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TIMBER LINK[®]

AUSTRALIA | NEW ZEALAND

Company & Industry News

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Capital Investments and Product Improvements at Blenheim Mill

Growing our New Zealand business is a focus for Timberlink. Since the purchase of the Blenheim Sawmill from Flight Timbers in 2015, Timberlink has made over NZ \$7 million worth of capital investments with a total of NZ \$10 million planned. The benefits of these investments are starting to flow through to customers now, as production at the mill has increased by over 15%.

Timberlink's New Zealand Sales Manager Dave Darby is excited by the increased production capacity. Dave reported that "the upgrades have allowed us to better service our customers by releasing greater quantities of timber and giving us greater flexibility. We are now able to better support Mitre 10, ITM and our independent customers".

Timberlink aims to continue to grow our relationship with our customers by further improving product availability, giving new product offerings and improving customer service. These objectives have been backed by this continual capital investment in the New Zealand business to improve competitiveness, quality and reliability.

The upgrades have already allowed the Blenheim mill to change its treatment type for outdoor structural back to Chromated Copper Arsenate or CCA. The decision is effective immediately and provides our New Zealand customers with market preferred treatment for outdoor structural treated timber.

The change will bring Timberlink in line with the market and make it simpler for our customers to fill their racks without having to worry about complicated labelling.

This change was made possible after the upgrade of our kilns to a contra flow system. The improvement in kiln drying quality and efficiency has made the CCA redry feasible. Coupled with our grade and finish of the product, we know that Timberlink's H3.2 CCA outdoor structural will be well regarded in our NZ market.



New Forests Expands its North American Presence

Timberlink's management company has acquired California Timberlands from Roseburg Resources.

The 170,000-acre estate is to be managed as Shasta Cascade Timberlands.

New Forests has announced an agreement to purchase a 170,000-acre timberland estate in northern California from Roseburg Resources Co in late 2017. The properties will be acquired by Shasta Cascade Timberlands LLC, an investment entity managed by New Forests. New Forests is a worldwide sustainable real assets investment manager, Timberlink is one such asset that it manages.

Following the acquisition of two other California forestry estates in 2016 and 2017, the latest acquisition will bring New Forests' total US forest under management to 186,000 acres. The acquired forests include high-quality stands of Douglas-fir, ponderosa pine, and other mixed conifers stretching across four major blocks from Redding north to Mount Shasta.

Globally, New Forests manages more than 2 million acres of forestry, land, and conservation investments, including more than 450,000 acres of forest carbon projects for third-party

landowners in the continental US and Alaska. The investment further strengthens Timberlink's position in the Australian market by helping to secure long term access to logs and opening business opportunities in North America.

New Forests' CEO David Brand said "The launch of Shasta Cascade Timberlands reflects New Forests' commitment to expanding our US investment program, based on a climate-smart forestry strategy, which seeks to deliver competitive timberland returns with additional exposure to revenue from climate mitigation," David went on say that "Investors can secure high-quality forestry assets with exposure to well-established timber markets, while also benefitting from the shift toward a low-carbon economy."

New Forests' US Director Brian Shillinglaw added, "New Forests looks forward to building on Roseburg's long tradition of sustainable land stewardship and production forestry in Northern California. As we work toward completion of this transaction in early 2018, New Forests is dedicated to ensuring continuity of operations and retaining the local knowledge that underpins and supports the sustainable management of the timberlands. We also look forward to deepening our engagement with the communities located around the Shasta Cascade Timberlands."



Thank you Daio Paper for more than a Generation of Doing Business

Woodchip exports are a key sector of any diversified timber business. Our Tarpeena mill has been exporting woodchip since 1984, and the business has strived to expand and grow our relationships with our overseas partners since then. It is through the strength of these relationships that we have just signed a new 5 year contract, that will take our relationship with Japanese trading house Marubeni Corporation and paper mill Daio Paper, beyond 30 years.

It is Timberlink's unique integrated business model that allows deals of this length and magnitude to be signed. Timberlink is able to guarantee a long term, secure supply of timber to our customers, as investment management company New Forests owns the assets from the forest through to the mill. This gives Timberlink an excellent competitive advantage.

Timberlink's sustainably sourced Radiata pine fibre is particularly versatile for a range of pulp and paper manufacturing processes and end products. It has good strength properties, it is white, it does not require a lot of bleaching, and it can be used in a range of pulping processes from mechanical, to thermo mechanical and also for chemical pulping. It is the offcuts arising from cutting logs into good strong timber boards make the best pulp.

Converging Histories

Timberlink has exported over 13.6 million ton of wood chips since 1984 and has grown to become one of the largest Radiata Pine exporters in the world, as well as one of the largest softwood woodchip exporters in the world.

