

# Timber Market Update

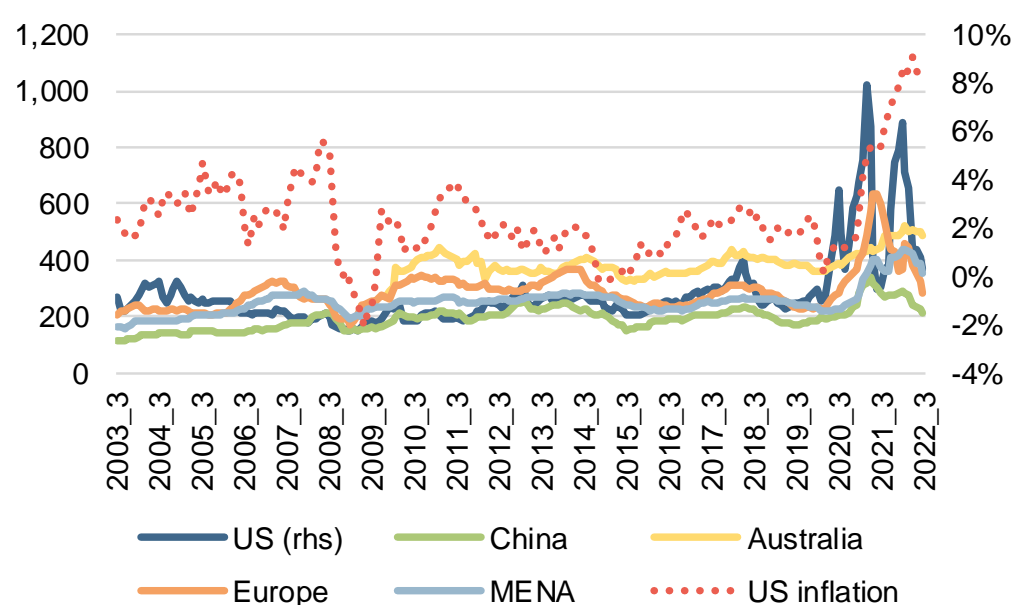
## Executive summary - 3Q 2022

### Timberland transactions and returns

During the third quarter, two larger US transactions took place: Hancock's 174,000 acres Dionysus package in the US South sold for USD 474 million, and The Forestland Group's 1.7 million acres of hardwood timberlands sold for USD 1.8 billion to Oak Hill Advisors.

US timberland returns yielded 12.5% on an annual basis, more specifically 11% in the US South, 15% in the Pacific Northwest (PNW), and 22% in the Northeast.

### Lumber prices (USD/m<sup>3</sup>) and US inflation



### Macro drivers

Housing starts have over the last quarters moderated, except for New Zealand, due to lower mortgage rates. In the US, housing starts were down 11.9% this quarter (to 1.46 million), compared to last year. In China, housing starts hit a new low, down 53% over the year. In Australia, the drop in approvals have yet to affect wood demand.

US lumber prices have stabilized at what seems to be a price floor, and that level is still attractive for lumber exporters to the US.

### Price developments and market drivers in the US

Stumpage prices in the US South decreased a bit for all major products during the third quarter, but the price adjustments were mainly seasonal. New wood industry investments in the US South are expected to support log demand in the coming years.

In the US PNW, log prices are still high, mainly due to harvest and transportation costs. Weaker prices are expected, but as Weyerhaeuser restarted their PNW mills after a 7-week strike, log demand should strengthen.

### Price developments and market drivers outside the US

Australian lumber prices are staying at the historic peak for now. Meanwhile, woodchip exports out of Australia were down 0.9% during the quarter, despite strong Chinese demand. New pulp and shipping capacity and tight global supply are expected to improve demand for Australian woodchips going forward. In New Zealand, export log prices increased by 51% over the quarter and were up 7% over the year, while domestic log prices were down by 4%.

Log prices in Brazil continued to increase by 13 to 14% in the third quarter. This increase came from the strong demand across almost all wood sectors, including lumber, pulp, pig-iron, and firewood.

In Europe, log prices have probably peaked but could likely stay at this level as wood supply is tight following the Russian import bans.

Finally, carbon prices have moderated to adjust expectation to the transition to greener energy following the crisis in Ukraine.