

Timber Market Update

Executive summary - 2Q 2024

Timberland transactions and returns:

The NCREIF timberland property index (TPI) return was 1.7% in the second quarter and 9.8% annualized.

Macro drivers:

Housing starts continued to weaken in the second quarter. In the US, housing starts were down by 4% over the quarter to 1.34 million and is likely to stay at this level for the remainder of 2024. In China, stimulus measures have had limited impact on the housing market, which continued to decline in the second quarter.

Lumber prices were down by 3% in the US due mainly to overcapacity in the US South and weaker demand. Production curtailments in Europe raised prices by 11% over the quarter.

Pulp prices rebounded to 730 USD/ton in China, up by 11.5% over the quarter. Prices have since declined again, indicating weak paper markets

Price development and markets drivers in the US:

In the US South, saw- and pulplog prices remained steady in the second quarter despite difficult weather. Interfor announced curtailment of two lumber facilities in Georgia and South Carolina. Closures are expected to be counterbalanced by new investments, with total capacity maintained at current levels.

In the PNW, Douglas-fir log prices continued to be affected by the low lumber prices because of the excess supply in the US South. Two more regional mills announced their closure, but new investments are expected to counterbalance lost capacity.

Price development and markets drivers outside the US:

In Brazil, both pine and eucalyptus log prices remained relatively steady due to supply-side issues. Large-scale pulp projects continue to be announced.

In Australia, lumber prices are expected to come down from current high levels, driven mainly by current weak domestic construction markets. Log exports are gradually increasing as China lifted their import ban. Hardwood chip exports were down 16% over the year due to low pulp prices in China.

In New Zealand, weak Chinese demand continued to affect log exports and prices. The domestic market was also weak following a drop in building consent.

Log prices in Sweden continued to new historical highs as industry continue the chicken race to gain market shares. The structural undersupply of softwood pulp is expected to continue.

As expected, China's wood imports increased slightly after the Chinese New Year, mainly due to woodchip imports that increased because of higher pulp prices.

Carbon prices on compliance markets remained mostly stable over the summer. New Zealand government announced a reduction in the number of emissions units (NZUs) available, in an effort to restore confidence in the market. The voluntary carbon market remains under scrutiny to boost confidence and demand.