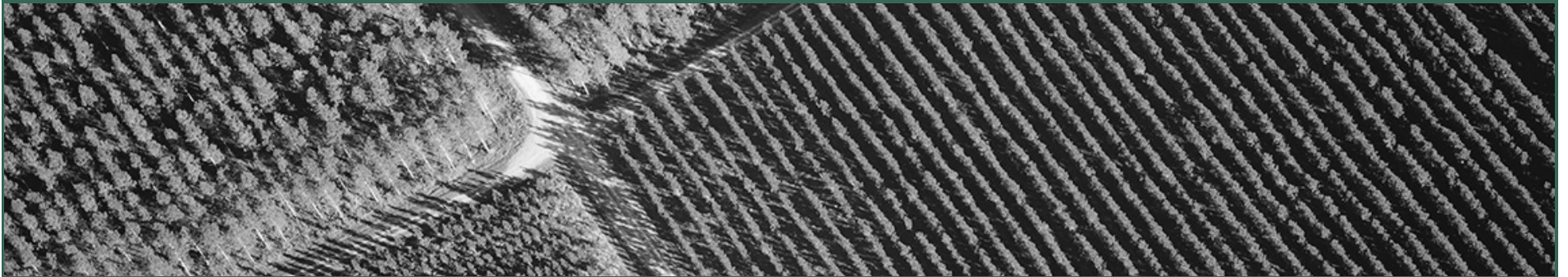






# TIMO'S & TIMBER CAPITAL

FOREST HISTORY SOCIETY WEBINAR – 11 OCTOBER 2023

with Tracy Buran Evens



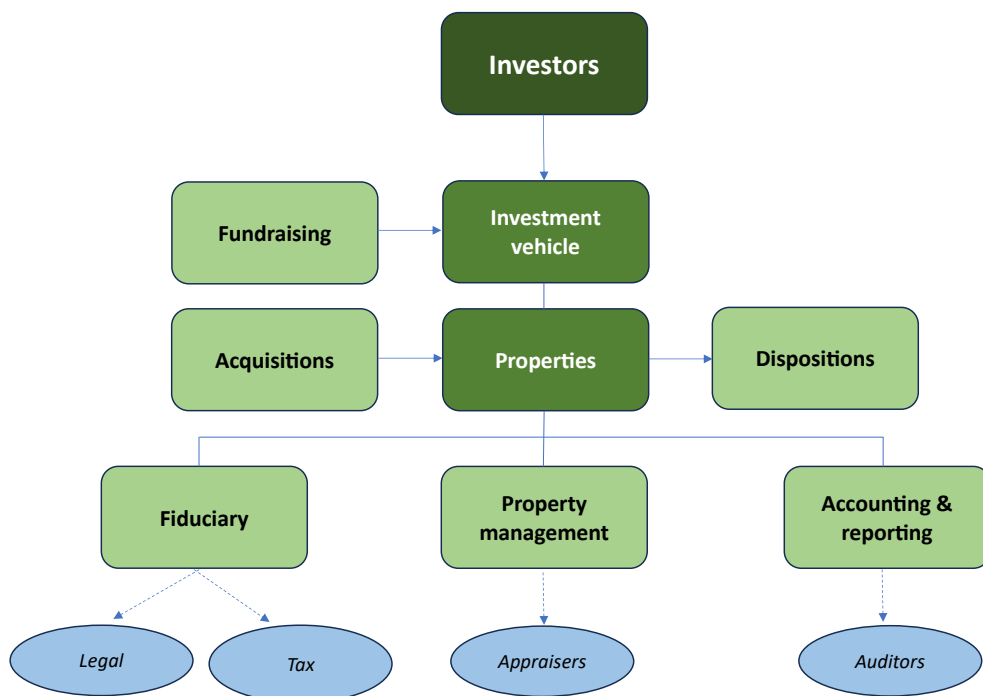


"The farther you look back,  
the farther you can look ahead."

