



TIMBERLAND INVESTMENT RESOURCES<sup>LLP</sup>

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# LOOKING BACK & AHEAD

VOLUME XVI, SPRING 2026



Chris Elwell, Managing Director of Investment Analysis



Looking Back & Ahead



Timber Market Highlights



Fund Update



A Decade of Intentional Stewardship and Adaptive Value Creation



Biodiversity as an Outcome of Disciplined Forest Management



Getting a Clearer Line of Sight on U.S. Housing Sector



TIR Organizational News



# Looking Back & Ahead

March 2026



## Hello to our Clients, Partners, and Friends:

Each year, this publication offers an opportunity for us to step back and reflect on the forces shaping timberland markets. It is also a chance to share how we are interpreting those conditions and applying disciplined investment judgment on behalf of our clients.

The past year presented a challenging environment for timber and wood product markets. Lumber prices remained under pressure, housing activity slowed, while asset values continued to rise, though at a more moderate pace than in the recent past. In markets as complex and locally driven as timberland, however, these periods have historically reflected temporary dislocations rather than a structural shift. Understanding that distinction is essential for investors focused on long-term outcomes.

In this issue, our timber market and housing analyses examine how recent conditions have affected lumber markets, mill capacity, and regional supply dynamics, and what those signals may indicate as we look ahead.

Housing plays a central role in that discussion. Because residential construction and home improvement drive the majority of U.S. wood demand, changes in housing activity matter for timberland investors. This issue explores whether the current period of softness reflects a cyclical slowdown or something more structural, and why that distinction matters when underwriting assets and positioning portfolios through the cycle.

Alongside market context, this newsletter also highlights how we are executing across different stages of the investment lifecycle. The fund update provides a view into portfolio construction nearing completion, planning for the firm's next investment vehicle, and the orderly wind-down of a mature fund. Taken together, these sections illustrate continuity of judgment from deployment through management and exit, regardless of market conditions.

The Blue Heron case study offers a longer-term perspective. It shows how intentional planning, integrated management, and the willingness to adapt over time can unlock value across economic, ecological, and community dimensions. The outcome was not the result of a single decision, but of sustained execution over more than a decade.

Finally, this issue discusses biodiversity from an investor's perspective. The article frames biodiversity not as a standalone objective, but as an observable outcome of high-quality forest management that reflects execution discipline, resilience, and the preservation of future options.

As you read through the newsletter, we hope the perspectives reinforce how disciplined execution, integration, and optionality shape long-term outcomes across market cycles for investors in timberland. We appreciate your continued trust and partnership.

Kind Regards,

**Mark Seaman**

*Managing Partner, Chief Executive Officer  
Timberland Investment Resources, LLC*



# Timber Market Highlights

## Looking Back at 2025 and Forward to 2026

By Chung-Hong Fu, Ph.D., Managing Director of Economic Research and Analysis



Timber markets in 2025 were shaped by a combination of macroeconomic pressures, shifting supply dynamics, and evolving investor expectations. While conditions were uneven across regions and product categories, these forces together provide important context for understanding how U.S. wood markets are positioned as we enter 2026.

Against this backdrop, three developments from the past year stand out for their implications for timberland investors. These trends help explain recent market performance and offer insight into the factors likely to influence returns in the periods ahead.

Looking Back on 2025

### #1 Timberland values moderated but continued to outperform real estate and farmland

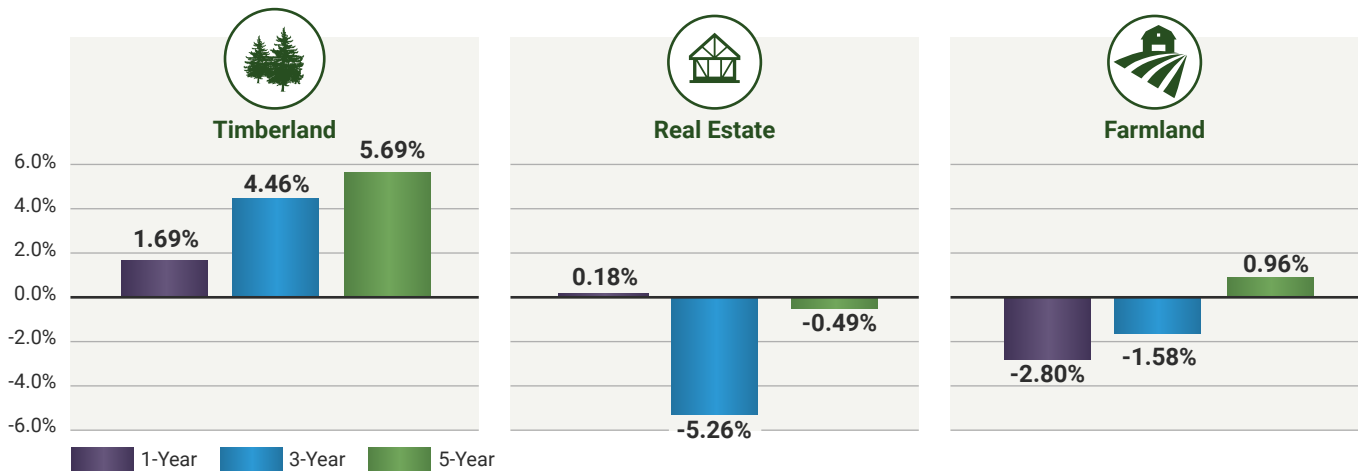
Since the onset of the COVID-19 pandemic, timberland assets have appreciated at a pace that exceeded many other real asset classes.

While the rate of appreciation moderated in 2025, the asset class continued to demonstrate relative strength. According to the NCREIF Timberland Property Index, U.S. timberland investments appreciated by 1.69% for the year.

Although this was below the 2022 peak of 9.58%, timberland performance still surpassed that of real estate (0.18%) and farmland (-2.80%) (Figure 1).

Notably, timberland values increased despite a higher interest rate environment and generally weak timber markets. Several factors appear to have contributed to this outcome.

Figure 1: Appreciation Returns of Timberland, Real Estate and Farmland for 1-, 3-, and 5-year Periods Ending 2025 Q4.



Source: National Council of Real Estate Fiduciaries (NCREIF)



Timberland values rose 1.69% in 2025, outperforming both real estate and farmland despite higher interest rates.

By one account, 2.3 billion board feet of softwood lumber capacity were permanently or indefinitely removed across North America during the year, representing 3.2% of total North American capacity.

The geographic distribution of mill curtailments was uneven (Figure 2). Approximately, two-thirds of the capacity removed originated in Canada, primarily in Eastern Canada and British Columbia. The U.S. South also experienced significant mill curtailments, with a total of 678 million board feet of capacity closures announced in 2025.

One contributing factor is investor expectations for an eventual recovery in U.S. housing activity. Many market participants anticipate a pickup in new home construction and renewed spending on home repair and remodeling over the coming years. Increased construction activity would, in turn, support stronger demand for lumber, panels and other wood products, a key precondition for higher log prices.

Another contributing factor has been the continued expansion of natural capital markets. A growing number of investors now recognize that forest assets can generate income and return from a broader set of attributes beyond timber alone. Revenue streams associated with nature-based solutions—including carbon credits, recreational leases, environmental mitigation, and renewable energy—are increasingly viewed as important components of forest investment value. As a result, some investors have been willing to pay premiums relative to traditional timberland valuations.

