

This is neither an offer to sell nor a solicitation of an offer to buy Wells Timberland; an offering is made only by prospectus. This information must be preceded or accompanied by a prospectus in order to understand fully all of the implications and risks of the offering. Neither the Attorney General of the State of New York nor any other State regulators have passed on or endorsed the merits of the offering. Any representation to the contrary is a criminal offense.



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Why the Focus on the U.S.?

At the University of Georgia's *International Forest Investment: An Executive Education Conference* in Munich in February, several attendees wondered why so much of the talks focused on timberland and timberland investments in the United States.

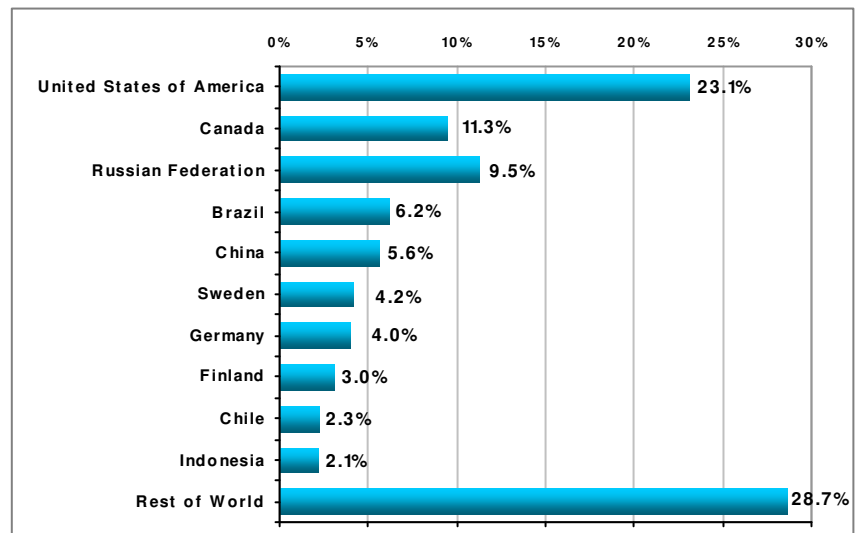
The U.S. is a Leader in Timber Production and Consumption

One reason is that the U.S. is a world leader in producing and consuming wood products. Figures 1 through 4 show data from the United Nations Food and Agriculture Organization for production of industrial roundwood (logs), sawnwood (lumber), panels, and wood pulp. Each chart shows the top-10 producers of each product. Those top producers account for 70% to 80% of world production of each product.

The U.S. produces just under one-quarter of the world's logs (Figure 1), with second-place Canada producing about half the U.S. volume.

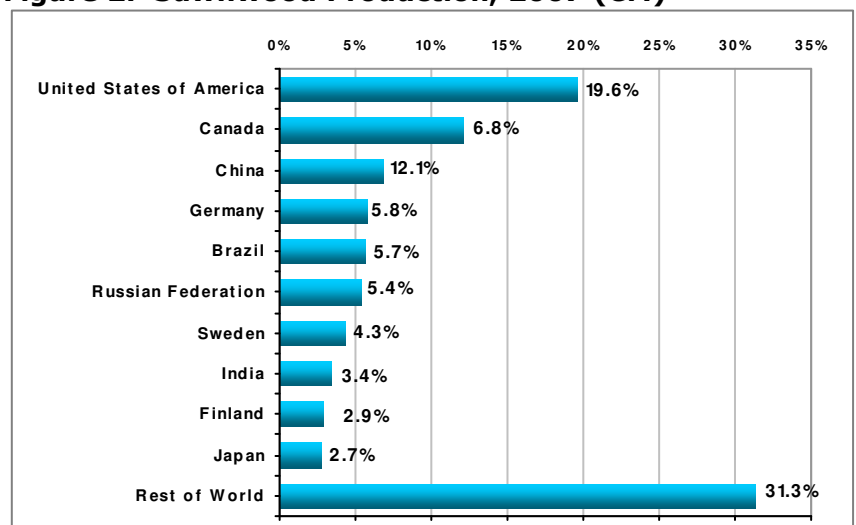
The U.S. accounts for just under 20% of the world's lumber production, with Canada running a stronger second (Figure 2). Third-place Germany produces approximately half of Canada's volume.

Figure 1. Industrial Roundwood Production, 2007 (CM)



Source: UN FAO FAOStat

Figure 2. Sawnwood Production, 2007 (CM)



Source: UN FAO FAOStat

Not for use in Massachusetts or in states where Wells Timberland REIT, Inc. is not yet effective.

