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**7/6/2018**

**Re: Matre Forestry Newsletter, July 2017**

Dear Matre Forestry Newsletter Subscribers,

Well, it has been a little while since doing a full Matre Forestry newsletter. Thankfully we have been busy on the work front, as well as the home front. On the home front, about 7 months ago we welcomed our 5<sup>th</sup> daughter, yes 5<sup>th</sup>, a sweet sweet girl named Marlee. I think we said it after our 4<sup>th</sup>, but this time we are done. One of my wise clients recently told me recently that with all of our wonderful loving daughters, Joy and I will be well taken care of in our older age. That is for sure! On the work front, the first half of 2018 has been a good year in land and timber sales, and for that we are very thankful. We hope you all had a wonderful Independence Day, and God bless America.

In this newsletter:

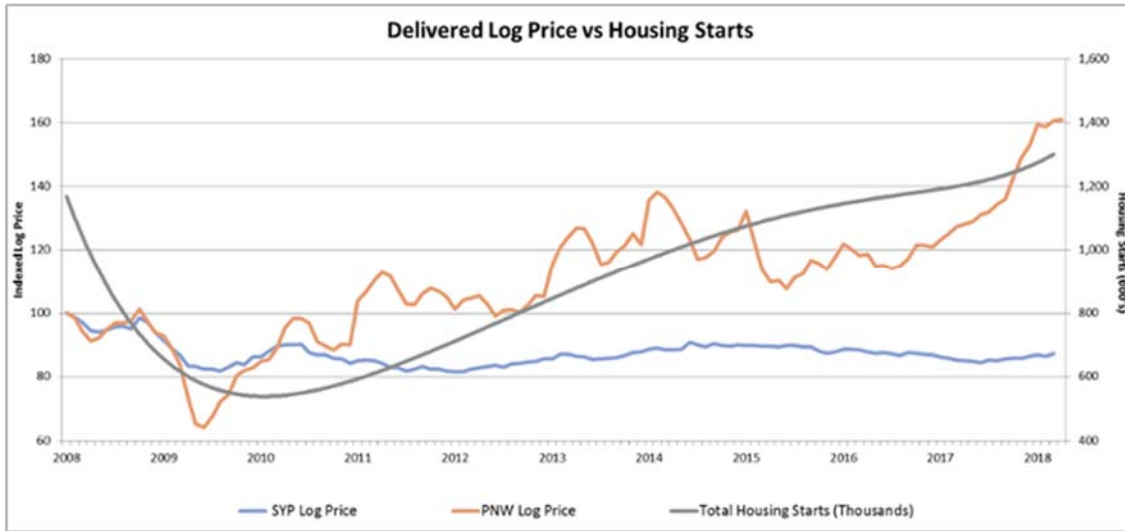
- Timber Market News – Lumber Up, Southern Sawtimber Not. Why?
- Land Market News - Is the Stronger Economy Driving land Prices Up?
- General Economic Indicators
- Matre Forestry Highlighted Sales and Listings
- Management Recommendation Article – Short Pulpwood Rotation vs. Sawtimber Rotation

### **Timber Market News**

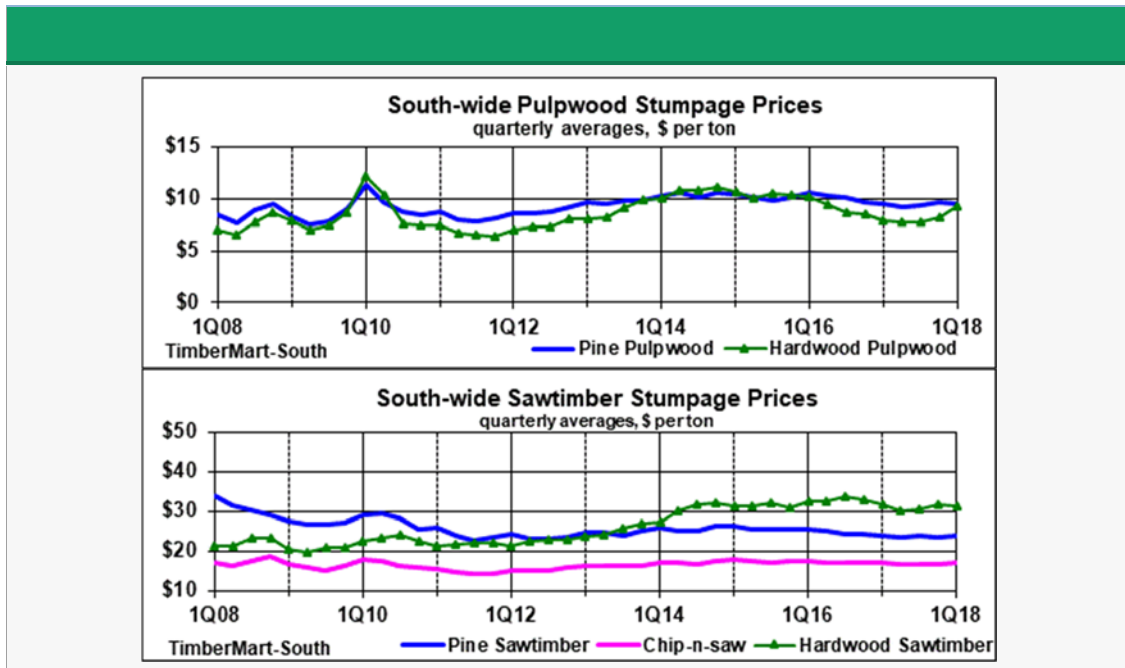
*We are often asked, why are sawtimber prices so low when lumber is up?* Our simple answer is high log supply. At current prices and strict size and quality specs, sawmills are successfully procuring enough logs. Unfortunately, we as timber sellers will not see significantly improved pine sawtimber prices until mills start having a hard time procuring enough logs. During the Obama years, many landowners curtailed final harvests, hoping for better prices. As more and more landowners started accepting current prices, they started selling sawtimber again, so the excess supply is correcting, but slowly. Also helping chew into the oversupply of southern pine logs is mill efficiency investments that have been made in many sawmills. Additionally, there are a handful of new sawmills coming to the south, which bodes well for future southern pine sawtimber prices.