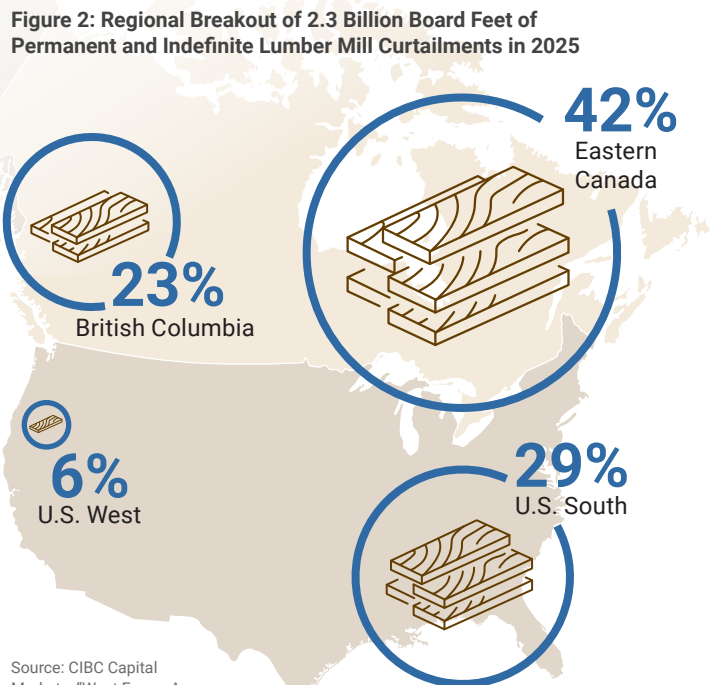
A key distinction, however, is that capacity reductions in the U.S. South were partially mitigated by new capacity coming online. Many closures involved older, smaller, higher-cost mills, while much of the new capacity consists of larger, more efficient facilities. As capital moves towards lower-cost production, closures and openings can occur simultaneously. According to Forest Economic Advisors (FEA), the U.S. South recorded a modest net capacity (additions minus curtailments) increase of 0.4% for the year, compared with net declines of 4.2% in British Columbia and 2.9% in Eastern Canada.

For timberland investors, this divergence suggests that the U.S. South continues to strengthen its competitive position and may be increasingly well positioned to capture market share from Canadian producers over time.

## #2 Lumber markets faced sustained pressure as mill closures accelerated

Lumber markets experienced a third consecutive year of challenging conditions in 2025. Elevated mortgage rates and weak consumer sentiment weighed on U.S. housing activity, with single-family housing starts declining 7% from 2024 levels and home improvement spending falling by approximately 6%.

Amid weak demand, lumber prices remained under pressure. Random Length's Framing Lumber Composite averaged \$441 per thousand board feet (MBF) in 2025, well below the inflation-adjusted 10-year average of \$591. At these price levels, many sawmills across North America struggled to operate profitably, resulting in curtailed operations or full shutdowns.

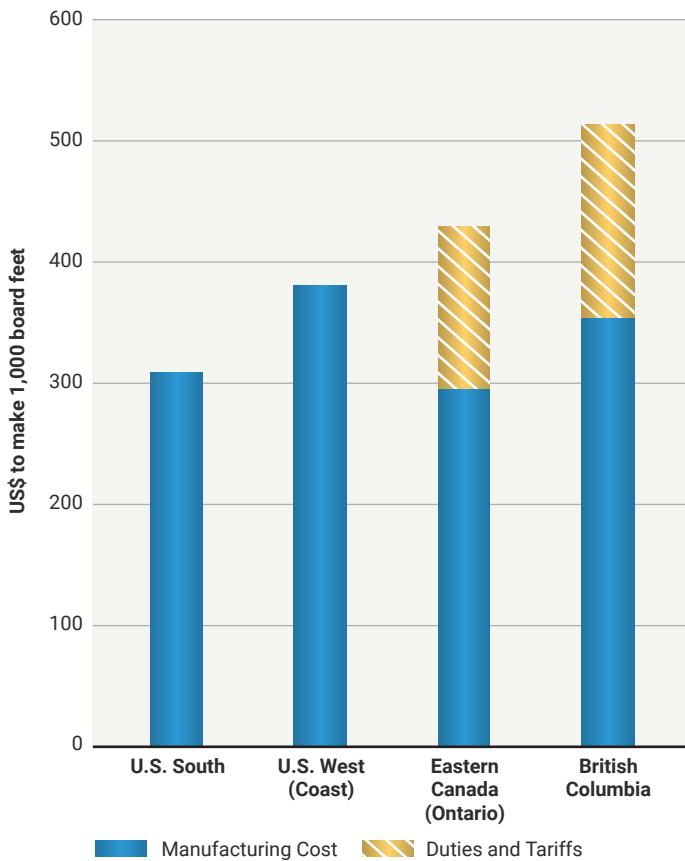


Source: CIBC Capital Markets, "West Fraser Announces Two Sawmill Closures." (Nov 6, 2025)



Higher duties and tariffs on Canadian lumber imports improved the competitive position of U.S. sawmills, potentially supporting stronger domestic production and regional log demand.

Figure 3: Average Variable Cost of Lumber by Region Including Applicable Import Duties and Tariffs, 2025



Source: Forest Economic Advisors, Lumber Quarterly Forecast 2025 Q4 (Nov 20, 2025)

### #3 Duties and tariffs boost domestic lumber competitiveness

Trade policy developments were another defining feature of lumber markets in 2025. In August, combined countervailing and anti-dumping duties on Canadian softwood lumber imports into the U.S. increased from 14.40% to 35.16%. This was followed in September by the imposition of an additional 10% tariff under a U.S. Commerce Department Section 232 investigation.

While the duration of the Section 232 tariff remains uncertain, the revised countervailing and anti-dumping duties are scheduled to remain in place until August 2026, when they will again be reset.

The combined effective tax burden, approaching 45%, had two notable market effects. First, Canadian producers accelerated lumber shipments to the U.S. market in the first half of 2025 in an effort to get ahead of the higher duties. This surge in supply contributed to saturated distribution channels and a sharp decline in lumber prices during the second half of the year.

Second, the higher duty structure materially increased the cost disadvantage faced by Canadian producers selling into the U.S. market (Figure 3). As a result, sawmills in the U.S. South and the Pacific Northwest were increasingly able to compete on price with Canadian mills. Over time, this shift has the potential to support greater domestic production and improve regional log demand in select U.S. markets.





# Looking Forward to 2026

While near-term uncertainty remains elevated, several structural forces are expected to shape timber and wood product markets over the coming years. Taken together, these dynamics are consistent with a gradual improvement in underlying conditions, with implications for both lumber producers and timberland owners.

## #1 Domestic mill operating rates are expected to increase

Mill curtailments in Canada, combined with higher duties and tariffs on lumber imports, are expected to support higher operating rates at U.S. sawmills. In 2025, mills in the U.S. South and the Pacific Northwest operated at an estimated 81% and 73% of rated capacity, respectively. As imports decline and the housing market gradually recovers, operating rates could rise by three or four percentage points in 2026 (Figure 4).

Looking further out, operating rates may return to pre-pandemic levels by 2029. Operating rates do not reach 100% of rated capacity, as mills require downtime for maintenance. Even so, given the significant amount of new lumber capacity added in the U.S. South, an operating rate of 91% by 2029 would imply regional production of roughly 26 billion board feet of lumber (BBF). That level would represent an increase of about 7.1 BBF, or 37% higher than peak production levels observed prior to the pandemic in 2019.

