

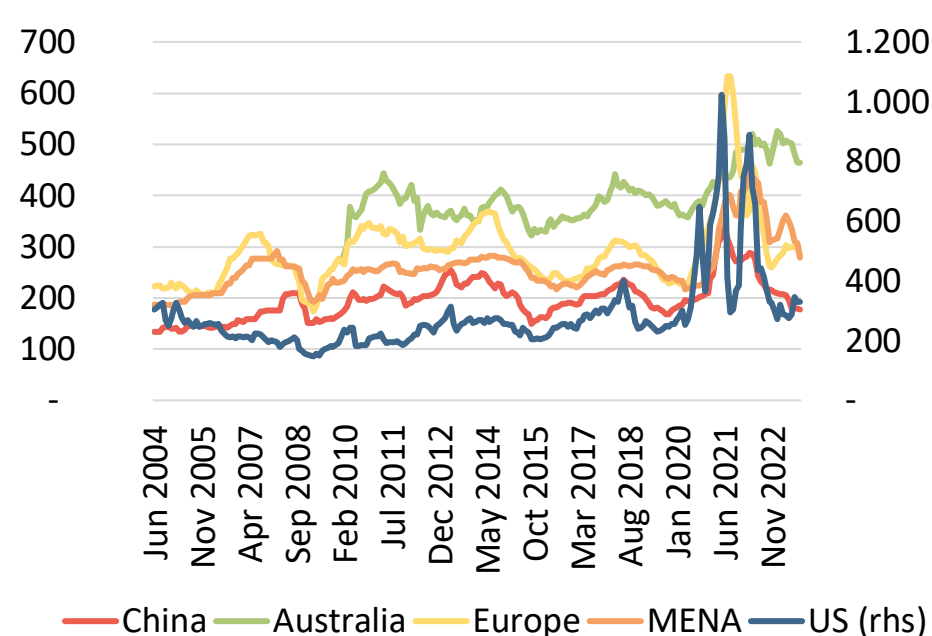
# Timber Market Update

## Executive summary - 3Q 2023

### Timberland transactions and returns

During the third quarter of 2023, the majority of the timberland transactions took place in US PNW.

The NCREIF timberland property index (TPI) return was 1.37% in the third quarter and 10.03% annualized, of which 7.24% was attributed to appreciation and 2.65% to income return.



Lumber prices (USD/m³)

### Macro drivers

In the US, housing starts decreased by 5.3% to 1.367 million units. Housing starts in Australia and China stabilized but are at historical lows. Construction activity in Europe remained steady, but lumber consumption is still forecast to decline by 8 million m³ in 2023, equivalent to the Russian lumber exports to Europe before the ban.

During the quarter, lumber prices decreased in all regions, except for the US where prices improved by 19% over the quarter.

### Price developments and market drivers in the US

In the US South, pine sawlog prices were kept steady due to demand outlook, full inventory, and enough log supply. Pulplog prices were challenged by a weak pulp and paper market and corresponding industry outages and closures.

In the PNW, Douglas-fir prices remained steady due to higher lumber prices, while Whitewood prices remained weak on low export demand.

### Price developments and market drivers outside the US

In Brazil, Eucalyptus pulplog prices continued to increase due to tight supply. This positive trend was supported by a rebound in pulp prices, up 14% to USD 605 per ton. Pine sawlog prices moderated a bit from historical highs due to weaker export demand.

In Australia, domestic lumber prices remained at historical highs, which is expected to support domestic log prices as well. Hardwood chip exports were up by 15% with a 3% increase in prices to 166 USD/bdmt. New Zealand log export prices improved a bit over the quarter as supply was reduced to cope with the low prices during the previous quarters.

Log price developments were mixed in Europe. In Sweden, prices continued to rise as forest owners deferred harvest, while the industry was running low on inventory. In the Baltics and Germany, where log prices are Euro denominated, prices did moderate due to falling lumber prices.

China reduced imports of log and lumber. Inventories are now down to a level where prices are beginning to increase despite the uncertain market outlook. Woodchip imports rebounded with the improvement in pulp prices. 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.