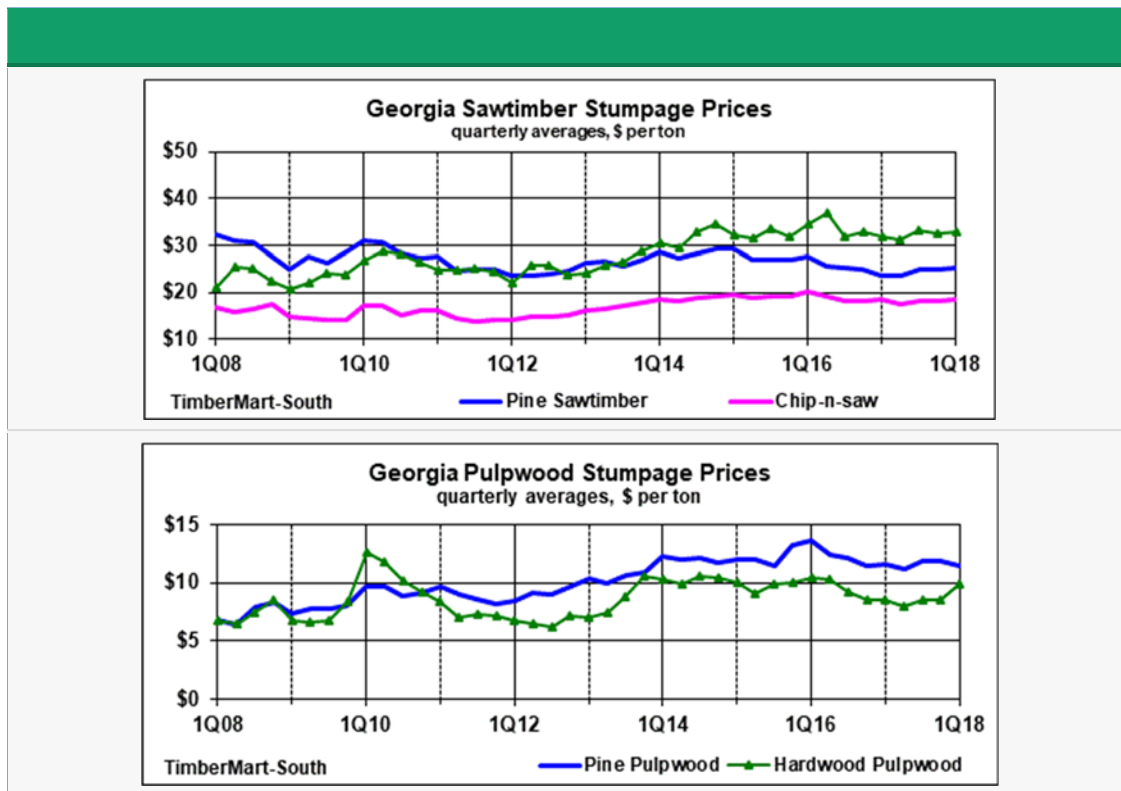
For a more detailed and technical answer, I recommend the recent Forest2Market article titled **Log Prices in the US South vs. the Pacific Northwest** (<https://blog.forest2market.com/log-prices-in-the-us-south-vs.-the-pacific-northwest>). The article discusses the high supply of southern pine logs, and the low supply of logs in the Pacific Northwest (PNW). In addition to low supply of PNW logs, they also have a stronger export market, although export log markets are growing in the south.

The following table is compliments of Forest2Market:



The following tables are compliments of TimberMart-South (<http://www.timbermart-south.com/index.html>)





As mentioned above, pine sawtimber stumpage prices are fairly stagnant in the south, despite high housing starts and lumber prices. What about the other products? Pine chip-n-saw is flat, and after a short-lived peak in pine pulpwood prices around 2016 when many markets were in the mid-teens per ton and some markets pushing +-\$20 per ton, pine pulpwood has settled down several dollars per ton from those 2016 peaks. Hardwood pulpwood is highly variable from micro-market to micro-market, and hardwood log prices are still strong. With strong demand for hardwood logs and short supply, hardwood log prices should remain strong.

Timber Price Outlook: I am convinced none of us can predict the future. But, as far as future timber markets are concerned, I am optimistic. I am extremely confident us timber sellers (landowners and forestry consultants) will always have a vibrant timber market in the south, and that causes me to remain an advocate for timberland investing. Short-term our export markets may be negatively affected by Trump's attempt to level the playing field with trade, which will affect our domestic timber markets. However, the long-term benefits of correcting our trade deficits will be beneficial, even if a bit of nasty trade war occurs.