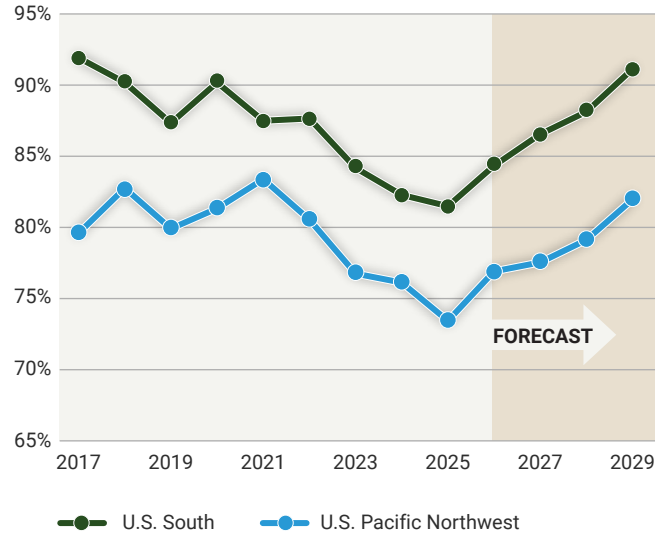
Rising operating rates offer two potential benefits for timberland owners. First, higher production levels require mills to purchase more timber, increasing demand within local wood baskets. Second, higher utilization rates can lower average unit production costs, up to a point. Lower marginal costs may enable mills to pay higher log prices when competition for logs intensifies, particularly in markets where multiple mills compete for limited supplies of timber.

## #2 Retreating inflation and interest rates could support the housing market

The surge in inflation during the pandemic led to higher interest rates across financial markets, including home mortgage loans and home equity lines of credit. The 30-year fixed mortgage rate, for example, rose from approximately 3.0% in 2021 to a peak of 7.79% in October of 2023 (Figure 5). Higher rates reduced housing affordability and increased the cost of financing home improvement projects, both of which weighed on demand.

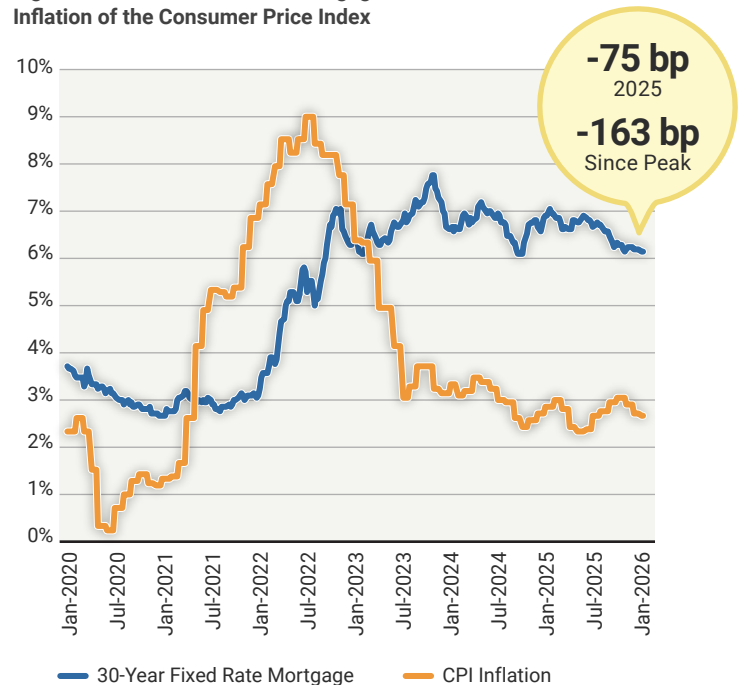
The Iran conflict has clouded the near-term outlook for inflation. However, once the oil & gas shipments resume through the Straits of Hormuz, many economists expect

Figure 4: Average Operating Rates for Softwood Lumber Mills, Historic and Forecast (by FEA)



Source: Forest Economic Advisors, Lumber Quarterly Forecast 2025 Q4 (November 20, 2025)

Figure 5: 30-Year Fixed Rate Mortgage and Annual Inflation of the Consumer Price Index



Source: Freddie Mac (mortgage rates); U.S. Bureau of Labor Statistics (consumer price index)



inflation to continue moderating over the course of 2026. Several inflationary pressures that were present in 2025, including the addition of tariffs and a weakening U.S. dollar, may not persist at the same levels in 2026. Should inflation ease, interest rates could decline further.

Lower mortgage rates could boost the housing market. The economic research unit of Fannie Mae, for example, forecasts that sales of new single-family homes will rise by 4.7%, while existing-home sales are expected to increase by 7.3%.<sup>1</sup> Increased new home construction would be anticipated to support lumber demand directly, while higher turnover in existing home sales typically leads to increased spending on home repair and remodeling, another important source of lumber consumption.

Several structural forces, including shifting lumber production toward the United States, improving housing activity, and rising mill utilization, may gradually strengthen timber demand and create more supportive conditions for timberland markets over time.



### #3 Lumber demand is expected to grow, benefiting timber markets

Improving housing market conditions would be expected to support growth in U.S. lumber consumption. In addition, the ongoing shift in sawmill capacity towards the United States and away from Canada indicates that a greater share of lumber demand may be met through domestic production rather than imports.

Forest Economic Advisors projects that softwood lumber production in 2026 will increase by 6.5% in the U.S. South and by 3.7% in the U.S. Pacific Northwest (Figure 6). As sawmill output rises, demand for sawtimber in both regions would be expected to increase accordingly. FEA forecasts sawtimber demand growth of 3.4% in the South and 3.5% in the Pacific Northwest.

It is important to note that increases in lumber production do not translate one-for-one into higher log demand, as not all sawlogs are used for lumber production. Some logs are diverted to other wood products such as poles, pilings, and wood panels. After several years of subdued pricing, timber markets could begin to stabilize in 2026, with some local wood baskets potentially experiencing improved sawlog prices.


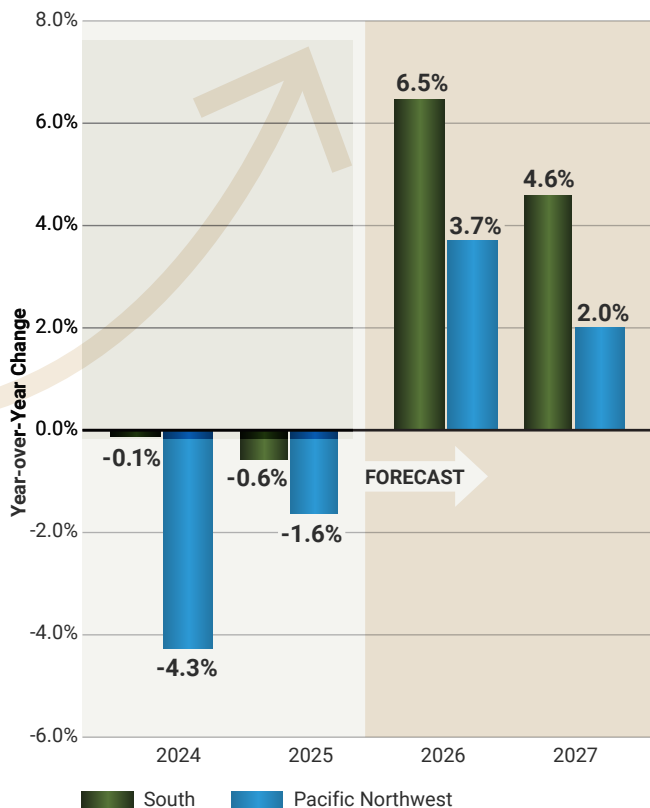
If the housing market continues to recover through 2027 and 2028, additional price gains in certain regions may be possible. However, outcomes will vary by market, depending on local supply conditions, mill competition, and end-use demand. 

