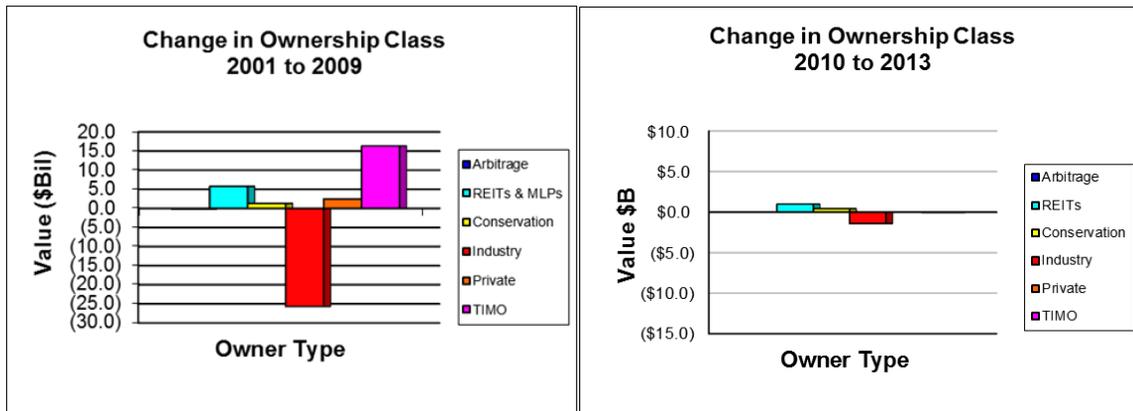


WHAT'S NEXT FOR U.S. TIMBERLAND ?

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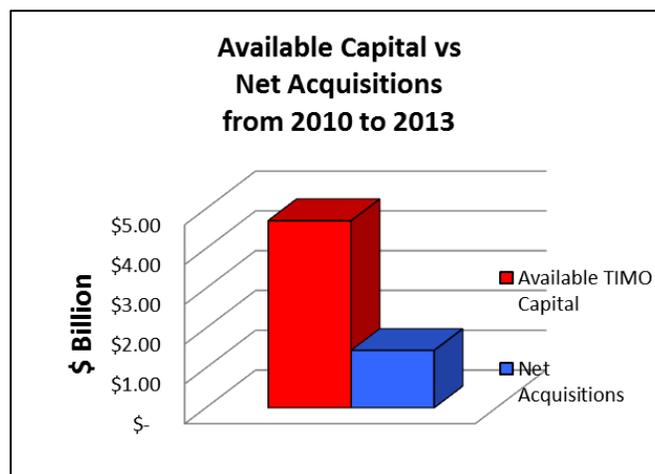
In light of recent discussion of acres under management by TIMO's, it is interesting to note that, with respect to U.S. timberland, during the period 2010 through 2013, TIMO's as a group sold roughly \$13 Billion less than they acquired. Contrast this to the period 2001 to 2009, when TIMOs were the big buyers on hugely larger annual volume. Figure 1 illustrates the point. REITs, and to a minor extent, Conservation and private investors, have picked up some slack, with Industry again being the net seller. TIMOs have traded roughly \$5.0 billion in volume amongst themselves, but as a group, they have ceased to grow.



Source: RISI Timberland Market Report, R&A Investment Forestry

Figure 1. Change in Ownership Class Compared

What makes this still more interesting is that, according to TimberLink's survey data, TIMOs as a group have roughly \$4.7 Billion in capital raised and ready to spend, with an estimated 75% directed to U.S. investments. That is roughly 3.3 times total acquisition value of timberland during the four year period. It will not be possible for TIMOs to place this much capital before subscription agreements expire.



Source: TimberLink 12/31/2013 Survey, R&A Investment Forestry

Figure 2. Available Capital

This causes one to speculate on ...What's next? It is not clear what investment managers will do to sustain growth. Clearly consolidation is one option, and there are a number of candidates for that. Another is for a large TIMO to issue an IPO – as Catchmark has already done. That would represent a structural change, but it would not create more timberland to buy. A third option is for TIMOs to fully integrate and focus on forest management. But there's little fun for them in that.

Or, who knows, perhaps there will be a change in the tax code that will cause industry to buy it all back!

James Rinehart
President, R&A Investment Forestry