The offering of shares of Wells Timberland REIT, Inc. ("Wells Timberland" or "the offering") commenced on August 11, 2006. On October 9, 2007, Wells Timberland made its first and only acquisition, Maht Timberland, a collection of timberlands in Georgia and Alabama. Wells Timberland has a limited operating history and may not achieve the level of diversification described in the prospectus. The offering has not yet elected nor qualified to be taxed as a REIT, which could reduce investor returns.

As of June 30, 2009, Wells Timberland's total borrowings were approximately 168% of net assets and 59% of the cost of the timber assets before adjustments for depletion and amortization. Wells Timberland is prohibited from making distributions or redeeming shares under its share redemption program (except for qualified disabilities and death) until certain loans and financial targets are satisfied.

China passed the U.S. in panel production in 2006 and continued to out-produce the U.S. in 2007 (Figure 3). While production in the U.S. has been fairly steady at roughly 43 mm cubic meters per year since 2000, China’s production has tripled in the last six years.

Finally, the U.S. is the world’s largest wood pulp producer (Figure 4), accounting for just under about one-third of the world’s production in 2007. Canada is again in second place, producing about half of the U.S. volume.

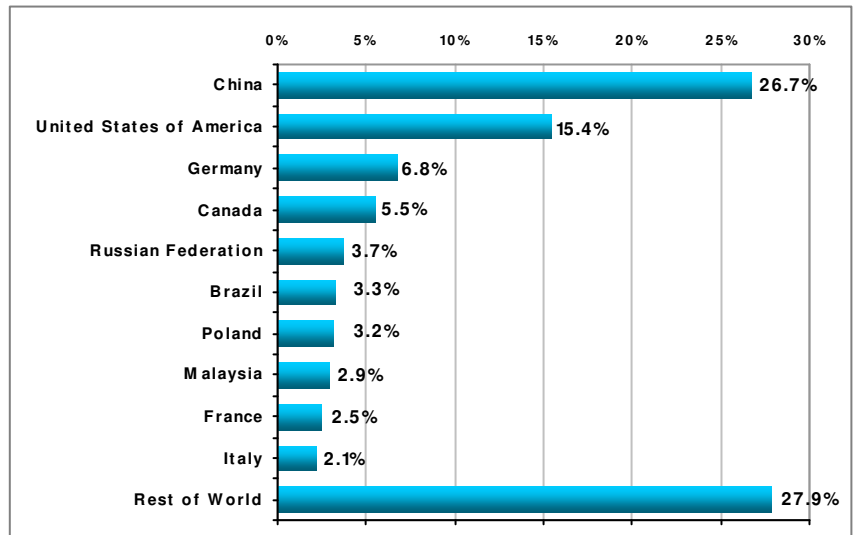
Larger volumes imply more producers and consumers of timber, which provides more outlets for timber for timberland owners. This may be especially important for institutional investors (such as pension funds) that are looking for lower risk.

The U.S. Has the Largest Private Timberland Base in the World

A second reason for a U.S. focus is that, in the early days of institutional timberland investment (the 1980s), investments were focused on U.S. investors buying U.S. timberland. There was (and is) a lot of timberland in the U.S., and much of that is privately owned.

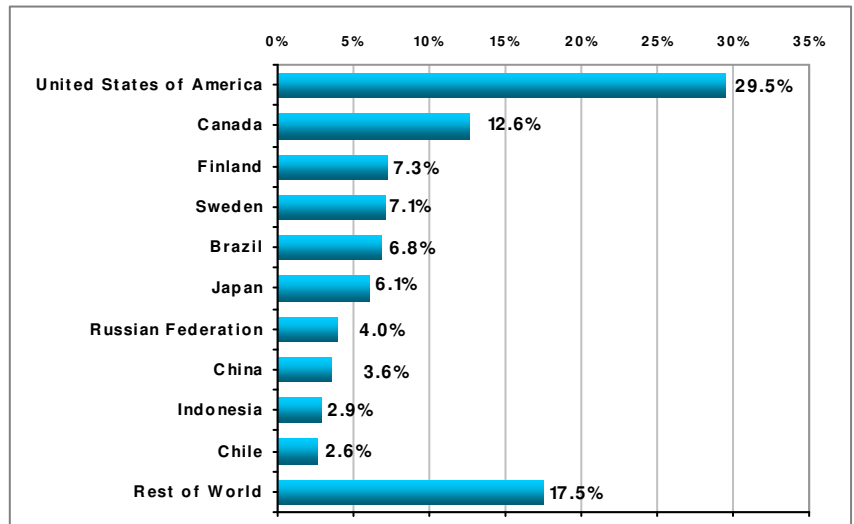
While the U.S. ranks only fourth in total forestland area (Figure 5), it has the largest reported area of private timberland (Figure 6). We stress “reported,” because most of the large forested countries in South America did not report ownership data to the UN (Table 1). Only Brazil might have more private timberland than the U.S., because the U.S. has more *private* timberland (174 million hectares) than the *total* timberland in the other countries in Table 1.