Figure 6: Lumber Production by Region: Historic and Forecast



Source: Forest Economic Advisors Lumber Quarterly Forecast 2025 Q4 (November 20, 2025)

1 Fannie Mae, Housing Forecast (January 2026)



# Fund Update

## Highlights:

### ETO IV:

The fund is nearing the end of its investment period, with approximately 92% of the capital placed.

### Looking Ahead:

Planning for the firm's next fund is underway, with an expected launch during the second quarter of 2026.

### ETO II:

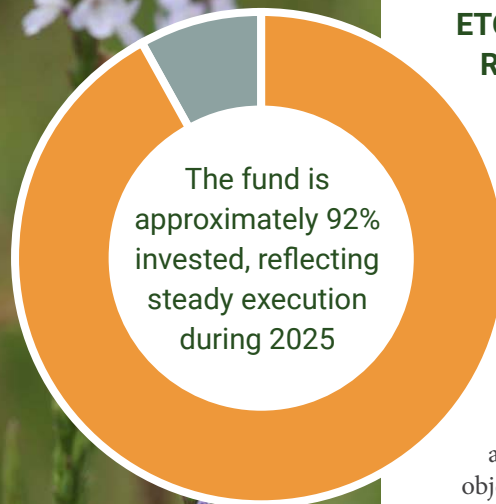
The fund entered its liquidation period having already sold approximately half the original acreage. Early asset sales have supported timely capital return and have reduced terminal-year exit risk.

ETO Fund Series Performance through December 31, 2025

	Vintage Year	Capital Commitments	Since Inception Gross Return	Since Inception Net Return	NCREIF South	NCREIF
ETO	2008	\$112.4	6.00%	5.14%	4.85%	4.29%
ETO II	2014	\$93.3	9.26%	8.39%	5.78%	5.78%
ETO III	2020	\$115.2	9.40%	8.53%	7.55%	7.81%
ETO IV*	2023	\$96.9	7.91%	7.06%	5.76%	6.47%

Note: National Council of Real Estate Investment Fiduciaries (NCREIF) and NCREIF South benchmarks are gross-of-fee returns

\*ETO IV is not yet fully invested.



## ETO IV: 92% of Capital Invested Following Recent Acquisition

TIR continued to develop its Enhanced Timberland Opportunities IV (ETO IV) fund through the capital placement phase during the year, moving closer to full portfolio construction. Following the most recent transaction in early 2026, the fund is approximately 92% invested, reflecting steady execution during 2025.

ETO IV was designed to provide investors with a balanced return profile combining current income and long-term capital appreciation, consistent with the objectives established across prior funds in the ETO series.



**SISKIN**

**10,857 Acres**  
Northeast Texas



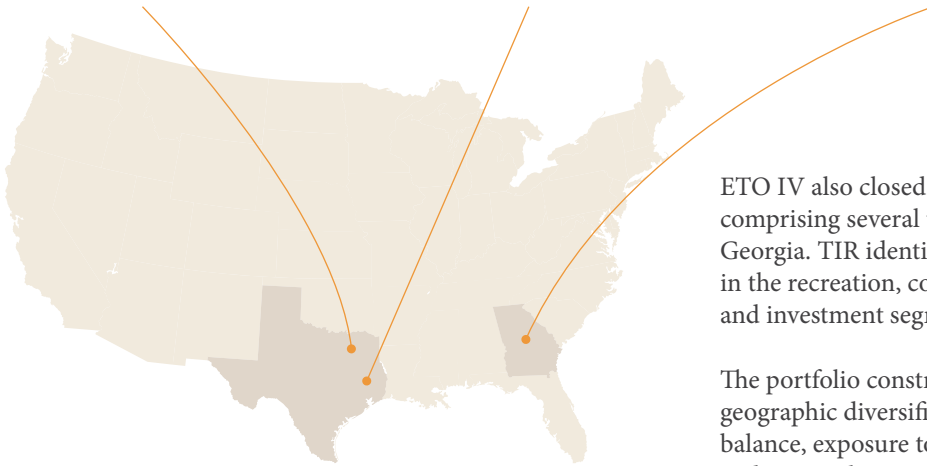
**PEREGRINE**

**5,008 Acres**  
Southeast Texas



**BLUEBIRD**

**8,910 Acres**  
Central Georgia



During the period, TIR completed three acquisitions in Texas and Central Georgia, totaling approximately \$67 million, with additional opportunities under active review. As in previous acquisitions, ETO IV owns a 50% interest in these properties with TIR's Luxembourg-based fund, the Sustainable Forestry Natural Capital Fund (SFNC), owning the balance.

In Texas, ETO IV closed on the 10,857-acre Siskin property in Northeast Texas, and the 5,008-acre Peregrine property in Southeast Texas. Both Texas assets are situated in attractive demographic areas with plenty of timber and land opportunities available to the fund's investors.

Siskin is located within a two-hour drive of Dallas, TX, and is positioned to benefit from Dallas' continued growth, while Peregrine is located less than 70 miles away from The Woodlands, a well-known planned community north of Houston.

ETO IV also closed on Bluebird, an 8,910-acre property comprising several tracts widely scattered across Central Georgia. TIR identified attractive land-sale opportunities in the recreation, conservation, agriculture, development, and investment segments.

The portfolio construction process has emphasized geographic diversification, timber species and age-class balance, exposure to a range of end-use timber markets, and optionality to generate returns through multiple paths beyond timber harvesting, reflecting the firm's disciplined approach to identifying and capturing market inefficiencies.

With the portfolio now largely constructed, ETO IV is nearing the end of its investment period, which concludes in July 2026. The fund is expected to transition fully into the asset management phase following final deployment, consistent with the execution timeline communicated to investors.

**ETO IV is expected to transition fully into the asset management phase following final deployment.**





## Planning the Next Fund: Building Scale to Capture Opportunity

As ETO IV approaches the end of its investment period, TIR has moved into active planning for the next fund, with a target size of \$500 million. TIR will raise one fund with both domestic and Luxembourg entry points and continue the successful track record of both the ETO series and SFNC, which have invested alongside each other for the past two fundraises of each. This step is intended to enable participation in a broader set of transactions while adhering to the firm's core investment approach.

**TIR is preparing its next timberland fund, targeting \$500 million and an initial close in 2026.**

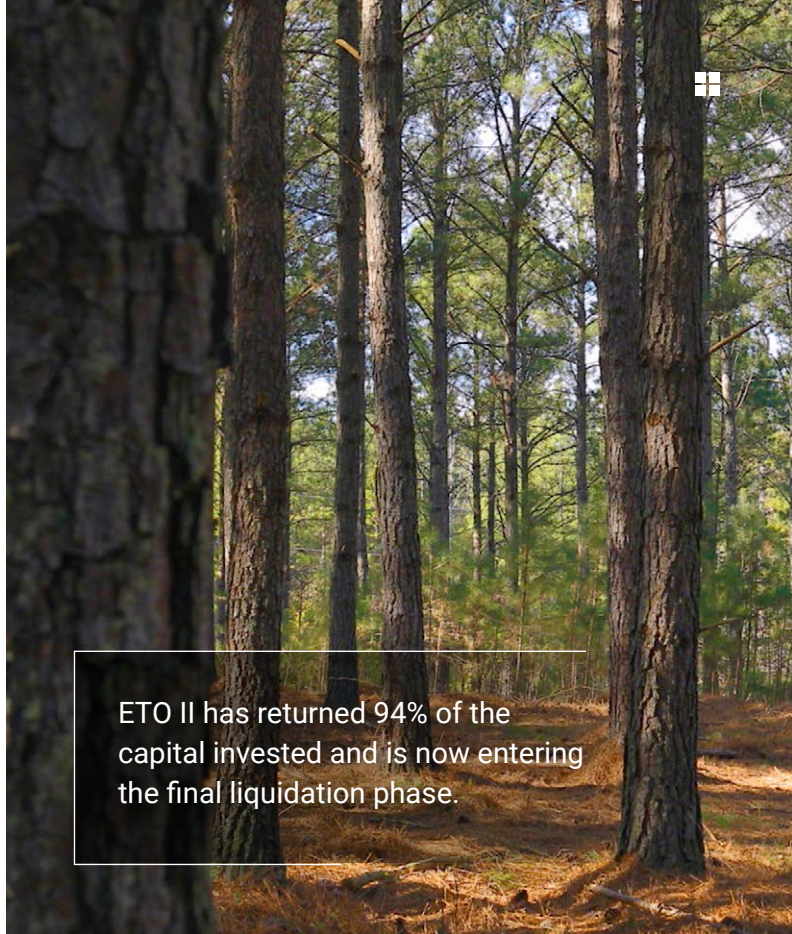
The decision to pursue a larger fund is driven by observed market conditions. In recent years, several high-quality timberland opportunities above \$100 million came to market that align with the firm's core investment approach but exceeded the capacity of existing funds.

