

TIMBERLAND INDEX

TIMBERLAND PUTS TOGETHER A STRONG FINISH FOR 2022

The NCREIF Timberland Property Index (TPI, Index), wrapped up its strongest performance since 2007 as investors search for answers to the inflation and interest rate questions 2022 introduced. Though increases in interest rates have negatively impacted housing starts, timberland valuation results were positive across all regions, and properties have continued to generate positive income.

In the South, valuation increases led to a fourth quarter return of 6.01% in the subindex. For 2022, total returns of 13.42% consisted of 10.25% appreciation returns and 2.94% income returns. Though acreage declined over 6% from Q4 of the prior year, the South subindex remained the largest component of the TPI, making up over 65% of the TPI's market value as of December 31, 2022.

The Northwest subindex saw income and appreciation returns lower than its 2021 levels. Fourth quarter results included 1.51% appreciation and 0.69% income, bringing total returns to 2.20% for the period and 10.67% for the year. The Northwest region represented almost 25% of the TPI's market value at December 31, 2022.

Though the fourth quarter delivered muted returns of 1.09% for the region, the Northeast subindex continued to ride momentum from its prior year performance, enjoying 17.33% returns on the year, up from 13.22% in 2021. As of December 31, 2022, the Northeast region represented 5.55% of the TPI, up from 4.62% the prior year.

The smallest component of the TPI as measured by market value, the Lake States subindex delivered the best subindex performance of the fourth quarter, with 9.35% total returns. This quarter brought the region's 2022 returns to 15.81%, consisting of 12.85% appreciation and 2.72% income. This represents the best annual performance the Lake States region has experienced since its inception.

For the fourth quarter, the TPI grew by over \$40 million to \$24.49 billion from \$24.45 billion encompassing over 12.4 million acres across 464 properties in the United States. The Index capped off the year with fourth quarter returns of 4.89% consisting of 4.18% appreciation and 0.71% income. Fourth quarter results brought the total return for the year to 12.90%. As timberland continues to produce attractive risk-adjusted returns, the asset's potential hedging benefits also generate interest as volatility in traditional assets has investors rethinking their portfolios.

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TIMBERLAND TOTAL RETURNS							
	NPI	Total Timberland	Property Count	South	Northeast	Northwest	Lake States
4th Qtr 2022	-3.50	4.89	464	6.01	1.09	2.20	9.35
3rd Qtr 2022	0.57	2.38	466	2.54	1.11	2.56	0.78
One Year	5.53	12.90		13.42	17.33	10.67	15.81
Three Years	8.06	7.51		7.25	8.16	7.94	8.58
Five Years	7.46	5.37		5.08	5.62	6.04	6.08
Ten Years	8.82	5.80		5.30	3.51	7.65	6.13

TIMBERLAND EBITDDA RETURNS						
	NPI	Total Timberland	South	Northwest	Northeast	Lake States
4th Qtr 2022	0.95	0.71	0.72	0.69	0.60	0.87
3rd Qtr 2022	0.93	0.72	0.65	0.92	0.72	0.81
One Year	3.90	3.11	2.94	3.73	2.81	2.72
Three Years	4.11	3.02	2.84	3.69	2.25	2.84
Five Years	4.28	3.00	2.78	3.69	2.72	2.50
Ten Years	4.68	2.87	2.65	3.57	2.47	2.25

TIMBERLAND APPRECIATION RETURNS						
	NPI	Total Timberland	South	Northwest	Northeast	Lake States
4th Qtr 2022	-4.45	4.18	5.29	1.51	0.49	8.48
3rd Qtr 2022	-0.37	1.66	1.89	1.64	0.39	-0.03
One Year	1.58	9.58	10.25	6.75	14.24	12.85
Three Years	3.83	4.39	4.32	4.15	5.83	5.63
Five Years	3.08	2.33	2.25	2.29	2.85	3.52
Ten Years	3.99	2.87	2.60	3.98	1.02	3.81