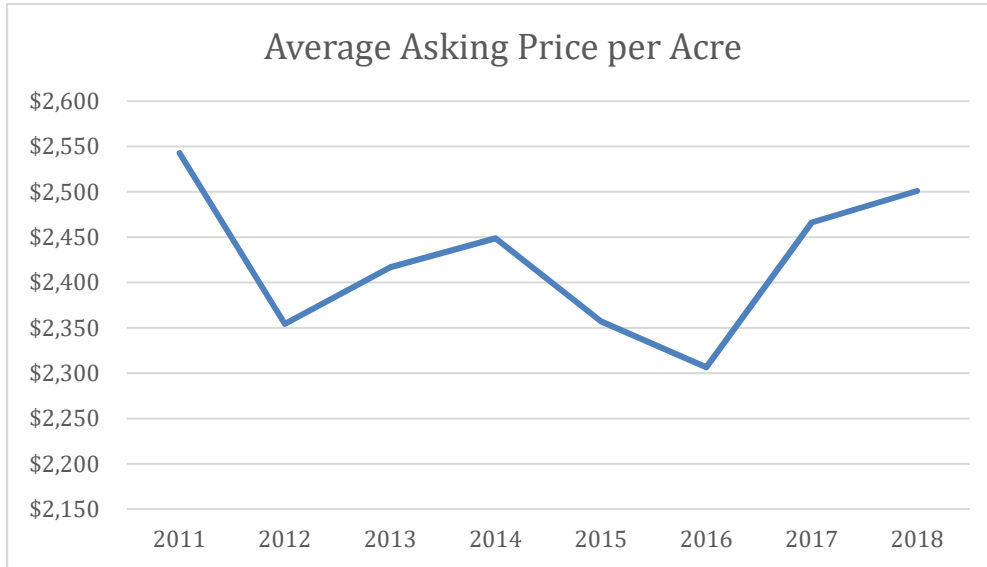
### Land Market News

In the Trump economy, our Georgia land market has certainly improved. Matre Forestry land sale volume is up about 25% in 2018 compared to the first half of 2017, mostly from 1<sup>st</sup> Quarter 2018 sales. We are currently in a summertime lull, which is expected. Most retail land buyers, such as hunters, have other things on their minds during the dog days of summer than looking at and buying land. We are starting to get an increase in inquiries and it is just July, so we expect to finish 2018 strong in land sales.

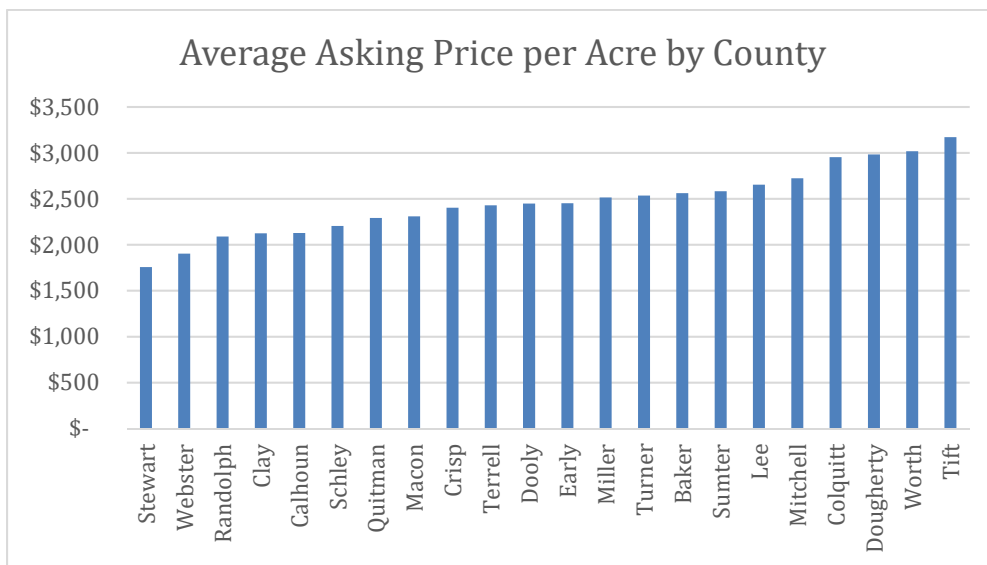
So, has the increase in land sales driven land prices up? Not significantly, but what is happening, is that land sellers can liquidate quicker, if asking price is realistic.

As far as asking prices go, we took a look at all land for sale on <https://www.landsofamerica.com/> in our core land market of Southwest Georgia. I stress that the below data is ALL land for sale on lands of America. That includes small acreage, large acreage, timberland, farmland, with house, without house, with lake, without lake, irrigated, non-irrigated, etc. In other words, all. Not included are counties on the Florida line.

SOUTHWEST GEORGIA AVERAGE ASKING PRICE FOR ALL LAND SALES ADVERTISED ON LAND OF AMERICA (NOT INCLUDING COUNTIES ON THE FLORIDA LINE)



SOUTHWEST GEORGIA AVERAGE ASKING PRICE FOR ALL LAND SALES ADVERTISED ON LAND OF AMERICA (NOT INCLUDING COUNTIES ON THE FLORIDA LINE), BY COUNTY (2011-2018)



Why did we look at asking prices and not sold prices? For sake of time. It is quick and simple to pull the asking price data, but a little more technical and time consuming to pull the sales data. We do have the sales data, and it is safe to say that the average sale price in the Georgia retail land market is approximately 90% of asking price, but the sale price to asking price ratio range is huge, probably ranging from around 50% to 110%. One key thing to consider is that a significant number of tracts for sale “no sale”, or sale after a long time on the market and/or price reductions. So if you are a serious seller, set the asking price realistically based on income potential of the land and comparable sales, in order to sell in a reasonable amount of time. In land though, you can not get to hung up on “comparable sales”, because each tract of land is so unique and the wants and needs of each prospective land buyer are also very unique. While comparable sales approach works great in a uniform residential neighborhood, it does not work as well for land. If you can back out timber and improvements and allocate different land and soil types out of your comparables, then comparable sales analysis becomes more reliable for land, but doing so is a major undertaking.