Additional scale would allow the firm to evaluate these opportunities as they arise, while maintaining the same underwriting discipline applied historically.

TIR plans to structure the fund to accommodate both U.S. and ex-U.S. investors while investing in a single, commonly owned portfolio of U.S. timberland assets. The objective is to promote alignment and simplicity: one strategy, one portfolio, and a consistent execution framework.

The next fund would be expected to pursue return objectives consistent with prior vehicles, combining income generation with long-term appreciation potential.

TIR anticipates an initial close in the second half of 2026.




ETO II has returned 94% of the capital invested and is now entering the final liquidation phase.

## ETO II: Promising Results as the Funds Enters the Liquidation Period

Eastern Timberland Opportunities II (ETO II), a 2014 vintage fund, entered its liquidation period, marking the final phase of the fund's lifecycle. The remaining portfolio includes assets in Georgia, South Carolina, Virginia, Mississippi, and Pennsylvania.

Prior to entering the wind-down phase, the firm liquidated approximately 50% of the original portfolio through normal course and opportunistic asset sales. These early exits secured premium returns, provided liquidity—94% of the invested capital has been returned to investors—and materially reduced exposure to exit-pricing risk in the fund's terminal years.

Demand for well-located timberland assets has remained strong. Buyer interest remains active across the recreational and conservation segments, particularly for properties near growing metropolitan areas. TIR expects to continue its tract-by-tract disposition approach to optimize returns for its investors. 



CASE STUDY: BLUE HERON

## A Decade of Intentional Stewardship and Adaptive Value Creation

TIR acquired the Blue Heron property in 2014 through one of its commingled funds. Located in South Carolina, the property stood out as a rare opportunity in the middle-market segment. The prior owner had held it off the market for decades, creating biological and operating inefficiencies that disciplined investors could unlock.

From the outset, the team conducted a tract-level analysis to “begin with the end in mind.” They identified distinct value classes across the landscape from lake-adjacent parcels with recreation potential to core timberland blocks suited for long-term sustainable production. Every portion of the property was assigned a distinct role.

During the acquisition due-diligence process, the team segmented the property to understand its unique components of value and areas of operational inefficiency. This segmentation became the foundation for a disposition plan that ultimately unfolded steadily over the next decade.



“The team worked to understand the intrinsic value of every portion of the property and identify where the inefficiencies were before it was acquired.”

— Cory Dukes, Managing Director of Forest Management



### Integrated Management that Reflects Firm-Wide Discipline

TIR approached Blue Heron through its integrated business model, in which our investment-trained foresters oversee both silviculture and land-based value creation. This ensures every stand and tract is evaluated as its own business while still contributing to portfolio-level objectives.

In the early years of ownership, the team implemented targeted improvements where appropriate. On one recreation-oriented tract, they made modest enhancements to an existing waterfowl impoundment, which supported its eventual sale to a buyer focused on hunting and outdoor use.

In the sandhills portion of the property, the team recognized that existing loblolly pine stands were mismatched to the site's sandy soils. After harvesting, they reforested more than 1,000 acres to longleaf pine, with cost share support from the Longleaf Alliance.

Reforestation portions of the sandhills tract with longleaf pine was a priority because "it's the species best suited for that site," explained Dukes.

Together, these actions contributed to improved forest resilience, greater recreation value, and a stronger long-term disposition profile. TIR describes its overall investment approach as Alpha-Driven Forestry™, reflecting its focus on generating both biological and financial alpha for clients.

### Recognizing Conservation Value and Acting on It

Although part of the property was initially underwritten as core timberland, TIR soon recognized that a portion of the property, known as Liberty Hill, held unique long-term potential. Surrounded on three sides by public lands, the tract formed a natural conservation corridor with ecological, watershed, and recreational significance.

Early in the ownership cycle, the team began coordinating with conservation partners to explore opportunities aligned with both ecological value and investor objectives. Over time, these discussions led to several conservation-oriented transactions.

Some parcels were sold to public-interest organizations seeking to expand protected lands. Another was sold to a private developer whose plans may ultimately return the tract to conservation uses.

In recent years, portions of the hardwood bottomland within the parcel drew interest for stream and wetland mitigation. After evaluating multiple approaches, TIR elected to sell the area outright to a leading ecological restoration company at a premium to its core timberland value. This ensured the land could support restoration efforts while allowing the fund to monetize strategic value.

These efforts reflect the firm's mission to optimize long-term performance while contributing to community resilience and environmental sustainability.

TIR recognized Liberty Hill's conservation potential and worked with conservation organizations to unlock its ecological, recreational, and investor value.



The long arc of the process, from reconnaissance during acquisition to the present, illustrates both the multi-year nature of conservation work and the value of the firm’s team-first culture.



### A Long-Cycle Transaction Nearing Completion

Today, the balance of the Liberty Hill portion of the property is positioned for its next chapter. TIR is progressing toward a conservation-oriented sale anticipated to close in 2026.

The long arc of the process, from reconnaissance during acquisition to the present, illustrates both the multi-year nature of conservation work and the value of the firm’s team-first culture. Conservation outcomes require sustained engagement among public agencies, private partners, ecological experts, and investors.


Throughout that process, TIR continued to manage the tract to maintain timber value, preserve optionality, and strengthen the ecological attributes that make it a compelling conservation candidate.

As David Preston, Senior Investment Forester, described it, “these opportunities take time, you just have to keep working the process,” a perspective that captures the persistence required to bring the conservation opportunity to its current stage.

### What Blue Heron Reveals About TIR’s Approach

The evolution of Blue Heron reflects the defining characteristics of TIR’s disciplined investment strategy:

- **Vision and Intentionality:** A tract-by-tract understanding of intrinsic value from day one.
- **Ability to Pivot:** Recognition that portions of the asset held greater conservation value than originally modeled.
- **Integrated, High-Discipline Management:** A model that links silviculture, market analysis, and disposition strategy.
- **Team-First Culture:** Cross-functional collaboration that supports long-cycle execution.
- **Balanced Outcomes:** A focus on long-term performance while contributing to resilient landscapes and stronger communities.

Together, these elements show how rigorous analysis, patient stewardship, and disciplined execution have unlocked value across economic, ecological, and community dimensions while serving the long-term goals of TIR’s investors. 