Timberlink and Daio have many inherent similarities stemming from the nature of the niche position we occupy in our respective industries. Daio ranks as the third largest full range paper manufacturer in Japan, whilst Timberlink also ranks as the third largest Australian timber manufacturer. Both companies have modern, innovative and efficient manufacturing facilities in industries that to those on the outside, may seem archaic. Daio Paper owns and operates the largest pulp and paper facility in Japan. Daio started dealing in paper making raw materials in 1928, while Timberlink's origins date back to 1924, when the first Radiata pine plantations were planted near Mount Gambier by the SAPFOR (SA Perpetual Forests) group. Both Timberlink and Daio were early adopters of certification and sustainability values and both companies are large enough to be relevant and have scale in their categories, yet small enough to be nimble and know their customers.

The Future of Pulp

A 30-year relationship to supply woodchip to manufacture paper may seem counterintuitive in this digital age, but the paper industry has continuously diversified, and Daio still produces over 20,000 different types of papers.

As you would expect demand for traditional paper uses such as newspapers and magazines is decreasing. However, the rise of the middle class in emerging countries such as China and India have led to an increase in demand for home ware papers such as paper cups, coffee filters, tissues, toilet paper, absorbent towels, cleaning wipes and diapers. Radiata pine pulp is particularly suited to hygiene paper manufacturing due to its strength and its high level of absorptive ability.

In addition to this, recent innovations have led to an increase in the use of woodchip in manufacturing. The two of the major advances are dissolving pulp, and the commercial trialling of nanocellulose manufacturing.

The manufacturing of dissolving pulp is a growing segment in Japan and China. It has end uses in Cellophane, sports clothing, filters, food additives and thickeners.

Nanocellulose pilot plants are being trialled by most of the large Japanese Paper and Pulp companies, including our customer Daio Paper. The first pilot plant was established in 2013. Nanocellulose has many applications ranging from paper, to composite materials where nanocellulose can be used as the reinforcing fibre, food additives, pharmaceutical and medical applications, industrial foams, super absorbent materials, barriers, films, membranes, emulsifiers and dispersion agents. **The humble woodchip has some incredible properties when converted to a nanocellulose fibre, it has the tensile strength of aluminium, stiffness comparable with Kevlar and a strength weight ratio 8X higher than stainless steel.**

Japan is the largest importer of softwood woodchip continues to use around 5,000,000 tonnes of dry chip per year, of which 1,500,000 is imported. Over 80% of this imported chip comes from Australia and the United States and all the while Chinese demand for manufacturing woodchip is increasing.

Timberlink is major exporter of softwood woodchip and it is a vital element of our business. We are continually working on ways to best use all of the log that we consume and our partnership with Daio Paper is a key part of this.

"Our FSC certification is increasingly sought after by customers in both Japan and China who want to promote the sustainability credentials of their personal use consumer products, and Timberlink can provide the highest-level certainty with our dual environmental certifications".
GM of Resource, Phil Lloyd.

A trading house partner is an intermediary that purchases a wholesale product, and sells to the importing company, removing the risks associated with exporting and shipping. Trading houses generally purchase the chip from the supplier on a "free on board" basis as the woodchip is loaded over the ships rail.

DAIO PAPER CORPORATION

大王製紙株式会社



It is possible to be World Leaders in Competitiveness and Sustainability

A word from New Forests CEO and Timberlink's Chairman, David Brand about the forest industry in Australia and New Zealand.

Building resilience and increasing our competitiveness as an industry means that we can weather the next downturn, attract more investment, and New Zealand and Australia can be a region that will continue to grow in importance in the global forestry sector.

A recent article by management consultancy McKinsey & Company suggests that an industry

like ours, having an endowment

from strong markets, should be tactically over-investing in capex opportunities, allocating capital to develop new markets, seeking out research and technology advantages, and upgrading workforce skills. I find that an exciting prospect. In our investments we are trying to follow that roadmap.

We have been heavily investing in both our forestry and processing assets to improve future profits, rationalising non-core and underperforming assets, diversifying markets and seeking partnerships for new market development, and now beginning to undertake greenfield plantation development in key areas. Building resilience and increasing our competitiveness as an industry means that we can weather the next downturn, attract more investment, and New Zealand and Australia can be a region that will continue to grow in importance in the global forestry sector.

For further information on New Forests visit: newforests.com.au



New Forests CEO,
David Brand

Overview

As global demand for resources grows, there is a need to increase productivity while ensuring the conservation of the world's remaining natural forests. New Forests seeks to create investment strategies that provide lasting solutions to this challenge. Through

responsible management of forests and other real assets, we create shared benefit for investors and local communities alike. We believe that meeting the needs of a broad range of stakeholders will provide better returns over the long term.

New Forests has international reach, with offices and assets in Australia, New Zealand, Southeast Asia, and the US. This gives us a global perspective combined with local expertise that allows us to understand and manage our assets more effectively. Wherever we operate in the world, our strength lies in our people and their drive to make investments that create the best possible outcomes. By investing with integrity and transparency we aim to generate strong returns while helping tackle some of the world's great sustainability challenges.

