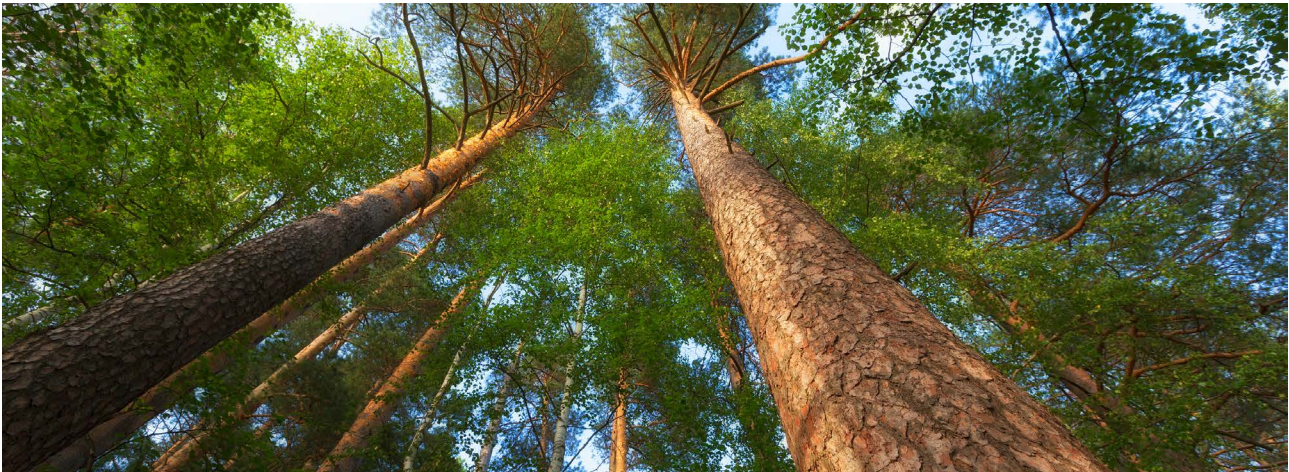


The Baltic region timberland market

The Nordic and Baltic timberland market is set to meet Europe’s growing appetite for wood and innovative wood-based products.



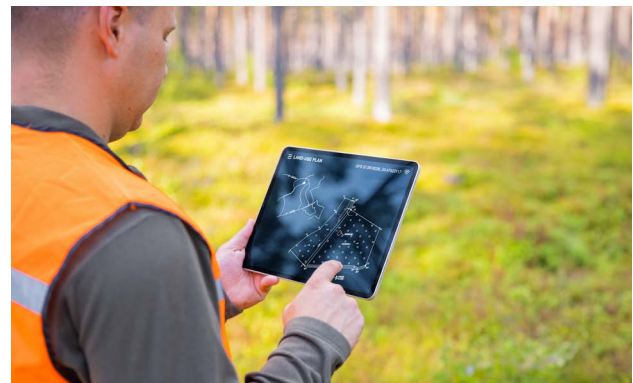
According to the World Bank, **global demand for timber is expected to quadruple by 2050**. However, the supply is constrained because harvesting virgin forests is problematic while a newly planted tree might need to grow several decades before harvesting. This combination makes fully developed timberland markets, such as in the Nordic and Baltic region, increasingly important to fill the growing demand.

STABLE RETURNS

Investment returns in timberland come from the **biological growth of the trees, cash flow from harvesting, land value appreciation, and alternative uses of land**, such as wind turbine leasing. The biological growth of trees is a unique value creator, with returns generally uncorrelated with other asset classes. Timberland value is more stable during times of recession and acts as an effective hedge against inflation.

According to the Natural Resources Institute (Luke) in Finland, the investment returns on wood production in Finland were 12% in 2021, 6.3% in 2022, and 10% in 2023, averaging 9.4% over the past three years. Standing timber

prices in Estonia, Lithuania, and Latvia have increased dramatically over the same time period.



WELL-DEVELOPED MARKET

The forestry market is centuries old in the Nordic and Baltic region. It is **highly developed, with well-established infrastructure, a skilled workforce and efficient organizations**. Forests in the region are semi-natural, not monoculture plantations, which makes them more resilient against pests such as bark beetles. Pine, spruce, and birch are the main tree species in the area, but aspen, black alder and grey alder

are also harvested. These slow-growing trees produce high-quality wood which is prized for high-value applications.

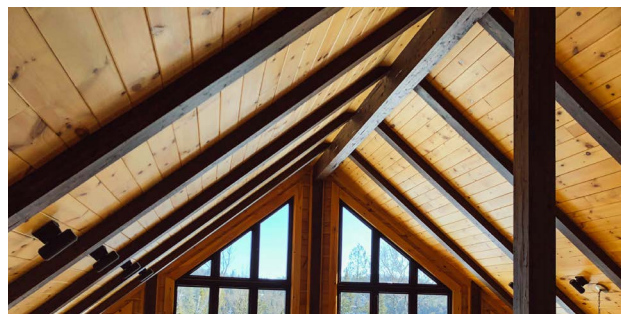
A common harvesting practice is thinning a forest every few years; the empty spaces left from harvested trees permit more sunlight to reach remaining trees, allowing them to grow healthier and faster. Generally, four seedlings are planted for every tree harvested. Another option is seed-tree felling, where large, healthy trees are left standing to provide seeds for the area.



This active, long-term management of forests means that some countries in the region have 50% more timber now than 50 years ago. Estonia, for example, has had a marginal increase in forest area in recent decades but an enormous increase in wooden biomass in forests. **Most of the wood in the region is certified by the FSC or PEFC**, important requirements for consumers demanding sustainable products. The steady, long-term management of Nordic and Baltic forests is important to supply Europe's growing demand for wood.

NEW FACTORIES TO MEET EUROPEAN DEMAND

Demand for timber comes from a variety of traditional sources, such as **construction, furniture, papers, packaging, and fuels**. However, demand is also growing for new, innovative uses for wood such as **textiles, industrial chemicals, and biobased plastics**. The sustainability megatrend helps to drive sales.



Several new factories in Europe seek to fill Europe's demand for wood and wood-based products with local supplies. For example, **UPM's** new biorefinery in Leuna, Germany will make biochemicals for industrial products and consumer goods. **Stora Enso** has opened a new packaging production factory at De Lier, the Netherlands. In Sweden, **Södra** has inaugurated a new cross-laminated timber facility for the construction industry. New facilities like these depend upon responsibly managed forests and developed markets, such as can be found in the Nordic and Baltic region.



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ABOUT THE AUTHORS: United Bankers is a leading Nordic real asset manager who specialise in forest, real estate and infrastructure funds. Through their funds they are the fourth largest private forest owner in Finland. Their buy-and-build investment strategy complements how forests tend to be owned in the region. Timberland properties are generally small, allowing clusters of properties to be developed strategically in local areas. These clusters build economies of scale and improve cost efficiencies. United Bankers was founded in 1986 and comprise of about 200 experts. The company is listed on the Nasdaq Helsinki Stock Exchange. To find out more, please visit unitedbankers.com.