# Biodiversity as an Outcome of Disciplined Forest Management



For much of the past decade, biodiversity has entered investor conversations through the language of values, compliance, or emerging policy frameworks. Increasingly, however, it is also being discussed within a broader set of global efforts to better understand how nature underpins economic systems and long-term asset performance.

It has often been included as part of broader environmental or social discussions, which are important yet frequently peripheral to core investment decision-making. For institutional investors focused on long-term, risk-adjusted performance, this framing has limited biodiversity’s relevance and, at times, diminished its real significance.

A more useful starting point is to step back and reconsider what biodiversity represents in the context of working forest investments as a practical signal, one that reflects how forests are managed, how resilient those systems are over time, and how effectively long-term asset quality is preserved. In this sense, biodiversity is closely linked to other ecological functions, such as water regulation, soil stability, and long-term productivity, that collectively influence the durability of forest assets, even when those relationships are not directly priced.

At TIR, biodiversity is best understood not as a standalone objective, but as an outcome of intentional, high-quality forest management carried out under a fiduciary mandate. It is one of several indicators that disciplined decisions are being made at the stand level, across the landscape, and over long-term horizons that ultimately shape forest health, resilience, and optionality for investors.

## Why Biodiversity Matters to Timberland Investors



For investors allocating to timberland, the primary objectives are well understood sustainable, long-term returns, diversification from traditional asset classes, inflation sensitivity, and protection of capital over extended holding periods. Biodiversity intersects with these objectives through risk management and asset durability.

Healthy, well-functioning forest ecosystems tend to be more resilient. They are better positioned to absorb biological stress, climatic variability, and operational disruptions without permanent impairment. While it remains difficult to directly link biodiversity to financial performance in isolation, there is growing intuition, and increasing qualitative evidence, that forests managed with attention to ecological complexity are less exposed to downside risk over time.



Importantly, this is not an argument for biodiversity as a guaranteed return driver. There is no reliable, asset-level methodology today that allows an investor to say a forest with “more biodiversity” will command a specific price premium at exit or generate higher cash flows year over year.

Where biodiversity does matter is in reinforcing confidence that assets are being managed thoughtfully rather than simplistically; confidence that long-term productivity is being protected; and confidence that forests will retain multiple future use options as markets, regulations, and investor preferences evolve.



### How Stand-Level Decisions Shape Biodiversity Outcomes

While biodiversity outcomes emerge at the landscape scale, they are driven by thousands of individual decisions made at the stand level. These are not abstract policy choices, but practical judgments made by foresters as they plan, execute, and monitor operations.

In a working forest context, there is no single prescribed approach to enhancing biodiversity. Management decisions are adapted to the characteristics of each property, regional conditions, and, where applicable, specific investor objectives.

Examples include how harvest boundaries are designed, how harvest timing is coordinated across nearby stands, how structural elements are retained during and after harvests, how coarse woody debris is managed, and how road edges are shaped to support native vegetation. Decisions around streamside management zones (SMZs), buffer width variability, and light penetration to the forest floor can influence understory development, water quality, and habitat conditions.

At TIR, these decisions are not dictated by rigid, one-size-fits-all prescriptions. Instead, they rely on the judgment of investment-trained foresters who understand both ecological dynamics and portfolio objectives. This discretion is essential: biodiversity is context-specific, and effective management requires flexibility informed by experience and local conditions.



### What Biodiversity Looks Like in Actively Managed Forest Landscapes

One reason biodiversity discussions often lose clarity is that the term itself is abstract. For investors far removed from day-to-day forestry operations, it can be difficult to translate “biodiversity” into something concrete or observable on the ground.

In working forests, biodiversity is not a static condition achieved through preservation. It is dynamic, shaped continuously by management decisions made across time and space. Actively managed forest landscapes are composed of a mosaic of age classes, species mixes, and structural conditions. This variation, rather than uniformity, is what supports a broader range of plant and animal life.

Across a managed landscape, different stands will be at varying stages of successional development. Some areas are regenerating, others are maturing, and others are approaching harvest. When these conditions are intentionally planned rather than homogenized, they create diverse habitat structures that support birds, bats, pollinators, and other wildlife alongside productive timber growth.

In this context, biodiversity does not imply maximizing species counts on every acre. Instead, it reflects an ecosystem-level approach that balances production with complexity, recognizing that heterogeneity across the landscape often produces more resilient systems than simplified, uniform management.



### Biodiversity in Practice: Management Choices, Not Abstract Metrics

One of the most common questions investors ask is whether biodiversity can be measured, tracked, and reported in the same way as other performance indicators. The answer today is that, while measurement approaches exist and continue to be refined, biodiversity does not yet lend itself to simple, portfolio-wide metrics without losing nuance or credibility.

For this reason, TIR approaches biodiversity primarily through management practices. The focus is on how forests are acquired, planned, and actively managed over time to maintain and improve habitat conditions alongside financial performance, not on optimizing for a single metric. This approach allows for flexibility to tailor management strategies to the characteristics of each property and align with specific investor priorities where appropriate.

Where measurement is applied, it is typically through a combination of indicators that reflect different aspects of ecosystem condition, rather than through a single summary metric. This approach is intended to provide a more complete and decision-relevant view of biodiversity in a working forest context.

The firm's Winged Biodiversity™ Program reflects this philosophy. By focusing on birds, bats, and insect pollinators as indicator species assemblages, it provides a structured way to assess how management practices influence habitat conditions over time. The program is guided by an advisory network of external experts, including state wildlife agencies, university researchers, and conservation organizations, whose input helps inform management practices and strengthens the firm's understanding of ecosystem dynamics.

Biodiversity monitoring at scale remains an area of active exploration, driven in part by client interest. Upcoming measurement frameworks will be guided by the same discipline that governs investment decisions: practicality, credibility, and alignment with fiduciary responsibility.



### Stewardship as Strategy: Resilience, Optionality, and Long-Term Value

At its core, biodiversity at TIR is inseparable from stewardship. Stewardship is not treated as a separate mandate or an external obligation, but as an investment discipline, one that reinforces asset quality, resilience, and long-term value.

Well-stewarded forests are more adaptable. They are better positioned to navigate shifting market demand, regulatory change, and evolving investor expectations. In some cases, management approaches that support biodiversity can also enhance asset marketability, particularly where conservation-oriented buyers or recreation-focused uses are relevant. While these outcomes cannot be predicted or monetized with precision, preserving optionality is itself a strategic advantage.


Crucially, stewardship does not conflict with fiduciary duty. At TIR, client objectives set the boundaries within which management decisions are made. The baseline expectation is to protect and maintain forest health while pursuing competitive financial returns. Where specific investor mandates call for enhanced stewardship priorities, those objectives are incorporated thoughtfully and transparently at the portfolio level, with strategies tailored to the characteristics of each portfolio and investor objectives.



### Looking Ahead: How Investors Should Think About Biodiversity

As biodiversity continues to gain attention across capital markets, investors may be confronted with increasingly ambitious claims, new frameworks, and emerging market mechanisms. For timberland investors, biodiversity is most useful when viewed as an outcome of how forests are managed over time, a reflection of execution quality, a contributor to resilience, and a component of long-term stewardship that supports durable performance.

At TIR, that perspective remains grounded in practice. The firm continues to manage working forests with an emphasis on disciplined decision-making, operational rigor, and fiduciary responsibility, recognizing that biodiversity, like long-term value, is not engineered through slogans, but earned through consistent, thoughtful management.

While global efforts continue to explore how nature's contributions may be better reflected in markets and decision-making, TIR believes credibility is earned first through execution, and only then through measurement where it is robust, repeatable, and fit for purpose. 



