

# Timber Market Update

## Executive summary - 3Q 2024

### Timberland transactions and returns:

Transaction activity in the US during the third quarter increased slightly from the prior quarter. The deal flow outside US was relatively muted. The NCREIF timberland property index (TPI) return was 1.5% in the third quarter and 10.0% annualized.

### Macro drivers

In the US, housing starts were down by 1% over the quarter to 1.3 million, with improvements expected in 2025. In China, stimulus measures have had limited impact on the housing market, which continued to decline in the third quarter by 5%. Australian dwelling consents increased 7%, addressing the region's housing shortage.

Lumber prices were down by 5% in the US due to a combination of weak market demand and overcapacity in the US South and higher production in Canada. Weak market fundamentals are expected to override any policy-driven factors in the first-half of 2025, while stronger lumber demand and prices are forecast for 2026.

Pulp prices decreased to 550 USD/ton in China, a reduction of 26% over the quarter. Paper production overcapacity in China and weak global demand are the main reasons for the pulp price development.

### Regional price developments and market drivers in the United States

Soft market demand affected sawlog prices negatively, down 8% over the quarter, which does not include price implications from Hurricane Helene. Several wood industry curtailments were announced during the quarter to adjust to the weak demand.

In the Pacific Northwest (PNW), Douglas-fir log prices continued to be affected by weak lumber prices.

### Regional price developments and market drivers outside the United States

In Brazil, both pine and eucalyptus log prices remained relatively steady due to supply-side issues, despite weaker exports.

In Australia, lumber prices are expected to decrease further due mainly to weak domestic construction market. Log exports are gradually increasing as China lifted their import ban, with export prices up by 10% over the year. Hardwood chip exports were up 19% over the quarter. Weak paper and pulp markets in China could revert this trend.

In New Zealand, the weak construction market in China continued to affect log exports, although prices did improve a bit in the third quarter.

Log prices in Sweden continued to new historical highs as the lumber industry-maintained production capacity in anticipation of improved market conditions going forward. The pulp industry still enjoys healthy margins despite the higher wood costs.

China's wood imports decreased by 7% over the quarter, driven by weak construction and paper markets. Woodchip imports to China was up by over 30% over the year as a result of new paper capacity in China, but the recent closure could indicate headwinds for the woodchip market as well in the coming quarters.

Carbon prices on compliance markets improved in New Zealand and Washington where the ballot confirmed the validity of the carbon scheme and its linkage to the California and Quebec systems. At COP29, Article 6 was operationalized paving the way for an UN-led international carbon market.