On the per county average asking price (2011 – 2018), the higher priced counties such as Tift, have more irrigated farmland, driving prices up. Conversely, the lower price counties such as Webster have significantly less irrigated cropland, less agriculture in general, and more timberland. Counties with better water for irrigation, soil quality, and gentler topography are going to have more agriculture, and higher land prices.

What are most hunters looking for when buying land? First and foremost, they want to be in Southwest Georgia, because of the quality deer herd and close proximity to Florida, where most buyers are from. And, it goes without saying, it must be within budget, and within desired acreage range. Water is a huge seller, whether it be creek, swamp, lake, or river. Some buyers are okay if the land has no water, but is very close to a good water source, such as a named creek. They want timber, or timber agriculture mix. Most want some hardwoods, especially oak. Some even specifically want white oaks. They want a good shaped property, and most want neighbors that are good stewards. Many appreciate seeing wildlife pictures from the property. And they want a fair price, and they want some income over the years. And, most have a fairly good handle on the land market through internet research, and most have a basic knowledge of how timberland generates periodic income through occasional timber harvest and ag land generates annual income via an ag lease. Most hunters are financing, which usually requires a bank appraisal, however many buyers plan to put down large down payments. Some are cash buyers.

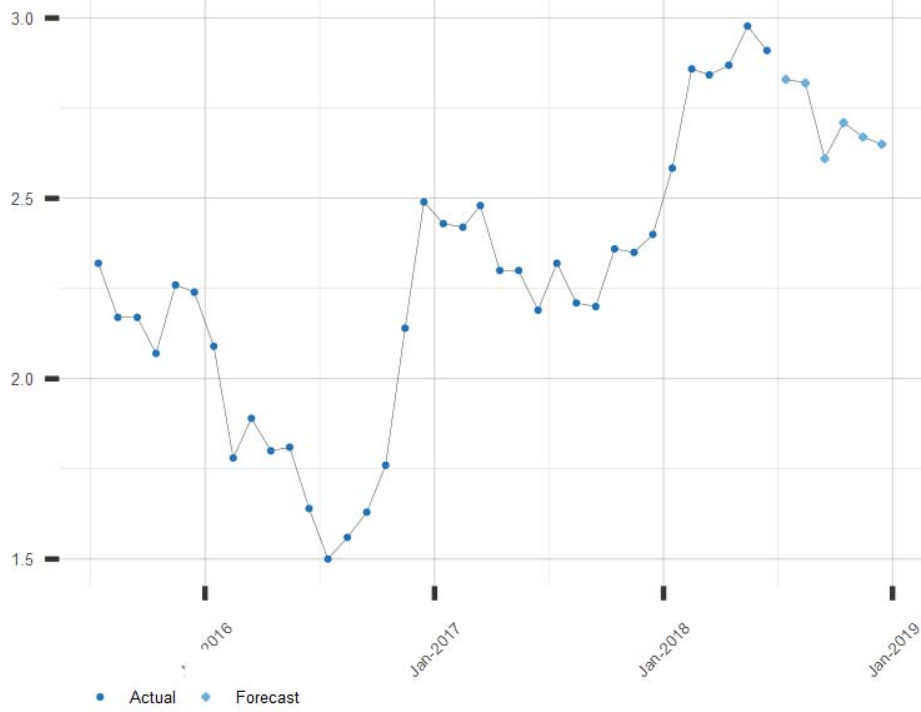
What are most land investors looking for when buying land? They somewhat consider the same things hunters consider, because those characteristics affect resale value so much. But, first and foremost, investors are looking for a great deal, or in other words, they want to pay below fair market retail value. Investors are also usually more concerned with cap rates (projected income/purchase price) than retail end user land buyers. Investors are usually quick, and offering cash, which sometimes entices a seller to let their land go for below market value. After all, time is money, so selling quickly for less than fair market value is a viable option for some sellers. It is the bird in hand beats two in the bush affect.

### **General Economic Indicators**

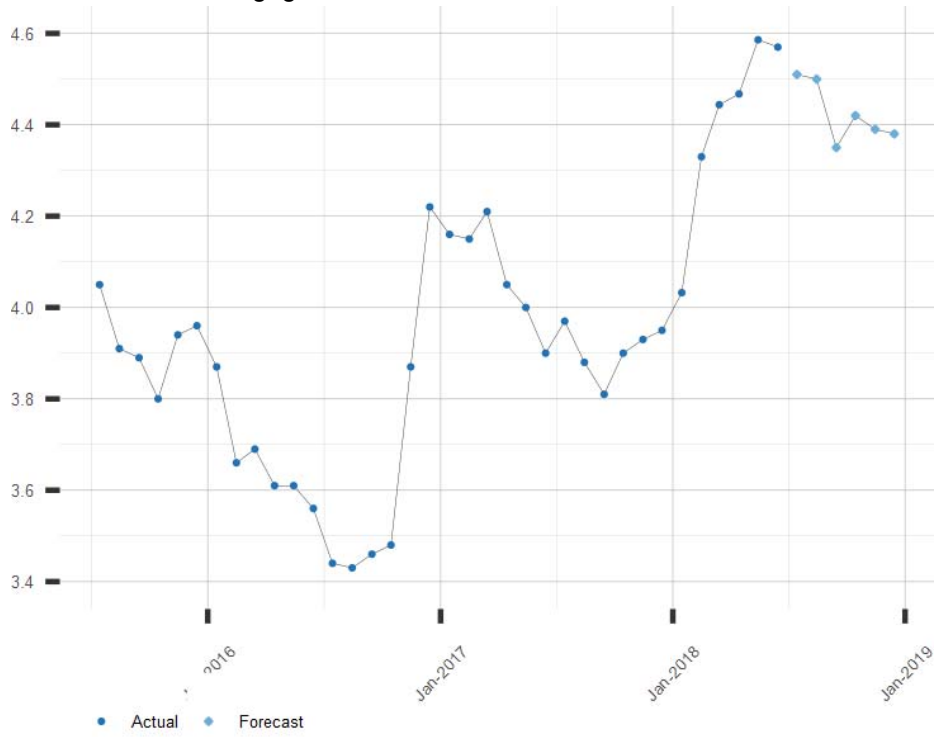
Following are some general economic indicators that affect our land and timber markets:

Source: <https://www.forecasts.org>

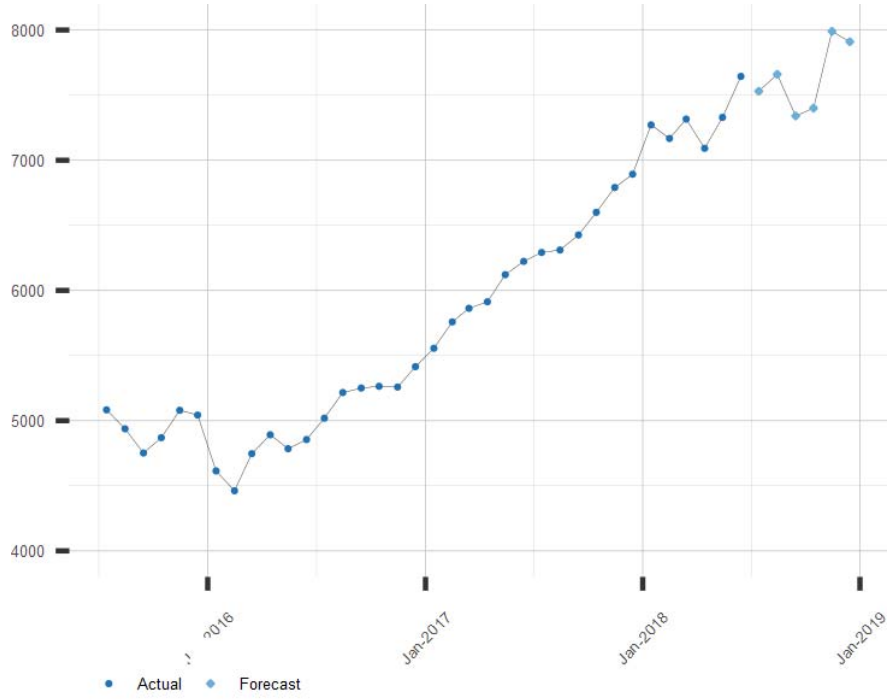
Below: 10 Year Treasury Bond Rates (affects timberland and farmland investor cap rates)