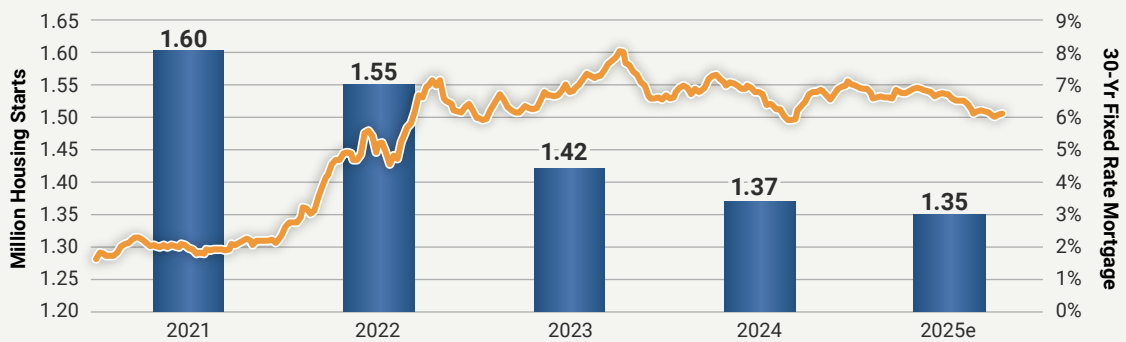
# Getting a Clearer Line of Sight on U.S. Housing Sector

By Chung-Hong Fu, Ph.D., Managing Director of Economic Research and Analysis

Following a period of robust performance in 2021 and 2022, the U.S. housing sector has operated at a slower pace. Sales, new construction, and spending indicators have softened. For timberland investors, this matters because timber markets are structurally tied to the housing sector. More than 70% of U.S. lumber demand has historically been driven by new home building or home improvement.

In this article, we look at whether this extended period of weakness reflects a new normal or a cyclical low ahead of recovery. Understanding that distinction is central for assessing the outlook for timber prices, lumber demand, and long-term timberland asset performance.

Figure 1: Annual Housing Starts (left) and 30-Year Fixed Rate Mortgage (right)



Sources: U.S. Census Bureau (housing starts), Freddie Mac (mortgage rates), Forest Economic Advisors (housing starts 2025 estimate)

## The Headwinds: Affordability and Uncertainty

The current market softness stems from two primary factors: a marked decline in affordability and weakened consumer confidence.

Affordability challenges have been significant. Mortgage rates rose sharply from 2021 through 2023, reaching a high of 7.8% before easing back towards 6.0% in November 2025. Home prices increased roughly 8% per year, more than twice the pace of private wage growth<sup>1</sup>. By late 2025, a median-income household earning \$85K was required to spend about 43% of its earnings to buy a median-priced single-family house, significantly exceeding the typical affordability threshold of 30%.

As demand for new homes weakened, home builders cut back on new construction. By the end of 2025, housing starts were estimated to be around 1.35 million, short of last year's 1.37 million, and well below 1.60 million in 2021.

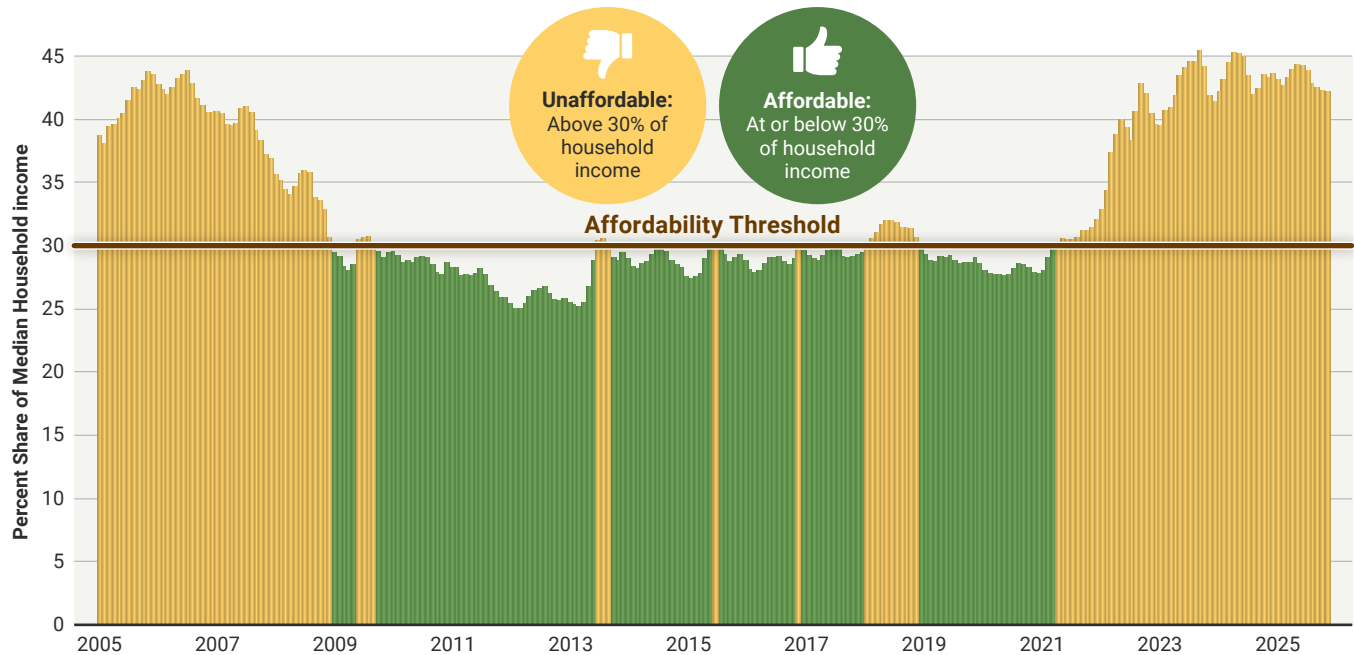
<sup>1</sup> Source: Average hourly earnings from all private employers, as tracked by the U.S. Bureau of Labor Statistics.



Higher mortgage rates also slowed home repair and remodeling (R&R) spending, a major source of lumber and panel demand, by raising borrowing costs for home improvement projects. R&R also tends to move in step with existing home sales: many upgrades occur just before a home is listed for sale or shortly after it is purchased. When existing home sales decline, R&R spending has historically softened as well.

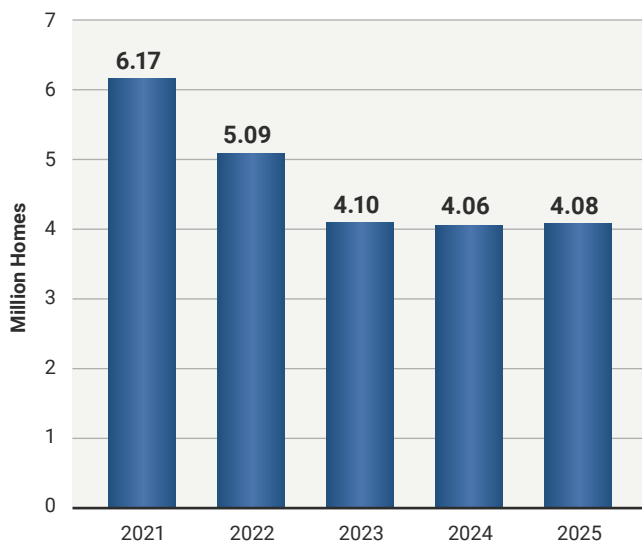
Affordability is not the only issue. Households have also faced mixed economic signals. Slower job growth, periodic layoffs, and shifting tariffs have impacted consumer confidence. The University of Michigan Consumer Sentiment Index decreased to a near record low of 52.9 in December 2025, compared to 88.3 in April of 2021.