Investing for the Next Downturn

The forestry sectors of Australia and New Zealand have had a good run over the past few years. Markets for domestic timber, export logs, and wood chips have all been strong, even approaching record prices. The Asia Pacific region has a tight supply demand balance largely driven by Chinese demand for all forms of timber, logs, wood chip, and wood fibre products. I was recently in the US, visiting our West Coast forestry investments, and Douglas-fir log prices have jumped by 50% over the past year or two on the back of supply disruptions from Canada and continuing strong Chinese demand. You might wonder if the so-called Super Cycle is finally here.

However, outside the Asia Pacific, the picture is less than rosy for forestry owners. There are large reservoirs of wood built up in the US South and in Northern Europe, reflecting the slow recovery of US housing since the financial crisis and the Euro-zone economic malaise of recent years. While sawmills have been making good profits, log prices have not responded because of the supply overhang. Inevitably, you would expect that the market will restructure supply to bring the excess timber in the US South and Europe to meet the excess demand in Asia creating, in the process, an equilibration of log prices.

Of course, readjusting timber markets is a slow process, but we have seen this before. After the 1990 decision by the US Fish and Wildlife Service to declare the Northern Spotted Owl a threatened species, a court decision led to a reduction in timber harvest in the West Coast National Forests by 80%, and log prices spiked to levels only now being re-tested. I am old enough to remember the response—massive increases in logging on private land in Washington and Oregon, re-tooling of West Coast mills to process smaller logs, road trains from the remote Canadian Northwest Territories bringing logs to sawmills in Alberta, and a planting boom in New Zealand. Ultimately, supply adjusted to meet demand.

Recent anecdotal evidence is that a similar response is starting to happen to current wood supply shortages in the Asia Pacific region. The CEO of Weyerhaeuser recently noted that they are aiming to triple containerised log exports from the US South to Asia this year, albeit off a small base. Europe and Eastern Russia are ramping up backhauling logs and lumber by rail to China and expect to increase this five-fold in the coming years as the infrastructure from China's Belt and Road initiative is established. Brazil exported 390,000 bone-dry metric tonnes of hardwood wood chips to China in 2017, even with a three month round trip voyage. On top of that, China is steadily shifting from importing logs and woodchips to importing lumber and pulp. The message is that complacency in this positive market is not a good strategy.

The job now is to increase resilience and become as competitive as possible before the next downturn. In Australia, particularly, a forestry sector that was over-leveraged and largely supported by poorly designed retail funding was crippled by the financial crisis, and needed to be substantially recapitalised with international investment over the past six or seven years. This investment has been largely un-leveraged and focused equally on increasing asset value as well as cash yield, which has been important to rebuilding the forestry sector.

Now much of the backlog of reforestation, thinning, and infrastructure upgrade has been completed, the forestry contractor base is also systematically upgrading equipment and expanding, and new skilled workers are being attracted to the industry.

But this is not enough. The plantation forestry sectors of New Zealand and Australia should be world leaders in competitiveness.

Timberlink Turns 5!

Earlier in the year Timberlink turned 5! We would like to thank all of our customers, partners and suppliers for their support and goodwill over that time. We also thanked our dedicated, talented and hardworking staff, who make Timberlink what it is today.

CEO Ian Tyson was in Bell Bay for the event, and our staff were treated to some lunch and a dessert. Separate events were held at each site to celebrate the milestone.



Some of the Timberlink Lead Team celebrating in Bell Bay. (From left to right: John Summers, Christine Briggs, Mike Bitzer, Trevor Innes, Stewart Green).

At Timberlink we are proud of our story so far and whilst there is much to do, it was nice to reflect on our achievements to date.



Our Blenheim employees enjoyed ice-cream as part of the celebrations.

Our story so far

FY2013 Timberlink is launched.

FY2014 Tarpeena mill is renovated as part of \$20.5 million investment plan.

FY2015 Bell Bay becomes the first mill in the world to produce Low Odour, LOSP, Timberlink Green.
Timberlink becomes the first Australian sawmilling business to purchase a New Zealand operation.

FY2016 Timberlink participates in industry initiatives.
Expanded presence in NSW.
Timberlink releases first Sustainability Report.

FY2017 Australian mills become the first saw mills to achieve dual sustainability certification.
Record production levels achieved.

New Zealand Earthquake Response Update

At 2 minutes past midnight on November 14 of 2016 a devastating 7.8-magnitude earthquake hit the tourist town of Kaikōura, in the north-eastern area of New Zealand's South Island. Described as the most complex earthquake in history, it caused 2 deaths and almost a billion dollars of damage.

All major roads and the railway lines going in and out of the area were damaged and closed. Close to a million cubic metres of rock and material fell onto the roads and rail surrounding Kaikōura, isolating many communities. This included the damage done to the Main North Line Railway and SH1 between Picton and Christchurch, affecting transportation for businesses, families and tourists alike. Many of whom had been affected by the devastating Christchurch earthquake of 2011.

The impact on Timberlink as a business was profound. Cut off from the major arterial from Blenheim to Christchurch we were forced to freight trucks down an alternate route. Some of our major customers are in Christchurch and Dunedin and the journey to Christchurch now became an overnight one for the drivers, adding significant costs.

