Hancock Timber
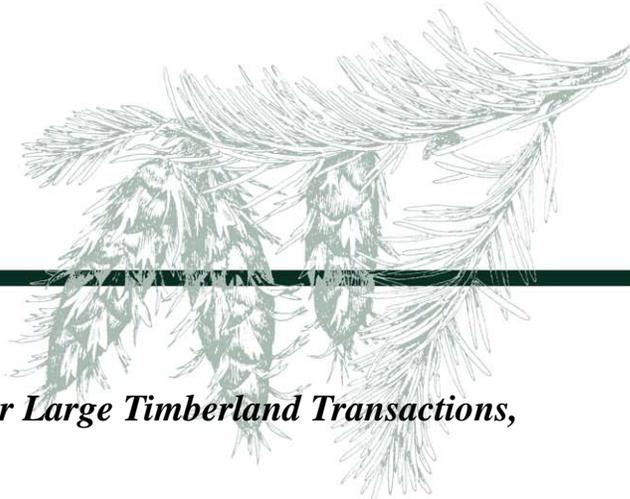# RESEARCH *Brief*

Taking Advantage of the Wholesale Discount for Large Timberland Transactions, 2010 Update

Updated results indicate that the size of the wholesale discount has remained largely unchanged during the 1995-2010 time period.

The HTRG Research Report of February 2000 focused on the analysis of the wholesale discount for large timberland transactions. Since its publication, a large number of timberland properties have been traded. The goal of this brief is to analyze the impact of the transactions that occurred in the 2000-2010 time period on the magnitude of the wholesale discount.

The analysis presented in the original report made use of two datasets. The first of these datasets consisted of the record of HTRG transactions in the US. The second dataset contained international records of timberland transactions compiled by the forestry consulting firm Jaakko Pöyry. The results of regression analysis for HTRG transactions in the US showed that a 1 percent increase in the size of a timberland property typically reduced its per-acre value by 0.145 percent.

Because an updated version of the Jaakko Pöyry dataset was not available, the results of regression analysis presented below were obtained using a current dataset provided by RISI. Three regression runs were performed in total. The first run used transaction data for the period from 1995 to 2004. The results of this run closely correspond to the results of the 2000 research note. The second run used the transaction data for the period from 2005 to June of 2010. The final regression run used the entire dataset spanning the period from 1995 to 2010. The motivation behind the latter two runs was to assess the impact of recent transactions on the magnitude of wholesale discount. The results indicate that the size of the wholesale discount has remained largely unchanged during the 1995-2010 time period. The reduced values of R^2 for the newer results are largely due to a greater variety of traded properties.

Timberland Transactions 1995-2010
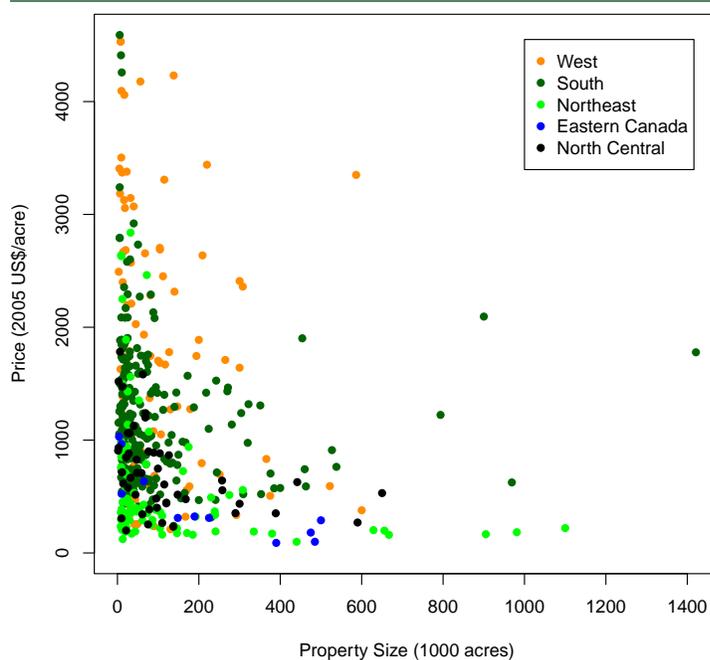
Estimates of Coefficients

Time Period	Intercept (α)	Slope (β)	R²
1996-1998	7.681 (0.077)	-0.145 (0.013)	0.36
1995-2004	7.274 (0.127)	-0.156 (0.031)	0.08
2005-2010	7.640 (0.147)	-0.166 (0.036)	0.09
1995-2010	7.428 (0.099)	-0.158 (0.024)	0.08

Notes on methodology
All models were estimated in the form $\ln(V) = \alpha + \beta \cdot \ln(A) + \varepsilon$,
where V = price in \$1998 (original) and \$2005 (updated)
α, β = regression parameters
A = property size
ε = error term