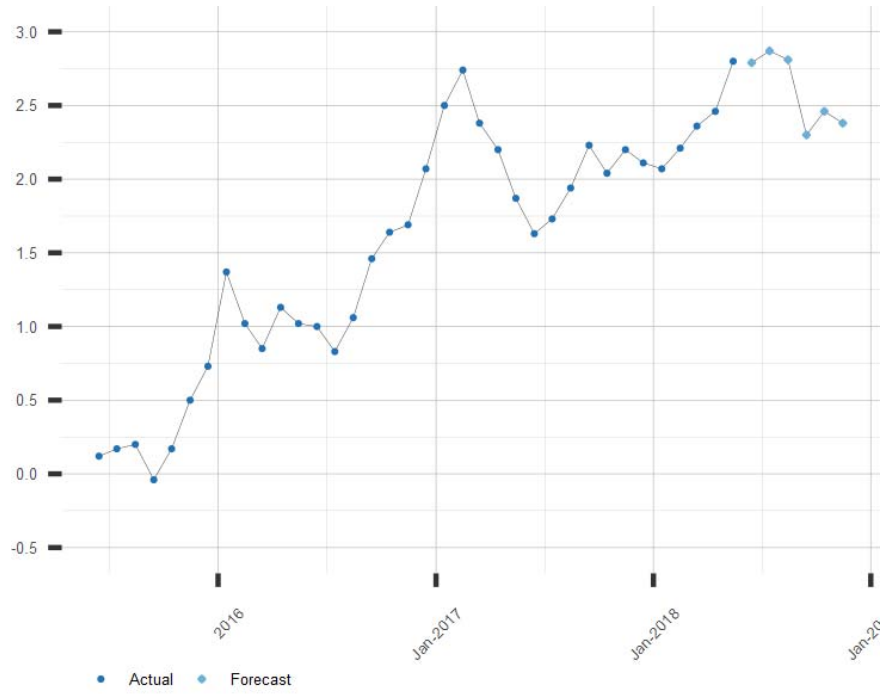
Below: 30 Year Mortgage Rates



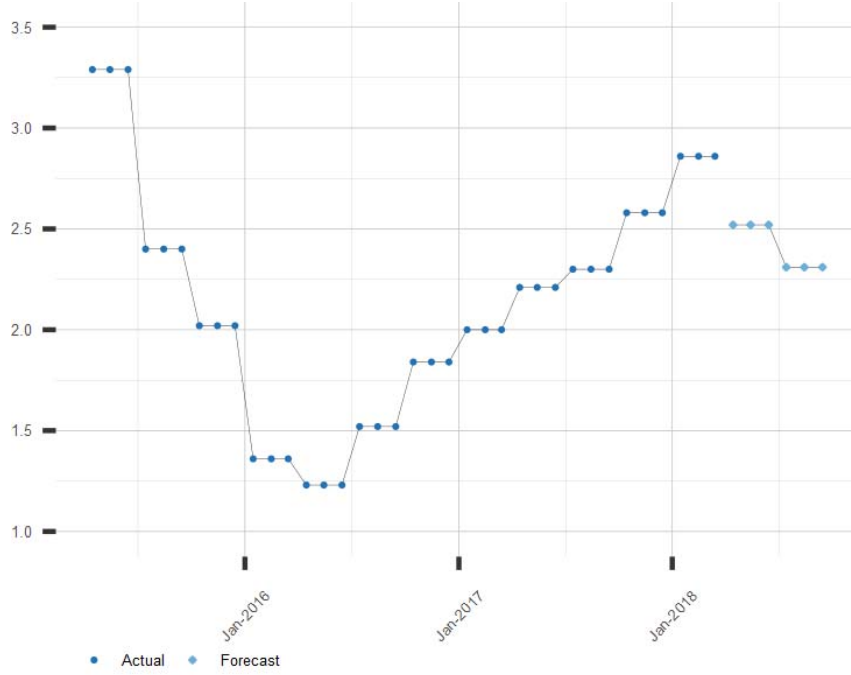
Below: S&P 500



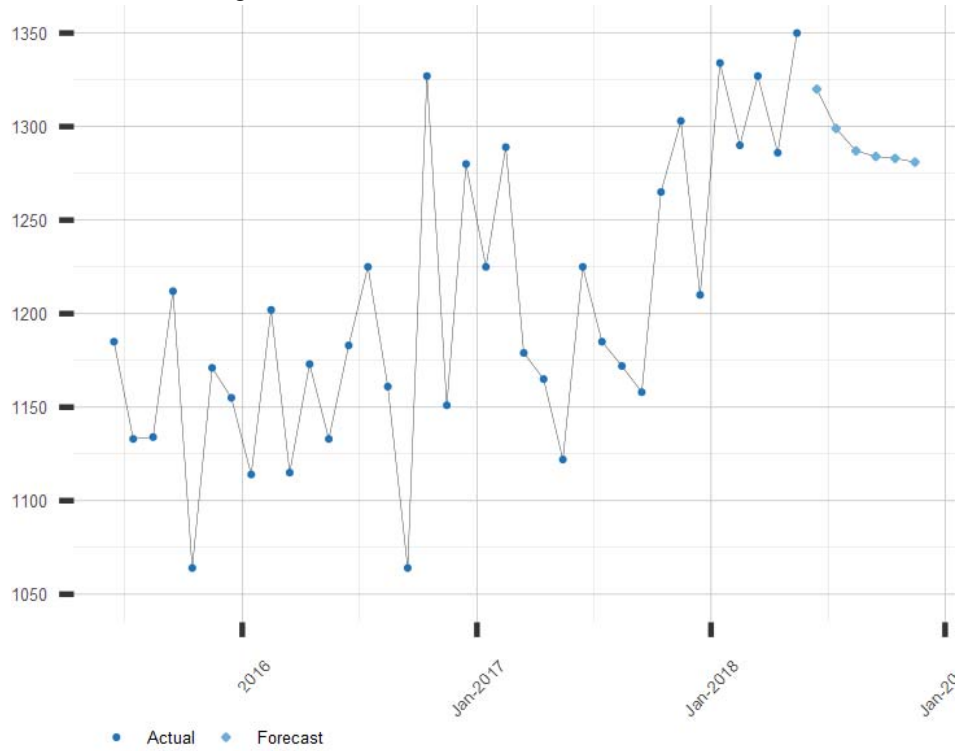
Below: US Inflation Rate



Below: US GDP (real)

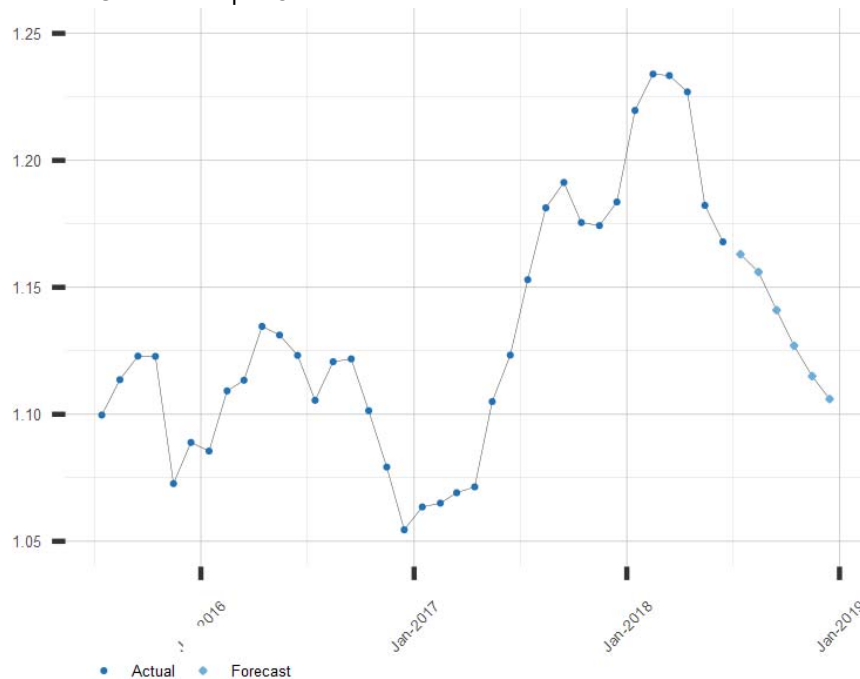


Below: US Housing Starts





Below: U.S. Dollars per One Euro



## **Matre Forestry Highlighted Sales and Listings**

*Highlighted Timber Sales:* In today's timber market, fewer lump sum sales are being conducted., and per ton timber sales are more common. However, lump sum sales are still a great way to sell quality timber sales with lengthy cutting periods of at least 12 months, but 18 or 24 months preferable. We have had two very interesting, and successful lump sales recently. In the 1990's, we often saw as many as +-10 bids on lump sum sales, but nowadays in most markets, you are doing real well to receive 4 or 5 bids. Simply put, there are fewer players with buying power for lump sum sales, and fewer willing to take on the risk of paying out a lump sum check. But, as said above, if the sale is a quality timber sale and the cutting period is long enough, there are buyers willing to cut a good check.