Figure 3. Wood-Based Panels Production, 2007 (CM)



Source: UN FAO FAOStat

Figure 4. Wood Pulp Production, 2007 (MT)



Source: UN FAO FAOStat

Table 1. South American Countries not Reporting Ownership Data to UN FAO

| Country | Total Forestland (000 ha) |
|-----------|---------------------------|
| Argentina | 33,770 |
| Bolivia | 60,091 |
| Brazil | 493,213 |
| Colombia | 60,963 |
| Paraguay | 19,368 |
| Venezuela | 49,151 |

Source: UN FAO, 2005

There are some advantages to buying private timberland in the United States as opposed to leasing public lands in other places. U.S. timberland owners usually do not need to have their timberland management plans approved by anyone. They can sell some or all of their timberland to anyone at any time without getting approval from anyone.

In those countries where timberlands have recently been “privatized,” the “buyers” have often been buying long-term leases or concessions and are subject to having their timber management and property disposition plans approved by one or many government agencies.

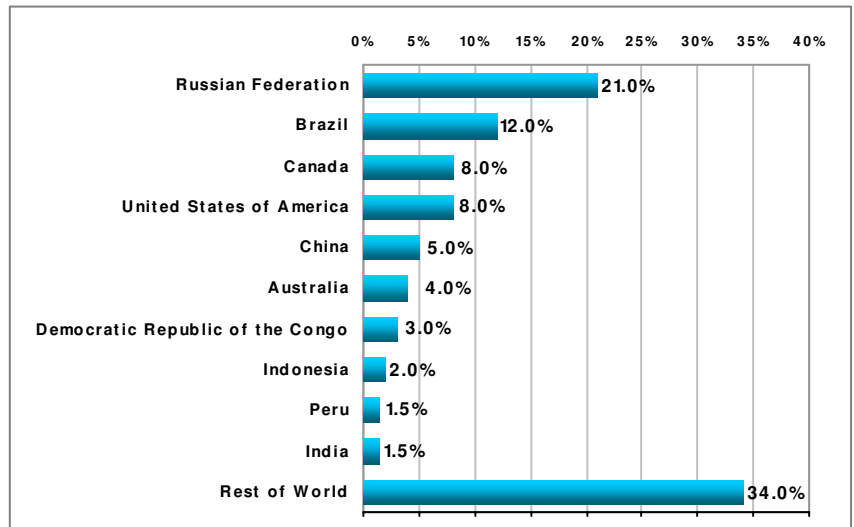
Much institutional timberland ownership is of plantations, which account for only 2.7% of the total forest area in the world. China holds 26% of the world’s plantations, and the U.S. has 11% (Figure 7).

(The UN FAO does not provide an ownership breakdown for plantations.)

Published Returns are for U.S. Private Timberland

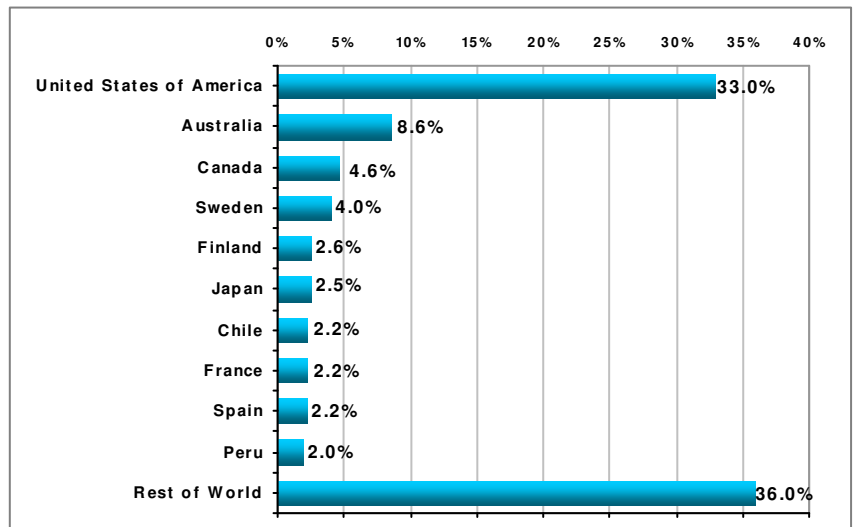
A third reason for a U.S. focus in timberland discussions is that available, published returns are only for private timberlands in the U.S.