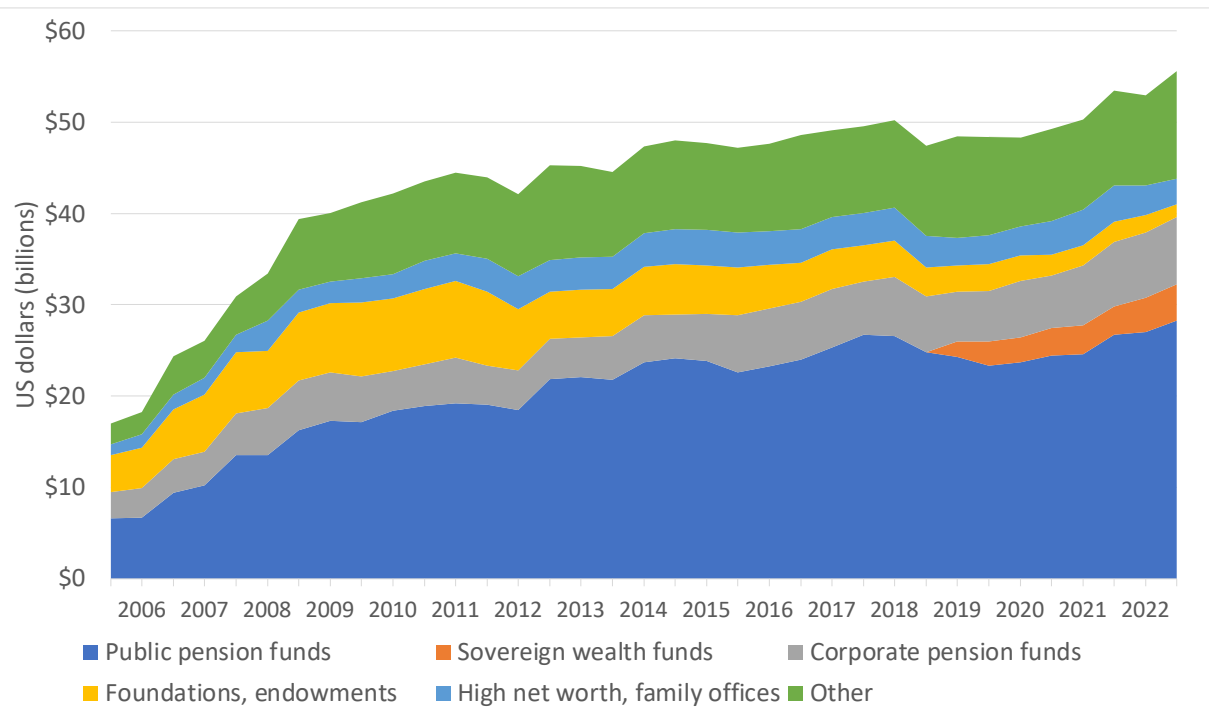
- Henry Ford (1938)

## WHAT IS A TIMO?

- “TIMO” = Timberland Investment Management Organization
- Third-party asset or investment manager for institutional investors
- Serve as fiduciary for investor capital
- Property management may be integrated or outsourced
- Investment vehicles are private equity; most are fee simple ownership of timberlands
- Investment thesis is primarily diversification & long-term capital appreciation
- Most investors are tax-exempt



# THE TIMO MODEL

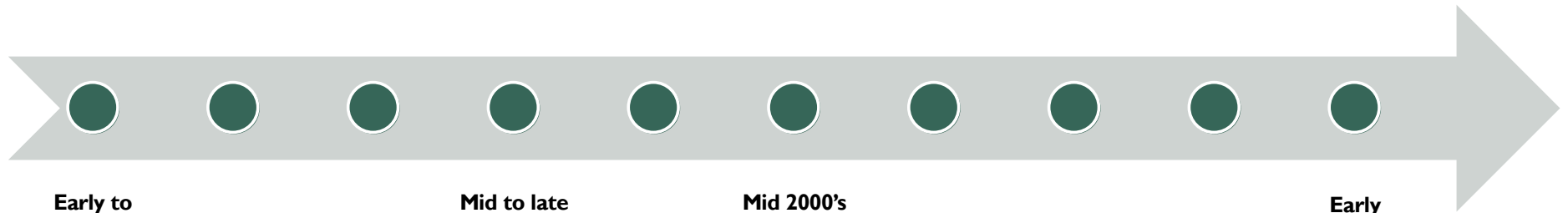


# INVESTOR TYPES

## TIMBERLINK'S SURVEY

- Survey of core TIMO assets under management (AUM)
- Initiated in 2005
- Data collected June 30 and December 31 each year
- All data is self-reported by TIMOs
- 20 current participants
- Data in these slides as of December 31, 2022

