

Timber Market Update

Executive summary – 4Q 2023

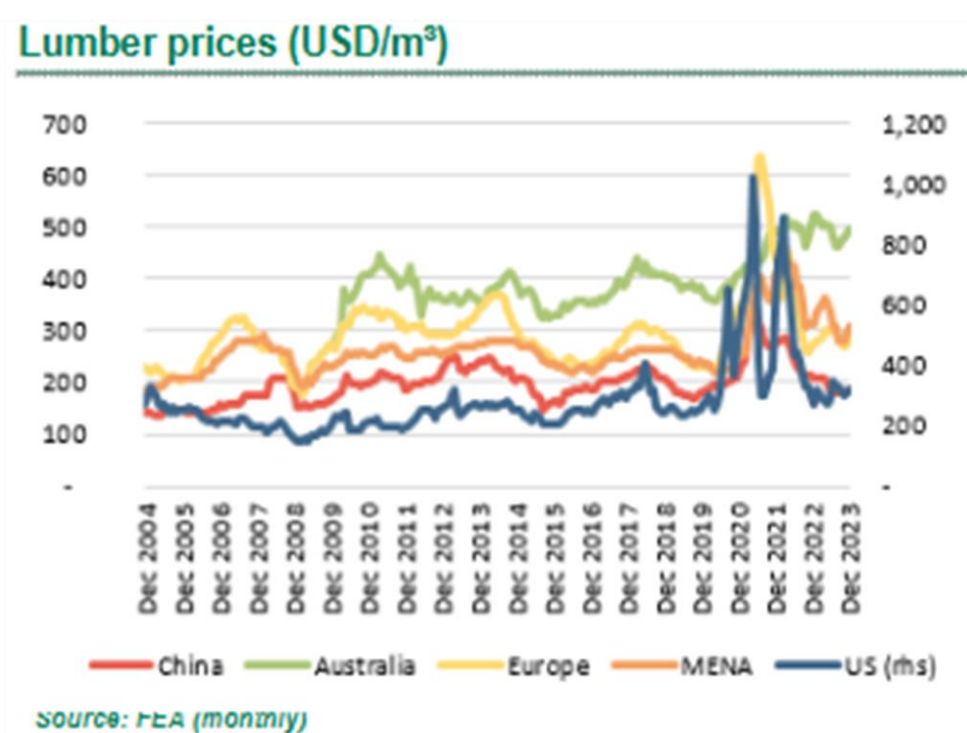
Timberland transactions and returns

The NCREIF timberland property index (TPI) return was 4.35% in the fourth quarter and 9.45% annualized.

Macro drivers

In the US, housing starts increased by 8.5% to 1.483 million. Housing starts are expected to remain at bit below this level in 2024. The correction in construction activity in Australia, New Zealand, China and Europe seem be have slowed.

Lumber prices decreased in all regions in the fourth quarter, due to the weaker global demand that is estimated to have declined by about 9% in 2023. Demand in the US was up by 2.5% in 2023, but lumber imports from other regions, particularly Canada, have kept supply sufficient to meet demand. Pulp price rebounded in the fourth quarter, up by 17% to USD 625 per ton cif China.



Regional price developments and market drivers in the United States

In the US South, pine sawlog stumpage prices remain about 3% lower compared to last year due to a combination of sufficient supply following dry weather conditions, small reduction in Southern pine lumber production, and higher costs.

Pulplog prices continue to be challenged by a weak pulp and paper market and industry closures. In the PNW, Douglas-fir prices remained steady, while Whitewood prices declined on weaker export demand and lumber prices.

Regional price developments and market drivers outside the United States

In Brazil, log prices have been through a increase over the year, 23% for pine sawlogs and 28% for pulplogs. The competitive pulp industry continue to take market shares globally and other wood industries also increased their exports during the quarter.

In Australia, high domestic lumber prices are expected to support log prices going forward. Hardwood chip exports were down by 17% over the year to cope with weak Chinese demand, which to some extend have supported woodchip export prices.

New Zealand log export prices improved by 11% over the quarter as Chinese demand to replenish inventory before Chinese New Year boosted imports.

Log prices continue to rise in Europe on short supply. This is a challenge to the lumber mill industry. China boosted their wood imports mainly due to pulp imports to take advantage of weaker global prices