Timberlink made a commitment to continue to service our customers during this difficult period. Seeing the devastation to the area Timberlink also made a donation to the Marlborough council district fund to help families through the crisis. Set up by Marlborough Mayor John Legget it is fantastic to see the impact the fund has made on the local area.

We would like to take this opportunity to thank our local NZ customers too for their patience and understanding during this time of business disruption.

In May of this year the SH1 arterial between Picton and Christchurch will reopen 24/7 for the first time since the quake. The Main North Railway Line opened for cargo at night only in September 2017 with passenger trains set to resume later in the year. This is a fantastic result for the local community, its families and businesses. Timberlink is proud to be a part of the Marlborough community and will continue to work with closely with it through the rebuild and into the future.



New Mount Gambier Innovation Hub Announced

Investment in the new Hub in Mount Gambier, at the National Institute for Forest Products Innovation has been announced. The Hub is launched with \$4 million funding supported by the South Australian and Australian Federal government.

“The research and development opportunities in this plantation region are enormous and it’s important we maximise efficiency of our forest industries and timber resource usage going forward. This Hub will play a key role into the future.” AFPA CEO, Mr Ross Hampton

A regional committee which will advise and guide the Hub in its activities going forward has been appointed by the South Australian and Australian Federal government.

We are pleased to advise that Timberlink’s GM of Emerging Business and Innovation David Oliver has been formally appointed to this committee. Timberlink looks forward to the future success of the Innovation Hub.

TIMBERLINK. MADE OF TASMANIA.

Timberlink has launched its “Made of Tasmania” advertising campaign to emphasise Timberlink Australia’s link to the Tasmanian community, economy and environment.

The print, radio, outdoor media and online advertising campaign highlights the positive role that Timberlink’s sustainably produced timber has in the Tasmanian community. The advert shows all of the Tasmanians employed in the production of Timberlink timber, from the forest, to the mill, through to the retailers’ shelves, as well end users and the community groups that Timberlink supports.

Timberlink Australia now employs more than 200 Tasmanians and has a 150 million dollar direct and indirect impact on the Tasmanian economy per annum.

Timberlink’s CEO, Ian Tyson, said the campaign reflects Timberlink’s leadership in the industry, impact on the local community and the continued growth of the company. “The campaign is a great way to show our customers, their customers and all Tasmanians, how Timberlink positively impacts upon Tasmania” Ian said. “Timberlink has a great story to tell. We are the only large scale, forestry-integrated plantation softwood sawmilling business operating in Tasmania”.

Timberlink is proud to be an environmentally sustainable company, manufacturing renewable plantation pine timber. Timberlink is an integral part of its local community, using Tasmanian businesses and personnel wherever possible, as well having a strong involvement in community groups, schools and sporting clubs.

“Perhaps most importantly the business is a proud economically sustainable Tasmanian manufacturer” said Ian. “We are here for the long term and we want to convey this to Tasmanians.”

Using the tagline, “Timberlink. Made of Tasmania”, the campaign includes the launch of a new madeoftasmania.com.au website. The site will feature extended videos on key sections of the business, including an in depth look at Timberlink’s use of carbon positive, sustainable, pine plantations.

Timberlink ran a launch event with our Tasmanian staff in Bell Bay and another event with all of our stakeholders prior to the launch of the campaign, CEO Ian Tyson spoke at both.



Timberlink is the leading producer of plantation timber in Tasmania, and we’ve been growing and making quality pine timber here for years. Timber that’s sustainably grown in certified Tasmanian plantations. Timber that supports our communities by giving hundreds of jobs to fellow Tasmanians, and timber that, together with you, helps make Tasmania better. Because, like you, we’re made of Tasmania.

TIMBERLINK. MADE OF TASMANIA.
madeoftasmania.com.au

TIMBER LINK
AUSTRALIA



Timberlink CEO Ian Tyson talking to stakeholders at our external launch event.



Timberlink is an integral part of its local community, using Tasmanian businesses and personnel wherever possible, as well having a strong involvement in community groups, schools and sporting clubs.

For more information about the Made of Tasmania campaign, go to madeoftasmania.com.au



Timberlink's star employees from our ad with CEO Ian Tyson. From left to right: Shaun Roberts, Ian Tyson, Erin Crane and Corrie Shipton.

Tradeshows Wrap

Timberlink unveiled our exciting new tradeshow stand earlier this year.

The IHG 2018 National Expo took place in Adelaide in February, and the 2018 Bowens Building & Innovation Expo took place at the Caulfield Racecourse in Melbourne in March.

The IHG Expo had the theme of “best store in town” and Timberlink Australia’s National Sales Manager Julia Hall and her team of State Sales Managers attended and hosted the IHG member store owners and managers at our exciting new trade show stand.

The stand displayed our core values of sustainability and community whilst giving a summary of our story so far. Timberlink also promoted its core products, its industry leading Timberlink Green, and its Termite resistant Timberlink Blue framing.