Our two recent sales were interesting due to the spread of the bids. Usually you expect a low bidder or two, and a few bidders in the middle, and a high bidder or two. One recent sale we had one high bidder and I mean way high, about 30% above the 2<sup>nd</sup> and 3<sup>rd</sup> place bidders. Usually someone is high, but not that high. Shortly after that, we had a lump sum sale where the 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> place bidders were within about one percent of each other, which I have never seen happen. The 4<sup>th</sup> place bidder was about 14% under them. Only about \$500 separated the 1<sup>st</sup> and 2<sup>nd</sup> place bidders. Both of these lump sum sales were in the +-\$200,000 neighborhood, and the sales were in different micro markets. Each sale was a desirable timber sale with a lengthy cutting period and good wet weather access, and both sales were successful, proving that lump sum sales still have their place. If a sale is a first or second thinning, or is not a desirable sale, or must be cut quickly – then a per ton sale is in order.

*Highlighted Land Sales:* Just as we have had a couple of out of the ordinary timber sales this year, we have experienced the same in land sales. Twice this year we have brokered two separate and unrelated deals involving the sale of two adjoining farms owned by different sellers and sold to one buyer in simultaneous closings, with each sale contingent on the other sale happening. These two deals were unrelated to one another, but both were similar in that the buyer purchased two adjoining farms from different sellers. Now yes, we like getting two commissions at one closings, but it is definitely earned. Land brokerage is uniquely challenging with so many moving parts to get two parties to agree to, due diligence proceedings to get through, title checks, often times surveying, and the rest of the closing process. Add a third party to the mix, and wow, what a process.

While the two land sales above were a rewarding challenge, any land sale can get challenging, and to successfully

get to the closing table takes full market knowledge, land/timber/ag/hunting knowledge, expert marketing ability, and process/people/time/organizational management skills. When you hire [Matre Forestry Consulting, Inc.](#) to assist with your land sales or acquisitions, you get the entire package. Since we have had added land brokerage to our list of services, we have brokered 59 land sales worth \$28 million dollars. With in the next month that will grow to be 61 land sales worth \$29 million. We want to put our experience to work for you, and keep growing our market share. So contact us today.

*Matre Forestry Land for Sale Listings:* Following is a Matre Forestry listing overview. Keep in mind that not all land sales are publicly advertised, so land buyers, let us know what you are looking for.

County	State	Acres	Price	Price Per Acre	House	Lakes	RIVER	CREEK
Worth	GA	759	\$2,850,000	\$3,755	YES (2)	YES (2)	NO	YES
Talbot	GA	456	\$1,181,040	\$2,590	NO	NO	NO	YES
Harris	GA	318	\$1,490,000	\$4,686	NO	YES (1)	NO	YES
Terrell	GA	252	\$749,700	\$2,975	NO	NO	NO	YES
Baker	GA	212	\$571,340	\$2,695	NO	NO	NO	YES
Dougherty	GA	122	\$475,000	\$3,893	YES	NO	FLINT	NO
Atkinson	GA	94	\$158,484	\$1,686	NO	NO	NO	YES
Terrell	GA	43	\$107,500	\$2,500	NO	NO	NO	YES
Miller	GA	24	\$66,960	\$2,790	NO	NO	NO	YES
Early	GA	5	\$24,500	\$4,900	NO	NO	NO	NO

\*For details visit <https://www.matreforestry.com/properties.html>

Listing commentary:

- **Worth GA 759:** Smoking Gun Plantation. Fully developed and equipped quail hunting preserve. All furnishings, supplies, equipment, dogs, and the commercial quail hunting business is included. Manager wants to stay with the plantation, should you need a manager. TIMBER READY FOR ANOTHER THINNING. Will consider owner finance. Multiple creeks and two lakes. Check out our new video: <https://youtu.be/il9xKD1BZio>
- **Talbot GA 456:** Very productive timber tract and excellent hunting in central GA. Brand new survey plat just completed. Will consider division. TIMBER READY FOR ANOTHER THINNING. Scott Creek flows through property.
- **Harris GA 318:** Productive timber tract and great hunting, with Higher and Better Use potential, located in high growth southern 1/3 of Harris County GA, just north of Columbus. Turntime Branch flow through property.
- **Terrell GA 252:** Very hard to find larger acreage close to northwest Albany GA. Very productive and aesthetic timber tract, with existing food plots. BIRD DOG FRIENDLY AND WILD QUAIL PRESENT. Once part of famed Ecila Plantation. TIMBER READY FOR ANOTHER THINNING. Kiokee Creek flows through property. Owner finance considered.
- **Baker GA 212:** Gorgeous and productive timber property with mature fire maintained pine and hardwood. BIRD DOG FRIENDLY. Adjoins Elmodel WMA for fishing, dove hunting, archery only deer hunting, and additional bird dog training grounds and quail hunting. Intermittent Creek flows through property.
- **Dougherty GA 122:** Hard to find FLINT RIVER frontage property. Small but nice house, perfect for your river getaway. Plenty of acres to build in the 500 year flood plain, some of which did not flood in 1994.
- **Atkinson GA 94:** Productive timberland with small row crop field and good hunting. Suitable for blueberries.
- **Terrell GA 43:** Hard to find smaller quality hunting tract, in a desirable area known for quality bucks.

