Agri Investor

Forestry

July 2026 • www.agriinvestor.com

PEI

KEYNOTE INTERVIEW

Adding value from ecosystem restoration

A successful timberland investment strategy is a combination of capitalizing on traditional timberland assets and harnessing the additional value generated from ecological restoration, says Nuveen Natural Capital's Christopher Lipton

When *Agri Investor* sat down with Nuveen Natural Capital's head of timberland investments, Christopher Lipton, he highlighted that investors will note that their interest in the asset class can range from traditional characteristics such as strong market fundamentals, attractive returns and steady cash yields, the opportunity for portfolio diversification and a hedge against inflation. Investors also mention quantifiable climate benefits with adding value and income through ecological restoration.

SPONSOR

NUVEEN NATURAL CAPITAL

Q What is your approach to timberland investing?

Our strategy for investing in timberland is a combination of two approaches. First, about 70 percent of our portfolio targets traditional timberland assets where we grow and harvest trees for sale into solid wood product markets globally. The remaining 30 percent is invested in ecological restoration, which could include conservation easements and carbon credits, but for us, largely refers to mitigation banking projects in the US. These two approaches are complementary: traditional timberland investing provides the land and biological assets that support ecological restoration.

Geographically, the US is an attractive investible market for timberland as is Latin America, where we have invested in assets in Uruguay. We like the market in Uruguay because it is largely USD denominated.

A very small piece of our portfolio is in Europe, where the demand for wood from housing is rising and we are seeing more transactions take place. It can be challenging to find scale in Europe, though we do consistently look at deals there.

Australia and New Zealand can be

> *"[Investors] seek stability, diversification and consistency, along with proper risk-adjusted returns"*

What are the long-term risks of investing in timberland? And how do you mitigate them?

Timberland is a long-dated asset class. The illiquidity means it is sensitive to solid wood market downturns, which can create some volatility. And there are physical risks, including more recently the impact of strong hurricane seasons in the US. Extreme hurricanes can shrink the operating window, which impacts our ability to create cashflows from those biological assets.

To mitigate these risks, we diversify across geographies, avoiding areas where physical risks are prevalent, and diversify species to limit exposure to any single solid wood market. For instance, in Uruguay, our assets grow eucalyptus, which is used for pulp that you find in everyday items such as paper, packaging, tissue and sanitary products. In North America, our conifer forests provide timber for the housing market.

We also diversify our cashflows through ecological restoration, which is uncorrelated with solid wood markets.

So, diversification is key to portfolio construction.

attractive timberland markets with historically stable currencies, but the pipeline for deals is smaller there.

How are timberland deals sourced in that space?

Every deal is different; good-quality assets are always critical. That means scale, strong biological growth, deep end-user markets for wood-based products and low physical risk – for instance, pests and extreme weather – as well as the potential to add value through ecological restoration.

Our pipeline includes assets from public auctions, typically in the US, but we are seeing more bilateral opportunities sourced through our local teams on the ground, where we negotiate directly with the seller, which might be an institution or a private party.

What does an ecological restoration capability entail?

We began developing this capability about three years ago. It focuses on permanent ecological restoration through mitigation banking, a well-established US market that generates environmental credits through the restoration and permanent protection of degraded wetlands, streams and other aquatic resources.

Credits generated through these restoration activities can then be sold to developers and infrastructure projects to offset permitted environmental impacts.

Mitigation banking markets have operated for decades in the US. Wetland and stream mitigation banks are rooted in the Clean Water Act's Section 404 permitting framework and related federal and state compensatory mitigation rules. Under that framework, permitted impacts to wetlands, streams and other aquatic resources must first be avoided and minimized where practicable; remaining unavoidable impacts may then be offset through approved compensatory mitigation, including the purchase of credits from mitigation banks that restore, enhance, establish, or preserve similar resources within an approved service area.

We are interested primarily in water resources such as wetland and stream restoration, within or outside of our existing timberland investments. We might invest in land where a stream has been straightened or wetlands fail to recharge. Projects are typically in areas where land use is under pressure from housing development or infrastructure projects, including highway or other infrastructure expansion, and increasingly data center construction.

Restoration work typically takes two to three years, with the credits being generally released over time as regulators verify that the project is meeting approved performance milestones. We then sell those released credits to permittees that need to offset permitted impacts. These permittees or buyers of these credits vary, but the one common theme is they are mitigating the impact of their activities on the land.

Q How do you identify investable assets in the mitigation banking space?

It is important to position yourself in a location with the greatest opportunity for ecological benefit and the strongest mitigation banking market. Both are required to generate returns for investors.

These markets exist everywhere in the US, including the West Coast and Midwest, but are currently concentrated in the Southeast US. Investing in this space is not easy and requires expertise and on-the-ground relationships to identify and evaluate investable assets. That is a significant barrier to entry.

Mitigation banking markets have existed for decades, so we can track performance in different locations, identify trends and monitor land development and ecological restoration projects to assess what worked and did not in specific areas.

Q How do you measure environmental impact?