Timberlink recognized that the past year has been a challenging and ultimately exciting year in the hardware, building and home improvement sectors, and specifically in the timber industry. Our Sales Managers relayed to customers that the business remains committed to being a long term, stable and reliable business partner. We continue to significantly invest in our business and our commitment to you as a Timberlink customer is that we will keep our promises.

The team made plenty of new connections, caught up with some old friends, and of course answered questions on timber supply. Both shows were run fantastically by the respective IHG and Bowens teams.

Timberlink ran a draw for tradies at the Bowens tradeshow and the winner of the major prize was Will Ireland of 2IC construction. He won a Timberlink tradies pack worth over \$250 that included a Timberlink camper buddy, Bluetooth speaker and portable USB charger.

The new Timberlink stand displayed our core values of Sustainability and Community, whilst giving a summary of our story so far. We also promoted our core products, industry leading Timberlink Green, and our Termite resistant Timberlink Blue Framing.



Timberlink's Adam Watson (left) with competition winner Brody Bennett from Phillip Island (right).



The new Timberlink tradeshow stand.



Timberlink's Alan Holter (right) with competition winner Will Ireland from 2IC Construction (centre), and Joel Gordon from Bowens (left).

Timberlink to Align CoR and WHS Laws

Timberlink takes its Chain of Responsibility (CoR) obligations under the National Heavy Vehicle Law very seriously.

Timberlink has three sawmills and four separate distribution centres. These are spread approximately 6,000km across the breadth of both Australia and New Zealand, so it has been vitally important that we understand our total logistics network, and what we need to do to ensure the safest outcomes on a daily basis.

Timberlink Focuses on what control and responsibility we have over areas such as:

- Load Mass
- Load Dimensions
- Load Restraint
- Speed
- Fatigue

This has meant that we have had to develop procedures and processes that deal with each of these areas, as well as providing all employees involved with training and guidance on how they were expected to go about their business, and what influence they could have within each of these areas.

Ensuring that we were taking ‘reasonable steps’ at all times to promote compliance, also saw us develop stronger relationships

with our transport providers, customers and other stakeholders across the network.

By mid-year 2018, the National Heavy Vehicle Law will be aligned with WHS law which will see significant increases in fines and penalties for any breaches, and an expansion on requirements in order to meet taking all ‘reasonable steps.’

External workshops and refresher training will be attended by our key team members in order for us to fully understand our obligations in relation to the new requirements.

We also expect to extend that collaboration and consultation approach to that of our business partners throughout the CoR across our network.

Being pro-active and staying ahead of the game is the best formula in demonstrating our commitment to zero harm at our sites and how we interact with the public and other business partners across the public road network that we operate in.

As part of our ongoing commitment to CoR and Safety Timberlink is proud to introduce our New Logistics Manager Phil Doyle to the team. Phil has a Masters in International Business and previous experience in CoR with Wilmar BioEthanol, with whom he worked for 16 years.





The Incredible Green Dream Home

Built in Melbourne, using Timberlink's FSC® Certified Timber

The environmental impact of the resources we use, both in terms of materials and energy is becoming one of the key social issues of our time. David Sutton is building a home in Toorak in Melbourne and has committed to participating in the Living Building Challenge. He is an engineer by trade and is now Chairman of RayGen Resources, a renewable energy company.



The Living Building Challenge is a green building certification program and sustainable design framework that visualizes the ideal for the built environment. To date, there has been 8 projects that have taken up the challenge in Australia.

Timberlink is proud to be associated with David, his wife Cate and the Living Building Challenge by providing our sustainably sourced timber that is FSC® certified. When asked about the reason they used Timberlink timber David replied, "It just has to be FSC".