- Chenubee Creek flows through the property. This tract will sell before deer season I bet, so hurry.
- **Miller GA 24:** Small tract with mature planted and natural timber with Susian Ford Creek (intermittent) flowing through property. Great place to build a country home and have a some land to hunt and enjoy. Additional acreage available.
- **Early GA 5:** In the city limits of Blakely. Many possible uses. Make an offer.

### **Management Recommendation Article**

#### ***Short Pulpwood Rotation vs. Sawtimber Rotation***

With pulpwood prices still relatively good, and sawtimber prices still well under 1990s and earlier 2000s prices, I am still getting the question: *Should I manage for a short no thin pulpwood rotation, or grow sawtimber in a longer rotation by thinning one or twice and then clearcutting?* My answer remains manage for sawtimber, as long as stand remains healthy. Before getting into numbers, here are my general reasons why:

- A sawtimber rotations provide better wildlife habitat. Thinnings increase sunlight to the forest floor, promoting early successional groundcover that wildlife thrive in.
- Sawtimber rotations are more aesthetic, in my opinion.
- Sawtimber rotations manage for multiple products (pulpwood, cantorwood/super pulpwood/micro sawtimber, sawtimber, ply logs, poles) reducing risk. Short no thin rotations are putting all of your eggs basically in one basket (pulpwood).
- Longer rotations with thinnings give you more timing flexibility for subsequent harvests. In short no thin pulpwood rotations, once the stand becomes overly stocked, stand vigor and health begins to decline as live crown becomes smaller and smaller, increasing risk.
- In a +-30 year sawtimber rotation, you only have to go through the reforestation process once during the +-30 year period. If you opt for 2 short pulpwood rotations in the same +-30 year time period, you are having to go through the reforestation process twice.

So those are the generalities. Let's look at some simulated numbers. Below is a table comparing 3 different rotations (see next page):

<b>Scenario</b>	<b>1</b>	<b>2</b>	<b>3</b>
Rotation Years	15	20	30
Number of Thins	0	0	2
Discount Rate	5%	5%	5%
Inflation	0%	0%	0%
Reforestation	\$ (225)	\$ (225)	\$ (225)
Annual Cost	\$ (5)	\$ (5)	\$ (5)
Pine Pulp	\$ 14	\$ 14	\$ 13
Pine CNS	\$ -	\$ 20	\$ 20
Pine Sawtimber	\$ -	\$ -	\$ 28
1st Thin Cost			13%
2nd Thin Cost			13%
CC Cost	10%	10%	10%
1st Thin Tons	0	0	46
2nd Thin Tons	0	0	36
CC Tons	87	131	105
Total Tons	87	131	187
Tons per Ac per Year	5.81	6.56	6.23
1st Thin Gross	\$ -	\$ -	\$ 591
2nd Thin Gross	\$ -	\$ -	\$ 655
CC Gross	\$ 1,220	\$ 2,063	\$ 2,464
Total Gross	\$ 1,220	\$ 2,063	\$ 3,710
Gross per Ac per Year	\$ 81	\$ 103	\$ 124
<b>NPV</b>	<b>\$ 251</b>	<b>\$ 413</b>	<b>\$ 666</b>
<b>IRR</b>	<b>10.00%</b>	<b>10.18%</b>	<b>11.10%</b>
<b>BLV</b>	<b>\$ 484</b>	<b>\$ 662</b>	<b>\$ 866</b>

Growth and Yield models are not perfect, but as long as inputs, assumptions, and methods are consistent, the models are very useful at comparing management options. In the above comparison, key calculations are NPV (Net Present Value) and BLV (Bare Land Value, or Soil Expectation Value, which is the NPV of an infinite series of the same rotation). Looking at NPV and BLV, Scenario 3 (the sawtimber rotation) is worth significantly more than the no thin shorter rotations, even after bumping up pulpwood price a dollar per ton to reflect lower logging cost of clearcutting instead of thinning.

Out of curiosity, I dropped chip-n-saw and sawtimber prices down to pulpwood prices, and the two thin 30 year rotation had a \$461 BLV. So say at the end of your 30 year rotation sawtimber has tanked and pulpwood is way up, your investment performance in the 30 year rotation would be very similar to two short rotations in the same time period.

Am I saying never implement a short pulpwood rotation? No. Every circumstance is unique, and sometimes the pros of clearcutting now outweigh the pros of thinning. If you are in an area commanding +-\$20 per ton for pine pulpwood, the finances of clearcutting at a young age start to compare well to managing for sawtimber. Or, if you are needing to pull as much cash out as you can now from a stand of trees, then thinning may not be an option. Maybe a stand is fading or full of cankers and forks or is understocked, then clearcutting may be your best option. Whatever the situation, get yourself well informed and then make the best decision for you.

*Continued next page.*

I appreciate your interest in our newsletter. Please forward to a friend, and/or share it on your social media. If you are not subscribed, or if you want to update your email address, please visit <https://www.matreforestry.com/newsletter.html> . We occasionally send out our newsletters and email blasts, but not too often, because we do not want to clutter your inbox. Your feedback is welcome, and any suggestions for future newsletters is appreciated. Have a great weekend.

Sincerely,

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*Established in 1999, Matre Forestry Consulting, Inc. of Albany, Georgia is a full service forestry consulting company and real estate brokerage. On behalf of our clients, our services include timber sales & management, land sales and acquisitions, timber inventories/cruising, appraisals, marking, prescribed burning, reforestation, GPS & GIS mapping, investment & market analysis, contract forestry services, wildlife habitat improvement, and hunting plantation development.*