Figure 5. Total Forestland (2005)



Source: UN FAO, 2005

Figure 6. Private Forestland (2000)



Source: UN FAO, 2005

The NCREIF Timberland Index reports returns for properties in the U.S. that are fee-owned, with limitations on the area of leased land or timber deeds/timber rights, and limitations on the amount of debt financing.

Until such returns are available for non-U.S. investments, it will be difficult to discuss timberland returns without a heavy emphasis on the U.S. But, while U.S. investments are relatively concentrated, non-U.S. institutional timberland investments are widely, but thinly, spread across the globe. An international or non-U.S. timberland index would be combining returns from softwood plantations in New Zealand, Chile, and South Africa with hardwood plantations in Brazil and Mozambique, for example. Would this provide meaningful results? As non-U.S. investment expands, perhaps such an index could be developed.

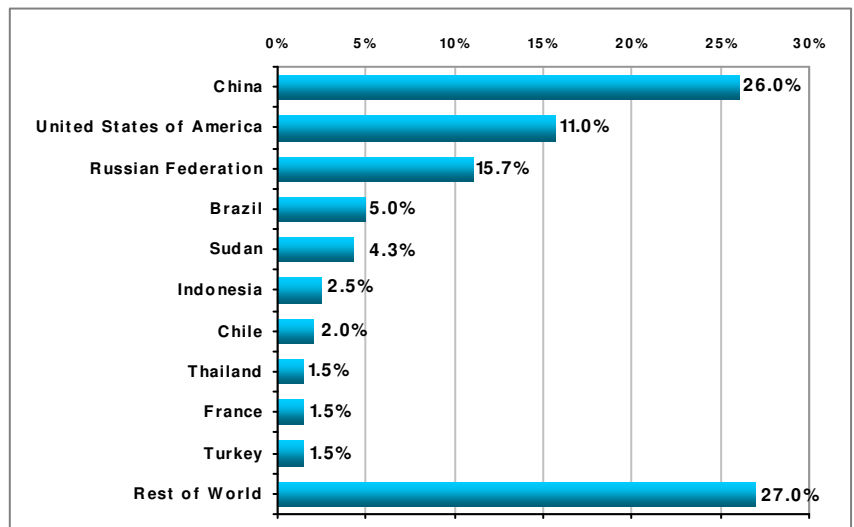
Summary

Why are discussions about institutional-scale timberland investing so often focused on the U.S.? We have addressed three of the reasons here:

1. The U.S. is a world leader in producing and consuming wood, so the markets for timber from timberland investments are strong.
2. The U.S. is a world leader in the area of forestland, private forestland, and plantations available for investment, so the market for timberland is robust.
3. Publicly reported returns are available for the U.S. only.

Other factors that we have not addressed in this issue include:

Figure 7. Plantation Forestland (2005)



Source: UN FAO, 2005

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1. Pension funds and endowments from the U.S. were some of the first institutional investors and are probably still the largest source of capital for timberland investments.
2. The U.S. paper and forest products industry decided over a relatively short period to liquidate its vast private timberland holdings, which provided a ready supply of timberland for institutional investors.
3. The U.S. South makes a useful benchmark for discussing timber and timberland. It has a highly developed forest products industry, and forest management is highly researched and (usually) very intensive. Timberland in a country or region can often be described as “like the U.S. South, except ... (... the trees grow faster, or ... we start pruning at age 10, or ... we are more export-oriented, or ...).”

RISK FACTORS

To learn about the details of this investment, please read the [prospectus](#) carefully. The risks include:

- Illiquidity. Not publicly traded; if shares can be sold, they may be worth less than what was paid for them.
- Dependence on the Advisor.
- We may pay cash distributions from offering proceeds or borrowings, which may reduce amounts available to acquire.
- We have not paid any cash distributions to date to our stockholders as a result of restrictions resulting from our credit agreements. Once we are able to make cash distributions, our cash distributions are not guaranteed and may fluctuate.

- Regulatory, economic, and environmental changes that may impact real estate, forestry, and/or tax legislation.
- Conflicts of interest facing the Advisor and its affiliates.
- Regardless of fund performance, considerable fees and expenses are paid to the Advisor, its affiliates, and broker/dealers.
- May not meet the offering’s stated investment objectives.
- **Product not FDIC or NCUA/NCUSIF insured, not bank or credit union guaranteed, and may lose value.**
- This investment is not suitable for all investors; see the prospectus for state suitability standards.

As of September 30, 2009, Wells Timberland REIT, Inc. is not yet effective in Alabama, Arkansas, Maryland, Michigan, Ohio, or Tennessee. Please visit www.WellsTimberland.com for more details. 4