Why Timberland?

The long life of a timberland investment provides a stable low-risk investment with an attractive return. Timberland is a hard asset and a finite resource; land will always be in demand. Timberland ownership and investment can build financial security for future generations. Investment in timberland also provides a hedge for inflation and is a source of diversification for a market portfolio. In short, the long-term orientation of timberland investments and markets reinforce its most attractive characteristics: stability, diversification and security.

Long-Term Assets for Long-Term Investors

Non-industrial private timberlands trade in a longer-term market that can better hedge inflation, diversify a portfolio, and provide a stable legacy to leave to children. The turnover of timberland properties – the resale rate – provides insight into the long-term view of private investors attracted to this asset class. Timberland tenure from recent research studies ranged from 7 years to 26 years. The longest tenures were generally associated with non-industrial, individual, family owners according to the National Woodland Owner Survey conducted by the US Forest Service.

Recent volatility in the financial markets highlight the long-term benefits and potential advantages to maintaining timberlands as part of a diversified, customized and intergenerational investment portfolio. Opportunities to participate in this asset class evolved over the past 25 years as ownership of investment-grade timberlands in the US shifted from the forest products industry to institutional investors and publicly-traded real estate investment trusts (timber

REITs). While some parcels went to developers planning to build subdivisions, most acreage was acquired by investors managing them as long-term, income-producing forests. Private timberland ownership continues to satisfy tests applied by individuals and families focused on preserving wealth over time and against inflation.

**Strong Long-Term, Risk-Adjusted Returns**

Privately-owned timberlands exhibit strong risk-adjusted returns over the long-term relative to other asset classes such as stocks and bonds (Figure 1). Why? Part of the reason is explained by the fact that timberland, in and of itself, is a diversified investment that grows over time. Timberland includes the actual trees, a renewable resource which grows in size and value, as well as the land, a finite resource which retains alternate uses and values.

![Figure 1: PERFORMANCE OF TOTAL TIMBERLANDS IN RELATION TO MARKET, 1989-2009](image)

Direct timberland ownership differs fundamentally from buying stock in publicly-traded timberland-owning real estate investment trusts (REITs). While timber stocks offer liquidity, it comes at the price of higher volatility (Figure 2). One is an investment in timber and land; the other is an investment in a timber business.

---

An investment of $100 in public timber REITs in 1999 would have appreciated to $133.56 by the start of 2009, as measured by the Forisk Timber REIT (FTR) Index. The same $100 invested in private timberlands would have appreciated to $198.74 over the same time frame.

Hedge Inflation

Timberland investments are broadly attractive, as noted from the continued, growing interest in US timberlands from international investors. Individual and corporate investors — mostly from Canada and Europe — owned more than 21.2 million acres of agricultural land across the United States, an increase of over 5.3 million acres since 2006. Reasons cited by foreign investors for their US timberland investments include the relative stability of the US dollar and the historic tendency to hedge, or offset, inflation over time (Figure 3).

---

IMPORTANT NOTICE: Past results may not be indicative of future performance. These results represent market averages and may not apply to specific parcels of land. Please consult your own financial advisor prior to investing.