Figure 2: Share of Median Income Needed to Afford a Median-Priced Single-Family Home in the United States



Source: Federal Reserve Bank of Atlanta (<https://www.atlantafed.org/research/data-and-tools/home-ownership-affordability-monitor>)

Figure 3: Total Existing Home Sales in the U.S.



Sales numbers are seasonally adjusted. Source: National Association of Realtors

### What Needs to Happen for Housing to Recover

Lower mortgage rates help more home buyers qualify for mortgages, boosting both home sales and new construction.

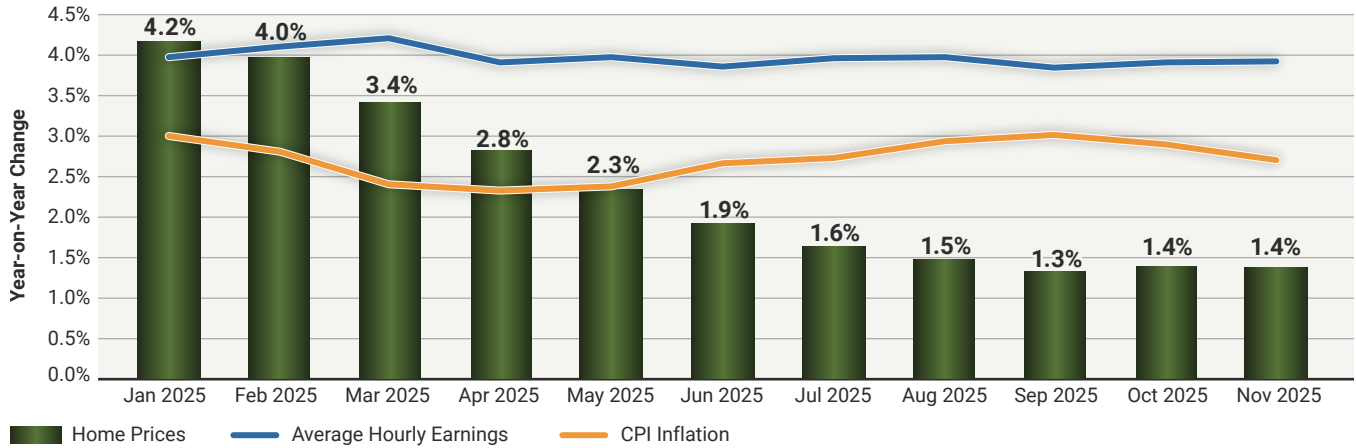
Lower rates also ease the “lock-in” effect that keeps existing homeowners from selling, contributing to home sales falling by one-third, from 6.17 million back in 2021 to 4.08 million in 2025.

When more owners feel comfortable listing their homes, spending on home improvement has historically improved, boosting demand for wood-based building products.

A healthy job market and an improving economy are also critical to raising consumer sentiment. For confidence to return, consumers need evidence that the economy has stabilized.



Figure 4: Annual Rates of Home Prices, CPI Inflation and Hourly Earnings



Sources: S&P CoreLogic Case-Shiller U.S. National Home Price Index (home prices); U.S. Census Bureau of Labor Statistics (consumer price index and average hourly earnings of all private employees)

### Signs of Improvement Toward the End of 2025

As inflation expectations eased, the 30-year fixed rate mortgage rate fell 76 basis points between January 2nd and December 31st of 2025 (from 6.91% to 6.15%).

Builders have responded to the affordability crunch by shifting toward smaller, more attainable homes. The average size of a single-family home built in 2025 (2,393 sqft)<sup>2</sup> was about 6 percent smaller than in 2021.

Stabilizing or falling construction costs allowed builders to pass on some savings to buyers. As a result, the median price of a new home in August 2025 was approximately 10 percent lower than its 2022 peak.<sup>3</sup>

Home prices are also falling in real terms. Year-on-year price increases for existing homes ran below the pace of inflation and wage growth. If this continues, homes will become more affordable over time.

### What This Means for Lumber Demand

An improving housing market should strengthen both new construction and R&R activity. Forecasts from Fastmarkets RISI and Forest Economic Advisors project U.S. housing starts to rise by 14-21% between 2025 and 2028.

Forecasts predict U.S. lumber consumption would increase by 8-14% and output would rise by 12-16% over the same period.

### Implications for Timberland Investors

These trends signal a more supportive demand environment over the medium term. While the recovery will likely unfold gradually, improving affordability, steadier consumer confidence, and builder adaptation all contribute to a constructive outlook for lumber demand and timber prices. 🌲

Figure 5: Forecasts of U.S. Housing Starts by Fastmarkets RISI and FEA

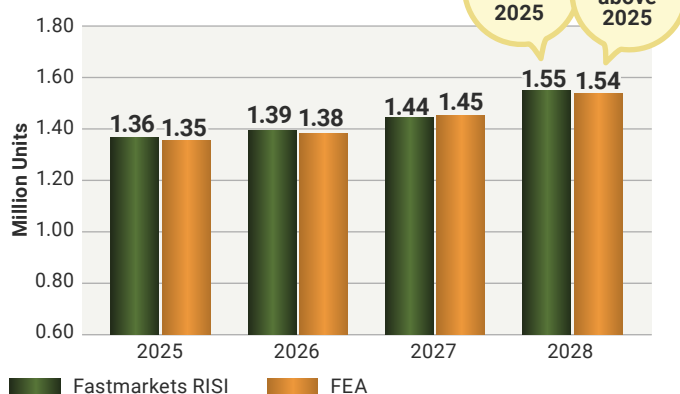
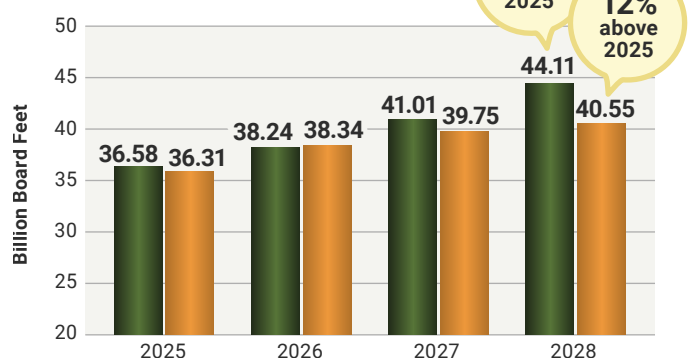


Figure 6: Forecasts of U.S. Lumber Production by Fastmarkets RISI and FEA



Sources: Fastmarkets RISI North American Timber Forecast 15-Year (Dec. 2, 2025), Forest Economic Advisors Timber Quarterly Forecast 2025 Q4 (Dec. 3, 2025)

2 Forest Economic Advisors Lumber Quarterly Forecast 2025 Q4 (Nov. 19, 2025)

3 Median sales price of new houses sold in the U.S. Source: U.S. Department of Housing and Urban Development



## TIR Organizational News

TIR welcomed one new staff member in 2025, expanding the Finance and Accounting team.



### **Anne Murray**

#### **ACCOUNTING MANAGER, CLIENT REPORTING**

Anne joined TIR in January 2025 and supports the firm's European portfolio through investment accounting, financial analysis, and client reporting. Her responsibilities include managing accounting functions, preparing financial reports and performance statistics, and coordinating closely with portfolio management, fund administrators, and internal finance leadership. Anne brings deep experience in investment accounting and reporting from prior roles in financial services and higher education.



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