

## **Can the Private versus Public Timberland Value Debate be Resolved**

In the heady days of the most of the last decade, USA TIMO valuations, driven by the NCREIF Timberland Committee property index, could do no wrong. All values rose with the "good times" tide, and no-one really linked any private equity valuations to those of publicly-listed timberland companies including three USA T-REITs (now four) and two UK listed timberland funds.

However, that all changed in 2009, when public timberland values plummeted, while private equity TIMO values remained flat to slightly down.

This led many existing and potential new investors to ask why? In 2010-2011 the Committee has reportedly been active in trying to first find out what caused the discrepancies, how big they were and then what (if anything) to do about it.

Some differences were striking: for instance one analyst concluded that a proxy value for private equity (taking full account of log prices) would have fallen by 2.5% from 2003-2008; while the US South T-NCREIF (transaction driven) index increased by 93%. Some difference!

Further analysis reportedly indicated that one major culprit was the regularity of "internal" appraisals (with the understandable reluctance of internal staff to recognise log price declines) versus much less frequent independent appraisals. This will likely be addressed in 2011-2012, with much more frequent (annual at least?) external appraisals being the norm. This may reduce, but will not eliminate the discrepancy, due to the smoothing effect of both transaction- and of log price-influenced appraisal methodology.

In the meantime listed T-REIT share prices have again borne the (varying) brunt of the latest share market panic selloffs. For instance from 15 July to 15 August, the share price of Potlatch had reduced by 3%; those of Plum Creek and Rayonier by 9% each, and that of Weyerhaeuser by (a whopping) 20.5% -- obviously investors in WY are touchy about something? During this time the valuations of private equity timberland probably had not changed measurably at all.

This, and much more (including profiles of almost 20 TIMOs and several listed companies/funds; and a chapter on timberland valuations and returns) is discussed in DANA's new International Timberland Ownership/Investment Review published in mid- August. Contact [jan@dana.co.nz](mailto:jan@dana.co.nz)