable public forestland by region.

### 3 Conclusion

IWC estimates the global timberland investable universe to be around 1.1 billion hectares scattered through out the world. This is 25% of the total forest cover and is valued to USD 716 billion. As of the end of 2008, different sources suggested that USD 50 billion of institutional money was invested in forestland. This would mean that about 1/14 of the total available forest area is invested so far, leaving many opportunities for institutional investors.

Furthermore, several conditions could increase the investable universe in the near future. Firstly, China and several African countries have schemes to implement large plantations which would increase the available investable forestland. Also, the general tendency towards improved political stability should open up new markets. Finally, through advance technology, areas currently removed should become available to investments.