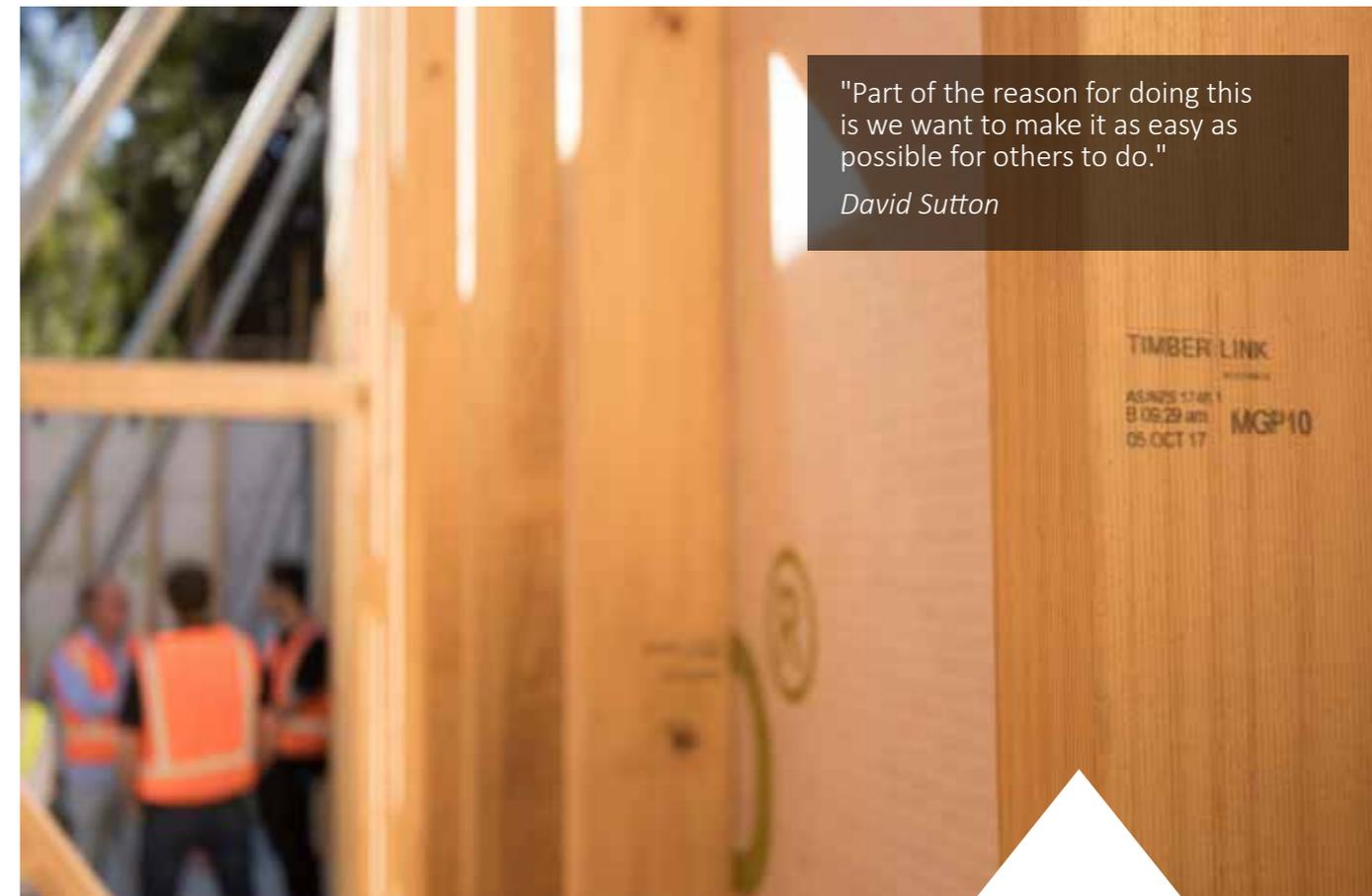
Timber merchant Kane Upton from Upton's Building Supply's met us on site and explained the process of getting FSC timber as a supplier and keeping its accreditation. The packs must be delivered unbroken, such is the rigour of the FSC's certification, Timberlink delivered this timber from our Tarpeena mill. Kane uses Timberlink timber for all environmental builds and says it is a growing field.

Timberlink is proud to be associated with the Living Building Challenge by providing our sustainably sourced timber that is FSC certified.

"10 years ago, you hardly ever heard of anyone asking about environmental certifications, it's a much bigger opportunity now and it's only growing".

The home is built with every environmental concern in mind. The house will be air tight to keep the temperature the same no matter where you are in the house, using circulation to flow between rooms. Any air that does come in will come from an underground pipe, so that it will be warmed underground in winter and cooled underground in summer before entering the home. The home will have triple glazed windows to save energy and all water will be recycled and treated on site.

The sourcing, creation and transportation of building materials places a major strain on our environment. That is why the Living



"Part of the reason for doing this is we want to make it as easy as possible for others to do."

David Sutton

Building Challenge has banned materials such as PVC, Silicon and MDF. Every piece of material has been accounted for, right down to the screws.

The home will create at least 105% of its own electricity needs as well as fitting in with its local environment architecturally. On top of this the home will produce at least 180 square meters of food each year with a chicken coup, bees nest and a garden rooftop. If all that wasn't enough David and wife Cate Sutton will also participate in community service each month.

David and Cate hope that their project doesn't end with them, David explained that, "part of the reason for doing this is we want to make it as easy as possible or easier for others to do". This is why they are releasing all of the information from the build at the end of the project, including costings and methodology. The aim of this is that others will pick up tips and do what parts they can reasonably afford to do.

We will check back in with David and Cate at the end of the build and let you know where you can find this information.

If you want more information on the Living Building Challenge go to their website living-future.org/lbc

For more information on our Dual Certifications, including FSC, check out our website: timberlinkaustralia.com.au/sustainability



Housing Market Analysis- Australia

Housing Commencements to Ease as Supply Increases.

General national economic conditions are positive and stable, with a healthy rate of employment growth in all States and expectations of a lower unemployment rate, currently at 5.5% nationally, as non-mining sector and public infrastructure investment increases. However, real wage growth has been slow and with the high level of household debt, consumption growth is at risk, therefore the Reserve Bank has continued to hold interest rates at the current low level over recent months and consequently the average variable home loan rate remained at 5.20 %.

