

Wells Timberland REIT began fundraising in 2006 and acquires timber-related assets. Fundraising for the REIT commenced in May 2007. As of the end of the third quarter, the REIT had \$345.3 million in assets in one property totaling 300,200 acres. The REIT is in the Stabilizing LifeStage of Effective REITs that is marked by the formation of a distinct personality for the REIT in asset allocation and diversification. The investment style for this REIT is considered to be “Value Add,” which is typically defined as a REIT that achieves a balanced total return generated by income and asset appreciation with some volatility in asset values.

Key Highlights

- Wells Timberland generates revenue through selling access rights to harvest timber, open market sales of timber, sales of land for higher-and-better uses, and leasing land rights to third parties.
- In a unique approach, the REIT has offered up to 53.8 million shares through two German closed-end funds and Deutsche Fonds Holding AG.

Capital Stack Review

- \$286.7 million raised since inception with \$14.7 million raised this past quarter.
- Debt – 38.5%; the REIT has a median usage of debt for REITs at this LifeStage, and its debt ratio has been steadily declining. 49% of the financing is allocated to variable-rate debt.
- Debt Maturity – 100% of its debt matures in 2015.
- Loan Activity – In June, the REIT entered into a \$15 million secured credit facility to improve liquidity.
- Cash on Hand – Is very low at 2.0%, especially for a REIT at this LifeStage.

Metrics

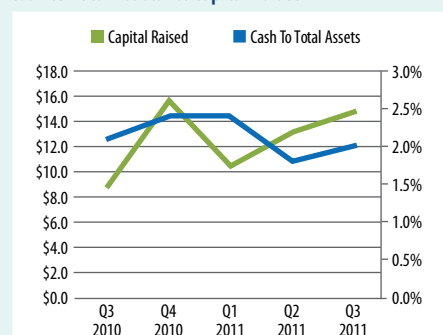
- Distribution – Cash distributions have been precluded under the current loan agreement until the LTV fell beneath 40%. The REIT has declared a stock dividend for the fourth quarter of approximately 0.005 shares per outstanding share.
- Distribution Source – To be paid in shares.

- MFFO Payout Ratio – Not applicable.
- Fee Waivers and Deferrals – Per the loan agreement, accrued fees and expenses can't be paid to the Advisor until the loan balance is reduced to 30% LTV. Total accrued fees are \$27.3 million.
- Interest Coverage Ratio – 1.2x, below median for REITs at this LifeStage.
- Impairments – None reported.

Real Estate

- Acquisitions – In the third quarter, 620 acres of timberland located in GA and AL were acquired for \$402,000 or \$648 per acre.
- Occupancy – Not applicable.
- Lease Expirations – Not applicable.
- Revenue – Declined on a year-over-year basis due to planned reductions in harvest volumes combined with decreases in pricing for pulpwood and sawtimber, which was not offset by an increase in pricing in chip-n-saw.
- Dispositions – 552 acres of timberland were sold in 2011 compared with 868 acres in 2010.
- Diversification – The entire timber ownership is located in East Central Alabama and West Central Georgia.

Cash to Total Assets vs. Capital Raised



Debt Ratio to Interest Coverage Ratio

