

## **Australasia Remains a Timberland Fund Favorite**

Twenty years after the first TIMO investment outside of the United States was placed in a New Zealand plantation pine forest, Australasia remains a hot favorite for large scale institutional timberlands investment. While various definitions of "ownership", "management" and "advice" can cloud TIMO ownership data, DANA timberland analyst Dennis Neilson believes that in 2011 perhaps 65% of the total offshore fund areas in (existing) timberland assets of more than five million acres, resides in Australasia.

Almost all fund investment in New Zealand and most in Australia is in radiata pine sawtimber plantation crops, with rotations of around 30 years. However, a feature of this investment has been that it is all in existing trees. There has been no new planting, as opposed to some of the investment in say Brazil which has been in land to be planted. A major reason for this is that the fundamental returns from growing a new crop (or even replanting) have not been able to meet fund targets. Commonly these IRR returns might be only 4-5% assuming stable land and log prices and exchange rates.

One feature of Australian investments in 2010-2011 has been the major boost to USD asset values because of a boost in the exchange rate, and possibly even more so in New Zealand by a "double happy" of exchange rate and much higher export log prices. Pension/Endowment fund investors in both countries should be extremely happy; indeed so much so that some have decided to sell and others may be thinking about it.

In New Zealand some funds have smaller areas of Douglas fir, but this is probably being reduced in favor of pines; and two private companies have redwood projects.

In Australia there has been one large institutional investment in eucalyptus for woodchip exports; and some smaller investments in other species such as African mahogany and a "wildcard" of Indian sandalwood, whose wood is reported to be valued at \$100,000 per tonne because of its expensive cosmetic oils.

This, and much more (including profiles of 64 timberland owners and several pension funds) 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)