# TIMO HISTORY TIMELINE



**Early to mid 1980's – Pioneers**



**Mid to late 1990's – 2<sup>nd</sup> gen**



**Mid 2000's – Forest product corps divest**



**Early 2020's – New names, same faces**



## THE PIONEER DAYS – EARLY TO MID 1980'S

### Capital

- US\$29 million
- Mostly US investors

### Acreage

- 93% US South
- 7% Pacific Northwest

### Investor Objectives

- 1987 – 1994: 20% real returns
- Pure timber
- High return expectations
- Lacked independent research

### TIMOs

- 4 firms develop NCREIF index
- Inefficient timberland markets
- Forestry backgrounds from trust dept & insurance co
- Timber 101

SOURCE: NCREIF Timberland Property Index (TPI); capital & regions as of 1<sup>st</sup> quarter 1986



## THE SECOND GEN PIONEERS – MID TO LATE 1990'S

### Capital

- US\$2 billion
- Still mostly US investors

### Acreage

- 63% US South
- 20% Pacific Northwest
- 18% Northeast

### Investor objectives

- 1995 – 2003: 5% real
- Pure timber
- Inflation hedging & risk profile demonstrated by better data

### TIMOs

- Industry doubles to about 15 firms
- Markets more efficient
- Heavy field forestry experience but some new firms from financial backgrounds
- Asset class acceptance (NCREIF index)

SOURCE: NCREIF TPI; capital & regions as of 1<sup>st</sup> quarter 1995

## FOREST PRODUCTS CORPS DIVEST – MID 2000'S

### Capital

- US\$16 billion; US\$24 billion post-IP deal (2006 YE)
- 63% in separate accounts
- Non-US investors begin investing at scale (about 25% of capital by 2007)

### Acreage

- 40% US South
- 15% Pacific Northwest
- 25% Other North America
- 7% South & Central America
- 12% New Zealand & Australia

### Investor objectives

- 2004 – 2006: 11% real
- Pure timber plus (debt, HBU)
- Opportunistic priorities emerge
- Coagulation of real assets allocation

### TIMOs

- Industry doubles again to 28+ firms
- Massive deal flow
- Strategy differentiation
- About 1/2 of new firms from investments background
- Much less “Why timber?”

SOURCE: TimberLink's survey of TIMO AUM for capital & regions as of 2<sup>nd</sup> quarter 2005; NCREIF TPI for returns

## THE POST-GFC MODERN ERA

### Capital

- US\$55 billion
- 56% in separate accounts
- 58% non-US investors

### Acreage

- 37% US South
- 12% Pacific Northwest
- 19% Other North America
- 13% South & Central America
- 18% New Zealand & Australia

