

# Real estate-funded forest investment fund

**Through timber construction, there is a future in which forests can support cities and, in return, cities can support forests.** As the global population increases, particularly in cities, the construction sector is expected to exponentially grow in order to accommodate the demand for housing and other infrastructure. Current construction techniques are a significant contributor to the global climate crisis and urgently need to be transformed. By substituting the carbon-intensive materials commonly used in construction with forest economy biomaterials, such as wood and bamboo which sequester carbon, we can create buildings with reduced carbon emissions. However, this timber construction industry is still in its nascency and there is a need to address its market gaps and leverage opportunities to accelerate its development and increase its uptake.

**These interventions for the mass timber construction industry can be segmented into seven main categories of solutions that affect the value chain and enablers of the ecosystem.** Through various internal and external discussions, Climate Smart Forest Economy Program (CSFEP) has categorized potential solutions as relating to i) Finance and insurance; ii) Product and process certifications; iii) Communication and awareness building; iv) Timber knowledge ecosystem; v) Forest management and timber policies; vi) Value chain linkages; and vii) Timber-based real estate. The proposed solutions can be executed as for-profit, philanthropic, or blended ventures, with the services developed as individual offerings or paired with complementary services in a single offering. Additionally, while some solutions may be set up as a free-standing entity, other solutions may be similar to services provided by existing actors in or adjacent to the CSFE sector. In the case of the latter, it may make sense to approach these existing providers as potential partners to find a suitable and effective home for needed services.

## TIMBER-BASED REAL ESTATE

**There is an opportunity to improve the networking between the climate-smart forest economy (CSFE) actors that provide mass timber and the ecosystem players that generate the demand and provide funding for mass timber structures.** Forestry and manufacturing CSFE actors often struggle to access funding for their operations and expansion. They also have limited connections with upstream actors and potential customers in the construction sector. On this demand side, traditional real estate actors have limited opportunities to engage with the forest economy and visibility of forest economy activities. These real estate entities find it challenging to navigate sustainable supply chains in the mass timber construction industry.

**Developing a fund to invest in forest economy and timber-based real estate projects, drawing on traditional real estate financiers, would streamline the activities between these actors.** This real estate-funded forest investment fund would aim to:

- Have a significant and sustainable source of venture capital and private equity financing from real-estate actors to support the development and growth of climate-smart forestry producers and processors
- Provide a way for traditional real estate actors to support the development of the forest-to-frame value chain, while also improving their green/sustainability initiatives
- Develop stronger connections between forestry producers/processors and upstream real estate consumers

**This fund arises from an opportunity to make it easier for investors to become involved in timber-based real estate.** A fund provides a degree of separation between interested parties and the projects that need to be managed, such that they do not need their own fund manager and can seed into the industry with other actors to decrease risk. An added incentive is that these investors would still be able to claim relevant positive branding from their investment, such as environmental friendliness, the carbon benefit from the 3S Framework<sup>1</sup>, and rural and sustainable economic development.

**In order to support sustainable forestry businesses supplying timber for mass timber construction, the fund would have the following functions:**

- Fundraise from traditional real estate actors to provide a sustainable source of income into the fund
- Provide carbon benefits to investors to offset their emissions and help achieve net-zero
- Invest in the operation and expansion of forest economy organizations
- Pre-buy or guarantee available stocks to meet future timber needs
- Invest in the development and construction of timber-based real estate projects
- Develop connections between fund LPs and portfolio companies to strengthen the match-up of supply and demand

If you would like to know more about mass timber forest investment funds, you can reach out to [ASN Biodiversity Fund](#).

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