

Green is the colour

They say money doesn't grow on trees, but it might do if you decide to invest in forestry



TIMBER-frame homes have become a popular choice worldwide with more and more people choosing it as a building system. In the UK alone, timber frame homes account for around 70 per cent of all low-rise family housing with most of the top 25 companies opting to use the system.

However, this practice may be set to become increasingly expensive over the coming months. Besides the fact that the cost of general construction timber has risen by 8 per cent in February and is expected to increase another 4 per cent in May, timber suppliers have warned building contractors to brace themselves for considerable price increases following a fall in global timber supply.

The UK Timber Trade Federation chief executive John White recently commented that a combination of factors has hit supply at the same time. "The development of north African, Middle Eastern and Chinese markets is sucking timber away."

"In softwoods, there is a general shortage," says Build Centre brand manager Paul Gordon. "Prices increased about 5 per cent four months ago, another 5 per cent in April and we predict they will increase by a further 10 per cent in June."

Senior buyer at Pettifer Construction, Evan Schroll says: "One of our main suppliers has

told us that softwood prices will rise by 20 per cent to 25 per cent and sheet materials will go up 12 per cent to 15 per cent. We do allow for some price increases, but not to that extent."

However, it's not all doom and gloom as a new wave of savvy investors are cashing in and hedging their bets by investing in timber and forestry companies.

Investments into forestry are not a regulated financial sector in Ireland, but this may not be a bad thing as timber is a physical commodity it happens to be outside the scope of the financial services authority. Like any invest-

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ment, timber requires planning and proper management to achieve optimum returns.

A good place to start when looking to invest into forestry effectively is Greenwood Investments, who can offer services that allow direct investment into forestry projects. Investments into a Greenwood project start from €8,000 to €10,000 and can show returns over a 7 to 12-year period.

An investor sees a return with Greenwood Investments by investing in an acre of land

that contains the trees which will be grown for harvesting when they have fully matured and sold as materials.

Why should an investor be attracted to forest investments in the age of more traditional markets such as stocks and bonds?

Forestry investments have been proven to not only add stability, but also increase overall performance when used in conjunction with traditional stocks and bonds that equates to higher portfolio returns for any level of risk.

According to Greenwood Investments, over the past 30 years, returns through forestry investment have worked out at an average 14.5 per cent per annum.

They estimate that a good level of return would be between 9 and 16 per cent, however this would depend on the species, location and the length of your investment.

The basics of portfolio investment theory state that you don't put all your eggs in one basket. In addition, it says that investments that perform differently in up and down markets can be used to reduce the overall fluctuation in return and thus reduce the risk of loss.

For more information on Greenwood Investments, tel (01) 432 0326 or by e-mail on info@greenwood-investments.com