

# Timber Market Update

## Executive summary – 3Q 2025

### Timberland transactions and returns

Transaction activity in the US during the third quarter increased from the prior quarter in terms of value for pending/closed deals; volume of active and prospective offerings was slightly down. The deal flow outside the US remained active, esp. in the Baltics where IKEA made their largest timberland acquisition ever.

Investors appear more sensitive to mill closures, shifting fiber demand, and lower discount rates, yet transaction values remain resilient. Growing emphasis on carbon, conservation, and non-timber revenues continue to support timberland valuations.

The NCREIF timberland property index (TPI) return was 0.66% in the third quarter and 4.42% annualized. Capital appreciation of 2.76% was the primary return driver over the past 12-months.

### Macro drivers

US trade policy continues to reshape wood markets. US tariff actions, including higher duties on Canadian lumber and new “Section 232/301” measures, have added cost pressure and disrupted global supply chains. These changes triggered short-lived price spikes earlier this year, followed by sharp corrections as demand remained weak.

Construction activity remains subdued across major markets. Despite marginally lower mortgage rates, affordability constraints keep buyers cautious in the US. China’s multi-year housing slump has deepened, and only Australia shows signs of stabilization due to structural undersupply.

Lumber producer margins remain under pressure as lumber prices continued to be low relative to raw-material costs, particularly in PNW and Europe. Pulp markets weakened further as global demand eased, and China expanded domestic capacity.

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

In the US South, sawlog prices decreased by 4%, despite of higher lumber production in the US South, as mills responded to sufficient log supply. Pine pulp log prices also declined by 4% due to weak paper demand.

Despite recent tariff hikes on Canadian lumber, log prices declined following weak demand in PNW. There is still a large inventory of Canadian lumber, imported prior to the tariff implementation, with quotas being implemented to manage inventory.

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

In Australia, log export prices declined, but from a relatively high level. Lumber prices were yet to be published, but they are expected to decrease slightly as industry manage supply with weak domestic demand. Hardwood chip exports were affected by lower global market pulp prices driving woodchip prices down by 6% over the year, to 152 USD/BDMT.

In New Zealand, log prices increased slightly, enough to keep NZ annual log production at about 33 million m<sup>3</sup>.

In Sweden, sawlog prices may have peaked for now as mills balance production with demand.

Chinese wood import volumes declined in the third quarter. For log and lumber this was driven by a continued slump in housing starts that has dragged on for more than four years. Pulp imports were up by 5% as the local paper industry is taking advantage of lower global pulp prices, whereas woodchip imports were down by 5% as paper mills substituted for cheaper market pulp.

With regard to the carbon market, the California program extended until 2046, revamping trust in the system. The carbon price spread between low- and high-quality projects continued, with credits traded at almost 4 times higher prices than lower quality credits. This ratio was just 2 times in 2024.