

Timber Market Update

Executive summary - 4Q 2024

Timberland transactions and returns:

Transaction activity in the US decreased slightly with respect to the previous quarter in terms of value for closed deals, remaining however unchanged in terms of volume of active and prospective offerings. The transaction activity outside the US remained relatively muted.

The NCREIF timberland property index (TPI) total return was 1.44% in the fourth quarter and 6.97% annualized. Capital appreciation of 5.04% was the primary return driver due to year-end appraisal write-ups.

Macro drivers:

US housing starts in the fourth quarter of 1.38 million (SAAR) were up 4.2% from the previous quarter.

In China, stimulus measures have had limited impact on the housing market, which continued to decline in the fourth quarter by 6.7%.

Australian dwelling consents increased 2.7%, helping to address the region's housing shortage.

Lumber prices in the US increased 5% over the quarter but remained down by approximately 3% over the previous year due to a combination of weak market demand and overcapacity in the US South.

Market pulp prices decreased by 8% in the fourth quarter as weak paper markets, particularly in China, affected demand.

Price development and markets drivers in the US:

In the US South, soft market demand continued to affect sawlog prices, which were generally down in 2024 but rebounded slightly in certain sub-regions in the fourth quarter on challenging weather conditions that created spot market opportunities.

In the Pacific Northwest (PNW), Douglas-fir log prices remained stable early in the fourth quarter, with meaningful price increases observed in December 2024 and early 2025, particularly in Oregon's Willamette Valley. Sierra Pacific Industries' mill capacity investment in Eugene, Oregon is expected to offset the recent capacity reductions in that area.

Price development and markets drivers outside the US:

In Australia, lumber prices decreased slightly due mainly to weak domestic construction market. Log exports are gradually increasing as China lifted their import ban last year, with export prices up by 16% over the year. Hardwood chip exports were down by 21% during the quarter, while annual exports were down by 19%.

In New Zealand, the weak construction market in China continued to affect log exports, which were down by 1.8% over the quarter, and down 2.6% over the year. However, log prices were up 18% over the quarter and 5% over the prior year.

In Sweden, log prices continued to new record highs putting pressure on the sawmill sector, while pulp producers operate with healthy margins.

Chinese wood imports were about 204 million m³ in 2024. Although this was a slight decrease of 1.6% from 2023, China continued to be important for global wood industries. Persistent weakness in the construction sector affected log and lumber imports, down 5% and 4% for the year, respectively. These markets are not expected to materially improve in 2025.