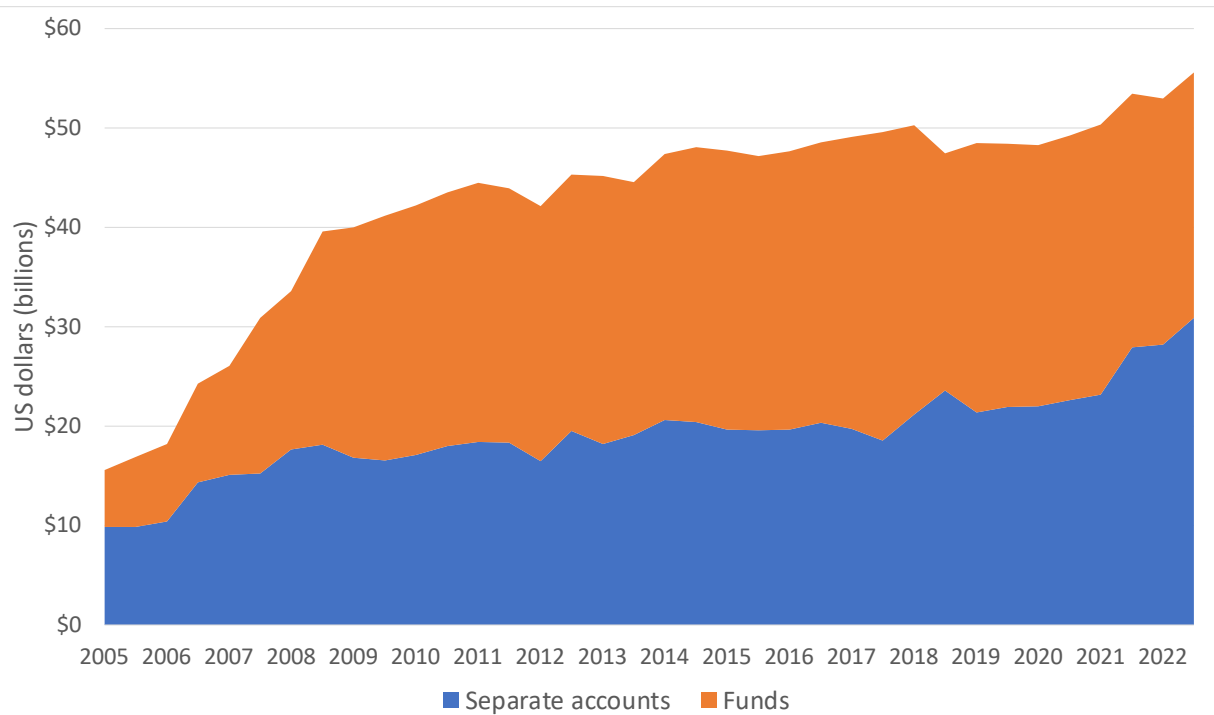
### Investor objectives

- 2007 – 2022: 3% real
- Pure timber plus + ESG
- Shift to investor governance, more control
- Competition with other alternatives & real assets

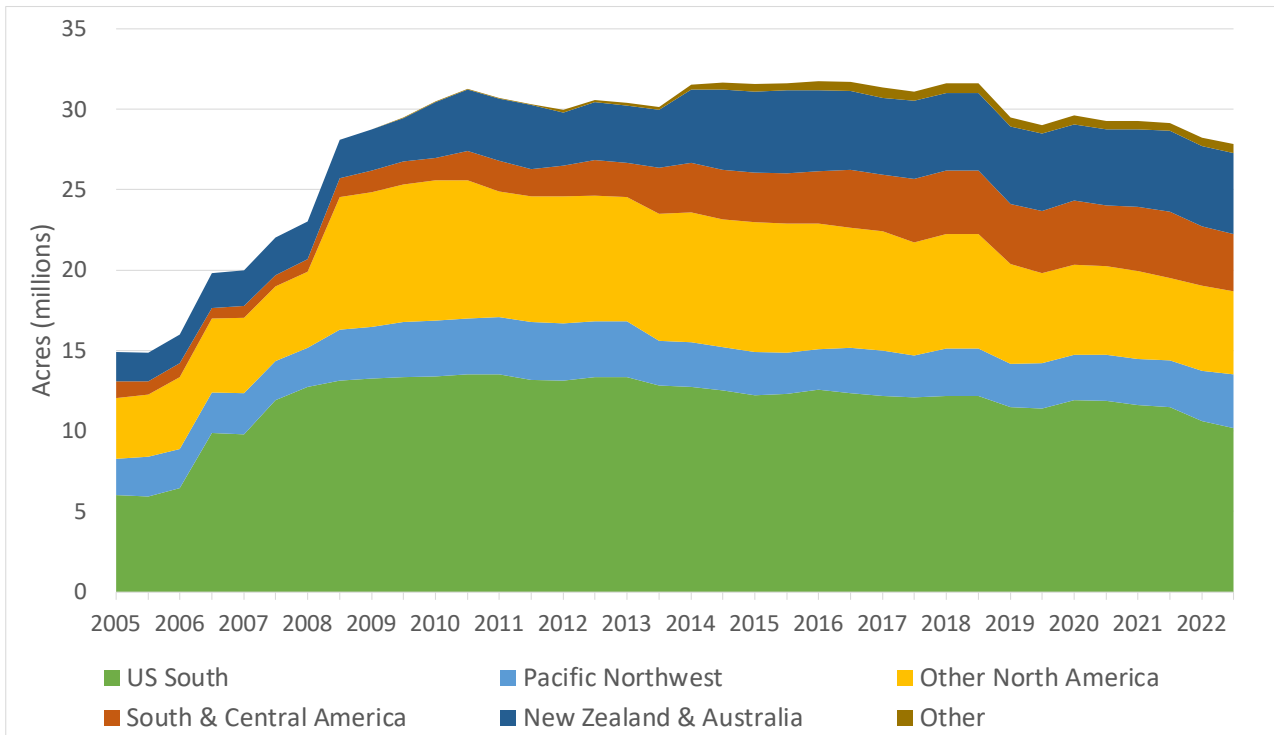
### TIMOs

- 20 TIMOs in survey 2022 YE; 11 former participants out of the business
- Inter-TIMO transactions, some with REITs
- Buyouts & succession
- Influx of environmental backgrounds
- More “What is forest carbon?”

