

Timber Market Update

Executive summary - 2Q 2025

Timberland transactions and returns

In the second quarter of 2025, transaction activity in the US increased from the prior quarter in terms of value for pending/closed deals; volume of active and prospective offerings was up slightly. The deal flow outside the US also remained active.

The NCREIF timberland property index (TPI) return was 1.44% in the second quarter and 5.32% annualized. Capital appreciation of 3.61% was the primary return driver over the past 12-months.

Macro drivers

The Inflation Reduction Act's revised tax and credit provisions have scaled back incentives for wind and solar, maintained support for carbon capture, and expanded clean fuel production credits. Tariff changes continue to disrupt markets: Canadian lumber duties will rise from 15% to 35% in August 2025; Brazil now faces a 50% tariff on wood-based panels and lumber; Chinese import tariffs increased from 30% to 55%; US and EU lumber tariffs remain capped at 15%. US housing starts fell 4% in Q2 to 1.35M due to affordability constraints; China saw a 5% drop amid oversupply and low confidence, while Australian approvals held steady. Lumber prices rose despite weak demand, driven by strategic buying after tariff shifts.

Price developments and market drivers in the US

In the US South, sawlog prices increased by 4% as mills responded to higher lumber prices. Pine pulp log prices declined by 13% due to weak paper markets. IP announced the closure of two containerboard mills in Georgia, which will deteriorate the pulpwood market further in this region. Canfor announced the closure of two lumber mills in South Carolina in response to weak demand. In the Pacific Northwest (PNW), Douglas-fir log prices improved in response to higher regional lumber prices. SPI started constructing their second lumber line in Eugene, OR (operational by late 2028), making it one of the largest mills in the US.

Price developments and market drivers outside the US

In Australia, domestic log prices are expected to continue to decline due to weak construction markets. Log export prices also declined, but from a relatively high level. Hardwood chip exports were affected by lower global market pulp prices driving woodchip prices down by 3% over the year, to 164 USD/BDMT.

In New Zealand, CHH announced pending closure the largest sawmill on the South Island, Eves Valley. Despite a weak domestic market, log prices increased 4%, which may be seasonal, while export log prices declined by 13% over the prior quarter.

In Sweden, sawlog prices may have peaked for now while pulp log prices declined in some regions during the quarter.

Chinese wood import volumes were steady in the second quarter as Chinese pulp and paper producers continued to import cheap market pulp. Woodchip imports for pulp and paper on the other hand declined by 11% year-to-date. The Chinese construction market kept demand for log and lumber imports weak, down 11 and 13%, respectively, for the year. Softwood exports to India increased but not enough yet to offset weak Chinese demand.

Carbon compliance markets kept expanding globally in H1:2025, while the voluntary market was steady with a focus on quality. Regulatory changes expected to further limit afforestation in New Zealand, while there is high regulatory uncertainty regarding the system in California (CARB). Analysts expect tighter supply and higher prices for CORSIA based credits.