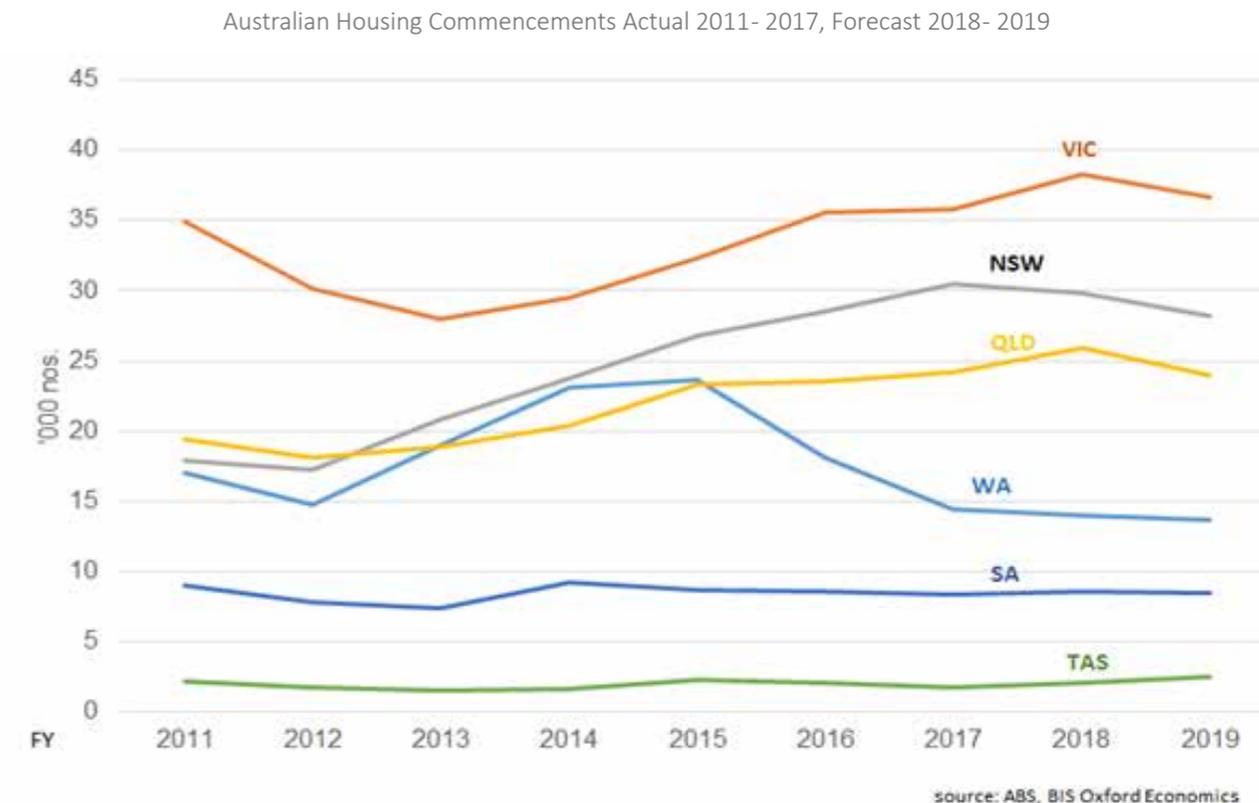
House commencements are the single largest driver of softwood timber sales and commencements are forecast to reach almost 119,000 in the year ended Jun-18, representing a 3.4% increase above the previous year. Victoria, Queensland and South Australia are expected to experience higher house commencements in 2018, while a strengthening economy and Government initiatives are projected to drive Tasmanian house commencements higher by 18% to attain 2,100 commencements for 2018.

Victorian housing commencements are forecast to increase by 7% in 2018 as building approvals for houses over the 3 months to Jan-18 rose 9% above last year, displaying the strong underlying housing demand sustained by a strong population growth of 2.3%, a solid economy and further Government housing incentives, particularly in regional areas. House commencements in Queensland are projected to increase by over 7% with house building approvals rising by 3% over the last 3 months to Jan-18 reflecting the improvement in demand in mining exposed regions and the strong economic conditions in South East Queensland. South Australia is expected to show a 3% increase in house commencements in 2018 as building approvals were 10% above last year for the 3-month period to Jan-18, as the widening advantage in housing affordability over the eastern States is leading to higher interstate migration and demand for housing.

Meanwhile after 5 consecutive years of house commencement growth in NSW, 2018 is anticipated to see a 2% decline, although the recent 3-month period to Jan-18 has seen a lift

of 5% in building approval levels, reflecting the substantial undersupply conditions that still exist in the market. Western Australia has experienced declining housing demand since the 2015 December quarter following the drop off in mining investment, although building approvals fell by 7% in the 3 months to Jan-18 compared to last year, Perth house prices appear to have steadied and the rental vacancy rate is starting to fall. Following a 20% decrease in 2017, Western Australian house commencements are now expected to fall by 3% in 2018 and a further 3% in 2019.