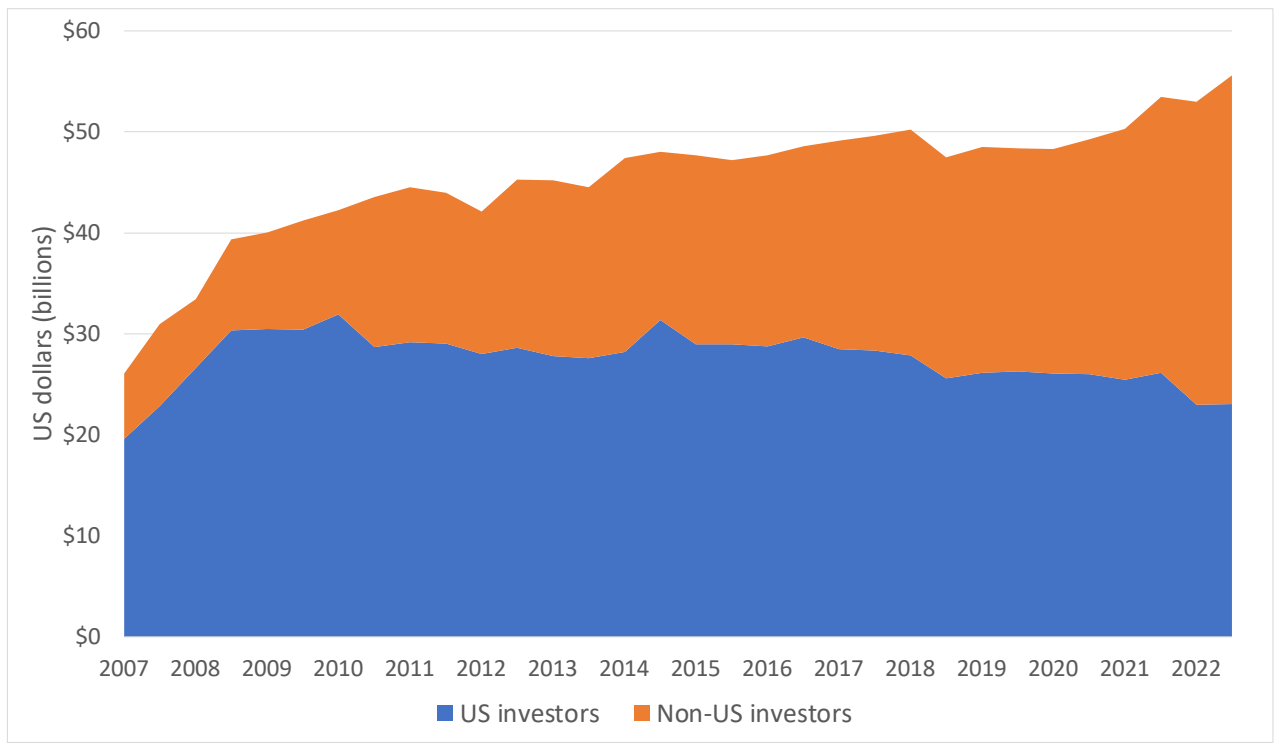
SOURCE: TimberLink's survey of TIMO AUM for capital & regions as of 4<sup>th</sup> quarter 2022; NCREIF TPI for returns



# TOTAL ASSETS UNDER MANAGEMENT



# TOTAL ACREAGE UNDER MANAGEMENT



# INVESTOR DOMICILE

# CRYSTAL BALL PREDICTIONS

## Capital

- Demand may outpace supply
- Rebirth of funds
- Predominantly non-US investors for foreseeable future

## Acreage

- US South continues to dominate
- More investment into hardwoods, natural & greenfield for carbon
- Reignited interest in South America

## Investor objectives

- 2023+: 5-6% real returns
- Legacy: pure timber
- New money: Carbon takes over as a new asset class?
- Focus on risk profiles
- New governance paradigms

## TIMOs

- TIMO model survives, or at least the third-party fiduciary does
- Financially driven emphasis
- Need more with “boots on the ground” experience
- Get back to “Why timber?”