Credit releases are approved by the relevant regulatory agencies, typically led by the US Army Corps of Engineers for Section 404 wetland and stream mitigation banks, often with review from an interagency team and applicable state agencies.

Performance measures vary by project and credit type, but they commonly include hydrology, vegetation establishment and survival, invasive species control, stream stability and function, water quality, and other indicators of ecological lift.

There's a stringent annual monitoring process, which means it's important to establish a baseline at the start of a project and continue to measure and monitor as the project progresses. If an unforeseen event like a flood, for instance, disrupts our restoration plan, we are responsible for remediating its impact.

Q Are you pursuing mitigation banking or similar projects outside the US?

Not at this time. In the UK, there's the Biodiversity Net Gain planning requirement, which seeks to ensure wildlife habitats are improved post-development and has resulted in the creation of biodiversity credits. In Australia, which is also a sizeable timberland market, there is discussion about biodiversity credits. So, there is some momentum. But the US mitigation banking market, where we are focused, is well established and quite distinct.

Q What new opportunities are emerging in timberland investing?

Over the past four or five years, there has been a lot of discussion about nature-based and climate-related opportunities in timberland.

> *"It is important to position yourself in a location with the greatest opportunity for active management which includes ecological benefits"*

Currently, investors are trying to understand how to structure strategies around these opportunities, and whether to focus solely on those areas or whether as investors you need to combine them with traditional timberland. We are evaluating these opportunities too. And we're looking at how our approach to ecological restoration can be applied across our natural capital platform, including farmland.

Q What are investors seeking to achieve by allocating capital to timberland?

Timberland provides investors with an important diversification tool as it acts as an inflation hedge, cashflows tend to be resilient to economic cycles, and it provides annual income.

In Europe, in particular, our investors are also interested in climate benefits, including carbon sequestration and storage as part of their investment in timberland. ■

Risks and other important considerations
This material, along with any views and opinions expressed within, are presented for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on numerous factors, such as changing market, economic, political, or other conditions, legal and regulatory developments, additional risks and uncertainties and may not come to pass. There is no promise, representation, or warranty (express or implied) as to the past, future, or current accuracy, reliability or completeness of, nor liability for, decisions based on such information, and it should not be relied on as such. This material should not be regarded by the recipients as a substitute for the exercise of their own judgment. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or investment strategy and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with their financial advisors. Financial professionals should independently evaluate the risks associated with products or services and exercise independent judgment with respect to their clients.

This material may contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections, forecasts, estimates of yields and/or market returns and proposed or expected portfolio composition. Moreover, certain historical performance information of other investment vehicles or composite accounts managed by Nuveen may be included in this material and such performance information is presented by way of example only. No representation is made that the performance presented will be achieved, or that every assumption made in achieving, calculating or presenting either the forward-looking information or the historical performance information herein has been considered or stated in preparing this material. Economic and market forecasts are subject to uncertainty and may change based on varying market conditions, political and economic developments. Any changes to assumptions that may have been made in preparing this material could have a material impact on any of the data and/or information presented herein by way of example.

Important information on risk
Past performance is no guarantee of future results. All investments carry a certain degree of risk, including the possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Certain products and services may not be available to all entities or persons. There is no guarantee that investment objectives will be achieved.

Investors should be aware that alternative investments are speculative, subject to substantial risks including the risks associated with limited liquidity, the potential use of leverage, potential short sales, currency exchange rates, and concentrated investments and may involve complex tax structures and investment strategies. Alternative investments may be illiquid, there may be no liquid secondary market or ready purchasers for such securities, they may not be required to provide periodic pricing or valuation information to investors, there may be delays in distributing tax information to investors, they are not subject to the same regulatory requirements as other types of pooled investment vehicles, and they may be subject to high fees and expenses, which will reduce profits. As an asset class, agricultural investments are less developed, more illiquid, and less transparent compared to traditional asset classes. Agricultural investments will be subject to risks generally associated with the ownership of real estate–related assets, including changes in economic conditions, environmental risks, the cost of and ability to obtain insurance, and risks related to leasing of properties.

Timberland investments are illiquid and their value is dependent on many conditions beyond the control of portfolio managers. Estimates of timber yields associated with timber properties may be inaccurate, and unique varieties of plant materials are integral to the success of timber operations; such material may not always be available in sufficient quantity or quality. Governmental laws, rules and regulations may impact the ability of the timber investments to develop plantations in a profitable manner. Investments will be subject to risks generally associated with the ownership of real estate–related assets and foreign investing, including changes in economic conditions, currency values, environmental risks, the cost of and ability to obtain insurance and risks related to leasing of properties.

This material does not constitute a solicitation of an offer to buy, or an offer to sell securities in any jurisdiction in which such solicitation is unlawful or to any person to whom it is unlawful to make such an offer. Moreover, it neither constitutes an offer to enter into an investment agreement with the recipient of this document nor an invitation to respond to it by making an offer to enter into an investment agreement.

Diversification does not assure a profit or protect against loss.

This information does not constitute investment research, as defined under MiFID.

Nuveen, LLC. provides investment solutions through its investment specialists.

5794246