

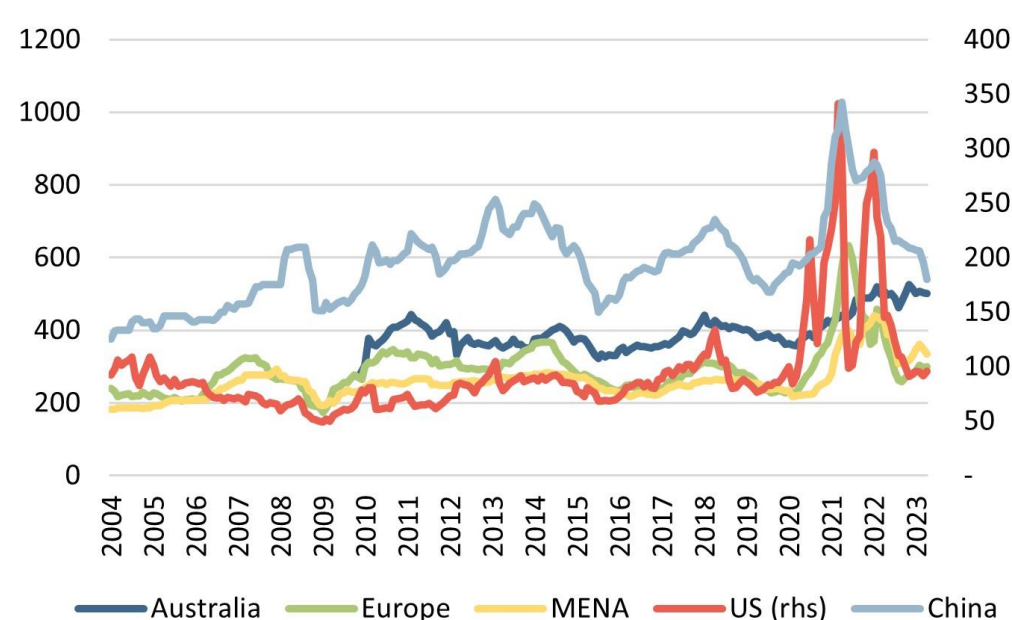
# Timber Market Update

## Executive summary - 2Q 2023

### Timberland transactions and returns

In the second quarter of 2023, timberland transactions mainly took place in the US South, where about USD 405 million were closed at an average price of 2,183 USD/acre. New investment opportunities are mainly located in the US PNW, which are estimated to amount to about USD 750 million.

The NCREIF TPI return was 1.7% over the quarter across the US, and 11.1% over the year. Of this, 8.2% were due to capital appreciation, the remainder due to income return.



### Macro drivers

Construction activity increased in the US and Australia, and decreased in the EU and in China where starts were 10% lower than last quarter. Housing starts are now back to 2009 levels just before when China invested heavily in the domestic infrastructure. China is now planning to subsidize households to boost consumption.

During the quarter, lumber prices increased in Europe and MENA, and declined in Australia and Japan. More Russian lumber and less construction activity drove declines in China.

### Price developments and market drivers in the US

Pine sawlog prices did not change significantly over the quarter, whereas pine pulplog prices declined by 16% due to a weaker pulp market and production curtailments in the region.

In the PNW, log prices softened a bit during the quarter as supply increased during the drier summer months. While lumber prices helped support log prices, the log export market to China softened, which affected Whitewood prices with mills putting quotas on deliveries in some regions in the PNW.

### Price developments and market drivers outside the US

Brazilian log prices continued to increase, as tight supply is pressuring the local wood industry. While domestic pulp mills are very competitive on the global market, Suzano and Klabin curtailed production for maintenance at current prices.

Domestic lumber prices in Australia have yet to be published at the time of writing. Prices are expected to moderate as domestic demand weakens in the coming quarters. Australian hardwood chip exports decreased 32% in the second quarter due to reduced Chinese demand following lower pulp prices. Woodchip prices held steady due to reduced supply.

Log exports from New Zealand to China were up 2% this quarter, but export prices have been volatile due to the uncertainty about Chinese construction. Log inventory levels in China are now at a level that supports a more positive outlook.

Costs and the reduced supply from Russia, as well as a depreciation of the Swedish Krona contributed to higher log prices in Sweden. In Germany, roadside log prices declined by 30% due to larger supply from beetle invested wood following the dry summer. Salvage wood is, however, not expected to increase materially over the next year.

In China, total wood imports were up by 15% over the quarter and 4% over the year. Lower prices boosted China's import of lumber and pulp, while woodchip imports fell by 31% over the year.