Alterations and Additions (A & A) are estimated to contribute around 25% to softwood timber sales and in the year ended Jun-17 A & A expenditure in Australia totalled over \$7 billion (2015/16 prices) representing a slight decrease of 1%. House prices and house equity have historically been good indicators of A & A spending, however various factors, such as the greater number of demolitions and new builds, have led to more subdued A & A expenditure despite rising housing prices over recent years. For 2018 and 2019 A & A spend is forecast to improve by 4% and 3% respectively as stronger growth is expected in all major States.



New Zealand Market

Economic conditions in New Zealand have been favourable to residential construction with expectations for GDP growth at 3%, employment growth at 3.7% and a tight labour market resulting in falling unemployment rate of only 4.4% during 2018 according to the New Zealand Reserve Bank(RBNZ). With low inflation at 1.1% the RBNZ once again has held interest rates at a low level in February, flowing onto low mortgage rates of around 5.9 % since Aug-17.

Total New Zealand dwelling consents for the quarter ending Jan-18 were 5.5% higher than the same period last year, driven by 11% higher North Island consents. Over the year ending Jan-18 total New Zealand consents grew by 4%, as strong housing demand on the North Island increased dwelling consents by 8%, while South Island consents fell by 4% over the same period.

Customer Questions

In each addition of the newsletter we are going to put up a question that has been asked of our sales team that we think you would want to hear the answer to. This editions question is:



Q: Is the Timber shortage happening because the industry is exporting more logs to places like China, instead of servicing the local market?

A. Timberlink has in fact increased its output by 50% in the past 5 years, mostly through capital upgrades at our mills. We cannot speak for our competitors but our mills are at maximum capacity and we look to service our domestic market first due to product mix best returns.

According to Forestry Connect it is true that the number of logs exported has increased in recent times due to an increase in demand, however a third of this has been pulp logs, used for chip. During the life cycle of plantation pine the weaker and smaller trees are removed or "thinned" to give the stronger trees more room and sunlight to grow.

Of the remainder some has been graded as not up to Australian standards for manufacturing and some has simply been sent overseas for economic reasons.

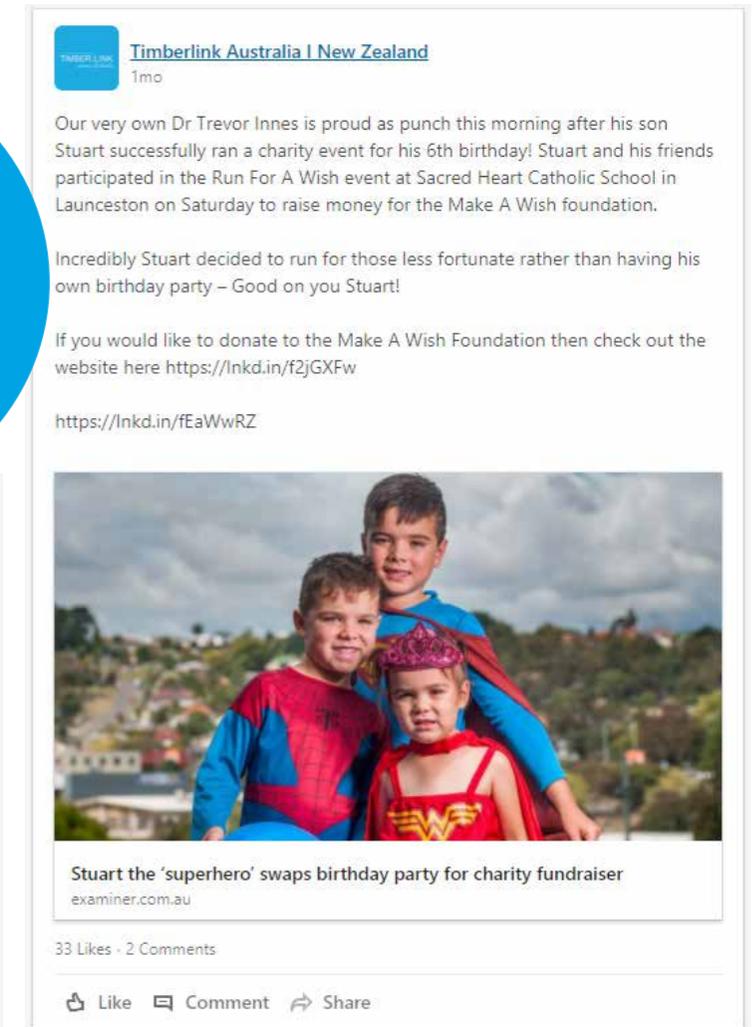
Timberlink's business model of integration back to the forest owners and growers and long term approach to doing business ensures that Timberlink maintains the necessary supply of timber at all times.

For a more detailed explanation of the timber shortage, see our press release on the issue <http://www.timberlinkaustralia.com.au/media-releases>

The Socials- Most Popular Posts

Each edition we will share your favourite social media posts.

This issue we have a great story from one of our own, and a nice surprise for an industry stalwart. Check them out and much more on our LinkedIn page.



Keep up to date with us via LinkedIn at: au.linkedin.com/company/timberlink-australia-i-new-zealand

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